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Market Intelligence

# **John Wiley & Sons, Inc.**

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## *Earnings Call*

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# Call Participants

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## EXECUTIVES

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*Vice President, Investor Relations*

**Christina M. Van Tassell**

*Executive VP & CFO*

**James Flynn**

*Executive VP and GM of Research & Learning*

**Matthew S. Kissner**

*Interim President, CEO & Employee Director*

## ANALYSTS

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*Barclays Bank PLC, Research  
Division*

# Presentation

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## Operator

Good morning, and welcome to Wiley's Q4 Fiscal 2024 Earnings Call. As a reminder, this conference is being recorded. At this time, I'd like to introduce Wiley's Vice President of Investor Relations, Brian Campbell. Please go ahead.

## Brian Campbell

*Vice President, Investor Relations*

Thank you, and welcome, everyone. With me today are Matt Kissner, Wiley's Interim President and CEO; Christina Van Tassell, Executive Vice President and CFO; and James Flynn, Executive Vice President and General Manager of Research and Learning.

Note that our comments and responses reflect management's views as of today and will include forward-looking statements. Actual results may differ materially from those statements. The company does not undertake any obligation to update them to reflect subsequent events or circumstances. Also Wiley provides non-GAAP measures as a supplement to evaluate underlying operating profitability and performance trends. These measures do not have standardized meanings prescribed by U.S. GAAP and, therefore, may not be comparable to similar measures used by other companies, nor should they be viewed as alternatives to measures under GAAP.

Unless otherwise noted, we will refer to non-GAAP metrics on the call, and variances are on a year-over-year basis and will exclude held-for-sale assets and the impact of currency. Additional information is included in our filings with the SEC. A copy of this presentation and transcript will be available on our Investor Relations web page at [investors.wiley.com](https://investors.wiley.com).

I'll now turn the call over to Matt Kissner.

## Matthew S. Kissner

*Interim President, CEO & Employee Director*

Thank you, Brian, and thank you, everyone, for joining us today. What a difference a year makes? Today, we look forward with renewed confidence and optimism as a leaner and stronger Wiley. We are executing with much greater discipline and rigor. We have met and exceeded our stated commitments, and we are seeing strong momentum in our businesses and value creation activities.

I'll start by reviewing how we did against our objectives and provide an update on the emerging and exciting GenAI opportunities in front of us. I'll walk through our fourth quarter and full year performance and then review our momentum heading into fiscal '25. Christina will walk through our value creation plan progress, reinvestments, segment performance and fiscal '25 outlook. After summarizing, we'll open it up for questions. Jay Flynn will be joining us as well.

Wiley is enabling the creation of new knowledge and its application in critical areas of the global knowledge economy, in science, medicine, technology and engineering in business, economics and finance. As a knowledge company, Wiley has played a foundational role in everything from the industrial revolution to the information age.

Now Wiley is beginning to play a critical role in the rise of artificial intelligence and machine learning. Our knowledge, content, tools and services remain as relevant as ever. It's been a very eventful year for Wiley. And I'm proud to say that we finished strong. Research is seeing strong underlying momentum heading into fiscal '25 after some unusual challenges to start the year. Demand to publish and output are well ahead of expectations. Learning continues to outperform, driven by solid execution and favorable market conditions.

GenAI demand is accelerating. We've already executed 2 content rights projects for large tech companies. I'll talk more about this opportunity in a moment. We're piloting GenAI productivity tools across the

organization. We're deploying it in our Research Publishing platform and using it to drive publishing efficiency and detect research integrity issues.

Today's Wiley is about execution, blocking and tackling and creating meaningful shareholder value. To that end, we have closed on the sale of 2 of our 3 divestitures and the third is in process. We further accelerated our \$130 million cost saving program, with 70% of it now actioned and in-year savings higher than anticipated. Finally, we increased share repurchases in the second half of fiscal '24 and rewarded shareholders with a dividend raise for the 30th consecutive year.

We have more work to do, of course, to realize our full potential, and that work will never end. We are going to continue to deliver cost savings and efficiency gains above and beyond the \$130 million program as we drive towards further margin expansion beyond fiscal '26. I am very pleased about our progress so far and very confident in our direction of travel.

Let's talk about how we delivered on our stated commitments. When I stepped into the role right around midyear, I said that we were going to be relentless in our execution and moved with certainty on our value plans, operational improvements, reorg and culture. This is what we've done.

