

Bertelsmann Annual Results 2016

Investor Conference Call
March 28, 2017

Bernd Hirsch
Member of the Executive Board and CFO of Bertelsmann

Summary and highlights – Financial year 2016

Strong operating performance in 2016

- ✓ **Revenues** of €17.0 billion, organically up by 0.9 percent
- ✓ **Operating EBITDA** up by 3.3 percent to €2,568 million, **group profit** up to €1,137 million
- ✓ Revenue share of **growth businesses** increased to **30 percent**, share of declining businesses down to 4 percent
- ✓ **Successful start into 2017**, macroeconomic tailwind despite increasing political uncertainty

Significant progress in strategy implementation

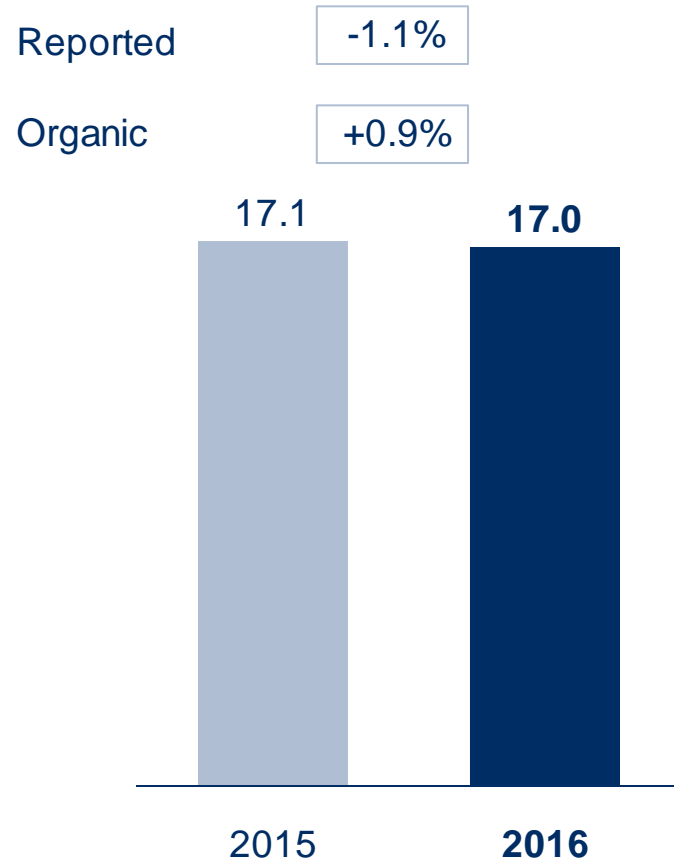
- ✓ **Strengthening the core**
Strong market positions, profit improvement program ongoing
- ✓ **Digital transformation**
Expansion of non-linear TV/Online video, e-books, services for digital businesses and customers
- ✓ **Growth platforms**
Significant growth opportunities for online video, video production, music, e-commerce and financial services, education
- ✓ **Growth regions**
Exposure in Brazil, India and China increased further

Solid financial position

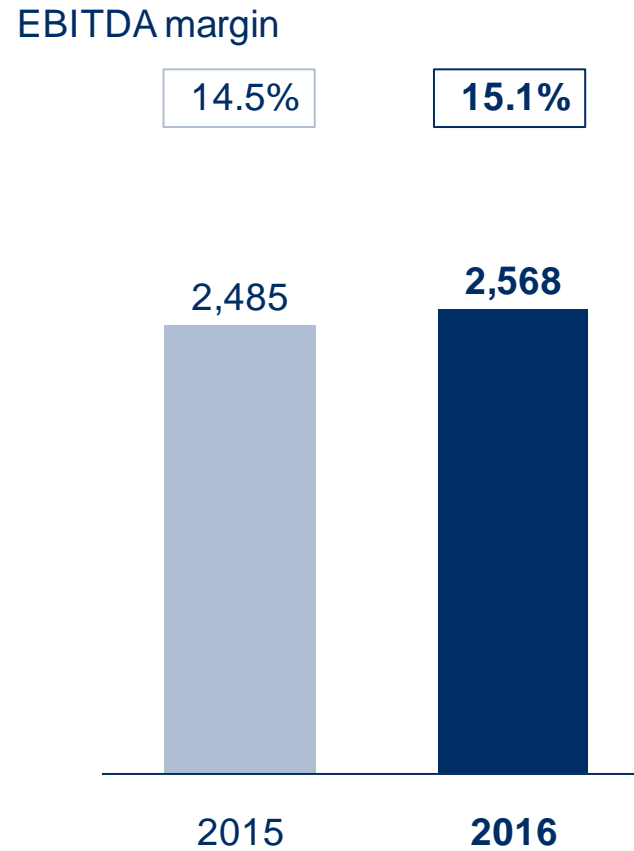
- ✓ Total equity close to **€10 billion**, equity ratio above 40 percent
- ✓ **High cash conversion rate**, significantly improved vs. previous year despite high investments
- ✓ **Leverage factor** in line with target, despite higher pensions and operating leases
- ✓ **Commitment** to prudent financial policies, solid liquidity, extension of debt maturities in 2016

