

Full year results 2020

24 March 2021



Strong performance,
despite COVID-19
constraints

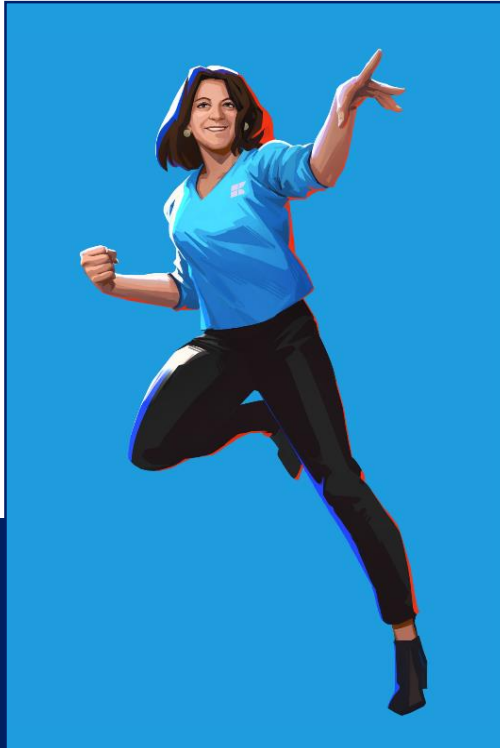




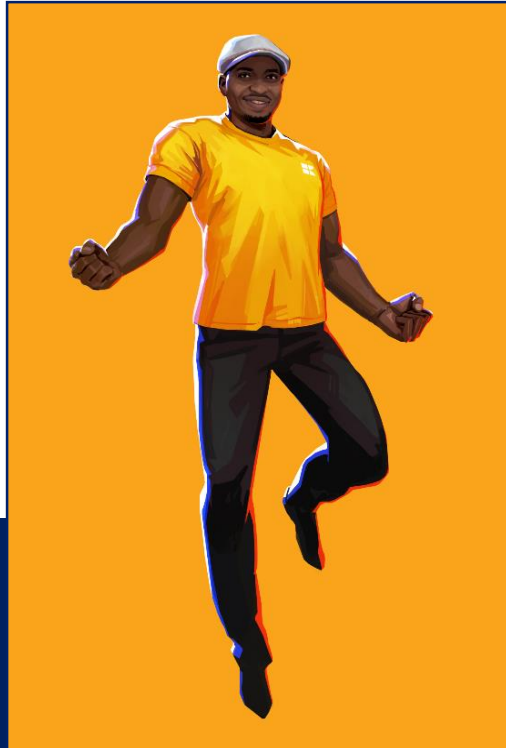
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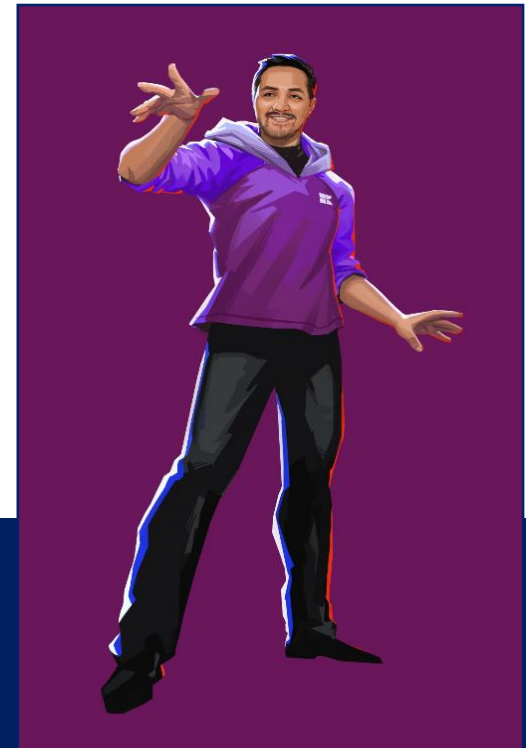
Today's agenda



2020 highlights



Financial overview



Strategic overview &
Outlook

Executive summary

Delivered **strong revenue growth**, despite COVID-19 disruptions, with healthy market backdrop

Reacted with agility to fundamental changes in our ways of working, whilst continuing to deliver for our clients

Increased profitability and **cash generation** driving strong balance sheet and liquidity

Continued to **deliver on our acquisition strategy** following placing in May 2020

Demand **outlook is strong** in 2021 and beyond, supported by increased content and new generation console launches

Development of **Responsible Business** priorities, with Board level committee established

Expect to further cement our position as the
'go to' provider of technical and creative services to a global client base





Strong FY revenue growth

+ 14.4%

Reported growth in 2020
to €373.5m (2019: €326.5m)

+ 11.7%

Organic Revenue growth
(H1 2020: 8.0%, FY 2019: 15.5%)

