



Press release

Paris, 27 March 2019.

Xilam announces its financial results for 2018: Increasingly profitable growth

Substantial revenue growth: €28m (+16%)

Strong growth in adjusted recurrent operating income* : €9.7m (+34%)

Xilam Animation (ISIN code: FR0004034072, Ticker: XIL), an independent producer and distributor of animated programmes, has announced its results for the year to 31 December 2018, reviewed by the Board of Directors on 26 March 2019 under the chairmanship of Marc du Pontavice.

<i>(€ thousands)</i>	2018**	2017 restated under IFRS 15	2017 published
Revenue from new productions	11,690	10,186	9,218
Subsidies and other income on new productions	6,506	6,101	6,101
All new productions	18,196	16,287	15,319
Catalogue revenue	9,723	7,704	9,017
Other revenue	32	62	62
Total revenue and other income	27,951	24,053	24,398
Other current operating income (including audiovisual tax credits)	2,350	2,307	2,174
Operating income	30,301	26,360	26,572
Operating expenses	(20,637)	(19,160)	(17,909)
Adjusted recurrent operating income* :	9,664	7,200	8,663
<i>% of Rev.</i>	<i>34.6%</i>	<i>29.9%</i>	<i>35.5%</i>
Operating income	7,182	6,169	7,632
<i>% of Rev.</i>	<i>25.7%</i>	<i>25.6%</i>	<i>31.3%</i>
Net income	5,159	5,017	5,948
<i>% of Rev.</i>	<i>18.5%</i>	<i>20.9%</i>	<i>24.4%</i>

(*) Recurrent operating income adjusted for impact of free share allocation programmes

(**) Unaudited figures



Solid growth and high levels of recurrent sales

As previously reported, Xilam Animation enjoyed a particularly strong year in 2018, recording record levels of revenue, which grew by 16% to **€28.0 million**. This figure included **€18.2 million** in sales of new productions (up 12%) and €9.7 million in sales from the catalogue (up 26%), representing 65% and 35% of sales respectively. International markets represented 64% of total sales and their contribution to the revenue mix continues to rise.

Growth in sales from the catalogue not only reflects real recognition of ‘programme brands’ built up around the world over the years but is also a source of highly recurrent revenue (nearly 60% of revenue from the catalogue). AVOD platforms such as YouTube already account for 27% of catalogue revenue.

With 69 half-hours of new productions delivered in 2018 (from 63 in 2017), Xilam continued to execute its roadmap which targeted 70 half-hours over the year. This strong trend has been driven by powerful leverage from market factors, with the twin effect of increases both in the price of each half-hour sold (to €264,000 from €259,000 in 2017) and in the volume of demand, as competition between broadcasters increases. Pre-sales booked in 2018 reached record levels and provided up to 140% coverage of production costs.

Strong improvement in recurrent operating margin

Xilam has indicated that it has applied IFRS 15 with effect from 1 January 2018, and retroactive effect to 1 January 2017, the main impact of which was the recognition of revenue from the moment of the opening of rights to broadcasters.

Adjusted recurrent operating income for the year* was **€9.7 million, up 34%, giving a margin of 34.6%**.

This improvement in operating margin was driven by four factors:

- the high level of pre-sales, which represented up to 140% of direct production costs;
- control of fixed and production costs, which grew by less than revenue;
- multi-season production of successful series, which creates value and reduces the rate of amortisation;
- a very strong catalogue, which is making a growing contribution to income. The catalogue is already amortised to a significant extent: net annual revenue represents 2.2 times the net book value (value remaining to be amortised).

Despite significant non recurrent expenses relating to the free share allocation plan and the relocation of the Group’s headquarters, operating income rose to €7.2 million (vs. €6.2 million in 2017 on a same scope basis).



Net income was **€5.2 million** in 2018, from €5.0 million in 2017. The tax charge of €1.4 million represents solely a deferred tax charge, with the Group having no cash tax payment due in 2018.

A solid financial position

Xilam had shareholders' equity at 31/12/2018 of €48.6 million, from €20.9 million at 31/12/2017. Net financial debt at 31/12/2018 reaches €7.8 million (including self-liquidating loans).

