



# FY 2015 RESULTS

19 FEBRUARY 2016

# Technicolor – A Successful Transformation in 2015

“ Successful transformation of the Company around three leading Operating businesses and a core Licensing business thereby significantly increasing the Drive 2020 financial objectives. ”

 **> 5000**  
CREATIVES

 **> 1700**  
RESEARCHERS  
& ENGINEERS

 **> 7000**  
OPERATIONALS

 **> €5Bn**  
REVENUES\*



# Three Leading Operating businesses and a core Licensing business

**#1** WORLDWIDE  
IN VFX AND POST

Production Services  
FY 2015 Revenues  
€568m

**#1** WORLDWIDE  
IN DVD SERVICES

DVD Services  
FY 2015 Revenues  
€1,071m

**#2** WORLDWIDE  
IN CPE

Connected Home  
FY 2015 Revenues  
€1,451m

**INDUSTRY-LEADING IP  
AND LICENSING CAPABILITIES**

Licensing  
FY 2015 revenues  
€490m  
*incl. €288m from MPEG LA pool*



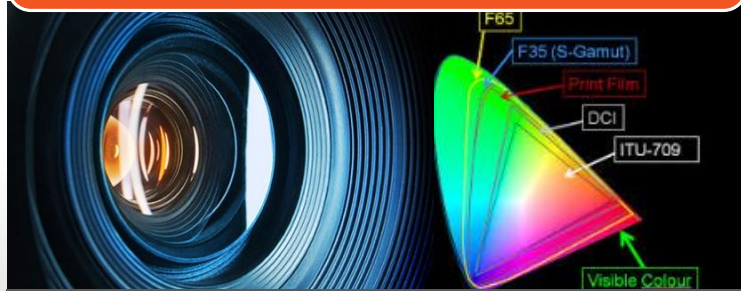
## RESEARCH & INNOVATION

*Connecting Innovation & all R&D teams across the Group*

# Strategic Innovation Focus

## MEDIA FORMATS

Compression & Color



Video coding standards  
HDR & WCG technologies

*Delivering market solutions to Production Services, Technology Licensing & creating valuable inventions to sustain Patent Licensing*

## IMMERSIVE MEDIA

Augmented & Immersive

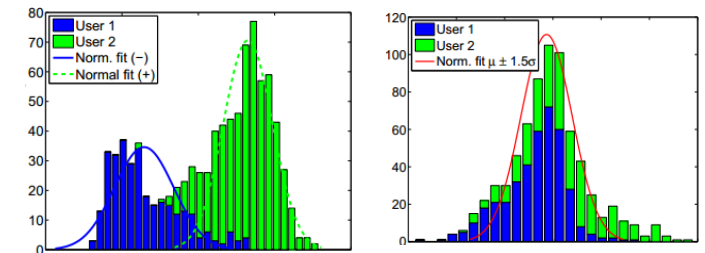


Immersive content creation and rendering, AR, VFX

*Explore, provide and develop emerging business opportunities for Production Services and Connected Home*

## DIGITAL LIFE EXPERIENCES

IoT & Virtualization

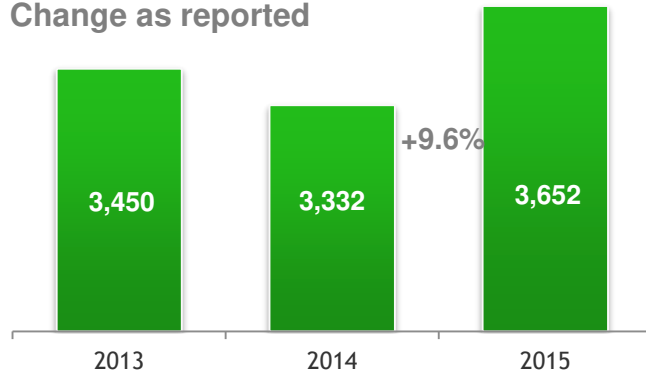


Learn from sensor &/or network data to infer user behavior

# FY 2015 – Solid Financial Results

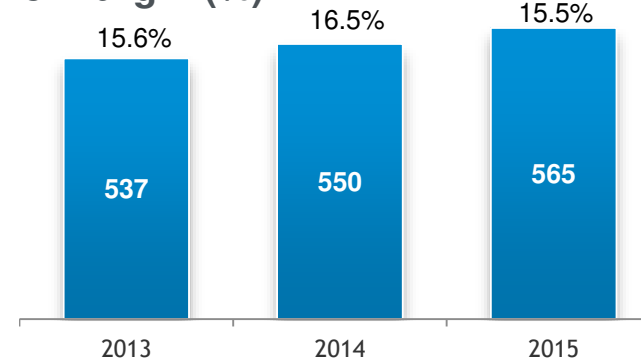
## Revenues (€m)

Change as reported



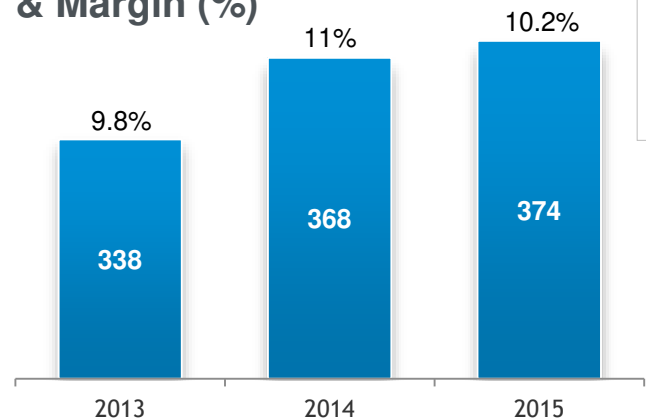
Change 2015 vs. 2014  
at constant rate  
**+2.4%**

## Adj. EBITDA (€m) & Margin (%)



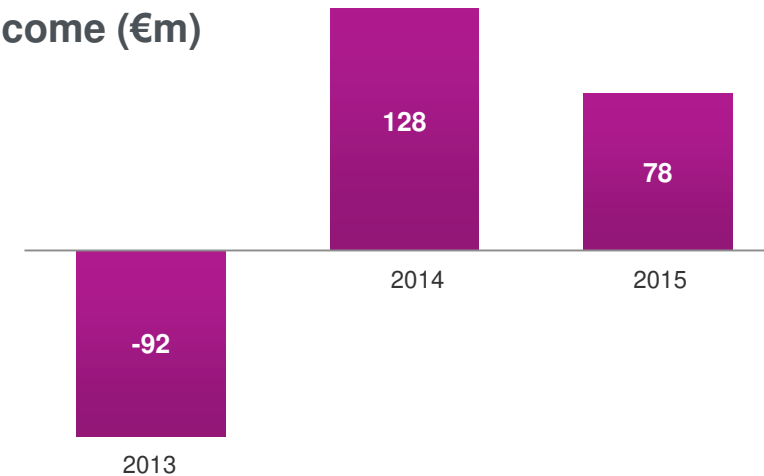
Change 2015 vs. 2014  
at constant rate  
**+3.1%**

