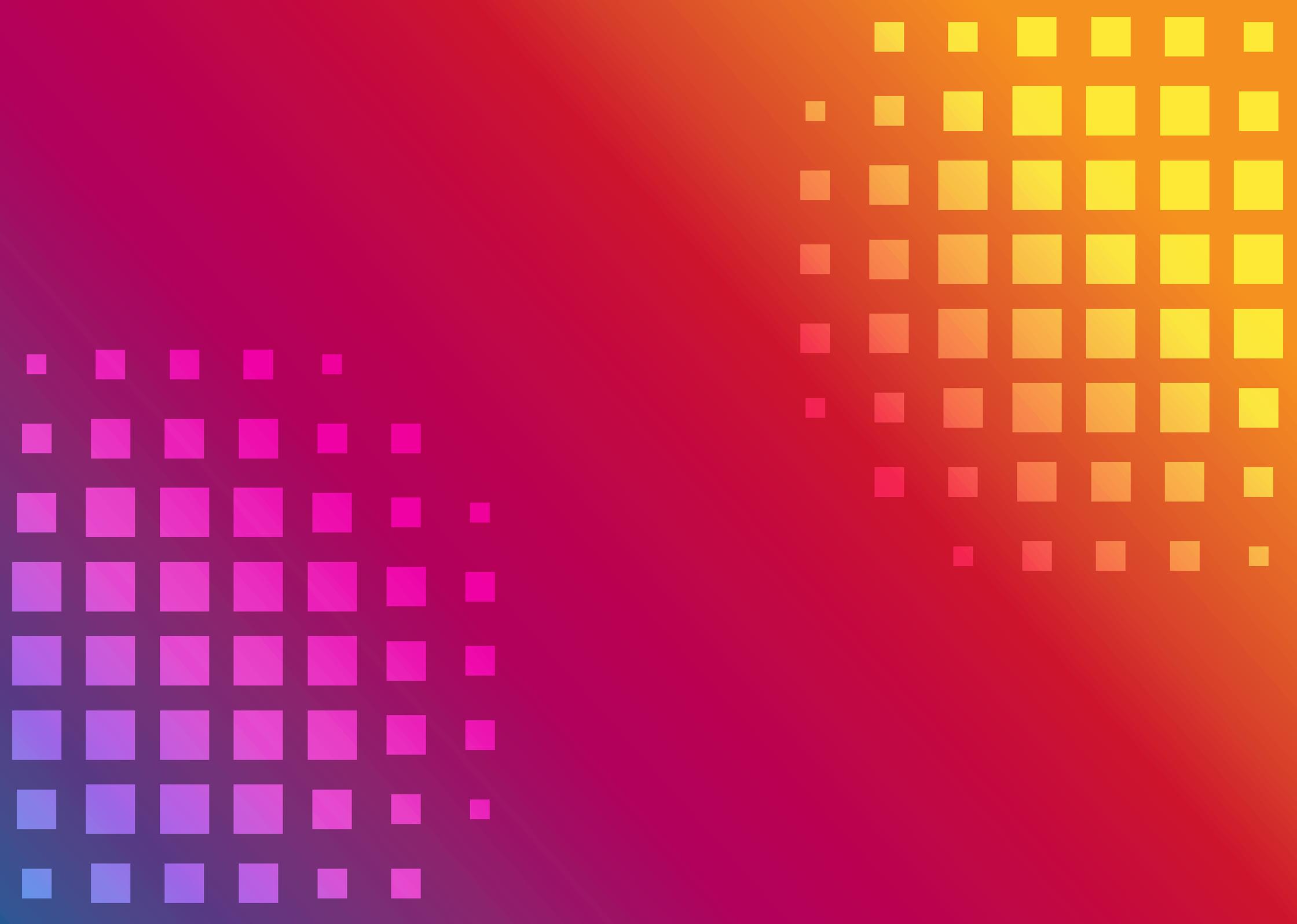




# Boost @ Bertelsmann

Eight Stories about the Boost Strategy

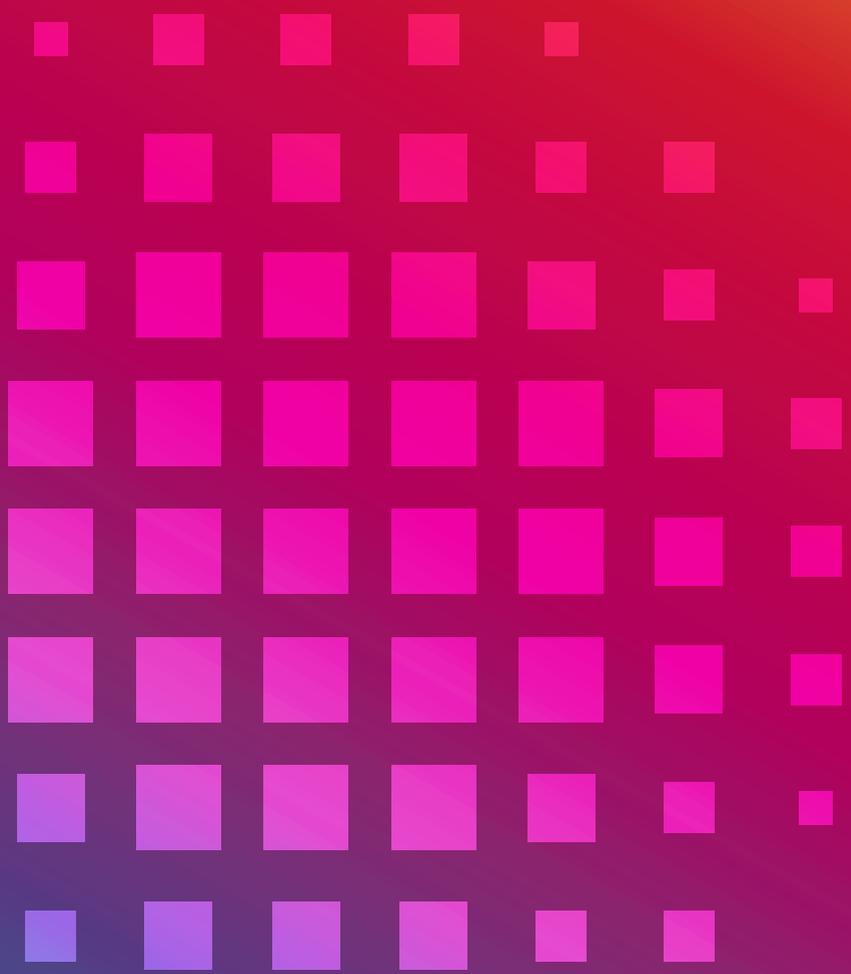
What's Your Story?  
Volume 9



# Boost @ Bertelsmann

Eight Stories about the Boost Strategy

What's Your Story?  
Volume 9



## Boost at Bertelsmann

Bertelsmann is in Boost mode. We want to leverage our potential even more effectively to create even stronger and more profitable growth. With the Boost strategy, we aim to generate revenues of 24 billion euros, EBITDA of 4 billion euros and net income of €2 billion by 2026. To achieve this, we will invest between 5 and 7 billion euros by 2026. We have already invested 2.2 billion euros, 1.6 billion euros of this in 2022 alone. Thanks to our good business performance, we have the necessary financial latitude for action.

The implementation of our Boost strategy is in full swing across the Group. Examples range from the accelerated expansion of RTL's streaming services and Fremantle's acquisitions of production companies to BMG's purchases of iconic music catalogs and Penguin Random House's takeovers of smaller publishers; from the expansion and automation of distribution centers at Arvato to the acquisition of a controlling interest in the Brazilian education group Afya, the expansion of our global network of funds, and the establishment of Bertelsmann Next with its focus on digital health, the app economy, and HR Tech.

This new book, "Boost@Bertelsmann," contains prime examples of our Boost strategy. I wish you a stimulating and informative read.

Yours,



Thomas Rabe

**Thomas Rabe**  
Chairman and Chief Executive Officer  
of Bertelsmann



# Contents

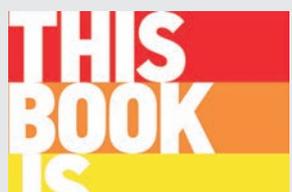
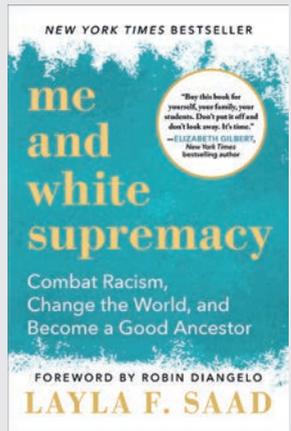
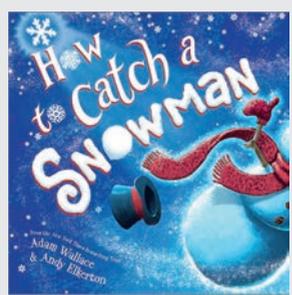
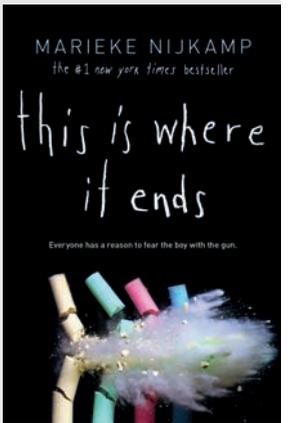
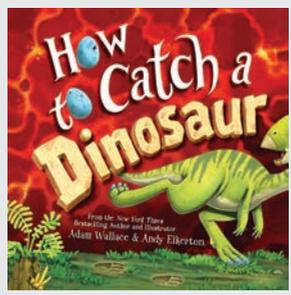
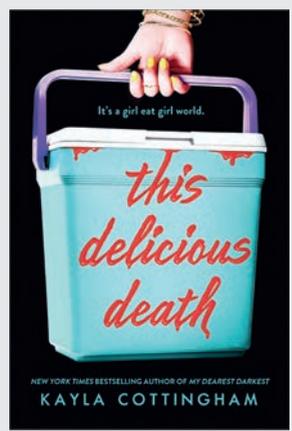
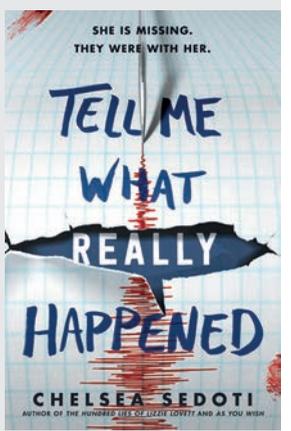
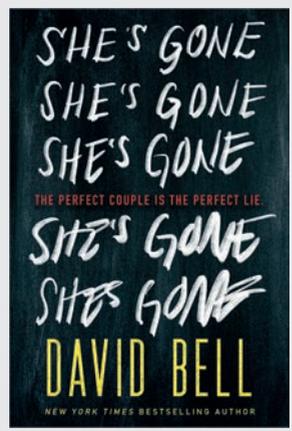
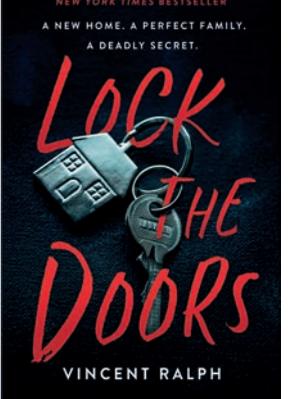
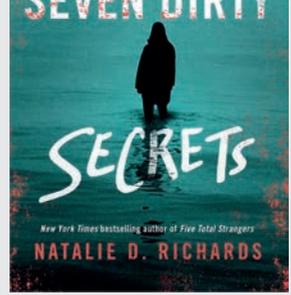
- 10 Sourcebooks  
**Redefining Reading Culture**
- 26 Fremantle  
**Creative Partnerships**
- 40 Afya  
**A Partner for Physicians**
- 52 Applike Group  
**Apps for the World**
- 66 BMG  
**BMG in Investment Mode**
- 76 Fremantle  
**„Acquisitions Have Been Part of Our Story Since the Beginning“**
- 86 Arvato  
**Strong Growth Worldwide**
- 104 RTL Nederland  
**“We Are Always Exploring New Genres And Formats“**



Sourcebooks

# Redefining Reading Culture

Since 2019, Penguin Random House US has been invested in Sourcebooks, a US publisher founded in 1987 by Dominique Raccach. Sourcebooks is using data to disrupt the traditional publishing business, turning casual readers into avid readers.



The world of books is changing rapidly. Readers are discovering books in new ways, and today's authors are able to grow fanbases at an exponential rate using new channels. Sourcebooks – the enormously successful Illinois-based independent publisher in which Penguin Random House US has been invested since 2019 – thrives on these recent marketplace developments. Known for innovation and agility, Sourcebooks breaks traditional models and constantly redefines book culture while helping authors build their careers and reach more readers: all with the goal of changing and enriching lives through books.



