



# Highlight

Highlight Communications AG



## 3Q 2023

## QUARTERLY STATEMENT as of September 30, 2023

### Development of the Highlight Group in the first nine months in line with expectations

- Consolidated sales amounted to CHF 285.6 million (previous year CHF 386.1 million).
- EBIT decreased to CHF -3.0 million (previous year CHF 1.0 million).
- The equity ratio was 25.8% as of September 30, 2023 (December 31, 2022: 29.3%).

## Economic development of the Highlight Group

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

	Jan. 01 to Sept. 30, 2023	Jan. 01 to Sept. 30, 2022	Change
Sales	285.6	386.1	-26.0%
EBIT	-3.0	1.0	n/a
Net profit for the period	-18.0	-12.0	n/a
Net profit attributable to shareholders	-18.4	-12.3	n/a
Earnings per share (in CHF)	-0.32	-0.22	n/a

The year-on-year reduction in total sales was due to the lower level of sales in the Film segment.

The higher sales in the Film segment in the previous year is primarily attributable to the revenue recognition of the international Venus Flytrap project in the second quarter of 2022.

Group operating expenses declined by CHF 78.3 million to CHF 360.0 million. The main reason for this was the decline in cost of materials and licenses as well as personnel expenses in connection with production.

As a result, EBIT amounted to CHF -3.0 million (previous year CHF 1.0 million) and the net result for the period was CHF -18.0 million, compared with CHF -12.0 million in the previous year.

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

	Sept. 30, 2023	December 31, 2022	Change
Balance sheet total	632.0	634.2	-0.4%
Equity	163.0	186.0	-12.4%
Equity ratio (in %)	25.8	29.3	-3.5 points
Current financial liabilities	208.2	112.3	85.4%
Cash and cash equivalents	25.9	29.9	-13.5%

With growth of CHF 23.0 million to CHF 437.2 million, non-current assets were higher than at the end of 2022. The CHF 37.9 million increase in film assets to CHF 193.2 million was due to the higher level of in-house productions compared with year-end 2022.

Current assets decreased by CHF 25.3 million to CHF 194.8 million as a result of the CHF 23.6 million reduction in trade and other receivables.

Equity decreased by 12.4% to CHF 163.0 million compared with CHF 186.0 million at the end of 2022.

## Operational and economic development of the Film segment

**Theatrical production** - The movie theater market in Germany is gradually stabilizing again at pre-pandemic levels. Older moviegoers (55+) are the only target group that has not yet returned to their previous cinema behavior.

As of the reporting date, moviegoers for 2023 are estimated at 75 million and Gross Box Office at 700 million; with the average rise in ticket prices making up for the decrease in moviegoer numbers.

The writers' strike in the US has been called off for the time being. The SAG/AFTRA (Screen Actors Guild – American Federation of Television and Radio Artists) strike in the US, which began in the reporting period, is causing planning uncertainty in terms of theatrical release dates with major titles such as “Dune: Part Two” delayed from November 2023 until March 2024. Economic conditions in both Germany and Europe have also affected consumer behavior as well as the international market generally.

**Theatrical distribution** - The movie “Rehragout-Rendezvous” was released in German cinemas on August 10, 2023 and was the most successful and most-watched part of the Eberhofer series. As of the reporting date, more than 1.4 million viewers have watched “Rehragout-Rendezvous” at movie theaters in Germany.

**Home entertainment** - Two movies were successfully released in the third quarter that had previously attracted theater viewership in the millions - “Sonne und Beton” and “Manta, Manta – Zwoer Teil”. Other theatrical movies included the in-house production “Perfect Addiction”.

Positive overall results were driven to a large extent by the sales figures in both physical and digital formats for the movies “After Ever Happy”, “Family Affairs” and the video “Lamborghini”, released in the first half of 2023. In digital distribution, very good results were achieved by the two movies “Family Affairs” and “Lamborghini”, with 330,000 and 150,000 digital transactions, respectively.

**License trading/TV exploitation** - Licenses started for the theatrical movies “Guglhupfgeschwader” (Degeto) and “Dragon Rider” (ProSieben) on free TV and for “Liebesdings” (Sky) and “The Pool” (Sky) on pay TV.