## Adj. EBIT (€m) & Margin (%)

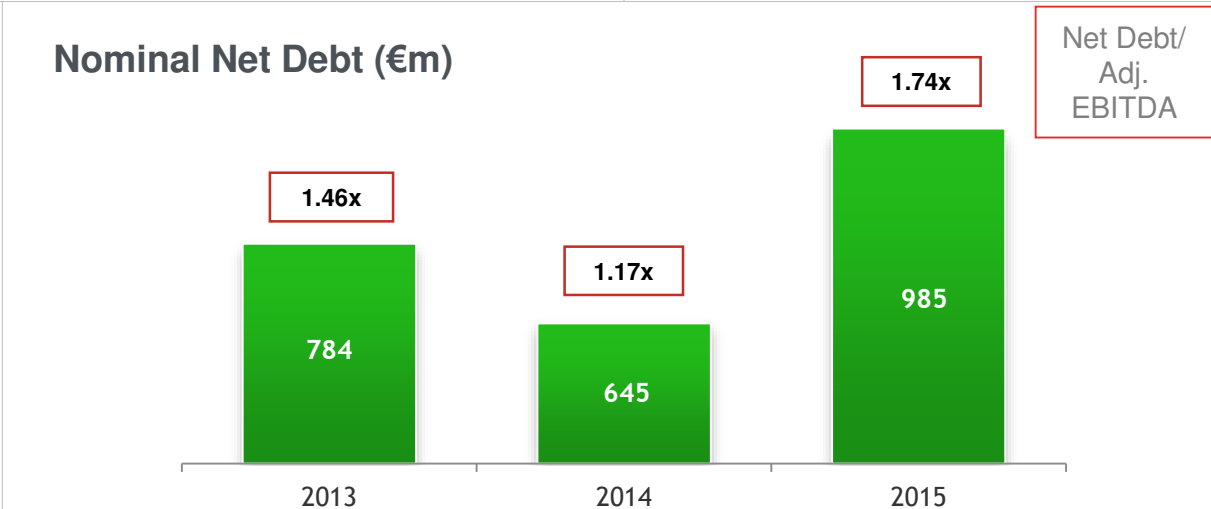
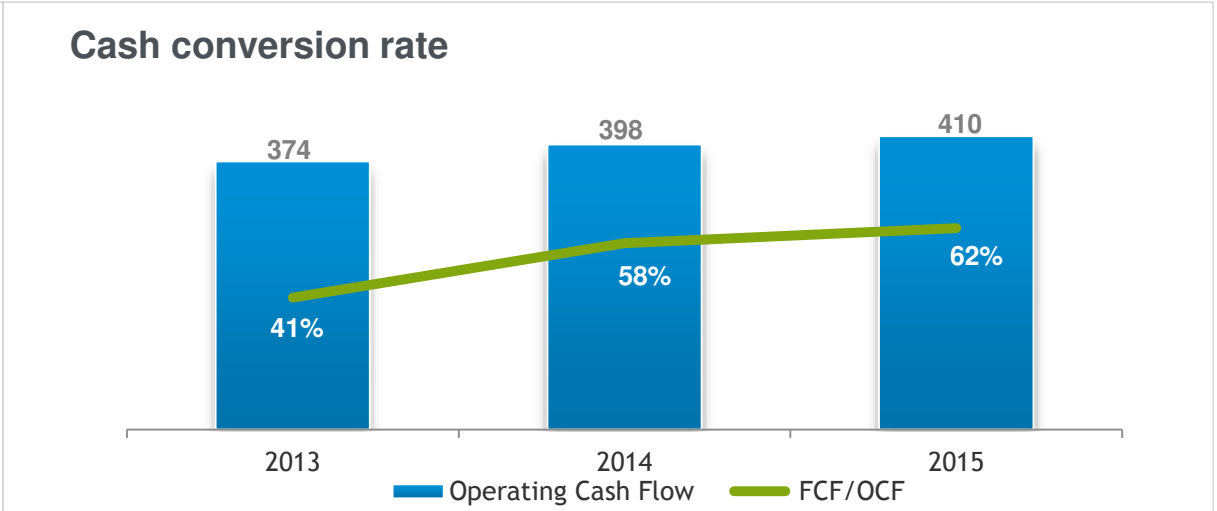
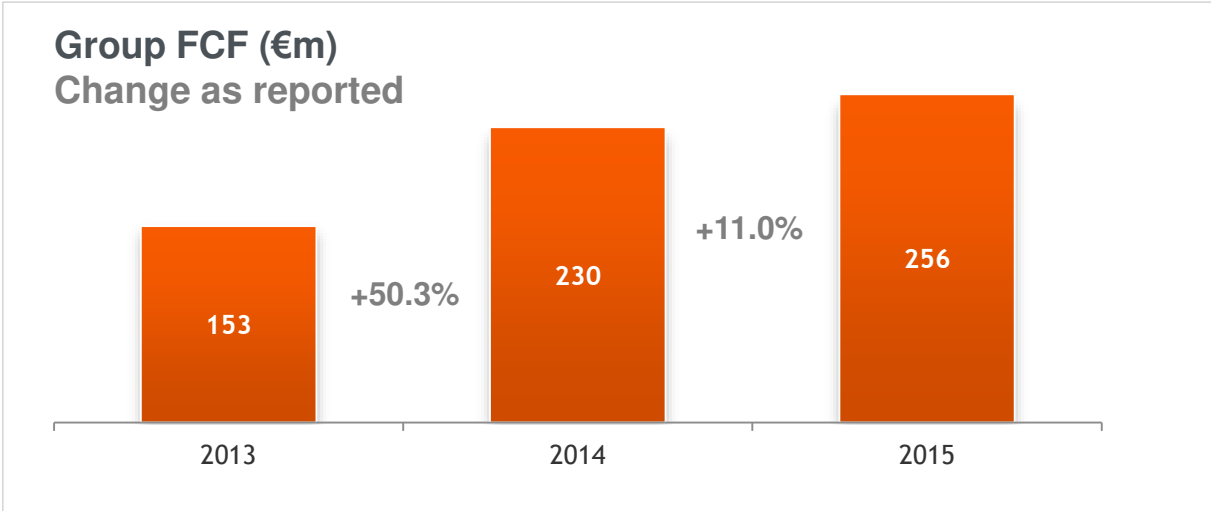


Change 2015 vs. 2014  
at constant rate  
**+8.0%**

## Net Income (€m)



# FY 2015 - Strong Cash Generation

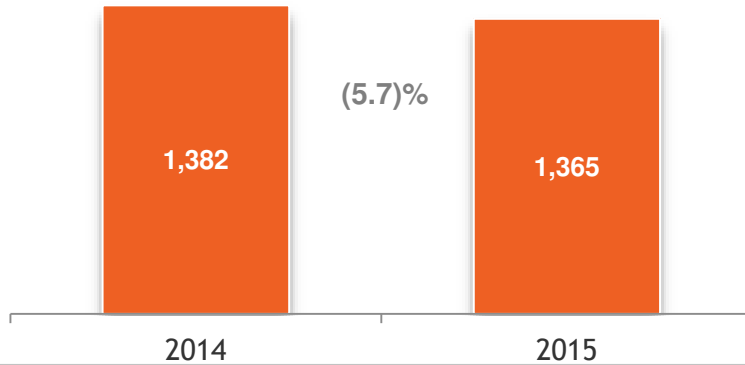


# OPERATING BUSINESSES

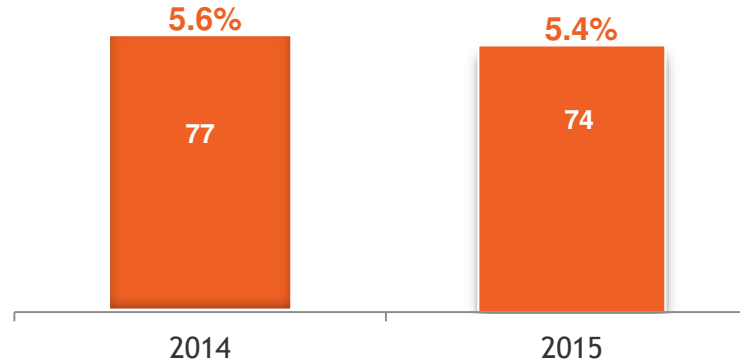
# FY 2015 – Connected Home excl. Cisco Connected Devices

## Revenues (€m)

Change at constant rate



## Adj. EBITDA (€m) & Margin



## Key Highlights

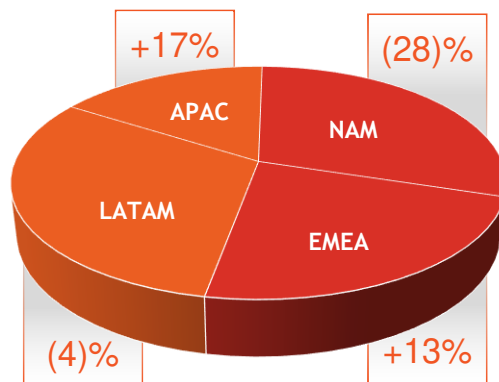
### Top-line growth

- ▶ Back to organic growth in Q4
- ▶ FY 2015 revenues down 1.2% at current rate YoY reflecting lower product shipments, in particular in North America
- ▶ Overall product mix improvement across most regions

### Profitable growth

- ▶ Improvement of Gross margin notwithstanding a lower revenue base
- ▶ Working cap impacted by the on boarding of Cisco Connected Devices at the end of the year

## Geographic breakdown & growth at constant rate



## Adj. EBITDA:

- ▶ Negative forex impact of €6m mostly generated in EMEA
- ▶ Adj. EBITDA margin of 6.1% at constant rate reflecting solid operating execution
- ▶ Continued improvement in product cost and mix



