



FINEXSI
EXPERT & CONSEIL FINANCIER

Free translation of the original report on the “Attestation d'équité – Spin off de l'activité TCS et Refinancement de TECHNICOLOR SA” issued by the Independent Expert, dated August 2, 2022.

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

technicolor



Fairness opinion

Spin-Off of the TCS activity and Refinancing of TECHNICOLOR SA

August 2, 2022

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Context of our engagement

On February 24, 2022, the Board of Directors of TECHNICALOR SA (hereinafter "TECHNICOLOR" or "the Company" or "the Group") engaged FINEXSI EXPERT & CONSEIL FINANCIER (hereinafter "FINEXSI") as independent appraiser in connection with (i) the proposed issuance of Mandatory Convertible Notes resulting from discussions initiated by the Company's management with certain of its shareholders with a view to a full refinancing of its financial debt, (ii) a spin-off of the TECHNICALOR CREATIVE STUDIOS business¹ (hereinafter "TCS") and (iii) a distribution of 65% of the share capital of the company which will hold the business subject to the spin-off² (hereinafter "the Transaction").

The plan was publicly announced also on February 24, 2022.

In this context, on April 4, 2022, FINEXSI issued a fairness opinion intended to assess the fairness of the financial terms of the issuance of the Mandatory Convertible Notes from the point of view of TECHNICALOR's shareholders, which involved assessing the value of TECHNICALOR'S shares before and after the issuance and, more generally, the treatment of the various stakeholders. This component of the Transaction was submitted to the vote of the Company's shareholders at the Shareholders' Meeting on May 6, 2022.

In this report, FINEXSI expresses its opinion on all the components of the Transaction, namely the characteristics of the refinancing of the Company (hereinafter "the Refinancing"), the spin-off of the Technicolor Creative Studios business and their impact on the Company's shareholders, after taking into account the distribution to them of 65% of the capital of the Company which will hold the business being spun off. For the sake of simplicity, this Company is also referred to hereinafter as TCS. Given the terms of the spin-off, FINEXSI will also specifically comment on the value of TCS after the completion of the Transaction in this report.

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

² It being specified that this company will be the subject of an application for listing on Euronext Paris.

1. Reasons for and terms of the Transaction

1.1 Reasons for and description of the Transaction

In the context of an operational and financial restructuring of its activities initiated in 2020, and despite the challenges imposed by the COVID-19 pandemic, TECHNICOLOR has three profitable businesses that hold leading positions in their respective markets, and wishes to continue its growth and development in conjunction with sustained demand.

The following transactions are envisaged within this framework:

- Refinancing of existing debt through:
 - The issuance of Mandatory Convertible Notes ("MCNs") in the amount of €299,999,999, which was the subject of our first report, was approved by the Extraordinary General Meeting of TECHNICOLOR's shareholders held on May 6, 2022.
 - The raising of new debt by TECHNICOLOR in the amount of €375,000,000 (the "New Technicolor Secured Debt") which includes two tranches:
 - A €250,000,000 First Lien Term Facility; and
 - A €125,000,000 Second Lien Term Facility.
 - The €40,000,000 revolving credit facility for TECHNICOLOR CREATIVE STUDIOS SA (the "TCS RCF");
 - A First Lien Term Facility taken out by TECHNICOLOR CREATIVE STUDIOS SA and TECHNICOLOR CREATIVE SERVICES USA for an amount of €623,345,991 to finance the purchase of a portion of the shares of the Company that will own the TCS business from TECHNICOLOR (with the balance to be contributed by Technicolor to TCS immediately after the sale), the repayment of the intra-group debt to TECHNICOLOR, as well as the payment of transaction costs and the financing of the opening cash position (the "TCS Term Facility", and together with the TCS RCF, the "TCS New Secured Debt"). The amount of €623,345,991 comprises two tranches:
 - A tranche of €564,200,000;
 - An additional \$60,000,000.
 - An extension of the line of credit provided by Wells Fargo (the "Wells Fargo Debt").
- A separation of the TCS activity from the TECHNICOLOR Group in the framework of a spin-off. The TCS business will be spun off into TCS, with 65% of its shares being distributed to TECHNICOLOR's shareholders. The remaining 35% will be held by TECHNICOLOR and transferred to a security trust set up by TECHNICOLOR to guarantee Technicolor's New Secured Debt. The shares of TCS are subject to a spin-off listing of TCS on EURONEXT PARIS.

The spin-off of TCS involves a change in the scope of TECHNICOLOR's activities, with TCS on one side, and TECHNICOLOR ex-TCS on the other, including the Connected Home and DVD Services divisions.



The characteristics of the two entities, TCS and TECHNICOLOR ex-TCS, differ on several operational criteria, notably in terms of growth prospects, margin levels and cash flow generation of their respective activities. TCS is one of the world's leading companies in visual effects, a fast-growing market marked by ever-increasing demand. The Transaction should allow each of the two entities to pursue its own strategy, in line with its business and growth prospects, with the aim of maximizing value creation.

1.1.1 Reminder: debt refinancing through the issuance of MCNs

The Group intends to completely restructure its debt. The issuance of mandatory convertible notes (MCNs) for an amount of €299,999,999 via separate reserved issues is the first step.

The TCS spin-off is also conditional upon the issuance of the MCNs, which significantly improves TECHNICOLOR's financing conditions. The issuance of the MCNs is also intended to initiate the Group's Refinancing and thus to release the trusts on GALLO 8 SAS (a holding company that owns the American subsidiaries of the TCS division and almost all the subsidiaries of the Group's other activities, excluding TCS) and TECH 7 SAS (a holding company owning the non-American subsidiaries of the TCS division) set up in 2020 in consideration for the payment 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 the significant shareholders, ANGELO GORDON, BPI FRANCE and all shareholders holding more than 3.5% of TECHNICOLOR's share capital. The latter will have the opportunity to participate in the issue to the extent of their shareholding in TECHNICOLOR at the date of the announcement.

All of the following shareholders, including ANGELO GORDON, BPI FRANCE, CSAM, BRIARWOOD, BARINGS, FARALLON, BAINCAPITAL and GOLDMAN SACHS (the "MCN Subscribers") support the proposed MCN issuance and have committed 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 adjusted share 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 taking into account a haircut of 5%;
- The MCNs will be automatically converted into TECHNICOLOR shares at this price during the period ending 18 months after the issuance date, subject to (i) the approval by the Extraordinary Shareholders' Meeting of the distribution of at least 65% of the share capital of TCS and the decision of the Board of Directors to unconditionally make such distribution, and (ii) Euronext Paris S.A. issuing a decision to list the shares of TCS on Euronext Paris;
- Holders of MCNs have the option to convert them into shares at any time;
- The bonds bear an annual cash coupon of 4.50% payable at the end of each three-month period and are tax-exempt unless required by law;

- The MCNs will mature on the earlier of (i) six months after the last maturity date applicable to the TECHNICOLOR New Secured Debt, the TCS New Secured Debt and the WELLS FARGO New Secured Debt (or, until the refinancing of the existing debt occurs, the last maturity date applicable to the Group's existing senior secured debt and the existing WELLS FARGO line of credit) and (ii) the seventh anniversary of the date of issuance;
- The issuance of the MCNs has resulted in the payment of an initial fee of 1.50% to ANGELO GORDON on the date of execution of the commitment letter;
- The subscribing shareholders will be able to subscribe up to their commitment to subscribe to 97.5% of its nominal value;
- In case of termination³ of the Commitment Letters signed by the Company with each of the Subscribers for the MCNs, and/or of non-completion of the Transaction, termination fees of (i) 10.5% plus (ii) a percentage depending on the number of days between the announcement and the termination will be due to the different Subscribers to the MCN.

Finexsi's conclusions regarding this aspect of the Transaction were as follows:

"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 were integrated in our calculations on the evolution of its assets. 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 for the shareholders."

An Extraordinary General Meeting of TECHNICOLOR shareholders was held on May 6, 2022, and the issuance was approved. An Extraordinary General Meeting of TECHNICOLOR's shareholders will be held on September 6, 2022, to approve the closing date for the issuance of the MCNs.

1.1.2 Refinancing of TECHNICOLOR S.A.

The second step of the Refinancing consists of the raising of four facilities taken out by TECHNICOLOR SA (one senior secured facility and one junior secured facility) and TECHNICOLOR CREATIVE STUDIOS with a senior secured term facility for an amount of €623,345,991.

The financing of TECHNICOLOR CREATIVE STUDIOS will be accompanied by a €40 million revolving credit facility.

³ Non-fulfillment would take place in the absence of non-approval and where the Company were unable to issue the MCNs before July 31, 2022. It should be specified that on June 22, 2022, given the postponement of the Transaction announced by the Company on May 24, 2022, the Subscribers to the MCN and the Company extended this deadline to September 17, 2022, and agreed, in consideration of this extension, that the breakage fee which amounted to (i) 9%] plus (ii) a percentage depending on the number of days between the announcement and the termination, would be increased to (i) 10.5% plus (ii) a percentage depending on the number of days between the announcement and the termination. This amendment leaves our conclusions unchanged.

1.1.2.1 Senior secured facility taken out by TECHNICOLOR S.A.

As part of the Transaction, on June 10, 2022, a commitment letter was signed relating to the implementation of a senior secured facility by BARCLAYS, taken out by TECHNICOLOR S.A. This loan, in the amount of €250,000,000, will have a maturity of four years, with an extension option⁴ allowing the Company to extend the maturity for an additional year, with a bullet repayment at maturity.

- The amounts made available to the Company under this facility will be used solely to finance, in part, the Refinancing, to pay transaction costs, and for working capital and general corporate purposes;
- Specifically, the main terms of this facility are as follows:
 - The interest rate is composed of the EURIBOR reference rate (subject to a 0% "floor") plus a margin of 2.50% and a PIK interest rate of 3.0%. The PIK rate will increase to 4.0% and 5.5% at the end of the first 12 months and 24 months, respectively, after the closing date of the Transaction (the "Closing Date"), and then increase by 0.5% every 12 months until maturity;
 - In the event of an unpaid amount due, a rate equal to the interest rate plus 2.0% will be applied.
- In connection with the facility, the Company will, among other things, have to set up a security trust for the 35% of the share capital of TCS that it holds. In the event that the spin-off is not completed before December 31, 2022, the Company shall transfer to the security trust all of the TCS shares it holds (together the "Security Trust");
- At the time the financing is made available, a discount (Original Issue Discount, "OID") of 3%⁵ will be applied to its nominal value;
- If any of the following events occur (a "Break Event"): (a) the termination of the Commitment Letter in accordance with its terms (other than as a result of the execution of the New Technicolor Secured Debt documentation); (b) the cancellation of the commitments (in whole or in part) under the Loan ; (c) the consummation, prior to the Closing Date, of a sale of all or part of the shares of TCS (a "TCS Share Sale") or of all or part of the shares of the TECHNICOLOR CREATIVE STUDIOS business⁶ or of all or part of the shares of the holding companies of such business (a "TCS Asset Sale", together with the TCS Share Sale, a "TCS Sale") ; or (d) the Transaction (or a similar transaction in the Transaction) is completed without full utilization of the first-line term facility described in this paragraph 1.1.2.1 and the second-lien term facility described in Section 1.1.2.2 below, then the Company shall, within 3 business days following the relevant Break Event, pay to BARCLAYS a fee equal to 1.50% of its commitment.

⁴ Subject to payment of a 5.00% extension fee.

⁵ The lenders will subscribe at an issue price corresponding to 97% of the nominal value of the debt. This corresponds to a form of share premium to the subscribers.

⁶ TCS brings together the Group's Visual Effects and Animation services activities.

- The loan agreement provides for:
 - Voluntary Prepayments which can be made at any time, upon three business days notice, without premium or penalty (subject to the first exit fee), for mutually agreed minimum principal amounts;
 - Total Mandatory Prepayments that could be requested by all creditors of the senior secured term loan in the event (i) that certain individuals or entities (other than the ANGELO GORDON Entities), acting in concert, acquire, directly or indirectly more than 30% of the Company and no other shareholder of the Company, acting alone or in concert, holds a greater interest, and/or (ii) of the sale of all or substantially all of the assets of the Company and its subsidiaries (taken as a whole) (a "Change of Control of Technicolor");
 - Mandatory Partial Prepayments in the event of (i) the sale of shares of TCS (including shares under the security trust), (ii) under certain circumstances, the sale of the assets of TCS and its subsidiaries, (iii) any other sale of assets by the Company and its subsidiaries (other than TCS and its subsidiaries), (iv) the receipt of insurance payouts by the Company and its subsidiaries (other than TCS and its subsidiaries) (v) issuance of debt by the Company and its subsidiaries (other than TCS and its subsidiaries), (vi) issuance of equity or quasi-equity instruments by the Company and its subsidiaries (other than TCS and its subsidiaries, unless such issuance occurs prior to the Spin-Off) and (viii) excess cash flow.
- In addition, in the event of a Change of Control, Sale of TCS, mandatory or voluntary prepayment, repayment at maturity or acceleration of the senior facility, an Exit Fee of 2.5% in the first year and 5.0% thereafter shall be paid on the principal amount repaid or due.

1.1.2.2 Junior facility taken out by TECHNOLOR S.A.

In connection with the Transaction, on June 10, 2022, a commitment letter was signed relating to the set up of a second-lien term facility by ANGELO GORDON, taken out by TECHNOLOR S.A. This debt, in the amount of €125,000,000, will have a maturity of four and a half years, with an extension option⁷ allowing the Company to extend the maturity for an additional year, with a bullet repayment at maturity.

As with the first-lien facility, the amounts made available to the Company under this facility will be used solely to fund, in part, the Refinancing, to pay transaction costs, and for working capital and general corporate purposes.

- Specifically, the main terms of this funding are as follows:
- The interest rate is composed of the EURIBOR reference rate (subject to a 0% "floor") plus a margin of 4.0% which will increase to 6.0% at the end of the first 24 months. A PIK interest rate of 5.0% will be added to this rate. The PIK rate will increase to 5.5% and 6.0% at the end of the first 12 and 24 months, respectively, after the Closing Date (as defined in paragraph 1.1.2.1 above);

⁷ Subject to payment of a 5.00% extension fee.

- In case of unpaid amounts due, a rate equal to the interest rate plus 2.0% will be applied;
- The creditors under this financing will have a junior (second-lien) claim to the Security Trust vis-a-vis the Company's senior (first-lien) facility described in paragraph 1.1.2.1 above;
- At the time the funds are made available, a discount (Original Issue Discount) of 6%⁸ will be provided in relation to its nominal value;
- It is specified that this facility, which benefits from the same Voluntary Prepayments, Total Mandatory Prepayments and Partial Mandatory Prepayments, but is a junior secured facility compared to the senior facility described in paragraph 1.1.2.1, may only be repaid once this senior secured facility has been fully repaid, and no prepayment is authorized in this context;
- If a Break Event (as defined in paragraph 1.1.2.1 above) occurs then the Company must, within 3 business days of the Break Event in question, pay ANGELO GORDON a commission equal to 1.50% of the commitment.
- Also, in the event of a Change of Control (as defined in paragraph 1.1.2.1 above), the Sale of TCS (as defined in paragraph 1.1.2.1 above), mandatory or voluntary prepayment, repayment at maturity or acceleration of the junior facility, an Exit Fee of 4% will be payable on the principal amount repaid or due.

⁸ The lenders will subscribe at an issue price corresponding to 94% of the nominal value of the debt. This corresponds to a form of share premium to the subscribers.



1.1.2.3 Senior Secured Term Loan taken out by TECHNICOLOR CREATIVE STUDIOS SA & TECHNICOLOR CREATIVE SERVICES USA

As part of the Transaction, it is expected that a first-line term facility will be set up by ANGELO GRODON, BARINGS, CREDIT SUISSE, ICG, FARALLON, BAIN, ALCENTRA, BPI, BRIARWOOD, SCULPTOR, JPM, CARLYLE, CAIRN, and taken out by TECHNICOLOR CREATIVE STUDIOS SA & TECHNICOLOR CREATIVE SERVICES USA. This facility is composed of two tranches of €564,200,000 and \$60,000,000, respectively. Both tranches will have a maturity of four years.

More specifically, the main characteristics are as follows:

First Lien Term Facility – 1st tranche:

- The debt will be carried by TECHNICOLOR CREATIVE STUDIOS SA;
- The tranche is for an amount of €564,200,000;
- The interest rate will be equal to (i) Euribor (floor at 0%) + 6.00% or (ii) Alternate Base Rate (floor at 0%) + 5.00%.

First Lien Term Facility – 2nd tranche:

- The debt will be optional and will be carried by TECHNICOLOR CREATIVE SERVICES USA;
- The tranche is for an amount of \$60,000,000;
- The interest rate will be equal to (i) Term SOFR (0% floor) + 7.50% or (ii) Alternate Base Rate (0% floor) + 6.50%;

And, the main common features of the two tranches are as follows:

- Amortization at an annual principal amount equal to 1% of the initial principal amount of each tranche;
- In case of unpaid amounts due, a rate equal to the interest rate plus 2.0% will be applied;
- The loan agreement provides for mandatory repayments to be made from the excess cash flow of TCS and its subsidiaries and in the event of the sale of assets by TCS and its subsidiaries and the issuance of unauthorized debt by TCS or its subsidiaries;
- In the event of voluntary or mandatory prepayment of the loan made between the Closing Date (as defined in Section 1.1.2.1 above) and the date of the first anniversary of the Closing Date (inclusive): Borrowers shall pay a prepayment premium equal to the present value of the interest that would have been payable on the amount repaid between the date of such repayment and the date of the first anniversary of the Closing Date (inclusive). Such interest is to be calculated on the basis of the annual rate applicable to the loan after a discount equal to the U.S. Treasury Rate plus 50 basis points;
- In addition, in the event of a change of control or prepayment, whether mandatory or voluntary, repayment at maturity or acceleration of the loan, an Exit Fee of 2.0% in the second year, 3.0% in the third year and 5.0% in the fourth year, applied to the amount of principal repaid or due, shall be paid;

- At the time the loan is made available, a discount (Original Issue Discount) of 7%⁹ will be provided in relation to its nominal value.

