

# Bloomsbury Publishing Plc

## Twelve Month Results to 31<sup>st</sup> December 2010



One Global Bloomsbury  
Launching 1<sup>st</sup> March 2011

# Highlights



- Best performance ever from Bloomsbury US
- Berlin Verlag recovered and made an operating profit in the second half
- Bestsellers across the group:
  - *Eat Pray Love* – Elizabeth Gilbert
  - *The Finkler Question* – Howard Jacobson – Man Booker Prize winner
  - *Operation Mincemeat* – Ben Macintyre
  - *Berthold Beitz* – Joachim Käppner
- Acquisition of Bristol Classical Press
- E-book sales have grown eighteen fold in 2010 over 2009 from \$131k to £2.3m

# Highlights



- Appointment of two new Non Executive Directors in 2010 and new Group Finance Director in 2011
- Appointment of a Managing Director, Group Sales and Marketing, a Managing Director of new Children's and Educational division and a new Managing Director of Berlin Verlag
- Major online initiatives including
  - Berg Fashion Library
  - Public Library Online in new territories
  - Professional Library Online
  - Winston Churchill Archives
  - Reeds Nautical Online
- Conception of the strategy for One Global Bloomsbury – Four worldwide publishing divisions. This will be implemented on 1<sup>st</sup> March 2011 at the start of the new financial year. A&C Black, Berlin Verlag, Berg, Bloomsbury UK and Bloomsbury USA will be replaced by four new worldwide publishing divisions, which will be the basis of future reporting

# Financial Highlights



- Turnover £90.7m (2009, £87.2m, +4%)
- Adjusted operating margin 8.8% (2009, 7.8%) \*
- Adjusted pre-tax profit £8.4m (2009, £7.7m, +9.1%) \*
- Adjusted basic EPS 8.50p (2009, 7.56p) \*
- Second interim dividend increased 7% to 3.91 pence per share (2009 final dividend, 3.65p)
- Compound dividend growth over 5 years of 6.6%
- Strong cash inflow from operating activities £5.1m (2009, outflow £4.3m)
- Cash £34.1m (2009, £35.0m) after investing net £1.1m in one acquisition (2009, investment £10.3m in two acquisitions)

\* Before highlighted items



# Financial summary

## Consolidated income statement

	2010 £m	2009 £m
Revenue	90.7	87.2
Gross profit	47.9	43.4
<i>Gross profit %</i>	52.8%	49.8%
Marketing and distribution costs	(15.2)	(15.4)
<i>Marketing and distribution costs %</i>	16.8%	17.7%
Adjusted administrative expenses *	(24.7)	(21.2)
<i>Adjusted administrative expenses % *</i>	27.2%	24.3%
Adjusted operating profit *	8.0	6.8
<i>Adjusted operating profit margin *</i>	8.8%	7.8%
Adjusted pre-tax profit *	8.4	7.7
Tax	2.1	2.1

\* Before highlighted items



# Financial summary

## Gross margin – provisions and accrual

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
<b>Royalties</b>	<b>11.5</b>	<b>10.0</b>
<i>% Revenues</i>	<i>12.7%</i>	<i>11.5%</i>
<b>Advances</b>	<b>3.1</b>	<b>3.4</b>
<i>% Revenues</i>	<i>3.4%</i>	<i>3.9%</i>
<b>Stock</b>	<b>2.1</b>	<b>2.2</b>
<i>% Revenues</i>	<i>2.3%</i>	<i>2.5%</i>



# Financial summary

## Rights turnover and rights contribution

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Rights turnover	7.1	9.2
Rights contribution – Specialist division	4.3	4.9
Rights contribution – Trade division	1.3	1.7
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Rights contribution	5.6	6.6

Rights turnover and contribution includes subsidiary rights, electronic database income and income derived from third party agencies and management contracts

