Free translation of the original report on the "Attestation d'équité - Emission d'Obligations Convertibles « Mandatory Convertible Notes » par TECHNICOLOR SA" issued by the Independent Expert, dated April 4, 2022.

In the event of any discrepancies in translation or interpretation, the French version should prevail.

Fairness opinion

Issuance of Mandatory Convertible Notes by TECHNICOLOR SA

April 4, 2022

Contents

Context of our engagement

On February 24, 2022, the Board of Directors of TECHNICOLOR SA (hereinafter "TECHNICOLOR" or "the Company" or "the Group") appointed FINEXSI EXPERT & CONSEIL FINANCIER (hereinafter "FINEXSI") as independent appraiser in connection with the proposed issuance of Mandatory Convertible Notes (hereinafter "the Transaction").

As will be discussed in more detail below, the proposed issuance of Mandatory Convertible Notes is the result of talks that the Company's management initiated with some of its shareholders with a view to fully refinancing its existing financial debt, spinning off the TECHNICOLOR CREATIVE STUDIOS business[1] and distributing 65% of the share capital of the company which hold the business being spun off. It should be noted that this company will apply for listing on EURONEXT PARIS.

The project was publicly announced on February 24, 2022.

In this context, the purpose of our engagement is to assess the fairness to TECHNICOLOR'S shareholders of the financial terms and conditions of the issuance of the Mandatory Convertible Notes, which entails assessing the value of TECHNICOLOR shares before and after the issuance, and, more generally, the treatment of the different stakeholders.

[1] TCS brings together the Group's Visual Effects and Animation services activities.

1. Reasons and terms of the Transaction

1.1 Reasons and description of the Transaction

In the context of the operational and financial restructuring of its activities initiated in 2020, TECHNICOLOR, despite the challenges imposed by the COVDI-19 pandemic, has carried on three profit-making activities that are positioned among the leaders in their respective markets. The Company also wishes to continue its growth and development in conjunction with sustained demand.

The following transactions are envisaged within that framework:

- A plan to refinance the existing debt, notably through the issuance of Mandatory Convertible Notes ("MCN") for an amount of €300 million, which is the subject of this first report;

- A separation of the TCS business from TECHNICOLOR via a spin-off. This activity will be regrouped within the TCS company of which 65% of shares will be distributed to TECHNICOLOR's shareholders. The remaining 35% will be held by TECHNICOLOR. To complete the spin-off, TCS will apply for listing its shares on EURONEXT PARIS. The spin-off will be the subject of a second report when its practical details are known.

TCS's planned spin-off will change the scope of TECHNICOLOR's activities, which will be separated into TCS on the one hand, and TECHNICOLOR, ex TCS, including the Connected Home and DVD Services divisions, on the other.

TCS and TECHNICOLOR excluding TCS will differ on several criterias, notably in terms of growth prospects, margin levels and cash flow generation. TCS is one of the world's leading visual effects companies, a fast-growing market characterized by an increasing demand. This transaction should allow both entities to pursue their own strategy, in line with their business and growth prospects, with the aim of maximizing value creation.

1.1.1 Debt refinancing via MCNs

The Group's refinancing plan is intented to ultimately effect a complete restructuring of its debt. The first step is the issuance of €300 million in Mandatory Convertible Notes (MCNs) via separate reserved issues.

Also, the TCS spin-off is conditional upon the issuance of the MCNs, which would significantly improve the financing terms available to TECHNICOLOR. The issuance of the MCNs would also allow the Group to initiate its refinancing and thus release the trusts on GALLO 8 SAS (the holding company for the US subsidiaries of the TCS division and substantially all the subsidiaries of the Group's other activities, excluding TCS) and TECH 7 SAS (the holding company for the non-US subsidiaries of the TCS division) put in place in 2020 in consideration for paying up of the new financing.

The issuance of the MCNs will take the form of several separate reserved issues with the same characteristics based on a selective approach of significant shareholders, ANGELO GORDON, BPI FRANCE and all shareholders holding more than 3.5% of TECHNICOLOR's share capital. These will have the opportunity to participate in the issue to the extent of their shareholding in TECHNICOLOR at the date of the announcement.

The following shareholders, including ANGELO GORDON, BPI FRANCE, CSAM, BRIARWOOD, BARINGS, FARALLON, BAINCAPITAL and GOLDMAN SACHS, support the proposed MCN issue and have undertaken to subscribe for it in full.

The main characteristics of the MCNs are as follows:

- The conversion price of the MCNs is €2.60 per share. It corresponds to the average of the volume weighted average price (VWAP) over a 3-month period of TECHNICOLOR's ordinary shares as of February 23, 2022 (prior to the signature of the commitment) after considering a haircut of 5%;
- The MCNs will be automatically converted into TECHNICOLOR shares at this price during the period ending 18 months after the date of issuance, provided that the Extraordinary Shareholders' Meeting approves the distribution of at least 65% of the share capital of TCS and that the Board of Directors resolves to make such distribution and EURONEXT PARIS has issued a decision to list the shares of TCS;
- Holders of MCNs will have the option to convert them into shares at any time;
- The notes bear an annual cash coupon of 4.50% payable at the end of each three-month period and are tax-exempt unless otherwise required by law;
- The MCNs will mature on the earlier of the following: (i) 6 months after the last maturity date applicable to the New Senior Secured Debt of TECHNICOLOR and TCS and WELLS FARGO FACILITY (or, if the existing debt has not been refinanced, the last maturity date applicable to the Group's existing senior secured debt and the WELLS FARGO FACILITY) and (ii) the seventh anniversary of the date of the issuance;
- An initial fee of 1.50% was paid to ANGELO GORDON on the date of execution of its engagement letter;
- The subscribing shareholders will be able to subscribe, up to their subscription commitment, for 97.5% of its nominal value;

- In case of non-approval[2] or non-fulfillment[3] of the Transaction, breakage fees of (i) 5% plus (ii) a percentage depending on the number of days between the announcement and the non-approval or (i) 9% plus (ii) a percentage depending on the number of days between the announcement and the non-fulfillment of the Transaction will be respectively due to the different subscribers.

An Extraordinary General Meeting of TECHNICOLOR's shareholders will be held at the beginning of the second quarter and no later than May 25, 2022, in order to submit the issuance of the MCNs to their approval. The issuance of the MCNs may only be approved by a two-thirds majority of the shareholders. The shareholders subscribing for the MCNs undertake not to sell their TECHNICOLOR shares before the holding of the envisaged Extraordinary Shareholders' Meeting. This part of the Transaction is the subject of this report.

1.1.2 Proposed listing of TCS and distribution of 65% of its capital

TECHNICOLOR plans to list TCS on the EURONEXT PARIS regulated market and to distribute 65% of the share capital of TCS through a contribution in kind to the Group's shareholders, allowing them to receive TCS shares while remaining shareholders of TECHNICOLOR ex TCS.

At this time, given the Group's capital position and the estimated amount of net income for the year 2022, which is not expected to fully offset the negative retained earnings, it is envisaged that the distribution in kind will be taken from TECHNICOLOR's "Share premium" account.

In order to continue to reduce debt and allow the creation of two new groups (TECHNICOLOR ex TCS and TCS), a sale of the remaining 35% held by TECHNICOLOR ex TCS is envisaged before or after the distribution depending on market conditions. In addition, TECHNICOLOR will remain a listed entity on EURONEXT PARIS.

The Annual and Extraordinary General Meeting of TECHNICOLOR is expected to take place at the end of June 2022 and will make the resolutions conditional on the distribution of TCS' capital.

1.2 Main requirements for the completion of the Transaction

The proposed Transaction is expected to be completed by the third quarter of 2022, but will not be final until the following requirements have been met:

- Shareholder approval of the issuance of the MCN;
- Completion of discussions with creditors regarding refinancing on terms deemed satisfactory by TECHNICOLOR ex TCS and TCS;
- Shareholder approval of the terms of the TCS spin-off and distribution;
- Approval by the French Financial Markets Authority (*Autorité des Marchés Financiers*, or AMF) of the prospectus relating to the admission of TCS shares to the regulated market of EURONEXT PARIS.

[2] Non-approval would be characterized by the absence of an EGM before May 25, 2022, or the holding of the EGM before May 25, 2022, but a vote disapproving the issuance of the MCN.
[3] Non-fulfillment would be characterized by the absence of non-approval and by the fact that the Company has not issue the MCN before July 31, 2022.

2. FINEXSI'S engagement

TECHNICOLOR'S Board of Directors has engaged FINEXSI to ensure that the Company's shareholders are provided with the most complete information possible.

This report, which describes the terms and conditions of the Transaction, has been prepared in accordance with Article 262-1 of the AMF General Regulation and its application instruction No. 2006-08 of July 25, 2006, relating to independent appraisals, as supplemented by the AMF recommendations dated September 28, 2006, amended on October 19, 2006, and July 27, 2010.

This report therefore complies with the provisions of the AMF's General Regulation and is intended for persons covered by French law. In particular, although our report may be made available to holders of American Depository Receipts (ADRs), it is exclusively within the framework of French regulations and we therefore assume no responsibility for persons subject to other regulations.

In order to perform our engagement, we have used the documents and information provided to us by TECHNICOLOR SA. These documents were considered accurate and complete, and were not subject to any particular verification. We did not attempt to validate the historical and forecast data used, but only verified their reasonableness and consistency. This engagement did not include an audit of the financial statements, contracts, litigation and any other documents provided to us. Our procedures are described below.

FINEXSI and its partners,

- are independent within the meaning of Articles 261-1 *et seq.* of the AMF General Regulation, and as such are able to draw up the independence statement provided for in Article 261-4 of the said General Regulation, and none of the cases of conflict of interest referred to in Article 1 of AMF Instruction 2006-08 apply to us;
- have the necessary human and material resources to carry out their engagement, as well as sufficient insurance or financial resources to cover the potential risks associated with this engagement.

FINEXSI certifies that it has no known past, present or future relationship with the persons involved in the Transaction and their advisors that could affect its independence and the objectivity of its judgment in the context of this engagement.

2.1 Work carried out

Our work consisted mainly of:

- Understanding the context of the Transaction, the activities and the historical performance of the Group;
- Reviewing the legal documentation of the Transaction, in particular the Term Sheet relating to the MCNs;
- Analyzing the TECHNICOLOR Group's business, its evolution and its development prospects in the context of the restructuring undertaken since 2020 with the Group's management;
- Analyzing identified risks and opportunities that could affect TECHNICOLOR's value;
- Analyzing the consolidated financial statements and business plan of the TECHNICOLOR Group for the 2022–2024 period, identifying the key assumptions considered and assessing their relevance;
- Implementing a multi-criteria approach to the valuation of TECHNICOLOR shares;
- Analyzing the characteristics of the MCNs and the effects of their issuance on the Company's financial structure and in terms of value creation;
- Drawing up a report in the form of a fairness opinion setting out the valuation of the TECHNICOLOR shares and the opinion on the consequences of the Transaction for the shareholders due to the terms and conditions affecting the Company's capital.

As part our engagement, we have reviewed a set of accounting and financial information (financial statements, press releases, etc.) published by TECHNICOLOR for the years ending between 2019 and 2021.

We have performed procedures on the legal documentation made available to us, to the extent necessary and for the sole purpose of obtaining information relevant to our engagement.

We have had numerous discussions with the Company's financial management and its advisors, both to understand the context of the Transaction and to understand the business outlook and resulting financial forecasts.

We have assessed the economic assumptions on which TECHNICOLOR's 2022–2024 forecasts are based.

For relative valuation methods (transactions multiples and peer groups), we studied publicly available information on comparable companies and transactions from our financial databases.

The purpose of our report is not to give an implicit or explicit recommendation as to the completion of the Transaction on which the shareholders may participate, but to provide them with information and an opinion on the terms and conditions of the Transaction and its impact on them.

Our report is based on the Term Sheet related to MCNs dated February 23, 2022, and on the draft MCN issue presented by the Company on February 24, 2022, and which will be submitted to the vote of the General Shareholders' Meeting convened on May 6, 2022.

3. Presentation of TECHNICOLOR

3.1 TECHNICOLOR'S shareholding

TECHNICOLOR SA is a *société anonyme* (corporation or public limited company) with a Board of Directors and a capital of €2,358,246 as of December 31, 2021, registered in the Paris Trade and Companies Registry under number 333 773 174 and whose registered office is located at 8-10, rue du Renard in Paris (75004), France.

The Company's shares are listed on compartment B of EURONEXT PARIS (ISIN code: FR0013505062), and also on the OTCQX international premium market via its American Depositary Shares program.

In fiscal 2020, TECHNICOLOR carried out several capital transactions, including a reverse stock split and a capital reduction at the end of the first half of 2020, followed by an issue of shares and warrants as part of its safeguard plan in the second half of 2020. These transactions brought the company's share capital to 15,407,114 shares and 235,795,483 shares at June 30 and December 31, 2020, respectively.

Following the issuance of 9,800 new shares on May 6, 2021, under the 2018 long-term incentive plan, and the exercise of 24,090 shareholder warrants exercised during the year, representing 19,272 new shares, TECHNICOLOR's share capital as of December 31, 2021, amounted to:

Table 1 – TECHNICOLOR's shareholding as of December 31, 2021

As of 31 December 2021	Share Capital	
	Number of shares	%
Public	71 994 547	30,53%
Angelo, Gordon & Co.	29 811 992	12,64%
Crédit Suisse AM	25 491 247	10,81%
Briarwood Chase Management	21 827 685	9,26%
Barings AM	18 631 496	7,90%
Bain Capital Credit	17 785 294	7,54%
Farallon Capital Management	14 422 759	6,12%
Goldman Sachs Group	10 390 314	4,41%
Bpifrance Participations	10 381 145	4,40%
Invesco Advisers	9 152 900	3,88%
BNP Paribas AM	5 935 176	2,52%
Total	**235 824 555**	**100,00%**

Source: Company

3.2 History of the Group

Created in 1880, TECHNICOLOR'S activity was initially dedicated to electricity production and transmission equipment. After World War II, the company, then called COMPAGNIE FRANÇAISE POUR L'EXPLOITATION DES PROCÉDÉS THOMSON-HOUSTON (CFTH), reoriented itself towards professional electronics and household appliances.

After several external growth transactions[4], the Company changed its name to THOMSON-BRANDT, and was nationalized in 1982 by the Mauroy administration due to financial difficulties.

In 1987, THOMSON-BRANDT became THOMSON CONSUMER ELECTRONIC COMPANY and then THOMSON MULTIMEDIA in 1995, and in 1997, due to new difficulties, the French government granted the company aid in the amount of 11 billion francs[5] before proceeding with its privatization in September 2000.

From the early 2000s, the Group moved further away from its original business to focus on professional electronic equipment and services for the media and entertainment sector.

Once again in difficulty in 2009, THOMSON MULTIMEDIA entered into a safeguard procedure in November 2009, following which a capital increase by offsetting receivables for an amount of €1.3 billion was completed on May 26, 2010.

The Company's strategic reorientation was confirmed in January 2010 when it took the name of its subsidiary operating in the film and professional audiovisual sector: TECHNICOLOR.

In 2015, the Group decided to focus on higher-value-added activities, such as animation and visual effects, and acquired THE MILL (a production services company) and CISCO CONNECTED DEVICES (CISCO's home terminal business), which is now part of the Connected Home division.

In 2018, the Group's DVD Services division, which specializes in DVD replication and distribution, announced it had signed a subcontracting agreement with SONY DADC[6] for which the Company committed to handle a large portion of its CD, DVD and Blu-ray manufacturing and packaging needs in North America and Australia.

In 2018 and 2019, TECHNICOLOR divested its "Licensing and Patents" and "Research & Innovation" technology businesses in the form of an asset sale to INTERDIGITAL: the sale was accompanied by a cooperation agreement under which INTERDIGITAL and TECHNICOLOR committed to jointly develop collaborative research programs in the areas of video coding, the Connected Home and immersive technologies until the summer of 2021.

Faced with new financial difficulties, particularly accentuated by the impact of the COVID-19 pandemic, TECHNICOLOR entered into discussions with its creditors in order to obtain New Financing, which led to the conclusion of an Agreement in Principle announced on June 22, 2020. As a result, the Group was able to swap €660 million of its debt for equity through various capital increase transactions.

At the beginning of the same year, the Group also announced a new strategic plan for 2020–2022, aimed in particular at strengthening its leadership positions and improving the competitiveness of

[4] Merger with HOTCHKISS-BRANDT in 1966, and the COMPAGNIE GÉNÉRALE DE TÉLÉGRAPHIE SANS FIL in 1968.
[5] That is €1.7 billion.
[6] SONY DIGITAL AUDIO DISC CORPORATION.

its offerings, which will involve in particular the disposal of activities with limited potential for internal improvement.

In April 2021, TECHNICOLOR sold its "Post-Production" business to STREAMLAND MEDIA in order to focus on its visual effects and animation services activities for the entertainment sector, corresponding to the "TCS" business which is the subject of the spin-off. The Group has also received a binding offer for its "Trademark Licensing" business, the sale of which is expected to be completed in the first half of 2022.

The Group now intends to distribute to its shareholders 65% of the capital of the company that will regroup its TECHNICOLOR CREATIVE STUDIOS business[7] through a spin-off, as well as to refinance its debt. The two transactions would allow TECHNICOLOR to improve its balance sheet structure to better profit from its high value-added activities.

3.3 Presentation of the Group's activities

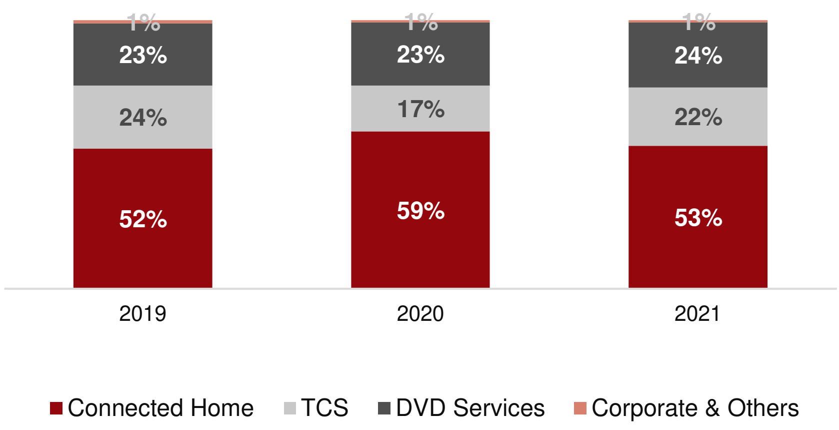
The TECHNICOLOR Group operates in the "Media & Entertainment" sector through its three main activities, whose contributions to revenue are detailed below:

- Connected Home;
- TECHNICOLOR CREATIVE STUDIOS, the subject of the spin-off; and
- DVD Services.

