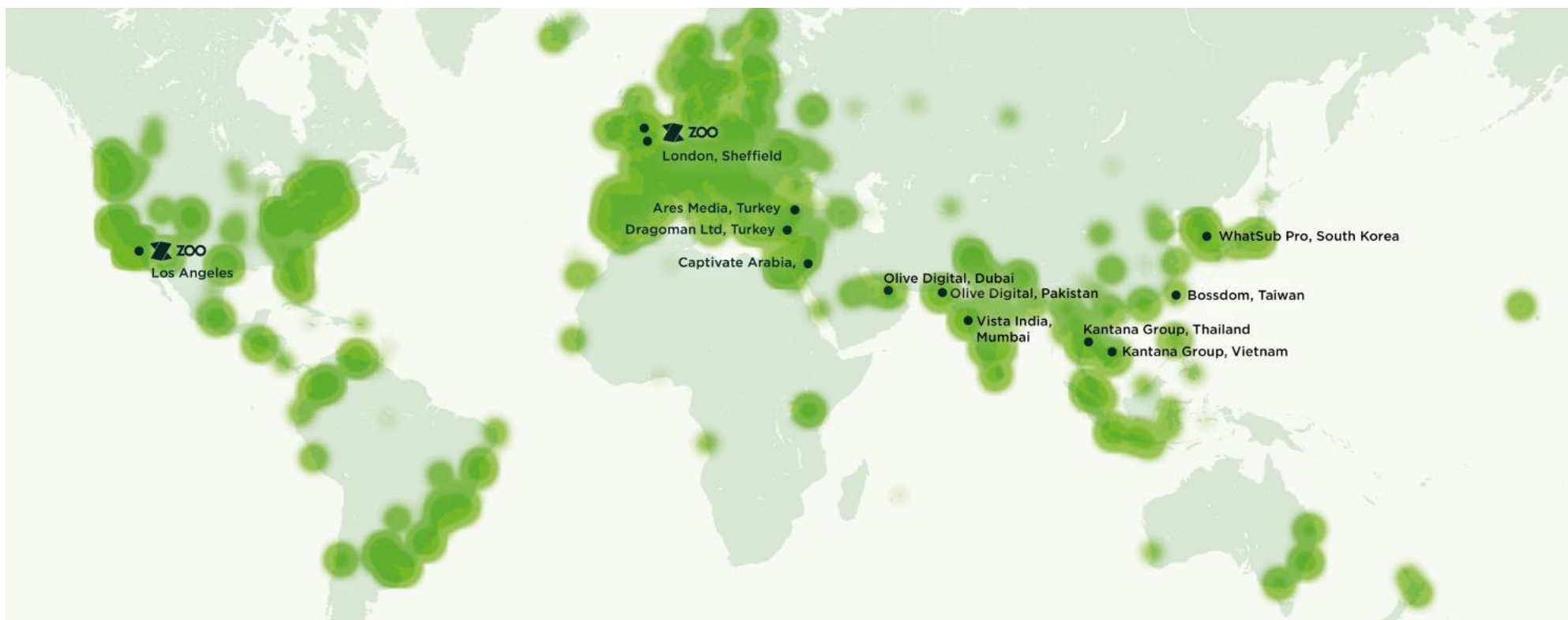




ZOO Digital Group plc



# ZOO Digital Group plc Company Overview

October 2018

[www.zoodigital.com](http://www.zoodigital.com)

