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- Brill in 2017
- Financial Performance
- Commercial strategy
- Publishing strategy
- Strategy 2018-2020
- Closing remarks, Q&A

Agenda

2017 was a busy year for Brill

- Progress on all strategic areas
 - Expansion in DACH, Social Sciences and stepping up Digital Humanities
 - Focus on E-products and expansion in Asia
 - Major IT infrastructure projects
- Governance
 - Improved relationship with shareholders, changed voting policy trust office on absentee voting
 - Succession in place and new team ready
- Review of capitalization
 - Leverage and super dividend
- Mixed financial results
 - Strong top-line growth and good cash generation
 - Some pressure on profitability and once again non-recurring issues

Strategy status

Expand market position

Build on leading positions

Expand to adjacencies

New product formats

Develop market presence

Expand sales force

Focus on flagships

Enhance digital marketing

Invest in operations

Content

Platforms

Applications

Logistics

Cloud

Digital Humanities

- Early mover
- Application of standard software
- Author and research focus
- Strategic fit Open Science

Focus on:

- Pattern recognition
- Semantic technology
- GIS
- Statistical analysis

A stepping stone acquisition

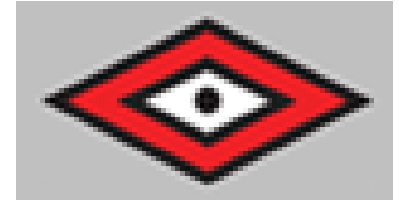
Ferdinand Schöningh **fs**

Wilhelm:Fink

mentis
VERLAG GMBH

- German market is attractive for Humanities
- Brill's business model has added value for German publishing industry
- S&F is a reputable publisher in the fields of History, Theology, Literature and Cultural Studies, Media Studies and Philosophy
- Provides access to text book market through UTB concept
- Integration ongoing, publishing managed separately
- Accretive but impact on overall ratios
- Long term trajectory to reach Brill's profit targets
- mentis Verlag joined 1 January 2018

Entering social sciences: Sense Publishers



- The scholarly field of social sciences is much larger than the humanities and provides direct links to our programs
- Sense is an emerging book publisher in the field of educational sciences, based in Dordrecht, publishing over 150 titles per year
- Business model is ‘ultra light’ – no stock, online distribution through Springer until 2017
- Annual revenue is around EUR 1 million, 3 FTE
- Owner will support integration and business development in social sciences; integration into existing structure
- Sense contributed to 2017 profit

Brill wins prestigious award at LBF!



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Financial Performance

2017 Key Figures

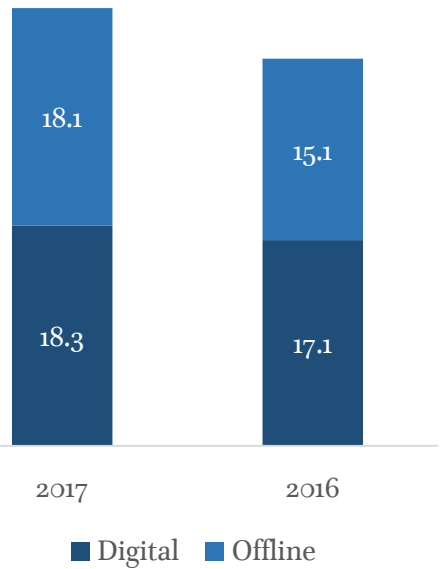
In EUR m	2017	2016	Change
Revenues	36.4	32.2	13%
Organic growth*)	3.1%	3.9%	
EBITDA	4.2	4.5	-8%
Net Profit *)	2.3	2.8	-19%
ROIC	11.1%	13.0%	-180Bps
EPS	1.21	1.32	-19%
Dividend / share	1.32 + 3.00	1.32	-

*) adjusted for EDI returns issue

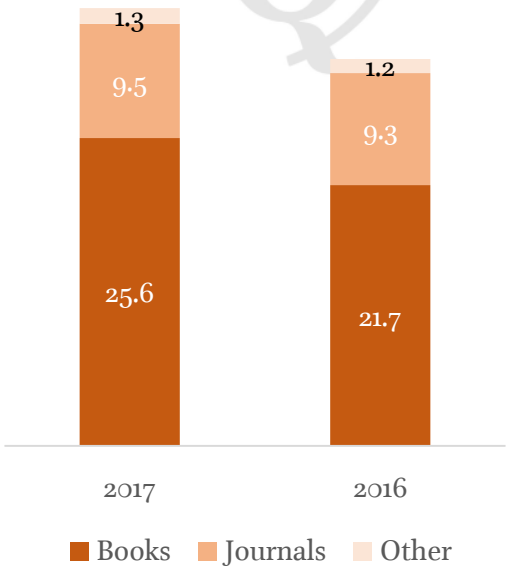
***) decline: change in EBITDA + 0.4m fx results

