



Bertelsmann Interim Results 2019

Investor Conference Call

August 29, 2019

Bernd Hirsch, Member of the Executive Board and CFO of Bertelsmann

Interim Results H1 2019 – Highlights and key topics

Strong operating performance

- ✓ **Revenues** of €8.6 billion, up 4.6 percent, organically up 3.2 percent
- ✓ **Operating EBITDA** at €1.3 billion, high level of profitability, EBITDA margin of 15.0 percent
- ✓ **Group profit** stable at €502 million, high quality of earnings maintained
- ✓ Revenue share of **growth businesses** increased to 35 percent

Progress on all four strategic priorities

- ✓ **Strengthening the core**
Establishing cooperation and alliances such as Bertelsmann Content Alliance
- ✓ **Digital transformation**
Further increase in digital revenues, 1.2 million paying subscribers for VoD services
- ✓ **Growth platforms**
Strong growth, in total double digit organic growth rate
- ✓ **Growth regions**
42 new and follow-on investments, currently over 200 investments

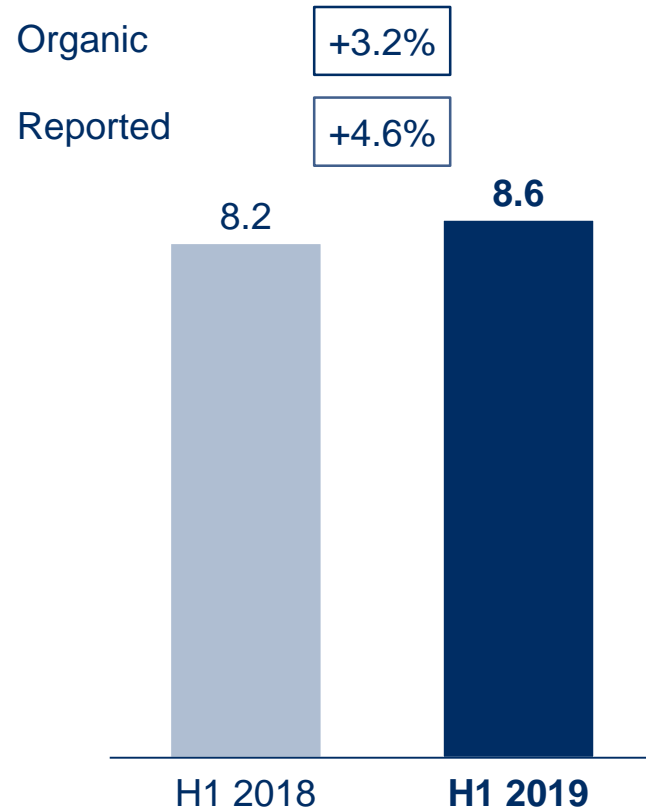
Sound financial position

- ✓ **Total equity** at €9.9 billion, solid equity ratio of 38 percent
- ✓ **Leverage factor** above limit, mechanically higher due to increases in pensions
- ✓ **Target rating** Baa1/BBB+ with stable outlook
- ✓ **Commitment** to prudent financial policy

Note: Some slides of this presentation contain Alternative Performance Measures. For detailed information please refer to the respective section in the 2018 Combined Management Report.

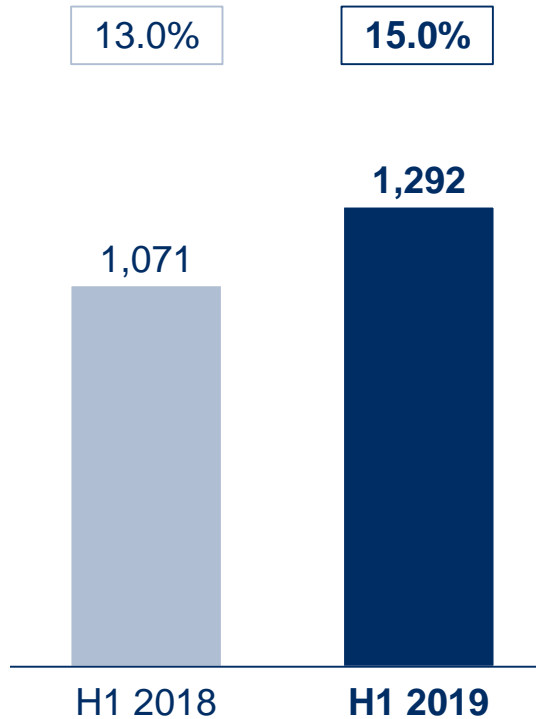
Group key figures H1 2019 – Improved organic revenue growth, Operating EBITDA on record level, high level of Group profit maintained

