



# Annual Press Conference<sup>2019</sup>

Business performance 2018 and strategy implementation

March 26, 2019 in Berlin

## Successful year 2018 – Growth profile further improved, significant progress in strategy implementation

### Business performance

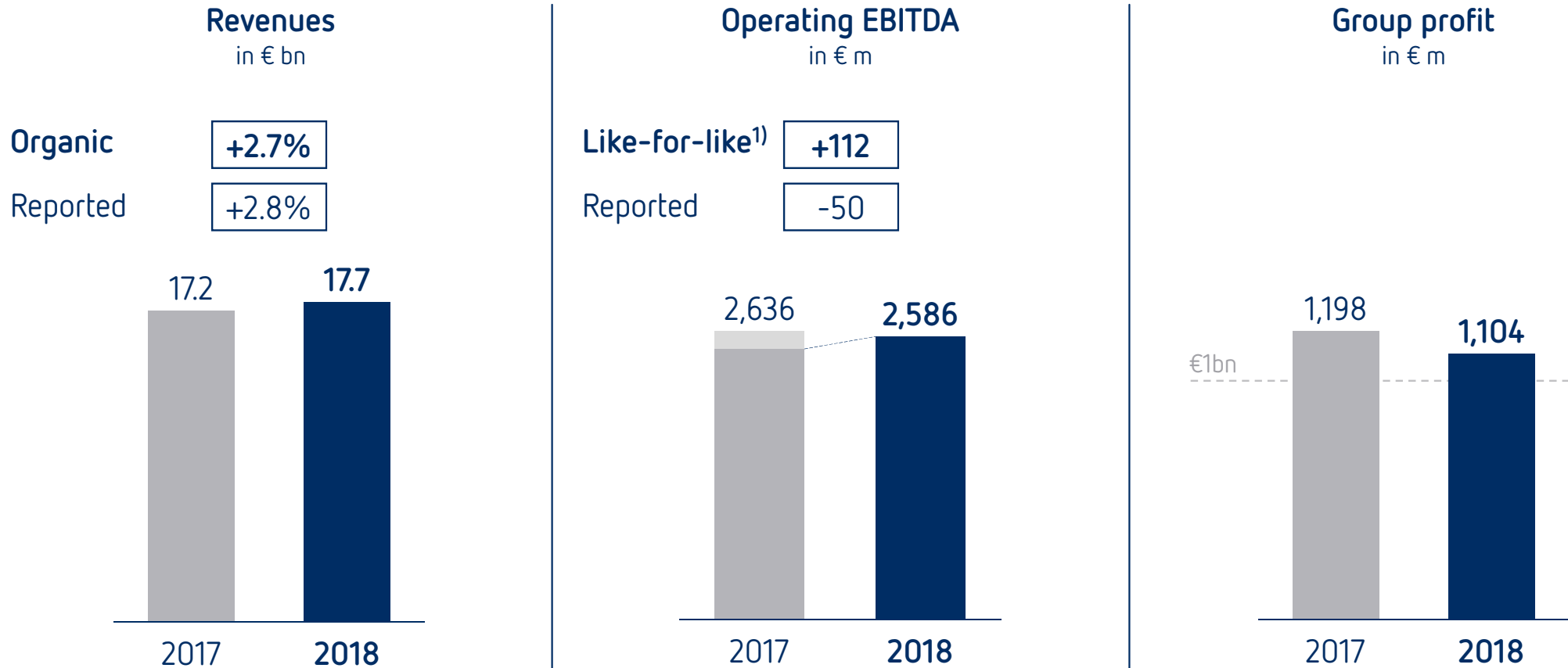
- Increase in revenues to €17.7bn, **organic growth of 2.7%**
- **Operating EBITDA** on a like-for-like basis **significantly above prior year**
- **Group profit again above €1bn**

### Strategy implementation

- Bertelsmann exhibits **higher growth** and becomes **more digital, international** and **diversified**
- **Core businesses** strengthened, particularly through creative successes (e.g. **M. Obama's "Becoming"**) and creation of **global CRM group**
- **Expanded growth platforms organically (+10%)** and **through acquisitions** (e.g. OnCourse Learning)