We delivered revenue at the higher end of our guidance as projected. Today's Wiley is more predictable and focused with greater visibility and consistency. All of us are proud to say that we exceeded our EBITDA and EPS guidance even after revising them upward in Q3. Today, Wiley is leaner, more competitive and more efficient. We set out to accelerate our restructuring plans and operating improvements over the back half of the year, and we've done exactly that.

Last June, Christina projected to exit the year at or better than our fiscal '23 adjusted EBITDA margin, which was 23.3%. We delivered a Q4 margin of 28.3% or [ 27.6% ], excluding the AI deal. This is not a sustained exit rate heading into fiscal '25 as seasonality played a role. That said, we remain on track with our margin expansion targets in fiscal '25 and '26, and we fully expect to deliver on these while reinvesting for sustained long-term growth. As discussed, we have materially exceeded our in-year cost savings goals this year. We originally projected \$30 million and ended with \$60 million of savings. This is the result of relentless execution and the importance of hitting the ground running.

Free cash flow is a consistent strength of ours, and we delivered \$114 million versus our projection of \$100 million, mainly due to cash earnings outperformance. As a reminder, we're in a muted 2-year period for cash flow due to restructuring and investment, but we expect to be back in the \$200 million range in fiscal '26 and see continuous upside from there.

Finally, the Wiley culture has been reinvigorated by the move to a much simpler and more efficient organization. Everyone is in sync and rowing in the same direction. It's just a lot easier to get things done here.

Let's talk about the AI opportunity. Wiley has become one of the early beneficiaries of GenAI development. Our high-quality content in science, learning and innovation is foundational for training and fine-tuning large language models and applications. Large AI developers and R&D-intensive corporates can use it to greatly improve the accuracy, safety and impact of their models and shorten their time to market. Demand is therefore accelerating. This quarter, as previously discussed, we executed a \$23 million licensing project with a large tech company for our previously published learning content. We're following that up with a \$21 million project with another tech company for a mix of learning and research content to be recognized in fiscal '25.

Both of these projects are of limited duration with limited rights and use, in this case, for model training purposes, they are nonexclusive, subject to extension and do not constrain us from pursuing further opportunities. We see the new AI business opportunity in 2 stages. The first, as discussed, is content licensing or providing limited access to select content for the purposes of developing GenAI models.

The opportunity is right here and now. In addition to the 2 executed deals, we're seeing significant interest from other LLM developers for increasingly specific and technical content. This is precisely what Wiley specializes in with over 200 years of history behind us. It's still too early to size these opportunities, but we are seeing a growing interest, while remaining prudent on the scope of the rights granted.

The second stage is developing new business models around content application that brings us ever closer to the customer. These include recurring licensing arrangements as these models evolve and as companies bring our content into the AI environments.

For example, Wiley is a leading provider of scientific content. We can embed this content into GenAI applications for pharmaceutical companies, health care providers, chemical companies, government agencies and many others. Wiley is also a leading provider of business and economics content, which we can embed into applications from the financial services providers. These are just some examples of the opportunities ahead.

In addition to content licensing and application, another very real GenAI opportunity for us is in product and publishing innovation. Through various AI-based tools, we are transforming how we publish by shortening authoring time and effort, increasing editorial productivity and streamlining content workflow. We have already deployed AI into our research platform using it to safeguard research integrity at the point of article submission.

In fact, we've introduced a new service that incorporates 6 distinct tools to identify potentially compromised content, including paper mill similarity detection, problematic phrase recognition, researcher identity verification and GenAI content detection among others. We're already piloting this service with key society and publishing partners as the industry tackles this issue head on. Through our past experience, we've become a thought leader in this area, and we're sharing our insights with others.

Finally, we're already deploying AI to materially improve office productivity and customer service as we begin to transform how we work. In customer service, for example, we're already seeing cost savings and reductions in handle time through the latest AI augmentation and automated processes.

To summarize, Wiley is highly valued and well positioned in the evolution of AI. We're closing deals, developing additional opportunities and seeing both quality and efficiency gains today. As I've said before, we are confident that the advancement of these technologies will be a contributor to customer value, productivity and growth in the years to come.

Let me briefly touch on our performance for the quarter. Christina will provide more detail. As a reminder, we will be excluding our held for sale or sold assets in our commentary, unless otherwise noted. We finished strong due to our accelerated value creation plan savings and the \$23 million GenAI content rights project and learning. Adjusted revenue was up 4% to \$441 million, driven by growth in learning, including the GenAI content rights project. Academic continued to outperform as it has all year. This was partially offset by timing and lower ancillary print and licensing revenue in Research.

