

TECHNICOLOR H1 2017 RESULTS

27 JULY 2017



technicolor.com



EXECUTIVE SUMMARY

Slow start to the year

momentum building through rest of the year



- ▶ Revenues at **€2,146m**
- ▶ Ad. EBITDA at **€107m**



- ▶ **Free Cash Flow** excluding CRT at **€(67)m**
- ▶ **Group Free Cash Flow** at **€(148)m**



- ▶ **REINFORCING** cost optimization
- ▶ **ONGOING MITIGATION ACTIONS** related to memories



- ▶ **STRONG PERFORMANCE EXPECTED** in H2 2017



SOLID ORDER BACKLOG

H1 2017 SEGMENT RESULTS



H1 2017 – Revenues and Adj. EBITDA

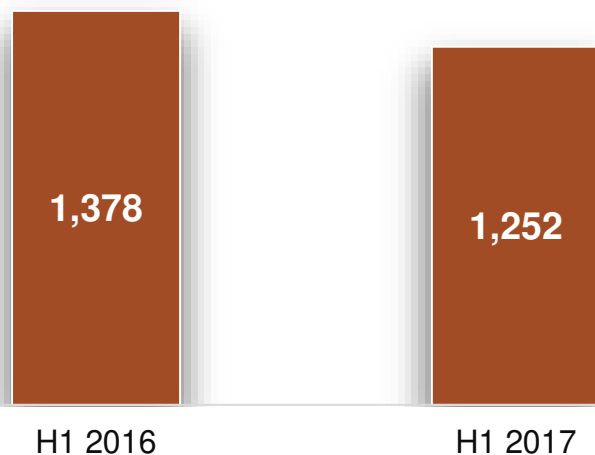
<i>(in € million)</i>	REVENUES				Adj. EBITDA			
	H1 2016 Restated*	H1 2017	Δ % Current currency	Δ % Constant currency	H1 2016 Restated*	H1 2017	Δ % Current currency	Δ % Constant currency
Connected Home	1,378	1,252	(9.2)%	(11.2)%	106	57	(46.0)%	(47.6)%
Entertainment Services	863	838	(2.9)%	(3.3)%	71	72	+0.6%	(1.3)%
Technology	177	56	(68.1)%	(68.2)%	130	19	(85.7)%	(85.8)%
Other	2	0	ns	ns	(42)	(41)	(3.6)%	(4.3)%
Group	2,420	2,146	(11.3)%	(12.6)%	265	107	(59.8)%	(60.9)%

*Six months ended June 30, 2016 amounts have been restated due to the finalization of the 2015 acquisitions purchase price allocation (PPA) in the second semester of 2016.

Connected Home: H1 performance

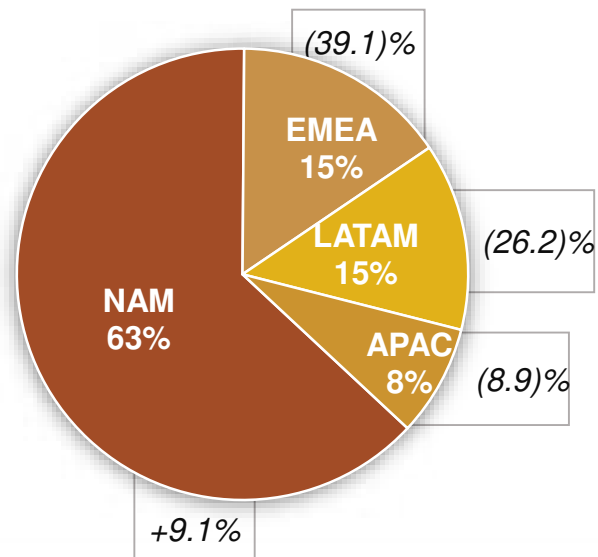
Revenues (€m)

