

Half Year Results 2019

Andrew Day, CEO

David Broderick, CFO

Full Year Results 2017

Andrew Day, CEO

David Broderick, CFO

9 April 2018

HY 2019 financial highlights

**HY Revenue up 39.3% to
€153.2m**

(HY 2018: €110.0m)

**LFL CC Revenue up 17.3%
to €146.4m**

(HY 2018: €124.8m)

Adj. EBITDA¹ of €25.8m

Up 19.5% on pre IFRS 16 basis
to €22.3m

(HY 2018: €18.7m)

Adj. PBT¹ of €18.4m

Up 15.5% on pre IFRS 16 basis
to €18.6m

(HY 2018: €16.1m)

Adj. EPS¹ of 18.36c

(18.71c pre IFRS 16)

(HY 2018: 18.30c)

DPS up 10%

0.58p

(HY 2018: 0.53p)

ROCE up 210 bps

YE 30 June 19: 19.7%

(YE 30 June 18: 17.6%)

¹ Please note the prior year has been restated to be consistent with the presentation in the FY18 Annual Report



Strong progress in 2019

Strong organic growth

- 17.3% increase in like-for-like revenue²
- Considerable cross selling progress with a 14% increase in clients buying three or more services to 113 (FY 2018: 99)

Investment and expansion ahead of demand

- Invested in capacity, adding over 1,400 work stations across multiple studios to support organic growth in 2019 (only c.200 available in H1)
- Continue to strengthen management teams and support infrastructure across the business

Acquisitions expanded our platform and added new services

- 4 acquisitions in H1 2019 so far completed and integrated, expanding new and existing service lines
- Today announced acquisition of TV Synchron, a Berlin based dubbing and voice-over studio
- Acquisitions added further scale and diversified marketing services, audio and game development services

Prior acquisitions supported strong growth in two largest service lines

- Largest acquisition in 2018, Studio Gobo and Electric Square, outperformed expectations
- Largest acquisition in 2017, VMC, brought scale, having been fully integrated in 2018

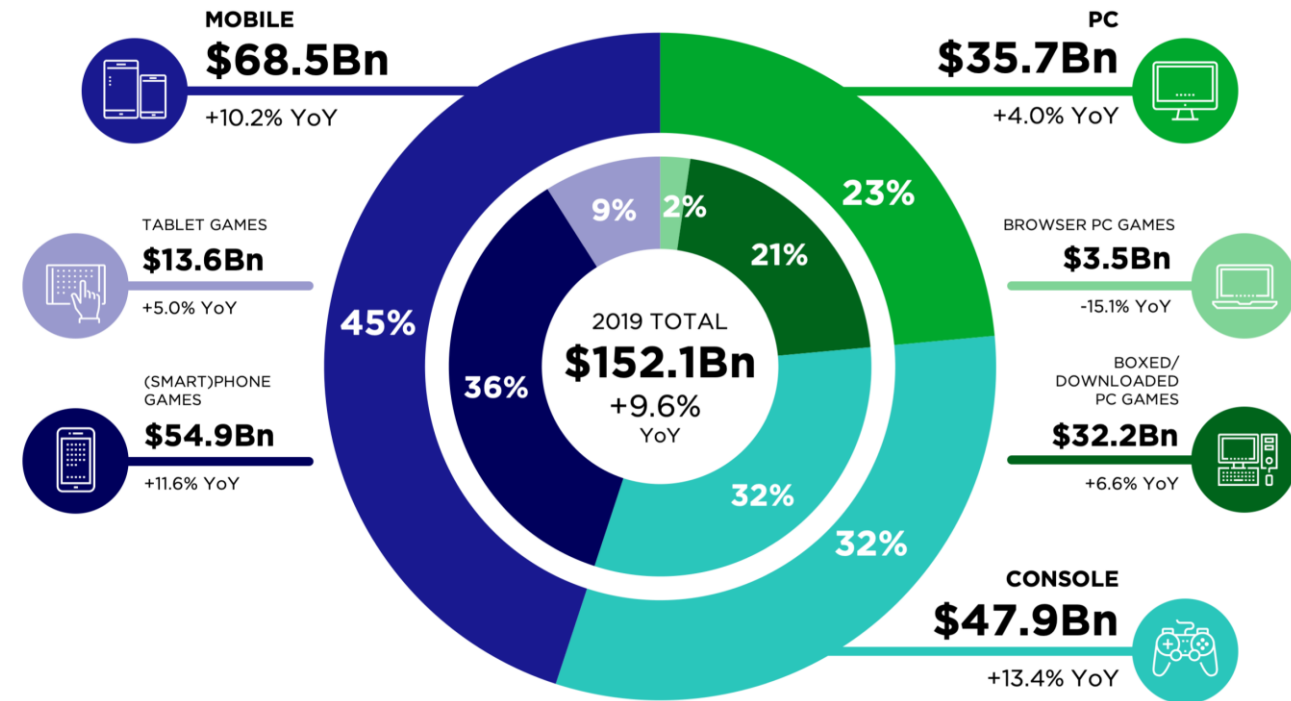
² Like for like revenue at constant exchange rates is calculated by adjusting the prior year revenues comparison by adding pre acquisition revenues for the corresponding period of ownership in the current year results and applying consistent foreign exchange rates in both years



Growing video games market driving more strategic outsourcing

Video games are a rapidly growing, almost \$152bn, niche global market – with expected growth of 9%+ p.a

- Increased complexity, volume and speed of content generation has driven the trend towards outsourcing - most of it on a tactical basis
- Expect more strategic outsourcing as publishers focus on what makes their IP unique - vertically integrated models are a distraction
- Keywords has the scale, services and footprint to respond to this acceleration in outsourcing, in an otherwise fragmented service market
- We estimate the services market to be worth over \$6bn, with around 40% outsourced today; in film and TV, 90%+ is outsourced
- Cloud based gaming (Netflix of games) is a major theme for 2019
- The new console generation is expected in 2020
- Continued strong growth of both PC and Mobile gaming



Source: NewZoo Global Games Market Report, June 2019



Expertise across the game development cycle

Art Services

The creation of video game graphical art, including concept art, 2D and 3D art asset production & animation. **Marketing services** including game trailers, marketing art and materials.