1.1.2.4 Revolving facility taken out by TCS

The Transaction contemplates a €40,000,000 revolving credit facility granted by GOLDMAN SACHS BANK EUROPE SE. The facility will have a three-year maturity.

The main characteristics of the facility are as follows:

- The debt will be carried by TCS, TECHNICOLOR CREATIVE STUDIO SA and/or certain subsidiaries of TCS;
- The debt will be for an amount of €40,000,000;
- The facility may be made available in the form of advances (including short-term advances known as "Swingline Loans") or in the form of letters of credit;
- The credit will be denominated in U.S. dollars, Canadian dollars, British pounds, euros and other currencies to be agreed upon;
- The interest rate will be equal to (i) Applicable Base Rate (floor at 0%) + 4.50% or (ii) Alternate Base Rate (floor at 0%) + 3.50%, provided that the Applicable Base Rate is:
 - (w) the Term SOFR and Daily Simple SOFR where the facility is used in US dollars;
 - (x) EURIBOR where the facility is used in euros;
 - (y) CDOR where the facility is used in Canadian dollars;
 - (z) the Daily Simple Sonia where the facility is used in pounds sterling;
- A commitment fee of 35% of the applicable credit margin is charged on the average daily undrawn credit, payable quarterly;
- Letter of credit issue commission: 0.125% per annum applied to the amount of the relevant letter of credit;
- Upfront fee: 2.00% of the principal amount of the credit; and
- The facility will have a super senior ranking compared to the term loan described in paragraph 1.1.2.3 above.

⁹ The lenders will subscribe at an issue price corresponding to 93% of the nominal value of the debt. This corresponds to a form of share premium to the subscribers.

1.1.3 Listing of TCS and distribution of 65% of its capital

TECHNICOLOR will list TCS on the regulated market of EURONEXT PARIS. It will also distribute 65% of the share capital of TCS to the Group's shareholders, allowing them to receive TCS shares (distribution in kind) while remaining shareholders of TECHNICOLOR ex-TCS.

At this time, given the amount of the Group's equity and the estimated amount of net income for fiscal 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 distinct 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 to be held on September 6, 2022, will be asked to approve the terms of the distribution of TCS shares.

1.2 Main conditions to the completion of the Transaction

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

- Shareholder approval of the terms of the TCS spin-off and distribution;
- Approval by the AMF of the prospectus relating to the admission of TCS shares to trading on the regulated market of Euronext Paris; preparation of an interim accounting statement prior to the distribution of TCS shares, showing a sufficient amount of Technicolor's shareholders' equity to allow the Board of Directors to approve the distribution, in accordance with the provisions of article L. 232-11 of the French Commercial Code; publication of the Euronext notice announcing the listing of TCS shares on the regulated market of Euronext in Paris; and the judgment of the Paris Commercial Court noting that the execution of the accelerated financial safeguard plan of the Company has been completed in accordance with the provisions of article L. 626-28 of the French Commercial Code.

2. FINEXSI'S engagement

The Board of Directors of TECHNICOLOR 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, as 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 American Depository Receipt (ADR) holders, it is exclusively within the framework of French regulations, and we therefore assume no responsibility towards persons subject to other regulations.

To carry out 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 Regulations. As such, we have been able to draw up the independence statement provided for in Article 261-4 of the said General Regulation. None of the cases of conflict of interest referred to in Article 1 of AMF Instruction 2006-08 apply to us;
- have at their disposal, on a permanent basis, the human and material resources necessary to carry out their engagement, as well as sufficient insurance or financial resources in relation to the possible risks related to 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 draft Term Sheets relating to the Refinancing of the Company and of TCS;
- 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 the value of TECHNICOLOR and its various activities;
- 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;
- Implementing a multi-criteria approach to the valuation of TECHNICOLOR CREATIVE STUDIOS and TECHNICOLOR ex-TCS post spin-off;
- Analyzing the characteristics of the Refinancing of the Company and TCS, the spin-off and their effects on the financial structure of the Company and TCS and in terms of value creation;
- Drawing up a report in the form of a fairness opinion setting forth the valuation work performed on the TECHNICOLOR shares and the opinion on the consequences of the Transaction for the shareholder due to the terms and conditions affecting the Company's capital.

As part of our engagement, we have reviewed a set of accounting and financial information (financial statements, press releases, etc.) published by TECHNICOLOR for the fiscal years ending between 2019 and 2021, as well as for the first months of the fiscal year 2022.

We have performed procedures on the legal documentation made available to us, to the extent necessary and for the sole purpose of gathering 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 underlying the 2022–2024 forecast data of TECHNICOLOR, TCS and TECHNICOLOR post-spin-off.

For the analogical valuation methods (precedent transactions and stock market), 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 must vote, 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 draft Term Sheets dated July 28, 2022, and on the proposed spin-off presented by the Company on February 24, 2022, which will be submitted to the vote of the general shareholders' meeting convened on September 6, 2022.



3. Presentation of TECHNICOLOR

3.1 TECHNICOLOR'S shareholding

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

The Company's shares are listed on compartment B of Euronext Paris (ISIN code: FR0013505062), and also on the OTCQX¹⁰ international premium market via its American Depositary Shares program.

TECHNICOLOR SA, which has become the holding company of the TECHNICOLOR Group ex-TCS, will be named VANTIVA as of the distribution of TCS shares, subject to the approval by its shareholders of this name change at the Shareholders' Meeting to be held on September 6, 2022. In fiscal year 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 as of June 30, 2021, and 235,795,483 shares as of December 31, 2020.

Following the issue 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, amounts to 2,358,245.55, consisting of 235,824,555 shares with a par value of €0.01 each, distributed as follows:

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

¹⁰ American over-the-counter market.

3.2 History of the Group

Created in 1880, TECHNICALOR is a company whose activity was initially dedicated to electricity production and transmission equipment. After the Second World War, 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 transactions¹¹, 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 francs¹² 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 carried out 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: TECHNICALOR.

In 2015, the Group decided to focus on higher value-added activities, such as animation and visual effects, notably by acquiring 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 the signing of a subcontracting agreement with SONY DADC¹³ for which the Company has committed to provide a large portion of its CD, DVD and Blu-ray manufacturing and packaging needs in North America and Australia.

In 2018 and 2019, TECHNICALOR 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 TECHNICALOR 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, TECHNICALOR entered into discussions with its creditors in order to obtain New Financing, which have 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 transactions that increased its shareholder funds.

At the beginning of the same year, the Group also announced a new 2020–2022 strategic plan, which aims to strengthen its leadership positions and improve the competitiveness of its offerings, notably through the disposal of activities with limited internal potential for improvement.

¹¹ Merger with HOTCHKISS-BRANDT in 1966, and the COMPAGNIE GÉNÉRALE DE TÉLÉGRAPHIE SANS FIL in 1968.

¹² That is to say 1.7 billion euros.

¹³ SONY DIGITAL AUDIO DISC CORPORATION.

In April 2021, TECHNICOLOR sold its "Post-Production" business to STREAMLAND MEDIA in order to focus on its visual effects and animation services business for the entertainment sector, which corresponds to the TCS business that is the subject of the spin-off.

The Group also finalized the sale of its Trademark Licensing business in the first half of 2022.

Today, the Group is refinancing its debt and distributing to its shareholders 65% of the capital of the Company, which will consolidate its TECHNICOLOR CREATIVE STUDIOS business¹⁴ through an initial public offering.

3.3 Presentation of the Group's activities

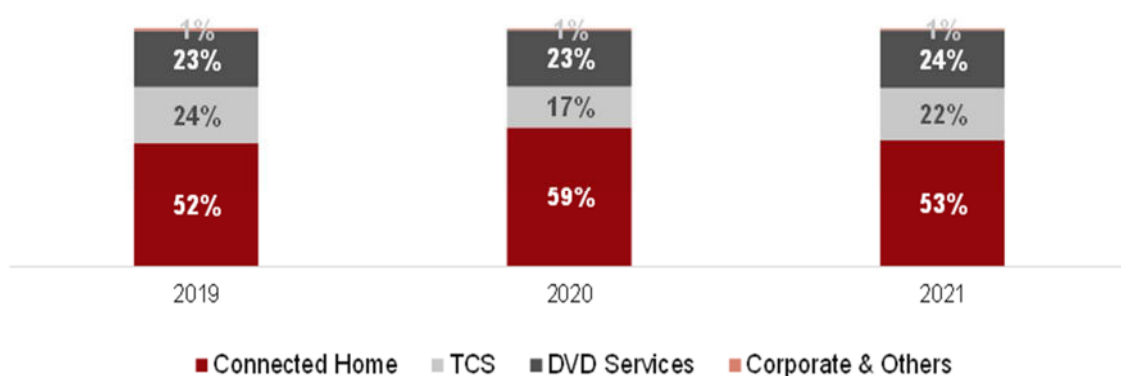
The TECHNICOLOR Group operates in the "Media & Entertainment" sector through its three main activities, whose contributions to revenue are detailed below:

- Connected Home;
- TECHNICOLOR CREATIVE STUDIOS, the subject of the spin-off; and
- DVD Services (note that DVD Services will become VANTIVA Supply Chain 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 Group's largest in terms of revenue, with a relatively stable contribution over the period.

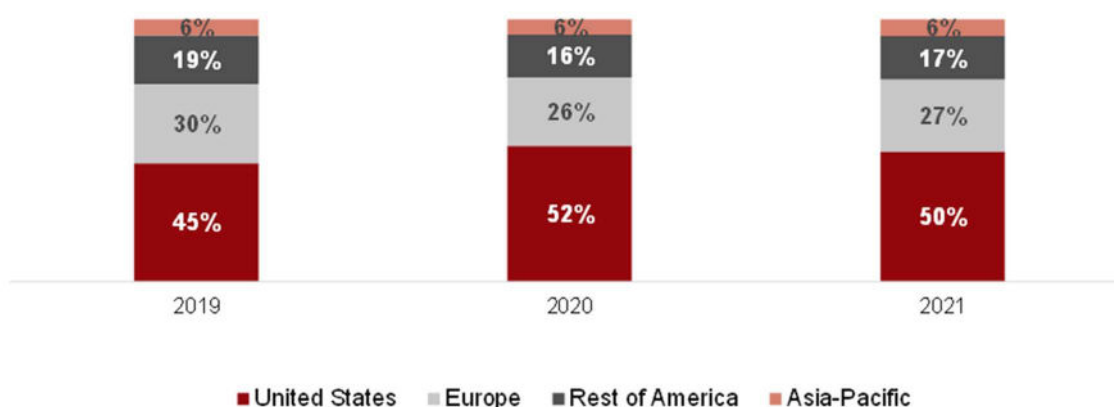
Figure 1 - Breakdown of revenue by activity between 2019 and 2021



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

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

¹⁴ Formerly "Production Services", but whose scope also included the "Post-Production" activity sold in April 2021.

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)¹⁵, 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"¹⁶, Wifi routers and IoT connected devices;
- Video: these terminals correspond to digital decoders designed for satellite, cable, telecom, mobile and OTT operators¹⁷, 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 and VODAFONE.

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

¹⁵ The "Internet of Things", or "IoT", refers to the interconnection between the internet and objects, places and physical environments.

¹⁶ Refers to commercial packages combining several services such as Internet access, fixed telephony, television or mobile telephony.

¹⁷ "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).

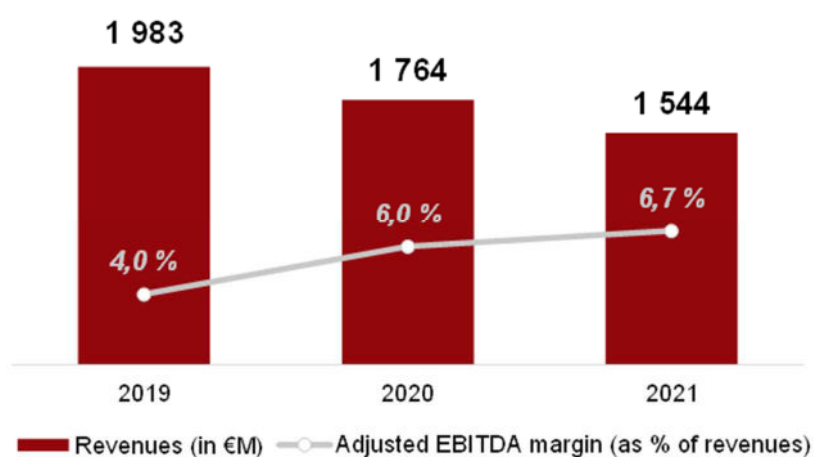
This plan included:

- An increased client selection to improve overall segment profitability;
- The development of stronger partnerships with key suppliers in order to improve product cost control, competitiveness and delivery times;
- The reduction 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 at the end of 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 period 2019–2021¹⁸.

Figure 3 - Change in revenue and adjusted EBITDA margin for the Connected Home segment between 2019 and 2021



Sources: 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 to, among other things:

- The global shortage of components that has impacted the sector since 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;

¹⁸ According to the TECHNICAL 2020 Universal Registration Document, Adjusted EBITDA corresponds to EBIT to which (i) asset impairment, (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 added back.

- "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
- 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 and 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 sale of the "Post-Production" business in April 2021, Technicolor Creative Studios TECHNICALOR CREATIVE STUDIOS, which corresponds to the former "Production Services" segment following the sale of the "Post-Production" business in April 2021, groups together the Group's Visual Effects and Animation services for feature films, television series, advertising, video games and other audiovisual content.

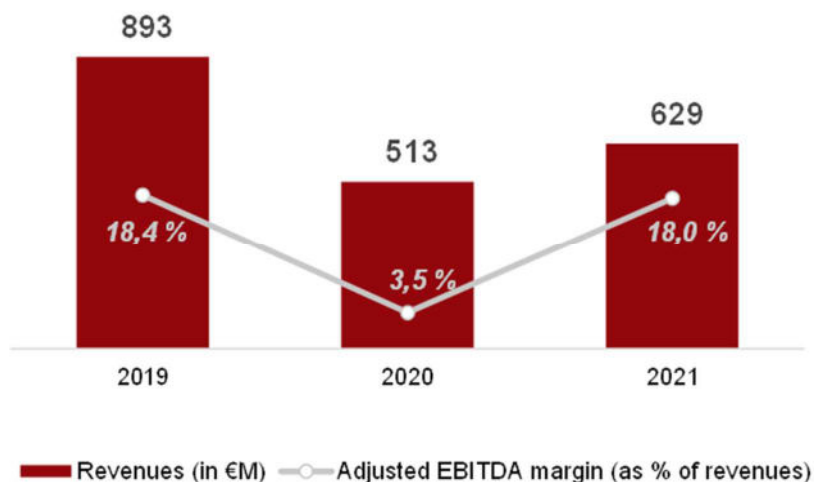
In 2020, the Group decided to further focus the segment's activities around technology solutions and innovation. This new strategic direction was characterized by key measures such as the appointment of Christian Roberton, a Visual Effects specialist within the Group, as head of the segment, and the 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 for interactive advertising and marketing to their corporate clients;
- MIKROS ANIMATION, which provides high-quality computer-generated imagery (CGI) solutions for series and feature films; and
- TECHNICALOR 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 nearly 43%, from €893 million to €513 million between 2019 and 2020. The TCS segment was fully affected by the postponements and stoppages of film and audiovisual productions during the year. The impact of the pandemic also penalized the segment's operating profitability. Adjusted EBITDA, despite a major effort to reduce costs during the year as part of the 2020–2022 strategic plan, fell by nearly 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, streamlining the Group's presence in India, and developing synergies between the divisions to increase their margins.

In 2021, the segment benefited from the recovery of activities in the audiovisual production sector, which enabled it to record a 23% increase in revenue for the year¹⁹ and return to a level of operating profitability comparable to that prior to the pandemic.

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

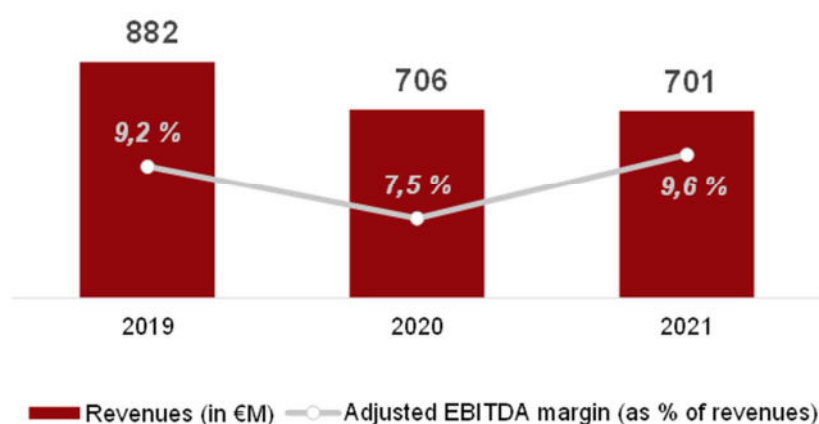
¹⁹ Without the sale of the "Post-Production" business in April 2021, segment revenue would have increased by 37%.

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.

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



Sources: Universal Registration Document 2020, Consolidated Financial Statements 2021

Between 2019 and 2021, the decline in DVD Services revenue (–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 market²⁰. 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 that capitalize on its manufacturing and logistics know-how in order to offset the structural decline in the DVD market.

²⁰ As explained in Part 4.

