PRESS RELEASE

Unaudited

BRILL

Full year results 2020

Brill confirms improved revenue and profit levels in 2020

in thousands of euros	2020		2019	Change
Revenue	37,859		37,128	2.0%
EBITDA	6,600		5,183	27.3%
Operating profit	4,502		3,291	36.8%
Free cashflow	4,515		2,164	108.6%
Profit, attributable to shareholders of Koninklijke Brill NV	2,896		2,162	34.0%
Profit per share in EUR	1.54		1.15	34.0%
Dividend (proposed 2020) in EUR	1.25		—	
Key Financial Performance Indicators				
Organic growth	2.2%		2.5%	
ROIC	13.8%		10.1%	
EBITDA margin	17.4%		14.0%	

These figures are unaudited. The audited financial statements will be published on our website brill.com on April 7th, 2021.

Summary

- Revenue increased by 2%, EBITDA by 27%, and net profit by 35%, with strong revenue development in Q4
- Underlying net profit, excluding restructuring and acquisition costs and one-off tax impact, up by 39%
- Strong growth in eProduct sales and Open Access revenue
- 57% of revenue comes from digital publications, eBook sales grew by 9.5%
- The 2018-2020 profit improvement plan finalized in line with expectations
- Profit increased partly by one-off savings due to COVID-19 and other events – see financial development
- Integration of Vandenhoeck & Ruprecht acquisition started according to plan

Peter Coebergh, CEO commented

The year 2020 was unprecedented in Brill's 338-year history. Following a positive first quarter, the COVID-19 pandemic led to lockdowns and closed universities around the world and a sharp decline in our print book sales in the period March-June. However, taking rapid action in March, Brill management launched a cost-saving program and we transitioned to working from home, maintaining contact with our authors, customers and vendors in online environments. Over the summer the academic publishing market again demonstrated resilience in economic crises. Together with a significant growth of our e-business, an exceptionally good financial outcome resulted.
In this extraordinary year, more than ever, our employees had the greatest impact on the health of our business and for this we owe a debt of gratitude.

Developments in 2020

Strategic progress
In the course of 2020, we continued to make progress towards achieving our strategic objectives as laid out in our mission statement and corporate strategy.
At the end of 2019, we launched the Digital Health Check to review our digital infrastructure with the strategic objective to become a truly digitally driven publishing house. A number of projects to improve our digital capabilities and skills will be realized during the next few years.
Strategic progress is reflected in the further increase of our digital revenue, which was accelerated by the pandemic. Also, our Open Access publishing program continued to grow rapidly, crossing the EUR 1 million revenue mark in 2020. Brill expanded its portfolio by acquiring several journals from competitors and by launching a variety of new reference works and primary sources. Last but not least, we made serious progress in achieving our strategic objective to increase our scale and to create a second-home market in Germany, the most important global humanities market. The reputable publishers Vandenhoeck & Ruprecht and Böhlau were acquired on March 1, 2021 and they will be combined with our imprints Ferdinand Schöningh, Wilhelm Fink and mentis in our German subsidiary Brill GmbH.

Operational progress
We continued to invest in our online platforms. The user experience of our web shop on brill.com was improved, which led to a doubling of revenue vs. 2019. We also developed our special text editions platform, which was launched in 2019, and migrated the first products from their previous platforms. Our financial processes were further improved in 2020. However, continuous IT problems with our UK-based global distributor led to significant extra costs and delays in enhancing our management information. Compensation was agreed at the end of 2020. The profit improvement plan, launched in 2018, delivered savings as anticipated, especially by the reduction of typesetters and further optimizing our print on demand operations. The program was concluded at the end of 2020.

