SPRINGER NATURE

TRADING UPDATE Q1 2025
CONFERENCE CALL

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Transcript

OPERATOR

Good afternoon, ladies and gentlemen, and welcome to the Springer Nature Q1 2025 trading update conference call. At this time, all participants have been placed on listen only mode. The floor will be open for questions following the presentation. Let me now turn the floor over to your host, Thomas Geisselhart.

THOMAS GEISSELHART

Thank you and good afternoon, welcome to the Springer Nature Q1 2025 trading update call. My name is Thomas Geisselhart, and I lead Investor Relations at Springer Nature. Today I’m in our London office together with Frank Vrancken Peeters, our CEO, and Alexandra Dambeck, our CFO. Today’s presentation has two chapters: A Business Update presented by Frank and an Update on the Q1 2025 financials, presented by Alexandra. After the presentation, there will be an opportunity to ask questions. Overall, we have about one hour so that should allow for sufficient time including Q&A at the end. Before handing over to Frank and Alexandra, I would like to remind you that for revenues and adjusted operating profit, we present reported numbers and reported changes based on actual currency rates and reflecting the actual portfolio composition during the reporting period. We also show growth rates on an underlying basis, meaning that currency effects and portfolio changes are excluded for a like-for-like comparison. And please note that our financial guidance for 2025 is based on constant foreign exchange rates and the expected underlying performance of the business, which means that changes in the composition of the portfolio are excluded. And with this, I'm handing over to Frank.

FRANK VRANCKEN PEETERS

[01:47] Thank you, Thomas for the handover, and also a warm welcome from my side. Let me start with a brief overview of our key first quarter highlights. As indicated when we shared our 2024 full year results, we enjoyed a strong start of the year:

We achieved 6% underlying revenue growth and 11% underlying adjusted operating profit growth. This reflects: the resilience of our business and the effectiveness of our strategic initiatives. Our Research segment was the main driver of our performance, with continued strong momentum in Full Open Access.

We also made further progress against our strategic priorities; driving the transition towards Open Access to enhance visibility of research insights and deploying AI to transform the publication process. **[02:42]**

Finally, as to guidance, to provide greater clarity, we have introduced a range for the adjusted operating profit - aligned with the revenue range. Given the strong start and the underlying momentum in our business, we now expect full-year results, both in terms of Revenues and AOP, to come in at the upper end of the respective guidance ranges.

As you know, Research accounts for the majority of Springer Nature revenues and profits. And in the first quarter, Research accounted for approximately 80% of our group revenue and more than 90% of our group's adjusted operating profit. This highlights not only the scale of our Research segment but also its profitability and stability. **[03:34]**

As a brief reminder: the first quarter is typically a smaller quarter both in terms of revenue and operating profit. As a reference point: Q1 2024 accounted for approximately 23% of full year reported revenue and just under 20% of full year adjusted operating profit. Let me now take you through the performance of our individual business segments, starting with Research.

As mentioned, Research was the key driver of underlying revenue growth. In Q1, Research generated underlying revenue of €351 million and adjusted operating profit of €100 million, resulting in 7% revenue growth and 8% AOP growth.

The main growth driver was the continued strong development of our Journals portfolio. For instance, by the end of March, we completed about 90% of our 2025 contract renewals while contracted revenues typically make up about 62% of annual revenues. Our Full Open Access journals were the key driver of growth with publications up more than 25% and continued strong submission flow. We successfully launched two new Nature titles, Nature Reviews Clean Technology and Nature Reviews Biodiversity. And finally, we signed 14 new Transformative Agreements, bringing the total to 80, driving growth in the Springer portfolio **[05:15]**

Books also contributed positively. Following the recovery in the last quarter last year, print book revenues now stabilised in the first quarter. E-Book fulfilment is also ahead of prior year. And to further support E-book growth, we launched two new eBook packages: Artificial Intelligence and Mechanical Engineering.

Finally, within Services, advertising revenues further stabilized while growth in promotion and training contributed to revenue growth. We also observed good momentum in database and licensing revenues. Now, let's turn to the developments in our other two segments, Health and Education. **[06:00]**

Health performed in line with expectations. We generated € 41 million in underlying revenue which represents 4% growth. Like in Research Services, advertising revenues in Health showed signs of stabilisation, supported by a strong order book. In addition, growth was driven by solid demand in our international Pharma business — particularly in Medical Affairs — as well as in our Dutch medical book publishing.

Health generated € 4.5 million in underlying adjusted operating profit, a 22% increase. On a relatively small base, this strong improvement was mainly due to effective cost management initiatives. **[06:50]**

Education reported underlying revenue of € 53 million resulting in an underlying revenue decline of 1%. We experienced a strong first half year adoption cycle across the Southern Hemisphere and our focus on the Open Market segment supported positive revenue development. However, revenues were negatively impacted by phasing effects in Southern Africa.

