



BRILL





BRILL

Brill Annual General Meeting

Leiden, 19 May 2016

Disclaimer on forward looking statements



This presentation contains forward-looking statements with regard to the financial position and results of BRILL's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond BRILL's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, changes in customer preferences, the ability to successfully integrate acquired businesses and achieve anticipated synergies, costs of services purchased, interest rate and foreign exchange fluctuations, change in tax rates, changes in law and the actions of government regulators. These and other risk factors are detailed in BRILL's publicly filed annual reports. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. BRILL does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials.

Agenda



BRILL

Management Overview 2015

Financial Overview 2015

Report of the external auditor 2015

Revenue growth, profit trailing

2015 Financial Highlights



BRILL

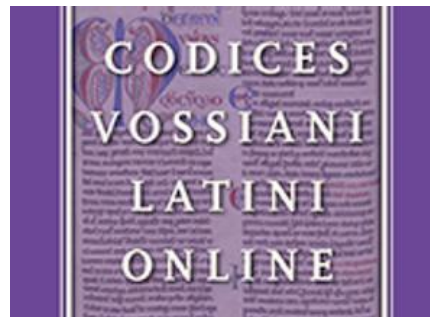
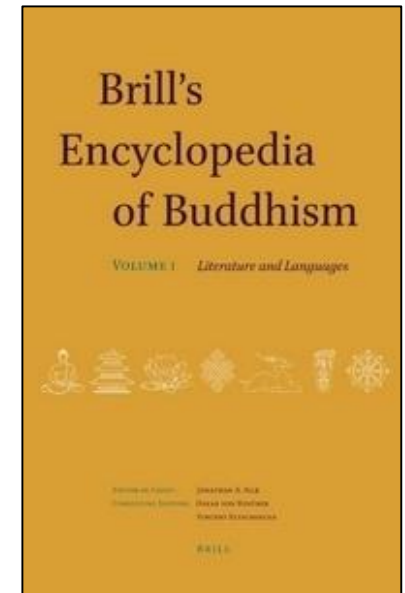
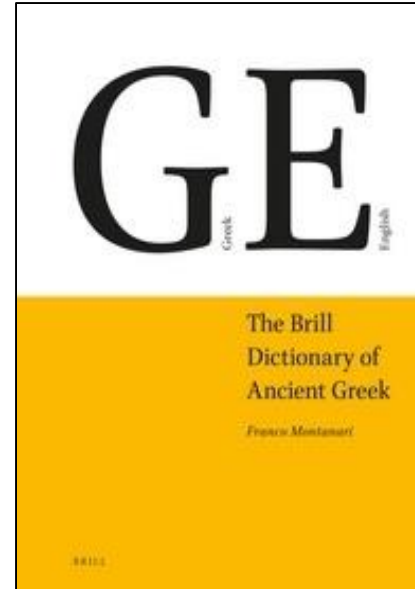
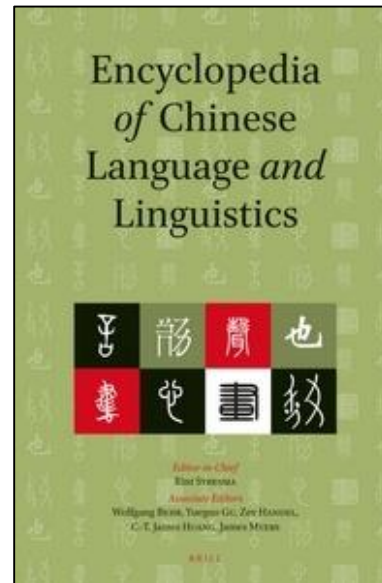
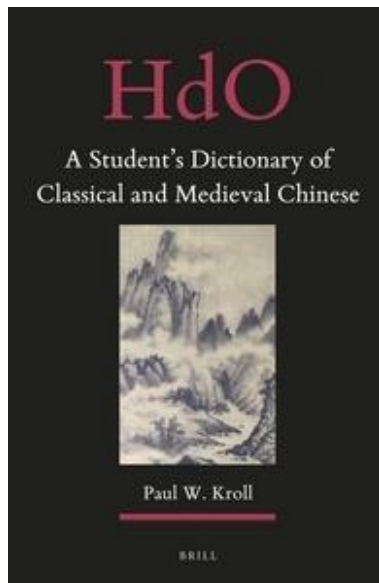
- Organic growth 2.5%, up from -0.4% in 2014
- EBITDA up 3.1%; EBITDA margin down to 12.3% from 12.4%
- Net Profit and EPS up 8.5%
- Free cash flow up EUR 2.4 million
- Proposed all cash dividend of EUR 1.24, up 9 cent or 8% from EUR 1.15 in 2014, for a payout of 100%.
- Restatement of 2014 results: onerous lease contract of vacated Rodopi facility and improved hedge accounting policy