Group key figures – Revenues organically above prior year, further increase in operating EBITDA and group profit

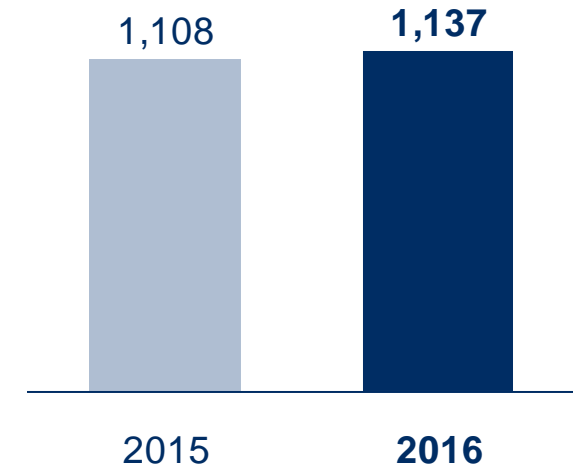
Revenues, in € bn



Operating EBITDA, in € millions



Group profit, in € millions



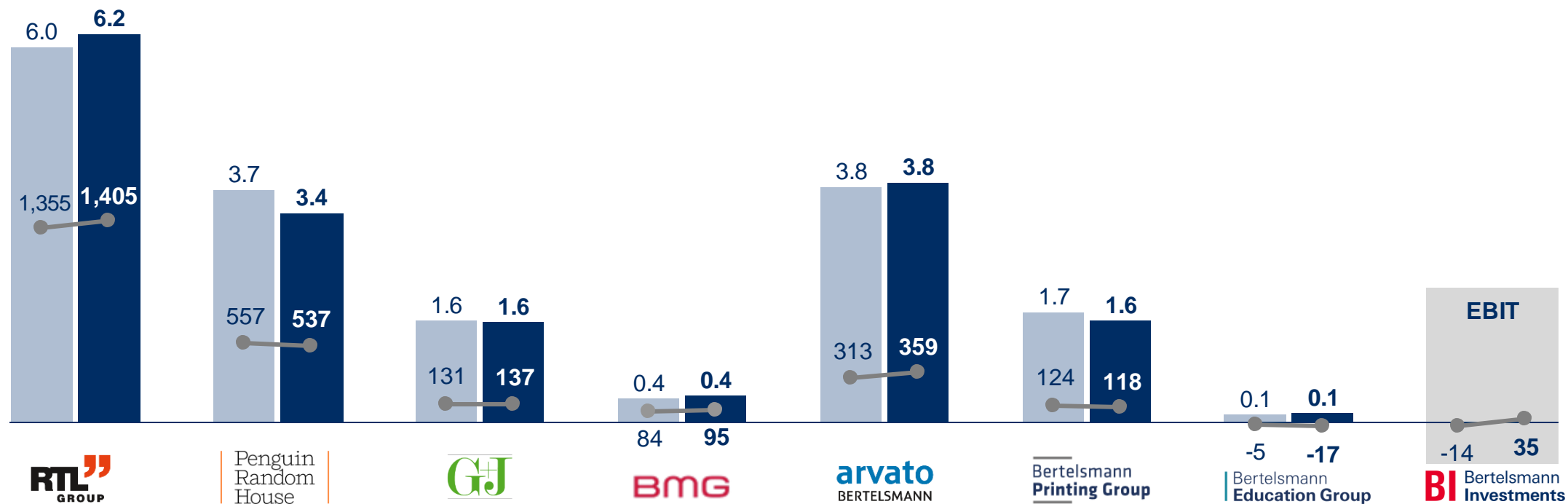
Divisions 2016 – Operating EBITDA increase at RTL Group, G+J, BMG and Arvato; PRH and BPG impacted by adverse market conditions

Continuing operations

■ 2015 ■ 2016

Revenues
(in € bn)

Operating
EBITDA
(in € millions)

