

PRESS RELEASE

Bertelsmann Increases Revenues, Achieves Best Ever Operating Result in 2019

- **Group is well prepared in current coronavirus situation**
- **Revenues exceed €18 billion**
- **Growth platforms grow organically by 7 percent**
- **Digital businesses contribute more than 50 percent of Group revenues for the first time**
- **Operating EBITDA reaches new historic high of €2.9 billion**
- **Group profit of more than €1 billion for the fifth consecutive year**
- **Important milestone: full acquisition of Penguin Random House**
- **Around 230 investments in digital and startup companies**
- **Internationalization of the Bertelsmann Content Alliance**

Gütersloh, March 24, 2020 – Bertelsmann had a successful financial year 2019 with an increase in revenues, record operating EBITDA, and Group profit again over €1 billion. Given this positive business performance, the international media, services, and education company is well prepared to emerge safely from the current crisis due to the global spread of the novel coronavirus. Bertelsmann made a number of strategic advances in 2019. In December, for example, the Group announced its complete acquisition of the Penguin Random House book publishing group. The CRM company Majorel took up its operations, and in Germany, the Bertelsmann Content Alliance, which bundles the content businesses of the Group’s German subsidiaries, successfully began operations.

Thomas Rabe, Chairman and CEO of Bertelsmann, emphasized: “We have taken many measures to protect our employees’ health and well-being in this coronavirus crisis. Bertelsmann is well prepared financially. We are profitable, have high liquidity, a comfortable equity ratio, and ratings continue unchanged in the investment-grade category. The broad setup of our businesses makes us less susceptible to economic fluctuations and allows us to continue investing in our future without compromising the substance of our business.”

Thomas Rabe continues: “In this extraordinary situation, all media are of special societal and systemic relevance. In Germany, we are part of the critical infrastructure which must be maintained and supported, especially now. We provide authoritative information and entertainment to millions of people, who now face unprecedented disruption to their personal and professional lives in connection with curbing the spread of the coronavirus.”

Group revenues in 2019 rose to €18.0 billion (previous year: €17.7 billion). In addition to Penguin Random House, the Group’s strategic growth platforms contributed to this increase. Nearly all business units recorded organic growth. The Group’s high-growth businesses reported particularly strong increases. Their organic growth amounted to seven percent, and their share of Group revenues increased to 36 percent. At 51 percent, the share of digital businesses in Group revenues exceeded the 50-percent target for the first time.

Operating EBITDA reached a new historic high at €2.9 billion (previous year: €2.6 billion). The main drivers were the services subsidiary Arvato and the Bertelsmann Education Group, each of which posted a significant increase in earnings. The first-time application of the new IFRS 16 financial reporting standard also had a positive effect. But even without this effect, operating EBITDA was at a record level and exceeded the high prior-year figure.

Group profit, at €1.1 billion (previous year: €1.1 billion), exceeded the billion-euro mark for the fifth consecutive year. Besides a good operating performances by the individual divisions, this was also due to lower charges for special items. The fund activities pooled in the Bertelsmann Investments division once again made a relevant contribution to earnings.

Thomas Rabe: “The good business performance was driven by a number of successful measures. As example, RTL Group further expanded its streaming services. The goal is to reach five to seven million paying subscribers by 2025. The complete acquisition of Penguin Random House strengthens our core businesses in the long term. We will continue to expand Penguin Random House’s businesses over the next few years, including through acquisitions. Arvato’s excellent operating performance continued in the past financial year, especially due to the expansion of e-commerce activities by our logistics services business. The newly founded CRM company Majorel had a gratifying first year. The Bertelsmann Education Group also developed positively, doubling its earnings. We are benefiting from the continued high demand for digital educational offerings.”

The **contribution to revenues made by high-growth businesses** reached 36 percent last year (2011: 20 percent). In the next few years it is expected to rise to 40 percent. In contrast, the share of revenues accounted for by structurally declining business has fallen from 16 percent to around three percent since 2011.

Last year, the **share of revenues generated by the Group’s digital activities** increased to 51 percent for the first time (2011: 30 percent). Bertelsmann therefore generates over half of its total revenues digitally, and its target of 50 percent has therefore been achieved.

The **revenue share generated outside Europe** last year was 30 percent (2011: 20 percent). Besides China, India, and Brazil, the focus of Bertelsmann’s regional expansion is primarily on the U.S., the world’s largest media market and Bertelsmann’s second-largest market. In the future, Bertelsmann is increasingly considering investments in the countries of Latin America, Africa, and Asia.