# A Transforming Acquisition for Connected Home

## Connected Home pre acquisition

€1.5Bn

Geographically balanced, strong in Broadband and satellite STB

## Cisco Connected Devices

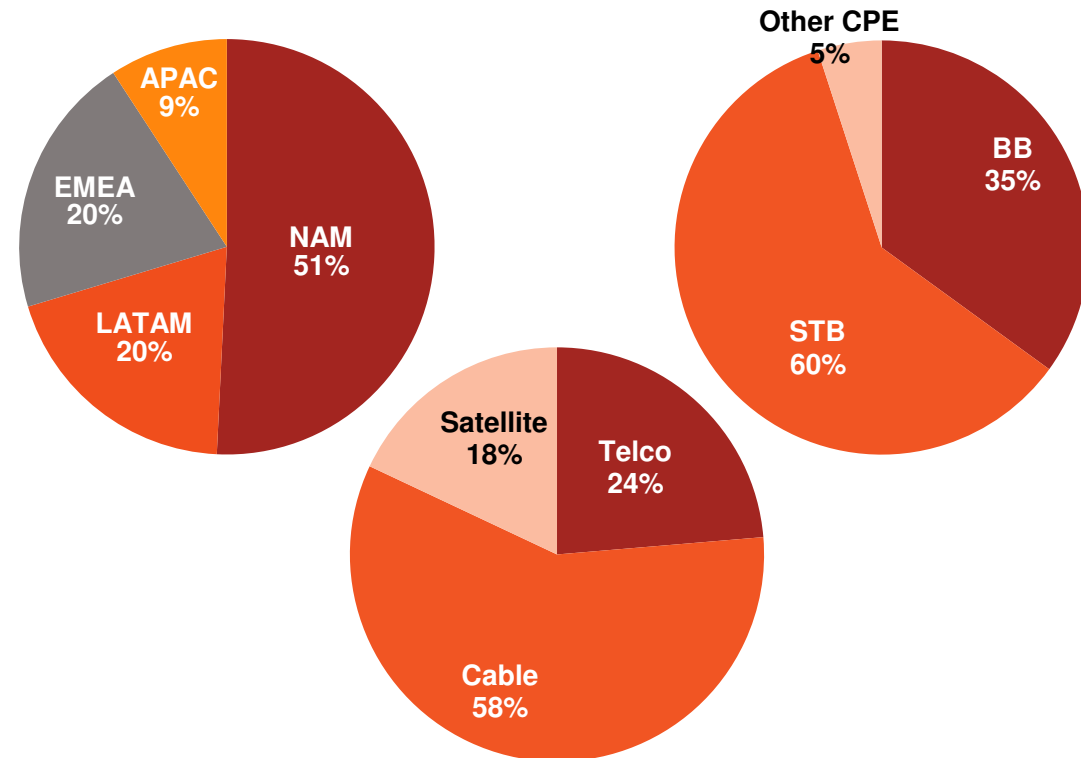
€1.5Bn

Focus on North America, strong in cable

## Connected Home

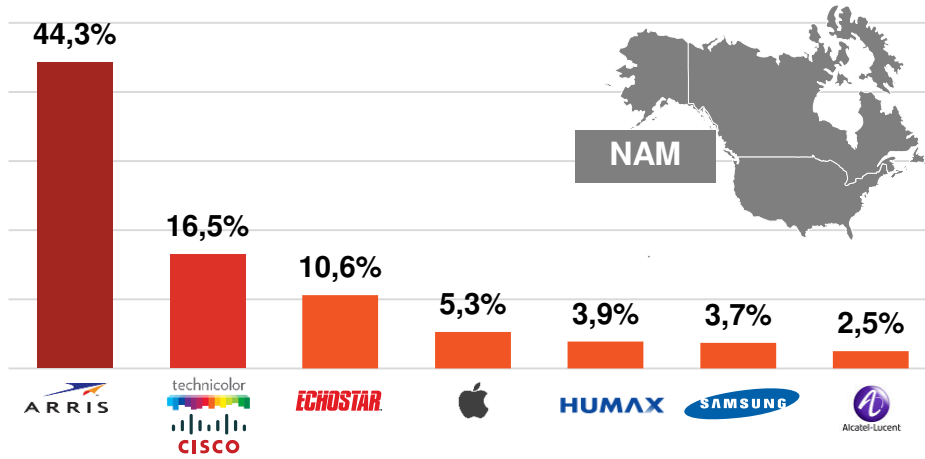
€3Bn of revenues in 2015

A complete and balanced portfolio

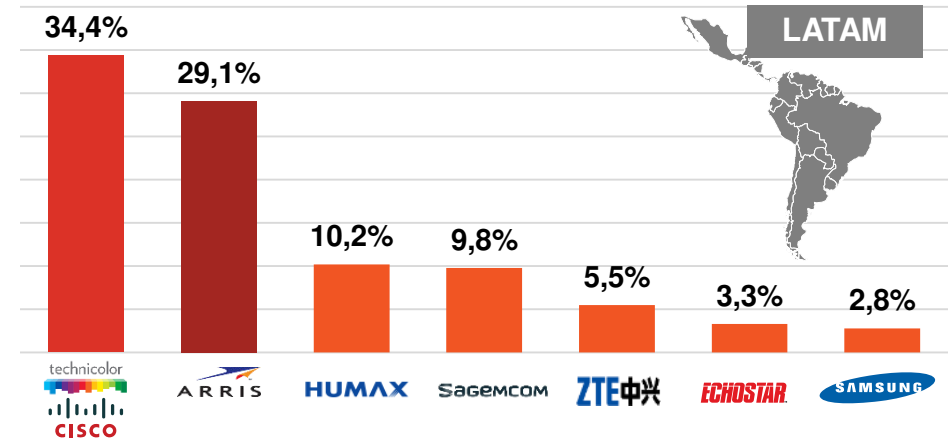


# Reinforced Worldwide Leadership

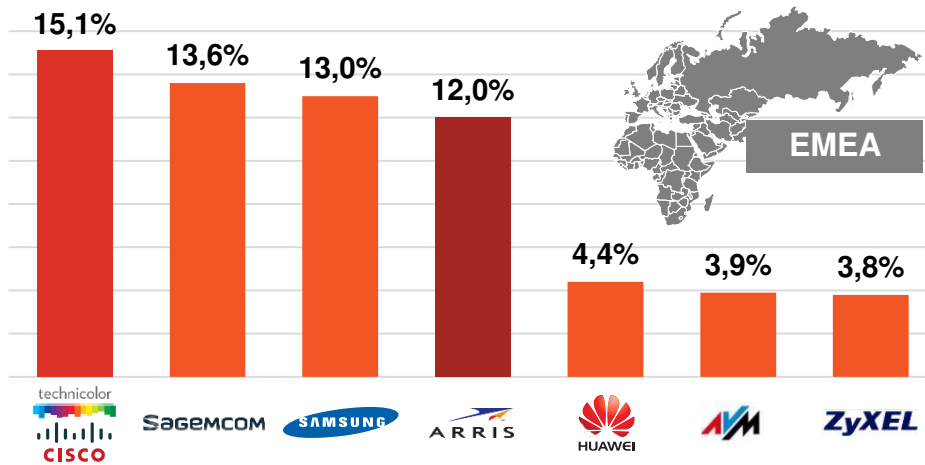
## TCH moves from #6 to #2



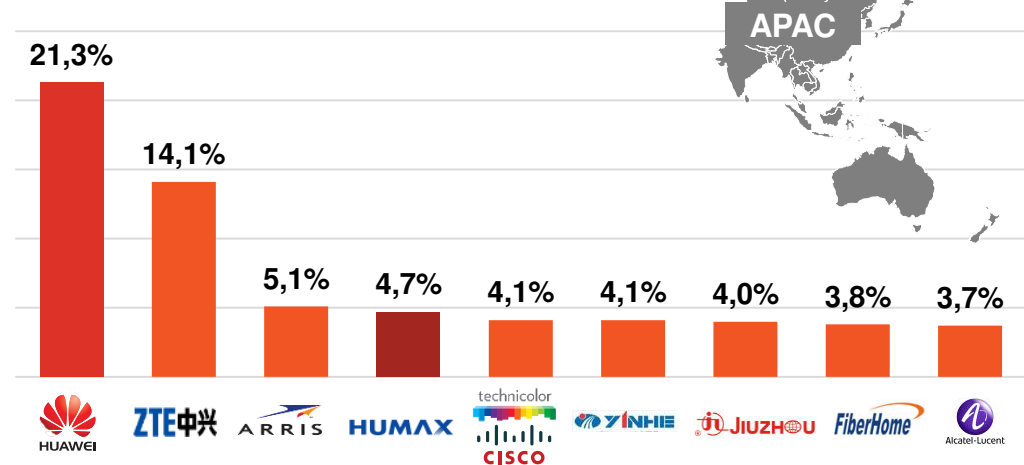
## TCH consolidates #1 position



## TCH moves from #5 to #1



## TCH moves from #8 to #5



# Integration of Cisco Connected Devices

Closed 4 months  
after announcement

1

**COGS**  
REDUCTION

▶ On schedule

Synergies > €130m  
+30% vs. initial objective

2

**G&A**  
REDUCTION

▶ Immediate  
impact in 2016

3

**R&D**  
EFFICIENCY

▶ On schedule

# Post Acquisition Status

- ▶ > 1,837\* employees, o/w 714 joining Technicolor through the acquisition
- ▶ Strengthened Management team
- ▶ Targeting to end the Transition Service Agreements with Cisco before year end
- ▶ Ongoing implementation of the partnership with Cisco with focus on video, broadband, IoT (Internet of Things) and CPE virtualization (vCPE)

# Technology Focus on Growing Markets

## Connected Home Innovation

- ▶ In-home connectivity and data aggregation tools
- ▶ OTT devices
- ▶ Virtual CPE (vCPE)
- ▶ Virtual Reality in the home



