



# Bertelsmann Annual Results

**Investor Conference Call**

March 24, 2020

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

# Bertelsmann FY 2019 – Highlights and key topics

1. **Strong business performance** | Revenues exceeded €18 billion mark | Operating EBITDA +12.5% to € 2.9bn | Group profit of €1.1bn
2. **Sound financial position** | Leverage factor at 2.6x, <2.4x at PY's pension discount rates | Healthy maturity profile, high liquidity reserves
3. **High cash flow** | Attractive cash conversion rate of 97% | Low net working capital | Reduction of net financial debt by more than €500m
4. **Strategy** | Growth businesses contributed 36% to revenues | Building up alliances in areas of content, advertising and technology
5. **Outlook** | Market uncertainties | Robust portfolio
6. **Business profile** | 8 growth platforms established | Shift from M&A to organic growth | Full ownership of Penguin Random House in Q2 2020

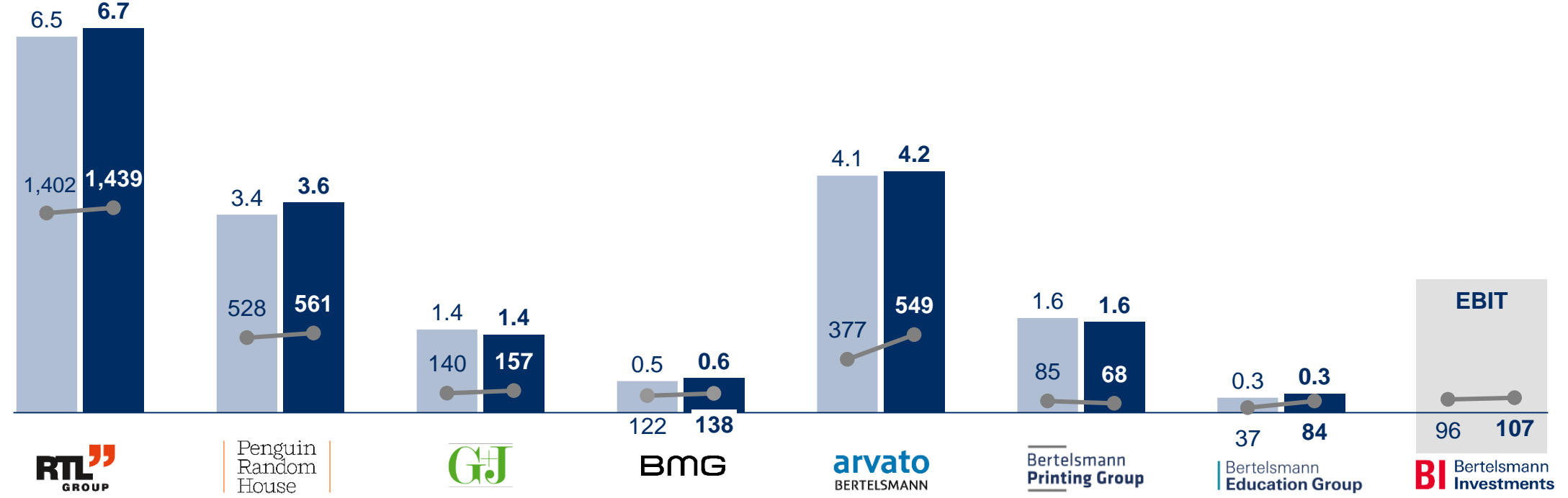
# Divisions 2019 – Significant revenue growth at Penguin Random House, BMG and Bertelsmann Education Group, strong increase of earnings at Arvato

Continuing operations

2018 2019

Revenues  
(in € billions)

Operating  
EBITDA  
(in € millions)



EBITDA  
margin

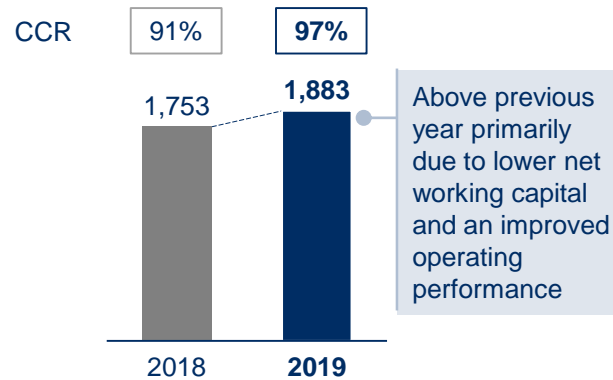


## Group profit – Revenue growth of 2.0%, Operating EBITDA increase by 12.5%, Group profit exceeds billion-euro mark for the fifth consecutive year

