



Koninklijke Brill N.V.

Half Year Report 2023 - Unaudited

29 August, 2023

Brill reports solid operational results in HY 2023 after successfully rebuilding its global distribution

Key Figures (in thousands of euros)	2023 H1	2022 H1	Change
Revenue	24,408	23,893	2.2%
Gross profit	17,756	17,120	3.7%
EBITDA	2,398	2,588	-7.3%
Acquisition, integration and restructuring costs	307	434	-29.3%
Operating profit	232	1,084	-78.6%
Profit attributable to shareholders of Koninklijke Brill NV	-133	906	-114.7%
Earnings per share (EPS)	-0.07	0.48	-114.7%
Key Performance Indicators			
Organic growth (excluding acquisition and currency effects)	0.1%	11.9%	
EBITDA margin	9.8%	10.8%	

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

Highlights

- Revenue up 2.2% compared to strong HY 2022, including acquisitions and currency effect
- Organic revenue growth flat due to decline in print book revenue
- Strong growth in journal revenue due to improved renewal rates
- Global distribution fully operational since mid-June
- Integration of Wageningen Academic and V&R on schedule
- Net profit includes V&R acquisition integration costs of 307 thousand
- Net loss due to increased amortization on Publishing Rights

Peter Hendriks, CEO commented:

“The first half of the year Brill realized 2.2% sales growth compared to 2022. Autonomous growth was still affected by the aftermath of migrating to a new distribution partner. To further improve the accessibility of content for a global academic audience, Brill keeps on focusing on direct selling eBooks packages and the transition to Open Access offerings. With distribution back on track, supported by robust title and article output, the outlook for this year is positive, at the same time much will depend on the developments in the final quarter.”

Developments in the first half year

Digital transformation

Brill keeps on making more high quality content available for a broader academic audience by offering a second book archive and further growing a successful open access program for journals as well as books.

Brill continues its program of digital transformation by finalizing infrastructure improvements and moving towards a FinOps organized IT organization to maximize business value of our cloud environment. Brill closely follows the market around Artificial Intelligence and started to experiment with language models for various projects, for example author services.

Distribution update

Since mid-June Brill's global distribution channels have been fully operational again. After the insolvency of its previous distributor in October 2022, Brill rebuilt its global distribution of books and journals with new partners: Air Business in the UK, Baker & Taylor Publisher Services in the US, and Centraal Boekhuis in the Netherlands. All books and journals are available to order. The backlog in delivery of print books and print journals is expected to be resolved during Q3.

Integrations

The integration of Wageningen Academic, which was acquired in April 2022, has been going as planned and is almost completed. The integration of V&R and Böhlau has been progressing as scheduled and will be finalized in 2024 as expected, resulting in structural cost savings.

Financial review

Revenue development

Revenue growth by publication format was as follows:

Revenue growth by publication format (in thousands of euros)	Revenue H1	% of Total growth	Organic Growth
Total revenue 2022	23,893		
Print books	-549	-2.3%	-5.6%
eBooks	-263	-1.1%	-3.9%
Journals	485	2.0%	8.4%
Primary sources	356	1.5%	38.4%
Organic revenue 2023	23,923	0.1%	0.1%
Acquisitions	357	1.5%	
Currency	128	0.5%	
Total revenue 2023	24,408	2.2%	

In H1 2023 print book revenue declined organically by -2.3%, partly related to the distribution situation after the insolvency of Brill's previous distributor last year, but also due to lower-than-expected output of book titles in the first half year. We anticipate closing a large part of this gap in H2.

eBook revenue shows a modest organic decline in revenue versus H1 2022, however, the result is above our expectations. Last year H1 was exceptionally strong, and we assume full-year growth to be in line with budget. The journal renewals improved compared to 2022 resulting in an organic growth of 2.2%. Revenue from the sale of primary source collections increased, driven by new products and customer interest. Total organic revenue was flat versus H1 2022 but in line with management expectations.

On April 15, 2022 Brill acquired all shares of Wageningen Academic Publishers BV. In Brill's H1 2023 revenue the months January – April 2023 from the Wageningen acquisition are still reported as an acquisition effect as V&R revenue was included for May-June in H1 2022. The currency effect mainly relates to USD transactions.

Revenue by region was as follows:

Revenue growth by region (thousands of euros)	Revenue H1	% of Total growth	Organic Growth
Total revenue 2022	23,893		
Western Europe	-342	-1.4%	-2.8%
North America	389	1.6%	4.2%
Asia Pacific	34	0.1%	1.9%
Other	-52	-0.2%	-8.9%
Organic revenue 2023	23,923	0.1%	0.1%
Acquisitions	357	1.5%	
Currency	128	0.5%	
Total revenue 2023	24,408	2.2%	

Revenues in Western Europe show a decline due to lower print book sales in mainly the DACH countries. North America revenues are up as a result of eBook sales and Primary Sources deals with US based universities. Digital revenue as a percentage of overall revenue increased to 61% from 59% in HY 2022.

