PRESS RELEASE

Unaudited

BRILL

Brill reports revenues in line with latest guidance and a better than expected EBITDA

Key figures (in EUR million)	2018		2017
Revenue	36.0		36.4
EBITDA	3.6		4.2
Operating Profit	2.4		3.3
Free cashflow	0.8		(0.0)
Net Profit	1.6		2.3
Profit per share in EUR	0.85		1.21
Dividend (proposed 2018)	0.85		1.32
Extraordinary dividend	0		3.00
Key Performance Indicators			
Organic growth	-0.1%		3.1%
ROIC	7.8%		11.0%
EBITDA Margin	10.1%		11.4%
Average number of FTE	167		161

These figures unaudited. The audited financial statements will be published on our website www.brill.com on April 4th, 2019.

Summary

- Revenue down by -1.2%
  - Organic revenue growth stable
  - Currency effect of -0.7 million or -2%, acquisition effect +1.2%
  - Effect from IFRS 15 (postage fees no longer reported under revenue) -0.4%
- Digital revenue grew from 50% to 53% of total revenue.
- Subscription revenue was 40% of total, up from 38% in 2017.
- Journal sales grew by 5%.
- Gross margin up from 66% to 68%.
- EBITDA down by 12%. EBITDA margin down from 11% to 10% due to declining revenue and higher operational costs. This leads to lower net profit and earnings per share.
- Successful migration to new Brill.com platform.
- Further growth in Open Access publications.
- Profit improvement plan announced in HY 2018 press release on track to deliver 0.7 million savings in 2019.
- Proposed ordinary dividend per share of € 0.85 , which is a 100% payout ratio.

Developments in 2018

The year 2018 was a challenging year with disappointing results in the first three quarters. However, November and December sales results led to a turnaround and revenues stabilized. Substantial progress was made on improving our gross margin, updating our corporate strategy and management structure, integrating previous acquisitions, launching a new online platform and on the continuous development of Brill's publishing program. Profit declined mainly due to an increase in personnel costs and other operating expenses.

The decline of profit was mitigated by our profit improvement plan launched in Q2. In 2018, Brill achieved again a record output of books, journal issues and open access publications, reflecting continued evidence that authors trust us to disseminate the work that they have devoted so much time and energy to. For our publication program in the coming years, we have acquired more than 15 new journals, most of which with an existing subscription base or subsidy for open access. Further we have closed several long-term institutional partnerships for prestigious open access projects which will contribute to revenue in 2019 already. Brill's strategy to expand in Asia was further developed by increasing our sales activities in India.

Financial development

General

Our financial statements were impacted by the implementation of IFRS15, the new accounting rule for revenue recognition. Under the new accounting policy, we were required to form a so called return asset of 0.3 million, which is reported under inventory, and a return liability of 1.3 million reported under short-term liabilities. These changes are presented as corrections to the opening balance of 2018, with the net effect reported under equity (0.7 million) and tax receivable (0.3 million).
Under IFRS15, postage and handling fees within Brill can no longer be reported as revenues but should be reported as a reduction of fulfillment expenses. The effect on our revenues versus 2017 is -0.1 million, or -0.4%.

Included in the stand-alone company statement of financial position is the correction of the 2017 financial statements, related to prior year's reclassification of content from inventory to intangible assets. We concluded that based on Dutch requirements a legal reserve should be formed in the company financial statements, equal to the amount of the capitalized content costs. This legal reserve was not formed via the retained earnings in 2017. We did form this legal reserve in the 2018 company financial statements and have restated the comparable 2017 numbers as if the legal reserve was formed by the end of December 31, 2017. This has no effect on the consolidated financial statements as this legal reserve is not required under IFRS.

Revenue

In 2018, Brill's revenue decreased by -1.2% to 36.0 million (2017: 36.4 million). Organically, excluding the effect of acquisitions, currency and accounting changes, revenue growth was stable.

(in million)	Revenue	% of total Growth	Year on Year Growth
Revenue 2017	**36.4**	100.0%	
Print books	(1.0)	-2.7%	-6.3%
eBooks	0.3	0.8%	3.1%
Journals	0.5	1.5%	5.8%
Primary Sources	(0,0)	-0.1%	-2.2%
Other	0.2	0.4%	37.8%
Organic Revenue 2018	**36.4**	**-0.1%**	**-0.1%**
Acquisitions	0.4	1.2%	n.a.
Currency	-0.7	-2.0%	n.a.
IFRS15 effect	-0.1	-0.4%	n.a.
Revenue 2018	**36.0**	**98.8%**	**98.8%**

Revenue generated through digital products was 19.0 million or 53% of total, versus 18.3 million or 50% in 2017; an increase of 0.7 million or 3%. Revenue generated through subscriptions was 14.5 million or 40% of total revenue, up from 13.8 or 38% in 2017.

Despite our hedging activities, the change in the U.S dollar rate had a negative impact on our revenues. Around 42% of our revenues are in U.S dollar which averaged €/$ 1.18 in 2018 (2017: €/$ 1.12). Total effect was -0.7 million or -2% versus our total 2017 revenues.

