



Interim Results FY21

# Leading the Future of Media Localisation

10th November 2020



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ZOO Digital Group plc  
Interim Results FY21

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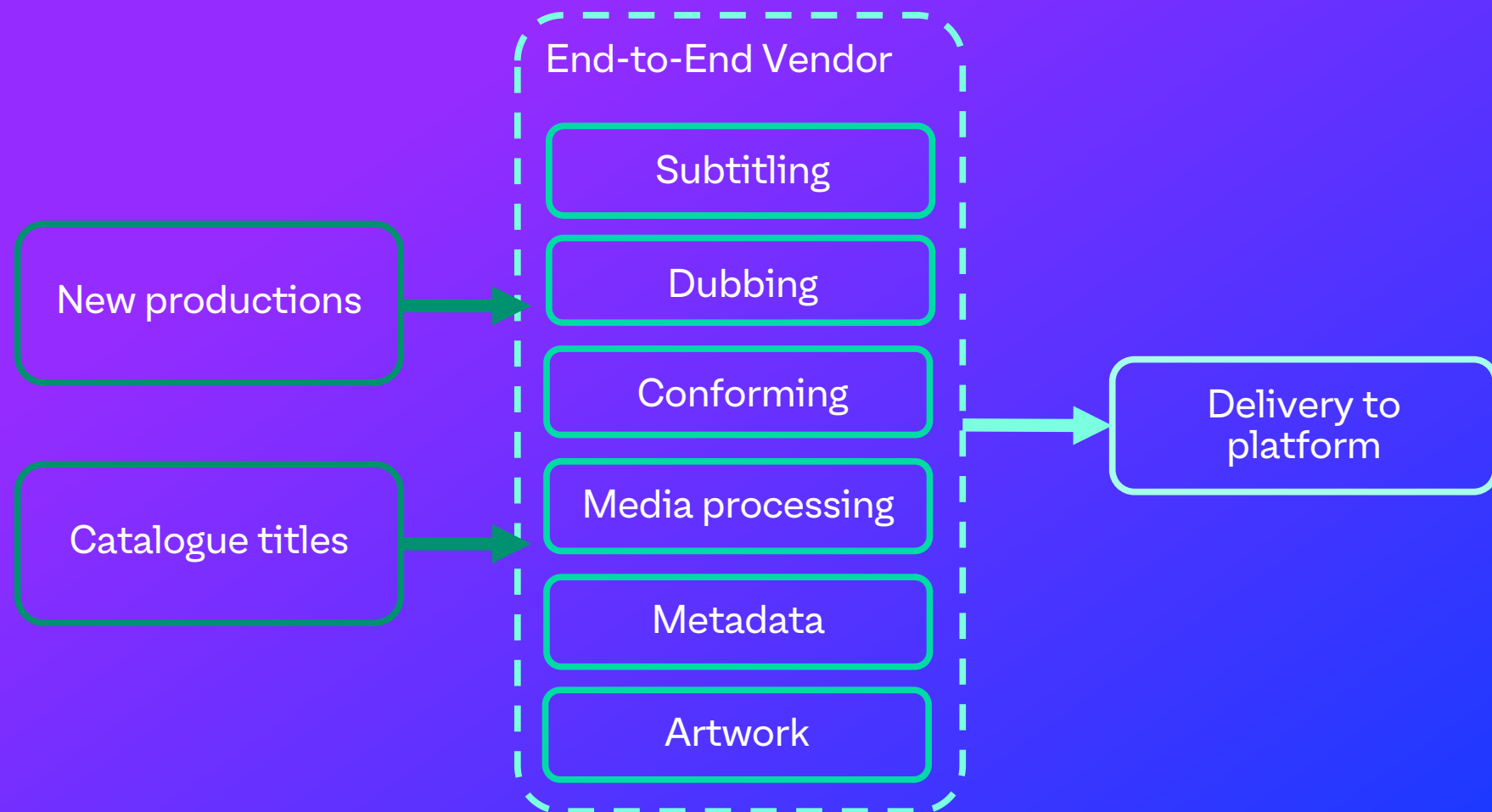
ZOO is trusted by the biggest names  
in global media and entertainment

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# Fulfilment of content for streaming VOD

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# ZOO's USP: Cloud-based media localisation technology