Adjusted EBITDA rose 7% to \$125 million from the combination of revenue growth and restructuring savings. As I mentioned, adjusted EBITDA margin for the quarter was 28.3%. Adjusted EPS rose 2% to \$1.21 with strong revenue performance, partially offset by tech write-offs as part of legacy decommissioning. Our Q4 GAAP results continued to be impacted by the divestitures and related activity as well as restructuring.

On to our full year performance. As a reminder, fiscal '24 was a transitional year as we made the necessary moves to become a higher performing and more profitable Wiley. These structural changes and transition year dynamics were evident in our GAAP results shown here. I'll be focusing on our adjusted results. Full year adjusted revenue declined modestly to \$1.617 billion. Outperformance in Learning was offset by a decline in Research due to the COVID research lag and the effects of the Hindawi disruption. Also note, we had some currency favorability on revenue this year of about \$11 million. Adjusted EBITDA was down 3% to \$369 million, largely due to revenue performance. Our adjusted EBITDA margin for the year was 22.8%. Adjusted EPS was down 19% due to a combination of lower operating income and higher interest and tax expense.

And as noted, free cash flow of \$114 million compared to \$173 million in the prior year due to a combination of transition year factors, including lower cash earnings and restructuring plus higher interest. As a reminder, we don't report an adjusted free cash flow metric, so this number includes the held-for-sale assets.

Let's talk about our momentum heading into fiscal '25. I'll start with Research. Submissions growth, a critical leading demand indicator, has risen to 15% on a trailing 12-month basis. This is considerably higher than we expected and speaks to the global research and demand to publish, be recognized and further in one's career. Wiley enables all of this as a leading peer review publisher. Output growth has rapidly accelerated. After a slow start, we saw marked improvement throughout the year with output growing by mid-single digits in Q4.

We're seeing solid growth patterns return in the U.S., EMEA and Japan. And we're seeing strong demand in the high-growth markets, like China and India. In fiscal '25, we expect to see continued mid-single-digit output growth, and that's reflected in our revenue projections.

Third, our institutional models are strong with steady growth expected. As a reminder, these models, which include both subscriptions for research libraries and institutional open access agreements with consortia or single institutions are recurring in nature. Fourth, gold open access is expected to continue to deliver about 20% growth to refresh gold open Access is our author-funded OA model.

As always, journal quality and impact are paramount, and we remain very well positioned as a best-in-class publisher with leading portfolios in chemistry, material science, energy, oncology, food science and many others.

Finally, the development of our Research Publishing platform is accelerating. We recently successfully completed our first large-scale journal migration, and we're now expecting to have the platform fully deployed in fiscal '25 earlier than we originally projected. This platform will allow us to deliver incremental growth by standing up new content offerings and improving article referring transfer. It should lead to a material reduction in turnaround times and cost per article and allow us to detect research integrity issues through the use of AI. After some outliers this year, we're now seeing the obvious upside of a simpler Wiley, focused intently on its research core.

Let's now turn to our momentum in learning. It was a consistently good year above and beyond the GenAI deal. Market conditions turned favorable, particularly in academic digital content and courseware. Undergrad enrollment increased for the first time since the pandemic. Institutions gravitated towards inclusive access models, where the cost of digital course content is added to the student's tuition and fees, and our STEM courseware product continued to see strong growth in adoption and usage. We expect this positive momentum to continue.

I want to take a moment and commend the team this year for not only delivering better-than-expected revenue growth, but significant margin acceleration as well. In Professional, we're seeing very good momentum in signing up new authors and titles, a result of simply focusing on this profitable business more than we have in the past. Given the long lead time to publish, we'll see the benefit of these signings beginning in fiscal '25. Our Assessments business grew modestly in fiscal '24, but we expect better growth from the recent expansion of our sales partner network. Finally, as noted, we're going to continue to respond to and actively pursue opportunities for our learning content in GenAI models.

In summary, we're pleased with our overall momentum heading into fiscal '25. I'll turn it over to Christina.

**Christina M. Van Tassell**

*Executive VP & CFO*

Thank you, Matt, and hello, everyone. I want to start by thanking our global colleagues for all they've done to get us here. We are a much stronger company than we were last June. At this time last year, we announced our value creation plan. I said then, we were about to embark on a clear and decisive plan to simplify our portfolio. This would enable us to focus on our most competitively advantaged businesses in order to drive consistent growth, while streamlining the organization, expanding profit margins and deploying our capital more efficiently. So let's review our progress to date.

