

# Introduction to ZOO Digital Group plc

**Innovation**

**preferred**

**vendor**

**content**

**security**

**collaboration**

**cloud**

**dubbing**

**global**

**expansion**

**technology**

**Hollywood**

**multi-lingual**

**film**

**streaming**

**services**

**thinking**

**differently**

**Los Angeles**

**studios**

**end-to-end**

**entertainment**

**efficient**

**research & development**

**digital**

**distribution**

**voiceover**

**scalable**

**streamlined**

**Dubai**

**industry-first**

**captioning**

**translation**

**Sheffield**

**OTT**

**disruptive**

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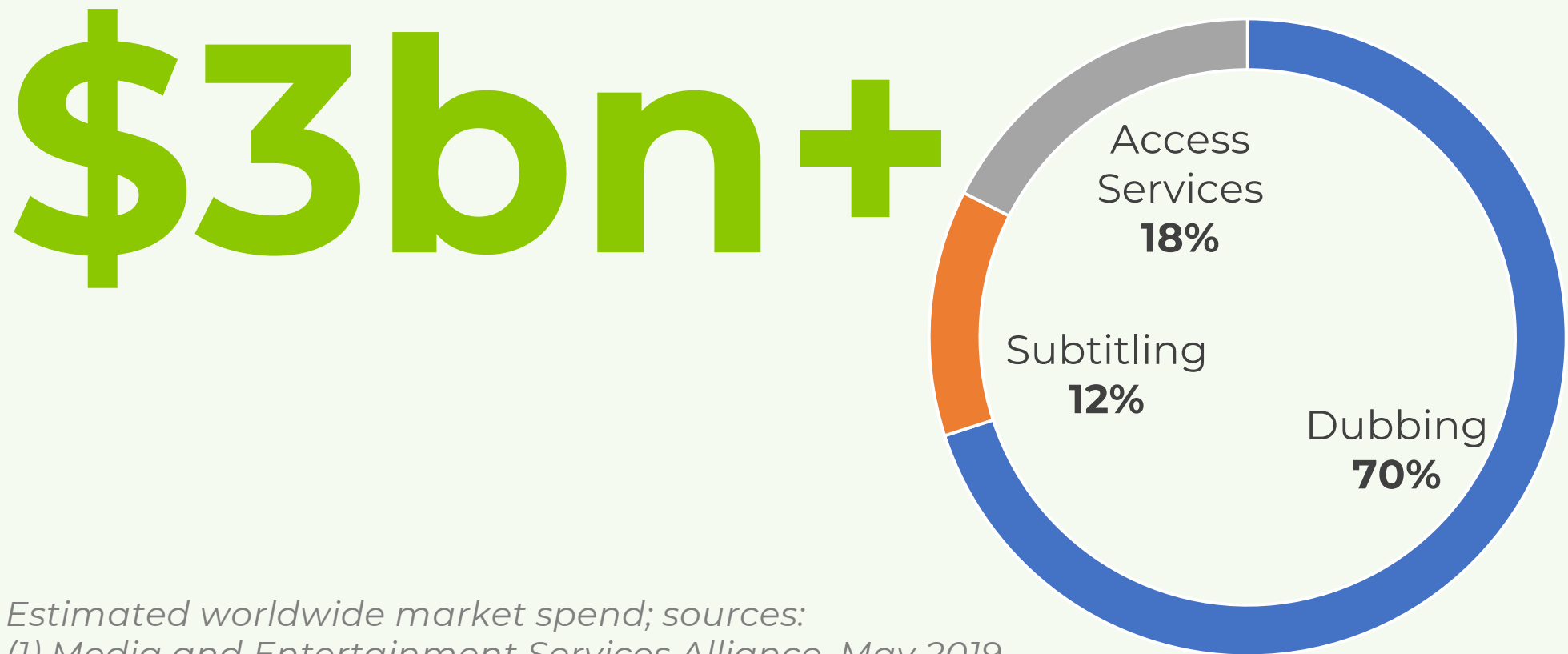
Cloud-powered subtitling,  
dubbing and distribution for the  
global TV and movie industry



## A Changing Consumer Market...



# ...leads to growth in media localization

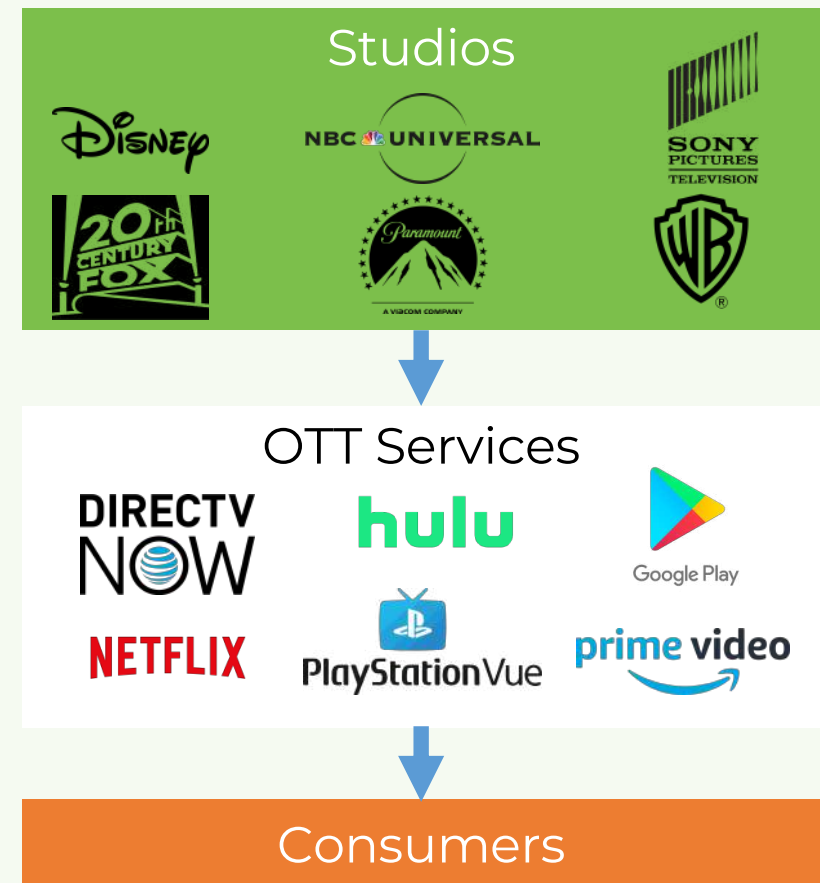


*Estimated worldwide market spend; sources:  
(1) Media and Entertainment Services Alliance, May 2019,  
(2) Slator 2020,  
(3) ZOO Digital*

# OTT (Over-the-Top) Video Phase 1: 2006–2019/20 Platform-first Services

- Market dominated by platform-first companies
- Content licensed from:
  - Major media producers (usually non-exclusively)
  - Independent studios (often exclusively)
- Leading OTT operators create own original content
- 2019 top 3 US platforms by subscribers\*:
  - Netflix 158.8 million
  - Amazon Video 96.5 million
  - Hulu 75.8 million