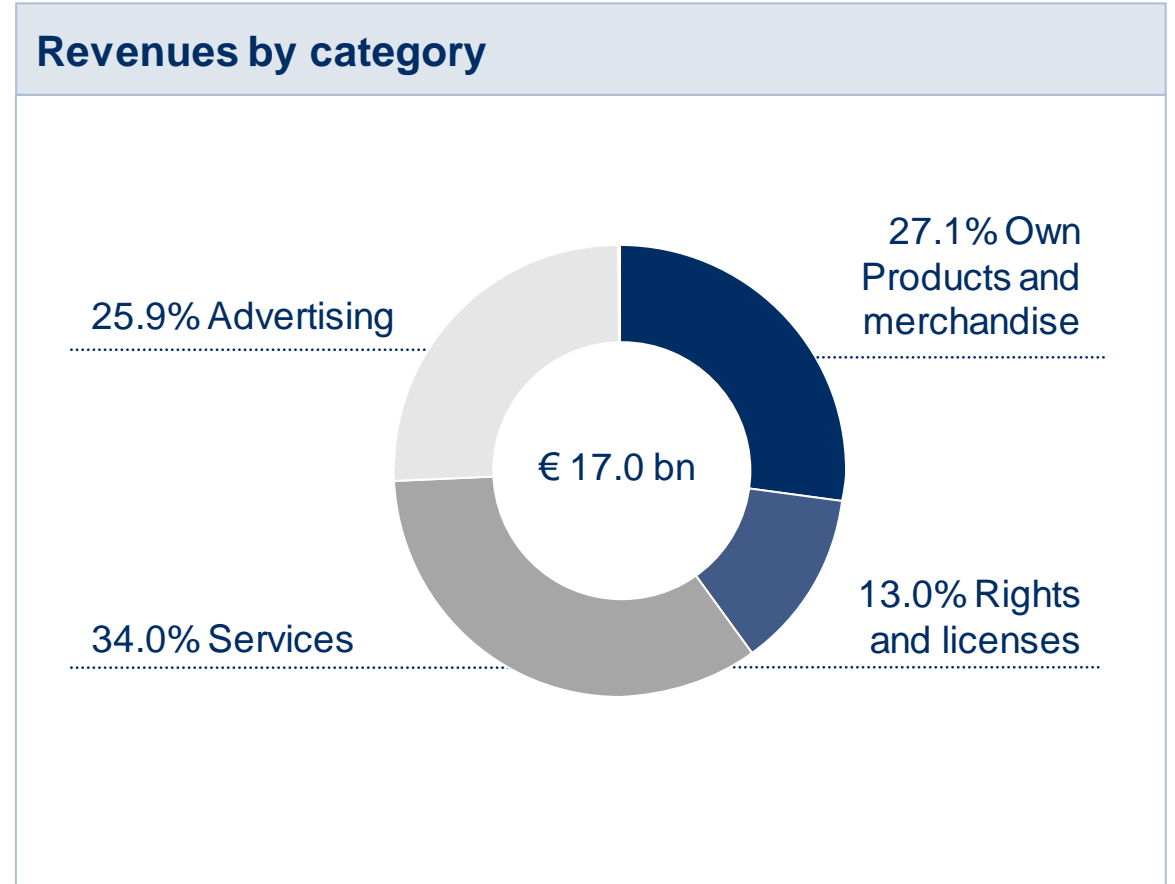
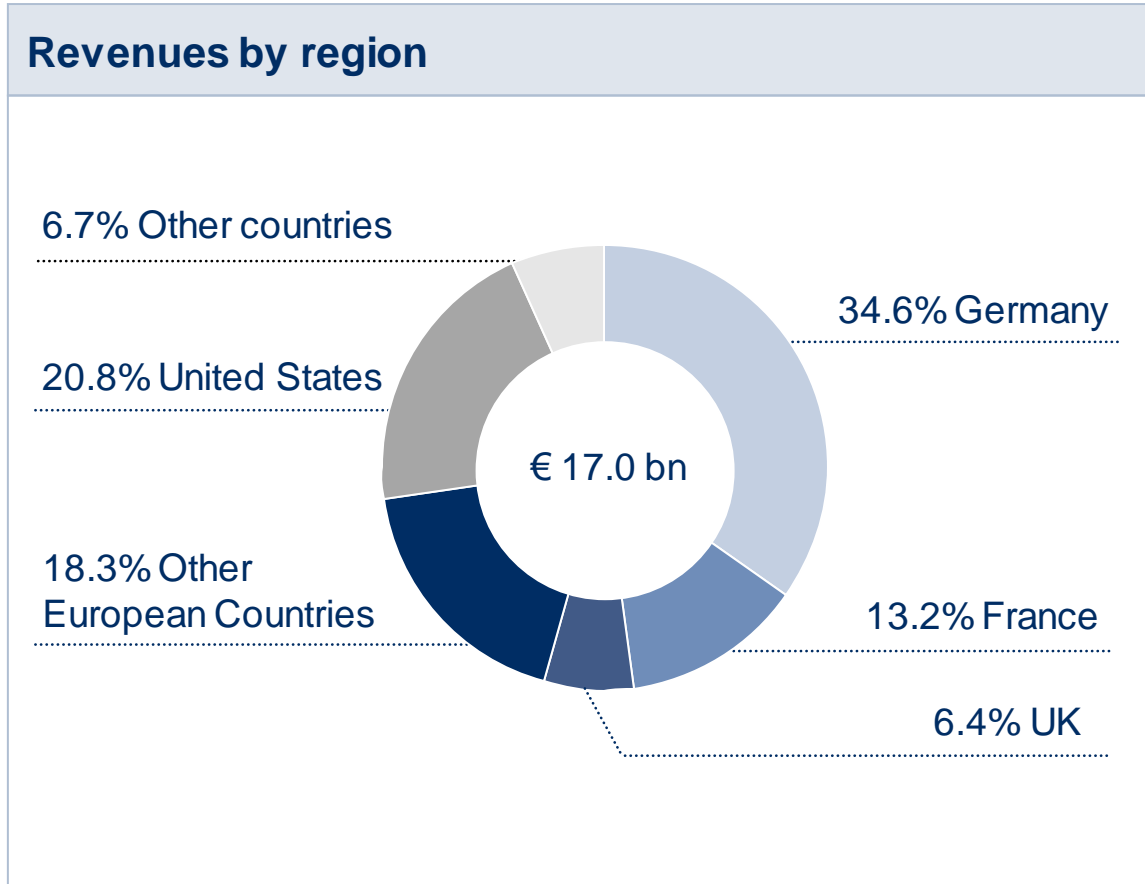


