



Brill reports satisfactory growth of revenues and EBITDA in H1

Key Figures (in EUR x thousands)	2019 H1	2018 H1	Change
Revenues	16,769	16,050	4.5%
EBITDA*	1,244	1,071	16.2%
Operating profit*	213	302	
Profit*	58	149	
Profit per share* (EUR)	0.03	0.08	
Net cash from operating activities	1,703	644	
Key Performance Indicators			
Organic growth (excluding acquisition and currency effects)	3.7%	1.0%	
EBITDA margin*	7.4%	6.7%	

NOTE: The information in this report is based on unaudited interim financial statements

* 2018 H1 results restated for IFRS 16 in key figures. Financial statements are not restated.

Highlights

- Revenue up 4.5%, EBITDA up 16% (after restating 2018 for IFRS 16)
- Solid recovery US eBook and one-off sales in Q2
- Print book sales grew by 3.2%, against market trend
- Journal and eBook sales show a healthy growth
- Gross margin improved from 67.8% in H1 18 to 69%
- Profit improvement plan starts to deliver as planned
- Profit slightly decreased due to higher amortization costs and costs of profit improvement plan
- Improved cash generation due to improved results, better working capital and lower investments
- Brill is cautious about FY outlook due to uncertainties around Brexit and UK based distribution

Developments in the first half year

Following a satisfactory first quarter, we saw a continued solid performance in Q2 across most market and product lines. Book title and journal issue output developed as planned during H1 and sales results were positive, both from new as well as existing customers. The impact of movements in the USD / EUR exchange rate was limited.

In line with our strategy of market expansion, Brill expanded its portfolio with several journals from competitors in H1, amongst which *Contributions to Zoology*, the *Australian Year Book of International Law*, and *Simone de Beauvoir Studies*. Our open access program saw further growth with 20 new fully funded book titles and a successful pilot to crowdfund the *Journal of Jesuit Studies* with six international institutions. In April Brill has successfully launched an innovative platform for critical editions which is setting a new editorial standard for this humanities-specific product type.

Financial review

Total H1 revenues showed a satisfying organic growth versus the prior year:

Revenue growth (in EUR x thousands)	Revenue	% of total growth	Year on year growth
Total revenue 2018	16,050	100.0%	100.0%
Print books	207	1.3%	1.3%
eBooks	275	1.7%	1.7%
Journals	251	1.6%	1.6%
Primary sources	-75	-0.5%	-0.5%
Other	-63	-0.4%	-0.4%
Organic revenue 2019	16,645	3.7%	3.7%
Acquisitions	0	0.0%	0.0%
Currency	125	0.8%	0.8%
Total revenue 2019	16,769	104.5%	104.5%

Print book revenues showed modest growth, especially in Western Europe, which is better than the market trend. eBook revenues were driven by a recovery in the US, and by stronger sales in Western Europe, with the Rest of World mostly flat versus prior year. Journal revenues increased, because of underlying growth in the portfolio and a successful renewal season.

Digital revenue as a percentage of overall revenue increased further to 55% from 54% in 2018. Subscription based revenue remained flat at 41% of total revenue.

Cost of goods sold was slightly above last year due to the higher title output and volume growth, mitigated somewhat by a reduction in platform hosting costs due to the elimination of double running costs which we had in 2018.

Gross margin improved with revenues, and operating expenses are starting to show the effect of our profit improvement plan when adjusting for the earlier announced change in IFRS 16 and some material cost phasing issues. The profit improvement plan is running as planned to deliver a saving of EUR 0.7m in 2019.

The comparison of operating expenses versus H1 2018 is impacted materially by two factors:

- Implementation of IFRS 16 (leases); which is a permanent positive difference versus the past;
- Timing of expenses due to improved accrual processes; which is a negative phasing effect that will even out over the full year.



EBITDA Development (in EUR x thousands)	2019 H1	2018 H1
EBITDA, as reported		704
Restatement for effect of IFRS 16		367
Restated EBITDA	1,244	1,071
Improved phasing of expenses		-446
EBITDA, like for like	1,244	625

Operating expenses were impacted also by one-off expenses related to our finance improvement initiative and the temporary replacement of the CFO. Furthermore, we recorded EUR 81k of expenses related to our profit improvement plan.

Balance sheet and cash flow

At the May Annual General Meeting, the shareholders adopted the dividend proposal of EUR 0.85. Brills' capital structure remains well aligned with its long-term balance sheet policy, with a solvency rate at 42.2% (YE 2018: 42.5%).

Cash flow from operating activities improved versus last year, mainly due to improved working capital, higher EBITDA and lower income tax paid.

Management and strategy update

Following the Annual General Meeting of 16 May 2019, Mr. Theo van der Raadt was appointed to the Supervisory Board which now consists of four members. Mrs. Jasmin Lange was appointed to the Management Board, which now has three members. As per 1 September, Mr. Olivier de Vlam will return as CFO from sick leave. Mr. Wim Dikstaal will support the handover during September. Brill is deeply indebted to Mr. Dikstaal for his dedication and contributions during Mr. De Vlam's illness.

During H1 we raised our profile in the market by launching our Humanities Matter campaign along with presenting our mission at industry and customer events. Brill's new mission statement met with positive feedback from all stakeholder groups. Otherwise, we continue to execute on our strategy as communicated in the AGM.

