



Full Year Results 2016

Andrew Day, CEO

David Broderick, CFO



Overview



A global service delivery platform for the video games industry

Art Creation

Creation of video game graphical art assets, including concept art creation, 2D and 3D art asset production and animation

Audio Production

Multilanguage voiceover recording, original language voice production and related services

Localisation

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

Customer Experience

24/7, multilingual customer support for games in live operation, forum monitoring and moderation services, and social media engagement on behalf of the game brand

Localisation Testing

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

Functional Testing

Quality assurance including discovery and documentation of game bugs and testing to verify the game's compliance with console manufacturers specifications



Supporting leading games including:

Art Creation Services



Functional Testing



Localisation Services



Customer Support Services



Localisation Testing



Audio Services



Flexibility and scale across key international markets...



- Largely charge on a time basis - per hour, man month, word or asset
- Flexible resourcing model with contractors supplementing permanent staff
- Combining the Group's services, resources and dual shore delivery effectively to meet clients' needs
- Repeat business of same services to existing clients typically accounts for 80% of revenues
- Low capex requirements, good cash generation

Delivering on our strategy

- To make Keywords the “go to” global service delivery platform for the video games industry
- To selectively consolidate a highly fragmented games services industry to provide scale and choice to global client base
- 67% revenue growth and 86% increase in PBT in FY 2016
- €21.1m net cash invested in acquisitions; cash of €17m and €7m still available under €15m credit facility

Grown organically...

24% revenue growth on a like for like* basis:

- 25% increase in number of clients using three or more services
- Continued new client wins
- Secured new larger premises for Manila based live operations business acquired from Ankama
- Expanded premises in Montreal and New Delhi

** Like for like revenues calculated on the basis of revenues being included for 2016 acquisitions from the date of acquisition and for the equivalent period in the prior year*

and by acquisition...

Throughout 2016, successfully acquired:

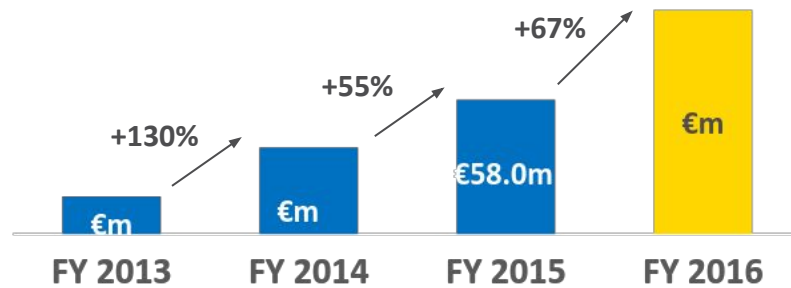
- Ankama - live operations services in Manila, Philippines
- Mindwalk - outsourced art creation services, based in Beijing
- Synthesis - localisation and voice-over recording in several locations
- Volta – Concept art creation based in Quebec City
- Player Research – player experience analysis and design (Brighton based)
- Enzyme – Functional and Localisation testing in Montreal
- Sonox – Audio recording and localisation services in Madrid
- Kite Team – remaining 50% of localisation and audio services firm