Financial development (all numbers in euro)

Revenue
In 2020, Brill's organic revenue increased by 2.2%, which was much better than our expectations in Q2 and Q3 of 2020, a year that was heavily impacted by the COVID-19 pandemic. Total organic book revenues increased by 2.4%, with a 9.2% growth in eBooks offsetting the -3.0% organic decline in print book sales that is mainly due to the COVID-19 situation. Total organic journal sales increased by 3.4% due to continued growth in subscription value and improved renewal management.

in thousands of euros	2020	2019	Organic growth	Growth
Print books	13,511	14,145	-3.0%	-4.5%
eBooks	12,196	11,139	9.2%	9.5%
Journals	11,075	10,611	3.4%	4.4%
Primary sources	1,078	1,234	-11.9%	-12.7%
Total	37,859	37,128	2.2%	2.0%

in thousands of euros		% of total growth	Year on year growth
Revenue 2019	37,128	100.0 %	
Print books	(424)	(1.1)%	-3.0%
eBooks	1,033	2.8 %	9.2%
Journals	369	1.0 %	3.4%
Primary sources	(148)	(0.4)	-11.9%
Organic revenue 2020	37,958	102.2 %	2.2%
Currency	(99)	(0.3)%	
Total revenue 2020	37,859	102.0 %	2.0%

Revenue generated through digital products was EUR 21.4 million or 57% of total (2019 EUR 21 million or 56% of total). Subscription revenue as a percentage of total revenue improved from 38% to 42%, mainly due to the decline in print books which are non-subscription products.
We increased the number of major sales deals (i.e. over EUR 100 thousand per order) versus last year. In 2020, we successfully closed large deals with new and existing clients in the US, China, Australia, Germany, the Netherlands and the UK. These deals included renewals from deals closed with these customers in previous years as well as new business.

Cost of Goods Sold and Operating Expenses, EBITDA
The cost of goods sold increased by EUR 0.3 million or 2.5% and the gross margin slightly decreased to 69.7% versus 69.8% in 2019. The cost of goods sold include a COVID-19 - induced write-off of the MONK project (EUR 0.2 million), without this one-off item gross margin would have been 70.2%, showing the continuing improvement in our gross margin as a result of, amongst others, the shift from print to electronic products.
Operating expenses were significantly lower compared to 2019, due to COVID-19 related measures and restrictions (total positive effect of around EUR 1.7 million) and other items (total a net negative effect of around EUR 0.2 million).

To make 2020 EBITDA comparable to 2019, the following items should be taken into consideration:

- Cost for travel and conferences declined EUR 1.1 million versus 2019 due to the COVID-19 restrictions;
- In Q2 we implemented a hiring freeze that resulted in EUR 0.3 million lower personnel costs, despite salary increases from the collective labor agreement;
- We received a subsidy of EUR 0.3 million in the USA as part of PPP, a COVID-19 relief program;
- We came to an agreement with our distribution partner about damages Brill incurred over 2019 and 2020, related to the quality of the provided services. At the end of 2020 Brill agreed with the distributor that the damages incurred by Brill will be compensated for an amount of EUR 0.5 million;
- Our finance and operations costs increased by EUR 0.4 million, due to consultancy costs for the Digital Health Check and further improvement of our finance function;
- We incurred EUR 0.3 million costs for advice, due diligence and legal fees related to the 2021 acquisition of Vandenhoeck & Ruprecht.

Reported actuals including the above resulted in an EBITDA of EUR 6.6 million in 2020 (2019: EUR 5.2 million). The EBITDA margin came in at 17.4%. Taking into account the items above, our EBITDA would have been around EUR 5.3 million, and the EBITDA margin would be around 14%.

In 2020, we recorded EUR 0.3 million in costs related to our profit improvement plan, that started in 2018 and was finalized in December 2020. These exceptional costs are reported outside our EBITDA.

Depreciation and Amortization, and Financing Income and Costs
Depreciation and amortization, other than recognized in cost of goods sold, were in line with 2019.

