



Technicolor: Q1 2015 Revenue Performance

- **Q1 2015 revenues up 8.3% at current currency, down 3.2% at constant currency**
- **Full year 2015 objectives confirmed**
- **Strong start on Drive 2020 initiatives**

Paris (France), 23 April 2015 – [Technicolor](#) (Euronext Paris: TCH; OTCQX: TCLRY) announces today its revenues for the first quarter of 2015.

Frederic Rose, Chief Executive Officer of Technicolor, stated:

“Our strong first-quarter performance means we are well on our way to deliver on our 2015 objectives of EBITDA and FCF. With the launch of the UHD Alliance and our broad program of initiatives in High Dynamic Range technologies and services, the HEVC Advance patent pool and the announced acquisitions of OuiDo Productions and Mikros Image, Technicolor’s implementation of its Drive 2020 strategic plan is on track and we are laying foundation for success in our key areas of profitable growth. Even at this early stage, 2015 is shaping up to be a very good year for Technicolor.”

Key points

- Technology revenues above €120 million, significant business development in Technology Licensing and establishment of HEVC Advance patent pool;
- Acquisition of OuiDo Productions and Mikros Image, joint-venture in Digital Cinema and exit from poorly performing Digital Distribution activities;
- DVD volumes down, partially due to an unfavourable comparison base;
- Connected Home on track for full year growth and continued margin improvement;
- Improved credit profile with Moody’s rating upgraded to B1 (vs. B2), driven by strong financial performance.

2015 objectives confirmed

- Adjusted EBITDA between €560 million and €590 million;
- Free Cash Flow of at least €230 million;
- Leverage ratio (Net Debt/Adj. EBITDA) of around 0.75x at end December 2015

Segment review – Q1 2015 revenue highlights

Group revenues by segment

In € million	First Quarter		Change YoY	
	2014	2015	Reported	At constant rate
Technology	113	123	+9.0%	(2.2)%
Entertainment Services	328	358	+9.2%	(4.1)%
Connected Home	291	317	+8.9%	(0.8)%
Group revenues (excl. legacy activities and Other)	732	798	+9.1%	(2.5)%
Legacy activities	5	1	(87.8)%	(89.9)%
Other	7	7	(0.4)%	(19.0)%
Group revenues	744	805	+8.3%	(3.2)%

Technology revenues amounted to €123 million in the first quarter of 2015, up 9% at current currency compared to the first quarter of 2014. Licensing revenues totaled €118 million in the period, increasing by 7% year-over-year. Revenues generated by the MPEG LA pool were significantly higher, due to favorable €/US\$ exchange rate movements that fully offset continued softness in the global PC industry. Revenues from direct licensing programs remained solid but were lower compared to the first quarter of 2014, which benefited in particular from the LG smartphone licensing agreement signed in February 2014 (including a lump sum payment for the past).

In the first quarter, Technicolor joined GE, Dolby, Philips and Mitsubishi Electric as initial licensors of the HEVC Advance patent pool. The pool is expected to launch in the third quarter of 2015, with at least 500 essential HEVC patents, which should grow rapidly and already provide broad and high-quality intellectual property coverage.

Technicolor made progress in Technology Licensing business, with the announcement of the Group's first technology licensing deal in the mobile industry, partnering with Chinese mobile device manufacturer TCL on the launch of its latest premium smartphone, IDOL 3, which embeds Technicolor's Color Enhance technology. The Group also continued to make significant progress around its HDR offering and has now initiated discussion with leading SoC makers, encoding partners and postproduction tool companies to implement its core solution.

Technicolor's service platform, M-GO, continued to increase its market and audience reach in the first quarter of 2015 benefitting from a strong release slate.



Entertainment Services revenues amounted to €358 million in the first quarter of 2015, up 9.2% at current currency compared to the first quarter of 2014. This performance was driven by a positive forex impact and the strong growth of Production Services revenues that partly offset lower DVD volumes.

- **Production Services** revenues rose significantly in the first quarter of 2015, supported by double-digit year-on-year growth across Visual Effects (“VFX”) and Animation activities and a strong performance in Postproduction Services in Canada. Postproduction activities in the US were slightly down as the good performance of TV series did not fully offset lower Theatrical revenues, resulting from the delay to the end of the quarter of several titles from a key studio customer.