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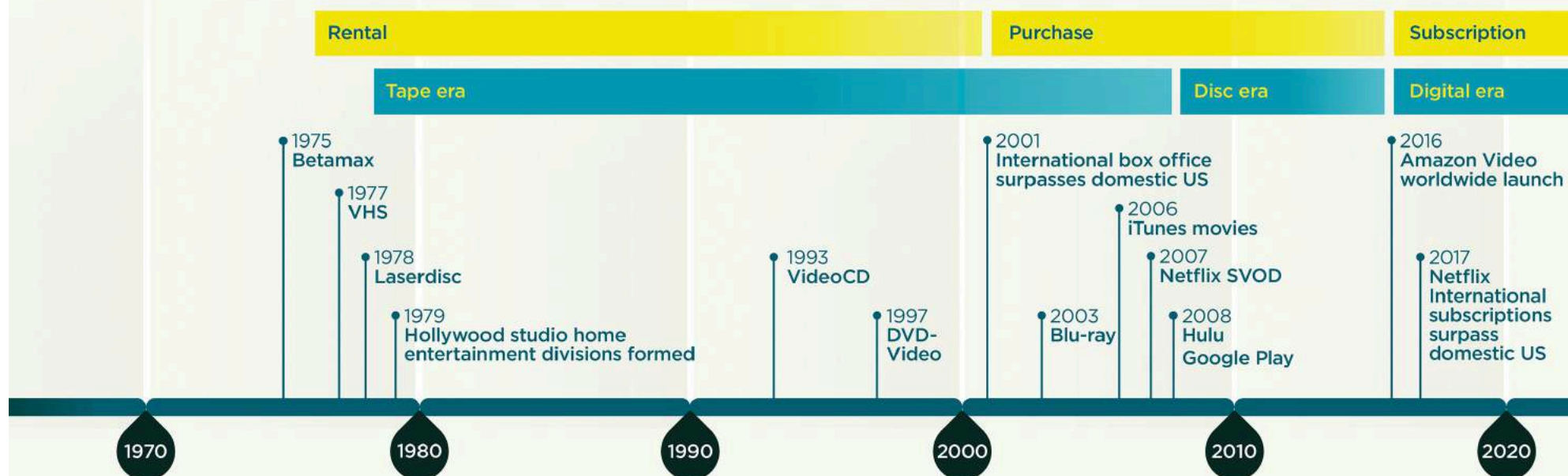
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# Cloud-powered subtitling, dubbing and distribution for the global TV and movie industry



## A Changing Marketplace

### Home Entertainment



#### THE MAIN PLATFORM FOR HOME ENTERTAINMENT:

Tape (1979 to 2008), then disc (2008 to 2016) and now digital (2016 onwards)

#### THE COMMERCIAL MODEL FOR MONETISING HOME ENTERTAINMENT CONTENT:

Rental (1977 to 2001), purchase/sell-through (2001 to 2016), subscription (2016 onwards)

#### LOCALISATION:

Through most of the tape era, films were localised for international release in a handful of languages. The number of languages increased significantly when DVD became popular, but most film and TV content was localised into fewer than 20 languages.

The digital era, due to the absence of barriers to entry, content can now be delivered into 200 countries, significantly increasing demand for more languages.



## ZOO at a Glance

### What sets us apart

#### **ZOO TECHNOLOGY:** **STREAMLINED, SECURE, SCALABLE.**

Our services are powered by our own cutting-edge cloud software, hosted using Amazon Web Services (AWS). We use cloud technology to automate certain processes, passing on significant benefits to our clients including streamlined, secure and scalable services.

#### **ZOO R&D:** **25 IN-HOUSE SPECIALISTS DEDICATED TO INNOVATION**

We have a dedicated in-house team of 25 specialists located at ZOO's headquarters in Sheffield. We have a deep understanding of the media localisation industry and the challenges our clients face. As a service provider we're building innovative, ground-breaking products to support our service offering which helps solve our client's challenges. The team's role is to use technology and innovation to respond to our clients' localisation challenges, such as decreasing budgets and shortening release windows for TV and movie content.

#### **ZOO'S CLIENTS:** **HOLLYWOOD STUDIOS, GLOBAL BROADCASTERS AND MAJOR ONLINE RETAILERS**

We're an approved supplier to many of the largest buyers of TV and movie content in the industry, including the major Hollywood studios.

#### **DIGITAL DISTRIBUTORS:** **DELIVERING ENTERTAINMENT CONTENT TO CONSUMERS WORLDWIDE**

Having established a track record for consistent quality and reliability, ZOO is one of the few service providers approved as a global delivery partner to deliver content to the platforms of leading streaming and transactional services including Netflix, iTunes and Amazon.



