



Full Year Results 2017

Andrew Day, CEO

David Broderick, CFO

9 April 2018

Achievements in 2017 – strong progress

Strong organic growth

- The Group increased like for like growth by 15% during 2017
- We experienced 45% growth in clients using three or more services, now at 93 out of 646

11 Acquisitions

- Expands service lines and extends our geographical reach
- Included two of our largest acquisitions to date with VMC (\$66.4m) and Sperasoft (\$27m)
- Grew from 27 to 42 studios globally during 2017

Progress with integration

- Good progress with integration of VMC and Sperasoft
- Successfully progressed amalgamation of operations in Madrid, Seattle, Mexico City and Paris

New service line

- The acquisition of GameSim created the brand-new Engineering service line, which has since been bolstered by the acquisitions of Sperasoft and d3t



2017 Financial Highlights

Revenue up 57%

€151.4m
 (FY 2016: €96.6m)
 (Pro forma: €224.5m)

Adj. PBT* up 55%

€23.0m
 (FY 2016: €14.9m)

Adj. EPS* up 52%

31.18c
 (FY 2016: 20.59c)

DPS up 10%

1.46p
 (FY 2016: 1.33p)

Net cash of €11.1m

After €87.0m net acquisition spend, €3.0m acquisition expenses and a successful £75.0m equity placing

Up to €105m credit facility

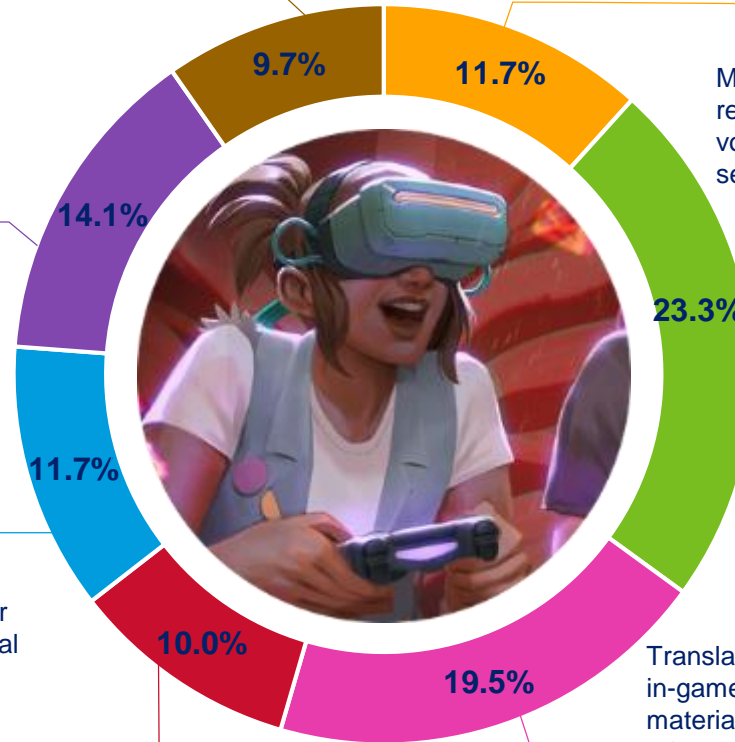
Agreed terms on a 5 year RCF replacing existing €35m facility, with improved terms

* before acquisition and integration expenses of €3.0m (2016: €1.3m), share option charges of €1.4m (2016: €0.7m), amortisation of intangibles of €3.0m (2016: €1.6m), and foreign currency exchange loss of €3.6m (2016: loss of €1.7m)



Keywords Global Service Delivery Platform

% Pro forma revenue



Engineering

Co-development, porting of games from one platform to another, software consulting



Art Creation

Creation of video game graphical art, including concept art, 2D/3D art asset production & animation



Customer Support

24/7, In-live operation multilingual customer support, forum moderation services, & social media engagement on behalf of the game brand



Audio Services

Multilanguage voiceover recording, original language voice production & related services



Functional Testing

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



Localisation

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



Localisation Testing

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



International Scale & Flexibility across markets is key



An average of around **3,000** people on the payroll, worked on over **500** games during the year

Over **40** studios across **20** countries and **4** continents

Over **100,000** art assets and **26** million words of audio produced in 2017 – **250** million words translated in 2017 – over **3.3** million hours of testing carried out in 2017

400,000 hours of Engineering services delivered in 2017 - **16** million customer support tickets resolved each year



Market Leading Position

Keywords Services 23 of the Top 25 Games Companies by Revenue*...