**TV service production** - Filming began in the third quarter on “Sie sagt, er sagt” (Moovie), “Auf der Walz” (Constantin Television = CTV), “Cassandra” (Rat Pack), “Achtsam Morden” (CTV), “Frankentatort” (Hager Moss), “Im Nebel” (Hager Moss), “Krimi aus Passau” (Hager Moss), “Exterritorial” (CTV) and on the lavish series “Smilla’s Sense of Snow” (CTV).

Constantin Entertainment began filming the Christmas special of “LOL – Last One Laughing”, the fourth season of “Das Strafgericht mit Ulrich Wetzels” and a 15th season of “Shopping Queen”.

The first episode of the new season of “Die Heiland – Wir sind Anwalt” kicked off on ARD with 4.05 million viewers and a very good 16.5 % of the three and over market. 4.8 million viewers tuned into the repeat of “Split Homicide – Jagd auf einen Toten”, which enjoyed an overall market share of 20.7%. “Flunkyball” dominated prime time on Das Erste’s movie Wednesday with 3.6 million viewers and 15% of the overall market.

“Dear Child”, a series based on the Romy Hausmann novel “Liebes Kind”, has been watched more than 16 million times since it was released on Netflix on September 7, 2023 and has topped the charts for weeks. With almost 200 million hours streamed worldwide, the series has been the no. 1 non-English language TV show for several weeks, making it the most successful German language Netflix series of all time.

The service productions “Dahoam is Dahoam” and “Der Sonntags-Stammtisch”, reliable ratings guarantors for BR (Bayerischer Rundfunk), delivered an average audience of 660,000 and a peak overall market share of over 20%, respectively.

### Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2023	Jan. 01 to Sept. 30, 2022	Change
Segment sales	171.7	272.1	-36.9%
Segment earnings	5.6	12.2	-54.1%

Although segment expenses declined by CHF 74.4 million or 24.1% to CHF 234.2 million in the reporting period due to production factors, segment earnings were lower than in the previous year as a result of segment sales.

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

In the third quarter of 2023, TEAM renewed Heineken as a sponsor for the UEFA Champions League 2024-2027 seasons. Engelbert Strauss renewed the sponsorship deal for the UEFA Europa League and UEFA Conference league 2024-2027 seasons.

Highlight Event AG's activities in the third quarter focused on negotiating various TV agreements for the Vienna Philharmonic Orchestra, events in 2024 and 2025 related to sponsorship agreements, and on the sale of sponsorship rights for the 2024 Eurovision Song Contest.

In Q3, Sport1 GmbH expanded its program portfolio to include the Rugby Europe 7s Championship Series in Hamburg, the Men's and Women's EuroHockey Championship, the HYLO PDC Europe Super League 2023 and the World Padel Tour, which was broadcast live on German free TV for the first time in cooperation with CUPRA. SPORT1 and MAGIC SPORTS MEDIA brought in well-known advertisers for the new Bundesliga season, including Das Örtliche, Krombacher, STAHLWERK, Tipico, Neobet and Bet-at-home.

MediaMarktSaturn's innovative live shopping format premiers on SPORT1: BRANDSOME, Sport1 GmbH's new live shopping provider launched in June 2023, agreed a partnership with Germany's number one electronics retailer in September to produce several episodes of a new live shopping format for selected consumer electronics products at MediaMarktSaturn.

Success for SPORT1 and PLAZAMEDIA at German Television Awards: Germany's leading sports platform was nominated in the "Best sports program" category at the 2023 German Television Awards for its live reporting of the 2023 Darts World Championship and was named one of the top three programs. For the first time ever, the jury voted a darts broadcast as one of the top three shows in Germany's most prestigious media award. PLAZAMEDIA GmbH also placed in the top three for its role as production service provider for the FIBA (Federation Internationale de Basketball) EuroBasket 2022 for MagentaTV/Telekom Deutschland.

SPORT1 agreed a Web3 collaboration with Starzz in July: Under the partnership, Sport1 GmbH will acquire shares in Starzz LLC while Starzz will be given extensive coverage on SPORT1 platforms. In addition, both partners are developing new, shared approaches in Web3-based technology based on direct, interactive involvement of stars and fans.

