



# Prime Focus Limited

## Q2FY15 Investor Presentation

February 2015



# Safe Harbor

---

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements.

Prime Focus will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.



# Agenda

---

- I. **Q2 & H1FY15 Performance**.....4-14
  
- II. **About us**.....15-18
  
- III. **Annexure**
  - i. Financials.....20-21
  - ii. Shareholding pattern.....22



# The curtain begins to rise

## Benefits of 3 landmark transactions in FY15 emerging



Successful integration of  
DNeg with PFW

### PFW-DNeg merger (July 2014)

- **Margins start to rebound** – Creative Business EBITDA margin up from 4% in Q1 to 16% in Q2, major integration costs behind, cost synergies starting to accrue. On path to long term target of 20+%
- **Further Integration benefits ahead:** DNeg's Vancouver facility, which enjoys tax credits, goes operational. Training and Business Development across the platforms being aligned with good traction
- **Revenue enhancement visible with net new contracts signed out of Vancouver:** Strong growth ahead as VFX/ 3D heavy movies continue to perform well globally



PRIME FOCUS TECHNOLOGIES

Robust growth post  
DAX integration

### PFT-DAX Acquisition (April 2014)

- 24% QoQ growth in PFT revenues; share of ROW goes up to 36%
- Integrated DAX-CLEAR™ platform being well received by customers
- Added 3 new customers since the acquisition; strong pipeline



Major milestones achieved for  
PFL-RMW FMS merger

### PFL-RMW FMS merger (announced July 2014)

- CCI approval received in Dec 2014; Open Offer complete
- Preferential allotment to promoters/ RMW approved by shareholders; expected to be effected in the near term pending regulatory approvals
- **Strong business momentum across all domestic business segments**



# Established ourselves as Tier-1 Global M&E player

## Combined order book continue to be robust

**PFW+DNeg delivered creative services in 6 out of top 10 global B.O. hits in 2014**

Rank in 2014	Movie	2014 Worldwide Gross (\$mn)	PFW/ DNeg
1	Transformers: Age of Extinction	1,087.4	Y
2	The Hobbit: The Battle of the Five Armies	939.6	
3	Guardians of the Galaxy	774.2	Y
4	Maleficent	758.4	Y
5	X-Men: Days of Future Past	748.1	
6	The Hunger Games: Mockingjay - Part 1	729.0	Y
7	Captain America: The Winter Soldier	714.8	
8	The Amazing Spider-Man 2	709.0	Y
9	Dawn of the Planet of the Apes	708.8	
10	Interstellar	671.7	Y

Source: Boxofficemojo.com

**PFT expands global footprint post DAX**



**PFW+DNeg adds to global awards & accolades**



INTERNATIONAL  
3D & ADVANCED  
IMAGING  
SOCIETY

PFW scores a hat-trick at International 3D Society Awards Sin City joins earlier wins for Gravity & Stereo Conversion Process



BAFTA Award for Best Special Visual Effects for Interstellar



Best VFX for Sin City: A Dame To Kill For at 24 FPS Annual International Awards



Best VFX for Kick at Screen awards 2015



# Margins rebound driven by cost-consolidation

**EBITDA margin up to 11% in line with long term target of 20+%**

	Net Revenues	EBITDA/Margin	PBT	PAT
Quarter ending Dec 14	Rs 3,187 mn	Rs 355 mn / 11.1%	Rs (395) mn	Rs (362) mn
Quarter ending Sep 14	Rs 3,570 mn	Rs 144 mn / 4%	Rs (681) mn	Rs (220) mn

- Revenue for Q2FY15 at Rs 3,187 mn as against Rs 3,570 mn in quarter ending Sep-14
  - Robust 24% QoQ growth in PFT driven by new international contracts and BARC rollout
  - Strong growth momentum in the domestic business. UK based non-core post production business in process of being divested
- EBITDA at Rs 355 mn, up by 146% QoQ. Margin expands from 4% in last quarter to 11.1%
  - PFW-DNeg integration expenses mostly complete, majority of severance related costs already behind. Significant reduction of ~20% compared to last quarter in personnel costs across locations
  - Training and Business Development across the platforms being aligned with good traction
  - Net new contracts in Vancouver in addition to strong existing pipeline to further boost margins going forward
- Loss before tax improves to Rs 395 mn against Rs 681 mn in last quarter
  - Exceptional costs falls to Rs 142 mn from Rs 343 mn in Q1
- Loss for the quarter at Rs 362 mn in Q2FY15
  - Due to unavailability of Tax set-off on losses primarily incurred in the UK