## *Phase 1 supply chain*

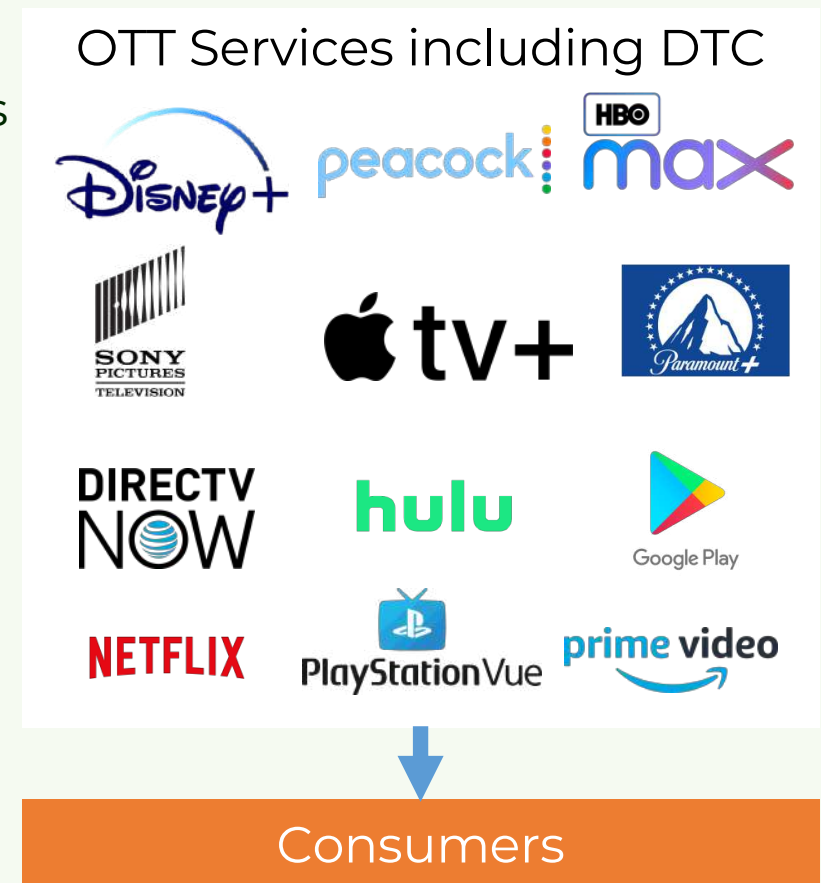


\* Source: eMarketer forecast to end of 2019

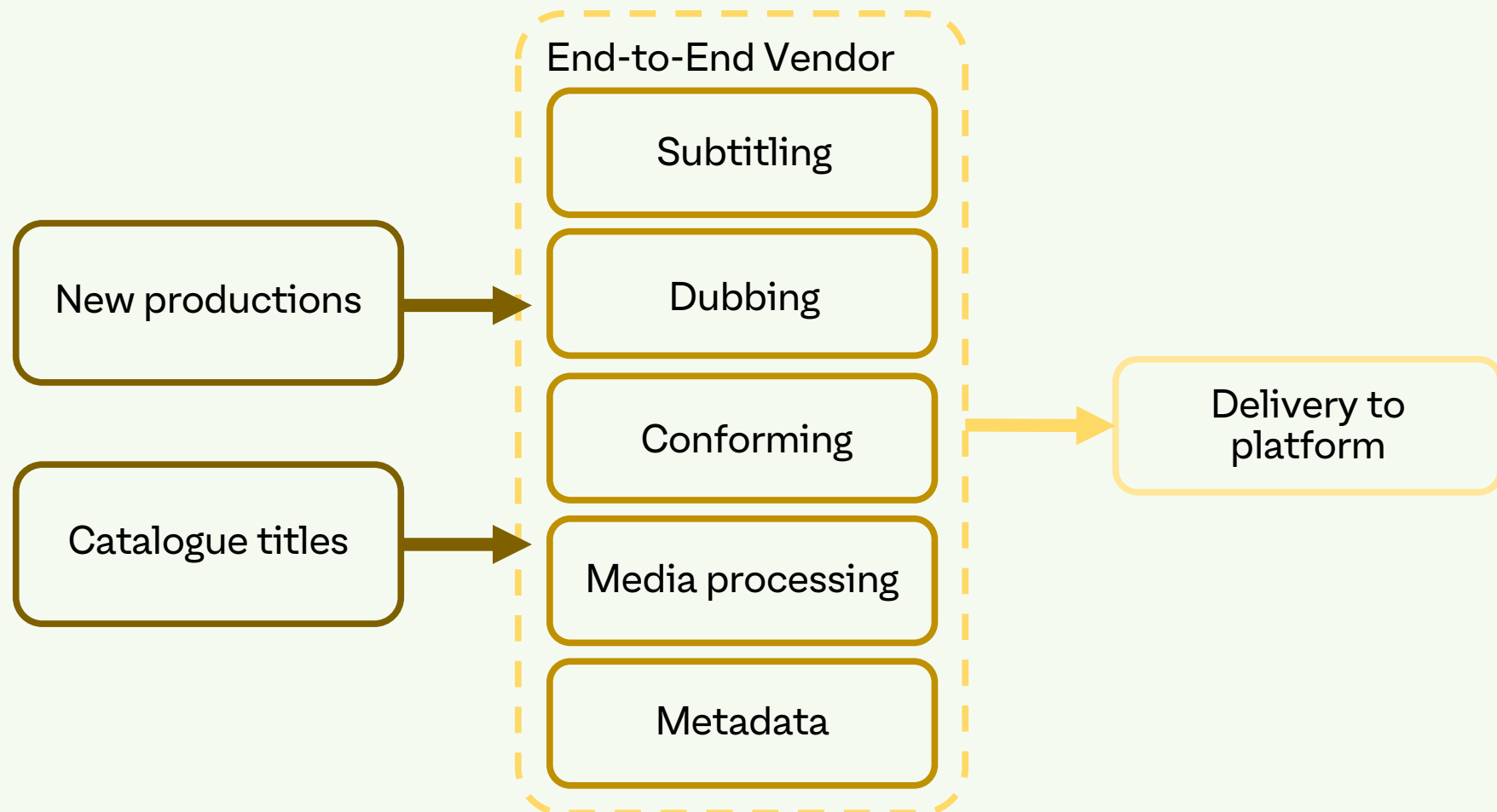
## OTT Phase 2: 2019/20 onwards: Direct to Consumer Services

- Several major media producers launch 'Direct to Consumer' (DTC) services
- Some have announced their intention to discontinue licensing to other OTT providers
- This will create a significant shift in the perceived value of established players and new entrants
- The trend of more content into more languages will continue: English to International *and* International to English
- 2020 top platforms by subscribers:
  - Netflix<sup>1</sup> 186 million
  - Amazon Video<sup>2</sup> 150 million
  - Disney+<sup>3</sup> 60 million
  - HBO Max<sup>4</sup> 36 million
  - Peacock<sup>5</sup> 10 million