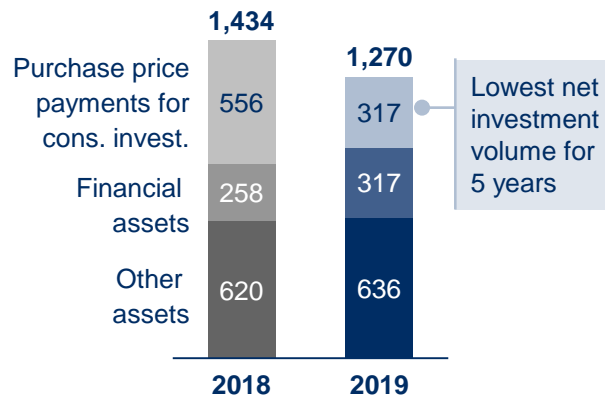
in € millions	2018	2019	Change	Comment
<b>Revenues</b>	<b>17,673</b>	<b>18,023</b>	<b>+350</b>	Reported growth of 2.0%
<b>Operating EBITDA</b>	<b>2,586</b>	<b>2,909</b>	<b>+323</b>	Increase by 12.5%; method effect IFRS +274
Depreciation and amortization	-670	-930	-260	Method effect IFRS 16 (-254)
Restructuring/other adjustments	-278	-293	-15	
Impairments/reversals	-181	-94	+87	Lower burden from impairments
Capital gains/losses and FV remeasurements	163	233	+70	Higher capital gains, primarily at RTL Group
∑ Special items	-296	-154	+142	
<b>EBIT</b>	<b>1,620</b>	<b>1,825</b>	<b>+205</b>	
Financial result	-216	-309	-93	eg. first-time application of IFRS 16 (lease interests) (-43)
Income taxes	-301	-426	-125	Normalization of tax burden after positive one-offs in prior year
Earnings after taxes from discontinued operations	1	1	+/-0	
<b>Group profit</b>	<b>1,104</b>	<b>1,091</b>	<b>-13</b>	

# Financial status – High cash flows from operations, only modest M&A investments, high liquidity position, new syndicated loan to fund PRH stake increase