Note:

- Q2FY15 includes Double Negative financials, hence YoY financials are not comparable

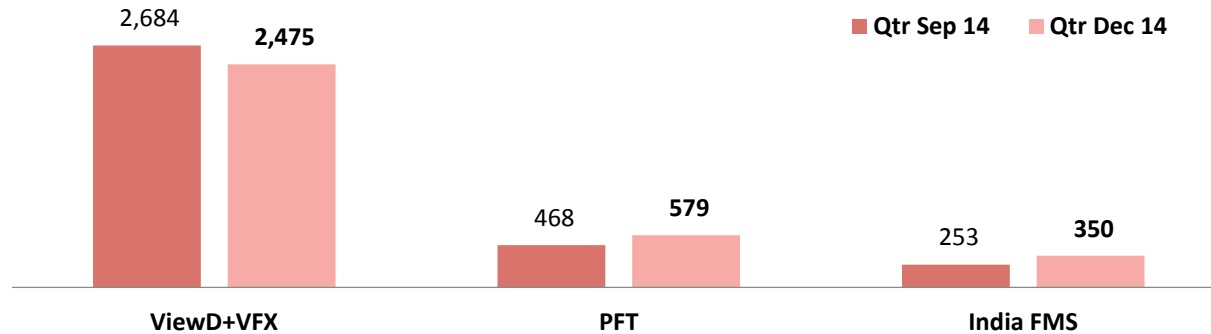


# Q2FY15 Segmental Analysis:

## Creative, Technology & India FMS EBITDA Margin at 16%, 26% & 38%

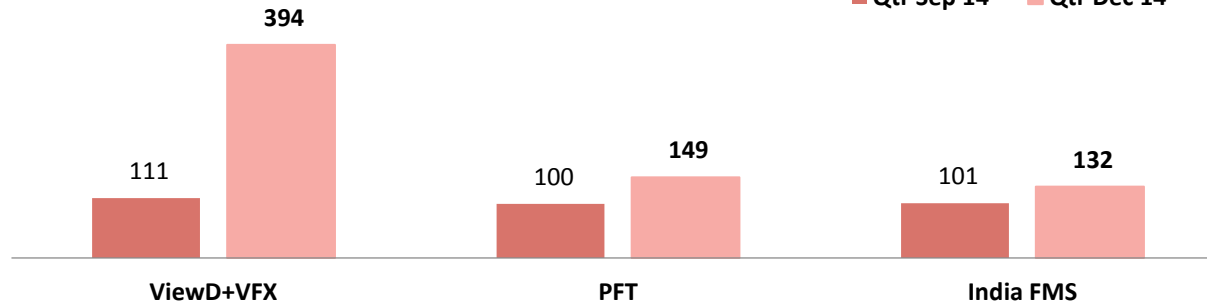
### Segment-wise revenues

Figures in Rs Million; Consolidated financials



### Segment-wise EBITDA

Qtr Sep 14 Qtr Dec 14



*Note:*

- Q2FY15 includes Double Negative financials, hence YoY financials are not comparable
- Reported EBITDA may not tally with Segmental breakup due to intergroup eliminations and non inclusion of non-core UK post production business in Segmental. As previously disclosed, UK based non-core post production business is in process of being divested





# PFW's key projects delivered in Q2 include current Box Office Hits

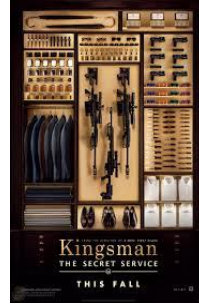
## Hollywood



**Interstellar**  
Over \$672 mn box office collection



**Jupiter Ascending**



**Kingsman: The Secret Service**



**Exodus: Gods and Kings**

Source: Boxofficemojo.com  
as on 15<sup>th</sup> Feb, 2015

[primefocusltd.com](http://primefocusltd.com)



**The Hunger Games Mockingjay Part 1**

Over \$729 mn box office collection

Q2 FY15 Earnings Presentation

## Bollywood



## TVCs







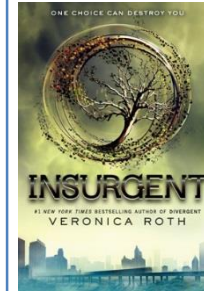
# With a strong pipeline of ongoing projects



