

Press Release

Paris (France) – 25 April 2019 at 08:40

2018 FINANCIAL EARNINGS

EXTENSION OF THE STANDSTILL AGREEMENT WITH FINANCIAL CREDITORS UNTIL 31 JULY 2019

Ymagis Group (FR0011471291, MAGIS, PEA-PME, TECH 40), the European specialist in digital technologies for the film industry, today reported its full-year earnings for the 2018 fiscal year, ending 31 December 2018, reviewed by the Group's Board of Directors following its meeting on 24 April 2019.

In millions of € (audit procedures ongoing)	2018	2017	Variation
Revenue	166.9	179.6	(12.7)
EBITDA	23.8	42.5	(18.7)
<i>EBITDA as % revenue</i>	<i>14.3%</i>	<i>23.7%</i>	
Depreciation and amortization	(29.0)	(35.0)	(6.0)
REBIT	(5.2)	7.5	(12.7)
Non-recurring charges	(7.4)	(0.0)	(7.4)
EBIT	(12.6)	7.5	(20.1)
Net financial charges	(4.6)	(4.1)	(0.5)
Pre-tax income	(17.2)	3.4	(20.6)
Income taxes	(0.4)	(2.6)	2.2
Net Income	(17.6)	0.8	(18.4)
Net Income – Group Share	(18.3)	0.8	(19.1)
Balance sheet item	12/31/2018	12/31/2017	Variation
Non-current assets	50.3	76.5	(26.3)
Current assets	106.5	103.3	3.2
<i>of which cash flow</i>	<i>9.8</i>	<i>15.7</i>	<i>(5.9)</i>
Equity	13.4	31.5	(18.1)
Financial debt maturing in more than one year	29.1	55.6	(26.5)
Financial debt maturing in less than one year	40.2	23.4	(16.9)
<i>Net financial debt</i>	<i>59.6</i>	<i>63.2</i>	<i>3.7</i>
Other liabilities	74.1	69.3	(4.8)
Balance sheet total	156.8	179.8	(23.0)

Natural drop in VPF and stability of other activities

In 2018, the scheduled reduction in Virtual Print Fee activities (-15.7% at €51.8m revenue) was not offset by the growth of service activities:

- the Eclair BU recorded revenue of €52.5m, down by 4.3% due to the steep drop in creative post-production and restoration activities on the French market operated by Eclair Cinema SAS, placed in receivership on 20 November 2018. Excluding creative activities, revenue for the business unit increased by €2.7m;
- the CinemaNext BU was slightly down by 1.7%, with revenue standing at €62.0m despite a high level of activity in Q4, representing an increase of 8% at €23.5m. This could be a sign that the market is entering a new phase of equipment investment from 2019;
- the start of new activities (EclairGame and Illucity) represented revenue of €0.6m for the year.

EBIT is down by €20m

Earnings for 2018 fell significantly under the effect of the reduced contribution from VPF activities, the losses made by the Eclair BU, currently restructuring, and the cost of developing the new activities. Furthermore, the contribution of CinemaNext to earnings is not significant enough, the level of activity remaining close to its break-even point.

Details of the contribution of each business unit to the Group's performance are shown below:

In millions of euros	Virtual Print Fee			CinemaNext			Eclair			Others	
	2018	2017	(%)	2018	2017	(%)	2018	2017	(%)	2018	2017
Revenue	51.8	61.5	-15.7%	62.0	63.3	-1.7%	52.5	54.8	-4.3%	0.6	-
EBITDA	33.4	45.2	-26.1%	1.5	0.7	107.5%	(8.6)	(3.4)	-153%	(2.4)	-
REBIT	11.7	18.4	-36.2%	(0.3)	(0.2)	-50%	(13.9)	(10.7)	-29.7%	(2.8)	-
EBIT	11.7	18.4	-36.2%	(0.5)	(0.2)	-150%	(21.1)	(10.7)	-97%	(2.8)	-
<i>EBITDA as % of revenue</i>	<i>64.5%</i>	<i>73.4%</i>		<i>2.4%</i>	<i>1.2%</i>		<i>-16.4%</i>	<i>-6.2%</i>		-	-

EBITDA for **VPF** fell by €11.8m due to the reduction in activity and the inclusion of additional operating costs linked to contracts coming to an end. The end of the leasing contracts, restated as fixed assets under the IFRS standards, also had an impact on the EBIT for the BU, down by 36% at €11.7m.

EBITDA for **CinemaNext** increased by €0.8m despite its revenue falling slightly, thanks to control of operating costs (reduced rent for some sites, optimisation of maintenance operations, improved supply chain). After depreciation & provisions and taking into account exceptional operating costs for CinemaNext North America of €0.2m, EBIT for the BU stood at -€0.5m. Ymagis stresses that the departure of the Managing Director of CinemaNext North America during the year affected the development of this activity which should generate a low contribution in 2019.