... and 9 of the Top 10 Mobile Games Developers by Revenue**

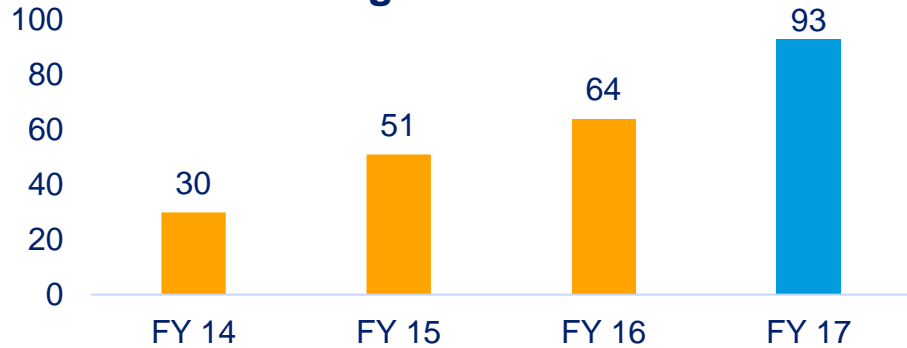
*Source: Newzoo, Top 25 Games Companies by Revenues, September 2017

**Source: AppAnnie, Top 52 Developers of 2017, February 2018

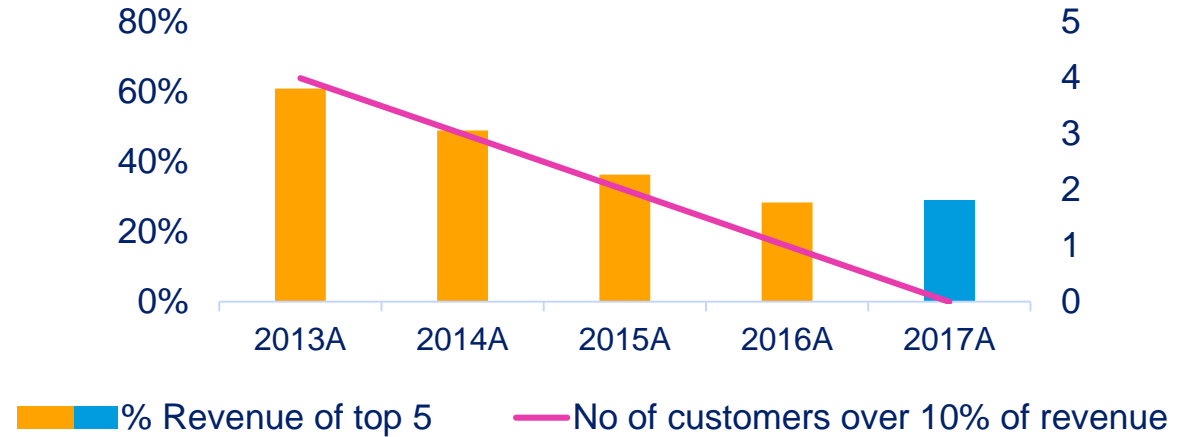


Delivering consistent and diversified growth

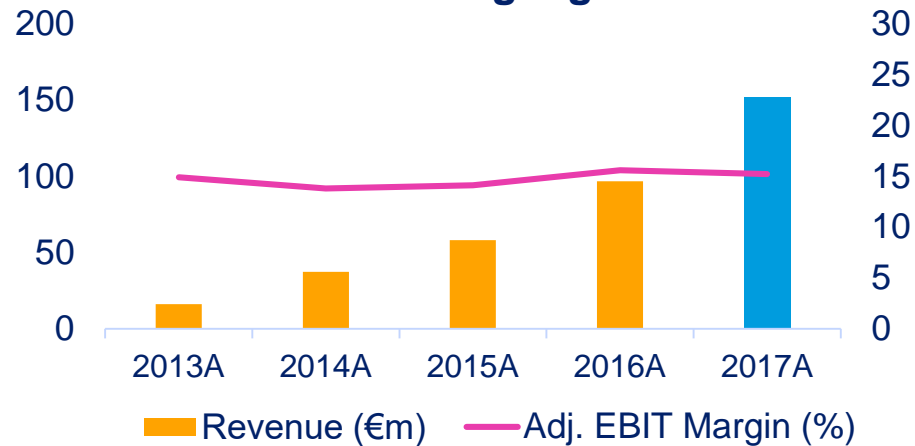
Clients using more than 3 services



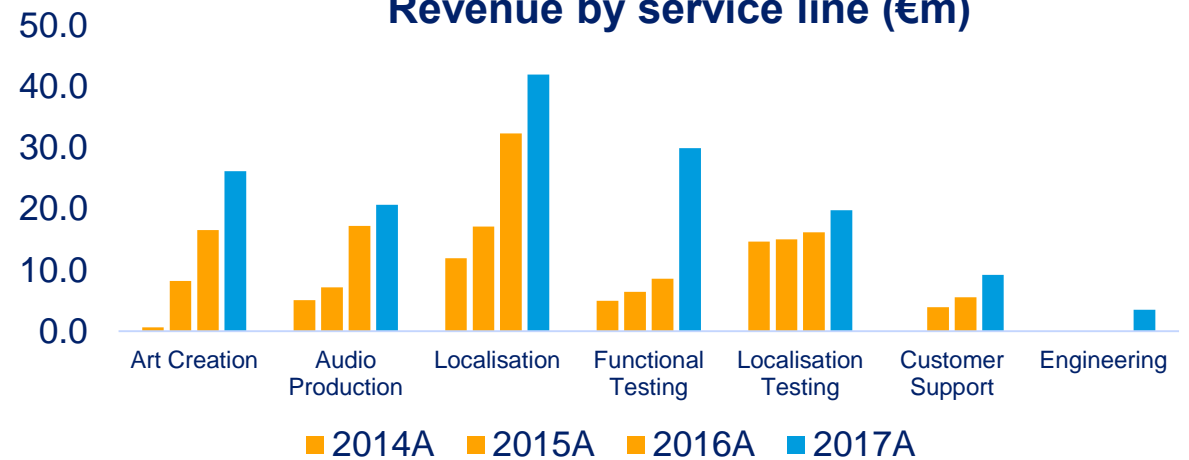
Limited customer concentration



Revenue and margin growth

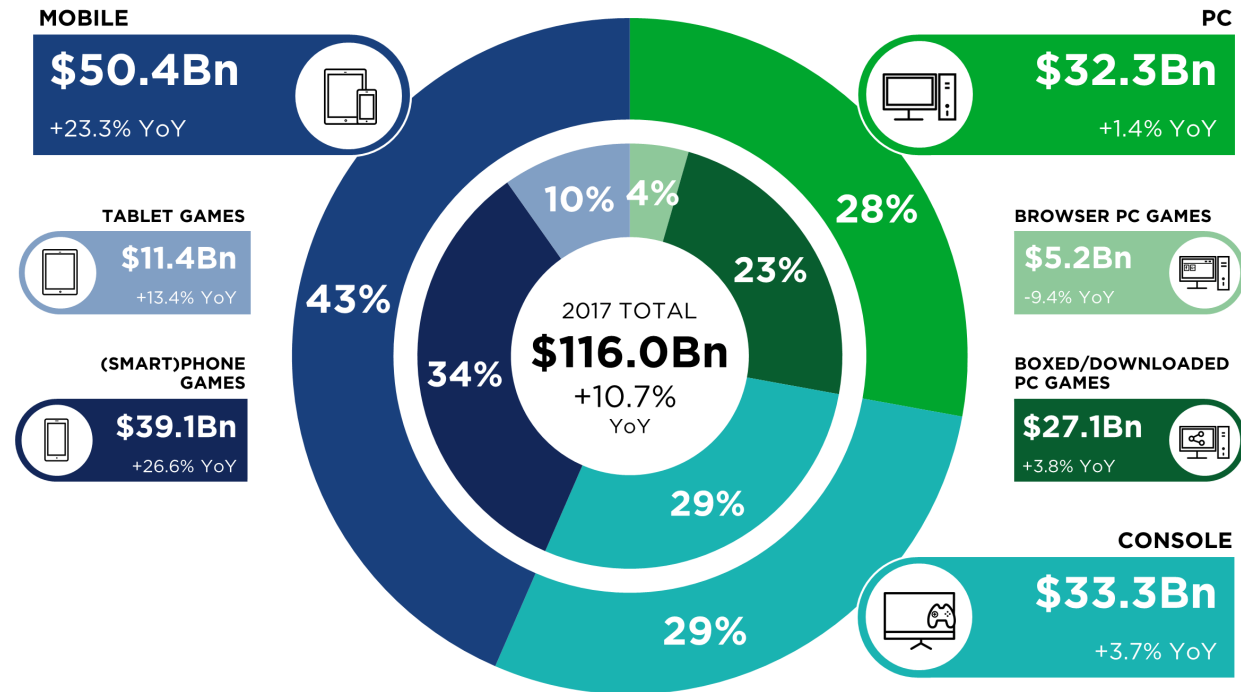


Revenue by service line (€m)



Clear Opportunity in the Growing Video Games Market

- Video games are a rapidly growing +\$110bn p.a. niche global market – Growing +8% p.a
- Games increasingly more challenging and sophisticated to develop due to
 - More powerful games platforms supporting larger, higher definition games
 - Demand for continuous new content
