



Brill Press and Analyst Presentation

Leiden, 28 April 2016

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Agenda



- | | |
|---------------|--------------------------|
| 09.30 – 10.00 | Welcome |
| 10.00 – 10.45 | Management Overview 2015 |
| 10.45 – 11.15 | Financial Overview 2015 |
| 11.15 – 11.45 | Questions and Discussion |
| 12.00 | Closing & Lunch |



Management Overview 2015

Revenue growth, profit trailing

2015 Financial Highlights



- Organic growth 2.5%, up from -0.4% in 2014
- EBITDA up 3.1%; EBITDA margin down to 12.3% from 12.4%
- Net Profit and EPS up 8.5%
- Free cash flow up EUR 2.4 million
- Proposed all cash dividend of EUR 1.24, up 9 cent or 8% from EUR 1.15 in 2014, for a payout of 100%.
- Restatement of 2014 results: onerous lease contract of vacated Rodopi facility and improved hedge accounting policy

Market Trends



- Continuous growth in research output
- Value HSS to society topic of discussion
- Changing buying patterns, market consolidation
- (Western Europe) public policy embracing Open Science and Open Access
- Content sharing and piracy
- Geopolitical issues

Performance Progress



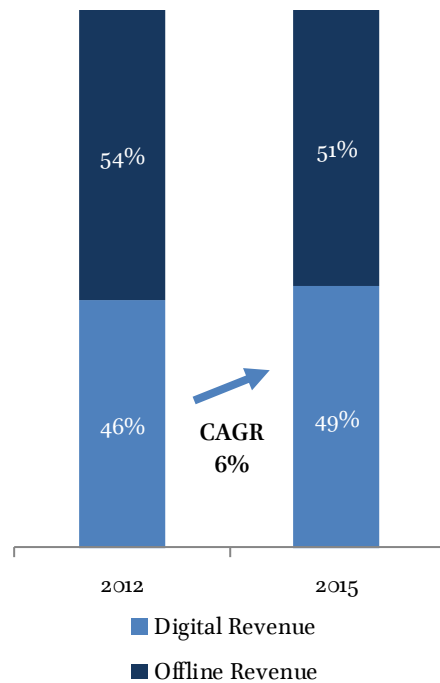
- Quality of revenue improving
- Capital growth controlled, allowing growth investment
- Margin under par – top priority