We reorganized the businesses from 3 disparate segments into 1 go-to-market research and learning team under Jay Flynn. This has been a great move for us, and we continue to advance commercial gains and unlock synergies from this important realignment. We've closed on the sale of both University Services and Wiley Edge. Total consideration for both is approximately \$175 million subject to adjustments.

Our primary goal here was to free ourselves of these stressed noncore assets to focus on our profitable and cash-generative core. The remaining divestiture cross knowledge is in process and is immaterial. We actioned \$90 million of run rate savings in our \$130 million savings plan, with \$60 million of it being realized in year. The remainder will be actioned in fiscal '25 ahead of schedule. The key drivers here are corporate overhead savings, business savings from the consolidation of various functions in our real estate footprint as well as technology savings from the retirement of legacy systems and reduced hosting costs.

During the year, we further consolidated our office footprint with 2 office closures and 4 reductions. Since March of 2020, we've reduced our global office footprint by around 40%. Also note, as part of our tech consolidation and modernization, we wrote off tech debt this quarter. As a reminder, we expect half of the \$130 million of savings to flow through to margin and half to be reinvested. This is reflected in our fiscal '25 outlook and fiscal 2016 targets. In addition, we will also be reinvesting a portion of the proceeds from our large content deals towards driving sustained profitable growth.

Let's talk about where we're reinvesting. Our primary objective is to drive additional growth in Research, where we have strong competitive advantage in pent-up demand. This includes scaling our journal portfolio and referred transfer capabilities, extending our flagship journal brands into additional verticals and optimizing go-to-market to attract and retain authors. It also includes expanding our editorial capacity and corporate research sales teams. We will also invest in signing new in-demand authors and titles on the learning side to better leverage the publishing infrastructure we have in place.

Second, we are investing in GenAI growth and productivity initiatives, including optimizing our content for LLM deployment, leveraging GenAI and our content-enabled applications and developing new business models. We are also investing in AI productivity tools for our colleagues. We're modernizing our systems to improve speed, decision-making and productivity. We've talked about 2 specific areas here. Our Research Publishing platform and our infrastructure modernization. We are confident these initiatives will enhance revenue growth and margin acceleration beyond fiscal '26 as we grow to meet the ever-increasing demand to publish and take full advantage of the GenAI opportunity.

We also expect to lower our cost to publish through workflow automation, content reuse and the decommissioning of legacy systems. Finally, we expect to deliver a superior author experience through faster turnaround times and article transfer, which we believe will give us a competitive advantage in the marketplace.

Let's turn to our research performance in this unusual year. We had the adverse Hindawi impact and the COVID research lag. As noted, the Hindawi journal portfolio is now integrated within the Wiley Open Access portfolio, and the COVID lag is fully behind us. So I'll focus on the quarter. Research revenue was down 3% due to timing and declines in our ancillary prints and licensing revenue. The timing impact involved a portion of our journal revenue slipping into fiscal '25, a fairly common occurrence stemming from the divergence of our fiscal year and the research library budget season. We expect to recover this delayed revenue in Q1.

Research Solutions had a down quarter due to soft market conditions for advertising and recruiting, offsetting moderate growth in our publishing solutions business for societies. We have good visibility based on customer contracts signed in fiscal '23 and '24, and so we expect better performance in '25. In Q4, adjusted EBITDA for Research declined 12% due to the unusual year-over-year incentive comp swing, which we've discussed all year. Our Q4 margin was 34.6%.

In summary, we feel good about Research heading into fiscal '25. Strong publishing KPIs and trends are expected to deliver double-digit revenue growth in gold open access, steady growth at our multiyear institutional models and material improvement in the solutions.

Let's talk about learnings outperformance. The team executed exceedingly well in driving both mid-single-digit growth and 600 basis points of margin expansion this year, yet another outcome of a more focused Wiley. For the quarter, Academic revenue rose 22% or 8% excluding the GenAI deal driven by continued strong growth in digital content and courseware and rights and licensing. Also according to industry data, U.S. undergrad enrollment rose 1.2% in the fall and 2.5% in the spring, so a positive trend there after several years of decline.

