



Press release

Paris, 26 March 2020

Xilam announces solid 2019 results delivered by a powerful and resilient business model

Revenue growth: +10%

Strong growth in profitability: Operating Income +24% and Net Income +33%

Healthy and solid balance sheet: cash position of €20 million

Xilam Animation (ISIN Code: FR0004034072 ; Symbol: XIL), an independent animation production and distribution company, is publishing its financial results for the fiscal year that ended 31 December 2019, as reviewed by the Board of Directors at a meeting held March 25, 2020 under the chairmanship of Marc du Pontavice.

Marc du Pontavice, Chairman and CEO of Xilam, notes: *'This brings to its conclusion a year rich in development, recognition and commercial success, particularly among the major global distribution platforms in the United States. The year 2019 also saw the Xilam brand consecrated with the success of the Oscar-nominated film J'ai perdu mon corps, which won top awards at Cannes and Annecy to ultimately receive two Césars (best music and best animated film). Beyond these achievements, which bear witness to the quality of the talent Xilam brings together, our 2019 results demonstrate the resilience and robustness of our model, which benefits from long and creative cycles of ever-increasing value.'*

(€ thousands)	31.12.2019 ⁽¹⁾ IFRS 16	31.12.2018 ⁽³⁾	Change (%)
Turnover and subsidies from new productions	23,309	18,228	
Turnover from catalogue	6,752	9,723	
Total turnover and subsidies	30,061	27,951	+7.5%
Other recurring operating revenue (incl. audiovisual tax credits)	3,410	2,350	
Total operating revenue	33,471	30,301	+10.5%
Operating expenses	(24,257)	(21,907)	
Current operating income⁽²⁾	9,214	8,394	+9.8%
% turnover	30.7%	30.0%	
Operating income	8,919	7,182	+24.2%
% turnover	29.7%	25.7%	
Net income	6,854	5,159	+32.9%
% turnover	22.8%	18.5%	

⁽¹⁾ Unaudited data.

⁽²⁾ Much reduced, the impact of free share plans no longer justifies publication of adjusted operating income from recurring operations. It is therefore replaced here by profit from recurring operations.

⁽³⁾ IFRS 16 Norm governing 'Leasing Transactions' applied as of 1 January 2019 no restatement of comparable periods.



As previously reported, **growth in 2019 was driven by new productions with an increase in delivery volumes and prices** as well as increases in other revenue and subsidies. Concurrent with the globalisation of demand and production, international and streaming have significantly increased as a share of the revenue mix (73% and 43% of turnover, respectively).

To be noted that operating revenue is €0.3m higher than the total published in the 2019 turnover report, due to a higher than estimated CIA (Audio-visual Tax Credit) for new productions.

High profit margins, delivered by a powerful and resilient model

Operating income increased up 24% to € 8.9 million, with a margin rate of **29.7% of turnover** (vs. 25.7% in 2018). The model of a fully integrated value chain is generating the anticipated cost synergies and allows for a **significant improvement in margin levels**. This is due in particular to the following:

- control of fixed costs, which have risen less rapidly than sales (each year a higher percentage is devoted to production). In 2019, overhead not attributable to new productions represented less than 10% of turnover (vs. 17% in 2018);
- asset and ownership model (Xilam fully controls the intellectual property and value chain): this results in the decreased cost of royalties due to third parties, which have been significantly reduced;
- improvement in gross margins (on new productions) due to increased pre-sales volume, particularly among digital platforms;
- decrease in non-recurring operating expenses (free shares and relocation costs).

This model allows the Group to pursue a conservative asset depreciation policy. Therefore in 2019, amortisation of intangibles represented 61% of turnover (vs. 54% in 2018). As a reminder, the net book value of the catalogue at December 31, 2019 was just 21.7% of its gross value.

Taking into account these elements, **net income increased by +33% to € 6.9 million** (vs. € 5.2 million), **with a net profit margin climbing to 22.8% of turnover** (vs. 18.5% in 2018).

