

technicolor

CREATIVE STUDIOS

Technicolor Creative Studios Progressing towards delivering its recovery plan

PARIS (FRANCE), April 3, 2023 – Technicolor Creative Studios (Euronext Paris: TCHCS) (the “**Company**”) announces today an update of the implementation of its refinancing.

- **New chapter of Technicolor Creative Studios’ Refinancing:**
 - **Execution on March 27, 2023, of a conciliation protocol by its lenders and main shareholders**
 - **First tranche refinancing drawdown early April in aggregate principal amount of €85,000,000 and second tranche in aggregate principal amount of €85,000,000 expected by the end of Q2 2023**
 - **Approval by a judgment of the Commercial Court of Paris dated March 29, 2023, which puts an end to the conciliation procedure opened on January 20, 2023**

Caroline Parot, Chief Executive Officer of Technicolor Creative Studios, said: “*Reaching an agreement on the refinancing of Technicolor Creative Studios has been pivotal in establishing the foundations of our long-term growth. I am delighted that the process is progressing well with the execution of a conciliation protocol in line with the established schedule. We are extremely grateful for the confidence and support of our key creditors and shareholders, as we strive to achieve Technicolor Creative Studios’ full value potential. I would also like to thank all the teams for the great work they have done so far and are preparing to do throughout the year. Their talent, creativity, and dedication are the reasons why our Company is trusted by so many in the industry.*”

A NEW CHAPTER FOR REBOUND WITH THE EXECUTION OF THE CONCILIATION PROTOCOL

Following the agreement in principle reached on March 8, 2023, Technicolor Creative Studios is pleased to announce (i) the execution on March 27, 2023 of a conciliation protocol (the “**Conciliation Protocol**”) by its lenders and shareholders showing their support in the rebound of the Company and (ii) its approval by a judgment of the Commercial Court of Paris dated March 29, 2023 which puts an end to the conciliation procedure opened on January 20, 2023.

In accordance with the terms of the agreement in principle dated March 8, 2023, the Conciliation Protocol provides that the refinancing will include (i) a new money financing in aggregate principal amount, net of original issue discount and underwriting fee, equal to c.€170 million and (ii) the reinstatement of the existing indebtedness (the “**Refinancing**”).

The implementation of the Refinancing pursuant to the terms of the Conciliation Protocol is detailed hereafter¹.

- **A first tranche refinancing drawdown early April in aggregate principal amount of €85,000,000 through:**
 - **the issuance of bonds notes in a principal amount equal to thirty million euros (€30,000,000)** subscribed by its major shareholders: Angelo Gordon, Bpifrance Participations, Briarwood and Barclays (the **“Equity First Tranche Participants”**). This bond issue (the **“Equity First Tranche Refinancing”**) will be refinanced by way of set off with the subscription price of the Convertible Notes issue (described below)²;
 - **a first tranche super senior credit facility** granted by the main lenders (the **“New Money Lenders”**) for an amount of approximately fifty million euros (€50,000,000) plus approximately five million dollars (\$5,000,000) (in each case net of original issue discount (OID) and underwriting fee).

- **A second tranche of the refinancing for an aggregate principal amount of €85,000,000 will be granted by the end of the second quarter of 2023:**
 - **a second tranche of super senior credit facility**³ (in addition to the first tranche credit facility described above) fully underwritten by New Money Lenders for an amount of approximately fifty million euros (€50,000,000) plus approximately five millions dollars (\$5,000,000) (in each case net of OID) will be drawn by the end of the second quarter of 2023, concurrently with the issue of the Convertible Notes. Share warrants entitling to 11% of the PF Fully Diluted Share Capital (as such term is defined hereafter) will be granted to the New Money Lenders in proportion to their exposure to the New Money Facility⁴.
 - **the issuance of convertible bonds** (the **“Convertible Notes”**) for **sixty million euros (€60,000,000)** (net of OID), by way of issuances reserved to the Equity First Tranche Participants and Vantiva. The Convertible Notes will be subscribed in part up to €30,000,000 by way of set off of the Equity First Tranche Refinancing described above. Conversion of 100% of the Convertible Notes⁵ will give holders of those notes an aggregate amount of 33% of the share capital of the Company on a fully diluted basis pro forma for: (i) such conversion and (ii) the issuance of certain warrants to be granted to New Money Lenders and existing senior secured lenders of the Company, in each case, as described in this announcement⁶.