Technicolor continued to grow at record level in VFX for feature films and commercials, driven by strong organic growth and incremental revenues associated with the acquisition of Mr. X in July 2014. The Mr. X acquisition integrated well with Postproduction activities in Canada, which increased at a solid rate in the quarter. VFX for commercials grew across facilities and benefited from the opening in the fourth quarter of 2014 of two new VFX studios in Shanghai (China) and Paris (France) that gained traction rapidly.

Technicolor continued during the quarter to develop its offering of creative services and tools for the premium content industry and to grow in the Animation market, with the acquisition in February 2015 of OuiDo Productions, a French-based production house specialized in animated TV series. The OuiDo acquisition expanded Technicolor’s global offering and bolstered contribution of Animation revenues. The Group also pursued its focus on growing its position in the Animation and Advertising markets, with the acquisition of Mikros Image announced in early April 2015, which would strengthen its position and offering in the Animation market and drive the Group to lead France’s Advertising market.

During the first quarter of 2015, VFX teams completed work on *Fast and Furious 7* (Universal), while pursuing work on Theatrical projects such as *Jungle Book* (Disney), *Monster Trucks* (Paramount), *The Fantastic Four* (Fox), *Goosebumps* (Sony), *Pan* (Warner), *Terminator Genisys* (Paramount), as well as *Frankenstein* (Fox). Postproduction teams also recorded a sustained level of activity during the period, completing work on Theatrical projects such as *Avengers: Age of Ultron* (Marvel/Disney) and *Insurgent* (Lionsgate). Technicolor continued to lead the premium TV series market, with Postproduction teams completing work on successful TV franchises including *Banshee* (HBO), *The Originals Season 2* and *The Vampire Diaries Season 6* (Warner), while they also confirmed their leading market position with Over-the-Top (“OTT”) service platforms, completing work on original content for Amazon (*Bosch*) and Netflix (*Daredevil*, *Narcos*, *Sense 8*, *Grace & Frankie*).

In accordance with its Drive 2020 strategic plan, Technicolor implemented in the first quarter of 2015 some structural enhancements, specifically in Digital Distribution and Digital Cinema activities. In Digital Distribution, the Group decided to focus solely on its digital servicing platform and to phase out immediately all non-platform services. In Digital Cinema, Technicolor and Deluxe announced a binding agreement to establish a worldwide joint-venture combining both companies’ businesses, which is expected to close in the second quarter of 2015. Financial implications of the above will be provided with Technicolor’s first half 2015 results.



- **DVD Services** revenues decreased in the first quarter of 2015, reflecting an 11% decline in combined Standard Definition DVD and Blu-ray™ disc volumes compared to a very strong first quarter of 2014, which benefited from the significant success of Disney's *Frozen*. This decline in volumes also resulted from continued weakness in the fourth quarter of 2014 of major new releases across Technicolor's key studio customers (which reported a 13% year-on-year decrease in their Q4 2014 box office revenues). Volume trends were generally better in Europe than in North America in the period.

During the first quarter of 2015, Standard Definition DVD volumes decreased at a lower rate of decline compared to the second half of 2014, driven by growth in independent (non-studio) customers, as well as significant growth from one key studio customer across both new releases and catalog. Blu-ray™ disc volumes declined in the first quarter of 2015 compared to a very strong first quarter of 2014 as it was also impacted by *Frozen* and the introduction of the Xbox One platform that occurred in late 2013. Xbox One volume was stable during the period, due to the seasonal second half timing of key new releases, while demand for the prior generation Xbox platform continued to decline as expected.

The first calendar quarter is typically a seasonally slow period for major Games releases, and specific to the first quarter of 2015, the overall release slate for the Group's major studio customers was not particularly strong. The improvement in 2015 box office performance to date and a high quality upcoming release slate for both Theatrical and Games titles are expected to help support improved year-on-year comparative volume trends in the second half of 2015.

Major titles produced in the first quarter of 2015 included *Big Hero 6* (Disney), *The Hobbit: The Battle of the Five Armies* (Warner), *Unbroken* (Universal) and *Interstellar* (Paramount/Warner).

