



ZOO Digital Group plc Interim Results October 2013

Stuart Green, CEO
Helen Gilder, Group Finance Director

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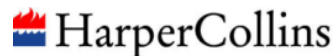




Software-powered services for creative organizations



warner | music | group



Operational Highlights

- Return to adjusted EBITDA profitability after loss in H2 last year
- Cost base realignment complete with a reduction of over \$1 million of operating expenses
- ZOOsubs engaged with 3 major studios and generating increasing work volumes
- Tier 2 TV and film studios showing strong interest in ZOOsubs following initial marketing
- Increased adoption of ZOOcore



Key Financials

- Revenues of \$4.7m (2012H1: \$6.2m, 2012H2: \$4.2m)
- Adjusted EBITDA of \$0.3m (2012H1: \$0.9m, 2012H2: loss of \$0.3m)*
- Cash balance \$0.3m (2012H1: \$0.3m)



* Adjusted EBITDA is stated before share based payments.

Extension to Convertible Loan Stock

- Holders of convertible loan stock of £1.8m agreed to extend term to 31 October 2017
- All other terms of the loan stock remain unchanged
 - Interest accrued at 7.5%
 - Conversion price of 48 pence
- Stuart Green, CEO, and Roger Jeynes, Chairman, have agreed to purchase loan stock with face value of £466,500 from other holders



Market Context

- Workflow systems for creative production
- Multiple market segments:
 - Filmed entertainment
 - Broadcast
 - Publishing
 - Marketing

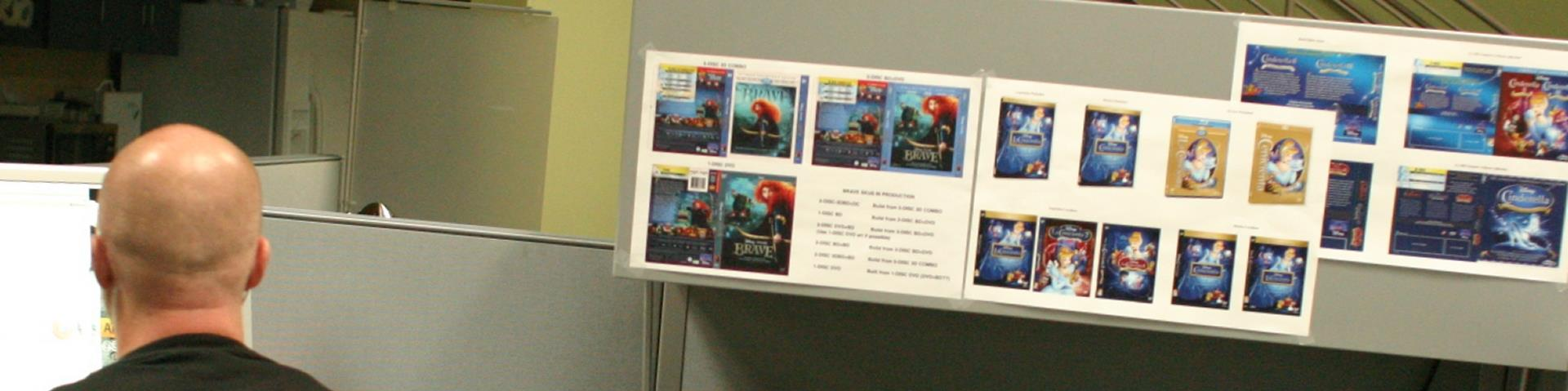




Business Profile

- Software-as-a-Service
- Growth in recurring revenue
- Enterprise clients – software & production services
- New product and service expansion