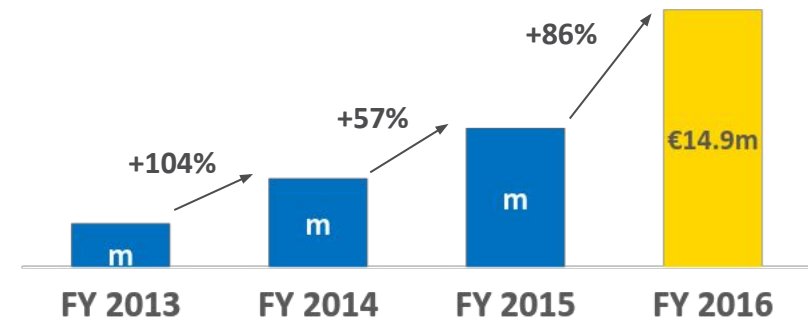
Financial track record

Strong financial performance

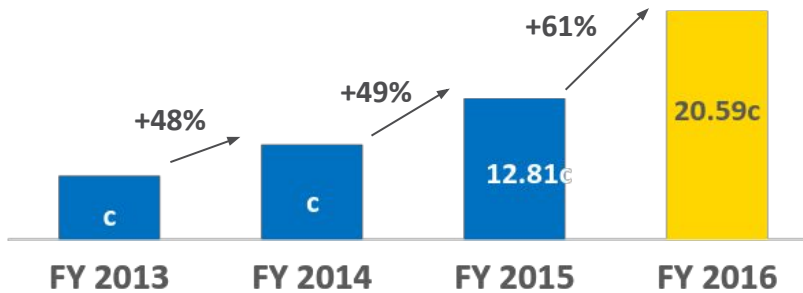
Revenue



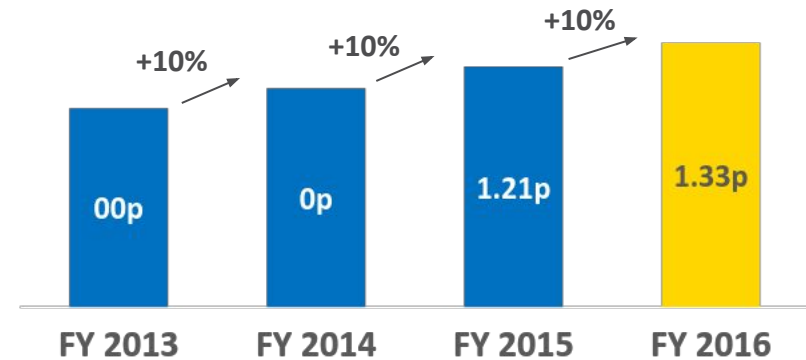
Adjusted PBT



Adjusted EPS



DPS



Creating value since IPO

27 studios

Up from 5 studios

6 service lines

Up from 4 at time of IPO

4 continents

Up from 3 continents

£24m

Raised during and since IPO in July 2013

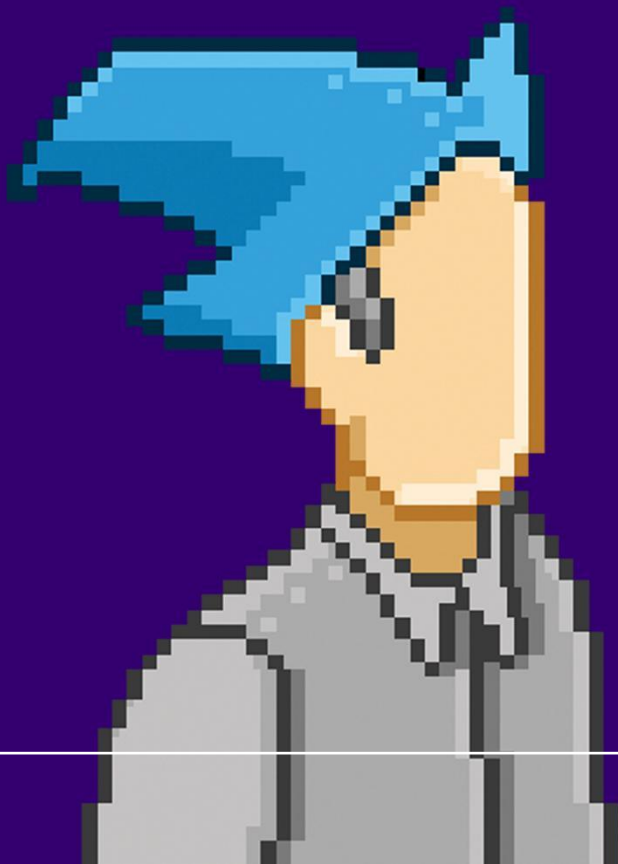
290%

Increase in adjusted earnings per share from 5.28c in 2013

62%

CAGR in revenue since FY 2012

Financial Review



Income Statement

- Revenue up 67% on 2015 to €96.6m
- Gross margins up to 38.0%; a 40 bps increase
- Overheads of €21.6m; 22.4% of revenue (2015: 23.5%)
- Adjusted profit before tax increased 86% to €14.9m excluding the following costs:

€k	2016	2015
Statutory PBT	9,496	5,195
Costs of acquisitions and integration	1,316	1,089
Share option expense	686	392
Amortisation of intangibles	1629	857
Foreign exchange loss/(gain)	1,737	474
Total excluded items	5,368	2,812
KWS defined PBT	14,864	8,007

