SPRINGER NATURE

FINANCIAL YEAR 2024 CONFERENCE CALL

18 March 2025

Transcript

OPERATOR	Good afternoon, ladies and gentlemen, and welcome to the Springer Nature results conference call for the full year 2024. 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	Good afternoon and welcome to the presentation of the Springer Nature Full Year 2024 results. My name is Thomas Geisselhart, and I lead Investor Relations at Springer Nature. Today I'm here in Berlin 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 Financials 2024, 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 make a few remarks on how we present our financials: 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. **[01:07]** Our new financial guidance for 2025 is based on the expected underlying performance of the business, which means that the impacts of foreign exchange rates and changes in the composition of the portfolio are excluded. And with this, I'm handing over to Frank.
FRANK VRANCKEN PEETERS	Thank you, Thomas. We are excited to welcome you to our first full-year results as a public company, following the successful IPO six months ago. In the appendix, you'll find a company profile presentation for those that are less familiar with us. To kick off, let's take a look at the highlights of our performance in 2024. Obviously, we're very proud of our results which put us at the upper end of our guidance. We delivered strong financial results with revenue growth at 5% and profit growth at 7%. **[02:05]** Revenue growth was driven by the Research segment, which grew by 6% and Education by 3%, while our Health business remained stable. Growth in Research was driven by strong performance in our Journals portfolio. During 24, we also achieved an important milestone in our transition towards Open Access, by publishing 50% of our primary research articles open access on the back of very strong article growth. We also maintained our focus on Technology and AI to provide more value to our communities and transform the publishing process. Today, we have more than 90 (nine-zero) AI pilots running across the business. Looking at 2025, we've already seen a solid start to the year allowing us to expect results in line with our mid-term outlook.

[03:01] For those who are less familiar with Springer Nature, let me briefly introduce our company: We are a global leader in the research ecosystem, generating €1.9 billion in revenues, with 77% coming from Research. And that is also where 88% of the € 512 million in profit is generated.

We operate in three segments, as you can see on the right – Research, Education and Health – each with leading positions in their respective markets. In Research, we are an essential link in the research ecosystem by curating, validating and disseminating knowledge as we help researchers uncover ideas and share their discoveries. In Health, we support practitioners to stay at the forefront of medical science and in Education, we support teachers to advance learning. We are a global company with more than 9,000 employees across 40 countries.

[04:01] We also enjoy a high-quality revenue base with Research contributing 77%. And our revenues are almost equally distributed across the globe. In Research, 62% of revenues are contracted, and almost 90% are digital. Let me now briefly explain our strategy on the next slide.

Our ambition is to outperform the market while growing responsibly and sustainably. We focus on 3 key areas in our strategy: (1) Driving the transition to Open Access, (2) Leveraging technology & AI with our domain expertise, and (3) ensuring that Springer Nature continues to be a great place to work.

We are driving OA, because it provides greater value to our research communities with more downloads, more citations, and much greater public awareness. **[05:00]** At the same time, OA allows us to better align the value we deliver – publishing articles – with the revenues we generate.

With technology & AI, we provide value-adding services to our communities across our three segments. In Research it allows us to transform the publishing process, improving productivity, speed and quality.

And finally, as a people business, attracting, developing and keeping talent is key to us. Our colleagues not only have substantial domain and technical expertise but they also hold deep relations and high-quality relations in our communities. In 2024, we strengthened our team with 3 new executive leaders: Alexandra of course and Maria, our new Chief People Officer, were hired for retired predecessors – and finally Saskia joined in a new role as Chief Digital Officer.

These three strategies allow us to increase our performance while growing responsibly. In 2024, we retained the highest reputation within the publishing industry, we saw continued high author satisfaction and we received a Gold Rating from Ecovadis for our strong commitment to sustainability.

We operate three divisions, Research, Health and Education. Each of them has strong brands, leading positions in their respective markets and enjoy strong underlying growth drivers. We achieved overall revenue growth in 2024 of 5%, the result of strong growth in our Research division at 6% driven by strong performance in our journals business. Education grew 3%, driven by strong growth in India and Southern Africa. And finally, our Health business stabilized following further normalization of advertising budgets of our big pharma customers. **[07:00]** Let me now give you a more detailed update on our business' progress – starting with Journals in Research.