## Group key figures – High organic revenue growth, EBITDA of €2.6bn, Group profit again above €1bn

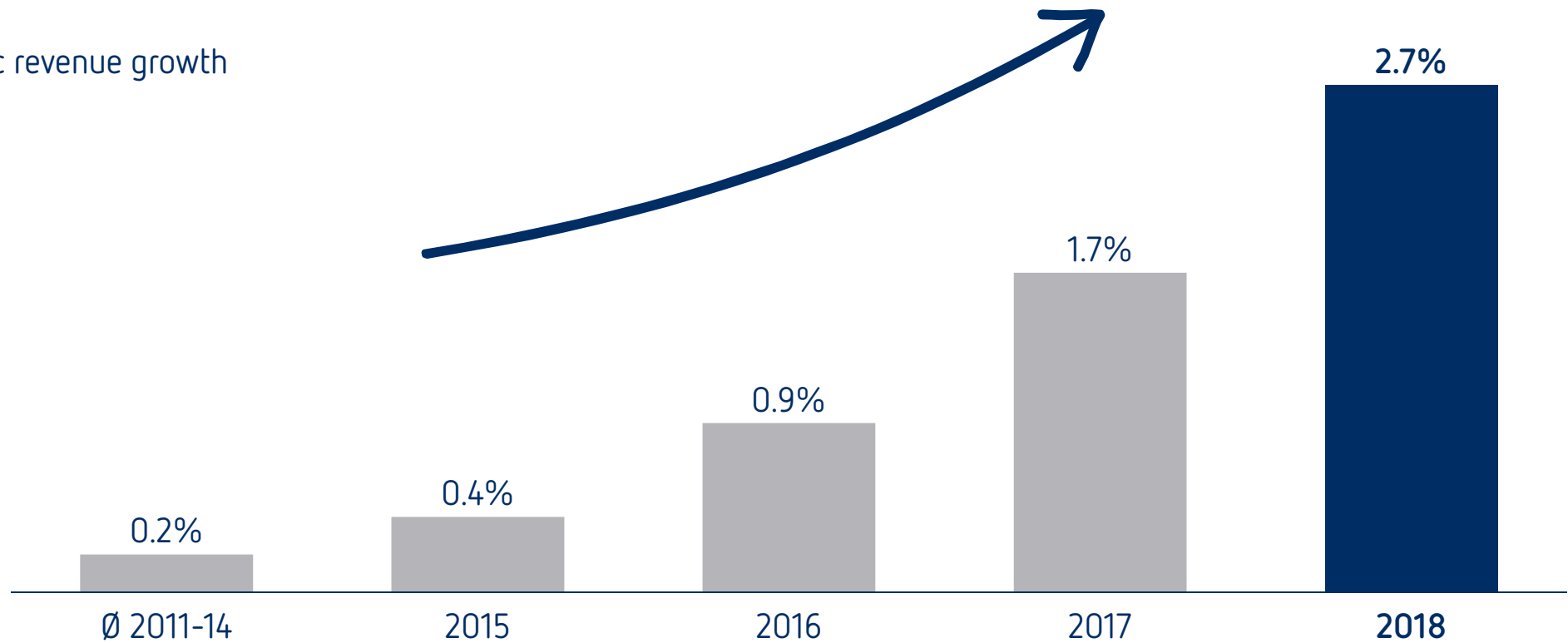


1) Before exchange rate effects, portfolio effects and gains from major real estate disposals in financial year 2017



## Growth profile – Strong organic growth trajectory

Organic revenue growth



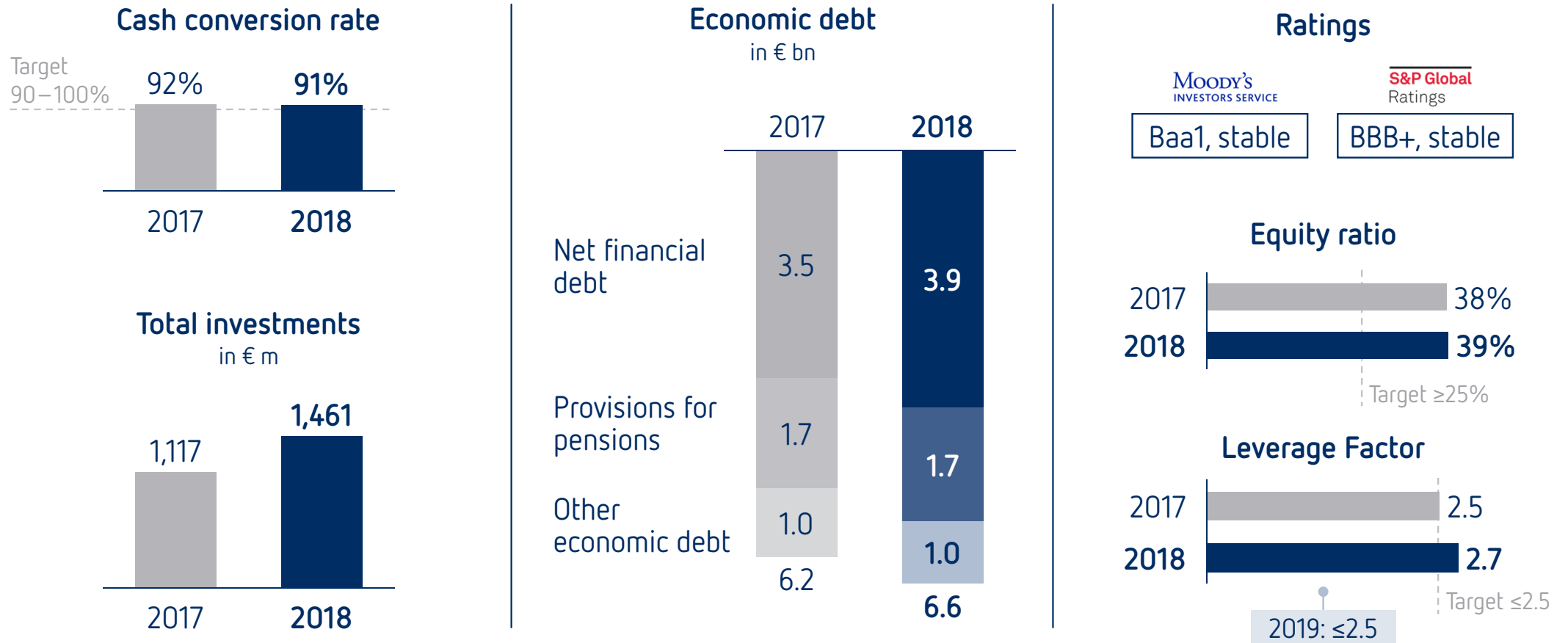
## Group profit – Again above €1bn

| in € m  | 2017  | 2018         |
|---|-------|--------------|
| <b>Operating EBITDA</b>                           | 2,636 | <b>2,586</b> |
| Depreciation and amortization                     | -657  | -670         |
| Special items                                     | -83   | -296         |
| <b>EBIT</b>                                       | 1,896 | <b>1,620</b> |
| Financial result                                  | -219  | -216         |
| Income taxes                                      | -472  | -301         |
| Earnings after taxes from discontinued operations | -7    | 1            |
| <b>Group profit</b>                               | 1,198 | <b>1,104</b> |