- Effective tax rate 21.7% (2015: 22.9%)
- Adjusted EPS up 61% to 20.59c

Y/E 31 December, €k	2016	2015
Revenue	96,585	57,951
Direct costs	(59,907)	(36,173)
Gross Profit	36,678	21,778
% margin	38.0%	37.6%
Other administrative expenses	(21,588)	(13,616)
Operating profit	15,090	8,162
Net finance cost	(287)	(264)
Non-controlling interest (50% Kite Team)	61	109
Profit before Tax – Group basis	14,864	8,007
Items excluded from Group measurement of PBT	(5,368)	(2,812)
Profit before Tax – Statutory basis	9,496	5,195
Tax expense	(3,223)	(1,832)
Net income	6,273	3,363
Basic EPS – Group measurement basis(c)	20.59	12.81
Basic EPS – Statutory basis(c)	11.22	6.98
Diluted EPS (c)	10.87	6.87

Balance sheet

Net cash of €8.7m (2015: €17.3m) after:

- €21.1m net cash consideration for acquisitions
- €1.3m costs of acquisitions and integration expenses
- Loans and borrowings of €8.4m
 - €8m of Barclays RCF drawn down – total RCF €15m
 - €0.3m loan in Enzyme following acquisition

Improved MMTC* grant claims collections

- €2.9m accrued in 2016 including €100k in respect of 2015
- 2015 accrual of €3.9m included €1.6m from prior periods

€2.3m capital expenditure (2015: €1.6m) included:

- Continued investment in testing and computer equipment (€1.4m)
- Significant investment and expansion of facilities in Montreal, Dublin and Manila in particular (€1.2m)
- Further development of Art with Lakysa and Mindwalk expansion investment (€0.5m)

*MMTC – ‘Multimedia tax credits’ are employment grants provided in Quebec

Y/E 31 December, €k	2016	2015
Non-current assets		
Property, plant & equipment	5,498	3,486
Goodwill	46,799	23,893
Intangible assets	8,696	3,782
Deferred tax assets	880	971
	61,873	32,132
Current Assets		
Trade receivables	13,879	7,519
Other receivables	7,778	8,320
Cash & cash equivalents	17,020	19,018
Short term investments	-	27
	38,677	34,884
Current Liabilities		
Trade payables	4,822	2,761
Other payables	12,431	7,862
Loans and borrowings	8,025	1,163
Corporation Tax Liability	2,552	752
	27,830	12,538
Non-Current Liabilities		
Other payables	1,592	300
Employee Defined Benefit	826	590
Loans and borrowings	345	571
Deferred tax liabilities	3,253	2,423
	6,016	3,884
Net Assets	66,704	50,594

Cashflow

- Cash inflow from operations of €15m (€3.4m)
 - Includes €1.6m MMTCs collected from pre FY'15 periods
- Increase in working capital as Group grows rapidly
- Continuing low capex requirement anticipated (<5% of revenue). Depreciation was €1.8m (2015: €1.3m)
- 2016 dividend of 1.33p (2015: 1.21p) in line with progressive dividend policy
- Cash cost of dividends in the year of €0.83m

Y/E 31 December, €k	2016	2015
Profit after tax	6,212	3,254
Net income/expenses not affecting operating cash flows	7,781	4,664
Net changes in operating assets / liabilities	3,175	(3,150)
Income taxes paid	(2,129)	(1,362)
Net cash inflow from operating activities	15,039	3,406
Acquisition of subsidiaries	(21,104)	(7,409)
Acquisition of fixed assets	(2,306)	(1,635)
Acquisition of short term investments	27	232
Interest Received	94	70
EBT Share Purchase	2	(804)
Net cash used in investing activities	(23,287)	(9,546)
Repayment of borrowings in acquired companies	(625)	-
Loan to finance acquisitions	8,000	-
Repayment of loan to sellers of acquired company	-	(300)
Loan to fund 2013 MMTC	(1,157)	1,110
Dividends paid	(825)	(737)
Share options exercised	(632)	-
Interest paid	(152)	(128)
Issue of share capital	643	14,213
Share issuance expenses	-	(14)
Net cash provided by (used in) financing activities	5,252	14,144
Increase /(decrease) in cash	(2,996)	8,004
Exchange gain/loss on cash and cash equivalents	998	-
Opening cash	19,018	11,014
Closing cash	17,020	19,018

