



# Highlight

Highlight Communications AG



## 1Q2024

## QUARTERLY STATEMENT as of March 31, 2024

### The Highlight Group with sound development in the first quarter of 2024

- The equity ratio is 25.5% (previous year: 26.8%).
- Consolidated sales of CHF 78.7 million were CHF 2.4 million below the previous year's figure, due to production.
- EBIT decreased to CHF -5.9 million (previous year: CHF -5.6 million).

## Economic development of the Highlight Group

### *Sales and earnings (in CHF million)*

|   | Q12024 | Q12023 | Change |
|---|--------|--------|--------|
| Sales                                   | 78.7   | 81.2   | -3.0%  |
| EBIT                                    | -5.9   | -5.6   | n/a    |
| Net profit for the period               | -8.3   | -9.5   | n/a    |
| Net profit attributable to shareholders | -8.3   | -9.6   | n/a    |
| Earnings per share (in CHF)             | -0.15  | -0.17  | n/a    |

The sales decline was due to periodic postponements of theatrical releases. At CHF 28.2 million, capitalized film production costs and other own work capitalized increased by CHF 2.5 million year-on-year.

Consolidated operating expenses remained almost at the previous year's level and increased only slightly by CHF 0.7 million or 0.6% year-on-year to CHF 115.4 million.

As a result, EBIT amounted to CHF -5.9 million, compared to CHF -5.6 million in the same quarter of the previous year, and the consolidated net result for the period improved by CHF 1.2 million year-on-year from CHF -9.5 million to CHF -8.3 million.

### *Net assets and financial position (in CHF million)*

|                               | March 31,2024 | Dec. 31,2023 | Change      |
|-------------------------------|---------------|--------------|-------------|
| Balance sheet total           | 630.2         | 598.8        | 5.2%        |
| Equity                        | 160.4         | 160.4        | 0.0%        |
| Equity ratio (in %)           | 25.5          | 26.8         | -1.3 points |
| Current financial liabilities | 197.2         | 153.7        | 28.3%       |
| Cash and cash equivalents     | 32.9          | 25.5         | 29.0%       |

With growth of CHF 29.0 million to CHF 479.6 million, non-current assets were higher than at the end of 2023. The increase in the value of film assets by CHF 24.2 million to CHF 220.2 million resulted in particular from an increase in in-house productions.

Current assets increased by CHF 2.4 million to CHF 150.6 million, with a decrease in contract assets of CHF 13.5 million being offset by an increase in trade receivables and other receivables of CHF 8.2 million and an increase in cash and cash equivalents of CHF 7.4 million.

At CHF 160.4 million, equity remained stable compared to the end of 2023.

## Operational and economic development of the Film segment

**Theatrical distribution** – The reporting period saw the theatrical release of the horror thriller “Home Sweet Home – Wo das Böse wohnt” and the extraordinary comedy “Chantal and the Magic Kingdom” (“Chantal im Märchenland”).

**Home Entertainment** – Sales in the first quarter of 2024 were above the forecast numbers for publications from the new release sector as well as the comprehensive library program. The production “Rehragout-Rendezvous” published at the end of December made a substantial contribution to earnings in the new release sector. The title “Rehragout-Rendezvous” in the digital sector was able to generate a total of 320,000 transactions starting from publication until the end of the reporting period – in the first quarter of 2024 alone, the title still had over 150,000 transactions. In the digital sector, forecasts in the reporting period were able to be exceeded and lower-than-expected sales in the physical business were compensated for. The physical business is following the overall market trend in the areas of DVD and Blu-ray.

**License trading/TV exploitation** – Free TV licenses started for the theatrical movie “Resident Evil: Welcome to Raccoon City” and “Monster Hunter” (both ProSieben) and on pay TV (PPV) “Caveman”, “Sonne und Beton” and “Manta Manta - Zwoer Teil” (all starts on Sky).

**TV service production** – In the first quarter of 2024, filming began for “Die Toten am Meer - Die Wasserfrau”, the 21st season of “Dahoam is Dahoam” and the second season of “Friedrichstadt-Palast”.