I'm pleased to share that we saw excellent results in our Journals business: Our article growth of 16% was twice as high as the market. And also, we grew our OA share of Springer Nature articles from 44% in 2023 to 50% in 2024 – a great milestone. Let me share some highlights along four topics on the left side. First, quality: We are proud to have 47 journals leading their Impact Factor category as the Number 1 journal. And we continue to lead the Top 50 Impact Factor space with 23 journals – demonstrating the distinctive quality of our premium journals. Second, new launches: We successfully launched 3 new Nature titles (Nature Cities, Nature Chemical Engineering, and Nature Reviews Electrical Engineering) and 65 new fully OA journals, allowing us to secure and expand market share in these areas. OA transition: We had 66 Transformative Agreements in total, which allowed us to drive the OA transition at scale across all continents. The US saw the most activity in 2024, including a TA with Lyrasis that covers 120 institutions. Europe continues to be the most mature Transformative Agreement market. Finally, research integrity: We made significant investments in our research integrity by scaling our direct specialist team and implementing more automated checks. We also actively contributed to the STM integrity hub – a cross-publisher initiative to support research integrity across the industry. Finally, we published our first Editorial DEI report in 2024, affirming our commitment to serve a diverse and global research community. **[09:10]** Let's take a look at our Books and Services business on the next slide.

Starting with books, about 70% of our book revenues are now digital. Overall, we saw an accelerated decline in print despite a good year-end finish. Demonstrating the value of our content, we have seen 35% growth in the usage of our eBooks. And to support revenues going forward, we have already secured more than 16 thousand contracts for new books, allowing us to publish about 14 thousand books per year. We've also launched 2 new eBook collections for 2025 – Artificial Intelligence and Mechanical Engineering. And another business model improvement is the "Access & Select" offering, which allows evidence-based purchasing decisions for libraries. **[10:06]** Let's move to Services: As a reminder, early in 2024 we divested our AJE business, which was part of our Services. This unit was negatively impacted by the emergence of AI.

As you can see on the right, we have seen good growth in our sponsored events & conference businesses, where we saw an increase of 43% in the number of events in 2024 compared to 2023. At the same time, our advertising business faced headwinds, because of a further decline of marketing budgets in our key markets, for example suppliers of lab equipment. Our data & analytics products have seen good renewal rates, and we were able to secure new customers. Nature Research Intelligence – our new solution that provides researchers and decision-makers with data-driven insights – has effectively deployed AI. And looking at a new AI solution: For our Nature AI assistant helping researchers with the reading and writing part of their research, I'm pleased to say that by the end of 2024, about 600 researchers tested our pilot, and an overwhelming majority (81%) reported that it would save them time. The open beta launch is expected in the second quarter of the year. Let's now move to Health and Education.

Overall, our Health business remained stable. Within Health, our International Pharma unit successfully refocused on more sustainable budgets of pharma headquarters and their associated medical affairs departments. Unfortunately, we also saw three key pharma customers cancelling their unsuccessful clinical trials. Cureus – our digital-first medical publishing platform – saw strong growth driven by increased submissions and 39% growth in publications. **[12:05]** Our advertising revenues declined due to further normalisation of the advertising budgets of our big pharma customers and new health insurance legislation in Germany. Against this background, we have been able to maintain our profit margin in Health despite flat revenues due to strict cost management like streamlining our organisation.

Now turning to Education, where we saw growth of 3% in 2024. Growth was driven by strong performance in India and Southern Africa leading to an expansion of "Open Market" revenues. And as a result, the "Open Market" share grew from 72% to 84% in 2024. This positive momentum was partly offset by the loss of our Conaliteg government business in Mexico. We continued our journey of digitalisation in Education with the global roll-out of the "Macmillan Education Everywhere" platform and "MAIA – Macmillan AI Assistant" for tutors. And finally, we improved our profit margin in Education by just over 1% because of a comprehensive cost management programme – called Elevate.

Before I hand over to Alexandra to discuss our financials in more detail, I would like to touch upon our progress with AI which we see as a great opportunity for Springer Nature.

As I've told before, researchers don't like to write and read, they like to do research. And in Research, AI allows us to transform the publishing process by improving quality, speed and efficiency. The backbone of this transformation is Snapp – which is our home-grown submission-to-accept system supporting more than 1,000 journals and 1 million submissions in 2024.

Let's take a look at some of the highlights from the publishing workflow. To support manuscript submission, we launched a Journal Finder, which helps authors find the most suitable journal in our more than 3 thousand journals. Also as part of the submission process, we've developed Research Integrity Tools helping us to check over 2 million manuscripts in 2024. **[14:20]** At the peer review and acceptance stage, we launched our AI-enabled Editorial Assistant – called "Arpi" – which helps Editors with quality checks. Another tool we launched in 2024 is our transfer recommender, called "T-Rex". And with "T-Rex", we're effectively automating the cascading and transfer process. In article production, we use a tool called "ACDCx", which allowed us to automate the typesetting of about 1 million pages, saving 60% of production costs compared to pre-press vendors. And finally, to drive AI adoption and experimentation across the organisation, we launched our own "AI Academy" which trained close to 2,000 employees last year and we also made a set of AI tools available to all employees.