### *Phase 2 supply chain*



## Fulfilment of content for streaming VOD



## ZOO Core Services – Media Localization

### Subtitling

♪ Porque tengo el corazón valiente  
Voy a quererte, voy a quererte

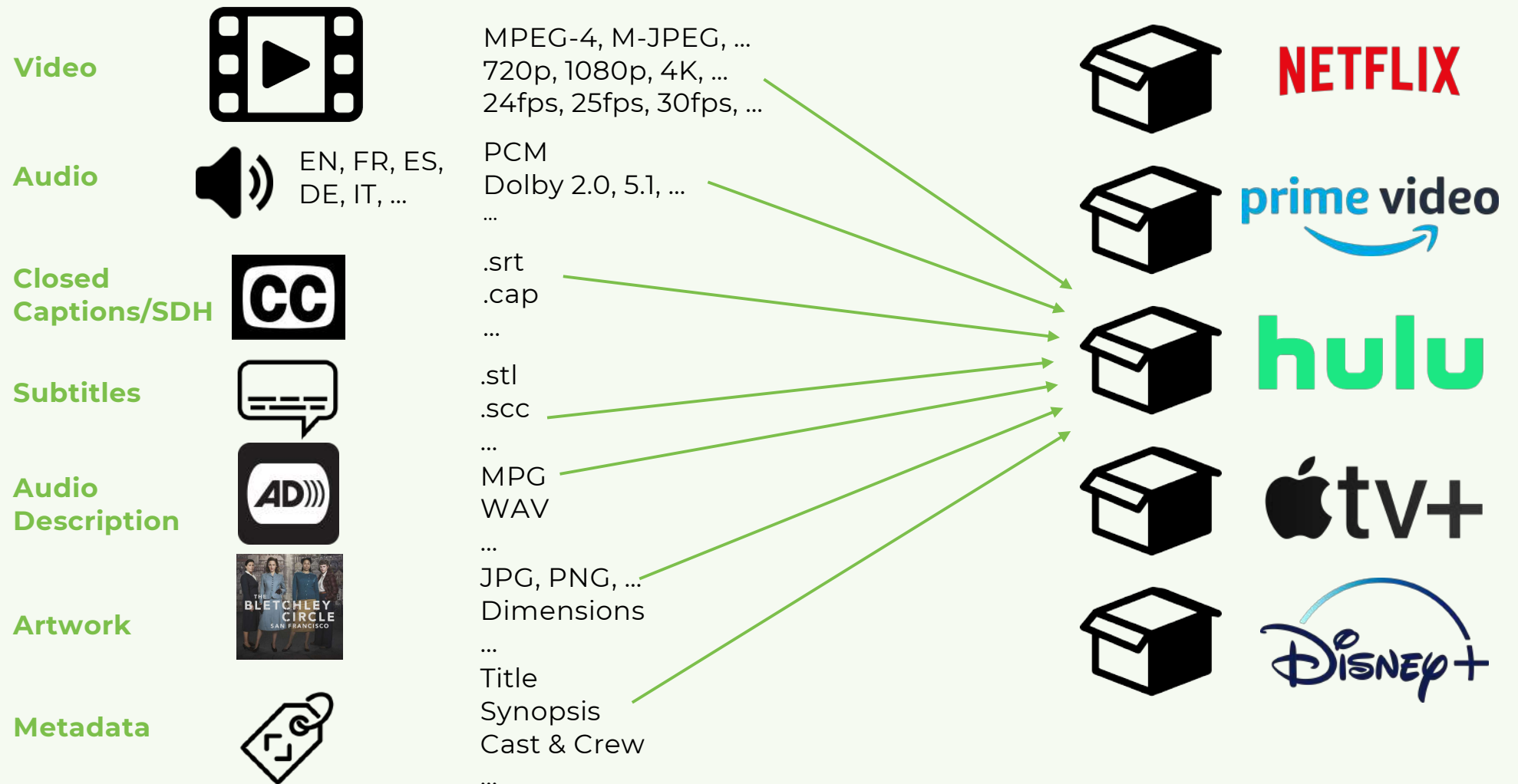


### Dubbing

♪ For I have a brave heart,  
I'll love you, I'll love you!



# ZOO Core Services – Digital Packaging



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

**ZOO**subs

Subtitling production & management

 **ZOO**dubs

Dubbing production & management

**ZOO**scripts

Original language script production & management

**ZOO**core

Workflow management

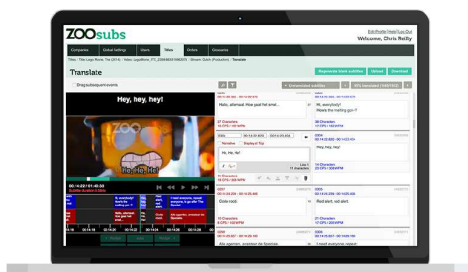
 **ZOO**studio

Localization operations management

# Growth – Four Strategic Pillars

## INNOVATE

... by creating value-adding cloud software technology



## SCALE

... through a freelance network

7,200+ freelancers

Disciplines:

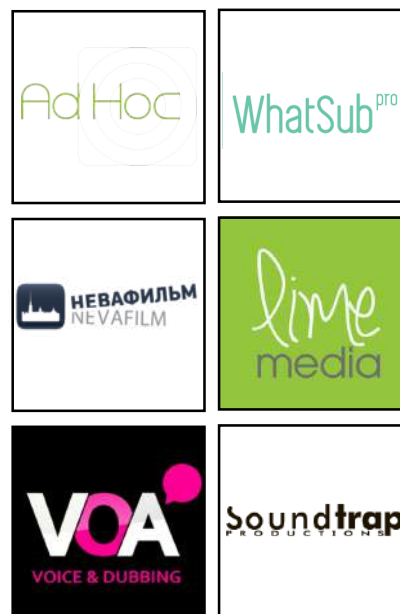
- Translators
- Script Adapters
- Voice Actors
- Dubbing Directors
- Mixing Engineers

83 translation languages

34 dubbing languages

## COLLABORATE

... with like-minded, world-class experts in media localization, education and research

