



Highlight

Highlight Communications AG



1Q2023

QUARTERLY STATEMENT as of March 31, 2023

The Highlight Group with positive development in the first quarter of 2023

- The equity ratio is 28.2 % (previous year: 29.3%)
- Consolidated sales of CHF 81.2 million were CHF 6.9 million below the previous year's figure
- EBIT decreased to CHF -5.6 million (previous year: CHF -4.2 million)

Economic development of the Highlight Group

Sales and earnings (in CHF million)

| | Q1 2023 | Q1 2022 | Change |
|---|---------|---------|--------|
| Sales | 81.2 | 88.1 | -7.9 % |
| EBIT | -5.6 | -4.2 | n/a |
| Net profit for the period | -9.5 | -7.6 | n/a |
| Net profit attributable to shareholders | -9.6 | -7.5 | n/a |
| Earnings per share (in CHF) | -0.17 | -0.13 | n/a |

The sales decline was due to foreign currency effects. At CHF 25.7 million, capitalized film production costs and other own work capitalized increased by CHF 15.8 million year-on-year.

Consolidated operating expenses increased by CHF 7.9 million or 7.4% year-on-year to CHF 114.7 million as a result of production. This was chiefly driven by operating production costs in the Film segment.

As a result, EBIT amounted to CHF -5.6 million after CHF -4.2 million in the previous year and a consolidated net profit for the period amounted to CHF -9.5 million, compared to CHF -7.6 million the same quarter of the previous year.

Net assets and financial position (in CHF million)

| | March 31, 2023 | December 31, 2022 | Change |
|-------------------------------|----------------|-------------------|-------------|
| Balance sheet total | 629.0 | 634.2 | -0.8 % |
| Equity | 177.6 | 186.0 | -4.5 % |
| Equity ratio (in %) | 28.2% | 29.3% | -1.1 points |
| Current financial liabilities | 113.2 | 112.3 | 0.8 % |
| Cash and cash equivalents | 34.0 | 29.9 | 13.6 % |

With growth of CHF 14.9 million to CHF 429.0 million, non-current assets were higher than at the end of 2022. The increase in the value of film assets by CHF 17.4 million to CHF 172.8 million resulted in particular from an increase in in-house productions.

Current assets decreased by CHF 20.1 million to CHF 200.0 million, with decreases of CHF 11.5 million in contract assets and CHF 13.8 million in trade and other receivables being offset by a slight increase of CHF 0.4 million in income tax receivables.

Equity decreased slightly to CHF 177.6 million compared with CHF 186.0 million at the end of 2022.

Operational and economic development of the Film segment

Preliminary remark

Although the pandemic has been declared over, COVID-19 is still causing production downtime, and there is no longer financial compensation from federal or state funds. This risk is not – at least at the moment – covered by contingency insurance.

It is also difficult to assess what effects will arise from the tense economic situation, including in relation to the Ukraine war, the rise in energy and food prices, the cost of living, the shortage of skilled workers, etc. The higher cost of living could lead consumers to reduce their leisure budgets, which in turn is likely to mean fewer trips to the movies and a decline in spending on streaming services and home entertainment, for example.

Moreover, a potential economic slump due partly to the Ukraine crisis and persistently high inflation could result in declining advertising revenue and accompanying budget reductions for the private free TV stations.

In public broadcasting, there could be a reduction in the awarding of production contracts if the planned yet contentious increase in fees by the German Commission to Determine the Financial Needs of Public Broadcasters (KEF) fails to find political support. The awarding of contracts in the streaming sector may also decline as US and domestic services face an economic test of their business models and replace their growth strategies with financial circumspection.

Theatrical distribution – The reporting period saw the theatrical release of the stone-age comedy “Caveman” adapted from a well-known stage play, the young-adult movie “Perfect Addiction”, the bestseller adaptation “Sun and Concrete” and the legacy sequel “Manta Manta - Zwoter Teil”.

