SPRINGER NATURE

NINE-MONTH 2024
CONFERENCE CALL

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Transcript

OPERATOR	Good afternoon, ladies and gentlemen, and welcome to the Springer Nature nine months of 2024 result 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	Yes, thank you. And good afternoon everybody, welcome to the Springer Nature nine months 2024 call. My name is Thomas Geisselhart, and I lead investor relations at Springer Nature. I'm here together with Frank Vrancken Peeters, our CEO, and Alexandra Dambeck, our CFO, who will lead you to our first nine months update. After the presentation, there will be an opportunity to ask questions. Overall, this call will take approximately 45 minutes, including Q&A. Before I hand over to Frank and Alexandra, I would like to make a few remarks on how we are presenting our financials. For revenue and adjusted operating profit, **[01:00]** 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, which means that currency effects and portfolio changes are excluded to allow for a like-for-like comparison. Our financial outlook for the full year 2024 for revenue and adjusted operating profit is based on constant currencies when compared to the full year 2023 guidance base. And with this, I'm handing over to Frank.
FRANK VRANCKEN PEETERS	Thank you, Thomas. My name is Frank Vrancken Peeters, and it's great to reconnect. Although I've met most of you before, let me briefly introduce myself. I've spent more than 20 years in professional publishing, and following a career at Elsevier and Wolters Kluwer, I joined Springer Nature in 2017 **[02:00]** as Chief Commercial Officer and became CEO in 2019. I'm here on the call with Alexandra, who joined us at the beginning of the year.
ALEXANDRA DAMBECK	Thanks, Frank. My name is Alexandra Dambeck, and I'm CFO of Springer Nature. As said, I joined at the beginning of the year after previously holding various finance and management roles at Fresenius Medical Care. I'm happy to meet you all and will guide you through our financial performance later in the presentation. For now, I'm handing back to Frank.
FRANK VRANCKEN PEETERS	Thank you. Today's objective is to provide you with an update on our performance in the first nine months of the year. Before Alexandra shares our financials, I will give a brief business update covering the underlying growth drivers and our progress around open access, technology and people. In short, we're very happy to report that we have enjoyed strong nine months results, putting us in a good position to reach full year guidance with underlying revenue growth at +6% **[03:00]** and profit growth at +9%. Revenue growth was driven by research at 7% and education at 3%, while our health business saw a decline of 1%.

Growth in Research is driven by strong performance in our journals portfolio.

Operating leverage and a strong focus on cost allowed us to expand our margin while at the same time investing in technology and AI to deliver more value to our communities. We have achieved the milestone of publishing 1 million articles and book chapters related to the Sustainable Development Goals, and we're on track to deliver on our goal of publishing approximately half of our primary research articles open access this year.

Springer Nature is a global leader in the research ecosystem, generating 1.9 billion in revenues with 74% coming from research, and that's also where most of the 511 million of profit is generated.

[04:00] Let me briefly recap why we believe Springer Nature to be an attractive investment opportunity. First and foremost, we are a purpose-driven organisation. That's why our colleagues joined, and that's how we have earned our leading reputation in the research community. Second, we operate in attractive markets. They are growing, resilient, driven by continued global R&D investments. The shift towards open access and most recently generative AI are creating top and bottom line opportunities. Third, we are a leader in research publishing. We have a clear strategy to invest in growth segments, especially in the highly selective and open access journals to outperform market growth. We're also leading in technology and well-placed to capture technology benefits to drive operational performance and bring more value to our communities. We have a highly experienced management team with over 125 years of experience in our management board and strong experience leaders across the business. **[05:00]** And finally, we have a solid financial track record, high quality revenues, operating leverage, and a strong focus on cost has allowed us to improve our margins over the past couple of years.

And on the next page, you can see that we open doors to discoveries and help researchers accelerate solutions to the world's biggest problems. Our purpose is why our colleagues join Springer Nature. Our reputation - together with our people - is our biggest asset. And as you can see, we're proud to have a leading reputation in our industry. As mentioned earlier, we've just passed a milestone of publishing 1 million articles in book chapters related to the Sustainable Development Goals. We've also been awarded a gold Ecovadis sustainability rating. And another milestone this year was the publication of our first Editorial Diversity Report. Let me provide you with a brief overview of the business.