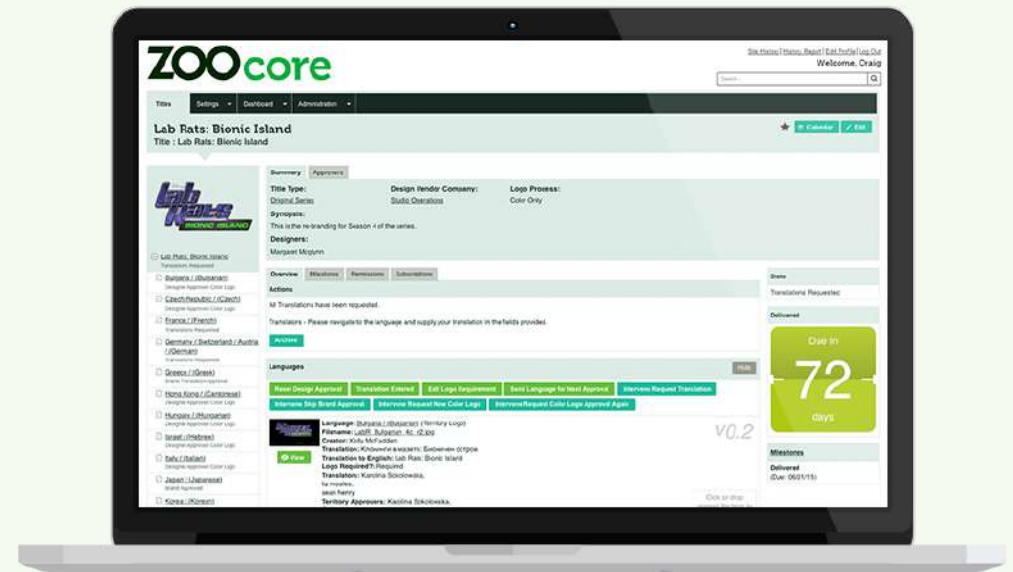
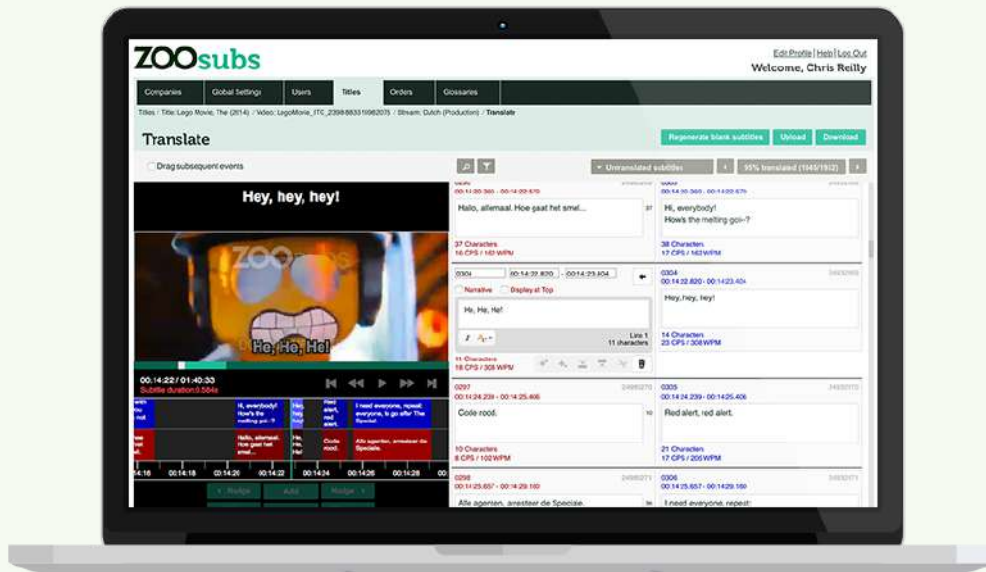


## PARTNER

Secure preferred partner status with leading buyers



# Strategy: Innovate



# Innovation in Dubbing

From this...



...to this



## Vendor Selection by Large Buyers\*

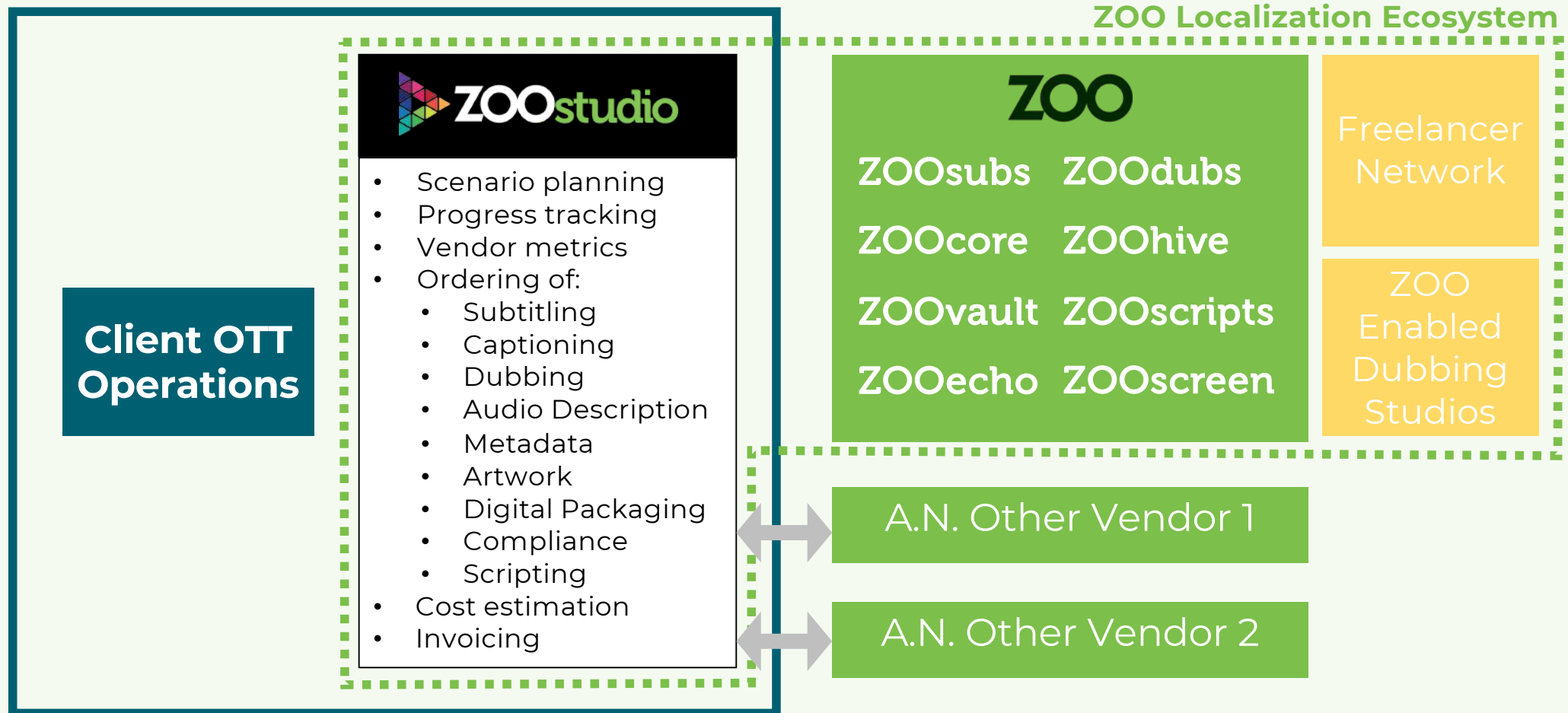
	Ad-hoc engagement	Approved/ Preferred Vendor	Primary Vendor
<i>Appointment:</i>	Trialing new vendors	Selected following RFP†	Selected from preferred vendors following RFP†
<i>Work frequency:</i>	Sporadic projects	Regular projects	Regular projects
<i>Volume:</i>	Occasional/ad-hoc	Low-medium	High
<i>Commitment:</i>	None; no visibility	None; short visibility	Possible; longer visibility
<i>Capacity required:</i>	Project	Low-medium	High
<i>Pricing‡:</i>	Project	Agreed rate card	Agreed rate card

\* For illustration purposes only; in practice the approach and terminology vary between different buyers

† Request for Proposals – a procurement process typically operating on a 3-4 year cycle

