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The Global Ranking of the Publishing Industry 2014

Consolidation, digital integration, globalization.

Findings and Insights.

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The approach

The Global Ranking of the Publishing Industry, which has been updated every year since 2007, currently represents 56 companies that each report revenues from publishing of over 150 m€ (or 200 m US\$).

The overall number of listed companies has shown a fluctuation between slightly over 50 to up to 60. (As a consequence, some historic observations in the analysis here below refer only to the top 50 companies, to allow more relevant comparisons.)

This ranking is based, for each company, on mostly 2013 revenue data, collected from the best information available, which comes predominantly either from official company reports, or has been directly provided by the companies for this report, or if either was not possible, information has been retrieved from official company data registries.

For a few groups, only 2011 revenue figures are available at this point. No meaningful information could be collected for the publishing activities of Disney and of Panini, so that these groups are not included.

Since 2011, a specific research effort is directed at companies in Brazil, PR China, Korea and Russia, and has resulted in widening the scope of this report by emphasizing the dynamic developments in emerging economies. *(As for China, the analysis here below brings a more detailed discussion of the evolution of the top publishing groups, and our efforts, and challenges, to identify data and background information, that would allow a consistent inclusion of more companies in this report in the future.)*

As far as possible, this ranking is based on break downs of revenues that derive from all forms of publishing (including books, digital material, and profession information), as well as book distribution. Revenues from newspaper and magazine publishing as well as news wire services and corporate publishing have been excluded, as far as the available information allowed for making such a differentiation.

The Ranking has been established in Euros. Data reported in other currencies have been converted at exchange rates of December 30, 2013.

The Global Ranking of the Publishing Industry is an initiative of Livres Hebdo, France, co-published by The Bookseller, UK, buchreport, Germany, Publishers Weekly, USA, and PublishNews Brazil. It has been researched by Rüdiger Wischenbart Content and Consulting.

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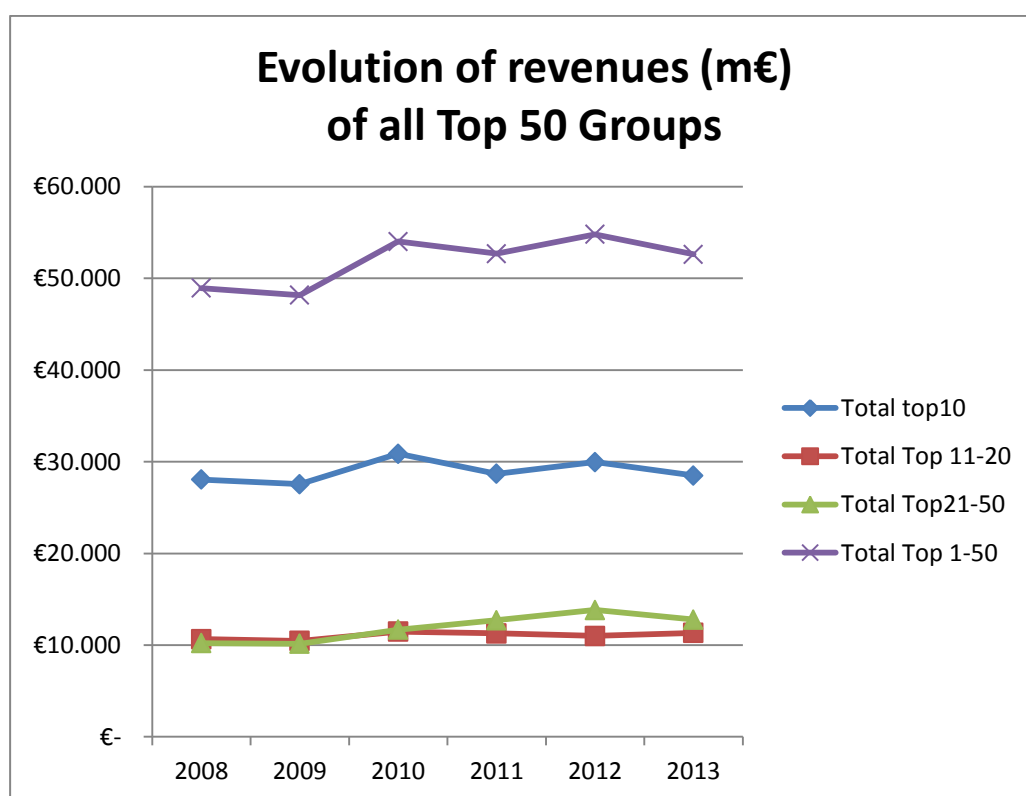
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General observations

The Global Ranking 2014, which is based predominantly on 2013 revenue data, lists 56 publishing groups, with a combined revenue of € 53.641m (as compared to € 56,566 m for the 60 listed companies in 2013, and € 54,303 m for the 54 companies listed in the previous year). So overall, the publishing sector shows a remarkable stability in its total volume.