Cost of goods sold

The gross margin improved to 72.7% from 71.7% last year, due to the product mix of Brill's H1 2023 revenue together with ongoing focus on efficiencies and cost savings.

Selling, general and administrative expenses

Underlying (excluding the effect of acquisitions and exceptional items) sales, general and administrative expenses increased compared to 2022 in line with management expectations.

Balance sheet – Publishing Rights

After the 2022 impairment of Goodwill and Publishing Rights, Brill did an assessment on the Publishing Rights that had a indefinite lifetime at year end 2022 (total value of approximately 15 million). The conclusion of this assessment is that Brill has changed the lifetime expectations to 10-20 years. This change leads to a 0.7 million additional amortization in H1 2023 including 0.2million one-off, and another 0.5 million in H2. Total additional amortization in future years will be approximately 1.0 million.

Balance sheet – Working Capital

The H1 movement in working capital -1.8 million was mainly caused by a decrease in accounts payable and accruals made at year-end in relation to the insolvency of our main distributor in Q4 2022. Now that distribution is operational again, working capital is also back to historic patterns.

Risk management

No significant changes occurred in the company's assessment of relevant risks since the publication of the annual report 2022.

Outlook

With distribution back on track, supported by robust title and article output, the outlook for this year is positive, at the same time much will depend on the developments in the final quarter.

Responsibility statement

The Half Year Report 2023 is an accurate account of assets and liabilities, the financial position and the profit of Koninklijke Brill N.V. and the entities which are included in the consolidation. Also the Half Year Report is an accurate account of the situation on the balance date, the state of affairs during the first half of the fiscal Koninklijke Brill N.V., Half Year Report 2023

year of Koninklijke Brill N.V. and that of the entities whose data are included in the Half Year Report. Special attention is paid to investments and to the circumstances on which revenues and profitability depend. Please note that the figures per 30 June, 2023 have not been reviewed nor audited by our auditors.

Leiden, 29 August, 2023

The Management Board

Peter Hendriks, CEO

Jasmin Lange, CPO

Wim Dikstaal, CFO

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About Brill

The contents of this press release may contain inside information as defined in article 7 of the EU Market Abuse Regulation 596/2014. Founded in 1683 in Leiden, the Netherlands, Brill is a leading international academic publisher in the Humanities, Social Sciences, International Law, and Biology. With offices in the Netherlands, Germany, Austria, the USA and Asia, Brill today publishes more than 360 journals and 2,000 new books and reference works each year as well as a large number of databases and primary source research collections. Commitment to Open Access and the latest publishing technologies are at the core of Brill's mission to make academic research available for the scholarly community worldwide. 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 brill.com.



Consolidated statement of financial position, before appropriation of profit

In thousands of euro's

	30-06-2023 (Unaudited)	31-12-2022 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment [6]	1,051	1,144
Right of use assets	5,913	5,470
Intangible assets [6]	36,365	37,025
Financial assets	283	283
Deferred tax assets	<u>373</u>	<u>370</u>
	43,985	44,292
Current assets		
Inventories [7]	4,250	4,569
Trade and other receivables	8,393	8,535
Income tax	437	412
Derivative financial instruments [8]	54	54
Cash and cash equivalents	1,656	3,701
TOTAL ASSETS	<u>58,775</u>	<u>61,563</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of Koninklijke Brill N.V.		
Share capital	1,125	1,125
Share premium	343	343
Retained earnings	18,338	18,471
Other reserves [8]	<u>-262</u>	<u>-226</u>
Total equity	<u>19,543</u>	<u>19,713</u>
Non-current liabilities		
Interest bearing loans	4,399	5,193
Lease liabilities	5,102	4,962
Deferred tax liabilities	<u>4,495</u>	<u>4,495</u>
	13,997	14,650
Current liabilities		
Interest bearing loans	1,588	1,588
Trade and other payables	10,654	14,046
Deferred income	11,630	10,484
Lease liabilities	868	588
Provisions	495	495
Derivative financial instruments [8]	-	-
Income tax	<u>-</u>	<u>-</u>
	25,235	27,200
Total liabilities	<u>39,232</u>	<u>41,851</u>
TOTAL EQUITY AND LIABILITIES	<u>58,775</u>	<u>61,563</u>

Consolidated statement of profit or loss and other comprehensive income for the six months end June 30 2023