With a very low prior-year base, Education reported over 200% growth in underlying AOP, driven by a more favourable product mix as well as cost phasing compared to prior year. Now, let me conclude with an update on the progress we made against our strategic priorities. And thereafter, Alexandra will give you more details on our financials. **[07:42]**

While our businesses enjoyed a strong start of the year, we have also been able to make steady progress against our strategic priorities.

First, driving the transition of Open Access to increase visibility of research findings. Last year we reached the milestone of publishing 50% of our research articles Open Access and we are continuing this with more than 50% of primary research articles being Open Access in the first quarter. This was driven by a combination of strong growth in our Full Open Access journals and 14 new Transformative Agreements, now more than 80 in total – as already mentioned. We also have a healthy Transformative Agreement pipeline with 50 agreements under discussion, and about a third of those are actually renewals for 2026. **[08:36]**

Second, leveraging Technology and AI to transform the publication process. With almost a third of staff in Research in tech functions and more than 90% digital revenues, we are a technology company. Snapp – our in-house developed publishing platform - saw an 80% increase in submissions compared to last year, that of course includes new migrated journals. As shared earlier we have about 90+ AI initiatives to drive speed, efficiency and last but not least integrity of the publication process. For example, in Q1 we launched an AI tool to identify irrelevant citations and we also donated our in-house developed tool that identifies AI generated nonsense text, Geppetto, to the STM Integrity Hub. Finally, the launch of our Nature Research Assistant – an AI tool to support researchers in their reading and writing activities – is still on track for a soft launch in the first half of the year.

[09:48] Third, we are a people's business as our colleagues have the deep domain expertise and hold key relations within their communities.

We are very proud that we were once again recognised as a leading employer in Germany, the UK and the US by LEADING EMPLOYERS. And also our internal engagement survey showed an engagement score of 75%, up 1% from last year, a clear signal that our people-focused initiatives are resonating. These achievements demonstrate that we are not only delivering strong financial results, but also successfully are executing our strategy to sustainably grow and create value for our communities.

Finally, let me take this opportunity to highlight the societal impact of our work by pointing out a recent report from the UK Publishers Association. The report - based on polling by Public First - explored our industry's contribution to knowledge exchange and cultural collaboration. **[11:00]** And according to the findings, 80% of international adults believe that British academic research positively contributes to the UK's international reputation – well ahead of music (73%), sport (72%), and business (57%). I think this clearly demonstrates the relevance of our industry and the strategic importance of what we do every day. This said, I now hand over to Alexandra for a financial update.

ALEXANDRA DAMBECK

Thank you, Frank. Following the business update, let me take you through the key financials for the first quarter of 2025.

As Frank mentioned we have seen a strong performance in the first three months of the year: Reported revenue reached €450 million and AOP reached €108 million which includes scope changes and actual currencies. We delivered strong underlying growth, with revenue increasing by 6% and adjusted operating profit rising by 11%. In addition, we significantly improved our free cash flow by €16 million, reaching a total of €158 million.We also continued to deleverage the balance sheet, achieving 2.0x financial leverage by the end of March.

The next slide provides further insight into our segments, covering both reported as well as underlying revenue and adjusted operating profit growth.

As Frank highlighted, we had a strong underlying performance in Q1 in our Research segment, while all other segments showed solid momentum and performed in line with expectations. **[13:00]** Frank has already commented on the operational performance. I will focus on the variance between underlying and reported figures.

Group Revenue grew by 6% on an underlying basis and 5% on a reported basis. The reported revenue for Research benefited from the favorable USD/EUR exchange rate during the renewal season for 2025 in Q4 and Q1, which more than offset the impact of the AJE divestment. Education, however, was particularly affected by hyperinflationary conditions in Zimbabwe and Argentina. For Zimbabwe, we switched to the functional currency USD in Q2 2024.

Group AOP increased by 11% on an underlying basis and 9% on a reported basis, as unfavourable fx effects outweighed the positive portfolio effect. **[14:05]**

In Q1, we also delivered strong cash generation. Free cash flow increased by €16 million, supported by improved operating performance and lower tax payments. We also benefited from reduced interest payments, which more than offset higher investments and lease payments. The lease payments included the final €4.5 million instalment from a lease surrender, while a similar payment occurred in Q2 last year.

This strong cash position enabled us to repay €100 million of our senior debt. Our net financial debt decreased further to €1.4 billion by the end of Q1 2025 and reduced leverage to 2.0x. This confirms the effectiveness of our capital allocation strategy and further strengthens our financial flexibility.