Home Entertainment – The first quarter of 2023 went largely as planned with the releases of the international theatrical production “After Ever Happy” and the Constantin in-house productions “How About Adolf?” and “The Pool”. The positive overall results were driven to a large extent by the sales figures achieved in digital distribution as well as the result for catalog titles in digital and physical formats. The theatrical hit “After Ever Happy” sold 210,000 units; “How About Adolf?” was released just before the end of March 2023, so meaningful figures are not yet available.

License trading/TV exploitation – Free TV licenses started for the theatrical movie “The Best Is Yet to Come” (Red Bull Media House GmbH), and pay TV (PPV) licenses started for “After Ever Happy”, “The Pool” and “How About Adolf?”, among others (all on Sky).

TV service production – In the first quarter of 2023, filming began for the 20th season of “Dahoam is Dahoam”, episodes 15 and 16 of “Split Homicide” and the sixth part of “Passau Krimi”.

Constantin Entertainment’s successful “Das Strafgericht mit Ulrich Wetzel” has been airing at 4 pm on RTL since October 2022. In the first quarter of 2023, it achieved excellent ratings with a market share of up to 14.4 % in the 14- to 49-year-old target group. Season 4 with 100 new episodes has been commissioned.

“LOL4” was produced in the first quarter of 2023. “LOL” is the most successful show on Amazon Prime Video Germany. The documentary “Der Anschlag – Angriff auf den BVB” was produced for Sky.

Negotiations with Netflix are also underway regarding the reality series “Kaulitz Hills”, which would be Constantin Entertainment’s first order from Netflix.

Several TV service productions achieved double-digit percentage market shares (overall market) in the first quarter of 2023. The premiere broadcasts of the “Split Homicide” episodes “Der Todesritt” and “Split vergisst nie” in February and March on ARD achieved top ratings of 5.6 million and 5.4 million viewers, respectively, and market shares of around 20 %. “Kommissarin Lucas - Du bist mein” reached over 6 million viewers with a 21.8 % market share, giving ZDF the highest ratings of the day. The premiere broadcast of “Das perfekte Geheimnis” on SAT.1 on January 2, 2023, was a hit with a market share of over 15.5 % in the target group of 14- to 29-year-olds. “Faraway”, the movie produced for Netflix by Olga Film, entered the top ten in 89 countries and took first place in 41 countries.

Sales and earnings (in CHF million)

| | Q1 2023 | Q1 2022 | Change |
|------------------|---------|---------|--------|
| Segment sales | 45.0 | 48.2 | -6.6 % |
| Segment earnings | 1.1 | 0.8 | 40.2 % |

The sales decrease in the segment was due to foreign currency translation.

Other segment income, which is largely influenced by capitalized film production costs, increased by CHF 13.8 million to CHF 26.9 million as a result of the higher production volume. Segment expenses likewise rose by CHF 10.3 million to CHF 70.8 million.

Operational and economic development of the Sports and Event segment

In the first quarter of 2023, TEAM continued the sales process for the UEFA Champions League, UEFA Europa League and the UEFA Europa Conference League for the 2024/25 to 2026/27 rights cycle. In particular, rights for the new cycle were sold in Italy and Latin America during the first quarter of the year.

In addition, TEAM supported the business partners in the preparations for the UEFA Champions League Final in Istanbul, the UEFA Europa League Final in Budapest, and the UEFA Europa Conference League Final in Prague.

In the first quarter, Highlight Event AG extended its agency agreement with the Vienna Philharmonic Orchestra until 2032 ahead of time. In addition, the New Year's Day Concert 2023 was carried out successfully for the media and sponsorship partners. Preparations for the 2023 Eurovision Song Contest in Liverpool were intensified. Sponsorship sales were again concluded successfully this year.

