NIBC Markets
Small & Mid Cap Event
17 November, 2016
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- Herman Pabbruwe, CEO
- Olivier de Vlam, EVP Finance & Operations
- Peter Coebergh, EVP Sales & Marketing
Koninklijke Brill

- Founded in Leiden in 1683
- Offices in Leiden, Boston and Singapore (130 fte’s)
- International reputation for high quality
- Niche player in Humanities and Social Sciences
- NV since 1896, Euronext since 1997
- Stakeholders orientation
Scholarly Publishing

- Global market (NA 40%, Eur 40%, RoW 20%)
- Publish or perish
- Quality control through peer review
- Twigging of research leads to niche orientation
- Small runs and high prices
- Push and pull marketing
- Institutional sales, often via trade channels
Over three centuries of scholarly publishing

Specific value chain and business model

Researcher/author

University/Library

Aggregator/Trade

Publisher
Competition and disruption

- Scholarly societies and communities
- University presses
- Privately held small presses
- Publishing concerns
- Self publishing
- Public domain repositories
- Open Access
- Sharing and piracy
Portfolio

- American studies
- Ancient Near East and Egypt and Jewish studies
- Art History
- Asian studies
- Biodiversity
- Classical studies
- History
- International law
- Language and Linguistics
- Literature and Cultural studies
- Middle East, Islamic and African studies
- Philosophy
- Religious and Biblical studies
- Slavic studies
- Social sciences
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Publishing program

- >50% digital
- 265 journals
- >100 Reference works (dictionaries, encyclopedias, bibliographies)
- Monographs and edited volumes – 900 new titles in 2016, >10,000 titles in print
- Primary sources
- Digital humanities pilots ((smart content and software)
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**Publishing strategy**

- Focus on profitable niches
- Publishing services (author experience)
- Empowered and outgoing acquisition staff
- Wide dissemination and visibility
- Multi-channel and multi-platform
- Compliance with IT standards
- Service provider as well as initiator
Publishing and marketing priorities

- Asia
- Digital humanities
- Expand into Social Sciences
- Key account management and bigger deals (push)
- Multiple business models
- Involving author network (pull)
- Improve author experience and services
- Linked open data and FAIR (Open Science)
Publishing and operational priorities

- Improve author experience and services
- Editorial systems
- Improve user experience
- Linked open data and FAIR (Open Science)
- Database publishing
- Cost efficiency to support niche publications
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Investment agenda for growth

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
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EBITDA margin is a top priority

2012-2015 development in EBITDA margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost of Goods Sold</th>
<th>Operating Expenses</th>
<th>EBITDA</th>
<th>Ambition range EBITDA margin: 15-20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>33.0%</td>
<td>51.6%</td>
<td>15.4%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>32.2%</td>
<td>52.4%</td>
<td>15.4%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>32.5%</td>
<td>53.8%</td>
<td>13.1%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>33.7%</td>
<td>53.9%</td>
<td>12.3%</td>
<td></td>
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</tbody>
</table>

Note: 2014 presented excluding one time costs related to acquisition integration
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Encouraging development H1
H1 Revenue +9% and efficiency measures drive strong margin growth

- Brill's results are weighted towards H2
- H1 Revenue (+9%) grew as a result of digital and subscription sales, boosted by 2% currency effect and some good one off sales
- Print book sales declined as a result of lower front list output and migration to the digital format
- Efficiency measures showing effect
- FY Guidance: 2-3% revenue growth; +200bps EBITDA margin improvement
Recovery set in during H2 2015
Guidance assumes that H2 2016 shows less growth
Financial Policy

- Focus on performance improvement in terms of EBITDA margin, ROIC and EPS
- Dividend policy focused on steady, if possible increasing dividend
- Use strength of balance sheet to finance expansion investments including acquisitions