Dominique Raccah, Founder and CEO of Sourcebooks

How did Sourcebooks, which Dominique Raccah founded in a spare bedroom of her suburban Chicago home in 1987, become the seventh-largest book publisher in the United States? How does the publisher leverage data and experimentation to break the traditional publishing model, rebuilding it into one that launches unexpected books to the top of bestseller lists and turns ambivalent readers into voracious ones?

It all starts with the company's mission that "books change lives," which has been dear to Dominique since she moved to the United States from France at the age of nine. At the time she didn't know a word of English, "so I went to the local library and started teaching myself English, and getting to know my new home, with the help of books," recalls Dominique in an interview. "Books made me who I am today," she says.



The first Sourcebooks office

## Publishing company founded with 17,000 US dollars

While books would continue to play a determining role in Dominique's life, her path initially led her in a different direction: she developed a passion for mathematics, became a statistician, and spent eight years working at the advertising agency Leo Burnett, where she established a department for the analysis of data long before terms like "big data" became mainstream. She took this experience with her when she decided to become a publishing entrepreneur in 1987, diverting 17,000 US dollars from her retirement fund as her only starting capital. Today, Sourcebooks employs more than 200 people, publishes 500+ new books annually through 18 imprints, and has many New York Times bestsellers in its catalog. Based on the company's growth trajectory and data from NPD Bookscan, it is considered the most successful independent book publisher in the country.

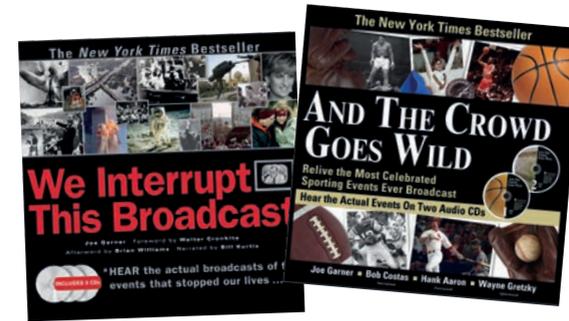
Sourcebooks' first title, published in 1987, was a guidebook called "Financial Sourcebooks." "The book was incredibly ugly, but it taught me a lot," recalls Dominique. The design of their books has improved considerably since that first publication, but the name Sourcebooks - and the commitment to data and innovation - remains.



The first Sourcebooks book

After "Financial Sourcebooks," Dominique published several more nonfiction titles. It became clear she was going to have to figure out exactly what customers and readers really wanted if Sourcebooks was to become profitable. Consumer research and focus groups informed what became the publisher's first New York Times bestseller, "We Interrupt This Broadcast" by Joe Garner, a collection of major 20th century news events. What made it special was the combination of text, photos, and audio clips of the events that were included

on two accompanying CDs. "We Interrupt This Broadcast" was one of the first multimedia bestsellers in the United States. Sourcebooks went on to publish more bestsellers of a similar nature, like "And The Crowd Goes Wild," a collection of famous sports moments by the same author.



Two of Sourcebooks' early New York Times bestsellers

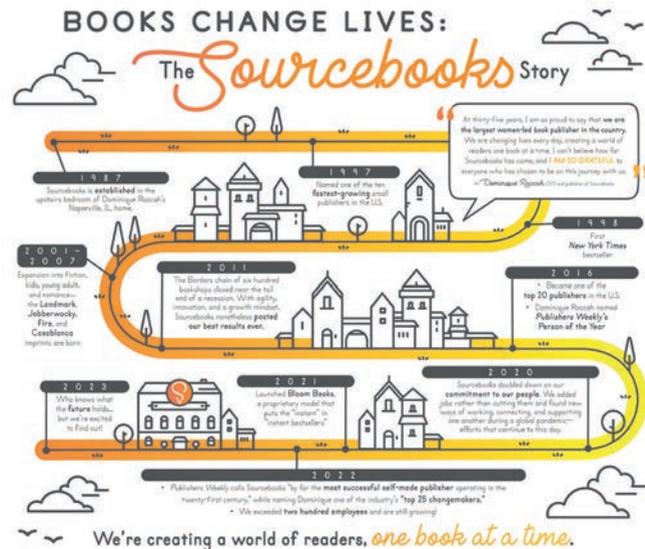
## Focus on readers

"Given my professional background, when I first started publishing books, I found it amazing how little was known about readers at the time," says Dominique. She says this was incomprehensible to her when Sourcebooks was just starting out, because publishers alone bear the economic risk of new publications: bookstores can return unsold books. "So publishers should actually be very interested in any information that helps their books sell better, to ensure fewer of them are returned," she adds with a laugh. "Because I didn't know anything about the publishing business when I started Sourcebooks, the whole company was literally created from scratch," Dominique continues. "That means that to survive, we had to spend a lot of time figuring out what our customers wanted - and it's precisely that focus that sets Sourcebooks apart today." From

the very beginning, therefore, data analysis has been a key element of Sourcebooks' publishing work. "Data is a creative power," says Dominique. "It's a great tool for making better decisions as a publisher."

And so, in the past several years the publisher has systematically built out their data team, invested in technology platforms and created targeted internal programs to help all employees develop data literacy. This data-centricity helps Sourcebooks ensure authors' books resonate with readers. Dominique emphasizes, "Data alone isn't the answer. Rather, it reveals the questions that a publisher needs to answer."

This attitude supports a deeply experimental culture: there are hundreds of experiments running at any time at Sourcebooks, which has led to new strategies like early adoption of TikTok as a marketing tool, lots of successful backlist promotion initiatives, a new editorial training program to help diversify the publishing industry, and more.

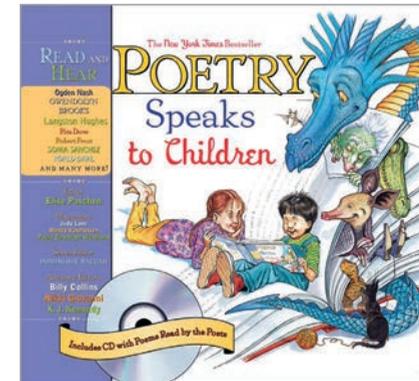


The story of Sourcebooks

## Radical innovation in kids and young adult

When Dominique first began publishing books for children, it was an important step forward for Sourcebooks. She tells us it all began with the volume "Poetry Speaks," another multimedia bestseller in which the poems were complemented by three audio CDs featuring well-known poets reciting their own poetry. For Dominique, "Poetry Speaks" marks "probably the most significant milestone in the history of Sourcebooks." That's because, she says, it was the moment she really started following her own direction as a publisher.

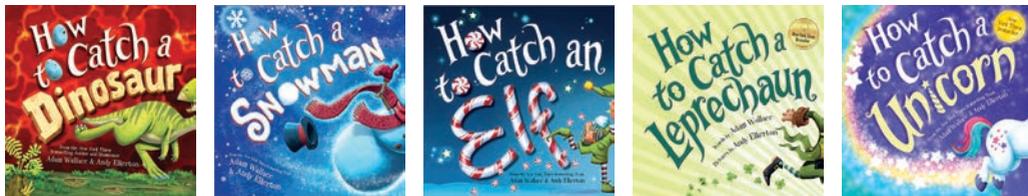
In 2005, she used the same formula to publish "Poetry Speaks to Children," the first Sourcebooks title for children, which also became a bestseller. The publisher issued more children's books, and in 2007 launched Sourcebooks Jabberwocky, the first of several in-house children's imprints. In the years that followed, Sourcebooks enjoyed many successes with its programs for children and young adults, becoming one of the country's leading children's book publishers.



"Poetry Speaks to Children," the first Sourcebooks book for children

Today, over half of Sourcebooks' overall sales come from children's and young adult books – a business that has experienced sales growth every year for the past decade. In both 2021 and 2022, the publisher saw double-digit growth across its children's imprints (23 percent growth in 2022 alone).

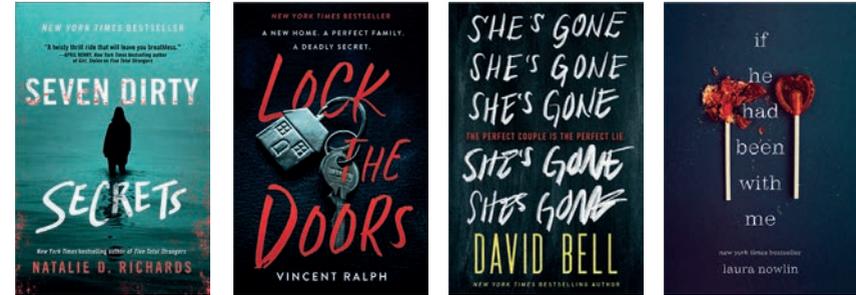
Experimentation is a big part of how Sourcebooks develops books for children. The "personalized-at-retail" program, for example, had never been done before and has contributed significantly to Sourcebooks' growth. The idea developed from early experimentation with online personalized books through its "Put Me in the Story" platform. Analysis revealed an additional customer need for personalized books sold in brick-and-mortar stores at affordable price points, rather than available online only. The result is 3.5 million units sold and counting.



Five examples from Adam Wallace's bestselling "How To Catch" series

In another example, the bestselling "How To Catch" series has sold 14.4 million books to date and produced eleven New York Times bestsellers. Launched in 2016, "How To Catch" was developed internally as a scalable concept. There are currently 17 picture books in the series, three board books, and multiple activity books and proprietary projects.

Sourcebooks Fire, the publisher's young adult (YA) imprint, grew 37 percent in 2022, and as of early 2023, one quarter of YA thrillers sold in the United States are from Sourcebooks Fire. By focusing on reader needs and trends, Sourcebooks Fire has uniquely positioned itself in the YA marketplace. When the editorial and marketing teams saw that readers were embracing gritty, emotional romance, they repackaged "If He Had Been With Me" by Laura Nowlin, originally published in 2013. Readers began to discover the book, particularly on TikTok, and in 2022 sales rose to over 100,000 copies, with 93,000 copies sold so far in 2023.



Eight YA titles from Sourcebooks Fire, the imprint for teens and young adults

## Disrupting the romance genre

In 2007, Sourcebooks launched Casablanca, its romance imprint. As romance readership in the United States started to expand, Dominique and her colleagues noticed readers' desire for deeper, more modern, more authentic and diverse stories in romance. Clear trends began to emerge, including the fact that many people who didn't consider themselves readers were starting to read these stories. And many lifelong romance readers began talking publicly about their favorite books for the first time, openly rejecting the stereotype that romance is somehow a lesser genre. Sourcebooks saw a big opportunity to reach this new, fast-growing reader base. In 2021, after Sourcebooks steadily grew its market share in the romance category, the industry took notice when the publisher announced Bloom Books, a brand new publishing model that puts more control into authors' hands and speaks directly to entrepreneurial romance authors' fan communities.



Author Lucy Score with readers in February 2023

The first author in the Bloom program was E. L. James, who moved her backlist to Bloom through a cooperation with partner Penguin Random House. “It feels like I’m coming home,” the world-famous “Fifty Shades” author said at the time. “I’m returning to my indie roots, and working with an innovative, dynamic and very successful publisher who is always open to new ventures.” The move to Bloom happened with the support of her previous publisher, Penguin Random House, which retained a number of rights to E. L. James’ works after the switch. Other highly successful authors in the Bloom program include Scarlett St. Clair, Elle Kennedy, Lucy Score and Ana Huang.

As of the week ending February 25, 2023, Sourcebooks is the #2 publisher of romance in the United States overall. Bloom authors are seeing sold-out book signings and highly successful pre-order campaigns. They have strong social media followings and connect directly with readers through BookTok, romance conferences and events.

Data is a key driver in the success of the Bloom program as well, allowing the teams to make informed, creative decisions that help authors best

position their books. “We invest lots of time in learning who our authors’ readers are,” Raccach says, adding that the process involves a lot of ideas, experimentation and iteration, and plenty of changes with each new book – over and over again. This year, Sourcebooks will make the Bloom model available to select young adult and mystery authors, having just signed the first several authors in early 2023.

## Embracing agility

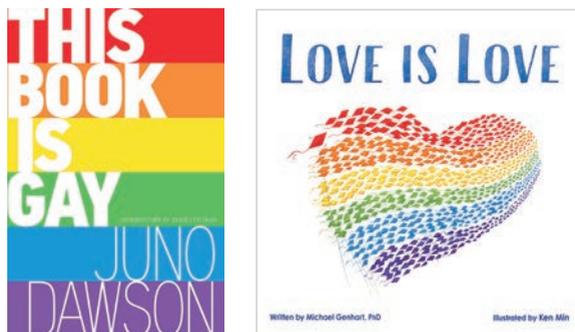
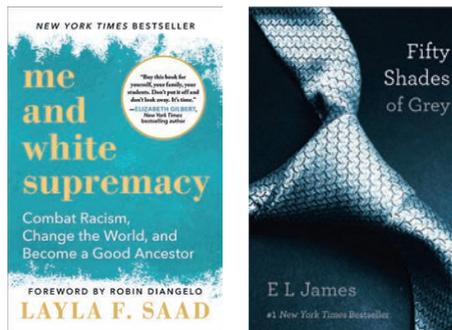
Listening to bookselling partners is a major part of Sourcebooks’ approach as well. Frequently, booksellers will request books of a certain type or on certain topics. Here, Sourcebooks’ answer is almost always: “Yes, let’s see what we can build for you.” It is precisely this speed and agility in all processes that sets Sourcebooks apart.

