

PRESS RELEASE

Bertelsmann Increases Group Profit by Over 30 Percent to €1.5 Billion in 2020

- Operating EBITDA over €3 billion for the first time
- Group profit above €1 billion for sixth consecutive year
- Revenues exceed €17 billion
- Net financial debt significantly reduced
- Significant progress in strategy implementation
- Investments expanded to around 260 digital and startup companies
- Thomas Rabe announces investment campaign

Gütersloh, March 30, 2021 – Despite the coronavirus pandemic, the financial year 2020 was a successful one for Bertelsmann. The international media, services, and education company benefited from the strong quality of its business portfolio and high proportion of digital business models. While the advertising-financed businesses and print businesses suffered corona-related losses, book publishing and services in particular grew significantly. Overall, Bertelsmann recorded a revenue decline in the low single-digit percentage range, record operating EBITDA of €3.1 billion, and Group profit of €1.5 billion, 34 percent above the previous year's figure. Strategic milestones during the financial year included the completion of the full acquisition of Penguin Random House in April and the announcement of the acquisition of the renowned U.S. publisher Simon & Schuster in November.

Thomas Rabe, Chairman and CEO of Bertelsmann, said: “2020 was an exceptional year, which we closed with strong results despite the corona pandemic. We recorded revenue declines primarily in the second quarter, but in the second half of the year nearly all businesses were seeing growth again. Bertelsmann achieved record EBITDA of €3.1 billion in 2020, the first time it exceeded the three-billion-euro mark. Alongside RTL Group, we have built up two other major earnings mainstays in recent years with Penguin Random House and Arvato. For the sixth consecutive year, Group profit exceeded the billion-euro threshold, this time significantly, reaching €1.5 billion.”

Thomas Rabe continued: “Bertelsmann reduced costs early on in the corona pandemic and secured the company’s liquidity. Priority was given at all times to protecting our employees, many of whom have been working from home since the beginning of the pandemic. Fortunately, there were very few infections in our workplace.”

Bertelsmann’s **Group revenues** declined moderately last year by 4.1 percent to €17.3 billion (previous year: €18.0 billion). The organic decline in revenues amounted to 1.7 percent. The advertising-financed businesses and print businesses in particular recorded corona-related revenue declines in the first half of the year. In the second half of the year, almost all divisions were back in the black, especially in the final quarter. The proportion of digital businesses was further expanded, and stood at 53 percent.

Operating EBITDA reached a new record level of €3.1 billion (previous year: €2.9 billion). Thanks to a strong operating performance, especially from the Penguin Random House publishing group and the services subsidiary Arvato, as well as capital gains from real estate sales, the operating result rose above the €3 billion mark for the first time.

Group profit increased by 34 percent to €1.5 billion (previous year: €1.1 billion) – its highest level since 2006, and above the billion-euro mark for the sixth consecutive year.

Thomas Rabe: “The fact that Bertelsmann is doing so well commercially today is the result of the execution of our corporate strategy in recent years. New challenges now require new answers, and so in the future Bertelsmann will focus on five strategic growth priorities: National Media Champions, Global Content, Global Services, Online Education, and the Investment Portfolio.”

National Media Champions

RTL Group expanded its streaming offerings and significantly increased the number of subscribers. **Mediengruppe RTL Deutschland** extended its partnership with Deutsche Telekom in the areas of technology, marketing and content. It also strengthened the emerging fields of advertising technology and addressable TV. RTL Group fully acquired RTL Belgium and sold its stake in Broadband TV. In 2021, RTL Group announced the sale of the ad tech subsidiary SpotX and the full acquisition of Super RTL. Since the beginning of this financial year, Mediengruppe RTL Deutschland and Gruner + Jahr have been looking into expanding their collaboration. In December, Gruner + Jahr announced the signing of a put option to sale its French subsidiary Prisma Media.

Global Content

After Bertelsmann had completed its full acquisition of **Penguin Random House** in April 2020, in November, the Group announced its acquisition of the **Simon & Schuster** publishing group. Bertelsmann is optimistic to receive all approvals required from the competition authorities later this year. Penguin Random House delivered a strong publishing and business performance, especially in connection with the great worldwide success of Barack Obama’s “A Promised Land,” another global bestseller, after Michelle Obama’s memoir “Becoming.” The international production company **Fremantle** continued the expansion of its scripted formats, in some cases, selling top series such as “La Jauría,” “We Are Who We Are,” and “Enslaved” to more than 130 countries in some cases. The music subsidiary **BMG** benefited from the continued boom in streaming and numerous releases in its Recorded and Publishing businesses. Highlights included the expansion of the cooperation with the Rolling Stones.

Global Services

The services division **Arvato** saw strong growth overall. **Arvato Supply Chain Solutions** (SCS) grew with its customers in the consumer products, healthcare, IT, and tech industries. Arvato SCS expanded several international logistics centers. In June 2020, the international information services provider Experian acquired a majority stake in the **Arvato Financial Solutions** (AFS) Risk Management division with a view to strengthening their joint market position. AFS’s Collection Germany division will operate under the Paigo brand from now on, with a consumer portal of the same name. The CRM company **Majorel** achieved double-digit growth in its second fiscal year, fueled by global customers. **Bertelsmann Printing Group** (BPG) acquired two sites in the U.S.