## Focus on bandwidth

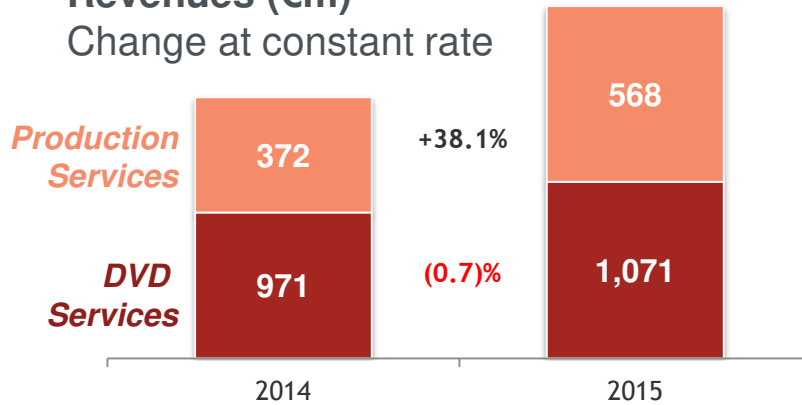
- ▶ Fixed BB boosted by new technology
  - DOCSIS 3.1
  - Fiber
  - G.fast
  - Fixed LTE



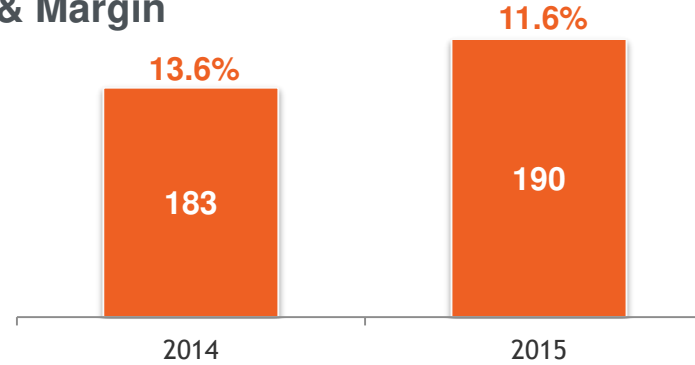
# FY 2015 – Entertainment Services excl. exited activities\*

## Revenues (€m)

Change at constant rate



## Adj. EBITDA (€m) & Margin



## Key Highlights

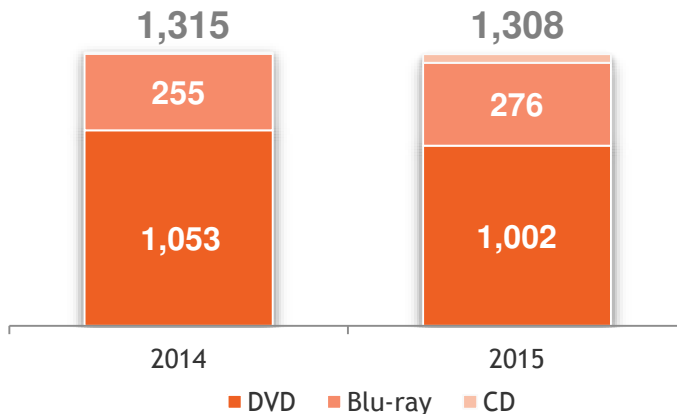
### Production Services

- ▶ Revenues up 52.5% at current rate driven by double-digit organic growth and addition of the new brands
- ▶ Strong organic growth driven by record level of VFX for feature films
- ▶ Solid level of activities across the business
- ▶ Contribution of The Mill to the revenues of €51m

### DVD Services

- ▶ Revenues above €1bn reflecting strong slate of releases and new customer acquisitions
- ▶ Volume trends significantly better in H2 vs H1 2015

## YoY volume change million units



## Adj. EBITDA

- ▶ Production Services adj. EBITDA strongly up YoY
- ▶ DVD Services adj. EBITDA down YoY, due to the decision not to adjust operating platform in H1 and onboarding of new customers in H2
- ▶ Notwithstanding this adj. EBITDA margin decline, FCF generation of DVD Services was stable YoY

# Production Services Poised to Thrive over the coming years

## Growing customer base



## Post-integration focus

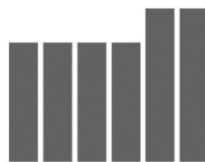
- ▶ Best practice & technology sharing/optimization
- ▶ Global talent retention acquisition
- ▶ Rendering and storage in the cloud
- ▶ Enterprise agreements for software and hardware

## Unquestionable leadership

- ▶ Over **150,000 visual effects shots** annually across feature film, TV & Advertising
- ▶ Around **5,000 digital artists** across our brands globally
- ▶ Contributing services to over **70% of the world's top box office** films in 2015

MPC

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technicolor

MRX

technicolor  
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# Recognized Visual Effects Expertise in all market segments



## British Academy of Film Awards

Worked on **23** nominated films  
**1** nomination



## Academy Awards

Worked on **29** Oscar films  
**1** nomination



## Golden Globes


Worked on **26** nominated projects



## Canadian Screen Awards

Worked on **24** nominated projects  
**2** nominations

## Cinema Audio Society Award

  
**2** nominations

## Visual Effects Society



**18** nominations

**5** wins

## The American Society of Cinematographers

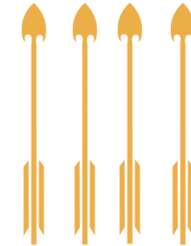
Worked on **5** nominated films



## Motion Picture Sound Editors



**4** nominations



**British Arrow Craft award**  
**4** wins

## Clio Awards



**4** wins

## Cannes Lion



**8** wins

## D&AD Wood Pencil



**12** wins

## London International Awards



**9** wins

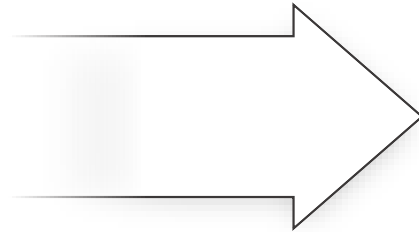


# DVD Services focused on Cash Generation

**SERVED MARKET SIZE: 3.3Bn discs**

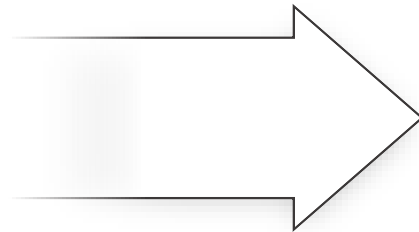
**TECHNICOLOR REPLICATION VOLUMES: 1.3Bn discs**

Market leading support to enhance customer base



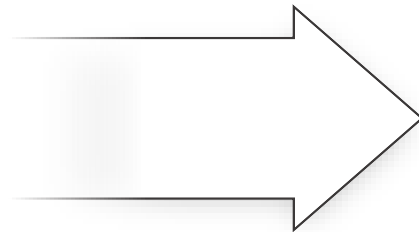
- ▶ 5 of 6 Major Hollywood Studios
- ▶ Microsoft & All Major Games Publishers
- ▶ 2 of 3 Major Music Labels

Highly competitive operating platform



- ▶ North America, Europe & Australia
- ▶ Strategically Located Low-Cost Operations
- ▶ Large-Scale/Highly Optimized Supply Chain

2016 business focus



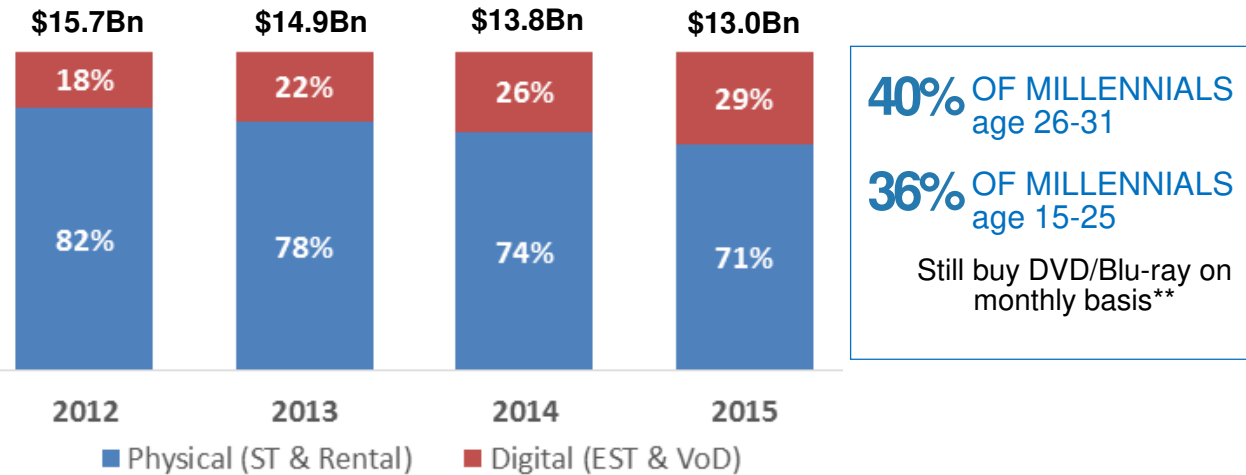
- ▶ Additional customers wins
- ▶ Operating efficiency optimization, including ongoing integration of Cinram North American operations/assets
- ▶ Diversification/Expansion of Supply Chain Services