Dominique and her publishing house have received many awards for their deep understanding of target groups, the innovation Sourcebooks keeps demonstrating, and their systematic use of new opportunities. In 2016, the US trade magazine Publishers Weekly named Dominique Raccach its “Person of the Year.”

And agility is leveraged in all parts of Sourcebooks’ business, not just in the editorial or bookmaking process: as of early 2023, attempts to ban books across the United States have reached levels not seen in almost 50 years. Sourcebooks proudly publishes the 9th-most banned book in the country (“This Book Is Gay” by Juno Dawson), along with dozens of other books that are regularly banned by special-interest groups. In the past year the publisher has devoted more time and resources to protecting the right to read: for example, solidifying partnerships with organizations like the National Coalition Against Censorship, co-publishing a book with the American Library Association, and directly sending banned books to affected students and teachers.

## Collaboration with Penguin Random House

Another milestone in Sourcebooks' story was the above-mentioned entry of Penguin Random House in May 2019, when Bertelsmann's book publishing division acquired 45 percent ownership in the publisher. Once the decision was made to seek a partner for Sourcebooks, there were numerous meetings with interested parties, recalls Raccach. "But the team at Penguin Random House impressed us the most. It was in every way the most diverse of any team we met with." Penguin Random House presented itself as a big, encompassing world from that very first meeting, she said, and it was that perspective that she found exciting. "They made us feel like we could be part of something bigger," she said.



Some of the Sourcebook titles most frequently banned by special interest groups

According to Dominique, Penguin Random House's partnership has only supported Sourcebooks' independence. The publisher remains autonomous, and continues to handle the sale and distribution of their own books, ensuring they retain the special character behind Sourcebooks' success. "Penguin Random House made it clear from the beginning that Sourcebooks should remain Sourcebooks, that they just want to help us grow," Raccach says. In particular, Sourcebooks has benefited from being part of the larger Penguin Random House (PRH) family in its international expansion. The Illinois-based publisher now works with the Spanish-language publishing group Penguin Random House Grupo Editorial, and the global publisher DK, the latter of which has taken over distribution of Sourcebooks titles in Europe. "Penguin Random House helps us on so many levels. It's a unique partnership that fosters innovative growth on both sides," emphasizes Raccach.

Since Penguin Random House has come on board, Sourcebooks has been able to access PRH's extensive expertise, experience and resources, and in return brings its knowledge and unique publishing perspective to its PRH colleagues. The publisher cites the further development of the "How To Catch" series for older children as an outstanding example of this exchange of ideas. The idea grew from a workshop with Penguin Random House colleagues, and Sourcebooks will now adapt the popular characters for the 6- to 9-year-old age group with a new graphic novel series, "Pup and Dragon." The first book, "Pup and Dragon - How to Catch an Elf," will be published in September.

Going forward, with the support of Penguin Random House, Dominique hopes to expand even further. Relentless experimentation, curiosity and Sourcebooks' trademark focus on data will continue to be key. "This has been a watershed year for us. And we can see the next steps in our growth," promises Raccah. "Our partnership with Penguin Random House works extremely well," concludes Raccah. "It helps us keep reaching the next generation of readers with our books - because that, after all, is what our work is all about."



[www.sourcebooks.com](http://www.sourcebooks.com)





Fremantle

## Creative Partnerships

The RTL Group subsidiary Fremantle has launched a number of joint projects with famous and successful filmmakers including Angelina Jolie and Edward Berger. In an interview, Christian Vesper talks about the importance of these partnerships for Fremantle.



Fremantle has partnered with many creatives, including actress Angelina Jolie

■ When this year's Academy Awards were presented in Los Angeles on March 12 and the film "All Quiet on the Western Front" by German director Edward Berger won no fewer than four awards, Christian Vesper was cheering along. Vesper is CEO of Global Drama at the RTL Group subsidiary Fremantle, which means he oversees all of its fictional series and films, known collectively as "Drama" productions. He also has direct oversight of Fremantle's scripted labels including Miso Film ("Face to Face"), Wildside ("My Brilliant Friend"), The Apartment ("Bones and All"), Element Pictures ("Normal People"), Lux Vide ("Medici"), Dancing Ledge Productions ("The Salisbury Poisonings") and Passenger ("This England"). A few weeks earlier, in early February, Vesper had signed a two-year contract with the award-winning director and his production company Nine Hours, under which Fremantle is Berger's partner for all new TV projects. In the past, Edward Berger had already enjoyed international success with series such as "Deutschland 83" (UFA Fiction), "The Terror" and "Patrick Melrose." In an interview, Vesper talks about the importance for Fremantle of its partnerships with Berger and other creatives such as the well-known actress Angelina Jolie.



Christian Vesper, CEO of Global Drama at Fremantle

### Mr. Vesper, how important are collaborations with individual top creatives for Fremantle?

They are incredibly important. At its core, Fremantle's Drama business is about creativity and storytelling. Bertelsmann's Boost strategy helps Fremantle deliver projects that people want to see and buy. Since I joined Fremantle seven years ago, we have consistently found that creative talent is what makes us grow and what makes us run. Good examples of this are Fremantle's internationally successful productions such as "My Brilliant Friend," "The Young Pope" and "The Responder." They were only possible thanks to the top-class talent in front of and behind the camera: filmmakers, screenwriters, directors. Talents like Paolo Sorrentino, Neil



"Bones and All," produced by The Apartment

Cross, Luca Guadagnino and Martin Freeman. Because TV series and movies or feature films are not standardized products, behind the success of each project is the vision of an artist. Our business is to work with our producers to find these artists and convince them to work with us and our producers. By the way, I see our producers as just as much part of our creative talent. Building relationships with creatives and creating an environment where they can develop is quite essential to our work. The market for fictional series and film productions today is incredibly competitive, especially in television. Whether you manage to secure funding for a new drama project and then get it made depends very much on the talent you can bring on board that project. If they are the people the networks want to see at that point, then you're a big step ahead.

#### And how do you convince this talent to work with Fremantle?

A mix of factors comes into play here. Another reason why creatives are so hugely important for Fremantle is that talent attracts talent. If they have good things to say about working with Fremantle, and if it's clear that we're helping them make their projects happen, then word gets around and leads to more talent wanting to work with us. That's exactly what has happened over the past few years. It wasn't so easy at the beginning of my time at Fremantle; one of the first creatives I was able to attract to

Fremantle was Pablo Larraín, screenwriter and director of successful films like "Jackie," about Jackie Kennedy, and "Spencer," about Princess Diana. I knew him before, but it took some time to convince him to work with Fremantle. However, when he saw that our producers like Wildside were working with directors such as Paolo Sorrentino, he realized that he would be in good company. So personal relationships are extremely important to our business, and all of our top management cultivates these kinds of relationships with creative talent.

Another point is that we have a proven record of success. The resources made available as part of Boost have enabled us to invest in supporting the vision of talent that helps us to maintain that record of success.

I also believe that we and the creatives we work with have similar ideas about how things should be done, we all value the hustle needed to produce. We're a very entrepreneurial company with flat hierarchies and a mindset focused on supporting our creatives. Filmmakers, screenwriters, directors, producers, they all want to get stuff made, and at Fremantle we're always asking how we can help them do that.



"My Brilliant Friend," produced by Wildside



"The Responders," produced by Dancing Ledge

And finally, our global presence makes us interesting. We can deploy resources all over the world and distribute our productions internationally. That reach, and our skill at execution, is starting to resonate with the talent ecosystem.

**Fremantle has signed partnerships with many creatives in recent years. Probably the most famous among them is actress Angelina Jolie. How did that come about?**

In our industry, as in other creative industries, there is a business ecosystem comprised of agents, managers, lawyers, studios and networks. We all talk to each other a lot. Fremantle is now considered an experienced partner, willing and able to provide enough resources for challenging projects, so we're getting more and more offers in that direction as well. In the case of Angelina Jolie, the contact was made through Lorenzo De Maio of De Maio Entertainment, whose contacts as a consultant have already helped us with a number of deals. Angelina Jolie is represented by the agency Lorenzo De Maio used to work for. That agency approached us

on his recommendation. Sometimes the timing just happens to be right. Angelina Jolie is at a point in her career where it's increasingly important for her to take control of her projects and the stories she wants to tell. And she has the profile and market presence to make that happen. It immediately looked like a good combination to us. One element of our deal that someone like Angelina values is access to our top management, and not only is she in regular touch with Lorenzo and me, she also has



Jennifer Mullin, CEO of Fremantle, and Andrea Scrosati, Group COO and CEO Continental Europe at Fremantle

access to execs such as Jennifer Mullin and Andrea Scrosati – a key feature of Fremantle is our openness and availability. Our whole business is essentially based on the exchange of ideas. After that, of course, agents and lawyers discuss the terms in the background, but before that can happen, there has to be a good fit on a personal level, too.

### **What exactly can Fremantle offer a star like Angelina Jolie?**

In particular, Angelina Jolie found our track record with top directing talent very attractive. The opportunity to work with high-profile filmmakers like Luca Guadagnino, Michael Winterbottom and Alice Rohrwacher appealed to her. It showed her that we were the right partner for someone with her ambitions. Because on the one hand she wants to tell important stories, but on the other hand she also wants to be able to shoot entertaining action films like "Salt." Fremantle is able to support Angelina's ambitions in many ways – either to help set up a big action project or to be more flexible, and to focus on smaller projects that might not be worth it for the big studios, but are for us.

**Please tell us a little more about your first joint projects with Angelina Jolie.**

Our first joint project with her was the production of the film “Without Blood” in Rome last year. She’s in the process of editing it, so not many people have seen it yet. But I can say that it’s a really beautiful film and very personal to her. One of our producers is also involved in the production of “Maria,” a film by Pablo Larraín about the life of the famous opera singer Maria Callas. Angelina Jolie as Maria Callas; I can hardly imagine anything more glamorous.

**And how did the contract with director Edward Berger come about?**

I’ve actually known Edward since he filmed “Deutschland 83.” I was responsible for the broadcast of the series on Sundance TV in the United States at the time. That was a really major success for a German-language project in the United States. I met Edward in June 2015 at a Goethe Institute event in New York, where the series was first presented. Since then, we’ve stayed in contact, even after I moved to Fremantle. We actually talked about the TV deal that we announced this February on and off over the years. After Edward considered all the options for his TV projects, Fremantle ultimately made the cut. He does his movies with Netflix and his TV productions with us – he basically concluded that he had the best experience with these two companies, and that their profile makes them the best partners for him. Edward is exactly the kind of creative we want to work with. Wildside is currently working on his latest film in Italy: “Conclave” based on Robert Harris’ bestseller. Here we are a “service producer,” so we didn’t help develop the script, but are doing a lot of the actual producing work. Now that filming in Rome is over, and after the Academy Awards, Edward and his team at Nine Hours are working with Fremantle on developing his TV slate.

**Fremantle got big mainly with popular shows like “Idols” and “Got Talent.” How important is Global Drama for Fremantle today?**

Of course, if you ask me, it’s very important! (laughs). But seriously, Fremantle has put a lot of energy and time into building its own Drama business over the past few years. The company made some really smart investments in production companies and then actively supported those producers. Drama now accounts for a much larger share of revenues than it did seven years ago. Last year alone, we produced 17 films and 86 series in this area. Drama is now a substantial part of our business and continues to grow. The strategy behind this is to diversify Fremantle’s business. The Drama business is different from the entertainment show business in many ways. The pace is different, the margins are different, and the talent is different. But bringing both together under one umbrella makes us a major, interesting player in the market. On the one hand, we produce 100 episodes of “Indian Idol,” and on the other hand, we win the Jury Prize at the Cannes International Film Festival. I don’t think there’s any other company that can do the combination of TV, film and entertainment as well as Fremantle does it.



Oscar-winning director Edward Berger is also a Fremantle partner.

In contrast to the past, Fremantle is also becoming much more financially involved in film and series productions. Doesn't this involve a high entrepreneurial risk?

I would call it smart risk. We invest in creative talent and companies that have demonstrated success. However, the process requires patience. On average, it takes between 18 and 24 months to realize a series or film. It's a lengthy process, and of course there's an entrepreneurial risk associated with that. You basically have to be able to predict what content viewers and networks will want at a later date. Our business is highly dependent on time and the tastes of the audience – that's what makes it so special.



"This England," produced by Passenger

In an interview a few years ago, one of Fremantle's producers, The Apartment CEO Lorenzo Mieli, spoke of a "golden age of TV production" heralded by the rise of streaming services. Are we still in this "golden age"?

I believe that this golden age is still happening, but it is a golden age that demands much more discipline. Competition has become much tougher. Broadcasters and streamers have become much more cautious, they want to make sure they make the right decisions. So as a producer, delivering quality is more important than ever. In all the genres that Fremantle's production companies cover, from commercial fiction to arthouse films, it's always about delivering the best result within the genre. That's what the market demands today, and fortunately, that's what we can deliver.