Finally, following a strong start to the year and the ongoing business momentum, we feel confident refining our full-year 2025 guidance. We provided for revenue a range of €1,885 to €1,935 million and we are now confident to land in the upper half of this range. **[15:47]**

We have listened to you and your feedback on margin guidance, so for clarity we have established an adjusted operating profit range of €523 to €546 million, aligning it with the revenue range: The lower end (€523 million) corresponds with the previously shared level of 2024 (27.7%) and we expect margin expansion as we move up the revenue range.

As with our refined revenue guidance we expect to close the year in the upper half of this AOP range as well. I am happy to hand back to Frank, who will close today's presentation.

FRANK VRANCKEN PEETERS Thank you, Alexandra. To sum it up: we enjoyed a strong start of the year. The first quarter clearly demonstrates the strength of our business — both in terms of financial performance and strategic execution. **[16:55]**

We've seen solid growth across key financial metrics, a strong contribution from Research, especially Full OA, as expected performance in Health, and Education with some phasing effects, and continued progress in our strategic focus areas. All in all, we are well positioned – as reflected by our refined guidance - for a successful 2025.

THOMAS GEISSELHART	Thank you, Frank. Now the call will be opened for questions. As a note here, we would like to limit the number of questions to two questions per analyst so that everybody has the opportunity to ask their high priority questions. In case there is time left at the end, we can do another round of questions. And with this, I'm handing over to the operator.
OPERATOR	**[17:48]** Thank you very much. Ladies and gentlemen, we now come to your questions. If you would like to ask a question, please press 9 followed by star on your telephone keypad. If you wish to cancel your question, please press 3 followed by the star key. Please press 9 star now to state your question. So the first question comes from George Webb, Morgan Stanley.
GEORGE WEBB	Yeah. Hi afternoon, Frank and Alexandra, I hope you're both well and congrats on the start of the year. I'll stick to the two questions. Firstly, you mentioned the 10% year over year published article growth. Could you add any color around what you've been seeing on article submission trends through the first quarter, please. And there's a second question just as we think ahead to the Q2 dynamics. I think one of the pieces of information we're missing, might be wrong on that, but it's just what the Q1 versus Q2 comparable growth rates were on an underlying basis last year. So was Q1 or Q2 last year notably different from one another. And actually just tied into that, I guess, you know, as we think about Q2, I'm guessing FX becomes a bit of a reported margin headwind. So I just wanted to confirm that's the case. Thank you.
FRANK VRANCKEN PEETERS	Thank you, George. Maybe I will start with the first question about article growth. Yes, indeed, we have seen 10% article growth, 25% in full open access. And actually, if you look at that performance, I think it's a combination of slightly improved market conditions. So if you look at overall article growth, it actually came down from 8% last year to about 4% in the first quarter. It's only a quarter of course. But if you look at full open access last year, market growth was about 3% and this year it's around 5 to 7% in the first quarter. So I would say in the overall market growth, you know: lower growth, back to normal in a way, 3 to 5% is what we typically see as long-term overall market growth, but a slightly better, improved situation for full open access. However, if you compare it to the growth we have achieved – 10% overall and 25% full open access – I think it's clear that we're taking market share gains as we did last year. **[20:15]** And I think that's essentially the result of the investments we're making, launching new journals, you know, increasing our footprint in Asia, launching the collections and of course, also the investments that we're making in A I to transform the publication process, for instance, by increasing the number of transfers and keeping more articles within our ecosystem.

So that's on the publications. If you look at submission growth, it was actually also pretty strong in the first quarter, well above 30% for the total journal portfolio, full open access well above 40%. And if you look at the Springer and Nature portfolio it's typically between 20 and 30%. So all in all I would say, the performance that we have in the first quarter in our journals business is essentially a reflection of the fact that we do a lot of things well.

ALEXANDRA DAMBECK

Then let me take the, the second question and George, when I did get that right, I think there are two elements in your question. So on the one hand side, it was about the phasing and the size of each of the quarters and the second one was related to FX development and there your focus has been on Q2, am I right on this?

GEORGE WEBB

Yeah, exactly. Maybe just on that first point on the phasing, just as we think about the Q1 5.6. You know, just as we think about what you delivered in Q1 and Q2 of last year, was that Q1 a tougher comp or an easier comp, that sort of thing.

ALEXANDRA DAMBECK

Yeah, understood. So the way I would phrase it, the two years and looking at Q1 last year. And maybe you also recall when we talked about the half year results last year, we had a strong performance for the first half year 2024, where we were coming in with round about 7% for the group in revenue growth and we have seen 17% in AOP growth. But we always reminded people that in 2023 we had a lower start into the year, and then we have seen a stronger first half year 2024. And that has been one of the reasons why we have seen stronger growth rates last year. And in particular, when you think about Q1 last year, this was really the moment when I would say the kind of high submission and full open access kicked in. At the same time, you have to bear in mind that we had a weaker start into the books business in Q1 last year. So it is a kind of slightly different composition that we have seen last year in Q1.