#### **ZOO'S CLIENT SERVICES TEAM:** **LOS ANGELES, LONDON AND SHEFFIELD**

We have a 25-strong client services team in our Los Angeles, London and Sheffield offices. No-fuss, strong client relationships and faster turnaround than our competitors usually lead to repeat business.

#### **ZOO'S PRODUCTION TEAM:** **ENSURE HOLLYWOOD-APPROVED QUALITY**

From quality control and preparation of language scripts to the recruitment of freelancers, our 70-strong production team provides an in-house resource to make sure we meet the stringent quality standards set by Hollywood.

#### **ZOO'S FREELANCE NETWORK:** **A COMMUNITY CONNECTED IN THE CLOUD**

Unlike many of our competitors, ZOO's linguistic resource is fulfilled through a global community of freelancers, giving us practically unlimited capacity without incurring infrastructure costs. The network includes translators, voice actors, dubbing directors, quality control operators and audio mixing engineers. Many of them work from their homes using ZOO's technology, needing little more than a laptop and internet connection.

#### **ZOO'S GLOBAL LANGUAGE PARTNERS:** **PROVIDING IN-TERRITORY POINTS OF PRESENCE**

To support expansion in key territories, particularly in emerging markets in Asia and the Middle East, ZOO operates partnerships with a number of affiliates. These are local organisations, with expertise in language services and post production for the TV and film industry, who are trained to use our technology to ensure Hollywood-approved service provision.

# ZOO Innovation in Action

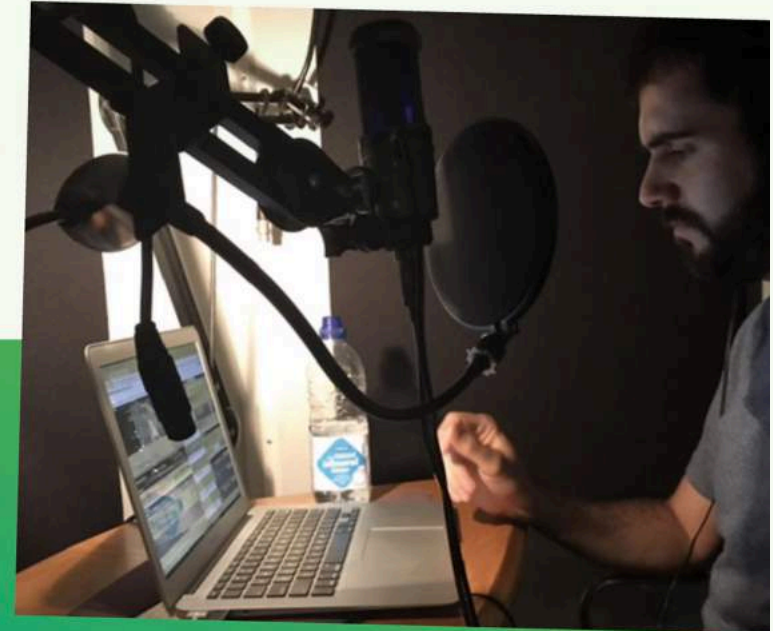
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## Traditional dubbing recording session

- Bricks-and-mortar operation
- Central recording location
- Live room/control room
- Recording engineer
- Digital Audio Workstation
- Dubbing director



## Traditional versus the new way of dubbing



## ZOO dubbing recording session

- Any suitable recording space
- Web browser, microphone, internet connection
- Distributed operation
- No recording engineer or complex audio workstation
- Self-directed, or dubbing director via video link



## Growth strategy and progress

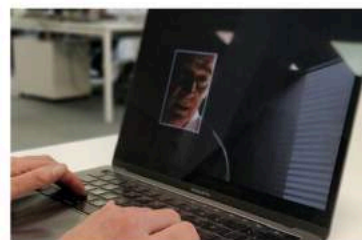
### 1. STRATEGY:

## INNOVATE – BY CREATING VALUE-ADDING CLOUD SOFTWARE TECHNOLOGY

To deliver significant competitive advantage by making operations more efficient, ensuring consistently high quality and developing service capabilities specific to the needs of major clients.