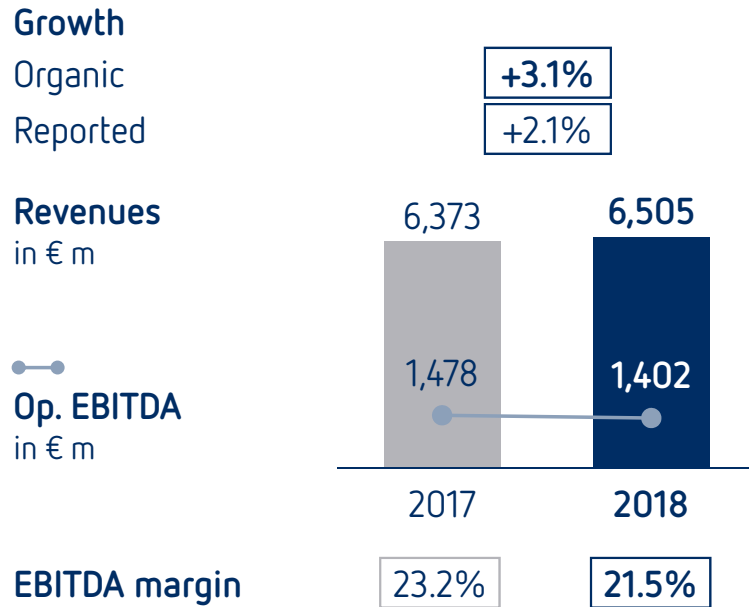
### Major effects

- Prior year **EBITDA** included substantial earnings from real estate disposals
- **Special items** comprise in particular:
  - Restructuring and project costs, i.a. related to the creation of a global CRM group
  - Individual impairments
- Lower **tax expense** due to decrease in earnings before taxes, US tax reform and deferred tax assets

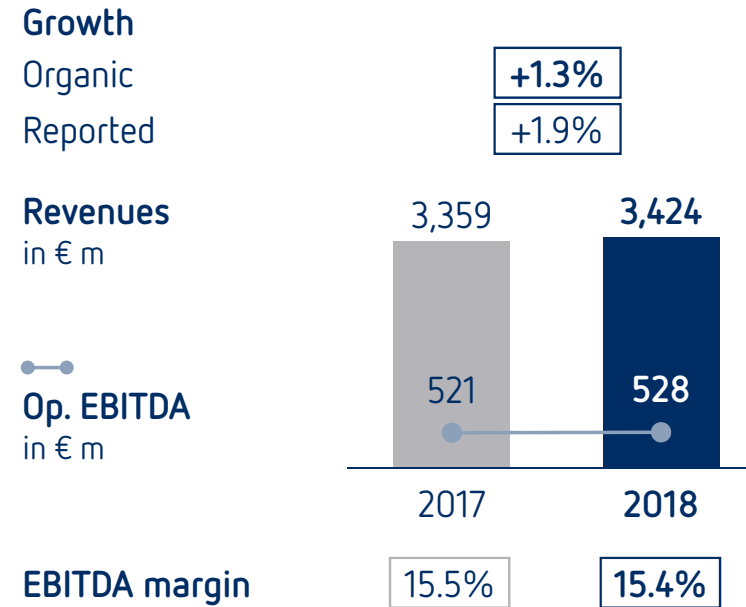
# Financial position – Continued high level of cash flow and investments, Leverage Factor 2019 within target range again



# Media businesses (1/2) – Organic growth and high profitability at RTL Group and Penguin Random House

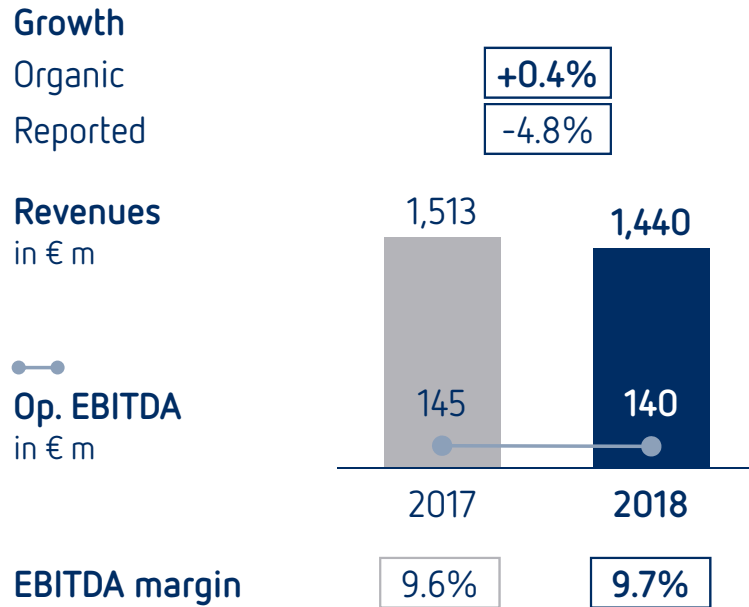


- Record revenues, EBITDA before real estate sales above prior year
- Stable TV advertising market shares in core markets GER and FR
- Fremantle with growth in revenues and earnings
- Expansion of digital businesses (e.g. relaunch TV NOW)

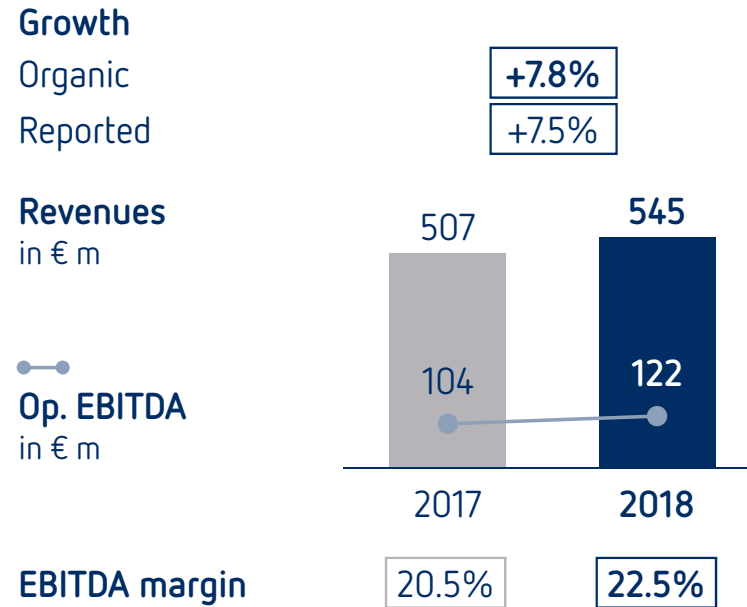


- Strong bestseller performance (notably M. Obama’s “Becoming”)
- Organic growth improvement
- Earnings increase despite negative exchange rate effects
- Audio worldwide with strong growth, acquisition Der Audio Verlag