Game Development

Game development services including full game development, co-development, porting of games from one platform to another including remastering, tool development and consulting services on a work for hire basis. Also includes proprietary software solutions for analytics, procedural generation of art assets and player behaviour research consulting services.

Audio Services

Multi-language voiceover recording, original language voice production, Hollywood production, music management, sound effects and related services.

Functional Testing

Quality assurance, including discovery and documentation of game defects and testing to verify the game's compliance with hardware manufacturers' and app stores' specifications, as well as focus group and user experience testing and consulting.

Localization

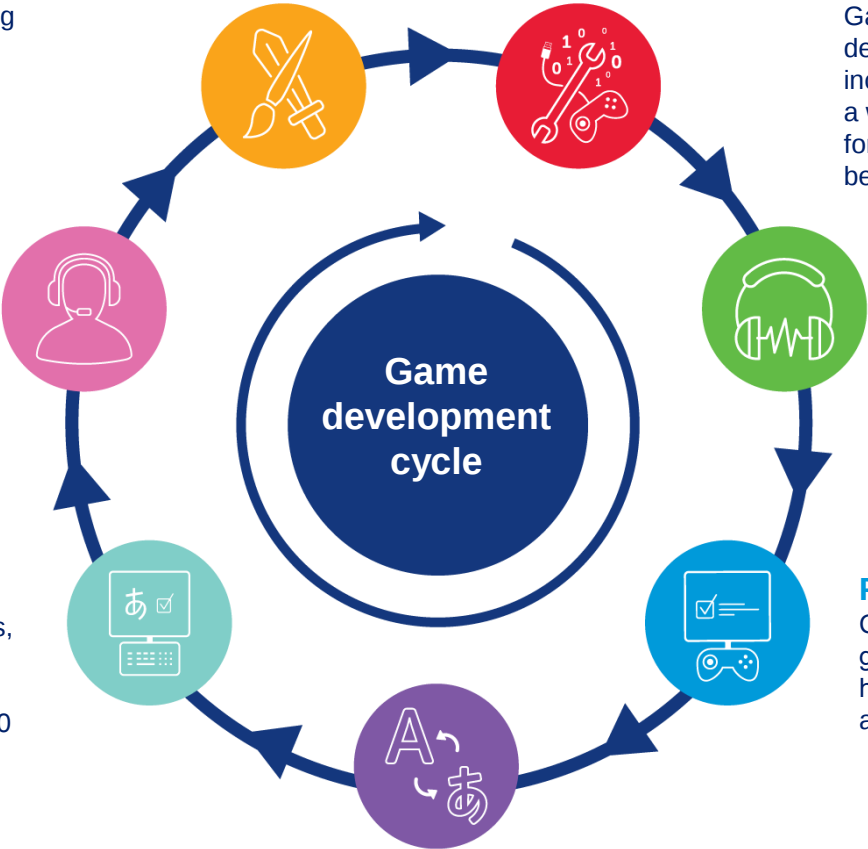
Translation of in-game text, audio scripts, cultural and local adaptation, accreditation packaging and marketing materials in over 50 languages.

Localization Testing

Testing for out of context translations, truncations, overlaps, spelling, grammar, age rating issues, geopolitical and cultural sensitivities and console manufacturer compliance requirements in over 30 languages using native speakers.

Player Support

365/24/7, multilingual support for gamers when games are in live operation, forum monitoring and moderation services & social media engagement on behalf of the game brand.



International scale & flexibility across markets is key

An average of **c.6,600** people on the payroll during the period working in over **50** languages, more than **50** studios, in **21** countries, on **4** continents

-  Art Services
-  Game Development
-  Audio Services
-  Functionality Testing
-  Localization
-  Localization Testing
-  Player Support



Market leading position



Google

Microsoft



T2

SEGA

mixi



SUP
ERC
ELL

NEXON



King

PERFECT
WORLD



playrix



Sony
Interactive
Entertainment



Playtika

KONAMI



NetEase
Games



ACTIVISION | BLIZZARD

SQUARE ENIX

CAPCOM®

CA CyberAgent®

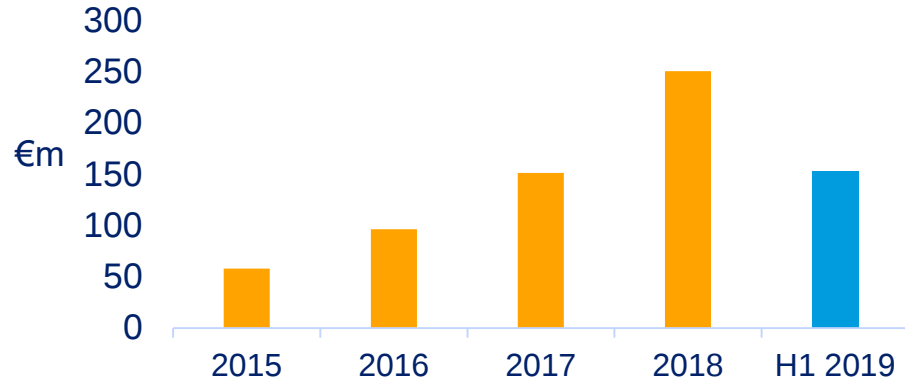


We work with 23 of the top 25 games companies by revenue and 10 of the top 10 mobile games publishers by revenue.*