In terms of sizes of each of the quarters we would expect also this year a similar size of the quarters as we have seen it last year. And that we also provide now in the presentation, in the backup, you see the size of each quarter. And I would say last year was similar to this year that you had the smaller Q1 which was around 23% in revenue only. And then the coming quarters with somewhere around the 25, 26%. This is usually for research Q3 the strongest quarter. Does this give you sufficient color on the topic?

GEORGE WEBB

Yeah, that's helpful, thank you.

ALEXANDRA DAMBECK

Then moving on to FX and our view for the year. Let me first reiterate that the way how we provide guidance is based on underlying and particular based on constant currency and this is

	unchanged for us for the year. When you look at Q1, you most probably have noted that we had tailwind from an FX perspective in research and this was related to a stronger US dollar that we have seen in the renewal phases in Q4 and Q1. And that provided round about 4 million positive impact from US Dollar in our reported numbers. Also important to note is that with Q1, we have now already 50% of our expected full year US Dollar denominated revenue either realized or contracted. So this also gives us quite some, I would say, visibility into the topic. Then I would go to full year perspective, on how do we expect – and I think US Dollar there is the most important fx rate – how would we be more impacted for the rest of the year to go. Using today's fx rate as a kind of reference point of around 1.11, the impact for the year to go on this base would be about unfavorable 7 million in terms of revenue. And then also our AOP would be impacted by round about 3 million. When you're using this reference point, then for further sensitivity, every US Dollar Cent change would impact that on the revenue side with about 3 million. And for AOP, the impact would be below 2 million just to reflect a little bit on the sensitivity of the fx changes. I hope this helps as well.
GEORGE WEBB	Yes, great, thank you very much.
OPERATOR	So we come to the next question. The next question is from Steve Liechti, Deutsche Bank. Your line is open.
STEVE LIECHTI	Oh, hi, everybody. Thanks for taking the questions. My two are in terms of the guidance change, you've moved to the upper half of your 25 ranges in revenue terms and implicitly in the AOP as well. Just in terms of, it's not FX that's changed because it's constant currency. What has changed there? Is it the momentum in research? And is that OA or is there anything else that I've missed? So that's the first question. And then the second question is, I'm afraid, back to the US and Trump administration. I mean, obviously lots of noise there. I just wonder if you could give us any kind of anecdotes or help in terms of US specifics, in terms of article submissions, renewal processes that you've had with academic institutions or anything that's seen any kind of changes in the period that that the noise has really taken off from the Trump administration. Thanks. **[26:47]**
FRANK VRANCKEN PEETERS	Thank you very much, Steve, I'll take both questions. If you look at us feeling confident about the upper half of the guidance, this is essentially driven by the fact that we're pretty well advanced in the year. As I mentioned earlier, we've seen good publication growth in our journals business and also very good submission growth. And you know that the lead time between submissions and publications is on average about 200 days, in the Nature portfolio a little bit longer and in the full Open Access a little bit shorter. Second, as I mentioned earlier, if you look at our transactional part of the business, we have seen actually stable performance versus last year in terms of advertising and print

revenues. So that gives us the confidence to land in the upper half of both ranges, AOP and revenues.

I think if we look at the US, fundamentally the story hasn't changed compared to what we said with our full year results a couple of months ago. Obviously, the US is a key market for us. But it's also fair to say that it's part of a global set-up. So as I mentioned at the time, US revenues for us at a group level is about a quarter of our total revenues, and US is about 11% of total number of articles that we publish. And if you look at those 11% of articles – about 6% of our total articles, or just a little bit more than 50% of those 11% is the result of US government funding. And again about half of that is the result of NIH. So that gives you a little bit of a perspective of what the US means for us.

Now, we've actually seen pretty good progress in the US so far. You know, if you look at renewals, our US revenues for 70% are contracted revenues and more than 95% of those have been concluded and invoiced. If you actually look at revenues that we have directly with federal agencies, so essentially federal agencies buying access to our databases, that's less than 1% of our total revenues, and also those have been concluded. If I look at submissions and publications, they're actually pretty much in line with historic patterns. So in terms of submissions, you talk about around 15%, and publications, let's say a low single digit number. So all in all I would say the picture actually from what we said earlier hasn't really dramatically changed. I think as we said then, in the short to medium term, we don't expect a significant change also because our share of contracted revenues is pretty high.