FY17 Guidance

- Strong growth expected both organically and through continued acquisition
- Established infrastructure to drive operating costs towards 20% target as we grow
- Slight reduction in effective tax rate expected again
- Positive cash conversion expected to continue (albeit without the MMTC catch up benefit)
- Deferred consideration of up to €0.25m due in 2017
- Interest expense to rise as we utilise our new increased bank facility for acquisition growth

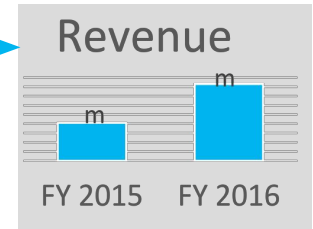
Review of the year



A strong performance complemented by acquisitions

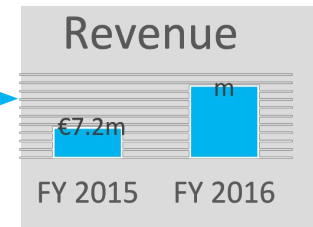
Art Creation

- Revenues grown 34% on a like for like basis
- Continued strong underlying growth at Laksyha Digital
- Contributions from acquisitions of Mindwalk and Volta acquired in June and October
- With a talent pool of 850 artists, Keywords is now one of the largest art services businesses in the highly fragmented video games art services market



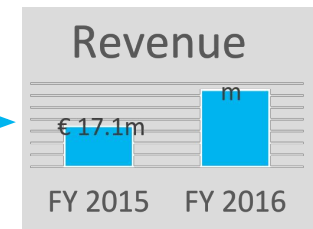
Audio Services

- Revenues grown 20% on a like for like basis
- Synthesis and Sonox acquired in April and December; strong contribution from Synthesis
- Strengthened management of Mexican audio studio
- Consolidated Synthesis Iberia, Kite Team and Sonox under Kite Team in Madrid
- Opened audio recording studio in Tokyo



Localisation

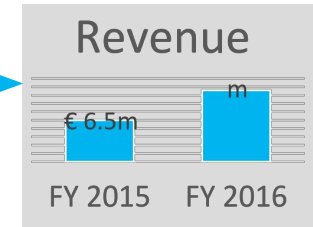
- Revenues grown 33% on a like for like basis
- Contributions from Synthesis and Sonox
- Managed 1000 translators and translated c.210m words in the year
- Beneficiary of 'games as a service' trend; frequent content additions require continuous localisation
- The leading localisation provider to AAA console games, with a strong position in fast-growing mobile games



A strong performance complemented by acquisitions

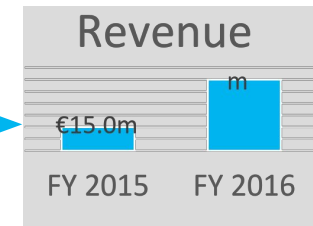
Functional Testing

- Revenues grown 23% on a like for like basis
- Contribution from Enzyme, acquired in November 2016
- High utilisation achieved through flexible staffing model and enhanced by increased scale
- Recently acquired Player Research added user testing and consultancy services



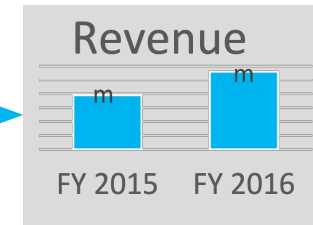
Localisation Testing

- Revenues grown 8% on a like for like basis
- Synthesis and Enzyme added acquired revenues for first time since Babel Media (Feb 2014)
- Largest provider in the market but Group's historic reliance on Localisation Testing has continued to reduce as planned







Customer Support

- Revenues grown 17% on a like for like basis
- Seeded into Tokyo, Montreal, Singapore, Dublin and New Delhi;
- Since acquisition in March, Manila has won new clients and grown from 23 to c.120 people
- Using teams with deep knowledge of the games offers an attractive alternative to large call centres







