

TECHNICOLOR: FIRST QUARTER 2016 REVENUES

Revenues¹ up 65% at constant currency in Q1 2016 compared to Q1 2015

Paris (France), 28 April 2016 – [Technicolor](#) (Euronext Paris: TCH; OTCQX: TCLRY) announces today its revenues for the first quarter of 2016. In the second half of 2015, Technicolor closed the acquisitions of Cisco Connected Devices and The Mill, which had a positive impact on prior-year result comparison.

Frederic Rose, Chief Executive Officer of Technicolor, stated:

“Our significant customer wins in the first quarter demonstrate the successful start to integrating our 2015 acquisitions. This puts us in good stead to achieve our financial objectives.”

Key points

- Operating businesses recorded a 77% revenue growth at constant currency in the first quarter of 2016. Connected Home more than doubling in size, Production Services up over 50%, DVD Services up 25%;
- This strong revenue growth reflected a sustained organic performance, as well as the contribution of last year’s acquisitions;
- Integration ahead of schedule both in Connected Home and Production Services. Launch of cost cutting and operational efficiency initiatives in DVD Services to benefit Adjusted EBITDA margin in the second half of 2016;
- Major customer wins secured during the first quarter in both Connected Home and Production Services;
- Strong performance in Patent Licensing, with licensing deals in Video Coding and Digital TV, offsetting partially a €62 million decline in MPEG LA revenues;
- Implementation of a new revolving credit facility of €125 million as part of the Group’s policy to increase its non-cash liquidity.

¹ Revenues excluding exited activities (including legacy activities, Digital Cinema and Distribution Services, IZ-ON, M-GO, and Virdata).



2016 objectives confirmed

- Free cash flow in excess of €240 million;
- Adjusted EBITDA in the range of €600 million to €630 million, reflecting:
 - An Adjusted EBITDA in excess of €475 million for the Operating businesses versus €266 million in 2015;
 - For Technology, an Adjusted EBITDA in excess of €200 million versus €389 million in 2015, based on the contribution of licensing agreements already signed by the Group. This includes an expected final €60 million of Adjusted EBITDA generated by the MPEG LA patent pool compared to €288 million in 2015;
 - Corporate and Other Adjusted EBITDA for an amount at around €(80) million.
- Leverage ratio inferior to 1.4x at end December 2016 compared to a ratio of 1.74x at end December 2015.

Segment review – Q1 2016 revenue highlights

Group revenues by segment

In € million	First Quarter		Change YoY	
	2015	2016	Current rate	Constant rate
Connected Home	317	698	+120.3%	+121.7%
Entertainment Services	338	450	+33.2%	+34.6%
<u>o/w</u> Production Services	121	179	+47.4%	+51.4%
DVD Services	217	272	+25.3%	+25.2%
Technology	118	112	(4.9)%	(2.6)%
Group revenues excluding exited activities	772	1,260	+63.1%	+64.7%
Exited activities	33	2	(94.3)%	(94.4)%
Group revenues	805	1,262	+56.7%	+58.2%

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Connected Home

Connected Home revenues amounted to €698 million in the first quarter of 2016, including a €396 million contribution of Cisco Connected Devices. Excluding Cisco Connected Devices, Connected Home recorded year-over-year revenue growth in all regions, except for Latin America. Revenues in North America, EMEA and APAC regions were up 26% year-on-year at constant currency. Latin America revenues were impacted by the Brazilian crisis and recorded a sharp drop of 45% year-on-year at constant currency.

Regional highlights

- In **North America** (55% of sales), Connected Home revenues were up 312% year-over-year at constant currency in the first quarter of 2016. During the period, the addition of Cisco Connected Devices and the benefit of news awards secured by Technicolor in 2015, including high-end devices, resulted in a strong level of activity in the region, particularly with cable operators. Overall product mix also improved strongly year-on-year, due to a larger contribution of high-end cable broadband devices in the sales mix, better satellite set top box product mix and stronger revenues from Connected Life devices and services.
- In **Europe, Middle East and Africa** (26% of sales), Connected Home revenues grew 162% year-over-year at constant currency in the first quarter of 2016. This very strong performance reflected the addition of Cisco Connected Devices and the benefit of new customer wins and awards secured by Technicolor and Cisco Connected Devices in 2015. During the period, the segment benefited from the ramp-up of new products launched in the second half of 2015, especially Over-The-Top (“OTT”) set top boxes, and from strong demand for broadband devices from both cable and telecom customers.