As you can see, we operate in three segments - **[06:00]** Research, Health and Education - each with leading positions in their respective markets. As I mentioned, Research accounts for 74% of revenues and 85% of operating profits, and it's organised in three units, journals, books and services. Our key customers are academic institutes, and we have some of the leading brands like Nature and Springer. And with Nature, we lead a highly selective journal market, while on open access and the Springer portfolio we're number two in size, and finally in academic books, we're a market leader.

Our second segment Health, with around 190 million in revenues, accounts for about 10% of total revenues. We're market leaders in local medical publishing in Germany and the Netherlands. And through Springer Healthcare, we provide communication and training services to the global pharma industry. And finally, our Education business generates about 240 million in revenues and **[07:00]** is active from kindergarten to grade 12 outside the US. We offer English language teaching to private schools under the Macmillan brands, and we have a full curriculum offering in selected markets in Latin America, Southern Africa and India. And we enjoy market leading positions in Brazil, Mexico, South Africa, and India. Now, let us take a look at our growth drivers.

As you can see on this page, on the left, you can see the growth drivers and on the right you can see some recent developments.

Let's start with growth in Nature, competing in the highly selected journal markets where growth is driven by launching new journals, typically two to three per year - like we did this year for example, with Nature Cities - and subsequently expanding our customer base. In full open access, we have seen very strong market growth, and we're able to gain market share by launching new journals and expanding our footprint in India and China. So far this year we have launched 40 **[08:00]** new titles. Third, our Springer portfolio benefits from the shift from subscriptions to open access through transformative agreements. And we're proud to have signed 21 new Springer TAs and now have a total of 58 serving about 3,700 institutes globally. Print books are in decline, but digital revenues are growing through new business models and improving market penetration. This year we have seen an acceleration of print book decline.

When we look at our services business, it has been impacted by the investment of our language editing services " AJE" which was sold earlier this year. And in our databases, we have launched "AskAdis", a new AI assistant for pharmaceutical drug development. Our digital health revenues are growing but offset by declining reprints, and a reset of pharma advertising and sponsorship revenues, which underlines the importance of the right focus in this **[09:00]** business. And finally, our Education business, after a strong rebound from the pandemic, is benefiting from secular tailwinds, curriculum changes and digitisation, for example, with the rollout of our "Macmillan Education

Everywhere" platform. Now, let's take a look at article market developments, and you can see that here on the next page.

On the left, you can see that article market growth is back at pre-pandemic levels at around 6%. And on the right you can see that Springer Nature has been able to outgrow the market. Across our portfolio, we have seen very strong submission growth resulting in double-digit publication growth. We are benefiting from our trusted reputation, especially in full open access, and significant investments we have made over recent years to protect the integrity of the research that we publish. Let's now take a look at how technology and AI deliver more value to our customers.

[10:00] Springer Nature could be characterised as a tech company. More than 85% of our research revenues in 2023 were digital, and close to a third of our research colleagues are in tech heavy roles, of which more than 150 are dedicated to AI.

The backbone of our AI initiatives is actually Snapp, a home-grown submission to accept system supporting more than a thousand journals and 1.4 million submissions. Altogether, we have more than 65 AI initiatives that improve quality, speed, and efficiency of the publication process, where they help researchers understand and apply scientific insights. Let me give a couple of examples. "T-REX", is our transfer recommender. And with "T-REX", we are automating the cascading and transfer process. **[11:00]** In 2023, we made about 800,000 transfer recommendations. And with "R-REX", we help guide authors to other suitable journals in the Springer portfolio and keep them publishing with us. Another example is our fake text detection tool called "Geppetto", which can identify nonsense content and hence protects the integrity of our publication. But all technology would be nothing without our people.