3.3.4 Corporate & Other

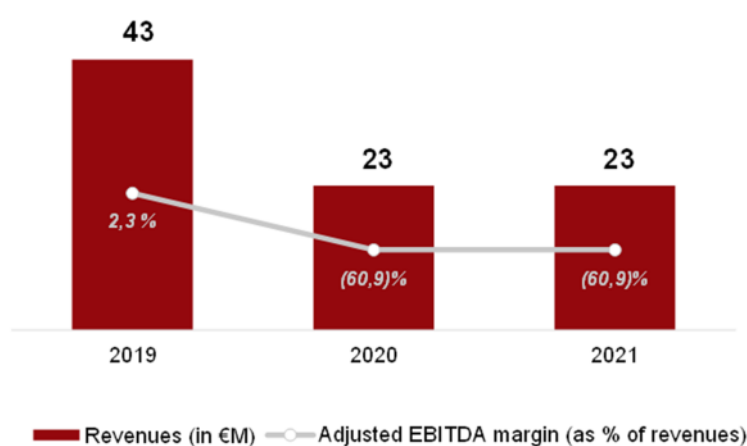
The "Corporate & Other" segment includes all activities and support functions not allocated to the segments presented above. It includes :

- Trademark Licensing, relating to the monetization of brands historically operated by TECHNICALOR, 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 to sell to INTERDIGITAL in 2018 and 2019, which currently represent a marginal share of the segment's revenue; and
- "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 the fiscal year 2021, TECHNICALOR 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, was finalized 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 - Change in revenue and adjusted EBITDA margin for 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 nearly 47%. Composed almost entirely of revenue from licenses and patents in 2020, revenue will remain stable over 2021.

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

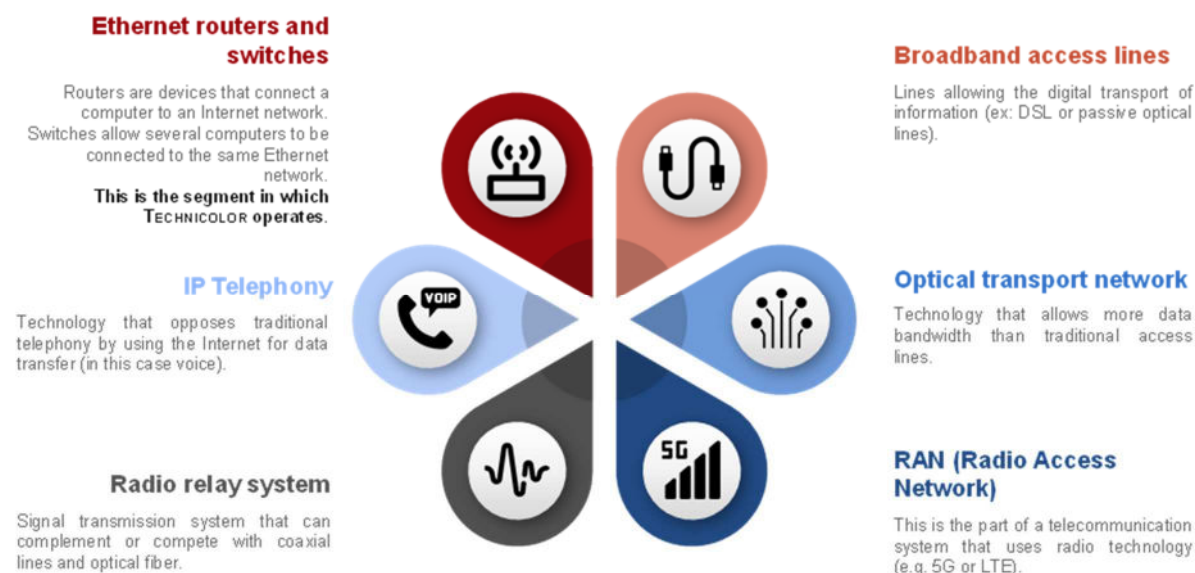
The main characteristics and prospects of these three markets are presented below.

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 major categories of technologies and products that can be presented as follows

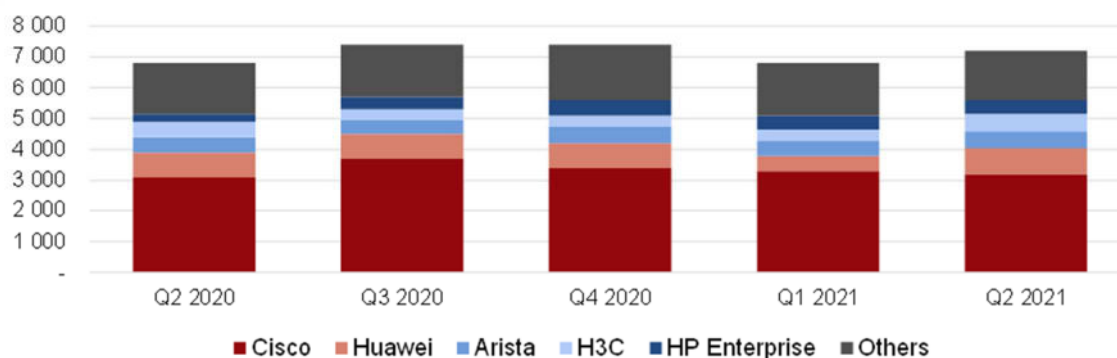
Figure 7 - Presentation of the telecom and Internet equipment market



Sources: XERFI - "L'industrie mondiale des équipements télécoms" ("The global telecom equipment industry") (December 2021), FINEXSI analysis

As shown in the graph 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, TECHNICALOR²¹ was the sales leader in the global Ethernet routers and switches market with nearly 16% market share²². 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 following a carve-out of SAGEM's telecom activities before its merger with SNECMA to form SAFRAN.

²¹ Via CISCO CONNECTED DEVICES, a business the company acquired from CISCO in 2015 (see 3.2).

²² TECHNICALOR 2021 estimate based on DELL'ORO "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 revenue²³.

Market players are also highly exposed to price variations in the components needed to manufacture their products, such as semiconductors²⁴, whose market is particularly concentrated. For example, the Taiwanese company TSMC produces more than 50% of the world's semiconductors, including nearly 85% of semiconductors measuring less than 7 nanometers²⁵. 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 pressure 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 in particular on semiconductor production) were so delayed that delivery times for routers were extended to 60 weeks²⁶. A return to "normal" is not expected before mid-2022 or even 2023²⁷ at the sector level, but for the Group, a return to pre-pandemic levels of activity is expected by 2022, thanks to the implementation of compensatory actions and extended 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.

²³ XERFI - "L'industrie mondiale des équipements télécoms" (December 2021).

²⁴ A semiconductor material is more or less electrically conductive, and is used in particular to manufacture the electronic chips found in many of the devices we use every day (cars, planes, household appliances, smartphones, connected objects, watches, toys, etc.).

²⁵ LES ECHOS - "Zoom sur la crise des semi-conducteurs" (November 2021).

²⁶ BLOOMBERG - "Sixty-Week Delay on Router Orders Shows Scale of Chip Crisis" (April 2021).

²⁷ 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 above graph also shows that the global leaders in the sector have demonstrated a certain 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



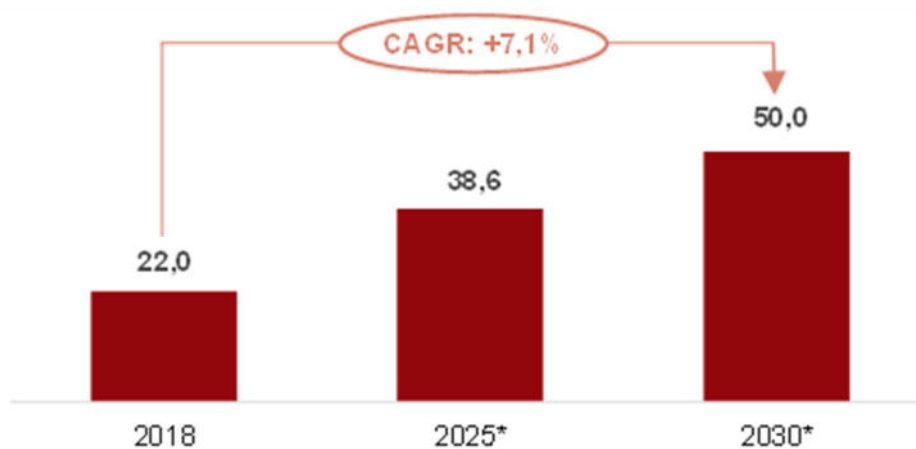
Source: ITU - "Measuring digital development (Facts and figures 2021)"

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 platforms²⁸.

²⁸ 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 devices²⁹ (and more broadly M2M³⁰) 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, combined with the growth in the number of IoT devices and M2M connections, will require the renewal and development of new home terminals, which will create opportunities for the main players in telecom and Internet equipment.

²⁹ Internet of Things.

³⁰ "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)

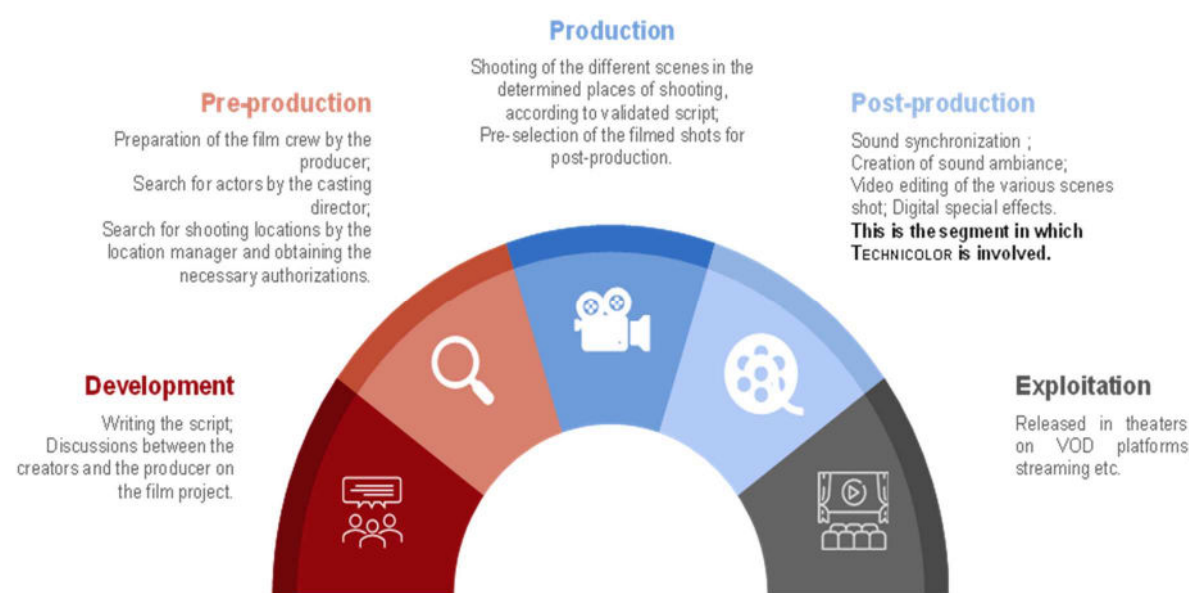
4.2.1 TECHNICOLOR's position in the film, audiovisual and video game production industry

With its Visual Effects and Animation solutions (see 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 audiovisual production

The value chain of the film industry³¹ 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 CINÉMA - "Les étapes de fabrication d'un film"* ("The steps in the making of a film") (September 2021), Finexsi analyses

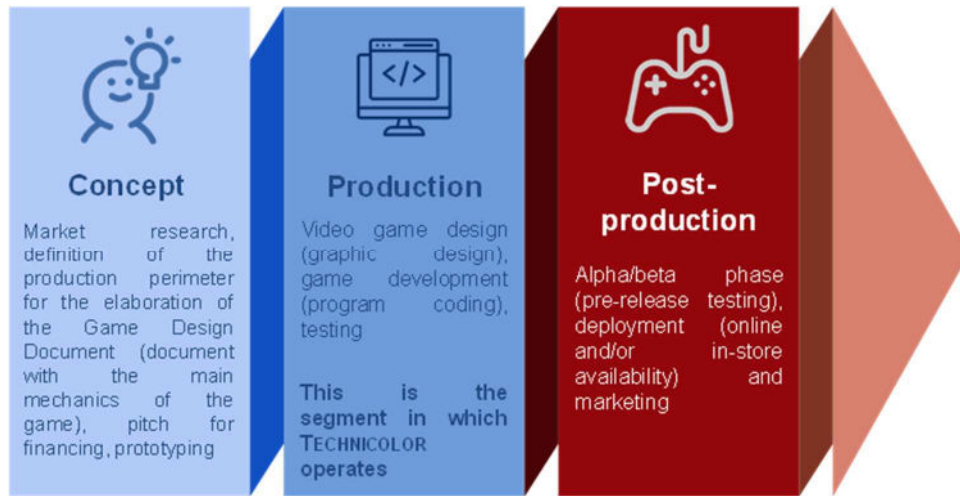
³¹ Including commercials.

- *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 approve 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 will be shot. At the 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 selected 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 shoot), (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, i.e. once 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 the theatrical release remains the most common way. 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 those of the film industry, the stages of creation of a video game are broken down into three main phases: creation of the concept, 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 !" ("How video games are created")

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 services³², 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
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • MKROS ANIMATION • ANIMAL LOGIC • BARDEL ENTERTAINMENT • CGCG • CINESITE • DNEG • ICON CREATIVE STUDIOS • REEL FX • JELLYFISH PICTURES • SONY PICTURES IMAGEWORKS 	<ul style="list-style-type: none"> • TECHNICALOR GAMES • AMBER • GLASS EGG DIGITAL MEDIA • KEYWORDS STUDIOS • ORIGINAL FORCE • ROCKSALT INTERACTIVE • VIRTUOS LTD

Sources: 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 are involved mainly in the production phase of the video game, and not publishers-developers who are involved in the entire design process.

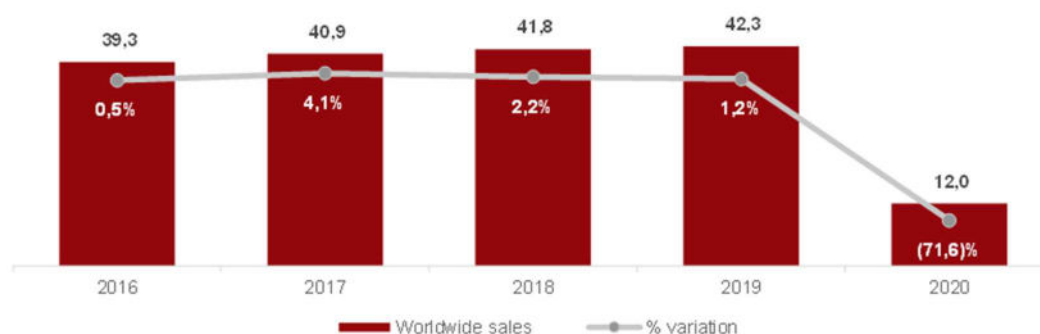
³² See Investor Presentation of February 24, 2021.

4.2.2 Expected evolution

■ Film and audiovisual 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

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 led to the emergence of new trends in TCS' areas of expertise. With the closure of cinemas and the multiple lockdowns, the worldwide consumption of digital video content (especially in streaming or on OTT platforms) 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 basis³³, without respecting the traditional 90-day window between theatrical release and other platforms and media³⁴. The year 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 year³⁵.

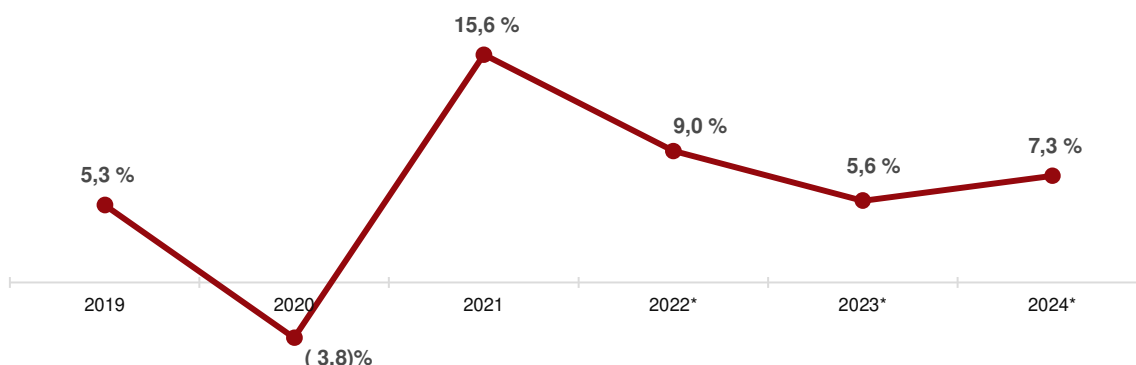
³³ Corresponds to the simultaneous release of a film on several distribution platforms.

³⁴ CNBC - "Universal to release movies online while they are in theaters, starting with 'Trolls World Tour'" (March 16, 2020).

³⁵ ABC NEWS - "How COVID-19 changed the movie industry" (July 18, 2021).

■ Advertising

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



Source : STATISTA

As for the advertising sector, global advertising expenditure recorded growth of almost 16% in 2021, after the –3.8% decline observed in 2020. Moreover, this dynamic is expected to continue in the years to come, with annual growth rates between 6% and 9% expected the years 2022, 2023 and 2024.