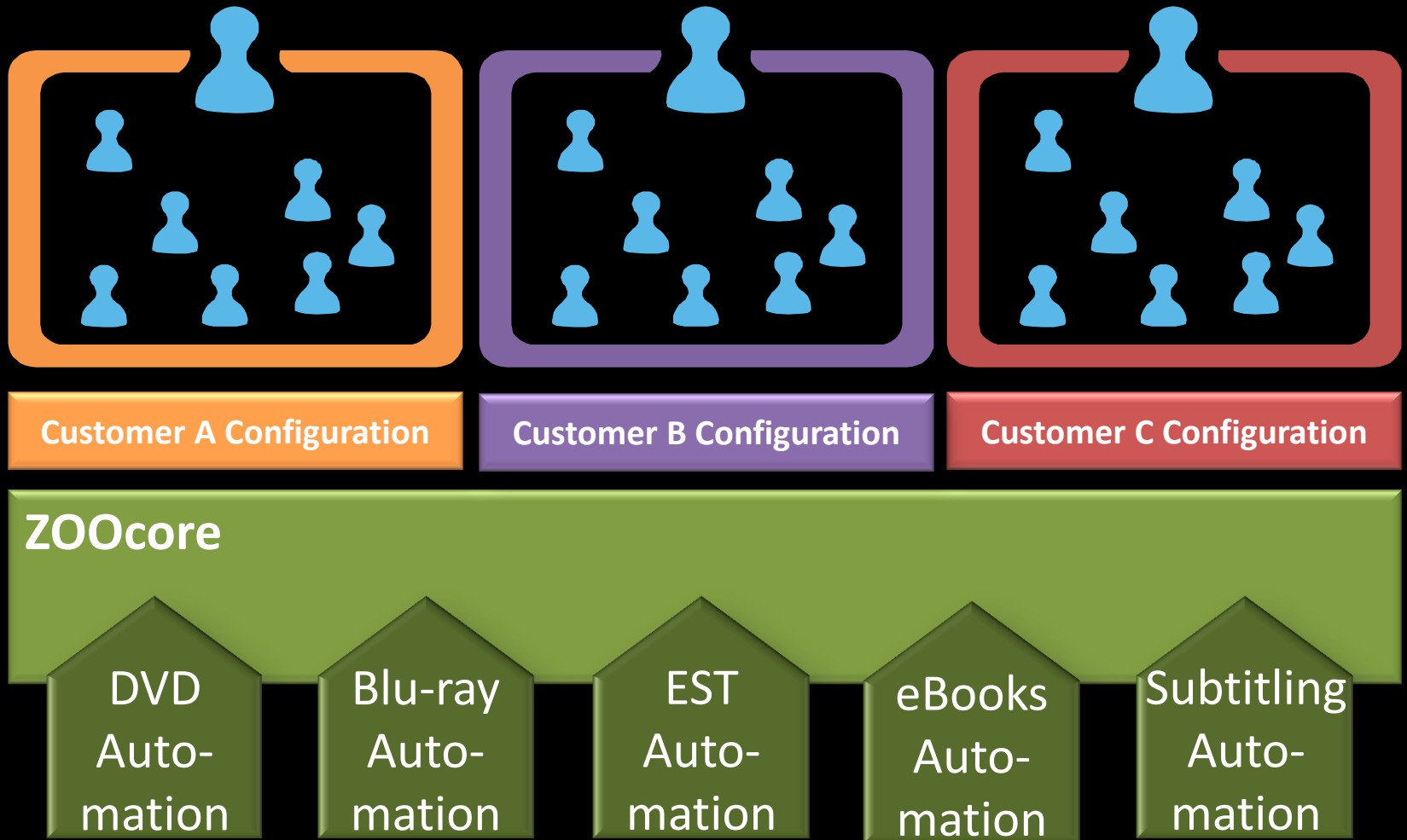


Workflow Management

- New generation workflow management platform – ZOOcore
- Configurable for bespoke deployments
- Business won across multiple segments:
 - Three major Hollywood studios
 - Marketing agencies
 - FMCG companies
 - Book publishers



ZOOcore



Subtitling

- To license film and TV content internationally it must be *localised* by
 - Dubbing, or
 - Subtitling
- Cost of dubbing is around 10x cost of subtitling
- Around 72% of feature films are subtitled[†]





Subtitling

- The European market for subtitling/dubbing is estimated to be around EUR 0.5B annually[†]
- ZOOsubs is a new Cloud-based subtitling platform
- Strong and clear competitive differentiation
- Secured subtitling business with three major Hollywood studios, several second tier studios and corporate clients



[†] The size of the language industry in the EU, European Commission Directorate-General for Translation, 2009



Publishing

- Providing systems and services to leading international publishers
- Workflow management assists production
- Automation software for conversion of eBooks for iPad, Kindle, Nook
- Interactive eBook production





Outlook

- ZOOsubs subtitling service provides potential for significant growth
- ZOOcore workflow platform enables broad embedding within corporate client operations
- Diversifying revenue streams and customer base