Revenues, in € billions

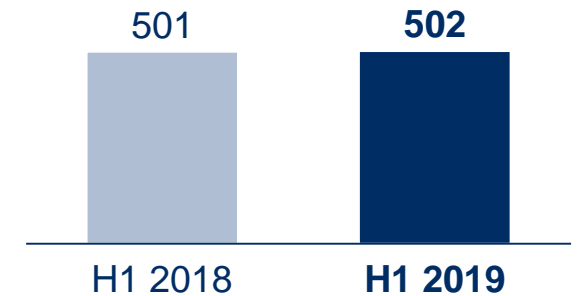


Operating EBITDA¹⁾, in € millions

EBITDA margin



Group profit, in € millions

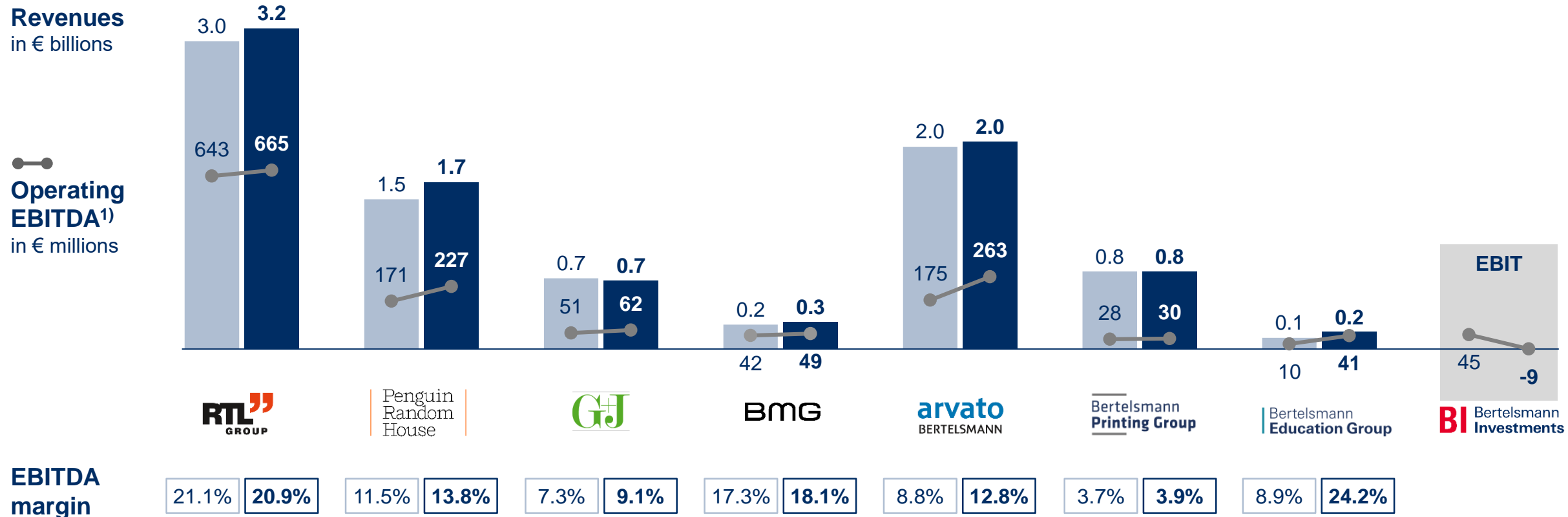


1) Includes effects from the initial application of the new financial reporting standard IFRS 16 "Leases"