Sport1 GmbH entered into a partnership in September with Ströer, Germany's largest digital marketing company, to market its digital content: Starting on January 1, 2024, Ströer will take over conventional digital direct marketing for SPORT1. SPORT1 will also use adtech solutions provided by Ströer's subsidiary Yieldlove for its overall programming marketing.

In addition, SPORT1 announced the continuation of its stage show "Doppelpass on Tour" in the third quarter, which will tour more than 25 cities across Germany in the 2023/24 season from November onwards. The event series on Germany's number one soccer talk show has been held in cooperation with S-Promotion Event GmbH since 2021.

With regard to its market shares on free TV in the third quarter, SPORT1 reached a share of 0.5% among viewers aged three and over and 0.9% in the core target group of men aged 14 to 59, and was thus at the level of the same quarter of the previous year for individuals 3+ and slightly higher for the core target group (Q3 2022: 0.8 %).

The pay TV broadcaster SPORT1+ had around 1.89 million subscribers in total as of September 30, 2023 (September 30, 2022: 1.84 million). eSPORTS1 had around 2.11 million subscribers as of September 30, 2023, therefore also above the previous year (September 30, 2022: 2.09 million).

In terms of digital content, visits decreased by 5% and video views on the SPORT1 platforms by 2% in the third quarter of 2023 compared with Q3 2022 levels. This slight decline was in part the result of the deactivation of Facebook instant articles and, in turn, lower traffic routing through Facebook.

## Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2023	Jan. 01 to Sept. 30, 2022	Change
Segment sales	113.9	114.0	-0.1%
Segment earnings	-4.2	-6.5	35.8%

At CHF 113.9 million, external sales of the Sports and Event segment fell by 0.1% year-on-year due to exchange rate effects. Other segment income declined by CHF 1.2 million to CHF 3.5 million, while segment expenses fell by CHF 5.6 million to CHF 121.7 million. Segment earnings amounted to CHF -4.2 million due to exchange rate effects (previous year CHF -6.5 million).

## Report on risks and opportunities

There were no changes in the Highlight Group's risks and opportunities in the third 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.

## Outlook

### Film Segment

Constantin plans to release the following movies in German theaters in the fourth quarter:

“The Unlikely Pilgrimage of Harold Fry”

“Neue Geschichten vom Pumuckl”

“Das Beste kommt noch!”

“WOW! Nachricht aus dem All”

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.

For physical business with the sale of audiovisual storage media, sales are expected to decrease further due to declining consumer behavior.

With the theatrical productions “Rehragout-Rendezvous” and the major French production “The Three Musketeers - D'Artagnan”, as well as the star-studded “Maybe I Do” movie featuring Diane Keaton and Richard Gere, some promising productions are available in-home entertainment sales in the fourth quarter of 2023.

In the fourth quarter of this year, the free-TV area of the license trading/TV exploitation business area will be dominated by sales from the theatrical movie “Contra”. The pay TV (PPC) license for “Family Affairs” will begin in the fourth quarter.

### Sports and Event segment

In the next quarter, TEAM will focus on continuing the media and sponsorship sales for the 2024-2027 cycle, launching media rights tenders in several markets.

Furthermore, TEAM will support UEFA and its partners in delivering a successful Group Stage for the current season, as well as supporting the draw and calendar creation for the Round of 16 and Knockout Round Play-Offs.

The outlook for Highlight Event AG's projects is positive. For the Vienna Philharmonic Orchestra, the focus is on a number of sponsorship and media events that highlight the orchestra's global presence: November 18, 2023 at Suntory Hall in Tokyo and March 1, 2024 at Carnegie Hall in New York. It is also preparing for its 2024 New Year's Day Concert. Sales activities for the 2024 Eurovision Song Contest in Malmö, Sweden, are also underway. Various sponsorship agreements have already been signed and so the focus here is on successful contract performance.

In fiscal 2023, Sport1 GmbH is again primarily focusing 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, motorsports, volleyball, darts, 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 Web3 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.

### **Events after the balance sheet date**

Management and the Board of Directors are not aware of any events that occurred after the balance sheet date with a material impact on the net assets, financial position and results of operations of the Highlight Group.

## **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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