A like-for-like comparison of the top 50 ranked companies reveals some remarkable dynamics in the globalizing publishing industry.

The 10 largest publishing groups worldwide account for well over half of the revenues of the 50 largest publishing groups, yet with that share slightly decreasing from 57 % (in 2008, 2009 and 2010) to 54 % in 2013 (against 55% in 2012). At the same time, the share of the 30 companies listed between rank 21 and 50 rose from 21 % in 2008 and 2009 to 24 % in 2013.



	2009	2010	2011	2012	2013
Total top10	27.553 €	30.876 €	28.690 €	29.968 €	28.492 €
Total Top 11-20	10.469 €	11.469 €	11.280 €	10.996 €	11.334 €
Total Top21-50	10.146 €	11.678 €	12.711 €	13.835 €	12.789 €
Total Top 1-50	48.167 €	54.022 €	52.680 €	54.800 €	52.616 €

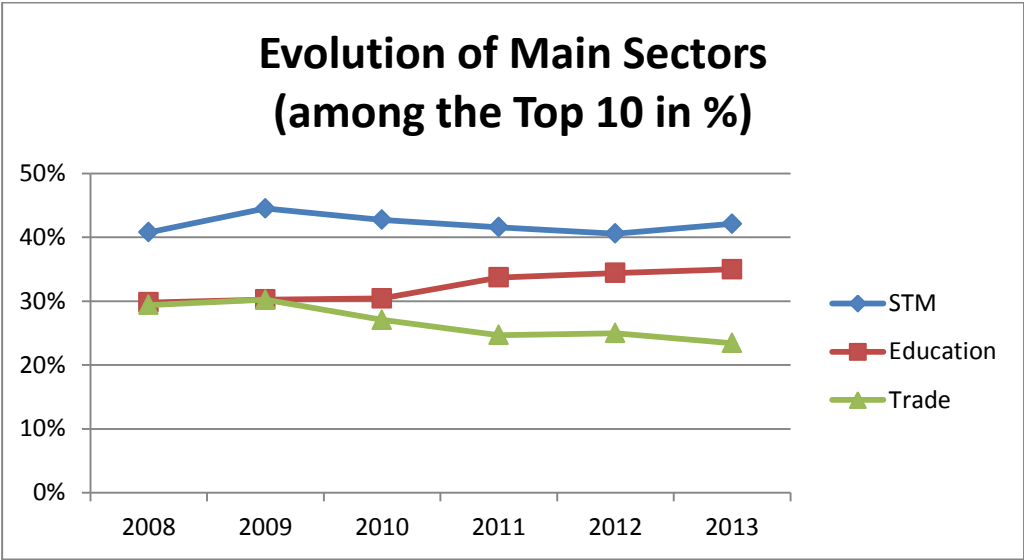
Chart and table 01: Evolution of revenues within the Top 50 listed publishing companies (in m€).
(Basis: Top 50 company revenues from publishing)

The expansion of companies from emerging economies (notably the BRIC countries – Brazil, Russia, India and China), with new entries in the ranks between 21 and 50 – that we had noted last year – slowed down in 2013, mostly because the currencies OF these countries suffer from depreciation against the Euro (and US\$), which, at

the same time, make imports of books and educational materials more costly for these aspiring societies.

Also, the three main sectors of the publishing industry – professional information & Science-Technical-Medical (STM) publishing –, educational and trade publishing evolve fairly differently, as we can show from the top 10 listed companies.

Among those largest publishing groups, the STM segment accounts for 42 % of the reported revenues, while educational publishing represents over a third, or 35 %, and trade (or general literature) is down to only 23 % of the total value that has been created by the leading actors in international publishing. Notably the gap between the share of educational and trade publishing is opening ever wider, highlighting that “educational” remains the perhaps most competitive sector of the industry.