# Financial summary

## Consolidated balance sheet



	<b>2010</b>	<b>2009</b>	
	<b>£m</b>	<b>£m</b>	
Non-current assets	40.0	40.6	-1.5%
Inventories	17.4	16.4	+6.1%
Receivables	52.7	47.5	+10.9%
Net cash	34.1	35.0	-2.6%
Total liabilities	(30.2)	(26.8)	+12.7%
Equity	114.0	112.7	+1.2%





# Financial summary

## Returns provision

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Trade receivables *	31.9	28.1
Returns provision	6.9	6.5
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Net trade receivables	25.0	21.6
<i>Returns provision margin as a percentage of revenues</i>	7.6%	7.5%

\* Net of bad debt provision

# Cash flow



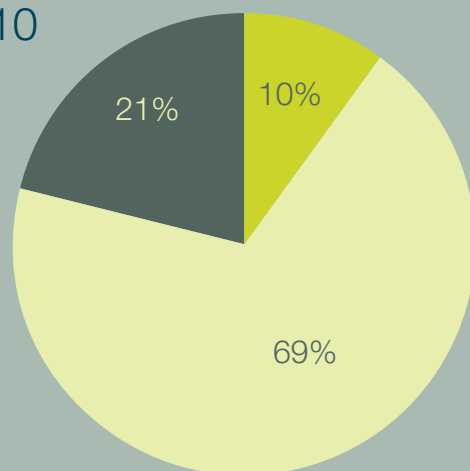
	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Net profit before tax	5.5	7.1
Other (including depreciation, amortisation and share-based payment charge)	3.7	1.3
Working capital	(2.7)	(10.1)
Investment income and finance costs	(0.3)	(0.9)
Cash generated from / (used in) operations	6.2	(2.6)
Tax paid	(1.1)	(1.7)
Net cash inflow / (outflow) from operating activities	5.1	(4.3)
Net cash used in investing activities	(2.5)	(9.1)
Net cash used in financing activities	(3.5)	(3.2)
Net decrease in cash and cash equivalents	(0.9)	(16.6)
Exchange gain / (loss) on cash and cash equivalents	–	(0.3)
Cash and cash equivalents at end of period	34.1	35.0



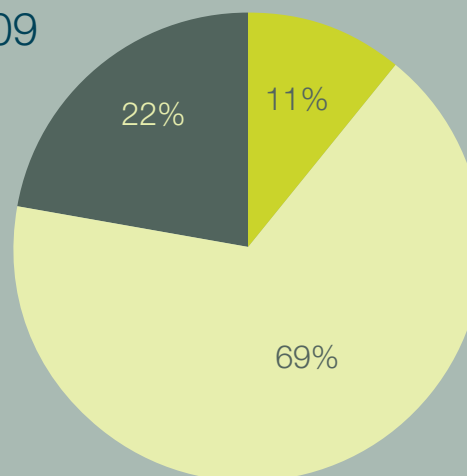
# Turnover

by geographic segment

2010



2009



	2010 £m	2009 £m
UK	62.7	58.9
North America	19.1	18.8
Continental Europe	8.9	9.5
Total	90.7	87.2



# Operating profit/(loss)

by geographic segment

	2010 £m	2009 £m
UK *	7.0	6.9
North America	1.3	0.5
Continental Europe	(0.3)	(0.6)
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Segment result before central cost recharges and investment income *	8.0	6.8