In thousands of euro's

	2023 H1 (Unaudited)	2022 H1 (Unaudited)
Revenue [9]	24,408	23,893
Cost of goods sold	-6,651	-6,774
Gross profit	17,756	17,120
Expenses		
Selling and distribution expenses	-3,600	-3,763
General and administrative expenses	-13,923	-12,273
Operating profit	232	1,084
Finance income	6	242
Finance expenses	-416	-132
Profit before income tax	-177	1,193
Income tax [10]	44	-287
Profit for the period attributable to shareholders of Koninklijke Brill N.V.	-133	906
Other comprehensive (expense) income - items that might be reclassified to future profit or loss statements		
Exchange rate differences in translation of foreign operations	-36	20
Net gain or loss on cash flow hedges	-	32
	-36	52
Income tax relating to these items	-	-8
Other comprehensive income for the period attributable to shareholders of Koninklijke Brill N.V.	-36	44
Total comprehensive income for the period attributable to shareholders of Koninklijke Brill N.V.	-169	950
Earnings per share (in euros)		
Basic and diluted earnings per share attributable to shareholders of Koninklijke Brill N.V.	-0.07	0.48



**Consolidated statement of cash flows for the six months
ended June 30, 2023**

In thousands of euros

	30-06-2023 (Unaudited)	30-06-2022 (Unaudited)
Cash flow from operating activities		
Profit before income tax	-177	1,193
<i>Adjustments for</i>		
Amortization and depreciation fixed assets	1,933	1,071
Amortization content	1,648	1,947
Finance income and expense – net	410	-109
Differences in FX rates	-158	-
<i>Change in operating assets and liabilities</i>		
Change in operating working capital	-1,773	2,183
Cash generated from operations	1,883	6,285
Interest paid(-)/received	-288	-127
Income tax paid(-)/received	-35	-94
Net cash flow from operating activities	1,560	6,064
Cash flows from investing activities		
Investment in property, plant and equipment	-73	-303
Investment in intangible assets (non-content)	-757	-539
Investment in Content	-1,513	-1,826
Investment in financial fixed assets	-	-25
Payments for acquisitions, net of cash acquired	-	-1,991
Net cash flows used in(-) investing activities	-2,343	-4,683
Cash flows from financing activities		
Dividend paid to company shareholders [12]	-	-1,687
Interest bearing loans	-	-
Redemption Interest bearing loans	-794	-794
Redemption lease liabilities	-469	-528
Net cash flow from/used in(-) financing activities	-1,263	-3,009
Net cash flow	-2,045	-1,628
Cash and cash equivalents as per 1 January	3,701	5,439
Net cash flow	-2,045	-1,628
Cash and cash equivalents as per 30 June	1,656	3,811

Consolidated statement of changes in total equity as
of June 30, 2023

In thousands of euros

	Share capital	Share Premium	Retained Earnings	Currency Translation reserve	Cash flow hedge reserve	Total equity
Balance as per January 1, 2023	1,125	343	18,471	-267	41	19,713
Total comprehensive income for the period						
Profit for the period	-	-	-133	-	-	-133
Other comprehensive income	-	-	-	-36	-	-36
Total comprehensive income for the period	-	-	-133	-36	-	-169
Dividend paid over prior year	-	-	-	-	-	-
Total contribution by and distribution to owners	-	-	-	-	-	-
Balance as per June 30, 2023 (unaudited)	1,125	343	18,338	-303	41	19,543
Balance as per January 1, 2022	1,125	343	23,623	-303	-4	24,783
Total comprehensive income for the period						
Profit for the period	-	-	906	-	-	906
Other comprehensive income	-	-	-	20	24	44
Total comprehensive income for the period	-	-	906	20	24	950
Dividend paid over prior year	-	-	-1,687	-	-	-1,687
Total contribution by and distribution to owners	-	-	-1,687	-	-	-1,687
Balance as per June 30, 2022 (unaudited)	1,125	343	22,842	-283	20	24,047

Notes to the Unaudited Condensed Consolidated interim financial statements

1. Reporting entity

The condensed consolidated interim financial statements were authorized for issue by the Supervisory Board and Management Board on 29 August, 2023. Koninklijke Brill N.V. is incorporated in the Netherlands and has its headquarters in the Netherlands. Its registered depository receipts are publicly traded at Euronext in Amsterdam.

2. Accounting policies and estimates

There are no relevant changes in the basis of preparation of Brill's financial statements. A number of amended standards became applicable for the current reporting period. These amended standards did not impact the Group's equity and result.

3. No audit or review applied

The condensed consolidated interim financial statements for the six months ended June 30, 2023 have not been audited nor reviewed by an independent financial auditor.

4. Seasonality

In general, most revenue is recorded in the second half of the year. In general the costs develop more equally throughout the year which generally results in a favorable development of the profit in H2.

5. Fixed Assets

In the first half of the year, investments are made in property, plant and equipment assets for EUR 73 thousand (2022 EUR 303 thousand) and an amount of EUR 757 thousand (2022: EUR 539 thousand) was invested in information systems (intangible assets). EUR 1,513 thousand (2022: EUR 1,826 thousand) has been invested in Capitalized content.