Improved margin

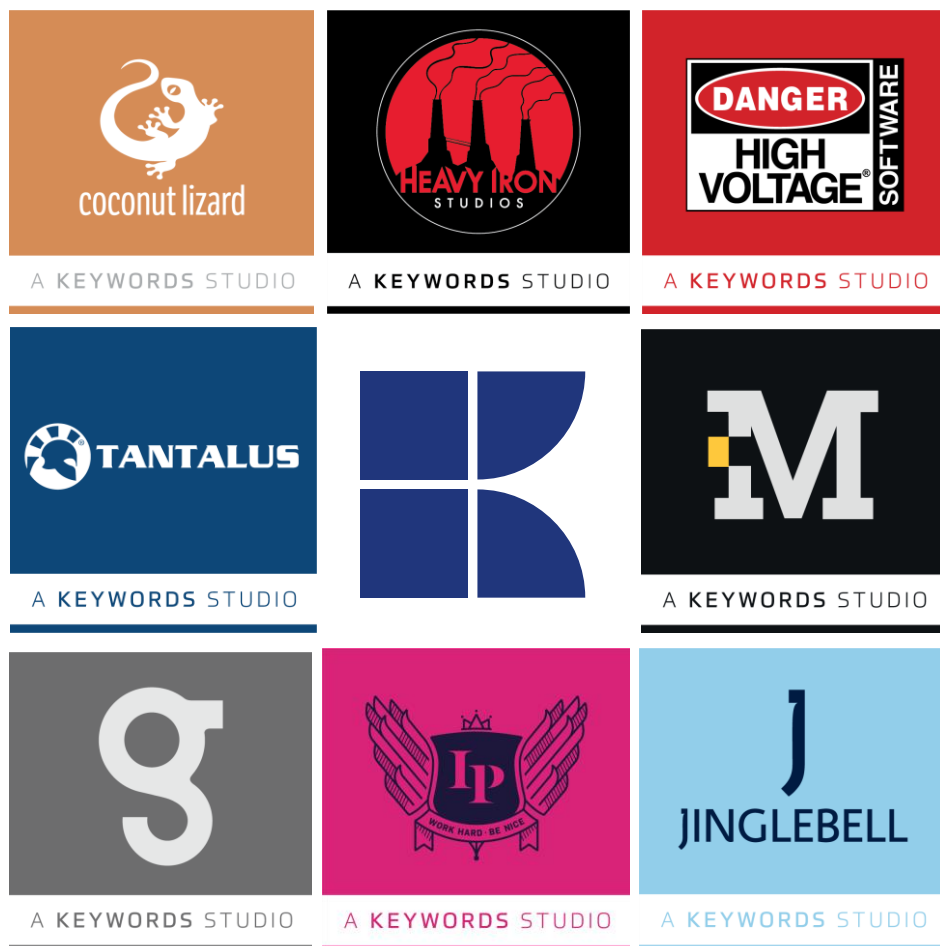
+ 28.8%

Increase in FY Adjusted EBITDA
to €74.2m (2019: €57.6m)

19.9%

Adjusted EBITDA margin
increased by 2.3% pts (2019: 17.6%)

Acquisitions and pipeline



€110m

raised in May 2020 placing

8

Acquisitions since placing

€137m

Total maximum consideration since placing

Strong pipeline with a primary focus remaining
on Game Development and Marketing Services

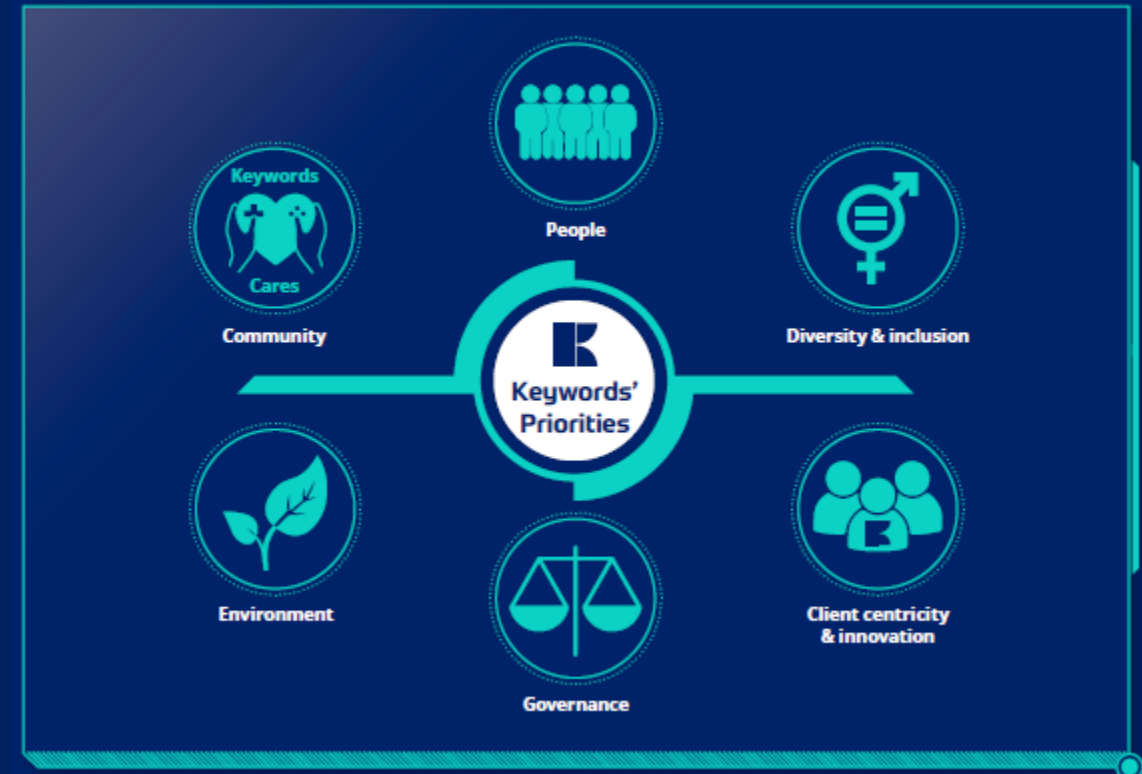


Responsible Business

2020 progress

- Global Diversity & Inclusivity Council established
- Code of Business Conduct, refreshed and relaunched
- Keywords Cares matching program launched
- US\$500,000 hardship fund out in place to support colleagues as a result of the COVID-19 pandemic
- Quantified our greenhouse gas emissions scope 1 and 2 emissions for the first time

Responsible Business Board Committee formed to monitor progress on Keywords' Priorities



Financial overview



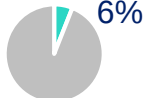
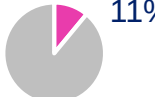
2020 Financial Highlights

Definitions of the performance measures are provided in the Alternative performance measures chart in the Appendix

	2020 €m	2019 €m	% change
Revenue	373.5	326.5	14.4%
Organic Revenue growth	11.7%	15.5%	
Adjusted EBITDA	74.2	57.6	28.8%
Margin	19.9%	17.6%	
Adjusted PBT	55.0	40.9	34.5%
Margin	14.7%	12.5%	
PBT	32.5	17.4	86.8%
Adjusted EPS (€ cents per share)	60.93	48.78	24.9%
Adjusted free cash flow	53.4	32.8	62.8%
Adjusted cash conversion rate	97.2%	80.2%	

- Reported revenue up 14.4%, Organic Revenue up 11.7%
- Adjusted EBITDA up 28.8% with margin improving 2.3% pts to 19.9%
 - Margin improvement from leverage of prior year investments and reduction in certain costs during COVID-19 but held back by revenue shortfalls
- Adjusted PBT up 34.5% with margin improving 2.2% pts to 14.7%
- PBT increased by 86.8%, reflecting the increase in Adjusted PBT and COVID-19 government employment retention subsidies of €9.2m offset by foreign exchange and an increase in the charge for share options schemes