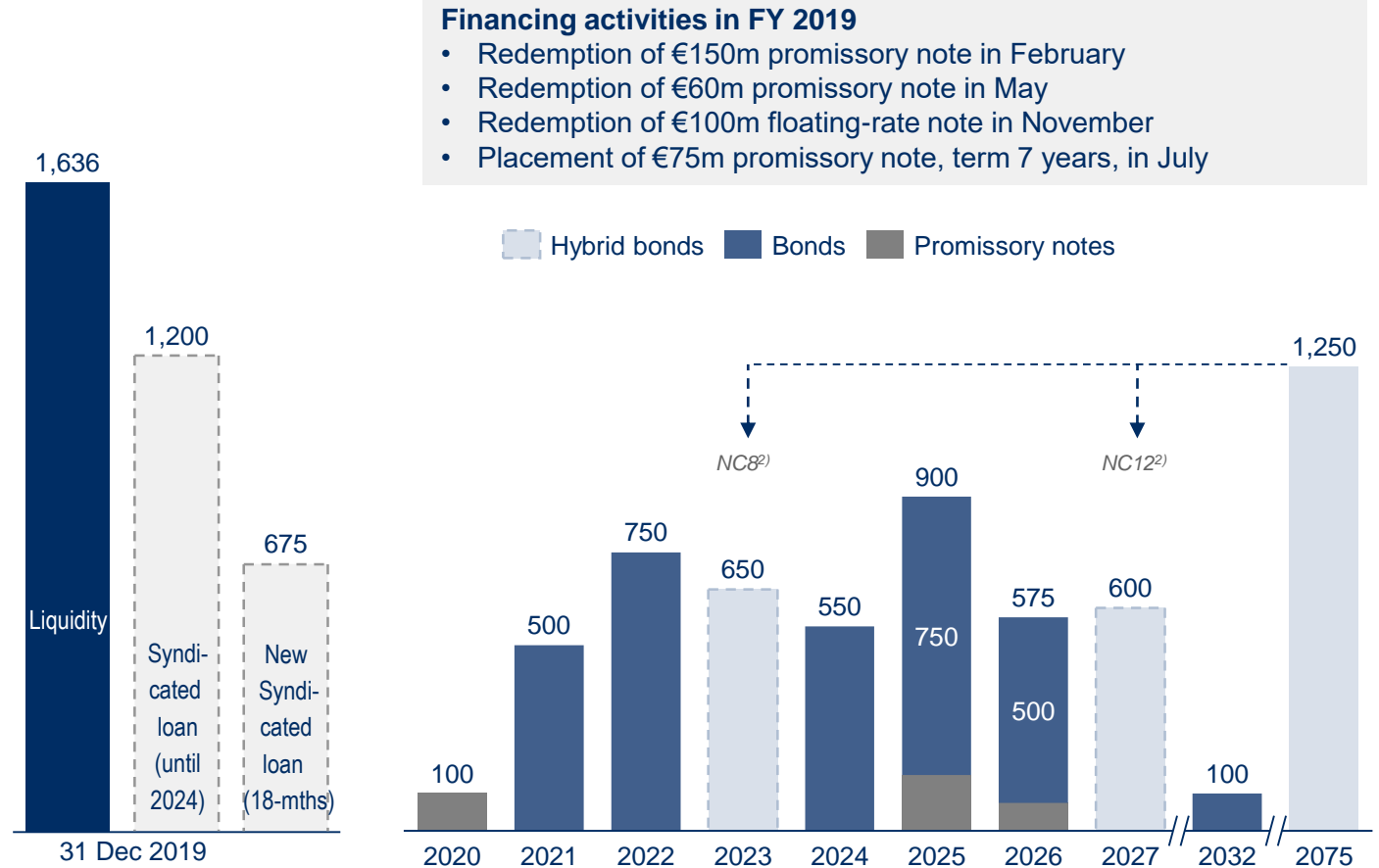
Operating Free Cash Flow, in € millions



Total investments<sup>1)</sup>, in € millions



Liquidity and maturity profile, in € millions

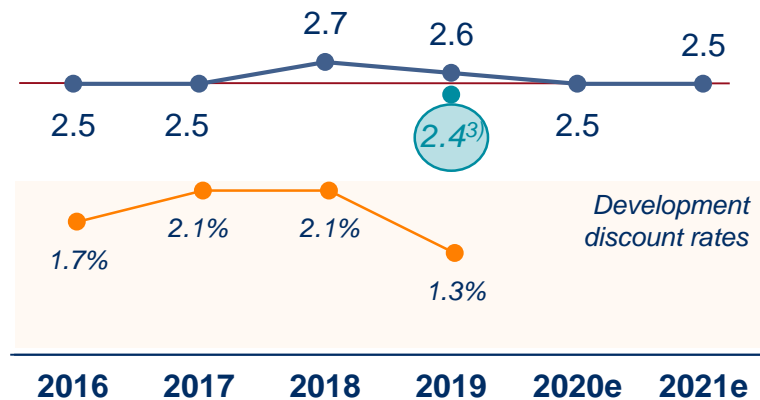


1) According to cash flow statement 2) Indication of first call date, for illustrative purposes only

# Financial status – Net financial debt decreased due to high operating release of funds, Leverage Factor affected by mechanical increase in pension provisions and leases

