



Highlight

Highlight Communications AG



Highlight Group's consolidated sales develop positively in the third quarter of 2021

- Consolidated sales rose by 14.1 % year-on-year to CHF 310.4 million.
- EBIT amounts to CHF 12.4 million.
- The share of earnings attributable to Highlight's shareholders was CHF 2.1 million, corresponding to earnings per share of CHF 0.04.
- The equity ratio was 29.0 % as of the end of the first nine months of 2021 (December 31, 2020: 31.3 %).

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2021	Jan. 01 to Sept. 30, 2020	Change
Sales	310.4	272.0	14.1%
EBIT	12.4	20.2	-38.6%
Net profit for the period	2.3	7.9	-70.7%
Net profit attributable to shareholders	2.1	8.0	-74.0%
Earnings per share (in CHF)	0.04	0.14	-71.4%

The rise in sales essentially relates to higher sales in the Film segment (up CHF 20.7 million) and the Sport segment (up CHF 13.2 million). Sales in the Sports- and Event-Marketing segment were also slightly higher than in the previous year (up CHF 4.5 million). Capitalized film production costs and other own work capitalized climbed by CHF 47.1 million to CHF 98.7 million on account of production work.

Consolidated operating expenses rose by CHF 95.4 million to CHF 409.6 million. This was largely thanks to service productions in the Film segment and an increase in personnel expenses of CHF 32.2 million on account of production work.

As a result, EBIT amounted to CHF 12.4 million after CHF 20.2 million in the previous year. The consolidated net profit for the period amounted to CHF 2.3 million as against CHF 7.9 million in the same period of the previous year, and was affected by the lower financial result caused by currency effects.

Net assets and financial position (in CHF million)

	Sept. 30, 2021	Dec. 31, 2020	Change
Balance sheet total	720.0	661.3	8.9%
Equity	208.9	207.0	0.9%
Equity ratio (in %)	29.0	31.3	-2.3 Point
Current financial liabilities	135.2	69.4	94.7%
Cash and cash equivalents	37.5	48.2	-22,3%

Non-current assets increased slightly by CHF 5.9 million in total. This development is primarily as a result of the increase in right-of-use assets of CHF 12.5 million. Non-current assets also rose slightly by CHF 1.1 million. By contrast, film assets and other intangible assets were down slightly by CHF 3.2 million and CHF 3.4 million respectively.

Current assets were up by CHF 52.8 million year-on-year, essentially as a result of inventories rising by CHF 58.3 million. Trade receivables and other receivables also rose by CHF 3.0 million and contract assets by CHF 2.6 million.

Current financial liabilities increased compared to the previous year due to productions.

Equity rose slightly as against the previous year.

Operational and economic development of the Film segment

Given the pandemic situation, the comments below only apply to a more or less short period. The comments are not as reliable as in earlier reports. Operational and economic development refers to Germany, Austria and Switzerland.

Theatrical production – The third quarter of 2021 saw the start of filming on the theatrical movies “Guglhupfgeschwader” (Rita Falk’s tenth Eberhof adventure, eight of which have been produced by Constantin), the international co-production “The Three Musketeers” and “Freibad” (a movie by Doris Dörrie).

Theatrical distribution – The following Constantin Film productions were released in German movie theaters in the period from July to September 2021: “Ostwind - Der große Orkan” (the fifth installment of the Ostwind series), “Kaiserschmarrndrama” (another Eberhofer whodunit), “Tides” (science fiction thriller) and “After Love” (from the best-selling series of novels by author Anna Todd). As of the end of September, “Kaiserschmarrndrama” was the most successful German movie since the pandemic began (first German movie to be seen by a million people, still in the top 15 after nine weeks).

Home entertainment – New releases in German-speaking countries in the third quarter of 2021 included the Constantin Film production “Wrong Turn” and, in premium digital marketing, the video game adaptation “Monster Hunter”. In licensed titles, “Horizon Line” was released.

License trading/TV exploitation – In the period from July to September 2021, TV exploitation licenses began for various theatrical movies, including “Das geheime Leben der Bäume” (ZDF) and “Der Fall Collini” (ProSieben) on free TV and “After Truth” and “Monster Hunter” (both Sky, pay-per-channel) on pay TV.

TV service production – Market share (total market) for several TV service productions by Constantin Film AG or its subsidiaries was again in the double-digits in the third quarter of 2021; in particular, the broadcast of the TV movie “Die Heimsuchung” (ARD), which had a market share of 17.7%. The daily “Dahoam is Dahoam” (Bayerischer Rundfunk) achieved its usual high market share of 14.8% on average (where broadcast). The broadcast of the first two episodes of the TV series “Mein Freund das Ekel” (ZDF) also achieved a gratifying market share of 15.5%. One streaming highlight was the action horror film “Blood Red Sky” for NETFLIX. More than 50 million households have already requested the movie.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2020	Jan. 01 to Sept. 30, 2021	Change
Segment sales	183.4	162.6	12.8%
Segment earnings	10.0	12.6	-20.9%

As segment expenses increased by CHF 72.9 million or 35.0 % to CHF 281.0 million in the reporting period as a result of production work, segment earnings were below the previous year’s figure. On account of capitalized film production costs, other segment income was up significantly by CHF 49.5 million year-on-year at CHF 107.6 million (previous year: CHF 58.1 million).

