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RWS Holdings plc

Half Year Report for the Six Months to 31 March 2020

A robust first half performance and a strong start to the second half

RWS Holdings plc ("RWS", "the Group"), one of the world's leading language, intellectual property support services and localization providers, today announces its half year results for the six months ended 31 March 2020.

Financial overview

	H1 2020	H1 2019	Change
Revenue	**£169.7m**	£172.3m	-1.6%
Adjusted profit before tax[1]	**£33.1m**	£35.6m	-7.1%
Reported profit before tax	**£25.8m**	£27.6m	-6.3%
Adjusted earnings per share [1]	**9.35p**	10.06p	-7.1%
Basic earnings per share	**7.26p**	7.78p	-6.7%
Interim dividend	**1.75p**	1.75p	-
Net debt	**£34.5m**	£63.9m	-46.0%

H1 2020 highlights

- Life Sciences was the best performer of the three RWS divisions followed by Moravia and IP Services. As previously stated, IP Services faced a very tough comparative with H1 2019 which had benefited from the one-off impact of procedural changes to improve patent grant efficiency at the European Patent Office in 2018.
- Strong new client wins, particularly in IP Services, awaiting onboarding in H2 albeit moving slowly due to Covid-19.
- The UK Government announced that the UK will not participate in the proposed EU Unitary Patent. A judgement in the German constitutional court has currently blocked participation by Germany.
- Substantial reduction in net debt to £34.5m (H1 2019: £63.9m), while cash conversion has improved to 85% (H1 2019: 84%). Strong cash position of £28.3m (H1 2019: £27.4m).
- The Board's confidence in the Group's future prospects is reflected in the interim dividend being maintained at the same level as in 2019.

Post period end acquisitions

- Acquisition of Iconic Translation Machines, Ltd ("Iconic") for up to US$20m subject to targets being met; adds an award-winning machine translation (MT) and artificial intelligence (AI) solutions industry expert to the Group.

- US$21.0m acquisition of Webdunia.com (India) Private Limited ("Webdunia"), brings a leader in translation, localization and technology services which will enable the Group to better support its technology customers in the Indian and Asian Pacific regions.

[1] RWS uses adjusted results as key performance indicators as the Directors believe that these provide a more consistent measure of operating performance by adjusting for acquisition related charges and significant one-off or non-cash items. Adjusted profit before tax is stated before amortization of acquired intangibles, acquisition costs, share-based payment expenses and other exceptional items. Adjusted earnings per share adjusts for amortization of acquired intangibles, acquisitions costs, share option costs, other exceptional items, net of any associated tax effects.

Covid-19 update

- The safety and wellbeing of our staff worldwide remain the Group's priority and all of our offices, with the exception of China and the Czech Republic, remain closed.
- All divisions have remained fully operational as we successfully moved to working from home, with staff adapting well, supported by steps taken by the Group to maintain their wellbeing, effectiveness and engagement.
- Overall, the Group is currently seeing limited impact on customer demand from Covid-19, with increased activity from Moravia's large technology clients and Life Sciences' clients, who are working on vaccines and antibody testing, offset by some impact on IP services, including slower onboarding of new clients.
- As previously announced, the Group has taken prudent steps to curtail recruitment, capital expenditure and discretionary spend and retains a highly flexible cost base due to the high proportion of freelancers utilized for initial translations.
- The Group's cash generation and liquidity put it in a very strong position during this uncertain period. At the period end, the Group's US$200m banking facility provided headroom of US$120m, of which US$40m is guaranteed under a Revolving Credit Facility and a further US$80m is available under a non-committed facility.

Current trading and outlook

- Trading performance since the period end has been good, with a very strong result in April, and strong sales in May.
- It remains difficult to predict with accuracy the likely financial impact of Covid-19 on the operations of RWS and we therefore believe it is prudent to continue to refrain from providing financial guidance for the full financial year.
- However, despite this uncertainty in our markets created by Covid-19, we do expect the second half performance to benefit from:
    - the expected incremental ramp up in sales in all three divisions from new clients and contracts won in both the first half and prior periods.
    - a strong sales pipeline including several promising cross-sell and joint-sell opportunities and prominent new client opportunities for RWS IP Services.