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**ZOO**subs

Subtitling production and management



**ZOO**dubs

Dubbing production and management

**ZOO**scripts

Original language script production and management

**ZOO**core

Workflow management



**ZOO**studio

Localisation operations management



# Financial Highlights

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- Revenues increased by 15% to \$16.4 million (H1 FY20: \$14.2 million) driven by strong growth in the period for dubbing and digital packaging
- Gross profit reduced to \$5.1 million (H1 FY20: \$5.8 million) explained by an increase in direct staff required to deliver growth in H2
- Adjusted EBITDA<sup>1</sup> of \$1.3 million (H1 FY20: \$1.8 million), reflecting the reduced gross profit
- Operating loss of \$0.1 million (H1 FY20: profit of \$0.4 million)
- Cash balance of \$2.1 million at period end (H1 FY20: \$0.6 million)

<sup>1</sup> adjusted for share-based payments

# Operational Highlights

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- Subtitling services delivered to all major Hollywood studios
- Significant new client accounts added with total number invoiced in H1 increasing 30% to 122 (H1 FY20: 94)
- Cloud dubbing revenue grew by 480% year-on-year
- Scope of ZOOstudio platform extended, leading to broader and deeper deployment by a major OTT provider
- Digital packaging grew 33% with significant further growth expected in Q3
- Client retention rate increased to 98% (89% in H1 FY20)

# Opportunities for ZOO Created by COVID-19

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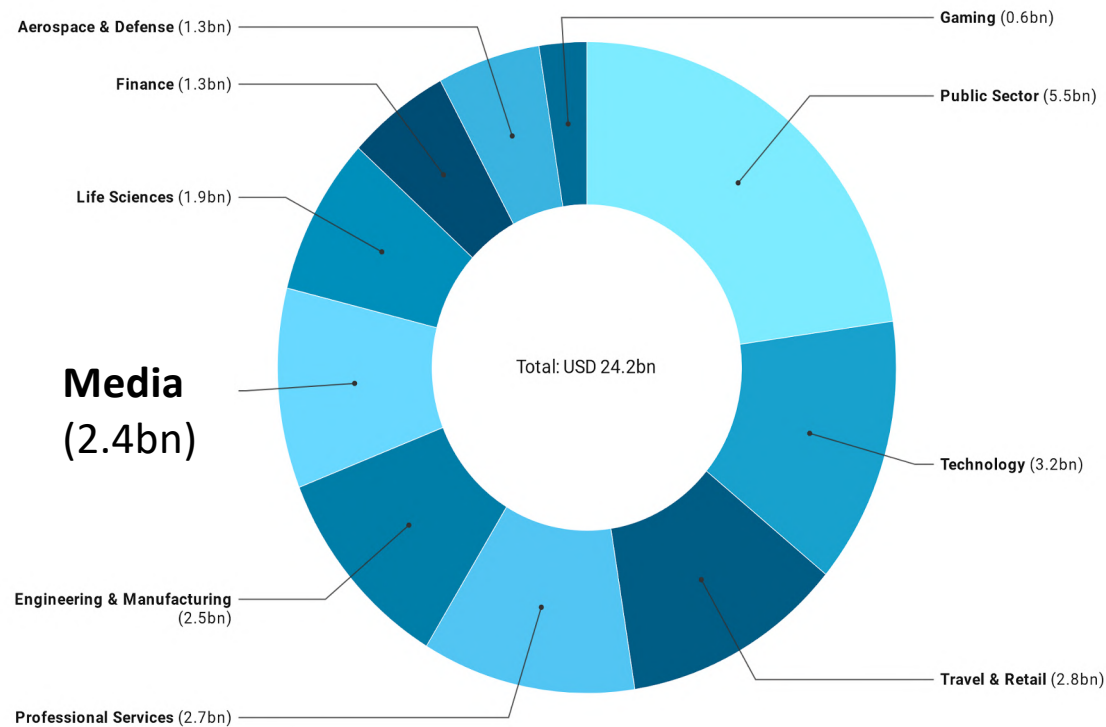
- Provided an opportunity to showcase our solutions and dubbing capability more widely
- The industry's temporary refocus on back-catalogue plays to the strengths of ZOO's end-to-end proposition
- Recent promotion of 'remote dubbing' technology by competitors vindicates our approach
- Expect that cloud-enabled services will accelerate across the industry
- ZOO's first-mover advantage and end-to-end proposition should accelerate growth and market share



# Market Update

## Market Size 2019 by Vertical

Estimated market size per end-customer vertical 2019 in USD billions.



