



# **ZOO DIGITAL GROUP PLC INTERIM RESULTS FY22**

10 November 2021

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With new title production resuming and migration of catalogue content accelerating, ZOO's services are pivotal to the global growth ambitions of all major media companies





A photograph of a young couple in a cafe. The woman, with curly hair and wearing a white tank top, is holding a white coffee cup and smiling. The man, with a beard and wearing a denim jacket, is holding a smartphone and smiling. They are both wearing earbuds. The background shows a cafe interior with shelves and a counter.

# EXECUTIVE SUMMARY





# ZOO AT A GLANCE

**ZOO Digital is a leading provider of cloud-based localisation and media services to the global entertainment industry**

Our services, solutions and technologies support major Hollywood studios and streaming services to globalise their new and catalogue content for audiences around the world – in all languages and for all streaming platforms

**365** global team

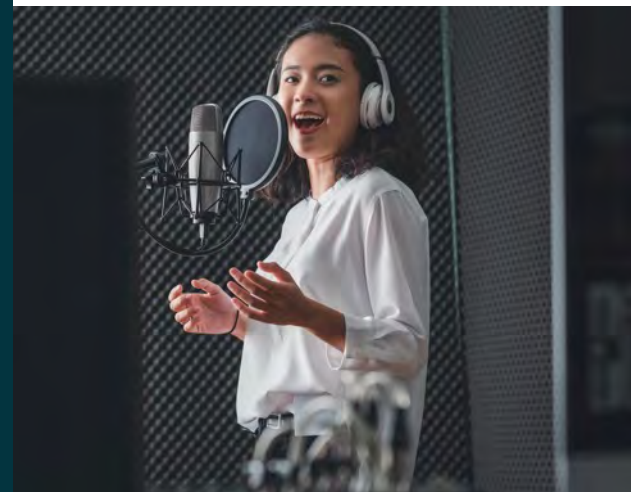
**24-hour coverage**

LA, London, Dubai & Turkey



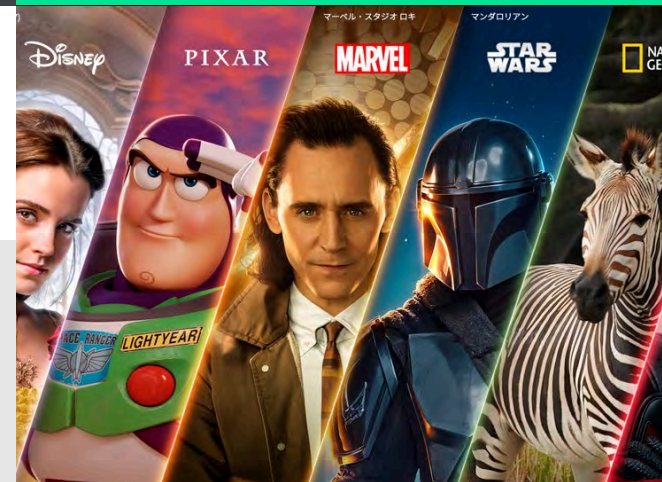
**Distributed workforce**  
in **59** countries

**10,000**  
freelance language  
specialists & voice talents



**83** languages

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



# INVESTMENT SUMMARY

Strategically aligned with the world's biggest content creators and streaming services, ZOO addresses their current needs and anticipates future challenges better than anyone else in the sector. This customer-focused approach to services, solutions and technologies will continue to deliver sustainable, profitable revenue growth.

**Large, growing  
global market**  
**\$1.5 billion est.  
addressable**

**Significant year-  
on-year growth**  
**64% in H1 FY22**

**Continued R&D  
investment**  
**\$1 million+ in  
H1 FY22**

**Market-leading  
position**  
**Top 35 leader in  
global LSP index**

**Fully supported  
remote solutions**  
**100% remote  
during lockdowns**

**Distributed global  
supply chain**  
**Network of 10,000  
translators, actors,  
directors**

**International  
partner network**  
**230+ studios and  
vendors**

**Engaged, growing  
global workforce**  
**22% growth in  
H1 FY22, 81%  
engagement index**

**Well funded for  
growth**  
**£7.4 million (\$10.3  
million) placing in  
FY21**

# H1 FY22 RESULTS

# OPERATIONAL HIGHLIGHTS

- Extended ZOOstudio platform further and secured a new customer deployment
- Media services grew by 142% due to a high volume of work in preparing back catalogue titles for release on streaming platforms
- Localisation grew 30% as new productions resumed in Q2
- The freelancer network grew to 9,752 (H1 FY21: 8,272, +18%)
- Established mastering team, launched new service and secured first customer
- Launched global growth initiative with investment to establish ZOO Turkey
- Signed lease to rent new property in Sheffield to support long-term innovation and growth



# FINANCIAL HIGHLIGHTS – ACCELERATION TO \$100M SALES

- Revenues increased by 64% to \$26.9 million (H1 FY21: \$16.4 million) driven by very strong growth in the period for subtitling and media services
- Gross profit increased by 68% to \$8.6 million (H1 FY21: \$5.1 million)
- Adjusted EBITDA\* up 82% to \$2.4 million (H1 FY21: \$1.3 million) reflecting the strong revenue growth and operational gearing
- Operating profit of \$0.4 million (H1 FY21: loss of \$0.1 million)
- Cash balance of \$8.2 million at period end (H1 FY21: \$2.1 million) benefitted from the \$10.3 million placing in April 2021 to fund accelerated growth
- Conversion of the 7.5% unsecured convertible loan stock into 5,273,959 new shares, removed the main borrowings of the Group and associated interest