If it were up to you, which other creatives would you like to work with and what kind of projects would you like to realize in the future?

We work with a lot of really great creative people. But I would love to do more with screenwriter Steven Knight, who is working on "Ferrari" with The Apartment for Apple, and is the writer behind productions like "Peaky Blinders," "Spencer" and now "Maria." He's just at home in so many genres and can tell stories from all different perspectives, which

is remarkable. I would also love to work with some of the great directors from Asia one day, like Wong Kar-wai from Hong Kong. And I'd love to do a big, glossy, Reese Witherspoon-style melodrama at some point, something along the lines of "Big Little Lies." Something like that is still on our list. For new projects, we have an in-house literary agent who is constantly on the lookout for suitable books to



Moreno Mieli, CEO of The Apartment

adapt. Of course, we also benefit from our connection to the Group's sister company Penguin Random House; it helps us understand what's interesting at the moment, who the big authors are. And we can explore Penguin Random House's incredibly diverse catalog. Also, coming full

circle, Bertelsmann's other creative divisions, especially Penguin Random House and BMG, make us even more interesting to creative talent. That's a pretty impressive global creative footprint Bertelsmann possesses.



Screenwriter Steven Knight

*Fremantle*

[www.fremantle.com](http://www.fremantle.com)





Afya

## A Partner for Physicians

Afya is a leading provider of medical education and training in Brazil, as well as of digital solutions for medical professionals. Bertelsmann has increased its stake in Afya several times in recent years.



Afya office in the Jardim Paulista district of São Paulo

■ Anyone visiting the IPEMED Faculty of Medical Sciences building on Alameda Lorena street in the heart of the Brazilian megacity of São Paulo will get a good impression of what contemporary medical education in the digital age can look like in an emerging country like Brazil. The IPEMED School of Medicine is part of the listed Brazilian education provider Afya, in which the Bertelsmann Education Group already holds around 60 percent of the voting rights as of the end of 2022 – with the declared intention of further increasing its stake. The lower two floors of the Afya building in São Paulo will initially house a modern, well-equipped clinic. Here, IPEMED medical students treat patients from 34 surrounding districts in São Paulo free of charge under the supervision of their training physicians. For hands-on teaching, which comprises about 40 percent of each course, the branch can draw on its own clinical facilities as well as partnerships with public and private facilities certified by the state’s Unified Health System. The teaching and training rooms for students are housed in the three floors above. And above those are two floors full of technology and recording studios, where Afya produces videos and podcasts on medical topics.

Afya’s entire business and training model is conceived as holistically as the building in São Paulo. “Afya is about supporting physicians at every stage of their professional careers – from medical school through residency and advanced training, and, since 2020, all the way to supporting physicians in private practice in their day-to-day work through digital products,” says Virgilio Gibbon, CEO of the company. Incidentally, the word Afya comes from the Bantu language Swahili, which is widely spoken in East Africa, and means something like “health and well-being.” Today, Gibbon adds, Afya is the leading private provider of medical education, advanced training and digital solutions for medical professionals in Brazil. And since in Brazil most medical education is provided by the private sector, this makes Afya one of the country’s most important players in the field.



Afya CEO Virgilio Gibbon

With its 45 sites in 19 Brazilian states, the company currently has a total of more than 3,000 seats for medical students, equivalent to around 10 percent of all private medical student seats in the country. With an average study duration of six years, Afya's faculties, which are spread throughout Brazil, can accommodate some 23,000 medical students. This line of business accounts for about 90 percent of Afya's revenues,



Meeting of doctors in São Paulo

which were around 410 million euros in 2022. The company generates the remaining 10 percent primarily from digital solutions for doctors, such as tools to support patient diagnosis or practice management – a rapidly growing line of business.

For Bertelsmann, the Afya story began in 2014. At that time, in the Bertelsmann Investments (BI) division, Shobhna Mohn, together with the BI team in Brazil and the local investment partner Crescera, had started

to build up a group of universities focused on medical education. For this purpose, Bertelsmann and Crescera jointly founded the education fund

“Crescera Educacional II.” At the time, the companies invested in the two education companies NRE Educacional and Medcel, which were eventually merged into Afya in 2019. Along the way, the Esteves family, the founding family of NRE Educational, also became co-partners in Afya. Nicolau C. Esteves is now Co-Chairman of Afya's Board of Directors, alongside Kay Krafft, CEO of Bertelsmann Education



Kay Krafft, CEO of Bertelsmann Education Group and Co-Chairman of the Board of Directors of Afya

Group. The shareholders listed Afya on the Nasdaq stock exchange in the same year the company was founded.

“Afya is a prime example of Bertelsmann Investments' work,” says Shobhna Mohn, Chief Strategy Officer of Bertelsmann Investments. “Basically, we pursue three goals at BI: first, expanding our network and expertise. Second, positioning Bertelsmann as a long-term investor that provides strategic support for business development. And of course, thirdly, achieving a good financial return on the capital invested. In addition, we are trying to identify a few strategically relevant holdings, such as Afya, in order to maintain or expand our share in these companies.”



Shobhna Mohn, Chief Strategy Officer at Bertelsmann Investments

## “Afya is an excellent fit”

In 2021, Bertelsmann took the next step; the Group acquired 46 percent of the voting rights in Afya for 500 million euros. This was the share in the company that had previously belonged to the “Crescera Educacional II” joint fund. Bertelsmann then increased its stake further in May 2022, enabling Afya to be fully consolidated for the first time in 2022, which resulted in the Afya stake moving from Bertelsmann Investments to the Bertelsmann Education Group. Further ongoing share purchases on the market increased the stake to around 60 percent of voting rights at the end of last year. “Afya is an excellent fit with the Education Group’s strategy,” comments Kay Krafft. “Our focus is on medical education and training and digital solutions to improve healthcare workflows and risk management. The Education Group’s goal is to be a partner for healthcare workers throughout their careers – and Afya just fits in very well.” Afya is also an excellent match for the group’s business model, thanks to strong growth and significant economies of scale, Afya is a highly profitable company with a high EBITDA margin, says Krafft.

“The decisive yardstick for the economic value of a medical school in Brazil is the number of study places,” explains Benedikt Dalkmann, CFO of Bertelsmann Education Group, who is on Afya’s Board of Directors for Bertelsmann, along with Kay Krafft and Tina Krebs, Chief Human Resources Officer of the Education Group, and Shobhna Mohn. “New study places have to be approved by the Brazilian Ministry of Education in a lengthy process, and the state applies strict quality standards to ensure uniform quality of education throughout the country,” Dalkmann added. Afya has consistently taken a “buy and build” approach to further growth and market consolidation in recent years – regularly acquiring mid-sized and established universities. Just since going public in 2019, Afya has acquired a total of 20 private universities in different states of Brazil. Most



Benedikt Dalkmann, CFO of the Bertelsmann Education Group

recently, Afya acquired two medical universities in northeastern Brazil in what was its largest acquisition to date, adding 340 medical school seats in one fell swoop. “The goal is to have our own campuses and faculties in all states of Brazil,” says Virgilio Gibbons.

It is precisely this presence in many parts of the country that makes Afya unique in the Brazilian educational landscape and that gives the company great advantages in many respects. Of key importance is that the quality of studies at Afya be of a high standard everywhere, no matter at which location one studies. This quality promise makes Afya popular with students on the one hand, and a valued partner of the Brazilian authorities on the other. Among other things, the latter would like to further improve medical care in the country with various scholarship programs, and also provides incentives for this, e.g., through tax breaks. Scholarship programs such as “Mais Médicos,” which means “More Doctors,” are aimed primarily at promoting care in remote regions. Afya is one of the few providers that does exactly that.



Creating digital course content in Afya’s professionally equipped production studios

The company's large service center in Belo Horizonte, in southeastern Brazil, is crucial to ensuring the consistent and comparable quality of Afya's degree programs throughout the country. Here, in Brazil's sixth-largest city, hundreds of employees provide centralized services for all Afya locations and their students. "By pooling its support functions, Afya has managed to achieve significant economies of scale across all locations," says Benedikt Dalkmann. "Through Afya's visible success, we have recently seen other providers attempting to grow their university networks. At the same time, this is also an incentive for the Afya team to keep improving its own offering for students."

## Enormous need for doctors

But what is it that makes a private medical school so attractive to first-year students that there are on average five applicants for every available study place every semester? "The medical profession is considered crisis-proof, and unemployment is virtually unknown among doctors," explains Kay Krafft. The need for doctors is still enormous, especially in rural areas away from the major cities. While the OECD average is 3.5 doctors for every 1,000 inhabitants, the figure in Brazil, with its 215 million inhabitants, is around 2.5 – and in rural regions it is even significantly lower. Given such promising career prospects, students are willing to complete their training at a campus in one of the more remote parts of the country. And thanks to its good reputation and marketing reach, Afya is increasingly able to fill almost all of its available seats throughout the country, whereas single local universities, left to their own devices, often failed to do so before Afya took over. "By integrating them into the Afya Group, the new locations can be better utilized and also managed much more efficiently," says Dalkmann.

One line of business where Afya expects to see a lot of future growth is digital health. Some 260,000 physicians in Brazil already use Afya's digital services, e.g., for practice management, diagnosis, and telemedicine, and for issuing digital prescriptions. For example, Afya offers a tool for



Patients seeking free medical consultation being admitted at the reception desk

diabetes patients to monitor their condition without the need for repeated visits to the doctor. And Afya's digital services bring yet another benefit. "Especially in Brazil's underserved regions, our digital services give doctors more time to treat patients," says Afya CEO Virgilio Gibbon. "This is another way in which we contribute to providing medical care to as many people as possible." In addition to medical professionals, customers of the Digital Health business now include healthcare companies such as health insurers and pharmaceutical companies, which are particularly interested in the data generated, as well as in increasing efficiency and ensuring a consistent standard of care. To date, Afya has concluded 90 B2B contracts with more than 40 corporate customers.

Nor is Afya's contribution to society limited to the training of medical professionals. At university sites such as IPEDMED's in São Paulo, nearly 500,000 free medical consultations were held last year. In total, the company says, more than 350,000 people benefited from activities under Afya's various corporate responsibility programs. These included, for example, the distribution of several tons of food. And environmental protection is also important to Afya. In 2022, Afya generated a total of more than 17,000 megawatt hours of electricity through its own photovoltaic systems.

“Bertelsmann Education Group aims to further increase its stake in Afya in the medium term,” announces Kay Krafft. Beyond capital, the Education Group is also making its know-how and experience available for the further expansion of Afya. This applies, for example, to the further development of the business with corporate customers, the expansion of digital products, and even support for further mergers & acquisitions. “Our focus is clearly on growth. Together, we want to achieve revenues of more than 1.3 billion euros with the Education Group within the next five years, and an EBITDA margin of over 30 percent,” is Krafft’s expectation.



[www.afya.com.br](http://www.afya.com.br)





Applike Group

# Apps for the World

Hamburg-based Applike Group is one of the world's ten largest app platforms. Its business of marketing apps, building reach, mobile games development, and automation is to be strongly expanded with extensive Boost investments.



Jonas Thiemann (l.) and Carlo Szelinsky, Founders and Co-CEOs of Applike Group

■ The figures are impressive: experts put the revenues generated annually worldwide by apps for mobile devices at around 100 billion euros. Advertising revenues from global branding reach a volume of around 800 billion euros a year, money that could potentially flow into the app market. Experts agree that the app business will continue to grow, and it's not just app developers, operators and marketers in the United States and Asia who are getting in on this growth market: the Hamburg-based Applike Group, too, is among the ten largest app platforms in the world. It was founded in 2015 by Jonas Thiemann and Carlo Szelinsky with Gruner + Jahr as majority shareholder; today the stake is held by Bertelsmann Investments and assigned to its new Bertelsmann Next division. Bertelsmann Next opens up promising future lines of business for Bertelsmann. This is an ideal environment for the Applike Group with its current portfolio of four companies: Adjoe, Justdice, Sunday and Justtrack. A fifth company in the field of branded games is in the process of being founded. These companies cover the business fields of app marketing, reach building, mobile games development and automation. As part of Bertelsmann's Boost strategy, Bertelsmann Investments and the Applike Group had announced in April 2022 that they were investing 100 million euros in the global expansion of the app platform. In an interview, Applike Group's co-founders and CEOs talk about what has happened since then, their plans for the future and the challenges they face.