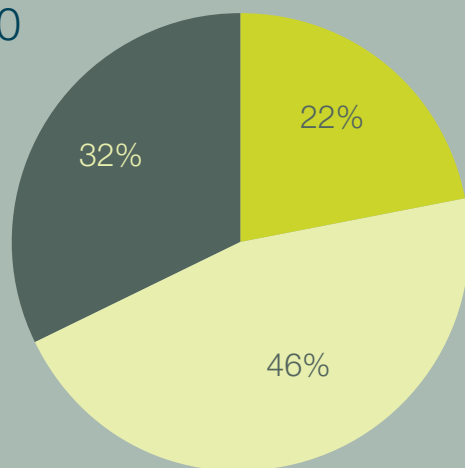
\* Before highlighted items

# Turnover

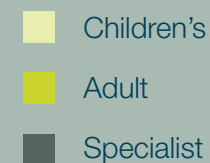
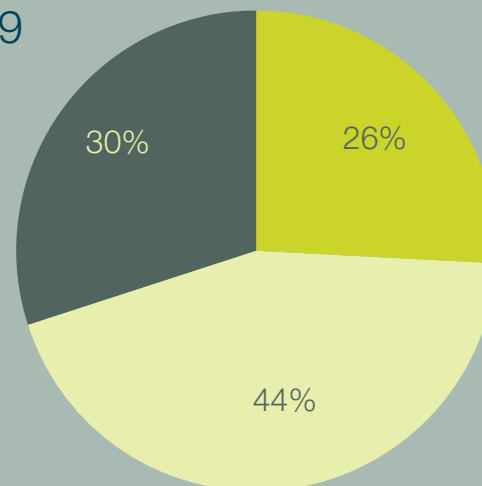
by publishing category



2010



2009



	2010 £m	2009 £m	% Change
Children's	19.9	23.0	-13.5%
Adult	42.1	37.9	+11.1%
Specialist	28.7	26.3	+9.1%
Total	90.7	87.2	+4.0%



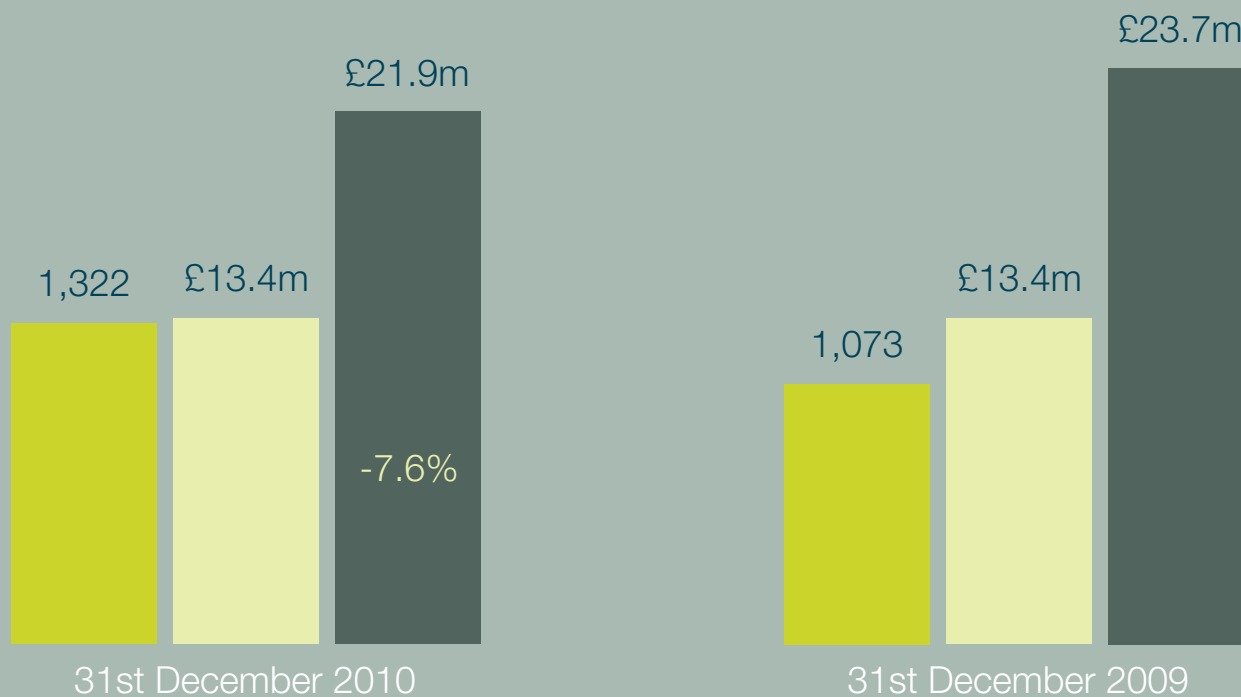
# Divisional contribution and operating profit by publishing category