\* *Adjusted for share-based payments*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## Revenues

- Media Services up 142%
- Localisation up 30%
- Licences down 13%

## Cost of sales

- Direct cost of sales 2% points higher
- Direct staff costs down 2% points

## Operating expenses

- Fixed operating expenses up 57%, however a reduction in percentage terms of 1.5% points
- R&D expenditure up 42%

## Loss for the period

- Embedded derivative accrual of \$971k
- Finance costs of \$1,197k

\$000's	H1 2022	H1 2021	% change
Revenue	26,927	16,393	64.3%
Cost of sales	(18,357)	(11,277)	(62.8%)
Gross profit	8,570	5,116	67.5%
Operating expenses	(8,332)	(5,306)	(57.0%)
Operating profit/(loss)	373	(80)	566.3%
EBITDA*	2,355	1,291	82.4%
Loss for the period	(1,668)	(725)	(130.1%)

\* Adjusted for share-based payments

# SEGMENTAL ANALYSIS

## Revenues

- Localisation – strong recovery in subtitling
- Media Services – two major territory launches
- Software Solutions – no bespoke work

## Gross profit

- Localisation margins up 5% points due to favourable product mix
- Media Services margin has dropped by 15% points due to mix of work
- Software Solutions margins up 6% points due to no bespoke work

\$000's	H1 2022	H1 2021	% change
<b>Revenues</b>			
Localisation	12,906	9,940	29.8%
Media Services	13,122	5,416	142.3%
Software Solutions	899	1,037	(13.3%)
<b>Total</b>	<b>26,927</b>	<b>16,393</b>	<b>64.3%</b>

\$000's	H1 2022	H1 2021	% change
<b>Gross profit</b>			
Localisation	2,658	1,549	71.6%
Media Services	6,835	3,620	88.8%
Software Solutions	831	895	(7.2%)
<b>Total*</b>	<b>10,323</b>	<b>6,064</b>	<b>70.2%</b>
	38.3%	37.0%	

\* Before unallocated COS of \$1,753k (H1 FY21: \$948k)



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- Non current Assets up 21%
- Trade receivables
  - Trade debtors up 70%
  - Prepayments up 210%
  - Investment in partner
- Cash up due to placing
- Current liabilities
  - Trade payables up 20%
  - Accruals up 55%
  - Borrowings flat
- Non current borrowings
  - No loan note liability
  - No embedded derivative
  - IFRS 16 provision for new Sheffield office lease

\$000's	H1 2022	H1 2021
Assets	14,297	11,829
Trade and other receivables	14,634	9,180
Cash	8,214	2,073
<b>Total Assets</b>	<b>37,145</b>	<b>23,082</b>
Current liabilities	13,545	11,645
Non-current liabilities	3,093	6,788
<b>Total liabilities</b>	<b>16,638</b>	<b>18,433</b>
<b>Net Assets</b>	<b>20,507</b>	<b>4,649</b>

# SALES BRIDGE TO \$100 MILLION

## Medium term target

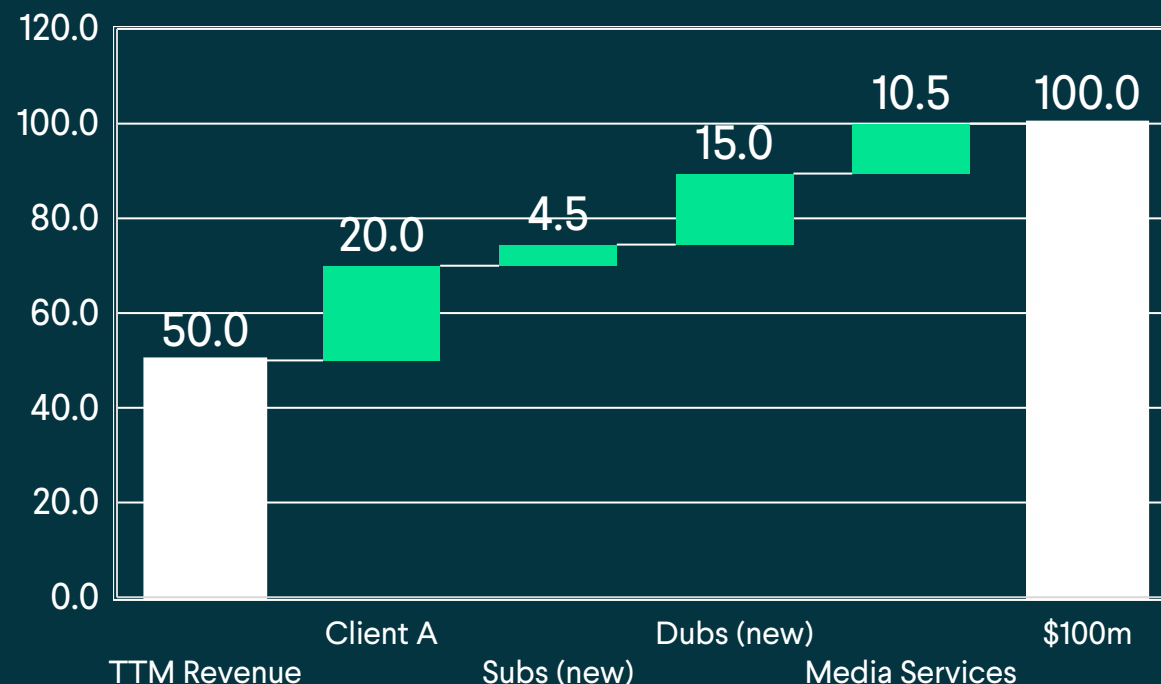
\$100 million breakdown:

- Media services 35%
- Subtitling 30%
- Dubbing 35%

Market share of addressable market:

- Current share 3% of est. \$1.5 billion of major studio spend – significant growth potential
- Assumes no more than 30% of any one studio's budget – opportunity to upsell

Entrenched integration with “Client A”

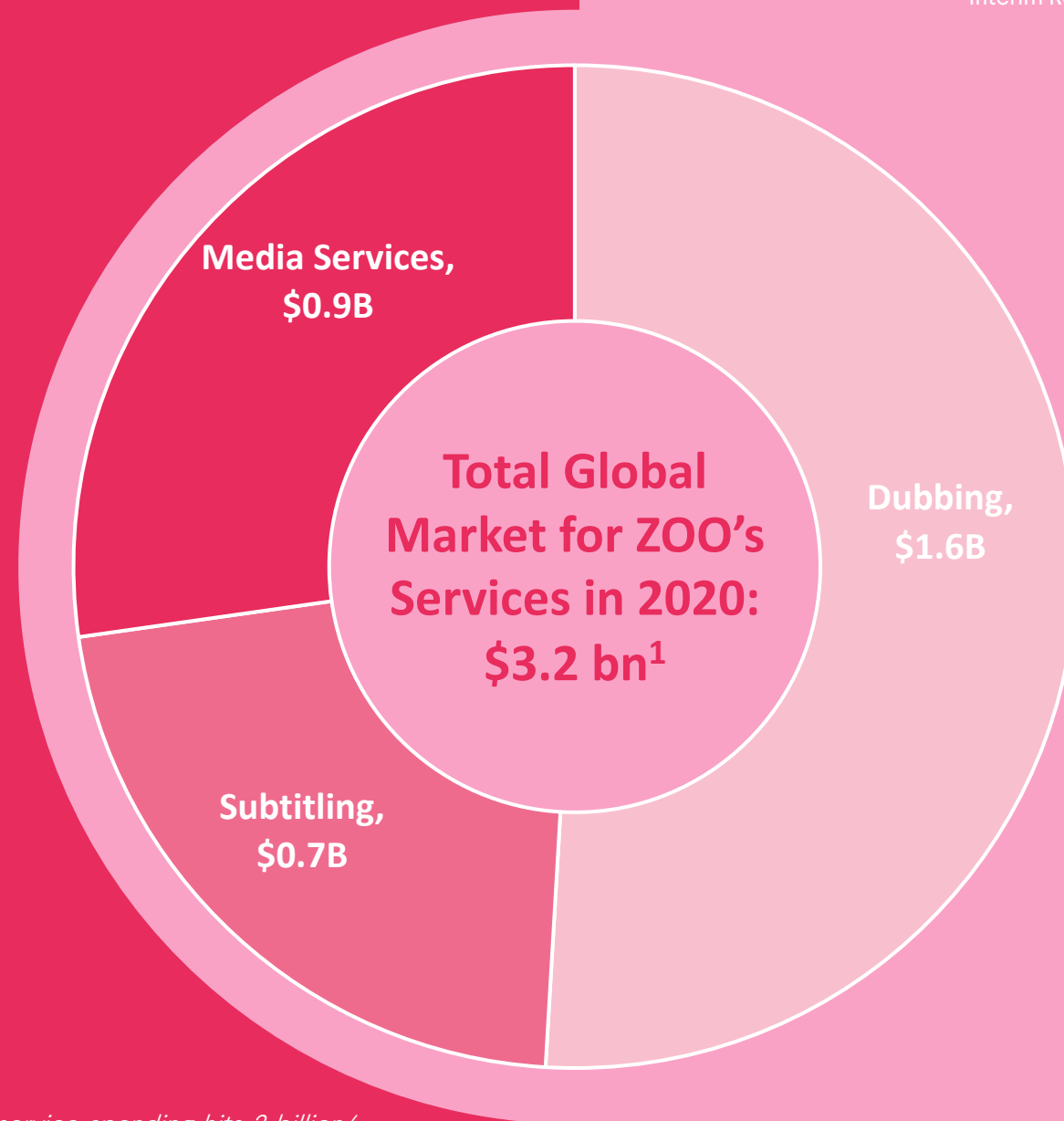


## Total global market size for ZOO's services made up of:

- Media Localisation
  - Predominantly subtitling (30%) and dubbing (70%)<sup>3, 4</sup>
  - Declined by 5.4% in 2020 due to pandemic; 'high growth vertical' expected to recover in 2021<sup>2</sup>
- Media Services
  - Increasingly bundled with media localisation

## ZOO's addressable market:

- Consists of large US buyers (studios, OTT providers)
- Trend is to centralise buying of multilingual services
- Estimated to be \$1.5 billion currently<sup>1</sup>
- Served by small number of vendors



<sup>1</sup> Management estimate derived partly from 2, 3 and 4 below

<sup>2</sup> Slator <https://slator.com/data-research/slator-2021-language-industry-market-report/>

<sup>3</sup> MESA Europe <https://www.mesaonline.org/2017/06/27/study-emea-content-localization-service-spending-hits-2-billion/>

<sup>4</sup> Slator <http://zoodigital.com/CMD2020>



# OTT CONSUMER ADOPTION

Over-the-Top (OTT), which refers to film and television content platforms provided via high-speed internet connections instead of cable or satellite provider-based platforms, has displaced PayTV and optical disc as the preferred way to consume entertainment.