EBITDA
margin



Note: 2015 restated

Group key figures – Diverse revenue base across regions and categories



Revenue share FY2016, continuing operations

Group profit – High quality of earnings, lower special items; increased group profit despite higher taxes

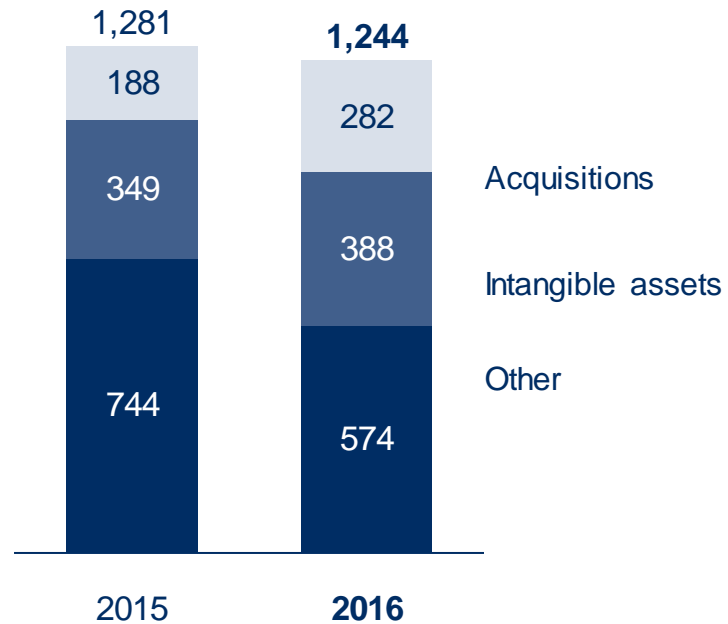
in € millions

	2015	2016	Change	Commentary
Operating EBITDA	2,485	2,568	+83	Profitable growth and earnings improvement program
Depreciation & Amortization	(613)	(630)	-17	
Special items	(191)	(139)	+52	Negative effects in 2015 from declining businesses, restructuring and integration costs
EBIT	1,681	1,799	+118	
Financial result	(230)	(244)	-14	
Income tax expense	(346)	(419)	-73	Normalized tax rate
Earnings after taxes from discontinued operations	3	1	-2	
Group profit	1,108	1,137	+29	

Investments and free cash flow 2016 – High investment level maintained, increased operating free cash flow