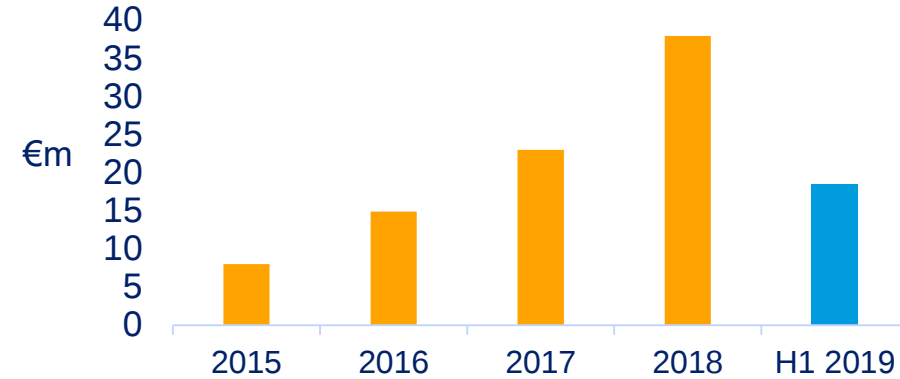


Strong growth across key metrics

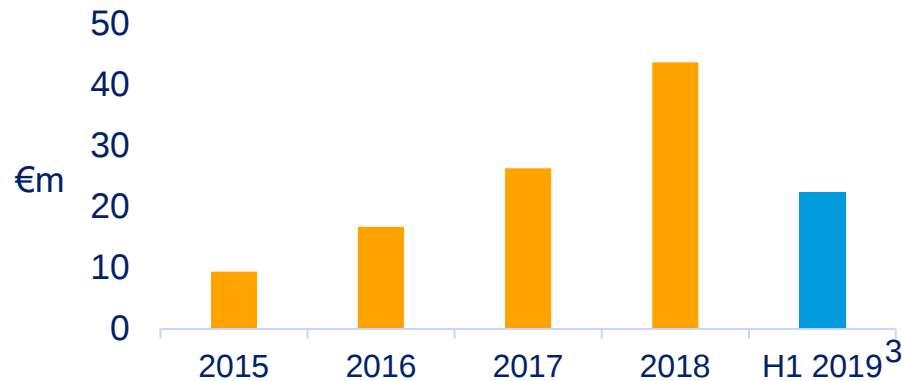
Revenue – 63% CAGR FY 2015-2018



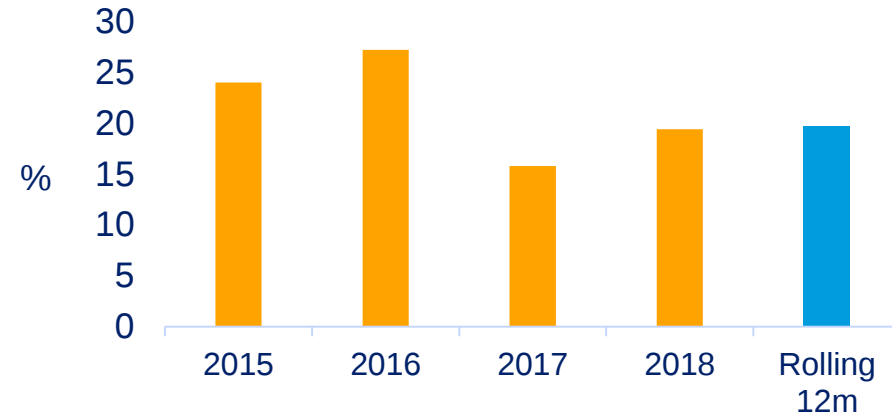
Adjusted PBT – 68% CAGR FY 2015-2018