Central functions and other activities not included in the above-mentioned segments, in particular royalties received in respect of patents and trademarks still held by the Group, are included in the "Corporate & Other" segment.

The breakdown of the Company's revenue into its various activities is shown below: the Connected Home segment is the largest in terms of revenue, with a relatively stable contribution over the period.

Figure 1 - Breakdown of revenue by activity between 2019 and 2021

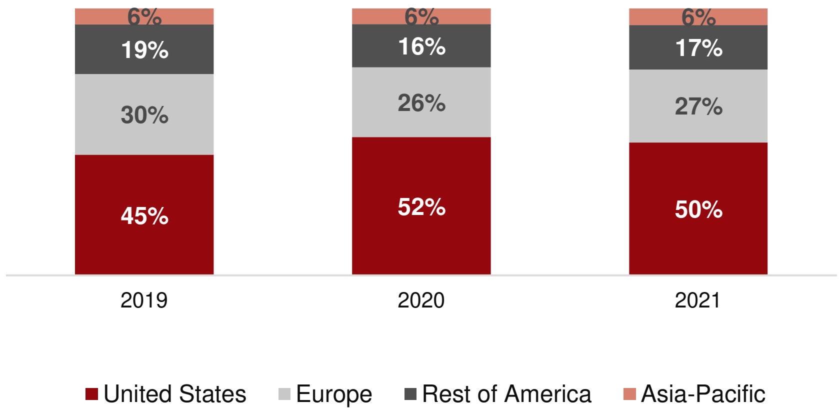


Sources: Universal Registration Documents 2019 and 2020, Consolidated Accounts 2021

[7] formerly "Production Services", but whose scope also included the "Post-Production" activity sold in April 2021.

Through its three divisions, the Company serves markets worldwide, particularly the United States, which is its main market.

Figure 2 - Distribution of revenue by region between 2019 and 2021



Sources: Universal Registration Documents 2019 and 2020, Consolidated Financial Statements 2021

The activities and their respective operating performances are detailed below.

3.3.1 Connected Home

TECHNICOLOR's Connected Home business offers a complete range of home terminals (video solutions and broadband Internet access) to pay-TV and network operators.

These solutions, which include broadband modems and gateways, digital set-top boxes, as well as connected devices (Internet of Things)[8], can be presented as follows:

- Internet/Broadband: the terminals developed correspond mainly to broadband, multifunctional Internet boxes for the provision of "triple-play" and "quad-play"[9] services, Wifi routers and IoT connected devices;
- Video: these terminals correspond to digital decoders designed for satellite, cable, telecom, mobile and OTT operators[10], allowing access to video content, entertainment and other services offered by these operators.

The Group designs, manufactures and assembles (by subcontracting) domestic terminals and handles all logistics for its telephone/Internet operator and broadcaster clients such as AMERICA MOVIL, AT&T, CENTURYLINK, CHARTER, COMCAST, COX, LIBERTY GLOBAL, MEGACABLE, PROXIMUS, TATA SKY, TELEFONICA, TELSTRA, TELUS or VODAFONE.

[8] "Internet of Things", or "IoT", refers to the interconnection between the internet and objects, places and physical environments.
[9] Refers to commercial packages combining several services such as Internet access, fixed-line telephony, television or mobile telephony.
[10] "Over The Top" or "bypass offering," defining services that deliver audio, video and other media over the Internet without the involvement of a traditional network operator (example: NETFLIX).

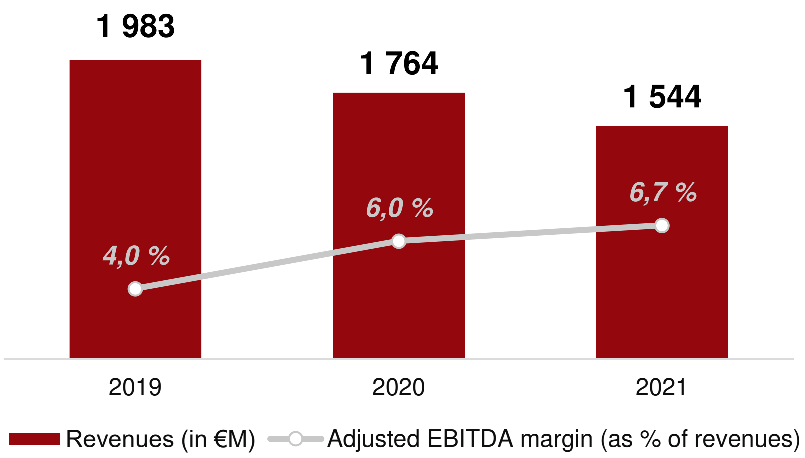
In 2018, TECHNICOLOR launched a three-year transformation plan for its Connected Home segment in order to adapt its offering to the market conditions and consolidation that the segment is expected to experience. This plan included:

- An increased client selection to improve overall segment profitability;
- The development of stronger partnerships with key suppliers to improve product cost control, competitiveness and delivery times; and
- The reduction of annual structural costs by 40% over a 3-year period, representing estimated savings of approximately €140 million compared to 2017.

At the end of this plan in December 2021, the segment has improved its margins and market share thanks in particular to contracts with key customers and strategic partnerships with its suppliers.

We present below the revenue and adjusted EBITDA margin trends for the segment over the 2019–2021 period[11].

Figure 3 - Evolution of revenue and adjusted EBITDA margin of the Connected Home segment between 2019 and 2021



Source: Universal Registration Document 2020, Consolidated Financial Statements 2021

Between 2019 and 2021, revenue in the Connected Home segment suffered a cumulative decline of more than 20% due in particular to:

- The global shortage of components that has impacted sector from 2018–2019, a shortage that gave rise to the semiconductor crisis at the beginning of the COVID-19 pandemic and which resulted in supply difficulties that did not allow to fully satisfy demand;
- The phenomenon of "cord-cutting", which refers to the tendency of consumers to cancel their television subscription (cable, satellite or telecom operators' offers) in favour of streaming or OTT services, a trend that translates into a decrease in demand for video terminals; and

[11] According to the TECHNICOLOR 2020 Universal Registration Document, Adjusted EBITDA corresponds to EBIT from which (i) impairment charges, (ii) restructuring costs, (iii) other income and expenses, (iv) *cloud* computing capacity utilization costs, (v) depreciation and amortization expenses, and (vi) the impact of provisions for risks, warranties and litigation have been restated.

- The economic situation in Latin America, particularly in Brazil where the COVID-19 pandemic and the currency effects of the devaluation of the real have negatively impacted local demand.

Although revenue was down sharply over the period, the segment's adjusted EBITDA margin improved steadily between 2019 and 2021, rising from 4% to nearly 7% of revenue. This increase in profitability levels seen over the period for the Connected Home segment is a direct consequence of the transformation plan launched in 2018, and the cost reductions it has generated.

Strategically, however, this activity must find its growth drivers and innovate in a highly competitive, evolving sector in terms of connection methods and technological developments.

3.3.2 Technicolor Creative Studios

Corresponding to the former "Production Services" segment after the divestiture of the "Post-Production" activity in April 2021, TECHNICOLOR CREATIVE STUDIOS brings together the Group's Visual Effects and Animation services for feature films, television series, advertising, video games and other audiovisual content.

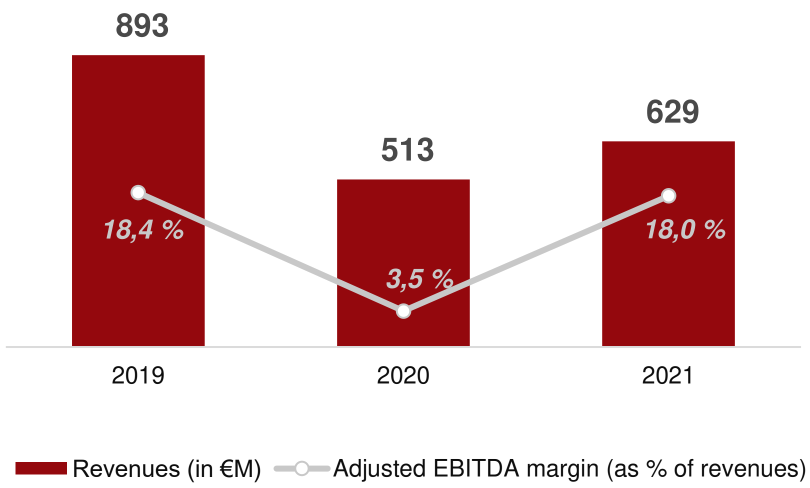
In 2020, the Group decided to further focus the segment's activities around technology solutions and innovation. This new strategic direction has been characterized by key measures such as the appointment of Christian Roberton, a visual effects specialist within the Group, as head of the segment, and the announcement of the sale of the "Post-Production" business to STREAMLAND MEDIA, a transaction that was finalized in April 2021.

The segment's activities are based on four brands:

- MPC ("Moving Picture Company"), which corresponds to the visual effects activities for films and series;
- THE MILL, which provides visual effects and animation services to corporate clients for interactive advertising and marketing;
- MIKROS ANIMATION, which provides high-quality computer-generated imagery (CGI) solutions for series and feature films; and
- TECHNICOLOR GAMES, which specializes in video games.

Below we present the segment's revenue and adjusted EBITDA margin trends over the 2019–2021 period.

Figure 4 - Evolution of revenue and adjusted EBITDA margin of the "TECHNICOLOR CREATIVE STUDIOS" segment between 2019 and 2021



Sources: Universal Registration Document 2020, Consolidated Financial Statements 2021

The TECHNICOLOR CREATIVE STUDIOS business was particularly hard hit by the COVID-19 pandemic in fiscal year 2020, with revenue down by almost 43%, from €893 million to €513 million between 2019 and 2020. The "TCS" segment took a direct hit as film and audiovisual productions were postponed or halted during the year. The impact of the pandemic also weighed on the segment's operating profitability. Adjusted EBITDA, despite a major effort to reduce costs over the year as part of the 2020–2022 strategic plan, fell by almost 90% between 2019 and 2020, from €164 million to €18 million, and also lost 15 margin points.

Presented on February 13, 2020, this 2020–2022 strategic plan called for reducing the segment's workforce, optimizing the Group's presence in India and developing synergies among the divisions to increase their margins.

In 2021, the segment benefited as business restarted in the audiovisual production sector, which enabled it to record a 23% increase in revenue for the year[12] and an operating profitability comparable to the pre-pandemic level.

Through innovation and the use of new technologies, TECHNICOLOR benefits from a very strong positioning that should enable it to take advantage of opportunities in the sector.

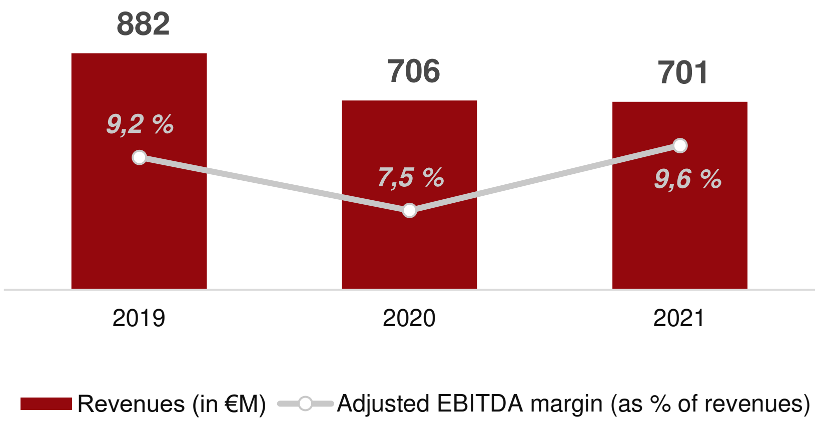
3.3.3 DVD Services

The DVD Services segment offers its customers production and supply solutions (mastering, replication, packaging, distribution), as well as logistics services (returns processing, transportation, purchasing, inventory management, etc.). TECHNICOLOR is one of the world leaders in this activity.

We present below the development of the segment's revenue and adjusted EBITDA margin over the 2019–2021 period.

[12] Without the sale of the "Post-Production" business in April 2021, segment revenue would have increased by 37%.

Figure 5 - Evolution of revenue and adjusted EBITDA margin of the DVD Services segment between 2019 and 2021



Sources: Universal Registration Document 2020, Consolidated Financial Statements 2021

Between 2019 and 2021, the decline in revenue in the DVD Services segment (−21%) is mainly due to a significant decrease in replication and packaging volumes, all physical media combined.

The adjusted EBITDA margin in 2020 fell by only 2 points amidst the crisis, from 9.2% to 7.5% of revenue, due to (i) cost reductions achieved as part of the Group's 2020–2022 strategic plan and (ii) the renegotiation of client contracts on terms more advantageous to the Group given its leading position in this market[13]. The adjusted EBITDA margin then recovered to 9.6% of revenue in 2021, a level higher than before the crisis, thanks to (i) an increased effort in segment productivity optimization measures such as headcount reductions and (ii) the resurgence of "non-disk" activities in North America.

From a strategic point of view, this sector is in constant renewal and will require its players to reposition themselves by seeking out new business lines and innovation. In this respect, the Group is currently developing new activities capitalizing on its manufacturing and logistics know-how in order to offset the structural decline in the DVD market.

3.3.4 *Corporate* & Other

The "Corporate & Other" segment includes all activities and support functions not allocated to the segments presented above. It includes:

- Trademark Licensing, relating to the monetization of brands historically operated by TECHNICOLOR, when the Group operated in the consumer electronics sector, such as RCA™ and THOMSON™;
- Patent Licensing, corresponding to the exploitation of all the patents not transferred in the context of the transactions with INTERDIGITAL in 2018 and 2019, which currently represent a marginal share of the segment's revenue; and

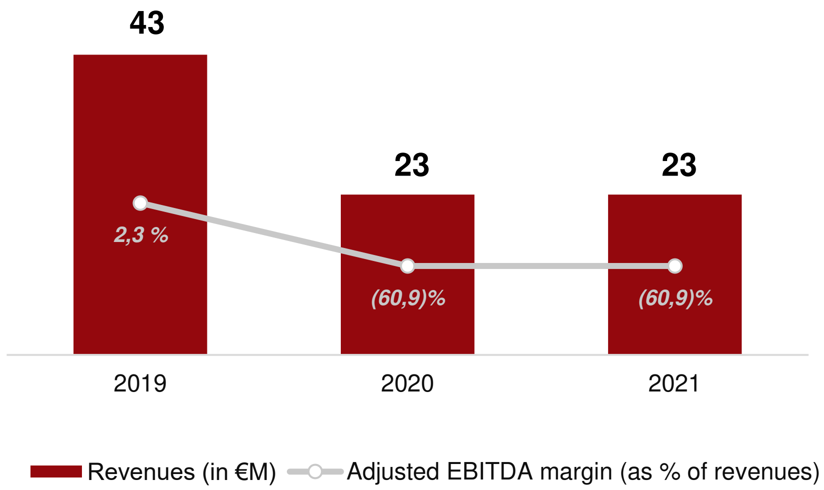
[13] As explained in Part 4.

- "Headquarters" functions not assigned to one of the three business segments: including in particular the operation and management of the headquarters, human resources, IT, accounting/finance, marketing and communication, legal functions and real estate management.

In fiscal 2021, TECHNICOLOR received a firm offer of €100 million for the sale of its Trademark Licensing business; this transaction, which is part of the Group's new strategic plan, is expected to be completed in the first half of 2022.

We present below the development of the segment's revenue and adjusted EBITDA margin over the 2019–2021 period.

Figure 6 - Evolution of revenue and adjusted EBITDA margin of the "Corporate & Other" segment between 2019 and 2021



Sources: Universal Registration Document 2020, Consolidated Financial Statements 2021

The "Corporate & Other" segment has also been significantly impacted by the pandemic: revenue in this segment fell from €43 million to €23 million between 2019 and 2020, a decline of almost 47%. Composed almost entirely of income from licenses and patents in 2020, revenue remained stable over 2021.

In line with the change in revenue, adjusted EBITDA is also down over the period, from €1 million to −€14 million between 2019 and 2020, and stable over 2021.

4. Presentation of TECHNICOLOR's economic and competitive environment

As described above, TECHNICOLOR's activities are organized around three main segments: Connected Home, TECHNICOLOR CREATIVE STUDIOS and DVD Services.

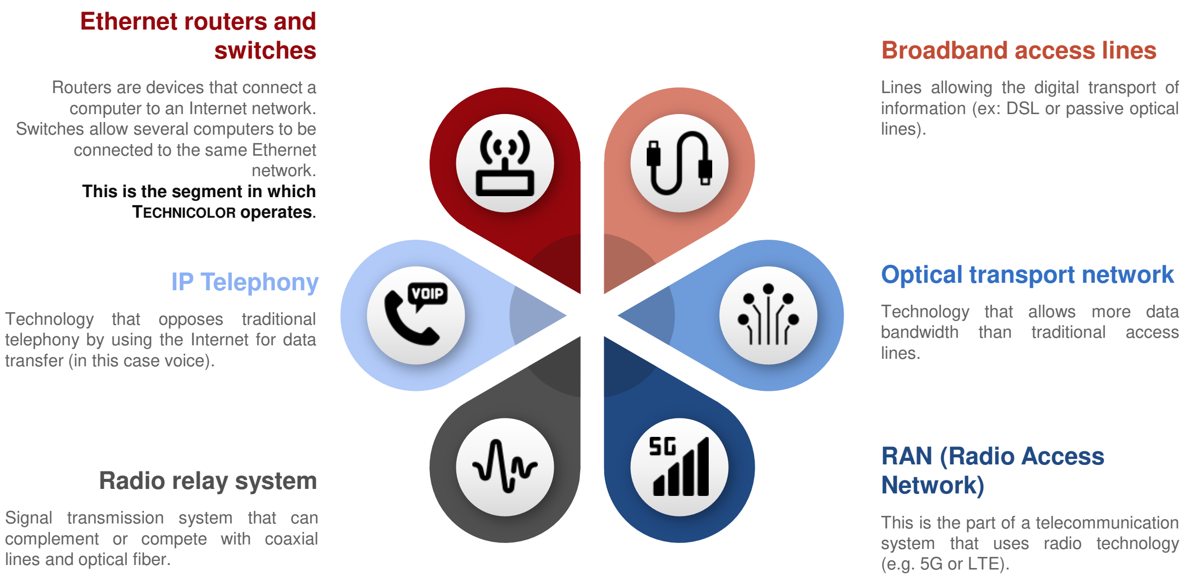
The main characteristics of and outlooks for these three markets are presented below.