 - Number of translated languages increasing (40-50 for some mobile games)
- Increased complexity, volume and speed of content generation has driven the trend towards outsourcing - most of it on a tactical basis
- Going forward there will be more strategic outsourcing as publishers need to focus on what makes their IP unique and vertically integrated models can be a distraction.
- We estimate the services market to be worth \$5bn in total with 50% of that outsourced today. In film and TV, 90%+ of production is outsourced.



Source: NewZoo Global Games Market Report, November 2017



Financial Overview – David Broderick



Income Statement

- Revenue up 57% to €151.4m (2016: €96.6m)
- Gross margins at 36.4% (2016: 38%)
- Overheads down to 20.6% of revenue (2016: 22.4%) as we benefit from operational gearing
- Adjusted EBITDA margin of 17.4% (2016: 17.3%)
- Increase in finance costs due to new credit facility
- Adjusted profit before tax increased 55% to €23.0m excluding the following costs:

€k	FY 2017	FY 2016
Cost of Acquisition & Integration	3,016	1,316
Share option expense	1,426	686
Amortisation of intangible assets	3,038	1,629
Foreign exchange losses	3,569	1,737
	<u>11,049</u>	<u>5,368</u>

- Effective tax rate reduced to 20.5% (FY 2016: 21.7%)
- Adjusted EPS up 51.5% to 31.18c

€k	FY 2017	FY 2016
Revenue	151,430	96,585
Direct costs	(96,345)	(59,907)
Gross Profit	55,085	36,678
% margin	36.4%	38.0%
Other administrative expenses	(31,170)	(21,588)
Operating profit	23,915	15,090
Net finance cost	(872)	(287)
Non-controlling interest	-	61
Profit before Tax – Group basis	23,043	14,864
Items excluded from Group measurement of PBT	(11,049)	(5,368)
Profit before Tax – Statutory basis	11,944	9,496
Tax expense	(4,731)	(3,223)
Net income	(7,263)	6,273
Basic EPS – Group measurement basis (c)	31.18	20.59
Basic EPS – Statutory basis (c)	12.37	11.22
Diluted EPS (c)	11.87	10.87