Change at constant currency

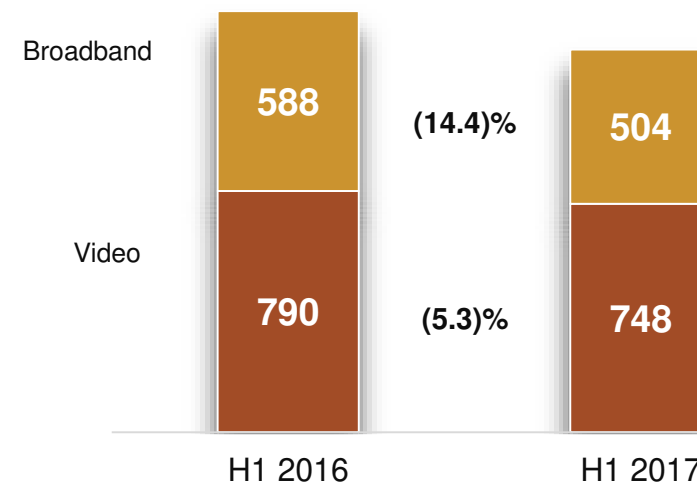


Revenues by region (€m)

Change at current currency



Revenues by product (€m)



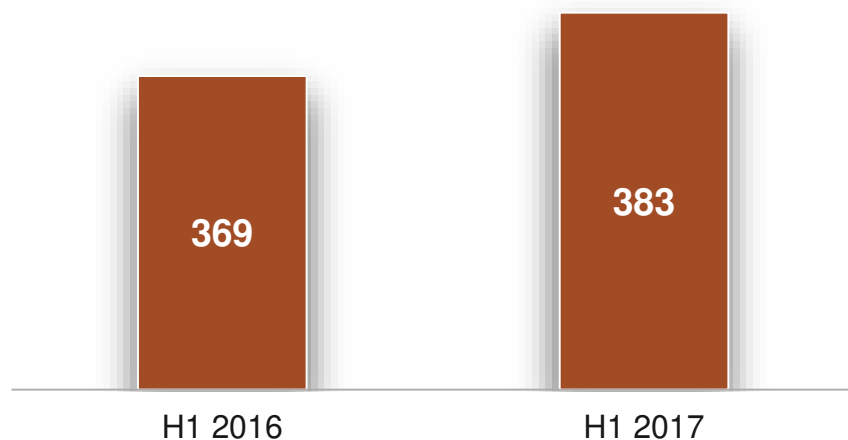
- ▶ Revenue back to growth in Q2, driven by North America
- ▶ Adj. EBITDA: 57m€/Adj. EBITDA Margin: 4.6%
- ▶ Excl. memory impact, margin at 7.0%
- ▶ R&D spending in line with last year

- ▶ Gross margin 14.1% down 230 bps vs H1 2016, reflecting:
 - €30 million of negative impact related to memory price increases or a c. 240 bps impact vs. LY
 - Slightly mitigated by the overall mix improvement and benefits from CCD integration which fully offset volume decline

Production Services: H1 performance

Revenues (€m)

Change at constant currency



ADJ. EBITDA HIGHLIGHTS

- ▶ Adj. EBITDA stable compared to the first half 2016 due to:
 - Constrained capacity in H1
 - Lower contribution of Advertising
- ▶ Expansion of capacities in Film and Animation with hire of new talent in line with the strong H2 2017 pipeline of projects

