Annual General Meeting of Shareholders
Leiden, 17 May 2018
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Agenda

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>36.4</td>
<td>32.2</td>
<td>13%</td>
</tr>
<tr>
<td><em><em>Organic growth</em>)</em>*</td>
<td>3.1%</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td><strong>ROIC</strong></td>
<td>11.1%</td>
<td>13.0%</td>
<td>-180Bps</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>1.21</td>
<td>1.32</td>
<td>-19%</td>
</tr>
<tr>
<td><strong>Dividend / share</strong></td>
<td>1.32 + 3.00</td>
<td>1.32</td>
<td>-</td>
</tr>
</tbody>
</table>

*) adjusted for EDI returns issue
- Growth largely 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

Adjusted organic development: -0.6% (1)

Organic development: +9.4%
EBITDA declined (one off expenses); underlying EBITDA flat
Continued progress capital allocation

- **Free up** working capital for re-investment
  - Inventory (through POD implementation) decline 0.6m vs 0.5m in 2016
  - Trade Receivables (migration P to E) decline 0.0m vs 0.3m in 2016
  - Deferred Income (subscription prepayments) growth 0.3m v 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

<table>
<thead>
<tr>
<th>Metric</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC</td>
<td>11.1%</td>
<td>13.0%</td>
<td>↓</td>
</tr>
<tr>
<td>Asset t/o</td>
<td>1.7</td>
<td>1.5</td>
<td>↓</td>
</tr>
<tr>
<td>NOPLAT %</td>
<td>6.7%</td>
<td>8.5%</td>
<td>↓</td>
</tr>
<tr>
<td>NOPLAT</td>
<td>2.4</td>
<td>2.7</td>
<td>↓</td>
</tr>
<tr>
<td>Revenue</td>
<td>36.4</td>
<td>32.2</td>
<td>↑</td>
</tr>
</tbody>
</table>

### 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

### One – offs
- 0.6m after tax

### Sales / title

### Book / Journal output

### PS development

### WiP / Content reduction

### Working capital reduction

### Capital investments

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*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

- Ordinary Dividend
- Extraordinary Dividend
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; we distribute excess cash to investors, but keep enough headroom to pursue our strategic objectives and maintain dividend policy
- Brill staff receives one–off jubilee payment in 2018
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
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

- Enhance Digital Marketing
  - Marketing automation; automated retargeting, based on previous response, multiple contact moments follow the customer journey. Automatic lead information to sales managers
  - Digital marketing on social media targeting end users; explaining the research, storytelling and infomercials
Global Online Access to Legal Information

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
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 gross margin
  - 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 flagships
Acquisitions

Humanities Press (1998)
VSP (1999)
**Martinus Nijhoff (2003)** LAW
KLI Arabic Law (2004)
Transnational (2005)
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
  - 270+ OA books, 2 reference works
  - 15 full OA journals
- Steady growth of revenues
  - 524k in 2017 (1.45% of total)
  - Growth rates between 30-70% since 2014
- Pro-active strategy to locate funding
Closing Remarks
Unchanged Strategy for 2018-2020

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
Focus 2018

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

- 2 statutory directors (CEO and CFO/COO)
- Executive Committee
  - CEO, CFO/COO, CPO
- Extended Management Team
  - Executive Committee
  - Sales
  - Operations
  - HR
  - Business Development
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
Free cash flow declined due to lower results and high investment level
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%
- Pledged inventory, tangible and intangible assets