I think maybe two elements to point out: Of course, one is federal agencies reducing the percentage of overheads that universities can charge on top of research grants. That used to be between 15 and 40% now moving towards 15%. I think with that number, it's important to keep in mind that the APCs are part of the direct cost, not of the indirect cost, so those are not impacted. And I think the other important point is actually a positive development that we have seen is that the NIH is basically moving forward their public access policy. As opposed to doing it by the end of the year, so the first of January 2026, they will now implement it by the first of July 2025 which we actually see as a positive sign because it means that the new administration is actually also promoting open access, which is pretty much aligned with where we as Springer Nature see this industry going.

STEVE LIECHTI: Great. Thank you.

OPERATOR: The next question is from Aytaj Khalilli, Barclays. Your line is open.

AYTAJ KHALILLI	Hi. Hello. Thanks a lot for the presentation. So I will have three questions. The first one being, can you give us an update on the conversations you have been having with the US universities as they face potential funding pressure from multiple directions? Have they been indicating that at some point all suppliers will have to feel some negative effects as a result of these changes. And has anyone asked you yet to renegotiate, negotiate a contract which still has some time to run? And the second one on the article retractions in 2024, you said you had about 3000. Is that running at a lower level in 2025 as far as you can see currently? And finally, in Education, Pearson's English language learning revenue line was strong through 2024 in terms of growth and it seemingly is growing much more than Springer Nature. Are Pearson just exposed to different geographies or could they be gaining some share? Thank you.
FRANK VRANCKEN PEETERS	Let me start with the first of your three questions. US university renewals, as I just mentioned we have done more than 95%. So basically, we have not seen a major change there. Obviously, any customer will always use, let’s say, pressure or different economic dynamics in negotiations. But so far, I have to say that our renewals in the US have moved forward as planned. Your second question was about retractions. Last year, we had about 3000 retractions. We actually publish those retractions on our website. So you can actually follow all the measures that we're doing and what's happening there. And in the first quarter, we had around 400. So in that sense, it's a little bit lower than the level of 2024 because if you were to extrapolate four times 400 you would get to 1600. But again, with retractions, it doesn't really work that way. So we'll have to see. I think we're doing a lot of the right measures, we work with our competitors to really address the issue of integrity. And I think we're on it. And yeah, I can only keep my fingers crossed to make sure that we continue to have this well under control. Then your last question about Education. I think important to keep in mind that in the first quarter of this year, our Education revenues were impacted by negative phasing. And if you look at where we expect Education to finish in the first half of the year, we would expect to see positive growth in the first half of the year and an overall growth rate similar to last year for the full year. Now, it's always important if you compare different companies with each other, you know, they're not active in the same regions. Pearson is not active in the same regions as we are. And as a result, you will see different adoption cycles, you will see different dynamics. So I think it's difficult to compare actually growth rates, one versus the other. I think actually Pearson made quite some changes in their portfolio a couple of years ago where it actually sold their presence in a number of geographies where we are actually present.
AYTAJ KHALILLI	Thanks a lot.

OPERATOR	The next question is from Sami Kassab, BNP Paribas.
SAMI KASSAB	Yes. Good afternoon everyone. Thank you very much. I have two questions. The first one, you flag the 90% renewal rate. That also means that 10% of your customers that had a contract expiring in December 24 as of mid-May had not yet renewed, are finding it difficult to renew for various reasons. So, can you elaborate a little bit on whether a 90% renewal rate being made is in line with history, is better, is worse than history. Who are the 10% that are struggling to come to an agreement, renewing the contract, please? And secondly, we are halfway through Q2. Can you provide any comments on the quarter to date performance across divisions? Is there anything that stands out as different from the Q1 trend? You mentioned Education finishing up in H1, so presumably it is up nicely in Q2. Any color you can give on Q2 trend. Thank you very much.
FRANK VRANCKEN PEETERS	Yeah, thank you, Sami. First maybe coming back on the 90% renewals, how to interpret that. It's pretty much in line with what we have seen in the past. And you know, you really talk about marginal differences and when I talk about marginal differences on a year to year basis, we might be 1 or 2% ahead or behind versus the prior year. Keep in mind that when we do our renewals, we work with government institutes and, you know, the bureaucracy sometimes can take time. It also depends a little bit on what are active renewals versus passive renewals? Active renewals where we actively need to negotiate the new three year term. Passive renewals, it's essentially the second or the third year of an existing contract. So in principle, I would read our 90% as a kind of normal year, not better or worse and quite in line with expectations. And if I look at the renewals still to be done, it's the ones that we know, and we also actually make a plan for the renewals. So we're actually right on our plan. So I would expect us to finish the renewals quite nicely.
ALEXANDRA DAMBECK	Continuing with the outlook for the year. Sami, we had a strong start into the year and we also expect a strong full year 2025. That's the reason why we have refined our full year guidance and we do expect to close the year in the upper half of the ranges for revenue and AOP that we provided today. With regards to the segments, we also see that we have a strong full year for Research. We also see there margin expansion in line with our midterm guidance and we also had reiterated on Education and Health that we see there low single-digit growth and in particular in Education where we had this phasing effects in Q1. We do expect to recover in Q2 as I said before. And we also expect to see positive growth by the end of H1 for Education.
SAMI KASSAB	Thank you.
OPERATOR	The next question is from Konrad Zomer, ABN Amro Oddo. So your line is open.