ADVERTISING
CONTRIBUTED TO
3,000+
COMMERCIALS

3 LONG FEATURE
ANIMATION
IN PRODUCTION

9 ANIMATION
SERIES
IN PRODUCTION

40+ VR
PROJECTS
DEVELOPED SO FAR

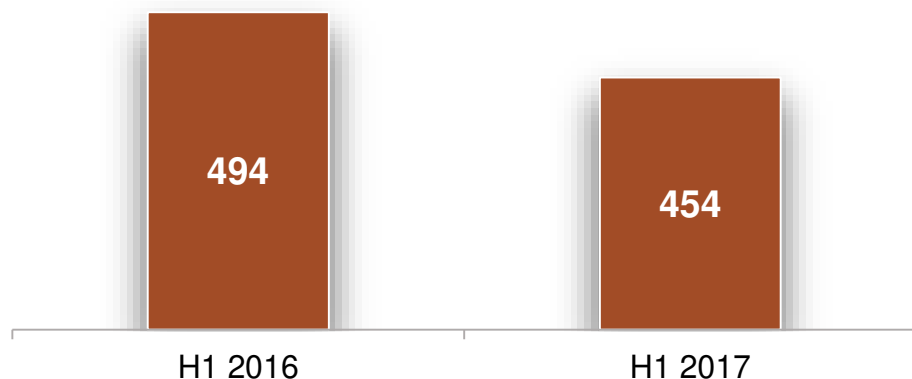
1 LONG FEATURE
ANIMATION
DELIVERED

25 FILM
AND OVER
10 TV
PROJECTS
IN PRODUCTION

DVD Services: H1 performance

Revenues (€m)

Change at constant currency



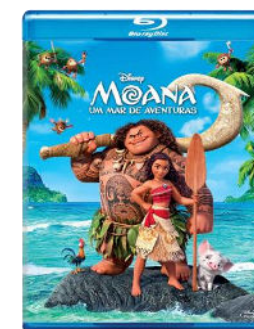
(in million units)

Total combined volumes

	H1 2016	H1 2017	YoY Change
Total combined volumes	609.9	573	(5.9)%
DVD	424.7	409.8	(3.5)%
Blu-ray™	130.2	118.6	(8.9)%
CD	55.0	45.2	(17.9)%

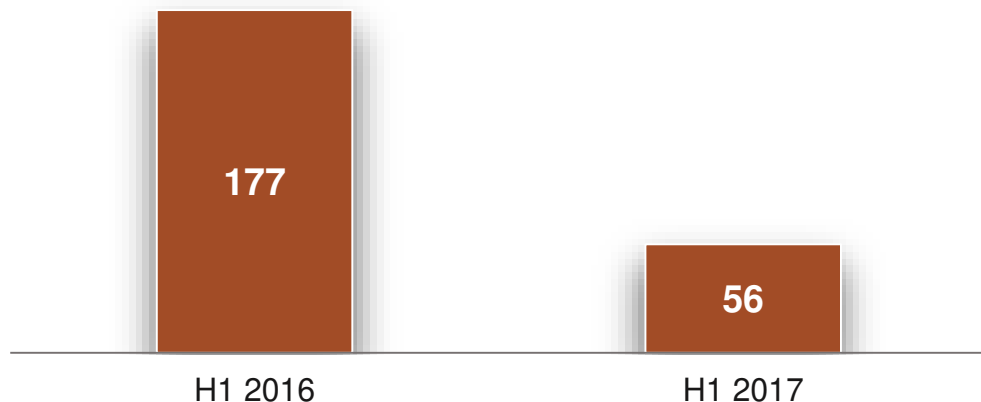
ADJ. EBITDA HIGHLIGHTS

- ▶ Adj. EBITDA stable compared to the first half 2016
- ▶ Margin improvement compared to H1 2016 due to:
 - Cost saving actions following the acquisition of Cinram North American assets last year
 - Ongoing cost and efficiency optimization programs across all activities
- ▶ Margin improvement partially offset by product mix impacts



Technology: H1 performance

Revenues (€m)



REVENUES HIGHLIGHTS

- ▶ Revenues down by 68.2% at constant currency reflecting an adverse comparison to a very strong H1 2016:
 - Large number of one-offs in H1 2016: HEVC agreement, upfront payments related to other licensing agreements
 - End of several DTV Agreements in anticipation of the joint-licensing program with Sony ramp up
- ▶ The timeline of ongoing licensing discussions is expected to result in new agreements being signed in H2 2017