In 2019, Bertelsmann once again made progress in its four strategic priorities – strengthening the core businesses; digital transformation; expanding growth platforms; and expanding into growth regions

Both organic expansion and important strategic acquisitions contributed to **strengthening the core**. RTL Group expanded its broadcasting lineup in France, acquiring the free-to-air children’s channel Gulli and five pay-TV channels from Lagardère. A new linear channel was launched in Germany: VOXup provides a mix of familiar Vox formats, free-TV premieres and new original productions. With its complete acquisition of Penguin Random House Bertelsmann will in the future be the sole shareholder of the world’s largest trade book publisher. In 2019, Penguin Random House also increased its share in the book publishing business, with organic growth and through acquisitions that include the British children’s book publisher Little Tiger Group. Gruner + Jahr expanded its portfolio of personality magazines, e.g. with a collaboration between “Brigitte” and the psychotherapist and bestselling author Stefanie Stahl. The global print businesses of Bertelsmann Printing Group were reorganized into a cross-divisional structure. The intensified establishment and

expansion of collaborations and alliances, e.g. the Bertelsmann Content Alliance in the content business and the Ad Alliance in ad sales, also contributed to strengthening the core.

The **digital transformation** progressed as digital businesses were continually expanded. RTL Group reported not only an increase in paying subscribers for its streaming services, but also an increase in viewing time on the platforms TV Now in Germany and Videoland in the Netherlands. In France, the RTL Group company Groupe M6 is developing a technical platform for Salto – the pay streaming service it operates with TF1 and France Télévisions, to be launched in 2020. Gruner + Jahr launched “Stern Crime Plus,” its first paying subscriber model for digital journalism. Bertelsmann Content Alliance initiated Audio Alliance to increase its audio offers, and started producing podcasts and distributing new podcasts on its Audio Now platform.

The Group’s **growth platforms** were expanded further and recorded significant organic growth overall. Fremantle continued the expansion of its drama productions with the launch of the second season of “American Gods,” and was successful with formats such as the second season of the UFA production “Charité” in Germany. BMG reported successful releases by artists like Kylie Minogue and Lewis Capaldi. New contracts or renewals were signed with Richard Marx as well as Mick Jagger and Keith Richards of the Rolling Stones, among others. Arvato Supply Chain Solutions won many new customers, and expanded its international logistics network. Arvato Financial Solutions grew in particular by expanding pay-after-delivery solutions. Arvato Systems expanded its portfolio of IP-based solutions. In the online education segment, Relias integrated the healthcare division of OnCourse Learning, a company acquired last year. Bertelsmann announced that it will provide around 50,000 scholarships over the next three years for cloud, data, and artificial-intelligence courses at the U.S.-based online university Udacity as part of its digital continuing-education campaign “#50000Chances.”

Bertelsmann continued to expand its global network of investments in startups and funds in **growth regions** and made around 80 new and follow-up investments during the reporting period. Bertelsmann Investments’ funds also accomplished several successful exits. In Brazil, Bertelsmann acquired 100 percent of Afferolab, a leading corporate training provider, and Bertelsmann Brazil Investments (BBI) assisted in the IPO of the Brazilian education company Afya, which was successfully completed in July. At the end of 2019, Bertelsmann Investments held some 230 investments in young companies and funds, mainly through its four international funds. Penguin Random House expanded its presence in South America by acquiring the publishing group Ediciones Salamandra, which operates in Spain and Latin America, and by purchasing the literary and educational publisher Editor Zaher in Brazil.

Thomas Rabe: “Bertelsmann will continue to invest in its businesses and work toward putting its strategic goals into action in the current year. We are confronted with a new dimension of competition with U.S. tech giants, and will therefore continue to massively expand our own tech skills. Our goal is to become the technologically leading media, services, and education company. Our tech agenda primarily focuses on cloud, data, and artificial intelligence. We will also continue to advance the topics of collaboration and alliances, both internally and with external partners. The Bertelsmann Content Alliance in the content sector in Germany and the Ad Alliance in ad sales are very successful initial examples that we will continue to expand in 2020. For example, we will extend the Bertelsmann Content Alliance to the markets in France, the U.K., and later the U.S.”

Bernd Hirsch, Chief Financial Officer of Bertelsmann, added: “Bertelsmann has a very solid financial and liquidity position. We were able to significantly reduce net financial debt by more than a half-billion euros last year. We will continue to strategically develop the company on this financial foundation.”

