

Technicolor

Change of plan

Revised financing

Media

27 May 2020

The impact of the COVID-19 pandemic on equity markets has interfered with Technicolor's plans to refinance the group in part through a €300m rights issue, as was announced in February 2020. Management is now seeking an alternate solution to enable it to move ahead with the strategic plan unveiled at that time. It is seeking a conciliation with its creditors to facilitate negotiations with a third-party investor and one of its existing lenders that will inject €400m into the business, to be followed by a debt to equity swap. Management has withdrawn guidance and our estimates remain under review.

Year end	Revenue (€m)	EBITA (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)
12/17	4,253	151	47	(4.3)	0.0	N/A
12/18	3,988	98	7	(3.2)	0.0	N/A
12/19	3,800	42	(97)	(6.5)	0.0	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

We recently reported on the Q1 figures ([May update](#)), which were in line with management expectations. Prospects across the three group businesses were varied, with some encouraging signs in the performance of Connected Home, particularly in North America. The need for additional financing is clear, with a current equity value of €58m compared to end March net debt of €1.6bn. The €400m injection referred to in the announcement will be used to pay off the €110m bridging facility (due in July 2020) and cover the liquidity required to fund working capital. To do this transaction, management requires prior agreement with the relevant majority of creditors (key creditors are Nataxis/Citibank, JP Morgan Europe, Citigroup and Wells Fargo) under the auspices of a court-appointed conciliator. The Solicitation applied for allows the arrangements to be discussed amicably and consensually and will expire at 17:00 New York time (22:00 London, 23:00 Paris) on 28 May, unless extended by Technicolor. Once the new financing is in place, management can then look to get further agreement from lenders to facilitate a debt-to-equity swap, which may significantly dilute the interests of existing equity shareholders.

Price €3.73

Market cap €58m

€0.91/US\$

Net debt (€bn) at 31 March 2020 1.6

Shares in issue 15.45m

Free float 100%

Code TCH

Primary exchange Euronext

Secondary exchange N/A

Share price performance



Business description

Technicolor is a worldwide technology leader operating in the media and entertainment industry. Its activities are organised in two business segments, Entertainment Services (the combined Production and DVD Services businesses) and Connected Home.

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