4.1 Telecom and Internet equipment market (Connected Home)

4.1.1 TECHNICOLOR's position in the Telecom and Internet sector

The telecommunications and internet equipment sector is composed of six main categories of technologies and products that can be presented as follows:

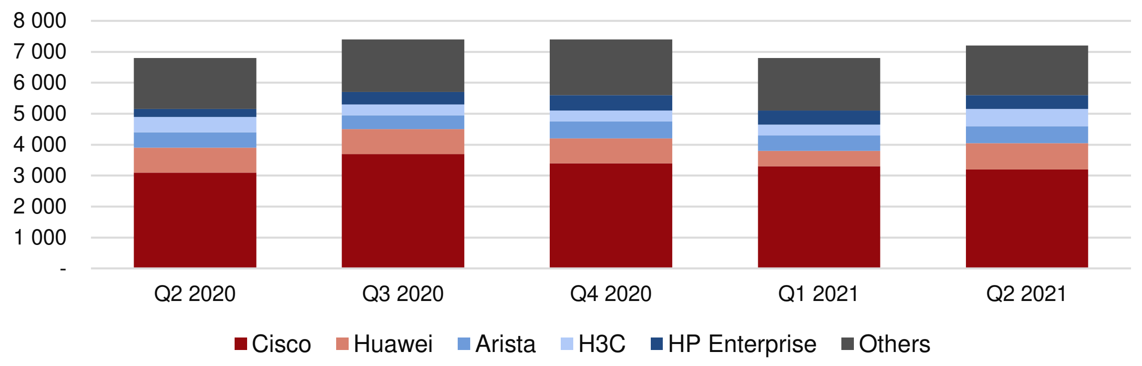
Figure 7 - Presentation of the telecom and Internet equipment market



Sources: XERFI - "L'industrie mondiale des équipements télécoms" (December 2021), FINEXSI analysis

As shown in the figure above, TECHNICOLOR operates in the telecommunications and Internet equipment market with its Connected Home business as a supplier of terminals for operators and content providers.

Figure 8 - Revenue growth (in millions of $) for the top five global router and switch manufacturers between Q2 2020 and Q2 2021



Source: IDC - "Worldwide Quarterly Ethernet Switch and Router Tracker" (September 2021)

As of Q2 2021, TECHNICOLOR[14] was the sales leader in the global Ethernet routers and switches market with nearly 16% market share[15]. Other significant players in this relatively concentrated market are:

- HUAWEI: Chinese company created in 1987 and historically positioned on the supply of telecommunication networks to operators (relay antennas, DSLAMs, routers), also developing since 2011 a manufacturing and distribution activity of domestic terminals;
- ARISTA NETWORKS: American company founded in 2004 and specialized in the supply of computer network equipment, in particular network switches;
- (NEW) H3C: Chinese company founded in 2003, specialized in the production of routers and network switches;
- HEWLETT PACKARD ENTERPRISE: American company founded in 2015 as a result of a spin-off from HEWLETT-PACKARD to separate the PC and printer businesses from the server management and IT services businesses;
- ARRIS INTERNATIONAL : American company founded in 1995, historically specialized in the supply of telecommunication equipment such as modems and more recently home Internet and video terminals;
- ZTE: Chinese company founded in 1985 and listed on the Hong Kong and Shenzhen stock exchanges, specializing in telecom equipment (infrastructure, routers/switches, mobile telephony, etc.);
- SAGEMCOM: French company specialized in telecom and audio-video equipment, created in 2005 by the carve-out of SAGEM's telecom businesses before its merger with SNECMA to form SAFRAN.

[14] Via CISCO CONNECTED DEVICES, a business the company acquired from CISCO in 2015 (see.0).
[15] TECHNICOLOR 2021 estimate based on DELL'ORO'S "Service Provider Router & Switch Quarterly Report"

4.1.2 Risks and issues

In the telecom and Internet equipment market, innovation is a key element in the strategy of the players: they are confronted with the need to offer increasingly innovative products in order to ensure (i) the integration in their solutions of the latest technologies and standards (such as DOCSIS 3.1 or WIFI 6) for increased connection speed, (ii) higher capacities in terms of data bandwidth and home terminals, and (iii) multiple usage and interfacing with the various functionalities of the connected home of the future.

For example, R&D is a major expense item for telecom and Internet equipment manufacturers: in 2020, the average R&D rate of the main players in the sector was 12.7% of consolidated revenue[16].

Market players are also highly exposed to price variations in the components needed to manufacture their products, such as semiconductors[17], whose market is particularly concentrated. For example, the Taiwanese company TSMC produces more than 50% of the world's semiconductors and nearly 85% of semiconductors measuring less than 7 nanometers[18]. Given the high concentration of the sector, the slowdown in activity induced by the pandemic has led to a shortage, creating supply difficulties on a global scale and a significant rise in prices.

4.1.3 Expected evolution

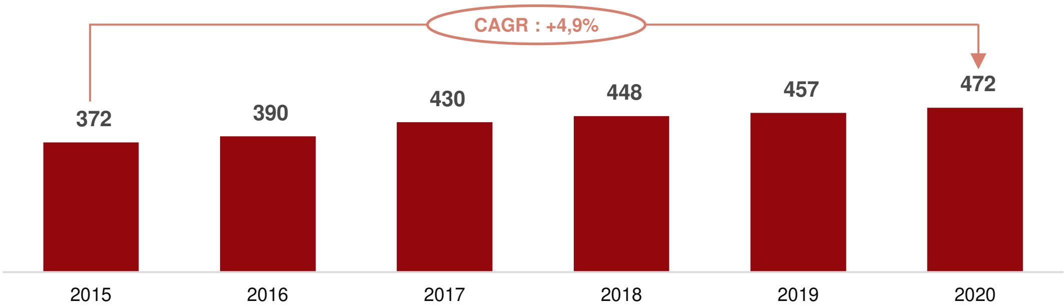
As mentioned above, the COVID-19 crisis led to a slowdown in production at the beginning of the pandemic due to site closures, which put a strain on semiconductor manufacturers who had to cope with strong demand, particularly from router manufacturers, due to, among other things, lockdowns and the massive use of teleworking.

For example, at the end of Q1 2021, orders for memory chips (the production of which depends on semiconductor production) were so delayed that delivery times for routers were extended to 60 weeks[19]. A return to "normal" is not expected before mid-2022 or even 2023[20] at the sector level, but for the Group, a return to pre-crisis levels of activity is expected by 2022, thanks to the implementation of compensation measures and additional payment deadlines.

However, in addition to the logistical difficulties it has caused, the pandemic has also created new dynamics for players in the telecom and Internet equipment industry.

[16] XERFI - "L'industrie mondiale des équipements télécoms" (December 2021)
[17] A semiconductor material is more or less electrically conductive, used in particular to manufacture the electronic chips found in many of the devices we use every day (cars, airplanes, household appliances, smartphones, connected objects, watches, toys etc.)
[18] LES ECHOS - "Zoom sur la crise des semi-conducteurs" (November 2021)
[19] BLOOMBERG - "Sixty-Week Delay on Router Orders Shows Scale of Chip Crisis" (April 2021)
[20] LES ECHOS - "Zoom sur la crise des semi-conducteurs" (November 2021)

Figure 9 - Cumulative revenue (in millions of €) of the world leaders in the telecom equipment sector between 2015 and 2020

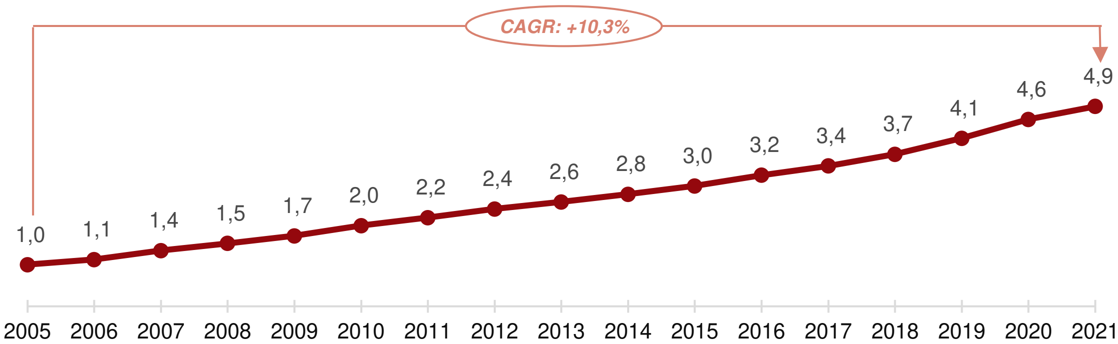


Source: XERFI - "L'industrie mondiale des équipements télécoms » (December 2021)

The chart above also shows that global industry leaders have shown some resilience in the face of the pandemic with revenue up +3.3% in 2020 compared to 2019.

For manufacturers of network routers and switches, the need for Internet facilities is supported by underlying factors such as the number of Internet users and connected devices that continue to grow, even in times of crisis.

Figure 10 - Evolution of the number of Internet users in the world (in billions) between 2005 and 2021

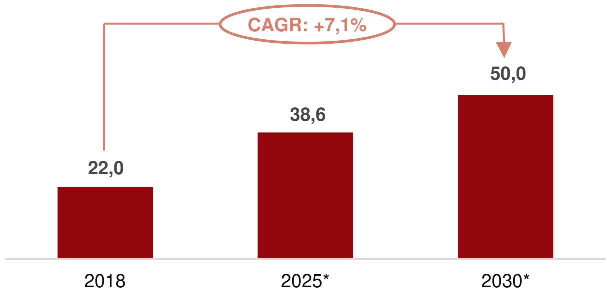


Source: ITU - "Measuring digital development" (Facts and figures 2021)

The increase in global Internet traffic is one of the underlying factors contributing to the growth in facility requirements. There were nearly 5 billion Internet users in 2021, a figure that has quadrupled in the past 15 years and whose growth is due in particular to the consumption of services requiring an Internet connection, such as those offered by OTT platforms[21].

[21] *Over the Top.*

Figure 11 - Number of connected devices (IoT and M2M in billions) worldwide in 2018, and projected in 2025 and 2030



Source: STATISTA
** : estimated figures*

Another of these underlying factors is the proliferation of connected devices: counted at 22 billion in 2018, the number of IoT[22] (and more broadly M2M[23]) devices is expected to be 39 billion in 2025 and 50 billion in 2030, representing growths of 75% and 127% compared to 2018 respectively.

Thus, the expected increase in global Internet traffic, coupled with the growth in the number of IoT devices and M2M connections, will require the renewal and development of new home terminals, a source of opportunities for the main players of telecom and Internet equipment.

[22] Internet of Things.
[23] "Machine to Machine" which refers to the use of computers and telecommunications to allow a connection between "machines" without human intervention.

4.2 The film and audiovisual production industry (TECHNICOLOR CREATIVE STUDIOS)

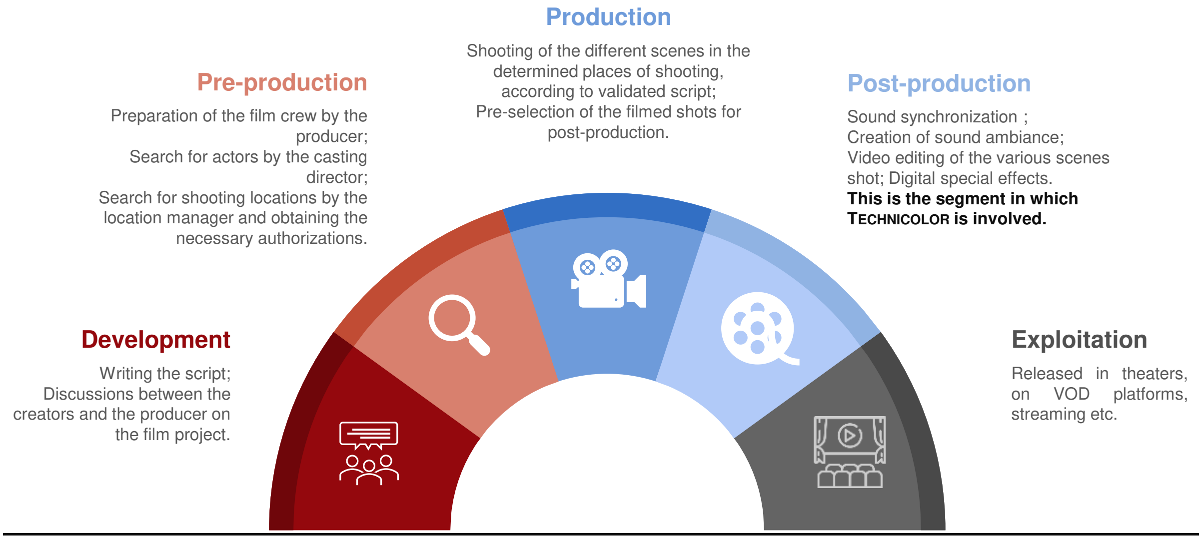
4.2.1 TECHNICOLOR's position in the film, audiovisual and video game production industry

With its Visual Effects and Animation solutions (cf. 3.3.2), the TECHNICOLOR CREATIVE STUDIOS segment operates in the film and audiovisual production (films, series, television programs, advertising) and animation/video game markets.

- **Film and audio-visual production**

The value chain of the film industry[24] and the different phases of the realization of a film project can be presented as follows:

Figure 12 - Stages of film production



Sources: RETOUR VERS LE CINEMA - "Les étapes de fabrication d'un film" (September 2021), Finexsi analyses

- *Development*: Once the director or producer has found an idea for a film, series or commercial, a scriptwriter is contacted to develop it and write the script. During the development process, which can be relatively long (several months or even years), exchanges take place between the creators and the producer in order to validate the script and prepare the pre-production phase;
- *Pre-production*: once the script is complete, the producer will hire a team including (i) a director to direct the actors, (ii) a casting director to find the actors, (iii) a director of photography to prepare the look of the film in terms of image and light, and (iv) a location manager, whose job is to scout for locations where the film's scenes will be shot. At the

[24] Including commercials

same time, the producer is also responsible for obtaining the necessary financing for the development of the next phases of the project;

- *Production* : this phase corresponds to the shooting phase, during which a large volume of video data, in digital or film format and which is called "rushes", is filmed. The rushes used to make the film will then undergo post-production work;

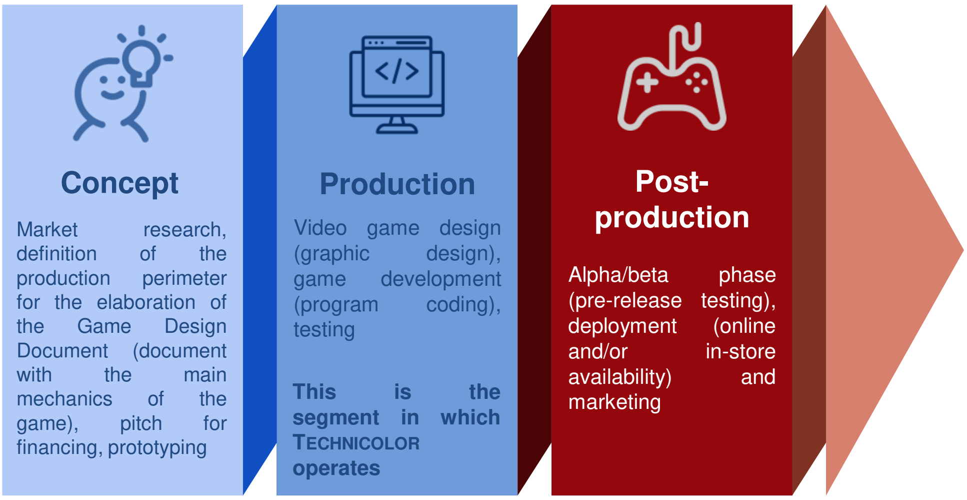
- *Post-Production*: This stage includes (i) video editing of the shots taken during production, (ii) sound synchronization (as the sound is recorded separately from the image at the time of the shot), (iii) sound editing (creation of sound effects, sound design, soundtrack, addition of voice-overs, etc.) and (iv) creation of special effects;

- *Exploitation*: once the film is finished, that is to say that the editing has been done and validated by all the parties involved, it is offered to the public: there are different ways of doing this but theatrical release remains the most common way. It is at this point that the distributors will intervene: they will acquire the rights to the film in order to make copies for distribution. It is also the distributor who is in charge of all the promotion of the film.

Video games

Very similar to the film industry, the creation of a video game can be broken down into three main phases: concept creation, production and post-production.

Figure 13 - Steps in the creation of a video game



Source: YNOV BORDEAUX - "Créer des jeux video : Comment ça se passe !"

Special effects play a key role in the creations of these two industries: many blockbuster films and series rely on these technologies, such as DISNEY'S live-action films or the *Avengers* and other *MARVEL* series.