Investment Summary

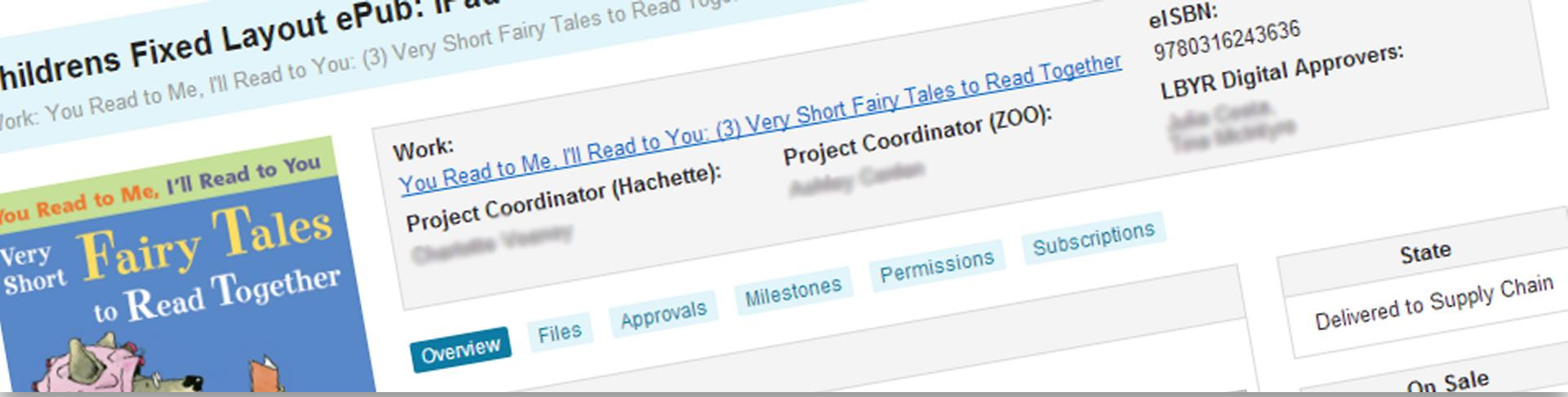
- *Excellent customer relationships* – significant growth potential
- *Clearly differentiated proposition* – based on innovative software
- *Addressing customer needs*– improve efficiencies
- *High barriers to entry* – sophisticated patent-protected software
- *Highly scalable* – add customers without adding to cost base





Thank you

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Appendix

Consolidated Statement of Comprehensive Income (unaudited)

	6 months to 30 Sep 2013 \$000	6 months to 30 Sep 2012 \$000	Year ended 31 Mar 2013 \$000
Revenue	4,717	6,211	10,363
Cost of sales	(517)	(381)	(745)
Gross Profit	4,200	5,830	9,618
Other operating income	34	114	293
Operating expenses	(3,944)	(5,014)	(9,278)
Profit before interest, tax, depreciation and amortisation	290	930	633
Depreciation	(141)	(121)	(260)
Amortisation and impairment	(602)	(610)	(1,425)
Total operating expenses	(4,687)	(5,745)	(10,963)
Operating (loss)/profit	(453)	199	(1,052)
Exchange (loss)/gain on borrowings	(186)	(28)	142
Finance cost	(135)	(141)	(286)
Total finance cost	(321)	(169)	(144)
(Loss)/profit before taxation	(774)	30	(1,196)
Tax on (loss)/profit	(2)	(1)	106
(Loss)/profit and total comprehensive income for the period attributable to equity holders of the parent	(776)	29	(1,090)
(Loss)/profit per ordinary share			
- basic	(2.38) cents	0.09 cents	(3.34) cents
-diluted	(2.38) cents	0.07 cents	(3.34) cents

Consolidated Statement of Financial Position (unaudited)