Balance sheet

- Cash of €30.4m (2016 €17.0m) after:
 - €86.8m net cash consideration for acquisitions
 - €0.3m cash for deferred consideration
 - €3.0m costs of acquisitions and integration expenses
- Accrued MMTC* grant claims of €10.0m:
 - Including €6.3m to claim on acquisition of VMC
 - Payments of €3.4m received in period
- €3.8m capital expenditure (2016 €2.3m) included:
 - Continued investment in production systems, testing & computer equipment (€2.5m)
 - Significant investment and expansion of facilities in Montreal and Tokyo (€0.9m)
 - Investment and development of operating systems across service lines (€0.4m)

€k	FY 2017	FY 2016
Non-current assets		
Property, plant & equipment	10,111	5,498
Goodwill	109,007	46,799
Intangible assets	23,548	8,696
Deferred tax assets	1,206	880
	143,872	61,873
Current Assets		
Trade receivables	27,473	13,879
Other receivables	22,335	7,778
Cash & cash equivalents	30,374	17,020
	80,182	38,677
Current Liabilities		
Trade payables	7,310	4,822
Other payables	23,005	12,431
Loans and borrowings	18,943	8,025
Corporation Tax Liability	3,245	2,552
	52,503	27,830
Non-Current Liabilities		
Other payables	1,233	1,592
Employee Defined Benefit	1,055	826
Loans and borrowings	337	345
Deferred tax liabilities	7,795	3,253
	10,420	6,016
Net Assets	161,131	66,704

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



Cashflow

- Cash inflow from operations of €13.6m (FY 2016: €15.0m) before accounting for MMTCs of €10.0m accrued in the period
- Adjusted operating cashflow increased by 48% to €21.9m (2016: €14.8m):
 - Adds back:
 - Acquisition related expenses of €3.0m (2016: €1.3m)
 - Exceptional working capital costs related to the VMC acquisition of €3.0m (2016: nil)
 - €2.3m in VMC receipts held by Volt on behalf of the Group and passed to the Group post year end.
 - In the comparative year, multimedia tax credits (MMTC) of €1.6m were received in respect of claims prior to 2015

	FY 2017	FY 2016
Debtor Days	40	44
Work completion to cash collection days	48	50

- FY 2017 dividend of 1.46p (FY 2016: 1.33p) in line with progressive dividend policy, with a cash cost of €0.9m 2017

€k	FY 2017	FY 2016
Profit after tax	7,263	6,212
Net Income/expenses not affecting operating cash flows	14,822	7,781
Net changes in operating assets / liabilities	2,989	3,175
Income taxes paid	(5,454)	(2,129)
Net cash inflow from operating activities	13,642	15,039
Acquisition of subsidiaries	(86,776)	(21,109)
Settlement of deferred liabilities on acquisitions	(298)	(995)
Acquisition of fixed assets	(3,803)	(2,306)
Acquisition of short term investments	-	27
Interest Received	26	94
EBT Share Purchase	-	2
Net cash used in investing activities	(90,851)	(23,287)
Loan to finance acquisitions	10,250	8,000
Repayment of loans	(23)	(1,782)
Shares Issued	82,936	643
Dividends paid	(867)	(825)
EBT Share Purchase	(563)	(632)
Interest paid	(279)	(152)
Net cash provided by (used in) financing activities	91,454	5,252
Increase / (Decrease) in cash	14,245	(2,996)
Exchange loss on cash and cash equivalents	(891)	998
Opening cash	17,020	19,018
Closing cash	30,374	17,020



2018 Guidance

- Strong continued organic and acquisitive growth expected
- Continued investment in expanding facilities to meet demand
- Interest expense to rise as we utilise our new increased credit facility for acquisition growth
- Slight reduction in effective tax rate expected again
- Strong underlying cash conversion expected to continue



Operational Review – Andrew Day



Delivering on our strategy



Our strategy is to be the “go to” global service delivery platform for the video games industry

Grown organically...

15% like for like* revenue growth in 2017:

- 45% increase in number of clients using three or more services to 93
- Particularly strong growth in Functional Testing, Customer Support and Localisation
- Expanded premises in Montreal, Zhengzhou, Manila, Dublin and Tokyo
- Opened audio studio in Tokyo, play testing lab in Montreal and customer support office in Madrid

* calculated on the basis of revenues being included for 2017 acquisitions from the date of acquisition and for the equivalent period in the prior year

and by acquisition...

