PRESS RELEASE

Technicolor: first quarter 2020 results

Paris (France), 7 May 2020 – Technicolor (Euronext Paris: TCH; OTCQX: TCLRY) announces today its results for the first quarter of 2020.

Richard Moat, Chief Executive Officer of Technicolor, stated:

"In common with many businesses, Technicolor is facing an unprecedented crisis, but the impact during the first quarter was limited, with resilience in both our Connected Home and Advertising activities. The response of our employees across the Group has been extraordinary, and we have been able to deploy work-from-home capabilities for 80% of them. We have maintained our operations wherever possible, guaranteeing safety for our employees whilst ensuring the continuity of our activities for our clients. In this difficult environment, we have continued our focus on the operational and financial transformation of the Group, including working on achieving €150 million of cost savings as announced during our Capital Markets Day. As promised, we are on track to achieve €100 million run-rate savings by the end of 2020. On top of the €150 million target, we have now identified an additional €75 million of cost reductions, reinforcing our commitment to do whatever it takes to create a sustainable future for the Group. We continue to have valuable assets and global leadership positions in each of our business units. We are working to ensure that Technicolor emerges stronger from the crisis, and ready to face the new future."

Group revenues in the first quarter of 2020 were in line with expectations at €739 million, a 12.8% decrease year-on-year at current exchange rates. Activities such as Connected Home in the North American cable segment and Advertising within Production Services have demonstrated great resilience since the advent of the Covid-19 crisis.

Successful early implementation of plans to drive the operational and financial transformation of the company. The Group is on track to achieve c. €100 million of savings on a run rate basis by the end of 2020, with 70% of the targeted headcount reduction having been completed by first quarter 2020. In addition to the previously announced measures, management has identified incremental savings of €75 million to be implemented over the next three years.

The impact of Covid-19 started to materialize in the month of March, with some disruptions in our Connected Home supply chain which are now fully resolved. Negative impact of Covid-19 will be more meaningful in the second quarter in Production Services and DVD Services. Management has and will continue to implement all possible measures to ensure smooth business continuity while prioritizing the safety of employees, customers, suppliers and all other stakeholders.

Technicolor's management is working on updating the Company's strategic plan as communicated during our Capital Markets Day in February, in order to reflect changes in the macro and business environment. Given the continued uncertainty around the duration of lock-down measures globally and the profile of re-opening, Technicolor is not yet in a position to provide renewed financial guidance.

First quarter 2020 Key indicators from continuing operations

In € million	2019	2020	At current rate	At constant rate
		First Quarter		
Revenues from continuing operations	847	**739**	(12.8)%	(14.1)%
Adjusted EBITDA* from continuing operations	32	**27**	(16.1)%	(17.3)%
As a % of revenues	3.8%	**3.6%**		
Adjusted EBITA* from continuing operations	(41)	**(34)**	+17.9%	+19.3%
As % of the revenues	(4.9)%	**(4.6)%**		

(*) Including IFRS 16

Q1 2020 Group update

- Sales of €739 million reflecting, as expected, a decline in demand in Connected Home linked to a slowdown in Eurasia, volume decline in DVD Services and lower activity in Film & Episodic Visual Effects, but equally an extremely strong performance in Broadband, particularly in North America where sales growth (+10.6%) was driven by an increased underlying demand, as well as in Advertising, which reported double digit revenue growth.
- Adjusted EBITDA of €27 million, reflecting operational and financial improvements across all divisions, particularly in Connected Home, and lower business volumes in Film & Episodic Visual Effects and in DVD Services.
- Adjusted EBITA of €(34) million, a €7 million improvement due to better cost management of render spend.
- On February 13 2020, the Group announced its Strategic Plan as well as measures to strengthen its balance sheet. Since that date the Group has successfully closed a $110 million short-term facility which is incremental to its existing €250 million RCF and $125 million receivables backed credit line.
- Covid-19 context:
  - Limited impact in the first quarter: interrupted supply chain in Connected Home, especially in Asia, and delayed orders in Film & Episodic Visual Effects;
  - Exceptional costs related to Covid-19 limited to roughly €2 million in the first quarter, mainly representing the costs of idle facilities related to Production Services;
  - These costs and the related subsidies to cover them are classified in “other expense” given their non-recurring nature.
- As disclosed during Technicolor’s Capital Markets Day on February 19 2020, strategic initiatives aimed at improving operations and accelerating cost savings are being implemented across the Group. Technicolor confirms its target of generating €150 million run-rate savings by 2022, of which €40 million will come from the completion of the existing transformation plan in Connected Home and €110 million from the implementation of a new plan. The majority of these savings are already underway and the Company is on track to achieve c. €100 million of savings on a run-rate basis by the end of 2020 mainly through a headcount reduction of 1,000 of which 70% had been completed by the end of the first quarter.