Service Line review

	% of revenue	Organic Revenue growth			Total revenue growth
		H1	H2	2020	
 Keywords Art Services	 15%	7.9%	28.3%	17.9%	31.4%
 Keywords Game Development	 21%	25.7%	10.4%	17.1%	20.7%
 Keywords Audio Services	 13%	0.5%	8.7%	5.8%	12.6%
 Keywords Functionality QA	 21%	10.7%	20.6%	16.1%	13.9%
 Keywords Localization	 12%	(7.4%)	0.3%	(4.0%)	(3.6%)
 Keywords Localization QA	 6%	1.9%	5.9%	4.4%	3.1%
 Keywords Player Support	 11%	5.5%	29.7%	17.5%	15.8%

Operating and free cash flow

Definitions of the performance measures are provided in the Alternative performance measures chart in the Appendix

	2020 €m	2019 €m	Change €m
Adjusted EBITDA	74.2	57.6	16.6
MMTC and VGTR	0.6	(5.9)	6.5
Working capital and other items	(2.2)	(1.7)	(0.5)
Capex - PPE	(13.9)	(13.1)	(0.8)
Capex - intangible assets	(0.3)	(0.4)	0.1
Payments of principal on lease liabilities	(8.2)	(7.4)	(0.8)
COVID -19 employment support subsidies	9.2	-	9.2
Operating cash flows	59.4	29.1	30.3
Interest paid	(1.6)	(2.1)	0.5
Free cash flow before tax	57.8	27.0	30.8
Tax	(4.5)	(13.3)	8.8
Free cash flow	53.3	13.7	39.6
Adjusted free cash flow	53.4	32.8	
Adjusted cash conversion rate	97.2%	80.2%	

- €39.6m increase in free cash flow year on year driven by:
 - Increase in Adjusted EBITDA of €16.6m
 - €6.5m increase for MMTC/VGTR credits due to lower MMTC claims and phasing of receipts in Canada
 - Improvement in trade receivable days to 42 (2019: 44)
 - €0.8m increase in capex reflecting working from home arrangements that required some additional investment in equipment
 - €9.2m receipt of COVID-19 overseas government employment retention subsidies in the period
 - €8.8m decrease in tax payments in the period largely due higher payments in 2019 related to previous years and phasing benefits in 2020
- Improvement in the adjusted cash flow conversion rate to 97.2% (2020: 80.2%) partly driven by some COVID-19 phasing benefits

Movement in net cash / debt

Definitions of the performance measures are provided in the Alternative performance measures chart in the Appendix

	2020 €m	2019 €m	Change €m
Free cash flow	53.3	13.7	39.6
M&A - acquisition spend	(39.9)	(27.8)	(12.1)
M&A – acquisition and integration costs	(2.3)	(3.8)	1.5
Investment income	1.4	-	1.4
Dividends paid	-	(1.2)	(1.2)
Shares issue for cash	111.7	0.8	110.9
Underlying increase / (decrease) in net cash / (debt)	124.3	(18.3)	142.5
FX and other items	(3.4)	0.8	(4.2)
Increase in net cash / (debt)	120.8	(17.5)	138.3
Opening net cash / (debt)	(17.9)	(0.4)	
Closing net cash / (debt)	102.9	(17.9)	

- Acquisition spend of €42.2m:
 - €39.9m on acquisitions in respect of the cash component of both current and prior year acquisitions
 - €2.3m of acquisition and integration costs
- €1.4m income from the disposal of the investment in Hutch Games
- Net proceeds of c. €110m from equity placing used to pay down drawings on RCF and available to deploy on the value creating M&A programme
- Increase in net cash of €120.8m versus decrease of €17.5m in 2019
- Net cash at 31 December 2020 of €102.9m (2019: net debt €17.9m)

Funding position and guidance

Resilient business and robust balance sheet

- Strong acquisition pipeline of M&A opportunities
- Cash generative business with an adjusted free cash flow conversion of 97% in 2020 (2019: 80%)
- Revolving Credit Facility (RCF) of €100m expiring in 2022 with option to extend for 2 years
- €203m of liquidity through cash and undrawn committed headroom on the facility
- Balance sheet capacity to:
 - provide flexibility to execute acquisition strategy
 - support the business and customers through and beyond any COVID-19 disruption

Guidance

- Organic Revenue growth momentum in the second half of 2020 is expected to flow into 2021, offset by the full year impact of the weakening of the US dollar
- 2021 revenue will also benefit from the additional contribution from the Tantalus acquisition
- Adjusted PBT margins: 14 – 15% historical range and Adjusted Effective Tax rate in line with the 2020 rate of ~21%
- Capex at a higher level to 2020 relative to revenue reflecting some expansionary capex and investment in equipment
- Adjusted Cash Conversion rate of ~80%
- With the exception of the incremental impact of the Tantalus acquisition, all of the above items are reflected in the current revenue and profit market consensus for 2021