Competitive environment

As a leader in visual effects and animation services[25], TECHNICOLOR CREATIVE STUDIOS' competitive environment is composed of multiple players, most of which specialize in one or two specific areas, as outlined below:

Figure 14 - Key players in global film production

Visual Effects Films, Series & TV	Advertising	Animation	Games
• **MPC** • CINESITE • DIGITAL DOMAIN • DNEG • FRAMESTORE (including METHOD and ENCORE bought in 2020) • ILM (DISNEY) • PIXOMONDO • RODEO FX • SONY PICTURES IMAGEWORKS • SCANLINE VFX (NETFLIX) • WETA FX	• **THE MILL** • FRAMESTORE (including METHOD and ENCORE bought in 2020) • MEDIAMONKS • In-house production companies for international advertising companies • Large consulting agencies (ex: ACCENTURE INTERACTIVE) and local agencies	• **MIKROS ANIMATION** • ANIMAL LOGIC • BARDEL ENTERTAINMENT • CGCG • CINESITE • DNEG • ICON CREATIVE STUDIOS • REEL FX • JELLYFISH PICTURES • SONY PICTURES IMAGEWORKS	• **TECHNICOLOR GAMES** • AMBER • GLASS EGG DIGITAL MEDIA • KEYWORDS STUDIOS • ORIGINAL FORCE • ROCKSALT INTERACTIVE • VIRTUOS LTD

Source: Universal Registration Documents 2019 and 2020

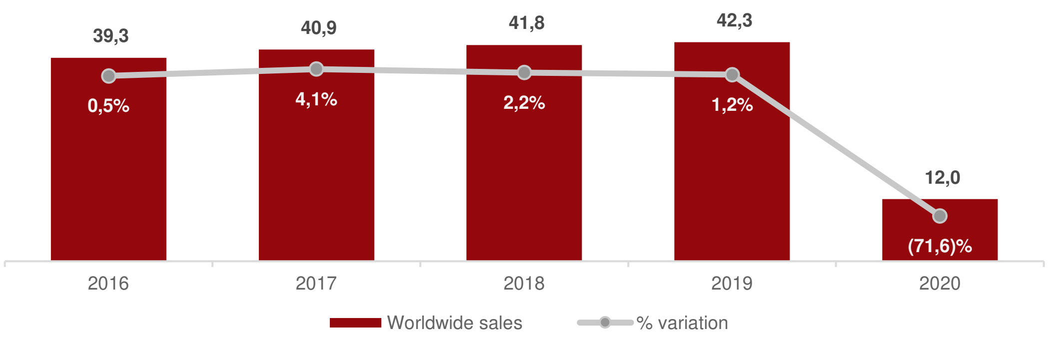
It should be noted that in the "Animation/Games" segment, the players mentioned above are specialists in graphic design who intervene mainly in the production phase of the video game, and not publishers-developers who intervene in the entire design process.

4.2.2 Expected evolution

Film and audio-visual production

The film production sector is undoubtedly one of the activities that will have been most affected by the COVID-19 pandemic: for more than a year, cinemas were closed, festivals were cancelled and film releases were postponed indefinitely.

Figure 15 – Global box office between 2016 and 2020 (in billions of dollars)



Source: STATISTA

[25] See Investor Presentation of February 24, 2021.

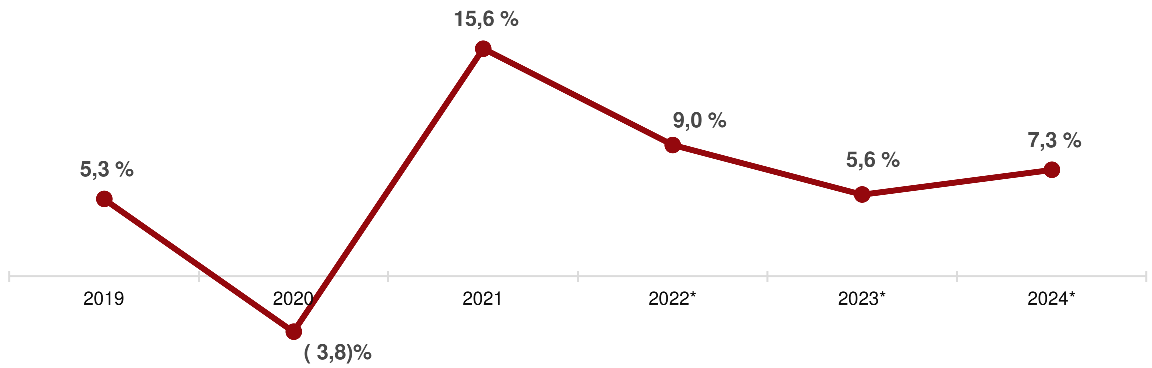
As a result, after averaging 2.5% annual growth between 2016 and 2019, the global box office collapsed in 2020 from $42 billion to $12 billion, a 72% drop from 2019.

However, the pandemic has allowed for the emergence of new trends in TCS' areas of expertise. With the closure of cinemas and the multiple containment measures, the worldwide consumption of digital video content (especially in streaming or on OTT platforms) has increased considerably in 2020, from €41.4 billion to €54.1 billion, an increase of +31% over the period.

In April 2020, UNIVERSAL PICTURES decided to release its film *Trolls World Tour* on a day-and-date basis[26], without respecting the traditional 90-day window between theatrical release and other platforms and media[27]. 2021 also marked a turning point in the industry's various award ceremonies: films released online made their way into ceremonies such as the OSCARS or the EMMYS. *Nomadland*, released exclusively on the HULU platform, won three awards, including the OSCAR for Best Picture, and NETFLIX was able to garner 35 nominations and win seven awards, more than many of the studios competing that year[28].

■ Advertising

Figure 16 - Growth rate of global advertising expenditure between 2019 and 2024



Source: STATISTA

In the advertising sector, global advertising expenditure recorded growth of almost 16% in 2021, which represents an increase of 19 points compared to 2020. Moreover, this dynamic is expected to continue in the years to come, with growth rates of between 6% and 9% expected for the years 2022, 2023 and 2024.

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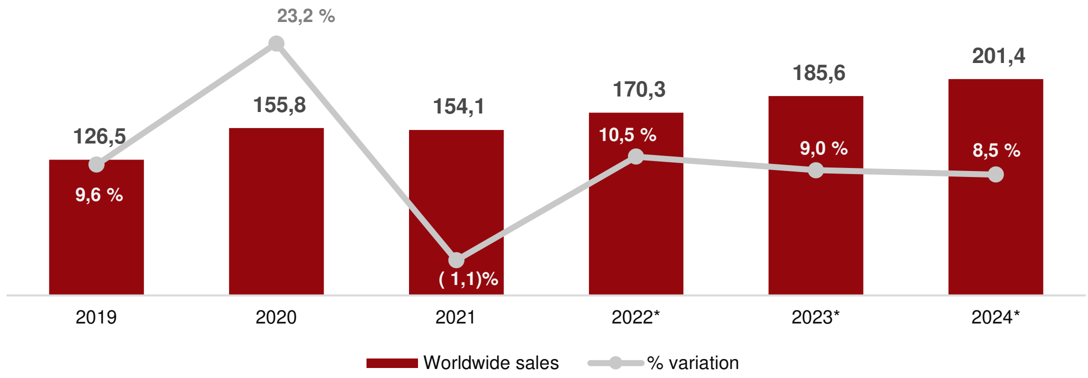
[26] Corresponds to the simultaneous release of a film on several distribution platforms
[27] CNBC - "Universal to release movies online while they are in theaters, starting with 'Trolls World Tour'" (March 16, 2020)
[28] ABC NEWS - "How COVID-19 changed the movie industry" (July 18, 2021)

- **Video games**

Figure 17 - Revenue (in billions of euros) generated by the global video game market between 2019 and 2024



Source: NEWZOO - "2021 Global Games Market Report".

Finally, the video game sector anticipates equally sustained growth in the years to come: after a slight decline of −1.1% in 2021, the global video game market is expected to grow by an average of +9.3% per year until 2024, with total sales rising from €154 billion to €201 billion over the period.

After being significantly affected by the pandemic, the film and audiovisual production sector has regained momentum and could return to pre-pandemic levels of activity as early as 2023[29]. The relative resilience of the advertising and video game sectors, as well as the levels of growth expected in these markets in the coming years, constitute solid underpinnings for production services activities in the medium term.

4.3 Physical video market (DVD services)

4.3.1 TECHNICOLOR's position in the physical video industry

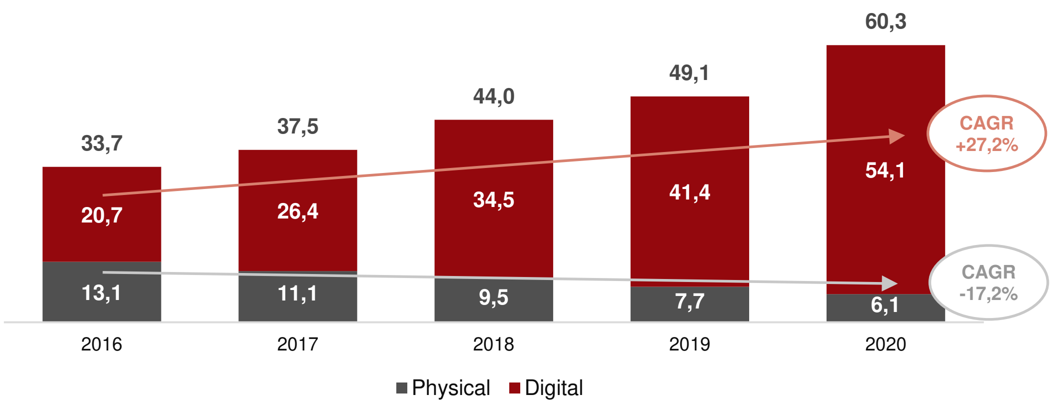
The CD, DVD, Blu-Ray and Ultra-HD replication, packaging and distribution services market is dominated by TECHNICOLOR, which in 2021 held nearly 70% of the market share worldwide and 90% in the United States[30]. On a global scale, two other players stand out in this market:

- SONY DADC, a subsidiary of the Japanese multinational company SONY CORPORATION, listed on the Tokyo Stock Exchange and founded in 1983, specializing in the manufacture of CDs, DVDs, UMDs and Blu-Rays; and
- ARVATO ENTERTAINMENT, a subsidiary of the German BERTELSMANN Group founded in 1958, specializing in CD and DVD replication.

It should be noted, however, that the latter two players tend to focus their DVD business on the European market. It is in this respect that SONY DADC signed an outsourcing agreement for North America and Australia with the Group in 2018.

[29] VARIETY - "Global Box Office Set for Strong Recovery in 2022, Analyst Forecasts" (December 15, 2021)
[30] Universal Registration Document 2020.

Figure 18 - Global spending (in billions of euros) on home movies between 2016 and 2020



Source: XERFI, "L'industrie mondiale du divertissement" (September 2021)

Due to the development of digital offers (streaming, OTT), the physical video market has strongly contracted over the last years. Indeed, as presented in the graph above, physical sales (from DVD and Blu-Ray purchases and rentals) have been steadily declining between 2016 and 2020, from €13.1 billion to €6.1 billion (an average annual decline of −17.2%), to the benefit of digital sales (VOD, streaming, pay-TV), which have increased from €20.7 billion to €54.1 billion, with an increase of nearly +31% in 2020 compared to 2019, a direct consequence of the pandemic.

4.3.2 Expected evolution

As presented above, the levels of physical film sales have continued to fall in recent years, a dynamic that seems to be structural and whose slope is tending to increase.

However, there are a few trends that help keep the DVD industry alive. Here are two examples:

- The quality offered for movies: while streaming movies are offered with a definition of 25 megabits per second on Apple TV+ (which offers movies with one of the best definitions on the market), a 4K Blu-Ray movie offers a definition between 82 and 128Mbps[31].
- Ownership of copies: a DVD or Blu-Ray copy of a film belongs "indefinitely" to its owner. The ownership via streaming subscription depends on the duration of the subscription and the different partnerships and broadcasting rights between the platform and the production studios.

[31] BUSINESS INSIDER - "Streaming may be everywhere, but DVDs are far from dead. Here's why collectors stock up on thousands of physical discs even as film goes digital" (June 17, 2021)

4.4 SWOT Matrix

The Company's strengths and weaknesses, as well as the threats and opportunities it faces in its markets, are summarized in the matrix below:

Figure 19 - TECHNICOLOR SWOT Matrix

Strengths

- Recognized high value-added know-how in Post-Production and Visual Effects (numerous awards) and significant market share (world leader in Film Visual Effects);
- Leading position in the DVD Services market (65% market share) and adaptable cost structure;
- Strong resilience of the Connected Home business.

Weaknesses

- Recurring R&D investment efforts for the Connected Home and TCS businesses;
- Dependence on a limited number of major customers;
- Dependence on recruitment and retention of talent;
- Ability to allocate adequate resources on a project basis.

Opportunities

- Expected intensification of global internet traffic and growth in the number of IoT devices, which will create opportunities for the Connected Home business;
- Increased demand for the creation of high visual effects movie content, mainly driven by strong growth in premium original content;
- Identification of potential significant cost savings;
- Studios' desire to maintain a strong DVD Services business.

Threats

- Further disruption of the film industry and closure of cinemas due to an upsurge in the covid-19 pandemic;
- Expected decline in DVD and Blu-Ray sales volumes, in line with historical trends;
- Fluctuation in the price of components, necessary for the production of domestic terminals.

Source: FINEXSI analysis

5. TECHNICOLOR Financial Analysis

We present below the Group's income statement, balance sheet and cash flow statement and the changes in their main aggregates between 2019 and 2021.

5.1 Consolidated income statement for the 2019–2021 period

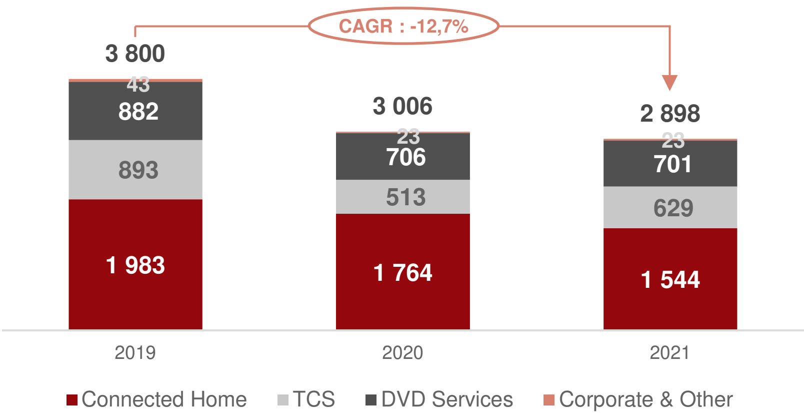
Table 2 - Consolidated income statement of TECHNICOLOR between 2019 and 2021

in €M	2019	2020	2021
Revenues	3 800	3 006	2 898
Cost of sales	(3 375)	(2 729)	(2 494)
Gross margin	**425**	**278**	**404**
Selling and administrative expenses	(323)	(283)	(263)
Research and development costs	(114)	(94)	(84)
Restructuring costs	(31)	(100)	(37)
Net impairment gains (losses) on non-current operating assets	(63)	(75)	(5)
Other income (expense)	(15)	8	14
Earning before Interest & Tax (EBIT)	**(121)**	**(267)**	**30**
Adjusted EBITDA	**324**	**163**	**268**
Interest income	1	4	-
Interest expense	(70)	(82)	(126)
Net gain on financial restructuring	-	158	-
Other financial income (expenses)	(15)	(3)	-
Net financial income (expenses)	**(84)**	**77**	**(127)**
Share of gain (loss) from associates	(1)	-	-
Income tax	(3)	(5)	(24)
Profit (loss) from continuing operations	**(208)**	**(196)**	**(121)**
Net gain (loss) from discountinued operations	(22)	(15)	(19)
Net income (loss)	**(230)**	**(211)**	**(140)**
Attribuable to :			
• equity holders of Technicolor SA	*(230)*	*(207)*	*(140)*
• non-controlling interest	-	-	-
KPIs			
- Revenues (%N-1)	n/a	(20,9)%	(3,6)%
- Gross margin (%N-1)	11,2 %	9,2 %	13,9 %
- EBIT (%Revenues)	(3,2)%	(8,9)%	1,0 %
- Ajusted EBITDA (%Revenues)	8,5 %	5,4 %	9,2 %
- Consolidated net income (%Revenues)	(6,1)%	(7,0)%	(4,8)%

Sources: Universal Registration Document 2020, consolidated accounts 2021

Revenue and adjusted EBITDA are the two main performance indicators on which the Group reports. As a reminder, Adjusted EBITDA corresponds to EBIT to which the following are added back: (i) depreciation, amortization and impairment of assets, (ii) restructuring costs, (iii) other non-recurring income and expenses, (iv) costs of using computing capacity in the cloud, (v) asset depreciation expenses and (vi) the impact of provisions for risks, warranties and litigation.

Figure 20 - TECHNICOLOR's revenue growth between 2019 and 2021 (in €M)

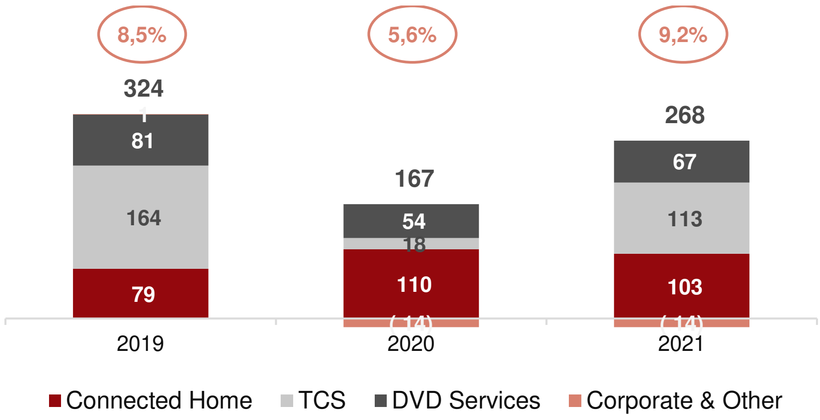


Sources: Universal Registration Document 2020, Consolidated Financial Statements 2021

Between 2019 and 2021, TECHNICOLOR's revenue fell by almost 24%, from €3,800 million to €2,898 million, representing an average annual decline of −12.7% over the period. In addition to unfavorable currency effects, the Group was particularly impacted by the effects of the pandemic in all its business segments. Group revenue fell by 21% in fiscal year 2020.