- **Existing indebtedness would be reinstated and capitalized as follows:**
 - the multicurrency Revolving Credit Facility would be reinstated for its total amount of €40 million (the **“RCF”**);
 - the c.€21 million first lien facility (the **“First Lien Facility”**) would be reinstated for a total amount of approximately c.€421 million;
 - a portion in principal of the First Lien facility will be converted into a subordinated instrument stapled with the reinstated First Lien Facility for a total amount of c.€170 million;

¹ The amounts set out below are net of Initial Issue Discount and underwriting fees.

² These €30 million bonds notes have the following features: 31 July 2023 maturity, cash coupon interest of 0.75%, redemption (including early redemption and redemption at maturity) premium of €1,25 million in case of absence of refinancing through the Convertible Notes, super senior ranking (on a *pari passu* basis with the first tranche super senior credit facility and the reinstated super senior RCF) from date of the drawdown early April.

³ The first tranche super senior credit facility and the second tranche of super senior credit facility are together being referred to as the **“New Money Credit Facility”**.

⁴ The strike of those warrants is expected to be 0.01€ per TCS share after a share capital reduction by way of reduction of the nominal value of each TCS share which will be proposed to the general meeting as part of the operations.

⁵ Such conversion may occur on a voluntary basis at any time or on a mandatory basis, with mandatory conversion occurring if the enterprise value of the Company exceeds €1.2 billion or the EBITDAal exceeds €150,000,000, in each case, based on valuation methodology and mechanics to be agreed.

⁶ The **“PF Fully Diluted Share Capital”**.

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- a debt to equity will be carried out through capital increases reserved to the benefit of the First Lien Facility lenders⁷, to be subscribed by way of set-off of receivables including a portion in principal of the First Lien facility of €30 million⁸.

The implementation of the Refinancing⁹ will be subject to approval by the general meeting (expected to be held during the second quarter of 2023) and to the visa of the *Autorité des Marchés Financiers* under applicable regulation.

The impact of these transactions on the Company's share capital is described in Appendix I.

▪ **Evolution of the governance of the Company**

The Conciliation Protocol provides that the governance of the Company will be set up as follow:

- The Board of Directors would in principle be composed of at least five independent directors, up to four of them may be proposed by the major shareholders;
- A reorganization of the special committees of the Board of Directors including the creation of a new Strategy Committee;
- New observers may be appointed upon proposal of the major shareholders.

▪ **Other undertakings under the Conciliation Protocol**

- In order to fully support the Company until the implementation of the Refinancing and thereafter, shareholders agreed not to transfer their Company securities until completion of the Refinancing and in addition to this undertaking the main lenders, in their capacity as shareholders, have undertaken not to transfer their shares in the Company and for a period of 12 months (subject to standard exceptions and a respiration right up to 15% of their initial shareholding in the six months following the implementation of the Restructuring and an additional 35% in the following six months).
- The Company will also benefit from a right of first offer in the event of a sale of shares by its main shareholders to competitors.
- The Company will undertake a strategic review over the next 24 months to explore options to maximize value for all stakeholders. The Company will also consider its options for a possible delisting from Euronext Paris in the short term.

The implementation of the Restructuring will be subject to certain conditions precedent which include the following key points

- the usual regulatory approvals that may be required.
- the approval of the required resolutions by the general meeting which is expected to be held in the second quarter of 2023.
- the satisfaction of the conditions precedent provided in the financing documentation.

⁷ Upon completion of the debt to equity, the First Lien Facility lenders will hold 65.67% of the Company's share capital (44% of the PF Fully Diluted Share Capital) as set forth in Appendix I.