Our strategy

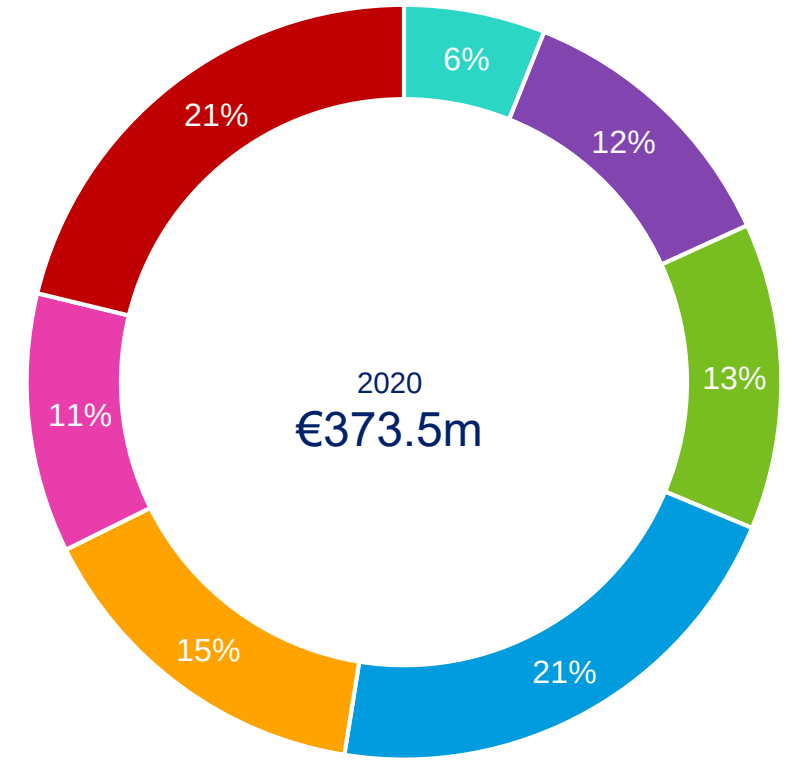
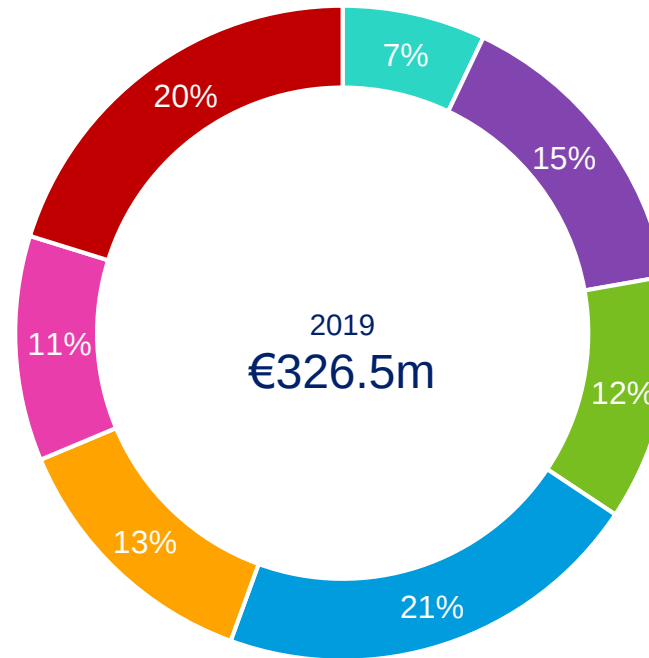
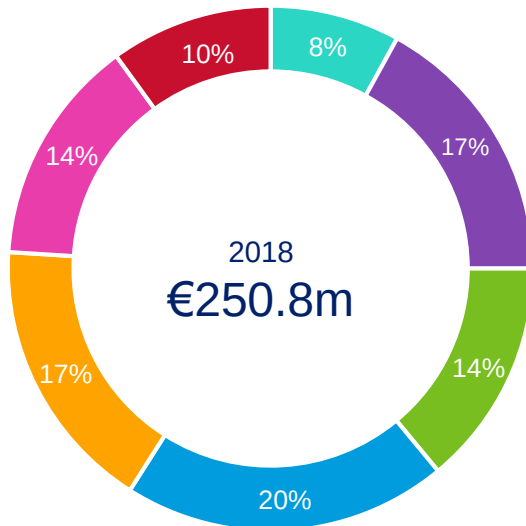
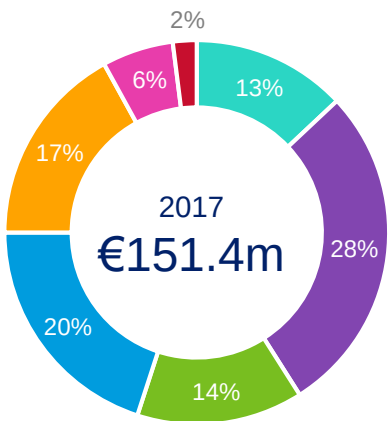
To become the 'go to' provider for technical and creative services to the video games industry

- a unique end-to-end global services platform in a highly fragmented market
- relationships with the top games companies who are increasingly outsourcing; in a more structured way
- unrivalled scale and flexible resource, in proximity to our clients
- attractive employer to talent pools around the world
- a resilient business, diversified by geography, service and client base
- a compelling platform for target acquisitions

Increasing barriers to entry as a result of reputation for quality, expertise, scale, global reach and full range of services

Better balanced business; higher up the value chain

- Increasingly integrated with game development pipelines
- Increasing numbers of client specific, dedicated operations
- Highly attached to game titles & client service infrastructures
- Moving beyond game production budgets to marketing spend



International scale and flexibility across markets is key

Circa 6,900 Keywordians were working from home at the end of 2020 (out of ~9,000), representing a dramatic change in the working environment.



An average of 8,353 people in 2020, working in over 50 languages, more than 65 studios, in 22 countries, on 5 continents

Market leading position

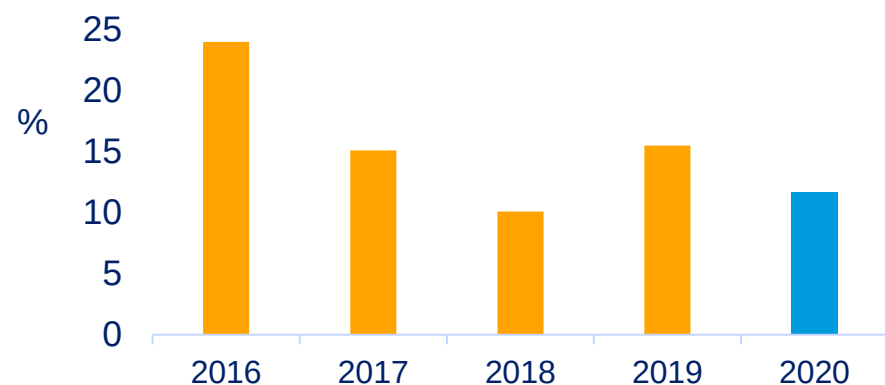
We work with 23 of the top 25 games companies by revenue and 10 of the top 10 mobile games publishers by revenue.*

* Newzoo, Top 25 public companies by game revenues in Q3 2020 and App Annie, Top publishers of 2020/21

