



Press release

Paris, 29 September 2020

H1 2020: Scale 2023 plan on track

Relevance of a pure player model in a crisis context

New production volumes growing steadily, securing future sales

Solid financial position

2020-21 guidance reiterated

Xilam Animation (ISIN: FR0004034072, Ticker: XIL), an independent producer and distributor of animated programmes, is reporting its results for the first half of 2020, as approved by its Board of Directors on 28 September 2020 at a meeting chaired by Marc du Pontavice.

Marc du Pontavice, Xilam's Chairman and Chief Executive Officer, commented: "We are delighted with our solid performance amid the unprecedented situation caused by the Covid-19 pandemic. This performance again highlights the benefits of our pure-play positioning underpinned by our resilient business model. We maintained new production at a high level and have begun the process of integrating and supporting Cube Creative's first-class teams to help meet the ever-growing demand from the world's digital streaming giants. We are taking bold action to unlock the full value of our catalogue, by developing our strong brands and by creating new series to sustain our success in the future. We are confident in our future outlook and remain focused on achieving our Scale 2023 plan objectives."

<i>(€ thousands)</i>	H1 2020 ⁽¹⁾ Consolidated	H1 2020 Comparable structure (excluding Cube Creative)	H1 2019 (excluding Cube Creative)
New productions revenue	5,263	4,245	2,987
Subsidies for new productions ⁽²⁾	546	546	1,844
Total new productions revenue	5,809	4,791	4,831
Catalogue revenue	3,591	3,134	3,055
Catalogue subsidies ⁽²⁾	402	402	-
Total catalogue revenue	3,993	3,536	3,055
Total revenue and other income⁽²⁾	9,802	8,327	7,886
Other subsidies	32	1	6
Other recurring operating income ⁽³⁾	733	675	642
Total operating revenue	10,567	9,003	8,534
Operating expenses	(9,056)	(7,033)	(5,760)
Recurring operating income	1,511	1,970	2,774
% of revenue	15.4%	23.7%	35.2%
Operating income	1,337	1,796	2,535
% of revenue	13.6%	21.6%	32.1%
Net income	734	1,224	1,613
% of revenue	7.5%	14.7%	20.5%

⁽¹⁾ The auditors' limited review of the interim financial reporting has been completed, and the interim financial report will be available on Xilam's website by 30 September 2020 at the latest

⁽²⁾ This amount does not include audiovisual tax credits

⁽³⁾ Including the audiovisual tax credit



Solid first-half 2020 top-line performance despite the effects of the pandemic crisis

As already reported, the Group's total revenue and other income came to €9.8 million in the first six months of 2020, up 24% with organic growth of 5.6% despite the unprecedented situation caused by the pandemic. New productions revenue (€5.2 million, up 76%, including organic growth of 42%) got a boost from the strong contribution from deliveries of non-proprietary productions, including *Chip'n'Dale*, and recorded a concomitant decline in subsidies (€546 thousand vs. €1,844 thousand). The catalogue (€4 million, up 31% including organic growth of 16%) benefited from lockdown effects and strong demand across all its titles.

Operating margins reflecting a smaller contribution from non-proprietary production and Cube Creative's temporarily negative contribution

The highly atypical product mix during the first half with a bigger-than-normal share of non-proprietary productions reflected *Chip'n'Dale's* strong revenue contribution, leading to recognition in full of the related expenses and thus a greater impact on margins, whereas expenses incurred on proprietary productions are amortised over several periods. First-half deliveries of proprietary productions were relatively few and far between as a result of the pandemic.

As anticipated, Cube Creative had a negative impact on Xilam's operating income during the first half of what is a transition year as it switches over from a low-margin non-proprietary service model to a more powerful proprietary production model. Its first major deliveries are due in 2021 (*Pfffirates* (TF1) and *Tangranimo* (France TV)). Xilam, which puts proprietary production at the heart of its business model, possesses unique, transformative expertise that represents a key success factor.

After the impact of operating expenses, Xilam's recurring operating income came to €1.5 million in H1 2020 (vs. €2.8 million in H1 2019), its operating income to €1.3 million (vs. €2.5 million) and its net income to €734 thousand (vs. €1.6 million).

At comparable structure adjusted for Cube Creative, Xilam recorded €1.97 million in recurring operating income and €1.22 million in net income.

Healthy and solid financial position

Xilam had €12.2 million in cash and cash equivalents at 30 June 2020, almost completely stable since H1 2019, despite the major investments in production in the meantime and the payment of part of the cost of acquiring Cube Creative. At 30 June 2020, net debt stood at €7.6 million (vs. €7.2 million at 30 June 2019). Equity totalled €56.2 million at 30 June 2020.

First-half highlights and subsequent events

- Finalisation in January of the acquisition of a majority stake in Cube Creative, a French CGI animation production company.
- Announcement in September of a worldwide distribution agreement with Netflix for *Trico*, a new CGI non-verbal slapstick comedy series, with delivery scheduled for early 2022. Xilam retains global linear television distribution and merchandising rights to *Trico*.
- Confirmation in July by the French President that the Audiovisual Media Services (AMS) reform will be enacted into French law with effect from January 2021.
- Appointment in January of Caterina Gonnelli, the former head of acquisitions and coproductions at Disney Channels EMEA, as EVP, Content.
- Acquisition by DreamWorks Animation in January of exclusive TV, video and VoD rights to *Mr Magoo* in the United States.



- Acquisition by Nickelodeon of two new series in July: worldwide agreement covering the CGI series *Athleticus* and an agreement covering the *Mr Magoo* series in the United Kingdom.
- Growing recognition of the *Moka* brand with the creation by the Gulli channel of a new evening prime time slot at 8:15pm specially for the series following its success. Gulli has also announced that it had the best-ever Wednesday in its history on 23 September 2020, as *Moka* made a highly spectacular contribution, achieving an audience share of close to 50% of 4-10 year-olds.

Objectives and outlook unchanged

Despite several deliveries being put back from 2020 until 2021, Xilam is reiterating its objectives of €78 million in total revenue in 2020-21 and €110 million in 2022-23. These objectives include the audiovisual tax credit and are calculated at comparable structure (excluding M&A and merchandising) after Cube Creative's integration.

At 30 June 2020, Xilam held a record order book, with close to 250 half-hours in production and a dozen or so new programmes under development. Lastly, to recap, production activities in France, and Xilam's in particular, stand to gain during 2021 from the enactment into French law of the European Audiovisual Media Services (AMS) directive. With VoD service subscription revenue set to exceed €3 billion by 2025, this segment will be a major source of new orders for new programmes, especially animations.

Update on the global health crisis

Other than certain delivery delays caused by the impact of the lockdown, Xilam has not to date identified any negative effects attributable to the Covid-19 pandemic on its activities and continues to protect its employees through appropriate measures.

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 both children and adult audiences. Xilam content is broadcast on television, and is also available on SVoD platforms including Netflix, Disney+, Amazon and NBC Universal, and ADVoD streaming platforms including YouTube and Facebook. 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 its powerful historical brands including *Oggy and the Cockroaches* and *Zig & Sharko*, as well as new properties such as *Oggy Oggy* for a preschool audience, *Moka*, *Mr. Magoo*, and Academy Award® nominated adult feature film *I Lost My Body*. Xilam's expanding and strong catalogue now consists of over 2,200 episodes and three feature films. In 2019, Xilam acquired Cube Creative, a studio providing the company 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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