■ 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 coming years. 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 through 2024, with total revenue 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 2023³⁶. 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)

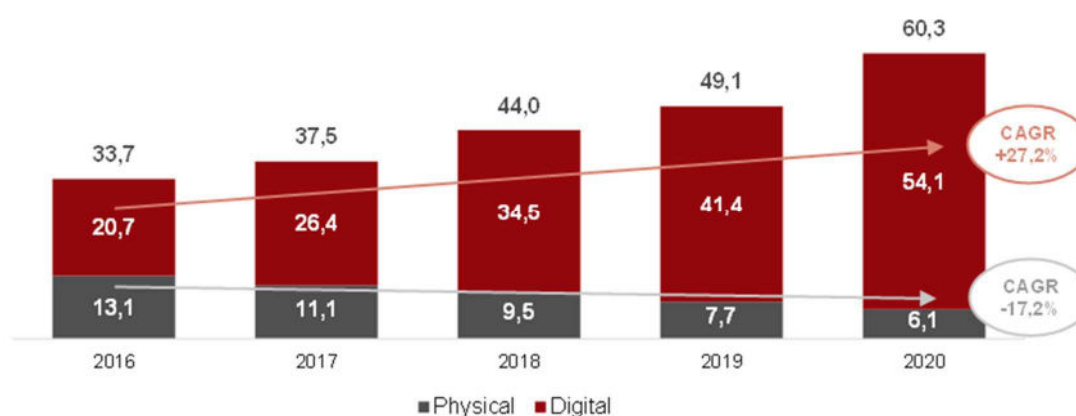
4.3.1 TECHNICOLOR's position in the physical video industry

The market for CD, DVD, Blu-Ray and Ultra-HD replication, packaging and distribution services is dominated by TECHNICOLOR, which held in 2021 a market share of nearly 70% worldwide and 90% in the United States³⁷. On a global scale, two other players stand out in this market:

- SONY DADC, A subsidiary of the Japanese multinational corporation 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.

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



Source: XERFI, "The global entertainment industry" (September 2021)

³⁶ VARIETY - "Global Box Office Set for Strong Recovery in 2022, Analyst Forecasts" (December 15, 2021).

³⁷ Universal Registration Document 2020.

Due to the development of digital offers (streaming, OTT), the physical video market has contracted sharply in recent years. Indeed, as presented in the graph above, physical sales (of 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 risen from €20.7 billion to €54.1 billion, with an increase of almost $+31\%$ in 2020 compared to 2019, as a direct consequence of the pandemic.

4.3.2 Expected evolution

As presented above, the levels of physical film sales have been falling steadily over the last few years, a trend that seems to be structural and accelerating.

However, there are a few trends that are keeping the DVD industry alive.

Here are two examples:

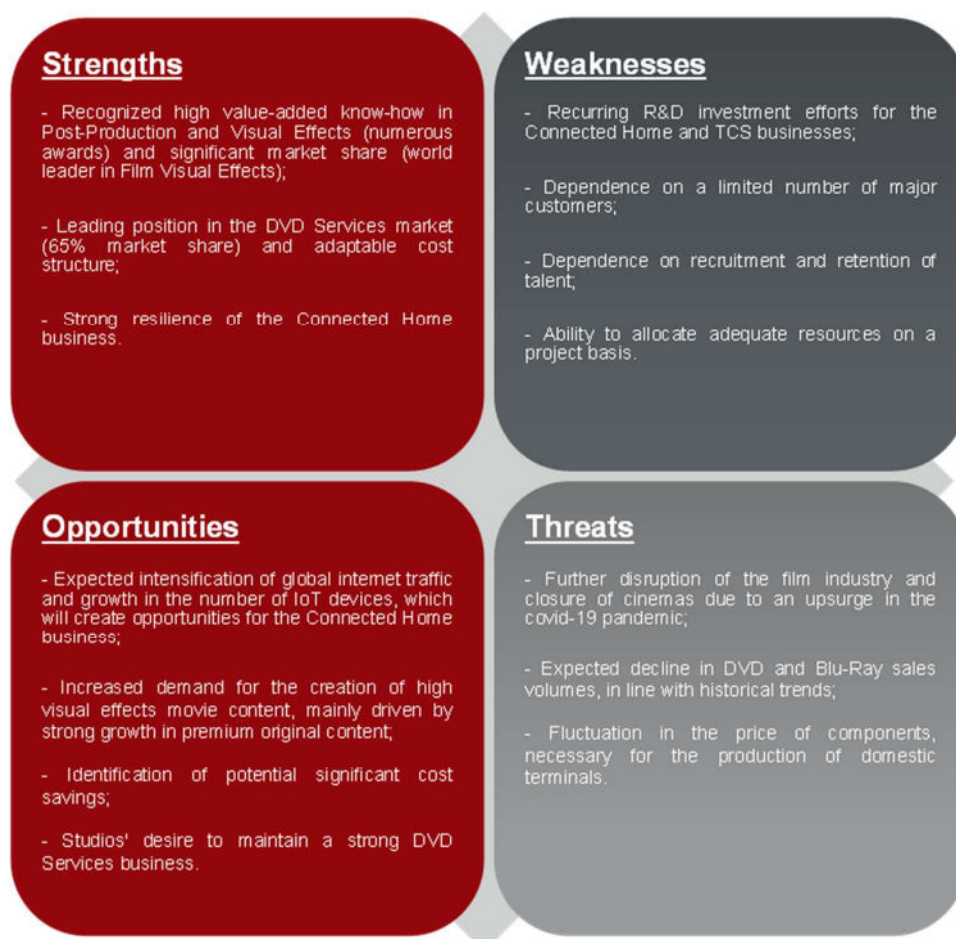
- The quality offered for movies: while streaming movies are offered with a definition of 25 megabits per second on Apple TV+ (which offers movies with one of the best definitions on the market), a 4K Blu-Ray movie offers a definition between 82 and 128Mbps³⁸;
- Ownership of copies: a DVD or Blu-Ray 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.

³⁸ 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



Source: Finexsi analysis

5. TECHNICOLOR Financial Analysis

We present below the audited financial statements (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

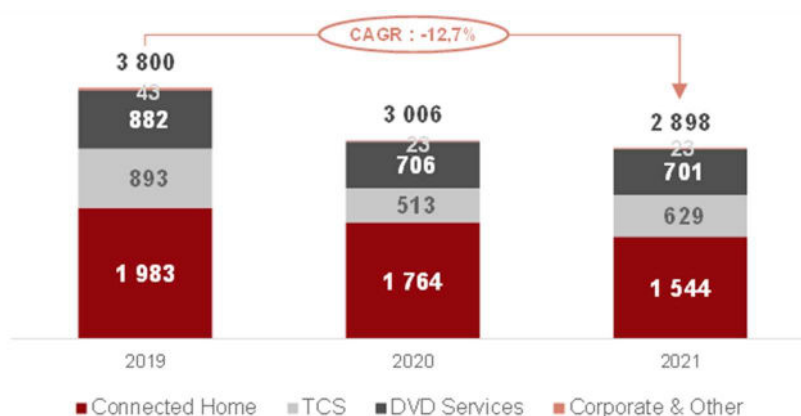
Table 2 - Consolidated income statement of TECHNICOLOR between 2019 and 2021

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 discontinued operations	(22)	(15)	(19)
Net income (loss)	(230)	(211)	(140)
Attributable 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 %
- Adjusted EBITDA (%Revenues)	8,5 %	5,4 %	9,2 %
- Consolidated net income (%Revenues)	(6,1)%	(7,0)%	(4,8)%

Sources: Universal Registration Document 2020, Consolidated Financial Statements 2021

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

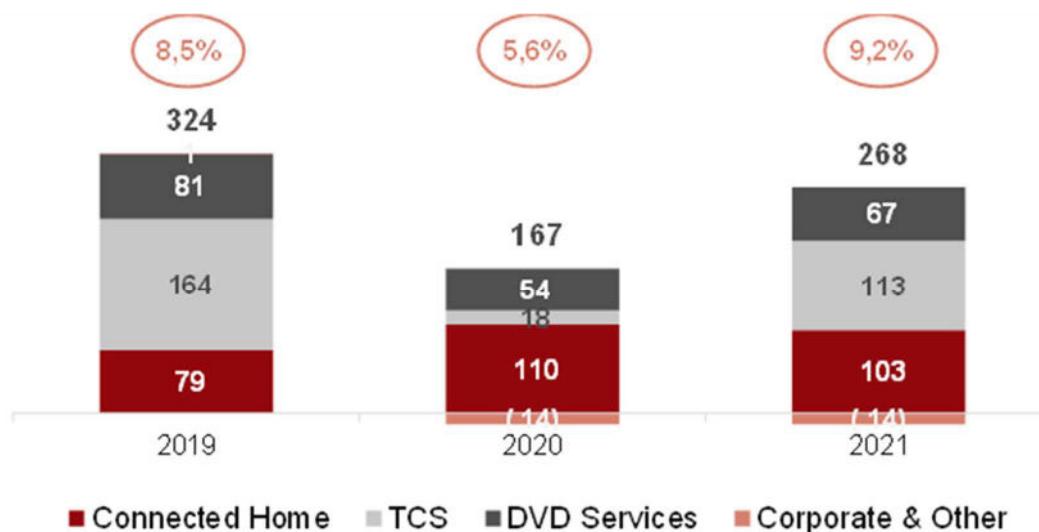
Figure 20 - TECHNICOLOR's revenue growth between 2019 and 2021



Sources: Universal Registration Document 2020, Consolidated Financial Statements 2021

Between 2019 and 2021, TECHNICOLOR's revenue fell by nearly 24%, from €3,800 million to €2,898 million. In addition to unfavorable currency effects, the Group was particularly impacted by the effects of the pandemic, across all of its business segments. Group revenue fell by 21% in fiscal year 2020.

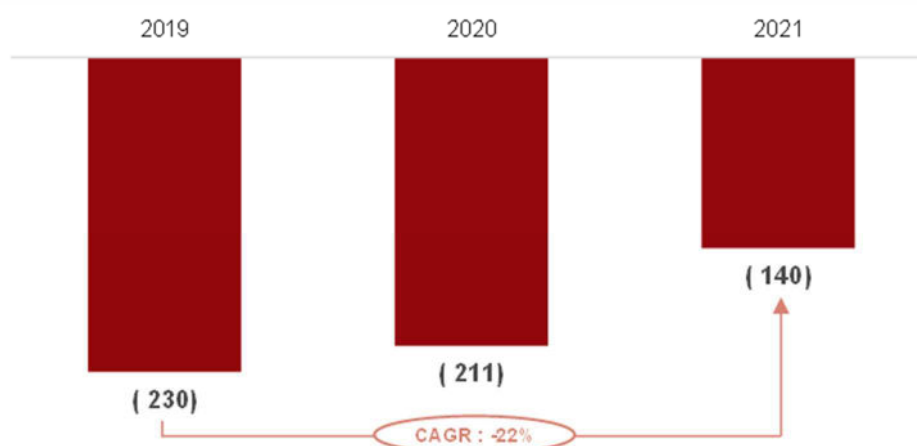
In fiscal year 2021, despite the continuing pandemic, the Group's revenue declined less than in the previous year. Despite the continuing problems faced by the telecom and Internet equipment manufacturers industry, the upturn in activity in the TCS segment (revenue up 23% for the year), driven in particular by the gradual recovery in global film productions, partially offset the decline in revenue in the Connected Home segment (-13% compared to 2020).

Figure 21 - Technicolor's adjusted EBITDA evolution over the 2019–2021 period

Sources: Universal Registration Document 2020, Consolidated Financial Statements 2021

Despite the very significant slowdown in activity over the period, the Group's adjusted EBITDA margin proved resilient, ranging from 5.4% to 9.2% of revenue in 2020 and 2021:

- The decline in adjusted Ebitda in 2020 (i.e. –50%) is accentuated compared to that noted for revenue. Indeed, 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 explained by the difficulties encountered by the TCS activity, for which adjusted EBITDA fell by almost 90% in 2020;
- 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 (+0.7 points) segments 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

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 remains negative (–€140 million) in 2021. This evolution over the period is explained in particular by :

- The improvement in the Group's cost structure, the result of the various transformation plans implemented since 2018;
- The recording 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 year 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 losses 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
Deferred 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 Financial Statements 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 under leases (€143 million) accounted for in accordance with 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 Financial Statements 2021

As of December 31, 2019, TECHNICOLOR's gross financial debt amounted to €1,298 million and consisted mainly 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 Group³⁹, TECHNICOLOR initiated discussions with its creditors that resulted in the conclusion of an agreement in principle on June 22, 2020. This agreement included, among other things, a financial restructuring plan that allowed 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 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 credit facilities mature on June 30 and December 31, 2024.

In addition, the Group has a confirmed credit facility (the WELLS FARGO facility) for a total amount of \$125 million (i.e., €110 million as of December 31, 2021) which has been extended and matures 4 years after the closing of the transaction. This credit facility is undrawn as of June 30, 2022.

³⁹ 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 borrowings	1	760	0
Repayments of lease debt	(91)	(85)	(62)
Repayments of borrowings	(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 analyses

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

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

5.4 Results for the first half of 2022

TECHNICOLOR released TCS' first-half 2022 earnings on July 28, 2022.

Table 6: TCS earnings for the first half of 2022

In M€	S1 2022	S1 2021	Change at current rates	Change at constant rates
Revenues	1 601,0	1 352,0	18,4 %	8,8 %
Adj. EBITDA	134,0	94,0	43,1 %	30,7 %
<i>In % of revenues</i>	8,4 %	7,0 %	145 pbs	139 pbs
Adj. EBITA	48,0	10,0	na	na
<i>In % of revenues</i>	3,0 %	0,7 %	-	-
Free cash flow before interest and tax	(35,0)	(215,0)	+83,5%	+82,9%

Sources: Press release of July 22, 2022

TECHNICOLOR reported revenue of €1,601 million, up +18.4% at current exchange rates compared to the first half of 2021, marked by strong demand for original content despite a persistent supply constraint and lower ad spend growth in Q2 2022 due to macroeconomic conditions.

Adjusted EBITDA reached €134 million, or 8.4% of revenue, up +43.1% at current rates compared to 2021. This increase is mainly due to the improved performance of the TCS and Connected Home businesses and the cost savings achieved.

Adjusted EBITA amounted to €48 million, compared to a level of €10 million in Q1 2021.

Free cash flow before interest and taxes was –€35 million, up 83.5% at current rates compared to the first quarter of 2021, due to a better operating performance as well as lower restructuring costs and working capital requirements for Maison Connectée.

- TCS revenue was €408 million, up 53.3% at current exchange rates, excluding the Post-Production business sold in April 2021. This increase was mainly due to the rise in demand for original content;
- In a disrupted global supply chain environment, Connected Home sales reached €897 million, down 16.4% at current exchange rates vs. the first quarter of 2021;
- DVD Services revenue reached €296 million in Q1 2022, up 4.5% at current exchange rates, despite lower volumes offset by price increases for discs and the performance of new growth businesses (notably transport management and vinyl).

In addition, the Group confirmed its objectives for 2022, including growth in demand for visual effects produced by TCS, as well as sustained demand for broadband equipment for the Connected Home, albeit with difficulties related to component shortages and slowdowns linked to the conflict between Russia and Ukraine. In DVD Services, the Group anticipates an improvement in new release volumes, offset by a decline in catalog volumes. TECHNICOLOR intends to diversify the division, notably by developing non-disc activities.

The Company's earnings are in line with its business plan.

6. Valuation of the TECHNICOLOR Group's actions

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

Since our report of April 4, 2022, the global economic context has evolved unfavorably, against the backdrop of the intensification of the geopolitical conflict between Russia and Ukraine, causing strong inflationary tensions. This has led to a decline in the stock markets⁴⁰ and a rise in interest rates under the impetus of the actions taken by the Central Banks (the ECB and the Fed in particular).

These phenomena have had a direct impact on the market parameters used in the valuation work (risk premium and risk-free rate) as well as on the Company's operating forecasts which have since been updated.

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 exercise and delivery of dilutive instruments relating to the free share allocation plans, warrants and stock options since that date, is 235,824,555 shares.

With regard to the stock option plans⁴¹ 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.

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 bonus share 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, we have used a number of 241,624,574 shares in our work.

⁴⁰ A 12.7% drop in the CAC 40 index between February 23, 22 (the day before the Company announced the Transaction) and June 30, 2022.

⁴¹ Management Incentive Plan (MIP).

6.2.2 Enterprise to equity value bridge

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

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

Table 7: 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-controlling 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 analyses

With regard to the 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 business for €100 million announced by the Group on February 24, 2022, in its press release relating to the publication 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.

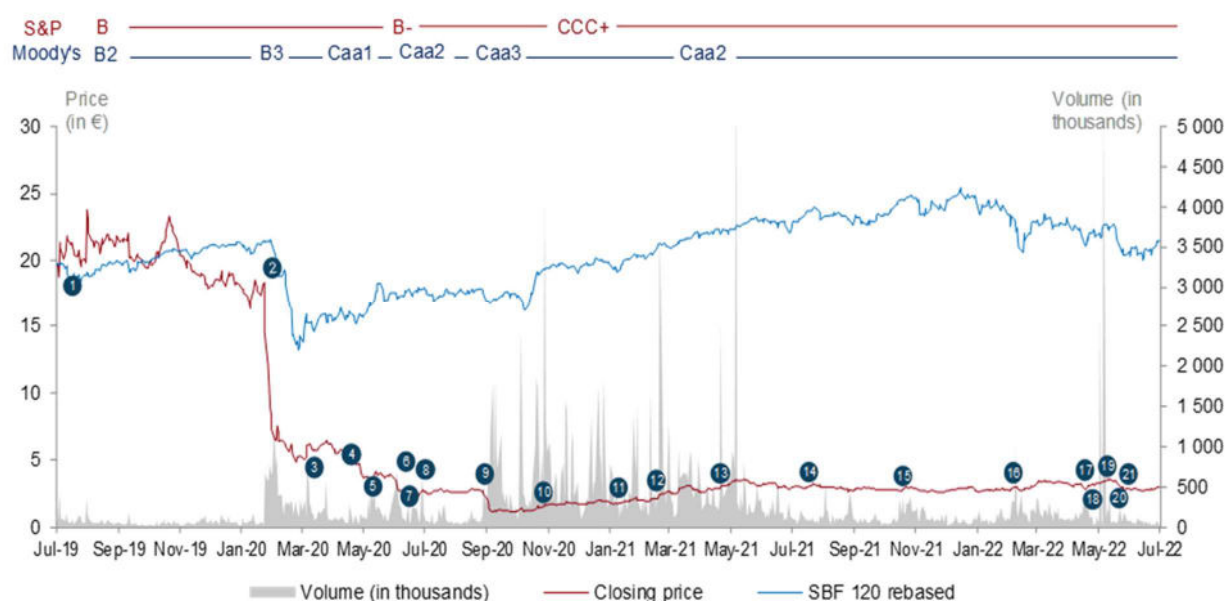
6.3 TECHNICOLOR share price analysis

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 price⁴² 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 of offers for new financing
- 6 18/06/2020 : 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
- 12 11/03/2021 : 2020 Annual Results - Revenue down 18.5% y/y at constant rates, Adjusted EBITDA down 46% at constant rates

⁴² The prices on which our analyses are based take into account the 27-for-1 reverse stock split that occurred in May 2020.