Divisions H1 2019 – Profitable revenue growth across nearly all divisions

Continuing operations

■ H1 2018 ■ H1 2019



1) IFRS 16 "Leases" affects all division especially RTL Group, Penguin Random House and Arvato

Group profit H1 2019 – Operating EBITDA increased significantly, stable Group profit

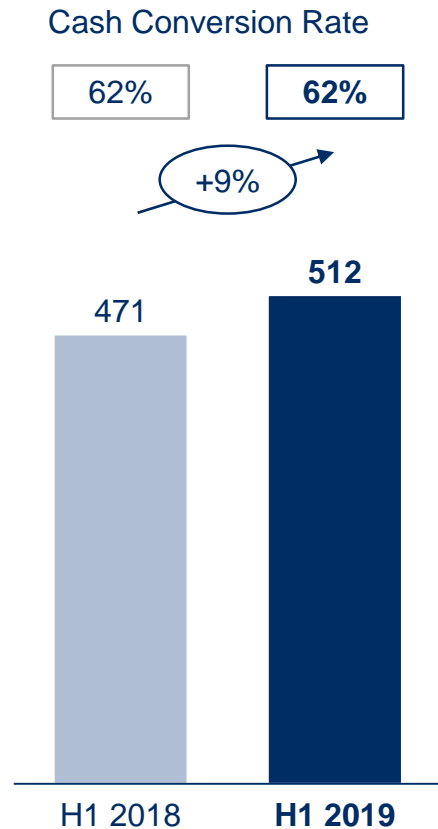
in € millions

	H1 2018	H1 2019	Change	Commentary
Operating EBITDA	1,071	1,292	221	Positive business performance
Depreciation & amortization	(310)	(449)	(139)	
Special items	8	(19)	(27)	Higher restructuring costs
EBIT	769	824	55	
Financial result	(106)	(168)	(62)	Includes market valuation effects of derivatives
Income tax expense	(162)	(154)	8	
Earnings after taxes from discontinued operations	–	–	–	
Group profit	501	502	1	High level maintained

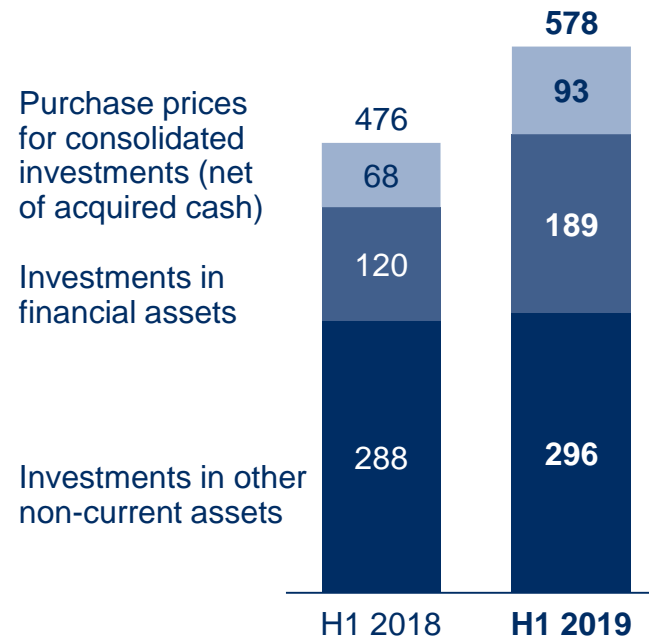
Affected by first-time application of IFRS 16

Free cash flow and investments/divestments H1 2019 – Increased operating free cash flow, investments and divestments above prior year