	2009	2010	2011	2012	2013
STM	45%	43%	42%	41%	42%
Education	30%	30%	34%	34%	35%
Trade	30%	27%	25%	25%	23%

Chart and table 1: Evolution and comparison of STM, educational and trade publishing. (Basis: Top 10 company revenues from publishing)

Dynamics of change: Consolidation, integration, globalization

At a first glance, the top segment of the global publishing industry seems to reflect a surprising stability and continuity, as not only the top 6 have remained in perfectly the same order in the past year.

	Rank (data 2013)	Publishing Company (Group or Division)	Country of Publishing Company	Parent Corporation or Owner	Country Parent Corporation	2013 Revenues m/Euro	2012 Revenues m/Euro	2011 Revenues m/Euro
±	1	Pearson	UK	Pearson (corp.)	UK	5655	6913	6470
±	2	Reed Elsevier	UK/NL/US	Reed Elsevier (corp.)	UK/NL/US	4417	4479	4395
±	3	ThomsonReuters	US	The Woodbridge Company Ltd.	Canada	4015	4080	4181
±	4	Wolters Kluwer	NL	Wolters Kluwer	NL	3565	3603	3354
±	5	Random House	Germany	Bertelsmann AG	Germany	2655	2142	1749
±	6	Hachette Livre	France	Lagardère	France	2066	2077	2038
^	7	Holtzbrinck	Germany	Verlagsgruppe Georg von Holtzbrinck	Germany	1610	1608	1501
^	8	Grupo Planeta	Spain	Grupo Planeta	Spain	1566	1675	1772
^	9	Cengage	US	Apax Partners et al.	US/Canada	n.a.	1510	1443
v	10	McGraw-Hill Education	US	Apollo Global Management LLC	US	1434	n.a.	1763

Chart and table 2: The 10 largest publishing groups worldwide.

However, a closer look reveals strong forces driving change.

The world's largest trade publisher, Random House, has not only merged with Penguin, another of the Big Six in general book publishing, in 2013. The publishing group, headquartered in New York, yet a division of German Bertelsmann media corporation, also has acquired the second largest Spanish trade publisher Santillana, and took over full control over the third largest Iberian group, formerly branded Random House Mondadori, now re-labeled as Penguin Random House Grupo Editorial, thereby becoming one of the two leading publishing houses for over 300 million Spanish speakers in the Americas.

But also two other groups underwent a deep re-orientation, as educational publisher Cengage has to file for bankruptcy under Chapter 11 to re-finance. (Cengage was initially a split off from the Canadian Thomson group, before its merger with Reuters, to current Thomson Reuters.) And educational publisher McGraw-Hill was also split from its earlier mother company, which now became McGraw-Hill Financial (which includes the rating agency Standard & Poors, and Businessweek, while the

educational business was acquired by a private equity fund, Apollo Global Management.

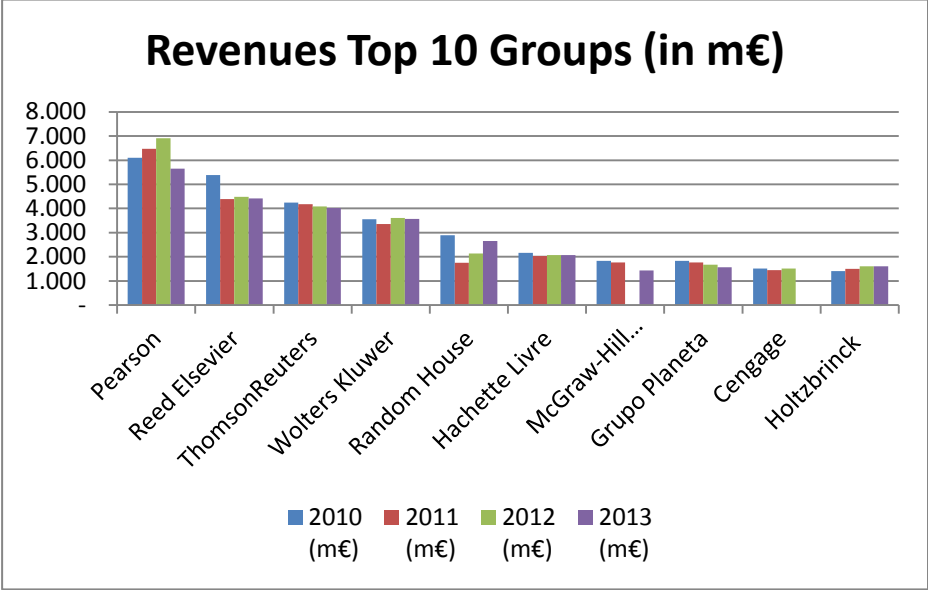


Chart and table 3: Evolution of revenue among the top 10 publishing groups.

