



Leading the future of media localisation

ZOO Digital Group plc
2019-2020



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ZOO Digital Group plc
Final Results FY20

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ZOO is trusted by the biggest names
in global media and entertainment

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ZOO at a Glance

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ZOO in Numbers

4 facilities

in Los Angeles, London, Dubai
and Sheffield, UK.

**234 Team
ZOO staff**

350 million

subtitles and captions created
and stored in ZOOsubs to date

83 languages

offered as part of ZOO's dubbing
and subtitling services

**32 in-house
R&D specialists**

**7,200
freelance**

translators, actors,
directors and mixers

ZOO's USP: Cloud-based media localisation technology

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ZOOsubs

Subtitling production and management

ZOOdubs

Dubbing production and management

ZOOscripts

Original language script production and management

ZOOcore

Workflow management



ZOOstudio

Localisation operations management

FY20 Highlights

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- Won competitive selection process and operating as a primary vendor of localisation and digital packaging services for a major OTT platform
- ZOOstudio adopted by a major media company to manage its localisation operations for OTT production
- ZOOsubs served all major Hollywood studios and all leading OTT providers during the year
- Increased overall number of dubbing clients to 29 (FY19: 23)
- Freelancer network grown to 7,184 (FY19: 6,556)
- Observed an increasing demand in the market for integrated digital packaging and localisation which plays to ZOO's strengths

COVID-19

- Seamless transition to working from home; recruited 13 people since February
- Temporary softening of sales in February/March as customers moved to WFH
- New feature and TV productions halted and resuming slowly
 - Curtailed orders for originals
 - Customer focus has switched to back catalogue
- Observed increasing levels of interest in ZOOdubs and associated services
- In FY21 Q1, value of dubbing projects in ZOOdubs more than 3x prior year
- Most traditional dubbing vendors have been closed during lockdown
- Large competitors beginning to offer 'remote dubbing'
 - Strengthens credibility of off-premise voice recording
 - ZOO well placed to benefit from wider market acceptance

Growth – Four Strategic Pillars

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INNOVATE

Create value-adding software technology

SCALE

Operate a freelance network

COLLABORATE

Work with like-minded, world-class experts in media localisation, education and research

PARTNER

Secure preferred partner status with leading buyers

INNOVATE – Create value-adding software technology

Deliver a significant competitive advantage by making localisation and digital distribution services more efficient, scalable and collaborative while ensuring consistently high quality to meet the needs of major clients

ZOOdubs



ZOOstudio

ZOOscripts

Progress

- Added Audio Description features to ZOOdubs – expanding these services
- Delivered API for ZOOstudio; enhancements strengthen use by key client
- Support for pivot languages in ZOOscripts
- Enhanced personalised watermarking of video across all systems

SCALE – Operate 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

- Cleared pool of those with insufficient availability
- Continued to add freelancers primarily across 15 popular languages
- Current active pool stands at approximately 7,200 individuals

COLLABORATE – Work with like-minded, world-class experts in media localisation, education and research

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



Progress

- Worked with ZOO-Enabled Dubbing Studios to fulfil projects across 15 languages
- Continued research collaboration to apply machine learning for further innovation of the dubbing process
- Initiated new research collaboration on machine translation for dialogue

Growth Strategy and Progress 4

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PARTNER – secure preferred partner status with leading buyers

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

Progress

- Selected as primary End-to-End partner for major OTT operator
- ZOOstudio in daily use by a major OTT operator
- Provided localization services to all major Hollywood studios and all major global OTT services
- Operating as a primary Netflix Preferred Fulfilment Partner for two major studios
- Operating as a preferred partner for a leading social media platform



Consolidated Statement of Comprehensive Income

ZOO Digital Group plc
Final Results FY20

Revenues

- Excluding DVD digital packaging and software services, grew 12%
- Revenue in Europe and Asia grew 30%
- Digital packaging grew 60%

Cost of sales

- Gross profit up 2% points

Operating expenses

- Operational fixed costs up 1% point
- Reclassified \$1.0 million property costs to comply with IFRS 16

Finance costs

- Interest on convertible loan stock unchanged at \$0.3 million
- Movement in fair value on embedded derivative \$1.0 million gain

