



# **ZOO Digital Group plc Interim Results November 2016**

**Stuart Green, CEO**  
**Helen Gilder, Group Finance Director**

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# Key Financials

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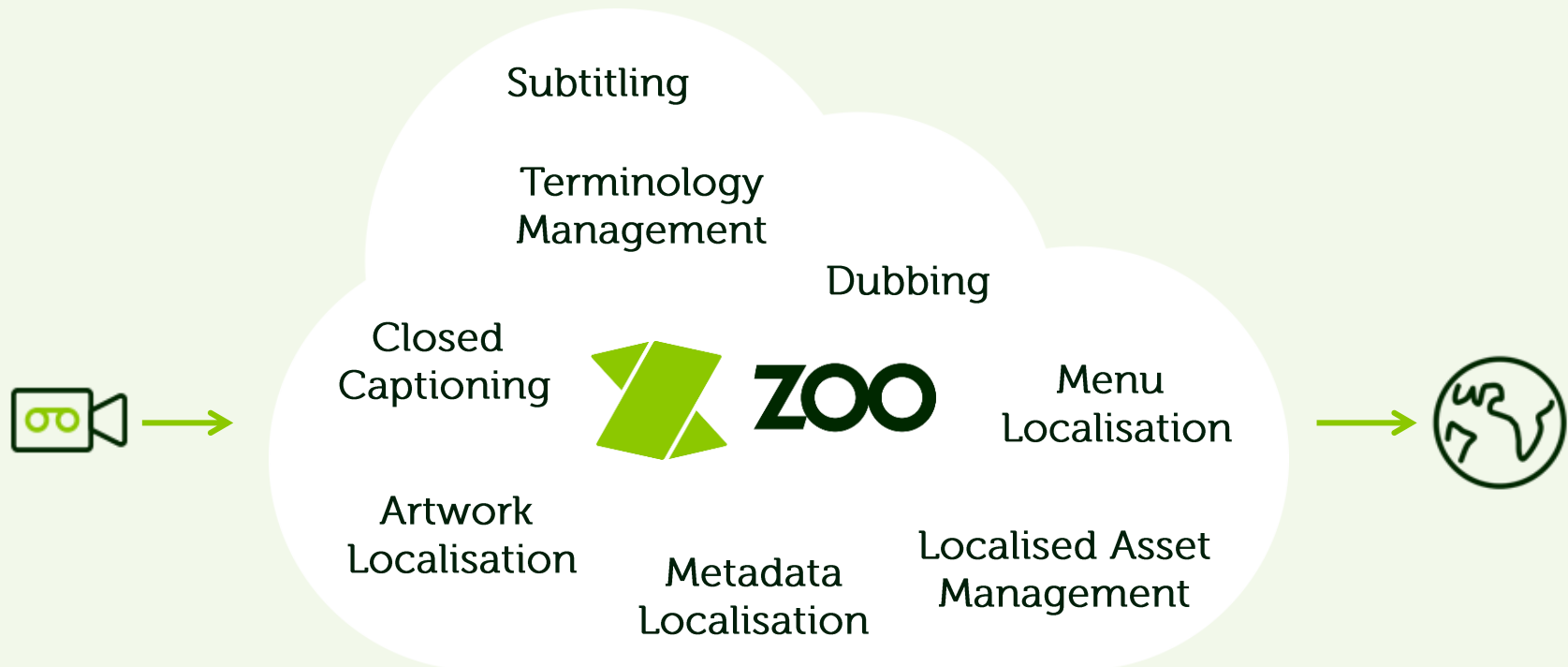
- Revenues increased by 18% to \$7.8m (H1 2015: \$6.6m)
- EBITDA up by 7% to \$1.0m (H1 2015: \$0.9m), reflecting increase in sales force and continuing R&D
- Profit after tax up to \$0.7m (H1 2015: \$0.3m)