Improving portfolio structure

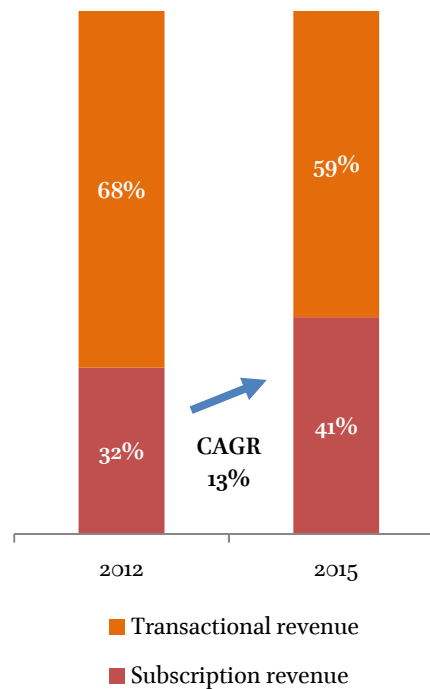
Progress 2012-2015



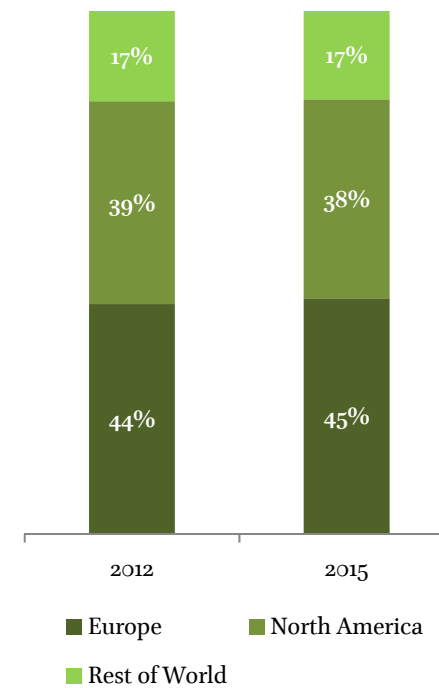
Revenue by Media Format



Revenue by Type



Revenue by Region

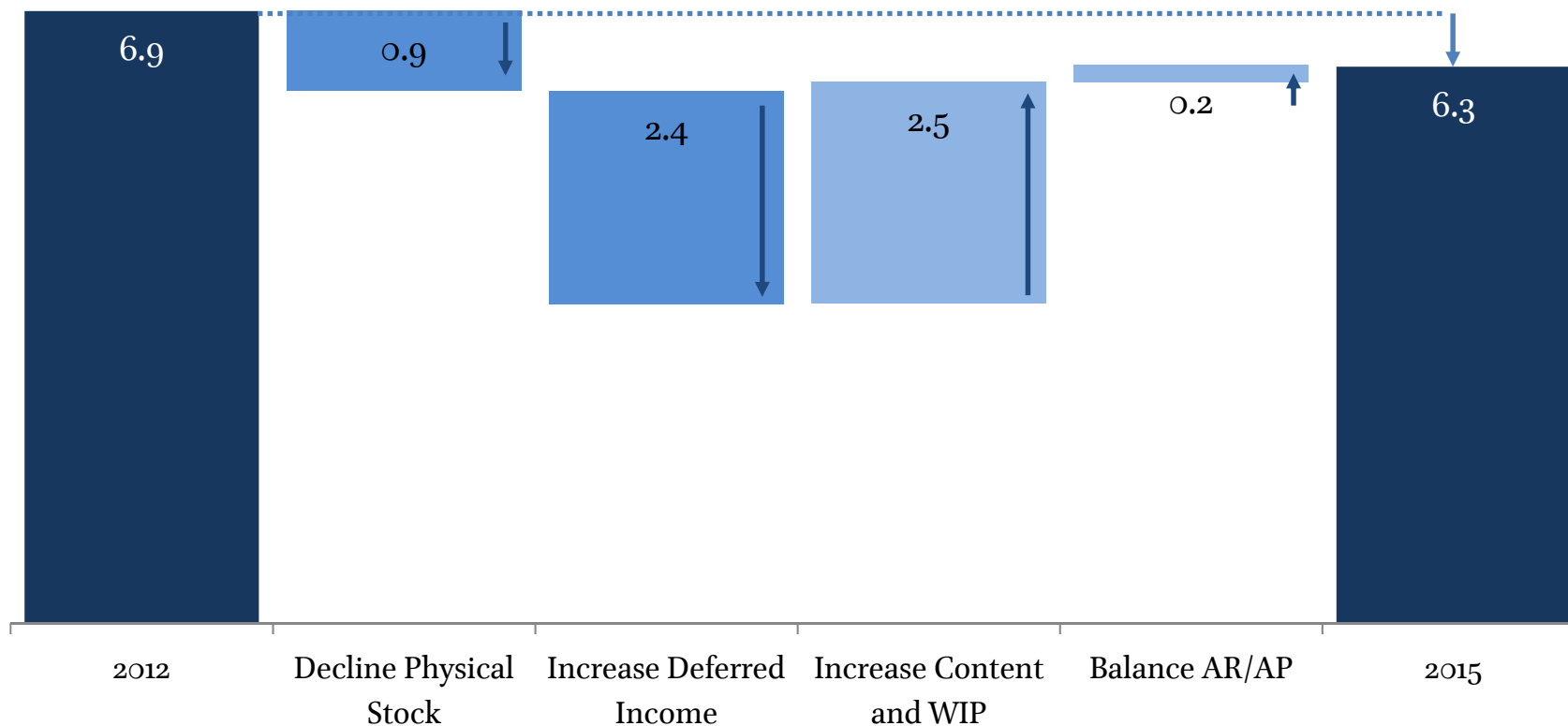


Content investments financed by changes in working capital

2012-2015 Progress in capital allocation



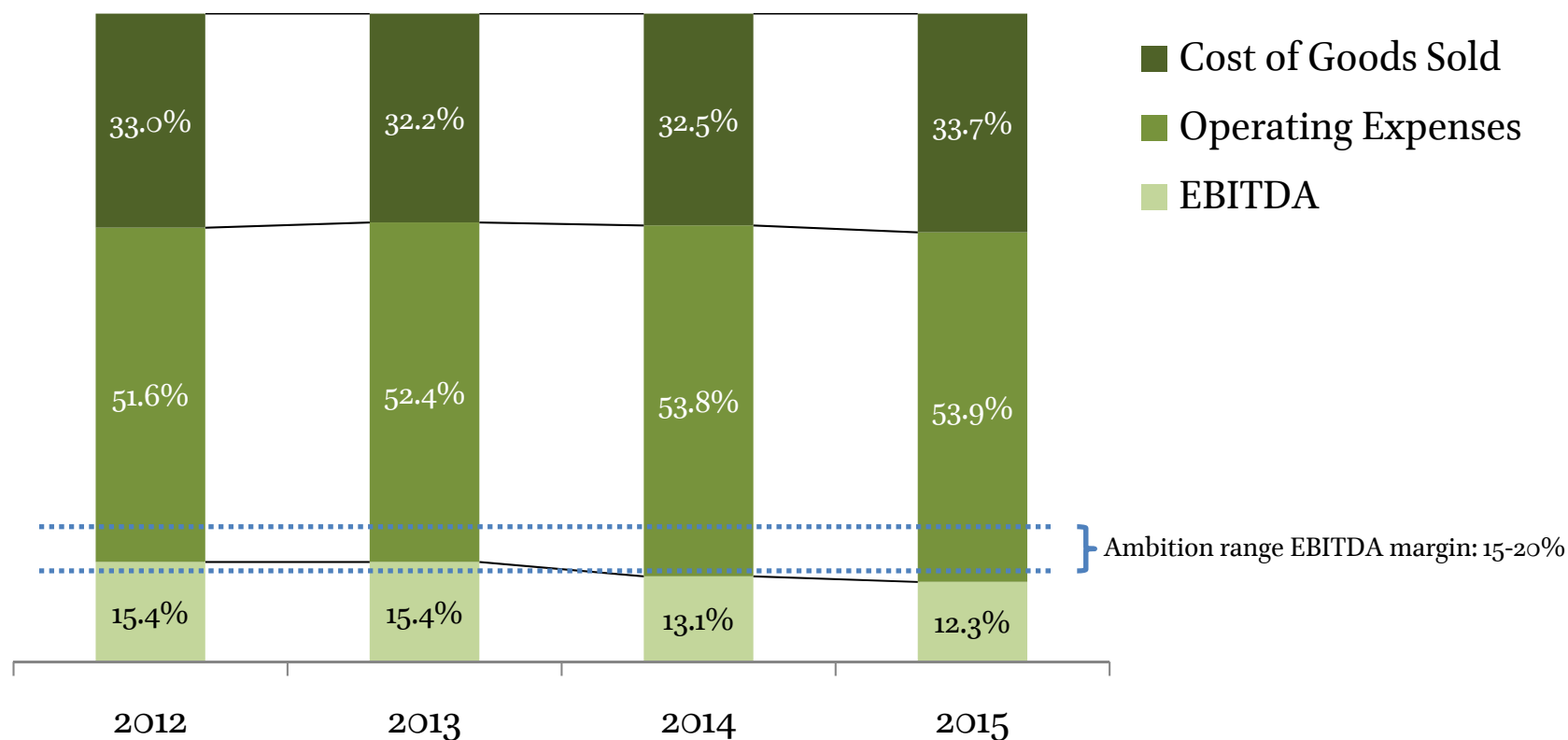
Development Operating Working Capital, EUR million



Operating Working Capital: balance of Inventory (physical, content, work in progress), Accounts Receivable, Accounts Payable and Deferred Income

EBITDA margin is a top priority

2012-2015 development in EBITDA margin



Note: 2014 presented excluding one time costs related to Rodopi facility

EBITDA margin is top priority (ctd)

Root cause analysis



Factors	Recent Challenges
Revenue growth	<ul style="list-style-type: none">• Corporate acquisitions• Stagnation in print book market• Collection development giving way to evidence based acquisition
Cost of Goods Sold	<ul style="list-style-type: none">• Decreasing lifetime sales per title (twigging)• USD impacts WIP/Content (typesetting)• POD as of 2013, dual format publishing
Operating Expenses	<ul style="list-style-type: none">• Acquisition integration• Shipping/fulfillment (more, smaller orders)• USD → PECO and other expenses

Over time, shift from print to digital and increasing subscription sales will support higher margins