Source: Slatior 2020

- Media localization is a US\$2.4bn market
- Sixth largest segment in the language industry
- Split approx. 70% dubbing, 30% subtitling
- Second fastest growing vertical by value (up US\$177m in 2019)
- Second fastest growing vertical in percentage terms (8.1% in 2019)
- No published market size data available for digital packaging

# Growth – Five Strategic Pillars

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## INNOVATION

Create value-adding software technology

## SCALABILITY

Operate a freelance network

## COLLABORATION

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

## CUSTOMER

Secure preferred partner status with leading buyers

## TALENT

Engage with experienced and effective professionals

# INNOVATION

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## Create value-adding software technology

- Extended functionality of ZOOstudio leading to broader and deeper adoption by a key customer
- Enhanced capabilities of ZOOdubs to support multi-voice recording sessions and videogame dubbing
- Secured further InnovateUK funding for collaborative R&D project



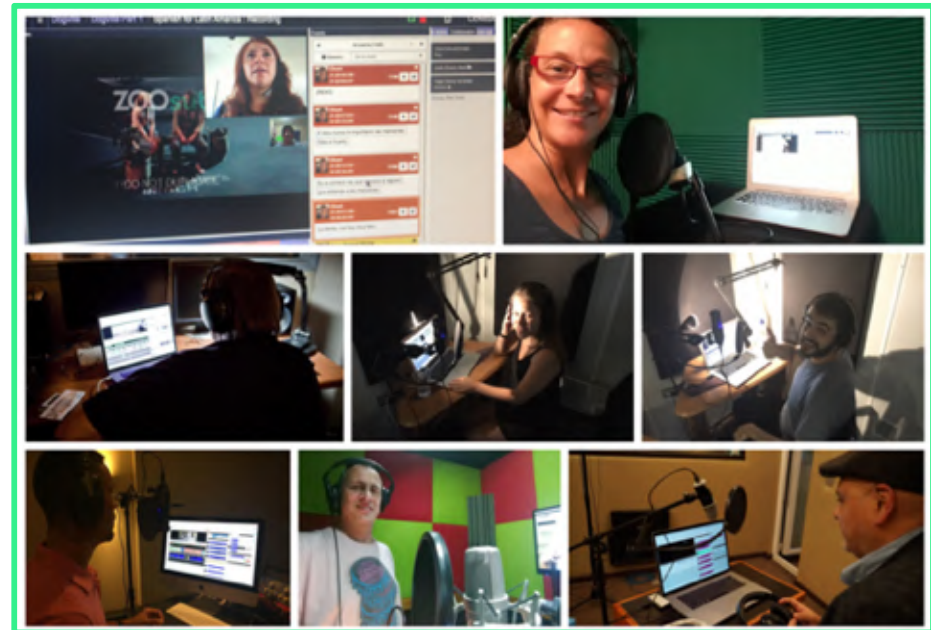
*Strategy: Deliver a significant competitive advantage by making localisation and digital media services more efficient, scalable and collaborative while ensuring consistently high quality to meet the needs of major clients*

# SCALABILITY

## Operate a freelance network

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- Continued expansion of freelance network
- Active pool increased to 8,272 across 80 languages



*Strategy: For creative and skilled roles, identify, recruit, train and retain freelancers for a cost-efficient scalable resource across all languages*

# COLLABORATION

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

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- Continued to develop ZOO-Enabled Dubbing Studios programme, resulting in relationships with highly reputable independent studios across all key languages
- Strengthened collaboration with the Speech and Hearing Research Group of the University of Sheffield with new projects initiated in machine translation



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

# CUSTOMER

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## Secure preferred partner status with leading buyers

- Operating as preferred vendor with a major OTT platform, leading to significant increase in projects across all service lines
- Netflix Prefer Fulfilment Partner status has allowed us to secure new contracts for subtitling and digital packaging
- Well placed to service new streaming platforms as they pursue international distribution

*Strategy: Work with the leading global buyers of subtitling, dubbing and digital media services in order to secure ZOO as a preferred partner*



# TALENT

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## Engage with experienced and effective professionals

- Appointed Emmy® Award-winning re-recording mixer Dave Concors as Head of Sound
- Established new talent management function with remit to identify key advocates in each territory



*Strategy: Attract, develop and engage colleagues and partners to grow capability and capacity through talented and experienced individuals*

# Key Performance Indicators

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## Financial KPIs

- Revenue up 15% to \$16.3 million (H1 FY20: \$14.2 million)
- EBITDA margin\* decreased by 4.8 points to 7.9% (H1 FY20: 12.7%)
- Opex as a % of revenue improved by 5.9 points to 32.4% (H1 FY20: 38.3%)