In fiscal 2021, despite the continuing pandemic, the Group's revenue declined less than in the previous year. Despite the continuing problems faced by the telecom and Internet equipment manufacturers industry, the upturn in activity in the "TCS" segment (+23% in revenue over the year), driven in particular by the gradual recovery in global film productions, has partially offset the decline in revenue in the Connected Home segment (−13% compared to FY2021).

Figure 21 - Evolution of Technicolor's adjusted EBITDA over the 2019–2021 period (in millions of euros)

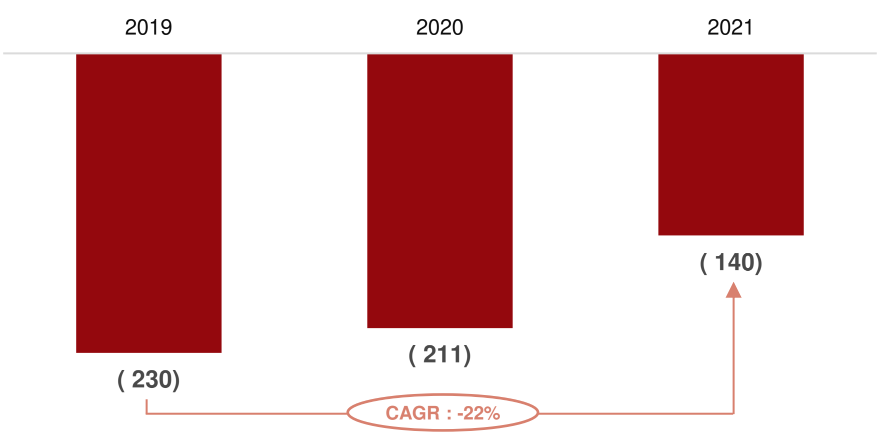


Sources: Universal Registration Document 2020, consolidated accounts 2021

Despite the very significant slowdown in activity during the period, the Group's adjusted EBITDA margin proved resilient, ranging from 5.4% to 9.2% of revenue.

- The decline in adjusted EBITDA in 2020 (i.e. −50%) is accentuated compared to that of revenue. The operating profitability rate declined by more than 3 points due to a lower absorption of fixed costs in a context of reduced activity. This decline is mainly due to the difficulties encountered by the TCS business, for which adjusted EBITDA fell by almost 90% over the period.
- Between 2020 and 2021, adjusted EBITDA recovered significantly, mainly due to the combined effect of the recovery of the "TCS" segment and the improvement in margins in the DVD Services (+2.1 points over the period) and Connected Home segments (+0.7 points) resulting from the implementation of the various transformation plans initiated by the Group.

Figure 22 - Evolution of TECHNICOLOR's consolidated net income between 2019 and 2021 (in millions of euros)



Sources: Universal Registration Document 2020, Consolidated Financial Statements 2021

Despite an increase in financial expenses throughout the 2019–2021 period, due in particular to the financial restructuring undertaken in the summer of 2020 (from €70 million to €126 million), TECHNICOLOR's consolidated income has continued to improve, although it will remain negative (€140 million) in 2021. This improvement over the period is due in particular to:

- The improvement in the Group's cost structure, the result of the various transformation plans implemented since 2018;
- The recognition of financial income of €158 million in 2020, (non-cash gain on the valuation of the Group's equity and debt securities under IFRS). This income offsets in particular the restructuring costs for fiscal 2020; and
- The recognition of lower impairment losses on the Group's fixed assets in 2021 (−€5 million) compared to fiscal 2019 and 2020, when these amounted to −€63 million and −€75 million, respectively.

5.2 Consolidated balance sheet for the 2019–2021 period

The evolution of TECHNICOLOR's balance sheet over the 2019–2021 period is summarized below:

Table 3 - Consolidated balance sheet of TECHNICOLOR between 2019 and 2021

In €M	31/12/2019	31/12/2020	31/12/2021
Intangible assets	1 768	1 390	1 426
Property, plant and equipment	191	140	162
Financial assets	40	62	59
Deferred tax assets	52	45	50
Other non-current assets	32	27	35
Fixed assets	**2 082**	**1 665**	**1 730**
Inventories	243	195	335
Trade accounts and notes receivable	507	425	359
Contract assets	79	63	94
Other operating current assets	184	224	243
Operating current assets	**1 013**	**907**	**1 031**
Income tax receivable	36	14	13
Other financial current assets	13	17	26
Cash and cash equivalents	65	330	196
Assets classified as held for sale	-	76	3
Total assets	**3 210**	**3 009**	**2 999**
Equity	**36**	**165**	**134**
Operating non-current liabilities	400	381	315
Borrowings	979	948	1 025
Lease liabilities	224	122	145
Deffered tax liabilities	27	15	20
Other non-current liabilities	1	-	0
Non-current liabilities	**1 631**	**1 466**	**1 505**
Operating current liabilities	1 404	1 228	1 263
Borrowings	8	16	17
Lease liabilities	87	56	48
Income tax payable	41	21	29
Liabilities classified as held for sale	-	56	-
Other current financial liabilities	2	2	3
Current liabilities	**1 542**	**1 379**	**1 360**
Total liabilities	**3 210**	**3 009**	**2 999**

Sources: Universal Registration Document 2020, consolidated accounts 2021

Intangible assets are TECHNICOLOR's main fixed assets (80% on average over the period). As of December 31, 2021, these consist mainly of the Group's goodwill (worth €773 million in 2021), its various brands (€261 million), patents and other intangible assets (€160 million) and customer relationships (€154 million), as well as the right-of-use assets under leases (€143 million) recognized in application of IFRS 16 as of fiscal 2019.

TECHNICOLOR's fixed assets decreased by −16% between 2019 and 2021 following the recognition of impairments on goodwill and an unfavorable currency impact on patents and trademarks.

Table 4 - TECHNICOLOR gross financial debt between 2019 and 2021

In €M	31/12/2019	31/12/2020	31/12/2021
France New Money Notes		363	380
US New Money Term loans		101	115
Term loans (EUR)	722	372	402
Term loans (USD)	258	95	111
Subtotal	**980**	**931**	**1 008**
Lease liabilities	312	178	192
Accrued PIK Interest		16	17
Other accrued interest		16	17
Other debt	6	1	1
Gross financial debt	**1 298**	**1 142**	**1 235**

Sources: Universal Registration Document 2020, consolidated accounts 2021

As of December 31, 2019, TECHNICOLOR's gross financial debt amounted to €1,298 million and consisted primarily of term loans issued by the Group in December 2016 and March 2017 and denominated in dollars and euros. With the COVID-19 pandemic that occurred in early 2020 and the new financial difficulties it created for the Group[32], TECHNICOLOR initiated discussions with its creditors which resulted in the conclusion of an agreement in principle on June 22, 2020: this agreement included, among other things, a financial restructuring plan which enabled the Group to (i) renegotiate the terms of the balance of its existing term loans and (ii) obtain new loans. As a result, on July 16, 2020, TECHNICOLOR was able to issue two new loans through its subsidiaries TECHNICOLOR USA INC. (a dollar-denominated term loan) and TECH 6 (a euro-denominated bond issue subject to New York State law), and the debt relating to the Group's historical term loans was restructured under a financing agreement that took effect on September 22, 2020.

The interest on these new financings includes a cash component ("Other accrued interest" in the table above) and a capitalized component ("Accrued PIK interest").

The Group's debt lines mature on June 30 and December 31, 2024.

In addition, the Group has a confirmed credit facility (the WELLS FARGO line) for a total amount of $125 million (i.e., €110 million as of December 31, 2021) maturing in 2023. This line of credit was undrawn at December 31, 2021.

[32] Cf. 3.2

5.3 Cash flow over the 2019–2021 period

Table 5 - Summary of cash flow statement for TECHNICOLOR between 2019 and 2021

In €M	2019	2020	2021
Net income (loss)	(230)	(211)	(140)
Income (loss) from discontinuing activities	(22)	(15)	(19)
Profit (loss) from continuing activities	**(208)**	**(196)**	**(121)**
Cash generated from continuing activities	**70**	**(86)**	**14**
Net investing cash used in continuing activities	**(171)**	**(133)**	**(67)**
Disposal of treasury shares	1	-	-
Increase of Capital	-	60	0
Proceeds from borrow ings	1	760	0
Repayments of lease debt	(91)	(85)	(62)
Repayments of borrow ings	(5)	(158)	(1)
Fees paid in relation to financing operations	(1)	(60)	(2)
Other	4	5	(4)
Net financing cash used in continuing activities	**(91)**	**522**	**(68)**
Net cash from discontinued activities	(33)	(23)	(29)
Net increase (decrease) in cash and cash equivalents	**(226)**	**280**	**(149)**
Cash and cash equivalents at the beginning of the year	291	65	330
Exchange gains/(losses) on cash and cash equivalents	-	(16)	16
Cash and cash equivalents at the end of the year	**65**	**330**	**196**

Sources: 2021 Annual Financial Report, FINEXSI analysis

In the context of the pandemic, cash flow from operating activities deteriorated in 2020 (from €70 million to −€86 million).

The financial restructuring of the Group that took place in 2020 by obtaining new financing and capital transactions have made it possible to offset the deterioration in the Group's cash position resulting from its operational difficulties.

6. Evaluation of TECHNICOLOR Group shares

6.1 Situation of the TECHNICOLOR Group in the absence of the Transaction and impact on the valuation approach

6.2 Baseline data for TECHNICOLOR's valuation

6.2.1 Capital structure and number of shares

Our calculations are based on the number of shares issued as of December 31, 2021 (235,824,555 shares).

The number of shares thus determined as of December 31, 2021, before taking into account the dilutive instruments relating to the free share allocation plans and stock options, amounts to 235,824,555 shares.

With regard to the stock option plans[33] granted between 2013 and 2015, given the exercise price after the reverse stock split of between €86.13 and €191.97, these options are all largely out of the money and the potential shares resulting from their exercise are therefore not included in the number of shares used for our calculations.

Concerning the shareholder warrants issued in connection with the Group's financial restructuring in 2020, as these instruments are currently out of the money (with an exercise price of €3.58), they have not been included in the number of shares used for our calculations.

With regard to the 2019 and 2020 long term incentive plans (LTIP 2019, 2020 and ASP 2020), all of the 5,800,019 potential shares arising from these plans at the end of December 2021 have been taken into account in our calculations on the basis of the information provided by management concerning the conditions for obtaining them.

Thus, the number of shares retained in the context of our work is 241,624,574.

[33] Management Incentive Plan (MIP)

6.2.2 Enterprise value to equity value bridge

The enterprise value to equity value bridge was determined on the basis of TECHNICOLOR's cash and financial debt items as shown in the consolidated financial statements at December 31, 2021.

The enterprise value to equity value bridge as of December 31, 2021 was determined as follows:

Table 6 - Calculation of TECHNICOLOR's adjusted net debt as of December 31, 2021

In €M	
Cash	187
Cash equivalents	9
Non current borrowing	(1 025)
Current borrowing	(17)
Net debt	**(846)**
Provisions for risks and litigation relating to continuing operations	(21)
Provisions for warranty	(18)
Other current financial liabilities	(3)
Other non-current liabilities - Derivative financial instruments	-
Non-controling interests	-
Non-consolidated investments	20
Investments in associates and joint ventures	1
Other non-current financial assets - Loans and other	2
Other current financial assets - Derivative financial instruments	2
Sale of the Brand Licensing business	100
Other adjustments	**83**
Transition from Enterprise Value to Equity Value	**(763)**

Sources: 2021 Annual Financial Report, FINEXSI analysis

With regard to adjustments to net financial debt, we have not taken into account provisions for pension commitments (€295 million at December 31, 2021) and provisions for restructuring, as the cash outflows relating to these future expenses are modelled in the forecasts provided by Management.

In addition, we have taken into account the proceeds from the sale of the Trademark Licensing activity for €100 million announced by the Group on February 24, 2022 in its press release relating to the announcement of its 2021 earnings.

We also point out that we have not valued the Group's significant tax loss carryforwards (€2.6 billion), as it is not expected that any profits will be generated in the countries where these losses were generated. In this respect, it is noted that the deferred tax assets related to the Group's tax loss carryforwards are impaired in the Group's accounts as of December 31, 2021.

We also do not include all lease liabilities, as lease expenses are included in operating flows.

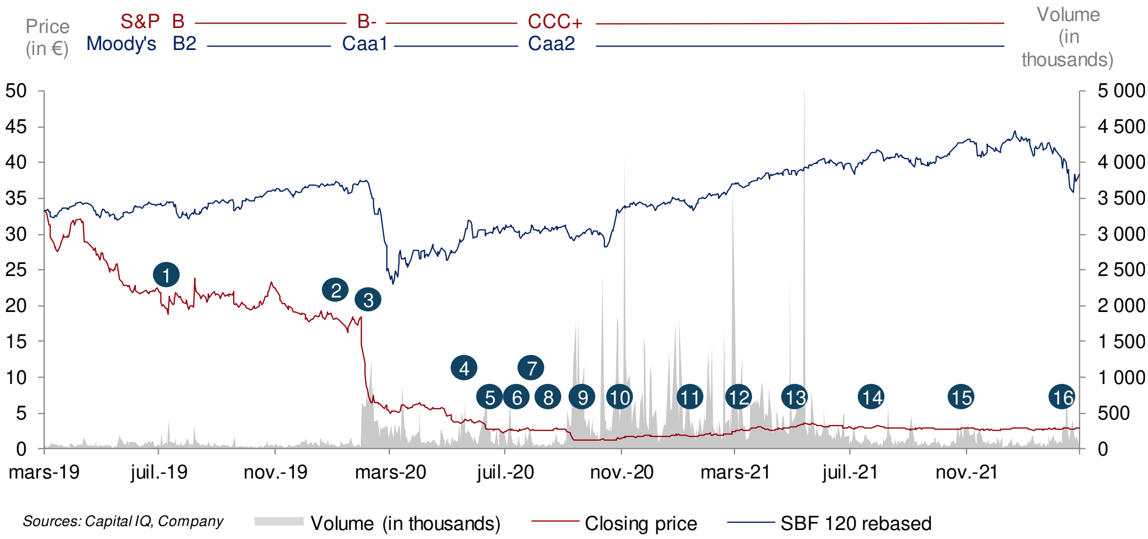
6.3 TECHNICOLOR share price analysis

6.3.1 Stock price analysis

The stock market price is an instrument for measuring the price of a company's freely traded shares, subject to sufficient free float and liquidity, as well as sufficient predictability of its future performance. The Company's shares are listed on compartment B of EURONEXT Paris (ISIN code FR0013505062).

Since March 15, 2019, TECHNICOLOR's share price has changed as follows:

TECHNICOLOR's share price evolution[34] over the last 3 years



1 **24/07/2019 :** Half-year results 2019 - Revenue down 3% and adjusted EBITDA down 15%.

2 **13/02/2020 :** Announcement of the 2020-2022 strategic plan and proposed €300 million capital increase

3 **23/03/2020 :** Impact of the Covid-19 pandemic - The Group suspends its 2020-2022 objectives

4 **07/05/2020 :** Q1 2020 results - In line with expectations, revenues down 12.8% y/y

5 **26/05/2020 :** Receipt of indicative offers for new financing

6 **17/06/2020 :** Suspension of the quotation of the share due to the risk of rumors at the time of finalizing the negotiations for the credit contracts

7 **22/06/2020 :** Agreement in principle on the financial restructuring plan - New financing of €420 million, reduction of debt by €660 million through conversion into capital, opening of an accelerated financial safeguard procedure

8 **20/07/2020 :** Shareholders' Meeting approves financial restructuring plan

9 **16/09/2020 :** Results of the capital increase with preferential subscription rights for shareholders via the issue of 110,738,255 new ordinary shares at a unit price of €2.98, representing an amount of approximately €330 million

10 **05/11/2020 :** Q3 2020 results - Revenues down 19.2% year-to-date, EBITDA down 48%, free cash flow improvement

11 **14/01/2021 :** Production Services announces the sale of its Post Production business to Streamland Media to focus on Visual Effects and Animation

[34] *The prices on which our analyses are based take into account the 27-for-1 reverse stock split that occurred in May 2020.*

⓬ **11/03/2021 :** 2020 Annual Results - Revenue down 18.5% y/y at constant rates, Adjusted EBITDA down 46% at constant rates
⓭ **11/05/2021 :** Q1 2021 results - Revenue down 3.7% y/y at current rates and up 3.6% at constant rates, adjusted EBITDA up 71.7% at constant rates
⓮ **29/07/2021 :** Results for the first half of 2021 - Revenues down 5.2% compared to the previous six months at current rates and up 1.2% at constant rates, adjusted EBITDA up 90.6% at current rates
⓯ **04/11/2021 :** Q3 2021 results - Revenue down 4.4% at constant rates impacted by shortage of key components, adjusted EBITDA up 71.3% at constant rates
⓰ **24/02/2022 :** 2021 annual results (revenues down 3.6% at current rates, adjusted EBITDA up 64.9% at current rates) and announcement of the intention to list TCS (formerly Production Services) on the stock exchange and of the envisaged refinancing plan

We note that until the end of 2020, TECHNICOLOR's share price trend is very clearly bearish. The share price dropped significantly during the first half of 2020, from €19.25 on January 2, 2020, to €3.69 on June 1, 2020, mainly due to the COVID-19 pandemic and the slowdown of the global economy. The share price reaches its lowest level at €1.16 in October 2020.

Since March 2019 and until the summer of 2020, the rating agencies S&P and MOODY'S have downgraded the Company's rating several times, to CCC+ and Caa2.

From the first half of 2021, TECHNICOLOR'S share price began to rise slightly, reaching a peak of €3.60 on June 4, 2021, following the publication of the first quarter earnings for 2021.

Finally, on February 24, 2022, TECHNICOLOR announced its intention to list TCS on EURONEXT PARIS, as well as a plan to refinance existing debt and issue €300 million in MCNs. Following this announcement, TECHNICOLOR's share price rose by 7.5% to €2.88.