Sport 1 GmbH acquired new rights for its program portfolio in the first quarter – and also celebrated their 30th anniversary:

SPORT1 acquired exclusive rights from ESPN to the new American football league XFL for the next two years. The first XFL season was held from February to May 2023. In motorsports, rights were acquired to the ADAC GT Masters and ADAC GT4 Germany. In addition, SPORT1 is exclusively broadcasting the highlights round-up "Sky Formel 1 Highlights" on free TV this year as part of a new cooperation with Sky and presented by Automobilclub von Deutschland (AvD) as sponsor, as well as a FIA World Rally Championship (WRC) highlights show. SPORT1 also launched the new darts format "MADHOUSE – Die Darts Show" on YouTube, Facebook and the smart TV app sport1TV, which airs every Thursday ahead of the live Premier League broadcasts. In eSports, SPORT1 has expanded its partnership with ESL and will show the major CS:GO, Dota 2 and StarCraft II tournaments up to and including the 2024/25 season exclusively on eSPORTS1. Moreover, the two partners are again cooperating on the Virtual Bundesliga (VBL) this year, which is organized by Deutsche Fußball Liga (DFL) together with ESL and broadcast on SPORT1.

In January, SPORT1 celebrated its 30th anniversary with special initiatives such as an anniversary episode of "STAHLWERK Doppelpass" on January 22. SPORT1 also had reason to celebrate thanks to the World Darts Championship, which set new records: An average of 600,000 viewers aged three and over (V3+) watched the 28 sessions from mid-December to early January, 300,000 of whom from the core target group of men aged 14 to 59 (M14-59) relevant for advertising. The market shares for the entire tournament also set new all-time records – namely 3.3 % (Z3+), 7.5 % (M14-59), 9.4 % (M14-49) and 18.4 % (M14-29). Over the course of the tournament, the one-million mark was exceeded ten times, the two-million mark was reached three times, and thanks to Gabriel Clemens' historic participation in the semi-final, the three-million mark was topped for the first time – likewise a new record in the 19-year history of the World Darts Championship being broadcast on SPORT1.

SPORT1's free TV market share amounted to 0,6 % among all viewers aged three and over and 1.1 % in the core target group of 14- to 59-year-old men in the first quarter of 2023, up 16 % (Z3+) and 29 % (M14-29), respectively, on the same period of the previous year. This positive development was driven in particular by the record ratings and market shares for the World Darts Championship - with peak ratings of up to 3.78 million viewers.

In terms of digital content, visits increased by 13 % and video views on the SPORT1 platforms rose by 30 % in the first quarter of 2023 compared with the same period of the previous year. Video views on YouTube were up 34 % year-on-year in the first quarter of 2023. The increases in visits were driven by strong SEO traffic and app reach, and in video views particularly by soccer and darts coverage, while on YouTube the new "Shorts" format also generated high viewing figures.

In marketing, SPORT1 Business acquired SsangYong Motors Deutschland and Santander as new co-sponsors for “Bundesliga Pur” at the start of the second half of the soccer season.

PLAZAMEDIA celebrated the start of a new production era in the media location of Munich with the opening of its new Extended Reality (XR) LED Studio: With a 120 square meter LED wall, the "briX|woRk.studio" offers novel and diverse application possibilities for innovative and sustainably realized productions - for film, broadcast and production companies, but also for advertising companies with their brands as well as event and creative agencies.

The other Sport1 Medien AG Group companies also focused on maintaining and expanding new and existing partner and customer relationships in the quarter under review.

Sales and earnings (in CHF million)

| | Q1 2023 | Q1 2022 | Change |
|------------------|---------|---------|--------|
| Segment sales | 36.2 | 40.0 | -9.4 % |
| Segment earnings | -5.2 | -3.3 | n/a |

The external sales of the Sport segment fell by CHF 3.8 million to CHF 36.2 million.

Other segment income declined by CHF 0.3 million to CHF 1.1 million, while segment expenses likewise fell by CHF 2.1 million to CHF 42.6 million. The segment result declined by a total of CHF 1.9 million compared to CHF -5.2 million compared with the same period of the previous year.

