PRESS RELEASE

Full year results 2022

Unaudited

After a challenging 2022, Brill stays confident to serving the humanities and social sciences community with high quality information services

Key Figures

in thousands of euros	2022	2021	Change
Revenue	48,048	46,865	2.5%
EBITDA	-21	7,203	-100.3%
Operating profit	-4,513	4,453	-201.3%
Free cash flow	1,751	3,402	-48.5%
Result, attributable to shareholders of Koninklijke Brill N.V.	-3,491	3,036	-215.0%
Earnings per share	-1.86	1.62	-215.0%
Underlying profit	-274	3,764	-105.5%
Underlying profit per share in euro	-0.15	2.01	-105.5%
Dividend (proposed 2022) in euro	0.00	0.90	
Key Financial Performance Indicators			
Organic revenue growth	-4.2%	2.1%	
ROIC	-12.4%	13.3%	
EBITDA margin	0.0%	15.4%	

These figures are unaudited. The audited financial statements will be published on our website Brill.com on April 12th, 2023.

Summary

- Insolvency of main distributor causes negative impact on revenue and operating result over 2022
- Transition to new distribution partners accelerated and on track
- Revenue growth of 2.5%, mainly due to acquisitions and positive US Dollar effect
- Open Access program grows above market average
- eBooks not impacted by distribution disruption, performing strongly due to continued success of institutional deals and the Brill Book Archive
- One-off costs of 2.7 million included in results
- Impairment of 1.6 million on goodwill and publishing rights
- Proposal not to pay dividend over 2022

Peter Hendriks, CEO commented:

"With our long-time distribution partner in turmoil Brill went through a challenging year. Fortunately, Brill's underlying global publishing program proved very robust, confirming Brill's attractive online product offer and strong historic position in the author community. Furthermore, output of academic research is still increasing on a global scale, providing a healthy basis for growing our quality program going forward. The first two months 2023 show a resilient start for Brill's offerings."

The year 2022 was heavily impacted by the insolvency of our UK based distribution partner in October. With the exception of the DACH region, print book sales came to a full stop and the journal renewal process was interrupted. On 30th August Brill had announced a transition to new partners for the worldwide distribution of books and

journals during 2023, a project which had to be accelerated and led to extra costs in 2022. Additionally, we incurred one-off expenses for legal fees, writing off receivables and increased staff to cover the additional workload and an impairment on goodwill and publishing rights.
The underlying global publishing program was not impacted and proved very robust, confirming Brill's traditionally strong position in the author community. Total revenue grew by 2.5%, primarily due to acquisitions and the positive effect of the US dollar exchange rate development in 2022, but declined by 4.2% organically due to the insolvency of our main distributor and declining print book sales in the DACH region. This revenue development combined with one-off costs resulted in a negative net profit in the financial year 2022.

Based on the 2022 financial results, we will propose to pay no dividend over 2022 at the Annual General Meeting (AGM) of Shareholders.

Strategic Progress in 2022

In April, Brill acquired all shares of Wageningen Academic Publishers, a publisher active primarily in the fields of Animal Science, Food and Health Science, Agriculture, Environment and Agribusiness. The acquisition strengthened Brill's high quality Biology program, creating a springboard to further develop this fast growing and well-funded segment of the academic market.

Brill's Open Access program continued to grow above industry average. The number of national and institutional Open Access journal agreements, so called transformative agreements, doubled in 2022, and the backlist of Open Access books grew to more than 1,200. The first tranche of the Brill Book Archive (BBA) was completed and successfully sold to customers in North America, Australia, and Europe. The second part of BBA, containing twice the number of titles part one, was prepared and part of the collection was launched at the end of the year.

Operational Progress in 2022

The improvement of our IT infrastructure and enterprise applications continued at high speed. This included the move from on-premise solutions to SaaS and Cloud solutions, and an upgrade of our ERP system. A data warehouse was implemented to improve business intelligence, and in the second half of the year we introduced a new global HR software.
The integration of V&R continued but was impacted by the insolvency of our main distribution partner, as focus shifted to the transition to new distribution partners in order to resume print book sales. While various integration streams progressed as planned, the ERP integration, which is the central project, had to be postponed.

People and Society

Brill's new logo, showing Pallas Athena, the Greek goddess of wisdom and her owl, was presented in October at Frankfurt Book Fair. Pallas has adorned our logo for decades and she has now been given a modern look that fits Brill's mission: looking forward while learning from the past.

Brill is a proud member of the United Nations Global Compact and the SDG Publishers Compact. As we are actively expanding our publications of SDG-focused research, we are also undertaking efforts to disseminate this research widely, through our regular channels as well as through our Humanities Matter blog and podcasts. Topics of the podcast in 2022 included quality of education, populism, racism, food security, war and peace.

