

# technicolor

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## CREATIVE STUDIOS

### Technicolor Creative Studios Business Update and First Half 2023 Financial Results

**PARIS (FRANCE), OCTOBER 2, 2023** – Technicolor Creative Studios (Euronext Paris: TCHCS) (the “Company”) today provided business update and announced its first half 2023 financial results<sup>1</sup>.

- **Acceleration of the transformation plan to drive the recovery of the business**
- **Impact of strikes in Hollywood and unfavourable macroeconomic environment led to reduction of activity with lower financial and operational performance for the first half 2023**
- **Renewed confidence from majority shareholders and lenders with:**
  - **An additional €30 million of new money injection to address liquidity needs**
  - **A proposed tender offer (“*offre publique d’achat simplifiée*”) at a price of 1,63 euro per share, dividends included, to be initiated by a large majority of shareholders and lenders (holding 94,82% of the capital) acting in concert in view of proceeding to a mandatory squeeze out to achieve delisting of Technicolor Creative Studios S.A. from Euronext Paris.**

**Caroline Parot, Chief Executive Officer of Technicolor Creative Studios, said:** “Throughout the first half of 2023, we have undertaken significant efforts to reshape our organization and enhance our capabilities to better serve our clients. Despite progress in our transformation journey, we are facing broader industry challenges, which have been exacerbated by the historic five-month-long writers and actors strike in Hollywood and are delaying our path to recovery. In this troubled environment, we stand alongside our clients to continue delivering world-class quality of work as they are gearing up for production restart once the still ongoing actors strike is settled.

*In this context, I am truly grateful for the continued support of our creditors and shareholders who have provided new financing. This will allow us to accelerate the implementation of our transformation program with greater agility and help us successfully seize business opportunities as soon as the market picks up. All of us at Technicolor Creative Studios are committed to steer the Company towards further creative excellence and financial robustness, to reinforce its leading position in the market”.*

**Anne Bouverot, Chairperson of Technicolor Creative Studios, said** “On behalf of the Board of Directors, I welcome the strategic move of delisting the company from Euronext Paris, as it will allow Technicolor Creative Studios to focus fully on its operational priorities and execution of its strategy. To ensure the best interest of all shareholders, we are establishing a dedicated Ad Hoc Committee composed of experienced and independent Board Members, that will work closely with an Independent Expert in charge of assessing the financial terms and fairness of the offer.”

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<sup>1</sup> H1 unaudited financial statements, similar to figures released on the Business Update published on July 26<sup>th</sup>, 2023

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## FURTHER PROGRESS ON THE TRANSFORMATION PLAN

The transformation of Technicolor Creative Studios continues at pace as the business transitions back to growth. The highlights include:

- Better client and operational support:
  - o Simplification of business processes to reduce waste, inefficiency, and duplication.
  - o Improved operational procedures by documenting and training Standard Operating Procedures (SOP).
- Structural measures of cost adaptation:
  - o Governance controls and authority levels updated and actively managed to ensure greater scrutiny of capital preservation and capital allocation.
  - o Substantive progress being made in the reduction of the real estate liabilities with lease exits having been achieved and sublet opportunity identified.
- Finalization of the technical separation process of Technicolor Creative Studios from Vantiva (termination of the transitional services agreement) by the end of the year.

## FIRST HALF RESULTS ANALYSIS

Technicolor Creative Studios revenues amounted to €302.7 million for the first half 2023, down -25.9% at current rate (down -24.3% at constant rate) compared to the same period in 2022. This decrease mainly includes the reduction of the pipeline compared to the first half 2022 (post covid recovery year).

In first half 2023, adjusted EBITDA after lease<sup>2</sup> decreased by €58.9 million to €-15.7 million (down to €-14.5 million at constant rate), with margin down from 11% to -5%. This decrease resulted from the reduction of activity, that was partly offset by the cost actions taken as part of the Re\*Imagined program, for both variable and fix costs.

In first half 2023, restructuring costs amounted to €13.5 million, compared to €1.3 million in first half 2022. This increase mainly resulted from the implementation of the Re\*Imagined transformation plan. EBIT was a €53.6 million loss compared to a €19 million profit in first half 2022. This decrease resulted from both lower activity and higher restructuring costs than previous year.

The financial result amounted to €72.2 million compared to a €8.9 million loss in first half 2022. This profit mainly resulted from the net fair value gain on debt and equity instruments arising from the refinancing. Income tax amounted to €6.4 million in first half 2023 compared to an expense of €14.7 million in first half 2022. This decline mainly results from Technicolor Creative Studios reduced profitability. The Group net result therefore amounted to €13.0 million in first half 2023, compared to a loss of €4.4 million in the same period last year.