### Progress

- Launch of industry's first cloud-based dubbing platform and availability of service
- Won TV Technology Best of Show award at NAB 2017
- Launched ZOOscripts and ZOO's cloud-powered scripting service at IBC 2017
- Won IABM Design and Innovation Award at IBC 2017
- Secured grant funding from Innovate UK to pursue a program of research in machine learning in collaboration with University of Sheffield
- Released digital distribution planner
- Developed facial recognition capability for content security
- Developed media differencing capability for version control



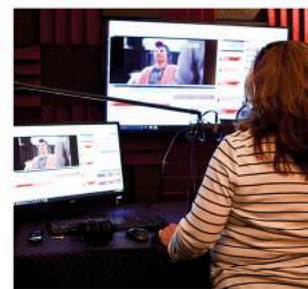
### 2. STRATEGY:

## SCALE – THROUGH A FREELANCE NETWORK

For creative and skilled roles, identify, recruit, train and retain freelance workers for a cost-efficient scalable resource across all languages.

### Progress

- Started to add voice actors, dubbing directors and audio mixing engineers to the network
- More than doubled number of freelancers from 2,036 to 4,413
- Appointed Raul Aldana, formerly Disney's creative head for Latin American Spanish, as Creative Director and Producer to accelerate on-boarding of Latin American talent



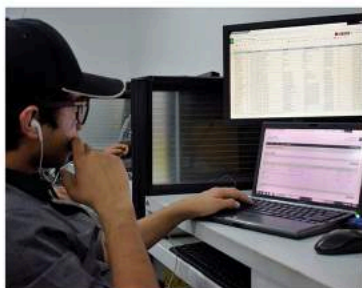
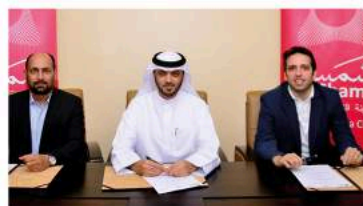
### 3. STRATEGY:

## AFFILIATES – PROVIDE IN-TERRITORY POINTS OF PRESENCE

Appoint partners and provide access to ZOO software to establish a presence for ZOO in key countries, particularly emerging markets.

#### Progress

- Added WhatSub Pro in South Korea
- Added Bosssdom in Taiwan
- Added Studio Ares in Turkey
- Added Dragoman in Turkey
- Added Captivate Arabia in Jordan
- Extended relationship with Olive Digital in UAE



### 4. STRATEGY:

## PARTNERSHIPS – SECURE PREFERRED PARTNER STATUS WITH LEADING BUYERS

Work with the leading global buyers of subtitling, dubbing and distribution services in order to establish ZOO as a preferred partner.

#### Progress

- Approved vendor status with five Hollywood studios
- Maintained status as iTunes delivery partner
- Increased number of partnerships with global streaming video service providers to two





# Key Performance Indicators

## Financial KPIs

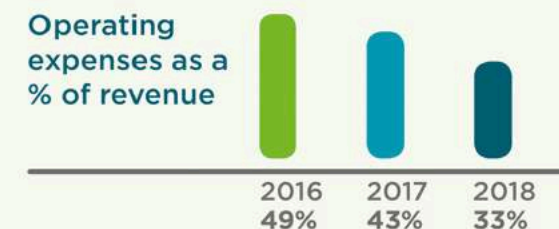
Revenue  
\$'million



EBITDA margin\*

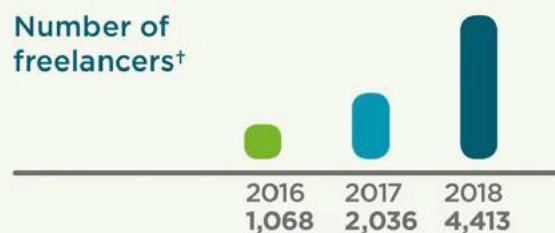


Operating  
expenses as a  
% of revenue



## Operational KPIs

Number of  
freelancers†



Retained  
sales‡



\* Adjusted for share-based payments

† The number of active freelance workers in ZOO's systems who are engaged directly

‡ Proportion of client revenues retained from one year to the next after stripping out sales to one client with which the Group discontinued services in 2016 following its acquisition by a competitor. Without this adjustment, retained sales were 2016: 98%, 2017: 97%, 2018: 93%.