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- 13 **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
 - 14 **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
 - 15 **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
 - 16 **24/02/2022** : 2021 annual results (revenues down 3.6% at current rates, adjusted EBITDA up 64.9% at current rates), presentation of forward-looking trends and announcement of the intention to list TCS (formerly Production Services) on the stock exchange and of the envisaged refinancing plan
 - 17 **05/05/2022**: Q1 2022 Results - Revenues roughly stable at constant currency and up 6.6% at current currency, Adjusted EBITDA up 39.1% at constant currency and 28.6% at current currency. Technicolor confirmed that the proposed 65% distribution of TCS was on track to be completed in Q3 2022
 - 18 **06/05/2022**: Extraordinary General Meeting - the proposal to issue convertible bonds in the total nominal amount of 300 million was approved
 - 19 **31/05/2022**: Finalization of the sale of the Trademark Licensing business - Technicolor received this day a cash consideration of approximately €100 million
 - 20 **06/06/2022**: Market update on the group's refinancing process - a private debt for Technicolor excluding TCS for an amount of €300 to €375 million, a possible Asset Based Lending (ABL), as well as a term loan for an amount between €575 and €650 million and a €40 million revolving credit facility for TCS are announced. The group also announced a downward revision of the forward-looking assumptions for February 24, 2022
 - 21 **14/06/2022**: Technicolor introduced the new entity that will be founded Technicolor Creative Studios, Technicolor ex-TCS that will become VANTIVA. VANTIVA confirmed its forward-looking assumptions of June 6, 2022, an adjusted EBITDA from continuing operations of €140 million in 2022 and above €140 million in 2023.

We note that until the end of 2020, TECHNOLOR'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 global economic slowdown. The stock bottomed out in October 2020 at €1.16.

Since March 2019 and through the summer of 2020, the rating agencies S&P and MOODY'S have downgraded the Company's rating several times, to CCC+ and Caa2, deeming it even riskier than highly speculative investment grade.

From the first half of 2021, TECHNOLOR'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, TECHNOLOR announced on February 24, 2022, its intention to list the TCS business separately on EURONEXT PARIS, as well as a plan to refinance existing debt and issue €299,999,999 in MCNs. Following this announcement, TECHNOLOR'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 8: Stock price analysis

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 15,054 thousand shares, i.e. 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 incorporates the significant volumes traded, up sharply compared with the 6 months following certain publications, in particular the publication of the 2020 earnings on March 11, 2021, and the publication of the Q1 2021 earnings on May 11, 2021, with peaks of 3.6 and 2.5 million shares exchanged 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 July 22, 2022, the share price has fluctuated between €2.68 and €3.53.

6.3.2 Analysts' price targets

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

BRYAN GARNIER & CO issued a €3.80 price target and a Buy recommendation in its June 21, 2022 note (down from its published price target of €4.40 on June 7, 2022). The note highlights the potential benefits of TECHNICOLOR's planned transactions. In particular, the analyst expressed the reduction of the Group's conglomerate discount and the improvement of its financial profile.

ODDO BHF published a price target of €3.60 (improved from its price target published on February 25, 2022, which was €3.20), and a Neutral recommendation in its note dated June 15, 2022, indicating that there is no major change and the price target reflects a high probability of completion of the ongoing M&A transactions

KEPLER CHEUVREUX, in its June 15, 2022 report, indicated a target share price of €4.00, (unchanged from its target share price published on February 25, 2022) with a Buy recommendation, indicating that the group is well equipped to succeed in its transformation plan which aims to position it as a profitable, secure Company capable of meeting its debt repayment deadlines in 2024^E.

GOLDMAN SACHS issued a 12-month price target of €3.10 (improved from its target of €2.90 issued in May 2022), with a Neutral recommendation in its note of June 15, 2022. GOLDMAN said its forecast was 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 sum-of-the-parts share value 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, with a range between €3.1 and €4.95, the median and the average of the price targets are €3.7 before the announcement of the Transaction and around €3.9 as of the date of this report.

6.4 Discarded valuation methods

6.4.1 Consolidated net book assets

Book value is generally not considered to be representative of the intrinsic value of the company. It does not take into account the prospects for growth and profitability, nor any capital gains on assets.

For information, we remind you that the 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 of assets, liabilities and off-balance unrealized gains or losses identified in assets, liabilities or off-balance sheet items. This method, which is often used to value companies in certain sectors (holding companies, real estate companies), is particularly suitable for companies whose main assets have a market value and whose acquisitions and disposals of such assets constitute the operating process.

In this case, since the disposal of the Technology business in 2019, 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. Furthermore, 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 discounted future cash flows used for each of TECHNICALOR'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. We believe that the discounted cash flow criterion used for each of Technicolor's businesses under a sum-of-the-parts approach is particularly relevant for assessing the market value of TECHNICALOR.

6.4.3 Dividend discount model (value by dividend capitalization)

This method consists of valuing the Company based on the present value of its future dividends. It can only be used for companies that have a significant distribution capacity with regular and predictable distribution rates.

For your information, TECHNICALOR has not distributed any dividends since 2018.

6.4.4 Net asset value

We did not consider it necessary to use this method, as the liquidation of the Group does not of the Group does not correspond to the management strategy.

6.4.5 Recent transactions on the Company's equity

This method consists of valuing a company by reference to recent significant transactions in its equity.

We did not identify any recent transactions in the Company's equity and therefore did not apply this approach.

6.4.6 Comparables method

The comparables method consists of determining the value of a company by applying by applying multiples observed on a sample of other listed companies in the same sector of activity, to indicators deemed relevant. Given the diversity of the TECHNICOLOR Group's activities, we have not identified any company that is fully comparable to it.

However, the criterion has been studied individually for each of the Group's activities as part of our sum-of-the-parts approach, as presented below.

6.4.7 Precedent transactions

The precedent transaction method is based on an analysis of the multiples generated by total or partial takeovers of companies in the business sector of the entity being valued.

As for the stock market comparables, we have not identified any recent transaction involving companies with activities sufficiently comparable to those of TECHNICOLOR. Therefore, this method was not used.

In the context of our sum-of-the-parts approach, however, transactions involving companies with activities comparable to those of the Group's various segments were studied.

6.4.8 Discounted Cash Flow (DCF)

This method consists of determining the intrinsic value of a company by discounting the cash flows resulting from its business plan at a rate that reflects the market's demand for profitability with respect to the company, taking into account an exit value at the horizon of this plan. In the context of the Company's transformation plan and the resulting improvement in future performance, this criterion seems particularly relevant to us.

However, given the diversity of the businesses and their different levels of risk, as well as the limited life span of the DVD Services business, we believe it is more appropriate to implement this method individually for each business as part of a sum-of-the-parts approach rather than globally 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 of determining the total value of a company by valuing its component businesses separately and adding the value of each of its businesses or subsidiaries to obtain the value of the Group as a whole.

The sum of the parts is particularly appropriate to reflect the intrinsic value of the TECHNICOLOR group given the diversity of its activities. This approach can be applied through the use of various valuation methods adapted to each of its activities, including discounted cash flow projections as in this case.

6.6 Presentation of TECHNICOLOR's business plan

During our previous work, the Company's management provided us with individual forecasts for each of the Group's activities, 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 on the basis of forecasts made by the operational managers of each of the Group's businesses using a bottom-up approach, and these were then reviewed and adjusted by TECHNICOLOR's Finance Department. It was also presented to the Company's Board of Directors on February 24, 2022. On June 6, 2022 TECHNICOLOR communicated to the market an update of the forward-looking assumptions announced on February 24, 2022. In particular, the Group published new specific forward-looking assumptions for TCS, for 2022 and 2023, and confirmed the 2022 objectives for the Group.

The 2022–2023 forward-looking assumptions⁴³ for TCS include for the year 2022 an Adjusted EBITDA of between €175 million and €185 million (vs. €180–190 million), an Adjusted EBITA of between €75 million and €85 million (vs. €80–90 million) and a Free Cash Flow before interest and taxes of between €75 million and €85 million (vs. €100–110 million) For the year 2023, TCS expects to achieve an Adjusted EBITDA of between €200 million and €220 million (vs. €210–220 million), an Adjusted EBITA of between €95 million and €115 million (vs. €105–115 million) and a Free Cash Flow before interest and taxes of between €110 million and €130 million (vs. €125–135 million)

In addition to the variations in the EUR/USD exchange rate used in the revised assumptions The decline in TCS forecasts comes essentially from The Mill division, whose activity is closely linked to advertising expenditure. Its growth has been slowed by the current global economic context. This has resulted in a lower growth rate than initially anticipated.

⁴³ Based on exchange rates at the end of April 2022.

TECHNICOLOR also presented in its press release of June 6, 2022, the 2022–2023 outlook for TECHNICOLOR ex-TCS (whose only changes are related to EUR/USD exchange rate variations), which notably expects to achieve for the year 2022 an Adjusted EBITDA above €150 million (vs. >€160 million), an Adjusted EBITA between €48 million and €58 million (vs. €55–65 million) and a Free Cash Flow before interest and taxes between €75 million and €85 million. For the year 2023, TCS expects to achieve an Adjusted EBITDA above €150 million (in line with initial guidance), an Adjusted EBITA between €40 million and €50 million and a Free Cash Flow before interest and taxes between €53 million and €73 million (vs. €55–65 million).

It should be noted that the exchange rate assumptions used in the valuation are those initially used in the Company's business plan. At the end of June, the EUR/USD, EUR/GBP and EUR/CAD exchange rates have decreased due to the depreciation of the Euro as a result of the volatility of the global macroeconomic environment. TECHNICOLOR's activities are particularly affected by fluctuations in these exchange rates⁴⁴. A continued weak Euro against these three currencies could have a favorable impact on the value of TCS, DVD Services and Connected Home.

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 Calculating TECHNICOLOR's valuation

For this part, we have 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, these discount rates correspond to a weighted average cost of capital and include the Company's debt ratio and cost of debt.

We performed our valuation work as of December 31, 2021. We have ensured that the earnings for the first half of 2022 are in line with the forecasts used in the valuation.

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 OECD inflation expectations for the countries concerned⁴⁵.

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

In addition, we remind you that these tax forecasts do not take into account the savings linked to tax loss carryforwards, the consumption of which has been judged unlikely by management, and which has led to their write-down in the Group's balance sheet.

⁴⁴ For TCS: approximately 80% of its revenue and EBITDA are realized in these currencies. For Connected Home and DVD Services: approximately 70% of revenue and EBITDA are realized in USD.

⁴⁵ 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 approach (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 14.4% due to strong worldwide demand for broadband equipment;
- A relatively stable EBITDA margin over the business plan horizon, close to that achieved to that achieved by the Company in 2021 in this business segment;
- A level of investment representing on average 2.8% of revenue, slightly lower than the 4% observed over the last three years;
- Restructuring charges related to the various restructuring plans implemented by the Group, representing 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 change in WCR that is stabilizing over the business plan horizon.

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 10.2%⁴⁶ based on:

- The 3-month average of the 10-year OAT at 1.16% (source: Banque de France);
- A risk premium of 6.16%⁴⁷ (source: 3-month average by Associés en Finance);
- A sector unlevered beta of 1.07 (source: Damodaran - World Entertainment beta);
- A size premium of 0.7% to reflect the smaller size of the Company compared to listed companies in the entertainment sector (Sources: DUFF & PHELPS - *Valuation Handbook* and FINEXSI analysis);

⁴⁶ The weighted average cost of capital in the previous report was 9.2%.

⁴⁷ We have used an alternative source of risk premiums and risk-free rates to reflect current market conditions.

- A gearing of 151.2% 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%⁴⁸.

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 sensitivities of the enterprise value of the Connected Home business, using this method, to 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) are presented below.

Table 9: Valuation of the Connected Home

		WACC (%)				
		9,22%	9,72%	10,22%	10,72%	11,22%
Perpetual growth rate (%)	2,25%	799	751	710	673	640
	2,00%	776	731	692	657	626
	1,75%	755	713	675	642	613
	1,50%	734	695	660	629	600
	1,25%	715	678	645	615	589

Source: FINEXSI analysis

The valuation of the Connected Home business, using the DCF criterion and on the basis of the assumptions described above, is in the range of €642 million to €713 million, with a central value of €675 million.

⁴⁸ As of December 31, 2021. This rate is 8.88% as of June 30, 2022.

6.7.1.2 Comparables approach

The comparables 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 are identified. In this case, we have identified four companies, of which only two have 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 TWD 38,240 million (approximately €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.

Given the limited number of comparable companies, this criterion was not used in the valuation of TECHNICALOR's Connected Home business.

6.7.1.3 Precedent transactions approach

We have analyzed the transactions that have occurred since 2015 involving companies with activities comparable to TECHNICALOR'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;
- TECHNICALOR's acquisition of CISCO SYSTEMS' CPE Business in July 2015.

However, in the absence of detailed public information for some of these transactions, the application of this criterion to a sufficient number of references seems to us to be of little significance and we have therefore discarded it. In addition, these transactions are very old (5 years or more), and this activity is undergoing significant changes (see above 4.1), which limits the relevance of these references.

6.7.2 Development of the DVD Services division

6.7.2.1 Discounted cash flow approach

Forecast

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

- Revenue decreasing by –9% 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 an improved format mix;
- A level of investment representing on average 1.8% of revenue close to that observed in 2020 to that observed in 2021;
- Restructuring costs representing an average of 0.9% of revenue over the three-year forecast over the three-year forecast period, allowing 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 in its impairment tests;
- A stable change in WCR over the business plan horizon.

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:

- Revenues fell by an average of 4.1% per year, reflecting the structural decline in the DVD business, partially offset by the rise in distribution activity;
- EBITDA margin decreasing by 0.5 percentage points over the extrapolation horizon considered, due to the contraction of future revenue;
- Investments representing an average of 1.2% of revenue;
- 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 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 "The cost of capital"), this rate is 10.2%. 6.7.1.1), this rate is 10.2%. As for the Connected Home activity, we consider this rate to be consistent with the DVD Services activity 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, to 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) are presented below.

Table 10: Valuation of DVD Services

		WACC (%)				
		9,22%	9,72%	10,22%	10,72%	11,22%
Perpetual growth rate (%)	2,25%	218	210	202	196	189
	2,00%	218	210	202	196	189
	1,75%	218	210	202	196	189
	1,50%	218	210	202	196	189
	1,25%	218	210	202	196	189

Source: FINEXSI analysis

The valuation of the DVD Services business, using the DCF criterion and the assumptions described above, is in the range of €196 million to €210 million with a central value of €202 million.

It is noted that the limited sensitivity to the above parameters has a limited impact 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 Development of the TCS division (ex-Production Services)

6.7.3.1 Discounted cash flow approach

Forecast

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

- Revenues with an average annual growth rate of +24.4% due to a recovery in activity following the COVID-19 pandemic, as well as a strong growth 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 5.0% of revenue;
- Restructuring charges representing on average 0.6% 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 -19.5% of the change in revenue, mainly linked to the growing need for rendering⁴⁹.

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 6.0% over the extrapolation period and 1.75% in the normalized year to reflect market growth driven by strong demand from streaming platforms;
- An EBITDA margin that evolves linearly to reach the normalized profitability level of this activity;
- Investments set at 4.0% of revenue per year, slightly lower than those observed over the business plan horizon, and allocations tending towards these investments in the normal year.

⁴⁹ Rendering involves a complex process of data processing.

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 "The cost of capital"), this rate is 10.2%. 6.7.1.1), this rate is 10.2%. 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 sensitivities of the enterprise value of TCS, according to this method, to 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) are presented below.

Table 11: Valuation of TCS

		WACC (%)				
		9,22%	9,72%	10,22%	10,72%	11,22%
Perpetual growth rate (%)	2,25%	1 528	1 423	1 332	1 252	1 180
	2,00%	1 486	1 388	1 301	1 225	1 157
	1,75%	1 447	1 354	1 272	1 199	1 134
	1,50%	1 410	1 322	1 244	1 175	1 113
	1,25%	1 376	1 293	1 219	1 152	1 093

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 €1,199 million to €1,354 million with a central value of €1,272 million.

6.7.3.2 Comparables approach

The approach of the stock exchange comparables makes it possible to determine the value of a Company or an asset by analogy with listed companies being comparable to it, provided that a sufficient number of references is identified. In this case, we have identified KEYWORDS STUDIOS⁵⁰ a listed company whose activity was 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.

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 business. In addition, the share related to the video game business at TCS is significantly lower than that of KEYWORDS STUDIOS.

For these reasons, this approach was not used in the evaluation of TCS.

⁵⁰ WOW UNLIMITED MEDIA has been acquired since our previous report.