Since Jan 2017 successfully acquired eleven businesses:

- Acquisition of VMC in October for \$66.4m brought the Group leadership in functional testing and significantly increased our presence in customer support services
- Acquisition of Sperasoft in December for \$27m brought strength in co-development, extended our Engineering and Art capabilities, and provided entry into Eastern Europe



A strong performance complemented by acquisitions

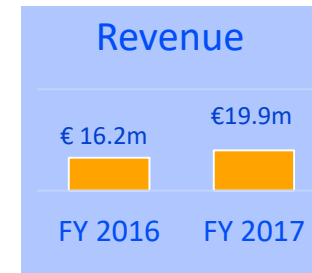
Art Creation



17% of revenue
(14% pro forma)

- Revenues grown 58%. 14% on a like for like basis
- Lakshya consolidated very strong growth of 2015 and 2016
- Good progress from all studios as well as increased capacity & clients from Spov & Red Hot acquisitions in May 2017
- Concluded the year with 1,200 artists, 1,000 of which are in India and China, making Keywords one of the largest players in the market

Localisation Testing



13% of revenue
(10% pro forma)

- Revenues increased 22% including full year contributions from Synthesis and Enzyme
- Grown 3% on a like for like basis
- Largest provider in the market
- Integration of VMC is progressing well
- Continued development of our talent pool of games passionate professionals of over 30 different nationalities

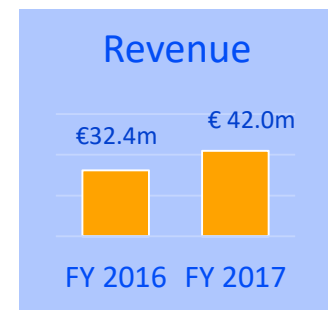
Audio Services



14% of revenue
(12% pro forma)

- Revenues increased by 20% including contributions from La Marque Rose, Around the Word, Dune Sound and AsRec
- Down 10% on a like for like basis partly reflecting the strong comparative for Synthesis in the prior year
- Opened an audio studio in Tokyo, increased capacity through acquisitions in Paris and LOLA in Mexico City
- Strengthened management of combined Kite Team, Synthesis and Sonox operations in Madrid

Localisation



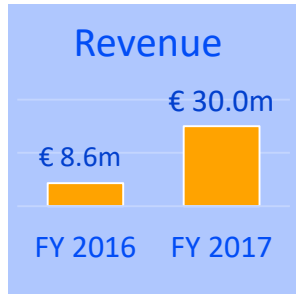
28% of revenue
(19% pro forma)

- Revenues up 30% including contributions from XLoc, and VMC.
- Revenues grown 20% on a like for like basis
- As the leading games localisation provider, benefitting from trend towards continuous content, the business produced around 250m translated words during the year
- One growth driver has been eSports, which includes marketing content, customer and “live translation” of event content



A strong performance complemented by acquisitions

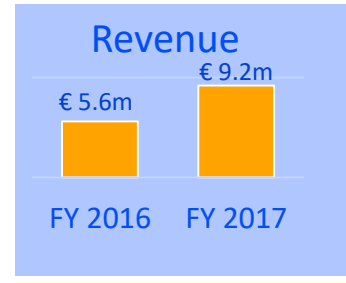
Functional Testing



20% of revenue
(23% pro forma)

- Revenues grown 248%. Increased 52% on a like for like basis
- 50% of VMC's revenues fall into the functional testing service line, integration is progressing well
- Organic growth has been driven by increased capacity in Montreal & India
- Player Research expansion into Montreal

Customer Support



6% of revenue
(12% pro forma)

- Revenues grown 64%. Up 16% on a like for like basis
- Continued expansion in Manila and operational expansion into Madrid
- Cross selling from other service lines has helped the rapid growth of Customer Support
- Teams with deep knowledge of games offers an attractive alternative to large call centres