# Consolidated Statement of Comprehensive Income (March 2018)

ZOO Digital Group plc

	2018 \$000	2017 Restated \$000
<b>Revenue</b>	<b>28,551</b>	16,488
Cost of sales	(18,486)	(9,077)
<b>Gross Profit</b>	<b>10,065</b>	7,411
Other operating income	-	196
Other operating expenses	(9,426)	(7,105)
<b>Operating profit</b>	<b>639</b>	502
<b>Analysed as:</b>		
EBITDA before share based payments	2,396	1,780
Share based payments	(276)	(11)
Depreciation	(450)	(259)
Amortisation	(1,031)	(1,008)
	<b>639</b>	502
Exchange (loss)/gain on borrowings	(456)	624
Conversion of loan into equity	(115)	-
Fair value movement on embedded derivative	(4,666)	-
Finance cost	(411)	(591)
<b>Total finance (cost)/income</b>	<b>(5,648)</b>	33
<b>(Loss)/profit before taxation</b>	<b>(5,009)</b>	535
Tax credit	253	256
<b>(Loss)/profit and total comprehensive income for the year attributable to equity holders of the parent</b>	<b>(4,756)</b>	791
<b>Profit/(loss) per share</b>		
basic	<b>(6.81) cents</b>	2.42 cents
diluted	<b>(6.81) cents</b>	2.42 cents

## Segmental Margins

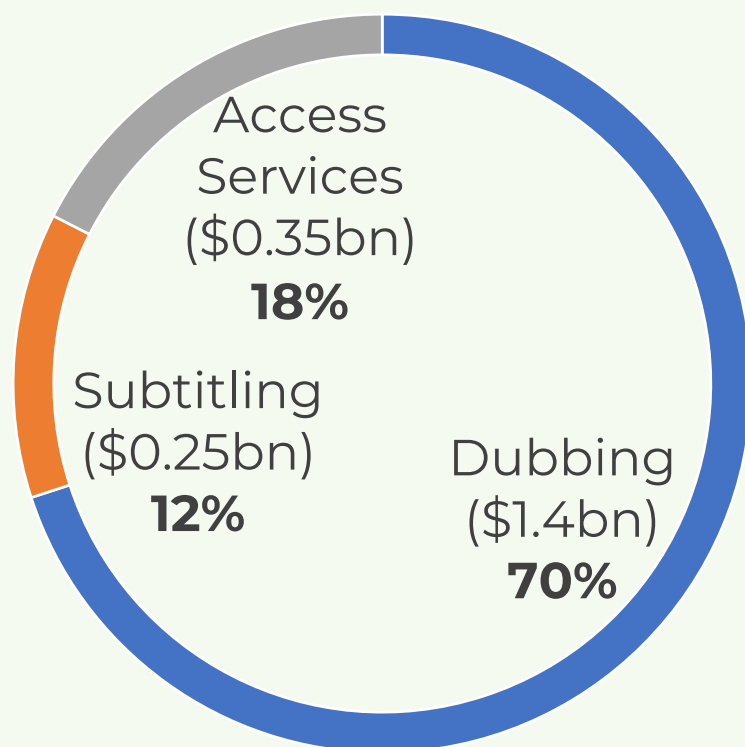
Three operating segments:

- **Localisation** – subtitling, captioning and dubbing; grew by 149%
- **Digital Packaging** – video/audio compression/encoding, metadata preparation, assembly of digital packages, authoring of DVD and Blu-ray; declined 10%
- **Software Licensing** – predominantly recurring revenue from legacy systems; declined 5%