## Media businesses (2/2) – Gruner + Jahr organically stable, BMG with profitable growth



G+J

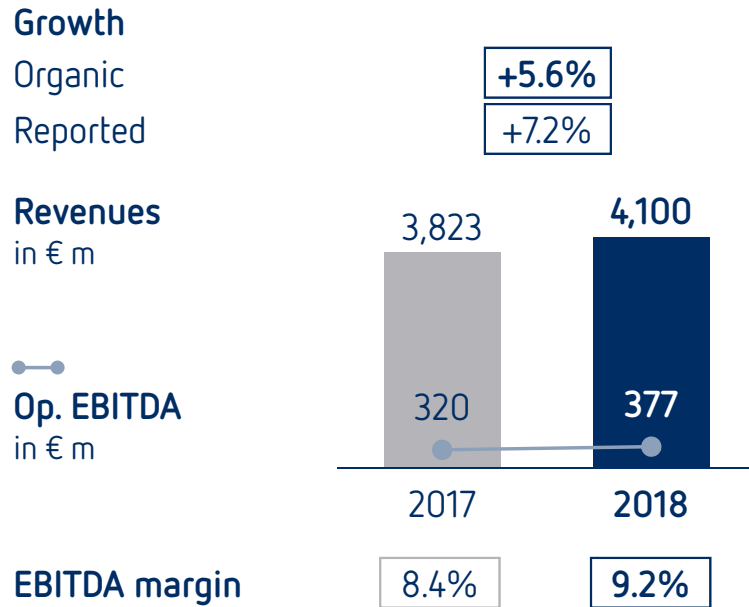


BMG

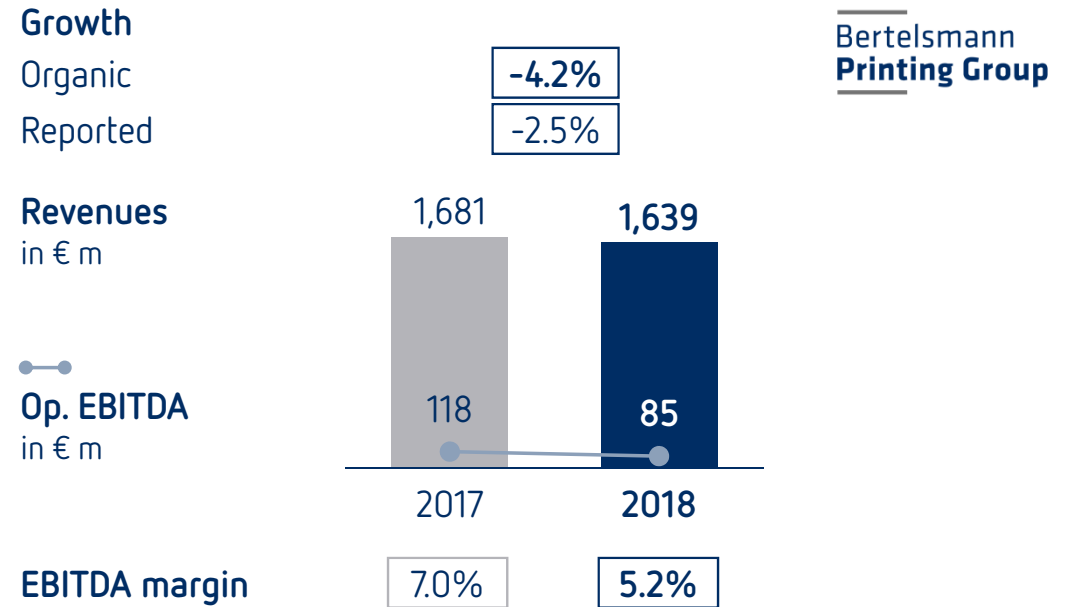
- Revenues organically stable, slight margin increase
- Launch of five new titles at G+J Germany (e.g. "Guido")
- Further expansion of content communication agency Territory
- Strong, profitable growth at digital business Applike

- Continued strong organic revenue growth
- Growing operating EBITDA with improved profitability
- International chart successes (incl. Kylie Minogue, Jason Aldean)
- Expansion production music (incl. acquisition of Big Bang & Fuzz)