It's true that whilst reputation is our most important asset and Open access and AI are drivers of performance allowing us to deliver more value to our communities, int the end, it's our people that are essentially making it all happen. We have long-standing relationships with our **[12:00]** editors, reviewers, authors, librarians, and other stakeholders. We've made considerable investments to make Springer Nature an inspiring, engaging, and diverse workplace, and are pleased to have been rated the top employer in some of our key markets. We're happy to bring two new senior executives on board, both with a strong background in research intensive industries. Maria is our new Chief People Officer focusing on talent acquisition and retention. And Saskia joins us as our Chief Digital Officer responsible for building state-of-the-art technology solutions with the focus of course on artificial intelligence. And this concludes the business update. I'll now hand over to Alexandra to discuss our financial results.

ALEXANDRA DAMBECK

Thank you, Frank. And I'm glad to provide further insights into our nine-month reporting, starting with our key financial highlights on the next slide. **[13:00]**

In the first nine months, we achieved 1,369 million in revenues. This translates into an underlying growth of +6% compared to the first nine months of 2023. At the same time, we continue to improve our operating leverage and increased our underlying adjusted operating profit by +9% to 379 million. And we improved the underlying adjusted operating profit margin by 81 basis points to 28.5%. This led to an improvement in our free cash flow by 16 million. Considering our strong performance and the proceeds from the capital increase at IPO, our financial leverage ratio would have decreased to two and a half times. Let's turn to the next slide and provide more detail on our segment performance.

Our Research segment showed underlying revenue growth of **[14:00]** +7%, which was driven to a large extent by the strong performance in the full open access journals and the Nature portfolio, partly offset by a continued decline in our print book business. At the same time, underlying adjusted operating profit growth was +10%, driven by the revenue performance, a favourable revenue mix and efficiency measures. The Health segment recognised an underlying revenue decline of 1%. This was caused by some unfavourable developments offsetting growing digital revenue, such as tighter pharmaceutical budgets globally, and the cancellation of three clinical trials.

The revenue decline and the cost inflation, partly offset by the positive impact of the reorganisation earlier this year, resulted in a decline of the adjusted operating profit of 2% on an underlying basis. **[15:00]** The Education segment reported underlying revenue growth of 3% driven by the growth in key markets like India and Southern Africa. Our Education business in Mexico is impacted year over year by lower government sales versus the previous year. The performance in underlying adjusted operating profit resulted from gross margin gains offset by inflation on the fixed cost base compared to the nine months in 2023. Moving to the next slide, and providing some insights into the development on a reported base.

While we have reported underlying revenue growth (15:45) of 6% and at the same time reported decline of 1%. To reconcile the two numbers, the reported revenue includes **[16:00]** around 4% negative impact due to scope changes, mainly from the sale of our Transport business in our Professional segment and the divestment of AJE (16:12) in Research. Foreign currency changes had a lower single digit negative impact, primarily driven by the US dollar in Research and (16:22) the Argentinian Peso in Education.

On the next slide, we provide the same view for adjusted operating profit. Here the difference between underlying and reported figures are driven by the same factors as those mentioned for revenue. The reported adjusted operating profit is impacted by approximately 3% due to scope changes, and around 6% due to the foreign currency fluctuations. Let's look at the next page and look at free cash flow and the development of our financial leverage **[17:00]** ratio.

We recognise improvement in our free cash flow of 16 million. One important aspect to bear in mind going forward is that there's a pattern in our sales cycle throughout the year. Q3 seasonally tends to be slower in terms of operating cash flow. Q4 and Q1 are usually stronger.

Our continued strong cash generation allowed us to reduce our debt further following 100 million repayments on senior loans earlier this year. Considering the impact of the proceeds of the capital increase at IPO, as a pro forma view, the financial leverage ratio would have improved to two and a half times. Let's conclude the financial section now with our outlook.

Based on the strong performance in the first nine months of the year, we are confident **[18:00]** to confirm our guidance for the full year. We continue to expect revenues in the range of 1,820 million to 1,850 million, and adjusted operating profit in the range of 505 to 520 million for the year. As a reminder, we provided guidance on an underlying basis at constant currency rates and adjusted 2023 for divestment. With this, I conclude my remarks and hand over to Thomas to open the Q&A.

THOMAS GEISSELHART

Thank you, Alexandra. The call will shortly be open for questions. And as a note here, we'd like to limit the number of questions to two questions per analysts not to go over on time. In case there is some time left at the end of the call, we can do another round of questions. And with this, I'm handing over to the operator.