- In **Latin America** (13% of sales), Connected Home revenues were down 26% year-over-year at constant currency in the first quarter of 2016. This decline was driven by the severe economic downturn in Brazil, which resulted in customers taking a cautionary approach towards their inventory management and new product orders. Connected Home recorded however improved levels of activity in some other parts of the region, in particular in Mexico.
- In **Asia-Pacific** (6% of sales), Connected Home revenues grew 65% year-over-year at constant currency in the first quarter of 2016, reflecting a sustained volume performance during the period, due to strong set top box demand in India and increased deliveries of cable and telecom broadband devices.

Wins

Technicolor secured a number of new major awards and customer wins across all regions in the first quarter, including in particular next generation devices. In North America, the Group achieved significant commercial success, securing several new contracts for the supply of both broadband gateways and video set top boxes to several major Network Service Providers. This sets a strong foundation for Connected Home's business in the region for next year. Technicolor also continued to demonstrate its technology leadership by carrying out the first advanced consumer trial of a DOCSIS 3.1-powered broadband service with Comcast. In Europe, the Group won a new key contract for a broadband gateway with a leading telecommunications group, while also securing several new awards for both broadband and OTT devices, particularly in Eastern and Northern Europe. In Asia-Pacific, Technicolor continued to expand its business with a number of leading operators in the region, securing new awards for next generation broadband products during the period, notably in China.

Integration

The integration of Cisco Connected Devices progressed well during the quarter. The migration of the Cisco supply chain to the Technicolor supply chain has started and is expected to accelerate over the next few months. Therefore, as expected, cost synergies are benefitting the P&L as of the first quarter.

Revenue breakdown for Connected Home

In € million		First Quarter		
		2015	2016	Change*
Total revenues		317	698	+121.7%
<u>By region</u>	North America	93	386	+312.0%
	Europe, Middle-East and Africa	69	181	+161.8%
	Latin America	130	92	(25.6)%
	Asia-Pacific	24	39	+65.4%
<u>By product</u>	Video	153	428	+165.4%
	Broadband	164	270	+81.0%

* Year-on-year change at constant currency.



Entertainment Services

Entertainment Services revenues amounted to €450 million in the first quarter of 2016, up 34.6% at constant currency compared to the first quarter of 2015. This performance reflected a strong double-digit growth in Production Services, including the contribution of last year's acquisitions, combined with increased DVD Services revenues.

Production Services revenues amounted to €179 million in the first quarter of 2016, up by more than 50% at constant currency compared to the first quarter of 2015. This strong performance resulted from a double-digit organic revenue growth and the additions of OuiDo, Mikros Image and The Mill.

The level of activity in Visual Effects ("VFX") for feature films was stable year-on-year as the Group started ramping up new titles in the first quarter of 2016 and thus fully offset the completion of large-scale projects in the third quarter of 2015. During the first quarter, the Group continued work on several theatrical titles including *Suicide Squad* (Warner) and *Ghostbusters* (Sony) and also completed work on films such as *Tarzan* (Warner), *Zoolander 2* (Paramount) and *Miss Peregrine* (Fox), while ramping up production on projects including *Pirates of the Caribbean: Dead Men Tell No Tales* (Disney) and *X-Men: Apocalypse* (Fox). In addition, new awards have been secured during the quarter, including *Ghost in the Shell* (Paramount), which will start contributing to revenues in the second quarter of 2016.

Technicolor continued to grow its revenues in VFX for TV series at a very rapid pace in the first quarter, working on new seasons of History's *Vikings* and *Roots*, Showtime's *Penny Dreadful*, A&E's *Bates Motel*, and FX's *The Strain*, and is now expanding the capacity of Mr. X in Toronto to support increasing demand.

In VFX for advertising, revenues were particularly strong in the first quarter, driven by double-digit organic growth and the addition of The Mill and Mikros Image. With its strengthened leadership in advertising, the Group has a solid platform to capture growth in this market segment and further deepen relationships with key advertising agencies and brands. Technicolor continued to demonstrate its expertise in managing highly complex projects during the first quarter, completing work on Hennessey's new visually epic spot *The Piccards*, the new Sky's Q campaign, the film that launched Stella's new 360 campaign *Host Beautifully* and the live-action trailer *Seize Glory* for the launch of Activision's video game *Call of Duty: Black Ops 3*, among others.