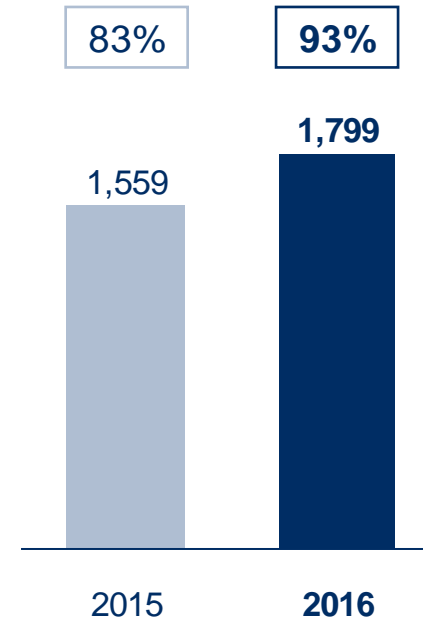
in € millions

Investments



Operating free cash flow

Cash Conversion Rate

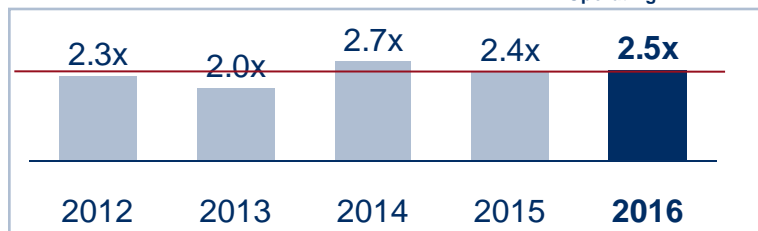


Note: 2015 restated

Financial status – Leverage factor in line with target despite higher pensions and operating leases