An increasingly diversified portfolio of brands

Over the year, Xilam's output covered 9 programmes:

Multi-season productions of successful series

- 5th season of **Oggy and the Cockroaches**, taking the Oggy brand to 117 Ultra HD half-hours and ensuring the longevity of the use of the brand around the world for many years to come;
- 2nd season of **Magic**, which has just started a successful broadcast run on Gulli;
- 3rd season of **Zig and Sharko**, already pre-bought by all previous season clients.

New creations

- **Paprika**, the Group's 1st preschool project and original creation which has started to be broadcast around the world with excellent audience scores;
- **If I were an animal**, wildlife documentary which is enjoying considerable success on Netflix;
- **Mr Magoo**, a series based on the eponymous central character of the famous US series, to be launched worldwide at the end of the first half of 2019;
- **Coach me if you can**, football-themed series with international appeal, to be launched for broadcast to coincide with the Euro 2020 championships;
- **Moka**, a new slapstick comedy that embodies all of Xilam's expertise; production started in 2018 and pre-sales are already strong;
- **Lupin's tales**, a new preschool series, development of which was completed in 2018.

A resilient catalogue

Revenue in 2018 was driven principally by Oggy and the Cockroaches, Zig and Sharko and the Daltons, on both digital and broadcast platforms. New franchises, notably Mr Magoo and Paprika, but also the 5th season of Oggy and Cockroaches and the 3rd season of Zig and Sharko, are likely to contribute to accelerated growth in the catalogue over the coming years.



Outlook confirmed: target of 100 half-hours to be delivered in 2020

Thanks to its solid structure and its very efficient production systems, Xilam is well placed to meet fast-growing demand from TV channels and digital platforms. The Group therefore expects to continue its strong growth towards targets of 80 half-hours delivered in 2019 and 100 half-hours delivered in 2020.

The adjustment to the forecast for 2019 (80 half-hours, from 85) in no way represents any slowdown in production but is the result of the application of IFRS 15 which results in a spreading of revenue.

The execution of Xilam's ambitious strategy has several key components:

- accelerating the production of original creations and multi-season continuations of already established brands. By continuing to take advantage of strong demand from broadcasters, new productions will thus be able to grow in both volume and value;
- maintaining high levels of performance and resilience in the catalogue;
- the continuing digital transformation of the business model, through the digitalisation of the offering, which will accelerate the globalisation of distribution, and the rising contribution from direct distribution on AVOD platforms (growing success on YouTube, with 4 billion views in 2018 taking the cumulative total over 10 billion);
- expansion of the offering into the preschool segment, which offers strong potential for merchandising and monetisation through e-learning and e-gaming;
- continued international expansion, notably in emerging markets such as India and China, but also in the North American market;
- acquisitions: boutique studios, talent collectives and other complementary pools of expertise.

Marc du Pontavice, Xilam's Chairman and Chief Executive Officer, observed: *"Strong growth in Xilam's profitability in 2018 confirms the relevance of our business model, which is based in particular on increasingly recurrent revenue. The disruption of the broadcast market, particularly in the 'Kids' segment, will continue over the next few years and could even intensify with the arrival of US majors in the integrated platform market. Xilam is particularly well placed to take advantage of the considerable growth in investment in original productions. In addition, we are actively working to diversify the revenue from our brands."*

About Xilam

Xilam is one of Europe's leading animation companies, producing and distributing original children's and family entertainment content across TV, film and digital media platforms. Founded in 1995 by Marc du Pontavice, the award-winning Paris-based company owns a catalogue of more than 2,000 animated series episodes and 3 feature films, including such household brands such as *Oggy & the Cockroaches*, *Zig & Sharko*, *The Daltons*, *Rolling with the Ronks!* and its first preschool property, *Paprika*. Broadcast in over 190 countries on all the major global children's TV networks, these series are also breaking records on all the major digital platforms, including YouTube with over 300 million views per month, ranking Xilam among the top global content providers in the realm of animation. Xilam



employs over 400 people, including 300 artists, who work in its four studios, located in Paris, Lyon, Angouleme and Hô-Chi-Minh-Ville in Vietnam. Xilam is listed on the Euronext Paris stock exchange, Compartment B – Eligible investment for French Deferred Settlement Service (SRD long) and Equity Savings Plans (PEA).

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