

PRESS RELEASE

Bertelsmann Keeps Group Profit Near-Stable in First Half of 2020, Despite Corona

- **Diversified business portfolio and digital businesses partially compensate for corona effects**
- **Single-digit percentage decline in revenues, to €7.8 billion**
- **Operating EBITDA at over €1 billion**
- **Group profit of €488 million near previous-year's level**
- **Strategic progress in all priorities**
- **Active corona countermeasures: liquidity outflow and economic debt reduced, financing secured long-term**
- **Gradual recovery of the advertising markets expected**

Gütersloh, September 1, 2020 – In the Corona-dominated first half of 2020, Bertelsmann benefited from its diversified business portfolio and high share of digital businesses. While the advertising-financed businesses of RTL Group and Gruner + Jahr as well as the printing businesses clearly felt the effects of the corona pandemic, book publishing, the music business, the Arvato service businesses, and the education business proved robust. All in all, the international media, services, and education company recorded a single-digit percentage decline in revenues and an operating EBITDA of over one billion euros. Group profit was very nearly at the previous year's level.

Thanks to the Corona countermeasures, more than 60 percent of the revenue decline was offset on the cost side, and the economic debt was reduced. For the second half of 2020, the company expects a gradual recovery of the advertising markets. Bearing in mind the high degree of forecasting uncertainty, revenues and **operating earnings**, excluding the TV and magazine businesses, should reach the previous year's levels.

During the reporting period, Bertelsmann's **Group revenues** declined by 8.9 percent to €7.8 billion (H1 2019: €8.6 billion). The organic decline in revenues was 7.9 percent. The Group's growth businesses were stable at €2.9 billion. They now account for 37 percent of total revenues, after 35 percent in the previous year. BMG, Majorel, Arvato Supply Chain Solutions, Arvato Financial Solutions, and the Bertelsmann Education Group, developed positively.

Operating EBITDA was €1.01 billion (H1 2019: €1.29 billion). The RTL Group and Gruner + Jahr divisions in particular felt the effects of the corona-related decline in the advertising markets. In contrast, the Arvato services businesses increased their operating earnings. BMG and the Bertelsmann Education Group posted operating EBITDA at the previous year's level.

Group profit remained stable overall at €488 million (H1 2019: €502 million).

Thomas Rabe, Chairman and CEO of Bertelsmann, said: “The first half of 2020 was dominated by the global corona pandemic. We started the year well, but since March we have been feeling the economic impact of the pandemic – especially in the advertising markets. In this situation, Bertelsmann benefits from its broad corporate portfolio and high proportion of digital business models. The declines in advertising revenues were offset to a considerable extent by the flourishing book-publishing, music, Arvato services, and education businesses in particular, but also through active cost- and cash-flow management.”

Thomas Rabe continued: “We have taken far-reaching measures to protect our employees and ensure the continuation of operations. We have massively reduced the outflow of liquidity and secured long-term financing. In recent weeks, the advertising markets have stabilized, so we expect our business in this area to improve.”

In the first six months of the current financial year, Bertelsmann made further progress in its four strategic priorities:

Strengthening the Core

- RTL Group gained shares in the net TV advertising markets in Germany, France, and the Netherlands, and outperformed its commercial competitors in the viewer market.
- In April, Bertelsmann completed its acquisition of the international trade-publishing group Penguin Random House by acquiring the remaining 25 percent of the shares from co-shareholder Pearson. In the first six months, Penguin Random House placed 164 titles on the “New York Times” bestseller lists in the U.S., 29 of them at #1.
- The Bertelsmann Content Alliance announced the internationalization of its activities. At this time, the focus is on Britain and France.
- The IT services provider Arvato Systems continued to develop successfully, particularly in the important future-oriented areas of cloud computing and artificial intelligence.

Digital Transformation

- RTL Group’s streaming services TV Now in Germany and Videoland in the Netherlands saw a 45-percent increase in their subscribership vs. the same period the previous year, to 1.77 million paying customers. At Groupe M6 in France, the number of active users of the ad-financed streaming service 6play rose by one million to more than 17 million.
- Penguin Random House benefited from its high number of digitally available titles (e-books, audiobooks), and achieved a 15 percent increase in revenues from digital formats.
- Bertelsmann’s social-media offerings now reach around 3.2 billion followers.