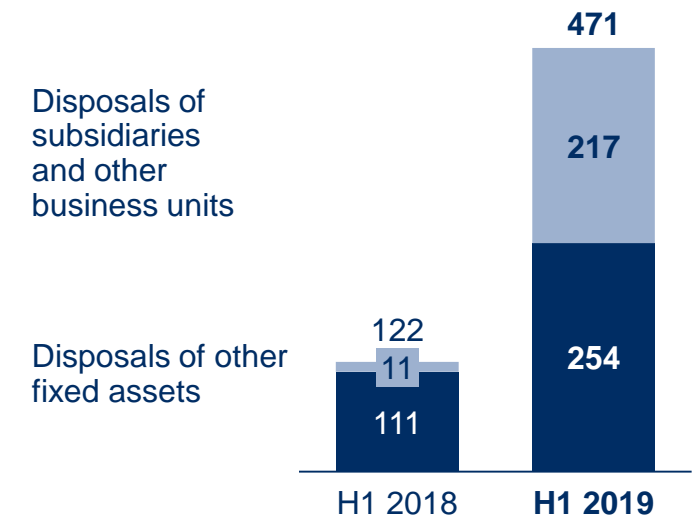
Operating Free Cash Flow, in € millions



Investments, in € millions

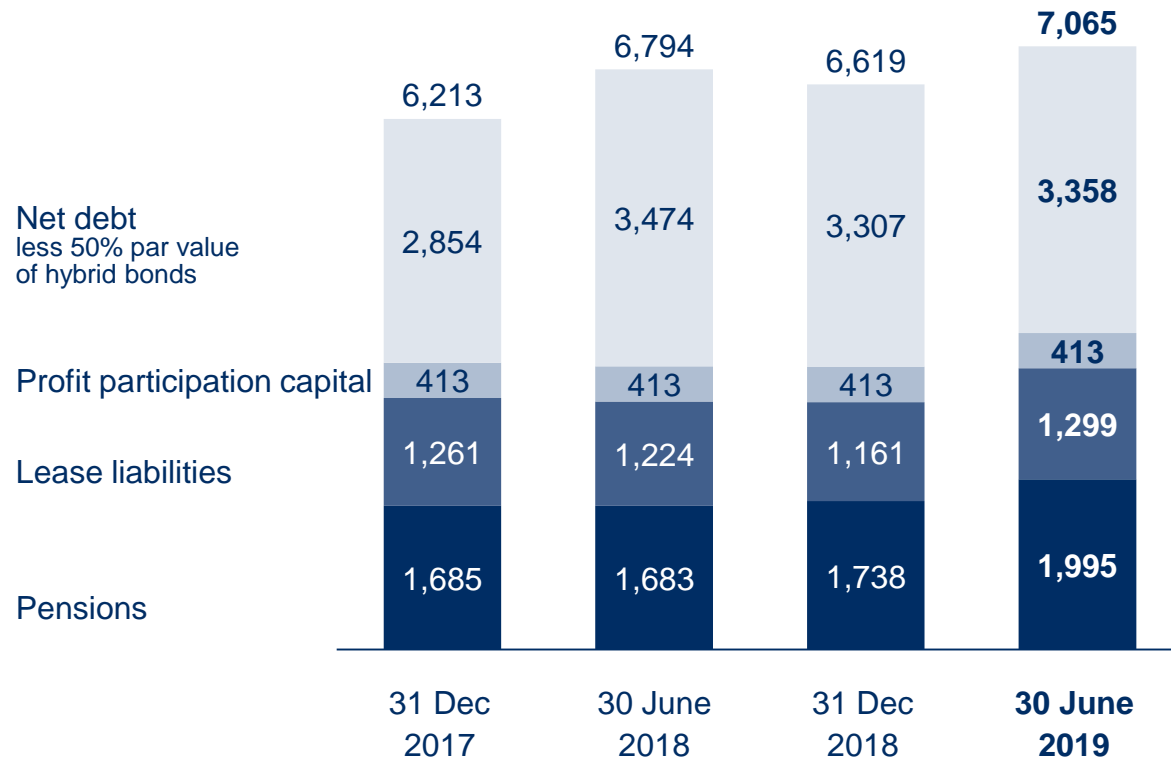


Divestments, in € millions

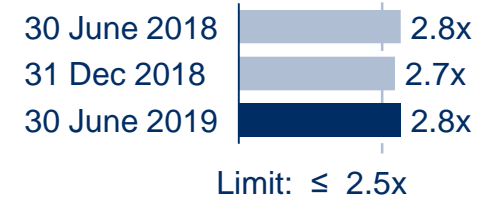


Financial status H1 2019 – Increase in economic debt due to higher pensions and higher lease liabilities, solid equity ratio maintained