**Avengers:  
Age of Ultron**



**Batman v Superman**



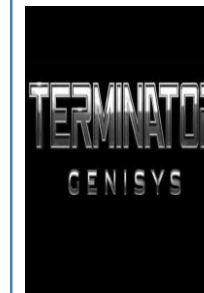
**Insurgent**



**Ant-Man**



**Mission  
Impossible 5**



**Terminator-Genisys**



**The Hunger  
Games:  
Mockingjay-Part 2**



**Alice in  
Wonderland:  
Through the  
Looking Glass**



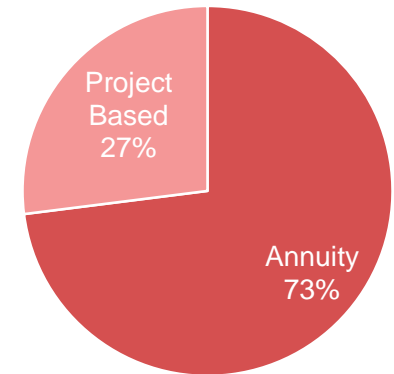
**Grimsby**



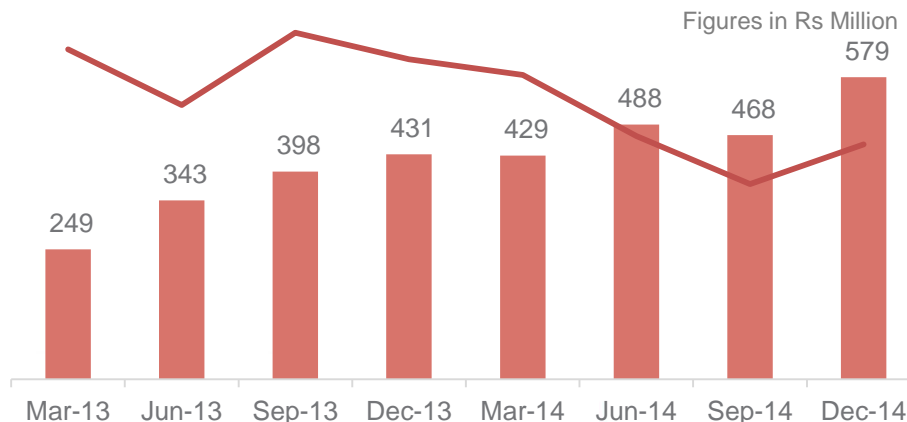
# PFT continues on non-linear growth path

- Revenue up 24% QoQ and 34% YoY
- Warner Brothers renews contracts for Closed Captioning services
- South African broadcaster SABC signs contract with PFT to offer CLEAR as a workflow management platform for their International Content Acquisition
- BARC project for play out monitoring services goes live:
  - Already streaming ~400 live channels across India leading to commencement of revenue recognition
  - BARC announces launch of content monitoring services as of Mar 01
- Apple selects PFT powered Star Sports app as App Store Best of 2014 in India
- CLEAR Operations Cloud powers 'Hotstar', Star TV's entertainment OTT platform