Revenue breakdown

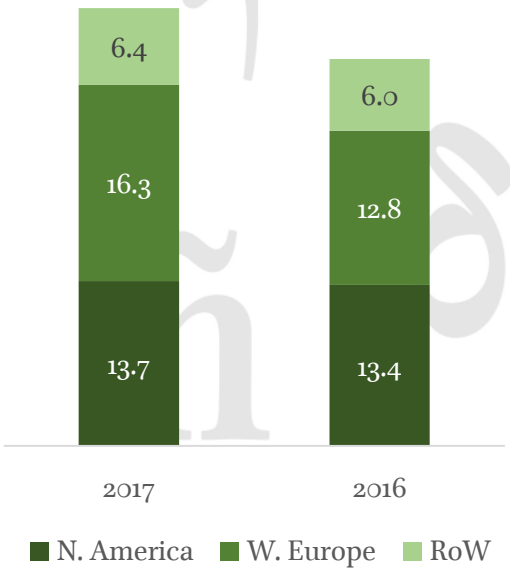
Revenue by Media Format



Revenue by Publication Type

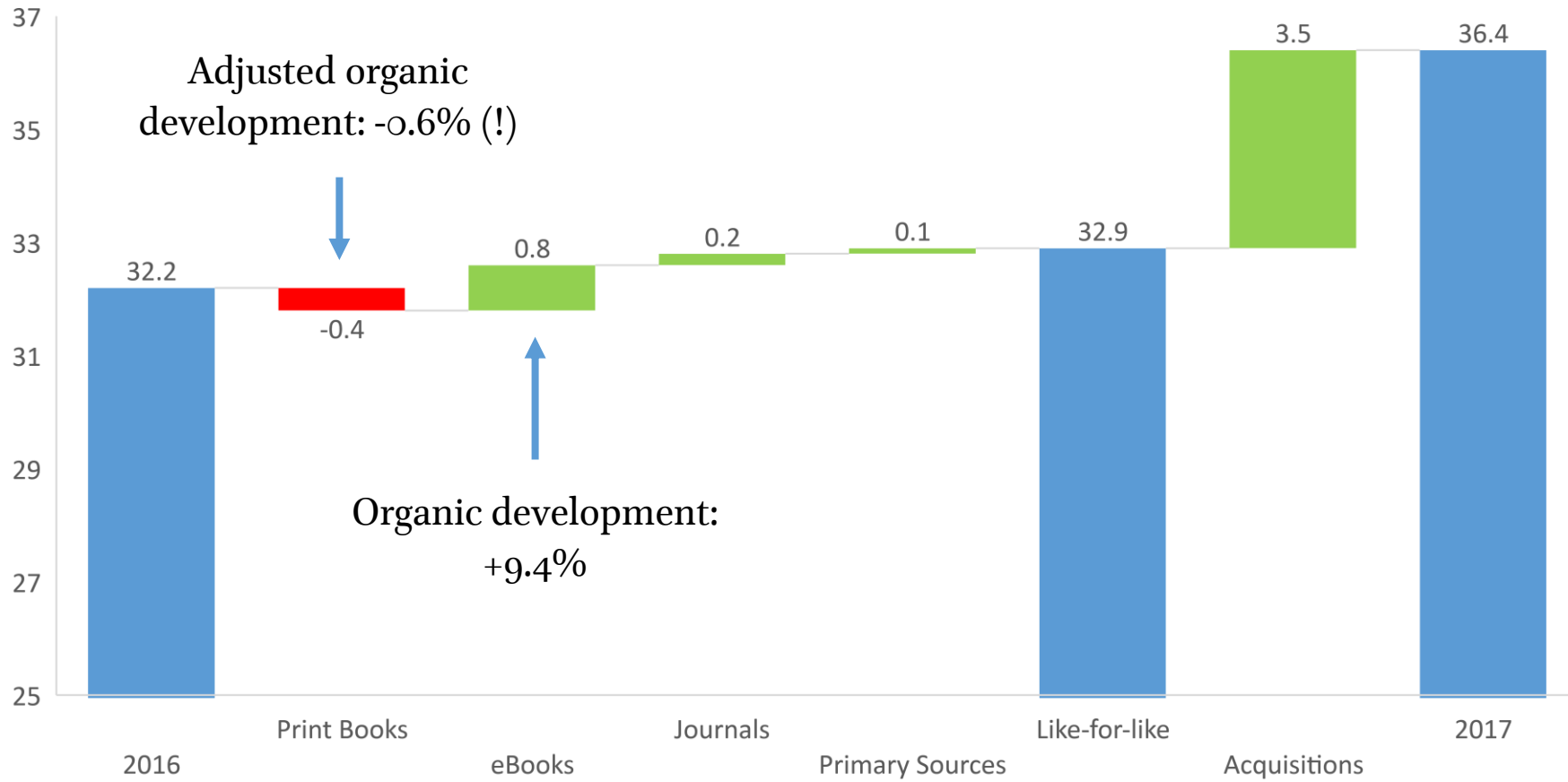


Revenue by Geography

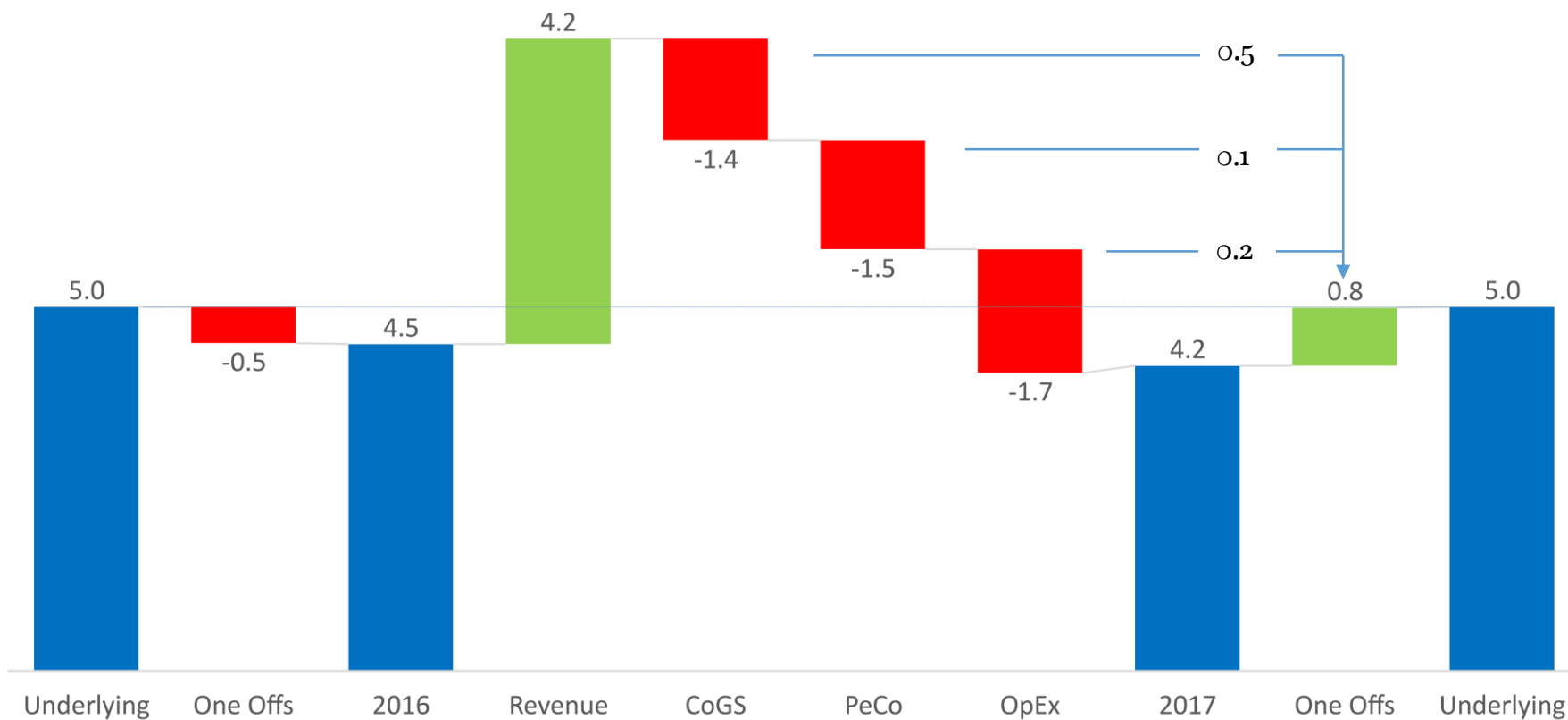


- Growth driven by acquisitions (predominantly print books)
- Growth in RoW was driven by print and ebook deals in China
- Subscription revenue proportion dropped to 38% from 42% of total revenue; excl acquisitions, the proportion subscription sales was stable at 42%