Solid and secure financial position

Xilam had available cash of €20.0 million at 31 December 2019 (vs. €2.3 million at 31 December 2018), a sharp increase due, broadly speaking to a €12.1 million bond issue (Euro PP), a €2.2 million increase in self-liquidating debt and the strong performance of its business lines.

It is worth noting that in the midst of growth, the group's net debt⁽¹⁾ has been reduced to €3.5 million (vs. €7.8 million at end December 2018), although the company's financial model exhibits a structurally positive working capital requirement, specific to its industry. Lastly, shareholders' equity amounted to €55.3 million (vs. €48.2 million).

Social and environmental responsibility

The actions conducted over many years to promote equality between women and men in the workplace make Xilam Animation an exemplary company in this realm. The proactive policy has enabled Xilam to **score 96 points out of 100** on the gender equality index, one of the provisions introduced in France by the Law of 5 September 2018 'for the freedom to choose one's professional future'. The aim of this tool is to measure and analyse the gender pay gap at every company with more than 50 employees and to identify possible areas for improvement.

⁽¹⁾ *Exclusive of effects from application of IFR16 to leasing debt.*



Objectives and outlook

The market trend towards increasingly premium and global distribution offers bright prospects for French production (AVMS Directive as of January 2021) and particularly for Xilam, whose strong momentum in terms of development and production will allow the company to meet demand across almost all segments of animation (preschool, kids, family and adults). The catalogue business, for its part, remains a strong source of medium-term growth, despite the occasional impact of cut-off effects or sales cycles, and constitutes a powerful lever for profitability as it is enriched and expanded year after year.

As a reminder, Xilam has achieved average annual growth of 28% since 2015 and plans to sustain its strong pace of growth. The company has announced new cumulative revenue targets using 2-year cycles to better reflect its positioning and new sources of growth: €78 million for fiscal years 2020-2021 and €110 million for fiscal years 2022-2023. These objectives make it possible to smooth out seasonality and cut-off effects consistent with the natural cycle of production (approximately 2 years) and catalogue operations (3-4 years). The projections are based on a booming order book, whose growth directly correlates with the powerful momentum of the streaming market and Xilam's unique positioning. The current targets include the audio-visual tax credit and are calculated at constant scope (excluding M&A and merchandising), including the scheduled integration of Cube Creative.

Update on Covid-19 and actions taken

Since the beginning of the Covid-19 global health crisis, Xilam has taken measures to protect the health of the company's employees, while ensuring the continuation of normal operations. Following the latest announcements from the Office of the President and the French Government, Xilam has implemented its business continuity plan, making it possible for teams to work remotely. To date, Xilam has not identified any adverse impact of the Covid-19 epidemic on its production or sales activities. Xilam anticipates that any displacement experienced during the containment weeks will be made up by 2021. In the event that containment continues beyond current expectations, the company will provide new guidance on its prospects.

About Xilam

A major player in animation, Xilam is an integrated studio founded in 1999 that creates, produces and distributes original programmes in more than 190 countries for children and adults, broadcast on television and on SVoD (Netflix, Disney+, Amazon, NBC Universal, etc.) and ADVoD streaming platforms (YouTube, Facebook, etc.). With its creativity and capacity for innovation recognised worldwide, and editorial and commercial expertise at the cutting edge of its industry, Xilam is positioned as a key player in a fast-growing market. Each year, Xilam builds real successes and capitalises on powerful historical brands (*Oggy and the Cockroaches*, *Zig & Sharko*, etc.) as well as new ones (*Oggy Oggy* for preschoolers, *Moka*, *Mr. Magoo*, and Oscar nominee *I lost my body*, etc.), which establish and expand a strong catalogue of over 2,200 episodes and 3 feature films. In 2019, Xilam acquired Cube Creative, a studio providing it with unique expertise in 3D and computer generated images. Xilam employs more than 500 individuals, including 400 artists, across its studios in Paris, Lyon, Angoulême and Ho Chi Minh in Vietnam. Xilam is listed on Euronext Paris Compartment B – Eligible to PEA – SRD long.

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