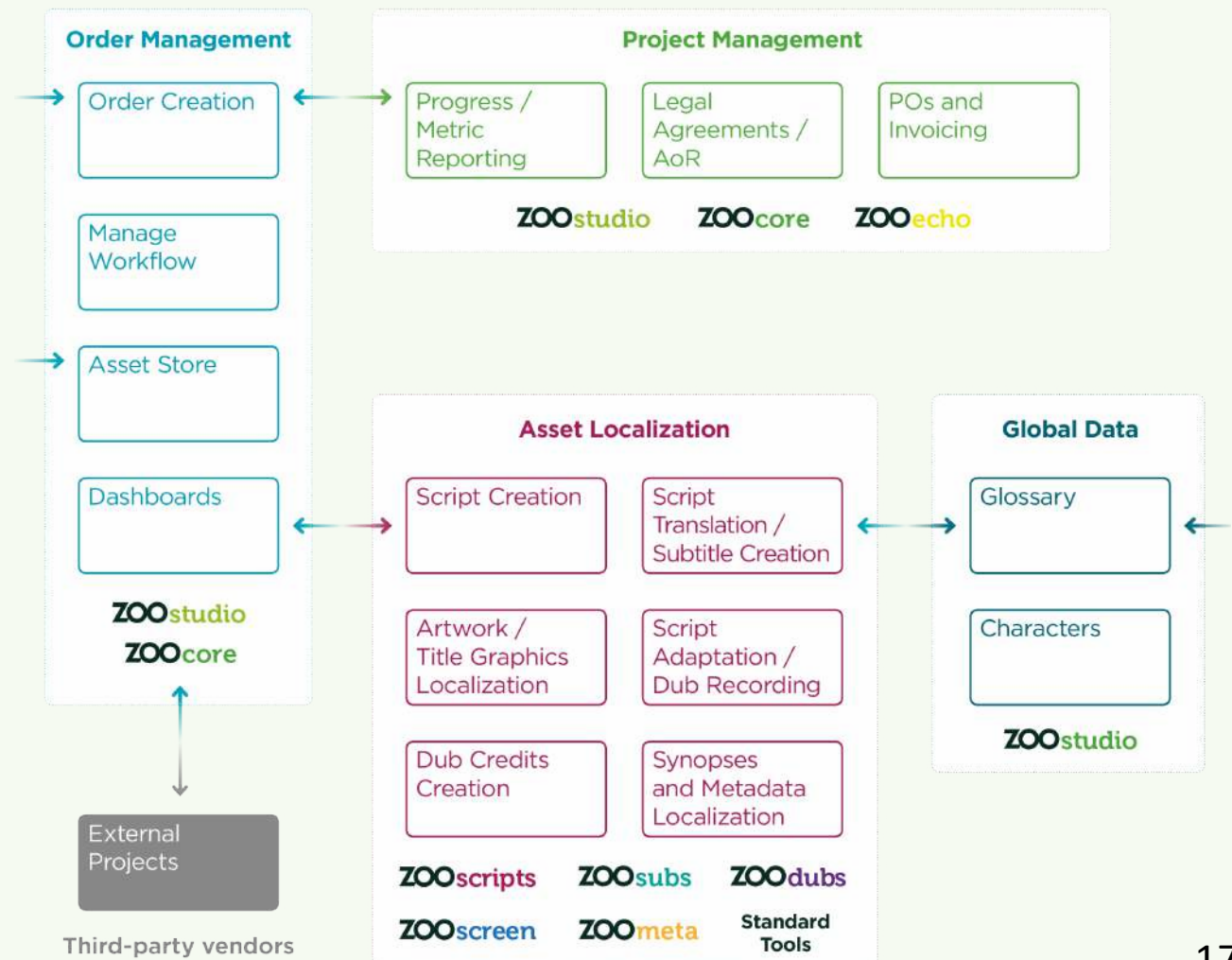
‡ In each scenario, work is priced by the project and is related to the run-time of the content; work is invoiced on completion or monthly

# ZOO Localization Ecosystem

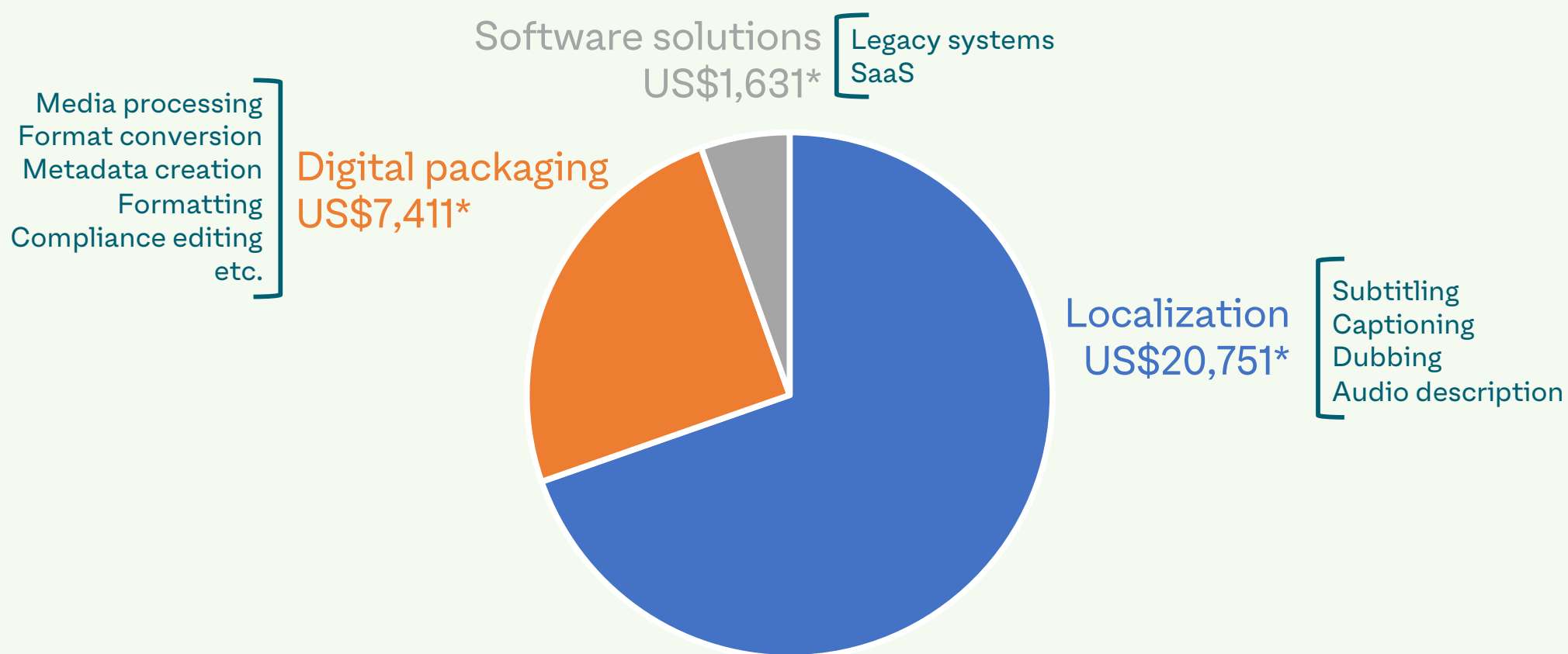


# End-to-End Model

- ZOO Localization Ecosystem supports end-to-end service requirements of ZOO target customers
- Interconnected production and management platforms
- Brings more efficiency, standardization, transparency & security to media localization than ever before
- Helps reduce process duplication and cost wastage; saves management time and labor