6.7.3.3 Precedent transactions approach

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

We have identified the following recent transaction:

- SPORTS VENTURES' acquisition of Dneg in January 2022: Dneg is a major player in the VFX (special effects) and stereo sector, operating through several significant operational businesses such as Visual Effects, Dneg Animation, Stereo and Dneg Creative. The group also has a segment called "ReDefine"⁵¹. Dneg's activities are spread over 11 sites around the world, in India, North America and England. In this sense, Dneg is the most comparable company to TCS.

However, on June 16, 2022, the parties to the transaction announced that they had mutually agreed to terminate their merger agreement effective immediately.

Nevertheless, given the strong comparability of the Target Company with TECHNICALOR's TCS segment, this transaction has been selected in the framework of this valuation approach, for consistency purposes.

Table 12: Valuation of TCS using the precedent transactions 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

⁵¹ Provides creative visual effects and animation services to growing international markets such as China and India and to independent productions worldwide.



Applying Dneg's EBITDA multiples to TCS's 2022 and 2023 forecasted indicators, the externalized enterprise value is in the range of €1,557 million to €2,150 million⁵².

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

- WOW UNLIMITED MEDIA'S acquisition by WOW EXCHANGE CO in April 2022;
- PICTURE HEAD's acquisition of THE FARM POST PRODUCTION LIMITED in June 2019;
- CULTURAL INVESTMENT HOLDINGS CO'S 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 difference in particular), we have not used these transactions.

6.7.4 Valuation of the Corporate & Other division

6.7.4.1 Discounted cash flow approach

Forecast

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

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 out⁵³, thereby obtaining a terminal value representative of a structure cost considered as normal for the Group.

Discount rate

The discount rate used for the Corporate & Other segment corresponds to the Company's discount rate of 10.2%.

⁵² Excluding dysnergia.

⁵³ The longer extrapolation for the DVD Services segment is related 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, to 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 13: Valuation of Corporate & Other

		WACC (%)				
		9,22%	9,72%	10,22%	10,72%	11,22%
Perpetual growth rate (%)	2,25%	(754)	(707)	(665)	(629)	(596)
	2,00%	(733)	(688)	(649)	(614)	(584)
	1,75%	(713)	(671)	(634)	(601)	(572)
	1,50%	(694)	(654)	(619)	(588)	(560)
	1,25%	(676)	(639)	(606)	(576)	(550)

Source: FINEXSI analysis

The valuation of the Corporate & Other activity, using the DCF criterion and the assumptions described above, is in the range of –€601 million to –€671 million, with a central value of €634 million.

6.7.5 Sum-of-the-parts value

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. **Erreur ! Source du renvoi introuvable.**).

Table 14: Valuation of TECHNICOLOR

Technicolor Equity Value (M€)	Min	Central	Max
+ TCS	1 199	1 272	1 354
+ Connected Home	642	675	713
+ DVD Services	196	202	210
+ Corporate & Others	(601)	(634)	(671)
= EV - Technicolor	1 436	1 516	1 606
Dette nette ajustée au 31. 12 .21		(763)	
= Equity Value - Technicolor	673	753	843
Number of shares (million)		242	
= Value per share - Technicolor - €	2,8	3,1	3,5

Source: FINEXSI analysis

In our April 4, 2022 report, Technicolor's share price was in the range of €3.7 to €4.6 per share. The decrease is explained both by the revision of the Group's forecasts, but mainly by the update of the parameters for the calculation of the weighted average cost of capital given the evolution of market conditions.

7. Financial analysis of the Transaction

The financial analysis of the Transaction aims at assessing the impact of all the features of the Refinancing, as well as that of the TCS spin-off for the Company and the current shareholders, in particular in terms of financial structure, dilution and value creation. It should be noted that the Group's objective is to significantly reduce its debt and to list TECHNICOLOR CREATIVE STUDIOS on the stock exchange in order to allow it to pursue its growth and development in conjunction with strong market demand, so that its shareholders can benefit from the potential for value creation.

7.1 Analysis of MCN characteristics

7.1.1 Characteristics of the MCNs

We recall below the main characteristics of the MCNs detailed above (see 1.1.1):

Table 15 - Characteristics of MCNs

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 16: MCN issues 2020–2022

Company	Country	Capitalization (MEUR)	Amount issued	Maturity	Coupon %	Conversion price discount vs. price	Date	Rating
OCOR	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	
Arcecel Mittal	Luxembourg	26302,3	1250 MS	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 high end of the range, but this should be put into perspective given the higher level of financial risk of TECHNICOLOR (lower rating).

The discounts observed on the conversion prices of the MCNs 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 increases⁵⁴ 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.

In the event of termination of the Commitment Letter signed between ANGELO GORDON and the Company⁵⁵, and/or failure to complete the Transaction, a termination fee in the amount of (i) 9% or 10.5% plus (ii) a percentage depending on the number of days between announcement and termination will be payable to the respective subscribers.

We remind you that the Shareholders' Meeting of May 6, 2022, approved this issue. Moreover, the analyses carried out below show that it is in the interest of the Company and of all the shareholders that the Transaction take place.

⁵⁴ In particular, the transactions involving KORIAN, VEOLIA, ALSTOM and NEONEN.

⁵⁵ Non-completion would be characterized by the absence of non-approval and by the fact that the Company could not issue the MCNs before July 31, 2022. It should be noted that on June 22, 2022, in view of the postponement of the Transaction announced by the Company on May 24, 2022, ANGELO GORDON and the Company extended this deadline to September 17, 2022. This amendment leaves our conclusions unchanged.

7.2 Analysis of the effects of the Transaction on the Group's financial structure

7.2.1 Analysis of the terms of the Refinancing linked to the Transaction

The MCNs were fully subscribed and their issuance was approved by the Extraordinary Shareholders' Meeting held on May 6, 2022.

The TCS spin-off is subject to the approval of TECHNICOLOR's shareholders at the Annual General Meeting to be held on September 6, 2022. A portion of the shareholders, representing 64.4% of TECHNICOLOR's share capital, have already confirmed their intention to vote in favor of the spin-off.

Following this approval, the Group's Refinancing will be implemented through the issuance of the MCNs, the provision of all other components of the Refinancing, and the repayment by TECHNICOLOR and TECH 6 of all of their existing debt.

It should be noted that this repayment is a means of implementing the safeguard plan and the conciliation agreement to which TECHNICOLOR and TECH 6 are respectively bound. TECHNICOLOR will then ask the Paris Commercial Court to declare the completion of its safeguard plan as soon as the refinancing has taken place.

Finally, the MCNs will be converted into TECHNICOLOR shares once (i) the decision to proceed with the spin-off has been taken by the Board of Directors and (ii) the completion of TECHNICOLOR's safeguard plan has been acknowledged by the Paris Commercial Court.

7.2.2 Characteristics of the First Lien Term Facility and Second Lien Term Facility taken out by TECHNICOLOR SA

As described above, TECHNICOLOR SA has obtained new debt for an amount of €375 million, which includes two tranches:

- A €250 million First Lien Term Facility; and
- A €125 million Second Lien Term Facility.

Their characteristics are presented below.

Table 17: Summary table of characteristics of loans granted to TECHNICOLOR SA

	Tranche 1	Tranche 2
Borrowers	▪ TECHNICOLOR SA	▪ TECHNICOLOR SA
Lenders	▪ Barclays	▪ Angelo Gordon
Amount drawn	▪ €250m	▪ €125m
Structure / Ranking	▪ First Lien Term Facility	▪ Second Lien Term Facility
Guarantee	▪ Subject to the Agreed Security Principles, guarantees to be provided by the members of the Group	▪ Subject to the Agreed Security Principles, guarantees to be provided by the members of the Group
Security	<ul style="list-style-type: none"> ▪ Security to be provided by the Company over bank accounts, stock, other equity interests, receivables and intercompany debt owned by the Company ▪ Fiducie to be granted over 35% of the shares of Tech 8 	<ul style="list-style-type: none"> ▪ Agreed Security Principles, the Company shall grant valid second-priority liens and security interests in the Collateral (as defined in the First Lien Term Sheet)
Currencies	▪ EUR	▪ EUR
Tenor	▪ 4 years bullet with an extension option of 1 year	▪ 4.5 years bullet with an extension option of 1 year
Margin	<ul style="list-style-type: none"> ▪ EURIBOR (subject to a "floor" of 0%) + cash margin of 2.50% ▪ PIK interest of 3.00%, increasing to 4.00%*, increasing to 5.50%** and increasing by 0.50%*** 	<ul style="list-style-type: none"> ▪ EURIBOR (subject to a "floor" of 0%) + cash margin of 4.00% increasing to 6.00%** ▪ PIK interest of 5.00%, increasing to 5.50%*, increasing to 6.00%**
OID	▪ 97%	▪ 94%
Exit Fee	▪ Year 2: 2,5% / Thereafter: 5%	▪ 4.00% of the principal amount of the Second Lien Debt
Financial covenant	▪ To be mutually agreed	▪ No financial covenant

* 12 months after the closing date; ** 24 months after the closing date; *** every 12 months thereafter

Source: Letter of Commitment and Loan Conditions

Although the interest rate structure of these debts is progressive (see Table 16), they are on average lower (8.3%) than the weighted average cost of the Company's debt (8.7%). Table they are on average lower (8.3%) than the weighted average cost of the Company's debt (8.7%⁵⁶).

⁵⁶ As of December 31, 2021. This rate is 8.88% as of June 30, 2022.

Table 18: Weighted average rate for loans granted to TECHNICOLOR SA

Debts	Amount (€m)	Interest rate			
		Year 1	Year 2	Year 3	Year 4
First Lien Term Facility	250,0	5,5 %	6,5 %	8,0 %	8,5 %
Cash interest		2,5 %	2,5 %	2,5 %	2,5 %
PIK		3,0 %	4,0 %	5,5 %	6,0 %
Second Lien Term Facility	125,0	9,0 %	9,5 %	12,0 %	12,0 %
Cash interest		4,0 %	4,0 %	6,0 %	6,0 %
PIK		5,0 %	5,5 %	6,0 %	6,0 %
Weighted average rate		6,7%	7,5%	9,3%	9,7%
Average rate	8,3%				

Source: FINEXSI analysis

In addition to lowering the cost of financing, these new facilities make it possible to extend the maturity of the existing debt (which matures between June 2024 and December 2024), with loans granted with a maturity of 4.5 years (plus an option to extend for an additional year). This allows the Company not to face a repayment deadline in 2024.

7.2.3 Characteristics of the First Lien Term Facility taken out by TCS

As described above, a senior secured term facility is planned to be put in place by ANGELO GORDON, BARINGS, CREDIT SUISSE, ICG, FARALLON, BAIN, ALCENTRA, BPI, SCULPTOR, JPM, CARLYLE, CAIRN, subscribed by TECHNICOLOR CREATIVE STUDIOS SA & TECHNICOLOR CREATIVE SERVICES USA. This debt is composed of two tranches of €564,200,000 and \$60,000,000, respectively.

Their characteristics are presented below.

Table 19: Summary table of the characteristics of the loans granted to TCS

	Characteristics
Borrowers	<ul style="list-style-type: none"> French borrower: TECHNICALOR CREATIVE STUDIOS SA US borrower: TECHNICALOR CREATIVE SERVICES USA
Lender	<ul style="list-style-type: none"> Angelo Gordon, Barings, Credit Suisse, ICG, Farallon, Bain, Alcentra, BPI, Sculptor, JPM, Carlyle, Cairn
Amount drawn	<ul style="list-style-type: none"> €623m
Structure / Ranking	<ul style="list-style-type: none"> First Lien Term Facility
Guarantee	<ul style="list-style-type: none"> Guarantee from borrower and its direct or indirect, wholly-owned, material restricted subsidiaries
Security	<ul style="list-style-type: none"> All of the capital stock of each Guarantor and its direct subsidiaries Other existing and future assets and properties of each Loan Party
Currencies	<ul style="list-style-type: none"> EUR denominated debt of €564m US dollar denominated debt of \$60m
Tenor	<ul style="list-style-type: none"> 4 years Amortized in equal quarterly installments in aggregate annual amounts equal to 1.0% of the original principal amount
Margin	<ul style="list-style-type: none"> EUR denominated debt: EURIBOR + cash margin of 6.0% US dollar denominated debt: SOFR + cash margin of 7.5%
OID	<ul style="list-style-type: none"> 93%
Exit Fee	<ul style="list-style-type: none"> Year 2: 2% / Year 3: 3% / Year 4: 5%
Financial covenant	<ul style="list-style-type: none"> To be mutually agreed

* Secured Overnight Financing Rate

Source: FINEXSI analysis

The interest rates (6.0% and 7.5% respectively) are on average significantly lower than the Company's current weighted average cost of debt (8.7%).

Table 20: Weighted average rate for loans to TCS

Debts	Amount (in m)	Interest rate			
		Year 1	Year 2	Year 3	Year 4
TCS First Lien Term Facility (€m)	623,3				
EUR tranche (€m)	564,2	6,0 %	6,0 %	6,0 %	6,0 %
USD tranche (\$m)	60,0	7,5 %	7,5 %	7,5 %	7,5 %
Weighted average rate		6,1%	6,1%	6,1%	6,1%
Average rate	6,1%				

Source: FINEXSI analysis

On average, the cost of the loans taken out by TCS amounts to about 6.1% (see Table).

In addition, beyond the reduction in financial costs, these loans granted to TCS make it possible to extend the maturity of the existing debt (which matures between June 2024 and December 2024), with loans maturing in four years. This allows the Company not to face a repayment deadline in 2024.

7.2.4 Analysis of the effects of the Spin-Off Transaction on the net debt of TCS and Technicolor ex-TCS.

Under the terms of the Refinancing and the consolidated financial statements as of December 31, 2021, the net debt⁵⁷ would be allocated between TECHNICOLOR ex-TCS and TCS as follows:

- Of the €196 million in cash held by the Group before the spin-off, €30 million will be allocated to TCS and €166 million to TECHNICOLOR ex-TCS;
- As of December 31, 2021, the Company's financial debt excluding IFRS16 amounted to €1,042 million. At the date of completion of the Transaction, the nominal amounts of these debt lines (subject to exchange rate fluctuations), accrued interest, and refinancing costs amount to approximately €1,172 million. These debts will be repaid using the cash generated by the issuance of the MCNs, i.e. €299,999,999, and by the €623,345,991 from the sale by Technicolor to TCS of part of the Company's shares in the Technicolor Creative Studios business (this acquisition will be financed by €623.623,345,991 of secured term loans and the balance of the shares to be contributed by Technicolor to TCS after the completion of the sale), then refinanced by the €375,000,000 of loans taken out by TECHNICOLOR S.A;
- We have also taken into account the impact of the Original Issue Discount on the various loans, as well as the Exit Fees in present value, in establishing the components of the enterprise to equity value bridge of TECHNICOLOR Ex-TCS and TCS;
- Other adjustments amounting to €83 million were allocated to TECHNICOLOR ex-TCS and TCS, for €90 million and –€7 million⁵⁸, respectively.

⁵⁷ -763 million, cf. **Erreur ! Source du renvoi introuvable.**

⁵⁸ Composed mainly of provisions for litigation.

We present below the adjusted net debts for each of the TECHNICOLOR scopes excluding TCS and TCS:

- Table 21: Changes in the net debt structure of Technicolor Ex-TCS and TCS

€M		Technicolor	Technicolor Ex TCS	TCS
Existing net debt				
Debt	[A]	(1 042,0)		
Cash	[B]	196,0		
Other adjustments	[C]	83,0		
Net debt Technicolor (31/12/21)	[A]+[B]+[C]	(763,0)		
Equity value - Technicolor		752,8		
Gearing		(101,3)%		
Net debt post refinancing and spin-off				
Existing debt of Technicolor (31/12/21)			(1 042,0)	
Technicolor Ex TCS debt			(375,0)	
TCS debt				(623,3)
Transaction Cost (inc.OID)			(127,8)	
Accrued cash interest			(37,6)	
Accrued PIK			(24,1)	
Impact FX rate (EUR/USD) & delay refinancing			(31,7)	
Exit fees (discounted to maturity)			(12,2)	(22,2)
Debt	[D]		(1 650,4)	(645,6)
Existing cash of Technicolor (31/12/21)			166,0	30,0
Other adjustments of Technicolor (31/12/21)			89,7	(6,7)
TCS debt			623,3	
MCN			300,0	
Technicolor Ex TCS debt			375,0	
Cash	[E]		1 554,1	23,3
Net debt - post refinancing & spin-off	[D]+[E]		(96,3)	(622,3)
Equity value			503,3	1 068,0
Gearing (excluding OID)			6,0 %	58,3 %

Source: FINEXSI analysis

Thus, post spin-off, and based on the consolidated balance sheet as of December 31, 2021, the estimated adjusted net debt amounts to €96 million for TECHNICOLOR ex-TCS and €622 million for TCS.

All the components of the Refinancing also significantly reduce TECHNICALOR's financial leverage⁵⁹, as well as the Group's average cost of debt, which stands at approximately 7.0% as presented below.

Table 22: Weighted average rate for Group loans

Debts	Amount (in m)	Interest rate			
		Year 1	Year 2	Year 3	Year 4
Total debt (€m)	998,3				
First Lien Term Facility (€m)	250,0	5,5 %	6,5 %	8,0 %	8,5 %
Second Lien Term Facility (€m)	125,0	9,0 %	9,5 %	12,0 %	12,0 %
TCS First Lien Term Facility (€m)	623,3				
EUR tranche (€m)	564,2	6,0 %	6,0 %	6,0 %	6,0 %
USD tranche (\$m)	60,0	7,5 %	7,5 %	7,5 %	7,5 %
Weighted average rate		6,3%	6,7%	7,3%	7,5%
Average rate	7,0%				

Source: FINEXSI analysis

7.2.5 Analysis of Refinancing-related compensation

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 analyzed several recent transactions⁶⁰ in order to assess certain characteristics of the Transaction, including the size of the restructured debt, the total compensation offered to the subscribing shareholders of the MCNs, as well as to the creditors as a whole for their benefits, and the other costs related to the Transaction.