Andrew Brode, Chairman of RWS, commented:

“RWS has delivered a robust performance against several challenging headwinds, with good results in Moravia and Life Sciences.

“The second half has started strongly despite the Covid-19 crisis, and, whilst it is still too early to be certain, recent client wins and a strong pipeline of opportunities leave the Board optimistic about a good outturn for the year as a whole.

“The Group’s focus on Life Sciences and technology customers, who are thought to be likely beneficiaries in a post Covid-19 world, and the importance to our customers of managing their research and development investments through a strong global patent strategy, puts RWS in a strong position.”

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About RWS

RWS is the world’s leading provider of intellectual property support services (patent translations, international patent filing solutions and searches), a market leader in life sciences translations and linguistic validation, a leading localization provider, and a high-level specialist language service provider in other technical areas, providing for the diverse needs of a blue-chip multinational client base spanning Europe, North America and Asia.

RWS is based in the UK, with offices across five continents. The company is listed on AIM, the London Stock Exchange regulated market (RWS.L).

For further information, please visit: www.rws.com.

Forward-looking statements

This announcement contains certain statements that are forward-looking. These include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or review these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

RWS Holdings plc

Results for the Six Months to 31 March 2020

Chairman's Statement

I am pleased to report that RWS has delivered a robust performance against a challenging set of comparatives and headwinds, culminating in the onset of the Covid-19 crisis.

Business overview

RWS is one of the world's premier language service providers, focusing on key market segments where the quality of its services is of critical importance to its clients. The Group has a blue-chip multinational client base spanning Europe, North America and Asia that is particularly active in the technology, pharmaceutical, medical, chemical, automotive and telecoms industries.

Following the integration of RWS Moravia and RWS Language Solutions on 1 October 2019, the Group now operates three divisions:

- **RWS IP Services** is the world's premier supplier of patent translations, filing solutions and IP search, retrieval and monitoring services. The division includes PatBase, the world's largest patent research database, AOP Connect™, with its crowd of 42,000+ researchers, and international web-based patent filing platform, inovia. Uniquely, this division employs over 130 full-time, highly qualified translators and over 20 full-time patent information searchers.

- **RWS Life Sciences** focuses solely on the language service needs of the life sciences market, providing technical translations and linguistic validation to large pharmaceuticals and clinical research organizations in North America, Europe and Asia Pacific. This division includes the former life sciences activities of Moravia which were fully merged with effect from 1 October 2019.

- **RWS Moravia** is a leading provider of technology-enabled localization services, enjoying long-term relationships with some of the largest publicly traded technology companies in the world. It addresses its clients' large, complex and time-critical localization requirements, including adapting content, software, websites and applications across more than 160 languages. This division now includes the Group's non-patent and non-life science translation activities, with an emphasis on technical and legal translations.

Our strategy

Our strategy is to focus on providing an increasing range of appropriate services to existing and new clients. This is supplemented by selective acquisitions, providing these are complementary to our existing business and either add additional services or increase RWS's geographical coverage to support our customers and enhance shareholder value.

Organic growth is driven by:

- the growing demand for language services underpinned by globalization and international trade
- an increase in the worldwide patent filing activities of existing and potential multinational clients
- the development of new drugs and vaccines by the pharmaceutical industry
- the growth in digital content generated internationally and requiring quality localization
- the Group's use of technology that enables RWS to provide customers with a world leading augmented translation service incorporating the latest IT developments for the language services sector
- the outsourcing by corporates, clinical research organizations, law firms and attorneys of all or part of their foreign patent search, filing, translation, localization and linguistic validation processes
- the Group's ability to attract new clients by virtue of its leading position and reputation in an otherwise fragmented sector
- the Group's ability to expand in new but growing geographies
- an increase in cross divisional and joint selling of the Group's suite of services

Whilst the primary focus is on organic growth, cross-selling and driving synergies across the Group, we continue to review selective potential acquisitions in the intellectual property support services and specialist language services spaces that would further accelerate growth. We seek businesses capable of delivering above industry average levels of profitability, or highly complementary businesses capable of reinforcing the Group's dominant position in intellectual property support and language services.