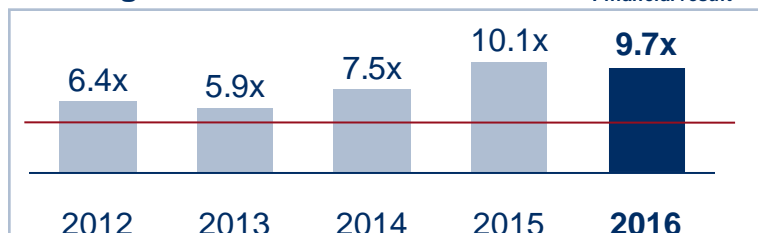
Leverage factor ≤ 2.5x

$\frac{\text{Economic debt}}{\text{Operating EBITDA}^{1)}$



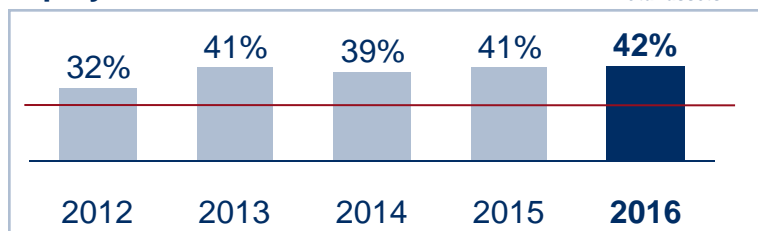
Coverage ratio > 4.0x

$\frac{\text{Operating EBITDA}}{\text{Financial result}^{1)}$

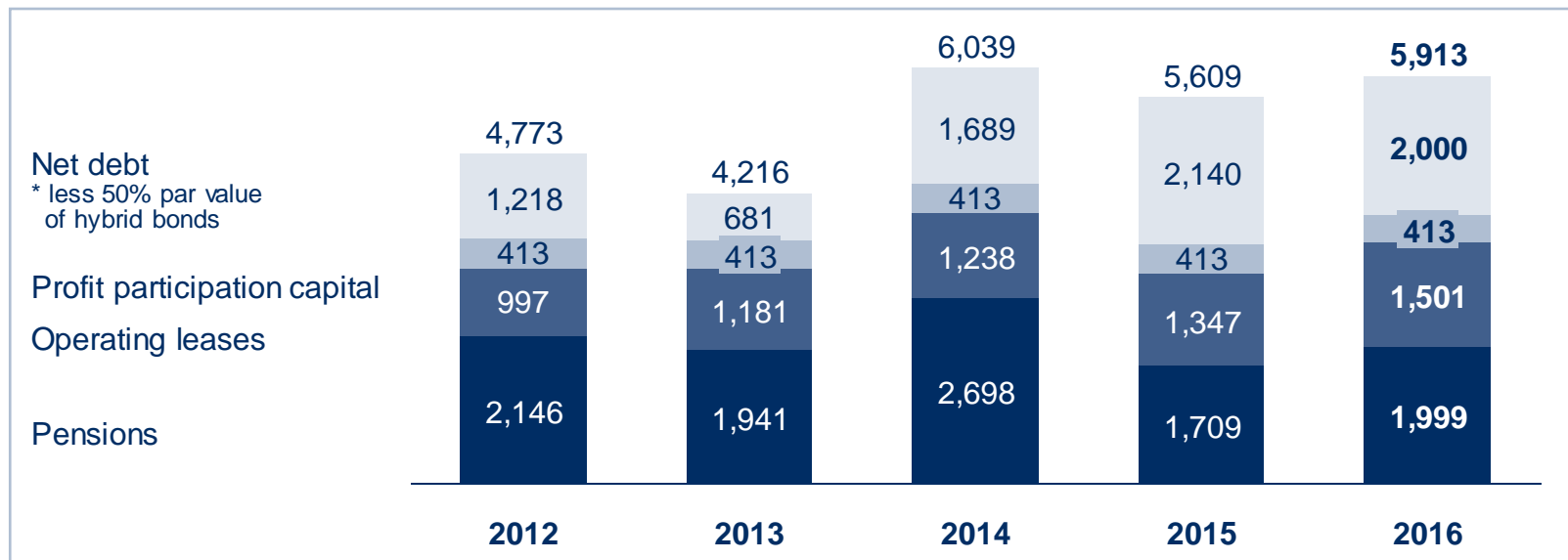


Equity ratio ≥ 25%

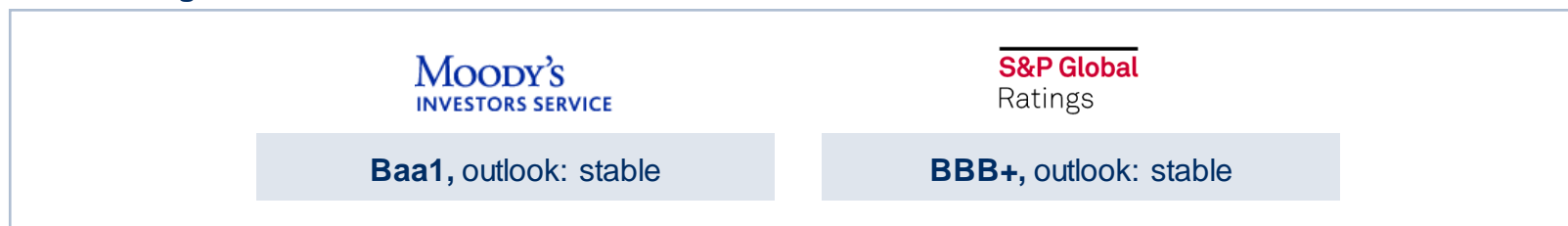
$\frac{\text{Equity}}{\text{Total assets}}$



Economic debt (in € millions)



Credit rating



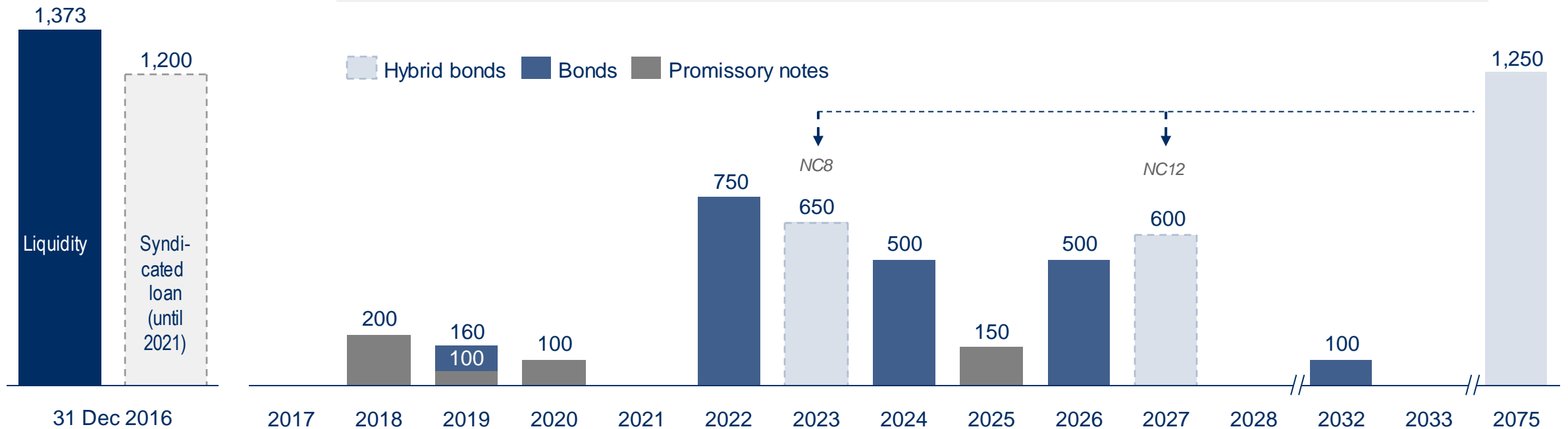
1) After modifications

Financial status – Maturity profile extended in 2016, next smaller amount not due until June 2018

in € millions

Financing activities in FY 2016

- Placement of €500m bond, term 10 years, coupon 1.125% in April
- Placement of €200m promissory note, term 2 years, coupon 0.09% in June
- Extension of €1.2bn syndicated loan with 17 banks to 2021
- Repayment of €786m bond in September (originally €1bn)



*For illustrative purposes only.