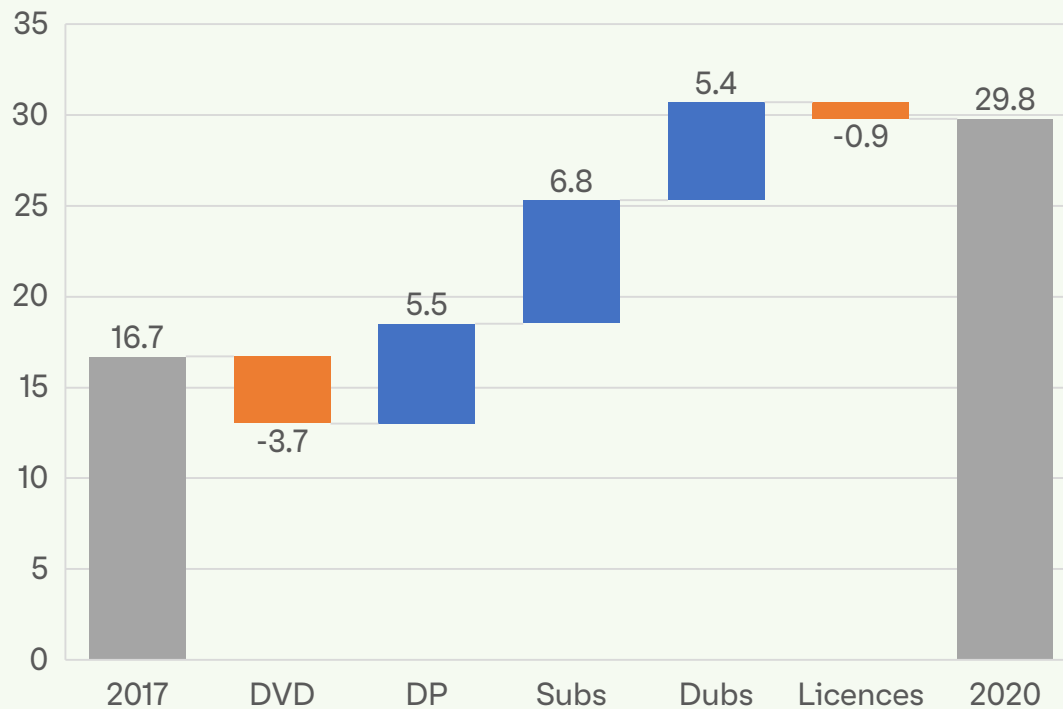


## Business Model and Segments



\* Audited FY 20 results – revenues (\$000s)

