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CREATIVE STUDIOS
UNAUDITED COMBINED FINANCIALS

Technicolor Creative Studios 9-Month Update
Q3 Financial Performance
Launching Recovery Actions
Liquidity Update

PARIS (FRANCE), NOVEMBER 30, 2022 – Technicolor Creative Studios (Euronext Paris: TCHCS) (the “Company”) today announced its nine-month and third quarter 2022 business update.

- **9-month performance shows year-on-year improvement** despite lower-than-expected Q3 performance:
 - **9-month revenues of €624 million**, up 47.2% at current rate compared to the same period last year; with Q3 2022 revenues up 36.9% year-on-year at current rate to €215 million; and
 - **9-month adjusted EBITDA after lease¹ of €52 million, up €7 million** at current rate, including a decrease in Q3 (down -61% to €9 million at current rate versus €23 million in 2021).
- Following the publication of the November 15, 2022 press release, the Company has decided a set of immediate corporate actions:
 - **Appointing Caroline Parot**, former Chief Executive Officer of Europcar Mobility Group SA, as Senior Advisor to the Company providing advice and expertise in helping the Company to design its recovery program and laying out its key priorities;
 - **Launching an independent review.** The Company has mandated an international renown independent audit firm to carry out an in-depth mission, that is already ongoing, to help the Company better analyze the situation and identify areas for improvements from a financial, reporting, and operational perspective;
 - **Establishing an ad hoc committee.** Technicolor Creative Studios Board of Directors has decided to set up an ad hoc committee which mainly comprise independent Directors, which mission will include helping the Board of Directors to oversee the progress of both the independent audit review and the recovery actions.
- In addition, the Company is launching **a recovery plan: the Re*Imagined program. The recovery plan includes a comprehensive set of actions**, some with immediate effect:
 - **Forthcoming appointment of a new Head of Operations** to oversee the implementation of operation performance measurement, reporting, and execution of the required improvement actions; and
 - **Actions to retain and attract talents** with notably the recruitment of key senior talents at MPC.
- Moreover, Technicolor Creative Studios intends to soon engage in discussions with all stakeholders and/or third-party investors, in an effort to address its future liquidity needs.

¹ A definition of adjusted EBITDA after lease (new definition) along with a reconciliation to GAAP measure is presented in Appendix 1 of this press release.

Christian Robertson, Chief Executive Officer of Technicolor Creative Studios, said: “*Technicolor Creative Studios is facing post-Covid recovery challenges, and we are taking the crucial steps to put the company in a stronger position to seize growing market opportunities and enhance profitability.*”

Technicolor Creative Studios operates in a growing market for innovative visual content, and the first nine-months of this year reflect this strong demand.

But it is outpacing our global production capacity as we face difficulties to retain key talents due to talent scarcity, which is creating bottlenecks in various production stages.

*In response, we are launching our transformation with the Re*Imagined program based on three management axes: talent, operations, performance and cash management. This program will enable us to better capitalize on Technicolor Creative Studios’ unique global unified platform, supported by cutting-edge technology, production capabilities in India, deep relationships with major studios and brands, and the world’s best talents. Moving forward, we are committed to carefully monitor our progress through precise, actionable KPIs.*

We are focused on resolving the operational issues and are committed to deliver high quality projects. Our clients continue to strongly rely on our expertise for ongoing and additional projects.”

TECHNICOLOR CREATIVE STUDIOS RE*IMAGINED PROGRAM

To face the unprecedented post-Covid recovery challenges and the operational issues, the Company has taken a set of recovery actions with the launch of the Re*Imagined program. It is based on the following axes:

- **Operational Management:**

- The forthcoming appointment of a **new Head of Operations** to oversee the implementation of operation performance measurement, reporting, and execution of the required improvement actions.
- **The continued** improvement of real-time KPI tracking, and improvement of business tools and working practices in the medium-term.
- **The progressive reinforcement of our unique global unified platform** to continue the consolidation of the business in the medium-to-long-term, notably with the unification of India production platform along with facilitation of talent mobility thanks to dedicated software.