The company headquarters in Hamburg

Applike Group is now active in practically every country in the world with its software solutions. Most of the revenues are generated in the United States: calculated across all businesses, the United States accounts for about 30 percent of total revenues, while Germany, the company's home country, generates about half of that. The United Kingdom and France together account for around 10 percent, and the growth markets of India, Brazil and Indonesia together account for another 10 percent. While Applike is in the process of setting up sales offices for business customers abroad for the first time in Boston in the United States, its most important market, and in Istanbul in Turkey – India is also being considered – Hamburg is and will remain its headquarters. There, in an attractively located office building on the Outer Alster Lake, the Applike Group has now rented four floors with around 4,000 square meters, which currently accommodate 220 employees whenever they are not working from home. At the beginning of 2022, there were just 130. And they all have their work cut out for them, because if there's one thing Jonas Thiemann is sure of, it's that business is booming for the Applike Group. "Admittedly, the app market shrank slightly in 2022 for the first time in a decade after two coronavirus-induced record years, similar to the post COVID-induced stagnation in the e-commerce sector. But at Applike we still managed to keep growing, and our growth potential is great," he says happily, pointing to the company's double-digit returns on sales. Even before Bertelsmann's big capital injection, Applike Group had been working consistently and successfully to develop its existing businesses using its own resources. And, he says, this process is now being significantly intensified. "For us, Boost means growing organically, i.e., developing software solutions ourselves, investing in the development of new businesses, technologies and platforms – and, at least for the time being, not acquiring other companies," says Thiemann, describing the plan for how the available money will be used. A substantial portion of it will go into building up a fifth company, the final name of which has not yet been decided. Co-CEO Thiemann says its working title is "Brand Games." "It should launch before the year is out and will complement our existing lines of business," he adds.



Because while Applike itself may not be a household name for smartphone users, many of them come into contact with the apps developed in Hamburg

practically every day. One example is Justdice ([www.justdice.io](http://www.justdice.io)), an application originally developed by Carlo Szelinsky himself and sold to game developers by Jonas Thiemann. It represents Applike's original business idea "Game Recommendations," before further apps were later added and the Applike Group was founded in 2020 as a holding company with various business units. "The apps offered by Justdice today analyze the usage behavior of Android users and, based on this, recommend new apps published by Justdice customers," says Thiemann, explaining the company's first business model. "For their loyal use of these apps, users are rewarded with vouchers or virtual currency that they can redeem for various coupons and rewards." Justdice-powered apps, such as Coinpop, Appstation and Cash'em All, have been downloaded more than 250 million times in the Google Play Store to date. "This is the company we now plan to grow into a game publisher. In other words, Justdice won't just operate recommendation apps that suggest games, but will also develop



its own 'play-to-earn' games," says Thiemann, describing the investment project that should ensure the aforementioned organic growth of this particular Applike company. "Play-to-earn" (P2E) is the name given to a category of mobile games whose users can earn real rewards by being successful in the game.

## Core modules of the Boost strategy

"Next in Applike's history came adjoe," co-CEO Carlo Szelinsky continues. Adjoe ([www.adjoe.io](http://www.adjoe.io)) is a pure B2B business, specifically a marketer of in-app advertising space. "App publishers can use Adjoe to earn money with advertising addressed to their target groups and attract new users," explains Szelinsky. It also serves to market the reach of the company's own companies, Justdice and Sunday. For the two Applike founders, Adjoe is the core module of their Boost strategy. "Here, we plan to invest in a video advertising platform that will make it possible to market video advertising in apps," says Szelinsky, explaining the plan. "Think of it as a smart auction mechanism: for example, you might have an app with a certain volume for ads, which is then offered in a real-time auction to advertisers around the world to fetch the highest possible price." Jonas Thiemann adds that this platform is so important "because we can use it to potentially monetize not only a given number of apps, but basically every app worldwide." From gaming apps to news apps to dating apps, all of them could display video ads in this way and make money. "This would really take us to the mass market," Thiemann continues. With around 6 billion smartphone users and around 3.5 billion mobile games users worldwide, there are enormous scaling opportunities for Adjoe – the company has apparently already reached 500 million of these users. After a year of development, a beta version of "Adjoe Wave," the name of the expansion, is currently in testing; it is already being used to market Justdice and Sunday. Jonas Thiemann is optimistic: "We expect to have our first third-party customers by the end of the year."

Sunday ([www.sunday.gg](http://www.sunday.gg)) is the name of the third company that became part of the group. "It specializes in the development and marketing of mobile games, especially 'hyper-casual games,'" explains Carlo Szelinsky. "This refers to games for smartphones that can be played quickly 'on the fly.' These types of mobile games currently make up the largest media category in terms of usage time per day. The market for such games is very competitive and subject to rapid change," continues Szelinsky. Games are constantly



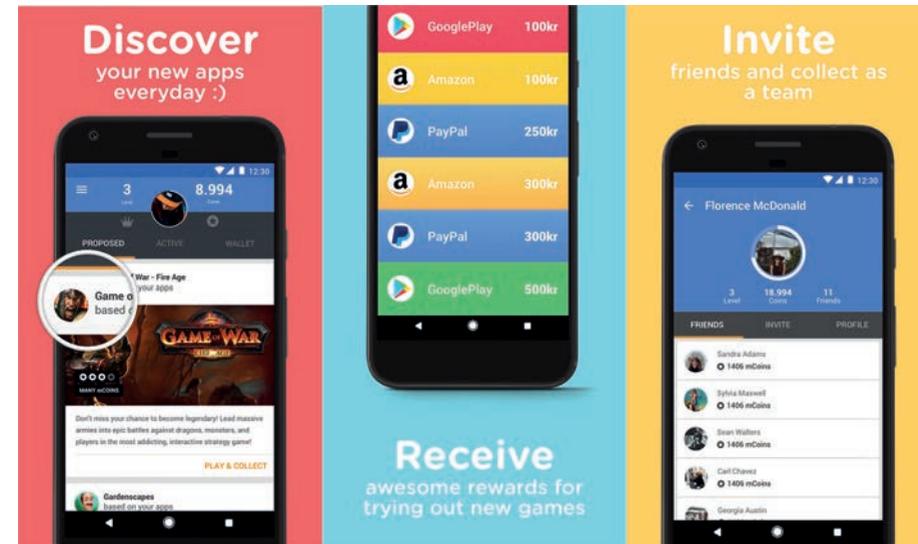
being developed and redeveloped, and new ways of making money from games and the advertising in them are constantly emerging. "At Sunday, the Boost investment is going into the expansion of the publishing division," Jonas Thiemann continues. Sunday is divided into two business units: one of them develops its own games, the other helps other companies do so. "The advantage of working with one of several thousand game studios is that we gain access to many more creative ideas and can test and 'make them big' quickly and automatically by offering them on our publishing platform and linking them to innovative advertising formats. In this way, we can profit from the most popular ideas," says Thiemann. Sunday also serves as a reach enhancer for the group itself: through Sunday, Adjoe advertisers can reach even more users.



## Automated reach-building

Jonas Thiemann tells us that Justtrack ([www.justtrack.io](http://www.justtrack.io)) was the Applike Group's first start-up after last year's Boost investment. "Justtrack is a software like a kind of dashboard on which the most important results from data analyses, for example on views, users, user retention, return on investment from advertising campaigns, and in-app behavior, are visualized in graphics as needed and at a glance," explains Carlo Szelinsky. "Smartphone apps can use this dashboard to increase their reach by driving automated marketing campaigns for themselves." Jonas Thiemann gives an example: "Let's say I want to attract new users for a game. To do that, I need to work with numerous partners - such as Google and Facebook, or even Adio. Justtrack makes it possible to do exactly that via a single dashboard, and it's automated, too." Justtrack is already being used in-house, says Thiemann, and has resulted in high efficiency gains for the company's own marketing teams. Three external customers are also testing the software in its preliminary beta version.

Company number five with the as-yet non-final name is, as mentioned, in the planning stage and is meant to connect users of mobile games with prominent brands from the end-customer business. "It's not that easy to draw users' attention to a brand on a smartphone with its limited-size display," says Thiemann, explaining the rationale behind "Brand Games." "That's why we want to develop brand-related games, such as a car racing game for a car manufacturer or a build-a-burger game for a fast-food chain, in which the brands are present but don't seem intrusive. And especially for large, globally active customers, we can develop such a game with our other companies and beta-test and evaluate it with a limited number of users - and we can probably do this better than anyone else. With our marketing power, we can also ensure a correspondingly large global reach, which would be in the millions of users," he estimates.



## Bertelsmann Investments' network is very helpful

"Because we are doing so well, we are always on the lookout for new specialists," says Carlo Szelinsky, citing a limiting factor for further growth. In part, this search has been successful, among other things due to the influx of Ukrainian and Russian IT experts who have come to Germany because of the war in Ukraine. "But we've been able to attract many new colleagues from other regions of the world as well," Szelinsky says happily. At this point, around 70 percent of Applike employees are not from Germany; they move to Hamburg from other countries specifically because of Applike. But even that only helps to a limited extent: "The shortage of skilled workers is and will probably remain the biggest challenge for the foreseeable future. Our target for the end of the year is to have 300 employees," says Szelinsky. And people are now working in the office again, so that they can meet spontaneously and develop ideas together as needed. At least three days a week in the office, but also three fully remote weeks at a stretch are common. Specialists with IT skills are needed above all, he says, but also professionals with



Carlo Szelinsky

skills in management, sales, and human resources. It may be possible to recruit the qualified workers who, as has been reported in recent weeks, are being let go by large tech companies, for Applike, but this remains to be seen. The two co-CEOs, who each own a stake of around 10 percent in Applike Group, are also giving priority to the expansion of the second management tier, for which suitable personnel are also being sought. “Our goal is for both of us to increasingly focus on the strategic development of the Applike Group as a whole and to place the management of our soon-to-be-five companies in the hands of the respective management teams,” says Jonas Thiemann.

“In sum, the extensive Boost investments will enable us to speed up the process of making our highly scalable businesses fit for the future and to grow significantly faster,” the co-CEO continues. “On top of this, we clearly benefit from Bertelsmann’s network in general and that of Bertelsmann Investments in particular. We are in exactly the right place there because we are dealing with businesses and business leaders who bring a similar mindset to similarly innovative environments. In this respect, we benefit enormously from the global exchange of knowledge with each other and, of course, from the extensive network that we can draw on. Last but not least, working with Carsten Coesfeld as CEO of Bertelsmann Investments is great fun. We’re often on the same wavelength, and end up just



Jonas Thiemann

bouncing ideas off each other.” In addition, Carlo Szelinsky continues, there is the trust of the Group’s management and the support provided by Bertelsmann’s corporate services. “We have the shared goal of building a really great company. That can also mean not selling the company at the first opportunity,” he affirms. Thiemann adds: “And when it comes to setting up a new business unit, for example, or to tax, legal, or accounting issues, we always quickly find the right people at Bertelsmann’s Corporate Center who understand our business processes and our concerns and can help us. So in many cases, therefore, we don’t have to deal with developing such competencies ourselves. This takes a lot of pressure off us when it comes to executing our growth strategy. After all, we want to move even further up the rankings of the world’s biggest app platforms. Our vision is to connect with every smartphone owner worldwide.”



[www.applike-group.com](http://www.applike-group.com)





BMG

# BMG in Investment Mode

Thanks to the Boost strategy, Bertelsmann's music subsidiary is investing more than ever in catalog acquisitions and artist signings. And in 2022, BMG experienced greater and faster growth than ever before.



BMG has represented the rights of Mick Jagger (l.) and Keith Richards for years.

■ Music is many things in one: a universal language that is understood all over the world, and a versatile art whose diversity can be electrifying, delightful, comforting and relaxing as desired. Beyond its high emotional value, music also has enormous economic value: artists who actively market the result of their creative power and want to place it in good hands can command sums in the millions for their music rights – depending on their fame. The catalogs of icons like Pink Floyd, Sting, Bob Dylan, Genesis and David Bowie can even have a market value of half a billion euros and more.

BMG is a key player in this highly competitive market and has earned an excellent reputation in the industry with its focus on fairness, transparency and service as core values. The many hundreds of millions of euros in additional investment funds provided under its parent company's Boost strategy empower BMG to be an especially fast and successful bidder. In the financial year 2022 alone, BMG completed 45 acquisitions, most of them "Boost deals." The company acquired the catalogs and music rights of famous artists and bands including Peter Frampton, Jean-Michel Jarre, Fools Garden, Harry Nilsson, Simple Minds, Primal Scream and Chris Rea. At the same time, it signed new recording contracts and contract extensions with such renowned performers as Rita Ora, Logic, Julian Lennon, Nickelback and Jason Aldean. In the past three years, BMG has invested a total of 1.2 billion euros in music rights and artist signings.

## Growth and competitive advantages thanks to Boost

BMG CEO Hartwig Masuch explains what the Boost funds do for BMG: "Investments at this level undoubtedly have an impact on our market position. As a broad-based global music company, we are by far the only serious alternative to the 'big three,' i.e., the traditional music companies." Thanks to its high level of investment, he says, BMG is growing more dynamically than ever before, and can now simply act faster than the competition. The BMG CEO also sees positive effects in anchoring the company in the industry: "The more acquisitions we make, the closer our



Founding CEO Hartwig Masuch (l.) has decided to hand over the reins of BMG to Thomas Coesfeld as early as July 1, 2023, and thus earlier than previously planned.

ties to the artist and songwriter community become, because ultimately, music is a people business,” says Masuch.