Total book sales declined by 3%, mainly due to declining print and eBook sales in the US and parts of Asia (Japan and South Korea), whereas Europe showed an encouraging growth in print book sales.
Total journal sales grew by 6% reflecting successful sales efforts but also growth in subscription value, improved renewal management, journal acquisitions, and new journal title development.
Growth in the Americas was negatively impacted by very low one-off sales with our core customers of eBooks and eMRW's in Q2 2018 which is the end of the budget year in the US. Also disappointing sales of our law backlist had a significant negative impact on US sales. A marketing program to acquire new customers was successfully implemented and the marketing strategy for backlist titles reviewed.
The number of major sales deals (i.e. over 100 thousand per order) versus last year was slightly positive. Among others, we successfully closed large deals with new and existing clients in China, Singapore, Canada, and Greece. As expected, some of these deals included both renewals from deals closed with these customers in previous years, as well as new business.

Cost of goods sold, personnel costs, and other operating costs

Total cost of goods sold improved by 1.0 million or 8%. This positive development results from the lower print book sales volume and the high level of one-off items in last year's number. Also we continue to see lower expenses from stock depreciation as our stock value dwindles further due to our POD policy. Finally, we see our lower typesetting cost translating into lower cost of content amortization. All this resulted in a gross margin of 67.8% versus 65.5% in 2017.
Personnel costs increased by 0.8 million or 6% in 2018 (2017: 15%) excluding restructuring costs (severance). The increase was mostly caused by organic increases in salary costs (a total of changes in FTE, Collective Labor Agreement adjustments and mix). Growth in FTE originated from staff hired in the course of 2017 who were on the payroll for FY 2018 and 2 staff members from our purchase of mentis Verlag in Germany. Higher underlying salary expenses were compensated partly by higher capitalized expenses due to high project activity.
In 2018 we also recorded 0.2 million in restructuring costs related to our profit improvement plan. These costs are reported outside our EBITDA but are part of personnel costs.
Other operating costs increased by 0.5 million or 5%. The increase is partly caused by operational expansion (office costs, IT, support cost) but also by the situation in our finance department. Finance costs increased with 0.2 million which includes interim staff to mitigate the heavy turnover in finance and the quality improvement efforts in finance started this year.

Depreciation and amortization, and financing revenues and costs

At 1.0 million, depreciation and amortization, other than recognized in cost of goods sold, were 25% higher than 2017. This increase was expected due to our recent capital investment activities. Financing results amounted to -0.2 million (2017: -0.2 million) with lower foreign exchange results balancing out the increased interest expense related to our new financing structure.

Profit and profit per share

Despite the higher gross result, EBITDA was lower than last year due to higher personnel and operating expenses. The lower EBITDA, higher depreciation and amortization and restructuring expenses resulted in lower net profit. The number of outstanding shares remained the same relative to 2017. Consequently, earnings per share amounted to 0.85, down by 29.4% from 2017 (EPS 2017: 1.21).

Operating Working capital and Cash flow

Book inventories declined further because of our POD policy (-0.6 million). However, due to the implementation of IFRS15 we have to report a Return Assets of 0.3 million that is part of inventories (see above under general), so total inventories remained around the 2017 level of 3.3 million.
Despite the decline in operating profit free cashflow improved versus 2017 as a result of lower acquisition expenditure.

Return on Invested Capital

Return on Invested Capital (ROIC) declined to 7.8% versus 11.1% in 2017, due to lower operating profit. Invested capital remained in line with 2017.

Solvency and Liquidity

Total assets (47.9 million) decreased slightly relative to 2017 (48.9 million). Equity amounted to 20.1 million at the end of 2018 versus 27.4 million at the end of 2017, mainly due to the extraordinary dividend of 3.00 euro. Solvency (Shareholders' equity divided by total assets) declined to 42.0% in 2018 (2017: 58.6%; target range of 40-60%).
Because of the high investment level, acquisitions and the lower results, mitigated somewhat by improved working capital, our liquidity at year end declined from 3.8 million in 2017 to 2.4 million in 2018.

Dividend

In 2018 Brill changed its capital structure to finance an extraordinary dividend pay-out of € 3.00 per (certificate of) ordinary share. Furthermore, we wish to adhere to our corporate solvency policy of 40-60% and to the covenants agreed with our new corporate bank. At the end of 2018, the solvency rate was 42.0%.
We will propose to the General Meeting of Shareholders that will be held on 16 May 2019, an all-cash ordinary dividend of € 0.85 per (certificate of) ordinary share. Based on our net profit attributable to our shareholders, this is a 100% pay-out ratio.

