

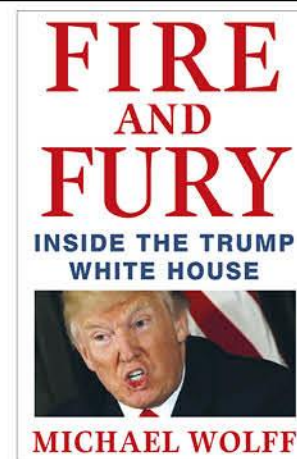
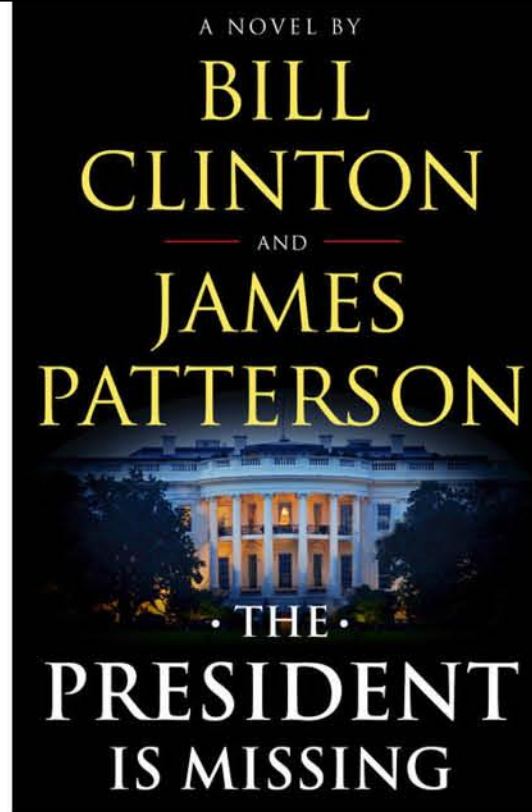
INVESTOR MEETING

November 12, 2018








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TRADE BOOK MARKETS PERFORMANCE AND TRENDS (PRINT)

	2017 vs. 2016	2018 Trend
France	-0.8%	 
USA	+1.9%	
UK	+0.2%	
Spain	+3.3% (incl. Educ)	

- Flat to moderate growth thanks to favorable demographics (Silver economy)
- Gradual long-term decline likely, due to proliferation of digital entertainment formats

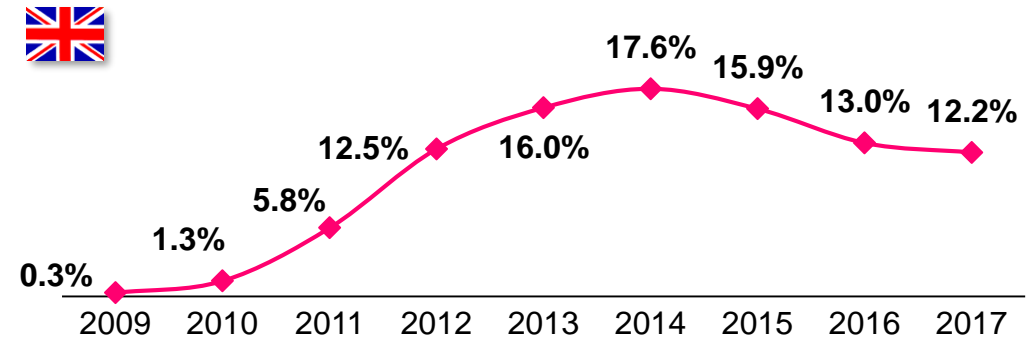
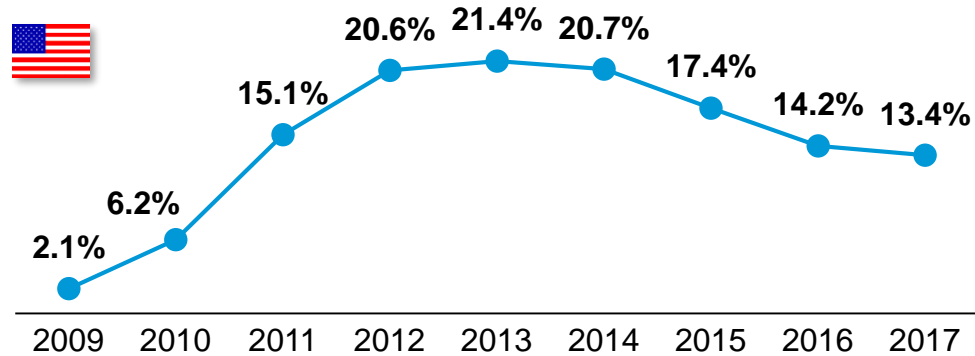
EDUCATION MARKETS PERFORMANCE AND TRENDS

	2017 vs. 2016	2018 trend
France	-10.9%	
UK	-6.0%	
Spain	-15% (est.)	