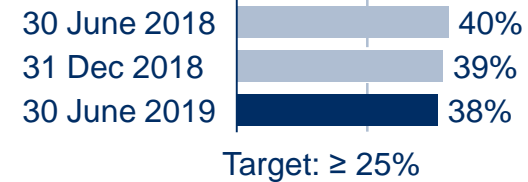
Economic Debt, in € millions



Leverage Factor



Equity Ratio



Credit Rating

	Baa1 , outlook: stable
	BBB+ , outlook: stable

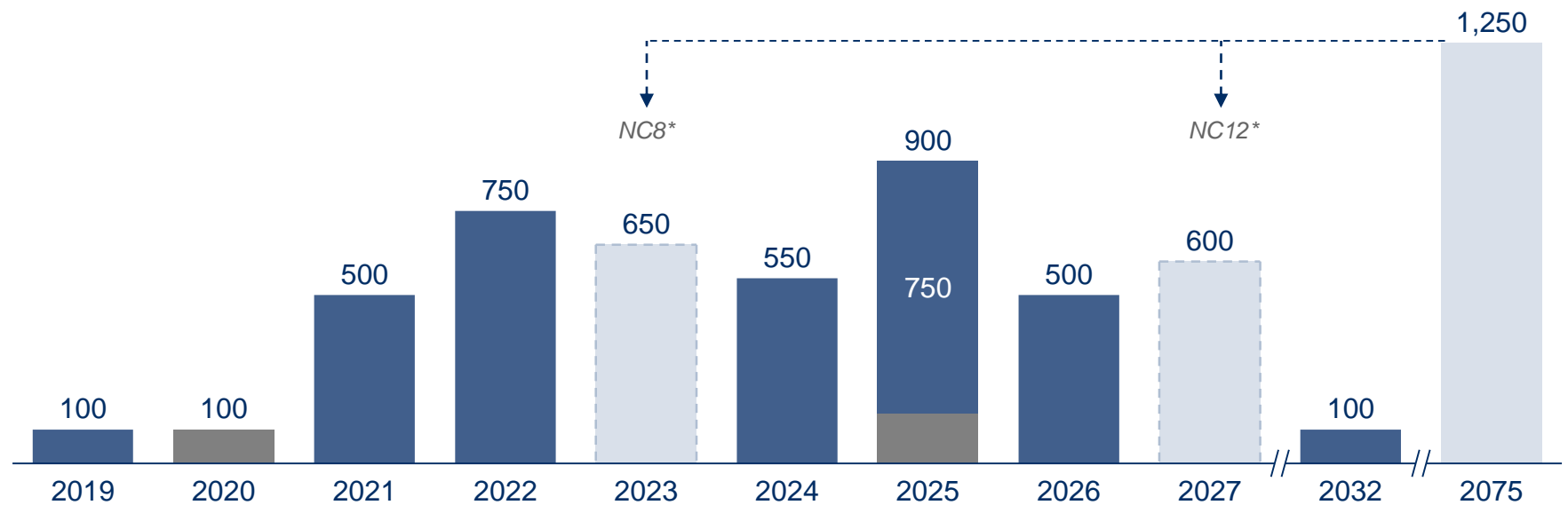
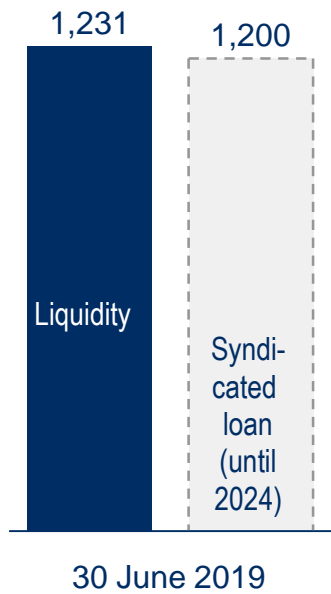
Financial status H1 2019 – Sound maturity profile, no major refinancing needs until 2021

in € millions

Financing activities YTD

- Redemption of €150m promissory note in February
- Redemption of €60m promissory note in May
- Early renewal of €1.2 bn syndicated loan in July

Hybrid bonds Bonds Promissory notes




*For illustrative purposes only.