Conversion bearer depositary receipts into registered depositary receipts

In connection with the entry into force on 1 July of the Law on the Conversion of Bearer Shares, the administration conditions of Stichting Administratiekantoor Koninklijke Brill have been changed and the bearer depositary receipts have been converted into registered depositary receipts today after close of stock market.

Risk management

The company's assessment of relevant risks in the publication of the annual report 2018 has been adapted due to the recent Brexit developments. A no-deal Brexit may have a material impact on our operations and financial results, as a large part of our full year stock print book revenue is realized in Q4 and our main distribution partner is based in the UK. Compounding the risk is a system migration currently ongoing at our distribution partner.



Brill has prepared a number of Brexit scenarios and will move stock to the continent in order to be able to continue supplying customers with our bestsellers under all circumstances.

Outlook

The company is cautious with providing guidance for the full year as it remains difficult to reliably forecast the important Q4 sales. We have a good H2 pipeline for product releases, deferred income and sales opportunities. Assuming a limited impact of the UK distribution risks, we expect to achieve a modest revenue growth in the full year. This should result in an improved EBITDA and profit before tax, also when correcting for the impact of IFRS 16. We expect the one-time expenses related to the profit improvement plan to be EUR 0.4m. Based on the above assumptions, net profit will decline versus 2018 due to the one-time windfall tax effect in 2018 related to future Dutch corporate income tax rate adjustments.

Leiden, 29 August, 2019

The Management Board

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Jasmin Lange, CPO

For further Financial information please see the Half Year Report at

<https://brill.com/page/InvestorRelations/investor-relations>

About Brill

Founded in 1683 in Leiden, the Netherlands, Brill is a leading international academic publisher in Middle East and Islamic Studies, Asian Studies, Classical Studies, History, Biblical and Religious Studies, Language & Linguistics, Literature & Cultural Studies, Philosophy, Biology, Education, Social Sciences and International Law. With offices in Leiden (NL), Boston (US), Paderborn (GER), Singapore (SG) and Beijing (CN). Brill today publishes more than 300 journals and close to 1,400 new books and reference works each year, available in print and online. Brill also markets a large number of primary source research collections and databases. The company's key customers are academic and research institutions, libraries, and scholars. Brill is a publicly traded company and is listed on Euronext Amsterdam NV. For further information, please visit www.brill.com.

Consolidated statement of financial position

in thousands of euro's

	30-6-2019 (Unaudited)	31-12-2018* (Audited)
ASSETS		
Non-current assets		
Intangible assets	32,392	32,785
Right of use assets (IFRS 16 lease)	2,247	-
Tangible fixed assets	367	389
Financial assets	12	12
	<u>35,018</u>	<u>33,186</u>
Current assets		
Inventories	3,444	3,465
Trade and other receivables	5,608	9,046
Income tax to be received	1,118	752
Derivative financial instruments	-	75
Cash and cash equivalents	-	2,383
	<u>10,171</u>	<u>15,721</u>
TOTAL ASSETS	<u><u>45,189</u></u>	<u><u>48,906</u></u>
LIABILITIES		
Equity attributable to owners of Koninklijke Brill NV		
Share capital	1,125	1,125
Share premium	343	343
Retained earnings	17,837	19,520
Other reserves	-251	-203
	<u>19,054</u>	<u>20,785</u>
Non-current liabilities		
Interest bearing loans	4,304	4,843
Lease liabilities	2,214	-
Provisions long	-	45
Deferred tax liabilities	3,093	3,093
	<u>9,611</u>	<u>7,981</u>
Current liabilities		
Interest bearing loans	1,083	1,083
Lease liabilities	546	0
Trade and other payables	6,885	10,245
Deferred income	7,467	8,402
Provisions	-	100
Derivative financial instruments	233	310
Bank overdraft	310	-
	<u>16,524</u>	<u>20,141</u>
TOTAL EQUITY AND LIABILITIES	<u><u>45,189</u></u>	<u><u>49,906</u></u>

* 2018 H1 financial statements are *not* restated for IFRS 16



Consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June 2019

in thousands of euro's

	2019 (Unaudited)	2018* (Unaudited)
Gross profit		
Revenue	16,769	16,050
Costs of goods sold	<u>-5,196</u>	<u>-5,174</u>
	11,574	10,876
Expenses		
Selling and distribution costs	-3,442	-3,211
General and administrative expenses	-7,918	-7,419
	<u>-11,360</u>	<u>-10,630</u>
Operating profit	213	246
Finance income	-	17
Finance expenses	<u>-135</u>	<u>-61</u>
Profit before tax	78	202
Income tax expense	<u>-20</u>	<u>-54</u>
Profit from continued operations attributable to the shareholders of Koninklijke Brill NV	<u>58</u>	<u>148</u>
Other comprehensive income – items that might be reclassified to future profit or loss statements		
Exchange differences on translation of foreign operations	36	56
Cash flow hedges	<u>-105</u>	<u>-463</u>
	<u>-69</u>	<u>-408</u>
Income tax on other comprehensive income	<u>21</u>	<u>114</u>
Total comprehensive income for the period attributable to shareholders of Koninklijke Brill NV	<u>10</u>	<u>-146</u>
Earnings per share		
Basic/diluted earnings per share for the period attributable to the shareholders of Koninklijke Brill NV	0.03	0.08

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