Acquisitions were growth driver



EBITDA declined (one off expenses); underlying EBITDA flat

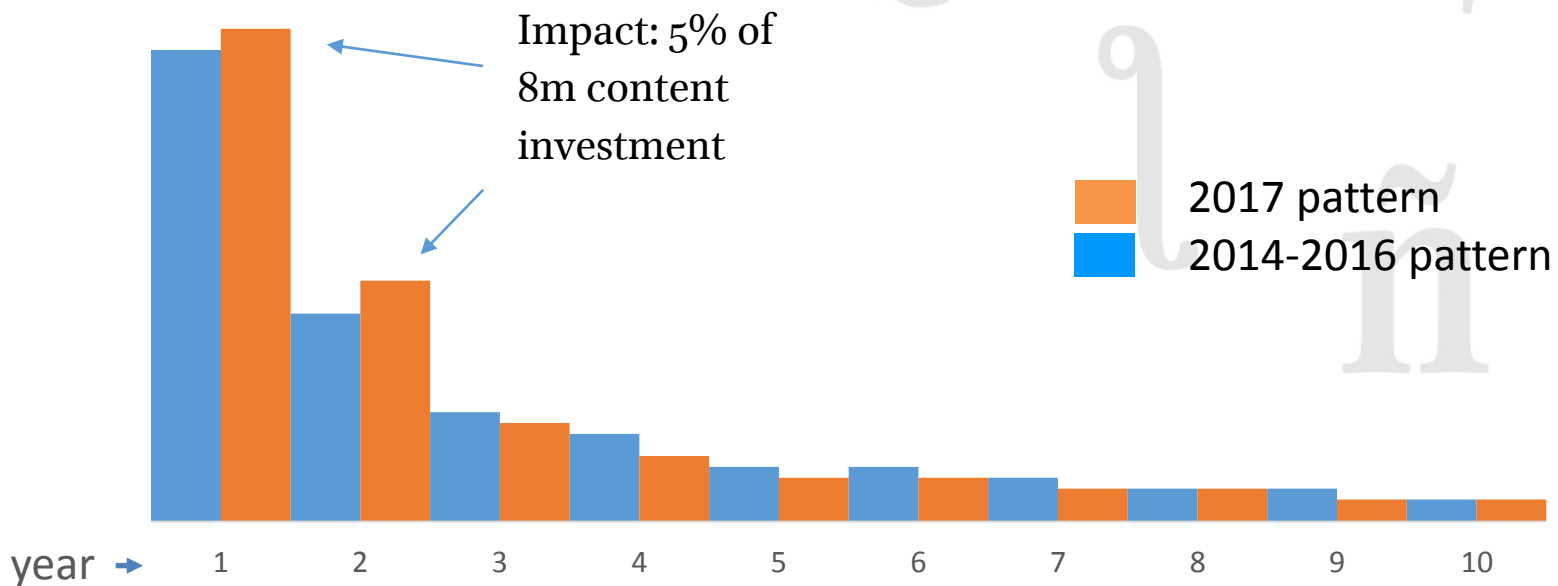


Details non recurring items

(in EUR million)	Revenue	EBITDA
Returns EDI Issue	-0.2	-0.1
Change content amortization		-0.1
Royalty catch up		-0.2
Acquisition related and consulting expense		-0.3
Personnel costs		-0.1
Total	-0.2	-0.8

Change in expected economic benefits; estimated through expected pattern of sales