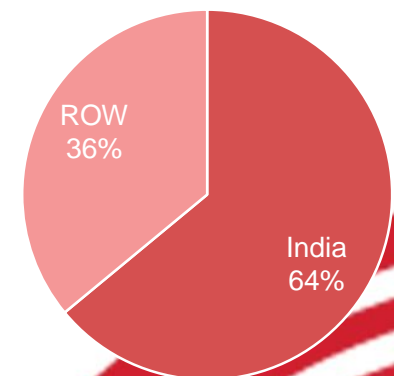
## Revenue by contract type



## Revenue & EBITDA Margin



## Revenue by geography

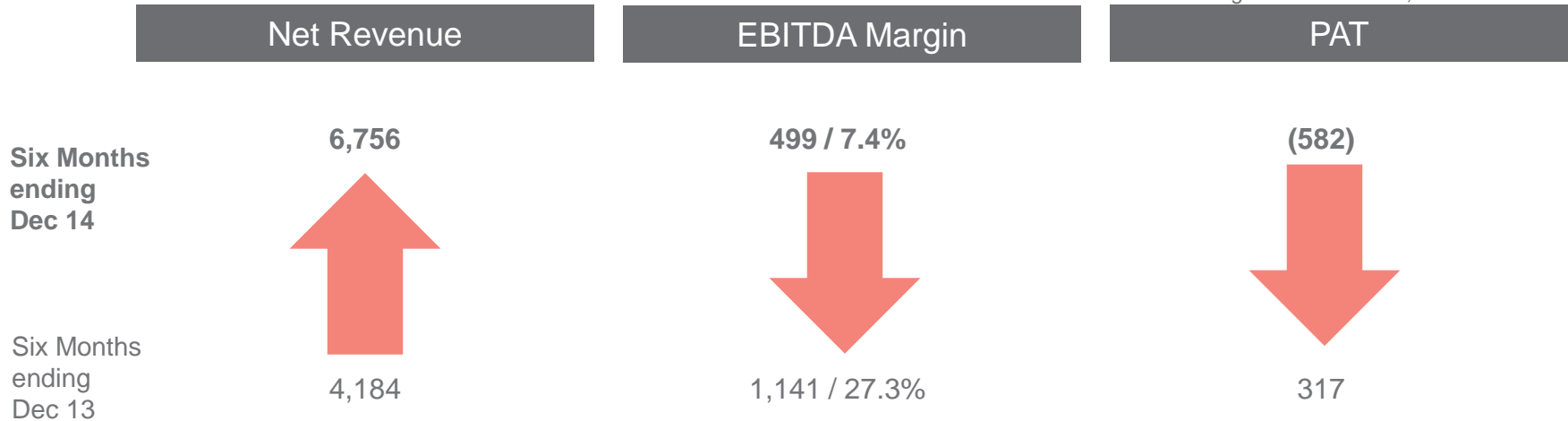




# H1FY15: Revenues scale up to Rs 6.8 bn post DNeg

## Transitory impact on margins due to one-time integration costs

Figures in Rs Million; Consolidated financials



- YoY financials not comparable due to mergers of PFW-DNeg and PFT-DAX
- Loss after tax of Rs 582 mn due to :
  - One time Integration costs of \$8-9 mn
  - Unavailability of Tax set-off on losses primarily occurred in the UK

Note:

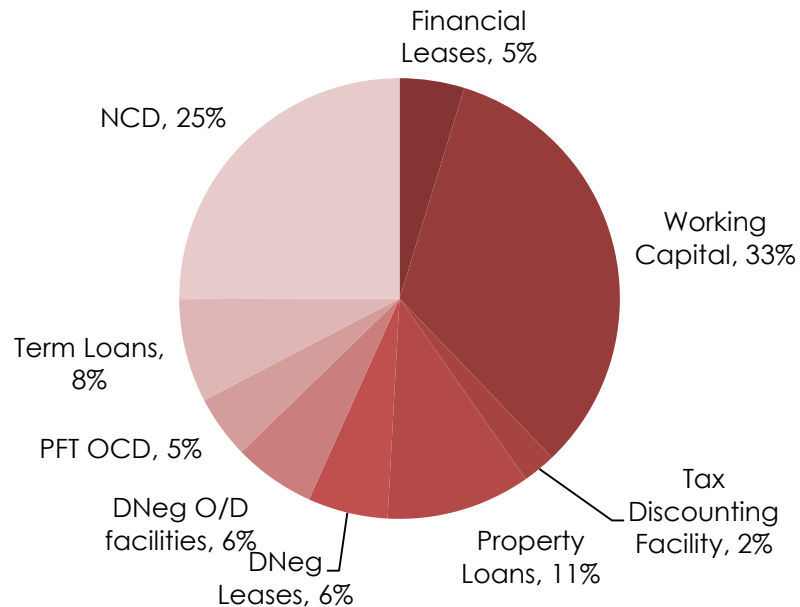
- H1FY15 includes Double Negative financials, hence YoY financials are not comparable



# Debt profile

- Consolidated debt of \$157 mn (Rs 9,981 mn) as on Dec 31, 2014 compared to \$152 mn (Rs 9,339 mn) as on Sept 30, 2014
- Increase is primarily due to a new \$4 mn EXIM facility for PFT, working capital facility for the backend and accretion of NCD interest partly offset by monthly repayments of Sun Trust facility and regular amortizations of term and lease facilities