Operational and economic development of the Sports- and Event-Marketing segment

The focus of the TEAM Group in the third quarter of 2021 has been on completing sales of commercial rights for the UEFA Champions League, the UEFA Europa League and the UEFA Europa Conference League for the 2021/22 - 2023/24 cycle. Efforts have centred around finalising any outstanding media and sponsor partners contracts ahead of the new commercial rights cycle commencing. Despite the difficulties caused by the COVID-19 pandemic, the sales period finished successfully with the TEAM Group on course to meet targets.

With the new 2021/22 - 2023/24 commercial cycle beginning, TEAM’s partnership teams focused on supporting UEFA with on-boarding of all new partners and started the delivery of the partners’ commercial rights in relation to the UEFA Club Competitions.

In the third quarter, the special TV concert of the Vienna Philharmonic Orchestra in the Sagrada Familia, another important event in 2021, was realized. This was produced by EBU member TVE Spain. The concert will be broadcast in more than 50 countries over the next 12 months. As for the 2021 Eurovision Song Contest, the focus is still on selling sponsorship packages (in addition to the main sponsor deal already in place). Turin has since been decided as the host city for the 2022 Eurovision Song Contest.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2021	Jan. 01 to Sept. 30, 2020	Change
Segment sales	51.4	46.9	9.5%
Segment earnings	24.3	22.3	8.7%

The external sales of the Sports- and Event-Marketing segment increased slightly year-on-year. At the same time, other segment income declined while segment expenses and depreciation and amortization rose only slightly. Segment earnings climbed accordingly as a result.

Operational and economic development of the Sports segment

In September 2021, Sport1 GmbH launched the new multisport streaming platform "SPORT1 Extra" in Germany, Austria and Switzerland. sport1extra.de offers a variety of different sports and competitions live and on-demand with a flexible selection and pricing model that includes pay-per-view for events or league and club passes. One of the highlights for the platform's launch is the German Women's Volleyball League: From the 2021/22 season, all first and second league matches will be presented live and exclusively on "SPORT1 Extra".

In the allocation of the DFB Cup media rights in July, SPORT1 secured an extensive package for the seasons 2022/2023 to 2025/2026 inclusively, covering highlight rights to all 63 matches of the DFB Cup per season for exploitation on all TV and digital channels. Two new formats also premiered on SPORT1's new soccer Mondays for the start of the new Bundesliga season – the chat show "Doppelpass 2. Bundesliga" and the comedy show "sportwetten.de So schaut's aus – Die Bundesliga-Show". A number of well-known advertising partners were secured in the marketing for SPORT1's soccer operations, including STAHLWERK as the new title sponsor for "Doppelpass", as well as Polestar and Tipico as co-presenters for the new second league top match on Saturday evening. SPORT1 further expanded its partnership with Media Impact in August, launching the new marketing range SPORT POWERHOUSE, which bundles the brands SPORT1, BILD, BILD am SONNTAG, SPORT BILD and Transfermarkt.de across all classes for advertising customers.

Following the successful production of UEFA EURO for Deutsche Telekom's MagentaTV, PLAZAMEDIA expanded its partnership with DAZN in August: The world's leading sports platform commissioned PLAZAMEDIA in the DACH region to produce numerous show formats in the "DAZN Space" created by PLAZAMEDIA as a multifunctional broadcast environment.

Free TV market share among viewers over the age of three and in the core target group of 14- to 59-year-old men was up by 0.5% and 0.8% respectively on the previous year (Z3+: 0.4%; M14-59: 0.7%), when the COVID-19 pandemic had a more severe impact on sports, i.e. the postponement of leagues and competitions, such as the late start of the Bundesliga season. As of September 30, 2021, SPORT1+ had 2.30 million pay TV subscribers (September 30, 2020: 2.26 million), eSPORTS1 2.10 million (September 30, 2020: 1.14 million) and eSportsONE, the English-language channel which was launched in November 2020, 2.20 million.

Online and mobile visits were around 12% higher than the previous year's level in the third quarter. This is thanks to the positive development in mobile operations due to strong access to social media and search engine offerings, and to sports events taking place again in almost their usual form after 2020. The number of unique users for the entire digital offering rose by 11% compared to the same period in the previous year, and by as much as 17% in the mobile area.

Video views on SPORT1 platforms also climbed by 26%. The new highlight rights to Bundesliga 1 and 2 were a key factor in this. Video views on YouTube were down by 40% year-on-year, partly on account of competing Bundesliga content from public broadcasters.