Profit and Profit per Share
In summary, operating profit and profit before tax increased significantly due to the operating expense items discussed above.
As in 2018 and 2019, net profit was impacted by corporate income tax rate movements. We again incurred a partial reversal of the 2018 tax benefit. In 2019, the Dutch government decided to partly reverse the decrease of future corporate income tax rates, and as a result, the deferred tax liability increased by EUR 0.2 million. In December 2020, the Dutch government decided to reverse the decrease completely and keep the corporate income tax rate at 25%. Consequently, in our statement of financial position, our deferred tax liability increased by EUR 0.5 million and the same amount was added to the tax charge in our statement of profit or loss.
Underlying net profit, which is net profit excluding one-off expenses related to the profit improvement plan, acquisition costs, the one-off benefit of the PPP subsidy in the US and the one-off tax impact, amounted to EUR 3.5 million in 2020, an increase of 47.3% compared to 2019 (EUR 2.4 million). This translates into an underlying earnings per share of EUR 1.88 for 2020, which forms the basis for the dividend proposal. Reported net profit for 2020 came in at EUR 2.9 million (2019: EUR 2.2 million).

in thousands of euros	2020	2019	Growth
Profit before tax	**4,427**	**3,107**	42.5%
Cost of the 2018-2020 profit improvement plan	308	85	
Costs for the acquisition of V&R	262		
PPP Subsidy US (COVID-related)	-296		
Underlying profit before tax	**4,701**	**3,192**	47.3%
Tax, at the statutory rate	-1,175	-798	
Underlying net profit	**3,525**	**2,394**	47.3%
Non-benchmark items, after tax	-206	-64	
Change in deferred tax liability and other	-424	-169	
Profit attributable to shareholders of Koninklijke Brill NV	**2,896**	**2,162**	34.0%
Underlying earnings per share	1.88	1.28	
Earnings per share	1.54	1.15	

Operating Working Capital and Cash Flow
Operating working capital decreased, mainly because we lowered the refund liability for returns in relation with the decline in print book sales, and phasing in payments to creditors. This was partly offset by an increase in deferred income because we sent out our renewal invoices earlier and total subscriptions increased. Together with higher EBITDA and COVID-19 related measures (not paying dividend over 2019 and postponing 3 quarters of repayments of our long-term loan) this resulted in a cash flow improvement of EUR 4.1 million versus 2019.

Return on Invested Capital

Return on Invested Capital (ROIC) improved to 13.8% versus 10.1% in 2019, driven by an improvement in operating margin and a stable asset turnover.

Solvency and Liquidity

Total assets (EUR 53.6 million) increased versus 2019 (EUR 51.8 million). Solvency (Shareholders' equity divided by total assets) improved to 44.6% in 2020 (2019: 40.9%; target range of 40–60%).

Dividend

We wish to adhere to our corporate solvency policy of 40–60% and to the covenants agreed upon with our main bank. Also, we will continue to pursue our capital management policy where strategic investments and add-on acquisitions must be funded within free cash flow. Given that in 2020 we did not pay out dividend over 2019 and our 2020 financial results, we will propose at the Annual General Meeting of Shareholders on 19 May 2021 an all-cash ordinary dividend of EUR 1.25 per (certificate of) ordinary share. This is 81% of 2020 Earnings Per Share of EUR 1.54.

Long-term Outlook

Given the current uncertainties, we do not provide an outlook for 2021. Despite the COVID-19 situation, we continue to focus on the execution of our long-term strategy. A significant step in that strategy was taken by the acquisition of Vandenhoeck & Ruprecht Verlage on 1 March 2021. We remain committed to our long-term objective of an average organic revenue growth of around 2% and an EBITDA margin of more than 17%, with a return on invested capital showing material headroom to our weighted average cost of capital.