- **Talent Retention / Attraction:**

- At MPC, the Company is **enhancing its global leadership team**, appointing several new key hires. MPC’s executive leadership will be led by President, **Jean-Paul Burge**, a seasoned executive whose career to date has specifically focused on connecting the world’s top creative talent with AAA brands after 18 years as the Head of BBDO Asia. He will be supported by an Executive - in charge of client services, **Stephanie Allen** who joins from Paramount Pictures where she was Head of VFX, and the newly appointed Global Head of Production, **Chris Burn**, a notable VFX industry veteran who joins the MPC team after 18 years at DNEG.
- In The Mill, the Company is implementing management organizational changes to improve the focus of the teams around business development and delivery. The Company has also engaged in a search for further executive talent in sales and delivery expertise.
- The Company is implementing new operational governance focusing on operational efficiencies, notably with the reinforcement of middle management.
- In addition, a deep-dive assessment by executive management is ongoing to drive change throughout the organization. This includes a thorough assessment of multiple layers of management and a holistic analysis on the root causes of challenges to retain key talents.
- A talent retention program will also be launched by early 2023.

- **Performance and Cash Management:**
 - o The Company will continue to **optimize the level of its production in India.**
 - o Further consolidation is ongoing through **IT system integration and overhead staff mutualization.**
 - o **Overhead corporate costs reduction** is under review for 2023 implementation. This does not factor immediate customary cost reduction measures already taken.
 - o **Optimization of capex and working capital** requirements management.

9-MONTH AND Q3 2022 FINANCIAL HIGHLIGHTS

Revenues

Q3 2022	Q3 2021	% Change	% Change at constant currency		9M 2022	9M 2021	% Change	% Change at constant currency
<i>in € million</i>								
104	67	54.8%	44.9%	MPC	317	159	99.1%	87.1%
43	21	107.3%	92.7%	Mikros Animation	99	58	70.4%	60.2%
65	67	-2.1%	-12.5%	The Mill	198	198	-0.1%	-8.6%
4	3	25.0%	7.1%	Technicolor Games	10	8	21.3%	8.6%
0	0	n.a.	n.a.	Corporate & Other	1	1	12.5%	n.a.
215	157	36.9%	26.2%	Total	624	424	47.2%	37.1%

Technicolor Creative Studios revenues amounted to €624 million in the first nine months 2022, up 47.2% (up 37.1% at constant rate) compared to the same period in 2021. Third quarter revenues increase by 36.9% to €215 million versus Q3 2021. This improvement resulted from the significant demand for original content compared to the first nine months of 2021 and was achieved despite lower-than-expected Q3 sales at MPC and The Mill, and advertising spending decline in Q2 and Q3 2022 due to macroeconomic conditions.

At MPC, 9-month 2022 revenues amounted to €317 million, up 99.1% (87.1% at constant exchange rate), while Q3 2022 was up 54.8% year-on-year to €104 million. This significant revenue growth was driven by the continued ramp-up in production of major theatrical projects, as well as increasing contributions from all the major streaming platforms. However, growth of third quarter revenues was lower than initially anticipated due to the shortage of experienced talents creating more delays and inefficiencies in delivering some major projects.

At Mikros Animation, 9-month 2022 revenues amounted to €99 million and were up 70.4% (60.2% at constant exchange rate), while Q3 2022 revenues were up 107.3% year-on-year to €43 million. This improvement was mainly a result of higher volumes in feature animation projects.

At The Mill, 9-month 2022 advertising revenues amounted to €198 million, representing an 0.1% decrease (8.6% decrease at constant exchange rate) compared to the same period in 2021. Activity was restricted by decelerating advertising spending growth compared with a high comparative base in 2021, along with the miss from passing on certain projects in Q3 because of the lack of specific types of experienced talent. Q3 revenues declined by 2.1% year-on-year to €65 million. The Mill activity is closely related to advertising spending, which is sensitive to the macroeconomic environment and GDP growth.

At Technicolor Games, 9-month 2022 revenues amounted to €10 million and were higher compared to the same period last year thanks to greater production capacity.

