



technicolor
CREATIVE STUDIOS

**Technicolor Creative Studios First Half 2023 Business Update¹
Company's transformation on track**

PARIS (FRANCE), JULY 26, 2023 – Technicolor Creative Studios (Euronext Paris: TCHCS) (the “Company”) today announced its first half 2023 business update.

- **Half year revenues of €302.7 million**, down -25.9% at current rate (-24.3% at constant rate) due to slower recovery and industry challenges.
- **Half year adjusted EBITDA after lease² of €-15.7 million**, down €58.9 million compared to H1 2022 mainly reflecting revenue decrease.
- **Further progress in the implementation of the Re*Imagined program** with a focus on improving operational performance and commercial drive.
- **Completion of the Refinancing**, including €170 million new money injection.
- **Continuous investments in talents, R&D and Technology** to provide clients with the best possible service and further improve working environments.
- **Implementation of the share capital reduction** decided by shareholders general meeting through decrease of Technicolor Creative Studios' par value of the shares from €1 to €0.01.

Caroline Parot, Chief Executive Officer of Technicolor Creative Studios, said: *“The first half of 2023 saw the acceleration of our Company's profound transformation. We have been streamlining our processes and improving our operational efficiency all with the aim of achieving ever-greater client satisfaction. Yet, industry wide issues are slowing our recovery journey and strikes in Hollywood challenge our pipeline of projects.*

In this context, I want to extend my heartfelt appreciation to our valued clients and partners. Their continued trust and support are instrumental in driving us forward. I am equally grateful for the dedication of our exceptional team. Their talent and passion are the driving force behind our transformation and the industry recognition we continue to receive.”

Hugues de Nicolay, Chief Financial Officer of Technicolor Creative Studios, said: *“Our transformation plan is progressing well. The set of measures taken including cost optimization, IT system integration partly offset the impact of revenue decline on the adjusted EBITDA after lease. Although our Company's operational turnaround is already visible across our organization, our figures do not yet fully reflect the benefit of our recovery plan”.*

¹ H1 unaudited financial statements will be published in September 2023.

² Adjusted EBITDA after lease corresponds to Adjusted EBITA after lease adding back Depreciation and amortization, excluding depreciation of usage-based IT costs, operating leases assets depreciation and Amortization of intangibles that arose from acquisitions or disposals (PPA amortization) and non-cash income and expense such as equity-settled share-based payments, including capital lease depreciation.

H1 2023 FINANCIAL HIGHLIGHTS

Revenues

H1 2023	H1 2022	% Change	% Change at constant currency	in million €
122.8	213	-42%	-40%	MPC
81	56	+44.7%	+47%	Mikros Animation
91.7	132	-30.5%	-30%	The Mill
7.3	6	+21.5%	+20%	Technicolor Games
302.7	408.7	-25.9%	-24.3%	Total

Technicolor Creative Studios revenues amounted to €302.7 million in the first half of 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 H1 2022 (post covid recovery year).

At MPC, first half 2023 revenues amounted to €122.8 million, down -42% at current rate compared to the same period last year (down -40% at constant rate). This underperformance reflects the expected lower activity compared to a high H1 2022.

At Mikros Animation, first half 2023 revenues amounted to €81 million, up +44.7% at current rate, compared to the same period last year (up +47% at constant rate). This significant growth was driven by a low H1 2022 with major feature animation projects ramping up in H2/2022 for deliveries in H1/2023.

At The Mill, first half 2023 advertising revenues amounted to €91.7 million, representing a -30.5% decrease at current rate (down -30% at constant rate) compared to the same period in 2022. Activity was restricted by an unfavorable macroeconomic environment with decelerating advertising spending, increased competition compared to H1 2022.

At Technicolor Games, first half 2023 revenues amounted to €7.3 million, up +23.5% at current rate compared to the prior-year period (up +20% at constant rate). This growth is the result of an increased activity from existing and new clients such as Sega, Sumo, GamFreak and Netease.

Adjusted EBITDA after lease

In million €	H1 2023	H1 2022	Var
Revenue	302.7	408.7	-106
Adjusted EBITDA after lease	-15.8	43.2	-58.9
<i>In % of revenue</i>	<i>-5%</i>	<i>11%</i>	<i>n.a.</i>

In first half 2023, adjusted EBITDA after lease decreased by €58.9 million to €-15.8 million. The cost actions taken as part of the Re*Imagined program – and notably variable costs – partly offset the reduction of activity.

In light of the current writers and actors strike in Hollywood that started early May 2023, the Company is dedicated to address the impact on its business activities and has already started to adapt its business plan and strategy consequently.

Successful completion of the Refinancing

Technicolor Creative Studios announced on June 9, 2023, the successful completion of its refinancing including a new money financing for a total principal amount of approximately 170 million euros. A first refinancing tranche of 85,000,000 euros has been drawn at the beginning of April and a second refinancing tranche of 85,000,000 euros has been granted early June.