Animation revenues also recorded double-digit year-on-year growth in the first quarter, reflecting a higher level of activity with DreamWorks Animation as the Group is working on new seasons and additional TV series for the studio. In addition to a strong business pipeline for TV series, Mikros Image won two feature animation projects, including *Captain Underpants* (DreamWorks Animation).

The level of activity in Games was also sustained in the first quarter, driven by the expansion of the team dedicated to Rockstar Games. Technicolor also completed work on *Call of Duty: Black Ops III* (Activision) during the quarter.

Postproduction revenues remained stable year-over-year in the first quarter, as the solid level of activity in broadcast and OTT fully offset a lower number of projects in theatrical. Postproduction teams continued to apply their expertise in both video and sound services and their ability to manage highly complex projects during the quarter, as exemplified by their work on the Oscar-winning feature *The Revenant*, among others.



Technicolor implemented during the first quarter a standardized platform across the Advertising segment to drive operational efficiency. The Group also leveraged its greater scale in Production Services to renegotiate several vendor contracts.

DVD Services revenues amounted to €272 million in the first quarter of 2016, up 25.2% at constant currency compared to the first quarter of 2015. This performance was driven by a c.25% year-on-year growth in total volumes, reflecting new customer additions secured in 2015, as well as selected key new release theatrical titles produced in the first quarter of 2016. During the period, DVD volumes increased by c.12%, while Blu-ray™ disc volumes were up c.26% compared to the first quarter of 2015. Overall Games volumes increased by c.6% year-on-year, as growth in Xbox One Blu-ray™ games volumes was tempered somewhat by the ongoing (and largely complete) shift in demand from the prior generation DVD based Xbox console. CD volumes were up substantially in the first quarter, due primarily to last year’s new customer additions.

Key theatrical titles produced in the first quarter included *Star Wars: The Force Awakens* (Disney), *Spectre* (Fox), as well as *The Hunger Games: Mockingjay – Part 2* (Lionsgate), while key games titles included *Tom Clancy’s The Division* (Ubisoft) and *Quantum Break* (Microsoft).

Technicolor launched during the first quarter cost reduction and operational efficiency initiatives with regards to the North American assets of Cinram that were acquired in the fourth quarter of 2015. These assets have an operational efficiency level materially lower than Technicolor standards for DVD Services. These actions will positively impact the margin in the second half of 2016.

Volume data for Entertainment Services

In million units		First Quarter		
		2015	2016	Change
Total volumes		271.0	337.5	+24.6%
<u>By format</u>	DVD	211.0	237.2	+12.4%
	Blu-ray™	58.6	73.9	+26.1%
	CD	1.4	26.5	ns
<u>By segment</u>	Theatrical/Broadcast	252.5	296.3	+17.4%
	Games	9.6	10.2	+6.3%
	Software & Kiosk	7.5	4.6	(39.1)%
	Music & Audio	1.4	26.5	ns

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Technology

Licensing revenues amounted to €112 million in the first quarter of 2016, down €6 million at current currency compared to the first quarter of 2015. This decrease was due to a €62 million decline in MPEG LA revenues, which was partially compensated by a strong quarter in Patent Licensing, driven by Video Coding and Digital TV activities. In Video Coding, the strong performance was driven by the first material licensing agreement for the use of its HEVC patent portfolio that Technicolor signed with a leading technology company in early February. Since the signing of this agreement, the Group has initiated discussions with several other market players. In Digital TV, Technicolor has signed licensing agreements with three mid-size Japanese TV brands and is now focusing on its joint licensing program with Sony. During the quarter, licensing discussions continued on several fronts, including opportunities in the mobile space.

In the first quarter, Technicolor slightly increased its Trademark Licensing revenues and continued to make additional progress in the dissemination of its High Dynamic Range (“HDR”) technology. Several silicon manufacturers have started to embed its technologies, for TVs or set-top boxes, and chips will be available by the end of this year. In addition, Vubiquity, the largest provider of broadcast and distribution services worldwide, has announced that it will use Technicolor’s *Prime* as their HDR distribution system.



Financial calendar

Annual General Meeting	29 April 2016
H1 2016 Results	28 July 2016

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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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