Group strategy – Strategic framework since 2011

Megatrends



Digitization



Two-speed economy



Education



Business process
transformation



Healthcare



Demographic change

Target portfolio

- Higher growth
- More digital
- More international
- More diversified

Strategic priorities

1

Strengthening the core

2

Digital transformation

3

Growth platforms

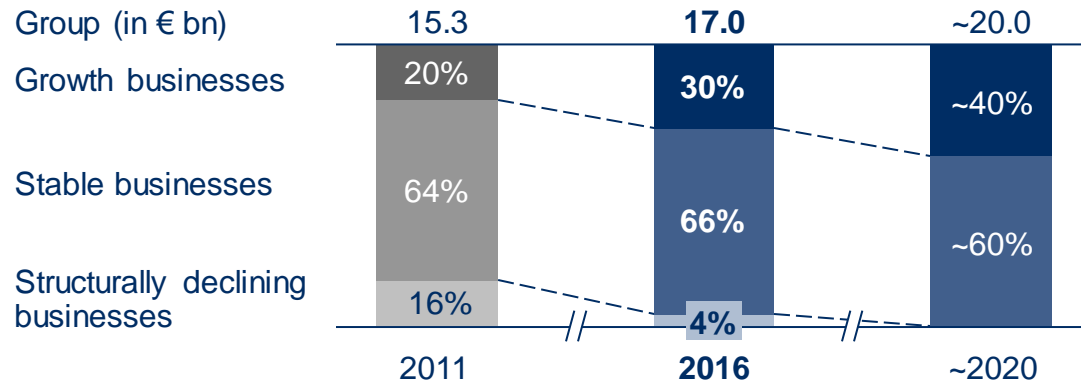
4

Growth regions

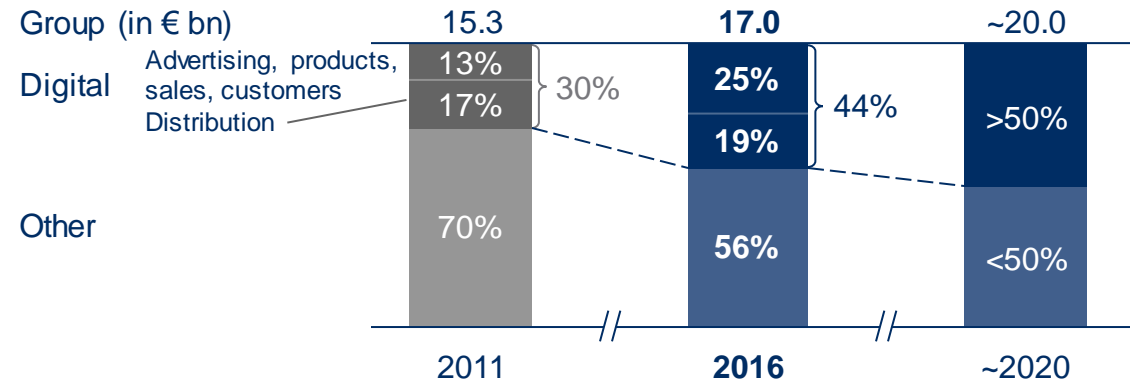
Group strategy – Achievements to a faster-growing, more digital, more international and more diversified group portfolio well on track