Based on the stock price as of February 24, 2022, the volume-weighted average prices (hereinafter, referred to as "VWAP"), the volumes traded in the stock and the resulting turnover rates are as follows over a 24-month period:

Table 7- Analysis of the share price

Volume Weighted Average Price (VWAP)	Share price (in €/share)	Trading volume (in K)		Capital traded (in K)		% of capital		% of free float	
		Average	Aggregate	Average	Aggregate	Trading volume	Capital turnover	Trading volume	Free float turnover
Spot (24/2/2022)	2,68	204	204	540	540	0,09 %	0,1 %	0,14 %	0,1 %
VWAP 1 month	2,77	101	2 225	280	6 161	0,04 %	0,9 %	0,07 %	1,6 %
VWAP 60 days	2,75	89	5 277	246	14 503	0,04 %	2,2 %	0,06 %	3,7 %
VWAP 3 months	2,73	98	6 351	267	17 365	0,04 %	2,7 %	0,06 %	4,1 %
VWAP 6 months	2,80	115	15 054	322	42 179	0,05 %	6,4 %	0,07 %	9,3 %
VWAP 12 months	2,90	279	72 077	809	208 819	0,12 %	30,6 %	0,16 %	42,4 %
VWAP 24 months	2,61	336	171 873	876	448 328	0,14 %	72,9 %	0,26 %	130,6 %

Source: FINEXSI analysis

Over the last 6 months (prior to February 24, 2022), the volume of TECHNICOLOR shares traded was 15,054K shares, approximately 115K shares per trading day. Over the same period, the free float turnover was 9.29%, which is very limited.

Over the last 12 months (prior to February 24, 2022), the volume of TECHNICOLOR shares traded was 72,077K shares, or approximately 279K shares per trading day. The free float turnover was 42.36% during the same period.

This period includes the large volumes traded in response to certain publications, notably the 2020 earnings on March 11, 2021, and the 2021 first quarter earnings on May 11, 2021, with peaks of 3.6 and 2.5 million shares traded on March 12 and May 12, 2021 respectively.

Over the 60 trading days prior to February 24, 2022, the volume of shares traded was 5,277K, or approximately 89K shares per trading day.

It should be noted that since February 2020, the volatility of the stock has been high, with an average of 57%, significantly higher than the average volatility observed on the SBF 120 index, which was 18% over the same period, reflecting the intrinsic risk of the Company.

Finally, since the announcement of the Transaction on February 24, 2022, and as of March 28, 2022, the share price has fluctuated between €2.68 and €3.43.

6.3.2 Analysts' price targets

Based on our analysis, TECHNICOLOR stock is followed by five analysts.

BRYAN GARNIER & CO published a €4.30 price target in its February 25, 2022, note (unchanged from its price target published on November 5, 2021), highlighting the benefits that could be generated by TECHNICOLOR's planned transactions. In particular, the analyst expressed the reduction of the Group's conglomerate discount and the improvement of its financial profile. These benefits should, in its view, more than offset the dilutive impact of the MCN.

For its part, ODDO BHF published a target share price of €3.20, (unchanged from its target share price published on November 5, 2021), and a Neutral recommendation in its note dated February 25, 2022, indicating that the maintenance of the 2022 roadmap and the listing of TCS were positive points.

KEPLER CHEUVREUX, in its note of February 25, 2022, indicated a target share price of €4.00, (unchanged from its target share price published on March 3, 2021), indicating that the TCS spin-off and the deleveraging could lead to a better valuation of TCS and TECHNICOLOR ex TCS, although diminished by certain negative synergies and the issue of 115 million shares.

GOLDMAN SACHS published a 12-month price target of €2.70 (unchanged from its target issued in November 2021), with a recommendation of Neutral in its February 25, 2022 note. The analyst said it had made its forecast based on higher-than-expected broadband demand in North America and Europe and a prolongation of the negative effects of health restrictions on film production.

In its February 28, 2022 note, EDISON presented the results of its valuation work, resulting in a share value using the sum-of-the-parts method of €4.95, higher than the €4.49 in its note published on January 24, 2022, using the same method, and a value per TECHNICOLOR share of €3.94 using the discounted cash flow method, compared to €3.77 in its previous note. The analyst also notes that the proposed restructuring addresses the Group's current complexity and debt constraints.

Thus, the average target price is €3.7 before the announcement of the Transaction and €3.8 after the announcement.

6.4 Discarded valuation methods

6.4.1 Consolidated net book value

Net book value is generally considered as an inaccurate representation of a company's intrinsic value. Indeed, it does not include growth and profitability prospects or potential gains on assets.

We note here for information purposes that consolidated net book value (Group share) as of December 31, 2021 is €134 million, i.e. a value of €0.56 per share.

6.4.2 Adjusted net assets

The adjusted net assets method consists of adjusting the net book value to reflect unrealized gains or losses connected to assets, liabilities or off-balance sheet items. This method, which is often used to value companies in certain sectors (holding companies and real estate, for example), is particularly suitable for companies whose main assets have a market value and acquisitions/disposals of those assets constitute how the company operates. This is not TECHNICOLOR'S case.

In this case, since the disposal of the Technology business, the Group does not hold any significant assets independent of its current operations for which the market value would be significantly higher than the value derived from their operation as an integrated Group. In addition, our valuation is based on a going concern scenario for the Group within its current scope of consolidation, without taking into account any significant disposals or acquisitions whose impact would be extremely difficult to assess.

In this context, as we will discuss later, the criterion of future cash flows used for each of TECHNICOLOR's businesses in the context of a sum-of-the-parts approach appeared to us to be particularly relevant for assessing the market value of TECHNICOLOR.

6.4.3 Dividend Discount Model (yield value by capitalization of the dividends)

This method consists of valuating the Company using the present value of its future dividends. This method can only be used in connection with companies that have significant dividend distribution capacity and regular and foreseeable dividend distribution rates.

For information purposes, TECHNICOLOR has not distributed any dividends since 2018.

6.4.4 Net asset value

We did not consider using this method, insofar as the Group's liquidation is not in line with Management's strategy, particularly in the context of a post-restructuring valuation.

6.4.5 Recent transaction on the Company's share capital

This method consists of valuating a company on the basis of recent material transactions involving its share capital.

No such recent transactions were identified and we therefore dismissed this method.

6.4.6 Peer comparison

The peer comparison method consists of determining a company's value by applying multiples observed in a sample of other listed companies operating in the same business sector to indicators that are deemed to be relevant. In light of the TECHNICOLOR group's wide range of business activities, we did not identify a company that is fully comparable to it.

However, this criterion was assessed individually for each of the Group's activities in the context of our sum-of-the-parts approach, which we present below.

6.4.7 Transaction multiples

The transactions multiples method is based on analysis of multiples for full or partial buyouts of companies in the business sector of the entity being valued.

As for peer comparisons, we were unable to identify a recent transaction involving companies with activities that were sufficiently comparable to TECHNICOLOR'S activities. Consequently, this method was not used.

However, transactions involving companies with similar activities to those of the Group's various segments were in fact reviewed in the context of our sum-of-the-parts approach.

6.4.8 Discounted cash flow (DCF)

This method consists of determining a company's intrinsic value of by discounting cash flow from its business plan at a rate that reflects the market's profitability expectations for the company and taking into account an exit value at the term of that business plan. In the context of the Company's transformation plan and the resulting improvement in future performance, we believe this method is particularly relevant.

However, in light of the wide range of the Company's activities and their varying risk levels together with the DVD Service's segment's limited future, we believe that it would be more relevant to apply this method separately for each activity in the context of a sum-of-the-parts approach than doing so comprehensively at the Group level.

6.5 Valuation methods used

6.5.1 Sum-of-the-parts approach

The sum-of-the-parts (SOTP) method is an approach that consists in determining a company's overall value by assessing and adding up the value of each of its businesses or subsidiaries.

This approach is particularly appropriate for arriving at the TECHNICOLOR group's intrinsic value in light of its diverse activities. This method can be applied using various valuation methods that are appropriate for each of these activities, including the discounted cash flow method used in this case.

6.6 Presentation OF TECHNICOLOR's business plan

The Company's Management has provided us with individual forecasts for each of the Group's businesses, the main consolidated trends of which were presented to the market in TECHNICOLOR's press release of February 24, 2022.

This Group business plan was established in February 2022 based on forecasts made by the operational managers of each of the Group's activities using a bottom-up approach, and these forecasts were then reviewed and adjusted by TECHNICOLOR's financial department. It was also presented to the Company's Board of Directors on February 24, 2022.

In its press release of February 24, 2022, TECHNICOLOR presented its 2022–2023 forward-looking assumptions for the Group, which for the year 2022 expects to achieve adjusted EBITDA of €385 million, adjusted EBITA of €180 million and Free Cash Flow before interest and taxes of €230 million. For the year 2023, the Group expects to achieve adjusted EBITDA of between €395 million and €405 million, adjusted EBITA of between €185 million and €195 million and Free Cash Flow before interest and taxes of between €195 million and €205 million.

The main assumptions of the forecasts for each segment are presented below. It should be noted that these forecasts take into account restructuring charges and cost savings (the full effect of which will be felt at the end of the business plan) resulting from previous restructuring and transformation plans.

6.7 Implementation of TECHNICOLOR'S valuation

For this part, we assessed separately the 4 activities of the Group, namely (i) Connected Home, (ii) TCS, (iii) DVD Services, and (iv) Corporate and Other.

A discount rate was determined for the Company and applied to each division. Given the Company's high level of debt and the resulting risk, this discount rate corresponds to a weighted average cost of capital and incorporates the Company's debt ratio and cost of debt.

We performed our valuation work as of December 31, 2021.

The terminal value is calculated at the end of the explicit forecast horizon on the basis of a normalized cash flow discounted to infinity, taking into account an estimated long-term growth rate of 1.75%, based on the OECD's inflation expectations for its countries[35].

Finally, we have assessed the tax position of each of the Group's activities and have taken into account the tax savings relating to the expenses included in the "Corporate & Other" segment.

In addition, we remind you that these tax forecasts do not take into account tax loss carryforward, the use of which has been deemed unlikely by the Management, and which have been written down in the Group's balance sheet.

[35] OECD area inflation under the single shock scenario related to the pandemic.

6.7.1 Valuation of the Connected Home business

6.7.1.1 Discounted cash flow method (main approach)

Forecast

The key assumptions of the Connected Home segment forecasts can be summarized as follows:

- Revenue with an average annual growth rate of 14.1% due to strong worldwide demand for broadband equipment;
- A relatively stable EBITDA margin over the business plan horizon close to that achieved by the Company in 2021 in this business segment;
- A level of investment representing an average of 3% of revenue, slightly lower than that observed over the last three years of 3.6%;
- Restructuring costs related to the various restructuring plans implemented by the Group, representing on average 0.1% of revenue over the forecast period;
- A corporate income tax rate of 25.4%, which is the rate used by the Group in its impairment tests;
- A stable change in WCR over the business plan period.

Extrapolation and normalized flow

We have extended the forecast for the Connected Home segment by two years to achieve more normalized business growth and profitability characteristics.

Discount rate

We used the weighted average cost of capital to discount the future cash flows of the Connected Home business. We thus calculated a rate of 9.23% based on:

- 2021 T-Bond at 1.51% due to TECHNICOLOR's high exposure to the US market (source: Damodaran);
- A risk premium of 4.90% (source: Damodaran - United States risk premium);
- A sector unlevered beta of 1.07 (source: Damodaran - World Entertainment beta).
- A size premium of 0.65% to reflect the smaller size of the Company compared to listed companies in the entertainment sector (Sources: DUFF & PHELPS - *Valuation Handbook* and FINEXSI analysis);
- A gearing of 159.2% calculated on the basis of the share price and the Group's net financial debt;
- A corporate income tax rate of 25.4%, which is the rate used in the forecast;
- A weighted average cost of debt of 8.7%.

We thus obtain a discount rate adapted to the segment's international activity and its exposure to the dollar, which also factors in the risk inherent in its activity as well as that linked to the Group's indebtedness.

Result of the method

The sensitivity of the enterprise value of the Connected Home business, using this method, based on a combined change in the discount rate (from −0.50 points to +0.50 points) and the perpetual growth rate (from −0.25 points to +0.25 points) is presented below.

Table 8 - Valuation of Connected Home (in €M)

		WACC (%)				
		8,23%	**8,73%**	**9,23%**	**9,73%**	**10,23%**
PGR (%)	**2,25%**	837	773	717	669	628
	2,00%	806	746	**695**	650	610
	1,75%	778	**722**	**674**	**631**	594
	1,50%	751	699	**654**	614	579
	1,25%	726	678	635	598	564

Source: FINEXSI analysis

The valuation of the Connected Home business, through the application of the DCF criterion and on the basis of the assumptions described above, falls within a range of €631 million to €722 million with a central value of €674 million.

6.7.1.2 Peer comparisons approach (for information purposes)

The peer comparisons approach allows us to determine the value of a company or an asset by analogy with comparable listed companies, provided that a sufficient number of references can be identified. In this case, we identified four companies, only two of which had a consensus of analysts' forecasts, namely:

- ARCADYAN TECHNOLOGY CORPORATION which is a Taiwanese company specializing in the manufacture and sale of broadband wireless gateways and local area network products. Through its presence in Europe, Asia and America, this Group generated a revenue of TWD38,240 million (about €1,213 million) in 2021;

- NETGEAR, a U.S.-based company that designs and develops internet connection products through two businesses: connected homes and small and medium-sized businesses. The Group operates in the United States, Asia, Europe, Africa and the Middle East, and generated revenue of $1,168 million (approximately €1,027 million) in 2021.

On the basis of the estimated aggregates of these companies derived from analysts' consensus for 2022 and 2023 we can determine enterprise value multiples. However, given the limited number of comparable companies, this criterion was studied but not used in the valuation of TECHNICOLOR's Connected Home business.

6.7.1.3 Transaction multiples approach (for information purposes)

We have analyzed the transactions that have occurred since 2015 involving companies with activities comparable to TECHNICOLOR's Connected Home segment and involving a significant share of the capital, greater than 50%, and therefore including a control premium. As indicated above, and similarly to the approach based on stock market comparables, we have used multiples based on EBITDA.

We have identified the following transactions:

- ARRIS INTERNATIONAL's acquisition of RUCKUS WIRELESS in February 2017;
- CHARTERHOUSE CAPITAL PARTNERS' acquisition of SAGEMCOM in September 2016;
- ARRIS INTERNATIONAL's acquisition of PACE in April 2015;
- TECHNICOLOR's acquisition of CISCO SYSTEMS' CPE Business in July 2015.

However, in the absence of detailed public information for some of these transactions, the implementation of this criterion on a sufficient number of references appears to us to be very complex and we have therefore discarded this criterion. In addition, these transactions are very old (5 years or more) and this activity is undergoing significant changes (see above 4.1)

6.7.2 Valuation of the DVD Services division

6.7.2.1 Discounted cash flow method (main approach)

Forecast

The main assumptions of the DVD Services segment forecast can be summarized as follows:

- Revenue decreasing by −10% per year, taking into account the expected decline of the market, especially due to the rise of streaming;
- EBITDA margin maintained stable over the period, thanks in particular to cost savings and and improved format mix;
- A level of investment representing on average 1.4% of revenue equivalent to that observed in 2021;
- Restructuring costs representing an average of 0.9% of revenue over the three-year forecast period, enabling the implementation of the transformation plan and the adaptation of the structure to the expected decline in activity;
- A corporate income tax rate of 25.4%, which is the rate used by the Group for its impairment tests;
- A stable change in WCR over the business planperiod .

Extrapolation and normalized flow

The determination of the enterprise value of this business segment was based on the business plan described above. We have extrapolated the cash flows over a period of 12 years to reflect the decline in the DVD business.

In this extrapolation, we made the following assumptions:

- Revenue decreasing by an average of 3.7% per year, reflecting the structural decline inthe DVD business, partially offset by the rise in distribution activity;

- EBITDA margin decreasing by 0.5 percentage points over the extrapolation period considered, due to the contraction of future revenue;

- Investments representing an average of 1.3% of revenue, as well as restructuring costs representing an average of 0.3% of revenue to adapt the structure to the decline in its activity;

- Restructuring costs representing an average of 0.3% of revenue over the extrapolation period, enabling the structure to be adapted to the expected decline in activity;

- A corporate tax rate of 25.4%;

- A deterioration in working capital over the extrapolation period due to the decline in activity.

In addition, a normalized cash flow has been used to calculate a terminal value for the distribution activity of the DVD Services segment, for which the Management anticipates medium to long-term development.

Discount rate

We have used the Company's weighted average cost of capital to discount the future cash flows of the DVD Services activity. As mentioned above (see 6.7.1.1), this rate is 9.23%. As for the Connected Home activity, we consider this rate to be consistent with the exposure of the DVD Services activity to the dollar and the uncertainty related to the development of its distribution activity.

Result of the method

The sensitivities of the enterprise value of the DVD Services activity, according to this method, based on a combined change in the discount rate (from −0.50 points to +0.50 points) and in the perpetual growth rate (from −0.25 points to +0.25 points) are presented below.

Table 9 - Valuation of DVD Services (in €M)

		WACC (%)				
		8,23%	**8,73%**	**9,23%**	**9,73%**	**10,23%**
PGR (%)	**2,25%**	234	222	211	202	194
	2,00%	231	220	**210**	201	193
	1,75%	229	**218**	**208**	**200**	192
	1,50%	227	216	**207**	199	191
	1,25%	225	215	206	197	190

Source: FINEXSI analysis

The valuation of the DVD Services business, through the application of the DCF criterion and on the basis of the assumptions described above, is in the range of €200 million to €218 million with a central value of €208 million.

It is noted that the valuation has limited sensitivity as the terminal value is determined at 2036.

Since TECHNICOLOR's DVD Services business has a market share of approximately 70% worldwide, we were unable to identify comparable listed companies for this business.

We have not identified any recent comparable transactions in this market. Therefore, we only present the DCF approach, noting that it is the most relevant method to understand the gradual decline of this business.

6.7.3 Valuationof the TCS division (ex Production Services)

6.7.3.1.1 Discounted Cash Flow method (main approach)

Forecast

The key assumptions of the TCS segment forecast can be summarized as follows:

- Revenue with an average growth of +27.2% per year due to a recovery in activity following the COVID-19 pandemic, as well as a strongly growing market driven by sustained demand in the special effects and advertising segments;
- Significant growth in EBITDA margin compared to 2021, linked to an optimization of TCS's business mix;
- An average investment level of 5.1% of sales;
- Restructuring costsrepresenting on average 0.2% of revenue over the forecast horizon;
- A corporate income tax rate of 25.4%, which is the rate used by the Group in its impairment tests;

- A level of change in working capital representing on average −15% of the change in revenue, mainly linked to the growing need for *rendering*[36].