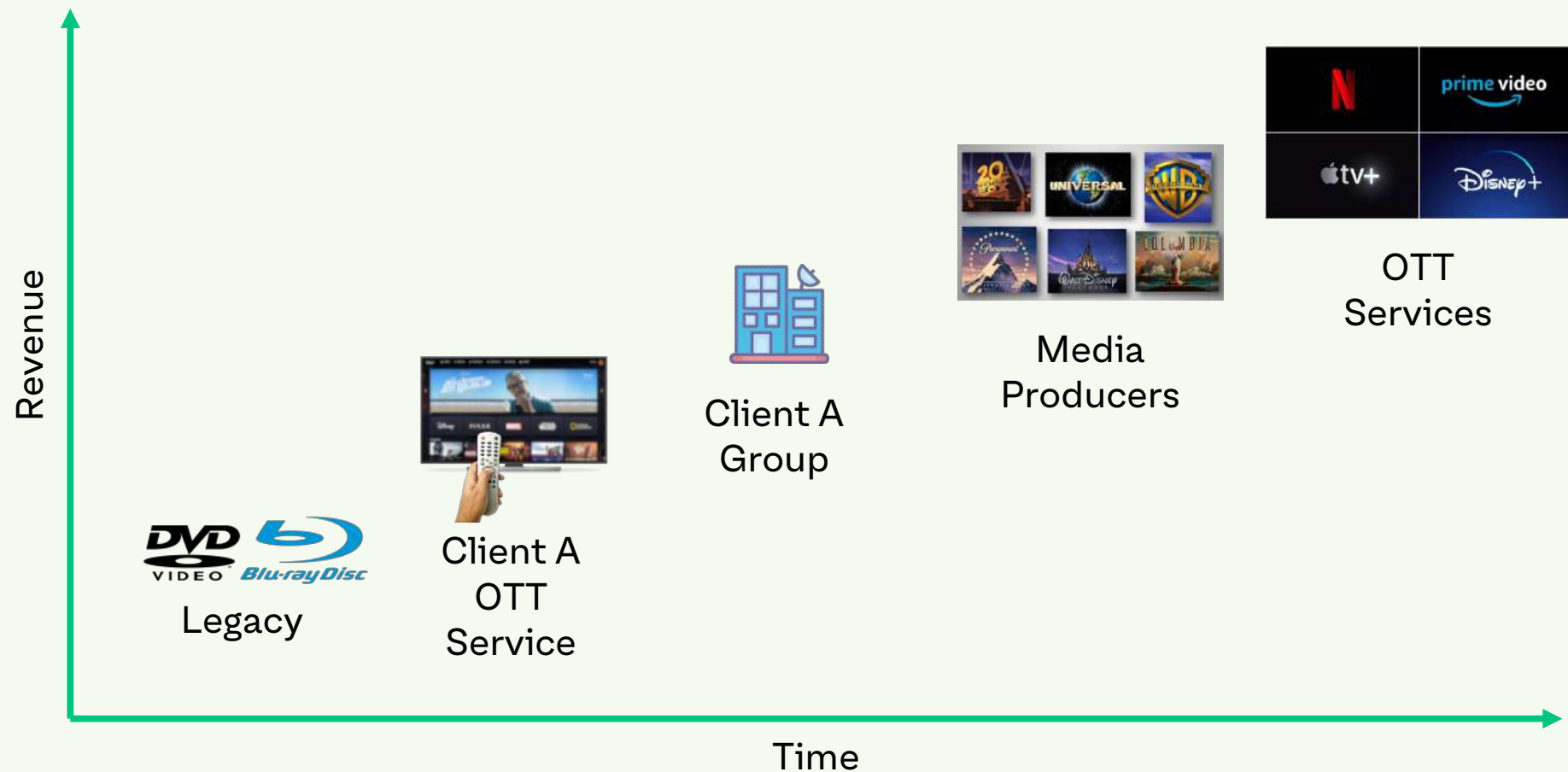
## Sales bridge 2017 to 2020



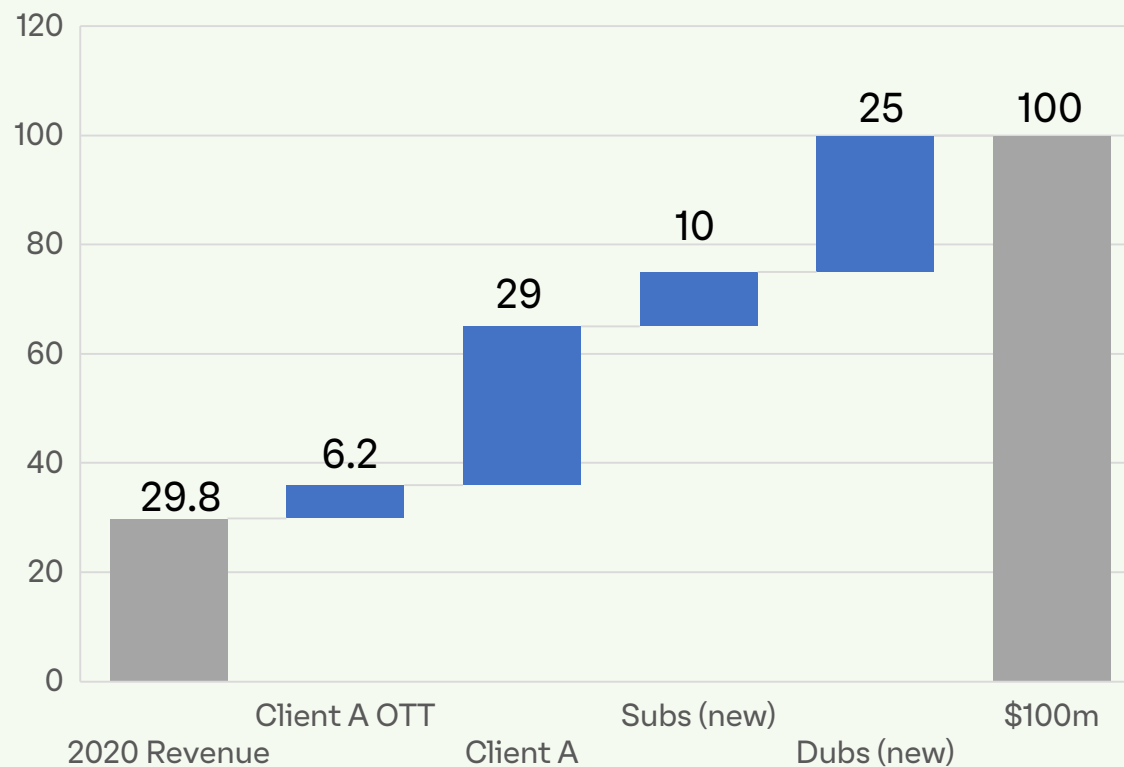
Client A up \$9.8 million  
Client B up \$1.7 million  
Client C up \$2.6 million  
Client D down \$1.0 million  
DVD now only \$0.6 million  
Licenses now only \$1.6 million

*Transition from legacy services business to next generation localization provider*

## Journey by customer to \$100m sales



## 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

## Investment Summary

- **Strategy** – technology-first approach to media localization
- **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

**Foundations for growth in place**

## Outlook

- Market disruption in shift to Direct-to-Consumer services creates significant growth opportunities
- ZOO uniquely placed to capitalize from impact of COVID-19
- New customer wins provide the scope for sustained revenue ramp
- Technology-led approach provides distinct competitive advantage over traditional vendors
- Stronger order book positions us well to meet market expectations for the full year

Dubai  
industry-first

OTT disruptive  
Innovation  
preferred digital distribution  
vendor content security  
research & development  
collaboration  
efficient cloud dubbing  
entertainment  
end-to-end global  
studios expansion  
technology  
industry-first captioning Hollywood  
translation multi-lingual  
Sheffield film  
streaming services  
thinking differently  
Los Angeles

# Appendix

## COVID-19 ZOO impact

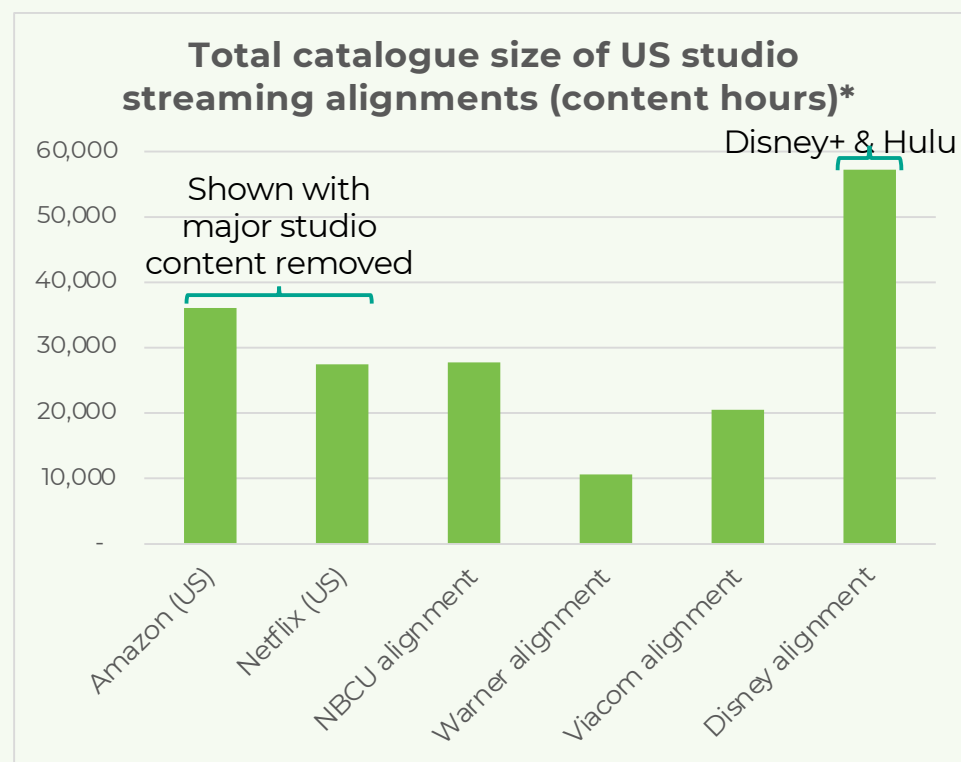
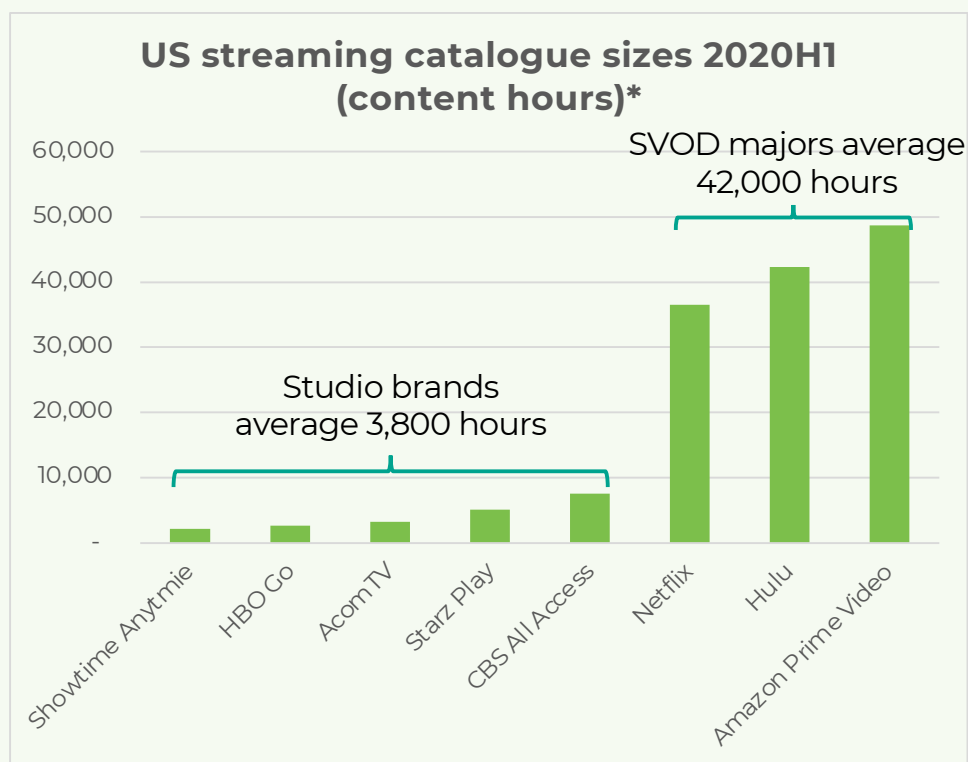
- ZOO well placed to benefit from wider market acceptance
- Seamless transition to working from home
- Temporary softening of sales in February/March as customers moved to WFH
- Increased interest in ZOOdubs; Q1 dubbing projects up 3x over prior year
- Orders related to new titles declined
- Increased focus on back-catalogue titles
- Absence of a new title pipeline has knock-on effect on demand for dubbing