Engineering



2% of revenue
(10% pro forma)

- New service line with the acquisition of GameSim in May, further strengthened by acquisitions of d3t in October and Sperasoft in December
- Intention is to use this as a platform from which to build a market leading engineering capability
- We continue to review a number of compelling acquisition opportunities in this space



Strategy – Andrew Day



Near term organic growth opportunities



Developing customer relationships and outsourcing

- Increased demand for strategic partnerships; Embedded Technical Services and co-development
- Leveraging relationships and master services agreements to grow the number of services to existing clients
- Continue to extend the number of cross selling opportunities



Extending our services

- Build on foothold in co-development
- Extend services into new areas, such as music, visual special effects and game trailers
- Provide single language audio options for French, Italian, Spanish, Latin American Spanish, Brazilian Portuguese and Japanese languages



Expanding our geographical reach

- Continue to seed additional services across our strong global footprint
- Bring broader services into Eastern Europe
- Invest in state of the art audio recording facilities in Paris and London



Acquisition strategy



Selective consolidation

- Investing in Engineering and co-development
- Art production – South East Asia, Latin America
- Audio – key single language studios – Europe, Asia



New services

- Music services
- Analytics
- Game trailers



Geographic expansion

- South East Asia – art
- UK – game development
- Eastern Europe



Key opportunities

- Strong growth expected to continue both organically and through further acquisitions
- Strong cash conversion and headroom on funding supports ongoing investment
- Anticipate smaller acquisitions (4 to 10 per year) and maybe one or two larger acquisitions:
 - Key criteria: cultural fit, strategic alignment, strong reputation
 - Drivers: Growth, scale, expertise or cost synergies
- Client spin outs of internal services
- Possible extension beyond games into film and TV, e-learning and general interactive content



Outlook – Andrew Day



Outlook

- Positive momentum in the business gives us confidence in the outcome for the full year
- Early wins for co-development services in 2018 are encouraging signs of the demand from game developers for strategic partnerships
- Expect to make strong progress in 2018:
 - Continued organic growth
 - Capitalising on the synergies from acquisitions and driving operational efficiencies
 - Continued progress with cross selling
- Exciting pipeline of acquisition opportunities with significantly increased funding secured



Significantly enhanced platform from which to grow



Investment summary

Access to a large, high growth market

Key drivers:

Market growth; continuous & higher definition content; outsourcing trend

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

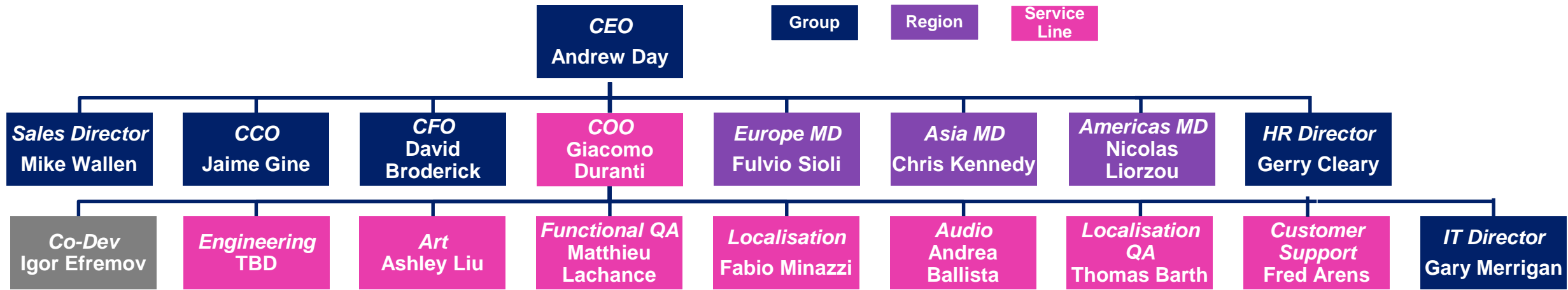


Acquisition History

Year	Art Creation	Software Engineering	Audio	Functional Testing	Localisation	Localisation Testing	Customer 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	€102.4m