Professional revenue rose 13% in the quarter, but was down 5%, excluding the GenAI deal. Performance was driven by modestly lower backlist and frontlist sales. To refresh, GenAI content revenue is split evenly between Academic and Professional. Adjusted EBITDA in learning for the quarter rose 54%, mainly driven by revenue performance and cost savings. Our Q4 adjusted EBITDA margin was 43.5%.

In summary, we feel good about learning. Higher education market conditions are more favorable now than in recent past, both in terms of enrollment and demand. In Professional, we drove higher title and author signings, which will start to come online in fiscal '25 and beyond. In Assessments, we expanded the number of sales agents by 19%, which gives us a good outlook for our personality assessment and team development products.

Okay. Let's move from segments into corporate expenses. For the year, we saw a 4% increase as expected in the corporate line to \$163 million, offsetting value creation plan savings. The net increase was largely due to lower incentive accrual in the prior years due to underperformance, higher executive costs this year related to severance and transition to your consulting fees.

Let's turn now to our fiscal '25 outlook. Giving many indicators and favorable trends, we're projecting full year revenue of \$1.65 billion to \$1.69 billion for a top line growth of 2% to 4%. This is driven by an expectation of low to mid-single-digit growth in Research and low single-digit growth in Learning. Two important things to note. First, our outlook includes both GenAI content deals with \$23 million recognized in fiscal '24 and \$21 million recognized in fiscal '25. It does not reflect additional content licensing deals for GenAI models. We will update our guidance during the year as additional deals materialize. Adjusted EBITDA is expected to be in a range of \$385 million to \$410 million for a growth of 4% to 11%. This reflects a margin target of 23% to 24%.

Performance is expected to be driven by a combination of revenue growth and continued cost savings, partially offset by reinvestment in Research, GenAI and infrastructure modernization. Adjusted EPS is expected to be in the range of \$3.25 to \$3.60 for growth of 17% to 29%. The primary drivers are higher expected adjusted operating income and accrued interest income from divestitures offsetting higher interest and tax expense. Free cash flow is anticipated to be approximately \$125 million up from \$114 million. This is due to improved working capital and lower restructuring payments, offsetting higher CapEx and higher incentive compensation payments compared to the normally low payouts in the prior year.

As noted, we anticipate CapEx to be approximately \$130 million compared to \$93 million this year due to near-term infrastructure investments. So cash flow remains below historical norms in fiscal '25 due to a combination of elevated CapEx and restructuring activities. As a reminder, we expect to be at \$200 million in fiscal '26 as cash earnings continuing to improve, CapEx normalizes and restructuring papers. In terms of quarterly phasing, the \$21 million GenAI content rights project in fiscal '25 will be recognized in the first 2 quarters of this year.

Moving on to our financial position. Free cash flow for the year of \$114 million was down \$59 million as expected. Lower adjusted EBITDA, higher restructuring and interest payments and lower incentive comp payments offset lower CapEx. For the year, we allocated \$122 million towards dividends and share repurchases, up \$10 million versus prior year. \$45 million of that was used to acquire 1.3 million shares at an average cost per share of \$34.71. This compares to 832,000 shares repurchased in the prior year period. Our current dividend yield remains above 3.5%. Finally, net debt to EBITDA ratio was 1.7 at the end of April compared to 1.5% in the prior year.

With that, I'll pass it back over to Matt.

**Matthew S. Kissner**  
*Interim President, CEO & Employee Director*

Thank you, Christina. Let me quickly summarize the key takeaways. As we put this very eventful year behind us, there is a renewed sense of confidence and optimism across our organization. We're meeting and exceeding our profit and performance objectives. We're moving decisively to uncover near-term opportunities. We're reinvesting where we have a unique right to win, and we're moving faster and making work life easier. We're seeing strong underlying momentum in Research and outperformance in Learning.

GenAI momentum is accelerating. With 2 executed content rights projects, we're seeing additional interest from other AI providers. We've made significant progress on our value creation plan, including divestitures and savings. We have more work in front of us, but we have made tremendous strides. We're confident in our fiscal '25 outlook for revenue growth and margin expansion. And we see expected continued margin and cash flow acceleration in fiscal '26 and beyond.

I'll finish with our fiscal 2026 financial targets. On revenue, we anticipate low to mid-single-digit revenue growth as our core drivers in publishing and solutions continued to benefit from ever-increasing demand and a strong competitive position. As with our fiscal '25 outlook, our '26 targets do not reflect any additional GenAI content licensing projects. Our adjusted EBITDA margin is expected to grow to 24% to 25%, driven by high-quality revenue growth and value creation plan savings. And free cash flow is expected to rise to \$200 million as CapEx returns to more normal levels and restructuring payments taper off.