# Operational Highlights

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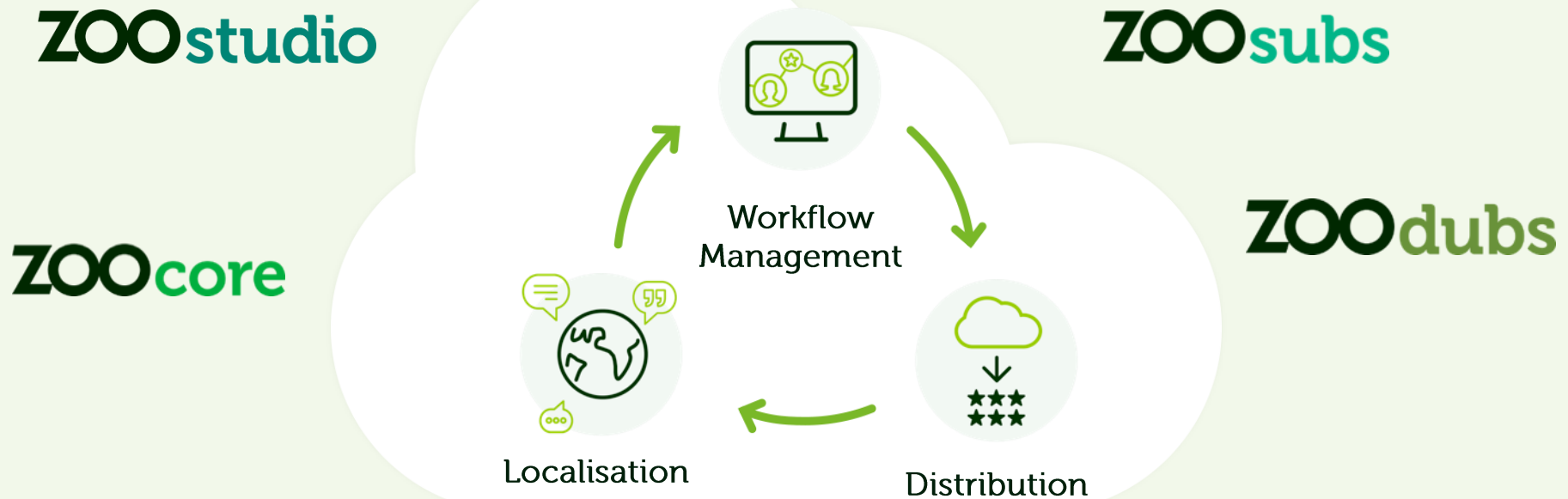
- Overall client numbers grown by 29% over corresponding prior year period
- Secured approved vendor status with three major Hollywood film studios and one of the leading online video services
- Launched new services for compliance editing and electronic screeners
- Increased sales force and continued investment in R&D

# About ZOO: Global Content Services



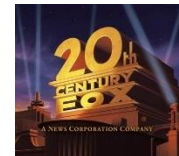
**Connected in the cloud**

# Powered by Proprietary ZOO Technology



**Designed to streamline, centralise and  
automate complex global workflows**

# Trusted by major Hollywood Studios and Global Brands for over 10 years



# Strategy

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- Extend software platforms to apply automation which improves quality, lowers cost, and enhances management control
- Engage scalable contract labour for translation, quality control, metadata preparation, etc.
- Continue to innovate to fulfil end-to-end services for global digital video distribution
- Secure position as approved vendor with leading media and entertainment organisations



# Market Update

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- Media and Entertainment industry has been undergoing fundamental change
- Home Entertainment now returned to growth: US Q2 spending up 6%; Blu-ray up 35%; EST up 9% (source: DEG)
- US original scripted TV series doubled in seven years (source: FX Networks)
- Digital Distribution forecast to eclipse physical products (DVD, Blu-ray) in 2016 (source: PwC)
- Global audio/video was 70% of internet traffic in 2015, forecast to be 82% by 2020 (source: Cisco)
- Professional services in the sector forecast to grow at CAGR >24% to 2020 (source: Research and Markets)
- OTT video marketplace \$32B by 2019 (Juniper Research)

# Implications for ZOO

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- Growth in number of online retailers creates greater demand for digital distribution services
- Growth in demand for localisation services due to:
  - More online retailers
  - More countries reached by online retailers (>190)
  - Lower barriers for entry of digital services in new territories
  - Greater number of TV programmes being created
  - Rising quality standards of localised materials
- Legislation requires greater use of captions for deaf and hard-of-hearing

# Client Diversification

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- Number of invoiced clients grown by 29% over H1 2015
- Revenue is diversified across a greater number of clients
- Contribution from largest client reduced from 64% in prior period to 47%
- 90% of invoicing derived from 16 largest clients (H1 2015: 9 clients)
- Sales growth due in part to expansion of doubling of sales force in 2016