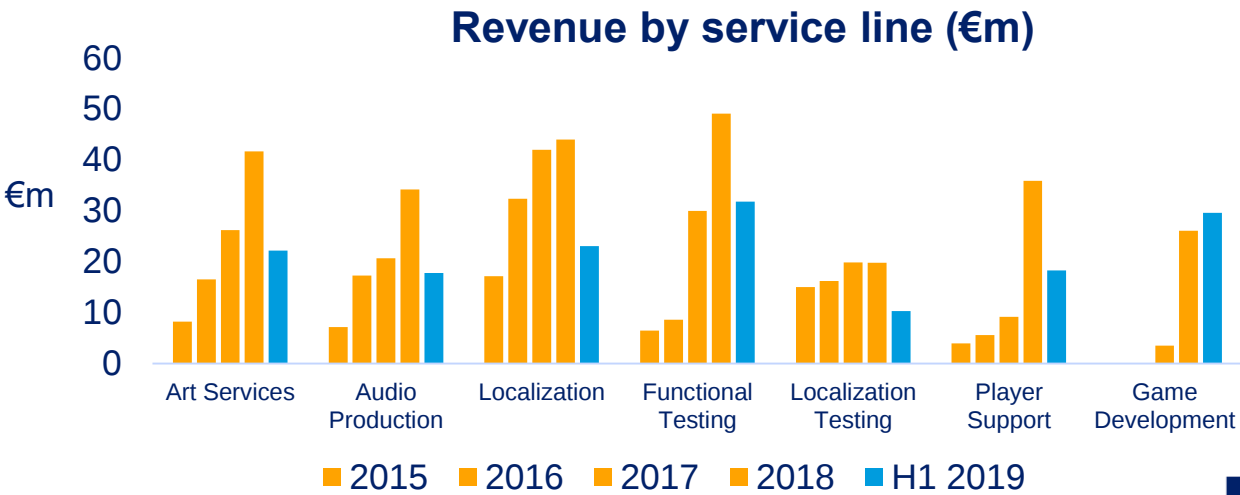
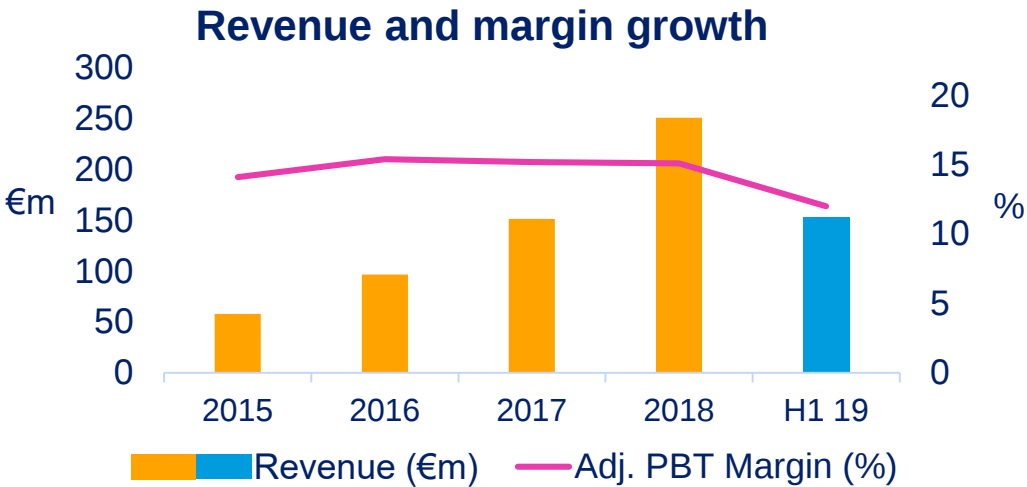
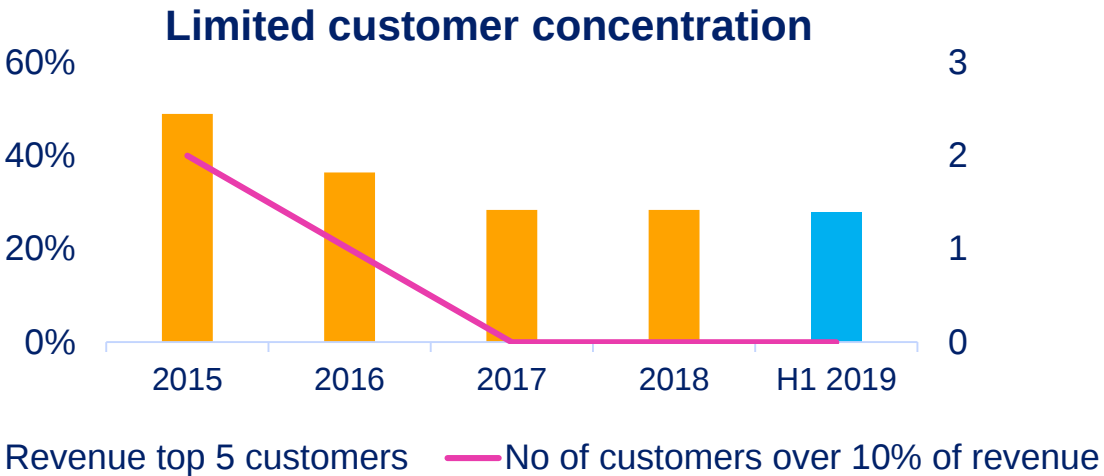
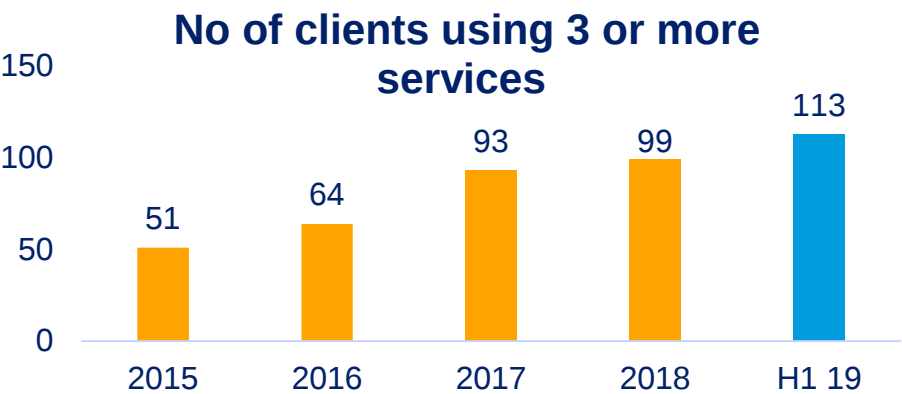
Adjusted EBITDA – 67% CAGR FY 2015-2018