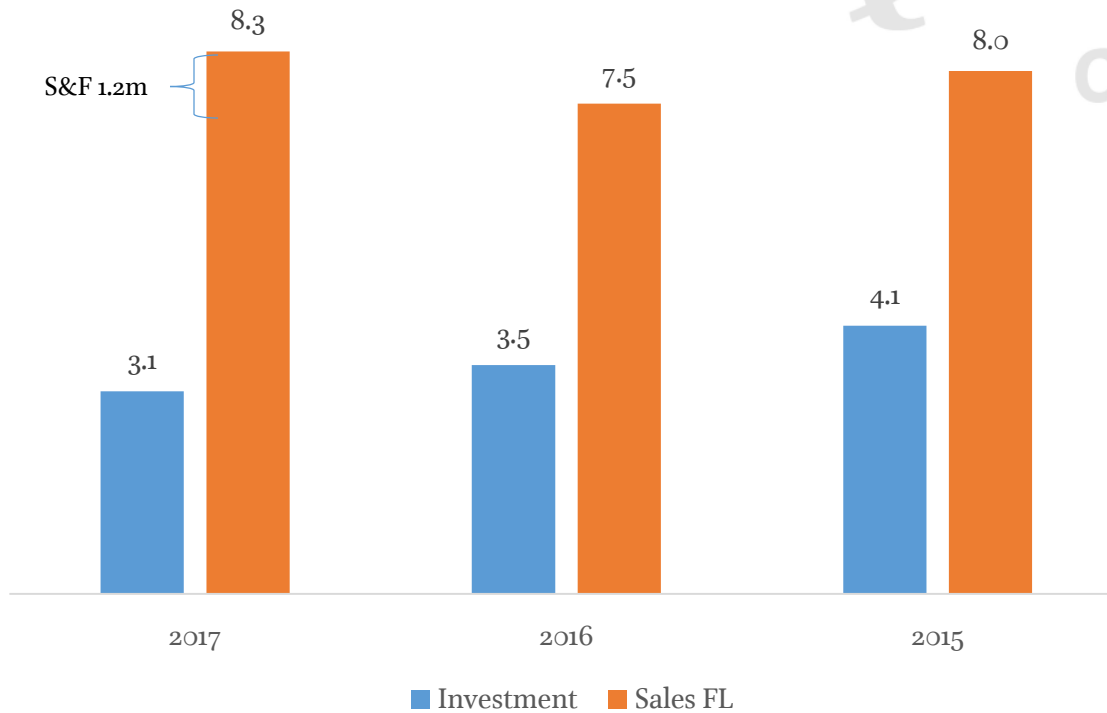
Amortization pattern Content



- Pattern reviewed at the end of each book year during the year end close and changed if materially different from prior years
- A typical book sells about 45% of its lifetime sales in yr 1 (~ 8k of lifetime sales of ~ 20k)

Improving efficiency of content investment

Brill Total (EUR m)



- Investment = amount of new content capitalized in the book year
- Sales FL = revenue derived from new book titles in the book year (front list)

- Book front list generates average FY cash gross result of EUR 6m
- Payback of the investment in content <1 year
- IRR > 70% = required for funding structural costs (organization, platforms, sales, overhead...)
- Note: relation is not 100% direct due to multiple year investments, end of year launches....
- S&F business model allows higher capital efficiency (print cost subsidies)
- Total investment declined due to less capital intensive publications and typesetting savings

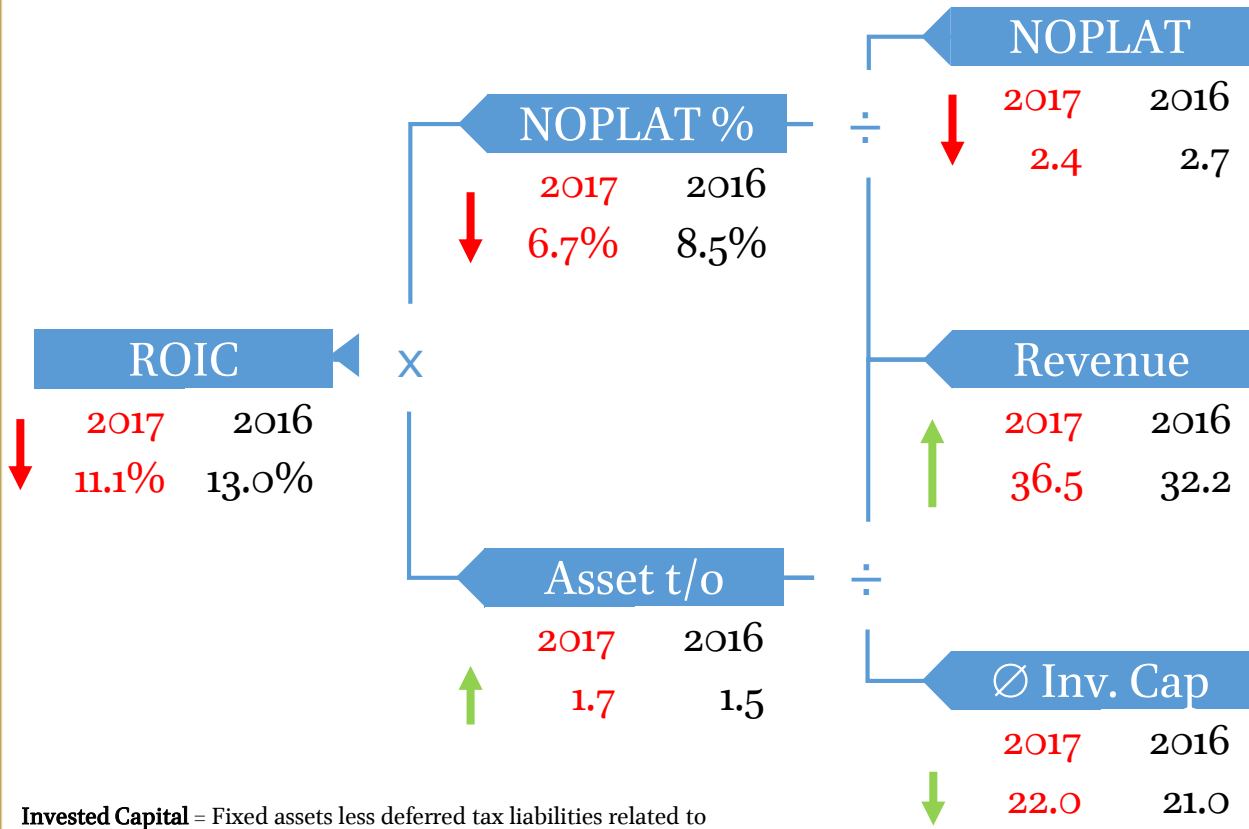
Free cash flow declined due to lower results and high investment level