## Debt Composition

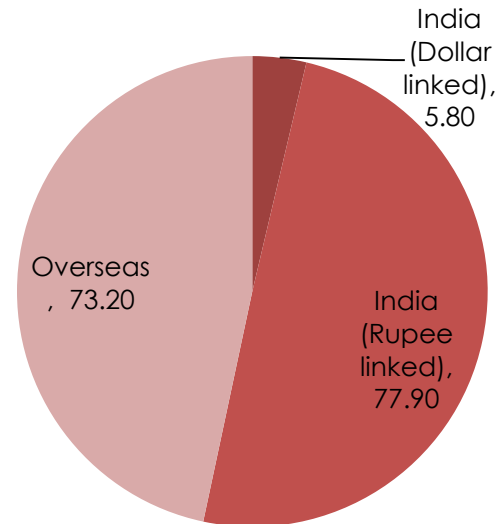


\$1 = Rs 63.59

**Consolidated debt - \$157 mn (Rs 9,981 mn)**

*Consolidated Debt is Excluding Rs 3,000 mn Bridge Loan from Reliance Capital taken pending completion of Preferential Allotment*

## Geographical break-up of debt (In mn\$)





# Q2FY15 reflects Impact of integration efforts

- Phase 1 started with PFT-DAX and PFW-DNeg integration
- PFL – RMW FMS business merger gets CCI approval paves way for merger closure, will be followed by Integration in coming quarter
- EBITDA Margin at 11.1%, on its way to reach 20% in coming 2-3 quarters

Look back proforma revenues of Rs 18 bn, with EBITDA of Rs 3 bn (~17% margin)



EBITDA Margin up by 1.5 to 2 %

Next 12 months

- **Phase 1**
  - **Cost Consolidation post merger by closing its London and Vancouver VFX operations & pruned operations in India as well as elimination of duplicated overheads**
  - **Double Negative facility in Vancouver is Operational, revenue synergies will accrue in coming quarters**
  - Divestiture of non-core UK post production business to remove the drag on consolidated results
  - Increase revenue pipeline of PP services and low-hanging cost synergies

18-24 months

EBITDA Margin up by 2– 4%

### Phase 2

- Leverage strength of WorldSourcing model with enhanced execution from tax advantaged and lower cost centres
- Bundled offering of VFX & 3D conversion services
- Increase profitability of Indian post production and visual effects business with consolidation

24-36 months

EBITDA Margin up by 4-5%

### Phase 3

- Partner of choice for M&E services across Hollywood, Bollywood & other major markets like China
- Global scalability of PFT's enhanced Cloud based Media ERP platform for content production, broadcast and exhibition segments
- Optimize capacity utilization and maximize delivery from tax advantaged & low-cost facilities



# About us





# PFL: World's Largest Integrated Media Services player

## Unique DNA



**'Creative cum tech' combination** helps PFL emerge as only player to provide full bouquet of creative and technology based media services – new businesses (VFX, 3D & PFT) already contributing 90% of six months ending Dec 14 revenues

## Present in top M&E Markets



**Increasing presence across all major content markets** with over 80% of revenues from outside India in FY14 – we service our global clientele from 16 cities across the globe

## Higher growth ahead



**Acceleration via M&A** to spur next phase of growth. Year 2015 has started with successful Integration of DAX PFT, Double Negative-PFW & leading towards closure of PFL-RMW Film and Media services merger