# COVID-19

## Industry impact

- New feature and TV productions halted
  - Curtailed orders for originals
  - Customer focus has switched to back catalogue
  - Situation expected to continue into calendar 2021
- Traditional dubbing vendors significantly impacted
  - Closed during lockdown
  - Constrained due to social distancing, travel restrictions, etc.
  - Primarily dependent on orders for new titles
- Large competitors beginning to offer 'remote dubbing'
  - Strengthens credibility of off-premise voice recording
  - ZOO well placed to benefit from wider market acceptance

## Hours of Content by Platform (US)



\* Source: Ampere Analysis, 2019

# Major Global OTT Platforms



	prime video	NETFLIX	hulu	apple tv+	Disney+	peacock	HBO max	Paramount+
<b>Launch</b>	2006	2007	2007	Nov '19	Nov '19	Apr '20	May '20	Early '21
<b>Paid subscribers</b>	150m	186m	35m	10m	60m	10m	36m (inc HBO)	n/a
<b>Countries</b>	>200	190	US only; int'l in 2021	>100	21 Int'l roll-out in progress	US only; int'l in 2021	US only; int'l in 2021	TBC
<b>Original Content</b>	\$7bn in 2019	\$12bn	\$2.5bn	\$6bn	\$23.8bn	\$15bn	\$14.3bn (AT&T)	\$13bn

## ZOO-Enabled Dubbing Studios

- Traditional dubbing studios trained in the use of ZOOdubs
- Enables efficiencies and consistent treatment across languages
- Gives clients the option to record certain voices or languages in familiar settings



## Project Case Study – *The Bletchley Circle: San Francisco*

- Project: Eight 60-minute episode crime drama TV series
- Producer: ITV
- Client: Kew Media Distribution
- Platform: Netflix
- Services:
  - Script creation
  - Subtitles created for 17 languages
  - Dubbing created for three languages
  - Conforming of pre-existing dubs and subtitles
  - Forced narratives in five languages
  - Audio description
  - Digital packaging



# Media Localization Vendor Landscape

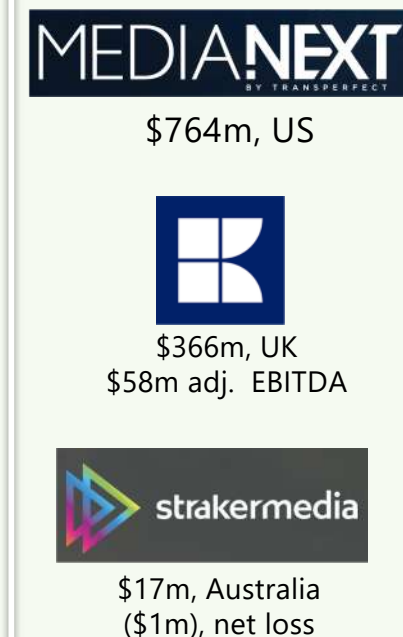
## Media Localizers +\$25m



## SME Media Localizers



## LSPs / Non-Media



## Major competitors in Media Localization



- **Deluxe Entertainment** – US headquartered; Chapter 11 process in 2020 when ownership passed from PE to debt providers; Distribution group acquired by PE; offers wide range of entertainment services; owns two dubbing studios; media localization business believed to generate \$200m in sales pre-COVID



- **SDI Media** – US headquartered; owned by Japanese consortium including 51% with Imagica (Tokyo Stock Exchange); media localization specialist with dubbing studios in 24 countries; media localization sales FY 2019 \$229m; expected 20% decline due to COVID



- **IYUNO** – London headquartered with significant operation in South Korea; PE owned; merged with BTI Studios in 2019; media localization specialist now with 23 combined dubbing studios and operations in 30 countries; media localization sales estimated at \$176m pre-COVID



- **Pixellogic** – US headquartered established 2016; 40% equity purchased in 2019 by Imagica, parent of SDI Media

# Consolidated Statement of Comprehensive Income March 2020

ZOO Digital Group plc

	2020 \$000	2019 \$000
<b>Revenue</b>	<b>29,793</b>	28,818
Cost of sales	(19,705)	(19,624)
<b>Gross Profit</b>	<b>10,088</b>	9,194
Other operating income	252	157
Other operating expenses	(10,896)	(10,671)
<b>Operating (loss)/profit</b>	<b>(556)</b>	(1,320)
<b>Analysed as:</b>		
EBITDA before share based payments	2,138	409
Share based payments	(257)	(286)
Depreciation	(1,369)	(539)
Amortisation	(1,068)	(904)
	<b>(556)</b>	(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)
<b>Total finance income</b>	<b>509</b>	2,584
<b>(Loss)/Profit before taxation</b>	<b>(47)</b>	1,264
Tax credit	363	368
<b>Profit and total comprehensive income for the year attributable to equity holders of the parent</b>	<b>316</b>	1,632
<b>Profit/(loss) per share</b>		
basic	<b>0.42 cents</b>	2.19 cents
diluted	<b>0.39 cents</b>	2.02 cents

# Consolidated Statement of Financial Position as at 31 March

ZOO Digital Group plc

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

# Consolidated Statement of Cash Flows

ZOO Digital Group plc

	2020 \$000	2019 \$000
<b>Cash flows from operating activities</b>		
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
<b>Cash flow from operations</b>	<b>974</b>	<b>925</b>
Tax received	363	368
<b>Net cash inflow from operating activities</b>	<b>1,337</b>	<b>1,293</b>
<b>Investing activities</b>		
Purchase of intangible assets	(235)	(29)
Capitalised development costs	(901)	(958)
Purchase of property, plant and equipment	(509)	(310)
<b>Net cash outflow from investing activities</b>	<b>(1,645)</b>	<b>(1,297)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(246)	(228)
Proceeds from borrowings	500	
Finance cost	(556)	(349)
Issue of share capital	-	-
<b>Net cash (outflow)/inflow from financing</b>	<b>(302)</b>	<b>(577)</b>
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

# Management Team



**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

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.

# localisation reimagined