That concludes the business update. I would now like to hand over to Alexandra to discuss our financial results.

ALEXANDRA DAMBECK

Thank you, Frank. I am happy to share further insights into our annual results.

As Frank said we delivered really strong performance this year. We reported revenue of 1,847 million Euro and adjusted operating profit of 512 million Euro including scope changes and at actual currencies. This reported revenue represents an underlying growth of 5% compared to 2023. And the adjusted operating profit reflects an underlying growth of 7% benefiting from our operating leverage and efficiency measures. **[16:03]** This led to an expansion of the adjusted underlying operating profit margin by 63 basis points to 28.3%. Our Free Cash flow improved substantially by 54 million Euro to 219 million Euro. And driven by our strong performance and proceeds from the capital increase at the IPO, our financial leverage ratio decreased to 2.3 times. Thanks to our enhanced financial performance, we were able to raise adjusted earnings per share by €0.52 Eurocent to €1.09 Cent. Let me show you on the next slide how the actual results convert into a "like for like" logic so that we can compare to guidance.

Firstly: We successfully delivered what we promised and achieved results in the upper part of our guidance. You can see above circled in green the guidance range given at the time of the IPO and next to it the performance delivered in the year. We achieved revenue of 1,842 million Euro and Adjusted operating profit of 516 million Euro, both at the upper end of our guidance range. Considering also Foreign Currency Effects, reported revenue shown on the left at actual Fx rates amounted to 1.847 million Euro and Adjusted Operating Profit to 512 million Euro.

And as mentioned by Thomas earlier, we refer across our presentation also to growth rates on an underlying basis, meaning currency effects and portfolio changes are excluded for a like-for-like comparison. **[18:00]** This view for 2024 is provided on the far-right hand side with 1.838 million Euro in revenue and 520 million Euro Adjusted Operating Profit. The next slide provides further insight into our segments, for reported as well as underlying revenue and adjusted operating profit growth.

As Frank described, we had a really strong year in our Research segment, and all other segments performed in line with their respective market trends. You see here in the right-hand column, that Research was the primary driver of our underlying group results, delivering 6% revenue growth and nearly 8% growth in adjusted operating profit. The Education segment also demonstrated good performance, achieving 3% revenue growth and 17% adjusted operating profit growth in key markets, while the Health segment remained stable despite a challenging market environment. And at the bottom right you see the group's underlying margin grew by 63 basis points as mentioned before. Our stable reported group results in the middle columns here, were mainly influenced by scope changes following the divestments of the Transport Business and AJE within Research. Additionally, adverse foreign exchange effects played a role. Research was impacted by a weaker US Dollar and Yen, as well as a stronger British Pound, as we have a considerably higher cost than revenues in British Pound. In Education a weaker Argentinian Peso was the most relevant. **[20:00]** So it has been a strong year, and on the following slide, you'll see the key characteristics of our revenue model which is the key driver of this performance.

As Frank highlighted earlier, we maintain a significant portion of recurring revenue, supported by a well-diversified geographic customer base and strong cash generation. As you see on the left more than 50% of our group revenue was contracted, and within Research that level is significantly higher with 62%. We enjoy a well-diversified geographic base and all this leads as you can see on the right to a strong cash performance resulting in 219 million Euro Free Cash Flow in 2024.

And this Free Cash Flow is a significant improvement over the previous year. This was driven by strong operating results, favourable developments in working capital, and a reduction in one-off expenses, counterbalanced to some extent by increased tax payments. Our financial leverage has continued to decrease to 2.3 times, supported by positive operating results and approximately 400 million Euro in debt repayment, funded by net proceeds from the IPO of about 197 million Euro and Free Cash Flow. We remain committed to our mid-term leverage target of 1.5 to 2 times.

And turning back to the P&L, we delivered a substantial improvement in adjusted net income for the year. You can see near the top of the table this reflects the improved financial result following the refinancing at the end of 2023, partially offset by higher income taxes. **[22:04]** And at the bottom you see this resulted in an adjusted Earnings per share of 1.09 Euro, an increase of 0.52 Euro over the prior year. Looking next to our Dividend Policy: For the year 2024, the Management and Supervisory Board will propose a dividend distribution of 0.13 Euro per share, totaling 25.9 million Euro.

And to confirm our mid-term guidance: We intend to distribute around 50% of our adjusted net income. Dividends will be distributed from capital reserves and will be exempt from German dividend withholding tax. And finally, a few words on our Financial Outlook for 2025.