Half year results

As a result of the headwinds, when comparing the Group's performance against H1 2019, revenues fell 1.6% to £169.7m (H1 2019: £172.3m). Adjusted operating profit before finance income and expense, amortization of acquired intangibles, acquisition costs, share-based payment expenses and other exceptional items decreased by 8.5% to £34.7m (H1 2019: £37.9m).

Adjusted profit before tax, amortization of acquired intangibles, acquisition costs, share-based payment expenses and other exceptional items decreased by 7.1% to £33.1m (H1 2019: £35.6m). On the same basis, adjusted earnings per share decreased by 7.1% to 9.35p (H1 2019: 10.06p).

Taxation

The Group continues to have a significant exposure to underlying US tax rates and the effective tax rate is in line with last year, at 22.8%.

Currency and FX

The Group remains highly exposed to movements in the US dollar exchange rate reflecting the fact that over two thirds of revenues are denominated in US dollars. In the second half of FY 2018, the Group introduced additional steps to reduce the income statement volatility of this imbalance and financial results in the first half of FY 2020 reflect this. Hedging measures introduced include the novation of Group debt to divisional level, entering into US dollar forward contracts at Group level and initiating additional US dollar hedges at divisional level. The Group has also benefitted from movements in the underlying Sterling Dollar exchange rate as the dollar has strengthened by 0.8% between periods. While volatility has been reduced, there remains a significant unhedged position in line with the Group's internal foreign exchange policy, which remains exposed to fluctuations in underlying market rates.

Cashflow

During the six months ended 31 March 2020, the major cash outlays were the final dividend of £19.2m, debt and interest payments of £19.2m and corporation tax payments of £8.7m.

Cash conversion reached 85% (H1 2019: 84%), in line with the Group's longstanding record of strong underlying cash generation.

Balance sheet and liquidity

As at 31 March 2020, shareholders' funds amounted to £394.5m (H1 2019: £359.0m). At the same date, net debt had been reduced to £34.5m (H1 2019: £63.9m), comprising borrowings of £62.8m, less cash of £28.3m (H1 2019: £27.4m). Following robust stress testing, the Board is highly confident that the Group's cash generation and liquidity put it in a strong position during this uncertain period and beyond. In addition to the Group's cash reserves, it had drawn down US$80m of its recently amended US$200m banking facility, leaving headroom of US$120m at the period end, of which US$40m is guaranteed under a Revolving Credit Facility and a further US$80m is available under a non-committed facility.

As at 31 March 2020 net debt to EBITDA stood at 0.4 compared to an underlying covenant of 2.75.

Dividend

The Directors have approved an interim dividend of 1.75p per share, maintained at the same level as in 2019. This reflects both the Group's strong financial position, its cash generative business model and the Board's confidence in its future prospects.

This dividend will be paid on 17 July 2020 to those shareholders on the register as at 26 June 2020, and the ex-dividend date is 25 June 2020. The Group remains committed to a progressive dividend policy, which has been followed in every year since flotation in November 2003.

Operating review

RWS IP Services

The division includes both RWS's patent translation and global filing services, and RWS IP Research. These businesses were merged to form one division to bring together all of the Group's quality intellectual property services and better align them to our clients' needs.

During the period, the division represented 34% of Group revenues, achieving sales of £57.9m (H1 2019: £62.3m), a decrease of 7%. The division was impacted by an exceptionally high prior year comparative due to a one-off procedural change at the European Patent Office.