## DOMINANT METHOD OF CONSUMPTION

- 82% of US consumers use OTT whilst 67% use PayTV<sup>1</sup>
- Average number of subscriptions per US household: 4<sup>1</sup>

## ADOPTION RATES SUSTAINED POST-PANDEMIC

- 86% of subscribers plan to maintain or add to their subscriptions<sup>2</sup>

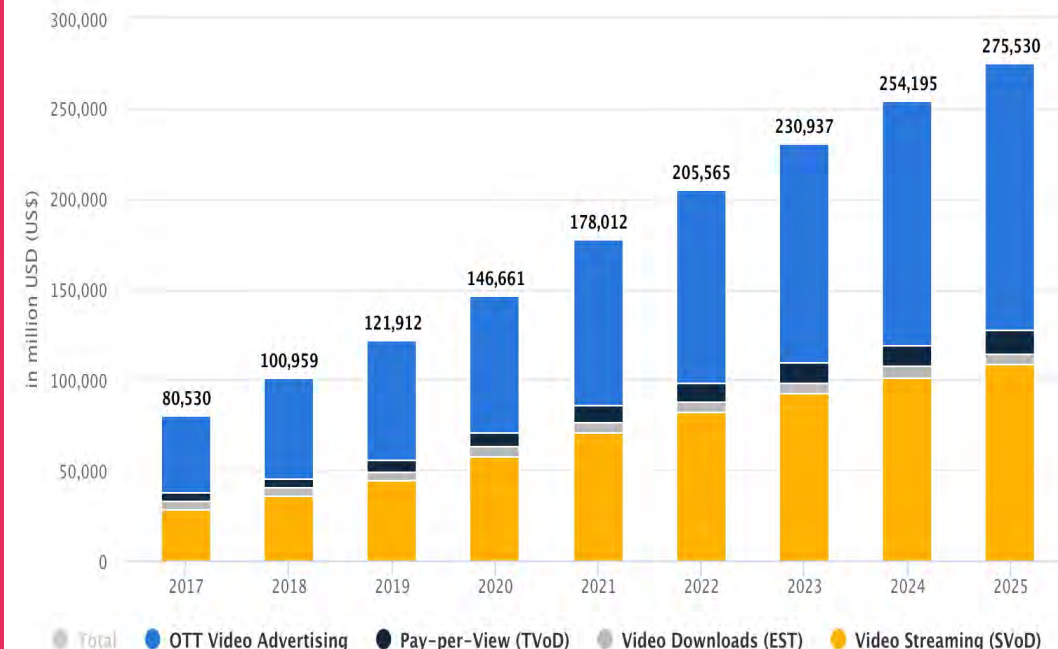
1. Deloitte; 2. Brightback

# OTT INTERNATIONAL GROWTH

The global OTT market was worth \$122 billion in 2019. It is forecast to grow to \$1 trillion by 2027<sup>1</sup>.

While penetration of US households is high, emerging markets are growing strongly.

Post period, ZOO is making in-roads into these markets.



Source: eMarketer, Statista 2021

## APAC

Market in the Asia Pacific region is forecast to grow 90% by 2026<sup>2</sup>

## India

Market in India is expected to triple by 2026<sup>2</sup>; leading OTT services are available in eight languages

## MENA

The Middle East and North Africa region is expected to grow by 74% by 2026<sup>2</sup>

## CEE

Strong growth in Central and Eastern Europe expected from 2022 following OTT platform launches<sup>2</sup>

## China

The second largest OTT market after USA, in 2020 OTT exceeded cinema box office revenues for the first time<sup>3</sup>



# PRODUCTION

## NEW PRODUCTIONS RESUMED

- In August 2021 projects in Los Angeles returned to pre-pandemic levels<sup>1</sup>

## SPEND ON ENTERTAINMENT CONTENT AT RECORD LEVELS

- Spend increased 16.4% in 2020 to \$220 billion, forecast \$250 billion in 2021<sup>2</sup>

## INTERNATIONAL APPEAL OF NON-ENGLISH CONTENT

- Squid Game most popular Netflix show in over 90 countries<sup>3</sup>
- Netflix has invested over \$1 billion in Korean content alone<sup>3</sup>

1. FilmLA; 2. Purely Streamonomics; 3. Netflix



# INDUSTRY CHALLENGES

Content creators face unprecedented challenges as they launch new platforms and distribute content to new audiences around the world. In ZOO, they have a partner with a purpose to make their lives easier. We work alongside them to address their current challenges and anticipate their future needs.