	2010 £m	2009 £m
Adult	15.7	11.0
Children's	7.0	8.3
Trade contribution	22.7	19.3
Administrative expenses *	(17.9)	(16.4)
Trade divisional profit *	4.8	2.9
Specialist contribution	10.8	8.6
Administrative expenses *	(7.6)	(4.7)
Specialist divisional profit *	3.2	3.9
Profit before investment income *	8.0	6.8

\* Before highlighted items



# Investment in future years' titles



- Number of titles under contract
- Future cash commitment
- Total investment in future titles including cash already paid out



# Revenues generated by top ten authors in the year

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Combined value of revenues from top ten authors *	£21.3	£17.0
Revenue of highest selling author *	£6.0	£4.8
Revenue generated by second highest selling author *	£5.4	£4.5

\* Net of returns provision





# Specialist Publishing Division

## Overview

- Acquisition of Bristol Classical Press in November
- Bloomsbury Professional Online successfully launched
- Berg Fashion Library launched to commercial success and critical acclaim
- Reeds Nautical Online to be launched in March 2011
- Agreement to digitise and publish online the archives of Sir Winston Churchill



# Specialist Publishing Division

## Acquisition

- Acquisition of Bristol Classical Press in November
  - Consideration £1.1m
  - Backlist of 900 titles
  - Fully integrated into the existing academic list to provide critical mass and future organic growth
  - With existing academic lists Bloomsbury is one of the leading European publishers of primary texts in humanities at higher education level

# Specialist Publishing Division

## Professional Library Online



- Professional Library Online launched in second half
  - 2 of the Big 4 accountancy firms already signed up
  - Content now available online with many other law, tax and accounting firms
- Delivers Bloomsbury Professional's authoritative law and tax research titles to libraries, institutions and professional service firms
- Distinguished from the market peer group
  - highly price competitive
  - simple click-and-read technology
  - eventual portability onto hand held devices
- A fully searchable online services for tax and legal profession will be launched in 2011/12 financial year

# Specialist Publishing Division

## Berg Fashion Library



- Berg Fashion Library is the only resource to provide integrated text and image content on world dress and fashion throughout history
- Launched in 2010
- In development for five years with Encyclopedia of World Dress and Fashion
- Won the Dartmouth Medal and commended for extensive and outstanding multidisciplinary coverage of dress, fashion and its impact on society
- Considerable interest generated in the online platform
- Suite of online products now underway utilising its bespoke platform for other core subject areas



# Trade Publishing Division

## Overview

- E-book sales showing exponential growth
- E-book revenues becoming significant for the first time in the UK
- Public Library Online expanding into other territories including continental Europe, North America and Australasia
- USA – best trading performance to date
- Germany – return to profitability in the second half