Following the Refinancing, by a decision of the Board of Directors of July 25, 2023, adopted pursuant to the twenty-eight resolution approved by the Combined General Meeting of May 15, 2023, the par value of each of the Company's shares has been decreased from one euro (€1) to one euro cent (€0.01) and the share capital is as a result reduced from twenty-five million five hundred and eleven thousand eight hundred and twenty-two euros (€25,511,822) to two hundred and fifty-five thousand one hundred and eighteen euros and twenty-two cents (€255,118.22).

This technical share capital decrease, which was approved by the General Meeting on May 15, 2023, will have no impact on the stock price of the Company's shares, or on the number of shares in circulation. As a result of this share capital reduction, the Company's share capital remains composed of twenty-five million five hundred and eleven thousand eight hundred and twenty-two (25,511,822) ordinary shares.

Standalone cash and net debt at June 30, 2023

<i>In millions of euros</i>	IFRS Debt
Financial Debt ³	(532)
Operating Leases	(139)
Liquidity ⁴	99

FURTHER PROGRESS ON THE IMPLEMENTATION OF THE RE*IMAGINED PROGRAM

Technicolor Creative Studios is making progress in advancing the Re*Imagined program with greater operational and governance controls, gains in operation process improvements, resource management and workforce planning which are in line with expectations. Further opportunities for value creation continue at pace, to drive the recovery of the business and its transition back to sustained growth. The Company also pursued its cost reductions plan at an accelerated rate across all functions.

H1 2023 KEY BUSINESS HIGHLIGHTS

MPC: In the first half of the year, MPC contributed to the successful release of highly anticipated movies and major franchise productions. Selected highlight MPC projects delivered include Disney's *The Little Mermaid*, Paramount's *Transformers: Rise of the Beasts*, Marvel's *Ant-Man and the Wasp: Quantumania*, and Netflix/MGM's *Vikings: Valhalla* season 2. The remarkable quality of MPC's work was once again recognized by several industry awards and nominations, including a BAFTA TV Craft Award for Special, Visual & Graphic Effects for HBO's *House of the Dragon* and an Emmy Award nomination for Outstanding Special Visual Effects In A Single Episode for Netflix's *Wednesday - A Murder of Woes*.

Mikros Animation: A great highlight of the first semester of 2023 was a special screening of *Teenage Mutant Ninja Turtles: Mutant Mayhem* work in progress version and *Ozi, Voice of the Forest* at the Annecy International Animation Film Festival. Both films received very enthusiastic acclaims. The Mikros Animation

³ Including New Money, Reinstated Term Loan, Convertible Bond, Capital leases, accrued interest and subordinated debt

⁴ Including Cash and €40 million RCF

team handled creative development of Ozi animated feature, from concept to delivery. Additional half year highlights include the successful delivery of Paramount's *The Tiger's Apprentice*.

The Mill: The Brand welcomed a newly appointed President, Mark Benson, to harness The Mill's portfolio activities – from VFX, design, experience, and creative production – to provide innovative opportunities for clients. Overall, the first half of 2023 saw a host of groundbreaking projects from The Mill including Nike 'Women's World Cup' and BMW "'The Last Beach Chair' campaigns. The Brand also won – among others – three AICP Awards, and two Webby Awards for HBO 'DracARys', including the People's Voice Winner, 'Technical Achievement in the Metaverse, Immersive and Virtual'; rewarding the excellence our teams.

Technicolor Games: In the first half of the year, the Brand contributed to AAA game releases for emblematic clients including Capcom's *Street Fighter 6* and Warner Bros. Games' *Hogwarts Legacy*. Under the leadership of Andy Emery, appointed President of Technicolor Games in the first quarter 2023, the Brand is further developing Technicolor Creative Studios' gaming business, at a time of increasing demand for higher quality graphics and greater complexity of games.

CONTINUOUS INVESTMENTS IN PEOPLE, R&D AND TECHNOLOGY

The Company has been focused on successfully retaining its key talent and will pursue its ambitious retention strategy, which includes investment in its Academy programs to further train and develop talent, mentoring programs, and mobility opportunities across geographies and Businesses.

Technicolor Creative Studios also continues to invest in innovation and technology to further enhance creativity. During Q4 2023, the Company will launch its new Creators Lab in Culver City, CA, USA. This "smart stage", replacing the traditional green screen, will be focusing on new production techniques and tools as part of the investment in the future of filmmaking. This space will act as a showroom for clients, filmmakers, showrunners, commercial directors, VFX supervisors, and more. It will also be a place to explore, experiment, upskill & reskill our talents.

Financial Calendar

Technicolor Creative Studios will issue the June 30, 2023, unaudited financial statements in September 2023.



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.

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