# A Leader in a Mature and Resilient Market

## Physical to Digital Shift

- ▶ Physical media demand remains stronger than expectations
- ▶ DVD & Blu-ray remains majority of consumer spending
- ▶ “Long-Tail”- Physical share will shrink, but on gradual basis

### % of Total U.S. Consumer Home Entertainment Spending\*



\* Source: DEG Group – Excludes subscription streaming services  
\*\* Source: Deloitte Digital Democracy Survey, 2015

## Ultra HD Blu-ray

- ▶ Production started in Q1 2016
- ▶ Growing support across studio customer base
- ▶ 1st DVD Services production title: Fox’s The Martian



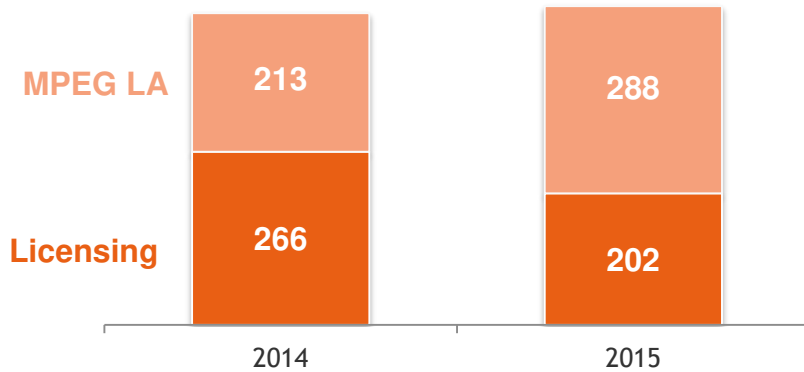
# LICENSING BUSINESSES

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

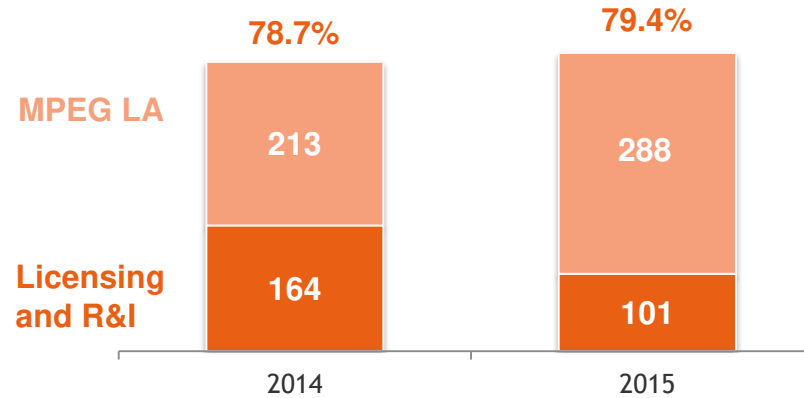
technicolor  
  
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# FY 2015 – Technology excl. M-GO

## Revenues (€m)



## Adj. EBITDA (€m) & Margin (%)



## Key Highlights

- ▶ Licensing revenues up 3.3% at constant rate
- ▶ Higher revenues from the MPEG LA pool which represented 59% of total sales
- ▶ Low level of contract renewal and new contracts in H2 for the other licensing programs
- ▶ Revenue decline of other licensing programs not offset by the solid H1 performance

## Key events:

- ▶ Joint-licensing program with Sony for DTV and CDM expected to ramp up in 2018
- ▶ First licensing agreement for HEVC
- ▶ Implementation of a revised filing policy

## Adj. EBITDA

- ▶ Adj. EBITDA increase driven by FY 2015 revenue growth
- ▶ MPEG LA contribution expected to decline to €60m in 2016
- ▶ Allocation of all costs related to R&I and Licensing to non MPEG LA revenues

# IP and Licensing Expertise



Patent  
portfolio  
management



Patent  
Licensing



Trademark  
Licensing



Technology  
Licensing

# Patent Portfolio Management and Licensing

Focus on high quality IP assets  
in four key pillars



Digital Television

*All leading TV  
brands licensed*



Mobile

*2 of the Top 10  
players licensed*

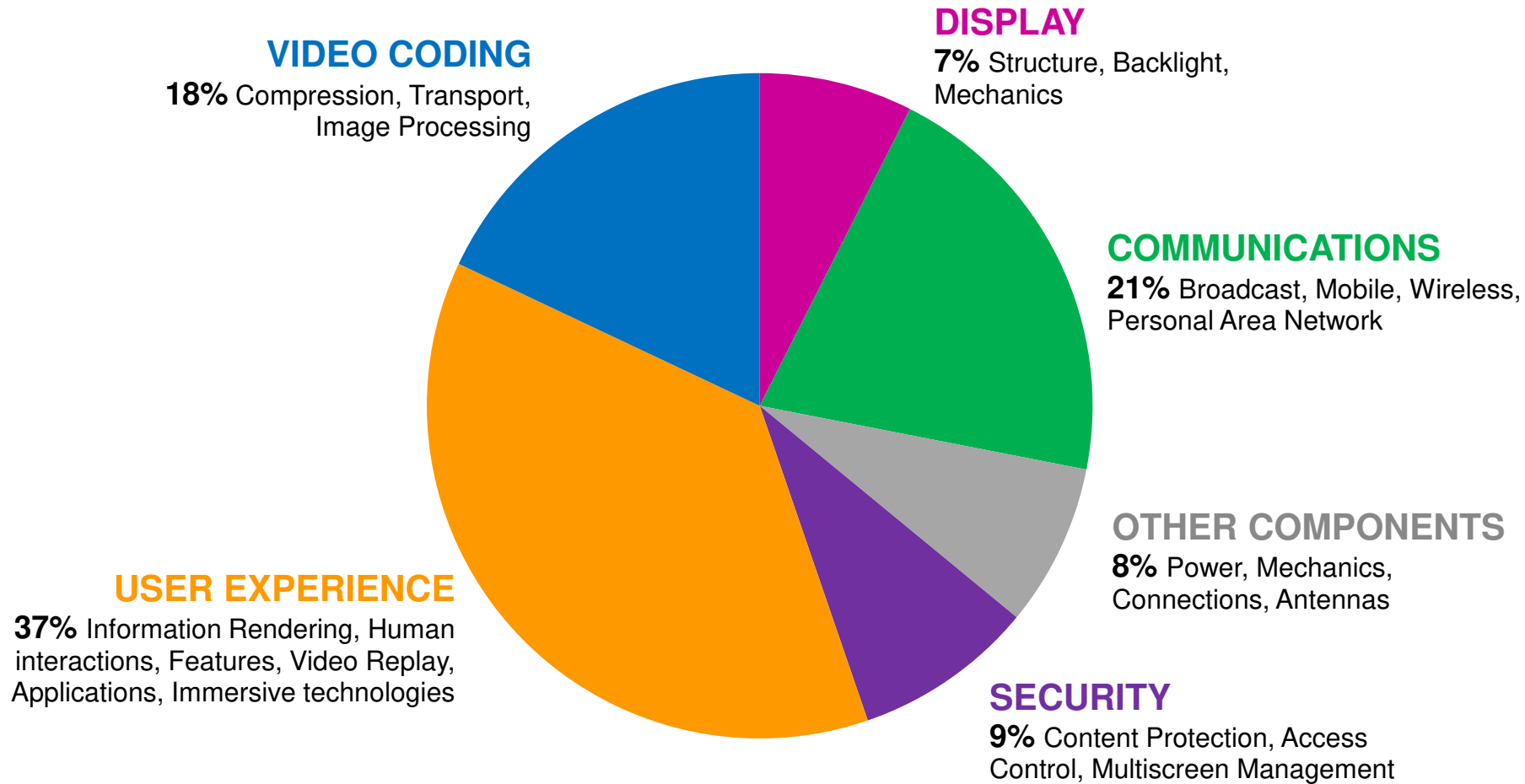


Connected Home

*N°2 WW CPE  
provider*

**VIDEO CODING**

# Patent Portfolio Management and Licensing

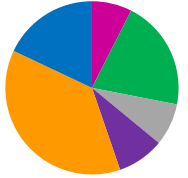


## PORTFOLIO COVERAGE

**60%**  
APPLIES  
TO MOBILE

**65%**  
APPLIES  
TO DTV

# Technicolor Patent Portfolio coverage for Smartphones



**MARKET SIZE:**  
1.5Bn units/year globally

**Display LCD & AMOLED**  
Structure, Backlight,  
Mechanics

LTE, 3G, 2G

WiFi

Personal Area Network

HDMI over USB Type C



**Video Codecs**

MPEG-2 Systems, MPEG-4  
Visual, H.264, HEVC

**Copy protection**

**User interface**

Search recommendations,  
Audio player interface...

