

Bertelsmann bets on digital media, global expansion

German media and publishing group Bertelsmann on Tuesday presented ambitious objectives for 2020, as its bets on digital and international expansion paid off with a second one-billion-euro annual profit in 2016.

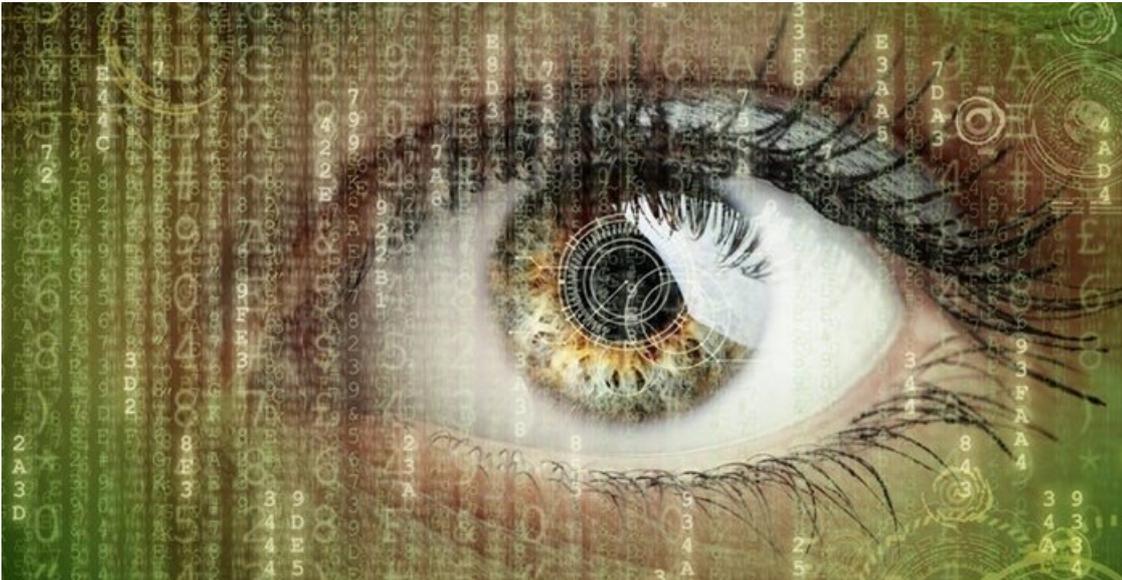
BERLIN, Germany - "Effectively, what we have to do in the next years is to do what we have done in the last years," chief executive Thomas Rabe told journalists at a press conference.

The group reported net profits of 1.14 billion euros (\$1.23 billion) in 2016, an increase of 2.6 percent over 2015's figure.

While higher taxes weighed on the bottom line, operating or underlying profit before taxes and interest stood at 2.6 billion euros, compared with 2.5 billion the previous year.

Bertelsmann, which owns broadcaster RTL, a stable of magazines and most of publisher Penguin Random House, saw revenues slip slightly to 17 billion euros.

Exchange rate effects were to blame for much of the drop, the firm said, as the fall in the value of the pound following Britain's vote to quit the European Union in June meant its UK revenues were worth less.



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Since taking the top seat at the family-owned firm in 2012, Rabe has invested some 4 billion euros to close Bertelsmann's

digital gap with other publishers and expand outside Germany.

Looking ahead to 2020, the CEO aims for revenues of 20 billion euros, with some 40 percent generated from "growth" activities such as online media and e-commerce, compared with 30 percent today.

The group's digital product range has also grown to educational software, while it plans to completely abandon shrinking legacy businesses like its book clubs.

Half of investments will go to the United States, with other big bets on China, India and Brazil.

Within three years, Bertelsmann hopes to make 60 percent of its revenue in Europe and 40 percent internationally, including some 30 percent in the US.

The group offered little detail about its objectives for 2017, saying only that it aims to increase profits and revenues while maintaining its high margins.

This year could see Bertelsmann expand in book publishing, as it plans to increase its stake in Penguin Random House -- a merged publisher it created with Britain's Pearson in 2013.

With Pearson looking to sell its share, the German firm could increase its holdings in the group as high as 75 percent from its present 53 percent if the price is "reasonable," Rabe said, but "it will take a bit of time."

No assessment of the publisher's value will be available until the summer, he went on.

"There's a pretty long queue" for the remainder of the shares, Rabe added, but "we are looing for an investor with a real interest for the business."

Impacts on Bertelsmann from Brexit have so far been "pretty limited" according to the CEO, but he made no secret of his concerns for the future.

Beyond the fall in the pound, economic uncertainty is expected to sap the advertising market, while questions remain over non-British employees' right to remain in the UK and UK firms' access to the European single market, Rabe said.

Nevertheless, "clearly our objective is to maintain our business in the UK and to continue to invest in the UK," he added.

Source: AFP

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