## Operational KPIs

- Number of freelancers<sup>†</sup> up 26% to 8,272 (H1 FY20: 6,556)
- Retained Sales<sup>‡</sup> improved by 9 points to 98% (H1 FY20: 89%)

\* 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

# Consolidated Statement of Comprehensive Income (unaudited)

**ZOO Digital Group plc**  
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## Revenues

- Digital packaging revenue up 33%
- Localisation sales 10%
- Software licencing down 9%

## Cost of sales

- Gross profit down 10% points
- Investment in production staff up \$1.1m

## Operating expenses

- Operational fixed costs down 3% points
- Investment in R&D increased by 40%

## Finance costs

- Interest on convertible loan stock unchanged at \$0.3 million
- Exchange rate movement on borrowing has adverse impact of \$0.6m

	\$000's	H1 FY21	H1 FY20	% change
Revenue		16,393	14,242	15.1%
Cost of sales		(11,277)	(8,452)	(33.4)%
Gross profit		5,116	5,790	(11.6)%
Operating expenses		(5,196)	(5,346)	2.8%
Operating (loss)/profit		(80)	444	(118.0)%
EBITDA*		1,291	1,810	(28.7)%
(Loss) / profit		(725)	361	(200.8)%

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

# Consolidated Statement of Financial Position (unaudited)

ZOO Digital Group plc  
Interim Results FY21

- Purchase of computer hardware in period totalled \$1.6 million
- Trade receivables up 12% compared to FY20 due to the sales increase
- Cash improvement due to good working capital management
- Current liabilities up 64% due to accruals for dubbing projects and timing of supply payments
- Non-current liabilities reduced by \$1.3 million because of reduction in value of embedded derivative at year end
- Cashflow from operations \$3.4 million (FY20: \$0.2 million)
- Cash outflow from investing \$2.2 million (FY20: \$0.6 million)
- Cash outflow from financing \$0.4 million (FY20: \$0.9 million)

<b>\$000's</b>	<b>H1 FY21</b>	<b>H1 FY20</b>
Assets	11,829	11,534
Trade and other receivables	9,180	8,227
Cash	2,073	607
<b>Total Assets</b>	<b>23,082</b>	<b>20,368</b>
Current liabilities	11,645	7,093
Non-current liabilities	6,788	8,072
<b>Total liabilities</b>	<b>18,433</b>	<b>15,165</b>
<b>Net Assets</b>	<b>4,649</b>	<b>5,203</b>

# Segmental Analysis (unaudited)

**ZOO Digital Group plc**  
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## Revenues

- Strong contribution from Dubbing
- Digital packaging benefiting from back catalogue acceleration
- Software solutions down as predicted

## Gross profit

- Localisation down \$1.2 million
- Digital packaging up \$0.9 million
- Software solutions down \$0.1 million

Overall margin down 12% due to sales mix and investment in people - \$1.1 million

\$000's	H1 FY21	H1 FY20	% change
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## Revenues

Localisation	9,940	9,057	9.7%
Digital packaging	5,522	4,166	32.5%
Software solutions	931	1,019	(8.6)%
<b>Total</b>	<b>16,393</b>	<b>14,242</b>	<b>15.1%</b>

\$000's	H1 FY21	H1 FY20	% change
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## Gross profit

Localisation	1,549	2,798	(44.6%)
Digital packaging	3,620	2,751	31.6%
Software solutions	895	974	(8.1)%
<b>Total*</b>	<b>5,116</b>	<b>5,790</b>	<b>(11.6%)</b>

	31%	41%	19
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\* After unallocated COS of \$948 (FY20: \$733)

# Investment Thesis

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- Streaming video on demand is the future of home entertainment
- A growing number of international services are driving demand for media localisation and digital packaging
- Traditional bricks-and-mortar vendors have been shown in lockdown to lack the agility and scalability to respond
- There is industry acceptance that cloud technologies are necessary to meet demands
- An innovator and first mover in the industry, ZOO is well placed to capitalise on the seminal shift
- ZOO's differentiated strategy can deliver sustained growth in market share



# Outlook

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Interim Results FY21

- ZOO's technology is becoming increasingly embedded into the operations of major studios and streaming services
- Our market-leading end-to-end solution continues to be a major beneficiary of the shift in industry prioritisation
- Scope of services delivered to major clients is expanding
- COVID-19 has accelerated an enduring industry shift to software-enabled services
- Trading in the first few weeks of the third quarter has been strong, with revenue growth expected to be over 20% half-on-half
- Confident in achieving increased market consensus for the full year