**OS and key applications**

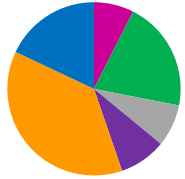
Software update, E-mail program,  
Video signal strength, SIM card  
application toolkit  
**SIM card application toolkit**

**Application and music store**





# Technicolor Patent Portfolio coverage for TV



**MARKET SIZE:**  
230m units/year globally

**Display LCD & AMOLED**  
Structure, Backlight, Mechanics

**DVB standards**  
DVB-T/T2, DVB-S/S2,  
DVB-CI/CI+, DVB-SI

**ARIB standard**  
ISDB-T

**ATSC 1.0, future ATSC 3.0**

**WiFi**

**HDMI**  
**Power**  
**Mechanics**



**Video codecs**  
H.264, HEVC  
Image processing, incl. HDR

**User interface**  
Voice recognition, Remote control

**Electronic Program Guide**

**Advanced features**  
On-screen display, Parental control,  
Multiscreen management, Video replay

**Connected TV**

**Copy protection**  
**Access Control**  
**Multiscreen Management**

# Trademark and Technology Licensing

A solid portfolio of brands that leverage Technicolor's heritage

**RCA**

**THOMSON**

**SABA**

**PROSCAN**

**NORDMENDE**



**FERGUSON**

Solid foundations to leverage Technicolor's expertise

- ▶ Product offering for immersive video and experiences: image enhancement, color processing
- ▶ HDR progress: strong SOC vendors penetration, CE vendors engagement and tests under way with Pay TV operators
- ▶ Partnerships: Philips and LG announced at CES, support from SOCs



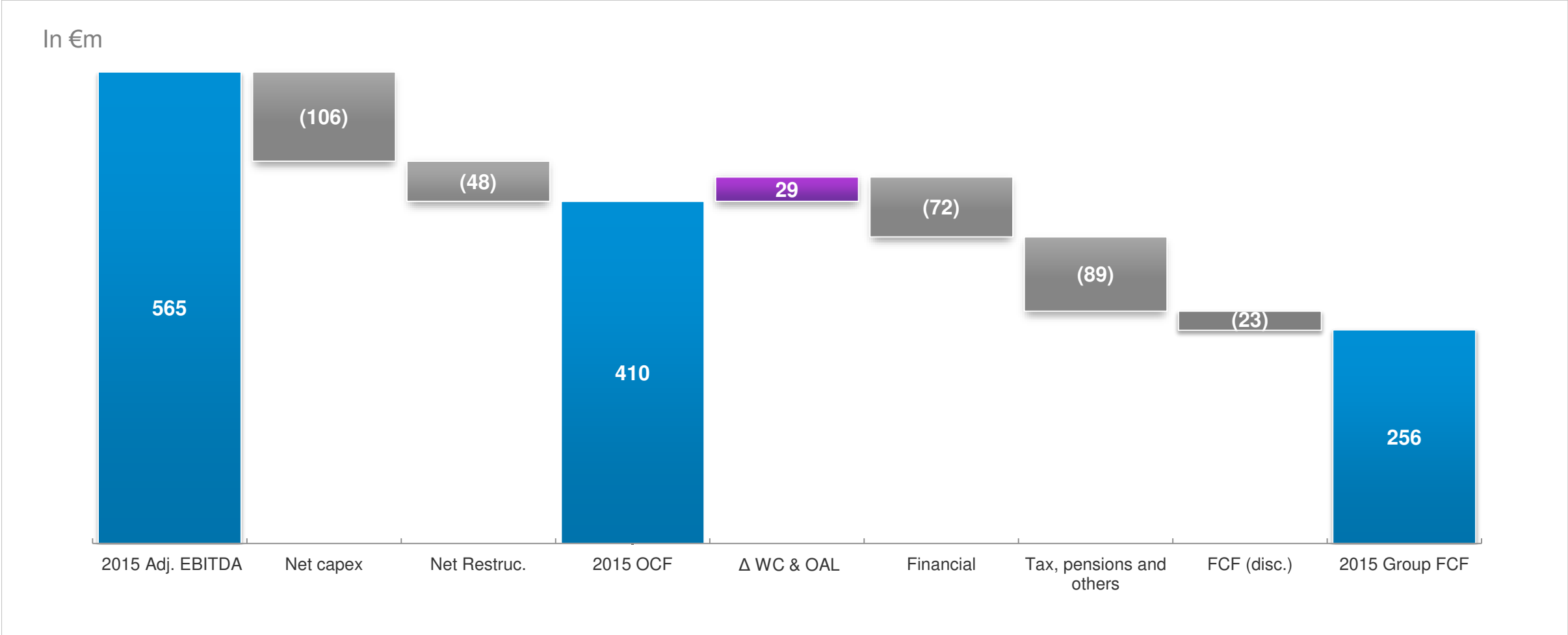
# FY 2015 FINANCIAL RESULTS

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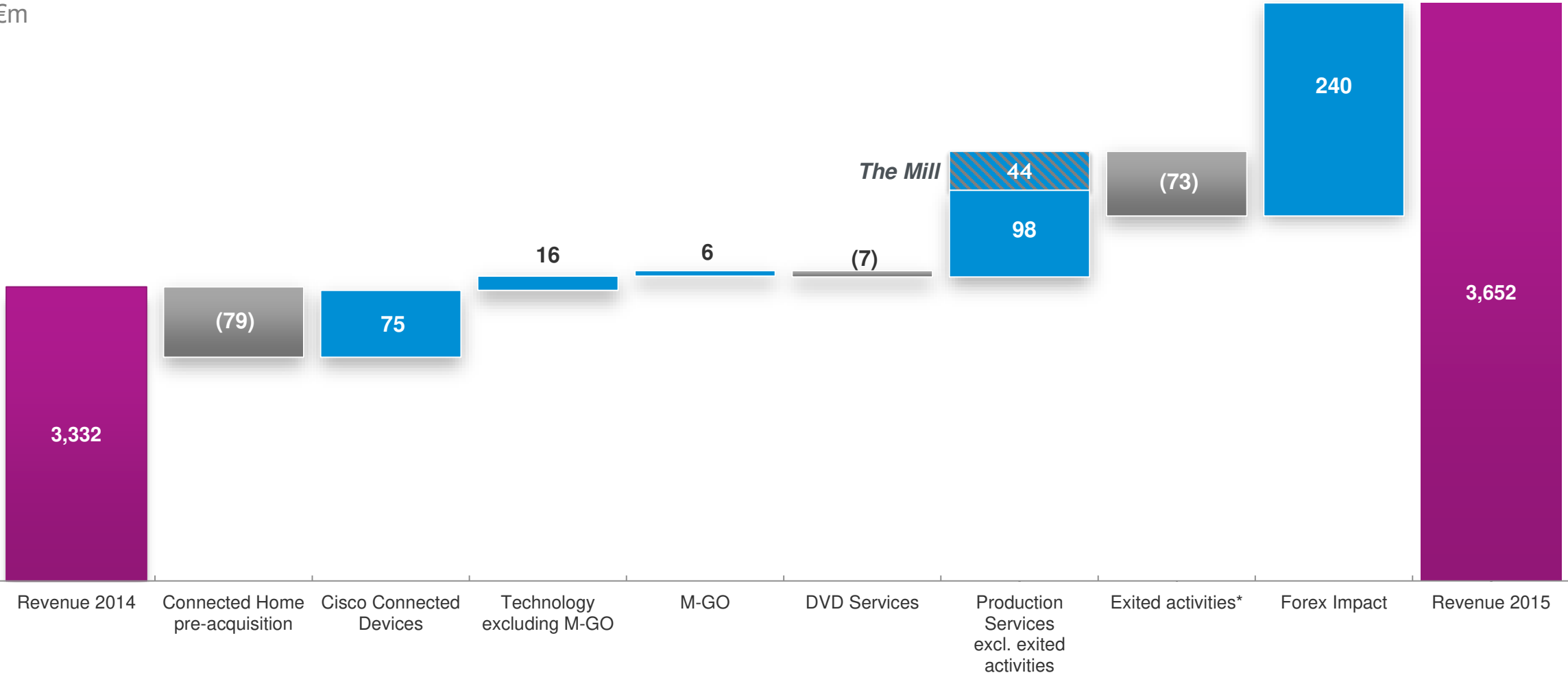
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# FY 2015 – Strong free cash flow generation of €256m