Continued progress capital allocation

- **Free up working capital for re-investment**
 - Inventory (through POD implementation) 0.6m vs 0.5m in 2016
 - Trade Receivables (migration P to E) 0.0m vs 0.3m in 2016
 - Deferred Income (subscription prepayments) 0.3m vs 0.2m in 2016
- **Invest to achieve higher returns**
 - Content / publication development (3.1m in 2017 vs 3.5m in 2016)
 - Technology (1.4m invested in 2017 vs 1.0m in 2016)
 - M&A (2.0m invested in 2016 vs 1.0m in 2015)
- **Deliver sustainable, healthy financial returns (ROIC 11.1% vs 13.0% in 2016); sustained dividend policy**
- **Ensure financial continuity in line with stakeholder focus**

Development of financial return; lower margin, higher capital turnover

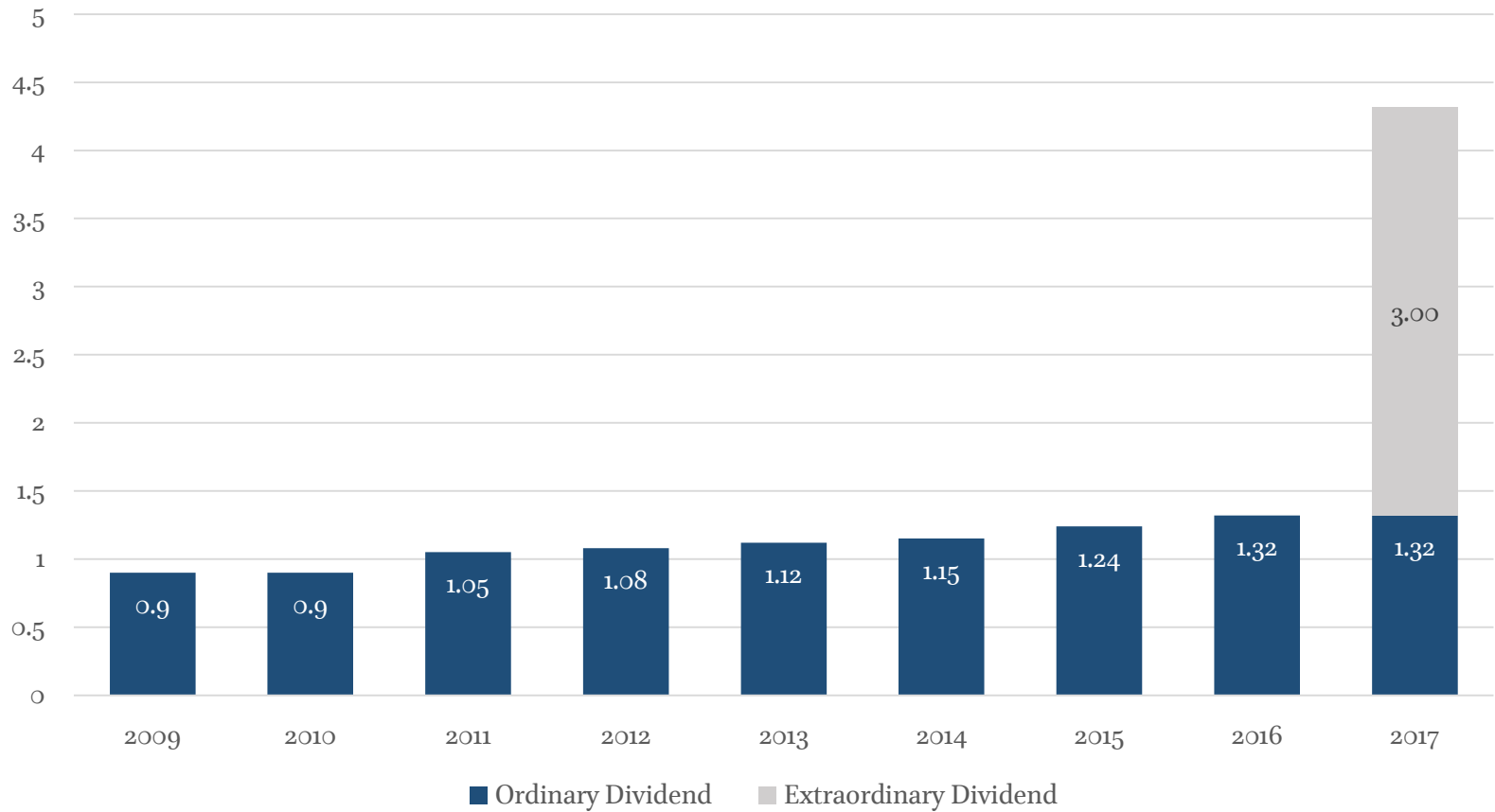


- One – offs 0.6m after tax
- Sales / title
- Book / Journal output
- PS development
- WiP / Content reduction
- Working capital reduction
- Capital investments