Organization

The Supervisory Board will notify the AGM on the 16th of May 2019 of its intention to appoint Mrs. Jasmin Lange, currently as Chief Publishing Officer member of the Executive Committee, as Statutory Director and member of the Management Board.
The Supervisory Board will propose to the AGM to re-appoint Mr. Robin Hoytema van Konijnenburg for another term of 4 years as member of the Supervisory Board.
In addition the Supervisory Board will propose to the AGM to appoint Mr. Theo van der Raadt as fourth member of the Supervisory Board. Mr. Theo van der Raadt is currently chairman of the supervisory board at ICT Group NV and Shared Stories Group and has served as CEO and CFO at Royal Ahrend N.V. and Nutreco Holding N.V.

Brexit

Depending on the outcome of the Brexit negotiations between the EU and the UK, our business may suffer in 2019 from distribution delays of our backlist book titles, as our warehouse with stocked titles is located in the UK. Various plans to reduce the risks of loss of business have been developed together with our distribution partner and our POD printer in the Netherlands and will be implemented according to the actual Brexit situation.

Outlook

Brill's annual reports do not include numerical statements about future developments in terms of revenue and results. Our focus is on further development of the publishing program and getting the value out of our recent investments, whereas longer term we seek to expand and enhance the portfolio in terms of faster growing, recurring revenue streams, which includes the development of our open access journals and books publishing program. Another focus point for 2019 will be further execution of the profit improvement plan which was launched in 2018 and will lead to structural cost savings in the areas of personnel costs and operating expenses. Together with the fact that most of the extra costs for the development of our new platform will not re-occur in 2019 and increased sales efforts in the Americas and Asia, we are cautiously optimistic about 2019.

Leiden, March 28, 2019

Peter Coebergh, Chief Executive Officer
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About Brill

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euro's

	31-12-2018		31-12-2017	
ASSETS				
Non - current assets				
Tangible fixed assets	389		488	
Intangible fixed assets	32,052		31,574	
Financial assets	12		12	
		32,453		32,074
Current assets				
Inventories	3,348		3,236	
Trade and other receivables	8,893		9,154	
Income tax to be received	702		334	
Cash and cash equivalents	2,,383		3,787	
Derivative financial instruments	75		346	
		15,401		16,857
Total assets		47,854		48,931
EQUITY AND LIABILITIES				
Equity attributable to owners of Koninklijke Brill NV				
Share capital	1,125		1,125	
Share premium	343		343	
Retained earnings	18.818		26,160	
Other reserves	-203		-226	
		20,083		27,402
Non-current liabilities				
Interest bearing loans	4,843		0	
Provisions	45		45	
Deferred tax liabilities	3,744		3,775	
		8,632		3,820
Current liabilities				
Short term portion of long-term loan	1,083		0	
Trade and other payables	9,242		8,791	
Deferred income	8,402		8,713	
Provisions	100		100	
Derivative financial instruments	310		105	
		19,138		17,709
Total equity and liabilities		47,854		48,931

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of euro's

	2018	2017
Gross profit		
Revenue	35,951	36,394
Cost of Goods Sold	-11,568	-12,551
	24,383	**23,843**
Expenses		
Selling and distribution expenses	-6,930	-6,476
General and administrative expenses	-15,094	-14,052
Operating profit	**2,360**	**3,315**
Finance income	14	19
Finance expenses	-193	-269
Profit before income tax	**2,180**	**3,066**
Income tax expense	-577	-806
Profit attributable to shareholders of Koninklijke Brill NV	1,602	2,260
Other comprehensive (expense) income – items that might be reclassified to future profit or loss statements		
Exchange rate differences in translation of foreign operations	-56	-116
Cash flow hedges	106	263
	50	147
Income tax relating to these items	-26	-66
	23	81
Total comprehensive income for the period attributable to shareholders of Koninklijke Brill NV	1,625	2,341
Earnings per share (EPS)		
Basic and diluted earnings per share attributable to shareholders of Koninklijke Brill NV	0.85	1.21

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of euro's

	2018		2017	
Cash flow from operating activities				
Profit before income tax	2,180		3,066	
Adjustments for				
Amortization and Depreciation fixed assets	1,074		962	
Amortization Content	3,153		3,461	
Finance result - net	180		222	
Change in operating assets and liabilities				
Change in working capital	-564		554	
Change in provisions	0		0	
Cash generated from operations	6,023		8,293	
Income tax paid	-682		-1,222	
Net cash flow from operating activities		5,341		7,043
Cash flows from investing activities				
Investment in tangible fixed assets	-75		-359	
Investment in intangible fixed assets (non-content)	-1,546		-1,671	
Investment in Content	-2.885		-3,090	
Payments for acquisitions, net of cash acquired	-100		-1,866	
Payments for acquisitions relating to other periods	0		-100	
Net cash flow from investing activities		-4,606		-7,086
Cash flow from financing activities				
Dividend paid to company shareholders	-8,097		-2,474	
Interest bearing loans	6,500		0	
Redemption Interest bearing loans	-542		0	
Net cash flow from financing activities		-2,139		-2,474
Net cash flow		-1,404		-2,517
Cash and cash equivalents as per January 1st		3,787		6,304
Net cash flow		-1.404		-2,517
Cash and cash equivalents as per December 31st		2.383		3,787