⁸ The Company has been informed that the valuation work requested by the President of the Commercial Court as part of the conciliation proceedings from Ledouble, acting as independent valuator, concluded that the enterprise value of the Company is set between € 510 and 600 million.

⁹ Excluding the Equity First Tranche Refinancing.

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.

Investors' attention is drawn to the risk factors relating to Technicolor Creative Studios described in Chapter 3 of the prospectus prepare in connection with the admission of TCS shares to trading on the regulated market of Euronext, approved by the AMF on August 1, 2022 under number 22-331, which 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/>).

This press release does not contain or constitute an offer of securities for sale or an invitation to invest in securities in France, the United States or any other jurisdiction.

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 I – ILLUSTRATIVE PRO-FORMA EQUITY OWNERSHIP

The transactions would have the following impacts on the share capital:

Pro Forma shareholding	Current	At the Closing Date	Post conversion of 100% of the Convertible Notes, being the PF Fully Diluted Share Capital
Existing shareholders	100.0%	17.91%	12.0%
Existing First Lien Facility Lenders		65.67%	44.0%
New Money providers		16.42%	44.0%
<i>o/w New Money Credit Facility</i>		16.42%	11.0%
<i>o/w Convertible Notes</i>			33.0%
Total shareholding	100.0%	100.0%	100.0%

Appendix II – Indicative Terms & Conditions of instruments and reinstated debt under the Conciliation Protocol

	Convertible Notes	New Money Credit Facility
Amount	€60 million net of original issue discount	€110 million net of original issue discount and Underwriting fee Fully underwritten by certain Lenders
Investors	<ul style="list-style-type: none"> BPI : c. €4,7 million Barclays : c. €200,000 Briarwood : : c. €5,9 million Vantiva : c. €10 million (with a right to purchase up to €10 million by way of acquisition on the secondary market of Convertible Notes held by Angelo Gordon within 6 months from the subscription date of the Convertible Notes) Angelo Gordon : c. €39,2 million 	Certain of the First Lien Facility lenders
Drawing	<ul style="list-style-type: none"> Convertible Notes and Lender New Money to be drawn pro rata. First drawdown: €85m in aggregate within 5 Euronext trade days from homologation of the Conciliation Protocol (“First Drawdown”) expected by end of March / beginning of April 2023 Second drawdown: €85m in aggregate expected in June 2023 (“Second Drawdown”). 	
Maturity	31 July 2026 / bullet repayment at par in cash if not converted in equity	31 July 2026 / bullet repayment at par in cash
Non-call	N/A	Non-Call 2 ¹⁰ ; 103 for the following 12 months ¹¹ then repayment at par
Interest	<ul style="list-style-type: none"> Cash coupon: 0.75% 	<p>EUR Tranche: Until June 2024</p> <ul style="list-style-type: none"> Cash: Euribor (0% floor) + 0.5% PIK: 11.5% (subject to PIK toggle to cash if the last 12 months EBITDAal is equal to or greater than €110,000,000) <p>Thereafter</p> <ul style="list-style-type: none"> Cash: Euribor (0% floor) + 2.0% PIK: 10.0% (subject to PIK toggle to cash if the last 12 months EBITDAal is equal to or greater than €110,000,000) <p>USD Tranche: Until June 2024</p> <ul style="list-style-type: none"> Cash: Term SOFR (0% floor) + 0.5% PIK: 11.5% (subject to PIK toggle to cash if the last 12 months EBITDAal is equal to or greater than €110,000,000) <p>Thereafter</p> <ul style="list-style-type: none"> Cash: Term SOFR (0% floor) + 2.0% PIK: 10.0% (subject to PIK toggle to cash if the last 12 months EBITDAal is equal to or greater than €110,000,000)

¹⁰ Non-Call 2 means that during the first two years after the first drawdown, in case of early redemption, TCS would have to pay an indemnity equal to the total amount of interest which would have accrued on the amount which is prepaid from the early redemption date until the expiry date of the two-year period following the First Drawdown.

¹¹ « 103 for the following 12 months » means that in case of early redemption in the course of the third year, TCS would have to pay an indemnity equal to 3% of the relevant amount being prepaid.