# Trade Publishing Division

## Overview

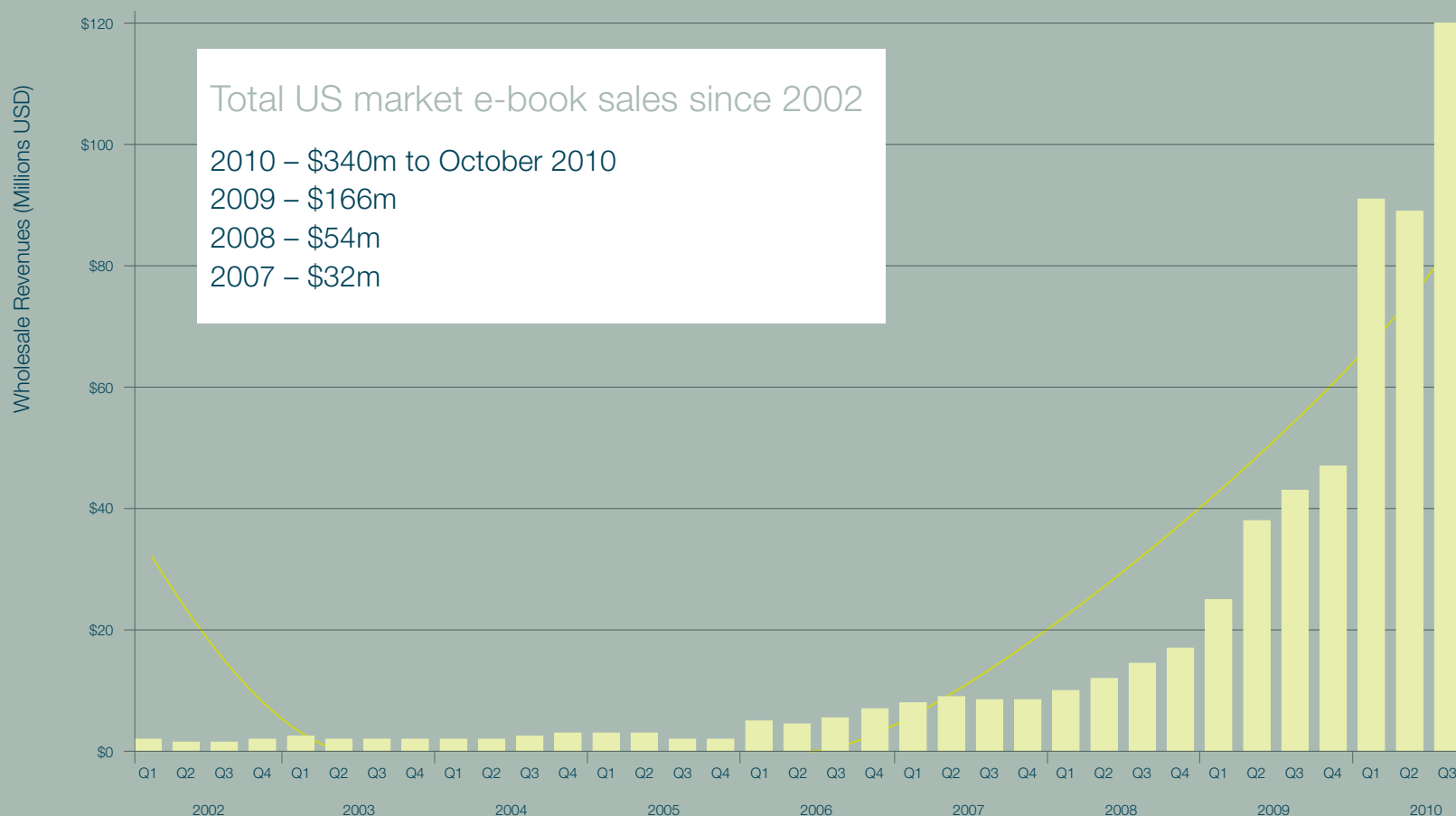
- Second half programme had many bestsellers
  - *The Finkler Question* – Howard Jacobson – Man Booker Prize winner
  - *Operation Mincemeat* – Ben Macintyre
  - *The Flavour Thesaurus* – Niki Segnit
- Outstanding sales of backlist titles
  - *Eat, Pray, Love* – Elizabeth Gilbert
  - *River Cottage* series – Hugh Fearnley-Whittingstall
  - *Harry Potter* – J K Rowling
  - *My Horizontal Life* – Chelsea Handler
  - *The Guernsey Literary and Potato Peel Pie Society* – Mary Ann Shaffer & Annie Barrows
  - *Major Pettigrew's Last Stand* – Helen Simonson