Adj. EBITDA HIGHLIGHTS

- ▶ Adj. EBITDA: €19 million due to lower revenues
- ▶ Margin decline due to fixed cost structure of the business
- ▶ Licensing operations and Research & Innovation spending stable year-on-year

CASH GENERATION & DELEVERAGING

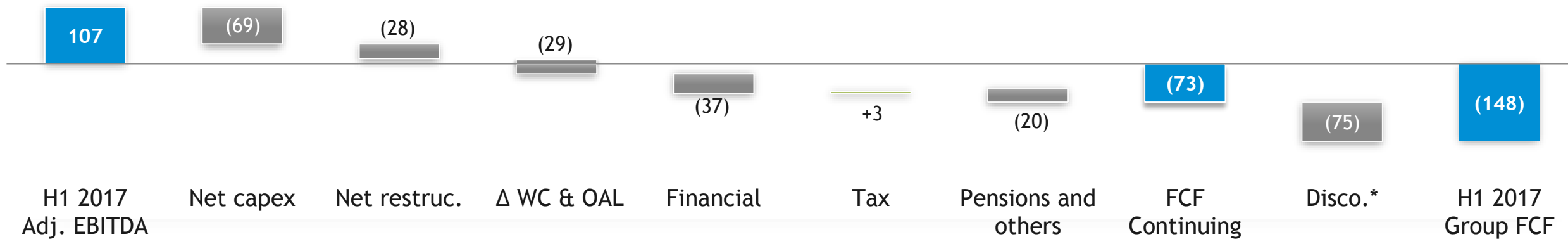
P&L Overview

<i>(in € million)</i>	H1 2016*	H1 2017	Change**
Group revenues	2,420	2,146	(274)
Adjusted EBITDA	265	107	(158)
Adjusted EBIT before PPA*** amortization	179	22	(157)
Adjusted EBIT	152	(4)	(156)
EBIT	93	(37)	(130)
EBIT excluding PPA*** amortization	120	(11)	(131)
Financial result	(73)	(62)	+11
Income tax	(30)	(11)	+19
Profit/(loss) from discontinued operations	(44)	4	+48
Net income (loss)	(54)	(106)	(52)

* Restated ** At current currency *** Purchase Price Allocation

Key Cash Flow Indicators

<i>(in € million)</i>	H1 2016	H1 2017	Change
GROUPE FCF	98	(148)	(246)
CRT	24	81	+57
FCF without CRT	122	(67)	(189)