A good example is British rock legend Peter Frampton, whose musical legacy BMG recently acquired (as reported). The musician has previously worked with Harry Nilsson, whose music rights are also held by BMG, and with Ringo Starr, whose rights BMG represents on the publishing side, as well as with many other greats from the music world. Frampton also worked closely with David Bowie, who was most recently portrayed in the BMG film “Moonage Daydream” – a production that was named the world’s most successful documentary in 2022 (as reported). Cross-connections like this are invaluable, because in the music industry as elsewhere, a lot happens based on networking and personal recommendations.

## Music rights: an attractive form of investment

But how does the purchase of such a sensitive asset as music rights in fact happen? Thomas Coesfeld, CFO and CEO-designate of BMG, oversees the Boost-fueled investment strategy together with Hartwig Masuch. “For each acquisition, we conduct an extensive due diligence process,” Coesfeld says. In other words, the targeted music catalog is carefully reviewed from an economic, legal, tax and financial perspective. For this purpose, BMG has an international M&A team that also coordinates closely with other departments and independent consultants. “Music rights are increasingly becoming an investment asset, so we apply exactly



Peter Frampton

the same level of care that we would apply to any investment decision,” the top manager assures. For each music catalog, he says, there is a business plan with an associated valuation model.

Coesfeld has witnessed up close how music rights have attracted more and more interest from the investment world over the years. “Iconic music catalogs deliver stable and continuous income,” he says, explaining the trend. As a result he says, they are often untethered from movements



5SOS with Thomas Coesfeld (l.), Hartwig Masuch (center) and Thomas Scherer (3rd from r.)

in conventional capital markets. “Combine that with the positive effects of the streaming boom, and music catalogs are a very attractive form of investment - even for institutional investors at this point.” What makes BMG special, explains Coesfeld, is that the company is not a passive financial investor. “We are a music company that actively drives the growth of these music rights’ value, markets them systematically, and by doing so ultimately develops the artists’ cultural heritage long-term. We see ourselves as a partner and service provider.”

## Personal relationships and trust as a “crucial plus”

Hartwig Masuch agrees that the fact that BMG, unlike purely financial players, is an industry insider and is used to talking to artists, is often a decisive factor in negotiations. “Catalogs may be assets on the one hand, but they are also much more than that,” he explains. “No matter how much money is at stake, selling music rights is always a very personal matter for an artist.”

This was, for example, the case with the “Queen of Rock ‘n’ Roll” Tina Turner, one of the greatest and most popular artists in pop music history, who passed away in May. She entrusted an extensive rights portfolio to BMG in 2021, along with a mandate to nurture and develop this musical life’s work and thus preserve her inspiring legacy. “Tina Turner made it clear that for her, her music was an expression of her personal life’s



Tina Turner, who died in May, had entrusted an extensive rights portfolio to BMG in 2021.

journey,” recalls Masuch. “It was also critical to her husband and manager that the final buyer be a company they could trust. That is something that goes far beyond any financial valuation.” In the end, he says, it was this trustworthiness that proved the crucial plus for BMG.

And as part of a global media group, BMG has another plus to offer, adds Thomas Coesfeld. The acquisition of rights is “often only the first building block for a long-term partnership.” During bidding processes, he says, it’s always a question of what prospects and perspectives can be offered. “As a global music company, we know how to develop catalogs successfully and sustainably, especially in the streaming environments of Apple, Spotify and YouTube. But we also know how we can create synergies through our global networks and resources to open up completely new opportunities for our artists.”

For example, BMG can connect them with fellow Bertelsmann subsidiary Penguin Random House when the idea of a biography is on the table, or to RTL Group when a documentary or television appearances are under discussion. And BMG brings together music greats for new creative ventures as well: e.g., country stars like Lainey Wilson, Jimmie Allen, and Elvie Shane for the album “Stoned Cold Country: A Rolling Stones Tribute.” The singers re-recorded the Rolling Stones’ best-known songs to mark the band’s 60th anniversary – and in doing so paid tribute to the lifetime achievements of Mick Jagger and Keith Richards, whose rights BMG has represented for years.

“Artists are in good hands with us. They trust us,” says Coesfeld, who will take over the management of BMG from Masuch later this year and will be responsible for shaping the company’s future growth course.

# BMG

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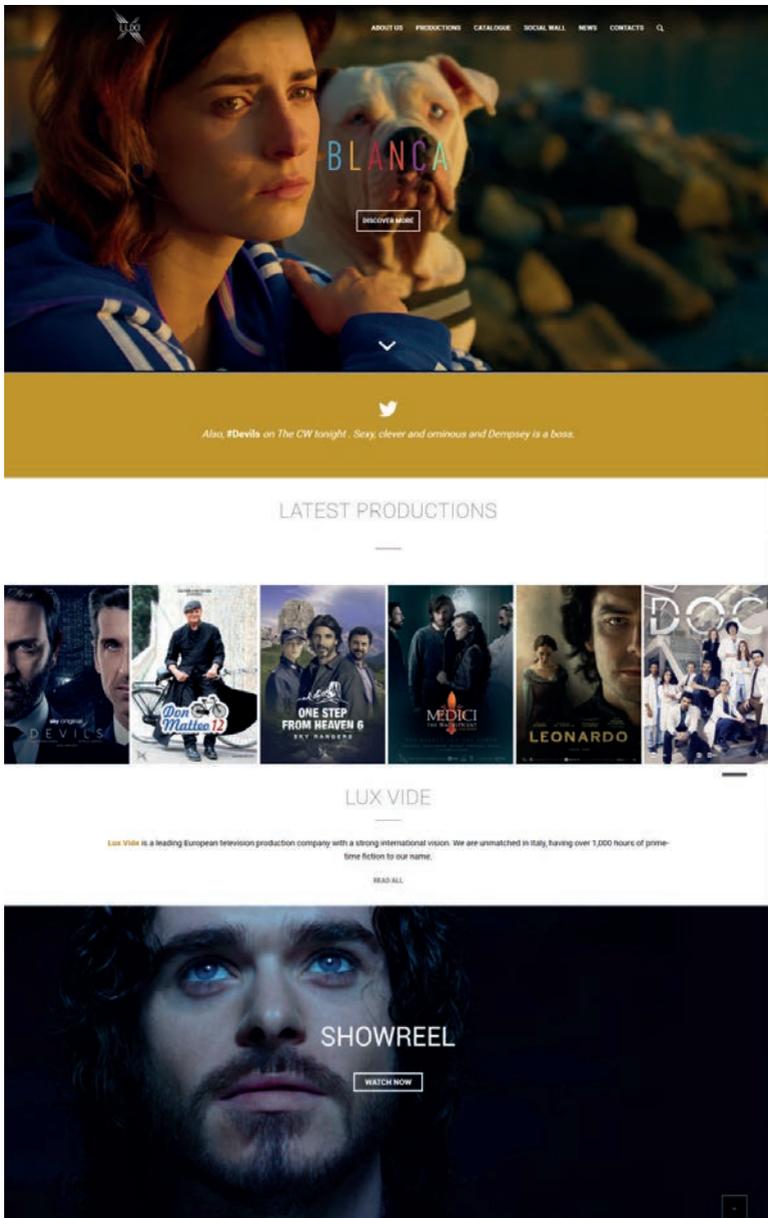




Fremantle

“Acquisitions Have  
Been Part of Our Story  
Since the Beginning”

Scott Henderson, Director of Mergers & Acquisitions at Fremantle, on the company's acquisition strategy and how the RTL Group subsidiary manages to expand its portfolio and achieve additional growth through targeted acquisitions.



Lux Vide productions

In the financial year 2022 alone, Fremantle acquired majority stakes in the production companies Lux Vide, Dancing Ledge Productions, Element Pictures, 72 Films, Wildstar Films and Silvio Productions. The group also increased its stake in Eureka and acquired a stake in Fabel Entertainment to expand its capacity in the drama and documentary sectors. Further expansion of Fremantle’s business is one of the declared focuses of Bertelsmann’s Boost strategy. Scott Henderson, Director of Mergers & Acquisitions at Fremantle, uses the example of Italian production company Lux Vide to talk about the company’s acquisition strategy and how the RTL Group subsidiary manages to expand its portfolio and achieve additional growth through targeted acquisitions.

**Mr. Henderson, Fremantle has acquired a number of production companies in recent years. What is the strategy behind this?**

The Fremantle group as we know it today was formed in the early 2000s during the merger of CLT-UFA and Pearson TV into RTL Group, so acquisitions have been part of our story since day one. Over the following 10 to 15 years, Fremantle invested in multiple companies to add further capabilities to the group such as genre diversification and geographical reach, and to grow our core entertainment business.

Beginning in 2013, we began our entry into high-end scripted programming with the acquisitions of Miso in the Nordics (Scandinavia) and Wildside in Italy. These acquisitions, alongside a few subsequent investments and organic efforts have helped us create a sizable scripted business at Fremantle.



Scott Henderson, Director of Mergers & Acquisitions at Fremantle

Over the past two years, we have continued to invest in scripted companies with both television and feature film capabilities across multiple territories, always looking to add the best creatives and talent to our existing scripted portfolio. At the end of 2022, we acquired our first high-end documentaries companies in the United Kingdom and Israel, with documentaries being a genre we are keen to expand further into. These acquisitions, alongside our organic growth, are fully in line with RTL Group's stated goal of increasing Fremantle's revenues to 3 billion euros by 2025, with half of this target to be achieved through organic growth and half through acquisitions.

### What criteria make a production company interesting for Fremantle?

When we look at companies for potential investment, the main criteria is that the company has a mix of incredible creativity, a strong track record, an entrepreneurial mindset and great relationships with customers and talent. Given the close relationship with Fremantle going forward, the founders having a collaborative approach and values that fit with Fremantle's are also really important qualities.

As you might be able to imagine, we are approached with a large number of investment opportunities each year, with the majority not being the correct fit. We are not in the business of acquiring companies for production volume or revenues. From our previous investments, we also have a good idea of what has and hasn't worked with different companies.



### And how do you even find out that a production company is for sale?

We find our opportunities through several different sources. Some are through external advisors working on behalf of the sellers, such as boutique investment bankers or legal advisors. Others are through Fremantle approaching companies directly, but most are through existing relationships that our local managers have with producers and talent. Fremantle's local managers have an incredible market knowledge and often approach our management team to suggest opportunities.

### In the specific case of Lux Vide, can you please describe the process from initial discussions to closing?

Lux Vide was a competitive process run through an external investment banker. The company was founded by, and is still managed by, the Bernabei family. So finding the right partner was fundamental to them. We had several rounds of non-binding offers where we were competing against other parties, some with offers higher than ours. Ultimately, the founders respected and connected with our management team and felt that the fit with Fremantle was the best for the company. We then came to an agreement on a deal structure. Fremantle was granted a period of exclusivity and the teams within Fremantle, alongside our external advisors, began work on due diligence. Our standard due diligence

focuses on finance, tax, legal, HR, IT and commercial. On this particular acquisition the company owned and operated production studios, and were mid-way through building new studios at the time of acquisition. So we had some property advisors diligence the studios as well. Given that the company is nearly 30 years old and owned significant studio space, this was a big task. In parallel to the due diligence, we negotiated long-form legal documents, submitted anti-trust filings for the transaction, and went through the approval process at Fremantle, RTL and Bertelsmann.



Lux Vide productions

### What made Lux Vide in particular interesting to Fremantle?

Lux Vide is a well-established company with great catalog of shows and a different editorial tone than our existing companies, with a lot of shows created and produced for the commercial broadcasters in Italy and internationally. They are a brilliant team, with some long-running franchises – “Don Matteo,” for example, is currently shooting season 14 – and some excellent new shows in development. On top of that, they own their own studios in the Rome area, which allows the company to control the entire value-chain in-house, from creation through to delivery. In addition, we felt that that the deal we negotiated was great value for both Fremantle and the founders, and there were synergies with the wider Fremantle group.

### What changes for a previously independent production company like Lux Vide when it becomes part of Fremantle? What are the advantages for them?

One of the key things we are not looking to do is change the creativity or culture of the company, as this is one of the main reasons for our investment. When we acquire a new company, there are usually certain changes around financial reporting and compliance to bring the company in line with the wider group standards. But generally, changes are limited. The advantages to joining Fremantle are that the companies have regular communications with our creative and distribution and format teams, who can help with the international appeal and funding of projects at an early stage, have access to a range of support services including research, digital, legal, finance, tax and IT, and are able to generally connect regularly and collaborate with Fremantle companies throughout the group.

## Do Lux Vide employees feel that they are now part of a larger corporate family?

# WILDSIDE

A Fremantle Company

The management of Lux Vide are enjoying the support and backing of Fremantle, with our international capabilities and strategic support really adding value to the relationship, whilst allowing the company the space to be creatively autonomous. Their interactions with the

Fremantle team feel collaborative, and there is a mutual ambition from both Lux Vide and Fremantle to grow the company.