Selected signature titles 2015

Major reference works and Primary sources



BRILL



Innovative product format

Brill Research Perspectives



- Hybrid journal; issues are also sold separately as books
- Electronic and Print
- Formula developed in consultation with NOW Publishers
- Each issue consists of one or two long articles allowing a deep dive into current status of research in the field
- 13 titles for 2016; ambition is to have 50 in 2018

Market Trends



BRILL

- Continuous growth in research output
- Value HSS to society topic of discussion
- Changing buying patterns
- Ongoing market consolidation
- (Western Europe) public policy embracing Open Science and Open Access
- Content sharing and piracy
- Geopolitical issues

Key appointments



BRILL

May 2015: Member Supervisory Board
Robin Hoytema van Konijnenburg succeeding
Roelf Rogaar

August 2015: EVP Finance and Operations
Olivier de Vlam succeeding Perry Moree

September 2015: EVP Sales and Marketing
Peter Coebergh succeeding Stephen Dane effective
January 1, 2016

Performance Progress

Progress 2012-2015



BRILL

- Quality of revenue improving
- Content investments financed by changes in working capital
- EBITDA margin is a top priority

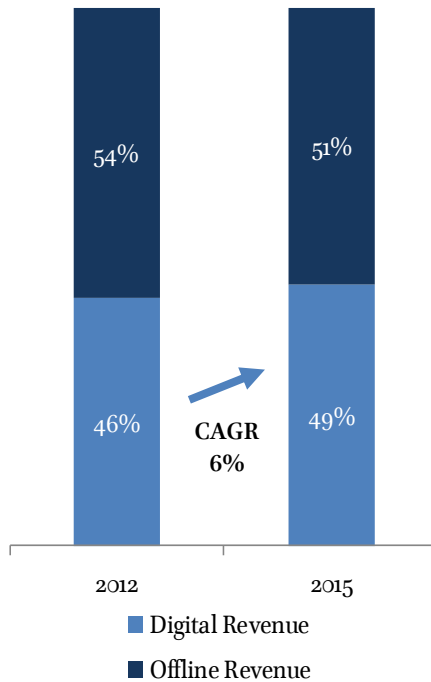
Quality of revenue improving

Progress 2012-2015 revenue structure

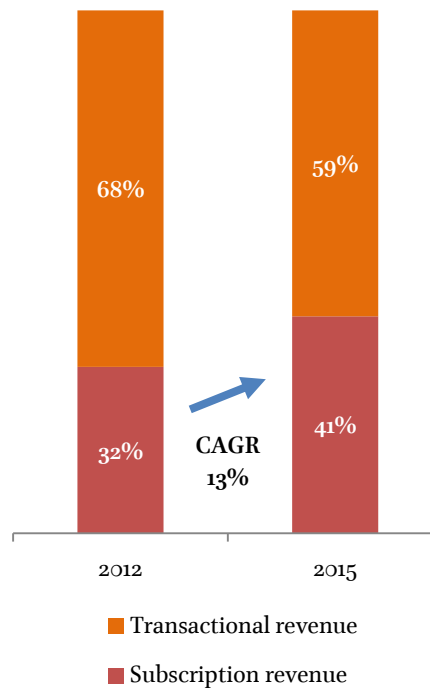


BRILL

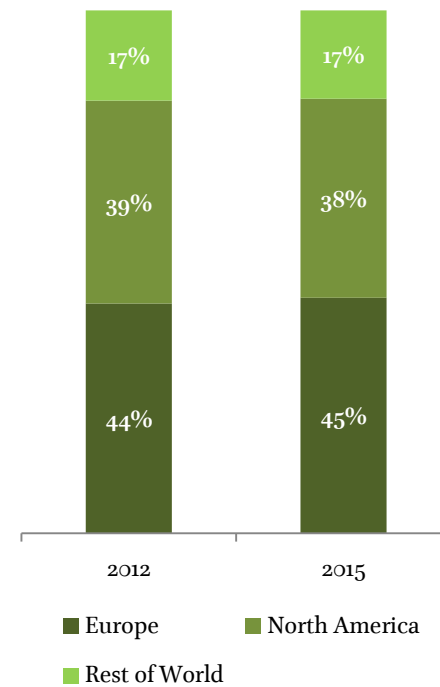
Revenue by Media Format



Revenue by Type



Revenue by Region



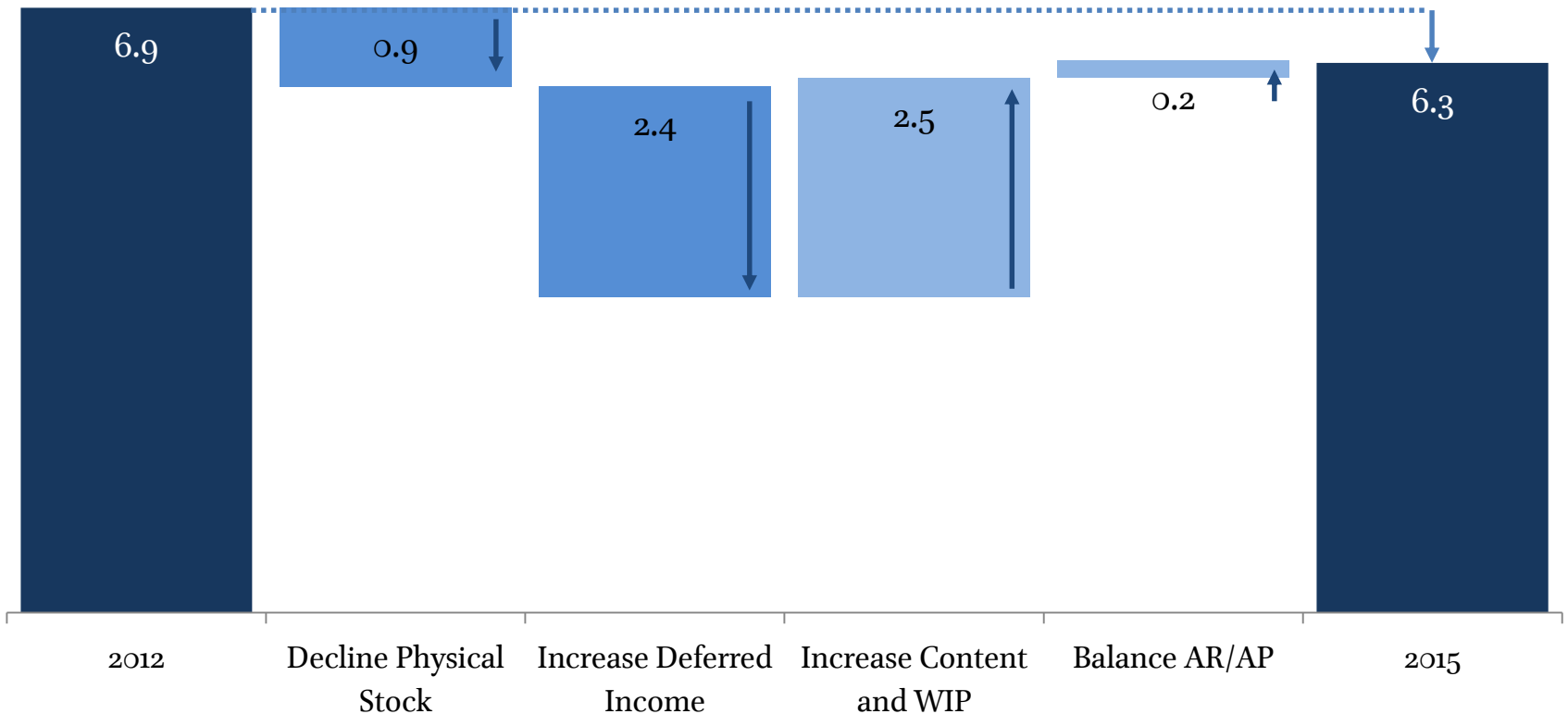
Content investments financed by changes in working capital

