



## Press release

Paris, 28 September 2023

### First half 2023 results

Strong growth in sales: +28%

Operating income down due to strategic investment

Very significant improvement in free cash flow, up €7.1m vs H1 2022

Solid financial structure to support future growth

Post H1-closing repayment of €15m in EuroPP debt

Xilam Animation has published its interim financial results for the first six months of 2023 (H1 2023), approved by the Board of Directors on 27 September 2023, under the chairmanship of Marc du Pontavice.

**Marc du Pontavice, Chairman and CEO of Xilam:** *"The Xilam group is firmly committed to continuing on its growth trajectory. While streaming platforms are experiencing significant turbulence, particularly in the market for children's programmes, the boom in orders for programs aimed at adult audiences continues unabated, as expected by Xilam. To successfully position itself in this market, Xilam has invested from 2022 onwards, particularly in IT, talent and management, which partly explains the decline in operating income in 2023. Over the first six months, servicing accounted for a high percentage of the sales mix, giving Xilam a virtuous model in terms of free cash flow generation."*

Income statement (in thousands of euros)	30.06.2023 <sup>(1)</sup>	30.06.2022	% change
Sales of new productions and developments	14,431	9,696	+49%
Catalogue sales	3,716	4,467	-17%
<b>Total sales <sup>(2)</sup></b>	<b>18,147</b>	<b>14,163</b>	<b>+28%</b>
Grants <sup>(3)</sup>	2,351	3,483	-33%
<b>Total sales and grants</b>	<b>20,498</b>	<b>17,646</b>	<b>+16%</b>
Other current operating revenue (including ATC) <sup>(4)</sup>	797	1,603	ns
<b>Total operating revenue</b>	<b>21,295</b>	<b>19,249</b>	<b>+11%</b>
Operating expenses	(19,140)	(14,466)	+32.3%
<b>Current operating income</b>	<b>2,155</b>	<b>4,783</b>	<b>-55%</b>
% total sales and grants	10.5%	27.1%	
<b>Operating income</b>	<b>2,158</b>	<b>4,684</b>	<b>-54%</b>
% total sales and grants	10.5%	26.6%	
<b>Financial income and expenses</b>	<b>(79)</b>	<b>(985)</b>	<b>ns</b>
<b>Group consolidated net income</b>	<b>1,761</b>	<b>2,964</b>	<b>-41%</b>
% total sales and grants	8.6%	16.8%	

<sup>(1)</sup> The limited review of the half-year financial information has been finalised.

<sup>(2)</sup> Sales only, excluding grants.

<sup>(3)</sup> Total grants (new productions and catalogue).

<sup>(4)</sup> Audiovisual Tax Credit (ATC)



## Very good performance for new productions and developments in H1 2023

Sales of new productions and developments amounted to €14.4 million, up sharply (+49%) in the first half of 2023, with a 60% increase in the scope of Xilam alone, illustrating continued strong growth in sales to platforms, driven by the new adult segment and servicing. This growth is mainly driven by an increase in value. As for the Cube Creative subsidiary, its contribution was down, due to an order book that is still being rebuilding.

Catalogue sales totalled €3.7 million. Due to an unfavourable base effect (+78% in H1 2022), they declined 17%, but remained 49% higher than in H1 2021.

Total sales, excluding grants, rose by 28% to €18.1 million. International sales amounted to 86%, with streaming platforms accounting for 76%. This is mainly the result of our young-adult productions which represented a very high proportion of sales (40%), reflecting the Group's successful positioning in this promising segment. As announced, servicing will account for a particularly high share of sales in 2023 and 2024, spurred by the signing of new contracts. In the medium term, however, the Group is aiming for a more balanced split between its proprietary production and servicing.

## Strong production momentum

In the first six months of the year, Xilam had 10 series in production, including five proprietary productions and five in servicing.

The production of *Twilight of the Gods* is a standout example of Xilam's success with major platforms. The series, directed by the iconic Zack Snyder, was commissioned by Netflix and is aimed at young-adult audience. It boasts outstanding production quality and a per-episode budget that far exceeds the average benchmark. This series is key to the Group's future as it gives the American market a tangible example of Xilam's production expertise and ambition in this adult segment.

The trend in the Group's production costs is a good indicator of business activity, since it will fuel growth over the next few years. These totalled €20.9 million in H1 2023 (vs €15.7 million in H1 2022), an increase of 33%. This includes €10.9 million for servicing and €10 million for proprietary productions (vs €3 million and €12.7 million, respectively, in H1 2022).

## Decline in operating income due to strategic investment

Current operating income stood at €2.2 million in H1 2023, down €2.6 million vs H1 2022. This was largely due to several key factors:

- Group's strategic investments to support future growth, particularly in the promising young-adult segment. These mainly involve structural investments such as IT, talents and management required to boost production capacity and move upmarket. As a result, fixed costs will have risen by a total of 20% between 2021 and 2023.