Extrapolation and normalized flow

We extended the TCS segment business plan by two years to obtain more normalized business growth and profitability characteristics. The following assumptions were considered:

- Average annual revenue growth of 6% over the extrapolation period and 1.75% in a normalized year to reflect the market's growth driven by strong demand from *streaming* platforms;
- An EBITDA margin that evolves linearly to reach the normalized profitability level for this activity;
- Investments set at 4.2% of revenue per year, slightly lower than those observed over the business plan horizon, and allocations tending towards these investments in a normal year;

Discount rate

We have used the Company's weighted average cost of capital to discount the future cash flows of the TCS business. As mentioned above (see 6.7.1.1), this rate is 9.23%. This discount rate seems appropriate for the segment's international activity and its exposure to the dollar, which also factors in the risk inherent in its activity as well as that linked to the Group's indebtedness.

Result of the method

The sensitivity of the enterprise value of TCS, using this method, based on a combined change in the discount rate (from −0.50 points to +0.50 points) and the perpetual growth rate (from −0.25 points to +0.25 points) is presented below.

Table 10 - Valuation of TCS (in €M)

		WACC (%)				
		8,23%	**8,73%**	**9,23%**	**9,73%**	**10,23%**
PGR (%)	**2,25%**	1 886	1 738	1 611	1 502	1 406
	2,00%	1 823	1 685	**1 567**	1 463	1 373
	1,75%	1 765	**1 636**	**1 525**	**1 427**	1 341
	1,50%	1 711	1 591	**1 486**	1 393	1 312
	1,25%	1 661	1 548	1 449	1 361	1 284

Source: FINEXSI analysis

The valuation of the TCS business, through the application of the DCF criterion and on the basis of the assumptions described above, is in the range of €1,427 million to €1,636 million with a central value of €1,525 million.

[36] Rendering involves a complex process of data processing.

6.7.3.2 Peer comparison approach (as indicative)

The peer comparison approach makes it possible to determine the value of a company or an asset by analogy with comparable listed companies, provided that a sufficient number of references can be identified. In this case, we identified two listed companies whose activities were close to those of TCS:

- KEYWORDS STUDIOS is an Irish company that provides creative art, voice-over and other services to the video game industry. In 2020, it generated revenue of €374 million, mainly in Ireland, the United States, Canada and the United Kingdom;
- WOW UNLIMITED MEDIA is a Canadian company specializing in the production and distribution of animated content for the film and television industry. This group is notably present in the United States, Canada and the United Kingdom, and generated revenue amounting to CAD61 million (or approximately €39 million) in 2020, figures that were down sharply compared to 2019 due to the effect of the pandemic.

However, KEYWORDS STUDIOS is a pure player in the video game industry that offers technical and creative services. Its activities include marketing, player support and localization services that are not found in TECHNICOLOR's TCS activity. In addition, the share related to the video game activity at TCS is very significantly lower than that of KEYWORDS STUDIOS.

There is no forecast available for WOW UNLIMITED MEDIA.

For these reasons, this approach was studied but not used in the TCS valuation.

6.7.4 Transactions multiples approach (for information purposes)

We analyzed the transactions that have taken place since 2015 in companies with activities comparable to TECHNICOLOR's TCS segment, involving a significant share of the capital, above 50%.

We identified the following recent transaction:

- SPORTS VENTURES' acquisition of DNEG in January 2022: DNEG is a major player in the VFX and stereo industry, operating through several significant operational businesses such as Visual Effects, DNEG Animation, Stereo and DNEG Creative. The group also has a segment called "ReDefine". DNEG's operations are spread over 11 locations worldwide, in India, North America and England. In this sense, DNEG is the company most comparable to TCS.

Thus, given the strong comparability of the target company with TECHNICOLOR's TCS segment, this transaction has been retained in the framework of this valuation approach.

Table 11 - Valuation of TCS through the transaction method

Date	Target	Country	Buyer	% Acquired	EV	xEBITDA
Jan-22	DNEG - March 2022 Multiple	United-Kingdom	Sports Ventures	100 %	$1 706 M	17,1x
Jan-22	DNEG - March 2023 Multiple	United-Kingdom	Sports Ventures	100 %	$1 706 M	11,4x

Source: FINEXSI analysis

By applying DNEG's EBITDA multiples to TCS's 2022 and 2023 forecasted aggregates, the externalized enterprise value is in the range of €1,450 million to €2,190 million.

We also identified the following other transactions that occurred since 2015:

- PICTURE HEAD's acquisition of THE FARM POST PRODUCTION LIMITED in June 2019;
- CULTURAL INVESTMENT HOLDINGS COEN acquisition of FRAMESTORE LIMITED in January 2017;
- STARBREEZE's acquisition of NOZON in October 2016;
- YMAGIS' acquisition of ST 501 in April 2016;
- TECHNICOLOR's acquisition of THE MILL in September 2015.

Due to the lack of sufficiently reliable public information on certain transactions and the lack of overall comparability between the acquired companies and TECHNICOLOR's TCS segment of these companies (size differences in particular), we have not used these transactions.

6.7.5 Valuation of the Corporate & Other division

6.7.5.1 Discounted cash flow method

Forecast

The forecasts provided to us include in particular items relating to the Group's structural costs, provisions for retirement benefits and restructuring costs.

Extrapolation and normalized flow

We have extended the forecasts for the Corporate & Other segment by two years in order to be consistent with the other extrapolations carried out[37], thus obtaining a terminal value representative of a structural cost considered as normative for the Group.

Discount rate

The discount rate used for the Corporate & Other segment corresponds to the Company's discount rate of 9.23%.

[37] The longer extrapolation for the DVD Services segment is due to the particular situation of this business.

Result of the method

The sensitivities of the enterprise value of the Corporate & Other activity, according to this method, based on a combined change in the discount rate (from −0.50 points to +0.50 points) and in the perpetual growth rate (from −0.25 points to +0.25 points), are presented below.

Table 12 - Valuation of Corporate & Other (in €M)

		WACC (%)				
		8,23%	**8,73%**	**9,23%**	**9,73%**	**10,23%**
PGR (%)	**2,25%**	(800)	(738)	(686)	(640)	(600)
	2,00%	(772)	(715)	**(666)**	(623)	(585)
	1,75%	(747)	**(693)**	**(647)**	**(606)**	(571)
	1,50%	(723)	(673)	**(629)**	(591)	(557)
	1,25%	(701)	(654)	(613)	(577)	(545)

Source: FINEXSI analysis

The valuation of the Corporate & Other activity, using the DCF criterion and the assumptions described above, is in the range of −€693 million to −€606 million with a central value of −€647 million.

6.7.6 Calculating the overall value via the sum-of-the-parts method

On the basis of the work described above, we present below the results of the cash flow approach and the enterprise value of the Group, as well as its equity value after deduction of its debt (cf.6.2.2).

Table 13 - Valuation of TECHNICOLOR

	Technicolor Equity Value (€M)	Min	Central	Max
+	**TCS segment**	1 427	1 525	1 636
+	**Connected Home segment**	631	674	722
+	**DVD Services segment**	200	208	218
+	**Corporate & Ohers**	(606)	(647)	(693)
=	**Enterprise value - Technicolor**	1 652	**1 760**	1 883
	Adjusted net debt as of 31 December 2021		(763)	
=	**Equity value - Technicolor**	889	**997**	1 120
	Number of shares (millions)		242	
=	**Value per share - Technicolor - €**	3,7	**4,1**	4,6

Source: FINEXSI analysis

7. Financial analysis of the Transaction

The financial analysis of the Transaction aims to assess the impact of the issuance of the MCNs (Mandatory Convertible Notes) for the Company and the current shareholders, in particular in terms of financial structure, dilution, and value creation.

The Group plans to significantly reduce its debt and to list TECHNICOLOR CREATIVE STUDIOS on the stock exchange in order to pursue its growth and development in conjunction with strong market demand.

7.1 Analysis of MCN characteristics

7.1.1 Characteristics of the MCNs

Below the main characteristics of the MCNs detailed above (cf.1.1.1) :

Table 14 - Characteristics of MCN

Amount issued	- €300 M
Subscribers	- The issue will take the form of separate reserved MCN issues with the same characteristics, based on a selective approach of significant shareholders including (i) Angelo Gordon, Bpifrance, CSAM, Briarwood, Barings, Bain Capital, Farallon, and Goldman Sachs
Coupon	- Cash coupon of 4.50% per year
Conversion terms	- Automatic mandatory conversion into Technicolor shares at a conversion price of 2.6 euros if, during the period ending on the 18-month anniversary of the date of the issue (i) an EGM approves the distribution/listing by Technicolor of at least 65% of the share capital of TCS and the board of directors decides to make such a distribution unconditionally and (ii) if there is a listing by Euronext of the TCS shares. - Possibility of conversion into Technicolor shares at any time, at the discretion of the holders of the Mandatory Convertible Notes.
Maturity	- On the earlier of six months after the latest maturity date applicable to the New Senior Secured Indebtedness of the Issuer and TCS and the seventh anniversary of the issue date
Conversion price	- €2.60 per share, with, as reference price, the 3-month volume weighted average price (VWAP) of Technicolor's share price prior to the signature of the commitment minus a 5% discount
Remuneration	- An initial commission of 1.50% of the issue amount payable to Angelo Gordon on the date of signing the Commitment Letter - The MCNs may be subscribed by each subscriber for its respective commitment amount at a percentage equal to 97.5% of the nominal amount.

Source: Company

7.1.2 2020–2022 MCN issuance transactions

We have analyzed several MCN issuance transactions of European companies over the last 24 months. The sample of transactions analyzed is presented below:

Table 15 - Issuance of MCNs, 2020–2022

Company	Country	Capitalization (MEUR)	Amount issued	Maturity	Coupon %	Conversion price discount vs. price	Date	Rating
CICOR	Switzerland	159,6	60MCHF	5 years	0%	-17,8%	22-Nov-21	
Epigenomics	Germany	8,1	18,5 MEUR	6 years	0%	-35,3%	11-Jun-21	
Peach Property Group	Switzerland	969	150 MCHF	6 months	2,5%	-2,5%	11-Jun-21	BB / Ba2
Schaltbau	Germany	625,8	60 MEUR	1,5 year	0,5%	-8,5%	1-Mar-21	
Dufry	Switzerland	3399	69,5 MCHF	3 years	4,1%	0,0%	20-Oct-20	B1 / B+
Peach Property Group	Switzerland	969	230 MCHF	7 months	2,5%	-1,2%	13-Oct-20	BB / Ba2
Biofrontera	Spain	72,3	7,9 MEUR	1 year	1,0%	50,0%	27-Jul-20	
Arcelor Mittal	Luxembourg	26302,3	1250 M$	3 years	5,5%	0,0%	12-May-20	Ba1
Technicolor	**France**	**723**	**300 MEUR**	**7 years**	**4,50%**	**-5%**		**CCC+/ Caa2**

Source: Finexsi analysis

This analysis shows that the coupon rate is at the top end of the range, but this should be put into perspective given the higher level of financial risk for Technicolor (lower rating).

The discounts observed on the conversion prices of the MCN compared to the different stock exchange prices prior to the completion of the transactions turn out to be rather higher than the one of the present Transaction.

Also, for information purposes, we have carried out an analysis of reserved capital increases[38] which took place in the years 2020 and 2021. This analysis highlights the discounts embedded in subscription prices compared to the stock market prices of the companies prior to the transaction, of the order of −30% on average, which is significantly higher than the discount observed in the context of the present issue.

7.1.3 Analysis of remuneration linked to the issue of MCNs

It is difficult to assess precisely the levels of remuneration for these services in the context of debt restructuring, which makes it particularly difficult to find new investors, and since they are negotiated on a case-by-case basis.

In these circumstances, we have analyzed several recent transactions[39] in order to assess certain characteristics of the Transaction, in particular the size of the restructured debt, and the total remuneration proposed to the creditor underwriters as a whole for their services.

Indeed, the MCNs will be a structuring element of the refinancing and distribution process and are supported by a group of shareholders (Angelo Gordon, BPI, CSAM, Briarwood, Barings, Bain Capital, Farallon, and Goldman Sachs) who have committed to subscribe for the entirety of the MCN issue.

[38] In particular the operations of Korian, Veolia, Alstom, Neonen.
[39] We analysed the restructuring operations carried out by the following companies: Solocal, Technicolor, Europcar, Bourbon, Europacorp and Orapi. For these operations, the remuneration of the creditors as a % of the investment ranges between 2% and 29%.

However, the remuneration in the form of an Upfront fee[40] and an Original Issue Discount[41] is at the lower end of the range of remunerations observed in the context of debt restructuring operations, even if each has its own characteristics.

It is reminded that in case of non-approval[42] or non-fulfillment[43] of the Transaction, breakage fees of (i) 5% of the nominal value of the MCNs plus (ii) a percentage depending on the number of days between the announcement and the non-approval or (i) 9% of the nominal value of the MCN plus (ii) a percentage depending on the number of days between the announcement and the non-fulfillment of the Transaction will be due to each subscriber respectively. However, in the case of a good unfolding of the Transaction, these events will not be allowed to occur. Moreover, the analyses carried out hereafter show that it is in the interest of the Company and of all the shareholders that the Transaction takes place.

7.2 Analysis of TECHNICOLOR's post-transaction financial structure

7.2.1 Impact of the Transaction on the Company's net debt

The Group intends to further reduce its indebtedness so that TECHNICOLOR and TCS can benefit from a more favorable development profile by refinancing all existing debt. It is in this context that the issuance of the Mandatory Convertible Notes, for a total amount of €300 million, whose conversion into TECHNICOLOR shares would become effective at the time of the distribution and the listing of the capital of TCS, takes place.

In the event that the MCNs are issued and in the absence of their conversion into TECHNICOLOR shares, the gross debt of the Company would remain unchanged in terms of amount, but the cost of this debt would become lower given the interest rate of the MCNs (4.5%). This is lower than the interest rates of the various debt facilities currently on the Company's balance sheet, whose rates range from 5.9% to 12.15%, for average cost of the Company's debt of 8.7% as of December 31, 2021.

If the MCNs are issued and fully converted, the Company would benefit from a cash inflow of €300 million, which would allow it, all else being equal, to reduce its net debt by €300 million, as well as its cost of debt, thus significantly reducing the Group's financial risk profile.

[40] Corresponding to 1.5% of the nominal amount of the MCNs issued and due to ANGELO GORDON as arranger of the issue.
[41] The subscribers for the MCNs will subscribe at an issue price corresponding to 97.5% of the nominal value of the MCNs. This corresponds to a form of issue premium to the subscribers.
[42] Non-approval would be where no EGM is held before May 25, 2022, where an EGM is held before May 25, 2022, but votes against the issuance of the MCNs.
[43] Non-fulfillment would be characterized by the absence of non-approval and by the fact that the Company were unable to issue the MCNs before July 31, 2022.

7.2.2 Analysis of the post-Transaction shareholding structure

The issuance of the MCNs may, however, lead to dilution in the event of conversion for existing shareholders who would not subscribe for them due to their reserved nature. Taking into account the characteristics of the MCNs as well as the subscription commitments of certain shareholders, the post-issuance shareholding structure could be as follows in the event of conversion of the MCNs:

Table 16 - Evolution of the shareholding structure

Shareholders	Commitment €M	Shares as of 31/12/21	% capital	(+) New shares	Shares post conversion	% capital post conversion
Angelo Gordon	129,6	29 811 992	*12,64 %*	49 859 532	79 671 524	*22,68 %*
CSAM	12,5	25 491 247	*10,81 %*	4 807 692	30 298 939	*8,63 %*
Briarw ood	27,8	21 827 685	*9,26 %*	10 679 885	32 507 570	*9,26 %*
Barings	27,0	18 631 496	*7,90 %*	10 384 615	29 016 111	*8,26 %*
BainCapital	20,9	17 785 294	*7,54 %*	8 030 641	25 815 935	*7,35 %*
Farallon	24,0	14 422 759	*6,12 %*	9 230 769	23 653 528	*6,73 %*
Goldman Sachs	13,2	10 390 314	*4,41 %*	5 083 789	15 474 103	*4,41 %*
Bpi	45,0	10 381 145	*4,40 %*	17 307 692	27 688 837	*7,88 %*
Total major shareholders	**300,0**	**148 741 932**	***63,07 %***	**115 384 615**	**264 126 547**	***75,20 %***
Free Float	-	87 082 623	*36,93 %*	-	87 082 623	*24,80 %*
Total shareholders	**300,0**	**235 824 555**	***100,00 %***	**115 384 615**	**351 209 170**	***100,00 %***

Source: FINEXSI analysis

Taking into account the amount of MCNs issued and their conversion price, the number of shares resulting from the conversion of all MCNs would be 115.4 million.

Thus, the percentage of holding of subscribing shareholders would evolve from 63.1% (before conversion) to 75.2% post conversion. On the other hand, the non-participating shareholders will suffer a dilution of their holding from 36.9% to 24.8%. This level of dilution is to be considered in light of the value creation linked to the Transaction.

7.3 Impact of the Transaction on the shareholder's situation in terms of dilution

As mentioned above, the conversion of the MCNs will result in the issue of 115.4 million Group shares at a price of €2.6. The table below analyzes the direct dilutive impact of the conversion of all the MCNs.

Table 17 - Dilutive impact of the Transaction for non-subscribing shareholders of MCN

Number of outstanding shares	**235 824 555**
Share price - 24/02/2022	2,68 €
Market capitalization	*632 009 807 €*
3 months Volume Weighted Average Price - 24/02/2022	2,73 €
MCN conversion price	**2,60 €**
Discount	*-5%*
Nominal amount of MCN issued - MEUR	300 000 000
Number of shares resulting from the conversion	**115 384 615**
Number of outstanding shares post - Conversion	**351 209 170**
Theoretical share price post conversion	**2,65 €**
Dilutive impact of the MCN issue	*-1,0%*

Source: FINEXSI analysis

Given the stock market price before the announcement of the Transaction (€2.68[44]), the conversion of the MCNs could lead to a dilution in value of approximately 1% compared to this price.