Beyond fiscal '26, we're focused on delivering strong, consistent revenue growth at or above market growth, continued margin expansion from greater publishing scale and delivery, leaner processes and operations and a more efficient infrastructure and further free cash flow acceleration as cash earnings expand, cash flow conversion improves and CapEx normalizes.

I want to thank all of you for joining today. And I want to thank our Wiley colleagues for their many achievements this year and their continuous drive and dedication. As I said last quarter, nothing unites us more than being on a winning team.

I'll now open the floor to any comments and questions.

## Question and Answer

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### Operator

[Operator Instructions] Our first question will come from the line of Daniel Moore with CJS Securities.

### Daniel Joseph Moore

*CJS Securities, Inc.*

Thanks for all the color. Just updating my thoughts here. So maybe start, Matt and Christina with Research now that we're fully cycled past the headwinds and challenges in Hindawi as well as the COVID hangover, just talk about the momentum you're seeing in terms of article submissions. Clearly, 15% in the quarter is really strong. Where is that momentum coming from geographically as well as specific disciplines and just how sustainable is that type of growth in your mind?

### Matthew S. Kissner

*Interim President, CEO & Employee Director*

Dan, it's Matt, and thanks for recognizing that's a critical leading indicator, right, of the health of the Research franchise. As we have Jay with us, let me ask Jay, who's close to the market here, to give you some color on that. Jay?

### James Flynn

*Executive VP and GM of Research & Learning*

So we are optimistic about the trends in article submissions. And just a reminder, those don't convert and correlate directly with revenue growth. We have multiple ways to monetize those submissions through our continued growth in subscriptions as well as our hybrid open access business models and our gold open access model.

So just specifically around sort of breakdown in geography, what we're seeing is a return to growth essentially globally in article submissions, we still see very strong performance in China and in India. Those are still leading markets for growth for us. But encouragingly, the more mature markets, especially the United States and Europe, have also rebounded. And we saw that in the latter half of the year, particularly in Q4, and we're looking forward to that continuing. I think that's one of the reasons we feel very optimistic about our trajectory and the momentum that we've established in fiscal '24 heading into '25.

### Daniel Joseph Moore

*CJS Securities, Inc.*

That's very helpful. I appreciate it, Jay. Switching gears a little bit. You've obviously talked a lot about the AI tools you're developing and implementing. Maybe just talk a little bit more, take a step higher, just 30,000 feet. The changes you've made in terms of processes, procedures, since Hindawi and your confidence that we won't have additional similar issues going forward given the growing presence of fraudulent research and obviously, the scope of the opportunity that you're seeing in gold road.

### James Flynn

*Executive VP and GM of Research & Learning*

Sure. So as Matt mentioned, and we read in the prepared remarks, through a list of tools that we already have in production. I have 8 AI tools in production right now that are built off the data set that we acquired during the last couple of years that give us indications of where there might be, for example, paper mill activity. It helps us verify who authors are. There's synthetic content detection, image manipulation detection, a whole set of tools. And I think the way Matt described it is accurate. We are a thought leader in the space based on hard one experience.

We've announced already partnerships with one society and one publisher, the world's largest membership society in academics and that's the IEEE and another publisher Sage to pilot these tools on their systems,

and we've got a lot of inbound interest as a result. I think as I've said before in my comments, this is an ecosystem challenge, and there's a mix of things happening between incentives, geographies and the tools that we need to shore up our own processes are deployed now Matt mentioned progress we're making with our new platform development. I'll point to that as another example of the work that we feel good about heading into fiscal '25.

**Matthew S. Kissner**

*Interim President, CEO & Employee Director*

Yes. Let me add a comment, Dan, just for color. This is a scale business, will be presented with over 1 million articles for candidates for publication today. So the investments we're making in infrastructure and AI are critical for enabling us to take advantage of economies of scale here.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Very helpful, Matt. And certainly, Jay the color. Obviously, great to hear the interest in AI and machine learning continues to grow. The \$23 million deal this quarter, really encouraging another \$21 million deal in early fiscal '25. I know it's hard to size the opportunity, but when you think about it generally, has the lowest hanging highest revenue fruit kind of been picked? Or do you -- do we think of these as relatively small toe in the water type deals as you get your hands around the opportunity relative to what licensing could grow into over time?