Constantin Entertainment started filming the fifth season of “Das Strafgericht - mit Ulrich Wetzel”, the third season of the reality show “Germany Shore” and the live event “Die Passion 2024”.

Several TV service productions achieved double-digit percentage market shares (overall market) in the first quarter of 2024. After an almost one-year break, the Croatian crime series was a hit with a brilliant rating comeback: “Der Kroatien-Krimi: Scheidung auf Kroatisch” reached 7.037 million viewers on ARD with a 26.1% market share in February. The episode “Der Kroatien-Krimi: Die toten Frauen von Brac” had 5.323 million viewers and a 19.0% overall market share. The Passau-Krimi series was just as successful on ARD. “Zeit zu beten. Ein Krimi aus Passau” reached 5.839 million viewers with a 22.5% market share, and the episode “Gier nach Gold. Ein Krimi aus Passau” reached 5.647 million viewers with a 20.3% market share. The Ferdinand von Schirach series “Sie sagt. Er sagt” reached a very good 4.75 million viewers with a 17.5% market share on ZDF. The Constantin Film in-house production “Monster Hunter” was able to enthrall the relevant target market of 14- to 49-year-olds with a 12.4% market share in its initial broadcast on ProSieben. The repeat broadcast of “Fack Ju Göhte” on SAT.1 impressed the young 14-29 target audience with a 14.9% market share. On RTL, the new edition of “Die Passion” produced by Constantin Entertainment aroused the interest of 2.47 million viewers.

In the streaming sector, the comedy show “L.O.L. - Last One Laughing” by and with Bully Herbig on Amazon Prime Video produced by Constantin Entertainment was once again overwhelmingly impressive. The release of the fifth season on March 28, 2024 was accessed over five million times within only four days.

### **Sales and earnings** (in CHF million)

|                  | Q12024 | Q12023 | Change |
|------------------|--------|--------|--------|
| Segment sales    | 40.4   | 45.0   | -10.2% |
| Segment earnings | -1.7   | 1.1    | n/a    |

The theatrical release of “Chantal and the Magic Kingdom” (“Chantal im Märchenland”) was on March 28, 2024 and this led to a periodic shift in sales.

Other segment income, which is largely influenced by capitalized film production costs, increased by CHF 3.0 million to CHF 29.9 million as a result of the higher production volume. Segment expenses likewise rose by CHF 1.3 million to CHF 72.1 million, due to production.

## Operational and economic development of the Sports and Event segment

In the first quarter of 2024, TEAM continued the sales process for the UEFA Champions League, UEFA Europa League and the UEFA Conference League for the 2024/25 to 2026/27 rights cycle. In particular, sponsorship agreements were signed with Swissquote and Just Eat Takeaway during the first quarter of the year.

In addition, TEAM supported the business partners in the preparations for the UEFA Champions League Final in London, the UEFA Europa League Final in Dublin, and the UEFA Europa Conference League Final in Athens.

In the first quarter of 2024, Highlight Event AG extended its agency agreement with the European Broadcasting Union (Europäische Fernsehunion – EBU) until 2028 for the Eurovision Song Contest. The sponsorship sale for the ESC 2024 in Malmö was once again successfully concluded, despite the partly politically influenced unrest. In addition, the 2024 Vienna Philharmonic Orchestra New Year's Concert – and thus the first core event of the year for Highlight Event AG – was successfully handled for the media and sponsor partners.

SPORT1 celebrated more records at the beginning of January in its program with the World Darts Championship. The final between the new world champion Luke Humphries and “child prodigy” Luke Littler was followed by up to 2.86 million viewers aged three and older (V3+) at the peak – more than ever before for a finals broadcast. When it comes to market shares, new records were also set for a world championship final with 8.9% of total viewers (V3+) as well as 17.8% (men 14-59) and 21.8% (men 14-49) in the target groups relevant to advertising.

In addition to the streaming technology with the TV apps, the partners receive media coverage on the SPORT1 platforms - i.e. they are integrated in the TV, digital, audio and social media areas with individual content solutions. Sport1 GmbH also expanded its program portfolio in the first quarter with motor sport rights in the FIA World Rally Championship (WRC) and the FIA World Endurance Championship (WEC).