## Services businesses – Strong revenue and earnings growth at Arvato, Bertelsmann Printing Group declining

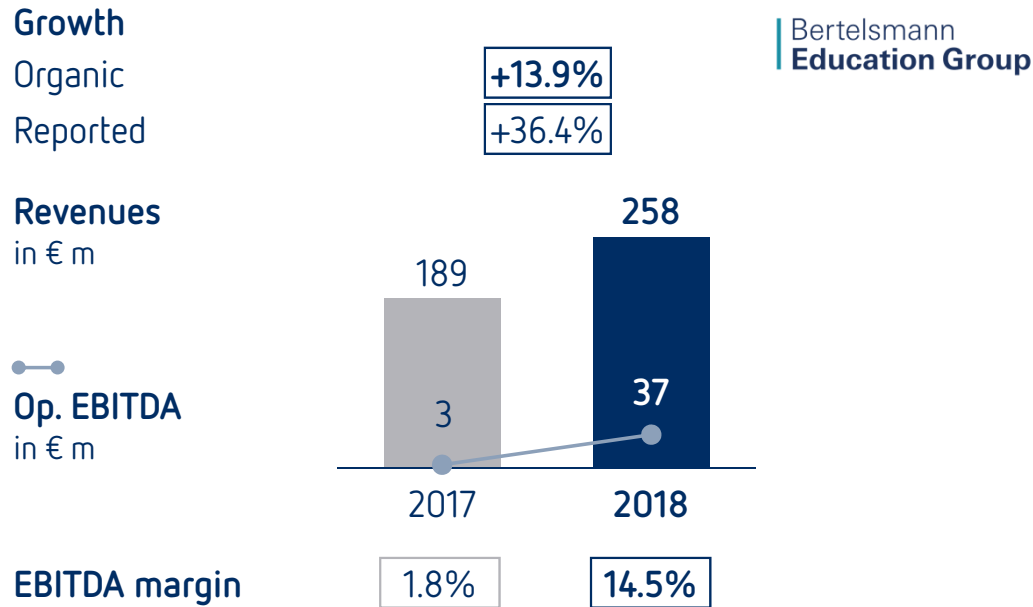


- CRM Solutions: creation of global CRM group
- SCM Solutions: growth with e-commerce, capacity extension
- Financial Solutions: growth, acquisition 3C Deutschland
- Systems: organic expansion, in particular cloud business

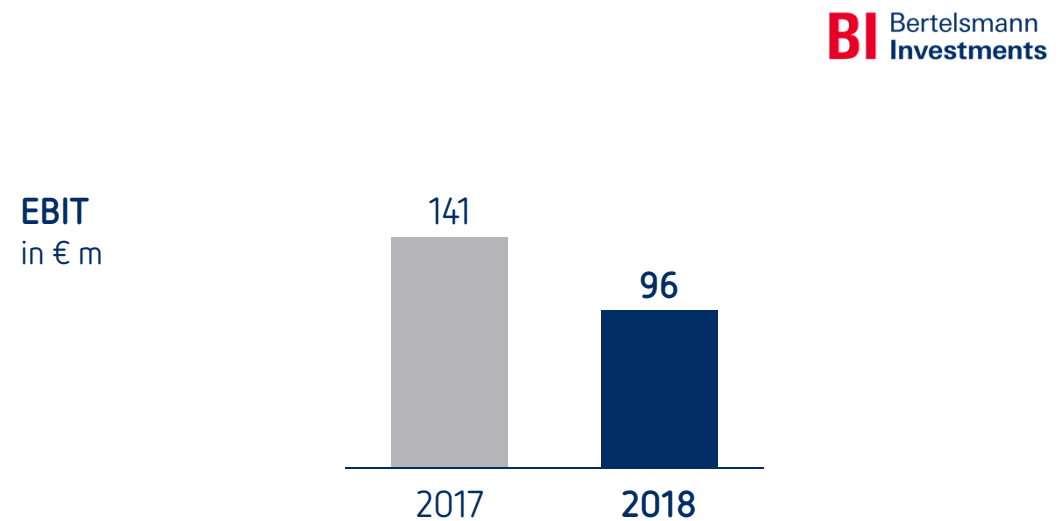


- Stable development of profits in offset printing
- Significant market-related decline in gravure printing
- Modest demand in the US printing business
- Profitable growth at Digital Marketing unit

# Education and fund businesses – Strong, profitable growth at Education Group, fund businesses again with relevant EBIT contribution



- High organic growth and increase in profitability
- OnCourse Learning acquisition, step-up to majority at HotChalk
- Relias: expansion across all US healthcare segments
- Udacity: expansion of B2B business, new nanodegrees



- 61 new and follow-on investments (overall €0.2bn)
- Again relevant contribution to Group profit
- Successful exits and IPOs in China
- Step-up to majority at Afferolab in Brazil





# Group strategy – Strategic framework

## Strategic priorities

- 1 Strengthening the core
- 2 Digital transformation
- 3 Growth platforms
- 4 Growth regions



## Target portfolio

Higher growth  
More digital  
More international  
More diversified

## Group strategy – Major strategic moves of recent years

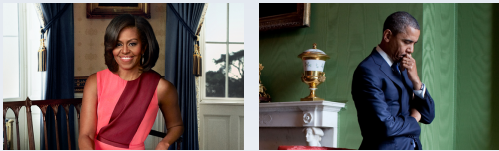
|   |                             |  |   |  |
|---|-----------------------------|--|---|--|
| 1 | "Total video" investments   |     | > | Invested early into online video and ad tech           |
| 2 | Merger Penguin/Random House |     | > | Created world's leading trade book publishing group    |
| 3 | Relaunch of music business  |     | > | Built music business with revenues >€500m from scratch |
| 4 | Arvato realignment          |     | > | Established 4 profitable and growing solution groups   |
| 5 | CRM partnership with Saham  |     | > | Created CRM group with revenues of €1.2bn              |
| 6 | Education business ramp up  |   | > | Built highly profitable e-learning offering            |
| 7 | Fund activity in China      |   | > | Almost tripled expected portfolio value                |
| 8 | Strategic alliances         |  | > | Established advertising, data and content alliances    |

1

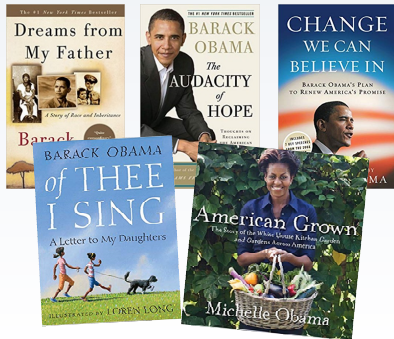
# Strengthening the core – Global publishing of Michelle Obama’s “Becoming” with outstanding sales results