Report on risks and opportunities

There were no changes in the Highlight Group's risks and opportunities in the first quarter of 2023. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report of our 2022 annual report.

Forecast

The Ukraine crisis and the trade dispute between the US and China could influence or even hinder international trade in the medium term. However, opportunities could also arise for third countries. For example, films with a non-American certificate of origin could have better chances on the Chinese sales market. The EU's sanctions against Russia have not yet had a material impact on the Constantin Film Group's business.

Film Segment

At present, growing media consumption and a rise in global demand for audio-visual products can be cautiously predicted, which would result in a positive overall situation in the Film segment.

Assuming this is the case, the sales forecast for 2023 is generally based on a promising portfolio of attractive own/co-productions and licensed films for cinema and home entertainment. In addition, activities in the TV service production business area are set to pick up.

In German theatrical distribution, at least nine film releases are planned for 2023, including "Rehrgout-Rendezvous" from the very successful Eberhofer crime series.

In home entertainment exploitation, which includes digital and physical sales, we continue to anticipate good digital sales figures for our new releases and catalog products.

With a steady decline in acceptance for the physical product and inflation having an adverse effect on consumer sentiment, we expect physical business with the sale of audiovisual storage media to be difficult.

No movies will be newly licensed for free TV in the second quarter of this year, while the license for "A Stasi Comedy" will begin in the pay TV (PPC) segment.

Sports and Event segment

In the next quarter, TEAM will support UEFA and its partners in delivering a successful conclusion to the second season of the current rights cycle, including the Finals.

Furthermore, the preparation work for the 2024/25 to 2026/27 cycle will continue, with the definition of the brand identity of the competitions and the continuation of the media and sponsorship sales processes.

Highlight Event AG's main focus is the successful implementation of contracts (Eurovision Song Contest 2023, Summer Night Concert 2023 and sponsored events in Prague and Tokyo) and the preparations for the renewal of the agency agreement with the European Broadcasting Union (EBU).

In fiscal 2023, Sport 1 GmbH will again primarily focus on the systematic use, distribution, and capitalization of multimedia content. In addition to augmenting the portfolio by acquiring new rights, extending existing partnerships and developing new content cooperations and business areas, cross-platform exploitation and production of established pillars of programming also remain central. In particular, these include the core sports of football, darts, motorsports, ice hockey, basketball, volleyball, tennis, US sports and e-sports. Given the continued massive growth in the digital and cross-platform use of media content, the Sports segment will also continue to promote the digital diversification of the SPORT1 brand, while at the same time creating new content and marketing environments. On the basis of the wide reach of its platforms, the rights acquired on a long-term basis and the existing target group, the SPORT1 MEDIEN Group plans to successively create its own digital products geared toward its platforms' target group and thus to make itself less dependent on the advertising market. Another focal point is the planning and implementation of promising crypto projects.

In addition to complex live and non-live productions, PLAZAMEDIA will continue to focus on developing innovative production technologies, content management solutions and technical content distribution in 2023.

The main priorities for sports at the other subsidiaries of Sport 1 Medien AG will also be maintaining and expanding existing customer relationships and developing new ones.

Events after the balance sheet date

At the allocation of funding by the German Federal Film Board for 2022, which took place in April 2023, Constantin Film was recognized as the most successful German producer and achieved second place in terms of distribution. This meant it received funding of around EUR 1.3 million for production and around EUR 355,000 for distribution. The biggest subsidies were received for “Guglhupfgeschwader”.

Notes and forward-looking statements

This document is a quarterly statement according to Section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse.

For calculation-related reasons, rounding differences of +/- one unit may arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

This document contains forward-looking statements that are based on estimates and expectations of the Group management. Words such as "anticipate", "intend", "expect", "can/could", "plan", "intended", "further improvement", "target is", and similar expressions are intended to identify forward-looking statements.

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