In 2022, we prioritized the reduction of our CO2 emissions. We began measuring our carbon footprint by teaming up with [Greencast](), and based on this analysis, will monitor and evaluate our progress going forward.

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Brill is thankful to Peter Coebergh whose term as CEO ended in May. Peter led Brill's sales team for three years before becoming CEO in 2018. In September, John Martin took over as interim CEO and was appointed statutory director in December. We regret John's decision to leave Brill in March 2023, and are thankful for the contributions made during his tenure. With Peter Hendriks, who joined in March 2023, Brill has appointed an experienced, industry seasoned interim CEO.

Future developments

In 2023 we will finalize the setup of our new global distribution processes and continue to focus on modernizing and consolidating Brill. The year 2022 was challenging for Brill, and we are thankful to authors, institutions and partners for their patience and loyalty during difficult times. We are immensely grateful to our members of staff for working incredibly hard and going the extra mile.

We continue to focus on the execution of our long-term strategy to be a digitally driven publishing house, with a market average organic revenue growth and an EBITDA margin of more than 17%, with a return on invested capital showing material headroom to our weighted average cost of capital. This will require ongoing investments in people and tools that will make Brill even further future proof. Brill does not expect any extraordinary investments in IT, other than mentioned above, or changes in personnel.

Revenue

Despite the insolvency of our main distributor, Brill's revenue increased by 2.5% in 2022, mainly driven by the acquisition effect of Vandenhoeck & Ruprecht (V&R) and Wageningen Academic Publishers (WAP) and the effect of exchange rates (mainly the US dollar). Excluding those effects revenue declined organically by 4.2%.

(In thousands of euro)	2022	2021	Organic growth	Growth
Print books	14,937	16,865	-20.0%	-11.4%
eBooks	18,271	16,278	7.1%	12.2%
Journals	13,251	12,322	1.1%	7.5%
Primary sources	1,589	1,400	8.1%	13.5%
Total	**48,048**	**46,865**	**-4.2%**	**2.5%**

The decline in print book sales was mainly caused by the insolvency of our main distributor, Turpin. We estimate the loss of print book revenue in Q4 2022 to be 2,4 million. The revenue from eBooks grew organically by 7.1%, mainly due to sales of eBook collections, Evidence Based Acquisition deals (EBA's) and the Brill Book Archive.

Revenues of primary source products are driven mainly by larger, non- subscription based deals. In 2022 Brill again managed to increase the number of such deals.

(In thousands of euro)		% of total growth	Organic growth
Revenue 2021	46,865		
Print books	-3,365	-7.2%	-20.0%
eBooks	1,148	2.4%	7.1%
Journals	189	0.4%	1.1%
Primary sources	113	0.2%	8.1%
Organic revenue 2022	**44,950**	**-4.2%**	**-4.2%**
Acquisitions	2,087	4.5%	
Currency	1,011	2.2%	
Total revenue 2022	**48,048**	**2.5%**	

Our 2022 revenue was positively impacted by the movement in the exchange rate of the US dollar, causing a 2.2% increase of revenue.

Revenue generated in 2022 through digital products was 27.9 million or 58% of total, versus 25.7 million or 55% of total revenue in 2021.

Cost of Goods Sold and Operating Expenses, EBITDA

Gross margin decreased to 71.3% to from 72.2% due to an additional write off of stock related to the insolvency of our main distributor. Depreciation of our stock is done based on sales patterns; as we have not been able to fulfil print orders during the last quarter, the value of our stock decreased. Additionally, a considerable number of titles still in stock at Turpin can now be printed on demand. It therefore makes more economic sense to destroy inventory relative to the cost of shipping to the warehouse(s) of our new distribution partners.

Personnel costs increased by approximately 2.3 million, caused by the effect of the V&R and Wageningen acquisitions, the CEO change, hiring of additional staff to manage the transition to Air Business for global distribution, and costs for temporary external staff to fill vacancies that proved difficult to fill with permanent staff due to the overheated job market.
Other operating expenses increased by approximately 5.0 million, including the following one-off items: a 1.0 million write-off on receivables due to the Turpin insolvency, 0.6 million for the move to Air Business, an 0.5 million provision for improving our existing order-to-cash processes.

The 1.0 million write-off on receivables due to the Turpin insolvency consist of two parts:

- a 0.2 million write-off on debtors that were invoiced via Turpin, for uncollectible debt due to issues with deliveries or returns effective with the cessation of Turpin's operations
- a 0.8 million write-off on a receivable of 1.1 million that consists of payments made by Brill customers to Turpin bank accounts, primarily via credit card, that Turpin failed to transfer to Brill. We have filed a claim to the administrators of Turpin and have assessed that under the current assumptions we might receive 0.3 million from the monies available for repaying Turpin creditors.