Our Financial Outlook is based on underlying performance: 2024 reported revenue and adjusted operating profit (here on the left hand side) are therefore retranslated using recent constant currency rates and adjusted for change in scope. Scope adjustments primarily relate to the AJE divestment and amount to minus 3 million Euro in revenue and plus 2 million Euro in adjusted operating profit. For the constant rate scenario, please bear in mind our methodology is using prior-year rates for comparison and we consider in addition the following adjustments: Fx rates for revenue earned from deferred revenues is adjusted to constant rates and then in addition, for Argentina we switched to current-year forward rates. And accounts receivable and accounts payable at spot evaluation was eliminated. **[24:08]** These Fx impacts are impacting revenue with -9 million Euro and adjusted operating profit with minus 7 million Euro.

This translates into a guidance base of Revenue at €1,835.0 million and adjusted operating profit of €508 million. On this basis, we expect, for 2025, revenue in the range between €1885 million and €1935 million and an adjusted operating profit margin at least at the level of 2024. This reflects our assessment of the positive dynamics in the market as well as the continuous investment in our future growth. It also allows for the costs related to the first full year as a listed company as well as the benefits of the efficiencies and process improvements we continue to deliver.

	And as you can see on the right here our mid-term guidance for the next three years remains unchanged. With that, back to Thomas.
THOMAS GEISSELHART	Thank you, Alexandra. Now the call will be opened for questions. As a note here, we would like to limit the number of questions to 2 per analyst so that all Research Analysts have the opportunity to ask their high priority questions. And with this, I hand over to the operator.
OPERATOR	Thank you. So, ladies and gentlemen, if you would like to ask a question, please press nine and star on your telephone to register it. If you wish to cancel that question, please press three, followed by the star key. So one moment for the first question, please. The first question is from George Webb, Morgan Stanley. Please go ahead.
GEORGE WEBB	Hi and afternoon, Frank, Alexandra and Thomas. Yeah, I'll kick off for two please. Firstly, just on the 2025 guidance on the revenue growth noting that implied range of 2.7 to 5.4%, I think on an underlying basis. I guess my question is around the width of that guidance range, particularly in the context of other peers. You know, Informa, I'm sure you've seen they're guiding around 4% underlying to Taylor and Francis, and I think with Relx expected around 4% as well. You've talked to that expectation to outperform the market over time. So wondering if you can piece together how you thought about constructing the width of that 2025 range and particularly at the low end of the range, what needs to go less well this year, either at the company level or at the market level, that might bring up a 2.7 type of number? Second question, just bearing in mind that discussions have moved along a little bit in the number of months around US research funding, NIH impacts and things – just curious at a very high level at the latest you have on how you see those dynamics evolving. Thank you.
FRANK VRANCKEN PEETERS	**[27:30]** Yeah, George, thank you very much. I suggest I'll start with the latter one and then Alexandra, you can come back with the first one. So yeah, good question. You know, let's say the dynamics in the US and how they relate to Springer Nature. Maybe a couple of comments to make, to put things a little bit into context. So I think it's fair to say that we operate in a resilient industry. Typically, over the past decades, growth in GDP let's say roughly 3% has translated into growth in R&D, about 4%, has resulted into article growth of about 5%. Second, if you look at research publishing, it's actually less than 0.1% of global R&D funding and library budgets typically account for less than 1% of their respective institutions. Third, if you look at research publishing, it's actually a geographically well diversified industry, with roughly a third coming from each

continent. And last but not least, what we have actually seen in periods of uncertainty – and I think the last pandemic is a good example – we've actually seen an increase in researcher output leading to more manuscripts.

Now, if we look at Springer Nature specifically, I think it's important to note that in our case, US revenues account for roughly 24%. And I think it's also important to note that about two-thirds of our US research revenues are sitting actually in multi-year contracts, it's actually 70%. **[29:08]** And out of those 70%, close to 80% have already been renewed and invoiced, and for the remainder most of them have actually already a commercial agreement, and we just need to do the administrative processing. I think also the good news is that, you know, for active renewals in 2026 we actually don't have that many US customers that are relevant, so in that sense it puts Springer Nature in a good position. I think point number three for Springer Nature specifically is the fact that you know a little bit over a low double-digit number in terms of article output is actually coming from the US, which is not unsimilar to Relx, Wiley and others. And roughly a third of those are actually published in full open access. And if you look at the total number of Springer Nature articles, only a relatively low single-digit share is actually a result of direct US government R&D funding. And if you look at the NIH-funded articles, they're roughly two-thirds of those. So basically, you talk about 6 to 7% and around 4%.