Online Education Businesses

Bertelsmann Education Group served the continued high demand for online education and training. **Relias** invested in new products and technologies. Together with Udacity, Bertelsmann continued its successful three-year #50000Chances campaign. Some 60,600 individuals from 188 countries applied for one of the 15,000 scholarships in the second round of the “Udacity Technology Scholarship Program,” 25 percent more than in 2019. In total, 50,000 scholarships are being given away over a three-year period.

Global Digital Investments

Bertelsmann continued to expand its global digital investments to around 260 holdings, including 15 “unicorns.”

Rolf Hellermann, Bertelsmann’s Chief Financial Officer, said: “We continue to see uncertainties for the financial year 2021 due to the global economic impact of the coronavirus pandemic. As in 2020, the broad positioning of our corporate portfolio will contribute to an overall stable business development. Against this backdrop, we expect high operating profitability and a Group profit of again more than one billion euros.”

Thomas Rabe added: “Bertelsmann is further expanding its investment activities in 2021. This year alone, we will profitably invest around €250 million in RTL Group’s streaming services and the expansion of our Group’s technology and data structure.”

Bertelsmann’s equity increased to €10.7 billion (previous year: €10.4 billion). This resulted in an equity ratio of 36.1 percent (previous year: 38.2 percent).

Net financial debt decreased significantly by around €1.3 billion to €2.1 billion (previous year: €3.4 billion), primarily due to a high release of funds from operations. Broader economic debt amounted to €5.2 billion as of December 31, 2020 (previous year: €6.5 billion). The adjusted operating free cash flow was €2.6 billion (previous year: €1.9 billion).

For the past 2020 financial year, Bertelsmann employees will receive profit-sharing and bonuses totaling €88 million (previous year: €96 million).

In accordance with the terms governing the Bertelsmann 2001 profit participation certificate (ISIN DE0005229942), 15 percent on the nominal value is scheduled to again be paid out on May 7, 2021. The payout for the 1992 profit participation certificate (ISIN DE0005229900) will be 8.65 percent (previous year: 7.36 percent).

Overview of key figures:

Special items

The special items in the financial year 2020 totaled €51 million (previous year: €-154 million).

Cash flow

Cash flow from operating activities of €3.0 billion was generated in the reporting period (previous year: €2.1 billion). The adjusted operating free cash flow was €2.6 billion (previous year: €1.9 billion), the adjusted cash conversion rate was 118 percent (previous year: 97 percent).

Total assets

Total assets increased to €29.7 billion as of December 31, 2020 (previous year: €27.3 billion). Cash and cash equivalents amounted to €4.6 billion (previous year: €1.6 billion). Equity increased to €10.7 billion (previous year: €10.4 billion). The equity ratio was 36.1 percent (previous year: 38.2 percent).

Investments

Commercial investments rose to €1.7 billion in the financial year (previous year: €1.3 billion). As in previous years, the majority of the investments in property, plant and equipment stemmed from Arvato. Investments in intangible assets were primarily attributable to RTL Group for investments in film rights and to BMG for the acquisition of music catalogs.

Employees

At the end of the financial year 2020, the Group had 132,842 employees worldwide. In 2020, there were 1,137 people serving in trainee positions at Bertelsmann companies in Germany.

Overview of figures (in € millions)

	2020	2019
Revenues	17,289	18,023
Operating EBITDA divisions	2,848	2,973
Corporate / consolidation	295	(86)
Operating EBITDA continuing operations	3,143	2,887
Special items	51	(154)
Financial result	(339)	(309)
Earnings before taxes from continuing operations	1,937	1,516
Income tax expense	(478)	(426)
Earnings after taxes from continuing operations	1,459	1,090
Earnings after taxes from discontinued operations	-	1
Group profit or loss	1,459	1,091

Economic investments*	1,717	1,314
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	Balance 12/31/2020	Balance 12/31/2019
Economic debt	5,207	6,511

Division (in € millions)	Revenues		Operating EBITDA	
	2020	2019	2020	2019
RTL Group	6,017	6,651	1,097	1,417
Penguin Random House	3,802	3,636	691	561
Gruener + Jahr	1,135	1,355	127	157
BMG	602	600	137	138
Arvato	4,382	4,175	662	549
Bertelsmann Printing Group	1,362	1,568	55	68
Bertelsmann Education Group	301	333	89	84
Bertelsmann Investments**	12	13	(10)	(1)
Total Divisions	17,613	18,331	2,848	2,973
Corporate / consolidation	(324)	(308)	295	(86)
Total Group	17,289	18,023	3,143	2,887

* After taking into account the financial liabilities assumed and purchase price payments for increases in stakes in subsidiaries, in particular for the full acquisition of Penguin Random House.

**The business performance of Bertelsmann Investments is mainly determined on the basis of EBIT. EBIT amounted to €1 million (previous year: €107 million)

About Bertelsmann

Bertelsmann is a media, services and education company that operates in about 50 countries around the world. It includes the broadcaster RTL Group, the trade book publisher Penguin Random House, the magazine publisher Gruner + Jahr, the music company BMG, the service provider Arvato, the Bertelsmann Printing Group, the Bertelsmann Education Group and Bertelsmann Investments, an international network of funds. The company has around 130,000 employees and generated revenues of €17.3 billion in the 2020 financial year. Bertelsmann stands for creativity and entrepreneurship. This combination promotes first-class media content and innovative service solutions that inspire customers around the world. Bertelsmann aspires to achieve climate neutrality by 2030. In 2021, Bertelsmann commemorates the 100th birthday of Reinhard Mohn, the Group's late post-war founder and longtime Chairman and CEO.

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