Invested Capital = Fixed assets less deferred tax liabilities related to acquired intangibles plus working capital less cash
Average Invested Capital = Average of Invested Capital at the beginning of the period and the end of the period
NOPLAT = Operating Profit less Corporate tax at the nominal rate

Stable dividend, in line with dividend policy

Dividend per share, in EUR



Jubilee dividend EUR 3.00

- Brill had significant cash resources at the end of the last years, mostly as a result of the VSP divestment (2012)
- Brill management believes that the current capital distribution proposal is balanced to distribute excess cash to investors, allowing Brill management to pursue its strategic objectives and maintain dividend policy
- Brill staff receives one – off jubilee payment in 2018

Financing arrangement

- Rabobank (NL / US / GE)
- Straight amortizing loan 6.5m / 6 years
- Increased working capital allowance (7.5m from 5m); acquisition facility remains at 7.5m
- Leverage 3.5x EBITDA 2018 / 3x 2019 – 2024
- DSCR 1,1
- EBITDA cover 80%

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Commercial Strategy

Develop market presence-Sales

- Expand sales force for print and online
 - In the key markets Americas (US west coast and Canada and EMEA (southern Europe, Africa)
 - In selected growth markets (office in Beijing, SE Asia)
- Sales focus on online products
 - Sales Intake by Brill sales team up 19,3% vs. 2016
 - Special and incremental deals

Sales highlights in 2017

- Online sales up 9%
 - eBooks up 20% in the Americas
 - Total sales up by 40% in China
- Special deals with:
 - Sun Yat Sen University and Public Library in China (Print + eBooks)
 - McGill University in Canada (eBooks)
 - Universidad de los Andes in Colombia (eBooks)
- Various new eBook consortium renewal deals with:
 - CASHL in China
 - MaRLI in the USA

Develop market presence-Marketing

- Focus on Flagships
 - Special marketing and sales attention for Brill's top sellers and important new product launches with product video's, editor interviews and user guides on social media
 - Overall the Flagship products performed better than expected in 2017
- Enhance Digital Marketing
 - Focus on lead management using Pardot and Engage on the Salesforce.com platform to manage prospects and customers
 - Marketing automation; automated retargeting in Pardot, based on previous response, multiple contact moments follow the customer journey.
 - Digital marketing on social media targeting end users; explaining the research, storytelling and infomercials
 - [Click link for example](#)

Global Online Access to Legal Information



www.ilo.org/goali



Cornell Law School
Lawyers in the Best Sense



YALE LAW

BRILL | NIJHOFF

- **New CSR Initiative in Law**
- New Program under Research4Life
- Initiated by founding publisher Brill
- Promote sustainable access to legal information in 115 developing countries.
- UN entity ILO hosts the program
- Partnering with Academic Partners Yale and Cornell Law School Libraries and other Academic Publishers
- Launched at ILO in Geneva on 6 March

Online Platform Vision

Functionality

- One web shop for p+e
- Integrated search
- Mobile
- UX design
- Access management
- Integration of platforms



Customer benefits

- Seamless experience across PC and mobile
- Better, more complete search results
- Easier purchase process
- Better usage feedback

Discover Together

Welcome to the new Brill website!
Take a tour of our new website combining our corporate website, product information, E-Books and E-Journals in one place.

- Simplicity** - Clear, easy to use interface.
- Integrated search** - Content discoverable on one platform.
- Ease of use** - Improved search refinement. Easily accessed on mobile devices.

[Browse](#)