## Speed

Reduce time-to-market to hit simultaneous 'day-and-date' releases

## Security

Protect content rigorously when delivered and processed over the internet

## Quality

Global audiences demand a high-quality experience

## Diversity

Authenticity of local dubbed versions requires diverse voice talent

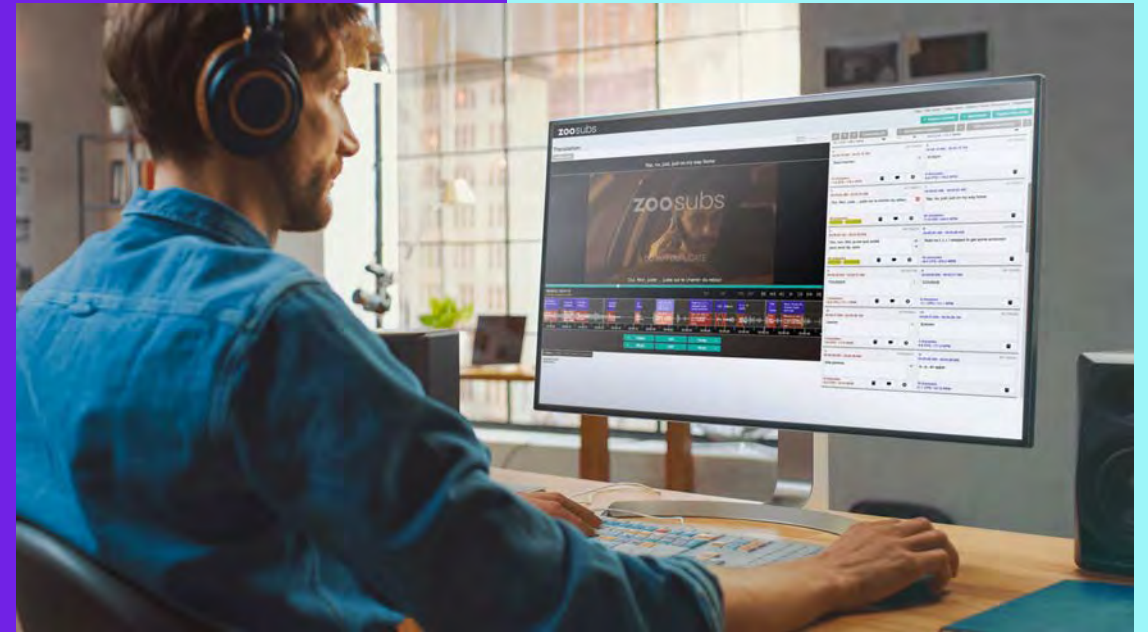
## Volume

More content produced and archives repurposed than ever before

# CLOUD-BASED MEDIA LOCALISATION TECHNOLOGY

**ZOO has created an interconnected ecosystem of cloud-based production and management software platforms. The platforms support efficiency, quality and security across all ZOO services.**

Cost-effective, scalable servicing capacity is achieved by working collaboratively with a global network of independent dubbing studios, translation partners and a freelance translator and dubbing community around the world. This global workforce collaborates as one in our cloud-based platforms, with security and quality standards enforced by ZOO technologies.



# END-TO-END SERVICES

**Trusted by the biggest names in entertainment to deliver localisation and media services at scale using proprietary cloud technology**

- Subtitling and captioning
- Dubbing
- Audio Description
- Metadata Localisation
- Media Services
- Artwork Localisation
- Scripting
- Compliance
- Mastering





#### Hit Movies



#### Recommended For You



# OUR CUSTOMERS

ZOO operates as part of the rapidly expanding global media and entertainment industry. Our customers are the world's biggest content creators that distribute TV shows and movies to vast multi-lingual audiences via global streaming services.



FACEBOOK



VIACOMCBS

LIONSGATE

magnolia

pluto tv

A+E  
NETWORKS

HBO

# BUILDING A RESPONSIBLE, FUTURE-FOCUSED BUSINESS

ZOO is committed to building a responsible, future-focused business, always looking forward, to ensure that we and our services are built for tomorrow as well as today



## Education

Our ZOO Academy initiatives are educating the global workforce of the future

## Diversity

Building a far-reaching voice actor community, representing diverse ethnicities, cultures and gender identities

## Innovation

ZOO Digital Labs is researching and developing tools and technologies of the future

## Environment

Use of cloud-based technology enables work with minimal equipment, less travel and fewer offices

## Workplace

Creating workplaces designed for collaboration, allowing staff to balance office and home working

# GROWTH – FIVE STRATEGIC PILLARS

## 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



A background image showing a man with a beard and glasses wearing large headphones, working at a computer in a modern office setting. Other people are visible in the background, also working at computers. The image is partially obscured by a large purple diagonal shape on the right side.

# INNOVATION

Create value-adding software technology

**zoo**studio – building out financial management features

**zoo**dubs – new editing functionality

**zoo**media – now integrated with ZOOsubs, ZOOdubs and ZOOscripts

**zoo**vault – new secure cloud-based media asset management platform





# SCALABILITY

## Operate a freelance network

- Talent pool grown to 9,752 individuals
- Focus on languages in SEA and CEE
- Growing dubbing capacity ahead of greater demand
- Announced global growth initiative to support needs of major content creators and streaming services

# COLLABORATION

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

- Initiated a further research collaboration in speech technologies
- Developing a series of online training courses under our ZOO Academy programme

**365+ global team**

**24-hour coverage**

LA, London, Dubai & Turkey



**Over 230 partner studios & vendors**

## Education Partners



L-Università  
ta' Malta



The  
University  
Of  
Sheffield.