	As at 30 Sep 2013 \$000	As at 30 Sep 2012 \$000	As at 31 Mar 2013 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	399	446	419
Intangible assets	8,997	9,625	9,260
Deferred income tax assets	486	486	486
	9,882	10,557	10,165
Current assets			
Trade and other receivables	1,762	3,340	2,103
Cash and cash equivalents	307	277	960
	2,069	3,617	3,063
Total assets	11,951	14,174	13,228
LIABILITIES			
Current liabilities			
Trade and other payables	(1,992)	(2,672)	(3,014)
Borrowings	(3,340)	(231)	(2,864)
	(5,332)	(2,903)	(5,878)
Non-current liabilities			
Borrowings	(145)	(2,943)	(115)
Total liabilities	(5,477)	(5,846)	(5,993)
Net assets	6,474	8,328	7,235
EQUITY			
Equity attributable to equity holders of the parent			
Called up share capital	7,236	7,236	7,236
Share premium reserve	37,014	37,014	37,014
Other reserves	12,293	12,293	12,293
Share option reserve	291	262	276
Warrant reserve	523	508	523
Convertible loan note reserve	42	42	42
Foreign exchange translation reserve	(992)	(992)	(992)
Accumulated losses	(49,914)	(48,024)	(49,138)
	6,493	8,339	7,254
Interest in own shares	(19)	(11)	(19)
Attributable to equity holders	6,474	8,328	7,235

Consolidated Statement of Cash Flows (unaudited)

	6 months to 30 Sep 2013 \$000	6 months to 30 Sep 2012 \$000	Year ended 31 Mar 2013 \$000
Cash flows from operating activities			
Operating (loss)/profit for the period	(453)	199	(1,052)
Depreciation	141	121	260
Amortisation and impairment	602	610	1,425
Share based payments	15	82	116
Purchase of own shares	-	-	(13)
Disposal of own shares	-	70	75
Disposal and de-recognition of intangible assets	-	-	15
Disposal of property, plant and equipment	-	-	3
Exchange loss	12	20	-
Changes in working capital:			
Decreases/(increases) in trade and other receivables	341	(975)	262
(Decreases)/increases in trade and other payables	(1,022)	(50)	292
Cash flow from operations	(364)	77	1,383
Tax (paid)/received	(2)	(1)	106
Net cash flow from operating activities	(366)	76	1,489
Investing Activities			
Purchase of intangible assets	(321)	(730)	(1,213)
Purchase of property, plant and equipment	(22)	(29)	(252)
Net cash flow from investing activities	(343)	(759)	(1,465)
Cash flows from financing activities			
Repayment of borrowings	(118)	(121)	(336)
Proceeds from borrowings	310	-	304
Finance cost	(124)	(133)	(266)
Net cash flow from financing	68	(254)	(298)
Net decrease in cash and cash equivalents	(641)	(937)	(274)
Cash and cash equivalents at the beginning of the period	960	1,234	1,234
Exchange loss on cash and cash equivalents	(12)	(20)	-
Cash and cash equivalents at the end of the period	307	277	960

The Board



Roger Jeynes, *Chairman* – Roger has over 20 years experience in the technology sector, encompassing senior sales, marketing and general management roles in the UK, Italy and the USA with IBM, Pyramid Technology Inc., and EMC Corporation. His most recent executive position was Chief Operating Officer at AIM-listed technology merchant bank Interregnum Plc.



Dr. Stuart Green, *CEO* – Previously CTO of ZOO Digital Group, CEO of Kazoo3D plc, Technical Director of LightWork Design Limited. Stuart has over 20 years experience in team building and executive management in the software industry. He has more than 20 patents granted in the fields of image processing and digital media production.



Helen Gilder, *Group Finance Director* – Joined ZOO as Group Financial Controller in 2000 and became Group Finance Director in 2006. Previously Helen was Finance Director within a highly acquisitive listed technical group of companies. Qualified ACA in 1991.



Gordon Doran, *Commercial Director* – Held senior positions in sales and marketing roles for a variety of UK and US companies in the software industry since the early 1990s. Most recently COO for Mediostream Inc. – a consumer DVD software developer; joined ZOO in 2005 to establish a North American division where he now operates in the role of President.



James Livingston, *Non Executive Director* – Investment Director at Foresight Group, a leading UK asset manager. Current serves as NED at six other UK SME companies in tech and healthcare. Prior to Foresight James was a strategy consultant at Deloitte.



Major Shareholders

Shareholder	% of capital
Foresight Group	20.1%
Herald Investment Trust	19.4%
Stuart Green (CEO)	14.9%
JM Finn & Co	6.6%
Multi Packaging Solutions	6.6%
South Yorkshire Investment Fund	5.6%
Investec Wealth & Investment Limited	4.0%
Others	22.8%