# Fuelling success with marquee clients across the globe

## Creative services

Leading Hollywood and Bollywood studios



## Technology services

Leading broadcasters, studios, brands, sports and digital businesses



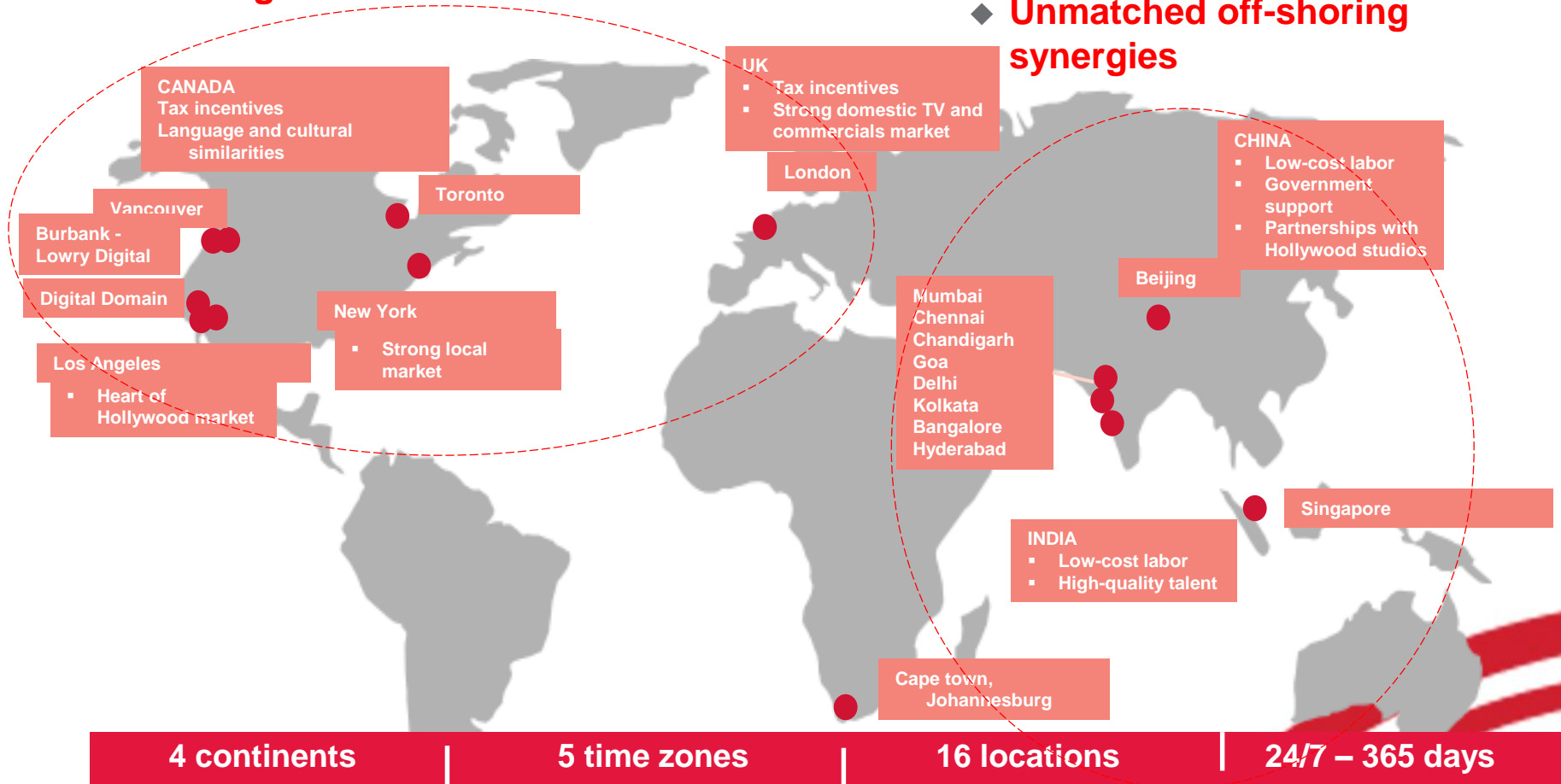


# 'WorldSourcing' model providing unmatched competitive edge

Largest global network providing highest quality, fastest time to market and most efficient pricing & significant cost synergies