If you look at 2025, as I said, we expect, you know, relatively limited impact because, as already mentioned, most of the renewals have already been done, and that's a significant part of our US revenues. I think it's also important to note that actually, the open access revenues are typically paid by direct funding for research grants, so they're not sitting in the indirect cost. And I think last but not least, we've actually seen pretty healthy submission growth in 2024 and continuing so far in the first quarter in 2025. If you look at the longer term, of course, if it results in significant cuts in federal research and funding, it could have an impact and the same is true if library budgets would be impacted. But I think it's also important to realise that under the previous Trump administration, we've actually seen an increase in R&D funding of about 4% which was actually twice as high as the Obama and Biden administration. **[31:25]** And we should also not forget the impact of corporate R&D funding, which in the US is actually four times as high as government R&D funding. And I think another point is yes, we have seen quite a lot of pressure in certain areas of research, whether it's research related to climate, whether it's research related to infectious diseases. But I think at the same time there might also be an opportunity with increased research, for instance, in technology or energy. So in that sense, you know it's making sure that our portfolio is focused on the right areas, so that's where we are at the moment. I think you know short-term, limited impact. Longer-term, you know,

	unclear, too early to tell, but you know, maybe challenges, but also opportunities. So I think that probably gives you a reasonable perspective on our position versus what's happening in the US.
ALEXANDRA DAMBECK	And I will take the second question. George, this is Alexandra, let me add a little bit more colour around your questions regarding the guidance. I think it's important to note our guidance is in line with our confirmed midterm outlook, but you have to bear in mind a bit that it's quite early in the year, and last year's guidance was given in October. Hence the wider range. Our expectations currently in terms of revenue are gearing towards the midpoint of the guidance, and our ambition to outperform the research market by around 1% remains unchanged. And to get some light on how we started into the year, we had a good start into the year and we see continuous growth from our open access business and also our renewals and the progress that we are seeing there is at the same level that we had seen last year, around 80%. **[33:10]** And we also do expect that Health and Education will contribute to our guidance in line with their respective markets. In addition, we also remain committed to expand our margin. But at the same time, we want to keep currently our flexibility if we see opportunities to expand or to invest into the business. But again, then you would have to look at the mid point of our guidance. Again, that would assume a margin expansion.
GEORGE WEBB	That's really helpful. Thank you, both.
OPERATOR	The next question is from Sami Kassab, BNP Paribas. Please go ahead. Your line is open.
SAMI KASSAB	Thank you. And good afternoon, everyone, At the mid point of your guidance, what type of organic revenue growth do you expect for Health and Education? You just said to contribute in line with the markets, but does that mean growth or decline? Can you provide a little bit more colour on Health and Education organic revenue growth at the mid point of your guidance. And secondly, can you possibly provide a little bit more colour on year-to-date trends within Research in terms of are we still double-digit volume growth in open access and books declining and Nature growing. Any more colour you could provide at the sub-segmental level would be great. Thank you.
FRANK VRANCKEN PEETERS	Thank you very much, Sami. Maybe just the quick and easy one. If you look at Health and Education, you should think about growth of about 3% at the midpoint. If you look at Research, and how are we doing year-to-date? Well, as I mentioned earlier, we had a solid start of the year which, you know, confirms our guidance that Alexandra just explained. I already talked about the fact that, let's say, more than 80% of our contracted revenue is already invoiced, and the remainder in most cases, is already commercially negotiated. You know, just the administrative work

needs to be done. **[35:25]** I think in Full OA it's fair to say that the great momentum is continuing. You know, we saw strong submission and article growth in the last quarter, and that essentially continues in the first quarter as well. The underlying dynamics are changing a little bit. You know, I think it's fair to say that last year we saw quite a significant loss of share of the Pure OA players, and what we're seeing now is that probably they have reached a low point, but we're actually seeing more market growth. So the market growth according to our information, on Full Open Access, it was about 8% for the year to date. So that's positive compared to 3% last year, and flat the year before. On books, we saw a significant decline in print in the first half of the year. We saw a gradual recovery in the second half of the year. We actually saw a little bit of a positive in the last quarter in terms of print books, so that's positive as well. And then if I look at the Springer and Nature portfolios with the transition to Transformative Agreements, we expect those to actually operate in line with our longer term outlook for those portfolios as well.

SAMI KASSAB — Thank you very much.

OPERATOR — The next question comes from Steve Liechti, Deutsche Bank.