Expansion of Growth Platforms

- BMG continued to benefit from the growing global demand for music streaming, and increased the share of digital business in its total revenues.
- Arvato Supply Chain Solutions expanded its global network of locations by opening new distribution centers and expanding existing ones in the U.S., Russia, and Turkey.

- Arvato Financial Solutions successfully completed the sale of 60 percent of shares in its risk-management business to the information-service provider Experian.
- The Bertelsmann Education Group recorded increased demand for online educational offerings. The e-learning provider Relias invested in new products and technology. The online education and training platform Udacity launched new learning offerings, including Nanodegree courses in artificial intelligence for healthcare, and grew in the B2B sector.

Expansion in growth regions

- In the reporting period, Bertelsmann Investments made 29 new and follow-up investments, most of them via the Bertelsmann Asia Investments (BAI), Bertelsmann India Investments (BII), and Bertelsmann Digital Media Investments (BDMI) funds. In addition, four exits were achieved, so that Bertelsmann Investments held a total of 241 startup shareholdings as of June 30, 2020.
- In Brazil, the BBI fund profited from a successfully partial exit from the Brazilian education company Afya, in which Bertelsmann holds a stake through a fund participation with its partner Crescera Investimentos.
- BII supported its Indian portfolio companies and made four follow-up investments in fintech companies, including, including Lendingkart and Rupeek.

Thomas Rabe: “Besides active countermeasures against Corona, we have also laid important foundations for Bertelsmann’s long-term success by continuing to invest in high-growth businesses.”

Bertelsmann offset more than 60 percent of the revenue decline through far-reaching cost-cutting measures. At the same time, the economic debt was reduced without impairing the substance of the business through investment restraint. Bertelsmann's Annual General Meeting has decided to suspend dividend payments in 2020.

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 August 31, 2020. The payout for the 1992 profit participation certificate (ISIN DE0005229900) will be 7.36 percent (previous year: 7.83 percent).

Bernd Hirsch, Bertelsmann’s Chief Financial Officer: “In recent months, we have reduced the outflow of liquidity in the Group and the economic debt. Bertelsmann’s financing is secured for the long term. Excluding the negative corona effects on the advertising-financed businesses, we expect operating results for the year as a whole to be roughly on par with the previous year. However, forecast uncertainty for the full year remains high. We will continue our active countermeasures.”

Divisions:

RTL Group

Highlights

- Record reach levels and market share gains in key markets.
- Streaming services TV Now in Germany and Videoland in the Netherlands show continued strong growth in subscribers.
- Fremantle restarts film and TV production in many territories following coronavirus-related shutdowns.

Penguin Random House

Highlights

- Bertelsmann acquires full ownership of the world's largest trade publishing group.
- Growth in the leading book market, the United States: Strong bestsellers, total availability of its titles in digital formats, and state-of-the-art logistics prove advantageous during the coronavirus pandemic.
- Penguin Random House connects with audiences worldwide through virtual events, social media campaigns and online book recommendations.

Gruener + Jahr

Highlights

- G+J teamed up with the Audio Alliance to establish new podcasts such as “Die Stunde Null – Deutschlands Weg aus der Krise” (Zero Hour – Germany’s Way out of the Crisis), the “Stern” podcast “Wir und Corona” (Us and Corona), and “Geolino Spezial – Gemeinsam gegen Corona.” (Geolino Special – Together against Corona).
- G+J provided coverage of the coronavirus pandemic in a variety of special publications, such as the first joint special issue of the traditional brands “Stern,” “Capital” and “Geo,” and the “#stayathomeandcook” campaign by “Essen & Trinken” and “Chefkoch.”

BMG

Highlights

- BMG continues to deliver organic growth.
- Creative success and key signings in the label and publishing business.
- Strong streaming business and support for artists and songwriters during the coronavirus pandemic.