Universitat d'Alacant  
Universidad de Alicante



University  
of Essex



**zoosubs and  
zoodubs**

Used in teaching of  
media localisation

## Research Partner



The  
University  
Of  
Sheffield.



# CUSTOMER

Secure preferred partner status with leading buyers

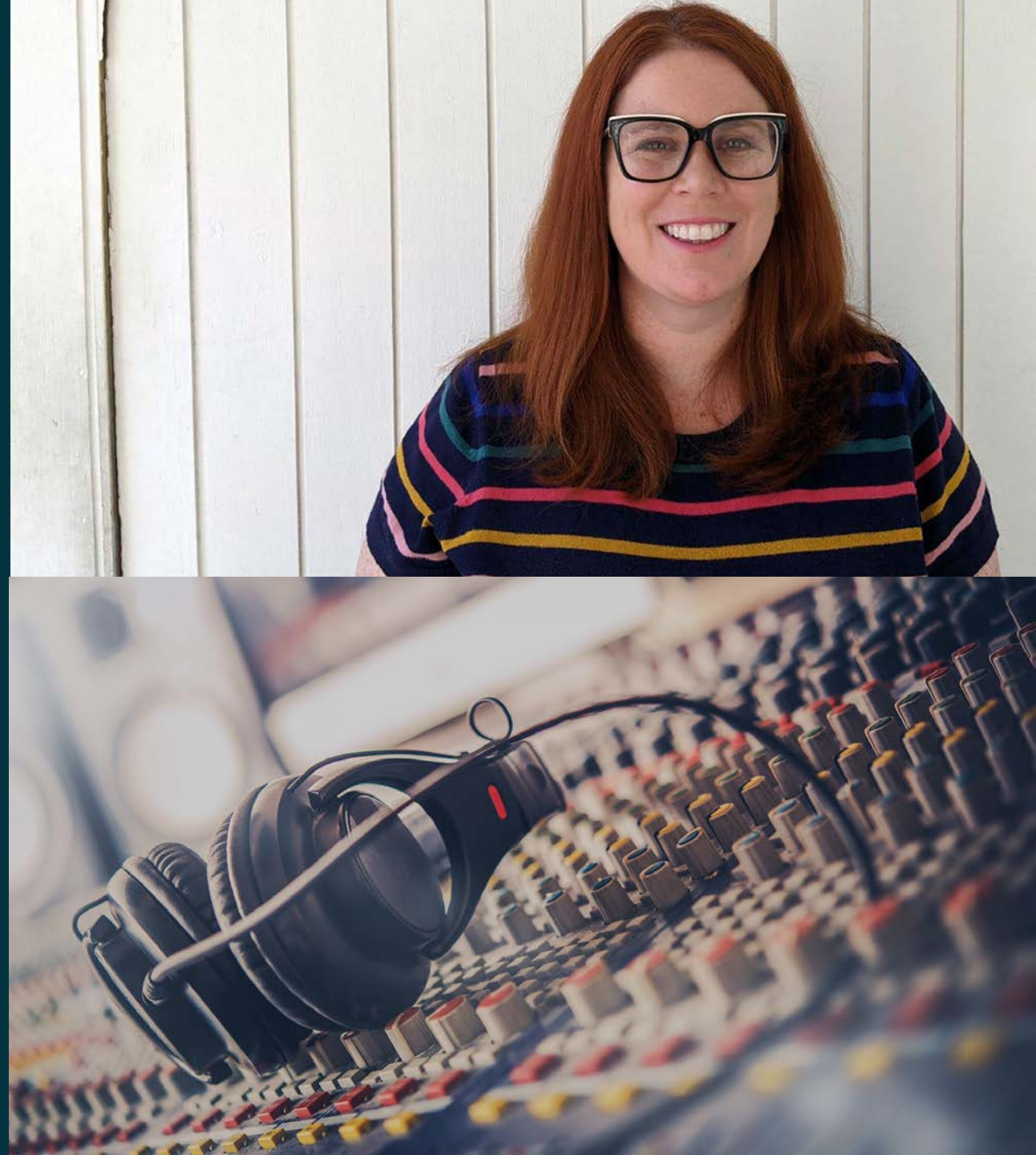
- Currently, preferred vendor for six major media companies
- A further large media company has adopted ZOOstudio
- Secured a major client for Asset Health Check service



# TALENT

**Engage with experienced and effective professionals**

- Established a new division for providing mastering services
- Recruited initial team of specialists
- Led by Melissa McAllister, formerly of Fox Filmed Entertainment as Director of TV Mastering & Servicing





# OUTLOOK

- Tailwinds caused by explosion of new content and accelerated migration of catalogue creates strong drivers of growth
- Strong order book across all service lines
- Good visibility for H2 and pipeline of work from established customers
- First customer relationship for mastering will deliver a significant contribution in H2
- Expect greater diversity of revenue categories
- Continued investment to support rapid expansion of market share



**THANK YOU**



# APPENDIX

# KEY PERFORMANCE INDICATORS

## Financial KPIs

- Revenue up 64% to \$26.9 million (H1 FY21: \$16.3 million)
- EBITDA margin<sup>1</sup> improved by 0.8 points to 8.7% (H1 FY21: 7.9%)
- Opex as a % of revenue improved 1.5% to 30.9% (H1 FY21: 32.4%)