KONRAD ZOMER	Hi, good afternoon. Thanks for taking my questions. I've got two as well. The first one is on your progress on your A I initiatives. You mentioned similarly to post your full year results that you're working on more than 90 initiatives. From what we know, it seems that most of them are mainly beneficial for your internal efficiency, your cost base and your ability to service your clients. When do you think your AI initiatives will lead to more tangible revenue growth? Ie will start to really benefit the revenue producing capability of your clients. And my second question, it's a little bit similar to what has already been asked, but I'd like to come back on your guidance. When you reported your full year results, it was I think the 18th of March and it was less than two weeks from the end of Q1. Was your initial guidance just overly cautious or has the underlying performance of your business really improved since then?
FRANK VRANCKEN PEETERS	Yeah, thank you, Konrad. Let me start with the first one on the AI initiatives. And you're right, we have a portfolio of about 90 initiatives across the business and across our different business units. I think you're right in saying that for me, the biggest priority, if I look at AI is basically the opportunity to transform the publication process. I always say researchers, they don't like to write, they don't like to read, they like to do research. And that's why I think AI has a big opportunity for us. Now what it does in the publication process, it really is an opportunity to transform it. That means indeed we can reduce costs, become more efficient. ACDC is an example of that, automatical typesetting process, it can improve speed, for instance, finding reviewers faster, finding editors faster, but it can also make sure that we actually keep articles within our ecosystem. So essentially that's the cascading. And just as an example, if I look at the impact of T-Rex, we've seen a 30% growth in successful transfers within the ecosystem and that directly contributes to revenue growth. So I would say yes, AI in our core process is helping to make it more efficient. But if it makes it faster or it allows us to keep more articles in our ecosystem, it's actually contributing to revenue growth as well. And that's I think what makes AI in our industry unique. Second, we see indeed also like many other companies opportunities to use AI to improve the efficiency of our support functions, in HR, Communications and others, that's, you know, normal business. It also allows us to enrich our existing offerings. Like we do reading recommendations on SpringerLink or AskAdis or MAIA in Education. I would say that delivering completely new revenue streams is still early days. Although if you look at the licensing revenues, we actually do license our content for AI purposes, not with large tech firms, but we actually do that with Corporates. And that's actually a business that is growing quite nicely. So that is actually delivering new revenues. You know, it doesn't yet move the needle, but it's slowly but steadily growing in the right direction. And then, as I mentioned during the presentation, we're still on track to launch our Nature Research Assistant, which will be a tool to help researchers read and write.

	Again, there, I don't expect significant revenue impact in, let's say the first two years, we're aiming for a penetration strategy. But I think ultimately, it has the opportunity to contribute to revenues as well. We did some interesting research, we basically polled about 2000 researchers about how they use AI and 50% of them actually said that they use AI on a regular basis. And out of that 50%, 1 out of 5 was actually already paying for AI services. So it just shows that there is a willingness to pay. And I think with the right offering, I would expect us to be able to create a new revenue stream in the long term.
ALEXANDRA DAMBECK	Konrad, let me take the guidance question. Let me just revisit the various elements. From my point of view, there is not so much change compared to what we have communicated with the full year results back in March, when you recall we had confirmed at that time our mid term guidance, and we're doing currently the same. So we expect to outperform the research markets round about 1% every year. And we also committed to expand our AOP margin by 100 basis points over the term of three years. And that's something that we are confirming with each of the communications. We also set back at that time our revenue range between 1 billion 885 to 1 billion 935. And we also have that you usually see when we give our guidance that we will land in at the mid point. Yes, we have done there a kind of refinement now with the tailwinds that we are seeing with the good performance on full open access. And we have been also talking about the stabilization that we're seeing on our books business, of stabilization on advertising. So there are positive elements in there that we feel confident that we will be above the mid point. Major changes may be too strong of a word. But the change that I do see compared to the communication that we had at the time of the full year we thought is that for clarity – because we clearly have heard the feedback on our margin guidance – we thought we have to provide more clarity on the AOP guidance. And that's why we had introduced the range now to reflect also the revenue range to help you to better understand our ambition that we have in terms of AOP growth. And as we said, we are now more confident and also we feel now that we could achieve even with that range result in the upper half of the range provided. That's from my perspective the major change.
KONRAD ZOMER	Thank you, both answers are very helpful.
OPERATOR	The next questions comes from Conor O'Shea, Kepler Chevreux. Please go ahead.
CONOR O'SHEA	Yes, thank you. A couple of questions from my side as well. Firstly, on the Research business, I wonder if you could give us a little bit more color in terms of the drivers of growth. You call out the growth in full open access journals, but in the Nature journals and the Springer journals, anything any kind of change in pattern that you're seeing in the first quarter or year to date to call out?