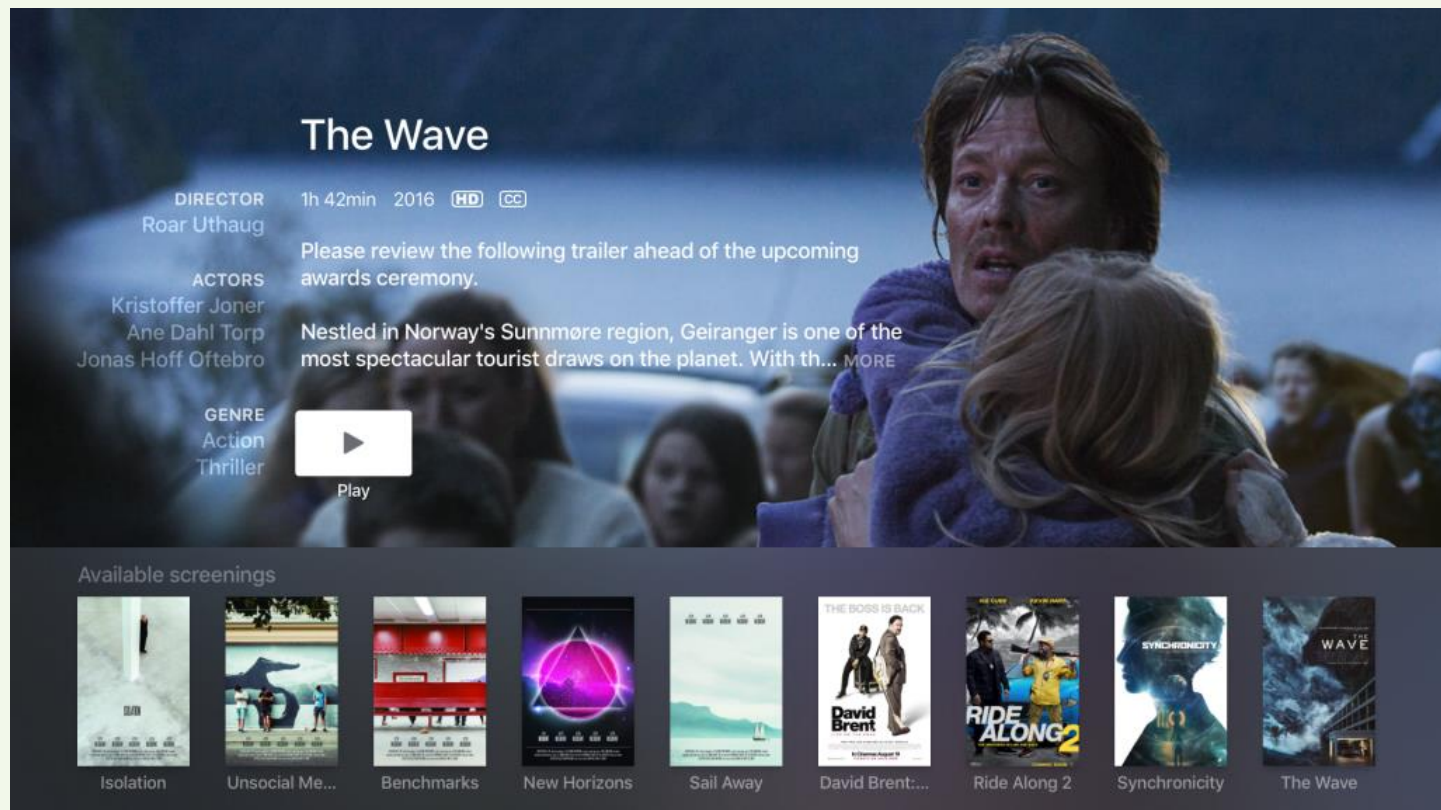
# New Service: Compliance Editing

- Efficient creation of TV and film content to comply with cultural requirements of diverse territories



# New Service: ZOOscreen

- Digital service for private, secure distribution of screening copies over the internet



# Affiliate Network

- Partnerships that extend ZOO's presence into other territories



# Outlook

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- Continuing to secure relationships with large content owners and online retailers
- Innovating with new technology platforms to deliver greater efficiencies and broader scope
- Increasing penetration of an expanding market with a differentiated proposition



# Appendix



# The Board

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**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 25 years experience in team building and executive management in the software industry. He has more than 30 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.