ROCE – 21.6% average FY 2015-2018

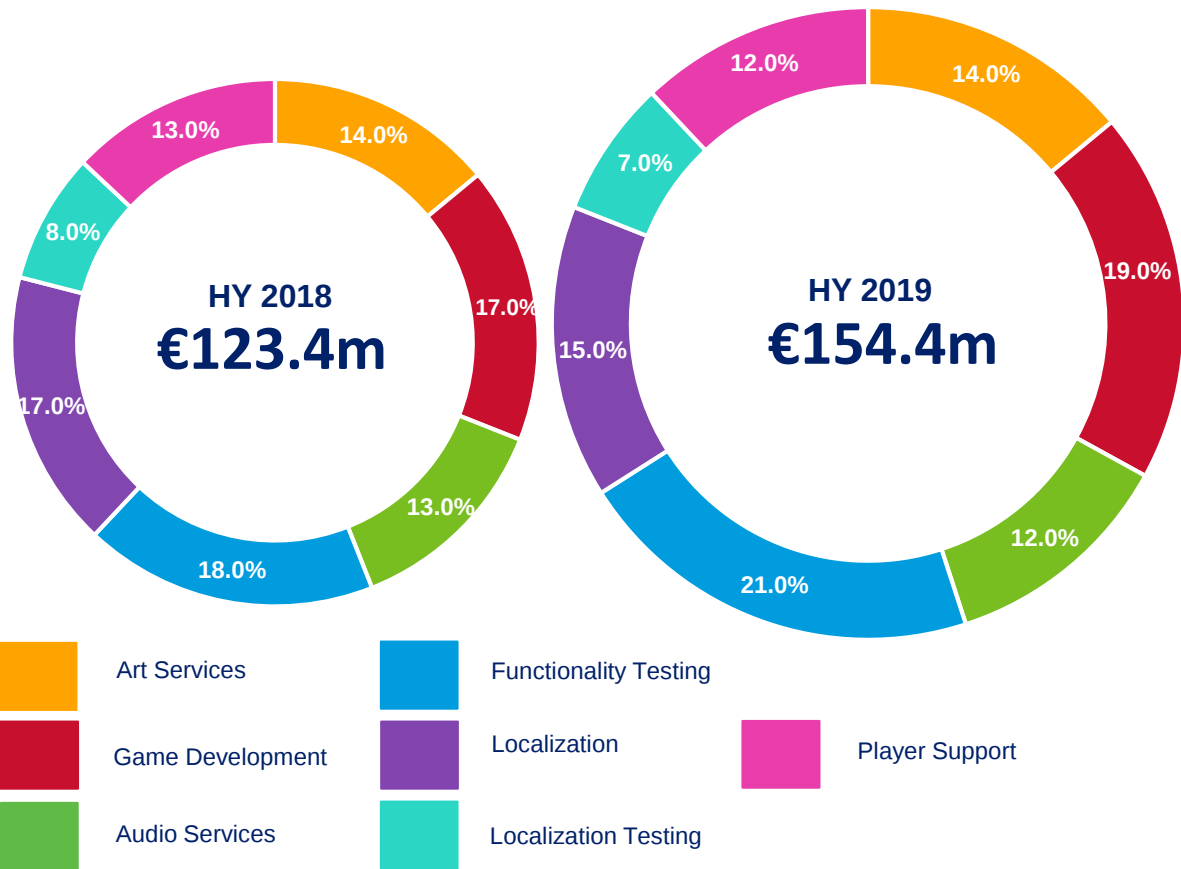


Delivering consistent and diversified growth



Better balanced business; higher up the value chain

H1 Pro Forma Revenue





Financial Overview

David Broderick

Income statement

- Revenue up 39.3% to €153.2m
- Gross margin of 36.1% (HY 2018: 37.4%) resulting from:
 - rapid recruitment and training;
 - staffing of new facilities; and
 - impact of one significant project brought in by acquisition
- Adjusted operating costs (excl. impact of IFRS 16) were 21.5% of revenue (HY 2018: 20.5%), as we invested in expansion and strengthening management
- Adjusted EBITDA was €25.8m, on a pre IFRS 16 basis it was €22.3m (H1 2018: €18.7m)
- Adjusted profit before tax was €18.4m, or €18.6m on a pre IFRS 16 basis (HY 2018: € 16.1m)
- Adjusted effective tax rate increased to 19.8% (HY 2018: 19.2%)

€'000s	H1 2019 [^]	H1 2018	FY 2018
Revenue	153,190	109,951	250,805
Direct costs	(97,950)	(68,791)	(154,997)
Gross Profit	55,240	41,160	95,808
% margin	36.1%	37.4%	38.2%
Other administrative expenses *	(35,897)	(24,677)	(56,892)
Operating profit	19,343	16,483	38,916
Net finance cost *	(926)	(376)	(1,005)
Adjusted Profit before Tax	18,417	16,107	37,911
Items excluded from Adjusted PBT*	(11,734)	(5,269)	(15,817)
Profit before Tax	6,683	10,838	22,094
Tax expense	(3,643)	(3,088)	(7,191)
Net income	3,040	7,750	14,903
	-	-	-
Adjusted Basic EPS (c)	18.36	18.30	41.80
Basic EPS (c)	4.69	12.10	23.16
Diluted EPS (c)	4.50	11.62	22.24

*Please note the prior year has been restated to be consistent with the presentation in the FY18 Annual Report

[^] Excluding the impact of IFRS 16 for H1 2019, Other administrative expenses would have been €0.1m higher, while Operating profit would have been €0.1m lower. Adjusted Profit before Tax, Profit before Tax and Net income would all have been €0.2m higher. Hence IFRS 16 has had a minimal impact on the Income statement for the period ended 30 June 2019.



Balance sheet

- Net debt of €9.0m (HY 2018: net cash €0.1m) after:
 - €7.0m net cash consideration for acquisitions (including deferred)
 - €2.8m of acquisition costs and integration expenses (HY 2018: €2.0m).
- Accrued MMTC* grant & VGTR** credits claims of €18.2m at period end.
- €5.1m capital expenditure (HY 2018: €3.8m) included:
 - Continued investment in software and computer equipment primarily for Testing, Art and Game Development
 - Investment in new and expanded facilities particularly in Manila, Montreal, Mexico City and Katowice

*MMTC – ‘Multimedia Tax Credits’ are employment grants provided in Quebec Province

**VGTR – ‘Video Game Tax Relief’ in the UK

€'000s	H1 2019	H1 2018	FY 2018
Non-current assets			
Property, plant and equipment	17,666	11,422	15,002
Right of use assets	20,410	-	-
Goodwill	163,372	123,471	154,202
Intangible assets	23,060	27,201	25,884
Investment in associate	-	114	160
Deferred tax assets	3,340	1,265	2,967
	227,848	163,473	198,215
Current assets			
Trade receivables	43,094	36,226	37,019
Other receivables	37,238	30,118	23,459
Cash and cash equivalents	37,763	32,184	39,871
	118,095	98,528	100,349
Current liabilities			
Trade payables	7,068	7,268	7,142
Other payables	50,642	32,850	41,153
Loans and borrowings	46,584	32,084	40,071
Corporation tax liabilities	6,249	2,877	6,665
Lease liability	7,268	-	-
	117,811	75,079	95,031
Non-current liabilities			
Other payables NCL	1,496	1,035	1,062
Employee defined benefit plans	1,489	1,233	1,378
Loans and borrowings NCL	208	45	230
Deferred tax liabilities	7,196	9,560	8,488
Lease liability NCL	13,374	-	-
	23,763	11,873	11,158
Net Assets	204,369	175,049	192,375



Cashflow

- Net cash from operating activities of €9.2m (HY 2018: €6.1m)
- MMTCs & VGTR credits of €6.9m accrued in the period
- 2019 interim dividend of 0.58p (2018: 0.53p) in line with progressive dividend policy, with a cash cost of €0.4m in H2 2019

€'000s	H1 2019	H1 2018	FY 2018
Debtors Days	46	49	47
Work completion to cash collection days	55	60	55