Leiden, March 25, 2021

Peter Coebergh, Chief Executive Officer
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About Brill

Founded in 1683 in Leiden, the Netherlands, Brill is a leading international academic publisher in the Humanities, Social Sciences, International Law, and Biology. With offices in the Netherlands, Germany, Austria, the USA and Asia, Brill today publishes more than 360 journals and 2,000 new books and reference works each year as well as a large number of databases and primary source research collections. Commitment to Open Access and the latest publishing technologies are at the core of Brill's mission to make academic research available for the scholarly community worldwide. The company's key customers are academic and research institutions, libraries, and scholars. Brill is a publicly traded company and is listed on Euronext Amsterdam NV. For further information, please visit brill.com.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

In thousands of euros

	31-12-2020		31-12-2019	
ASSETS				
Non - current assets				
Tangible fixed assets	223		339	
Right of use assets	1,458		1,914	
Intangible fixed assets	32,562		33,366	
Financial assets	112		12	
Deferred tax assets	38		52	
		34,393		35,683
Current assets				
Inventories	3,069		3,217	
Trade and other receivables	10,073		10,029	
Income tax to be received	49		1,110	
Cash and cash equivalents	5,899		1,788	
Derivative financial instruments	158		0	
		19,247		16,144
Total assets		53,640		51,827
EQUITY AND LIABILITIES				
Equity attributable to owners of Koninklijke Brill nv				
Share capital	1,125		1,125	
Share premium	343		343	
Retained earnings	22,929		20,033	
Other reserves	-479		-289	
		23,918		21,212
Non-current liabilities				
Interest bearing loans	3,500		3,765	
Lease liabilities	1,106		1,757	
Deferred tax liabilities	4,226		3,634	
		8,832		9,156
Current liabilities				
Interest bearing loans	1,083		1,083	
Trade and other payables	9,459		10,785	
Deferred income	8,967		8,851	
Lease liabilities	728		684	
Provisions	0		50	
Derivative financial instruments	21		5	
Tax to be paid	632		0	
		20,889		21,458
Total equity and liabilities		53,640		51,827

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of euros

	2020	2019
Revenue	37,859	37,128
Cost of goods sold	-11,487	-11,206
Gross Profit	26,372	25,922
Expenses		
Selling and distribution expenses	-6,766	-7,365
General and administrative expenses	-15,104	-15,266
Operating Profit	4,502	3,291
Finance income	112	64
Finance expenses	-187	-248
Profit before income tax	4,427	3,107
Income tax	-1,531	-945
Profit for the period attributable to shareholders of Koninklijke Brill NV	2,896	2,162
Other comprehensive (expense) income – items that might be reclassified to future profit or loss statements		
Exchange differences in translation of foreign operations	165	131
Net gain or loss on cash flow hedges	12	108
	177	239
Income tax relating to these items	-44	-29
Other comprehensive income for the period attributable to shareholders of Koninklijke Brill NV	133	210
Total comprehensive income for the period attributable to shareholders of Koninklijke Brill NV	3,029	2,372
Earnings Per Share		
Basic and diluted earnings per share attributable to shareholders of Koninklijke Brill NV	1.54	1.15

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of euros	2020		2019	
Cash flow from operating activities				
Profit before income tax	4,427		3,107	
Adjustments for				
Amortization and Depreciation fixed assets	1,790		1,840	
Amortization Content	2,856		2,819	
Finance income and expense – net	133		184	
Change in operating assets and liabilities				
Change in working capital	-987		286	
Change in long-term provisions and other	0		-45	
Cash generated from operations	8,219		8,192	
Interest paid/received	-133		-209	
Income tax paid	1,077		-717	
Net cash flow from operating activities		9,163		7,266
Cash flows from investing activities				
Investment in tangible fixed assets	-46		-119	
Investment in intangible fixed assets (non-content)	-448		-457	
Investment in Content	-3,695		-3,984	
Investment in financial fixed assets	-100		0	
Disposals and divestments	236		0	
Payments for acquisitions, net of cash acquired	-35		0	
Net cash flow from investing activities		-4,088		-4,560
Cash flow from financing activities				
Dividend paid to company shareholders	0		-1,593	
Redemption Interest bearing loans	-270		-1,078	
Redemption lease liabilities	-693		-629	
Net cash flow from financing activities		-963		-3,300
Net cash flow		4,111		-595
Cash and cash equivalents as per 1 January		1,788		2,383
Net cash flow		4,112		-595
Cash and cash equivalents as per 31 December		5,899		1,788