

## TECHNICOLOR: Q1 2018 TRADING COMMENTARY

Paris (France), 25 April 2018 – [Technicolor](#) (Euronext Paris: TCH; OTCQX: TCLRY) today reports its trading commentary for the first quarter of 2018.

Technicolor's first quarter performance is in line, as expected, with last year at constant currency rate but affected by the dollar weakness versus the euro over the quarter (current rate).

Market conditions are overall aligned with expectations. For Connected Home, margin pressures remain, but management actions are being implemented to significantly reduce the effects of future component price increases, starting in the third quarter.

Technicolor confirms its expectations for an Adjusted EBITDA from continuing operations broadly stable at constant rate compared to 2017.

### Entertainment Services

- **Production Services:** single digit revenue growth reflecting:
  - Film & TV Visual Effects ("VFX"): double digit revenue growth. VFX teams completed seven major film projects during the first quarter while continuing to work on an additional 10+ film projects and seven TV series. They also won several new contract awards from customers during the quarter. As a result, Technicolor continued hiring additional talent to support its brands while further optimizing its resource allocation, including the announced opening of Mill Film;
  - Advertising VFX: single digit revenue growth, with MPC and The Mill brands achieving a solid level of activity during the quarter, driven by a strong project pipeline in the US. With three awards won at the Visual Effects Society awards show and 31 nominations for the upcoming British Arrows and Creative Circle awards in the UK, Technicolor's leading creative expertise is once again widely recognized;
  - Postproduction: solid level of activity in the US and in the UK, continuous progress with streaming customers, but softness in France in the first quarter;
  - Animation & Games: lower revenues compared to prior year due to production schedule impacts. The Animation team delivered two long feature projects in February, *Sherlock Gnomes* (Paramount) and *Sgt. Stubby* (Fun Academy) and started production of the new *Astérix (M6)* animated feature, while working on seven episodic series.
- **DVD Services:** lower revenues compared to prior year, broadly in line with Group's expectations. Moving forward, volumes are expected to benefit materially from the Sony DAC outsourcing agreement:



- Blu-ray™ volumes up 15% driven by strong performance of several major Disney releases (*Star Wars: Last Jedi*, *Coco* and *Thor: Ragnarok*);
- Standard Definition volumes down 17% due to weaker catalog activity for selected customers and selected packaging configuration changes at one large Studio customer;
- CD volumes down, and Games volumes broadly stable, but not material as the first quarter is always a slow period for AAA Games releases.

## Connected Home

- Revenues above expectations and stable at constant rate compared to last year:
  - North America: lower revenues with North American cable customers compared to the first quarter of 2017 when Technicolor benefitted from its sole supplier position with the WorldBox to Charter resulting in record deliveries of video products.
    - Charter, Comcast and Syndicated customers are transitioning to new video and broadband CPE products that will ramp up progressively and for which Technicolor is present in all categories, with solid leadership in some of the key categories;
    - Technicolor started delivering the new DOCSIS 3.1 gateways to Comcast at the end of 2017 and since the first quarter of 2018 to the Comcast syndicated customers (Rogers, Cox and Shaw), which is a net new business for the division;
    - Technicolor confirmed its leadership position with Charter in video and broadband CPE. While first deliveries of DOCSIS 3.1 gateways to Charter are expected to start in the second quarter, Connected Home teams also started preparing the transition from WorldBox 1.0 to WorldBox 2.0 set-top-boxes, that is expected to be launched soon;
    - Increased demand from telecom and satellite operators in the US positively impacted North American performance.
  - Europe, Middle-East & Africa, Asia-Pacific and Latin America: significant revenue growth due to large orders from the 50+ customers and limited impact from the customer portfolio review:
    - Double-digit revenue growth in Europe, Middle-East and Africa mainly resulting from new product deployments with core customers in Europe and Middle-East;
    - Strong revenue growth in Asia-Pacific driven by India and Australia;
    - Slight recovery in Latin America revenues driven by market share gains recorded in Brazil and Mexico;
    - Technicolor maintained its leadership in AndroidTV solutions across all regions.
- The component environment remains challenging:
  - Memory prices continue to increase, albeit at a slower pace than in 2017, as there are still shortages in specific DRAM and NAND Flash categories. The increase is slightly above Group's expectations for the first half (second quarter procurement was secured at the end of March), and is now believed to be unlikely to disappear in the second half;
  - Some additional commodities (e.g. MLCC) are also experiencing supply constraints, resulting in cost increases to guarantee supply;
  - Vendors such as Technicolor can no longer absorb the cost impacts alone to compete with other industries demanding the same components;



- As a result, Technicolor is implementing the following actions to significantly reduce the impact of these cost increases:
  - Informing customers that, moving forward, they must pay for the component cost increases in order to ensure supply. Technicolor has already approached some of its most important customers who understand the challenge and have already agreed with this change;
  - Accelerating implementation of efficiencies programs.

Based on first quarter performance, Technicolor confirms its expectations for an Adjusted EBITDA from continuing operations broadly stable at constant rate compared to 2017.



## Financial calendar

Annual General Meeting	26 April 2018
H1 2018 Results	25 July 2018

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

### **Investor Relations**

Emilie Megel: +33 1 41 86 61 48

[emilie.megel@technicolor.com](mailto:emilie.megel@technicolor.com)

Christophe Le Mignan: +33 1 41 86 58 83

[christophe.lemignan@technicolor.com](mailto:christophe.lemignan@technicolor.com)