- In addition to the previously announced initiatives, management has identified new opportunities to drive cost savings. Further simplification of the organizational structure and operations in transversal functions will drive additional savings of €75 million over the next three years.

Outlook

- Technicolor continues to assess the impact of Covid-19 on the Group's activities going forward:
  - Connected Home, despite early disruption to the supply chain in Asia, has resumed full activity and is headed for a good year driven by strong demand in the US;
  - The impact of Covid-19 is more pronounced in the Production Services division. Film & Episodic Visual Effects and Post Production are being meaningfully impacted by the interruption of live action shooting, which is leading to delays in production launches. The pipeline in Advertising is robust, but will nevertheless be affected. Projects in Animation & Games are less impacted by the lock-down measures because of the desktop nature of the work and the enablement of work from home capabilities. Furthermore, the Group has been able to add the technical capacity necessary to support secure remote working conditions wherever possible for a large percentage of employees. At present, the return to normal date remains uncertain, making it difficult for the Company to accurately predict sales for the rest of the year;
  - The DVD Services division is expected to be negatively impacted given the cancellation of new theater releases, mitigated by catalog sales in the US which are showing signs of resilience.
- Overall, the uncertainty in how long this global crisis will last compounds the need to manage our liquidity and reduce costs in order to sustain the business. In this regard:
  - Technicolor has already put a freeze on all non-critical spend, including a halt to discretionary capital expenditure, restricting it to that which is required to deliver products to customers, to keep our employees safe or to enable cost savings in 2020;
  - The Finance team is leading efforts to identify and make use of government support being offered to businesses in the countries in which Technicolor operates;
  - Anne Bouverot, Chairperson of Technicolor's Board of Directors, and Richard Moat, Technicolor CEO, have reduced their respective fixed compensations by 25% over a three-month period.
- In the Press Release published on March 23, the Group suspended its 2020-2022 targets due to the Covid-19 pandemic. The company plans to provide updated 2020-2022 guidance once there is more clarity around the impact of the pandemic.

Update on the Rights Issue Process

- In the context of the liquidity needs of the Company, shareholders approved all resolutions related to the proposed Rights Issue announced on February 13, 2020 at the Ordinary and Extraordinary General Shareholders' Meeting held on March 23 2020. The resolutions were all adopted by more than 98.5% of votes cast and include:
  - Approval of a reverse share split of the company's shares, pursuant to which 27 existing shares with a nominal value of €1 will be exchanged for 1 new share with a nominal value of €27. The reverse share split shall be effective as of May 12;
  - Approval of a share capital reduction to €0.01;
  - Delegation of authority to the Board of Directors to proceed with a Rights Issue of up to €305 million.

- In an overall context of high volatility of the markets, Technicolor, together with its advisors, continues to monitor potential windows for the Rights Issue, which remains subject to appropriate market conditions and approval from relevant market authorities. The Company will keep the market informed of the developments regarding the Rights Issue.

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Segment Review – First Quarter 2020 Results Highlights

Production Services In € million	First quarter 2019	First quarter 2020	Change YoY Reported	Change YoY At constant rate
Revenues	**204**	**176**	*(13.4)%*	*(14.8)%*
Adj. EBITDA*	**30**	**11**	*(62.9)%*	*(64.1)%*
As a % of revenues	+14.6%	+6.2%		
Adj. EBITA*	**(4)**	**(15)**	*ns*	*ns*
As a % of revenues	(1.7)%	(8.4)%		

(*) Including IFRS 16

- **Production Services revenues** were down 14.8% year-on-year at constant rate and down 13.4% at current rate, driven primarily by the previously anticipated lower first half activity in Film & Episodic Visual Effects resulting from delays in green-lighting by one key client:

  - Film & Episodic Visual Effects: revenues were down year-on-year mainly due to the anticipated reduction in studio tentpole volume in MPC Film. During the first quarter, VFX teams worked on over 15 theatrical films from the major studios, including projects like *Cruella* (Disney), *Ghostbusters: Afterlife* (Sony), *Godzilla vs. Kong* (Warner Bros./Legendary), *The New Mutants* (Fox), and *Top Gun: Maverick* (Paramount); and over 17 Episodic and/or Non-Theatrical (i.e., Streaming/OTT) projects, including *American Gods* season 3 (Starz/Fremantle), *Da 5 Bloods* (Netflix), *Mrs. America* (Hulu/FX), *Raised by Wolves* (HBO Max), and *Secret Society of Second-Born Royals* (Disney+);

  - Advertising: double-digit revenue growth compared to the prior year, driven by high Super Bowl demand (Technicolor contributed to over 40 commercials including the two-minute film for the NFL that opened the game). Other highlight projects delivered during the quarter include *Balenciaga's Winter 20* immersive cinematic experience at Paris Fashion Week; *Volvo's 'The Birdman'* short film celebrating the work of leading conservation biologist, *Professor Carl Jones*, MBE; and Sony PlayStation's '*Feel the Power of PlayStation'*;

  - Animation & Games: strong double-digit revenue growth compared to prior year, driven by higher volume in both feature and episodic work-for-hire animation services, and a greater number of episodes delivered by Technicolor Animation Productions (Animation & Games' content IP business). Mikros Animation continues production of Paramount's *The SpongeBob Movie: Sponge on the Run* and Spin Master's *PAW Patrol: The Movie*, while beginning production on two other animated features. In episodic animation, Technicolor completed delivery of *Elena of Avalor* season 3 (Disney), *Monchhichi* season 2 (TF1), and *Team DroniX* (France Télévisions), and maintains a strong pipeline from key clients;

  - Post Production: revenues were down compared to prior year, due to the Group's strategy to proactively exit unprofitable film work and refocus on the episodic market, partially offset by double-digit year-on-year growth in Canada and the UK. Compared with the other service lines, Post Production was more immediately impacted during the quarter by Covid-19 from the sudden shutdown of productions globally, due to its reliance on receiving live-action footage (e.g., over 50 sets of dailies stopped overnight). During the quarter, Post Production worked on projects like *Avenue 5* (HBO), *Minions: The Rise of Gru* (Universal/Illumination), *Perry Mason* (HBO), *Pieces of Her* (Netflix), and *Snowfall* (FX).

Covid-19 situation update:

- Advertising studios are continuing to see demand from customers, with some new business won at the end of March and the beginning of April. However, demand is dependent on the global macro-economic situation, which continues to deteriorate and is causing major advertisers to delay advertising campaigns and reduce marketing budgets;

- In Animation, demand is still relatively strong – from both US major studios and streamers – as the animation industry has more readily transitioned to production-from-home and is not reliant upon live-action shoots;

- However, Film/TV studios and streaming platforms have halted virtually all live-action productions, greatly reducing the pipeline of work for Film & Episodic VFX and Post Production activities. This decline in demand from customers has led the Group to explore ways to limit costs accordingly, and a reduction in staff across our creative studios has already begun. Wherever possible, the Group is utilizing furloughs and temporary layoffs in order to retain key talent during the production delays and stoppages;

- Despite the limitation of bandwidth in Bangalore and Mumbai due to infrastructure constraints, local IT teams have significantly improved work-from-home capabilities with the support of local government entities. Outside of India, Production Services' studios have successfully transitioned to work-from-home production, while MPC Advertising's Shanghai studio has re-opened for on-premise work.

Adjusted EBITDA in the first quarter amounted to €11 million, or 6.2% of revenue, down 64.1% at constant rate year-on-year. The Adjusted EBITDA reduction was mainly driven by the decline in activity in Film & Episodic VFX. This negative evolution combined with lower cloud rendering costs impacted Adjusted EBITA compared to prior year.

DVD Services In € million	**First quarter** 2019	2020	**Change YoY** Reported	At constant rate
Revenues	**188**	**160**	*(15.0)%*	*(16.5)%*
Adj. EBITDA*	**8**	**1**	*(87.9)%*	*(89.8)%*
As a % of revenues	+4.3%	+0.6%		
Adj. EBITA*	**(13)**	**(16)**	*(20.0)%*	*(18.4)%*
As a % of revenues	(7.1)%	(10.0)%		

(*) Including IFRS 16

- **DVD Services revenues** totaled €160 million in the first quarter 2020, down 16.5% at constant rate and 15.0% at current rate compared to 2019, driven predominately by lower volume. Total combined replication volumes reached 174 million discs, down 22% year-on-year.