OPERATOR

[19:00] Thank you very much. Ladies and gentlemen, we now come to your questions. If you would like to ask a question, please press nine and star on your telephone to register it. If this question has already been answered, in the meantime, you can withdraw your question by pressing nine and star again. We're looking forward to your questions. The first question is from Sami Kassab, BNP Paribas. Please go ahead.

SAMI KASSAB

Thank you very much, and good afternoon ladies and gentlemen. Firstly, could you please discuss and perhaps disclose the growth rate in article submissions we have seen in Q3? Are you seeing a slowdown in article submission growth versus earlier quarters in the year, or are we still seeing a strong article submission growth? **[20:00]** And secondly, could you provide an update on the timing of the commercial launch of your GenAI assistant “Nature Ally”, or however you will call it? Thank you, Frank.

FRANK VRANCKEN PEETERS Thank you very much, Sami. So essentially two questions. One around submission growth, article growth in the third quarter, and one about Nature Ally. Maybe starting with article growth, I think if we look at article and submission growth, it's important to note that this year we're seeing again the usual five to 6% overall article growth. The market has been growing at about 8%, and that is after two relatively low growth years, '22, '23, which followed two strong years in the pandemic '20 and '21. Now, if you look at submission growth, it's well above our publication growth. And what you can see is that our total articles have been growing at 17%. **[21:00]** Full open access is well above 30%, and Springer and Nature are both double digits. And I think it's fair to say that submission growth is substantially above that. If we look at the performance of the first nine months, we saw a continuation of the half year results.

And I think that's essentially due to two things. One, I already mentioned, stronger article growth. Second, we have seen a shift away from full open access publishers towards, let's say, the traditional publishers like Springer Nature. And third, of course, the investments we have made in our full open access portfolio and additional journals that we launched in the Nature portfolio. I think that clarifies hopefully some of the dynamics around growth rates and submissions. If you look at “Nature Ally”, yes, we're excited about “Nature Ally”. “Nature Ally” is an AI assistant for researchers. We have been **[22:00]** working on that for now six to nine months. At the moment, we have about 100 pilot users across the world in different disciplines. We expect that to scale up to about a thousand towards the end of the year. Now, one thing to keep in mind, we know about all the sensitivities around AI and trust, so we really want to take our time here. We expect a commercial launch will probably happen in the second or the third quarter next year.

SAMI KASSAB Frank, just on the first question, can I think that because submission growth has remained very strong in Q3 we are likely to see strong article volume growth in Q4 around the numbers reporting (22:49)?

FRANK VRANCKEN PEETERS I think it'll slow down, Sami, towards the end of the year, because we had a stronger Q3 and Q4 in 2023, so we expect things to slow **[23:00]** down a little bit towards the end of the year. And the other thing to keep in mind is that of course this year we have less working days in December compared to last year. Christmas and New Year are actually falling in the middle of the week and last year we had the benefit of both of them falling on a weekend.

SAMI KASSAB Thank you very much.