€'000s	H1 2019	H1 2018	FY 2018
Profit after tax	3,040	7,750	14,903
Income and expenses not affecting operating cash flows	23,340	10,685	29,033
Changes in operating assets and liabilities	(13,378)	(9,447)	(5,452)
Income taxes paid	(3,769)	(2,891)	(6,304)
Net cash provided by operating activities	9,233	6,097	32,180
Acquisition of subsidiaries	(5,156)	(10,625)	(24,889)
Settlement of deferred liabilities on acquisitions	(1,808)	(1,011)	(1,603)
Investment in associate	-	(114)	(226)
Acquisition of property, plant and equipment	(5,061)	(3,791)	(9,440)
Investment in IP	(332)	-	(1,599)
Acquisition and integration cash outlay	(1,677)	(2,006)	(4,530)
Interest received	-	-	-
Net cash used in investing activities	(14,034)	(17,547)	(42,287)
Loan to finance acquisitions	7,001	13,755	31,850
Repayment of loans	(500)	(853)	(10,835)
Share options exercised	547	1,203	174
Dividends paid	(773)	(696)	(1,080)
Payments of principal on lease liability	(3,236)	-	-
Interest paid on principal of lease liability	(338)	-	-
Interest paid	(394)	(144)	(502)
Net cash used in financing activities	2,307	13,265	19,607
Increase / (decrease) in cash and cash equivalents	(2,494)	1,815	9,500
Exchange gain / (loss) on cash and cash equivalents	386	(5)	(3)
Opening cash	39,871	30,374	30,374
Closing Cash	37,763	32,184	39,871



H2 guidance

- Strong organic and acquisitive growth expected; slightly slower growth rate than in H1
- H1 capacity investments expected to incrementally benefit margin in H2 and into 2020; adjusted operating expenses to gradually trend back to 20%
- Full six month contribution from first half acquisitions
- Increased depreciation charge – IFRS 16
- Interest expense to rise as we utilise our bank facility for acquisition growth
- Slight reduction in adjusted effective tax rate expected again
- Seasonal H2 positive cash conversion rates expected to continue





Operational Overview

Andrew Day

Service line progress

	HY 2019 progress	Focus for H2 2019 and 2020
 15.8% like for like growth	• 50% growth to €22.2m due to effect of 2018 and 2019 acquisitions • Sperasoft Art now under Game Development • Three marketing services businesses now fully reflected within Art	• Further organic growth • Complemented by acquisitions • Marketing services businesses may become a separate service line if more are acquired
 32.9% like for like growth	• Formerly called Engineering • Second largest service line • 130% growth to €29.6m driven by demand and acquisitions • Demand continues to exceeded capacity	• All 6 studios actively recruiting to meet demand • Expect strong growth in H2, at slightly slower rate • Pricing increases will start to flow through • An active acquisition pipeline • Aim to add scale and geographic reach
 6.7% like for like growth	• Grew 31% to €17.8m including the contribution of 4 acquisitions in 2018 and DVW in 2019. • Growth bolstered by added disciplines - music management, sound design and voice production • London and Los Angeles audio studios granted Netflix preferred supplier status	• Typical seasonal spike not as pronounced in H2 due to transition to new consoles • Consider acquisitions in key locations • Securing Netflix vendor status for other studios • Scope to add further capabilities



Service line progress

HY 2019 progress

Focus for H2 2019 and 2020



33.3% like for like growth

- Grew by 42% to €31.8m
- Steep ramp up in staff increased costs
- Established as the 'go to' in North America, with benefit of scale brought through VMC acquisition
- New operations in Mexico City, Katowice and Tokyo

- Expect further strong growth and improving margins
- Continue to consolidate market leadership in N. America



4.6% like for like growth

- Grew by 8% to €23.1m
- Benefitting from trend towards continuous content generation for live games

- Continue to establish machine translation
- Build on market leading position



4.7% like for like growth

- Now just 7.0% of pro forma Group revenues
- Grew by 7.3% to €10.3m
- Established Localization Testing in Katowice

- Expect some growth but not the typical pronounced seasonal spike in H2 due to transition to new consoles