Adjusted EBITDA after lease

9-month 2022 **adjusted EBITDA after lease** amounted to €52 million (8.3% margin), up €3 million compared to the same period in 2021 at constant rate. In Q3 2022, adjusted EBITDA after lease amounted to €9 million compared to €23 million in Q3 2021, with margin down from 14.8% to 4.2%.

Despite the increase in revenues, 9-month margin declined from 10.7% to 8.3%. Margin at The Mill decreased due to lower sales combined with the lack of experienced talents resulting in the miss of higher margin projects. In addition at MPC, during the third quarter shortage of experienced talent and high key talents departures drove production inefficiencies. This resulted in higher costs and production delays notably over the third quarter.

At September 30, 2022, the Company employed approximately 13,000 people.

Adjusted Operating Free Cash Flow after lease

Over the first nine-month of 2022, adjusted operating free cash flow after lease² amounted to €(78) million, compared to €11 million for the first nine-month of 2021.

This €89 million deterioration is explained by:

- +€7 million adjusted EBITDA after lease improvement;

More than offset by;

- €(23) million capex and capital lease cash out increase to €48 million, as a result of increased level of activity over the period;
- €(69) million working capital deterioration, due to lower advanced payments as the level of order book is lower compared with the same period last year and in parallel cash received from 2021 advanced payments is being consumed over the period along with the project's advancement, notably over the third quarter;
- €(3) million of higher other non-current and restructuring cash out.

Over the third quarter of 2022, adjusted operating free cash flow after lease amounted to €(59) million, compared to €(12) million for Q3 2021.

This €(47) million deterioration is primarily explained by:

- €(14) million adjusted EBITDA after lease deterioration;
- €(9) million capex and capital lease cash out increase, as a result of increased level of activity over the period;
- €(28) million change in working capital deterioration from €(17) million to €(45) million, due to lower advanced payments as the level of order book is lower compared with the same period last year, lower intermediary milestone payments due to delivery delays and in parallel cash received from 2021 advanced payments is being consumed over the period along with the project's advancement; less than offset by €3 million of lower other non-current and restructuring cash out.

Standalone cash and debt

Cash and cash equivalents at the end of September 2022 amounted to €24 million and nominal gross debt excluding operating lease debt to €662 million (€742 million IFRS debt, €606 million excluding operating lease³).

Liquidity as of September 30, 2022 amounted to €57 million, consisting of the above €24 million of cash and cash equivalents and €33 million undrawn RCF (out of a total of €40 million RCF).

As of November 25, 2022, the Company fully drew its €40 million Revolving Credit Facility.

² A definition of Operating Free Cash Flow after lease (new definition) along with a reconciliation to GAAP measure is presented in Appendix 1 of this press release.

³ As a reminder, next financial covenant test (First Lien Net Leverage Ratio) under its Senior Secured Facility will be on June 30, 2023.

Conclusion and next steps

With the actions taken by the Company, including the Re*Imagined program, Technicolor Creative Studios is focused on resolving the operational issues and remains committed to deliver high quality projects.

Given the current situation, based on the ongoing assessment and the revised expectations following November 15, 2022, announcement, Technicolor Creative Studios estimates to date that it may face a liquidity shortage as from Q2 2023.

In this context, Technicolor Creative Studios intends to soon engage in discussions with all stakeholders and/or third-party investors, in an effort to address its liquidity needs.

Some institutional shareholders and financial lenders have already reiterated their support and willingness to help resolve the financial and operational issues. Clients continue to strongly rely on our strong skills for ongoing and additional projects and Technicolor Creative Studios remains committed to deliver high quality projects.

An analyst audio webcast hosted by Christian Roberton, CEO and Laurent Carozzi, CFO will be held today, November 30, 2022, at 6:30pm CEST.

Financial Calendar

2022 Full Year Results	March 8, 2023
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Warning

This press release has been prepared by Technicolor Creative Studios SA (“TCS”) solely for informational purposes.