Share of Group revenues in %

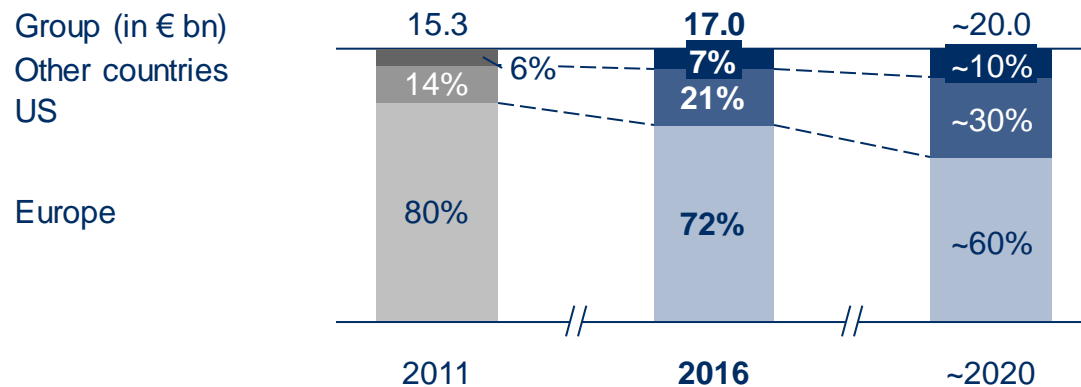
Higher growth



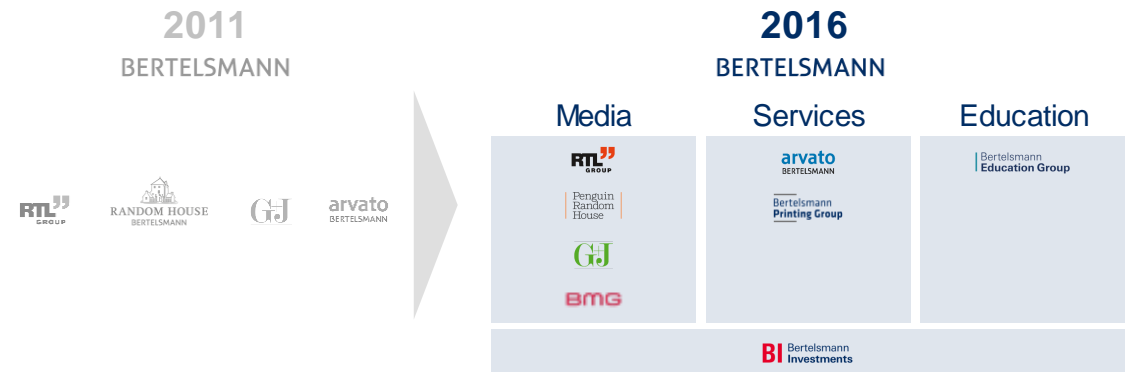
More digital



More international

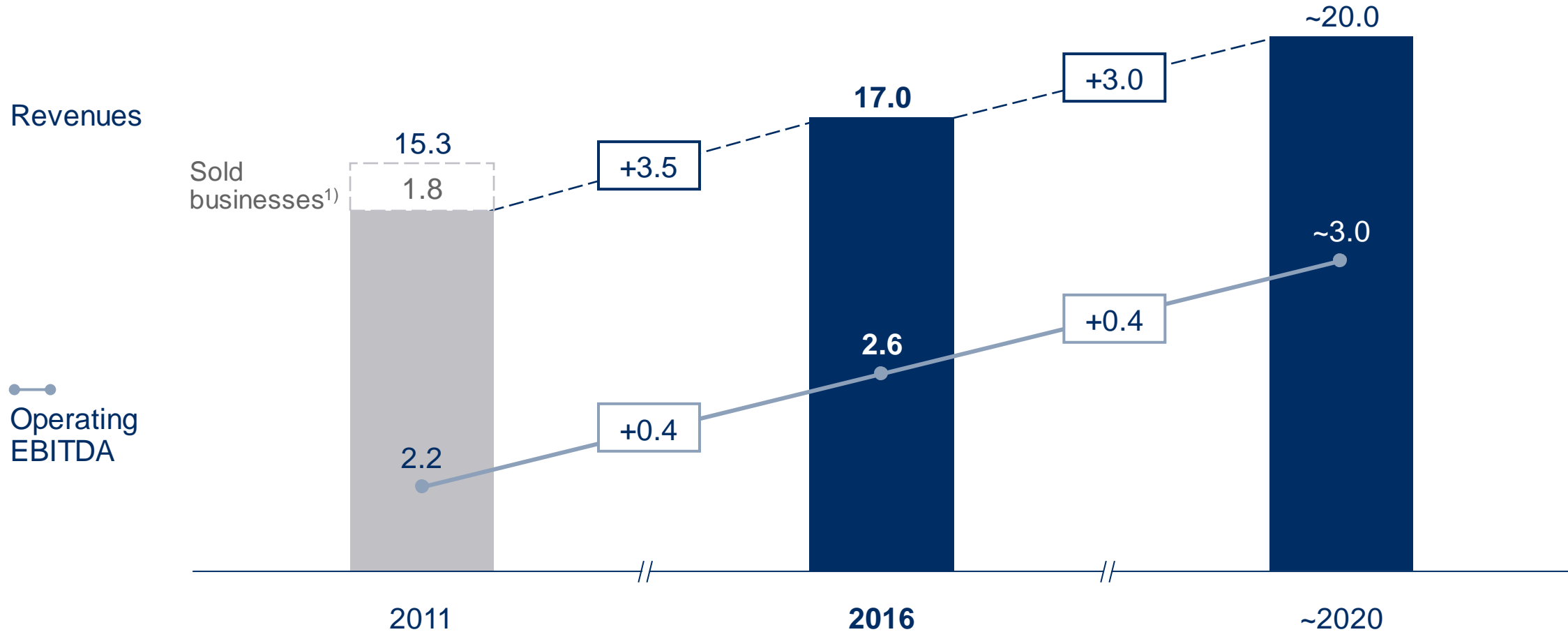


More diversified



Group strategy – Mid-term financial targets achievable; successful transformation will be continued

in € bn



1) Including effects from IFRS 11 changes

Outlook – Diversified group with three pillars, further increase in revenues and profit

Group structure



Outlook 2017

Market development

- Moderate economic growth; Mixed market conditions, political uncertainty

Group development

- Slight revenue growth
- Stable operating EBITDA, continued investments to implement target portfolio

Financial ambition level ~2020

Revenues < ~€20bn

EBITDA margin ~15%

Q&A-Session

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