STEVE LIECHTI — Hi, there, everybody. Thanks for taking the questions. You talked about submission growth. I might have missed it, but have you given a figure for submission growth in 24? And then any colour on year-to-date, an actual figure. And then secondly, just on margin I just wanted to double check. When you say midterm now for the 1% increase, do we take our base year as 24? So effectively, that's 24 to 27? Just to clarify that, please.

FRANK VRANCKEN PEETERS — Maybe a quick one on the submission growth. Steve, it's essentially 2.3 million submissions, which you can actually see on page 36 of the presentation.

ALEXANDRA DAMBECK — **[38:01]** All right, then I would take the second one. So, Steve, the base for midterm outlook is 25. So we expect to extend our margin by 1 percentage point over the next three years. And the way how we look at that, it will be then the accumulated improvement that you will see on an underlying scenario in each of the respective years.

STEVE LIECHTI — Great. Thank you.

OPERATOR — The next question comes from Roman Reshnetev, Goldman Sachs. Please go ahead.

ROMAN RESHNETEV — Hello? Thanks for the presentation. I just also have a couple of questions. First one would be on free cash flow. It looks like it improved a bit more than expected, supported by more favourable working capital dynamics during Q4. So, looking ahead, do you expect free cash flow to grow at a premium to the operating progress? Or do you presume any components to reverse and put some downward pressure on cash generation? And the second, I guess there was a recent Wall Street Journal article highlighting concerns over the rapid growth of academic publishing, including issues of quality control and editorial resignation. And Springer Nature was cited in the article with references to journals being delisted or investigated. So, given this scrutiny, do you see the pace of current submissions and overall volume growth as sustainable going forward. And do you see the need to apply more proactive measures to the research quality control. Thank you.

ALEXANDRA DAMBECK

Ok, well, let me start with the free cash flow question and then put some perspective on that. Yes, as you can imagine, I'm very pleased with our performance on free cash flow in 2024. And it has been nicely in line with what we talked about earlier. So with regards to working capital, it turned out that we had no additional working capital needs for Education. So ultimately we came in flat with regards to working capital, and that's the kind of ambition that we also have for the future. When you think about the dynamics in our working capital, so structurally, we should be negative on the Research side, we have slight requirements on the Education side, but overall, I would expect to remain flat on that. **[40:32]** What you have to bear in mind when you think about the operational part of the free cash flow, that has been just the dynamic that I explained: Timing-wise - and you also see, when you go back to the revenue characteristics and how this is translating into cash flow - Q1 and Q4 are always the strong quarters in our free cash flow generation, and I expect this will remain intact. Nevertheless, you also have to bear in mind, considering the size of the contracts that you are negotiating, there could be timing impacts, and things could slip from one quarter into the other. So that's just something, conceptually and from the timing aspect also to be considered. For the free cash flow as a whole, the driver also for the years to come will be the improvements that we see in our operating results. Last year, we had increased number of one-offs, you might remember the additional payment for the UK pension funds, the refinancing costs. This has been drastically lower this year. And I also do not expect in the foreseeable future something like this to repeat. Something to be considered in addition, for the development of the free cash flow will be the development on interest payments. Because you have seen we continue our trajectory and further reducing our debt. Due to the lower leverage ratio, we will also see an improvement in our interest rates and that ultimately will contribute then also to the interest payment that you are seeing. And it's an additional driver for improving our free cash flow. And regarding the tax payments, you know what has been our guidance on that, and this remains intact. So just to give you a bit of composition and the areas of improvement that you do see for the free cash flow.

FRANK VRANCKEN PEETERS **[42:22]** Thank you, Alexandra. So research integrity, of course a key topic for us, because at the end, you know our reputation is our most important asset. If you look at research integrity, basically we talk about three different types of cases. First, we talk about an author making, let's say a mistake, which can happen. The second, somebody you know, changing the outcomes of an experiment on purpose to still be able to publish an article. I think those two cases will always continue to happen, and they always happened. The third case, which is something that was, let's say, more emerging over the past couple of years is the case of paper mills, which is basically, I would call it organised crime to basically sell fake articles to authors to get published. If you look at Springer Nature, I think we've always been at the forefront of, let's say, being transparent but also being open. And I'm very happy to say that we've actually created a website, which you can visit, where you can actually see what we're doing on research integrity, where we actually also transparently talk about the number of cases we have seen and the number of retractions. Maybe to put things a little bit in perspective, I already mentioned earlier the 2.3 million submissions we had last year that led to 480,000 publications, and last year we had about 3000 retractions altogether. Now it's important to note that those 3000 retractions don't relate to the publications in 2024 but they relate to all the publications we have made in the past as well, so we talk about millions. So as a percentage of research, you know, the retractions are an extremely small percentage of the overall total. At the same time, every retraction is one too many. So that's why we invest. We invest in people, and I already talked about the direct team that we have under the leadership of a gentleman called Chris Graf. We have expanded the team to about 50 people today, but we also have an extended team both internally and externally, just a bit over 300 people. And we've actually also made significant investments in AI tools to safeguard research integrity. And some of those are, for instance, things like Snapshot, which identifies fake images. We have a tool called Geppetto, which looks at, let's say, fake text. We have a tool called Iceberg, which is effectively targeting paper mills because it looks at patterns and submissions. We have a tool called Referee, which looks at whether the references are correct. So I think we are doing everything as a company, but also together with other companies in the industry, through the research integrity hub, to to fight research integrity issues. And I think we're on a good path. I'm not gonna say, you know, we're over the froth, so to say, because that's dangerous. But but I do think as an industry, we're all committed to basically attacking research integrity issues. And I do think that, you know, publishing more articles doesn't mean that you compromise on research integrity. That's not true. Because whether you publish one, two or three articles, you just want to take the same rigour in publishing that.