Sales and earnings (in CHF million)

	Jan. 01 to Sept. 30, 2021	Jan. 01 to Sept. 30, 2020	Change
Segment sales	75.6	62.4	21.1%
Segment earnings	-17.4	-10.5	-66.0%

Sales in the Sports segment increased by CHF 13.2 million year on year to CHF 75.6 million. The overproportional increase in segment expenses of CHF 19.9 million to CHF 97.2 million, resulted in segment earnings of CHF -17.4 million leaving them below the level of the previous year.

Report on risks and opportunities

There were no changes in the Highlight Group's risks and opportunities in the third quarter of 2021.

A detailed description of the risk management system and the risk and opportunity profile can be found in the management report in our 2020 annual report.

Forecast

Film segment

In theatrical distribution, at the current time – changes are possible on account of the pandemic situation – four movies are due to be released in German movie theaters in the fourth quarter of 2021: "Contra" (a German comedy by Sönke Wortmann), "Eiffel in Love", "Welcome to Raccoon City" (Resident Evil reboot) and "Caveman" (starring Moritz Bleibtreu).

In home entertainment, the fourth quarter of 2021 will see the mass release of the Constantin production "Monster Hunter" and the debut of the theatrical family product "100% Wolf". Furthermore, the home entertainment premieres of the TV event production "KaDeWe" and the licensed titles "Die in a Gunfight" and "Breaking News in Yuba County" are also scheduled for the fourth quarter of 2021.

In license trading/TV exploitation, the start of the licenses for "After Passion" and "A Dog's Journey" (both ProSieben) in free TV and "Le meilleur reste à venir" (French original, Sky) on pay-per-channel, and "Breaking News in Yuba County" on pay-per-view (also Sky) are planned for the period from October to December 2021.

In theatrical production, filming is due to start on the German remake of "Le meilleur reste à venir" – "Das Beste kommt noch" in the fourth quarter of 2021.

The production "KaDeWe" mentioned under home entertainment will debut on ARD in the fourth quarter (linear and media library).

Constantin Film subsidiaries are preparing/filming a number of projects in TV service production before the end of 2021, including further episodes of the daily "Dahoam is Dahoam" (Bayerischer Rundfunk), the high-end crime series "Lauchhammer" for ARD, the comedy family series "Wendehammer" for ZDF, further episodes of the TV show "Daheim in den Bergen" (ARD) and another production in cooperation with Ferdinand von Schirach.

Sports- and Event-Marketing segment

The TEAM Group's activities will continue to focus on delivering commercial rights of the UEFA Champions League, the UEFA Europa League and the UEFA Europa Conference League's partners for the 2021/22 season. With some stadium attendance allowed again, the rights delivery will be happening both on-site and digitally.

In parallel, TEAM Group's sales teams will focus on creating a commercial concept plan for the upcoming sales of rights of the 2024/25-2026/27 cycle. This activity will involve reviewing the past sales process and consultation with stakeholders on how to improve the product offering and future sales process.

The core focus of the Highlight Event Team is on two areas: On the one hand, on the preparations for the successful implementation of the Vienna Philharmonic's New Year's Concert in 2022 (among other things, planning with the ORF and the worldwide broadcasters, hospitality experience for the guests of the main sponsor) which is broadcast in over 90 countries. On the other hand, on the sale of the sponsorship packages for the Eurovision Song Contest 2022 in Turin. In addition to these activities, intensive contract renewal negotiations are currently taking place with various partners as part of both projects.

The Sports segment will continue to concentrate on the systematic use, distribution and capitalization of multimedia content in fiscal 2021 as well. In addition to augmenting the SPORT1 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, ice hockey, basketball, volleyball, darts, tennis, US sports and e-sports. Furthermore, the digital diversification of the SPORT1 brand will continue to be promoted and new content and marketing environments will be created in view of the continued massive growth in the digital and cross-platform use of media content – for example,

using the Bundesliga and Bundesliga 2 highlight and archive clips acquired in the DFL rights tender for exploitation on digital platforms.

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 2021. The main priorities for sports at the other subsidiaries of Sport1 Medien AG will also be maintaining and expanding existing customer relationships and developing new ones. There will be a particular focus on making the best possible use of synergies in the sports sector, where the subsidiaries cover the entire value chain and accordingly provide integrated services for partners and customers.

Events after the balance sheet date

The global coronavirus pandemic will remain a key issue beyond the third quarter of 2021. The Board of Directors is monitoring the situation on an ongoing basis and has already taken appropriate action.

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.

Forward-looking statements are not historical facts. These are subject to risks, uncertainties and factors, of which most are difficult to assess and which in general are beyond the control of the Group management. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove to be incorrect, the actual results, performance or achievements of the Highlight Group may differ significantly from those described explicitly or implicitly in the forward-looking statements. Highlight Communications AG does not intend to continuously update the forward-looking statements contained in this document.

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