# Trade Publishing Division

## Digital books

- Growth in e-book sales continues to gather pace



Source: [www.idpf.org](http://www.idpf.org)



# Trade Publishing Division

## Digital books – impact 2011 onwards

- Significant growth in Bloomsbury's e-book sales – \$131k in 2009 to \$2.3m in 2010
- 1,800 titles in publication in e-book format by Bloomsbury in 2010 – 22% of all Bloomsbury titles
- Industry continues to grow
  - 8 million Kindles sold worldwide in 2010, 5 million over Christmas
  - 7 million iPads sold worldwide in Q4 2010
  - Barnes & Noble sold over 2.5m Nooks in the US





# Trade Publishing Division

## Public Library Online

- 18 Library authorities now signed up reaching 7.3 million of the UK population and 86 shelves taken up – with significant future potential
- Content from 7 third party publishers now available
- 100% renewal rate on prior year subscriptions
- Now launching in
  - US
  - Canada
  - Australia
  - New Zealand
  - Germany
  - Scandinavia

# Bloomsbury USA



- Revenue £19.1m (2009, £18.8m)
- Segmental result – profit £1.3m (2009, profit £0.50m)
- Best performance to date from books and rights sales
- Many titles showing high levels of e-book sales as well as continuing print sales
- US Specialist Division augmented by the launch of A&C Black list and the Bristol Classical Press acquisition last year
- Excellent US performance from *The Finkler Question* by Howard Jacobson
- Good spread of sales across a growing backlist of quality titles underpins 2010 performance



- Revenue of £8.9m (2009, £9.6m)
- Generated profit of £0.34m in second half
- Loss of £0.3m (2009, loss – £0.6m) before central costs
- Launched academic list in second half
- E-book programme launched in second half
- Public Library Online launched in second half
- Best selling titles
  - *Eat, Pray, Love* film tie-in – Elizabeth Gilbert
  - Berthold Beitz Biography – Joachim Käppner
- New Managing Director who joined in July has reviewed publishing programme and cost base to increase profitability in the business