2012-2015 Progress in capital allocation



BRILL

Development Operating Working Capital, EUR million



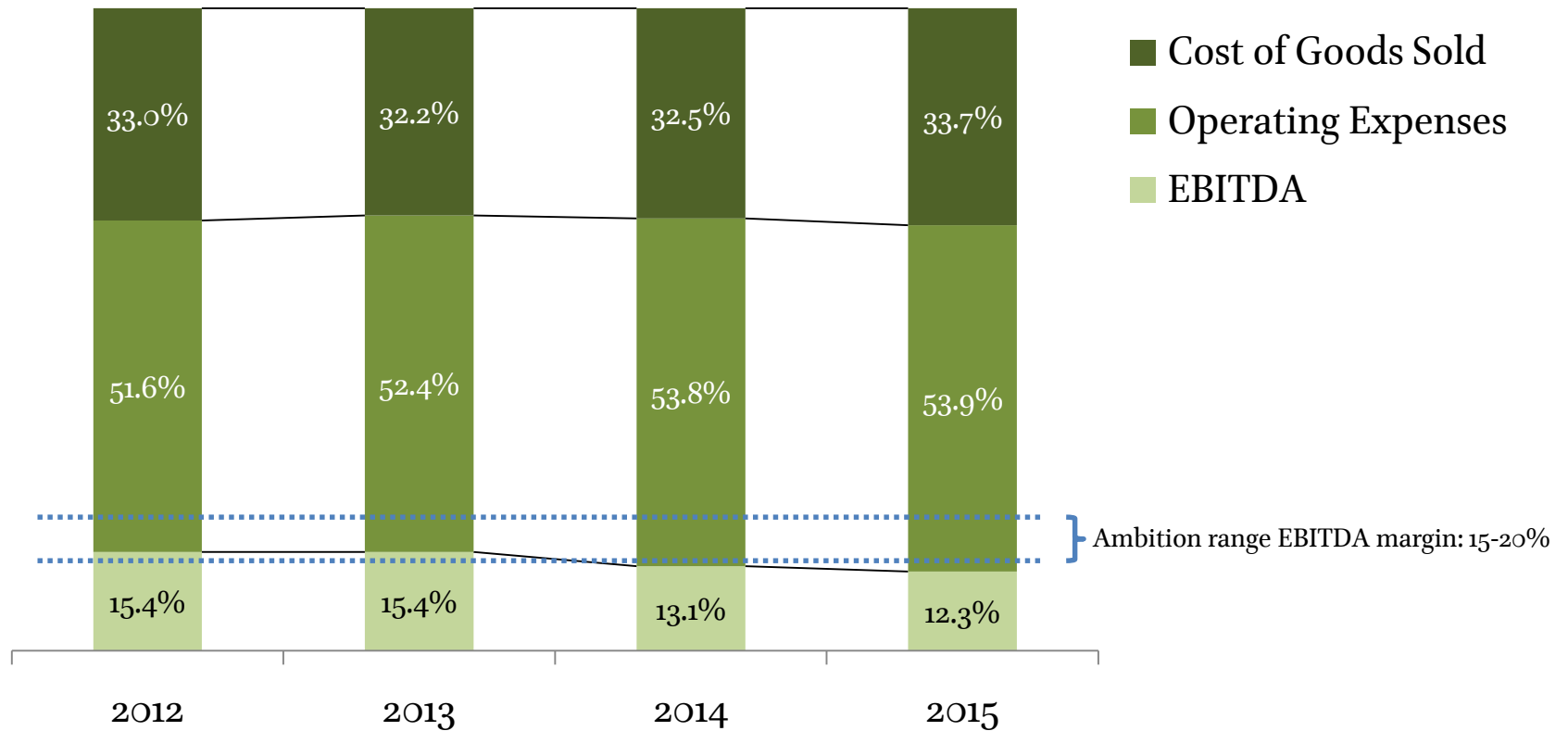
Operating Working Capital: balance of Inventory (physical, content, work in progress), Accounts Receivable, Accounts Payable and Deferred Income