## History

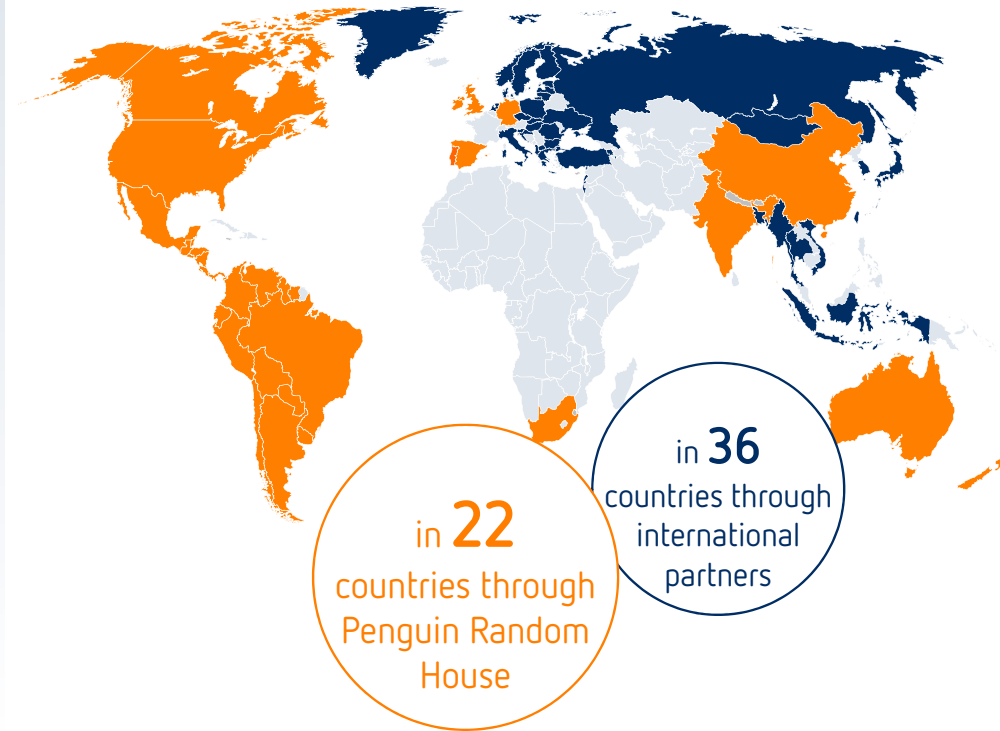
The Obama’s publishing home since 2004



Global rights acquisition for Michelle and Barack Obama’s books in 2017



## Simultaneous global publication



## Global brand strategy

Overall nearly **10m** sold copies until today, thereof **7.5m** in 2018

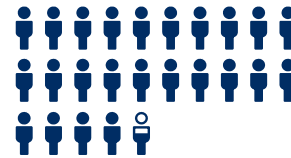


# 1 Strengthening the core – Creation of global CRM group



## Europe

24,500 employees



## Africa

12,000 employees



## Asia

9,000 employees



## America

3,000 employees



## 2 Digital transformation – Expanding digital businesses and leveraging technology potentials



|   |   | Growth p.a. <sup>1)</sup> |
|---|---|---------------------------|
|    | Primarily online video and ad tech            | +32%                      |
|    | Digital distribution and digital formats      | +17%                      |
|   | Digital content, communities and applications | +16%                      |
|  | Digital customers and products                | +9%                       |

**Most relevant technology trends**

|                 |                |                     |
|-----------------|----------------|---------------------|
| Cloud computing | Data analytics | AI/Machine learning |
|-----------------|----------------|---------------------|

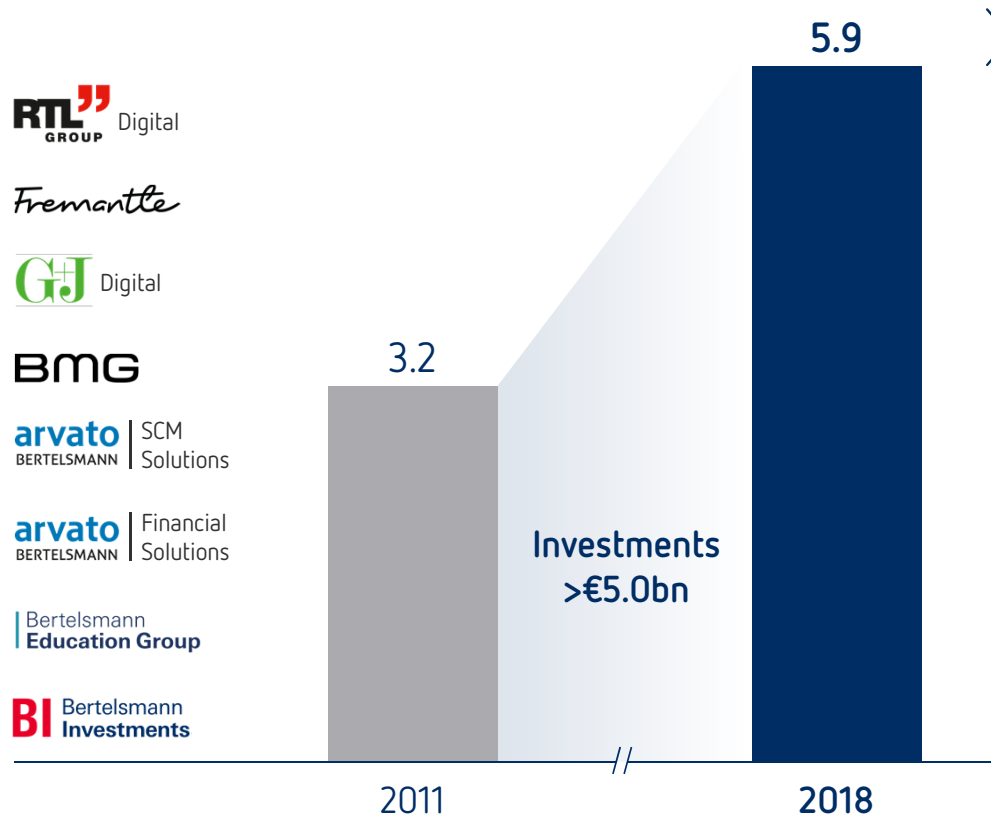
**Tech agenda Bertelsmann**

|             |              |                |
|-------------|--------------|----------------|
| Investment  | Cooperations | Infrastructure |
| Re-skilling | Data         |                |