Subject Highlights



International Relations



Theology and World Christianity



African Studies



Social Sciences

[Show All Subjects](#) ▼

Publishing Strategy



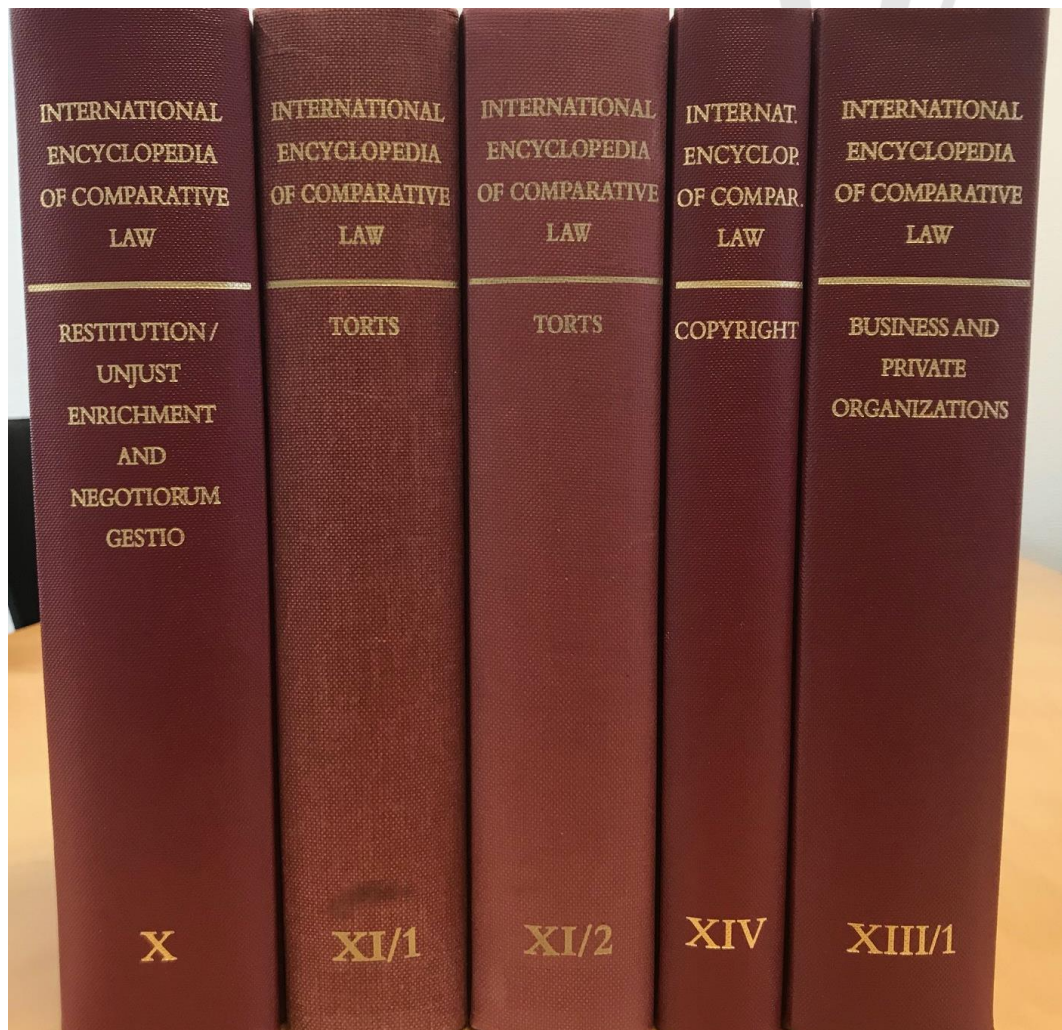
Strategic Pillars

- Select relevant content
- Invest in quality control
- Foster ties with the research community
- Provide personalized service
- Increase accessibility of content

2018 agenda

- Improve decision-making
 - Bottom-up portfolio analysis
 - Tools for data analysis
- Improve efficiency
 - Alignment of publishing units
 - Inclusion of key support functions
 - Improvement of publishing workflows

Focus on new flagships



Acquisitions

Humanities Press (1998)

VSP (1999)

Martinus Nijhoff (2003) LAW

KLI Arabic Law (2004)

Transnational (2005)

Hotei Publishing (2006)

IDC (2006)

Gieben (2006)

Van Gorcum Bible Studies (2007)

Global Oriental (2010)

Egbert Forsten (2011/2012)

KITLV (2013)

Apollo (2013)

Emerald L&L (2013)

Hes & De Graaf (2013)

Editions Rodopi (2014)

Schöningh & Fink (2016) GER

Sense (2017) - SOCIAL SCIENCES

170+ journals acquired

- 72 as part of acquired lists
- 100+ stand-alone
- 30 divested

Open Access



- Higher usage and impact
- Strong portfolio, particularly in books
 - 250+ OA books, 2 reference works
 - 15 full OA journals
- Steady growth of revenues
 - 524k in 2017 (1.45% of total)
 - Growth rates of 45% since 2014
- Pro-active strategy to locate funding

Unchanged Strategy for 2018-2020

Expand market position

Build on leading positions

Expand to adjacencies

New product formats

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New Management Structure

- 2 statutory directors (CEO and CFO/COO)
- Executive Team
 - CEO, CFO/COO, CPO
- Management Team
 - Executive Team
 - Sales
 - Operations
 - HR
 - Business Development

Focus 2018

- Integration recent acquisitions
- Publishing priorities
- Open Access
- Profit improvement and financial control
(portfolio, vendors, organization)

Improvement in control needed

Issues

- Closing and Audit process problematic
- Caused by more complex business and external requirements
- Cost visibility must be improved
- More business support required

Approach

- Systems upgrade 2017: Tableau + FCCS
- External audit support for 2018 audit cycle
- Improvements internal controls (systems, organization, reporting)
- Expansion finance team per May 1

Conclusions

- 2017 marked significant progress versus Brill's strategic objectives
- 2018 will be a year in which the investments in new products, infrastructure & technology and people will lead to improved results
- We continue to pursue our strategic plan for sustainable value creation
- We are optimistic for the year ahead but at this time provide no specific guidance

335

Years

BRILL



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