## ◆ Stronger front-end

## ◆ Unmatched off-shoring synergies





# Annexure



# Consolidated Profit & Loss Statement

Particulars (Rs mn)	Qtr ending Dec 14	Qtr ending Sep14	Qtr ending Dec 13	% QoQ Variance	Six Months ending Dec 14	Six Months ending Dec 13	% YoY Variance
Net sales / income from operations	3,187	3,570	2,223	-11%	6,756	4,184	61%
Total Expenditure	2,792	3,458	1,774	-19%	6,250	3,284	90%
Personnel Cost (including technician fees)	2,131	2,680	1,146	-20%	4,811	2,104	129%
Other Expenditure	661	778	628	-15%	1,439	1,181	22%
Foreign exchange gain/(loss)	-40	32	38	NA	-7	242	NA
<b>EBITDA</b>	<b>355</b>	<b>144</b>	<b>487</b>	<b>146%</b>	<b>499</b>	<b>1,141</b>	<b>-56%</b>
Depreciation & amortization	470	466	252	1%	936	536	75%
<b>EBIT</b>	<b>-115</b>	<b>-322</b>	<b>235</b>	<b>-64%</b>	<b>-437</b>	<b>605</b>	<b>NA</b>
Interest & Finance charges	173	158	163	9%	331	274	21%
Other income	35	142	18	-76%	176	59	199%
Exceptional Items- Expenditure/ (Income)	142	343	1	-59%	485	5	NA
<b>PBT</b>	<b>-395</b>	<b>-681</b>	<b>89</b>	<b>-42%</b>	<b>-1,076</b>	<b>385</b>	<b>NA</b>
Tax Expense	5	-357	9	NA	-351	64	NA
Minority Interest	-39	-105	-23	-63%	-144	4	NA
<b>PAT</b>	<b>-362</b>	<b>-220</b>	<b>103</b>	<b>64%</b>	<b>-582</b>	<b>317</b>	<b>NA</b>

Key Ratios	Qtr ending Dec 14	Qtr ending Sep14	Qtr ending Dec 13	H1 Fy14	H1 Fy13
EBITDA Margin	11.1%	4.0%	21.9%	7.4%	27.3%
Net Margin	-11.3%	-6.2%	4.6%	-8.6%	7.6%
Total Expenditure/ Revenues	87.6%	96.9%	79.8%	92.5%	78.5%
Personnel Cost/ Total Operating Income	66.9%	75.1%	51.6%	71.2%	50.3%
Other Expenditure/ Total Operating Income	20.7%	21.8%	28.3%	21.3%	28.2%

Note:

- H1FY15 includes DNeg financials, hence YoY financials are not comparable
- Exceptional cost of Rs 142 mn is residual expenses related to integration Post PFW-Dneg merger



# Consolidated Balance Sheet

Particulars	Qtr ended Dec 31, 2014	Year ended June 30, 2014
Shareholder's Equity*	6,874	7,375
Total Debt**	12,497	7,475
Minority Interest	2,306	1,613
Other Long Term Liabilities	1,616	606
Provisions	16	14
Trade Payables	2,775	1,249
Deferred Tax	99	119
Other Current Liabilities	3,936	2,258
<b>Total Liabilities and Owner's Equity</b>	<b>30,119</b>	<b>20,709</b>
Net block	18,041	10,922
Capital Work in Progress	58	41
Intangible assets under development	223	157
Investments	50	1
Deferred Tax Assets	1,521	1,129
Long-term Loans and Advances	943	939
Other Non-current Assets	1	1
Inventory	2	0
Trade Receivables	5,185	3,853
Cash and cash equivalents	316	225
Other Current Assets	1,034	1,706
Short term Loans and Advances	2,746	1,735
<b>Total Assets</b>	<b>30,119</b>	<b>20,709</b>

Note:\*

- Shareholders Equity is before the preferential allotment of 113,461,538 shares towards equity infusion by the Promoters and RMW Ltd and transfer of RMW FMS business.

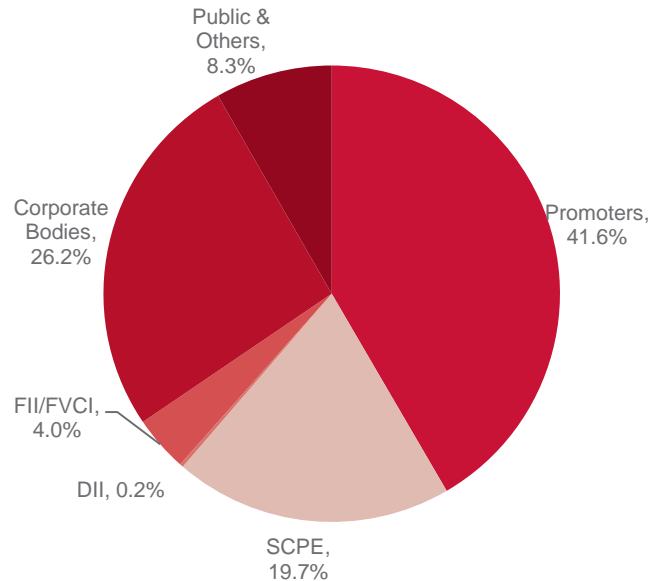
\*\*Short Term loan includes Rs 3,000 mn Bridge Loan from Reliance Capital taken pending completion of Preferential Allotment