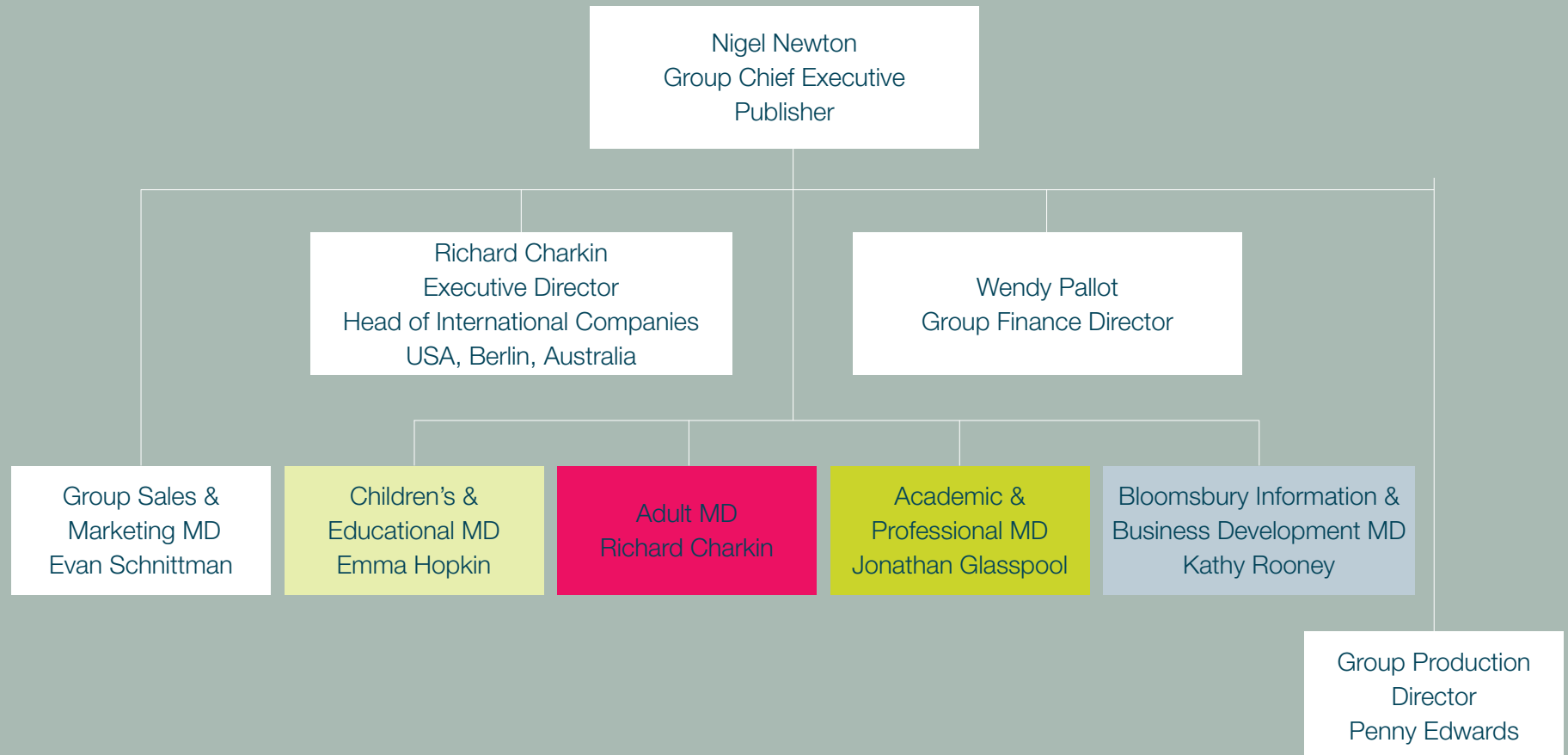
# Strategic reorganisation



- Reorganisation announced to staff worldwide on 7<sup>th</sup> February. To be implemented on 1<sup>st</sup> March
- Increasing homogenisation of literary taste worldwide means that big books in one market are likely to be big in the other major markets too
- Huge growth in digital publishing is also creating a more global market
  - Major customers are global – Amazon and Google
  - Media is more global
  - Protection of territorial copyright
- Group divided into four global publishing divisions seeking world not local rights in all appropriate titles
  - Adult
  - Children's & Educational
  - Academic & Professional
  - Bloomsbury Information & Business Development
- Two global service divisions – sales and production – to support the four publishing divisions by redeployment of existing resources within the Group

# One Global Bloomsbury

## Four Worldwide Publishing Divisions



# Current Trading and Outlook



- Final two months of financial year to February 2011 typically loss making due to cyclical nature of the business following the Christmas surge, but market has remained buoyant for print and e-book sales in 2011
- Launch of Bloomsbury in Australia in January
- January and February 2011
  - *Battle Hymn of the Tiger Mother* – Amy Chua
  - *Major Pettigrew's Last Stand* – Helen Simonson – Richard & Judy bookclub pick
- Strong list for 2011/12
  - *River Cottage* series – Hugh Fearnley-Whittingstall
  - *Heston at Home* – Heston Blumenthal
  - *The Song of Achilles* – Madeline Miller
  - *Pigeon English* – Stephen Kelman

# Current Trading and Outlook



- Harry Potter continues to sell strongly
- *Harry Potter and the Deathly Hallows Part 2* film due out in July
- Expecting e-book revenues to be significantly ahead of 2010/11
- Investment in organic initiatives to drive future organic growth including
  - Berg Fashion Library platform developed for other subject area i.e. food technology
  - Sir Winston Churchill Archive
  - Reeds Nautical Online
  - Global rollout of Public Library Online
- Major new business projects under consideration by third parties
- Online presence continuing to gather momentum in 2011/12