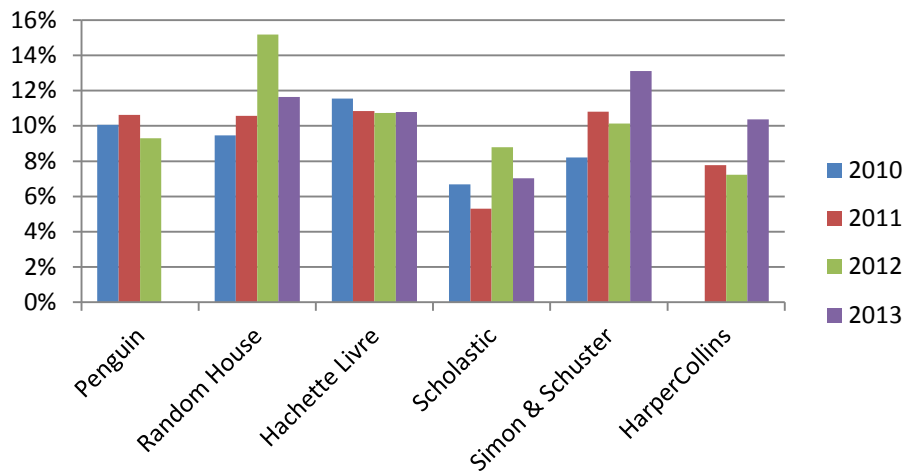
Pearson, the largest publisher in this ranking, based on annual revenues from publishing, and formerly the parent company of Penguin, primarily focuses on education (with its hold of the Financial Times newspaper as the only exception to that main focus).

It turns out that a growing number among the leading publishing houses consolidates around just one main field of business, be this education (Pearson, Cengage, McGraw-Hill), professional information (Reed Elsevier, Thomson Reuters), or trade (Random House, Hachette).

All these houses have a global approach to publishing, aiming at a stronger integration along the value chain – however mostly without including the last link to the consumer, namely retail. The exceptions to this pattern are to be found in the non-English speaking markets, at Grupo Planeta, at Russian EKSMO-AST, Swedish Bonnier, or Italian Messagerie.

Profitability among the largest trade houses has also remained solid, at around 10 percent for most large companies, with recent re-structuring and notably higher profits from digital helping.

Profits (Selected trade houses, in % in reporting currency)



Company (Group or Division)	2010	2011	2012	2013
Penguin	10%	11%	9%	
Random House	9%	11%	15%	12%
Hachette Livre	12%	11%	11%	11%
Scholastic	7%	5%	9%	7%
Simon & Schuster	8%	11%	10%	13%
HarperCollins		8%	7%	10%
Pearson Education	16%	7%	17%	13%

Chart and table 4: Profitability of selected trade publishing houses.

Publishing companies from emerging economies (BRIC)

It has been an ambition of this ranking to identify, portray and list publishing companies from outside the traditional main markets of this industry (North America, Europe and Japan), notably by looking at those populous countries with significant economic growth and, subsequently an expanding demand for both education and entertainment, with books and reading occupying a central position in this regard.

It comes at little surprise that in Brazil, China or Russia, to name just three examples, local publishing groups have covered the domestic reading and learning audience for decades, yet so without broader business exchange beyond their national borders. This is about to change dramatically, and in many ways.

All three sampled countries (with India being different, due to its particularly strong ties with British publishing) have seen a few domestic publishing houses to expand strongly, partly fostered, namely in educational, by their governments with state sponsored learning programs and digitization initiatives.

As these emerging economies have seen a period of rapid growth also in their publishing markets, which attracted obviously also international players, who could not expect to find economic growth other than from going global.

And in the case of China, for the past decade the largest buyer of rights and licenses for books, the government even decided to make “going out” – or international expansion – a strategic priority for the strongest Chinese publishing groups.

For the goals of this ranking however, looking at these markets and publishing companies came also as a challenge, as it turned out to be not easy at all to apply to these ventures the definition that this ranking is based upon (see details on the definition below in the annex).

Brazil

Three Brazilian publishers – Abril Educação, FTD and Saraiva – have qualified for being listed in this ranking by their revenues from publishing (excluding retail) in 2013.