Business Highlights:

- Standard Definition DVD volumes were down 28% in the first quarter year-on-year driven by overall expected demand reductions for the format, compounded by a comparatively weaker release slate for selected major studio customers versus the first quarter of 2019;

- Blu-ray™ volumes were down 13% year-on-year driven by similar factors as DVD, but mitigated in part by ongoing Ultra HD Blu-ray™ growth of 13% in the quarter;

- CD volumes were up 3% year-on-year as growth from new customers and share gains within existing customers more than offset the overall market decline.

DVD Services continued its previously announced structural division-wide initiatives to adapt distribution and replication operations, and renegotiate customer contract agreements in response to continued volume reductions.

Covid-19 situation update:

- With cinemas closed, almost all new studio releases have been postponed to later in 2020 or 2021; however, the demand for back catalog is holding up quite well as the public start to re-watch favorite shows and movies. Demand in the US market has been particularly strong supported by retail outlets pushing DVD sales;
- Replication and distribution activities have so far continued without any significant interruption, although the evolving response of the relevant authorities to the virus brings a continuing risk of selected temporary plant closures.

Adjusted EBITDA amounted to €1 million at current rate, or 0.6% of revenue, broadly in line with expectations given the anticipated volume reduction and normal seasonal weakness in the first half. Margin was bolstered by ongoing cost savings and a positive impact from contracts renegotiated in 2019. Lower D&A and renewal contracts have helped to deliver an Adj. EBITA of €(16) million.

Volume data for DVD Services

			First quarter	
In million units		**2019**	**2020**	*% Change*
Total Combined Volumes		224.2	**174.1**	*(22.3)%*
By Format	SD-DVD	152.2	**109.8**	*(27.9)%*
	Blu-ray™	61.1	**53.1**	*(13.1)%*
	CD	10.9	**11.3**	*+3.3%*
By Segment	Studio/Video	204.5	**157.3**	*(23.1)%*
	Games	6.0	**3.0**	*(50.8)%*
	Music & Software	13.6	**13.8**	*+1.2%*

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Connected Home In € million	**First quarter** 2019	2020	**Change YoY** Reported	At constant rate
Revenues	**451**	**393**	*(12.8)%*	*(13.9)%*
Adj. EBITDA*	**3**	**16**	*ns*	*ns*
As a % of revenues	+0.6%	+4.1%		
Adj. EBITA*	**(15)**	**(1)**	*ns*	*ns*
As a % of revenues	(3.3)%	(0.2)%		

(*) Including IFRS 16

- **Connected Home revenues** totaled €393 million in the first quarter 2020, down 13.9% year-on-year at constant rate and 12.8% at current rate. The division's revenues have been experiencing a demand slowdown in Latin America and in Eurasia not fully offset by strong demand from the North American cable division.

Business highlights:

North America: revenues were up compared to the first quarter 2019 driven by continued market share gains in Broadband, which increased by 16% versus prior year.

- The North American cable division showed continued strong Broadband demand from Charter, Cox, Rogers and Shaw;
- Revenues from Comcast were more balanced between Broadband and Video year-on-year driven by Comcast's Flex Program, and increased demand for the Xi6 IP set-top box.

Europe, Middle East & Africa, Asia-Pacific and Latin America: while the group faced headwinds in video demand in Eurasia, revenues in Broadband were stable in the region. The division faced weakening demand in Latin America and in the Video segment across regions, explaining the lower overall revenue compared to prior year.

- The video satellite business experienced weakness especially in Europe due to Covid-19 and in India, where demand in 2019 was exceptional, boosted by favorable regulatory conditions;
- Weaker demand for Cable IP set-top boxes in Japan;
- Slower than expected transition to DOCSIS 3.1 and Fiber in Latin America, especially in Brazil, due to the devaluation of local currencies and the weak macro-economic situation. This crisis, combined with the Covid-19 situation, has made the region more volatile than expected. This situation is being carefully monitored by remaining very close to the customer base.