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<sup>2</sup> As part of the spin-off, the Group has reviewed its key performance indicators, with the goal of becoming more comparable with its peers and market practices, whilst being more aligned with the way the business is managed. For more information, please refer to the adjusted indicators section in the Universal registration document 2022.

## Simplified P&L

<i>In € million</i>	2023	2022	Var
<b>Revenues</b>	<b>302.7</b>	<b>408.7</b>	<b>(106.0)</b>
<b>Adjusted EBITDA after lease</b>	<b>(15.7)</b>	<b>43.2</b>	<b>(58.9)</b>
<i>As a % of revenues</i>	-5%	11%	-600 bps
D&A	(21.8)	(20.1)	(1.7)
<b>Adjusted EBITA after lease</b>	<b>(37.5)</b>	<b>23.1</b>	<b>(60.6)</b>
<i>As a % of revenues</i>	-12%	6%	-600 bps
PPA amortization	(4.3)	(4.3)	-
IFRS16 impact	5.3	5.1	0.2
Restructuring	(13.5)	(1.3)	(12.2)
Other non-current	(3.6)	(3.6)	-
<b>EBIT</b>	<b>(53.6)</b>	<b>19.0</b>	<b>(72.6)</b>
<b>Financial result</b>	<b>72.2</b>	<b>(8.9)</b>	<b>81.1</b>
<b>Taxes</b>	<b>(6.4)</b>	<b>(14.7)</b>	<b>8.3</b>
Profits from Discontinued operations	0.8	0.4	0.4
Non-Controlling Interest	0.0	(0.1)	0.1
<b>Net Result</b>	<b>13.0</b>	<b>(4.4)</b>	<b>17.4</b>

## Adjusted Operating Free Cash Flow after lease

In first half 2023, Adjusted Operating Free Cash Flow after lease amounted to €(80.5) million, compared to €(23.1) million for first half 2022. This €57.4 million deterioration is explained by:

- €(58.9) million adjusted EBITDA after lease decrease
- €(6.8) million higher restructuring costs cash out due to implementation of the Re\*Imagined program
- €(1.8) million Capex increase from €17.0 million to €18.8 million

These negative impacts are partly offset by:

- €3.6 million working capital improvement from €(30.0) million to € (26.4) million
- €0.5 million decrease of capital leases.
- €5.9 million of lower other non-current cash out.

<i>In € million</i>	First Half	
	2023	2022
<b>Adjusted EBITDA after lease</b>	<b>(15.7)</b>	<b>43.2</b>
Capex	(18.8)	(17.0)
Capital leases	(6.1)	(6.6)
Restructuring	(12.4)	(5.6)
Change in working capital and other assets and liabilities	(26.4)	(30.0)
Other non-current	(1.1)	(7.0)
<b>Adjusted Operating Free Cash Flow after lease</b>	<b>(80.5)</b>	<b>(23.1)</b>

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## **Standalone cash and debt**

Cash and cash equivalents at the end of June 2023 amounted to €59 million compared to €38 million at the end of December 2022. Net financial debt at nominal value amounted to €577<sup>3</sup> million at the end of June 2023, compared with €650 million at the end of December 2022. IFRS net debt amounted to €613 million as of June 30, 2023, compared with €739 million as of December 31, 2022.

Liquidity as of June 30, 2023, amounted to €99 million, consisting of the above €59 million of cash and cash equivalent and of the undrawn €40 million Revolving Credit Facility.

## **RENEWED CONFIDENCE OF SHAREHOLDERS**

### **Additional €30 million new money injection to address liquidity needs, and proposed tender offer to be initiated by a number of shareholders and creditors to achieve delisting of the company from Euronext Paris**

Since early May 2023, the Company has been experiencing the direct effects of the double writers and actors strike – a first for Hollywood in over 60 years – with significant impacts on the pipeline of projects of MPC. Combined with the slowdown of the advertising VFX market affecting The Mill, this challenging environment is impacting the pace of the Company's business recovery. Therefore, Technicolor Creative Studios expects its rebound to be postponed by one year.

Consequently, the Company has reassessed its future liquidity needs and engaged discussions with some of its shareholders and lenders, and, as part of the process, shared with them forward looking assumptions. The figures given for 2023 to 2025 were established in the context of the discussions; in no case they should constitute a guidance, nor forecasts of any kind.

As a consequence of the above, the Company is publishing the following forward-looking assumptions:

- For 2023: revenue contraction and adjusted EBITDA after lease to decrease by c.€40m compared to first half 2023.
- For 2024: transition year with progressive recovery of the business in H1, to be materialized in H2 revenues, and adjusted EBITDA after lease to remain negative.
- For 2025: sharp rebound in revenues and return to normalized profitability with adjusted EBITDA after lease not to exceed €100 million.

In this challenging context, shareholders and lenders have decided to demonstrate their support and have renewed their confidence in the future prospects of Technicolor Creative Studios.