Restoring profitability

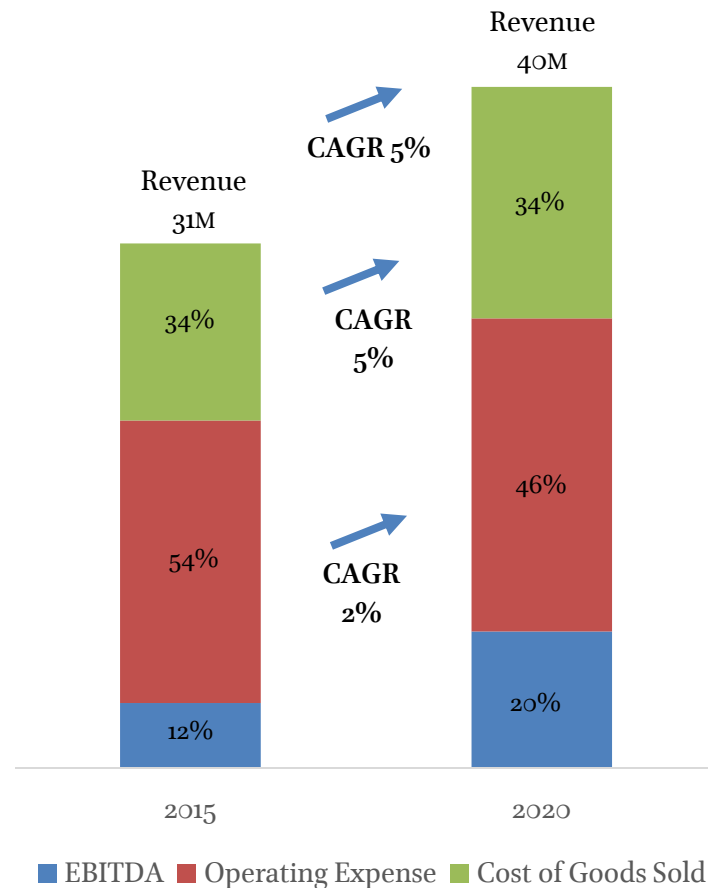
Priorities and actions implemented



Factors	Priorities and actions implemented
Revenue growth	<ul style="list-style-type: none">• Growth of journals, MRW and PSO• Sales and Marketing realignment• Business models and pricing• M&A
Cost of Goods Sold	<ul style="list-style-type: none">• Scrutiny revenue mix• Bookmasters POD• Editorial Automation
Operating Expenses	<ul style="list-style-type: none">• Turpin global fulfillment partnership• Productivity and efficiency

Over time, shift from print to digital and increasing subscription sales will support higher margins

A likely scenario for closing the ambition gap



- Revenue growth ambition
 - Organic growth 2-3 %
 - Acquisition revenue 4-5m
- Cost of Goods Sold
 - Reductions through actions implemented and scrutiny of portfolio
 - Increases through continued investment in product development
- Operating Expenses
 - Scalable organization structure
 - Controlled staff growth
 - Underlying cost efficiencies

Organic growth focus

Business Development Progress



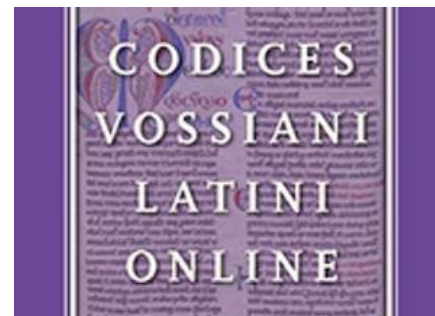
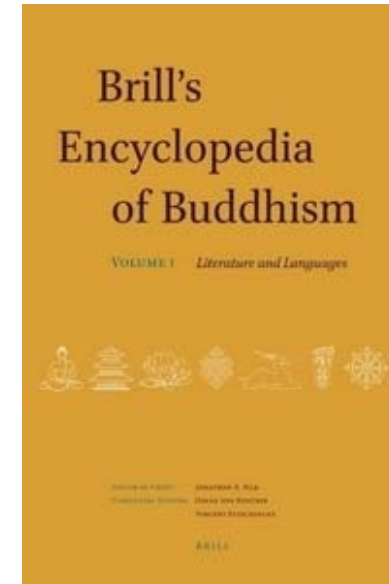
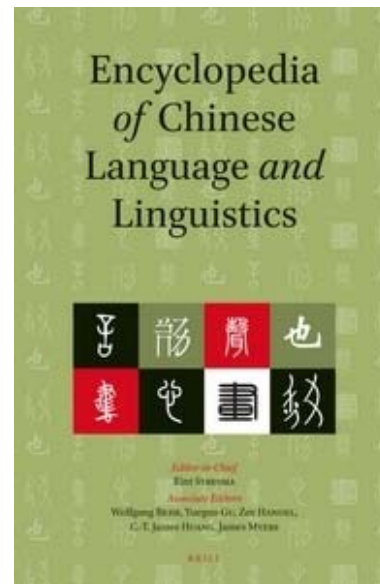
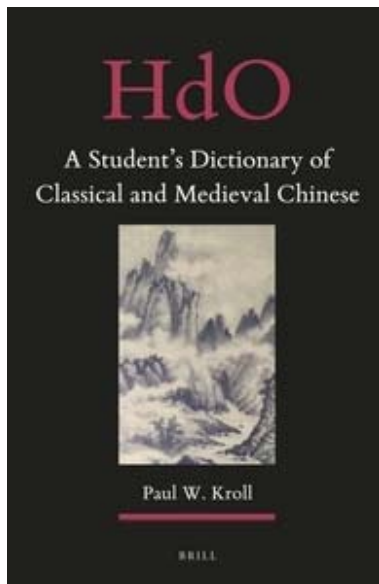
Shortage of attractive acquisition opportunities