OPERATOR	The next question comes from Conor O'Shea, Kepler Cheuvreux. Go ahead.
CONOR O'SHEA	**[45:56]** Good afternoon. Two questions from my side. Could you just remind us what your exposure to, in proportion of revenues is to Japanese Yen in Research and at a Group level, please. And, also, if you have any, updated comments on the likelihood of you doing any licencing deals with LLM models, in 2025 or thereafter. Thank you.
FRANK VRANCKEN PEETERS	Yeah, well, I will take the the second one first, whether you know we're doing any licencing deals. I think we're open to those. I think our position on licencing deals has not changed. And we are in discussions with companies. And, you know, if you think about the fact that we publish about 14,000 books per year, I think obviously we're an important party to talk to. What is really critical for us is that there's appropriate attribution to the original author. That is really critical. By the way, we actually did some research of authors recently, which was just completed, and it was actually positive to see that about two-thirds of book authors are actually positively towards, have a positive attitude towards their book being included in LLMs. So that's actually a positive as long as there's proper attribution. And of course, also, you need to make sure that they get the proper royalties for that. So from that perspective, we're still in discussion. At the same time, I think we're also a little bit wait and see, because we're also working on our own Nature Research Assistant and other AI tools, which, of course, we want to take maximum advantage of our own content so that's where that discussion or that topic currently stands.
ALEXANDRA DAMBECK	Then I take the Yen question. So Connor, the proportion of Yen for our Group revenue is round about 3 to 4%. And when you think about the development of the Euro-Yen exchange rate and the impact on revenue, kind of full of sum to look at that would be an increase or decrease of five yen would result for us in an increase of revenue or a decrease of revenue of round about 2 million. **[48:15]** And then the corresponding adjusted operating profit impact would be around, in the same direction €1.5 million Euro. So we are currently long on Yen, and this is also explaining the impact that we see directly on the adjusted operating profit. With regards to the development impact, we expect to be more or less stable with regards to the proportion of Yen to our group revenue.
CONOR O'SHEA	Ok, very clear, thank you.
OPERATOR	The next question is from Konrad Zomer, Oddo. Go ahead, please.
KONRAD ZOMER	Hi. Good afternoon. Thanks for taking my questions. The first one is about your open access revenue growth. I think you reported 44% growth in the first half and you indicated at the time that it

	was likely to slow down in the second half. Can you give us the growth rate for the full year, please? And my second question is on your AI initiatives. You've mentioned 90 in this call, I think you mentioned 65 at the IPO timing. Have you noticed any tangible revenue contribution yet from the AI features that you have now embedded into your products, please?
FRANK VRANCKEN PEETERS	Yeah, so on the OA side, you know, we indeed showed the revenues for the first half of the year, 44%. We don't show any more, let's say details below the Research level. But if you look at publications, we have continued to see strong publication growth throughout the year and strong submission growth throughout the year. As I mentioned earlier, the dynamics around Full OA growth are changing a little bit from, let's say, us taking away share as a result of the Full OA players contracting, towards us taking share and the market growing overall. I already mentioned that this year, year-to-date we've seen market growth, and at the same time we also see, let's say, a payoff of the investments we’ve made in launching new journals. We did 66 last year. We had also quite a high number the year before. And of course we have expanded our footprints in Asia. Most importantly, of course, India and China. So in that sense, you know, the let's say the momentum is longer, prolonging longer than we expected originally about nine months ago, which I think is a positive. **[51:01]** Your next question around AI: So basically, we've expanded the number of pilots, both across the publishing workflow, but actually also in our units. Like, for instance, I gave the example of MAIA in Education. I think it's fair to say that if you look at the impact of artificial intelligence at this stage, I don't think we can attribute, let's say, an additional revenue line to that. That's not true, because if you look at, for instance, AskAdis it provides more value to customers hence leads to higher renewal rates. But it doesn't generate a stand alone revenue line. Indirectly, of course, if we look at something like T-Rex, it does actually allow us to publish more articles. And that, of course, does support revenue growth. And especially if I look at the cascading and the transfer process, we're actually seeing quite some positive momentum there as well. Last but not least, of course, AI is also helping us to improve research integrity, which is, as I mentioned earlier, quite an important one for us as well. I talked about Nature Research Assistant, which I think is a positive development. You know, we're expecting the beta launch in the second quarter this year. My expectation in terms of revenue growth is that I don't think it will be a big revenue growth driver this year. And also next year, I think our prime focus would be on driving penetration for that new service.
KONRAD ZOMER	Ok, thank you.
OPERATOR	The next question comes from Nick Dempsey, Barclays, please go ahead.