Original issue Discount	4.0%	5.0%
Commitment Fee	N/A	1.5% Commitment Fee on undrawn amount during the availability period
Underwriting Fee	N/A	3.5% Underwriting fee on the initial committed amount of the New Money Credit Facility
Conversion of Convertible Notes	33% of the PF Fully Diluted Share Capital <ul style="list-style-type: none"> Automatic conversion into equity if EV is equal to or exceeds €1.2bn or EBITDAal exceeds €150,000,000. Voluntary conversion (in full or in part) upon each participating shareholders' election at all times 	N/A
Warrants	N/A	11% of the PF Fully Diluted Share Capital
Ranking	Super senior (on a pari passu basis with the Reinstated Super Senior RCF) from date of the First Drawdown (security package plus intercreditor agreement)	
Security	<ul style="list-style-type: none"> Security granted on First Drawdown (benefits all New Money amounts): first lien security on sufficient assets including a fiducie-sûreté over the shares of Mikros Images SAS (and golden share). Full security package (benefits all New Money amounts) to be put in place by Second Drawdown: first lien security on the shares of Tech 6 by way of fiducie-sûreté (and golden share) as well as first lien security on the other assets of the group (as per the security package for the existing debt). 	

	Reinstated RCF	Reinstated First Lien Facility
Amount	€40 million	c.€421 million¹² EUR tranche: €382 million¹³ USD tranche: c. €39 million¹⁴ (EUR-equivalent) with right for to convert to EUR tranche
Currency	Euro, US Dollar, GBP or Canadian Dollars	Euro for the EUR tranche USD for the USDA tranche
Ranking & Security	Pari passu on the New Money security	Second Lien on New Money security
Maturity	31 July 2026	September 2026 / bullet repayment

¹² As from the second drawdown of the New Money Credit Facility and the issue of the Convertible Notes.

¹³ As from the second drawdown of the New Money Credit Facility and the issue of the Convertible Notes.

¹⁴ As from the second drawdown of the New Money Credit Facility and the issue of the Convertible Notes.

Interest	<ul style="list-style-type: none"> • Cash: Euribor (0% floor) or Term SOFR (0% floor) or CDOR 0% floor) or SONIA 0% floor) + 2.0% cash • PIK: 3.5% (subject to PIK toggle to cash if the last 12 months EBITDAal is equal to or greater than €110,000,000) 	<p>EUR Tranche: Until June 2024</p> <ul style="list-style-type: none"> • Cash: Euribor (0% floor) + 0.5% • PIK: 5.5% (subject to PIK toggle to cash if the last 12 months EBITDAal is equal to or greater than €140,000,000) <p>Thereafter</p> <ul style="list-style-type: none"> • Cash: Euribor (0% floor) + 2.0% • PIK: 4.0% (subject to PIK toggle to cash if the last 12 months EBITDAal is equal to or greater than €140,000,000) <p>USD Tranche: Until June 2024</p> <ul style="list-style-type: none"> • Cash: Term SOFR (0% floor) + 0.5% • PIK: 7.0% (subject to PIK toggle to cash if the last 12 months EBITDAal is equal to or greater than €140,000,000) <p>Thereafter</p> <ul style="list-style-type: none"> • Cash: Term SOFR (0% floor) + 2.0% • PIK: 5.5% (subject to PIK toggle to cash if the last 12 months EBITDAal is equal to or greater than €140,000,000)
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New Subordinated Instrument	
Amount	€170 million
Participants	First Lien Facility lenders pro rata to their holdings in the First Lien Facility
Use of proceeds	To repay a portion of the First Lien Facility at par
Security	None
Maturity / Amortisation	Bullet repayment Initial 10-year maturity, with unlimited extension option by successive 2-year periods at the option of the Company
Interest	PIK: 0.5%
Stapling	Stapled to the Reinstated First Lien Facility
Ranking	Contractual subordination to New Money (being any Convertible Notes not converted into equity and New Money Credit Facility) and Reinstated Debt. Senior to equity (including equity arising from conversion of Convertible Notes).