Clear progress in executing and integrating

acquisitions

	Services	Location	Consideration	Description
 A KEYWORDS STUDIO Acquired Oct 2016	User experience testing and consulting	Brighton	Total consideration of up to £1.3m (up to £1.0m in cash plus 65,280 new ordinary shares)	<ul style="list-style-type: none"> Provides consulting and user testing services for mobile, PC, console and VR game developers, helping them to attract, retain and monetise players State-of-the-art playtesting laboratory Employs several PHDs and MScs
 A KEYWORDS STUDIO Acquired Nov 2016	Functional and Localisation testing	St-Jerome, near Montreal	Total consideration of CAD\$5.4m (CAD\$4.9m cash and CAD\$0.5m in repayment of loans)	<ul style="list-style-type: none"> Strengthens the Group's testing capabilities, reinforcing its position as the market leader Market leading compatibility testing laboratory Expertise in focus group testing fits closely with recently acquired Player Research
 A KEYWORDS STUDIO Acquired Dec 2016	Audio and Localisation services	Madrid	Total consideration of €650,000 (€500k cash and 24,881 new ordinary shares)	<ul style="list-style-type: none"> Audio recording and localisation services to video game companies targeting Spanish and Latin American markets Merged with Synthesis Iberia and Kite Team in Madrid to create leadership in the region
 A KEYWORDS STUDIO Acquired Feb 2017	Art Creation	London	Total consideration of up to £1.2m cash	<ul style="list-style-type: none"> Provides creative development, cinematics, UI, visual effects and motion graphics services for video game and film markets Has a small team of creatives in London and manages a network of highly experienced designers, animators, film makers and artists

Clear plan for integrating acquisitions...

	Services	Location	Consideration	Description
 Ankama Acquired Mar 2016	Customer Support	Manila	Outsourcing arrangement – €0.25m cash consideration; four year contract	<ul style="list-style-type: none"> ▪ Adds live operations, promotions management, fraud management, quality assurance and bot hunting ▪ Platform from which to grow in Asia with the benefit of the certainty of a four year contract ▪ Ideal territory - competitively priced service culture with strong standard of English
 Acquired Apr 2016	Localisation, Audio and Localisation Testing	France, Germany and Switzerland	Maximum consideration of €18m. €11.2m cash, plus 2,376,518 KWS shares to be issued	<ul style="list-style-type: none"> ▪ Positions Keywords as the global leader in localisation and voice-over recording for video games world-wide ▪ Highly complementary client base, with a strong track record of working with major game franchises ▪ Adds new studios in Germany, France and Taiwan and provides further penetration for existing studios
 mindwalk studios A KEYWORDS STUDIO Acquired May 2016	Art Creation	Beijing	Total consideration c.\$5.5m; \$3.9m in cash and 513,189 KWS shares to be issued	<ul style="list-style-type: none"> ▪ Increases capacity in the higher margin art creation market by about 30%; adding 150 artists ▪ Platform to grow a full suite of video game services for both Chinese and international game developers and publishers ▪ Cost effective location to support international customer base
 VOLTA A KEYWORDS STUDIO Acquired Jul 2016	Art Creation services, with emphasis on concept art	Quebec City	Consideration of CAD\$5.25m cash	<ul style="list-style-type: none"> ▪ Adds additional capabilities and capacity ▪ Concept art specialist providing artwork at the very early stage of development, thus bringing Keywords further upstream in the game development cycle ▪ Already realising synergies with later stage art services

Driving cross selling opportunities

	2009	2013	2014	2015	2016	2017
<p>A multi-platform game developer</p> <p><i>Increased sales by 600% over the period</i> A leading mobile game developer</p> <p><i>Annualised revenues increased four-fold over 3 years</i></p>	<p>Localisation testing originally provided for Europe</p>	<p>Added Localisation in new languages</p>	<p>Added Americas Localisation and Art through Lakshya</p>	<p>Established as Asian suppliers</p>	<p>Synthesis acquisition adds Audio & Localisation</p>	<p>In discussions over Functional Testing & Customer Support</p>
<p>Market leading online game developer</p> <p><i>Revenues trebled over 2 years</i></p>		<p>Started work with them on their first game - launched in 11 languages</p>	<p>Game grows to 28 languages</p>	<p>Worked on second game, localised in 30 languages</p>	<p>Added Art services for third game</p>	<p>Adding Customer Support and Localisation Testing</p>
				<p>Localisation and Audio support, growing the number of languages over time</p>	<p>Established secure facility providing Localisation and Localisation Testing, working together in a highly iterative fashion</p>	<p>Further growth in existing services expected to lead to a further 30% increase in volume</p>

Driving operational efficiency and synergies

Shared management systems

- Same operating platform used across each global service line
- Common project management, workforce management and operational reporting capabilities
- Newly acquired entities migrated onto the system, with the exception of art which is assessing options