# FY 2015 – Revenues

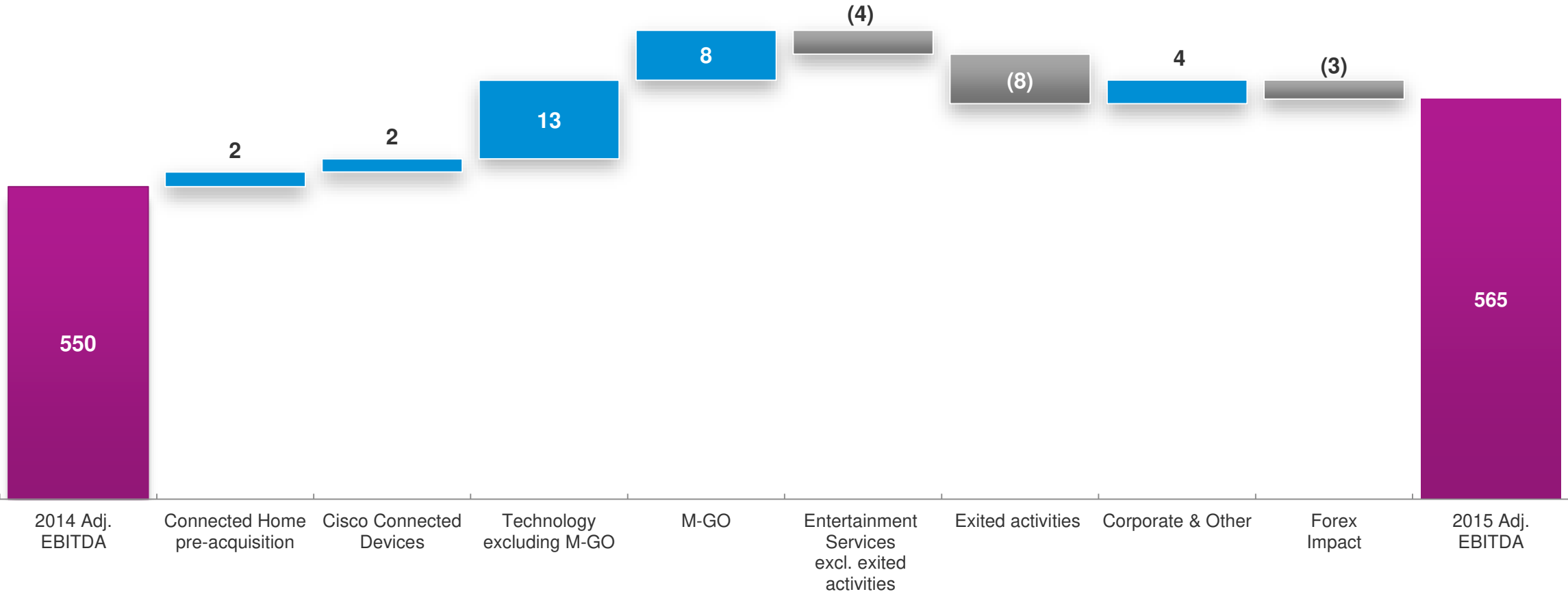
In €m



\* Exited activities include Digital Cinema, Digital Distribution Services and IZ-ON Media

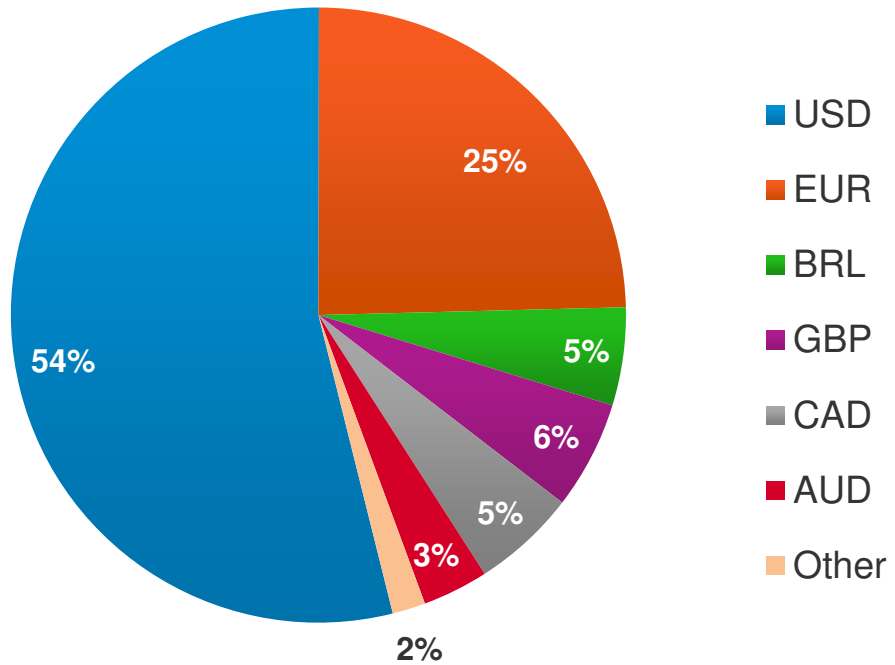
# FY 2015 – Adjusted EBITDA

In €m

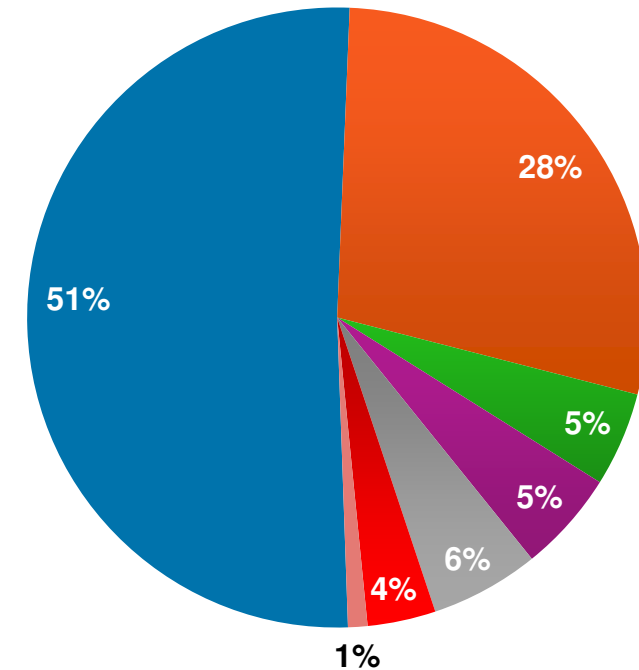


# FY 2015 – Foreign exchange exposure

GROUP REVENUE 2015 BY CURRENCY



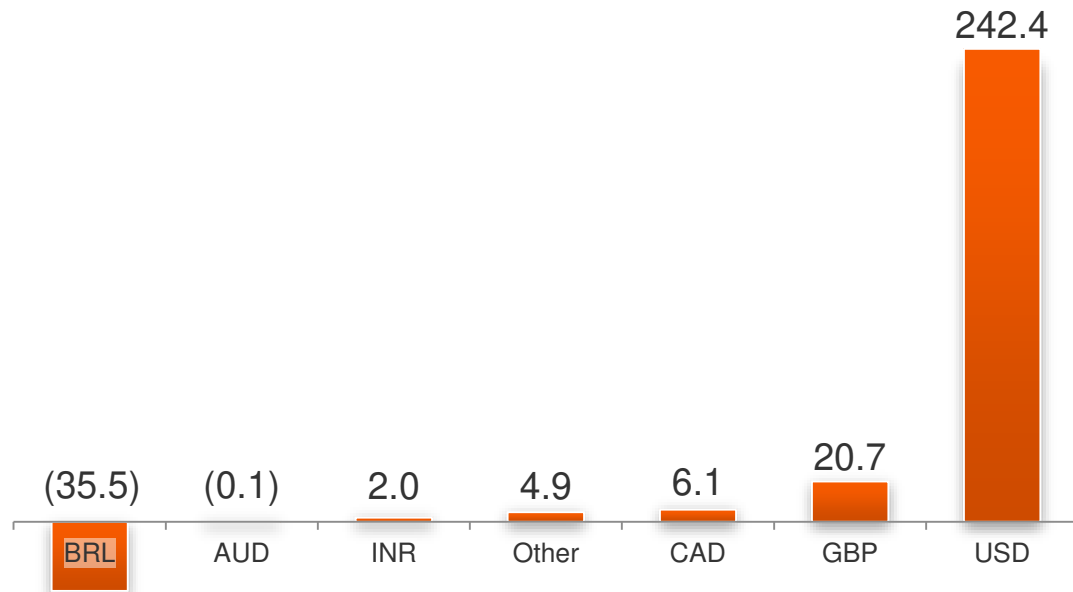
GROUP COST BASE 2015 BY CURRENCY



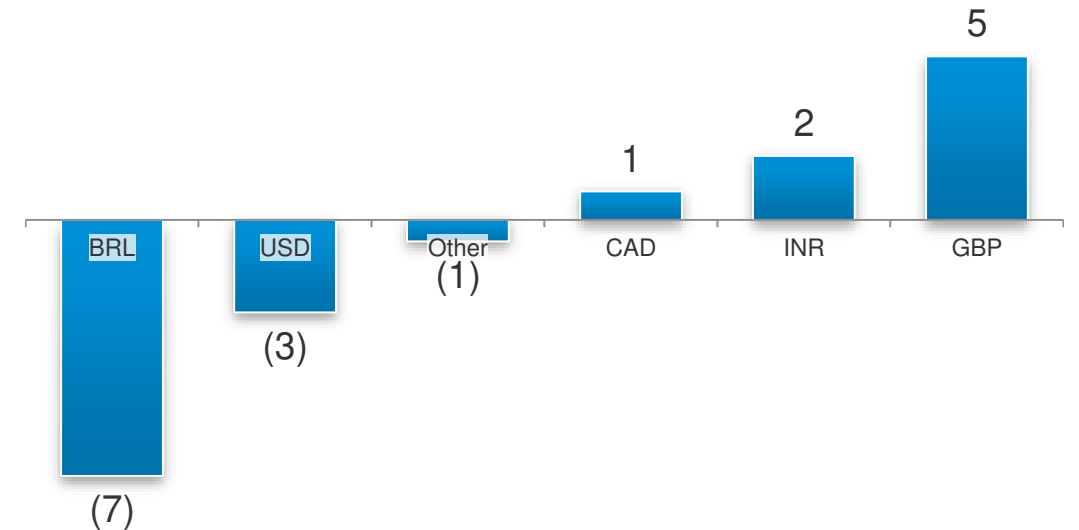
- ▶ Technicolor's highest exposures are to the USD, GBP, CAD and the BRL
- ▶ The cost base largely matched the revenue base, but there are some discrepancies in particular with the USD and the BRL