EBITDA margin is a top priority

2012-2015 development in EBITDA margin



BRILL



Note: 2014 presented excluding one time costs related to Rodopi facility

Content and POD: main drivers of EBITDA margin deterioration



BRILL

EBITDA 2012	4.2
+ Revenue growth 3.3m @ 15.4%	0.5
Expected EBITDA level	4.7
Increase Content cost	-0.5
Increase Production cost books	-0.4
Other CoGS (decline journals)	0.4
Increase Peco	-0.2
Decrease Operating expenses	0.1
FX Peco and opex	-0.4
EBITDA 2015	3.8

- Content: 28% more book titles vs 2012; several large titles with high long term sales prospects released in 2015
- Print: POD books around 10% more expensive; over time stock depreciation should reduce (2015: 0.5m)
- Other CoGS and operating savings cancel out the underlying cost increase due to FX (0.5m)

Restoring profitability

Priorities and actions implemented



BRILL

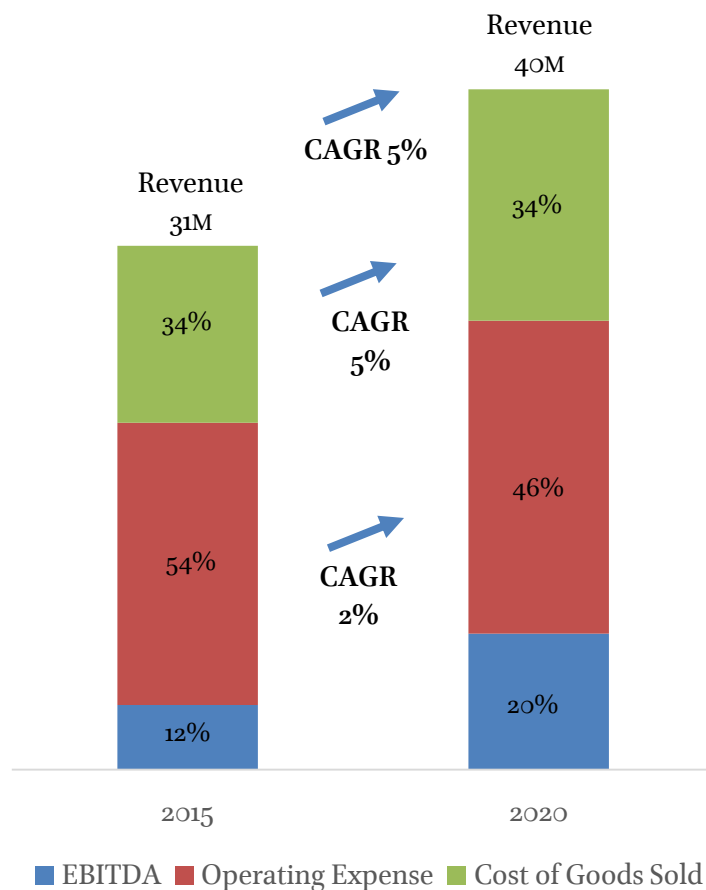
Factors	Priorities and actions implemented
Revenue growth / mix	<ul style="list-style-type: none">• Growth of journals, MRW and PSO• Sales and Marketing realignment• Business models and pricing• M&A
Cost of Goods Sold	<ul style="list-style-type: none">• Scrutiny revenue mix• Bookmasters POD• Editorial Automation
Operating Expenses	<ul style="list-style-type: none">• Turpin global fulfillment partnership• Productivity and efficiency

Over time, shift from print to digital and increasing subscription sales will support higher margins