2017

OBJECTIVES



2017

OBJECTIVES



FREE CASH FLOW

In excess of €150 million before cash impacts of the CRT cartel case settlements



ADJ. EBITDA

In the range of €420 million to €480 million

NET LEVERAGE RATIO

Continuous deleveraging

APPENDIX

Group Free cash flow – IFRS reconciliation

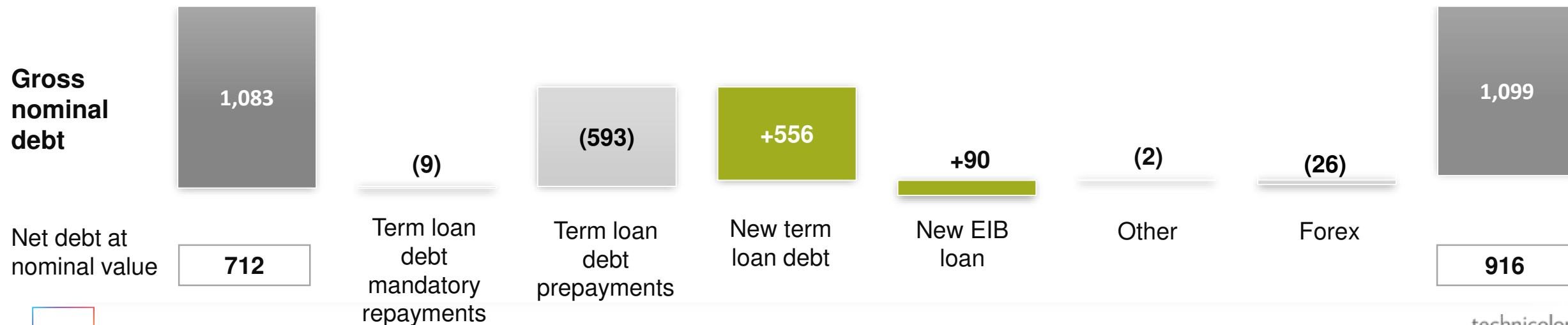
<i>(in € million)</i>	December 31, 2016 Audited	June 30, 2016 Unaudited	June 30, 2017 Unaudited
Adjusted EBITDA	565	265	107
Changes in working capital and other assets and liabilities	106	67	(29)
Pension cash usage of the period (note 8.1)	(28)	(14)	(13)
Restructuring provisions – cash usage of the period (note 9.1)	(56)	(33)	(28)
Interest paid	(74)	(37)	(26)
Interest received	3	2	1
Income tax paid	(44)	(40)	3
Other items	(26)	(20)	(19)
Net operating cash generated from continuing activities	446	190	(4)
Purchases of property, plant and equipment (PPE)	(68)	(35)	(25)
Proceeds from sale of PPE and intangible assets	1	1	1
Purchases of intangible assets including capitalization of development costs	(85)	(40)	(45)
Net operating cash used in discontinued activities	(46)	(18)	(75)
Group free cash flow	(248)	98	(148)

Cash Net nominal debt evolution (non IFRS)

(in € million)

January 01 2017

June 30 2017



Healthy Balance Sheet structure

<i>(in € million)</i>	Borrower	June 30, 2017		December 31, 2016	
		Nominal Debt	IFRS Debt	Nominal Debt	IFRS Debt
Term Loan B - \$ / 2020	Tech Finance	-	-	290	279
Term Loan B - € / 2020	Tech Finance	-	-	315	297
Term Loan B - \$ / 2023	Technicolor SA	262	260	-	-
Term Loan B - € / 2023	Technicolor SA	275	273	-	-
Term Loan B - € / 2023	Technicolor SA	450	447	450	446
EIB Loan - € / 2023	Technicolor SA	90	90	-	-
Total senior debt		1,077	1,070	1,055	1,022
Other debt		22	22	28	28
Gross debt		1,099	1,092	1,083	1,050
Cash		183	183	371	371
Net debt		916	909	712	679

- ▶ Successful new term loan issues in March 2017 in the amounts of \$300m and 275m€, permitting complete repayment of Tech Finance term loans

- ▶ Around 30m€ of annual interest cost savings expected from new structure
- ▶ Average rate at June 30, 2017 (Nominal: 3.39% and IFRS: 3.52%)

- ▶ New 90m€ EIB 6-year borrowing at a fixed rate of 2.542% signed in December 2016 and drawn in January 2017

PRODUCTION SERVICES 2017 AWARD Season



2 NOMINATIONS
1 WIN

British Academy of Film Awards

Worked on **14** nominated films



2 NOMINATIONS
1 WIN

Academy Awards

Worked on **20** Oscar films



Cinema Audio Society Award

3 NOMINATIONS



Clio Awards

3 WINS



D&AD Wood Pencil

5 WINS



Visual Effects Society

17 NOMINATIONS
5 WINS



Canadian Screen Awards

Worked on **30** nominated projects
2 NOMINATIONS



Cannes Lion

7 WINS



British Arrow Craft award

5 WINS



London International Awards

10 WINS



Golden Globes

Worked on **20** nominated projects

TECHNICOLOR EXPERIENCE CENTER



FOX



John Lewis

SONY

Giant



GATORADE

THE TEC

where artists
and scientists
realize the full
potential of
immersive
media

The Technicolor Experience Center
helps drive multi-disciplinary
collaboration to elevate the new
canvas of **IMMERSIVE
EXPERIENCES**

TEC Confirmed Partners