This was compounded by the first half of 2019 having included the final revenue from the previously announced loss of a major customer, and a reduction in sales to a major client as a result of the sale of part of their business, again both one-offs.

The division's adjusted operating profit was £16.1m (H1 2019: £17.1m).

H1 2020 has seen continuing growth in the division's operations in China and Japan, as demand for patent applications in Chinese and Japanese from European and North American corporates continues to grow. Pleasingly, direct sales to local companies also advanced, achieving double-digit growth during the period.

Sales of PatBase, the Group's high margin, patent search subscription business showed a healthy 4% increase over the prior period.

Costs within the division were in line with expectation and action has been taken to significantly reduce discretionary expenditure and implement a hiring freeze.

The division has won several excellent new clients and contracts in the period, which are expected to onboard by the end of the second half, with the fuller benefits coming through in FY 2021. This relatively slow ramp up is due to the clients' operational challenges currently caused by Covid-19.

RWS Life Sciences

RWS Life Sciences, which represented 19.2% of Group revenues during the period, grew sales by 2.4% to £32.6m (H1 2019: £31.8m).

The division delivered adjusted operating profit of £9.2m in the period (H1 2019: £9.5m).

The division underwent a change in top management in May 2019 and has performed well in the first half of 2020. The division continues to invest in additional staff to capitalize on its market-leading position in linguistic validation and is also working alongside several customers supporting their increasing usage of machine translation. The management has also instigated operational changes to reinvigorate its sales efforts and, whilst it is still too early to call the success of these changes, there are some encouraging signs.

The division is continuing to invest in China and Japan, principally to support existing clients but is also working to develop these markets for local sales.

In the second quarter, the division has been helping the Group's pharmaceutical customers with their development of potential Covid-19 vaccines and the roll-out of antibody testing kit.

RWS Moravia

With effect from the 1 October 2019, the Group's small RWS Language Solutions division was fully integrated into RWS Moravia. This change enabled the Group to utilize Moravia's experience in machine translation to enhance the service levels and efficiencies offered to Language Solutions', predominantly European, customer base.

RWS Moravia's revenues in H1 FY 2020 represented 46.7% of Group revenues, with reported sales up 1.3% to £79.2m (H1 2019: £78.2m).

The integration of the lower margin Language Solutions activities into Moravia, combined with additional investment in the division's technology offerings, sales mix and an onboarding delay with a top six customer, saw divisional margins decline, resulting in adjusted operating profit of £11.2m in the period (H1 2019: £13.8m).

One large new project which was due to start in H1 2020 was deferred but we are pleased to confirm that it is now underway. Despite longer term uncertainty around the impact of Covid-19, Moravia experienced strong demand in April and May for its translation and localization services. This has been driven by its major customers seeing a large increase in usage of social networking platforms, online communication tools and entertainment streaming services.

The full assimilation of RWS Moravia into the Group has resulted in strong links between all three RWS divisions and increased opportunities for cross-selling and the sharing of best operating practices and technical know-how, all of which should help the Group's future results.

RWS

Market and regulatory update

Patent filing statistics

The World Intellectual Property Organization's (WIPO) most recently published figures show a 5.2% increase in the 2019 PCT Filings to 265,800. Applicants from China moved above the United States for the first time, in terms of the number of PCTs filed. The European Patent Office (EPO) has also issued its 2019 report, which shows that the total number of European Patent applications increased by 4% to 181,406. The WIPO and EPO statistics are both at new record levels.

European Union Patent

Following the Brexit implementation effective 31 January 2020, the UK reversed its earlier decision to participate in the proposed Unitary Patent and will, therefore, not be a party to the negotiations.

Implementation of the Unitary Patent currently requires ratification by the three most important (for patenting activities) countries – Germany, France and the UK. A challenge in the German Constitutional Court was very recently upheld, throwing German participation in the scheme into doubt.

We, therefore, expect significant delays in implementation. Indeed, the entire future of the Unitary Patent is currently uncertain.