A likely scenario for closing the ambition gap



BRILL



- Revenue growth ambition
 - Organic growth 2-3 %
 - Acquisition revenue 4-5m
- Cost of Goods Sold
 - Reductions through actions implemented and scrutiny of portfolio
 - Increases through continued investment in product development
- Operating Expenses
 - Scalable organization structure
 - Controlled staff growth
 - Underlying cost efficiencies

Business development



BRILL

- Brill Asia
- Identification and pipeline corporate acquisitions
- Licenses
- German language distribution
- Rights and permissions
- Open Access
- Discovery and metrics
- Digital humanities

Sales



BRILL

- Foster migration from print to e-, especially for books
- Improve print bookselling processes and logistics
- Grow the number of consortia deals
- Pitch new business and end of budget year sales
- Pipeline management ([salesforce.com](https://www.salesforce.com))
- Geographical priorities and market coverage
- Strategic key products

Marketing



BRILL

- E-Marketing to save costs and increase efficiency
- Reinforced Program Marketing
- Dedicated marketing for sales channels and end users
- Local Marketing support for Americas and Asia
- More focus on Flagship products

Agenda



BRILL

Management Overview 2015

Financial Overview 2015

Report of the external auditor 2015

Growth and strong cash flow

Full-year 2015 results



BRILL

(in EUR thousand)	2015	2014*	Δ	Δ O.G.
Revenue	30,809	29,601	4.1%	2.5%
EBITDA	3,794	3,680	3.1%	
Operating Income	3,015	2,675	12.7%	
Net Income	2,332	2,153	8.3%	
Free cash flow	3,201	822	289%	
ROIC	10.5%	9.4%	110 Bps	
EPS	1.24	1.15	8.3%	
Dividend	1.24	1.15	7.8%	
Average FTE	132	132	0%	
Hedged EUR/USD rate	1.33	1.32		

* 2014 results restated

Summary Income Statement

2015 vs 2014 restated and reported



BRILL

In thousands of euro's	2015	2014*	2014
Revenue	30,809	29,601	29,748
Cost of goods sold	-10,397	-9,614	-9,614
Gross profit	20,412	19,987	20,135
Selling and distribution expenses	-6,349	-6,165	-6,165
General operating expenses	-10,269	-10,142	-9,950
EBITDA	3,794	3,680	4,020
Amortization of intangible assets	-163	-271	-271
Depreciation of tangible assets	-616	-734	-731
Operating profit	3,015	2,675	3,018
Finance income and expenses, net	153	239	292
Profit before income tax	3,168	2,914	3,310
Income tax expense	-836	-761	-860
Net Income	2,332	2,153	2,450
Earnings per share	1.24	1.15	1.31

Impacted by hedging restatement

Impacted by Rodopi Onerous contract

Growth is driven by digital and subscription based products

Revenue growth analysis



BRILL

	Revenue	Growth	Contribution to Growth
Revenue 2014*	29.6		
Print books	-0.2	-1.7%	-0.8%
eBooks	+0.6	+10.4%	2.2%
Journals	+0.5	+5.6%	1.5%
Primary sources	+0.1	+10.5%	0.3%
One-offs	-0.2		-0.7%
Organic Revenue	30.3	2.5%	2.5%
Acquisition	0.5		1.5%
Revenue 2015	30.8	4.1%	4.1%



BRILL

Cost of Goods Sold

In thousands of euros	2015	2014*
Technical Production costs	9.558	8.802
Amortization intangible assets	155	145
Royalties	684	666
Total	10.397	9.613
In % of Revenue	33.7%	32.5%

Growth in technical production costs is mainly driven by content costs. The increase is driven by:

- Major title launches in 2015
 - Currency effect of vendors billing in USD
 - High title output but lower sales per title, increasing fixed cost as % of sales
- ⇒ Maintain investment level in content pipeline
- ⇒ Mitigate trends through:
- Editorial automation, reducing usage of typesetter service
 - POD US, lowering print and shipping costs
 - Benefits of scale in Turpin deal