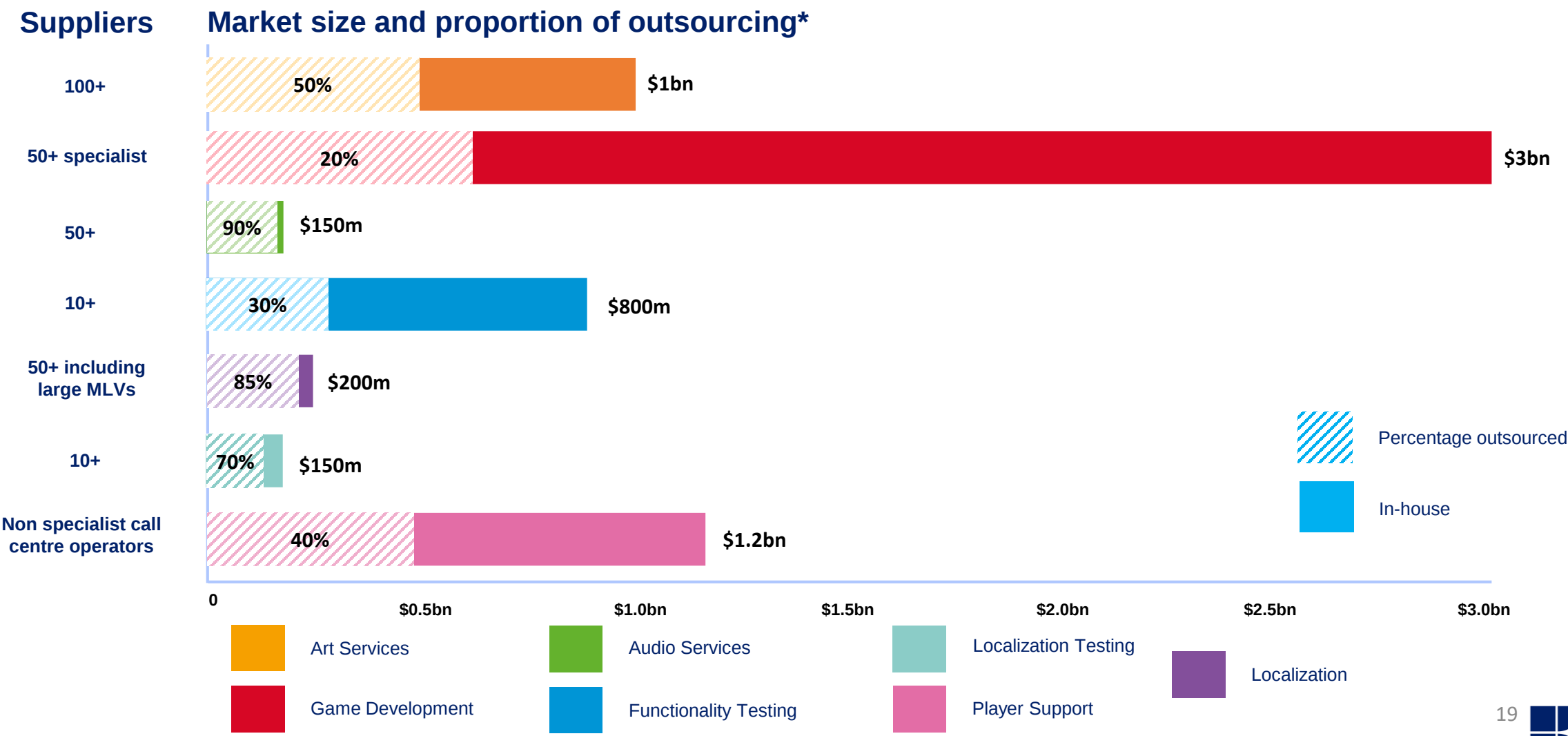
11.3% like for like growth

- 19.6% growth on HY18 to €18.3m
- Manila and Katowice rapid expansions completed

- Aim to differentiate video games specific services from other large providers in the wider customer support market to consolidate our progress in this segment

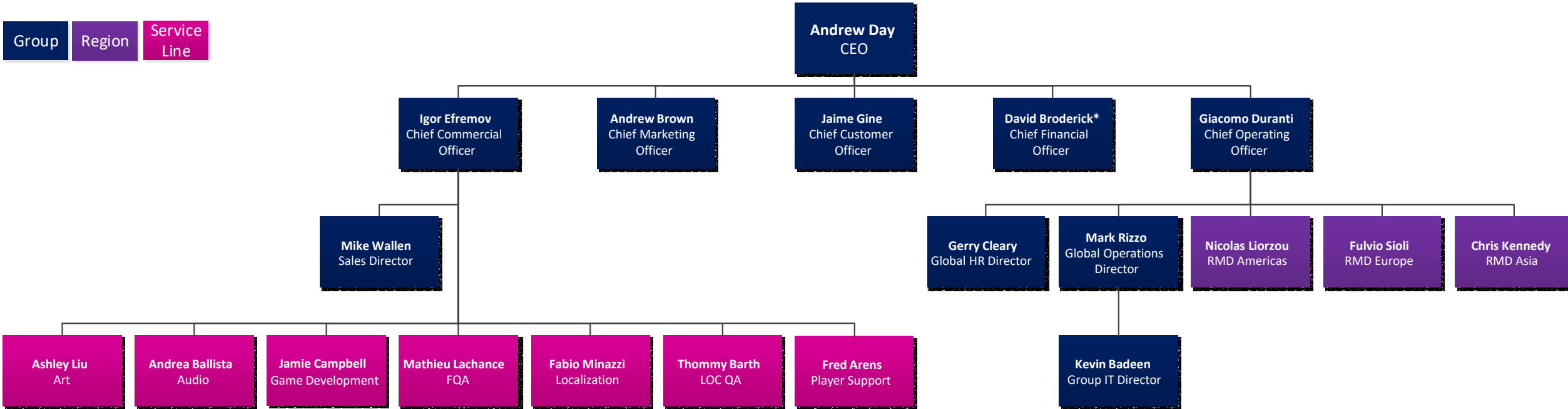


Acquisition opportunities in a highly fragmented market



* Based on management's estimates

Managing growth



- We continue to strengthen our operational management teams, support functions and infrastructure to support our increasing scale
- Considering consolidation of certain service lines in order to maximise synergies





Outlook

Andrew Day

Outlook

- Trading in the second half has started well with expected high levels of activity coming through
 - Particularly strong trading in Game Development, Functional Testing and Art Creation
 - Audio and Localisation Testing not expected to see their typical seasonal peak in activity due to console transition
- Expect to benefit from strong growth across mobile and PC games, the new game streaming and subscription services, and earlier stage development of new console games
- H1 and H2 investments will enable us to capture growth opportunity from accelerating trend towards outsourcing
- H2 and 2020 to see improved margins as we incrementally benefit from those investments
- Well placed to deliver FY revenues at the upper end of market expectations, with our profit expectations broadly unchanged
- Continue to see strong cross selling opportunities across the business
- Actively reviewing a healthy pipeline of acquisition opportunities



A strengthened services platform from which to grow

Investment summary

Diversified access to a large, high growth market

Key drivers:

Market growth; continuous & higher definition content; outsourcing trend; streaming of games

Strong track record of growth, both organically and through acquisition

Significant opportunity to continue to grow our service capabilities,
geographical penetration and client relationships

Culture, business model and management structure that supports growth



A digital illustration of three athletes celebrating their victory. On the left, a woman with long dark hair, wearing a green top and a blue ribbon, holds a silver medal. In the center, a man with short brown hair, wearing a blue shirt and a red ribbon, holds a silver medal. On the right, a woman with short dark hair, wearing a red top and a blue ribbon, holds a silver medal. They are all smiling and looking towards the camera. The background is a dark blue with faint white lines. A semi-transparent white horizontal band is across the middle of the image.