OPERATOR	The next question is from George Webb, Morgan Stanley. Go ahead.
GEORGE WEBB	Afternoon, Frank and Alexandra. And first of all, congratulations on the IPO. Two questions from my side, please. Firstly, just going back onto that full open access kind of market development, clearly there are market share shifts going on, those have been helping this year. And I appreciate that the numbers kind of have to slow because they're quite high, but to what extent do you see these share shifts continuing even as perhaps we look into next year as some of those impacted vendors might struggle to **[24:00]** recover? I'm kind of interested in how you're seeing the overall competitive landscape now on the full open access side. Second question on the free cash flow. Alexandra, you kind of talked a little bit about the operating cash flow and the seasonality in the year. Can you add anything around how you're thinking about full year free cash flow generation or anything around targeted conversion rates? That would be helpful. Thank you.
FRANK VRANCKEN PEETERS	Thank you, George. I'll take the first one on full open access. I think it's fair to say that we have gained share this year and so have let's say the other traditional publishers. I think that's the benefit of investing quite significantly in research integrity over the past couple of years. I think it’s also the result of investments we made into launching new journals and expanding our footprint in China and Asia. But I think it's fair to say that the speed of market share gains that we have seen this year will of course slow down next year. And our expectation, let's say in the midterm is article growth in full open access **[25:00]** of about 10% to 12%, so at some stage I think things will trend towards that number.
ALEXANDRA DAMBECK	Then I’ll take the free cash flow question, George. Let me start with 2023. The year in terms of free cash flow was really categorised by around about 40 million in one-offs that we had to recognise in that year and we also had in particular a much higher working capital need on the Education side that was due to the ramp up that we have seen in post-COVID times. Clearly what 2024 indicates, we will have substantially lower one offs. And then also, in addition, what we see that there is not this increased working capital need on the Education side - so this is now really stable as we have achieved a certain ratio of working capital to revenue. We are quite confident t I would say that we are improving our free cash flow until the end of the year, and I'm saying this despite the fact that we **[26:00]** are not guiding towards free cash flow. But I would say you can take out primarily the one-offs that we have seen last year and that could give you kind of good indication where we could end the year. I think that's the best perspective and colour I can give. What is also important, when you look at our free cash flow , is that there is a kind of seasonality impact, and I've mentioned that for Q3 this means a

	kind of dip, let's say, in the cash flow performance. And now, having the renewal phase, Q4 will be much stronger. This gives me confidence in our ability to achieve an improved free cash flow by the end of the year.
GEORGE WEBB	Great. Thank you. Have good luck in Q4.
FRANK VRANCKEN PEETERS	Thank you.
ALEXANDRA DAMBECK	Thank you.
OPERATOR	The next question is from Steve Liechti, Deutsche Bank.
STEVE LIECHTI	Hi, there. Thanks for taking the questions. My two would be third quarter **[27:00]** like for like revenue trends please, if you could give us any detail for full open access and books specifically relative to first half trends. And then the second question is a much more general question. I know it's very early days, but lots of noise about the Trump government in the US, and various potential appointments in the health area. I'm just wondering if you've got any initial thoughts from your perspective in terms of medical research and any possible effects on the health business specifically. Thanks.
FRANK VRANCKEN PEETERS	Thanks, Steve. Well, maybe I should start with the latter one about the impact of the Trump administration. As you said, indeed, it's early days. I mean, we're still in '24, and yeah, we'll see what happens in '25, so I think in that sense it's a bit too early to comment. But maybe a couple of things to **[28:00]** mention upfront. I think one, which is kind of a generic remark, is that our business is driven by continued growth in research and development. And actually, if you look at the period that there was a Trump administration in the past, investments in research and development continued to increase, so I think that's a positive takeaway. Now, if you look at the comments you made about health, maybe a couple of things to put things in perspective. If you look at our healthcare business, then actually the US part represents less than 4% of total health revenues, and it's actually not advertising driven. Maybe another thing to get some perspective is that if you look at the percentage of articles that are the results of research and development funds from the NIH, it's about 3.5% of our total annual output. And then maybe one **[29:00]** last point, if you look at total advertising in our Research division, you talk about, let's say approximately 2-3% across the world in terms of advertising and sponsorship revenues, and of course, the US is only a part of that.
ALEXANDRA DAMBECK	So then I'll take the development on a like for like basis for Research. Let me start with the development that we have seen for the Research segment on a year on year basis, in total. We grew by 7.3%, so we still see a very strong momentum in the Research segment itself. We don't provide the detailed view on a portfolio level. But let's say, putting into perspective first the