⁵⁹ Technicolor's financial leverage is 101% based on the adjusted net debt as of December 31, 2021 of (€763 million) as presented above and the revalued value of the Company's equity as presented in part 6. After the Transaction, the respective financial leverage of Technicolor ex-TCS and TCS would be 6% and 58% (based on the revalued value of their equity as presented in part 7.3).

⁶⁰ We analyzed the restructuring transactions carried out by the following companies: SOLOCAL, TECHNICALOR, EUROPCAR, BOURBON, EUROPACORP, ORAPI, CGG, LATÉCOËRE, GASCOGNE, EMOVA and MBWS. For these transactions, the remuneration of the creditors as a % of the investment is established on a range between 2% and 106%.

Regarding remuneration :

- Remuneration of the MCNs: this is the remuneration in the form of the Commitment Fee⁶¹ and the Original Issue Discount⁶²;
- Remuneration under Technicolor SA's First Lien Term Facility and Second Lien Term Facility: this consists of remuneration in the form of an Original Issue Discount (3% and 6% respectively) and an Exit Fee⁶³;
- Remuneration under the First Lien Term Facility: this is the remuneration in the form of an Original Issue Discount (7%) and an Exit Fee⁶⁴.

Thus, the sum of the remunerations (OID, Fees and Exit Fees) represents about 8.1% of the total Refinancing (see Table) and is within the range of remunerations observed in the context of debt restructuring transactions, even if each has its own characteristics.

Other costs related to the Transaction amounted to approximately €58 million, representing about 2% of revenue⁶⁵, which is within the range of costs observed in debt restructuring transactions⁶⁶.

- Table 23: Analysis of remuneration and costs

Elements of restructuring		M€
MCN	(300,0)	
OID	2,50%	(7,5)
Commitment fees	1,50%	(4,5)
First Lien Term Facility	(250,0)	
OID	3%	(7,5)
Exit fee (maturity)	5%	(8,8)
Second Lien Term Facility	(125,0)	
OID	6%	(7,5)
Exit fee (maturity)	4%	(3,4)
First Lien Term Facility	(623,3)	
OID	7%	(43,6)
Exit fee (maturity)	5%	(22,2)
Total refinancing	(1 298,3)	(105,1)
%	100%	8,1%
Other costs		(57,5)
Total refinancing	(1 298,3)	(162,6)
%	100%	13%

Source: FINEXSI analysis

The total costs and remunerations amount to €163 million (including any exit fees paid at maturity of the respective loans, which have also been discounted to TECHNOLOR EX-TCS' and TCS' cost of capital as presented in part 7.3).

⁶¹ Corresponding to 1.5% of the nominal amount of the MCNs issued.

⁶² The subscribers of the MCN will subscribe at an issue price corresponding to 97.5% of the nominal value of the MCN. This corresponds to a form of issue premium offered to subscribers.

⁶³ In the event of a change of control, repayment, or sale of TCS, an *Exit Fee* of 2.5% in the first year and 5.0% thereafter will be payable on the principal amount (€250 million). In the event of a change of control, repayment of the loan, or sale of TCS, an *Exit Fee* of 4% will be payable on the principal amount (€125 million).

⁶⁴ In the event of a change of control, redemption or sale of TCS, an *exit fee* of 2% in the first year, 3% in the second year and 5.0% thereafter will be payable on the principal amount (€623 million).

⁶⁵ 2,898 million at December 31, 2021.

⁶⁶ We analyzed the restructuring transactions carried out by the following companies: SOLOCAL, TECHNOLOR, EUROPCAR, BOURBON, EUROPACORP, ORAPI, CGG, LATECOERE, GASCOGNE, EMOVA and MBWS. For these transactions, transaction-related costs (notably advisory services) as a percentage of revenue ranged from 0.6% to 7.7%.

7.2.6 Analysis of the effects of the spin-off transaction on the number of shares of TECHNICOLOR ex-TCS and TCS

Our calculations are based on the number of shares used above (see 6.2.1), i.e. 241,624,574 shares, thus determined before taking into account the conversion of the MCN.

7.2.6.1 Issuance of MCNs

■ Evolution of the shareholder structure:

In the event of completion of the Transaction, the issuance of the MCNs will, in the event of conversion, result in dilution 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 undertakings of certain shareholders, the post-issuance shareholding structure could be as follows in the event of conversion of the MCNs

Table 24: Changes in shareholder structure

Shareholders	Engagement €M	Shares as at 31/12/21	% capital	(+) New shares	Post- conversion shares	% 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 %
Briarwood	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 main shareholders	300,0	148 741 932	63,07 %	115 384 615	264 126 547	75,20 %
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 MCN issued and their conversion price, the number of shares resulting from the conversion of all MCN would be €115.4 million.

Thus, the percentage of holding of subscribing shareholders will evolve from 63.1% before conversion to 75.2% post-conversion. In return, the non-participating shareholders will suffer a dilution of their shareholding from 36.9% to 24.8%.

The number of shares used for the valuation of TECHNICOLOR ex-TCS after conversion of the MCNs amounts to 357,009,189 shares⁶⁷, after taking into account the dilutive instruments presented in section 6.2.1.

⁶⁷ That is 351,209,170 shares to which are added 5,800,019 potential shares from the bonus share plans at the end of December 2021. 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.

■ Dilutive impact of the MCN issue:

Also, we remind that taking into account the share price before the announcement of the Transaction (€ 2.68), the conversion of the MCNs could lead to a dilution in value of approximately 1% with reference to this price.

Table 25: Dilutive impact of the Transaction for non-subscribing shareholders of MCN

Number of shares	235 824 555
Share price - 24/02/2022	2,68 €
Market Capitalization	632 009 807 €
Volume weighted average price 3 months - 23/02/2022	2,73 €
MCN price conversion	2,60 €
Discount	-5%
Nominal amount of issued MCN - MEUR	300 000 000
Number of shares resulting from the conversion	115 384 615
Number of shares - post conversion	351 209 170
Theoretical stock price - post conversion	2,65 €
Dilutive impact related to MCN issue	-1,0%

Source: FINEXSI analysis

Furthermore, we remind you that all subscribers for the MCNs do not 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 before the Transaction.

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

Table 26: Dilutive impact of the Transaction for all shareholders

	Amounts subscribed	31/12/2021	Conversion	Conversion
		Shares in €	Shares in €	Dilution / Relation
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)%
Brianwood	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

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

7.2.6.2 Shareholder structure of TCS

The Transaction consists in particular of the distribution of 65% of the share capital of TCS by the Group to its shareholders (after the issuance of the MCNs). In addition, it is agreed that each shareholder of the Group will benefit from one TCS share for each Group share held. Consequently, the number of TCS shares will be equal to the number of TECHNICOLOR ex-TCS shares divided by 65%, i.e. 549,244,207 shares.

Thus, on the basis of a 35% ownership of TCS by TECHNICOLOR ex-TCS, the distribution of TCS' capital after the Transaction could be as follows:

Table 27: Changes in shareholder structure

Shareholders	Technicolor Ex TCS post MCN number of shares	% capital Technicolor Ex TCS	Number of shares TCS	% capital TCS
Angelo Gordon	79 671 524	22,32 %	79 671 524	14,51 %
CSAM	30 298 939	8,49 %	30 298 939	5,52 %
Brianwood	32 507 570	9,11 %	32 507 570	5,92 %
Barings	29 016 111	8,13 %	29 016 111	5,28 %
BainCapital	25 815 935	7,23 %	25 815 935	4,70 %
Farallon	23 653 528	6,63 %	23 653 528	4,31 %
Goldman Sachs	15 474 103	4,33 %	15 474 103	2,82 %
Bpi	27 688 837	7,76 %	27 688 837	5,04 %
Technicolor Ex TCS	-	0,0 %	192 235 717	35,00 %
Main shareholders	264 126 547	73,98 %	456 362 265	83,09 %
Float (including Free Shares and Performance Shares)	92 882 642	26,02 %	92 882 642	16,91 %
Total Shareholders	357 009 189	100,00 %	549 244 907	100,00 %

Source: FINEXSI analysis

Taking into account the number of shares of TECHNICOLOR ex-TCS, the number of TCS shares at the end of the spin-off would be 549.2 million⁶⁸.

7.3 Analysis of the effects of the Spin-Off Transaction on the valuation of TECHNICOLOR ex-TCS and TCS

7.3.1 Valuation methods used

As for our valuation of the Group before refinancing and spin-off, we used the the sum-of-the-parts (SOTP) method, which consists of determining the total value of a company by valuing its component businesses separately and adding the value of each of its businesses or subsidiaries to obtain the value of TECHNICOLOR ex-TCS as a whole.

We recall that the sum of the parts is particularly appropriate to reflect the intrinsic value of TECHNICOLOR ex-TCS given the diversity of its activities. This approach can be applied through the use of various valuation methods adapted to each of its activities, including the discounted cash flow approach as in this case.

⁶⁸ This number of shares could be higher in the event that certain shareholder warrants issued in connection with the Group's financial restructuring in 2020 are exercised, although these instruments are currently out of the money (with an exercise price of €3.58). At December 31, 2021, the exercise of all the warrants would result in the issue of 12,290,163 shares.

In the case of TCS, we applied the DCF method which, as a reminder, consists of determining the intrinsic value of a company by discounting the cash flows resulting from its business plan at a rate that reflects the market's demand for profitability with respect to the company, taking into account an exit value at the horizon of this plan. In the context of the TCS spin-off and the improvement in future performance resulting from the various transformation plans undertaken by TECHNICOLOR, this criterion seems to us particularly relevant.

7.3.2 Presentation of TECHNICOLOR's business plan outside TCS and TCS

As for our valuation of the Group before the spin-off, the Company's management provided us with forecasts for each of the Group's activities.

Concerning the TCS activity, the business plan (i) uses the same forecasts as those used in our valuation before the spin-off and (ii) includes negative synergies in EBITDA reflecting the separation of this activity from the Group's scope.

Concerning the Corporate & Other segment, the business plan (i) also includes the same elements as those we used for the valuation of the Group before the Spin-off and (ii) also integrates the negative synergies generated by the TCS spin-off.

7.3.2.1 Valuation of the Connected Home cluster

Forecasting, extrapolation and normalized flow

The following are the main assumptions used in the forecasts for the Connected Home segment (see 6.7.1.1) :

- Revenue with an average annual growth rate of 14.4% 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 the 4% observed over the last three years;
- Restructuring costs related to the various restructuring plans implemented by the Group, representing on average 0.2% of revenue over the forecast period;
- A corporate tax rate of 25.4% according to the 2022 Finance Bill;
- A stable change in WCR over the business plan horizon.

With regard to the extrapolation period, as in our pre-spin-off valuation of the Group, we have extended the forecasts for the Connected Home segment by two years in order to obtain more normalized growth and profitability characteristics for the business.

Discount rate

Analyses conducted on the components of the Company's Refinancing show a significant decrease in financial leverage and in the total cost of debt. These elements reflect, all other things being equal, a decrease in the financial risk of the assets valued (TCS and TECHNICOLOR ex-TCS).

We recall that we used a discount rate of 10.2% in the valuation of TECHNICOLOR before the Transaction.

We used the weighted average cost of capital after taking into account the impact of the Refinancing to discount the future cash flows of TECHNICOLOR ex-TCS.

The rate used is 9.1% on the basis of:

- The 3-month average of the 10-year OAT at 1.16% (source: Banque de France);
- A risk premium of 6.16%⁶⁹ (source: 3-month average by Associés en Finance);
- A sector unlevered beta of 1.14 (source: Damodaran - World Telecom Equipment beta⁷⁰);
- A size premium of 0.7% 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 target gearing of 10.0% considering that the effects of the Transaction on TECHNICOLOR ex-TCS' net debt;
- A corporate income tax rate of 25.4%, which is the rate used in the forecast;
- A weighted average cost of debt of 8.3% considering the weighted average cost of new debt raised by TECHNICOLOR.

We thus obtain a discount rate adapted to the segment's activity which also factors in the risk inherent to its activity as well as that linked to TECHNICOLOR Ex-TCS's debt and its future risk profile.

⁶⁹ We have used an alternative source of risk premiums and risk-free rates to reflect current market conditions.

⁷⁰ The Beta used differs from that used in the calculation of the cost of capital at Group level and before the Transaction, given the spin-off of the TCS activity.

Result of the method

The sensitivities of the enterprise value of the Connected Home business, using this method to 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) are presented below.

Table 28: Valuation of the Connected Home

		WACC (%)				
		8,10%	8,60%	9,10%	9,60%	10,10%
Perpetual growth rate (%)	2,25%	935	868	811	762	719
	2,00%	902	841	787	741	701
	1,75%	872	815	765	722	683
	1,50%	844	791	744	703	667
	1,25%	818	768	725	686	652

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, is in the range of €722 million to €815 million with a central value of €765 million.

As a reminder, the valuation of this activity, prior to the Transaction, was in the range of €642 million to €713 million, with a central value of €675 million (see 6.7.1.1).

7.3.2.2 Development of the DVD Services division

Forecasting, extrapolation and normalized flow

The following are the main assumptions of the DVD Services segment forecasts (see 6.7.2.1):

- Revenue decreasing by -9% 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 an improved format mix;
- A level of investment representing on average 1.8% of revenue close to that observed in 2021;
- Restructuring costs representing an average of 0.9% of revenue over the three-year forecast period, allowing 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 in its impairment tests;
- A stable change in WCR over the business plan horizon.

With regard to the extrapolation period, as in our pre-spin-off valuation of the Group, we have extended the forecasts for the DVD Services segment by 12 years to reflect the structural decline in the physical video market, and this on the basis of the same assumptions presented above (see 6.7.2.1).

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 management anticipates medium- to long-term development.

Discount rate

We have used the weighted average cost of capital of TECHNICOLOR ex-TCS to discount the future cash flows of the DVD Services activity. As mentioned above (see 7.3.2.1), this rate is 9.1%.

As for the Connected Home business, we believe this rate is consistent with its future risk profile.

Result of the method

The sensitivities of the enterprise value of the DVD Services business, using this method, to 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 29: Valuation of DVD Services

		WACC (%)				
		8,10%	8,60%	9,10%	9,60%	10,10%
Perpetual growth rate (%)	2,25%	247	235	224	215	206
	2,00%	244	232	222	213	205
	1,75%	242	230	220	212	204
	1,50%	239	228	219	210	203
	1,25%	237	227	217	209	202

Source: FINEXSI analysis

The valuation of the DVD Services business, using the DCF criterion and the assumptions described above, is in the range of €212 million to €230 million with a central value of €220 million.

As a reminder, the valuation of this activity, prior to the Transaction, was in the range of €196 million to €210 million with a central value of €202 million (see 6.7.2.1).

7.3.2.3 Valuation of the Corporate & Other division

Forecasting, extrapolation and normalized flow

As a reminder (see 6.7.4.1), the forecasts provided to us include in particular items relating to the Group's structural costs, provisions for retirement indemnities, and restructuring costs. In addition, these items also include negative synergies due to the TCS spin-off, amounting to –€11 million per year.

As regards the extrapolation period, we have extended the forecasts for the Corporate & Other segment by two years in order to be consistent with the other extrapolations carried out⁷¹, thus obtaining a terminal value representing a structure cost considered as normal for the Group.

Discount rate

The discount rate used for the Corporate & Other segment corresponds to the TECHNICOLOR ex-TCS discount rate of 9.1%.

Result of the method

The sensitivities of the enterprise value of the Corporate & Other activity, according to this method, to 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 30: Valuation of Corporate & Other

		WACC (%)				
		8,10%	8,60%	9,10%	9,60%	10,10%
Perpetual growth rate (%)	2,25%	(928)	(861)	(803)	(753)	(710)
	2,00%	(897)	(834)	(781)	(734)	(693)
	1,75%	(868)	(810)	(760)	(716)	(677)
	1,50%	(841)	(787)	(740)	(699)	(662)
	1,25%	(817)	(766)	(722)	(683)	(648)

Source: FINEXSI analysis

The valuation of the Corporate and Other activities, using the DCF criterion and the assumptions described above, is in the range of –€716 million to –€810 million with a central value of –€760 million.

As a reminder, the valuation of this segment, before the issuance of the MCNs and the refinancing transaction, was in the range of –€601 million to –€671 million with a central value of –€634 million. (see 6.7.4.1).

⁷¹ The longer extrapolation for the DVD Services segment is related to the particular situation of this business.

7.3.2.4 Valuation of TCS

At the end of the spin-off, 35% of TCS will be owned by TECHNICOLOR ex-TCS, and 65% will be redistributed to the current shareholders of the Group. We have therefore also valued TCS on a stand-alone basis.

Forecasting, extrapolation and normalized flow

We recall below the main assumptions of the TCS forecasts, which now include negative synergies (cf. 6.7.3.1) :

- Revenues with an average growth of +24.4% per year due to a recovery of the COVID-19 post-sanitary crisis activity as well as a strongly growing market driven by sustained demand in the special effects and advertising segments;
- Significant growth in EBITDA margin before taking into account negative synergies, compared to 2021, linked to an optimization of TCS's business mix;
- Dissynergies amounting to €26 million per year in 2024 taken into account at the EBITDA level;
- A level of investment representing on average 5.3% of revenue (including approximately €3 million for negative synergies);
- Restructuring charges representing on average 0.6% of revenue over the forecast horizon;
- A corporate tax rate of 25.2%, corresponding to the average tax rate in the countries in which TCS operates⁷²;
- A level of change in working capital representing on average -19.5% of the change in revenue, mainly linked to the growing need for rendering⁷³.