Included in our trade payables is an amount of 0.4 million due to Turpin for services provided by them during the period before their insolvency. This amount could be off set against our claim on Turpin, however at the publication date of our financial statements there is insufficient clarity to release the amount.

The 0.5 million for improving our order-to-cash processes relates to the calculation and declaration of indirect taxes in several tax jurisdictions. Immediately upon becoming aware during Q4 of 2022 of shortcomings in this area, an improvement project was started which is expected to be finalized by the end of 2023.

In 2022, costs of 0.6 million were recorded related to the integration of V&R and 0.1 million for restructuring costs. These two exceptional cost items are reported outside our EBITDA.

Other than the above there are no special events that should be taken into account for the financial statements.

Depreciation and Amortization, and Financing Income and Costs

Depreciation and amortization, other than as recognized in cost of goods sold, developed in line with expectations. We were required to take an impairment of 1.6 million on goodwill and publishing rights, mainly due to an increase in the discount rate used for impairment testing.

Profit and Profit per Share

In summary, operating profit and profit before tax decreased significantly due to the revenue decline and operating expense items discussed above, resulting in a net loss of -3.5 million for the financial year 2022 (2021: reported profit of 3.2 million).

Underlying net profit, excluding one-off expenses related to the insolvency of Turpin and the move to new distribution partners, impairment of intangible assets, integration and restructuring costs and a provision for OTC improvements, amounted to -274 thousand, compared to 3,931 thousand in 2021. This translates into an underlying earnings per share of EUR -0.15 for 2022.

In thousands of euro)	2022	2021
Profit before tax	-4,691	4,317
Impairment intangible assets	1,607	0
Turpin related write-off on receivables	1,000	0
Move to new distribution partner Air Business	568	0
OTC improvements	495	0
Costs for the integration of V&R	563	993
Restructuring costs	89	-124
Underlying profit before tax	**-369**	**5,186**
Tax, at the statutory rate	95	-1,255
Underlying net profit	**-274**	**3,931**
Non-benchmark items, after tax	-3,207	-525
Change in deferred tax liability and other	-10	-202
Profit attributable to shareholders of Koninklijke Brill N.V.	**-3,491**	**3,204**
Underlying earnings per share in EUR	-0.15	2.01
Earnings per share in EUR	-1.86	1.62

We estimate the loss of print book revenue in Q4 2022, caused by the insolvency of our main distributor, to be 2.4 million.

Operating Working Capital and Cash Flow

Despite the negative profit before tax of -4.7 million, we were able to limit the net cash out flow to -1.7 million as a result of measures taken to reduce costs and investments. Operating working capital increased by 6.0 million, mainly due to higher deferred income and accruals.

Return on Invested Capital

Return on Invested Capital (ROIC) over 2022 was minus 12.4%, compared to 13.3% in 2021.

Solvency and Liquidity

Total assets (61.5 million) increased versus 2021 (59.9 million), mainly due to the increase of Right of use Assets caused by the new lease agreements for the offices in Leiden and Göttingen, and the acquisition of Wageningen Academic Publishers. Solvency (Shareholders' equity divided by total assets) declined in 2022 to 30.9% (2021: 41.4%; target range of 40–60%). Our expectation is that this ratio will improve towards the middle of the range in the next three years.

Dividend

Given the financial result, we will propose at the Annual General Meeting of Shareholders, to be held on 24 May 2023, to not pay a dividend over the financial year. For the long-term, we will adhere to our corporate solvency policy of 40–60% and to the covenants agreed upon with our main bank. Also, Brill will continue to pursue its capital management policy whereby strategic investments and add-on acquisitions must be funded within free cash flow.

Leiden, 6th April, 2023

The Management Board

Contact: Peter Hendriks, Chief Executive Officer (Peter.Hendriks@brill.com)

About Brill

The contents of this press release may contain inside information as defined in article 7 of the EU Market Abuse Regulation 596/2014.
Founded in 1683 in Leiden, the Netherlands, Brill is a leading international academic publisher in the Humanities, Social Sciences, International Law, and Biology. With offices in the Netherlands, Germany, Austria, the USA and Asia, Brill today publishes more than 360 journals and 2,000 new books and reference works each year as well as a large number of databases and primary source research collections. Commitment to Open Access and the latest publishing technologies are at the core of Brill's mission to make academic research available for the scholarly community worldwide. The company's key customers are academic and research institutions, libraries, and scholars. Brill is a publicly traded company and is listed on Euronext Amsterdam NV. For further information, please visit brill.com.