Continuation of organic business development

- Product portfolio development
- Digital Humanities
- Business model optimization
- Open Access, especially for highly specialized niche publications?

Selected signature titles 2015

Major reference works and Primary sources



Business development summary



- Identification and pipeline corporate acquisitions
- Licenses
- German language distribution
- Rights and permissions
- Open Access
- New formulas (BRP, Critical Reading)
- Discovery and metrics
- Digital humanities

Innovative product format

Brill Research Perspectives



- Hybrid journal; issues are also sold separately as books
- Electronic and Print
- Formula developed in consultation with NOW Publishers
- Each issue consists of one or two long articles allowing a deep dive into current status of research in the field
- 13 titles for 2016; ambition is to have 50 in 2018

Key appointments



May 2015: Member Supervisory Board

Robin Hoytema van Konijnenburg succeeding
Roelf Rogaar

August 2015: EVP Finance and Operations

Olivier de Vlam succeeding Perry Moree

September 2015: EVP Sales and Marketing

Peter Coebergh succeeding Stephen Dane effective January 1, 2016

May 2016: Chairman Supervisory Board

Ab van der Touw succeeding André van Heemstra (proposed to
AGM)

Brill Asia / Singapore



Objective: Accelerate growth by enhancing author liaison and regional sales

- 2015 Q1:** Representative office established (1 FTE) supported by World Scientific
- 2015 result:** Enhanced relationships in the region, messaging on increased commitment, attendance of meetings, enhanced sales pipeline
- 2016:** Established local Ltd; recruited additional marketing and sales resource
- 2017:** Establishing tax regime

Sales & Marketing alignment



Focus on:

- eProducts
- Consortia Sales
- Print Book sales Processes and Logistics
- New Business and End of Budget Year left over Sales
- Pipeline Management ([salesforce.com](https://www.salesforce.com))
- Geographical priorities

Logistics deal delivers pricing and process efficiencies



From	To	Benefit
POD for global market in Netherlands	POD in US and in Netherlands for RoW	Better pricing, lower shipping volume/cost, faster service
Two vendors for warehousing/fulfillment: BI and Turpin	One global vendor for warehousing/fulfillment (Turpin) subcontracting to BM for US warehouse	Volume discounts and back office process efficiency
Significant book returns from “just in case” POD policy B&T (speculative buying)	B&T’s Print To Order program: no returns	Process efficiencies and faster stock reduction

Live as per January 1, 2016

Editorial automation delivers savings and capabilities



From	To	Benefit
Manual workflow, version control and file management	XML based, structured workflow, web-based system	Clear task and document management, 24/7 access, version control
Proofing process integrating content and formatting	Template based formatting, corrections can be made by authors online	Reduction in turnaround time and typesetting fees
Print first process	XML first process, automated creation of PDF, HTML, ePub or other output formats	Reduction of typesetting fees, turnaround time and support of future formats

Live as per January 1, 2016



Financial overview 2015

Growth and strong cash flow

Full-year 2015 results



(in EUR thousand)	2015	2014*	Δ	Δ O.G.
Revenue	30,809	29,601	4.1%	2.5%
EBITDA	3,794	3,680	3.1%	
Operating Income	3,015	2,675	12.7%	
Net Income	2,332	2,153	8.3%	
Free cash flow	3,201	822	289%	
ROIC	10.5%	9.4%	110 Bps	
EPS	1.24	1.15	8.3%	
Dividend	1.24	1.15	7.8%	
Average FTE	132	132	0%	
Hedged EUR/USD rate	1.33	1.32		