- The main shareholders and lenders of the Company agreed to inject an extra €30 million cash by October 31<sup>st</sup>, 2023, in accordance with the existing financial agreements.
- Cash interests on all debt instruments (New Money and Reinstated debt) will be turned into PIK interests until end of 2024, for c.€48 million.

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<sup>3</sup> Excluding 170 M€ of subordinated debt

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- In addition, 23 of the main shareholders of the Company (holding 94,82%<sup>4</sup> of the capital) , announced their intent to acquire the Technicolor Creative Studios S.A. shares the concert does not already own and to file a public tender offer (“*offre publique d’achat simplifiée*”) with the Autorité des Marchés Financiers (AMF). The tender offer, for a cash consideration of 1,63 euro per Technicolor Creative Studios share, dividends included, will be subject to the AMF’s approval and will be followed, the required conditions of capital and voting rights being already met, by a mandatory squeeze-out.

The projected delisting of the Company along with these new financing arrangements attest to the strength of Technicolor Creative Studios’ shareholder support.

In addition to this first €30 million cash injection, Technicolor Creative Studios intends to seek, in the short term, further financing options from various sources to address its future liquidity needs. The Company intends to deepen and accelerate its strategic review announced in March and June 2023. The roll-out of the transformation program will also allow to further optimize working capital and monitor the cash expenditures to ensure the relevant level of cash to operate the Company.

## **TECHNICOLOR CREATIVE STUDIOS BOARD OF DIRECTORS WELCOMES FAVORABLY THE CONTEMPLATED DELISTING**

Technicolor Creative Studios’ Board of Directors which met today favorably welcomed the proposed tender offer announced today and the subsequent potential delisting of the Company. The Company signed today a tender offer agreement with the main parties initiating the draft tender offer. The Board of Directors will release an informed opinion on the terms of the Offer in due course, in light of the work of an independent expert appointed to opine on the financial terms of the Offer and, as the case may be, the mandatory squeeze-out.

This delisting project also seems consistent with the low trading volumes of the Company shares on Euronext Paris and will enable the Company to minimize the costs and administrative requirements related to the regulatory framework of a listed Company on Euronext Paris. The contemplated delisting would allow Technicolor Creative Studios to place its focus on the execution of its long-term strategy and to prioritize its resources to operational objectives, including strengthening current client relationships along with developing new business opportunities.

To ensure transparent and fair assessment of the offer as 90% of the share capital and voting rights of the Company are already held by the concerted shareholders intending to proceed to a squeeze-out, the Board of Directors has decided to appoint an ad-hoc committee in charge of proposing the appointment of an independent expert in charge of providing a report on the financial terms of the offer.

The ad-hoc committee is comprised of three independent members: Anne Bouverot, Chairperson, Christine Laurens, Independent director, and Katherine Hays, Independent Director.

The board of directors decided to appoint, upon recommendation of the ad-hoc committee, A2EF represented by Mrs. Sonia Bonnet-Bernard as independent expert pursuant to Article 261-1, I and II of the AMF General Regulations.

The contemplated delisting would have no impact on Technicolor Creative Studios’ day-to-day operations. The company remains committed to achieve its ambition to be the first-choice digital services production partner for the world’s most creative companies.

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<sup>4</sup> On October 2, 2023, based on a total of 25,511,822 Technicolor Creative Studios shares and theoretical voting rights, as communicated by the Company on July 31, 2023. Taking into account the dilution resulting from the conversion of all the convertible bonds into shares and the exercise of all the share warrants issued on June 8, 2023, by Technicolor Creative Studios and held by the members of the Concert, the Concert holds 97.10% of the share capital and voting rights, on a fully diluted basis.

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Further information regarding the contemplated delisting process will be provided in due course.

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The limited review of the company's financial information by its statutory auditors is ongoing<sup>5</sup>.

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The Company announces that it has requested Euronext Paris to resume the trading of its shares on Euronext Paris.

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#### **ABOUT TECHNICOLOR CREATIVE STUDIOS**

*Technicolor Creative Studios shares are admitted to trading on the regulated market of Euronext Paris (TCHCS)*

Technicolor Creative Studios is a creative technology company providing world-class production expertise driven by one purpose: The realization of ambitious and extraordinary ideas. Home to a network of award-winning studios, MPC, The Mill, Mikros Animation and Technicolor Games, we inspire creative companies across the world to produce their most iconic work.

Our global teams of artists and technologists partner with the creative community across film, television, animation, gaming, brand experience and advertising to bring the universal art of storytelling to audiences everywhere.

[www.technicolorcreative.com](http://www.technicolorcreative.com)

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<sup>5</sup> The financial statements and the opinion of the auditors on the limited review will be published on the company's corporate website by the end of the week.