People

RWS remains a quintessential "people" business, and never more so than currently, with our offices other than in China and the Czech Republic closed, and our entire staff working from home as a result of Covid-19.

The Group is highly reliant upon all the skills of our staff to deliver innovative, high-quality language services to our clients globally.

On behalf of the Board, I would like to take this opportunity to thank all of them for the professional and effective manner in which they have transitioned to these unprecedented new working practices. I am also proud of the way in which our teams have responded to supporting the global efforts to fight Covid-19, including having mobilized our global research community to find and provide relevant prior scientific research to pharmaceutical companies working on Covid-19 vaccines or treatments, on a pro-bono basis.

As at 31 March 2020, the Group's full-time equivalent employees were 2,519 (H1 2019: 2,374).

Post period end acquisitions

Today we are pleased to have separately announced the acquisitions of Iconic and Webdunia. The purchase of these two very different businesses is in line with RWS's strategy of looking for acquisitions that add complementary services or new geographies to enable us to better support our customers.

Iconic, which specializes in developing best-in-class neural machine translation (NMT) solutions adapted for specific industries and blue-chip clients, will provide RWS with the competitive advantage of leveraging language technology to support its high-quality standards and service delivery across greater volumes of content.

Webdunia is highly complementary to Moravia, being a leader in translation, localization, multimedia, and technology services based in India, Thailand and the US. It will therefore, allow the Group to better support our technology customers in the Indian and Asian Pacific regions.

More information on these transactions is provided in the separate announcement.

Covid-19 update

Our staff have adapted well to working from home, with all divisions having continued to operative effectively.

The Group is currently seeing limited demand-side impact overall from Covid-19, with increased activity from Moravia's large technology clients and Life Sciences' clients, who are working on vaccines and antibody testing, offset by some impact on IP services, including slower onboarding.

The Group has taken prudent steps to curtail recruitment, capital expenditure and discretionary spend and retains a highly flexible cost base due to the high proportion of freelancers utilized for initial translations.

The Group's cash generation and liquidity put it in a strong position during this uncertain period.

Current trading and outlook

The Group's trading performance since the period end has been strong driven by record April results and strong May sales by RWS Moravia and RWS Life Sciences. It remains difficult to predict with accuracy the likely financial impact of Covid-19 on the operations of RWS and we therefore feel it is prudent to continue to refrain from providing financial guidance for the full financial year.

However, we do expect the second half to start to benefit from the onboarding of recent client wins across all three divisions and we have a strong sales pipeline of new opportunities, leaving the Board optimistic about a good outturn for the year as a whole.

The Group's focus on Life Sciences and technology customers, who are thought to be likely beneficiaries in a post Covid-19 world, and the importance to our customers of managing their research and development investments through a strong global patent strategy, puts RWS in a strong position.

Andrew Brode
Chairman
9 June 2020

RWS Holdings plc: Condensed Consolidated Statement of Comprehensive Income

	Note	**(Unaudited) 6 months ended 31 March 2020 £'000**	(Unaudited) 6 months ended 31 March 2019 £'000	(Audited) Year ended 30 September 2019 £'000
Revenue	2	**169,654**	172,341	355,696
Cost of sales		**(103,869)**	(103,666)	(213,210)
Gross profit		**65,785**	68,675	142,486
Administrative expenses		**(38,314)**	(38,810)	(80,606)
Operating profit		**27,471**	29,865	61,880
Analysed as:				
Operating profit before charging:		**34,714**	37,919	78,396
Amortization of acquired intangibles		**(7,588)**	(7,553)	(15,414)
Acquisition costs		**(238)**	(501)	(791)
Share based payment expense		**(40)**	-	(311)
Other exceptional items	4	**623**	-	-
Operating profit		**27,471**	29,865	61,880
Finance income	3	**38**	40	105
Finance costs	3	**(1,677)**	(2,345)	(4,268)
Profit before tax		**25,832**	27,560	57,717
Taxation		**(5,878)**	(6,292)	(12,577)
Profit for the period	2	**19,954**	21,268	45,140
Other comprehensive income/(expense)*				
(Loss)/gain on retranslation of foreign operations		**(2,351)**	(705)	20,141
(Loss) on cash flow hedges		**(2,914)**	(467)	(2,661)
Total other comprehensive (expense)/income		**(5,265)**	(1,172)	17,480
Total comprehensive income attributable to:				
Owners of the parent		**14,689**	20,096	62,620
Basic earnings per ordinary share (pence per share)	6	**7.26**	7.78	16.50
Diluted earnings per ordinary share (pence per share)	6	**7.26**	7.74	16.43