Talent sharing

- Customer Support introduced in Montreal, Dublin, Singapore and Tokyo testing facilities
- Customer support provided by high quality and specialist teams with the detailed game knowledge acquired during testing
- Provides point of differentiation and helps smooth normal peaks and troughs in testing staffing requirements

Consolidation of studios

- Consolidating three studios into two around Montreal following the acquisition of Enzyme
- Bringing together Kite Team, Synthesis Iberia and Sonox into the Kite Team premises in Madrid
- Plans for similar consolidation in London

Utilising new geographies

- Captive, live operations services entity in Manila acquired from one of our clients and converted into a shared service benefitting multiple clients
- Five-fold increase in staff supported by the lease and fit out of larger premises

Managing growth



- Service lines run on a global basis
- Supported by regional management teams
- Unified global sales team facilitates cross selling
- Investment in the team and key functions supports further growth
 - CCO, Art and IT Directors added and new CFO appointed



Strategy & opportunities



Near term organic growth opportunities



Developing customer relationships and outsourcing

- Leveraging relationships and master services agreements to grow the number of services to existing clients
- Increased opportunities for managed services and single sourced arrangements



Extending our services

- Expand user testing activities following acquisitions of Enzyme and Player Research
- Extend services into new areas, such as visual special effects and game trailers
- Provide single language audio options for Italian, Spanish, Brazilian Portuguese and Arabic languages



Expanding our geographical reach

- Opening an audio recording studio in Tokyo
- Introduced art management into Singapore studio

Acquisition strategy



Selective consolidation

- Localisation – key single language providers and major multi lingual providers
- Functional Testing – expansion outside of Canada (India, Eastern Europe)
- Art Production – China, South East Asia, Latin America
- Audio – key single language studios – Europe, Asia

New services

- Engineering
- Analytics



Geographic expansion

- South East Asia – art
- Eastern Europe – art, functional testing, engineering

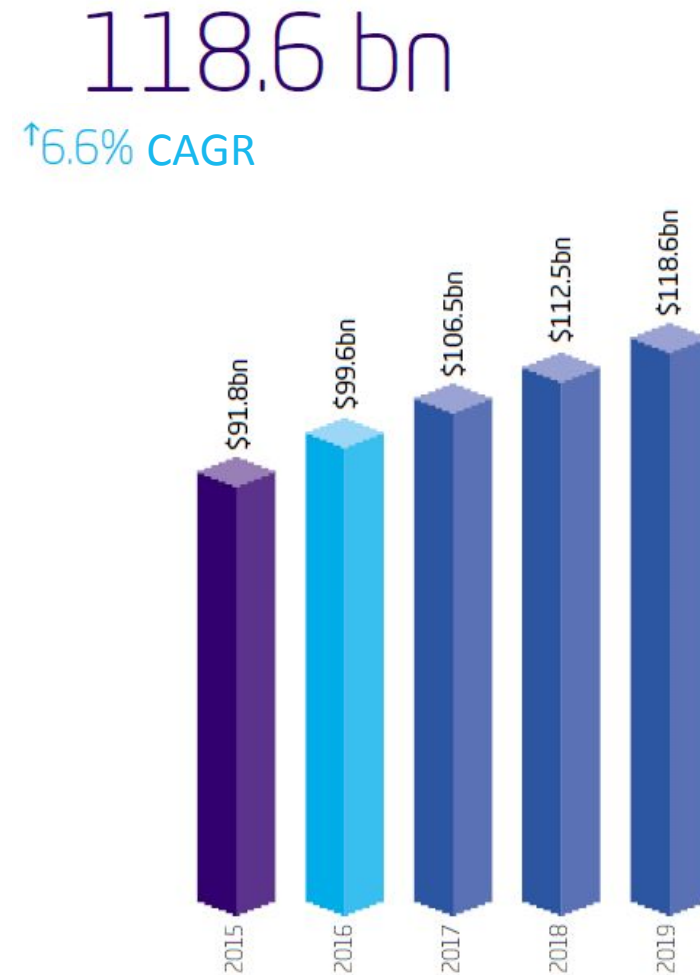
Summary & Outlook



Market outlook

- Virtual Reality has now entered the mainstream market with Facebook (Oculus), Valve/HTC, Sony and Samsung all launching first generation products in 2016 – expect VR to be just one factor in the continued growth of content
- Launch of PS4 Pro and Xbox One S in 2016 were the first of a number of anticipated console refreshes
- Nintendo's Switch launched in January 2017, which we hope will establish itself as a major platform
- Rise of the 'mid-core' gamer fuelling growth in mobile gaming content
- Speculation around the possible launch of AR from Magic Leap and Microsoft (HoloLens). Facebook also working on AR and Apple rumoured to be as well.