NICK DEMPSEY

Good afternoon, guys. So my first question, I guess it looks in Q4 as though Research achieved 3% organic revenue growth after doing 7% for the first nine months. I guess a lot of those revenue streams in there are pretty predictable and stable through the year. So was it a big slowdown in full open access that drove that difference or something else going on? And the second question, in terms of the tax rate for 2025 you talked in your IPO prospectus about a one-off benefit for tax in 25. Can I just understand? Is that going to show up a lower tax rate? Is it going to show up in 2025 in your adjusted tax that goes into the adjusted net income calculation or just the reported net income line in the PNL? And then, lastly, is it a benefit at all in cash tax, or should we ignore it in cash tax?

FRANK VRANCKEN PEETERS

[53:40] Yeah. Thank you, I'll take the first question. If you look at the first question indeed, our growth of research was 3%. It was actually driven by, compared to 2023 in the last quarter of 2023 we had actually quite significant one-offs. Now, the last quarter in Research is always a quarter where libraries, but also others are spending their end of year money. And, in Q4 24 versus Q4 23 that was about 10 million less one-off revenues coming from various sources. Whether you look at things like archival product sales or it's actually, you know, revenues that we got from third-party distributors, copyright fees and a little bit of advertising. So actually, the reduction was more sitting in the one-offs in our normal portfolios than actually in the full open access portfolio.

ALEXANDRA DAMBECK

OK, then I take the tax question. So, Nick, first to shed some light on the impact that we were talking through for 25 at the time of the IPO. So after the change in our finance structure and conversion of the shareholder loans and the B shares from our major shareholders into equity, we are now in a position that you can form a tax group in Germany. And this will allow us then to utilise the losses carry-forward that we have at the KGaA level. And this ultimately is triggering then a deferred tax income in 25. And we're now going to implement this tax group and with that also reduce a tax rate into an area, we're talking about 21% it would come down to. You're rightfully connecting this to the adjusted net income. We have not defined that line as an adjustment yet, so it would be, not adjusted in our calculation. Nevertheless, just think about the way how we talk about our dividend policy. We are talking about ‘around’ and what is important for us and also in terms of consistency and reliability for our shareholders, we want to make sure that we have a consistent improvement in our dividends that we are paying so that I would believe when we have this kind of exceptions we’re not adjusting for in our adjusted net income. There could be a way to think about then a percentage. I'm not saying something now, instead of the management or the supervisory board, it's ultimately up to them to make a proposal for what will be the dividend proposal. But this is the way I would connect the dots

	and think about it how it will ultimately then impact the adjusted net income. **[56:17]** Does this provide sufficient colour, Nick?
NICK DEMPSEY	Also about the cash tax. So when I'm flowing, when I'm trying to link the PNL tax rate into the cash tax rate, then am I working with 21% or 32% or roughly 30-something?
ALEXANDRA DAMBECK	Yeah. So what you have to think about is the cash tax impact, it is deferred taxes, so it has not a cash impact. So that's just the first important thing to consider. And the guidance that we also have provided on the tax payments remains intact. So we expect that it will grow with a low single-digit, based on what you have seen in 24. So this also remains intact, and it's not impacted by what you have - it is impacted, but this is already factored in what we have provided as guidance in how the tax payments will further develop.
NICK DEMPSEY	Okay, thank you, Alexandra.
ALEXANDRA DAMBECK	You're welcome.
OPERATOR	So thank you for the Q&A session. As there are no more questions, I'd like to hand back to you, Thomas Geisselhart.
THOMAS GEISSELHART	Thank you. Ok, so this concludes today's call. Thank you for dialling in and goodbye.