1) 2011–18, RTL Group 2012–18

### 3 Growth platforms – Revenues of around €6bn and organic growth of 10%, further significant progress in 2018

Revenues, in € bn

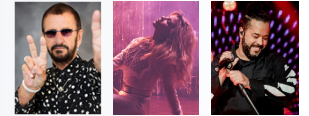


#### Highlights 2018

Growth platforms with organic growth of 10%

**BMG**

Numerous artist signings and chart successes



**arvato** | SCM  
BERTELSMANN | Solutions

Growth with customers from fashion, hightech and healthcare sectors



**arvato** | Financial  
BERTELSMANN | Solutions

Acquired insurance services provider 3C Deutschland



**Bertelsmann**  
Education Group

Acquired US online education provider OnCourse Learning



## 4 Growth regions – Expanded activities in BIC and other growth regions

### Highlights 2018 (examples)



Market entry SpotX in South East Asia



Expansion in Brazil and South East Asia



Expansion in Brazil and China through local artist signings



New CRM group with relevant presence in growth regions



Udacity with growth in China and India



- Built and expanded education business with partner Crescera Investimentos
- 2018: acquired majority in Afferolab



- Invested into digital business models (education, media, e-commerce)
- 2018: 4 new and follow-on investments



- 134 participations, 18 exits and 10 IPOs overall
- 2018: 39 new and follow-on investments (e.g. NetEase Cloud Music, Keep)