	Localisation		Digital Packaging		Software Licensing		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	21,377	8,608	5,234	5,829	1,940	2,051	28,551	16,488
Segment contribution	6,669	2,327	3,129	4,048	1,856	1,949	11,654	8,324
Unallocated cost of sales							(1,589)	(913)
Gross profit							10,065	7,411
	31%	27%	60%	69%	96%	95%	35%	45%



## Growth Potential



- Media localization market \$2 billion pa in EMEA (2016)\*
- Market growth > 10%\*
- ZOO 2018 year-on-year growth > 70%
  - Competitive advantage
  - Market reach to major buyers

\* Source: Media and Entertainment Services Alliance Europe, 2017

# Ability to Execute – Management Team



**Roger Jeynes**  
Chairman

Since 2010

Long executive career in technology and corporate finance in Europe and USA. Strong experience of governance and public markets.



**Mickey Kalifa**  
Non-Executive

Since 2017

Chartered accountant and finance professional with nearly 30 years' experience across technology, media and gaming sectors. Formerly CFO Sportech plc.



**Stuart Green**  
CEO

Co-founder; CEO since 2006

Almost 30 years experience in the software industry. PhD in Computer Science. Co-founded and sold three software companies. 18 years AIM board director.



**Phill Blundell**  
CFO

CFO since July 2018

Chartered Accountant with 20+ years in software industry including CFO roles with DotDigital Group plc, Eagle Eye Solutions Group plc and Intelligent Environments plc.



**Gordon Doran**  
Commercial Director

Joined 2005; Commercial Director since 2009

Career in commercial roles with technology businesses in UK and USA. Almost 30 years experience leading sales and marketing teams. Based on West Coast USA.

## Update September 2018

- Expanded offering well received by the market
- H1 revenues at least 17% higher than prior year
- Full year performance expected to be in line
- Cloud dubbing main contributor to growth
- Temporary disruption of subtitling supply chain



## Investment Summary and Outlook

- Operating in a large and growing market
- A defensible position with barriers to entry
- Strong long-term client relationships with a spread of Hollywood clients
- Good margins and cash generation
- Strong and strategic management team
- Sales pipeline continues to grow across our offerings
- Confident in achieving on-going organic growth