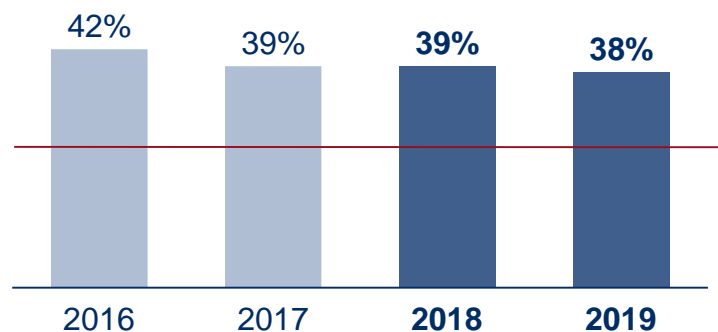
## Leverage Factor ≤ 2.5x

$\frac{\text{Economic debt}}{\text{Operating EBITDA}^{1)}$

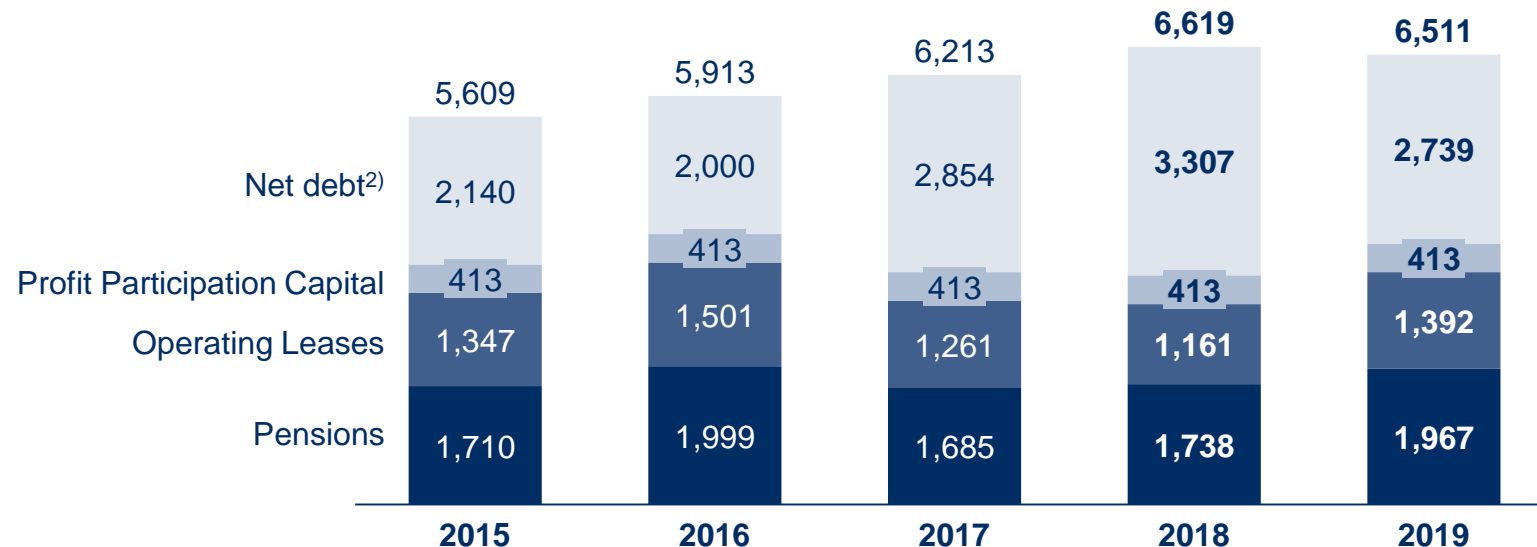


## Equity Ratio ≥ 25%

$\frac{\text{Equity}}{\text{Total assets}}$



## Economic debt (in € millions)



## Credit Rating

MOODY'S  
INVESTORS SERVICE

Baa1, outlook: negative

S&P Global  
Ratings

BBB+, outlook: stable

1) After modifications. 2) less 50% par value of hybrid bonds 3) at constant discount interest rate

# Group strategy – Consistent strategy since 2012, significant strategic progress made in 2019

1

## Strengthening the core

Foundation  
Majorel

Agreed  
complete acquisition  
Penguin Random House

2

## Digital transformation

Implementation data  
and technology agenda

Expansion video on demand  
and ad tech offerings

3

## Growth platforms

Organic  
growth

RTL  
GROUP | Digita

*Fremantle*

GT | Digita

BMG

arvato  
BERTELSMANN  
Financial Solutions

arvato  
BERTELSMANN  
Supply Chain Solutions

Bertelsmann  
Education Group

BI Bertelsmann  
Investments

4

## Growth regions

Expansion book publishing  
business organically and  
through acquisitions

Fund investments and  
initial public offering Afya

**B**

Collaboration in the areas of  
content, advertising and technology

# COVID-19 virus – Impact on Bertelsmann

## Solid level of preparedness, too early to identify and assess all risks, chances

### Strong starting position

Strong **balance sheet**,  
high **liquidity position**

Businesses with  
**strong market positions**

High share of  
**digital business models**

### Active crisis management

Clear **group-wide guidelines**,  
esp. for **protection of  
employees & business  
continuity**

**Mitigation** at all levels

Close **monitoring of business  
and financial development**

### Challenges, but selective chances eg.



Increase in **audience ratings**,  
high **need for information**



Growing **use of books**, esp. digital formats  
(e-books, audiobooks)



Increase use of **online offerings**



Intensified use of **music streaming**



In part increasing **demand**



Higher demand for **online learning offerings**

**Bertelsmann's diversified business profile to cushion impact of virus**



# Summary and outlook – Group profile improved in FY 2019, some uncertainties for FY 2020

## 2019

### Key developments

- Revenues exceeded €18 billion mark
- Operating EBITDA on record level
- Group profit again above €1bn
- Further progress towards target portfolio

## 2020

### Outlook (as stated in Annual Report 2019):

- Slight increase of Group revenues
- Operating EBITDA to remain stable or decline slightly, due to greater expenses for the digital transformation, as well as investments in IT infrastructure and new technologies
- Group profit to remain in excess of €1bn

Impact of COVID-19 pandemic ???



# Q&A-Session

## Investor Conference Call

March 24, 2020

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