After the 2022 impairment of Goodwill and Publishing Rights, Brill did an assessment on the Publishing Rights that had a indefinite lifetime at year end 2022 (total value of approximately EUR 15 million). The conclusion of this assessment is that Brill has changed the lifetime expectations to 10-20 years. This change leads to an additional amortization in H1 2023 of approximately EUR 700 thousand (including approximately EUR 200 thousand one-off) and another approximately EUR 500 thousand in H2. Total additional amortization in future years will be approximately EUR 1,000 thousand per year.

Goodwill has developed as follows:

Goodwill (in thousands of euros)	30-06-23
Carrying amount as at 1 January 2023	4,692
Acquired through business combinations	-
Carrying amount as at 30 June 2023	4,692

6. Inventories

Inventories includes physical stock and Work in Progress.

The value of the inventories includes an adjustment for obsolete inventory. In the first six months of the year this provision increased by EUR 142 thousand (2022 H1: EUR 1 thousand).



7. Financial instruments

Fair Value (in thousands of euros)	30-06-23 (Unaudited)	30-06-22 (Unaudited)
Financial assets		
Currency forward agreements	-	-
Interest rate swap	54	26
Total	54	26

Hedging

The interest rate risk on part of Brill's long-term loans is eliminated by using an interest rate swap which covers the full amount to maturity of the loan.

8. Segment information and revenue

Revenue per product type is as follows:

Revenue by product type (in thousands of euros)		
	2023 H1	2022 H1
Print books	7,801	8,121
eBooks	8,900	9,081
Journals	6,417	5,766
Primary sources	1,290	926
Total	24,408	23,893

Revenue per region is as follows:

Revenue by region (in thousands of euros)		
	2023 H1	2022 H1
Western Europe	11,760	12,220
North America	10,329	9,260
Asia Pacific	1,799	1,827
Other	520	586
Total	24,408	23,893

The publishing activities of Brill are divided into 3 business units which management considers to be reportable business segments. The segments are:

- LRSL: Law, Regional Studies & Linguistics (including former PUs LAW, LLA and MIA);
- RHB: Religion, History & Biology (including former PUs HIS and ARC);
- DACH: the business operations contained under Brill Deutschland GmbH and Brill Österreich GmbH, notably the imprints Ferdinand Schöningh, Wilhelm Fink, mentis, VandenHoek&Ruprecht and Böhlau.

EBITDA per Business Unit is calculated based on direct EBITDA contribution minus allocated group services and overhead costs.



Segment revenue and results (in thousands of euros)					
Business unit	LRSL	RHB	DACH	Group	Total
Revenue					
Six months ended 30 June, 2023	8,124	10,109	5,464	711	24,408
Six months ended 30 June, 2022	8,248	10,044	5,602	-	23,893
EBITDA Contribution					
Six months ended 30 June, 2023	4,938	6,024	2,315	-10,879	2,398
Six months ended 30 June, 2022	4,806	6,185	2,458	-10,861	2,588

9. Income taxes

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

10. Earnings per share

Earnings per share	2023 H1 (Unaudited)	2022 H1 (Unaudited)
Profit for the period ended 30 June	-133	906
Weighted average number of ordinary shares for basic earnings	1,874,444	1,874,444
Basic/Diluted profit per share for the period ended 30 June attributable to ordinary shareholders of Koninklijke Brill NV	-0.07	0.48

11. Dividends paid

Dividend declared and paid during the period ended 30 June, 2023	2023 H1 (Unaudited)	2022 H1 (Audited)
Dividend on ordinary shares for 2022: 90 cents per share (for 2021: 100 cents per share)	-	1,687

12. Reconciliation of non-GAAP information

Brill management is of the opinion that an understanding of the company's performance is enhanced by using the Non-GAAP measure EBITDA. EBITDA makes the underlying performance of the businesses more transparent by excluding the depreciation of tangible assets and the amortization and impairments on intangible assets, and extra-ordinary costs for (the integration of) acquisitions restructuring costs. In this note, EBITDA is reconciled to Operating profit.



Reconciliation of Revenue and profit before tax (in thousands of eu)	2023 H1 (Unaudited)	2022 H1 (Unaudited)
Revenue	24,408	23,893
Cost of goods sold	6,651	6,774
Selling & distribution costs	3,600	3,763
General & administrative costs *)	11,758	10,768
EBITDA	2,398	2,588
Acquisition, integration and restructuring costs	307	434
Depreciation and Amortization	1,859	1,070
Operating profit	232	1,084

*) excl. depreciation, amortization and cost related to acquisitions,, integration and restructuring.

13. Events after Balance Sheet date

No material events took place after balance sheet date.