	quarter three this year versus quarter three last year comparison..I think we laid out that we are in particular benefiting **[30:00]** in the Research segment from the very strong double-digit growth that we are seeing in full open access. And that's a momentum that we see to continue. At the same time, this is partly muted by the double-digit decline that we have seen in our print books. I think that's something that we had already commented on before. To put this into perspective, what we are currently seeing in the third quarter is that the continued strong growth that we have seen in full open access is a little bit more muted than in the quarter before. At the same time, we see growth in portfolio elements like Springer improving, but also we see a recovery partially on the books side. That's the acceleration we see on a like for like basis ,compared to last year, for the overall Research segment. I think that's the kind of colour that I can provide on that.
STEVE LIECHTI	**[31:00]** Great, thank you.
OPERATOR	The next question is from Conor O'Shea, Kepler Cheuvreux. Go ahead. You have to unmute your microphone. Conor O'Shea. Okay, we take the next question. The next question is from Konrad Zomer, Oddo.
KONRAD ZOMER	Hi, good afternoon. Thanks for taking my questions. The first one is on the 65 pilots on AI that you have live. Can you share with us what's the proportion of those **[32:00]** pilots that are directly client-facing, and what's the proportion that is mainly for internal efficiencies? What year do you think the first revenue contribution will come in from those client-facing AI features? And then my second question, can you share with us what the near term development of the number of transformative agreements will be on a quarterly basis? You've had a very good growth rate in the first nine months. How do you see that develop in the next quarter or maybe the next few quarters? Thank you.
FRANK VRANCKEN PEETERS	Thank you very much. Yeah. If you look at the AI initiatives, in total, we have approximately 65. And to be honest, things roll on and things roll off as we see them either being successful or not successful. As I mentioned, I think it's fair to **[33:00]** say that roughly a third of those initiatives are really focused on things like research integrity. I mentioned the example of Geppetto, but other examples are, for instance, Iceberg, which looks at patterns in submissions. It's very effective in detecting paper mills. We have a tool called SnappShot, which looks at image manipulation. We have a tool called Referee, which checks the references of an article. Now, all these initiatives together, they basically serve three purposes. If I look at the ones that are sitting in the research publication workflow, they either speed up the process, they make it more efficient, or they protect the quality.

Now, some of them indeed are purely internal. I think a good example is, for instance, ACDC, which automates the type setting which allows us to save approximately four euros per page. I think if you look at what is external, so customer facing versus **[34:00]** not, if you look at our customers, in a way, our editors, for some people they would say editors are your internal people, but actually the editors are sitting in academic institutes as well, so they're also customer-facing. If you look at the authors, they're customer-facing. If you look at our reviewers that are being, let's say, exposed to these AI solutions, they are also external-facing. I think it's fair to say that the lion's share of these AI initiatives are in that sense customer-facing.

And if you look at the ones that really focus on the researcher as a consumer of research, then you would look at things like AskAdis, which is a chatbot on our Adis database, but also things that we have done to summarise articles in SpringerLink that make reading recommendations. I think the split of external versus internal is a bit difficult to make. What is important is that we only roll things out externally when we really feel it passes our internal tests, **[35:00]** because we are relatively cautious in rolling out AI initiatives. I hope that gives a bit of clarity. If you look at the revenue impact, AI solutions that sit on top of our existing products, they just make those products more valuable in the eyes of the customer.

Now the question is, can you charge extra for that or does that lead to a better retention rate? I think it's difficult to say. We have some for which we hopefully will be able to charge something down the line. Nature Ally is a good example there. And then you have things that indirectly influence our revenue. With T-REX, we're able to publish more or keep more articles within our ecosystem, that's a good example because then they don't go to our competitors. But also if we're able to reduce our turnaround time, it also leads to more articles in a given year. **[36:00]** Iindirectly, a lot of these AI initiatives actually help us to grow our article volumes, and also to be honest, help us to cope with growing article volumes.

Because I do think one of the big benefits of AI is actually to reduce the strain on the academic community .. We don't pay peer reviewers and, we mostly don't pay editors, so helping them to do their work more easily with us is actually a positive.

Then you had a question around transformative agreements. We have about 58 now in the Springer portfolio, and another roughly six to 10 in the nature portfolio. Yes, we have seen good uptake this year of new agreements. Unfortunately, this is not something that we can really precisely plan. I'll give an example. If I look at, for instance, DEAL **[37:00]** at the time, it took us about three years. If I look at CDL, it took us a number of years too.