*Other comprehensive income includes only items that will be subsequently reclassified to profit before tax when specific conditions are met.

RWS Holdings plc: Condensed Consolidated Statement of Financial Position

	Note	**(Unaudited) at 31 March 2020 £'000**	(Unaudited) at 31 March 2019 £'000	(Audited) at 30 September 2019 £'000
Assets				
Non-current assets				
Goodwill		**247,531**	237,504	249,421
Intangible assets		**160,417**	165,386	169,109
Property, plant and equipment		**22,456**	21,350	22,888
Right-of-use assets		**20,976**	-	-
Deferred tax assets		**2,272**	1,362	3,371
		453,652	425,602	444,789
Current assets				
Trade and other receivables		**85,665**	79,500	85,543
Foreign exchange derivatives		**-**	74	-
Cash and cash equivalents	7	**28,264**	27,413	46,974
		113,929	106,987	132,517
Total assets		**567,581**	532,589	577,306
Liabilities				
Current liabilities				
Loan	8	**-**	24,615	25,681
Trade and other payables		**52,045**	47,605	57,343
Lease liabilities		**4,482**	-	-
Foreign exchange derivatives		**3,020**	357	824
Income tax payable		**3,507**	4,661	5,969
Provisions		**87**	85	87
		63,141	77,323	89,904
Non-current liabilities				
Loans	8	**62,744**	66,656	58,045
Lease liabilities		**17,833**	-	-
Trade and other payables		**-**	-	318
Provisions		**677**	673	843
Deferred tax liabilities		**28,711**	28,975	30,700
		109,965	96,304	89,906
Total liabilities		**173,106**	173,627	179,810
Total net assets		**394,475**	358,962	397,496
Equity				
Capital and reserves attributable to owners of the parent				
Share capital		**2,752**	2,735	2,737
Share premium		**53,635**	51,549	51,757
Share based payment reserve		**383**	384	662
Reverse acquisition reserve		**(8,483)**	(8,483)	(8,483)
Foreign currency reserve		**26,731**	8,236	29,082
Hedge reserve		**(5,167)**	(59)	(2,253)
Retained earnings		**324,624**	304,600	323,994
Total equity		**394,475**	358,962	397,496

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves (see below) £'000	Retained earnings £'000	Total attributable to owners of parent £'000
At 30 September 2018 (audited)	2,735	51,549	1,250	299,745	355,279
Profit for the period	-	-	-	21,268	21,268
Loss on cash flow hedges	-	-	(467)	-	(467)
Loss on retranslation of foreign operations	-	-	(705)	-	(705)
Total comprehensive income for the period to 31 March 2019	-	-	(1,172)	21,268	20,096
Dividends	-	-	-	(16,413)	(16,413)
At 31 March 2019 (unaudited)	2,735	51,549	78	304,600	358,962
Profit for the period	-	-	-	23,872	23,872
Loss on cash flow hedges	-	-	(2,194)	-	(2,194)
Gain on retranslation of foreign operations	-	-	20,846	-	20,846
Total comprehensive income for the period to 30 September 2019	-	-	18,652	23,872	42,524
Issue of shares	2	208	-	-	210
Deferred tax on unexercised share options	-	-	-	145	145
Income tax on unexercised share options	-	-	-	131	131
Dividends	-	-	-	(4,787)	(4,787)
Exercise of share options	-	-	(33)	33	-
Equity-settled share-based payments	-	-	311	-	311
At 30 September 2019 (audited)	2,737	51,757	19,008	323,994	397,496
Adjusted on initial application of IFRS 16 (net of tax)	-	-	-	(395)	(395)
Restated balance at 1 October 2019	2,737	51,757	19,008	323,599	397,101
Profit for the period	-	-	-	19,954	19,954
Loss on cash flow hedges	-	-	(2,914)	-	(2,914)
Loss on retranslation of foreign operations	-	-	(2,351)	-	(2,351)
Total comprehensive income for the period to 31 March 2020	-	-	(5,265)	19,954	14,689
Issue of shares	15	1,878	-	-	1,893
Dividends	-	-	-	(19,248)	(19,248)
Exercise of share options	-	-	(319)	319	-
Equity-settled share-based payments	-	-	40	-	40
At 31 March 2020 (unaudited)	**2,752**	**53,635**	**13,464**	**324,624**	**394,475**