Operating Costs



BRILL

	Personnel Costs	Other Operating Expenses
2014	8,330	7,977
Volume/CLA/Merit	127	0
Capitalized cost	44	0
Net growth / savings	-3	-349
2015 baseline	8,498	7,628
Growth %	2%	-4%
Currency	290	166
Acquisition	228	-192
2015 reported	9,016	7,602
Growth %	8%	-5%

- Personnel costs: limited organic growth but substantial impact from currency and Rodopi acquisition – the latter being partially temporary
- Operating costs: strictly contained in 2015 to mitigate impact of lower gross margin and higher personnel costs
- The acquisition adjustment for operating expenses refers to the Rodopi restatement; the inorganic effect on 2015 operating cost was negligible

Summary Balance sheet



BRILL

	2015	2014*	2014	Impact of restatements	
Tangible fixed assets	1,380	1,333	1,336		
Intangible fixed assets	17,780	17,739	17,739		
Current assets	27,572	26,351	26,265		
Total assets	46,732	45,423	45,340		
Equity	27,166	26,834	26,944		
Deferred tax liabilities	3,626	4,179	4,179		
Current liabilities	15,940	14,410	14,217		
Total liabilities	46,732	45,423	45,340		

	31-12-2014 Restated	31-12-2014 Reported
Property, plant, equipment	1,333	1,336
Income tax receivable	127	41
Other reserves	-359	-508
Undistributed profit	2,153	2,450
Provisions	193	0

- Current assets increased mainly due to cash and receivables
- Current liabilities increase:
 - deferred income (earlier renewal/collections and growth in subscriptions)
 - current tax (part of reinvestment reserve not used) – reclass from deferred tax to current tax

Summary Cash flow statement



BRILL

	2015	2014
Net Income	2,332	2,153
Depreciation	933	1,150
Change in working capital	1,185	97
Other non cash items	-287	187
Cash flow from operating activities	4,163	3,587
Capital investments	-920	-1,112
Acquisitions	-42	-1,653
Cash flow from investing activities	-962	-2,765
Cash flow from financing activities	-2,156	-2,099
Net cash flow	1,045	-1,277
Free cash flow	3,201	822

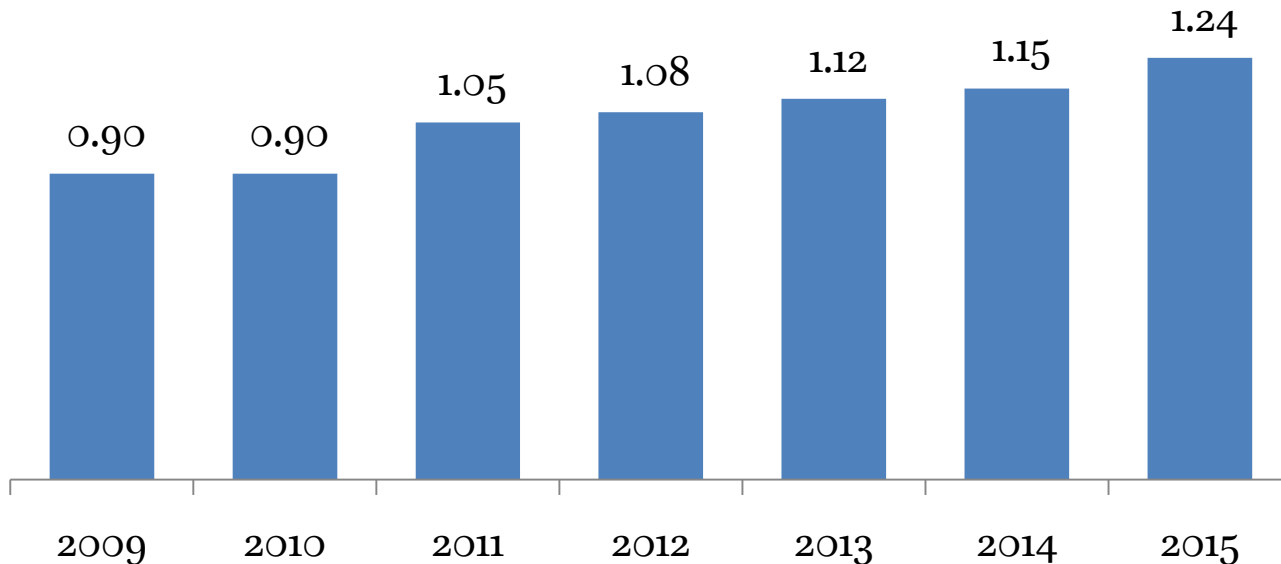
- Change in working capital 2015: mainly increase in deferred income
- Capital investments 2015 include investments in digital publishing platforms and back office systems
- 2014 acquisition payments include Rodopi and deferred payments for prior year acquisitions