# FY 2015 – Forex impact on revenues and Adj. EBITDA

2015 FOREIGN EXCHANGE GROUP REVENUE IMPACT (€m)



2015 FOREIGN EXCHANGE GROUP Adj. EBITDA IMPACT (€m)



- ▶ Average USD/EUR exchange rate increased 20% in 2015 versus 2014
- ▶ Positive impact at top line was mostly generated in businesses where there is a good match between the revenue base and the cost base
- ▶ Connected Home was affected by the dollar appreciation at the EBITDA level in EMEA as costs are mostly in USD



# FY 2015 – From Adj. EBITDA to EBIT

(in € million)	FY 2014	FY 2015	Change
<b>Adjusted EBITDA</b>	<b>550</b>	<b>565</b>	<b>+15</b>
D&A	(183)	(190)	(7)
<b>Adjusted EBIT</b>	<b>368</b>	<b>374</b>	<b>+6</b>
Non-current	7	(45)	(52)
Restructuring costs	(25)	(39)	(14)
Net impairment losses	(48)	(27)	+21
<b>EBIT</b>	<b>302</b>	<b>264</b>	<b>(38)</b>

- ▶ EBIT down €38 million YoY, reflecting a high level of non-current items. The items below the adj. EBIT are mostly in USD and include a negative forex impact of €12 million,
- ▶ Connected Home recorded €(53) million of non-current items, including integration and acquisition costs as well as a settlement and R&D write-off
- ▶ Other items including restructuring costs are mainly related to the exited activities (Digital Cinema and Distribution Services) and the disposal of M-GO in January 2016

# FY 2015 – Positive net income

(in € million)	FY 2014	FY 2015	Change
<b>EBIT</b>	<b>302</b>	<b>264</b>	<b>(38)</b>
Financial result	(117)	(87)	30
Share of profit/(loss) from associates	0	(1)	(1)
Income tax	(48)	(55)	(7)
<b>Profit/loss from continuing operations</b>	<b>137</b>	<b>121</b>	<b>(16)</b>
Discontinued Operations	(9)	(43)	(34)
<b>Net result</b>	<b>128</b>	<b>78</b>	<b>(50)</b>

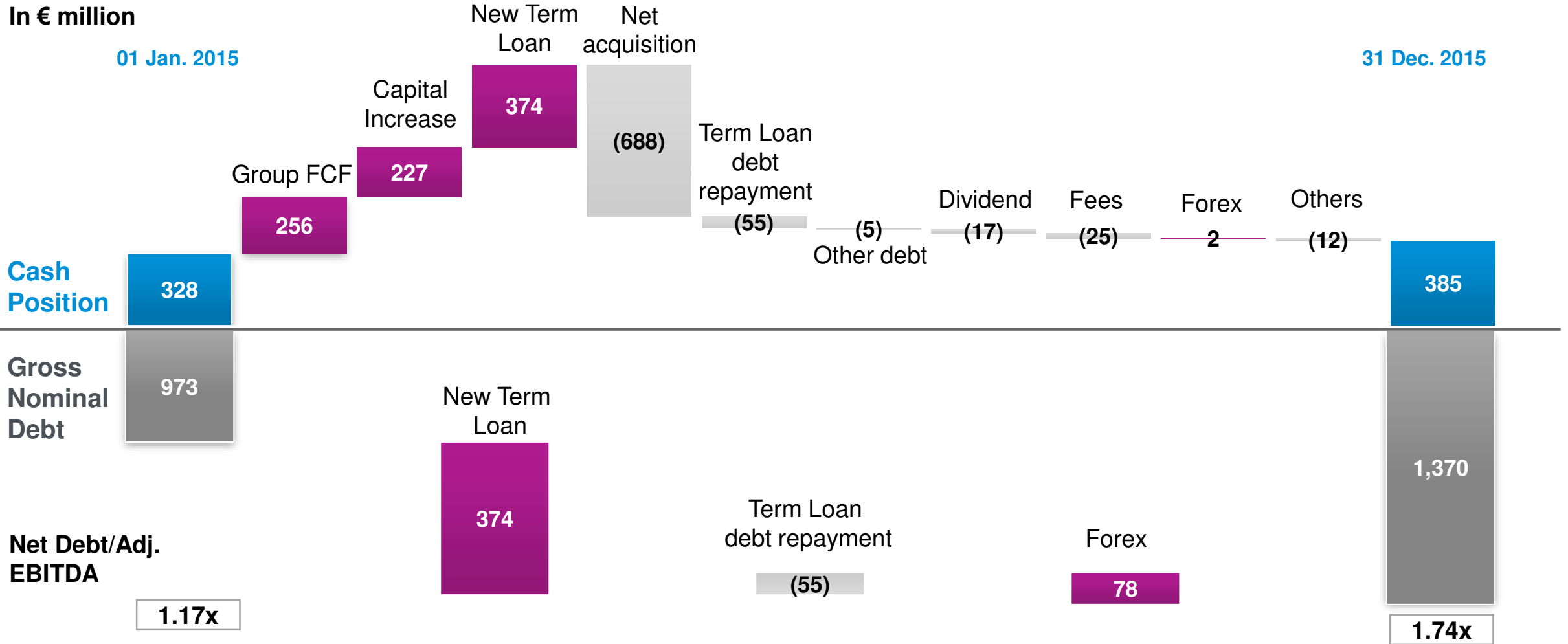
- ▶ Financial result: net interest costs of €63m, broadly stable YoY and an absence of material IFRS impact
- ▶ €(49)m of exceptional charges in Discontinued Operations due to the settlements of CRT litigation cases in the US, o/w €36m will be paid in 2016

# FY 2015 – Net Debt evolution

In € million

01 Jan. 2015

31 Dec. 2015



# Debt structure

(in millions)	Issuer	Nominal Debt	IFRS Debt
Term Loan B - \$	Tech Finance	\$942	\$894
Term Loan B - €	Tech Finance	€490	€456
<b>Total Senior Debt</b>		€1,351	€1,274
<b>Other Debt</b>		€19	€19
<b>Gross Debt</b>		€1,370	€1,293
<b>Cash</b>		€385	€385
<b>Net Debt</b>		€985	€908

- ▶ Interest rate post April 2015 repricing
  - 1% Floor Libor/Euribor + 400 basis point
- ▶ Average interest rate in 2015
  - Nominal: 5.12%

## COVENANTS

<b>Leverage Covenant</b>	Gross Debt to EBITDA: 4.0 x vs. 3.5x before 2015 repricing
<b>Other restrictions</b>	Increased dividend payment basket €150m from June 2015 to July 2020 vs. €125m from July 2013 to July 2020 before 2015 repricing
<b>Excess Cash Flow</b>	50% of Excess cash flow sweep vs. 75% before 2015 repricing subject to step down if certain leverage ratios are reached

- ▶ Current Ratings
  - Standard & Poor's: B+, stable outlook
  - Moody's: B1, positive outlook

# Tax losses carryforward and deferred tax assets

2015 - in €m	NOL's	DTA on NOL's	Comment
France	1,714	204	Can be carried forward without time limit
U.S.	1,287	0	Can be carried forward 20 years

# 2016 GUIDANCE AND MID-TERM OBJECTIVES

technicolor



FEEL THE WONDER

# 2016 objectives

**Free Cash Flow: > €240m**

**Adj. EBITDA  
€600m to €630m**

**Net Debt to Adj. EBITDA  
< 1.4x**

## **Adj. EBITDA breakdown**

**Operating Businesses: > €475m**

**Technology: > €200m**

*Based on contribution of licensing agreements already signed and incl. €60m generated by MPEG LA*

**Corporate: c. €(80)m**

# 2018 mid-term objectives



- ▶ **Free Cash Flow** > €300m
- ▶ **Adj. EBITDA** > €660m
  - Strong improvement of operating businesses:
    - > €130m of synergies in Connected Home
    - > €800m of revenues in Production Services
    - c. €1bn of revenues in DVD Services
    - > 50% of adj. EBITDA contributed by Production Services in the Entertainment Services segment
  - €150m of adj. EBITDA from the Technology segment
- ▶ **Net debt to Adj. EBITDA** < 0.8x
- ▶ **Increase return to shareholders** through a mix of share buyback and dividend



# 2020 Ambition



Free Cash Flow  
**> €350m**

Adj. EBITDA  
**> €750m**

**THANK YOU**

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