	So a lot of these agreements, also the ones that we closed this year, were actually the result of multi-year discussions, where customers see whether a transformative agreement fits with what their academic institutes want, and whether the funding is in place, et cetera. The only thing, I think, just to get a bit of a feel, at the moment, we have about 50 transformative agreements that we're going to discuss in 2025. And you can assume that given the fact that transformative agreements run for about three to five years, out of, let's say the 58 that we have in the Springer portfolio right now, I would say probably around 15 to 20 will be renewals next year, and so we have about 30 that are new agreements. But again, I would not dare to put my hand in the fire to say these ones will be closed in the first quarter, or these will be closed in the second quarter. It's kind of ongoing as the negotiations proceed. **[38:00]** And sometimes, unfortunately at some stage a consortium will say, "No, sorry, this is just not yet the right time," and they will postpone it for a year. Sorry, Steve, it was a long answer.
KONRAD ZOMER	No, thank you, Frank. That's very useful. Thank you.
OPERATOR	Let's have a try. Conor O'Shea, Kepler.
CONOR O'SHEA	Yes. Can you hear me now?
OPERATOR	Oh, okay. Now I can hear you.
CONOR O'SHEA	Okay, perfect. Apologies for that. Yeah, two questions from my side. Firstly, on the margins, could you give us a little bit of colour why the research margins declined year-on-year in the third quarter? And on a group basis, I think your full year margin in 2023 was similar to the nine months. Should we think about that in the same way in 2024? And then the second question, just in terms of the class action in the US over **[39:00]** unpaid peer reviewers, what are your thoughts on that, and what's the counter-argument against that from a publisher's perspective?
ALEXANDRA DAMBECK	Yeah, I take the margin questions first. Thank you Conor, let me answer your margin questions and starting there with the quarter or maybe better combining the two a bit. How you really have to think about our margins and about our business, I think the best way how to do this is truly as an annual business, and the annual perspective really gives you the best insight into what the true margin development is. You know about the guidance that we have given, and being now in the first nine months, this makes us even more confident that we can achieve our guidance. **[40:00]** We have laid out what we see here in the first nine months is in particular driven by a very strong performance that we have on the full open access side. We have also at the same time seen a little bit more, let's say, muted business regarding the books business. But at the same time, we expect a catch-up in the books business in the fourth

quarter. We also expect, as Frank just laid out, that open access will come down a little bit taking into consideration that we have less working days in Q4. From my point of view, Q3 margin gives a good indication regarding the direction we are going on an underlying base, and I think that's also something that we have to bear in mind. We have given guidance based on constant rates as well as excluding the divestments in '23. The underlying adjusted operating margin gives you the best indication, and then take into consideration what I just said [**41:00**] about Q4, that this what then also will lead to a slight contraction of the margin that's driven by the Research part. But then also what you have to bear in mind when you look at Education, that's currently at the slightly higher margin. And we have already about 82% of their revenue under the belt.

Now, by the end of Q3, this will also now be a lower portion and will have an impact on their margin. Again, repeating, the full year margins is the best indicator what you can expect. I think taking all of these bits and pieces together, I think this really gives you the most colour and flavour about what you can expect for the first year, and how to read what you see here now in Q3. From that kind of base levelling regarding the expectations, a quick comment on Q3 as the quarter to date (41:52) in Research we have seen stronger margin in Q3 last year, but this has been really driven by one-timers. **[42:00]** We had the reversal of the provisions that has helped the margin. But again, this brings me back to the big picture. Do you really have the best view when you look on a full year base? And in particular in Research, there's little volatility, there are more exceptions and phasing effects from one quarter to the other (42:21).

FRANK VRANCKEN PEETERS: Yeah. Thank you, Alexandra. And maybe a couple of words on the class action. Basically, the potential legal action in the US is against a number of publishers, and it has been brought by a single academic on behalf of an alleged class who takes issue with certain aspects of academic publishing and how peer review works. And that is also true for, let's say, whether it's allowed to do multiple submissions to different journals at the same time. I think it's fair to say that at Springer Nature we're happy and confident in the service that we have provided to the research community now for more than 180 years. **[43:00]** And if there is a case to answer, we will do this robustly.

OPERATOR: Okay, many thanks. The next question is from Roman Reshnetev, Goldman Sachs. Go ahead, please.