Group strategy – Strategic framework since 2012

Megatrends

 Digitization

 Automation/
artificial intelligence

 Global growth
disparities

 Demographic
change

 Health

 Education

Strategic priorities

1 Strengthening the core

2 Digital transformation

3 Growth platforms



4 Growth regions

Target portfolio

- Higher growth
- More digital
- More international
- More diversified

**Financial
performance**

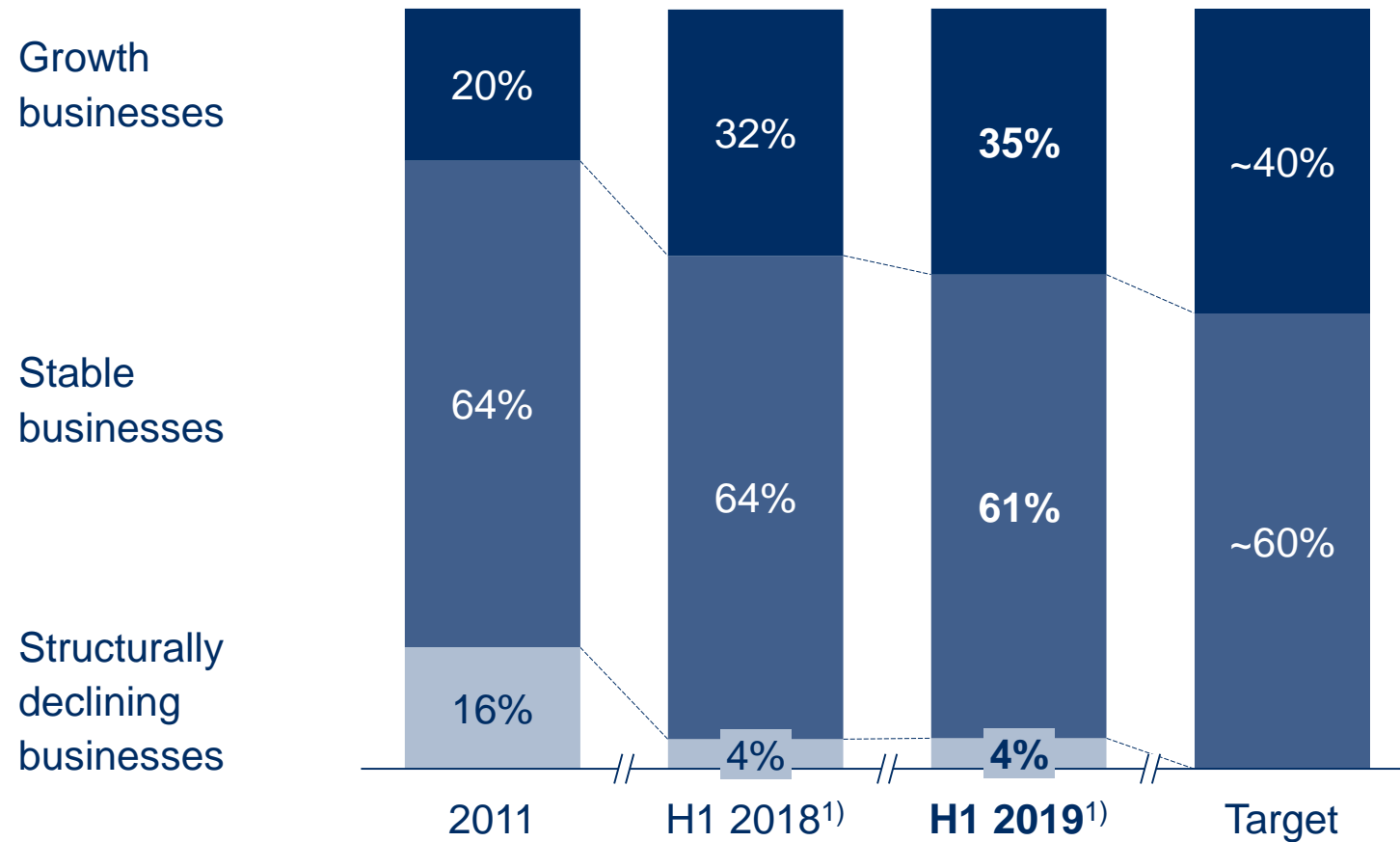
Group strategy – Highlights H1 2019

Strategic priorities	1 Strengthening the core	2 Digital transformation	3 Growth platforms	4 Growth regions																	
Highlights 2019	<p data-bbox="524 489 754 529">Acquisitions</p>  <p data-bbox="570 839 1274 879">Expansion of cooperation and alliances</p> <table border="0"> <tr> <td data-bbox="519 911 657 951">Content</td> <td data-bbox="810 911 1001 951">Advertising</td> <td data-bbox="1123 911 1332 951">Data & Tech</td> </tr> <tr> <td data-bbox="486 972 682 1039">Bertelsmann Content Alliance</td> <td data-bbox="851 972 960 1072"></td> <td data-bbox="1072 972 1396 1029">netID g r : v : t : : alliance data & media</td> </tr> <tr> <td data-bbox="504 1072 665 1110">SALTO</td> <td></td> <td data-bbox="1085 1072 1358 1189">d-force IP + SevenOne Media</td> </tr> </table>	Content	Advertising	Data & Tech	Bertelsmann Content Alliance		netID g r : v : t : : alliance data & media	SALTO		d-force IP + SevenOne Media	<p data-bbox="988 489 1370 529">Data and tech agenda</p> <p data-bbox="1029 608 1309 648">Advisory Board</p> <p data-bbox="932 725 1421 765">50,000 Udacity scholarships</p>	<p data-bbox="1544 489 1875 572">Further organic expansion</p> <table border="0"> <tr> <td data-bbox="1505 608 1696 679"></td> <td data-bbox="1742 636 1921 672"><i>Fremantle</i></td> </tr> <tr> <td