Arvato

Highlights

- The international information services provider Experian acquired a majority stake in Arvato Financial Solutions’ Risk Management division.
- Arvato Supply Chain Solutions recorded strong demand for e-commerce services in the first half of the year and further expanded its logistics network.
- Arvato Systems became further established as a leader in cloud, according to analyst evaluations, and supported numerous customers in realizing home office solutions.
- Between March and June, Majorel swiftly set up more than 35,000 remote workstations for its own employees worldwide.

Bertelsmann Printing Group

Highlights

- Mohn Media wins another major customer in the retail sector and strengthens the important brochure segment.
- Edeka and the DeutschlandCard multi-partner rewards program renew their long-standing and successful partnership for another five years.
- The Bertelsmann Printing Group puts two new sheetfed printing presses into operation at Mohn Media and Vogel Druck.

Bertelsmann Education Group

Highlights

- The Bertelsmann Education Group benefits from increased demand for online education and training.
- Relias provides prevention and hygiene courses free of charge to customers during the coronavirus pandemic.
- Udacity introduces new nanodegrees in emerging technologies and sees increased demand from B2B sector.

Bertelsmann Investments

Highlights

- Bertelsmann Investments' global investment network grows to more than 240 companies and funds.
- Focus on supporting the existing portfolio during the coronavirus pandemic, as well as 15 new investments via the BAI and BDMI funds.
- Expansion of global activities through fund investments, including in Vertex Ventures in Southeast Asia and India and Alpha Intelligence Capital in Europe.

Overview of Figures (in € millions)

| | Jan 1, 2020 – Jun 30, 2020 | Jan 1, 2019 – Jun 30, 2019 |
|---|-------------------------------|-------------------------------|
| Revenues | 7,848 | 8,612 |
| Operating EBITDA divisions | 1,029 | 1,336 |
| Corporate / Consolidation | (20) | (44) |
| Operating EBITDA | 1,009 | 1,292 |
| EBIT (Earnings before interest and taxes) | 805 | 824 |
| Financial result | (184) | (168) |
| Earnings before taxes | 621 | 656 |
| Income taxes | (133) | (154) |
| Earnings after taxes from discontinued operations | - | - |
| Group profit or loss | 488 | 502 |

| | | |
|---|-------|-----|
| Economic investments (including financial debt assumed) | 1,139 | 612 |
|---|-------|-----|

| | Balance as of Jun 30, 2020 | Balance as of Dec 31, 2019 |
|---------------|-------------------------------|-------------------------------|
| Economic debt | 6,464 | 6,511 |

| Division (in € millions) | Revenues | | Operating EBITDA | |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Jan 1, 2020 – Jun 30, 2020 | Jan 1, 2019 – Jun 30, 2019 | Jan 1, 2020 – Jun 30, 2020 | Jan 1, 2019 – Jun 30, 2019 |
| RTL Group | 2,652 | 3,173 | 382 | 665 |
| Penguin Random House | 1,627 | 1,650 | 209 | 227 |
| Gruner + Jahr | 524 | 677 | 28 | 62 |
| BMG | 282 | 269 | 49 | 49 |
| Arvato | 2,095 | 2,049 | 305 | 263 |
| Bertelsmann Printing Group | 650 | 766 | 19 | 30 |
| Bertelsmann Education Group | 158 | 168 | 40 | 41 |
| Bertelsmann Investments* | 5 | 6 | (3) | (1) |
| Total Divisions | 7,993 | 8,758 | 1,029 | 1,336 |
| Corporate / Consolidation | (145) | (146) | (20) | (44) |
| Total Group | 7,848 | 8,612 | 1,009 | 1,292 |

* The business development of Bertelsmann Investments is determined primarily based on EBIT. EBIT totaled €23 million (H1 2019: €-9 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 126,000 employees and generated revenues of €18.0 billion in the 2019 financial year. Bertelsmann stands for creativity and entrepreneurship. This combination promotes first-class media content and innovative service solutions that inspire customers around the world. Bertelsmann aspires to achieve climate neutrality by 2030.

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