## How intensive is Lux Vide's collaboration with Fremantle's other Italian companies, Wildside and The Apartment?

Fremantle encourages collaboration between all of its companies, and aims to create efficiencies and value for Fremantle as a whole. However, we respect the culture and independence of each of the companies and labels we invest in. Part of the process of integrating companies is everyone finding and maintaining this balance.

The  
Apartment  
PICTURES

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Arvato

## Strong Growth Worldwide

Clothing, electronics, cosmetics, medicines and much more: people who order online have their purchases delivered via Arvato distribution centers in numerous countries. This is a business in which Bertelsmann has invested a lot of money – and will continue to do so.



■ The “shuttle” is one of the technical highlights at Arvato’s modern logistics center in Hamm, Germany. “Controlled by computers, the automated shuttles fetch boxes containing various products from our business partner Douglas from the warehouse,” explains site manager Christian Schmidt. “The boxes then travel via an intelligently controlled conveyor system to the employees who pick and pack the orders received online.” A good 220 employees work in two shifts to handle the many different work processes in Hamm. By the end of the year, Arvato plans to have 300 employees. At the moment, as many as 100,000 items can be shipped to customers here per day. The near-flawless operation in the approx. 38,000 square meters of warehousing space immediately adjacent to the A2 highway – the facility, launched in September 2022, is nowhere near at its planned maximum capacity – is the result of extensive investments that Arvato has made in various countries around the world under Bertelsmann’s Boost strategy. The high pace of logistics capacity expansion is to be maintained, confirms Arvato CEO Frank Schirrmeister in an interview.



Frank Schirrmeister, CEO of Arvato

“Our total revenue has increased by 15 percent in each of the past two years alone,” he says, making clear the dimension of Arvato’s growth. “And this has been mostly organic growth, i.e., the expansion of our own businesses without acquiring other companies,” he emphasizes. “We have expanded distribution centers at existing locations, but we have also established new hubs in various countries,” adds Schirrmeister. The list of countries in which Arvato now operates is accordingly getting longer and longer: there are now 97 locations in 17 countries worldwide, with some 17,500 employees, including the United States as a fast-growing market. Arvato offers its more than 500 customers logistics services such as warehousing, order picking and transport management on total warehousing area of more than 2.5 million square meters (27 million sq. ft.).



Christian Schmidt, Site Manager at Arvato in Hamm

Arvato also develops and operates supply chain, e-commerce and omnichannel solutions that are as complex as they are global, as well as digital distribution models using the latest IT solutions and technologies. The advantage for its business partners is that all services are modular, so they can be combined as desired. And the industries Arvato's customers hail from are just as varied: from Consumer Products and Healthcare to High Tech, Automotive and Publishing.



Arvato in Hamm

## Omnichannel distribution as end-to-end solution

“Our core competence lies in doing business in end-customer-oriented sectors, i.e., with companies that sell their goods and services to consumers,” explains Frank Schirrmeister. “Depending on the location and the customer, we supply our partners’ stores or deliver orders received via an online store or online marketplace to their customers’ homes on their behalf. We call this end-to-end solution omnichannel distribution.” The



Shuttle system at Arvato

B2B business, such as logistics within a company or between customer sites, is not part of the portfolio, nor are services for the food, chemical, or oil industries, for example, “because none of this would be worthwhile for us due to the lower value-add,” explains the Arvato CEO.

In the past few years, Arvato has seen significant growth, especially in the Consumer Products segment, with services for renowned brands from the fashion, beauty, sports, and lifestyle sectors; in the Technology segment, where it provides services to the high-tech and consumer electronics industry; and in the Healthcare segment, with solutions that integrate all players in healthcare – from pharmaceutical manufacturers to laboratories



Arvato expanded its capacities in Düren in 2022 (f. l.): Jacques Pellissier (Sephora), Julia Börs (Arvato), Björn Überschär (Sephora) and Sebastian Altrogge (Arvato)

and suppliers, to patients. “We have significantly increased our capacity here in the past two years. On the one hand, because our existing customers have tendered for new and in some cases larger orders, which we were able to secure. And on the other hand, because we were able to acquire completely new customers in these market sectors,” says Schirrmeister. This created a need to expand existing sites and set up new ones. Arvato’s customers include such well-known companies as Rituals, Douglas, Esprit, Zalando and Sephora in the consumer products sector; Microsoft, Apple, Sennheiser and Harman in the tech sector; and Otsuka and Olympus in the healthcare sector.

## A new logistics hub for Meta

In the past year alone, Arvato has grown at various locations around the globe. “In Las Vegas, for example, we opened a completely new logistics center to better supply our major partner Meta with electronic components for the server parks in its data centers on the US West Coast,” says Schirrmeister, and goes on to present a long list. The company’s fifth US distribution hub is being built in Louisville, Kentucky, which will deliver tech products to end

customers. “Last year, we also ventured into the healthcare market in the United States,” Schirrmeister continues. “After winning Smith & Nephew, one of the world’s largest orthopedic manufacturers, as a customer in Europe three years ago, we took over a Smith & Nephew warehouse in Memphis, Tennessee, at the beginning of this year and invested heavily in it, including in its automation.” The huge logistics complex in Gennep, the Netherlands, has also been expanded again, he said, to continue growing with customers such as the audio technology company Harman. With around 230,000 square meters (2.5 million sq. ft.) of warehouse space, Gennep is now one of the largest distribution centers in Europe, says Schirrmeister. “In France, we have expanded our logistics center in Chanteloup-en-Brie near Paris to be able to offer the Roche pharmaceutical group, among others, even more services within Europe,” says the CEO, continuing his list. In Italy, he says, Arvato made an acquisition, taking over the logistics service provider Quickly together with its 14,000 square meter site (approx. 150,000 sq. ft.) site in Anagni near Rome in October 2022 – a rare exception to the strategic principle of organic growth, as Arvato has several of the Quickly group’s key customers integrated in its own portfolio.

And that is by no means all: at its headquarters in Gütersloh, the company erected a new warehouse with 30,000 pallet spaces in 2022 – right next to its existing 70-meter-high high-bay warehouse, which is currently being



Arvato in Turkey

modernized. After more than 40 years of continuous operation and a total of around 50 million trips, all 14 stacker cranes in the high-bay warehouse will be replaced at a cost of several million euros. “In the United Kingdom, we responded to multiple requests from our customers in the tech and

healthcare industries who want to avoid Brexit-related customs issues, and have built a new logistics center in the East Midlands with 20,000 square meters (215,000 sq. ft.) of warehouse space,” continues Frank Schirrmeister.

Arvato is also growing steadily in Turkey with strong global brands including Ikea and H&M, as well as with domestic companies; its seventh distribution center opened near Istanbul in 2022. And in Australia, Schirrmeyer adds, the company has set up a plant before any contracts were finalized, in anticipation that clients such as Microsoft, Apple and Meta would soon be interested in Arvato services “made in Australia,” which were previously handled by Arvato from Singapore. “As we predicted, this did not take long,” reports the CEO with satisfaction.

## Considerable revenue growth in the United States

The internationalization of the business is progressing rapidly, as can be seen from this long and far from comprehensive list of investments: while Germany alone accounted for three quarters of Arvato’s revenues less than five years ago, this share has now fallen to around 50 percent. Arvato already generates a good 15 percent of its revenues in the United States, where it

currently employs around 1,200 people – and the trend is clearly upward. The Netherlands and Poland each account for 10 percent, France for 6 percent, and Asia, i.e., China and Singapore, for 3 percent. The remaining shares are accounted for by subsidiaries in Turkey as well as the United Kingdom, Spain, Italy, Austria, France, Ireland, Brazil and Australia.

Arvato has particularly high hopes for the United States. “The United States is strategically important to us in several respects,” says Mitat Aydindag, Arvato’s President North America since 2018. “The country is in itself a very large market with many large and accordingly attractive customers, and on top of that, it is one of the key markets for new

technologies and the healthcare sector. In 2016, for example, we were able to win Microsoft as a major new business partner in the United States. Right from the start, our colleagues in Louisville, Kentucky, and Ontario, a city in California, were responsible for the account,” says Aydindag lists. “Besides, in the United States – as in the case of Microsoft – we often do business with globally active companies for which an international presence is important and with whom we can later conclude contracts for services in other regions or even worldwide. This is exactly what we succeeded in doing with our initially US customer Microsoft, for whom we quickly established services in Gennep, the Netherlands, for Europe, and later in Hong Kong for Asia in 2017. In doing so, we benefited from the expertise we had gained with Microsoft in the United States.” So the United States served as a growth driver, so to speak, for business in other countries, says Aydindag. As in many other locations, however, it is a great challenge to find qualified specialists so as to maintain the growth rate. Of course, he said, there was support from Germany and Europe. In 2022, Arvato launched “Apollo,” a mobility program to attract experts from across Europe to fill vacancies in the United States, including in key account management, IT or customs management. However, in view of a depleted labor market, recruiting employees for the warehouses is also proving to be a recurring problem, reports Aydindag.



Mitat Aydindag, President North America of Arvato



Arvato in Memphis, United States

## Uniform branding and integrated operations

“The logistics market is extremely fragmented. And we are neither one of the small nor one of the very large logistics service providers, but certainly one of the most attractive for the customers we serve,” says CEO Frank Schirrmeister, elaborating on Arvato’s strong international presence. “One of our greatest strengths is that we don’t merely have a uniform branding, but are operationally integrated and work in global teams,” he explains. “To achieve this, we pushed ahead with the relevant strategic projects even during the COVID-19 crisis, and now have a globally uniform IT infrastructure accessible via the cloud, through which central applications such as reporting tools, as well as other IT applications, can be used.

# arvato

This enables each business unit to exchange relevant data and knowledge, to form working groups with colleagues from other units, to communicate with each other systematically and, based on these competencies, to serve our

customers in all countries and markets with the same quality – including the data,” Schirrmeister points out. He adds that a central key account management team is available to customers as the main contact for all inquiries, which are then forwarded to the respective experts at Arvato. “This is particularly interesting for many customers when they are looking to expand internationally. They know that they will get the same service with the same quality from us, regardless of which important market they are aiming for,” says Frank Schirrmeister. “And we don’t have to start all the processes from scratch; we do it through our central platforms. In this respect, we are significantly ahead of most of our competitors.”

The same is true for the automation of logistics processes in the distribution centers, which Arvato has been pushing for years. Whereas just a few years ago it was the respective site managers who decided locally which investments, for example in an IT solution or even a new conveyor system, were worthwhile and which were not, Arvato now uses its central expertise

for this purpose. “We have gained a lot of experience over the past few years on how and for which processes such elaborate conveyor systems should be operated,” explains the CEO. “Dimensioning them and installing them is a major challenge. And it’s not the right way forward for every distribution center and for every customer. But if it is, and if it’s worth the effort in a reasonable amount of time, our experts know exactly how best to go about it. They are then deployed on site as consultants.”

## Highly automated process

In Hamm, this effort has paid off – according to Schirrmeister, the construction of the state-of-the-art distribution hub for more than 70 million euros was the largest investment in Arvato’s history to date. Site manager Christian Schmidt, who has been with Bertelsmann since 1988 and worked for Arvato for 18 years in successive management roles in several countries, is duly pleased as he tours the halls. “This technology lets us process significantly more orders per day than would be possible manually,” he emphasizes. This is because the shuttles mentioned at the beginning of this article are supplemented in Hamm by an equally intelligent conveyor system with a total length of around seven kilometers (4.34 miles). In a highly automated process, it first selects empty cartons in the right size for the order, folds them to save as much space as possible and provides them with a computer-readable label – and then sends them on their journey through the halls. Via roller conveyors



Shuttle system at Arvato

and multiple levels, the cartons – together with the dark gray plastic crates full of Douglas articles provided by the robotic systems from the warehouse – reach their respective destinations: a workstation where an employee stands at a picking table and repacks cosmetics from a compartment of the gray crate into the waiting carton, for example. During the visit, we noticed that a screen at eye-level shows a picture of which compartment of the crate the employee has to reach into and how many items they have to remove from it – “pick by light” is the name of this process. “The aim is to use the conveyor system to bring the goods to the employees, minimizing the distance to the merchandise,” explains Schmidt. The employee packs the removed items into the carton in front of them as indicated, confirms the completed order by pressing a button, and places the carton back on a roller conveyor, on which it continues its journey through the hall toward the outgoing goods area. About 200 fully loaded trucks leave the warehouse every day – and considerably more during peak seasons. Meanwhile, other roller conveyors transport the gray crate back to the warehouse, where the shuttle system sorts it back into a free rack space. “The system remembers which items are still in the crate, so that it can retrieve them for a new order at the next opportunity,” explains site manager Schmidt.