## Operational KPIs

- Number of freelancers<sup>2</sup> up 18% to 9,752 (FY20: 8,272)
- Retained Sales<sup>3</sup> improved by 0.6 points to 99.0% (FY20: 98.4%)

1 Adjusted for share-based payments

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

3 Proportion of client revenues retained from one year to the next



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Interim Results FY22

	Unaudited 6 months to 30 Sep 2021 \$000	Unaudited 6 months to 30 Sep 2020 \$000	Audited Year ended 31 Mar 2021 \$000
Revenue	26,927	16,393	39,525
Cost of sales	(18,357)	(11,277)	(25,882)
<b>Gross Profit</b>	<b>8,570</b>	<b>5,116</b>	<b>13,643</b>
Other operating income	135	110	188
Operating expenses	(8,332)	(5,306)	(12,869)
<b>Operating profit/(loss)</b>	<b>373</b>	<b>(80)</b>	<b>962</b>
<b>Analysed as</b>			
EBITDA before share-based payments	2,355	1,291	4,534
Share based payments	(124)	(57)	(649)
Depreciation	(1,097)	(705)	(1,702)
Amortisation	(761)	(609)	(1,221)
	<b>373</b>	<b>(80)</b>	<b>962</b>
Exchange loss on borrowings	(5)	(284)	(359)
Costs re raise of capital	(596)	-	-
Fair value movement on embedded derivative	(971)	-	(3,474)
Other finance cost	(317)	(346)	(700)
<b>Total finance cost</b>	<b>(1,889)</b>	<b>(630)</b>	<b>(4,533)</b>
<b>Loss before taxation</b>	<b>(1,516)</b>	<b>(710)</b>	<b>(3,571)</b>
Tax on loss	(152)	(15)	408
<b>Loss and total comprehensive income for the period attributable to equity holders of the parent</b>	<b>(1,668)</b>	<b>(725)</b>	<b>(3,163)</b>
<b>Profit per ordinary share</b>			
- basic	(2.02) cents	(0.97) cents	(4.24) cents
- diluted	(2.02) cents	(0.97) cents	(4.24) cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

Interim Results FY22

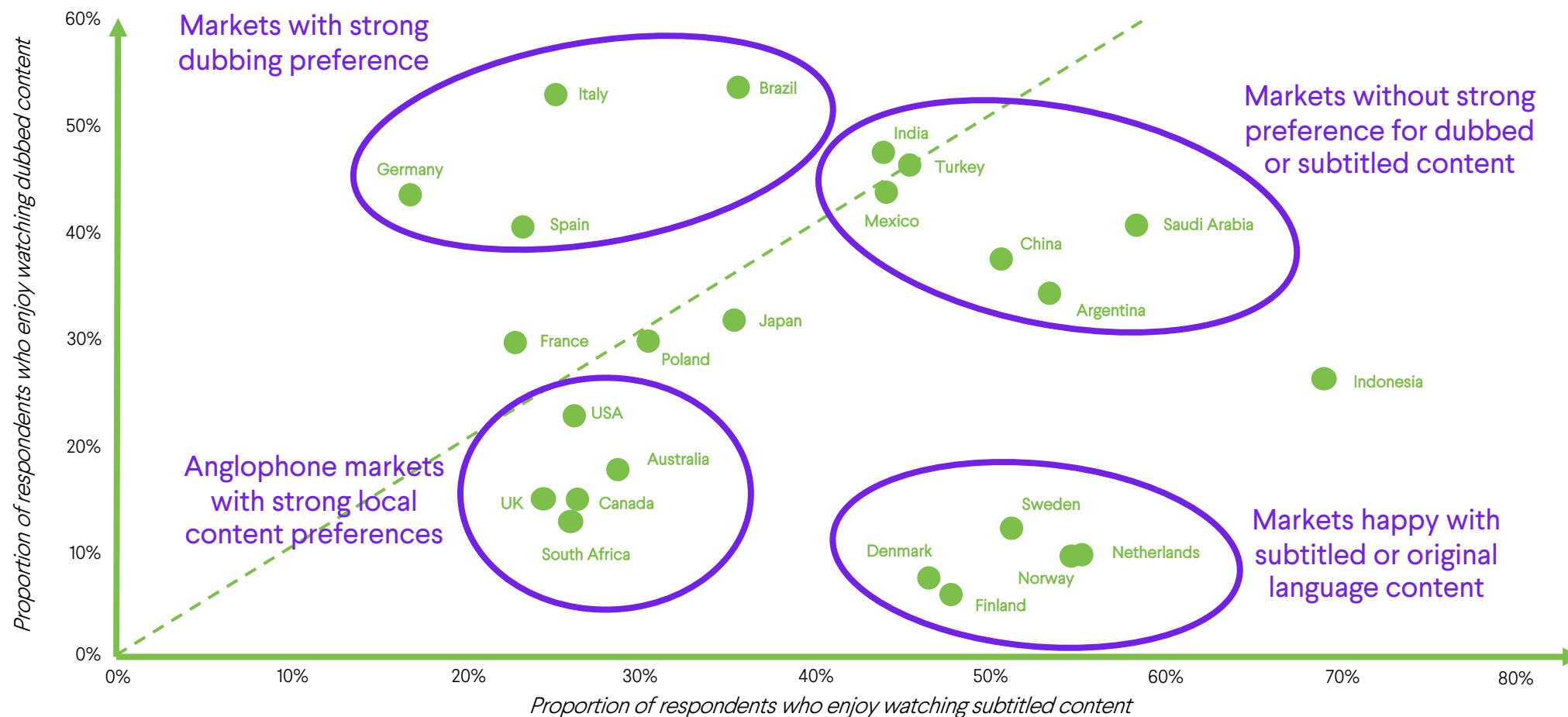
	Unaudited as at 30 Sep 2021 \$000	Unaudited as at 30 Sep 2020 \$000	Audited as at 31 Mar 2021 \$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6,935	4,650	4,362
Intangible assets	6,876	6,693	6,812
Deferred tax assets	486	486	486
	<b>14,297</b>	<b>11,829</b>	<b>11,660</b>
<b>Current assets</b>			
Trade and other receivables	12,440	7,313	8,063
Contract assets	2,194	1,867	2,178
Cash and cash equivalents	8,214	2,073	2,949
	<b>22,848</b>	<b>11,253</b>	<b>13,190</b>
<b>Total assets</b>	<b>37,145</b>	<b>23,082</b>	<b>24,850</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(11,216)	(9,311)	(9,955)
Contract liabilities	(558)	(736)	(813)
Borrowings	(1,771)	(1,598)	(5,032)
Separable embedded derivative	-	-	(4,452)
	<b>(13,545)</b>	<b>(11,645)</b>	<b>(20,252)</b>
<b>Non-current liabilities</b>			
Borrowings	(3,093)	(5,810)	(1,759)
Separable embedded derivative	-	(978)	-
<b>Total liabilities</b>	<b>(16,638)</b>	<b>(18,433)</b>	<b>(22,011)</b>
<b>Net assets</b>	<b>20,507</b>	<b>4,649</b>	<b>2,839</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Interim Results FY22