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



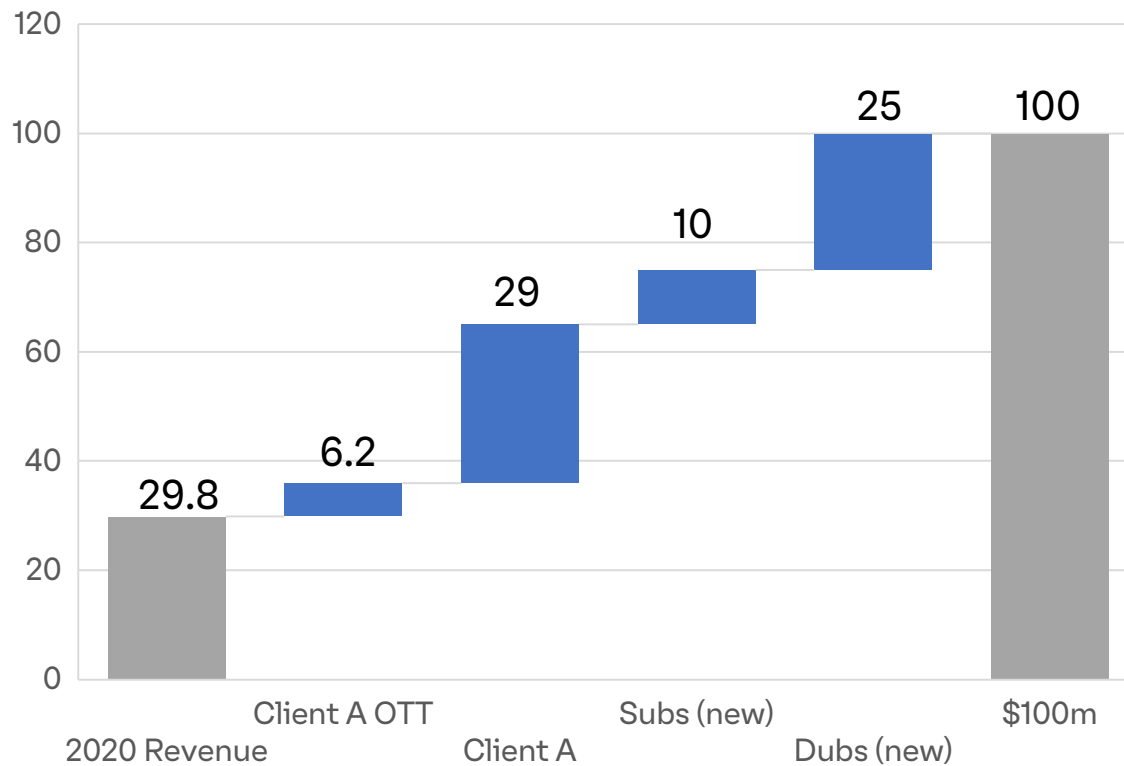
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Interim Results FY21

**ZOOdigital.com**



# Appendix

# Sales Bridge to \$100m



## \$100 million breakdown:

- Digital packaging \$15 million
- Subtitling \$30 million
- Dubbing \$55 million

## Market share of addressable market:

- Current share in 2020, 4%
- 10% of \$1 billion of Hollywood spend
- No more than 30% of one studio's budget

# Consolidated Statement of Comprehensive Income (unaudited)

**ZOO Digital Group plc**  
Interim Results FY21

	6 months to 30 Sep 2020 \$000	6 months to 30 Sep 2019 \$000	Year ended 31 Mar 2020 \$000
<b>Revenue</b>	<b>16,393</b>	14,242	29,793
Cost of sales	(11,277)	(8,452)	(19,705)
<b>Gross Profit</b>	<b>5,116</b>	5,790	10,088
Other operating income	110	115	252
Operating expenses	(5,306)	(5,461)	(10,896)
<b>Operating (loss)/profit</b>	<b>(80)</b>	444	(556)
<b>Analysed as</b>			
EBITDA before share-based payments	1,291	1,810	2,138
Share based payments	(57)	(142)	(257)
Depreciation	(705)	(755)	(1,369)
Amortisation and impairment	(609)	(469)	(1,068)
	(80)	444	(556)
Exchange (loss)/gain on borrowings	(284)	297	197
Fair value movement on embedded derivative	-	-	986
Finance cost	(346)	(367)	(674)
<b>Total finance cost</b>	<b>(630)</b>	(70)	509
<b>(Loss)/profit before taxation</b>	<b>(710)</b>	374	(47)
Tax on(loss)/profit	(15)	(13)	363
<b>(Loss)/profit and total comprehensive income for the period attributable to equity holders of the parent</b>	<b>(725)</b>	361	316
<b>Profit per ordinary share</b>			
- basic	(0.97) cents	0.48 cents	0.42 cents
- diluted	(0.97) cents	0.45 cents	0.39 cents