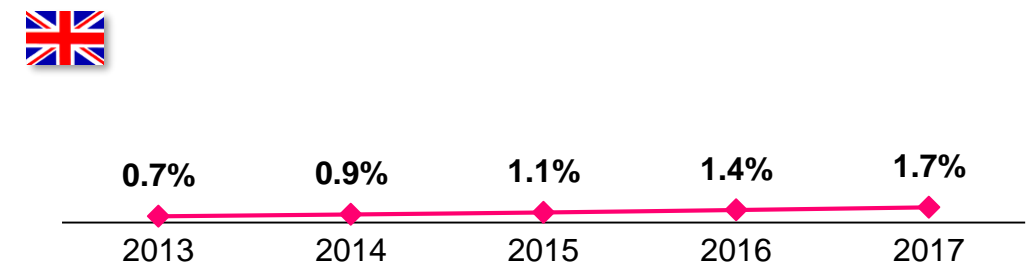
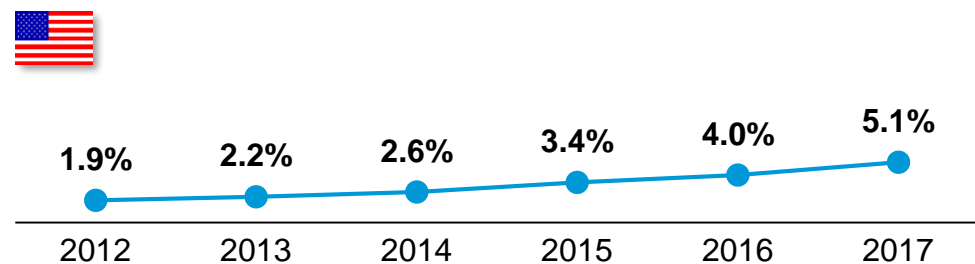
- **Simultaneous absence of curriculum reform in three key countries in 2018 (no common cause)**
- **Reforms to resume in France in 2019, but level of public funding yet to be determined**

DIGITAL PERFORMANCE AND TRENDS

- eBooks : slow decline after peak in 2013 (US) and 2014 (UK)



- Downloadable audiobooks : 25% to 30% annual growth rate



- Education : a successfull market for digital in the UK, a promising but as yet embryonic one in France and Spain

WHICH STRATEGY HAVE WE ADOPTED IN THE FACE OF SUCH PERFORMANCES AND TRENDS?

➔ **Distribution for third parties**

➔ **Acquisitions**

➔ **Diversification**

➔ **Innovation and CRM**

DISTRIBUTION

- **A key contributor to profits and cash flow**
 - High barrier to entry (few players)
 - Negative working capital
 - Distribution for third parties is risk-free and contributes to economies of scale

Opportunity :

**More publishers to exit the business in the future and join market leaders
as rising cost can only be offset by scale**

ACQUISITIONS

- **M&A activity has inflated PER of all large publishing companies**
- **High price must be offset by skillfull integration and quickly implemented synergies in order to deliver high return on investment**
- **Lagardère Publishing's track record in doing so is outstanding :**

Return on investment

HBG (2006) :	9%(excluding non US-business)
Asterix (2008) :	14%
Quercus (2014) :	14%
Constable & Robinson (2014)	16%

... just to name a few

ACQUISITIONS (CONT'D) : GLOBAL INDUSTRY-WIDE CONCENTRATION IS ON-GOING

Driven by :

- **Weak organic growth**
- **Gains in profitability through synergies in :**
 - Back offices
 - Distribution
 - Office footprints
- **Need for leverage when dealing with online retailers**

But :

M&A activity is slowing due to limited number of large independent players left

DIVERSIFICATION

With M&A, a top priority in order to generate growth

- **Board Games**

- Good culture fit
- Similar business model
- Potential synergies in sales and distribution

- **Video games for mobile devices**

- Fast growing segment
- Need for IP

- **Licencing**

- A policy for expanding marketing opportunities for all high value IP to other formats

Example :

- Asterix : Movies + TV series + Figurines + Theme Park / Etc.

INNOVATION & CRM

■ Hachette Innovation Program :

- A multi-national team with offices in Silicon Valley, New York, London and Paris
 - Focus is on :
 - New technology
 - New creative processes
 - New business models
 - CRM focus is on :
 - Consumer insight
 - Community Building
 - Monetization

TO SUMMARIZE

- **Publishing is a mature, profitable and resilient industry**
- **As a top player, Lagardère Publishing needs to grow, diversify and innovate in order to continue to deliver solid, predictable profits and abundant cash flow in the long term**

**We have already taken decisive steps towards that goal,
and are actively exploring further opportunities**