SPORT1's free TV market share amounted to 0.6% among all viewers aged three and over (V3+) and 1.2% in the core target group of 14- to 59-year-old men in the first quarter of 2024, and thus for V3+ the market share was at 5% with 7% in the core target group M14-59 on the same period of the previous year.

In the digital sector, visits and video views on the SPORT1 platforms fell slightly in the first quarter of 2024 compared to the same quarter of the previous year, by 9% and 12% respectively. This was primarily due to the greater restrictions imposed by the social media platforms with regard to the traffic shift in order to keep users on their platforms. SPORT1 therefore increasingly focused on video content on the respective platforms instead of links to its own channels.

PLAZAMEDIA has set its next milestone in virtual production with the launch of extended reality (XR) LED Studios briX|woRk.studio last year with the opening of the ILLUSIONEER Studio. It had its beginning in February with a studio production for DAZN for Super Bowl LVIII.

### *Sales and earnings (in CHF million)*

|                  | Q12024 | Q12023 | Change |
|------------------|--------|--------|--------|
| Segment sales    | 38.3   | 36.2   | 5.9%   |
| Segment earnings | -3.1   | -5.2   | n/a    |

The external sales of the Sports and Event segment rose by CHF 2.1 million to CHF 38.3 million.

Other segment income declined by CHF 0.2 million to CHF 0.9 million, while segment expenses fell by CHF 0.2 million to CHF 42.5 million. The segment result improved by a total of CHF 2.1 million to CHF -3.1 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 2024. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report of our 2023 annual report.

## Forecast

### 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 and a recovering cinema market.

Assuming this is the case, the sales forecast for 2024 is generally based on a promising portfolio of attractive own/co-productions and licensed films for cinema and home entertainment as well as a wide variety of fiction and non-fiction service productions for TV channels and streaming providers.

In addition to the titles mentioned above, "Home Sweet Home" and "Chantal and the Magic Kingdom" ("Chantal im Märchenland"), at least nine further film releases are planned for theatrical distribution in Germany in 2024. Among others, the lavish fantasy epic "Hagen", based on a bestseller by Wolfgang Holbein, and "Der Spitzname", a sequel to the two successful comedies "Der Vorname" and "Der Nachname", are to be released in cinemas. In home entertainment exploitation, which includes digital transactional and physical product sales, Constantin continues to anticipate very good sales figures in the digital sector for its new releases and catalog products. High sales numbers are especially expected from the marketing established for 2024 for the in-house produced blockbuster "Chantal and the Magic Kingdom" ("Chantal im Märchenland"). License purchases such as "Neue Geschichten vom Pumuckl" or the fantasy action title "Boy Kills World" as well as the co-productions "Wow! – Nachricht aus dem All" and "September 5" are other highlights of the upcoming portfolio.

No movies will be newly licensed for free TV in the second quarter of this year, while "The Unlikely Pilgrimage of Harold Fry" and "Get Up aka Skatergirlz" will be launched 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 third, and last, 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 inductions of new and incumbent media and sponsorship partners and the conclusion of the media and sponsorship sales processes.

Highlight Event AG's main focus is to perform the agreements, especially regarding the following events: Eurovision Song Contest 2024 in Malmö, Summer Night Concert 2024 in the Schönbrunn Palace Gardens as well as other TV and sponsored events for the Vienna Philharmonic Orchestra in Berlin (May 2024), Madrid, Paris and Beijing (all in October 2024).

In fiscal 2024, the main focus will again be on the systematic use, distribution and capitalization of content. 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.

## Events after the balance sheet date

At the allocation of funding by the German Federal Film Board for 2023, which took place in April 2024, Constantin Film was recognized as the most successful German producer and distributor. This meant it received funding of around EUR 1.9 million for production and around EUR 428,000 for distribution. "Rehragout-Rendezvous" received the highest subsidies (EUR 688,000).

## **Notes and forward-looking statements**

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