data-bbox="1518 729 1684 779"></td> <td data-bbox="1760 736 1900 772">BMG</td> </tr> <tr> <td data-bbox="1531 836 1671 922"></td> <td data-bbox="1760 836 1900 922"></td> </tr> <tr> <td data-bbox="1513 979 1702 1029">Bertelsmann Education Group</td> <td data-bbox="1742 979 1921 1029"></td> </tr> </table>		<i>Fremantle</i>		BMG			Bertelsmann Education Group		<p data-bbox="2040 489 2440 572">Invested¹⁾ >€1bn in start-ups in recent years</p> <p data-bbox="2040 601 2440 684">Generated proceeds of more than €600m</p> <p data-bbox="2091 712 2390 795">Currently over 200 investments</p> <p data-bbox="2125 819 2346 872"></p> <p data-bbox="2040 943 2440 1026">Expanded footprint in Middle East and Africa</p> 
Content	Advertising	Data & Tech																			
Bertelsmann Content Alliance		netID g r : v : t : : alliance data & media																			
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	<i>Fremantle</i>																				
	BMG																				
Bertelsmann Education Group																					

1) Including investments of Bertelsmann Digital Media Investments

Group strategy – Growth profile further improved

Share of Group revenues in %



1) Rolling twelve months

Growth businesses further expanded in H1 2019

Revenues > €3bn

Outlook full year 2019 – Further increase in revenues and earnings

Market development

- Global economic growth
- Increased uncertainty
- Mixed market conditions

Outlook Group development

- Further improved growth profile, especially through organic expansion of existing growth platforms
- Moderate revenue increase
- Continued high operating profitability, strong increase due to IFRS 16 effect
- Group profit to remain in excess of €1bn



Q&A-Session

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