In order to provide accounting information to understand the Group’s financial position, this press release includes Combined Financial information. The Combined Financial Information for the first nine months of 2022 and 2021 has been prepared in accordance with IFRSs as adopted by the European Union and has not been audited by the Company’s statutory auditors. The Group’s business did not form a separate legal group of companies in the periods presented. As a result, the accompanying Group’s Combined Financial Information is derived (carved-out) from Vantiva SA Group’s IFRS consolidated financial statements and accounting records. In addition to the Group’s operations, the Group’s Combined Financial Information includes charges and allocation of expenses related to certain Vantiva SA Group business support functions including human resources operations, real estate services, procurement, information technology, and financial reporting and accounting operations. No allocations were made for Vantiva SA’s corporate governance and administrative functions, including board of directors and other corporate functions, such as tax, corporate governance and listed company compliance, investor relations, internal audit, treasury, and communications functions.

Management believes that no allocation methodology was relevant as the Group will have to support its own corporate structure and previously benefitted from these costs in a manner that would not be commensurate with any allocation key. Although the Group’s Combined Financial Information reflects management’s best estimate of all historical costs related to the Group, such statements will not reflect what the results of operations, financial position or cash flows of the Group would have been if the Group had operated as an independent, publicly traded company for the periods presented, nor the future actual expenses and results of operations and financial position of the Group on a standalone basis following the completion of the separation and spin-off (as of September 27, 2022).

The prospectus prepared in connection with the admission of TCS shares to trading on the regulated market of Euronext in Paris as part of the distribution of 65% of TCS shares by Vantiva SA to its shareholders, approved by the AMF on August 1, 2022 under number 22-331, is available free of charge and upon request at the company’s registered office, 8-10 rue du Renard, 75004 Paris, France, or on the websites of the AMF (<https://www.amf-france.org>), and Technicolor Creative Studios (<https://www.technicolorcreative.com/investors/>). Investors’ attention is drawn to the risk factors relating to TCS described in Chapter 3 of the prospectus.

ABOUT TECHNICOLOR CREATIVE STUDIOS

Technicolor Creative Studios shares are admitted to trading on the regulated market of Euronext Paris (TCHCS)

Technicolor Creative Studios is a creative technology company providing world-class production expertise driven by one purpose: The realization of ambitious and extraordinary ideas. Home to a network of award-winning studios, MPC, The Mill, Mikros Animation and Technicolor Games, we inspire creative companies across the world to produce their most iconic work.

Our global teams of artists and technologists partner with the creative community across film, television, animation, gaming, brand experience and advertising to bring the universal art of storytelling to audiences everywhere.

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APPENDIX

Appendix I – Key Performance Indicators

On June 14th, 2022 during the capital markets day, Technicolor Creative Studios updated its Key Performance Indicators (“KPIs”), with the goal of becoming more comparable with its peers and market practice, and to further align them with the way the business is managed. These KPIs include Adjusted EBITDA after lease (new definition), Adjusted EBITA after lease (new definition), and Adjusted Operating Free Cash Flow after lease (new definition).

Adjusted EBITDA after Lease (new definition) corresponds to Adjusted EBITA after lease (new definition) adding back Depreciation and amortization, excluding depreciation of usage-based IT costs, operating leases assets depreciation and Amortization of intangibles that arose from acquisitions or disposals (PPA amortization) and non-cash income and expense such as equity-settled share-based payments, including capital lease depreciation. Adjusted EBITA (Earnings before Interest, tax, depreciation and amortization) after lease (new definition) corresponds to EBIT (Earnings before interest and taxes) adjusted positively by the amortization of intangibles that arose from acquisitions or disposals (PPA amortization), restructuring costs, other non-current items, comprising Other (expenses) income, Impairment (losses) gain and Capital gains/losses, and negatively by the difference between operating lease payments and operating leases assets depreciation.

Adjusted Operating Free Cash Flow after lease (new definition) is defined as Adjusted EBITDA after lease (new definition) minus capital expenditures, excluding usage-based IT cost (without cloud rendering), capital leases cash out, restructuring cash out, change in working capital (excluding cloud rendering cash out) and other non-current cash out.