	Unaudited 6 months to 30 Sep 2021 \$000	Unaudited 6 months to 30 Sep 2020 \$000	Audited Year ended 31 Mar 2021 \$000
<b>Cash flows from operating activities</b>			
Operating profit/(loss) for the period	373	(80)	962
Depreciation	1,097	705	1,715
Amortisation	761	609	1,221
Share based payments	124	57	649
Changes in working capital:			
(Increases)/decreases in trade and other receivables	(4,377)	143	(918)
Increases/(decreases) in trade and other payables	1,261	1,998	2,719
<b>Cash flow from operations</b>	<b>(761)</b>	<b>3,432</b>	<b>6,348</b>
Tax (paid)/received	(152)	(15)	408
<b>Net cash flow from operating activities</b>	<b>(913)</b>	<b>3,417</b>	<b>6,756</b>
<b>Investing Activities</b>			
Purchase of intangible assets	(17)	(41)	(67)
Capitalised development costs	(808)	(569)	(1,274)
Purchase of property, plant and equipment	(1,285)	(1,588)	(2,290)
<b>Net cash flow from investing activities</b>	<b>(2,110)</b>	<b>(2,198)</b>	<b>(3,631)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(283)	(540)	(982)
Proceeds from borrowings	-	1,042	1,043
Proceeds from fund raise	10,107	-	-
Repayment of principal under lease liabilities	(503)	(543)	(1,102)
Finance cost	(593)	(343)	(414)
Share options exercised	-	-	61
Share issue costs	(596)	19	-
Issue of Share Capital	156	1	-
<b>Net cash flow from financing</b>	<b>8,280</b>	<b>(364)</b>	<b>(1,394)</b>
Net Increase in cash and cash equivalents	5,265	855	1,731
Cash and cash equivalents at the beginning of the period	2,949	1,218	1,218
Cash and cash equivalents at the end of the period	8,214	2,073	2,949

# ENJOYMENT OF SUBTITLED VS DUBBED CONTENT, Q3 2020



Source: Ampere Analysis 2020



# MAJOR COMPETITORS IN MEDIA LOCALISATION



- **IYUNO-SDI** – formed in 2021 through the acquisition by IYUNO Media Group of SDI Media, which follows the acquisition of BTI Studios in 2019; 67 offices in 34 countries; 2,500 employees; pre-COVID sales of IYUNO \$185m and SDI \$191m; Korean headquartered



- **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 localisation business believed to have generated \$180m in sales pre-COVID



- **VSI Group** – owns and operates 25 dubbing studios in Europe and the Americas; 2020 sales of \$102m; London headquartered



- **Pixelogic** – US business established 2016; majority of equity purchased in 2019 and 2020 by Japan-based Imagica, former parent of SDI Media

# THE BOARD



**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

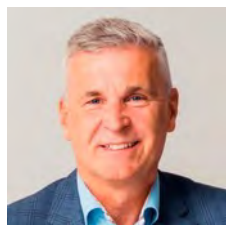
Chartered accountant and finance professional with nearly 30 years' experience across technology, media and gaming sectors. Formerly CFO Sportech plc.



**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)	14.62
Canaccord Genuity Wealth Management (Institutional)	12.89
Herald Investment Management Ltd	12.02
Invesco Ltd	8.13
Hargreaves Lansdown private clients	6.1
Stonehage Fleming Investment Management Ltd	4.38
Sarasin & Partners	3.89

\* Based on an independent analysis of ZOO's share register as of 18 October 2021.

Issued share capital and total voting rights as of 18 October 2021 = 87,589,094 ordinary shares.



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