As Brazil’s earlier overall economic growth has significantly slowed down, this was also felt by the publishing sector. Learning programs, and digitization initiatives sponsored by the government have help, however, to avoid dramatic decline in the book sector. But as the Brazilian currency, the Real, lost in value against the Euro and the US dollar, revenue of the publishing companies, when reported in Euro or dollar, seemed to have declined drastically. Saraiva, for example, had a turnover from publishing of 502 mR\$ in 2011, which was the equivalent of well over 200 m€ then. The almost identical result, with 507 mR\$ in 2013, is now worth a mere 156 m€.

FTD, at revenues of 405 mR\$ in 2012 (and 2013 of 468 mR\$) the smallest of the three Brazilian publishers in last year’s Global Ranking even fell, in Euros, below our threshold of 150 m€ for being listed.

So the reason behind these changes in this year's ranking are not so much a reflection of the book sector's slow down, but the general economic context that is framing the industry.

China

China's book publishing market is worth over 14 bn€ (at consumer prices, in 2012, based on government statistics), second only to that of the United States (at almost 30 bn€), so that China accounts for some 12 percent of the global book publishing industry.

As the business of publishing in China requires a license issued by the government, several solid key data are available, to portray this market by its overall size, and by its leading companies from a total of just under 600 officially recognized publishing groups.

Given the size of the country, and its staggering development in the past decades – which includes books, reading, knowledge resources, and educational materials of all kinds, both domestically born, and imported – it had to be an obvious requirement for this ranking, for being truly 'global', to look at the Chinese publishing market.

The exercise became a challenge for very practical reasons, and so despite of winning terrific help from friends and colleagues in the Chinese publishing sector.

The first step towards exploring China's publishing was relatively easy – to identify those groups that might fit into the framework for this ranking. The second required step however turned out to be a steep challenge: Understanding the actual fields of activity of each of these groups, and those revenue streams which we would want to include.

The main obstacle turned out to be that China simply looks at book publishing in a different strategic angle than what we had chosen as ours.

We could identify at least four corporations among the leading Chinese publishing groups that, by their profile and scope, certainly should be included in the list (in alphabetical order):

- China Education and Media Group (form. Higher Education Press)
- China Publishing Group Corporation
- China South Publishing & Media Group Co., Ltd (ZhongNan)
- Phoenix Publishing and Media Company

The first two groups, China Education and China Publishing Group, not only provided financial key data for this rating in sufficient detail, but also their business activities are entirely focused on the publication and distribution of books, learning materials, journals and related products and services.

Both China South and Phoenix are significantly larger corporations, with each having an also much wider, and more diversified portfolio, which includes newspapers,

printing facilities and other media ventures. China South reports total revenues of almost 17 bnYuan, or 2 bn€; Phoenix has revenues of 13.6 bnYuan, or 1.6 bn€).

Technically, Phoenix and China South would occupy rank 7 and 8, respectively, in the global listing for 2014. But the position would be impossible to justify, as we clearly make it a point to, for instance, to NOT include Pearson's revenues from the Financial Times Group, or newspaper revenues at Holtzbrinck, retail, advertisement and movie revenues at Grupo Planeta, or other than HarperCollins' book publishing within the giant NewsCorp.

The problem has a fundamental component that this Global Ranking will have to deal with anyway, and not just because of our wish to fairly represent Chinese leading publishers more broadly from 2015 on.

Book publishing, as a clearly singular business, is a concept of the past. The sharp lines, which in the past have made the distinction obvious against, for instance, newspapers and magazines, are blurring. New global players like Amazon or Apple tend to bring the entire value chain under their umbrella, from self-published and traditionally published authors, down to the reading club that brings consumers together around a book. And most recently, subscription offers of various media content are organized through joint ventures, with publishers teaming up with telecommunication companies.

The policies of the Chinese government are inspired by such perspectives, as they strongly encourage publishing groups to diversify – a strategy that tellingly let the Ministry in charge to be re-branded from GAPP (General Administration of Press and Publications) to a new, much longer name, which includes television, radio and digital media.

As a direct consequence, the companies in the sector often see no good reason for breaking down their revenue stream along traditional formats, like book publishing, or other media activities.

In the Global Ranking 2014, the decision has been taken to include only those two companies into the list, which have truly comparable financials reported – China Publishing Group, and China Education -, while representing Phoenix and China South through company profiles, yet outside of the ranked list.

For 2015, however, the goal must be obviously to be inclusive of all four identified companies from China.

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