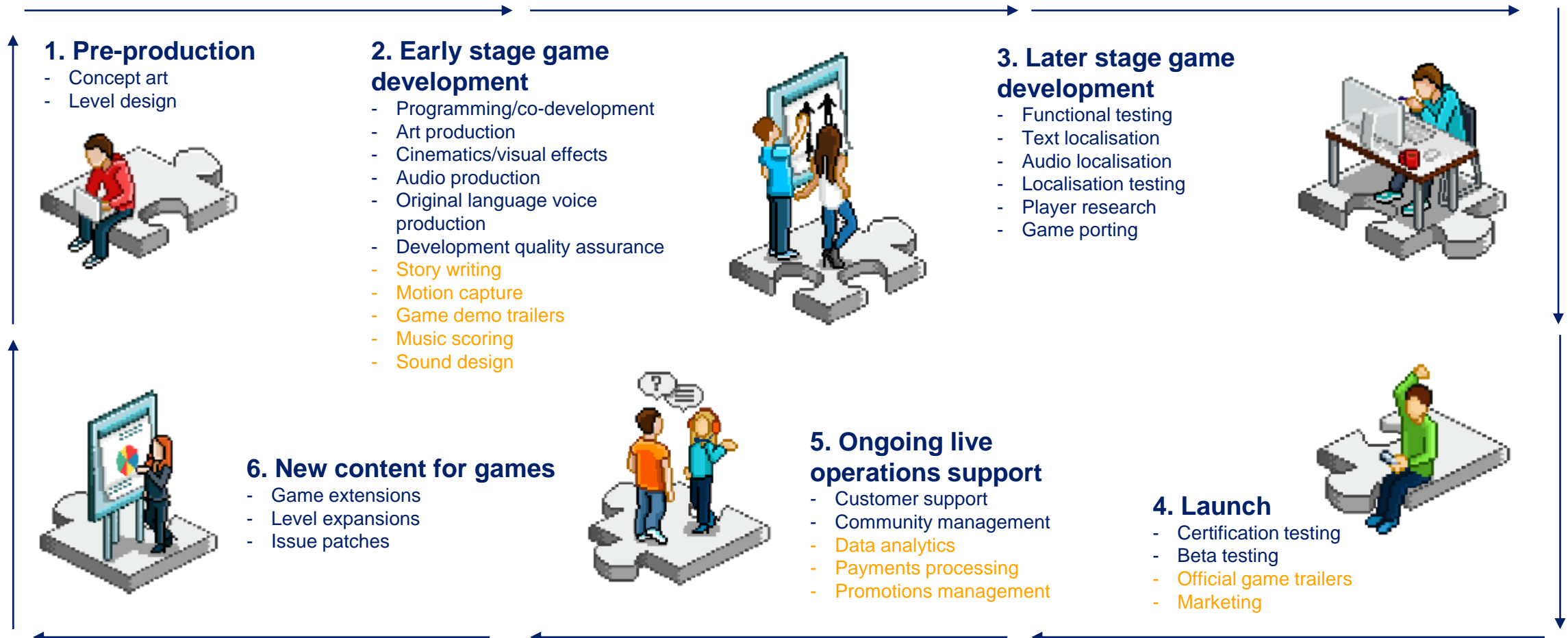
Managing growth



- 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
- In last 18 months:
 - Extended the senior management with CCO, Art, IT & HR Directors appointments
 - Strengthened the Board with new CFO and Non-Executive appointments



Servicing Games Development Lifecycle - Creating Value



Services currently offered by Keywords

Services not currently offered by Keywords



Major Shareholders*

Shareholder	Shares	% Holding
P.E.Q Holdings Limited	4,000,736	6.5
Octopus Investment Partners	3,417,183	5.5
Andrew Day	3,386,342	5.3
Hargreave Hale	3,379,398	5.2
Oberweiss Asset Management	2,456,091	4.0
Blackrock	2,261,732	3.7
T Rowe Price Global Investments	2,135,629	3.5
JPMorgan Asset Management	2,088,897	3.4

* Correct as at 31 December 2017