* 2014 results restated

Summary Income Statement

2015 VS 2014 restated and reported



In thousands of euro's	2015	2014*	2014
Revenue	30,809	29,601	29,748
Cost of goods sold	-10,397	-9,614	-9,614
Gross profit	20,412	19,987	20,135
Selling and distribution expenses	-6,349	-6,165	-6,165
General operating expenses	-10,269	-10,142	-9,950
EBITDA	3,794	3,680	4,020
Amortization of intangible assets	-163	-271	-271
Depreciation of tangible assets	-616	-734	-731
Operating profit	3,015	2,675	3,018
Finance income and expenses, net	153	239	292
Profit before income tax	3,168	2,914	3,310
Income tax expense	-836	-761	-860
Net Income	2,332	2,153	2,450
Earnings per share	1.24	1.15	1.31

Impacted by hedging restatement

Impacted by Rodopi Onerous contract

Growth is driven by digital and subscription based products

Revenue growth analysis



	Revenue	Growth	Contribution to Growth
Revenue 2014*	29.6		
Print books	-0.2	-1.7%	-0.8%
eBooks	+0.6	+10.4%	2.2%
Journals	+0.5	+5.6%	1.5%
Primary sources	+0.1	+10.5%	0.3%
One-offs	-0.2		-0.7%
Organic Revenue	30.3	2.5%	2.5%
Acquisition	0.5		1.5%
Revenue 2015	30.8	4.1%	4.1%

Revenue by Media Format



In thousands of euro's	2015	2014*
Books	7,180	6,446
Journals	6,942	7,001
Other	918	745
Digital revenue	15,040	14,192
<i>As % of total revenue</i>	49%	48%
Books	13,408	13,266
Journals	1,899	1,921
Other	462	222
Offline revenue	15,769	15,409
Total Revenue	30,809	29,601
<i>o/w subscription based</i>	41%	39%

- eBook growth: product development and new sales
- Journals: underlying growth of 5% after normalizing for 2014 one offs
- Print book growth driven by Rodopi acquisition effect; underlying decline is 2%
- Other is mainly primary sources; online growing through product development and new sales; offline benefited from a one – time fiche sale

Cost of Goods Sold



In thousands of euros

2015

2014*

Technical Production costs

9.558

8.802

Amortization intangible assets

155

145

Royalties

684

666

Total

10.397

9.613

In % of Revenue

33.7%

32.5%

Growth in technical production costs is mainly driven by content costs. The increase is driven by:

- Major title launches in 2015
- Currency effect of vendors billing in USD
- High title output but lower sales per title, increasing fixed cost as % of sales

⇒ Maintain investment level in content pipeline

⇒ Mitigate trends through:

- Editorial automation, reducing usage of typesetter service
- POD US, lowering print and shipping costs
- Benefits of scale in Turpin deal

Operating Costs



	Personnel Costs	Other Operating Expenses
2014	8,330	7,977
Volume/CLA/Merit	127	0
Capitalized cost	44	0
Net growth / savings	-3	-349
2015 baseline	8,498	7,628
Growth %	2%	-4%
Currency	290	166
Acquisition	228	-192
2015 reported	9,016	7,602
Growth %	8%	-5%

- Personnel costs: limited organic growth but substantial impact from currency and Rodopi acquisition – the latter being partially temporary
- Operating costs: strictly contained in 2015 to mitigate impact of lower gross margin and higher personnel costs
- The acquisition adjustment for operating expenses refers to the Rodopi restatement; the inorganic effect on 2015 operating cost was negligible

Summary Balance sheet



	2015	2014*	2014	Impact of restatements	
Tangible fixed assets	1,380	1,333	1,336		
Intangible fixed assets	17,780	17,739	17,739		
Current assets	27,572	26,351	26,265		
Total assets	46,732	45,423	45,340		
Equity	27,166	26,834	26,944		
Deferred tax liabilities	3,626	4,179	4,179		
Current liabilities	15,940	14,410	14,217		
Total liabilities	46,732	45,423	45,340		

	31-12-2014 Restated	31-12-2014 Reported
Property, plant, equipment	1,333	1,336
Income tax receivable	127	41
Other reserves	-359	-508
Undistributed profit	2,153	2,450
Provisions	193	0