Connected Home is benefiting from significant progress of the three-year transformation plan. The division continues to focus on selective investments in key customers and specific parts of the portfolio that will lead to improved margins over the year:

- In Broadband, investments are focused on Fiber and DOCSIS 3.1 products to position Technicolor as an innovative leader and trusted player in the Connected Home ecosystem. In the first quarter, the division enabled Comcast to build a new DOCSIS 3.1 gateway using Wi-Fi 6, and Megacable to deploy Mexico's first DOCSIS 3.1 for gigabit speed services;
- For Video, Android TV-based solutions are gaining even greater traction. In line with the objective of a higher win-rate and global leadership, Connected Home has been working with network service providers around the world to explore new ways to serve subscribers and generate new streams of revenue. By integrating Hoppr's targeted advertising technology onto our Android TV set-top box platform, Technicolor is enhancing how network service providers in Europe and Asia deliver value. Moreover, memory prices have continued to decrease compared to first quarter 2019.

		First quarter		
In € million		**2019**	**2020**	*% Change**
Total revenues		451	**393**	*(13.9)%*
By region	North America	187	**212**	*+10.6%*
	Europe, Middle East and Africa	127	**74**	*(43.0)%*
	Latin America	86	**64**	*(22.4)%*
	Asia-Pacific	51	**43**	*(17.1)%*
By product	Video	185	**154**	*(16.5)%*
	Broadband	267	**239**	*(12.1)%*

(*) change at constant rate

Covid-19 situation update:

- By keeping consumers at home, this crisis is emphasizing the importance of connectivity and the crucial need for powerful broadband connections and high-quality Wi-Fi services to allow seamless work-at-home and enhanced content consumption experiences. This is creating additional demand from our customers and this trend is expected to continue after the crisis;

- Global logistics have been disrupted by country shutdowns, particularly in Asia. Although production in China has recovered, the situation remains difficult due to the lockdown in other countries like the Philippines, Indonesia and in places where our ports of arrival are located. However, thanks to the work of its crisis management team, Connected Home was able to mitigate its supply chain disruptions and continue to serve its customers;

- Demand is holding up well in North America, with significant new orders received from large customers due to lower churn and new promotions. Demand in the rest of the world is mixed with some regions affected by the deteriorating macro-economic situation.

Connected Home remains cautiously optimistic about the business evolution for the rest of the year. The market recognizes the relevance of powerful broadband connections and high-quality Wi-Fi services in the home. Demand from key customers has increased while the lockdown in some markets, the currency crisis in Latin America and the remaining supply disruptions will continue to slightly impact revenues in the short term. Overall, the situation is expected to gradually improve in the coming months.

Adjusted EBITDA amounted to €16 million, or 4.1% of revenue, driven by the gross margin mix in the North American video market and OPEX improvements. Adjusted EBITA of €(1) million improved by €14 million compared to prior year at current rate.

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Corporate & Other In € million	**First quarter** 2019	2020	**Change YoY** Reported	At constant rate
Revenues	**4**	**9**	*ns*	*ns*
Adj. EBITDA*	**(9)**	**(1)**	*+88.3%*	*+89.0%*
As a % of revenues	ns	(11.0)%		
Adj. EBITA*	**(9)**	**(2)**	*+77.9%*	*+78.7%*
As a % of revenues	ns	(22.8)%		

(*) Including IFRS 16

- **Corporate & Other** includes the Trademark Licensing business.

  Corporate & Other recorded revenues of €9 million in the first quarter 2020, increasing compared to last year. Adjusted EBITDA amounted to €(1) million and Adjusted EBITA at €(2) million.

An analyst conference call hosted by Richard Moat, CEO and Laurent Carozzi, CFO will be held today, 7 May 2020 at 7:00pm CEST.

Financial calendar

Annual Shareholders Meeting	30 June 2020
H1 financial results	30 July 2020

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Warning: Forward Looking Statements

This press release contains certain statements that constitute "forward-looking statements", including but not limited to statements that are predictions of or indicate future events, trends, plans or objectives, based on certain assumptions or which do not directly relate to historical or current facts. Such forward-looking statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the future results expressed, forecasted or implied by such forward-looking statements. For a more complete list and description of such risks and uncertainties, refer to Technicolor's filings with the French Autorité des marchés financiers.

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About Technicolor: www.technicolor.com

Technicolor shares are on the Euronext Paris exchange (TCH) and traded in the USA on the OTCQX marketplace (OTCQX: TCLRY).

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