EBITDA for **Eclair** was down by €5.2m mainly due to the difficulties experienced by the creative activities. This led the Group to ask for its Eclair Cinema subsidiary, which operates these activities in France, to be placed in receivership in November. The EBIT was impacted by Eclair goodwill impairment of €7.0m. Eclair goodwill was entirely impaired on 31 December 2018.

Lastly, the **new activities** contributed negatively to the Group's EBITDA for €2.4m, approximately half of which is linked to the sales costs of developing the HDR EclairColor technology, revenue for which remains low. The other half is due to the launching of the EclairGame and Illucity-related activities.

In total, the Group's EBIT stood at -€12.6m, down by €20.1m as compared to the previous year.

At -€4.6m, the net financial charges deteriorated by €0.5m given the greater use of short-term credit lines and overdrafts.

The tax burden represented €0.4m (€2.6m in 2017), a drop linked in particular to the lower earnings of the foreign subsidiaries operating the VPF activity.

With a minority interest share - foreign partners of the CinemaNext network - of €0.7m, the Group's net income stands at -€18.3m, as compared to €0.8m the previous year.

Free cash flow financed investments in 2018

<u>Cash flow Table</u>		
In millions of euros	2018	2017
Self-financing capacity	16.9	38.3
Variation in working capital requirements	4.0	8.5
Operating investments	(16.4)	(9.1)
FREE CASH-FLOW	4.6	20.7
Flow linked to financing	(10.9)	(27.3)
CASH FLOW VARIATION	(6.3)	(6.6)
Cash flow at start of year	15.7	20.6
Overdrafts and short-term credit lines	0.4	1.7
NET CASH FLOW AT YEAR END	9.8	15.7

The fall in earnings has reduced the self-financing capacity by €21.4m. With working capital requirements down by €4.0m, operations generated a positive flow of €20.9m, the largest share of which, €16.4m, was dedicated to investments. These concerned the digital transformation of Eclair, fitting out the new Malakoff and Barchon premises and the launch, costing €4.0m, of the new EclairGame and Illucity activities. To this was added capital investments (creation/repurchase of subsidiaries and share repurchase programme) for €0.9m.

Given the high level of investment and cash flows relating to financing of €10.9m, of which €10.0m for loan repayments, the cash flow variation for the year stood at -€6.3m.

The available cash flow of €9.8m at the end of 2018 did not allow the EuroPP bond repayment term of €19.5m initially scheduled on 23 February 2019. This led the Group to enter into discussions with all its financial creditors and obtain "standstills" awaiting the outcome of debt negotiations.

Business development outlooks subject to renegotiation of the debt

From an operational point of view, Ymagis moves into 2019 with strengthened positions on its different business segments:

- CinemaNext is entering a new growth phase with the first concrete signs of market recovery and encouraging prospects for the Sphera premium cinema offer and virtual reality solutions for cinemas;
- Eclair has made progress in restructuring its activities to focus on the most promising markets with a brand-new range of digital solutions. In this context, Ymagis has entrusted the Rothschild & co subsidiary, Transaction R, with a mandate aiming to advise the Group on the different strategic solutions for the Eclair business unit and identify international partners for this business unit. The Group estimates that this assignment should achieve results during the second half of 2019;
- The new virtual reality offers are in high demand from cinema exhibitors and third parties for franchises or dealerships.

In this context, renegotiation of the debt should enable Ymagis to capitalise on the efforts accomplished to take advantage of these new growth and profitability drivers. If the discussions underway succeed, they should enable the Group to enter a new stage in its development.

This situation raises considerable uncertainty regarding the ability to continue operating as a going concern. Nevertheless, the Group approved its consolidated earnings on 31 December 2018 based on the assumption of an ongoing concern scenario given the confidence it has in:

- the outcome of discussions with its creditors;
- the active search for short-term financing solutions, one of which is currently under audit and should enable the Group to cover its operating funding requirements for the coming months;
- the success of the process initiated with the investment bank Transaction R concerning optimum strategic solutions for the Eclair business unit.

Lastly, the Group and its financial creditors have reached an agreement to extend the “standstill” agreement negotiated in February 2019 until 31 July 2019. This new agreement indicates the willingness of Ymagis and its financial creditors to secure appropriate solutions regarding the Group’s debt.

Next press release on 13 May 2019: revenue for Q1 2019

ABOUT YMAGIS GROUP

Ymagis is a European leader in advanced digital technology services for the cinema industry. Founded in 2007, the Group is headquartered in Paris and has offices in 26 countries with 770 employees. Our core business is structured around four main units: CinemaNext (exhibitor services: sales and field services, software solutions, customer service/NOC), Eclair (content services: postproduction, theatrical delivery, digital distribution, versioning and accessibility, restoration and preservation), Virtual Print Fee (VPF) for finance solutions and other activities, including EclairColor, EclairGame and Virtual Reality. For more information, please visit www.ymagis.com

YMAGIS is listed on Euronext Paris and is part of the CAC Small, CAC Mid and Small and CAC All-Tradable indices.

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