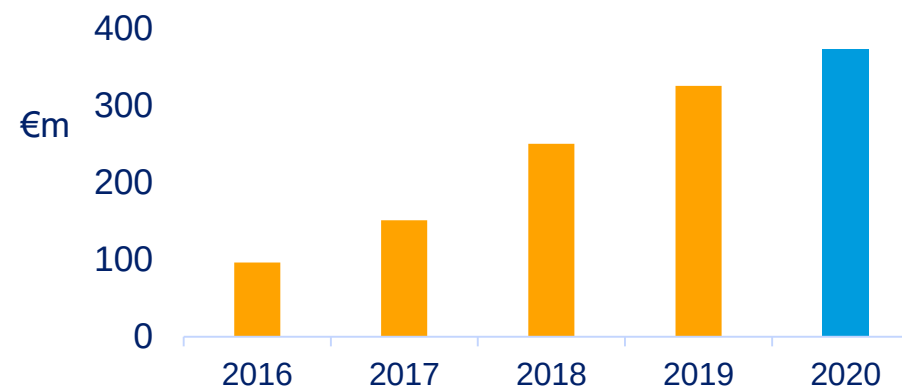


Strong growth across key metrics

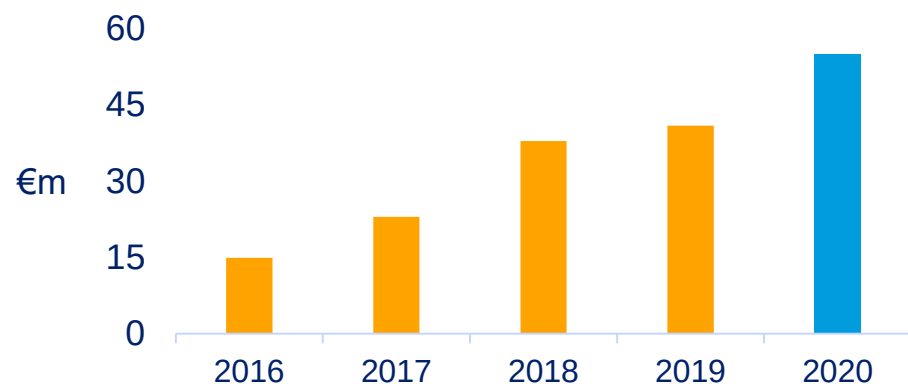
Organic Revenue growth 2016 - 2020



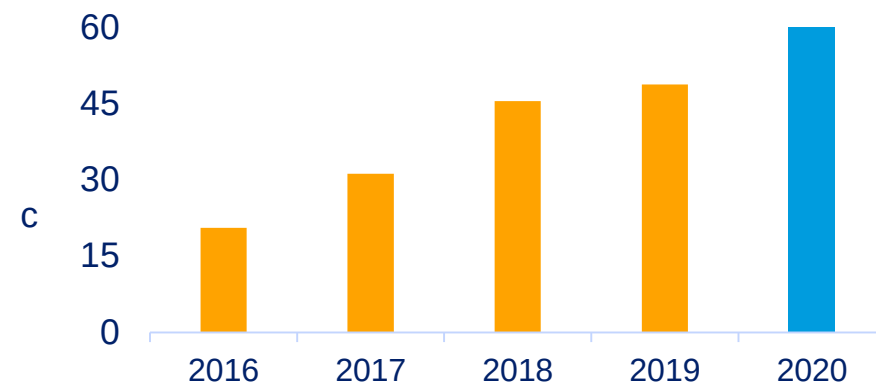
Revenue – 40% CAGR 2016-2020



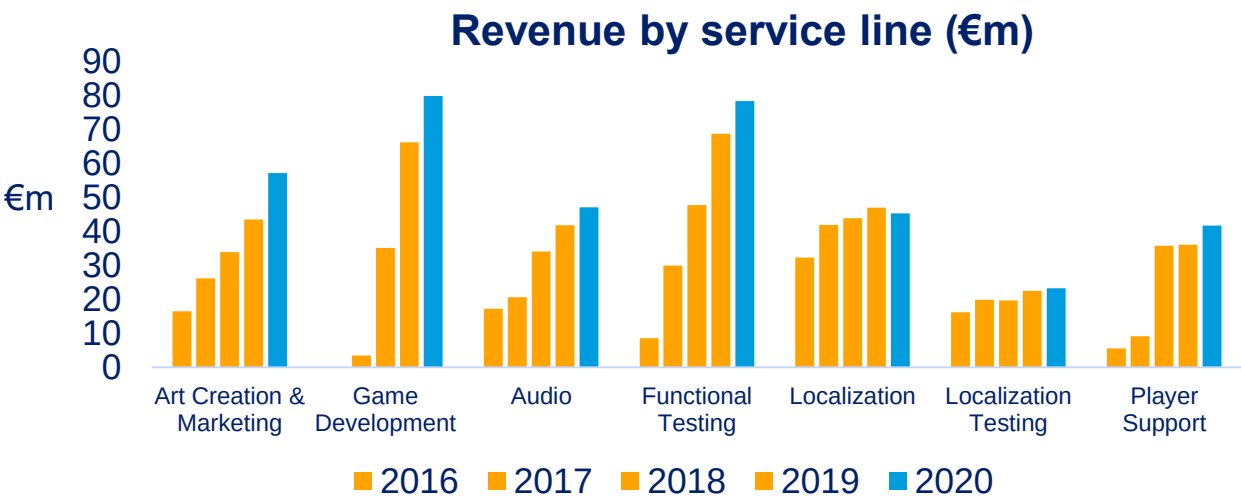
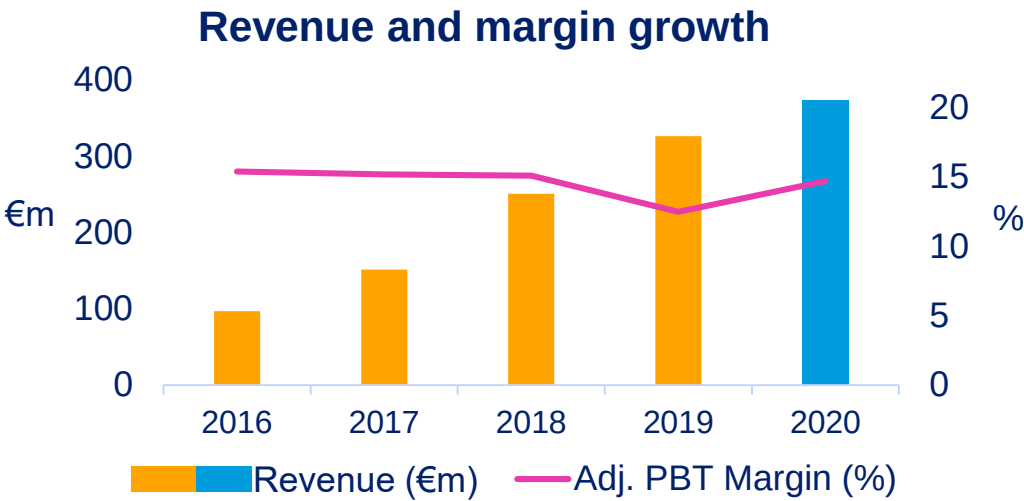
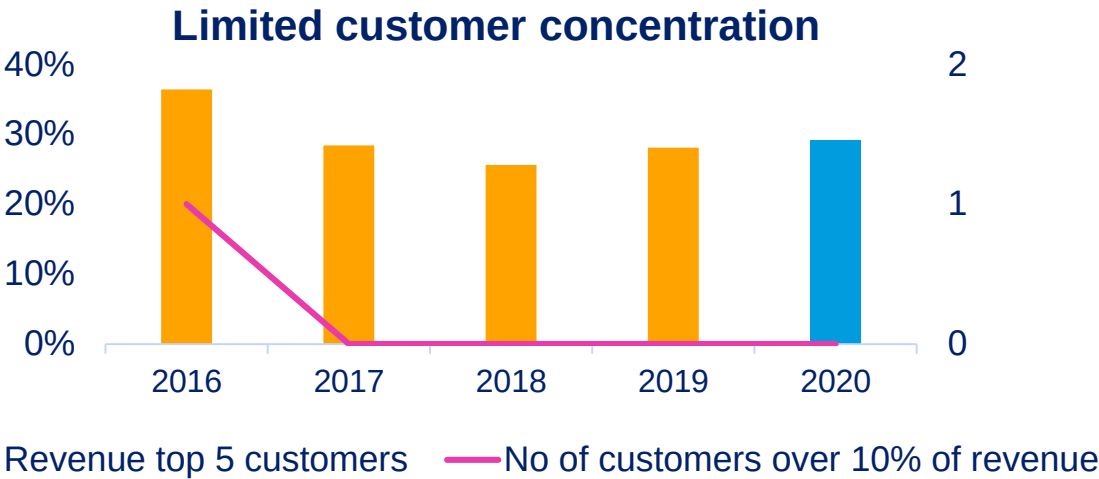
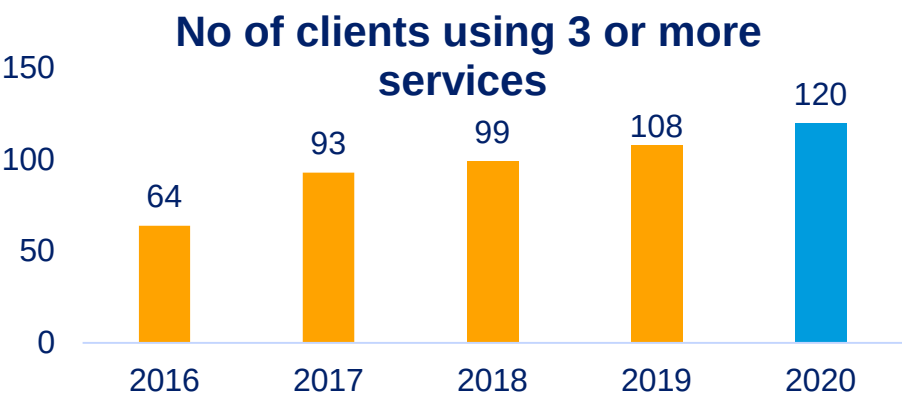
Adjusted PBT – 39% CAGR 2016-2020