	\$000's	2020	2019	% change
Revenue		29,793	28,818	3.4%
Cost of sales		(19,705)	(19,624)	(0.4%)
Gross profit		10,088	9,194	9.7%
Operating expenses		(10,644)	(10,514)	1.2%
Operating loss		(556)	(1,320)	(57.9%)
EBITDA*		2,138	409	423%
Profit / (loss)		316	1,632	(80.6%)

* Adjusted for share-based payments; stated FY20 figure reflects reclassification of operating leases as prescribed by IFRS 16

Consolidated Statement of Financial Position

ZOO Digital Group plc
Final Results FY20

- Non-current assets increased by \$2.8 million as a result of IFRS 16 reclassification
- Trade receivables up 15% compared to FY19 due to late payments on new contract with existing customer
- Cash position positive in H2
- Current liabilities up 80% due to loan notes and embedded derivative reclassified from non-current liabilities and the creation of a right of use asset liability of \$1.0 million
- Non-current liabilities now consist of long-term lease payments and borrowings of \$0.8 million and a right of use asset liability of \$1.8 million
- Cashflow from operations \$1.3 million
- Cashflow from investing \$1.6 million
- Cashflow from financing \$0.3 million

\$000's	2020	2019
Assets	10,811	8,054
Trade and other receivables	9,323	8,103
Cash	1,218	1,828
Total Assets	21,352	17,985
Current liabilities	13,418	7,437
Non-current liabilities	2,637	5,864
Total liabilities	16,055	13,301
Net Assets	5,297	4,684

Segmental Analysis

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Final Results FY20

Revenues

- Localisation held back by contract slippage
- Digital packaging benefiting from new contract
- Software solutions are a legacy product

\$000's	2020	2019	% change
Revenues			
Localisation	20,751	22,323	(7.0%)
Digital packaging	7,411	4,620	60.4%
Software solutions	1,631	1,875	(12.9%)
Total	29,793	28,818	3.4%

Gross profit

- Localisation down \$1.4 million
- Digital packaging up \$3.0 million
- Software solutions down \$0.3 million

\$000's	2020	2019	% change
Gross profit			
Localisation	4,685	6,165	(24.0%)
Digital packaging	5,460	2,495	118.8%
Software solutions	1,528	1,788	(14.5%)
Total*	10,088	9,194	9.7%

Overall margin up 10% due to sales mix favouring higher margin services

34% 32% 16

* After unallocated COS of \$1,585 (FY19: \$1,254)

Key Performance Indicators

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Financial KPIs

- Revenue up 3% to \$29.8 million (FY19: \$28.8 million)
- EBITDA margin* improved by 5.8 points to 7.2% (FY19: 1.4%)
- Opex as a % of revenue improved by 1 point to 36% (FY19: 37%)

Operational KPIs

- Number of freelancers[†] up 10% to 7,184 (FY19: 6,556)
- Retained Sales[‡] improved by 9 points to 97% (FY19: 88%)

* Adjusted for share-based payments; stated FY20 figure reflects reclassification of operating leases as prescribed by IFRS 16

† 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

Investment Summary

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Strategy	Technology-first approach to media localisation
Scalability	Cloud-based, agile, scales through partners and freelancers
Growth	Large expanding international market still in its infancy
Culture	Steeped in the industry with long track record

Outlook

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- Recent industry announcements confirm strong growth tailwinds in the global home entertainment market, requiring an acceleration in content creation and localisation
- The impact of COVID-19 on the media localisation business has seen a structural shift to cloud-based solutions and off-premise voice recording that favours our world class technology and services
- Recent contract wins and extensions have resulted in a significant increase in demand for additional functionality and services related to our technology platform
- FY21 Q1 trading robust with revenues expected to be at least 15% ahead of FY20 Q1
- Value of dubbing projects processed by the Group in FY21 Q1 entirely using ZOOdubs over three times that in FY20 Q1
- Net cash has remained flat during FY21 Q1

A large graphic consisting of a white circle with a thick border made of many thin, parallel diagonal lines. The lines are colored with a gradient from light green at the top to a darker teal at the bottom. The text 'Q & A' is centered within the white circle.