**189 participations** at the end of 2018<sup>1)</sup>

**Invested around €800m** since 2012<sup>1)</sup>

**Proceeds already in excess of €400m<sup>1)</sup>**

1) All numbers including BDMI

## 4 Growth regions – Significant expansion in key growth regions Asia and Brazil

Expanded footprint into  
local language publishing in India



HIND POCKET BOOKS

**Acquisition**  
through PRH India in 2018



Founded South East Asia  
publishing group in Singapore



Penguin  
Random House  
SEA

**100**  
books planned for 2019



Acquired majority share  
in #1 Brazilian publisher

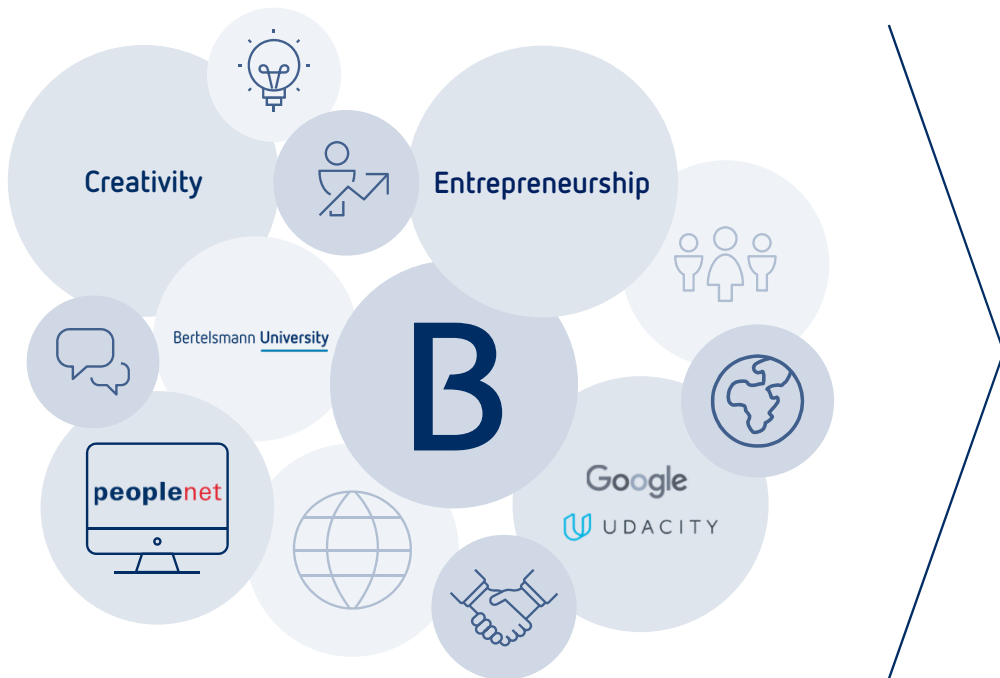
GRUPO  
COMPANHIA  
DAS LETRAS

**>3,800** **240**  
titles in catalog new titles per year





# HR strategy – Systematic HR work serves as a basis for the Group transformation



## Highlights 2018

### Digital Learning

15,000 Udacity scholarships and 13,000 online courses offered

### Talent Management

Internal placement rate of 80% in top and senior management

### Diversity

Focus on increasing Group-wide diversity

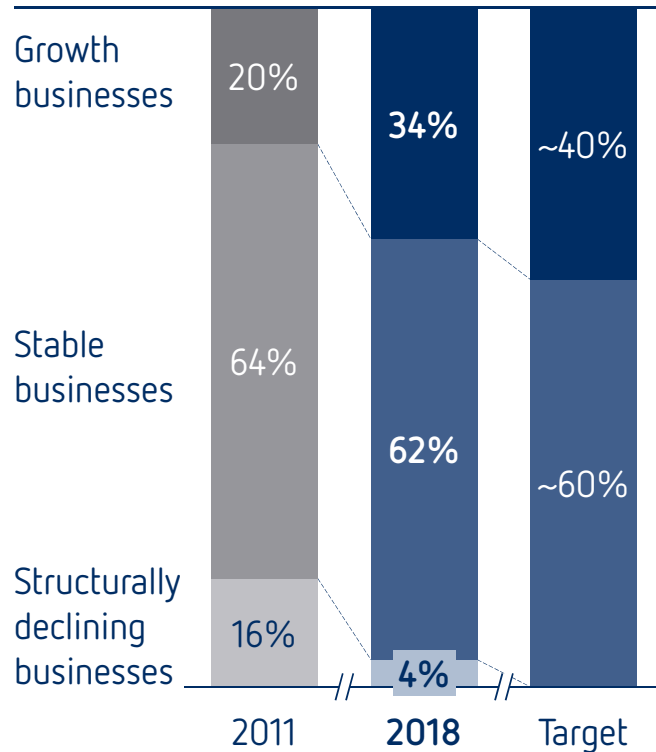
### Values and Orientation

Revision of the Bertelsmann Essentials

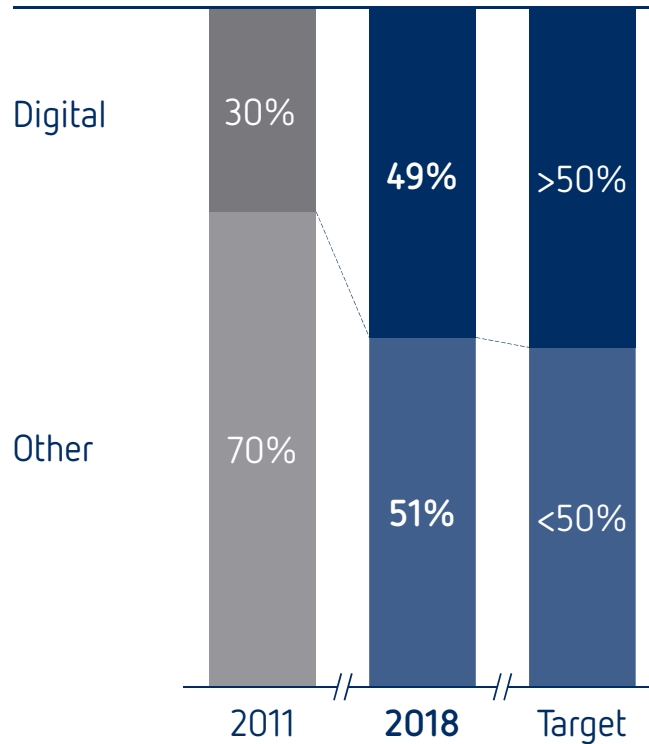
# Target portfolio – Bertelsmann exhibits higher growth and becomes more digital and international

Share of Group revenues in %

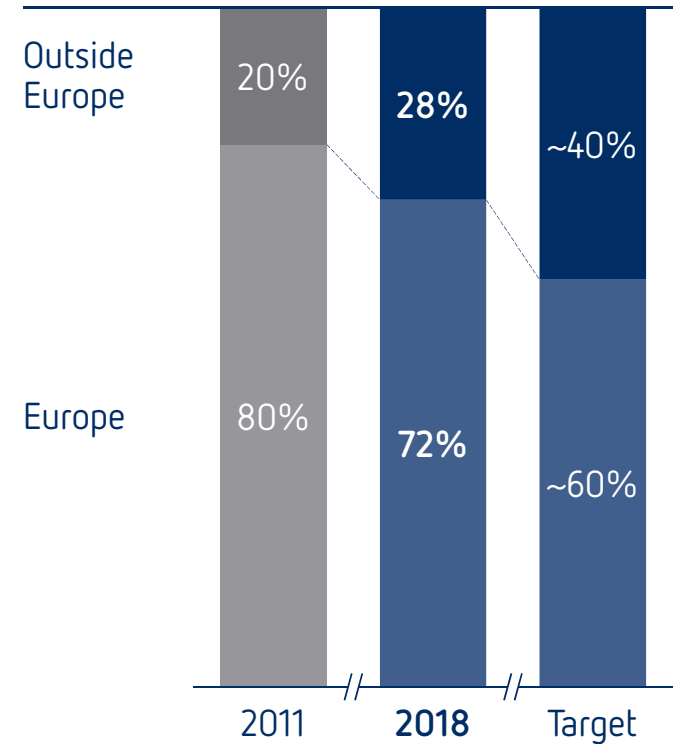
## Higher growth



## More digital



## More international



# Competitive environment – Strengthening content portfolio as one response to competition with global tech platforms

- 1 Invest in premium content
- 2 Provide brand safe reach
- 3 Build up own digital businesses and capabilities
- 4 Cooperate across the Group
- 5 Establish strategic alliances
- 6 Work with platforms
- 7 Push for regulatory level playing field
- 8 Strengthen creativity and entrepreneurship

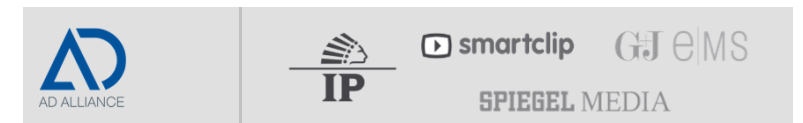


# Competitive environment – Significant progress in internal cooperation and strategic alliances

- 1 Invest in premium content
- 2 Provide brand safe reach
- 3 Build up own digital businesses and capabilities
- 4 **Cooperate across the Group**
- 5 **Establish strategic alliances**
- 6 Work with platforms
- 7 Push for regulatory level playing field
- 8 Strengthen creativity and entrepreneurship

## Advertising

2017 ✓



## Data

2018 ✓



## Content

2019 ✓



## Summary and outlook – Growth profile improved, further transformation steps ahead

### 2018

#### Key developments

- Improved organic growth
- Operating EBITDA on a like-for-like basis above prior year
- Group profit again above €1bn
- Further progress towards target portfolio

### 2019

#### Outlook

- Further improved growth profile, especially through organic expansion of existing growth platforms
- Continued high operating profitability
- Group profit to remain in excess of €1bn