In an exclusively proprietary growth model (which has been Xilam's case in recent years), the increase in fixed costs is partially deferred via capitalisation. But in 2023, in a hybrid model with a high degree of servicing, most of this increase in fixed costs is directly recorded in operating expenses and is therefore weighting on operating income.

- Sluggish proprietary productions for Cube Creative, impacting the Group's bottom line.
- The reduced share of catalogue sales in overall revenues (20% vs 31% in H1 2022), whereas it is traditionally the main contributor to earnings.



- The currency effect, which was positive in H1 2022.

All of this brought the current operating margin to 10.5%.

Financial income was virtually even following a €1m charge in H1 2022 (including a €0.6 million charge linked to currency effects), reflecting the Group's low level of debt.

Consolidated net income totalled €1.8 million in H1 2023, down €1.2 million compared with H1 2022. This represents a net margin of 8.6%.

### **Substantial improvement in cash-flow generation**

In the first six months of 2023, Xilam achieved €2.2 million in free cash flow, compared with negative cash flow of -€4.9 million in H1 2022. This represents a substantial improvement of €7.1 million, mainly resulting from a working capital requirement reduction and the preponderance of servicing in H1 revenues.

### **A solid balance sheet**

Gross cash stood at €13.9 million as of 30 June 2023. Net financial debt totalled €15.6 million, with non-self-liquidating financial debt at €3.7 million.

Xilam took advantage of this strong financial structure to repay the €15 million debt provided by the 2017 Euro PP bond maturing in July this year.

To substitute this debt where necessary, Xilam has opened two new self-liquidating credit lines (in addition to the one available with Natixis-Coficiné) with Palatine (€12 million) and BNP Paribas (€6 million), reflecting the banking partners' faith in the Group's financial robustness.

As of 30 June 2023, shareholders' equity stood at €71.1 million, compared with €69.5 million on 31 December 2022.

### **Six-point improvement in *EthiFinance* ESG ratings score to 68/100**

In the first six months of 2023, Xilam classified more than 15,000 pieces of financial data, logged all of its consumption and conducted an initial employee survey with a view to publishing its first Carbon Footprint Assessment by the end of the year, based on 2022 data. These initiatives covered all of the Group's studios (in Paris, Lyon, Angoulême and Vietnam), providing Xilam with a detailed assessment of its greenhouse gas emissions to help draw up and implement an effective low-carbon strategy.

Alongside this in-depth assessment, Xilam also made significant strides to curb its greenhouse gas emissions in the first half of the year. This included greening its IT infrastructure through the purchase of new, less energy-intensive servers, migrating its data to a zero-carbon data centre, and cutting back its overall data storage. The Group also began work to improve energy efficiency at its main site.

Xilam is a committed company that has taken tangible steps to make sustainable development and social responsibility an integral part of its business over the years. This commitment was once again reflected in the 2023 *EthiFinance* ESG Ratings, which revealed a third consecutive year of progress, with Xilam scoring 68 out of 100, an improvement of six points vs 2021 and 9 points vs 2020.<sup>1</sup> In particular, its Corporate Governance and Social scores improved by nine points (69/100) and six points (76/100) vs 2021, respectively.

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<sup>1</sup>Rating based on 2022 data



In the Media & Entertainment sector, Xilam came third out of 78 companies listed, ahead of TF1 and Vivendi.

## Outlook

Xilam plans to invest around €40m in 2023 (equally between proprietary productions and servicing) in expenditure on new productions, up significantly on 2022 (€36.3m).

In 2023, the Group is paving the way for the future by investing in its structure and diversifying its offering to provide programmes for all kinds of viewers (including preschool, families and young adults) spanning a full range genres (such as comedy, horror and action-adventure), ensuring it is perfectly positioned to fully harness the development potential in the global animation industry.

This business growth, coupled with the stabilization of fixed costs, should contribute to a significant improvement in the Group's operating profitability in the years ahead. All the more so as from the second half of 2023, financing in the form of a grant under the French government's *France 2030* programme will contribute to financing the Group's growth investments.

Building on this momentum, Xilam will continue to execute its Ambition 2026 plan, which aims to boost revenues to €80 million.



## About Xilam

As a major player in the animation industry, 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) and AVoD (YouTube, Facebook) platforms. With a global reputation for creativity and innovation, coupled with cutting-edge editorial and commercial expertise, the company has cemented its position as a key player in a fast-growing market. Every year, Xilam builds on soaring successes and capitalises on flagship franchises (Oggy and the Cockroaches, Zig & Sharko, Chicky) as well as new brands (Oggy Oggy, Mr. Magoo, Karate Sheep), which are strengthening and expanding a substantial catalogue of more than 2,800 episodes and three feature films, including the Oscar-nominated *I Lost My Body*. Xilam has unique CGI skills and employs more than 600 people, including 400 artists, across its studios in Paris, Lyon and Angoulême in France and Ho Chi Minh City in Vietnam. Xilam was ranked France's leading animation studio for the 2018-2022 period in a report by the French national centre for cinema and animation (CNC).

Xilam is listed on Euronext Paris Compartment B - PEA - SRD long Eligibility.

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