Photovoltaic plant in Gennep, The Netherlands

Hamm is just one of many locations where Arvato is driving automation forward. In Memphis and Louisville in the United States, in Gennep in the Netherlands and in Hanover in Germany, among other places, more and more work steps are now being automated. “The advantages are obvious,” explains Frank Schirrmeister: “More throughput with fewer employees – who are often hard to come by these days anyway – increases efficiency and thus revenues and the profitability of the entire operation. However, the



Site in Louisville, United States

high investments also need to be amortized, which means we need planning security for the next few years, ideally until we have finished depreciating the costs. So we need planning security, and that in turn means we will invest in such equipment if we know we will keep a customer for a long time and will be processing large order volumes for them.” Moreover, automated conveyor systems are not possible for every type of product: smaller items or “hanging garments” in the case of fashion items, for example, are difficult to sort by machine, says the CEO.

## Millions of euros for eco-friendly energy production

Frank Schirrmeister also places a priority on the climate-compatibility of Arvato's business. It is no coincidence that many millions of euros have been invested in energy-saving and eco-friendly energy generation measures in recent years. For example, the company has begun a global switch to green power and, as recently as mid-March, announced the conversion of the energy supply of five more distribution centers in the United States to green power sourced from wind and solar energy. Following the warehouse in Pleasant Prairie, Wisconsin, four distribution centers in Louisville and one in Valencia, California have since also started sourcing electricity from renewable sources. This helps reduce annual greenhouse gas emissions by an average of about 3,100 metric tons of CO<sub>2</sub>. "This was another step in our sustainability strategy to be climate-neutral together with Bertelsmann by 2030," says Frank Schirrmeister, and stresses that customers from the tech industry in particular value such a strategy, even making it a prerequisite for doing business. In order to achieve the self-imposed target, all of Arvato's sites worldwide are to be converted to green power over the next few years, the CEO assures us. While the company in Louisville is working with the two local power suppliers LG&E and Eastern Kentucky Power Cooperative to purchase "green" energy to offset the electricity consumed locally, the Valencia site is relying on the Clean Power Alliance. These are local nonprofit electric utilities serving 30 cities in Los Angeles County and Ventura County, as well as other areas in both counties. In 2020, 70 percent of the electricity provided came from solar power, and 30 percent from wind power. So in both cases, Arvato is making a contribution to the energy transition in the United States, where the issue has not yet played a particularly important role in rural areas and alternative energies are not being promoted by the government.

The situation is different in Germany, where in Gütersloh, for example, Arvato installed photovoltaic modules on a total of 46,000 square meters (roughly half a million square feet) of roof space at its warehouses in 2022. The system, which cost 3 million euros, generates around 3.5 million kilowatt hours of electricity per year, 100 percent of which is consumed on

site. This is equivalent to the annual consumption of approx. 1,000 three-person households. In Hamm, as at other sites, the company operates its own combined heat and power (CHP) plant and also has a photovoltaic system installed on the roof; here, it covers 31,000 square meters (333,000 sq. ft.). "The conditions for eco-friendly energy generation are different in every country," sums up Frank Schirrmeister, explaining the economic impact of high energy prices. "In general, last year we spent almost 20 million euros more on supplying our operations with energy in Germany alone, so we are countering this with many measures such as thermal insulation, less lighting and the aforementioned expansion of solar power."



Photovoltaic system in Gütersloh (f. l.); Stephan Schierke (Managing Director VVA/Arvato), Nico Nötzel (Project Manager at Arvato), Miriam Bartsch (Corporate Responsibility Coordinator at Arvato) and Andreas Barth (President Tech and Group Head of Corporate Responsibility & Sustainability at Arvato)

## "Boost is expediting our plans"

The fact that Arvato is able to invest in new technologies at so many sites and expand distribution centers or open them in new locations is clearly thanks in part to Bertelsmann's Boost strategy. "Of course, we have always invested and driven a lot of things forward," says Frank Schirrmeister. "But Boost is expediting our plans and empowers us to make significantly bigger investments. Supporting Arvato's growth in this way really is a huge vote of

confidence from Bertelsmann.” According to Schirrmeister, the company continues to aim for primarily organic growth. “Many competitors are conglomerates that mainly want to strengthen their own distribution position with acquisitions in the logistics sector. But we define ourselves as a service provider for companies in promising industries that prefers to grow with its orders.” And in Schirrmeister’s view, this is going well: “We have excellent, financially robust customers whom we are able to sign as business partners in more countries or whose contracts we can expand. At the moment, we are still benefiting from strong momentum, though it looks like business could cloud over a bit for some customers soon – in the fashion sector, for example. Overall, however, we are very diversely positioned, so we will continue to feel a tailwind from our customers, receive exciting new orders, and open and expand further sites,” he says confidently, announcing further major investments for large customers this year. The powerful growth of the past two years will probably not be matched by Arvato this year and next, “but we will definitely continue to be very satisfied with our business performance,” says the CEO. “If this continues, we could achieve record revenues by no later than 2026.”

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RTL Nederland

“We Are Always  
Exploring New Genres  
And Formats”

In an interview, Ellen van den Berghe, Chief Marketing Officer of RTL Nederland, discusses the development and market environment of the group's successful streaming platform Videoland as well as future projects.

# videoland.

BY RTL

■ Ellen van den Berghe has been serving as Chief Marketing Officer (CMO) of RTL Nederland and sat on the company's Executive Board since February 2023, and thus oversees the marketing and direct to consumer activities. However, she has known the company for much longer: she joined RTL Nederland as a trainee back in 2011 and has since held successive roles in content and video-on-demand. She was also involved in the development of Videoland, RTL Nederland's successful streaming platform, from the beginning. In 2017, she was appointed Head of Content at Videoland, where her remit included content strategy. Videoland was originally founded as a video rental chain in 1984. In 2013, RTL Nederland took over Videoland's digital arm and expanded its video-on-demand offering with movies, series and documentaries from RTL Nederland channels, supplemented with original programming produced in-house. Since the beginning of 2014, formats from RTL 4, RTL 5, RTL 7 and RTL 8 have been available to watch via Videoland even before they are broadcast on TV; later, the option to watch the programs live on Videoland was added. In 2013, Videoland launched its subscription video-on-demand (SVoD) service, and since then has continued to showcase exciting new formats that thrill and engage viewers in the Netherlands as well as internationally. These include formats such as the first Videoland Original "Zwarte Tulp," ("Black Tulip") a drama series, the crime series "Mocro Maffia" about the gang wars in Amsterdam, the reality adventure "Special Forces VIPs," the new true-crime series "Bureau Dupin," about the Dutch citizens' initiative to solve unsolved murders, "Prins Bernhard" – the first TV documentary about the controversial Dutch prince – and a series about Queen Máxima of the Netherlands, which will be broadcast next year. The number of paying Videoland subscribers rose from 1.136 million at the end of March 2022 to 1.243 million at the end of March 2023 – and the trend continues upward. This puts the streaming service at number two in



Ellen van den Berghe, Chief Marketing Officer of RTL Nederland

the Dutch market. Videoland offers three different pricing models: As of June 20, 2023, the Premium package with four simultaneous users will be available for 11.99 euros/month; the Plus package for two simultaneous users at 9.99 euros/month – both packages are free of advertising – and the Basic package at 4.99 euros/month for one user. The latter includes advertising, and doesn't have the "download-to-go" option. In an interview, Ellen van den Berghe talks about the development and market environment of the streaming platform, and about future projects.

**Ms. van den Berghe, the subscriber numbers at Videoland have been developing very positively in recent months. What makes you optimistic that this trend will continue?**

We are optimistic because we have an appealing content slate for the coming months. This involves optimizing our schedule as well as clear choices on which content we will promote, which channels we use to promote our content, and which target audiences we focus on in order to continue this positive development. At the same moment, we managed to improve our churn rate – the number of customers who cancel their subscription – year on year, and we expect this positive trend to continue.

**Do you plan to poach customers from other streaming services, or do you think the market will continue to grow in general?**

The SVOD market in the Netherlands is still growing. The number of SVOD subscriptions grew by 50 percent in 2022. More than 60 percent of Dutch households have at least one SVOD subscription; this reflects a 10 percent increase in a single year. At the same time, competition is sharpening with the introduction of three new streaming services in 2022 – Viaplay, SkyShowtime and HBOMax. Now, more than 17 percent of households have four or more SVOD subscriptions. Videoland offer three tiers of membership with different price levels, so we are relevant for both "heavy" and "light" users, and we also see increasing interest for Videoland among the older target audience. We are not focused on poaching consumers from other streaming services. We have a unique

proposition as the number-one streaming service for local content. Besides, we have included our linear channels and we have catch-up for all our content and exclusive previews of our linear content. Given our number two position in the market we are confident that we are on the right track.

**Why is Videoland so successful in the Netherlands and what distinguishes Videoland from other streaming platforms?**

First and foremost, our content. Our top priority is delivering exceptional



Videoland Original "Echte Meisjes in de Jungle" ("Reality Queens in the Jungle")

local Videoland originals that resonate with and captivate our audiences. Each year we produce more than 50 different Videoland Original titles. Local content is at the heart of our streaming business and this is what sets us apart from the competition. And we also have a lot of the most popular linear titles from RTL's content as previews and of course catch-up. Last year, we started showing live content like kickboxing and music concerts. Both show very promising results, but we are still exploring what works best here. We also work closely with Dutch talent - in front of and behind the scenes - and we are prepared to give them a lot of creative freedom. If we really want something, we can arrange it in a day without having to discuss it with a supervisor on the other side of the Atlantic. And last not but least, we also have strong marketing and communications departments that know how to bring the content to the market and the target groups.

### Is there a specific target group that Videoland is particularly focused on?

We are very strong among 18- to 35-year-old female audiences, and are particularly popular with Excitement Seekers and Family Viewers: two target groups that have a strong affinity for SVOD, while also matching our DNA and heritage as a commercial TV group. Our growth target audiences are in the 35 to 55 age group, and we have acquired more male-skewed content like "Special Forces VIPs," "Glory Kickboxing" matches, and "Bellator," one of the biggest Mixed Martial Arts (MMA) leagues. Dutch athletes are strongly represented in both leagues; that's important for us. For 35- to 55-year-old target audiences, we release more documentaries, such as "Prins Bernhard" or "Kees Vliegt Uit," a film that follows a man with autism in his 50s through his detachment process from his ageing parents.



"Kees Vliegt Uit" ("Kees Flies Out"), a documentary about a man with autism in his process of detachment from his parents

### Which genres have been particularly popular in the recent past?

The most popular genres are Dutch drama and reality, but also true crime, documentary, and kickboxing. The big hits of the past couple of months at Videoland were "Echte Meisjes in de Jungle" ("Reality Queens in the Jungle"), "Kees Vliegt Uit" as I just mentioned, and the Moco Maffia movie "Tatta."

### What is special about these popular formats?

All the stories we bring have local angles. High-profile Dutch stories that people love to talk about, which they can relate to, and which refer to current events. And we have access to talent, resources and spokespersons that can lift our content to another level. For example, John van den Heuvel, one of the top Dutch crime journalists.



Crime series "Mocro Maffia" about the gang wars in Amsterdam

### What is so special about the Dutch TV market?

The Dutch market is traditionally strong in releasing and testing new formats. This is also what RTL is known for. Big hits like "The Voice," "Big Brother" and more recently the hit show "The Traitors" all started at RTL in the Netherlands. Videoland is also a unique story within the streaming market. A number two position for a domestic streaming platform is rare in other countries.

### How does the cooperation with RTL Nederland's linear TV channels work?

We see linear and our SVOD business as an ideal combination, as they complement each other in terms of audience and viewing behavior. Formats like "B&B Full of Love" do very well on linear TV, while also generating new subscribers and high usage for Videoland. At the same time we are seeing a growth in the percentage of time-shifted viewing in the Netherlands, to more than 50 percent for some primetime formats. We want these audiences to catch up with their favorite shows on an RTL-owned platform, Videoland is ideal for this.

### What are the key factors that influence a show's popularity and performance?

There are several key factors that influence performance. First and foremost, the content itself: the local angle, talent or participants – does it appeal to a specific target audience, does it have some urgency and are people going to talk about the story?

**Are there plans for Videoland to enter completely new territory in the future – in terms of genre or format?**

We are always exploring new genres and formats. But our main focus is on four pillars. We want to be the home of Dutch drama, Dutch reality, Dutch true crime and Dutch fighting.

**Are there already exciting projects planned for the future that you can reveal?**

We are currently developing a free tier for Videoland which will replace the 7-day catch-up platform RTL XL. This will bring a lot of new customers into our service and will serve as an opportunity to grow their interest in a paid offer. And as stated before, we are expanding our live offer to our base. Last year we already brought live events like “Glory Kickboxing,” concerts like “Guus Meeuwis: Groots met een Zachte G,” “Vrienden van Amstel Live” and “Holland zingt Hazes.” We will be offering most of these concerts again this year. And we also have new deals like the live “Bellator MMA” sport events and the “Concert at Sea” music event. And there is more to come!



[www.videoland.nl](http://www.videoland.nl)



# Bertelsmann and Its Divisions



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[www.bertelsmann-investments.com](http://www.bertelsmann-investments.com)

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In the “What’s Your Story?” book series, Bertelsmann presents interesting people, businesses and projects from the Group through detailed stories on strategic Group issues.

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