Dividend policy

Dividend per share, 2009-2015



BRILL



- We continue to pursue a policy of steady or increasing dividend rather than focusing on a fixed payout percentage
- In view of our limited liquidity and market capitalization, share buybacks are not favored as a means of returning cash to shareholders

Outlook 2016



- Organic Revenue growth 1-3% (product, enhanced sales, USD)
- EBITDA margin improvement >1% or 100Bps (CoGS, flat opex)
- Capital investments: RSuite and Online platforms

Strategy 2017-2019



BRILL

- Build on leading reputation in our field as a high quality, innovative publisher (Open Access, Digital Humanities, Flagship MRW's)
- Revenue growth:
 - Organic: product development, pricing, sales effectiveness
 - Acquisition: increase market share and expand into adjacent markets where scale can be leveraged
- EBITDA margin improvement: scale, quality of revenue and operational efficiencies

Agenda



BRILL

Management Overview 2015

Financial Overview 2015

Report of the external auditor 2015

Koninklijke Brill NV

Accountantscontrole 2015

Eerste jaarscontrole

Door eigen onderzoek en een review van de controledossiers 2014 van EY begrip gekregen van:

- operationele activiteiten
- interne beheersingssytemen
- ondersteunende IT systemen

En tevens de beginstanden per 1 januari 2015 gevalideerd

Jaareinde controle afgerond op 4 april 2016

Conclusie van de controle

Goedkeurende controleverklaring gedateerd
4 april 2016 bij:

- Geconsolideerde jaarrekening in overeenstemming met IFRS en BW2 Titel 9
- Enkelvoudige jaarrekening in overeenstemming met BW2 Titel 9

Focus van onze controle

Onze controle richt zich op:

- aspecten waar het management directe invloed op kan uitoefenen, de zogenaamde 'management override of controls'
 - waardering van uitgaverechten
 - waardering van goodwill
 - waardering van 'content' gerelateerde kosten
- de risico's waarmee Koninklijke Brill wordt geconfronteerd en de hierop gerichte interne beheersingsmaatregelen

Materialiteit in onze controle



Materialiteit is bepaald op basis van 5% van het resultaat voor belasting en bedraagt € 158.000

Rapportagedrempel aan Raad van Commissarissen is vastgesteld op € 7.900

Materialiteit voor de accountant van de deelneming in Amerika is € 100.000

Scope van onze controle



De groep bestaat uit twee juridische entiteiten in respectievelijk Nederland en Amerika

Door de centrale vastleggingen in Nederland hebben wij de controle hoofdzakelijk uitgevoerd in Nederland.

Ten behoeve van ons oordeel zijn werkzaamheden uitgevoerd door andere accountants in Amerika en Engeland.

Belangrijkste aandachtsgebieden van onze controle



Verwerking en verantwoording van een overtollig huurcontract (misstatement)

Verwerking en verantwoording van hedge transacties (misstatement)

Waardering van goodwill en uitgaverrechten

Waardering van 'content' in de post voorraden en de juistheid van de kostprijs verkopen

Bestuursverslag

Toonzetting van het verslag is naar ons oordeel passend
Wij hebben het verslag beoordeeld op consistentie met de
financiële informatie in de jaarrekening

De corporate governance paragraaf voldoet aan de vereiste
toelichtingen

Het beschreven system van risico management is in
overeenstemming met de uitkomsten van onze
jaarrekeningcontrole

De belangrijkste relevante risico's voor de jaarrekening van
Koninklijke Brill zijn vermeld