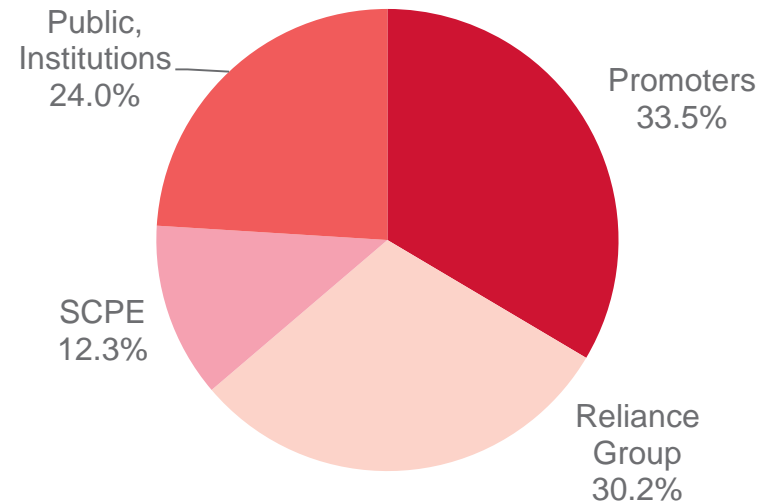


# PFL Shareholding Pattern Evolution

As on 31<sup>st</sup> Dec 2014  
Outstanding shares – 185 mn



Fully diluted  
Outstanding shares\* – 299 mn



## Note

- Open Offer issued by Reliance MediaWorks Limited along with Reliance Land Private limited, and the promoters led to 16.1% shares acquisition as against offer of 26%
- \*Indicative Shareholding is post Preferential Allotment but Pre Open offer and is subject to change subsequently
- In the EGM held on January 28, 2015, shareholders approved preferential allotment of 113,461,538 shares towards equity infusion by the Promoters and RMW Ltd and transfer of RMW FMS business. Allotment will be completed shortly post stock exchange approvals



## About Us

Prime Focus Limited (PFL), the world's largest media services powerhouse employs over 5,500 professionals in 16 cities across 4 continents and 7 time zones. We provide end-to-end creative and technology services including visual effects, stereo 3D conversion, animation, post-production, Digital Intermediate (DI), equipment rental, hybrid cloud-enabled Media ERP technology and cloud media services to Studios, Broadcast, Advertising and Media industries. Prime Focus is behind path breaking technologies like CLEAR™ (Hybrid Cloud technology enabled Media ERP platform), Primetime Emmy® award-winning DAX Digital Dailies® and View-D™ (stereoscopic 2D to 3D conversion). Leveraging our Global Digital Pipeline and pioneering delivery model WorldSourcing® we partner content creators at every stage of the process ensuring creative enablement, work flow efficiencies and cost optimization. 2014 has seen a spate of M&A: Prime Focus Technologies acquired DAX, a leading provider of cloud-based production workflow and media asset management applications; Prime Focus World merged with Double Negative, one of the world's foremost providers of visual effects; and Reliance MediaWorks merged their global film and media services business with Prime Focus Limited. Listed on the BSE and NSE of India, Prime Focus has operations in Bangalore, Beijing, Cape Town, Chandigarh, Delhi, Goa, Hyderabad, Johannesburg, Kolkata, London, Los Angeles, Mumbai, New York, Singapore, Toronto and Vancouver.

**For more details,**

**[www.primefocusltd.com](http://www.primefocusltd.com) | [www.primefocusworld.com](http://www.primefocusworld.com) | [www.primefocustechnologies.com](http://www.primefocustechnologies.com)**

WorldSourcing, CLEAR and View-D are registered trademarks of Prime Focus Limited.

### **Investor contacts**

**Alok Gupta**

**Prime Focus Limited**

Phone: +91 8879360082

Email: [alok.gupta@primefocusworld.com](mailto:alok.gupta@primefocusworld.com)



**Nisha Kakran/ Seema Shukla**

**Four-S Services Pvt Ltd**

Phone: : +91 22 42153659/+91 9810408474

Email: [nisha.kakran@four-s.com](mailto:nisha.kakran@four-s.com)

[seema@four-s.com](mailto:seema@four-s.com)