Regarding the extrapolation period, as in our pre-spin-off valuation of the Group, we have extended the TCS forecasts by two years in order to obtain more normalized growth and profitability characteristics of the business.

We also used a perpetual growth rate of 2.5%, considering that TCS's growth would be higher in the long term given its future positioning as a pure-player.

⁷² Canada, India and the United Kingdom.

⁷³ Rendering involves a complex process of data processing.

Discount rate

Analyses conducted on the components of the Company's Refinancing show a significant decrease in financial leverage and in the total cost of debt. These elements reflect, all other things being equal, a decrease in the financial risk of the assets evaluated (TCS and TECHNICOLOR ex-TCS).

We recall that we used a discount rate of 10.2% in the valuation of TECHNICOLOR before the Transaction.

We have used the weighted average cost of capital after taking into account the consequences of the Transaction to discount TCS's future cash flows. The rate used is 8.8% based on:

- From the 3-month average of the 10-year OAT at 1.16% (source: Banque de France);
- A risk premium of 6.16%⁷⁴ (source: 3-month average by Associés en Finance);
- A sector unlevered beta of 1.07 (source: Damodaran - World Entertainment beta);
- A size premium of 0.7% to reflect the smaller size of the Company compared to listed companies in the entertainment sector (Sources: DUFF & PHELPS - *Valuation Handbook* and FINEXSI analyses);
- A gearing of 50.0% calculated on the basis of the future net financial debt of TCS after reallocation of debt and conversion of MCNs;
- A corporate tax rate of 25.2%, corresponding to the average tax rate in the countries in which TCS operates⁷⁵;
- A weighted average cost of debt of 6.1% corresponding to the interest rate of TCS's future debt after spin-off.

We thus obtain a discount rate adapted to TCS and its exposure to the various countries in which it operates, which also factors in the risk inherent in its activity as well as that linked to its future financial debt.

⁷⁴ We have used an alternative source of risk premiums and risk-free rates to reflect current market conditions.

⁷⁵ Canada, India and the United Kingdom

Result of the method

The sensitivities of the enterprise value of TCS, using this method, to 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) are presented below.

Table 31: Valuation of TCS

		WACC (%)				
		7,8%	8,3%	8,8%	9,3%	9,8%
Perpetual growth rate (%)	3,00%	2 202	1 988	1 811	1 662	1 535
	2,75%	2 108	1 912	1 748	1 610	1 491
	2,50%	2 023	1 842	1 690	1 561	1 449
	2,25%	1 945	1 778	1 637	1 516	1 411
	2,00%	1 874	1 719	1 587	1 474	1 375

Source: FINEXSI analysis

The valuation of TCS, through the application of the DCF criterion and on the basis of the assumptions described above, is in a range of €1,561 million to €1,842 million with a central value of €1,690 million.

As a reminder, the valuation of this business, prior to the Transaction, was in the range of €1,199 million to €1,354 million with a central value of €1,272 million (see 6.7.3.1).

TCS' enterprise to equity value bridge

Based on the enterprise value of €1,690 million and the estimated adjusted net debt of TCS after the completion of the Transaction of €622 million ⁽⁷⁶⁾, the equity value of TCS would amount to €1,068 million.

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 on the basis of (i) the current situation of the Company, which is indebted and will have to face refinancing in the next 24 months, and (ii) the current situation of the shareholder with reference to the period prior to 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 (€2.8 and €3.5).

Based on our valuation work, we have quantified the theoretical value creation linked to the Transaction. This analysis is presented below.

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

⁷⁶ Consisting of €(623.3) million in financial debt, €30 million in cash, €(7) million in other adjustments and estimated exit costs of €(22) million.

7.4.1.1 Sum-of-the-parts value

On the basis of the work described above, we present below the results of the cash flow approach and the enterprise value of TECHNICOLOR ex-TCS and TCS, as well as their equity values (see 7.2.4).

Table 32: Summary of the valuation of TECHNICOLOR ex-TCS and TCS

En M€	TCH - Ex TCS	TCS
+ TCS (% Equity)	374	
+ Connected Home	765	
+ DVD Services	220	
+ Corporate & Others	(760)	
Enterprise Value	600	1 690
+/- Adjusted Net Debt	(96)	(622)
Equity value - 100% Technicolor Ex-TCS & TCS	503	1 068
	100%	65%
Equity value - 100% Technicolor Ex-TCS & 65% of TCS	503	694
Number of shares before conversion of MCN - M	242	
Conversion of MCN	115	
Conversion of TCS Convertible Notes		
+/- Number of shares after conversion of MCN - M	357	549
		65%
Number of shares to TCS Shareholders (65%)		357
Value per Share - €	1,4	1,9
Value per Share after Spin-off & refinancing - €		3,4
Value per Share before Spin-off & refinancing - €		3,1
Value creation - %		8 %

Source: FINEXSI analysis

The Transaction is a dual process, in which the Company refinances all of its debt, and proceeds with the distribution of 65% of TCS' capital to its shareholders, which will make these activities more visible to its shareholders and investors even though we cannot estimate TCS' future stock price.

Based on the sum-of-the-parts approach, the valuation is €3.1 per share (in central value) before the Transaction. This value assumes, however, that the updated forecasts established by the Management will be achieved without major uncertainties.

The implementation of the MCN issue as well as the Refinancing package significantly improves the financial risk profile of the Company.

All these components have been integrated in our calculations to measure the evolution of the value for the shareholders. On the basis of our calculations, the Transaction creates shareholder value, since our valuation work shows a central value per share after the Transaction of €3.4 (i.e. estimated on the same multi-criteria basis as before the Transaction), compared to €3.1 initially.

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 letter of representation 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 Company's capital to its shareholders, who will consolidate the TCS activities of which they will become direct shareholders.

In this context, FINEXSI issued on April 4, 2022, a fairness opinion report in order to assess the fairness of the financial terms of the issuance of the Mandatory Convertible Notes from the point of view of the TECHNICOLOR shareholders. The issuance of the Mandatory Convertible Notes was approved by the Extraordinary Shareholders' Meeting of TECHNICOLOR HELD ON May 6, 2022.

It should be noted that the introduction of the MCN issue improves the Company's financial risk profile at terms close to those of comparable issues.

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

The Refinancing in the amount of €1.3 billion improves the Company's financial risk profile, with a reduction in TECHNICOLOR's debt and a better cost of debt (7.0%⁷⁷ vs. 8.7%⁷⁸). The Refinancing also allows the Company to extend the maturity dates of its current debt from 2024 to 2026.

Refinancing includes:

- €299,999,999 of MCNs;
- A two-tranche €375,000,000 term loan (one tranche of €250,000,000 and one of €125,000,000) taken out by TECHNICOLOR SA;
- A two-tranche €623,345,991 term loan (one tranches of €564,200,000 and one of \$60,000,000) taken out by TCS to finance the acquisition price by TCS from Technicolor of part of the shares of the Company that will hold the Technicolro Creative Studios business (the balance to be contributed by Technicolor to TCS after completion of the sale) and the repayment of the intra-group debt to Technicolor.

Secondly, the distribution of 65% of TCS' capital to its shareholders will make TCS' activities more visible to its shareholders and investors and will give them direct access to the liquidity of this asset.

We cannot estimate the future share price of TCS but in order to assess the shareholder's situation in the context of this Transaction, we have performed a multi-criteria valuation of TECHNICOLOR before and after the Transaction (Refinancing and spin-off process) in order to calculate the dilution and the creation of value for the shareholders

⁷⁷ Weighted average cost of debt taken out by Technicolor SA and TCS (excluding MCN considered as converted).

⁷⁸ Weighted average cost of debt at 12/31/21 (excluding lease liabilities). This rate is 8.88% at June 30, 2022.

On the basis of the sum of the parts approach, this valuation is between €2.8 and €3.5 per share before the Transaction. These valuation levels assume, however, that the updated forecasts established by Management will be achieved without major uncertainties.

Its share price over different reference periods in the last 12 months has fluctuated between €2.55 and €3.53⁷⁹.

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

For shareholders and creditors subscribing for MCNs:

- It is reminded that not all subscribers for MCNs benefit from the same effects linked to the conversion into shares of 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 accretion of the various subscribing shareholders is between -0.6 % and 2.4 %;
- The remuneration of the subscribing shareholders and/or creditors in the form of Upfront Fees, Original Issue Discount, and Exit Fees is significant, but remains coherent 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 within the range of the transactions analyzed. Moreover, the remuneration in the form of OIDs, rather than in cash, will have no impact on the Company's income statement or on its cash flow, which can be used entirely for the financing of the business;

For shareholders not subscribing for the MCNs and not participating in the Refinancing as creditors, the following analyses emerge:

- We recall that the conversion price of the MCNs of €2.60 results in a discount of 5% on the volume weighted average price 3 months prior to the announcement of the Transaction, and of 3% on the closing price level of the day before the announcement. Consequently, the level of dilution in value suffered by the non-subscribing shareholders is of the order of 1% on the basis of the last stock exchange price before the Transaction, which seems to us to be insignificant with regard to the creation of Value from which they could benefit in case of realization of the Transaction;
- The shareholders who do not have the possibility to subscribe for the issue will be diluted in that they will hold globally 24.8% of the capital after the Transaction in case of full conversion of the MCNs, against a holding of about 36.9% before the Transaction, which is significant;
- This level of dilution is explained by the size of the Transaction, which will enable it to refinance all of its debt, reduce its cost and reduce its amount. This has the effect of creating value;

⁷⁹ As of July 27, 2022.

- The Transaction appears to create shareholder value. Our valuation work shows a central value per TECHNICOLOR share held after the Transaction of €3.4⁸⁰ compared to €3.1⁸¹ initially. This is based on an Enterprise Value of TCS through the application of the DCF criterion, which ranges from €1,561 million to €1,842 million with a central value of €1,690 million. The estimated equity value based on this enterprise value (€1,690 million) and the estimated adjusted net debt of TCS (€622 million), would thus amount to €1,068 million.

The creation of value from the reduction of the Company's financial risk, through the decrease in its financial leverage and cost of debt, which translates into an improvement in the cost of capital⁸². It should be noted that the Company's share price has risen by 14%⁸³ since the announcement of the Transaction.

In conclusion, we note for the shareholders that the implementation of this Transaction allows to improve the financial risk profile of the Company and to favor the development of TCS, of which they will become direct shareholders. These components have been integrated in our calculations on the evolution of the shareholders' assets.

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.

Done in Paris, August 2, 2022

FINEXSI EXPERT & CONSEIL FINANCIER

Errick UZZAN

Partner

Olivier PERONNET

Partner

Attachment: Single Schedule

⁸⁰ It being specified that any shareholder holding one Technicolor share prior to the Transaction will hold one Technicolor ex-TCS share and one TCS share after the Transaction.

⁸¹ It should be noted that in our report of April 4, 2022, the central value of Technicolor's share was €4.1. The decrease in value is mainly explained by a higher cost of capital now given the evolution of the global economic and financial context of the last months. It is also explained by the revision of the Company's forecasts.

⁸² Technicolor's cost of capital prior to the Transaction is 10.2% in our work, while post-Transaction, TCS's cost of capital is estimated at 8.8% taking into account the Refinancing and the effects of the spin-off.

⁸³ Based on a pre-announcement price of €2.68 and a closing price on July 27, 2022, of €3.05.

Single Schedule

Presentation of FINEXSI EXPERT & CONSEIL FINANCIER

- FINEXSI EXPERT & CONSEIL FINANCIER'S (FINEXSI) activity falls within the scope of the professions regulated by the Ordre des Experts-Comptables and the Compagnie Nationale des Commissaires aux Comptes. It includes the following main activities:
- Statutory auditing;
- Business acquisitions and disposals ;
- Contributions and mergers;
- Independent evaluation and assessment;
- Litigation assistance.

To carry out these tasks, the firm employs collaborators, most of whom have a high level of experience and expertise in each of these specialties.

List of independent appraisals performed by FINEXSI OVER THE last 18 months

Date	Cible	Initiateur	Banque(s) présentatrice(s)	Opération
déc.-20	Europcar Mobility Group	N/A	N/A	Augmentation de capital réservée et augmentation de capital avec maintien du droit préférentiel de souscription
janv.-21	Dalet	Dalet Holding	Alantra Capital Markets	Offre Publique d'Ac hat Simplifiée
mars-21	Vallourec	N/A	N/A	Projets d'Augmentation de capital avec maintien du Droit Préférentiel de Souscription et d'augmentation de capital réservée à certains créanciers
mai-21	Tarkett	Tarkett Participations	BNPP, Crédit Agricole CIB, Rothschild Martin Maurel, Société Générale	Offre Publique d'Ac hat Simplifiée suivie d'un Retrait Obligatoire
juin-21	Bourrelier Group	M14	Invest Securities	Offre Publique de Retrait
juin-21	Suez	Veolia	HSBC, Crédit Agricole CIB, Morgan Stanley, Bank of America	Offre Publique d'Ac hat
juin-21	Bel	Unibel SA	BNP Paribas	Offre Publique de Retrait
juil.-21	SFL	Immobiliaria Colonial	Morgan Stanley	Offre Publique Mixte Simplifiée
août-21	Genkyotex	Caliditas Therapeutics AB	Bryan, Garnier & Co	Offre Publique de Retrait suivie d'un Retrait Obligatoire
nov.-21	Prodw are	Phast Invest	Banque Degroof Petercam	Offre Publique d'Ac hat
nov.-21	SQLI	DBAY Advisors	Messier & Associés	Offre Publique d'Ac hat
déc.-21	LV Group	LVMH	Natixis	Offre Publique de Retrait
mai-22	Pierre & Vacances Center Parcs	N/A	N/A	Augmentation de capital réservée et augmentation de capital avec maintien du droit préférentiel de souscription
mai-22	Figeac Aero	N/A	N/A	Augmentation de capital réservée à Tikehau Ace Capital
mai-22	Ucar	Goa LCD (filiale de Cosmobilis)	Rothschild Martin Maurel	Offre Publique d'Ac hat

Membership in a professional association recognized by the Autorité des Marchés Financiers

FINEXSI EXPERT & CONSEIL FINANCIER is a member of the APEI (Association Professionnelle des Experts Indépendants), a professional association recognized by the Autorité des Marchés Financiers in application of article 263-1 of its General Regulations.

In addition, FINEXSI EXPERT & CONSEIL FINANCIER applies procedures aimed at protecting the independence of the firm, avoiding situations of conflict of interest and controlling the quality of the work carried out and the reports before they are issued.

Description of the work performed

The following detailed work program was implemented:

- 1 - Acknowledgement of the Transaction and acceptance of the engagement
- 2 - Risk identification and engagement guidance
- 3 - Collection of 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 precedent transactions
- 4 - Assessment of the specific context of the Transaction:
 - Exchanges with the Company's Management
 - Discussions with the Company's financial advisor
- 5 - Analysis of the transaction and related legal documentation
- 6 - Review of the Company's accounting and financial documentation
- 7 - Analysis of TECHNICOLOR SA's share price:
 - Free float and liquidity analysis
 - Analysis of the price evolution
- 8 - Review of the Company's management business plan
- 9 - Implementation of the sum-of-the-parts (SOTP) valuation 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 (main approach) and sensitivity testing
- 10 - Implementation of the sum-of-the-parts (SOTP) valuation method, which consists of assessing the value of each of TECHNICOLOR's businesses after the Transaction via the application of the following methods
 - Discounting of future cash flows (main approach) and sensitivity testing
- 11- Analysis of the financial conditions of the Refinancing
- 12 - Obtaining letters of affirmation 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 2022–2024 Business Plan.
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 affirmation.
April 4, 2022	Delivery of Fairness Opinion on the Mandatory Convertible Notes
May 6, 2022	Technicolor shareholders' meeting and approval of the issuance of the Mandatory Convertible Notes
Weeks from May 14 to July 5, 2022	Working sessions with Mr. Jean-Baptiste NINEUIL, Investment Committee Secretary & Financial Controller, on the updating of the assumptions used in the 2022–2024 Business Plan and on the evolution of Refinancing.
Weeks from May 14 to July 22, 2022	Implementation of a multi-criteria evaluation of TECHNICOLOR actions. Drafting of the evaluation report.

Weeks of July 11, 18 and 25	Working sessions with Mr. Jean-Baptiste NINEUIL, Investment Committee Secretary & Financial Controller, on the evolution of Refinancing.
Week of July 25, 2022	Independent review of the FINEXSI report.
July 26, 2022	Meeting with the AMF on key issues relating to the Transaction.
July 28, 2022	Presentation of our work and analysis to the Board of Directors.
August 1, 2022	Obtaining the letter of affirmation.
August 2, 2022	Delivery of the fairness opinion on the financial conditions of the Transaction.

List of people met or contactedTECHNICOLOR 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 (ROTHSCHILD & Co)

- Ms. Jessica Kaulanjan, Jessica, Vice President

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

We used information from several different sources in the context of our engagement:

- Information provided by TECHNICOLOR and its advisors
- Financial document relating to the Transaction
- TECHNICOLOR'S corporate legal documentation
- 2022–2024 Business Plan
- Analysts' notes before and after the announcement of the Transaction

Market information

- TECHNICOLOR's financial communications for the years 2015 to 2022
- TECHNICOLOR's communications regarding 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, ASSOCIATES IN FINANCE, DAMODARAN, US DEPARTMENT OF THE TREASURY, DUFF & PHELPS

Personnel involved in carrying out our engagement

The signatories, Messrs. Olivier PERONNET (Partner) and Errick UZZAN (Partner), were assisted by Messrs. Thomas LIBS (Senior Manager), and Muge BULUS (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:

- Reviewing the engagement acceptance procedure and the assessment of the firm's independence;
- Reviewing the valuation work carried out by the team and the findings from that work;
- Reviewing the documents on which the opinion of the signatory partners is based and assessing the format and conclusion of the report.

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