Equity increased to €10.4 billion (previous year: €9.8 billion). This resulted in an equity ratio of 38.2 percent (previous year: 38.8 percent).

Net financial debt decreased significantly by around €570 million to €3.4 billion (previous year: €3.9 billion). By contrast, pension provisions in particular increased due to the lower discount rate. Broader economic debt was €6.5 billion as of December 31, 2019 (previous year: €6.6 billion). Adjusted operating free cash flow amounted to €1.9 billion (previous year: €1.8 billion).

For the past 2019 financial year, Bertelsmann employees will receive profit participation and bonuses totaling €96 million (previous year: €116 million).

The profit distribution on the profit participation certificates will be made in accordance with the profit participation certificate terms and conditions on the first banking day after the Annual General Meeting of Bertelsmann SE & Co KGaA, which is expected to take place in August 2020. The audited financial statements for the financial year 2019 were approved by the Supervisory Board in March 2020.

Overview of key figures:

Special items

Special items in FY 2019 totaled €-154 million (previous year: -€296 million).

Cash flow

In the reporting period, Bertelsmann generated net cash from operating activities of €2.1 billion (previous year: €1.4 billion). Adjusted operating free cash flow amounted to €1.9 billion (previous year: €1.8 billion), and the adjusted cash conversion rate was 97 percent (previous year: 91 percent).

Total assets

Total assets increased to €27.3 billion as at December 31, 2019 (previous year: €25.3 billion). Cash and cash equivalents amounted to €1.6 billion (previous year: €1.4 billion). Equity increased to €10.4 billion (previous year: €9.8 billion). The equity ratio was 38.2 percent (previous year: 38.8 percent).

Investments

Total investments including acquired financial debt decreased to €1.3 billion in the year under review (previous year: €1.5 billion). As in previous years, the majority of investments in property, plant and equipment was made at Arvato. Investments in intangible assets were primarily attributable to RTL Group for investments in film rights, and to BMG for the acquisition of music catalogs.

Employees

At the end of the 2019 financial year, the Group had 126,447 employees worldwide. In 2019, there were 1,235 people serving in trainee positions at Bertelsmann companies in Germany.

Overview of figures (in €millions)

	2019	2018
Revenues	18,023	17,673
Operating EBITDA divisions	2,995	2,688
Corporate / consolidation	(86)	(102)
Operating EBITDA continuing operations	2,909	2,586
Special items	(154)	(296)
Financial result	(309)	(216)
Earnings before taxes from continuing operations	1,516	1,404
Income tax expense	(426)	(301)
Earnings after taxes from continuing operations	1,090	1,103
Earnings after taxes from discontinued operations	1	1
Group profit or loss	1,091	1,104

Total investments (including financial debt assumed)	1,276	1,461
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	Balance as of 12/31/2019	Balance as of 12/31/2018
Economic debt	6,511	6,619

Division (in € millions)	Revenues		Operating EBITDA	
	2019	2018	2019	2018
RTL Group	6,651	6,505	1,439	1,402
Penguin Random House	3,636	3,424	561	528
Gruener + Jahr	1,355	1,440	157	140
BMG	600	545	138	122
Arvato	4,175	4,100	549	377
Bertelsmann Printing Group	1,568	1,639	68	85
Bertelsmann Education Group	333	258	84	37
Bertelsmann Investments*	13	12	(1)	(3)
Total Divisions	18,331	17,923	2,995	2,688
Corporate / consolidation	(308)	(250)	(86)	(102)
Total Group	18,023	17,673	2,909	2,586

*The business development of Bertelsmann Investments is determined primarily on the basis of EBIT. EBIT amounted to €107 million (previous year: €96million).

About Bertelsmann

Bertelsmann is a media, services and education company that operates in about 50 countries around the world. It includes the broadcaster RTL Group, the trade book publisher Penguin Random House, the magazine publisher Gruner + Jahr, the music company BMG, the service provider Arvato, the Bertelsmann Printing Group, the Bertelsmann Education Group and Bertelsmann Investments, an international network of funds. The company has 126,000 employees and generated revenues of €18.0 billion in the 2019 financial year. Bertelsmann stands for creativity and entrepreneurship. This combination promotes first-class media content and innovative service solutions that inspire customers around the world. Bertelsmann aspires to achieve climate neutrality by 2030.

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