	And wondering if you can give us any sense if there are any regional differences, particularly in the second quarter in terms of article submissions generally. And then the second question, I wonder if you could just remind us of the sort of typical time lag you would expect between applying and getting funding for article research and submission and publication particularly in the US market. That's my second question. Thank you.
FRANK VRANCKEN PEETERS	Okay. Thank you, Conor, I'll try to answer both questions. So if you look at the drivers of growth in our Research business, yes, open access is an important driver of growth. As already earlier mentioned, let's say how market growth is a bit better year to date Q1 compared to last year. But if you compare our growth versus the market growth, I think it's fair to say that we're beating the market by a mile. And that is the result of the strength of our portfolio, but also the investment initiatives that we have taken over the past couple of years and that we're continuing to do, launching new journals, launching collections, strengthening our footprint in Asia. So that really explains, let's say the success of our full open access portfolio. If I look at the Nature Portfolio, you know, we're continuing the journey of launching new journals, up-selling customers and that supports the continued superior growth in the Nature Portfolio. And last, but not least if I look at the Springer portfolio, it's very much driven by the Transformative Agreements. And again, you know, we had 40 new agreements beginning of this year, one of them in the Nature Portfolio, 13 in the Springer portfolio, we have a pipeline of 50, a third of those are renewals. So all in all I would say that direction of travel has not really changed since three months ago. It hasn't really changed since half a year ago. I always keep repeating, we're a long term business, you know, these kind of things. I mean, if you look at the investments we're making in new journals, they typically don't deliver revenues back in one or two years, but it actually takes a little bit longer. So that's why in a way this is a long term business. Now, that definitely is true for the second part of your question. So if a researcher gets a grant, does the research, writes the article and then gets a publication, you talk about lead times of easily 3 to 4 years. Depends a little bit what type of research it is, depends on which area it is. If it's just desk research, of course it goes faster. But if it's in life sciences, and you need to do polling of individuals, etcetera, it can take a lot longer. And I think it's also fair to say that there's not really regional differences for that kind of research follows the same lead time across the globe. **[48:27]**
CONOR O'SHEA	Ok, very helpful, thanks, Frank.
OPERATOR	Okay, many thanks. The next question is from Lisa Yang, Goldman Sachs. Go ahead, please.
LISA YANG	Good afternoon. Thanks for taking my questions. Just to come back on the margin, just to confirm your operating profit guidance

imply basically 28 to 28.2% margin for the year. So 30 to 50 basis points margin improvement. So just to clarify that, then if you could maybe clarify the main moving part of top line growth that would drive the margin improvement to 30 or 50 basis points? And actually related to that question you had more than 100 basis points of margin improvement in Q1. So was there any major phasing in terms of cost? And this is how you expect the margin to develop over the remaining part of the year. If you can talk about, I don't know which quarter you expect margin to improve more or less than others, I think it would be helpful. And the second question is just on the free cash flow as well, very strong in Q1. Could you also again talk about maybe seasonality of the free cash flow. How do you expect that to evolve the next couple of quarters with any one off or phasing we should be aware of? And given you're already at 2 times net debt to EBITDA which is basically the upper end of your mid term leverage target, are you also refining or do you expect to also refine at some point, your capital location policy? Thank you.

FRANK VRANCKEN PEETERS **[50:00]** Maybe on the margin question, we should split it in half. I'll take the first half and then Alexandra will take the second half and I guess Alexandra, you will also come back on the free cash flow. Yeah. So if you look at the margin question as it relates to revenues, yes, we do enjoy operating leverage and as a result, if we grow, our margin will expand. And that's why you will see a margin expansion between the mid point and the AOP range, how it correlates with more revenues leading to more margin. The low point of that range was actually the 27.7 which was the same as last year. And so across that range, you will see the margin expansion expanding as our revenue expands. Now, if you look at what drives revenue growth, I think it's fair to say that our recurring contracted revenues would typically sit in the middle of the range. You know, we can predict them pretty well. It's price increases, it's multi year contracts with very little attrition. I think what moves the needle, of course is things like full open access, advertising revenues and print revenues and to some extent, a little bit of our ebook business because part of that is transactional as well. So that really will move us along that revenue line. We would expect both Education and Health to probably show a low single digit growth rate. But you know, given the fact that they are less profitable, they don't contribute that much to AOP. And I think that's maybe explaining a little bit the range and how in terms of revenues we would move across that range.