# Consolidated Statement of Financial Position as at 31 March (unaudited)

**ZOO Digital Group plc**  
Interim Results FY21

	As at 30 Sep 2020 \$000	As at 30 Sep 2019 \$000	As at 31 Mar 2020 \$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4,650	4,463	3,633
Intangible assets	6,693	6,585	6,692
Deferred income tax assets	486	486	486
	<b>11,829</b>	<b>11,534</b>	<b>10,811</b>
<b>Current assets</b>			
Trade and other receivables	9,180	8,227	9,323
Cash and cash equivalents	2,073	607	1,218
	<b>11,253</b>	<b>8,834</b>	<b>10,541</b>
<b>Total assets</b>	<b>23,082</b>	<b>20,368</b>	<b>21,352</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(10,047)	(5,729)	(8,049)
Borrowings	(1,598)	(1,364)	(4,391)
Separable embedded derivative	-	-	(978)
	<b>(11,645)</b>	<b>(7,093)</b>	<b>(13,418)</b>
<b>Non-current liabilities</b>			
Borrowings	(5,810)	(6,107)	(2,637)
Separable embedded derivative	(978)	(1,965)	-
	<b>(6,788)</b>	<b>(8,072)</b>	<b>(2,637)</b>
<b>Total liabilities</b>	<b>(18,433)</b>	<b>(15,165)</b>	<b>(16,055)</b>
<b>Net assets</b>	<b>4,649</b>	<b>5,203</b>	<b>5,297</b>

# Consolidated Statement of Cash Flows (unaudited)

**ZOO Digital Group plc**  
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	6 months to 30 Sep 2020 \$000	6 months to 30 Sep 2019 \$000	Year ended 31 Mar 2020 \$000
<b>Cash flows from operating activities</b>			
Operating (loss)/profit for the period	(80)	444	(556)
Depreciation	705	755	532
Amortisation and impairment	609	469	1,068
Share based payments	57	142	290
Changes in working capital:			
Decreases/(increases) in trade and other receivables	143	(124)	(1,220)
Increases/(decreases) in trade and other payables	1,998	(1,460)	860
<b>Cash flow from operations</b>	<b>3,432</b>	<b>226</b>	<b>974</b>
Tax (paid)/received	(15)	(13)	363
<b>Net cash flow from operating activities</b>	<b>3,417</b>	<b>213</b>	<b>1,337</b>
<b>Investing Activities</b>			
Purchase of intangible assets	-	-	(235)
Capitalised development costs	(610)	(430)	(901)
Purchase of property, plant and equipment	(1,588)	(123)	(509)
<b>Net cash flow from investing activities</b>	<b>(2,198)</b>	<b>(553)</b>	<b>(1,645)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(1,083)	(532)	(246)
Proceeds from borrowings	1,042	-	500
Finance cost	(343)	(365)	(556)
Share and convertible loan issue costs	19	-	-
Issue of Share Capital (net of costs of issue)	1	16	-
<b>Net cash flow from financing</b>	<b>(364)</b>	<b>(881)</b>	<b>(302)</b>
Net Increase/(decrease) in cash and cash equivalents	<b>855</b>	<b>(1,221)</b>	<b>(610)</b>
Cash and cash equivalents at the beginning of the period	<b>1,218</b>	<b>1,828</b>	<b>1,828</b>
Cash and cash equivalents at the end of the period	<b>2,073</b>	<b>607</b>	<b>1,218</b>

# Board of Directors

**ZOO Digital Group plc**  
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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. 20 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

**ZOO Digital Group plc**  
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Shareholder*	% of capital
Stuart Green (CEO)	15.46
Herald Investment Trust	11.33
Invesco Oppenheimer Global Opportunities Fund	9.39
Canaccord Genuity Group Inc.	9.15
Hargreaves Lansdown	6.65
Kabouter Management LLC	4.26
Henderson Opportunities Trust plc	3.46
Sarasin & Partners	3.23
TM Stonehage Fleming AIM Fund	3.13

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

Issued share capital and total voting rights = 74,568,771 ordinary shares.