- Current assets increased mainly due to cash and receivables
- Current liabilities increase:
 - deferred income (earlier renewal/collections and growth in subscriptions)
 - current tax (part of reinvestment reserve not used) – reclass from deferred tax to current tax

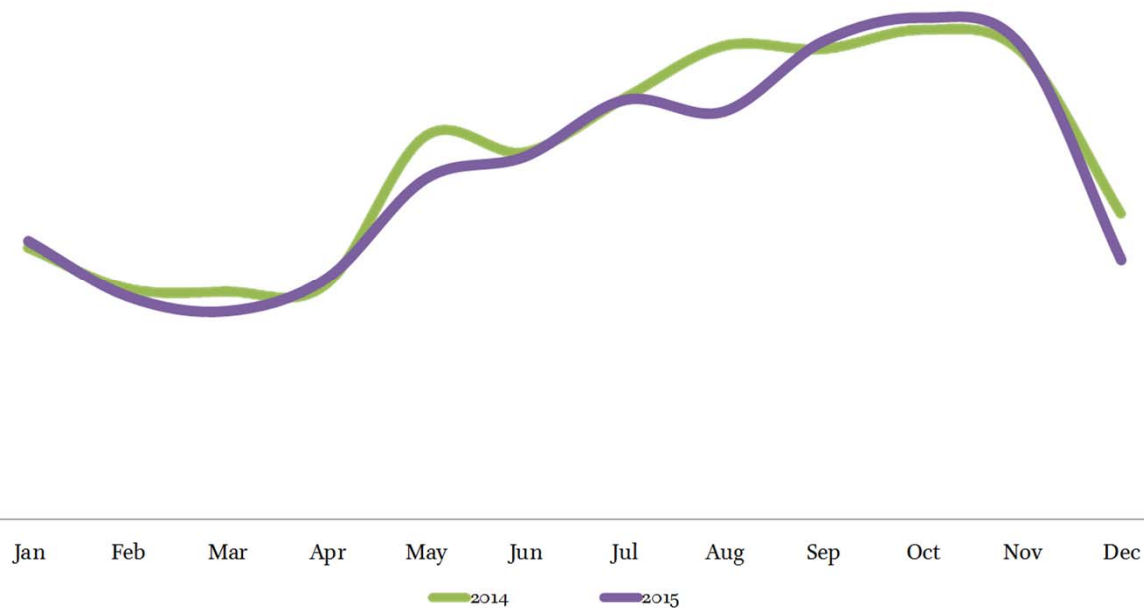
Summary Cash flow statement



	2015	2014
Net Income	2,332	2,153
Depreciation	933	1,150
Change in working capital	1,185	97
Other non cash items	-287	187
Cash flow from operating activities	4,163	3,587
Capital investments	-920	-1,112
Acquisitions	-42	-1,653
Cash flow from investing activities	-962	-2,765
Cash flow from financing activities	-2,156	-2,099
Net cash flow	1,045	-1,277
Free cash flow	3,201	822

- Change in working capital 2015: mainly increase in deferred income
- Capital investments 2015 include investments in digital publishing platforms and back office systems
- 2014 acquisition payments include Rodopi and deferred payments for prior year acquisitions

