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Caybon Interim Report First Quarter (Jan-Sep) 2023

January – March 2023

- Net Sales increased by 6% to 255,544 (241,446) TSEK, of which 15% is acquired growth, 2% is exchange rate related and 11% is negative organic growth.
- EBITDA decreased with 57% to 12,096 (28,133) TSEK, adjusted* EBITDA decreased 61% to 12,096 (31,067) TSEK
- EBITA decreased 81% to 4,453 (23,115) TSEK, adjusted* EBITA decreased 83% to 4,453 (26,049) TSEK
- EBITA-margin amounted to 1.7% (9.6), adjusted* EBITA-margin amounted to 1.7% (10.8)
- Net Profit for the period amounted to -8,821 (9,164) TSEK
- Cash Flow from operations was -4,259 (1,459) TSEK**
- It should be noted that FMG Group was not part of Caybon Group during the first quarter 2022.

Adjusted amounts exclude non-recurring items and aim to give a picture of the underlying development, see note 6.

***As of 1 January 2023, Caybon changed the presentation of the Cash flow Statement. More information can be found in the Cash flow and Financial position part of the report.*

Significant events during the first quarter

- There are no significant events to be reported during the 1st quarter 2023

Significant events after the first quarter

- As of April 19, 2023 Facebook has shut down “instant articles” which was communicated by Meta back in October 2022. Since then Newsner has prepared well to shift business to other platforms and alternative sources for revenue generation. Even though Newsner has reduced its dependency on Facebook and “instant articles”, we nevertheless expect this to have a short term impact on revenues.

5.8%
Net Sales Growth Q1

998 M
SEK Revenue (LTM)

5.6%
EBITA-margin (LTM)

TSEK	2023 Jan-Mar	2022 Jan-Mar	Chg, %	LTM	2022 Full year
Net Sales	255 544	241 446	6%	997 712	983 615
Gross profit	134 083	130 783	3%	533 784	530 501
Gross profit margin, %	*52,5%*	*54,2%*	*-3%*	*53,5%*	*53,9%*
EBITDA	12 096	28 133	-57%	84 034	100 071
EBITDA-margin, %	*4,7%*	*11,7%*	*-59%*	*8,4%*	*10,2%*
Adjusted EBITA	4 453	26 049	-83%	66 548	88 144
Adjusted EBITA-margin, %	*1,7%*	*10,8%*	*-84%*	*6,7%*	*9,0%*
Net Profit	-8 821	9 164	-196%	-16 569	1 416
Cash flow from operations	-4 259	1 459	-392%	72 995	78 662

EBITDA, EBITA and Net Profit are affected by non-recurring items amounting to 0 (2,934) TSEK for the period Jan-Mar. Specification can be found in note 6.

Tougher times, but we're still on the right track

After a strong finish to 2022, the first quarter of 2023 has been more challenging for Caybon. We had anticipated this, due to both the current market situation and the first quarter's tendency to be one of the slower periods of the calendar year. But there are good reasons to remain optimistic as we navigate the present tougher conditions.

The first quarter of the calendar year is traditionally not one of the stronger quarters for us. We have seen that in Q1 this year for Mediaplanet and FMG in the Campaign segment, as well as Splay One in the Network segment. This is also visible in the outcome for the quarter.

But with strong performance elsewhere in the business and our proactive countermeasures, we are confident that we can rise to the challenge.

Acquisitive sales growth

FMG's contribution has helped drive the growth in net sales for the Group in the first quarter.

Caybon reports net sales of 255,544 (241,446) TSEK in the first quarter, a 6% increase overall. However, organic growth is still negative and down by 11%, while exchange rate contributes 2% and 15% comes from acquired growth. The overall earnings for Q1 are lower than last year, with adjusted EBITA reported at 4,453 (26,049).

Campaign segment

As the figures show, we faced some profitability challenges in the Campaign segment in Q1. A combination of factors explain these challenges. Mediaplanet's US operations continued to underperform, while the current market conditions and global uncertainties have continued to affect media spend for both Mediaplanet and FMG. However, this has been balanced somewhat by the positive movements and increased sales that we are seeing in other business areas, such as N365. In the Campaign segment sales grew and amounted to 196,687 (167,869). This growth was mostly driven by the acquisition of FMG. The Campaign segment reports lower EBITA at 6,007 (24,303), due to Mediaplanet not reaching the same performance level as last year and a relatively weak first quarter performance by FMG. Nevertheless, we are continuing to invest in the Campaign segment in 2023, and we believe that this investment will also pay off in the latter part of the year.

Network segment

In the Network segment net sales declined 19% to 60,302 (74,383) TSEK. EBITA declined slightly to 5,240 (5,902) TSEK. The negative effect in net sales is solely derived from the Splay One business area. Its negative organic growth is a an effect of our ongoing organizational restructuring process there, as well as the changes we are making to the product mix. These are important and necessary changes and I am confident they will result in an improved performance in the longer term. It's important to remember that turning a business around takes time, but we are on the right track and I expect to see positive results in the future. There are already signs of this in our ability to mitigate the impact on earnings.

Elsewhere in the business, I'm pleased to report that Newsner continues to perform strongly. Q1 revenue and earnings were stable and were little affected by the macro environment and the general decline in media spend.

Outlook

A few weeks has now passed since Facebook shut down the editorial concept "Instant Articles"**.** Since we learned about Facebook's changes back in October, we have been focusing on alternative features and platforms for revenue generation and so far we've experienced less of a negative effect than we initially anticipated.

This makes me confident that we will continue to expertly manage any changes to the revenue stream from the loss of Facebook Instant Articles.

We have also taken proactive countermeasures as we adjust to the current circumstances. In Q1 Caybon launched a cost reduction plan and we should see some positive effects from that initiative in the coming quarters.

Overall, the current uncertain macro environment and its impacts on overall media spend will continue to have some effects on our business for as long as these conditions remain. However, I do believe that we are on the right path, and we should see an improvement in profit levels in the next few quarters.

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About Caybon

Caybon is a world-leading digital media company focused on branded content that drives tangible results. Caybon is a group of scalable, digitally focused marketing companies specialised in content and distribution. The purpose is to offer advertisers and organisations a way to communicate with their target group in an editorial and relevant context. The various offerings include a range of solutions from online media, videos, performance related advertising, events as well as printed products. Revenues in turn are derived from content production as well as various forms of advertising solutions. The clients range from small to medium sized companies all the way up to multinational groups. The client base is thus diversified in terms of both size, sector and geography. The six brands within the Group are grouped into two business segments: Campaign and Network.

For more info visit www.caybon.com