ALEXANDRA DAMBECK My take was you also have been interested in whether Q1 is indicative then for the full year. And from my perspective, the short answer to that would be Q1 is a very small quarter. So yes, it gives some indication, but definitely it's not the indication for the year. When you think about the margin expansion that we have been seeing for revenue and for research, it goes back to what Frank just explained, the levers that we have been able to pull there with the product mix continued driving efficiencies, but again, it is a small quarter with, I would say the lowest revenue share in research across the year. We have been pleased about the development in Health that we have been seeing there, primarily driven by the revenue growth, but also by the sustainable cost base that we have been able to establish, helping us also to improve margin. And yes, we do expect margin expansion also for Health for the full year. The extent that you have been seeing that in Q1 I would not consider as indicative. And the same from my perspective has to be seen for Education. That's impacted by on one hand side, a mix of the countries, of the product mix that we are seeing this quarter in Education and some costs saving that will level out. So ultimately, what I also would see for Education, similar performance as we had always indicated round about the growth rates that you had seen for 24. And also we expect a slight margin expansion for this business as well. But I would not take for the margin expansion also in this business Q1 as an indication. **[53:27]**

With that, then leading over to the second question about the free cash flow. And as you rightfully said we are very pleased about the progress that we are making on free cash flow. In terms of pattern and also the major driver that we have seen with Q1 most probably have noted it, someone has cited the operational performance. Also very positive to see that as we have indicated, we see that our working capital needs are not increasing. So that's positive for us. And then the other major driver is on the interest side. As we are benefiting from the further repayment of our senior debt, the interest rates are in our favor and then also with the deleveraging, we see the positive impact also on the margin side. So all of that is contributing then also to our deleveraging. With regards to the pattern that we have in the free cash flow, Q1 and Q4 tend to be faster quarters that are the highest in cash generation. And that's the kind of typical pattern that you see every year. There can be slight shifts between a quarter, depending on the payment. And you just think about the volume of our contracts so there could be slight shifts. But I would say the kind of spikes in cash generation are in Q1and in Q4.

Then ultimately, we are also very pleased when I think about the leverage ratio that we have achieved. Just think about where we as a company are coming from. Now thinking about two times debt to EBITDA ratio is really a great achievement for us. And we also had set our target range in a 2 to 1.5 times. We just now achieved, I would say the upper end, which is a huge success. But also when you think about where our competitors are, I would say for the time being it's appropriate for us to further continue to deleverage.

LISA YANG

That’s great, thank you.

OPERATOR	Now we have a follow-up question by Steve Liechti, Deutsche Bank.
STEVE LIECHTI	Yeah, hi there. Sorry, one last one. Just in terms of AI deals, you kind of mentioned it in passing. I don't know if I was right, but when I sort of re-looked and rethought about the call we had with the full year figures, it kind of felt like you were warming up to doing some bigger licensing deals from your previous stance, which was, we probably won't do it. Is that a fair comment? In terms of you would potentially think about doing a bigger AI deal now? And then the second part would be, you know, we had a whole flurry of those AI deals a while back in 24 and it's all gone quiet. Are those kind of deals still available in the market as far as you're concerned? Thanks.
FRANK VRANCKEN PEETERS	Steve, thank you, I'm not sure what "warming up" means. I think what I said is, we're not religious on AI deals and what it means for me is that if I look at the bigger AI deals, those would have to meet certain conditions and we only would do them if they work for us. And yes, we are in discussions. I don't know whether other companies are in discussions as well, you know, whether this is heating up or cooling down. I'm staying relatively on the same temperature to be honest. I think however, we always said, you know, just maybe to clarify, if I look at universities, if they have subscriptions from us, they're actually allowed to use our content in AI applications. As long as it stays within their environment, we see that as internal use and it's part of the license. We also have a business called text and data mining. And that's where we also give big Corporates our content to be used for AI purposes. And that actually is a business that is doing pretty well. Now, if I say pretty well, we're talking about not even 1% of our revenues in Research. So it's not, you know, it's not huge, but it's nicely growing and it's helping us to give our Services segment a little bit of a positive revenue growth rate. But I would say that our position versus the bigger AI deals with large tech, that position hasn't changed. If it works according to our principles, then we would be happy to do it. We're constantly in discussions, but it's not our first priority. The first priority is essentially what I answered earlier, is how we look at AI and how we actually can use it to the benefit of Springer Nature and providing more value to our research communities. Does that help? Maybe it was a bit of a long answer, Steve? So hopefully I've nailed it. **[58:40]**
STEVE LIECHTI	That's exactly what I wanted to hear. Thank you very much for that.
OPERATOR	Thank you very much. We have no more questions. Back to the Springer Nature host.
THOMAS GEISSELHART	Thank you. And with that, that concludes today's call. Thank you for dialing in and goodbye.