# R&D Strategy and Approach

Chris Oakley, VP Software Engineering

## We make our own software

16+ years supplying the entertainment industry



**ZOOdubs**

**ZOOsubs**

**ZOOscripts**

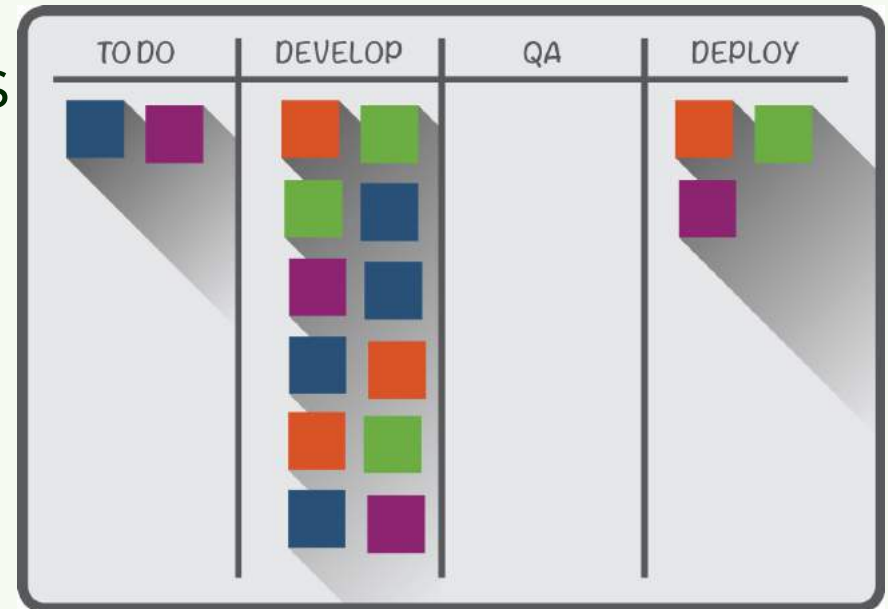
**ZOOcore**

**ZOOscreen**



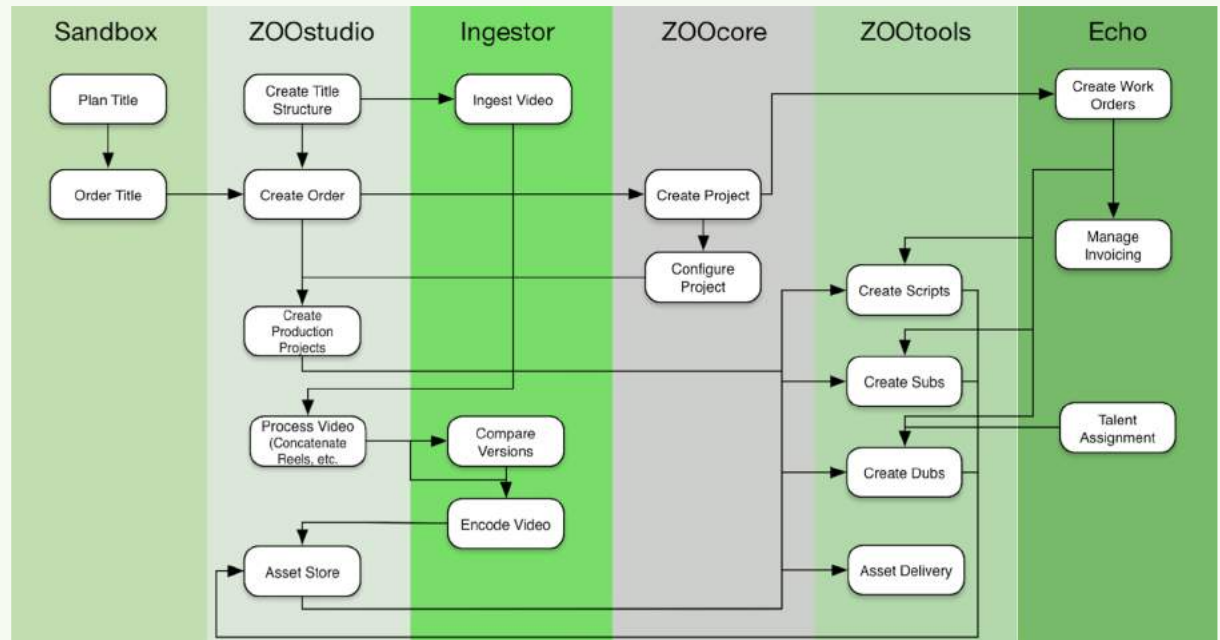
## We do it in an agile way

- Incremental improvements
- Able to react to change
- Quicker to market



## We make systems that talk to each other

- All part of the same ecosystem
- Automation of laborious tasks
- Improves quality



## Cloud Dubbing

**ZOO**dubs

# Dubbing Done Differently

## ZOOdubs

- Commercially proven cloud dubbing platform
- Cloud based product allows for faster turnaround times without compromising quality





# Virtual Dubbing Studio

- Distributed recording locations
- Improved convenience for dubbing directors and voice artists



## **Technology enables us to assure quality**

- Automatically test recording environments
- Every recording is assessed for quality
- Eliminate missed recordings
- Rigorous QC process managed by ZOOcore

## Managing Change

- Delta fingerprints video and automatically determines the differences between versions
- Changes are adopted by ZOOdubs, ZOOsubs and ZOOscripts seamlessly



## **ZOO R&D strategy and approach**

Our offering of production services delivered by proprietary software gives an attractive proposition for our clients