# Consolidated Statement of Comprehensive Income (unaudited) for the six months ended 30 September

	6 months to 30 Sep 2016 \$000	6 months to 30 Sep 2015 \$000	Year ended 31 Mar 2016 \$000
<b>Revenue</b>	<b>7,804</b>	6,617	11,638
Cost of sales	(1,952)	(1,093)	(2,399)
<b>Gross Profit</b>	<b>5,852</b>	5,524	9,239
Other operating income	74	-	115
Operating expenses	(4,937)	(4,603)	(9,198)
Profit before interest, tax, depreciation and amortisation	989	921	156
Depreciation	(114)	(94)	(181)
Amortisation and impairment	(562)	(440)	(1,078)
Total operating expenses	(5,613)	(5,137)	(10,457)
<b>Operating profit/(loss)</b>	<b>313</b>	387	(1,103)
Exchange gain/(loss) on borrowings	399	(115)	206
Finance cost	(291)	(278)	(559)
<b>Total finance cost</b>	<b>108</b>	(393)	(353)
<b>Profit/(loss) before taxation</b>	<b>421</b>	(6)	(1,456)
Tax on loss	256	295	669
<b>Profit/(loss) and total comprehensive income for the period attributable to equity holders of the parent</b>	<b>677</b>	289	(787)

# Consolidated Statement of Financial Position (unaudited) as at 30 September

	As at 30 Sep 2016 \$000	As at 30 Sep 2015 \$000	As at 31 Mar 2016 \$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	359	342	433
Intangible assets	7,134	7,823	7,382
Deferred income tax assets	486	486	486
	<b>7,979</b>	<b>8,651</b>	<b>8,301</b>
<b>Current assets</b>			
Trade and other receivables	3,722	2,460	2,531
Cash and cash equivalents	328	441	314
	<b>4,050</b>	<b>2,901</b>	<b>2,845</b>
<b>Total assets</b>	<b>12,029</b>	<b>11,552</b>	<b>11,146</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(3,016)	(2,800)	(3,096)
Borrowings	(1,466)	(892)	(142)
	<b>(4,482)</b>	<b>(3,692)</b>	<b>(3,238)</b>
<b>Non-current liabilities</b>			
Borrowings	(5,097)	(5,031)	(6,142)
<b>Total liabilities</b>	<b>(9,579)</b>	<b>(8,723)</b>	<b>(9,380)</b>
<b>Net assets</b>	<b>2,450</b>	<b>2,829</b>	<b>1,766</b>

# Consolidated Statement of Cashflows (unaudited) for the six months ended 30 September

	6 months to 30 Sep 2016 \$000	6 months to 30 Sep 2015 \$000	Year ended 31 Mar 2016 \$000
<b>Cash flows from operating activities</b>			
Operating profit/(loss) for the period	313	387	(1,103)
Depreciation	114	94	181
Amortisation and impairment	562	440	1,078
Share based payments	7	12	21
Changes in working capital:			
Increases in trade and other receivables	(1,191)	(542)	(613)
(Decreases)/increases in trade and other payables	(80)	(231)	65
<b>Cash flow from operations</b>	<b>(275)</b>	<b>160</b>	<b>(371)</b>
Tax received	256	295	669
<b>Net cash flow from operating activities</b>	<b>(19)</b>	<b>455</b>	<b>298</b>
<b>Investing Activities</b>			
Purchase of intangible assets	(314)	(296)	(493)
Purchase of property, plant and equipment	(40)	(15)	(32)
<b>Net cash flow from investing activities</b>	<b>(354)</b>	<b>(311)</b>	<b>(525)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(66)	(55)	(145)
Proceeds from borrowings	688	253	710
Finance cost	(235)	(226)	(349)
<b>Net cash flow from financing</b>	<b>387</b>	<b>(28)</b>	<b>216</b>
Net increase in cash and cash equivalents	14	116	(11)
Cash and cash equivalents at the beginning of the period	314	325	325
Cash and cash equivalents at the end of the period	328	441	314

# Major Shareholders

Shareholder*	% of capital
Herald Investment Trust plc	19.4
Funds managed by Foresight Group	19.1
Stuart Green (CEO)	14.9
John Henry Holdings Inc.	6.6
Hargreaves Lansdown Nominees Ltd	4.9
TD Direct Investing Nominees Europe Ltd	3.5
Lynchwood Nominees Ltd.	3.1

\* As of 2 November 2016 the Company had been made aware of the above shareholdings amounting to 3% or more of the ordinary share capital of the Company.

Share options have been granted to Directors and staff over 3,590,345 shares, representing 11.0% of the ordinary share capital of the Company with exercise prices of 15p per share or greater.

Issued share capital and total voting rights = 32,660,660 ordinary shares.

# Loan Note Holders

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Loan note holder	% of loan notes
Herald Investment Trust plc	60.7
Stuart Green (CEO)	20.0
South Yorkshire Investment Fund	7.3
Hargreave Hale	7.0
JM Finn	2.1
Others	2.9



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