**Matthew S. Kissner**

*Interim President, CEO & Employee Director*

A couple of thoughts. This is Matt, and then I'll ask Jay to comment also. We're at the beginning of a wave here, I think. And we're learning as we do this. We're approaching it very cautiously. Each deal is highly customized, but there is considerable interest. The question is we want to pursue this on terms that are favorable to both us and the licensee. And so we're very cautious about structuring these deals in the most effective way to protect our future rights, but still take advantage of the fact that the kind of content we have, which is fact-based indexed quality content is very appealing to these LLM model builders. And the other desire we have is to convert these future deals into more of a recurring revenue arrangement than a onetime revenue arrangement. So I would say we're in the early days from a learning point of view, but there is considerable interest we're seeing.

Let me ask Jay to add his comments.

**James Flynn**

*Executive VP and GM of Research & Learning*

Fully aligned with that. I think what we're seeing in the market is obviously interest from the big tech companies who are doing training. But as Matt noted that -- and that opportunity is substantial, and we're encouraged by it. But as Matt noted, there are -- we're at the very beginning stages here of this revolution in information technology and information services. And we're well positioned, I think, to support the needs of various end markets who are building their own in-house tools to support, for example, drug discovery in life sciences, in chemistry and oil and gas and computer science and engineering.

We published some of the best material in the world on that. And so one of the things we'll be focused on in fiscal '25 is the information needs of those end markets as well as the continued development, as I mentioned earlier, of tools to support our own internal quality processes and product development.

**Daniel Joseph Moore**

*CJS Securities, Inc.*

Perfect. Maybe switching gears a little bit, and this might be a little bit more Christina, but \$90 million of the \$130 million run rate cost savings now actions. I assume the remaining \$40 million will fall in fiscal '25 or most of that. Is that fair?

**Christina M. Van Tassell**

*Executive VP & CFO*

Yes. Dan, that's accurate. We'll have about \$40 million actioned in '25, that's ahead of schedule, and we are feeling really good about the momentum off of that as well. About half of that is corporate and organizational optimization, and about \$40 million of that is tech reduction and strategic business decisions. And the last part of that is just business operation optimization. So these are trends that we that we were able to accelerate. And as we got more focused on what we are really spending our time and energy on, we're able to really to execute that in a really effective way.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

Very helpful. And then of the -- I think you said \$60 million was realized in fiscal '24. Is that right?

**Christina M. Van Tassell**  
*Executive VP & CFO*

In year, yes.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

In year. And so the -- in year, okay. So was half of that reinvested? In other words, I know half of the \$130 million will be ultimately reinvested. But is that ratio, did that kind of hold in year versus what's to come?

**Christina M. Van Tassell**  
*Executive VP & CFO*

Approximately, yes. Yes.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

We're in the ballpark. So there's not...

**Christina M. Van Tassell**  
*Executive VP & CFO*

Yes. In the ballpark, yes...

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

Reinvestment is still to come or anything like that, okay. Very helpful. And then the CapEx guide, \$130 million this year, is that right?

**Christina M. Van Tassell**  
*Executive VP & CFO*

That's right.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

And it's still -- given the EBITDA guide, \$125 million, I guess, what -- the punchline is \$125 million of free cash this year seems potentially a little light to me, even with the elevated CapEx, maybe just talk about your working capital assumptions and whether there could be a little bit of conservatism built in to that expectation.

**Christina M. Van Tassell**  
*Executive VP & CFO*

Sure. We still -- we're still coming out of our transformation year. So we've got a couple of things that we are grappling with in '25. One is the payment of our incentives from this fiscal '24, which is an elevated number because if you recall, we talked about a year or the year before, we had specifically reduced our incentive payments. So that's -- you'll see the last of that coming through in '25. That's about \$30 million. And then we've got, obviously, the elevated CapEx versus this year and then a couple of other small things that are just -- that are impacting that.

However, we are seeing momentum as we come out of -- out of all those things as we're executing on our strategy. And so we're going to continue to monitor this. I also want to just mention on the GenAI idea we talked about for the first half of fiscal '25. We are using a lot of those proceeds to redeploy back into the business, as Jay rightfully mentioned, because we really want to make sure that we're seizing this opportunity for not just GenAI, but also to drive harder on our research opportunity and our learning opportunity. So those are the broad [ stores ] what you're seeing in free cash flow.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

Makes sense. And that does not include potential cash payments from dispositions, correct?