This enables us to keep ahead in an ever-changing industry

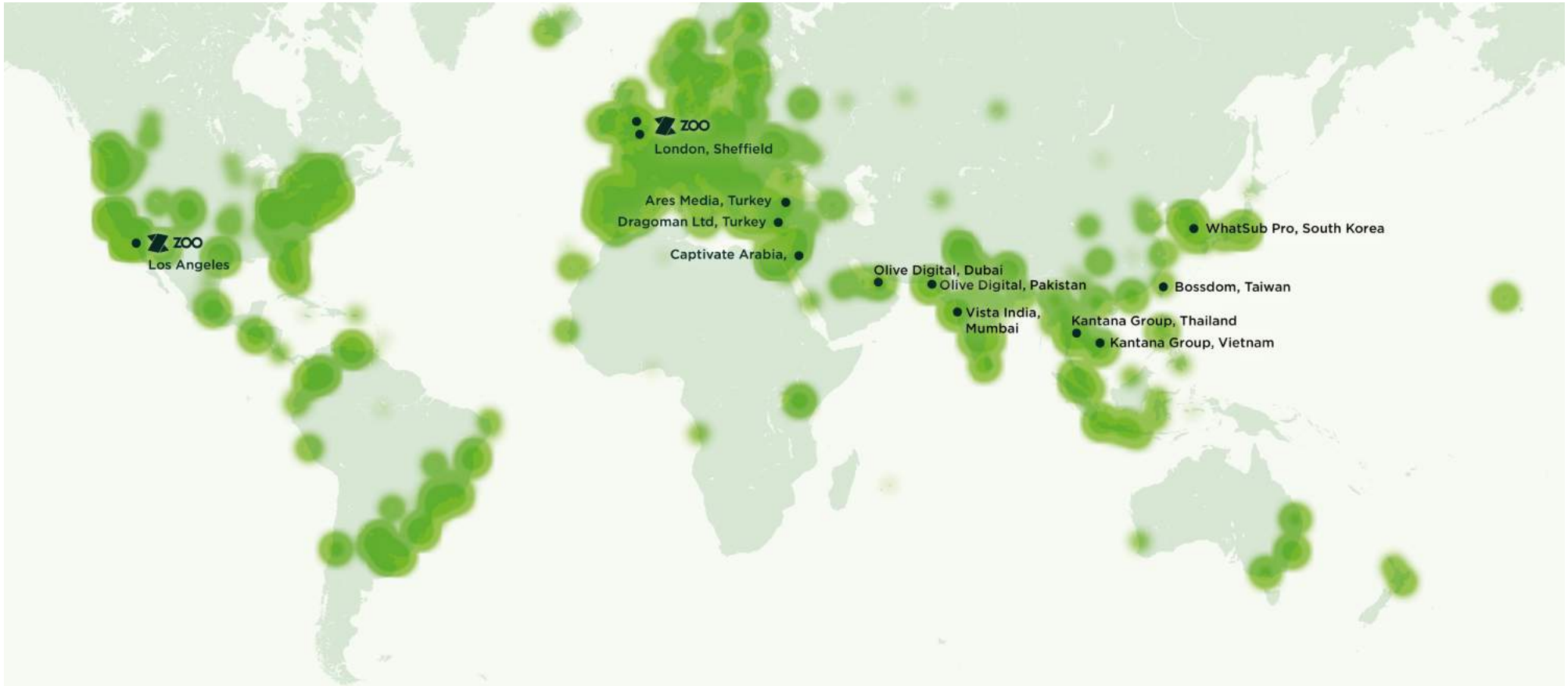
# Software Demonstration

Steve Welsh, Product Manager





ZOO Digital Group plc



• ZOO  
Los Angeles

• ZOO  
London, Sheffield

• Ares Media, Turkey  
• Dragoman Ltd, Turkey

• Captivate Arabia,

• Olive Digital, Dubai  
• Olive Digital, Pakistan

• Vista India,  
Mumbai

• Bosssdom, Taiwan

• Kantana Group, Thailand  
• Kantana Group, Vietnam

• WhatSub Pro, South Korea

# Reaching Audience Everywhere

Powered by the cloud

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