Volume Data for DVD Services

In million units		First Quarter		
		2014	2015	Change
Total Combined Volumes		304.4	269.6	(11.4)%
By Format	Standard Definition DVD	239.2	211.0	(11.8)%
	Blu-ray™	65.2	58.6	(10.1)%
By Segment	Studio / Video	280.5	252.5	(10.0)%
	Games	12.3	9.6	(22.3)%
	Software & Kiosk	11.5	7.5	(34.6)%

- **Legacy activities** revenues were €1 million in the first quarter of 2015 compared to €5 million in the first quarter of 2014, a year-on-year decrease of 88%, as the Group is completing this year the exit of these activities. During the first quarter, IZ-ON has been transferred from the Entertainment Services segment to the Other segment, as a result of the Group's decision to divest from this activity.



Connected Home revenues reached €317 million in the first quarter of 2015, up 8.9% at current currency compared to the first quarter of 2014. At constant currency, Connected Home revenues remained broadly stable year-over-year, as further improved overall product mix fully offset lower unit volumes. The Group's performance was particularly strong in North America, driven by sustained demand from Cable customers in the period, notably for high-end Broadband devices. In Latin America, volumes recorded solid growth in the quarter, supported by a good level of activity in large markets such as Mexico and Brazil, as well as in Chile. In Europe, Middle-East and Africa and Asia-Pacific, the overall product mix was particularly strong and offset partially the drop in volumes that is mostly related to timing and regulatory issues in India.

In the first quarter of 2015, Technicolor continued to secure a number of new awards and customer wins across all regions, notably for higher-end devices, which is expected to lead to stronger level of activity in the second half of the year. Gross margin progressed well in the period, driven by ongoing solid operating execution, supply-chain efficiency and improved product mix, while adjusted EBITDA margin was also up materially year-on-year, notwithstanding stronger R&D expenses in order to support some new product introductions scheduled for the second half of the year.

Technicolor now expects a year-on-year revenue decrease at constant currency in the second quarter of 2015, as a result of a tough comparison base in North America (Q2 2014 revenues were up 89% in the region) and the shift in digitization in India to the second half. Technicolor expects to resume strong growth in the second half of the year and remains confident in its ability to achieve continued material improvement in the profitability of Connected Home in 2015.

Q1 2015 Regional Highlights

- In **North America**, revenues increased significantly in the first quarter of 2015, benefiting from double-digit year-on-year growth in unit volumes, primarily as a result of sustained demand from large Cable customers for high-end broadband gateways, while deliveries of Satellite set top boxes remained solid, although lower year-over-year, after the strong level of activity experienced in the second half of 2014. Overall product mix also improved materially compared to the first quarter of 2014, driven by increased contribution of higher-end Cable devices in the sales mix.
- In **Latin America**, revenues increased in the first quarter of 2015, supported by double-digit year-on-year growth in unit shipments, which expanded year-on-year for the third consecutive quarter, despite continuing difficult macroeconomic conditions in certain parts of the region. This performance resulted from a solid level of customer demand in large markets such as Mexico and Brazil, as well as in Chile, in particular for Satellite set top boxes and Telecom broadband gateways.
- In **Europe, Middle East and Africa**, revenues declined slightly in the first quarter of 2015, as strongly improved overall product mix almost fully offset a significant reduction in unit volumes compared to the first quarter of 2014, which benefited from stronger level of demand, particularly for modems & routers, as part of product deployments at some large customers. Technicolor continued to record further new awards and customer wins in the period, including high-end devices.



- In **Asia-Pacific**, revenues decreased significantly in the first quarter of 2015, as a strong improvement in overall product mix only partially offset a sharp year-on-year decrease in unit volumes, which mainly reflected lower customer demand associated with the shift of the next phase of the digitization in India to the second half of the year. Technicolor further expanded its market positions in China, with significant deliveries of GPON gateways.

Volume Data for Connected Home

In million units		First Quarter		
		2014	2015	Change
Total Combined Volumes*		7.1	6.6	(5.9)%
By Region	North America	1.3	1.5	+15.6%
	Latin America	2.8	3.1	+10.5%
	Europe, Middle-East and Africa	2.0	1.5	(22.2)%
	Asia-Pacific	0.9	0.5	(51.3)%

* Including tablets and other connected devices.



An analyst conference call hosted by Frederic Rose, CEO, and Esther Gaide, CFO, will be held on Thursday, 23 April 2015 at 4:00pm CEST.

Financial Calendar

Dividend Payment	From 22 May 2015
H1 2015 Results	23 July 2015
Q3 2015 Revenues	21 October 2015

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.

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, based on a thriving licensing business. Our commitment: supporting the delivery of exciting new experiences for consumers in theaters, homes and on-the-go. www.technicolor.com

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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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