**Christina M. Van Tassell**  
*Executive VP & CFO*

No. It does not.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

Correct. Okay. And then lastly, you just talked about capital allocation. Obviously, you picked up the pace on buybacks, free cash flow. We'll pick up this year, but then should really accelerate in fiscal '26. And given the stickiness of your model, are you likely to be increasingly aggressive in terms of buying back shares, given the comfortable leverage or just talk about your priorities for capital allocation for the next 12, 24 months?

**Christina M. Van Tassell**  
*Executive VP & CFO*

Yes, yes, sure. So we're going to continue to respond to opportunities for capital deployment and strategy as we go. You did see us increasing our share purchases and rightfully so. And that was even during the muted cash period. We're going to continue looking at different things as our free cash flow climbs back up towards our normal, I'll call it, steady state. And we do have a very intricate repurchase plan that will monitor our volatility in our stock price as we go and capitalize on that as we see what our capital deployment needs are versus the market. So we feel really good about that actually. Yes.

**Daniel Joseph Moore**  
*CJS Securities, Inc.*

Okay. Very good. Congrats on obviously, all the progress this year and look forward to catching up soon.

**Operator**

[Operator Instructions] And your next question will come from the line of Nick Dempsey with Barclays.

**Nicholas Michael Edward Dempsey**  
*Barclays Bank PLC, Research Division*

Just about the AI deals. I wonder if you can tell us, is it your book backlist content that is being digested, absorbed rather than your journals? Sorry if I missed that. And the second question, in terms of how many other people out there who are interested in paying money for this, are we talking a handful more or could it be 10 plus?

**Matthew S. Kissner**

*Interim President, CEO & Employee Director*

It's Matt. I'll begin and then ask Jay to fill in any blanks I've left. So it is book content at this point. And in terms of interest, obviously, it's a concentration of the tech companies can -- today, it's a concentration of tech companies, who can afford to build the large language models, which are very expensive to develop. However, there are extensions of this as companies look to tailor these market -- these models to their particular markets.

So there are potential markets, for example, let's say, in pharmaceutical, where a pharmaceutical company might want to augment the model with very specific training data that fits its particular market needs. So again, as I said, it's early days as this market is developing, but there will be, I believe, extensions as people look to augment the large language models.

Jay, do you want to embellish on that?

**James Flynn**

*Executive VP and GM of Research & Learning*

Happy to add a little bit more color, Matt, but I think you nailed it. First of all, great question, and we're -- we're encouraged by the interest that we're seeing. We're getting inbound interest from a variety of sectors, as Matt described. And I just want to reiterate that this is something we're approaching on a deal-by-deal basis where we are in fundamentally. We are in the rights business in many ways. And so this is well tried and ground for us in terms of negotiating these kinds of agreements, but AI is a new frontier and the opportunities that AI presents us with. As Christina mentioned, that give us an opportunity to reinvest in our core as well as grow our own internal AI capabilities.

So I don't want to characterize in terms of numbers, the size of the current interest. But as a high-quality information services provider in the disciplines that drive the global economy, we feel very well positioned to be a provider of content, tools and services related to the AI opportunity.

**Nicholas Michael Edward Dempsey**

*Barclays Bank PLC, Research Division*

Can I just tack on a quick follow-up. Would you ever think of doing this with your journal content? Or is that more complicated by the monetization model for Journals, relationship with authors, et cetera?

**James Flynn**

*Executive VP and GM of Research & Learning*

So let me stress that these deals -- none of these deals are what I would characterize as simple, right? In the book world and the journal world and the database world, we were very clear that we have to exercise diligence, and we have to be very clear on rights and things like that. What I will say is that there will be opportunities for us to explore licensing both Journal and book content. Journal content is increasingly relevant in the AI context for the markets that Matt just mentioned, in the context of large corporate R&D, in the context of engineering and physics, medicine.

And so when those opportunities present themselves, we'll explore. A lot of these companies buy our content already. And so one of the things they're certainly interested in and we're certainly interested in us talking to them about acquiring rights to use that content in ways that are integrated into their own AI programs. And of course, as I said before, we have opportunities to use AI to develop our own products and services there, too.

**Operator**

And there are no further questions at this time. I'll hand the call back over to Matt Kissner for any closing remarks.

**Matthew S. Kissner**

*Interim President, CEO & Employee Director*

Thank you for joining us, joining the call today, and we look forward to sharing more progress on our Q1 earnings call in September. Thank you. Have a great day.

**Operator**

That will conclude today's meeting. Thank you all for joining. You may now disconnect.

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