Global games market size 2015-2019 (\$bn)



Source: Newzoo Global Games Market Report, June 2016

Current Trading & Outlook

- Trading for the first two months of the year in line with management's expectations
- Expect to make good progress in 2017
 - Continued organic growth
 - Capitalising on the synergies from previous acquisitions and driving operational efficiencies
 - Leveraging client relationships
 - Integrated sales and marketing
 - Sharing talent and production facilities
 - Continued progress with cross selling
 - Recently agreed terms for a three year revolving credit facility of up to €35m
 - Healthy pipeline of earnings enhancing acquisition opportunities



Investment summary

Access to a large, high growth market

Key drivers:

Industry growth; trend towards continuous content; move towards outsourcing; ever higher definition content; introduction of new platforms (VR/AR, Nintendo Switch, Xbox Scorpio)

Strong track record of growth, both organically and through acquisition

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

Business model and management structure that supports growth

Appendix



Leading market position

Keywords Services 21 of the Top 25 Games Companies by Revenue* ...



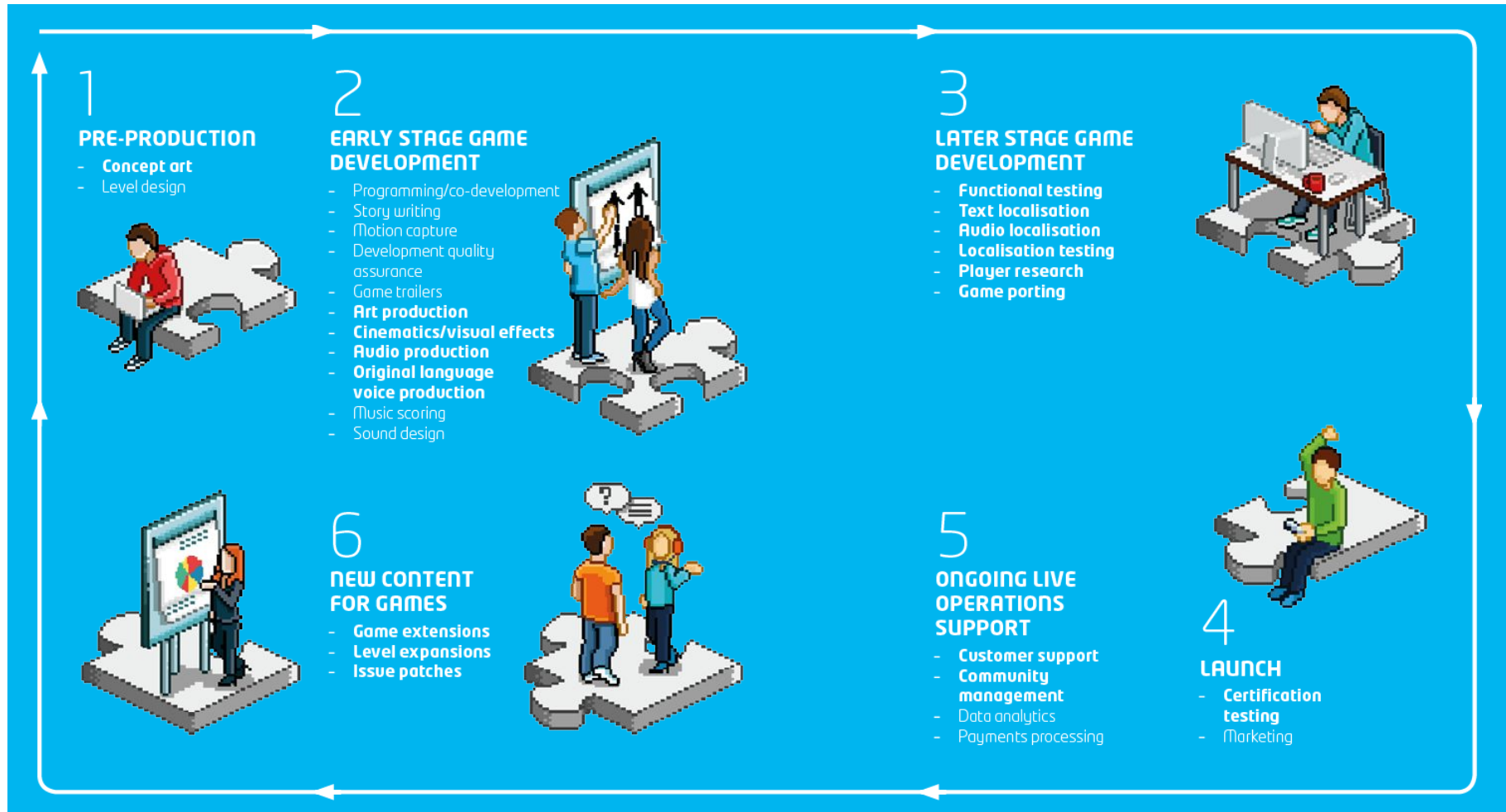
... and 7 of the Top 10 Mobile Games Developers by Revenue**