ROMAN RESHNETEV: Yes. Thanks for the call, and congratulations on the good results. One question. And basically as we approach the January repricing for client contracts, can you update us on the latest developments in your discussions with institutions? Do you still anticipate a potential 5% plus repricing for full open access APCs? And additionally, I would be interested to hear your

	expectations for repricing trends in subscription and transformative agreements contracts next year. Thank you.
FRANK VRANCKEN PEETERS	No, thank you very much. **[44:00]** If you look at pricing at Springer Nature and how basically that impacts our revenues, I think if you look at research, I think it's important to note indeed that about 60% of our research revenues are actually contracted in multi-year agreements, typically three to five years. With those multiple multi-year agreements, you have fixed price increases year over year. And let's say roughly, out of the 60%, probably three to five years, so you're at about 10% that is negotiated every year. And so that is basically more influenced by annual price increases. Now, if you look at the way we approach pricing at Springer Nature and Research, we actually have a value based approach. We look at statistics like usage, impact factor, growth of the journal, also share of OA articles. Sometimes the journal can actually go down in subscription price. We look at inflation as well. And that **[45:00]** altogether is actually inputted into our models, which then basically calculates prices for roughly 14,000 books and 3,500 journals. Now, if you look at what that means in practise for 2025, you look at price increases between let's say 2% to 6% across the total portfolio, and in full open access it starts probably at 3% to 6% across the full open access portfolio, and those would start by the beginning of 2025.
ROMAN RESHNETEV	Okay, thank you very much.
OPERATOR	Okay, we have a last question, follow-up question by Sami Kassab, BNP Paribas.
SAMI KASSAB	Yes. Thank you for taking this follow-up question. I think at the H1 you suggested that there was a timing element with the e-book revenues. **[46:00]** I heard Alexandra suggest that there would be some effect in Q4, so my question is whether we have seen the positive phasing effects of e-book revenue recognition already, or whether this is still ahead of us? And lastly, there have been talks recently around banning direct to consumer pharmaceutical advertising in the US. What impact do you think it could have on the general reprint business? And in particular, would you agree with the idea that if there is less PTC advertising, there could be more physician advertising and that the reprints business may benefit from a D2C ban? Thank you, Frank.
ALEXANDRA DAMBECK	Okay. Let me take the e-book application question first. Sami, you are correct, we have talked about this at the H1 that we have seen an impact from a lower production, or let's say, our percentage of completion of **[47:00]** our e-book packages. And that has been impacted by (47:04) higher publications in '23 that has been shifting part of the '24 into '23, and that's in particular then why we only catch up on that now in the fourth quarter.
SAMI KASSAB	Thank you, Alexandra.

FRANK VRANCKEN PEETERS	And maybe something on your comment on the reprints, yes, I would love to see that, because reprints is essentially something that has been declining year over year over the past couple of years, because of course with new business models and with the shift from print to digital, that business is going away. Actually, our reprint revenues are sitting in the Health unit, I think that's important to say. But if you put it into perspective, if you compare what reprints are in terms of revenues, it's less than 1% of our research revenues. But it's sitting in Health, **[48:00]** and it has been declining. And to be honest, I'm not sure whether we will see an uptake of reprints as a result of this. I feel that reprints are probably going to go down at the same level as it has been in the past.
SAMI KASSAB	Would the ban on D2C have any other positive impact across the group, or not at all?
FRANK VRANCKEN PEETERS	Well, in our healthcare business we do very little in the US. It's less than 4%. And if I look at our Research business advertising altogether is let's say 2-3% of research revenues. And it's a combination of things like sponsorships, it's also job advertising, so I don't think so. I don't think we will benefit from that, nor will we significantly be negatively impacted by it.
SAMI KASSAB	Fantastic. Thank you.
FRANK VRANCKEN PEETERS	Thank you, Sami.
OPERATOR	Sure. Thank you very much. We have no more questions. Back **[49:00]** to the host, Thomas Geisselhart.
THOMAS GEISSELHART	Yeah, thank you. And yes, on behalf of Springer Nature, I would like to thank you for your participation in today's update. And with this, we will close the call. Thank you and goodbye.