Reconciliation between new KPIs and IFRS indicators

	3Q 2022	3Q 2021	% change		9M 2022	9M 2021	% change
				<i>in € million</i>			
	215	157	36.9%	Revenues	624	424	47.2%
	20	33	-40.9%	Adjusted EBITDA (previous definition)	85	71	20.3%
	9.2%	21.3%		<i>In % of revenues</i>	13.7%	16.7%	
	-5	-4		Cloud rendering and other usage-based IT costs	-12	-8	
	0	2		Operating risk & litigation reserves	0	0	
	-6	-8		Operating leases (rents)	-21	-18	
	9	23	-60.8%	Adjusted EBITDA after lease (new definition)	52	45	14.8%
	4.2%	14.8%		<i>In % of revenues</i>	8.3%	10.7%	
	-10	-12		Depreciation & amortization ⁽¹⁾	-30	-34	
	-1	11	n.m.	Adjusted EBITA after lease (new definition)	22	11	99.0%
	-0.4%	7.2%		<i>In % of revenues</i>	3.6%	2.6%	
	2	4		Operating leases - depreciation	7	7	
	-2	-2		Amortization of purchase accounting items (PPA)	-7	-6	
	-2	-4		Restructuring costs and other non-current items	-7	-8	
	-3	9	n.m.	EBIT	16	4	n.m.
	9	23	-60.8%	Adjusted EBITDA after lease (new definition)	52	45	14.8%
	-17	-9		Capex ⁽²⁾	-37	-14	
	-4	-3		Capital leases (cash out)	-11	-11	
	-1	-3		Restructuring	-5	-7	
	-45	-17		WC&OAL variance ⁽³⁾	-72	-3	
	0	-3		Other non-current cash out	-5	0	
	-59	-12	n.m.	Adjusted Operating FCF after lease (new definition)	-78	11	n.m.

(1) Excluding cloud rendering and other usage-based IT costs, operating lease depreciation and PPA amortization, including capital lease depreciation.

(2) Excluding usage-based IT costs (without cloud rendering).

(3) Excluding cloud rendering.

Appendix II – Key business highlights

MPC

During the first nine months of 2022, 20+ theatrical projects and 35+ streaming / episodic projects were in production at MPC.

During the period, MPC won a Visual Effects Society award for Outstanding Animated Character in a Photoreal feature for its work on Apple TV+'s *Finch* and a César Award for Best Visual Effects for *Annette*. 11 films selected for the 2022 Cannes Film Festival feature the work of MPC, including the Dardenne brothers' *Tori and Lokita* (Prix Spécial); the world premiere of Baz Luhrmann's *Elvis*; and screening of *Top Gun: Maverick* starring Tom Cruise.

Mikros Animation

During the first nine months of 2022, 6 features and 15+ episodic series were in production, including a new collaboration with Netflix on their upcoming animated event series: *Charlie and the Chocolate Factory*.

The Mill

In the first nine months of 2022, The Mill contributed to 2,700+ projects, including 34 Super Bowl projects - 29 of which were TV spots that aired during the game, and were nominated for and won several prestigious industry awards.

Notable projects during the first nine months include Samsung's *'The Spider and the Window'*, Samsung's *'Playtime Is Over'*, Pepsi's Super Bowl halftime trailer *'The Call'*, Mastercard's *'What's Priceless to You?'* and the annual opening title sequence for the 2022 AICP Show, and HBO's House of the Dragon experiential campaigns including the DracARys AR app and the 3D billboard in Times Square.

Technicolor Games

During the first nine months of 2022, Technicolor Games worked with major gaming clients like Capcom, Electronic Arts, Gameloft, NetEase, Meta, Sega, Sumo Digital, Take-Two Interactive's 2K Sports and Rockstar Games, and Ubisoft. The team contributed to major 2022 releases like Ubisoft's *Tom Clancy's Rainbow 6 Extraction*, 2K Sports' *WWE 2K22* and *NBA 2K23* and EA's *Madden NFL 23* and *FIFA 23*.