Adjusted EPS – 31% CAGR 2016-2020



Delivering consistent and diversified growth



Service Line outlook

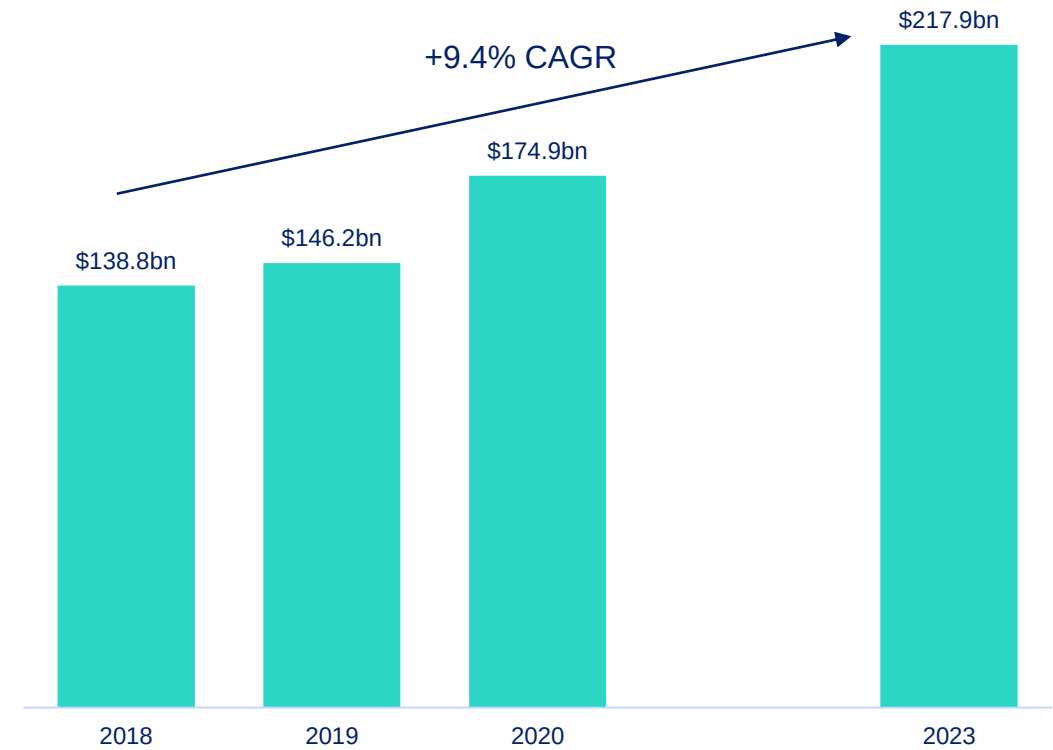
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- **Art Creation & Marketing** started 2021 with better than normal revenue visibility partly due to some carry forward from 2020 but perhaps also signalling a year of even stronger demand ahead.
- **Game Development** demand remains strong but some delays in new projects due to COVID-19 may moderate growth from maintaining the previously very strong growth rates.
- **Audio:** Whilst COVID-19 restrictions continue during 2021, our adoption of a reliable remote recording solution will enable us to continue to deliver on our clients' needs.
- **Functional Testing:** We remain a leading player in this large and growing market that is seeing an acceleration towards outsourcing.
- **Localization:** Having strengthened our sales efforts, we expect to build on the improvement seen in H2 2020 as we move into 2021.
- **Localization Testing:** Having worked to mitigate the constraints experienced in 2020 we expect to build on the momentum seen in H2 2020.
- **Player Support:** We expect to make further progress in 2021 but driven by a more moderate growth rate.