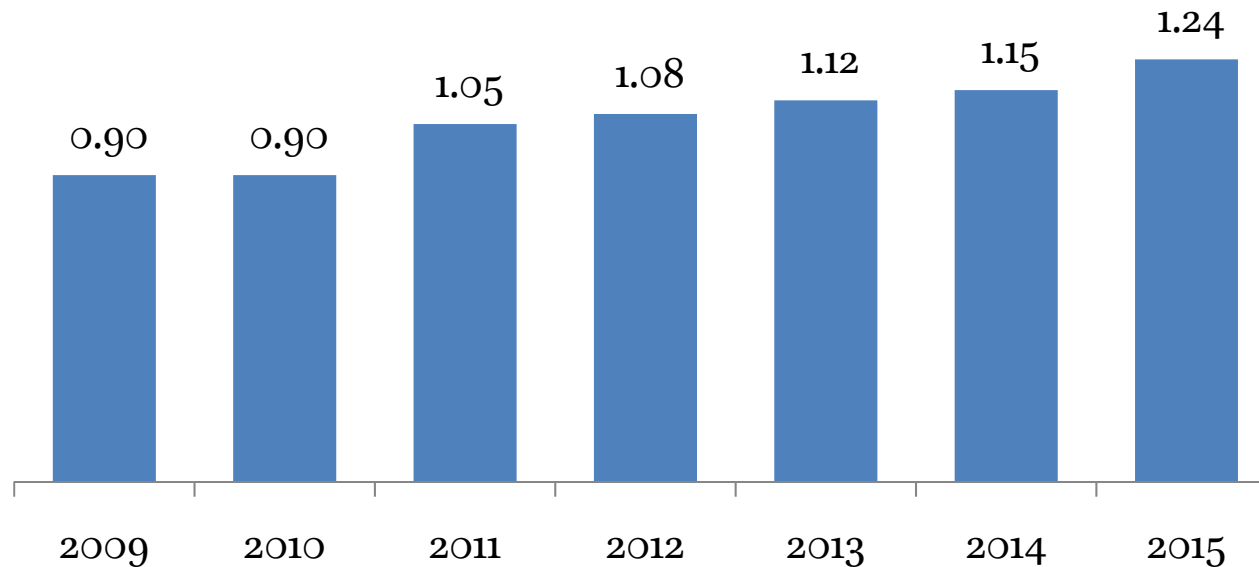
Seasonality in working capital



- Consistent pattern of working capital financing requirements during the year
- Cash position at year end used for dividend payments, tax payments and investment in new front list titles
- Deferred income decreases as revenue is realized
- Build-up of new deferred income and cash basis next year starts in September

Dividend policy

Dividend per share, 2009-2015



- In line with our long term value creation strategy, we pursue a policy of steady or increasing dividend
- In view of our limited liquidity and market capitalization, share buybacks are not favored as a means of returning cash to shareholders

2016 outlook



- Revenue growth
 - Growth in publication output
 - Enhanced Sales and Marketing approach
 - Pricing, USD and business models improvement
- EBITDA margin improvement
 - Increase leverage of operating expenses
 - Control Cost of Goods Sold increase
- Capital investments for Editorial Automation and Online platform upgrades

Strategic outlook



- Protect leading reputation in our field as a high quality, innovative publisher (OA, Digital Humanities)
- Revenue growth
 - Organic growth
 - Add-on and strategic acquisitions
- EBITDA margin improvement
 - Economies of scale from revenue growth and portfolio mix
 - Efficiency initiatives



Questions and Discussion



Appendix – Hedge accounting example

Illustration Hedging restatement (1/2)

Prior process, sale of book @ 100 USD



Sale		Payment		
November	December	January	February	March
Actual Rate: 1.11 Hedged Rate: 1.20	Actual Rate: 1.10 Hedged Rate: 1.20	Actual Rate: 1.09 Hedged Rate: 1.20	Actual Rate: 1.08 Hedged Rate: 1.20	Actual Rate: 1.12 Hedged Rate: 1.20



Revenue: 100 USD @ 1.11 =	+90.09 EUR
Hedge result based on 1.20:	<u>-6.75 EUR</u>
Net revenue: 100 USD @ 1.20 =	+83.33 EUR
Receivable: 100/1.11=	+90.09 EUR
Hedge Reserve:	+6.75 EUR



Receivable	90.09 EUR
Revaluation result recognized	<u>+2.50 EUR</u>
Balance value receivable	92.59 EUR
Payment 100 USD @ 1.08	-92.59 EUR
Remaining balance / result	0.00 EUR

Illustration Hedging restatement (1/2)

Corrected process, sale of book @ 100 USD



Sale		Payment		
November	December	January	February	March
Actual Rate: 1.11 Hedged Rate: 1.20	Actual Rate: 1.10 Hedged Rate: 1.20	Actual Rate: 1.09 Hedged Rate: 1.20	Actual Rate: 1.08 Hedged Rate: 1.20	Actual Rate: 1.12 Hedged Rate: 1.20



P&L Revenue: 100 USD @ 1.11 =	+90.09 EUR
P&L Hedge result in revenue	<u>-3.00 EUR</u>
P&L Net revenue: 100 USD @ 1.20 =	+87.09 EUR
BS Receivable: 100/1.11=	+90.09 EUR
BS Hedge Reserve:	+3.00 EUR

P&L Revaluation result Nov-Jan	+1.65 EUR
BS Revaluated receivable	91.74 EUR
BS Payment 100 USD @ 1.08	92.59 EUR
P&L Hedge result in revaluation	-2.50 EUR
P&L Revaluation (1.65+0.85-2.50)=	0.00 EUR