Appendix

Continuing to deliver on our strategy

Our strategy is to build the world's leading technical and creative platform for the video games industry



Organic growth and cross-selling, to increase market share



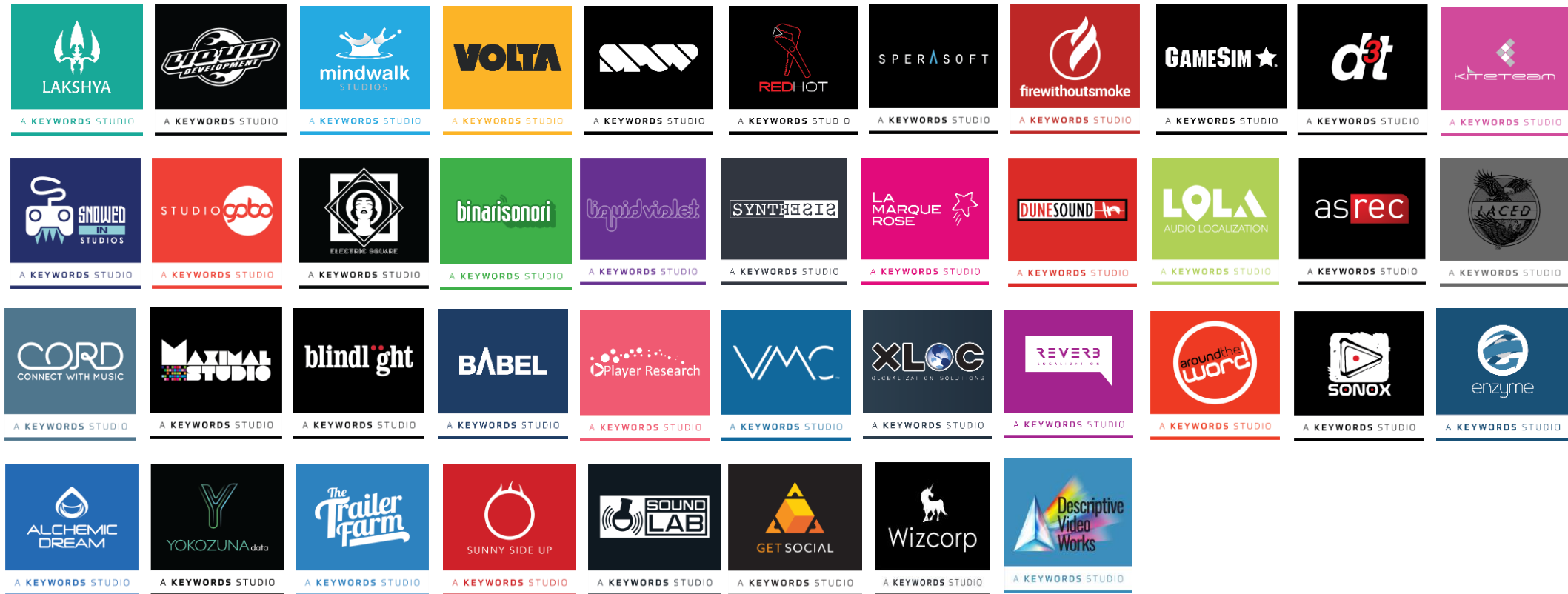
Selective acquisitions to extend our range of services and consolidate our position in a fragmented market



Gradually introducing technology



Keywords Studios



Income Statement –Items excluded from Adjusted PBT

€'000s	H1 2019	H1 2018	FY 2018
Cost of Acquisition & Integration	2,981	2,133	5,607
Share Option Expense	4,011	835	4,129
Amortisation of intangible assets	3,491	3,095	6,872
Foreign exchange (gain)/losses	1,159	(794)	(791)
Non Controlling interest	92	n/a	n/a
	<u>11,734</u>	<u>5,269</u>	<u>15,817</u>



Acquisition History

Year	Art 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	GetSocial Wizcorp	Descriptive Video Works TV Synchron	AppSecTest**				€11.3m



Major Shareholders*

Shareholder	Shares	% Holding
Franklin Templeton	4,294,504	6.6
Octopus Investment Partners	3,901,378	6.0
P.E.Q Holdings Limited	3,500,736	5.4
Andrew Day	3,296,573	5.1
T Rowe Price Global Investments	3,116,837	4.8
Kames	2,528,075	3.9
Allianz Global Investors	2,034,762	3.1

** Based on available disclosures to company as at the 30th June 2019*



Alternative Performance Measures & IFRS 16 Impact Analysis

€'000s	H1 2019 IFRS 16 Bridge					
	H1 2019	H1 2018	FY 2018	Excl: IFRS 16	Adj: IFRS 16	Adj
Adjusted Operating Costs	29,416	22,502	52,013	32,991	(3,575)	29,416
EBITDA	18,917	15,817	34,304	15,342	3,575	18,917
Adjusted EBITDA	25,824	18,658	43,729	22,249	3,575	25,824
Adjusted profit before tax ^	18,417	16,107	37,911	18,647	(230)	18,417
Adjusted effective tax rate	19.8%	19.2%	19.0%	19.5%	0.3%	19.8%
Adjusted earnings per share *	18.36	18.30	41.80	18.71	(0.35)	18.36
Return on Capital Employed	19.7%	17.6%	19.4%	19.8%	-0.1%	19.7%
Operating cash flow	7,941	5,197	29,044	4,367	3,575	7,941
Adjusted operating cash flow	9,834	6,516	33,168	6,260	3,575	9,834
Adjusted cash conversion ratio	53%	40%	87%	34%	19%	53%

* Adjusted Earnings per Share has been restated to adjust the Adjusted Profit after Tax for the tax impact of the Adjusted Operating Costs, as the directors have considered this to be a more meaningful presentation. Please also note the comparative periods have been restated to be calculated on a consistent basis.

^ Adjusted Profit before Tax for HY18 has been recalculated to reflect the same methodology as presented in FY18 Annual Report, Alternative Performance Measures.