Market growth drivers

Favourable market growth drivers

- Fast growing games industry – c. 9% CAGR
- Industry growth in 2020 of 20%, primarily driven by uplift in gamers and game play of existing content
- Increased focus in 2021 on content following production constraints in 2020
- Content demand is strong with new console launches and streaming platform developments
- Trend towards outsourcing as the industry deals with an increasingly complex environment
- Supply chains are becoming more structured as the industry gradually matures
- Fragmented industry provides opportunities for selective consolidation



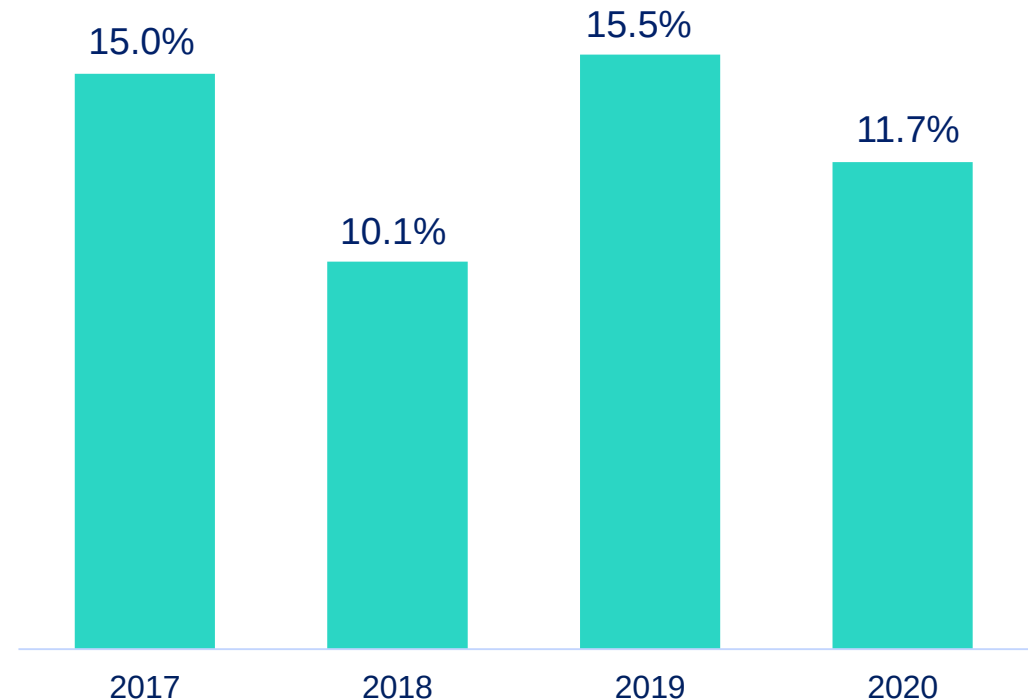
Source: Newzoo 2020 Global Games Market Report, November 2020

Keywords' growth drivers

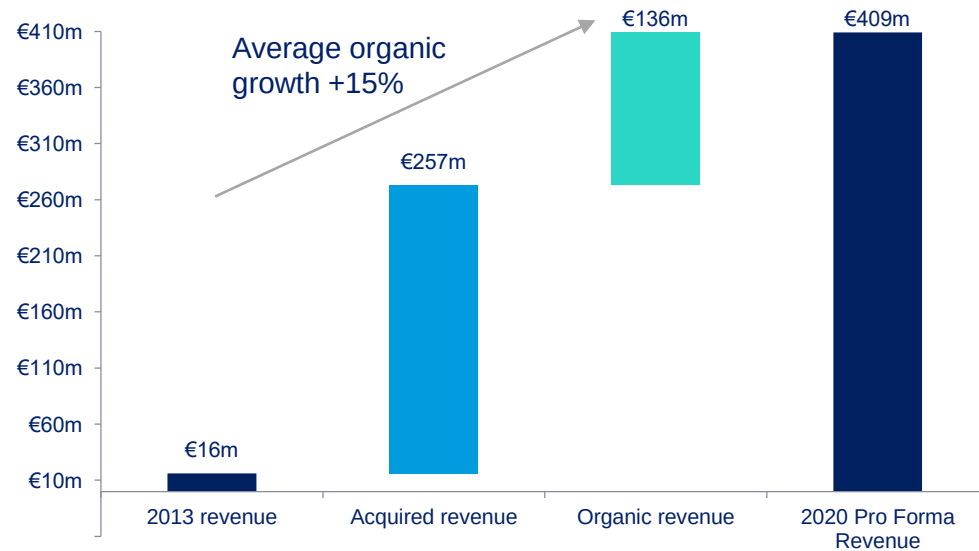
Keywords
best placed
to exploit
market
growth
drivers

- Only global, full service provider in the market
- Scale begets scale in an otherwise highly fragmented market
- Balanced business across service lines and geographies
- Increasingly predictable and repeating revenue base
- Local business development supplemented by global sales team and continued cross sell opportunity
- Growth 'handbrake' removed from 'fragile' acquisitions