In addition, not all subscribers for the MCN will benefit from the same effects linked to the conversion of the MCNs into shares, given the subscription amounts which differ from the shareholders' holdings in the Company's capital prior to the Transaction.

The analysis presented below highlights the accretive or dilutive impact on the assets of each of the subscribing shareholders.

Table 18 - Dilutive impact of the Transaction for all shareholders

		31/12/2021	Conversion	Conversion
	Amounts subscribed	**Shares in €**	**Shares in €**	**Dilution / Relution**
Share price		**2,68 €**	**2,65 €**	
Angelo Gordon	129 634 782	79 896 139	211 425 690	*2,4 %*
CSAM	12 500 000	68 316 542	80 404 816	*(0,6)%*
Briarwood	27 767 700	58 498 196	86 265 896	*0,0 %*
Barings	27 000 000	49 932 409	77 000 553	*0,1 %*
BainCapital	20 879 665	47 664 588	68 508 189	*(0,1)%*
Farallon	24 000 000	38 652 994	62 769 774	*0,3 %*
Goldman Sachs	13 217 853	27 846 042	41 063 894	*0,0 %*
Bpi	45 000 000	27 821 469	73 478 343	*2,4 %*
Total major shareholders	300 000 000	398 628 378	700 917 155	*0,6 %*
Free float		233 381 430	231 092 652	*(1,0)%*
Total	**300 000 000**	**632 009 807**	**932 009 807**	

Source: FINEXSI analysis

[44] As of February 24, 2022.

Depending on the level of subscription, the capital appreciation of the various subscribing shareholders is between 2.4% and −0.6%.

However, beyond this observation, the impact of the Transaction for all shareholders requires taking into account all the consequences resulting from it, and in particular the creation of value generated by the financial terms of this refinancing, as presented below.

7.4 Impact of the Transaction on the shareholder's situation in terms of theoretical value creation

The Transaction must be assessed for each shareholder in light of (i) the current context of the Company, which is indebted and will have to face a refinancing in the next 24 months, and (ii) the current situation of the shareholder with reference to the period preceding the Transaction.

As a reminder, the value of the Company's equity before the Transaction as it appears from our valuation work presented in part 6 of this report is between (€3.7 and €4.6).

As mentioned above, the issuance of the MCNs has the effect of significantly reducing the Company's cost of debt and of enabling it to reduce, all else being equal, its debt by €300 million in the event of conversion of the MCNs into shares.

We have thus quantified theoretically, based on our valuation work, the value creation linked to the issuance of the MCNs. This analysis is presented below.

Table 19 - Assessment of the value creation linked to the Transaction[45]

Technicolor - €M	31/12/2021	Non conversion	Conversion
TCS	1 524,7	1 669,6	1 872,6
DVD Services	208,3	220,8	238,1
Connected Home	673,6	736,3	824,3
Corporate & Other	(646,9)	(707,1)	(791,6)
Technicolor Enterprise Value	**1 759,6**	**1 919,5**	**2 143,4**
Discount rate	*9,2 %*	*8,6 %*	*7,9 %*
Cash	187,0	187,0	187,0
Cash equivalents	9,0	9,0	9,0
Non current borrowing	(1 025,0)	(1 025,0)	(725,0)
Current borrowing	(17,0)	(17,0)	(17,0)
Other adjustments	83,0	83,0	83,0
Upfront fee		(4,5)	(4,5)
Original Issue Discount			(7,5)
Technicolor adjusted net debt	**(763,0)**	**(767,5)**	**(475,0)**
Technicolor Equity Value	**996,6**	**1 152,0**	**1 668,4**
Gearing	*76,6%*	*66,6%*	*28,5%*
Number of shares (31/12/2021) - M	241,6	241,6	241,6
Shares resulting from the conversion of MCN - M			115,4
Number of shares post conversion - M	241,6	241,6	357,0
Value per share Technicolor - €	**4,1 €**	**4,8 €**	**4,7 €**
Value creation		*16%*	*13%*
Share price - Technicolor - 24/02/2022	2,68 €	2,68 €	2,68 €
Implicit discount	*(35)%*	*(44)%*	*(43)%*

Source: FINEXSI analysis

In the absence of conversion, the Company's indebtedness would remain stable, but the cost of indebtedness would be reduced (see §.7.2.1). This would reduce its level of financial risk and would thus result, all other things being equal, in a reduction in the discount rate used in the work (8.6%[46] vs. 9.2% initially). The intrinsic value of the divisions as well as TECHNICOLOR's value per share would thus be increased (€4.8 vs. €4.1).

If all the MCNs were converted, the Company would reduce its level of debt by €300 million, as well as the cost of this debt. This would have the effect of significantly improving its financial risk profile. As in the previous case, this would result in a lower discount rate (7.9%[47] vs. 9.2% initially). On the other hand, the conversion of the MCNs will result in the issue of 115.4 million shares. The combination of these impacts results in a value per share of TECHNICOLOR of €4.7.

[45] The number of shares of 241.6 million considered in our works includes shares under the free share plans as presented in part 6.

[46] The discount rate would be based on the same parameters as those presented in Part 6, but including a weighted average cost of debt of the Company ranging from 8.7% to 7.3%. The Company's post-Transaction cost of debt has been estimated on the basis of the weighted average cost of the existing debt facilities (€129 million, €467 million, €112 million) and the €371 million facility for which €300 million has been replaced at 4.5%, plus the OID of 2.5%. It should be noted that the Company is expected to refinance all of its debt and will no longer have any debt facilities on its balance sheet bearing interest at 12% following this refinancing. Consequently, the calculation presented above remains theoretical.

[47] The discount rate would be based on the same parameters as those presented in Part 6, but including a weighted average cost of debt of the Company evolving from 8.7% to 7.4% and a target leverage level of 30% compared to 159% previously. The Company's post-Transaction cost of debt has been estimated on the basis of the weighted average cost of the existing debt facilities (€129 million, €467 million, €112 million) and the €371 million debt facility from which we have subtracted the cash inflow related to the €300 million conversion. It should be noted that the Company is expected to refinance all of its debt and will no longer have any debt facilities on its balance sheet bearing interest at 12% following this refinancing. Consequently, the calculation presented above remains theoretical. Furthermore, the level of leverage is calculated on the basis of TECHNICOLOR's revalued equity.

It being specified that the conversion of the MCN will take place automatically in the event of a spin-off of the TCS business, which will thus allow the distribution of 65% of the capital that will regroup this activity to all the Company's then shareholders. As not all the characteristics on which this transaction will be based have been determined, we cannot quantify its effects.

The intrinsic values resulting from these analyses reflect potential value creation for all shareholders, subject to the achievement of the management's business plan on which our valuation is based.

8. Related agreements

There are no related agreements between the Company or its Management and the shareholders of the Group in connection with the Transaction, which has been confirmed to us in a representation letter by the Management.

9. Conclusion

First of all, it should be noted that the purpose of our report is not to give an implicit or explicit recommendation on the Transaction on which the shareholders must vote, but to provide them with information and an opinion on the terms and conditions of this Transaction and its impact on them.

The Transaction is part of a dual process, in which the Company envisages the full refinancing of its debt, as well as the distribution of 65% of the capital of the company to its shareholders, which will consolidate the activities of TCS.

The MCN issue is the first step in this process and, given its characteristics, will significantly reduce the cost of debt and the level of gross debt, which amounted to €1,042[48] million as of December 31, 2021, if fully converted.

Also, the MCNs issued may be converted at a price of €2.60 per share, which would result in the issue of 115.4 million shares in the event of conversion, and a dilution of shareholders who do not hold MCNs.

In order to assess the situation of the shareholder in the context of this Transaction, we have carried out a multi-criteria valuation of TECHNICOLOR before and after the issuance of the MCNs in order to calculate the dilution and creation of value for the shareholders.

On the basis of the sum-of-the-parts approach, this valuation comes out to be between €3.7 and €4.6 per share before the Transaction. These valuation levels assume, however, that the updated forecasts established by the Management will be achieved without major contingencies.

Its share price over different reference periods in the last 12 months has fluctuated between €1.93 and €3.6.

On the basis of the work described in this report on the valuation of the Group and the examination of the financial terms of the Transaction, we have the following main remarks to make:

For subscribing shareholders :

- All subscribers to the MCNs do not benefit from the same effects linked to the conversion into shares of the MCNs, considering the subscription amounts which differ from the shareholders' participation in the Company's capital before the Transaction. According to the subscription levels, the capital appreciation of the various subscribing shareholders is between −0.6% and 2.4%.
- The remuneration in the form of an Upfront fee and an Original Issue Discount remains coherent and reasonable with regard to the whole Transaction. We have compared this remuneration to those observed in the context of debt restructuring transactions, which may have had different terms and conditions. It appears that the remuneration granted in the context of the present Transaction, expressed as a percentage of their investment, is in the lower range of the transactions analyzed. Moreover, the remuneration in the form of an OID, rather than in cash, will have no impact on the Company's income statement or on its cash flow, which can be used entirely to finance its activities.

[48] Excluding rental debts.

For non-subscribing shareholders, the following analyses emerge:

- The MCNs' conversion price of € 2.60 implies a 5% discount on the volume weighted average price 3 months prior to the announcement of the Transaction, and a 3% discount on the closing price level of the day before the announcement. Consequently, the level of dilution in value suffered by the non-subscribing shareholder is of the order of 1% on the basis of the last stock market price before the Transaction, which seems to be insignificant with regard to the creation of value from which a non-subscribing shareholder could benefit in case of completion of the Transaction.
- The shareholders who do not have the possibility to subscribe for the issue will be diluted in that they will hold, on the whole, 24.8% of the capital after the Transaction in case of full conversion of the MCN, versus 36.9% held before the Transaction – a significant drop.
- This level of dilution is explained by the size of the Transaction, which allows it to initiate refinancing at a very substantial level of its debt, to reduce its cost and to significantly reduce its amount in the event of conversion. This has the effect of creating value.
- The Transaction appears to create value for the shareholder. Our valuation work shows a central value after the Transaction of between €4.7 and €4.8, compared to €4.1 initially, depending on whether the MCNs are converted or not. It should be noted that the Company's share price has increased by +28%[49] since the announcement of the Transaction.

In conclusion, we note for the shareholder that the implementation of this issue allows to improve the financial risk profile of the Company at conditions close to those of issues of comparable category, and whose components have been integrated in our calculations on the evolution of its worth.

Therefore, in this context, we believe that, as of the date of this report, the terms of the Transaction are fair from a financial point of view to the shareholders.

Signed in Paris on April 4, 2022,

FINEXSI EXPERT ET CONSEIL FINANCIER

Errick UZZAN	Olivier PERONNET
Partner	Partner

Attachment: Sole Appendix

[49] Based on a pre-announcement price of €2.68 and a closing price of €3.43 on March 23, 2022.

Sole Appendix

Presentation of FINEXSI EXPERT & CONSEIL FINANCIER

The work done by FINEXSI EXPERT ET CONSEIL FINANCIER (FINEXSI) falls within the scope of activities regulated by the French Association of Chartered Accountants (Ordre des Experts Comptables) and the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes). The firm works mainly in the following areas:

- Statutory audits;
- Business acquisitions and disposals;
- Contributions and mergers;
- Independent valuations and appraisals;
- Litigation assistance.

In order to successfully complete its work, the firm employs associates, most of whom have a high level of experience and expertise in each of these specialist areas.

List of independent appraisals performed by FINEXSI over the last 18 months

Date	Target	Initiator	Presenting bank(s)	Operation
sept.-20	Devoteam	Castillon SAS	Crédit Agricole CIB	Tender offer (by the Founders)
oct.-20	Sodifrance	Sopra Steria	Bryan Garnier & Co	Simplified tender offer followed by a squeeze-out
nov.-20	Bourbon	N/A	N/A	Capital increase reserved for creditors
dec.-20	Europcar Mobility Group	N/A	N/A	Capital increase without deletion of preferential subscription rights and capital increase reserved for certain creditors
jan.-21	Dalet	Dalet Holding	Alantra Capital Markets	Simplified tender offer
mar.-21	Vallourec	N/A	N/A	Proposed rights issue and capital increase reserved for certain creditors
may.-21	Tarkett	Tarkett Participations	BNPP, Crédit Agricole CIB, Rothschild Martin Maurel, Société Générale	Simplified tender offer followed by a squeeze-out
jun.-21	Bourrelier Group	M14	Invest Securities	Public buyout offer
jun.-21	Suez	Veolia	HSBC, Crédit Agricole CIB, Morgan Stanley, Bank of America	Tender offer
jun.-21	Bel	Unibel SA	BNP Paribas	Public buyout offer
jul.-21	SFL	Immobiliaria Colonial	Morgan Stanley	Simplified mixed tender offer
aug.-21	Genkyotex	Calliditas Therapeutics AB	Bryan, Garnier & Co	Tender offer followed by a squeeze-out
nov.-21	Prodware	Phast Invest	Banque Degroof Petercam	Tender offer
nov.-21	SQLI	DBAY Advisors	Messier & Associés	Tender offer
dec.-21	LV Group	LVMH	Natixis	Public buyout offer

Membership of a professional association accredited by the French Financial Markets Authority (Autorité des Marchés Financiers, or AMF)

FINEXSI EXPERT & CONSEIL FINANCIER is a member of the APEI (Association Professionnelle des Experts Indépendants), a professional association accredited by the Autorité des Marchés Financiers pursuant to Article 263-1 of the AMF's General Regulation.

In addition, FINEXSI EXPERT & CONSEIL FINANCIER also applies procedures intended to safeguard the firm's independence, avoid conflicts of interest and, as part of each engagement, control the quality of work and reports before they are issued.

Description of the work performed

The following detailed work program was implemented:

1 - Reviewing the Transaction and accepting the engagement

2 - Identiyfing risks and setting the direction of the engagement

3 – Collecting information and data necessary for the engagement :

- Review of the sector analysis notes, the analysis notes on the Company's comparables and the analysis notes on comparable transactions

4 - Assessing the specific context of the Transaction:

- Exchanges with the Company's Management
- Discussions with the Company's financial advisor

5 - Analyzing the transaction and related legal documentation

6 - Reviewing the Company's accounting and financial documentation;

7 - Analyzing TECHNICOLOR SA's share price :

- Free float and liquidity analysis
- Analysis of the price evolution

8 - Reviewing the Company's management business plan

9 - Implementing the sum-of-the-parts valuation (SOTP) method, which consists of assessing the value of each of TECHNICOLOR's businesses through the application of the following methods

- Discounting of future cash flows (as principal) and sensitivity testing

11 - Obtaining representation letters from the Company's representative

13 - Independent review

14 - Writing the report

Study schedule

Between February 8, 2022 and February 16, 2022	First contacts with TECHNICOLOR management on the conditions of our intervention.
February 24, 2022	Engagement of FINEXSI as independent appraiser by the Board of Directors of TECHNICOLOR. Collecting information about the Transaction.
From February 25, 2022 to March 14, 2022	Collection of available public information. Search for comparable transactions from databases. Identification and collection of data on stock market comparables from the CAPITAL IQ financial database.
Week of March 14 to 18, 2022	Working sessions with Mr. Jean-Baptiste Nineuil, Investment Committee Secretary & Financial Controller, and Mr. Emmanuel Janin, Deputy CFO, on the elaboration and assumptions of the 2022–2024 Business Plan.
March 21, 2022	Working session with Mr. Jean-Baptiste Nineuil, on the elaboration and the hypotheses retained within the framework of the Business Plan 2022–2024.
March 21, 2022	Meeting with the AMF on key issues relating to the Transaction.
Weeks of February 28, 2022, March 7, 14, 21, 2022	Implementation of a multi-criteria evaluation of TECHNICOLOR actions. Drafting of the valuation report.
Week of March 21, 2022	Independent review of the FINEXSI report.
March 29, 2022	Presentation of our work and analysis to the Board of Directors.
March 31, 2022	Obtaining the letter of representation.
April 4, 2022	Delivery of Fairness Opinion.

List of people met or contacted

TECHNICOLOR Company:

- Mr. Richard Moat, CEO
- Mr Laurent Carozzi, CFO
- Mr. Emmanuel Janin, Deputy CFO
- Mr Jean Baptiste Nineuil, Investment Committee Secretary & Financial Controller

Financial Advisor to the Company (D'ANGELIN & CO):

- Mr. Alessio Pieri, Partner
- Mr. Miguel Resende, Associate
- Mr. Anthony Bizi, Analyst
- Mr. Frederico Rotolo, Analyst

Legal counsel to the Company (BREDIN PRAT):

- Mr. Sébastien Prat, Partner
- Mr. Olivier Saba, Partner

Information sources used

The significant information used in the context of our engagement was of several types:

Information provided by TECHNICOLOR and its advisors:

- Financial documents relating to the Transaction;
- TECHNICOLOR Corporate Legal Documentation;
- 2022–2024 Business Plan;
- Analysts' note before and after the announcement of the Transaction.

Market Information:

- TECHNICOLOR's financial communication for fiscal years 2015 to 2022;
- TECHNICOLOR's communication relating to the Transaction (press release, investor presentations, etc.);
- Stock prices, stock comparables, market consensus: CAPITAL IQ;
- Market data (risk-free rate, risk premium, beta, etc.): CAPITAL IQ, ASSOCIÉS EN FINANCE, DAMODARAN, US DEPARTMENT OF THE TREASURY, DUFF & PHELPS.

Personnel associated with the completion of the engagement

The signatories, Messrs. Olivier Peronnet (Partner) and Errick Uzzan (Partner), were assisted by Messrs. Thomas Libs (Manager), and Salah-Eddine Benabderrazik (Associate).

The independent review was carried out by Mr. Jean-Marc Brichet, a partner of the firm specializing in financial valuation, who did not participate in the valuation work.

He was appointed at the beginning of the engagement and kept informed of the points of attention or difficulties identified during the engagement until the report was issued. His role is to ensure compliance with the quality of the work and good practices in the field of valuation. His work mainly consisted of:

- Review of the engagement acceptance procedure and the assessment of the firm's independence;
- A review of the evaluation work implemented by the team and the findings from that work;
- Review of the documents on which the opinion of the signatory partners is based and assessment of the format and conclusion of the report.

His work was formalized in writing and discussed with the signing partners.