Q & A



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ZOOdigital.com



Appendix

Consolidated Statement of Comprehensive Income

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	2020 \$000	2019 \$000
Revenue	29,793	28,818
Cost of sales	(19,705)	(19,624)
Gross Profit	10,088	9,194
Other operating income	252	157
Other operating expenses	(10,896)	(10,671)
Operating (loss)/profit	(556)	(1,320)
Analysed as:		
EBITDA before share based payments	2,138	409
Share based payments	(257)	(286)
Depreciation	(1,369)	(539)
Amortisation	(1,068)	(904)
	(556)	(1,320)
Exchange gain/(loss) on borrowings	197	275
Conversion of loan into equity	-	-
Fair value movement on embedded derivative	986	2,701
Finance cost	(674)	(392)
Total finance income	509	2,584
(Loss)/Profit before taxation	(47)	1,264
Tax credit	363	368
Profit and total comprehensive income for the year attributable to equity holders of the parent	316	1,632
Profit/(loss) per share		
basic	0.42 cents	2.19 cents
diluted	0.39 cents	2.02 cents

Consolidated Statement of Financial Position as at 31 March

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	2020 \$000	2019 \$000
ASSETS		
Non-current assets		
Property, plant and equipment	3,633	944
Intangible assets	6,692	6,624
Deferred income tax assets	486	486
	10,811	8,054
Current assets		
Trade and other receivables	9,323	8,103
Cash and cash equivalents	1,218	1,828
	10,541	9,931
Total assets	21,352	17,985
LIABILITIES		
Current liabilities		
Trade and other payables	(8,049)	(7,189)
Borrowings	(4,391)	(248)
Separable embedded derivative	(978)	-
	(13,418)	(7,437)
Non-current liabilities		
Borrowings	(2,637)	(3,899)
Separable embedded derivative	-	(1,965)
	(2,637)	(5,864)
Total liabilities	(16,055)	(13,301)
Net assets	5,297	4,684

Consolidated Statement of Cash Flows

ZOO Digital Group plc
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	2020 \$000	2019 \$000
Cash flows from operating activities		
Operating (loss)/profit for the year	(556)	(1,320)
Depreciation	532	553
Amortisation and impairment	1,068	904
Share based payments	290	397
Changes in working capital:		
Increases in trade and other receivables	(1,220)	(691)
Increases in trade and other payables	860	1,082
Cash flow from operations	974	925
Tax received	363	368
Net cash inflow from operating activities	1,337	1,293
Investing activities		
Purchase of intangible assets	(235)	(29)
Capitalised development costs	(901)	(958)
Purchase of property, plant and equipment	(509)	(310)
Net cash outflow from investing activities	(1,645)	(1,297)
Cash flows from financing activities		
Repayment of borrowings	(246)	(228)
Proceeds from borrowings	500	
Finance cost	(556)	(349)
Issue of share capital	-	-
Net cash (outflow)/inflow from financing	(302)	(577)
Net (decrease)/increase in cash and cash equivalents	(610)	(581)
Cash and cash equivalents at the beginning of the year	1,828	2,409
Cash and cash equivalents at the end of the year	1,218	1,828

OTT Video Market

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Platform-first services

NETFLIX

prime video

hulu

Direct-to-Consumer services

Disney+

HBO
max

peacock

Apple tv+

Management Team

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Gillian Wilmot
Chairman

Since July 2019

Extensive board level leadership in private and public environments with industry experience across B2B, technology, advertising and communications. Strengths in value creation, operational insight and corporate governance.



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

Over 30 years experience of executive management in the software industry. PhD in Computer Science. Co-founded and sold three software companies. 19 years AIM board director.



Phill Blundell
CFO

Since July 2018

Senior finance professional and Chartered Accountant with over 20 years experience in software industry including CFO roles with DotDigital Group plc, Eagle Eye Solutions Group plc and Intelligent Environments plc.



Gordon Doran
CCO

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..

Major Shareholders

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Shareholder*	% of capital
Stuart Green (CEO)	15.47
Herald Investment Management	11.33
Invesco Ltd	9.39
Canaccord Genuity Group Inc.	8.89
Kabouter Management LLC	4.27
Janus Henderson Investors	3.46
Sarasin & Partners	3.19
Cavendish Asset Management	3.00

* Based on an independent analysis of ZOO's share register as at 30 Jun 2020..

Issued share capital and total voting rights = 74,547,271 ordinary shares.