*Source: Newzoo, Top 25 Games Companies by Revenues, December 2016

**Source: PocketGamer.Biz, Top 50 Developers of 2016, May 2016





Creating value along the lifecycle of games development



Clear p... and integrating acquisitions...

	Services	Location	Consideration	Update
 Acquired Aug 2015	Art creation services for leading developers	Portland	Consideration of US\$6.3m cash and US\$2.7m of KWS shares	<ul style="list-style-type: none"> Enhanced Keywords art creation offering Brings flexible resourcing model to art creation Working in partnership with Lakshya on some projects
 Acquired July 2015	Audio and localisation services	Madrid and Mexico City	€0.5m cash consideration for 50% controlling stake; remaining 50% purchased April 2016	<ul style="list-style-type: none"> Enhanced Keywords' provision of Spanish, Latin American Spanish and Brazilian Portuguese localisation and audio services
 Acquired Jan 2015	Customer support and community management for online and mobile games	Montreal	CAD 1.25m	<ul style="list-style-type: none"> Office facilities, IT, HR and Finance provided by existing Keywords operations in Montreal Customer services teams built in other KWS studios under the guidance of Alchemic Dream
 Acquired Jan 2015	Localisation and audio services	Rio De Janeiro	€0.3m	<ul style="list-style-type: none"> Localisation into Brazilian Portuguese and audio recording in Rio De Janeiro Integrated into multilingual production Leveraging group business development capability

Clear ... integrating acquisitions

	Services	Location	Consideration	Update
 Acquired Oct 2014	Art creation services for leading developers	New Delhi & Pune	\$4.0m (including \$1m deferred to October 2015)	<ul style="list-style-type: none"> Expanded Keywords' reach into earlier stage of game production cycle New Seattle studio established to share with Keywords Localisation QA operations in Seattle Finished the year with 650 artists on our payroll of which 600 are in India and China
 Acquired May 2014	Audio and localisation - recording production, facial capture, text translation and adaptation	Milan & Los Angeles	Consideration of €6.0m cash / €3.3m new shares	<ul style="list-style-type: none"> Enhanced Keywords offering in top quality end of the market and extended reach up the production chain Integrated sales & marketing and finance Full management integration complete
 Acquired Feb 2014	Localisation, audio, functional testing, localisation testing	Montreal & New Delhi	£2.2m in shares on a debt free basis	<ul style="list-style-type: none"> Brought the other full service provider in the industry into the Group; transformed Keywords' functional testing capability Integration of tools, processes, management completed Keywords Montreal operationally merged with Babel Montreal and Keywords facility vacated and sub let Babel India studio moved to Lakshya facility in New Delhi
 Acquired Jan 2014	Audio; pre and post production stages of localised voice-over assets	London	£0.3m initial, with an additional £1.3m earn out paid 31.03.16	<ul style="list-style-type: none"> Leveraging Group HR, back office, sales & marketing Encouraged by cross selling opportunities

Major Shareholders*

Shareholder	Amount	% Holding
P.E.Q Holdings Limited	7,978,736	14.7
Andrew Day	3,796,573	7.0
Hargreave Hale	3,720,076	6.8
Invesco Perpetual	3,514,896	6.5
Kabouter Management	3,296,126	6.1
Blackrock	3,173,999	5.8
Schroder Investment Management	2,218,897	4.1
Liontrust Asset Management	2,079,381	3.8

* as at 31st December 2016