

## TECHNICOLOR: TRADING COMMENTARY

### Performance in line with Group's expectations

### 2017 objectives confirmed

**Paris (France), 27 April 2017** – [Technicolor](#) (Euronext Paris: TCH; OTCQX: TCLRY) today reports its trading commentary for the first quarter of 2017.

Technicolor's performance in the first quarter was in line with Group's expectations and the outlook for 2017 remains unchanged.

During the first quarter, revenues were down year-over-year, as expected, due to an unfavorable comparison basis in the Connected Home and Technology segments.

In the Connected Home segment, the level of activity with the largest operators of the US has been solid, fueled by the roll-out of several flagship products, as exemplified by the large volumes of WorldBox delivered to Charter and shipment of a new high-end video product to AT&T initiated during the quarter. Overall performance was, however, weaker than last year due to the very low level of activity in Mexico in line with 2016 fourth quarter trends and a lower performance in Europe. Revenues were impacted negatively in Europe during the quarter due to delays in shipments to a large customer and by the end of a number of large deployments. Besides, Technicolor continued to record solid commercial successes and won several new contracts, including a large number of awards for OTT products based on Android TV. In total, the Group has won 20 contracts for OTT set-top boxes in the past 18 months, representing close to 50% of the worldwide awards for this category of products.

The market environment for Production Services continues to flourish with strong demand for premium content across the different market segments. The Group demonstrated its continued leadership position in delivering visual effects for premium content and recognized with the Oscar for best visual effect for *the Jungle Book* at the 2017 Academy Awards. In addition, the Group is achieving significant growth rates in Animation and Games due to the ramp-up of several long feature animation projects and an extended scope of services for its Game customers.

In the physical media segment, overall disc volumes were down, in line with Group's expectations and reflected a weaker slate of releases compared to the first quarter of 2016 that benefited from the record setting performance of *Star Wars: The Force Awakens*, and from a higher number of AAA Games releases.

The Technology segment made good progress in its licensing programs during the quarter. Revenues were down compared to the first quarter of 2016 which benefited from the signing of several major licensing



agreements, including a one-time lump-sum agreement – making for a challenging comparable. Demonstrating the strength of Technicolor’s IP portfolio and ability to protect its intellectual property, patent infringement suits were filed in both Germany and France against Samsung Electronics Corporation during the first quarter, illustrating Technicolor’s commitment to enforce its intellectual property rights, when and where necessary.

During the first quarter, the Group further invested in developing its operating businesses. The Connected Home segment increased its footprint in Asia-Pacific through a partnership with Pioneer to penetrate the Japanese market and increased its overall research efforts in Broadband. In Production Services, the Group further progressed its capacity expansion program and has been hiring additional creative talent to absorb its strong business pipeline. Production Services’ leadership in immersive experience projects continued, as seen in a VR piece for the new *Alien Covenant* movie with the support of the recently established Technicolor Experience Center and Technicolor’s Research & Innovation labs.

While investing in its future, the Group also continued to reinforce its balance sheet. Technicolor raised incremental term loans of €275 million and \$300 million at the end of March, the proceeds of which were used to entirely repay its old term loans maturing in 2020. This allowed the Group to simplify its financial structure as the term loans were issued under the new term loan debt agreement signed in December 2016 which is covenant-lite and maturing in 2023. The refinancing transactions and debt repayments that occurred in 2016 and 2017 year-to-date will result in around €30 million of interest cost savings on an annual run rate basis.

**Reminder of 2017 objectives**

- Adjusted EBITDA in the range of €460 million to €520 million;
- Free cash flow in excess of €150 million before cash impacts of the Cathode Ray Tube (“CRT”) cartel case settlements (c. €(81) million).

The Group will pursue its deleveraging with the aim to reach a net Debt to Adjusted EBITDA ratio of 0.8x following which it will increase the return paid to shareholders.

These objectives are calculated based on constant exchange rates, and integrate the uncertainties in determining the timing to resolve the patent litigation against Samsung Electronics and the money at stake.



## Financial calendar

Annual General Meeting	24 May 2017
H1 2017 Results	27 July 2017

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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**

Technicolor, a worldwide technology leader in the media and entertainment sector, is at the forefront of digital innovation. Our world class research and innovation laboratories enable us to lead the market in delivering advanced video services to content creators and distributors. We also benefit from an extensive intellectual property portfolio focused on imaging and sound technologies. Our commitment: supporting the delivery of exciting new experiences for consumers in theaters, homes and on-the-go.

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

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