Strong track record of organic growth



Acquiring for growth

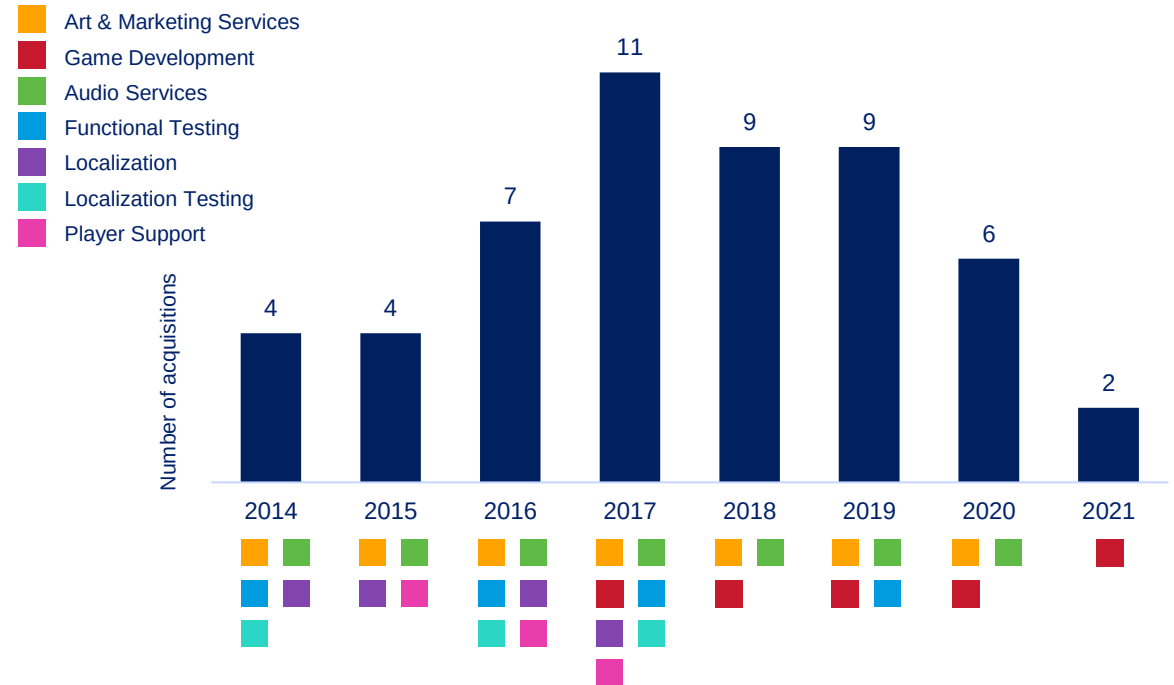


52

Value creating acquisitions since IPO

€203m

in cash and undrawn RCF



Strong pipeline from which we are selecting highest quality opportunities

Particular focus on **Marketing Services** and **Game Development**

Outlook



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Strategic priorities

Building our platform

Organic growth

- Continue to expand our end-to-end global services platform
- Enhancing our service lines through further investment in capacity, capabilities and geographies
- Leveraging our platform in a cost-efficient manner
- Addressing more of our clients' outsourcing needs with increased specialism, proximity and flexibility

Focused M&A

- Particular focus on Marketing Services and Game Development to establish them as go to providers
- More selective acquisitions to enhance and extend other service lines
- Healthy M&A pipeline of high quality opportunities

Outlook

Positive start to 2021	Trading in 2021 has started well despite the ongoing COVID-19 related constraints with favourable market backdrop from increased content demand and new console launches
Maintain remote working model in most locations	Robust operating model with the vast majority of our business continuing to operate a remote working model with effective alternative remote solutions for our Audio and Testing service lines
Maintain margins	Expect to maintain Adjusted PBT margins in line with our historic range of between 14-15%
Well-funded to deliver our acquisition and growth strategy	Well-funded to deliver on our value accretive acquisition strategy and we are actively engaging with selected targets from an healthy pipeline of opportunities
Well positioned in a growth market	Well placed as a diversified provider of scale to deliver on the opportunity presented by the strong underlying and structural market drivers

Q&A



Jon Hauck



Sonia Sedler

Barriers to entry

- **Scale** - Large clients need large suppliers
- **Global presence** – proximity to talent and clients, multiple time zones
- **Knowledge and expertise** – Breadth and depth of capability
- **Technology** - Regular investment, security
- **Scalable model** – flexibility to meet clients needs
- **Acquisition track record** – disciplined, build out the platform, cultural fit, integration
- **Financial strength** – performance, stability and resilience
- **Reputation for quality** – culture of delivery



Acquisition history

Year	Art and Marketing Services	Game Development	Audio	Functional Testing	Localization	Localization Testing	Player Support	Total Cost*
2014	Lakshya Digital		Liquid Violet Binari Sonori	Babel Media	Babel Media Binari Sonori	Babel Media		€19.0m
2015	Liquid Development		Reverb Kite Team		Reverb Kite Team		Alchemic Dream	€10.9m
2016	Mindwalk Volta		Synthesis Sonox	Enzyme Player Research	Synthesis Sonox	Synthesis Enzyme	Ankama	€32.6m
2017	SPOV RedHot	GameSim d3t Sperasoft	La Marque Rose Dune Sound AsRec	VMC	VMC XLOC Around the Word La Marque Rose Dune Sound AsRec LOLA	VMC	VMC	€101.4m
2018	Fire Without Smoke Trailer Farm	Snowed In Studio Gobo Electric Square Yokozuna Data	Maximal Cord Laced Blindlight					€61.7m
2019	Sunny Side Up Ichi Worldwide	GetSocial Wizcorp	Descriptive Video Works TV+SYNCHRON Syllabes	AppSecTest**	Kantan			€22.5m
2020	Maverick g-Net Indigo Pearl	Coconut Lizard Heavy Iron	Jingle Bell					€80.7m
2021		High Voltage Tantalus						c. €56m

Alternative performance measures

The Group reports a number of alternative performance measures (APMs) to present the financial performance of the business which are not GAAP measures as defined by International Financial Reporting Standards (IFRS). The Directors believe these measures provide valuable additional information for the users of the financial information to understand the underlying trading performance of the business. In particular, adjusted profit measures are used to provide the users of the accounts a clear understanding of the underlying profitability of the business over time. For full definitions and explanations of these measures and a reconciliation to the most directly referenceable IFRS line item, please refer to the APMs section at end of the Group's Full Year Results announcement.

Organic Revenue at constant exchange rates is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership, and applying the prior year foreign exchange rates to both years.

EBITDA comprises Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for amortisation and impairment of intangible assets, depreciation, and deducting bank charges. **Adjusted EBITDA** comprises EBITDA, adjusted for share option expense, costs of acquisition and integration and non-controlling interest. In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed and investment income are also excluded.

Adjusted profit before tax comprises Profit before taxation as reported in the Consolidated statement of comprehensive income, adjusted for share option expense, costs of acquisition and integration, amortisation and impairment of intangible assets, non-controlling interest, foreign exchange gains and losses, and unwinding of discounted liabilities. In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed and investment income are also excluded.

Adjusted earnings per share comprises the adjusted profit after tax divided by the non-diluted weighted average number of shares as reported. The adjusted profit after tax comprises the adjusted profit before tax, less the tax expense as reported in the Consolidated statement of comprehensive income, adjusted for the tax impact of the adjusting items in arriving at adjusted profit before tax.

Adjusted cash conversion rate is the adjusted free cash flow as a percentage of the adjusted profit before tax.

Adjusted free cash flow is a measure of cash flow adjusting for capital expenditure that is supporting growth in future periods (as measured by capital expenditure in excess of maintenance capital expenditure). In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed is also excluded.

Pro Forma Revenue is calculated by adding pre-acquisition revenues of current year acquisitions to the current year revenue numbers, to illustrate the size of the Group had the acquisitions been included for a full financial year.