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share based payment reserve £'000	Reverse acquisition reserve £'000	Hedge reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
Other reserves					
At 30 September 2018 (audited)	384	(8,483)	408	8,941	1,250
Other comprehensive income for the period at 31 March 2019	-	-	(467)	(705)	(1,172)
At 31 March 2019 (unaudited)	384	(8,483)	(59)	8,236	78
Other comprehensive income for the period at 30 September 2019	-	-	(2,194)	20,846	18,652
Exercise of share options	(33)	-	-	-	(33)
Equity-settled share-based payments	311	-	-	-	311
At 30 September 2019 (audited)	662	(8,483)	(2,253)	29,082	19,008
Other comprehensive loss for the period to 31 March 2020	-	-	(2,914)	(2,351)	(5,265)
Exercise of share options	(319)	-	-	-	(319)
Equity-settled share-based payments	40	-	-	-	40
At 31 March 2020 (unaudited)	**383**	**(8,483)**	**(5,167)**	**26,731**	**13,464**

RWS Holdings plc: Condensed Consolidated Statement of Cash Flows

	Note	**(Unaudited) 6 months ended 31 March 2020 £'000**	(Unaudited) 6 months ended 31 March 2019 £'000	(Audited) Year ended 30 September 2019 £'000
Cash flows from operating activities				
Profit before tax		**25,832**	27,560	57,717
Adjustments for:				
Depreciation of property, plant and equipment		**1,431**	1,519	3,025
Amortization of right-of-use asset		**2,714**	-	-
Amortization of intangible assets		**9,146**	8,774	18,364
Share-based payment expense		**40**	-	311
Net gain on debt modification	4	**(1,330)**	-	-
Finance income		**(38)**	(40)	(105)
Finance expense		**1,677**	2,345	4,268
Net loss on foreign currency contracts		**-**	74	-
Operating cash flow before movements in working capital and provisions		**39,472**	40,232	83,580
Increase in trade and other receivables		**(140)**	(5,893)	(11,523)
(Decrease)/increase in trade and other payables		**(5,098)**	(408)	9,770
Cash generated from operating activities		**34,234**	33,931	81,827
Income tax paid		**(8,734)**	(6,028)	(11,464)
Net cash inflow from operating activities		**25,500**	27,903	70,363
Cash flows from investing activities				
Interest received		**38**	30	105
Acquisition of subsidiary, net of cash acquired		**-**	(4,421)	(4,536)
Purchases of property, plant and equipment		**(998)**	(908)	(3,844)
Purchases of intangibles		**(1,954)**	(1,614)	(4,170)
Net cash outflow from investing activities		**(2,914)**	(6,913)	(12,445)
Cash flows from financing activities				
Repayment of borrowing		**(17,997)**	(12,265)	(25,057)
Transaction costs relating to debt refinancing		**(615)**	-	-
Interest paid		**(1,248)**	(2,274)	(4,125)
Lease liability payments		**(2,985)**	-	-
Proceeds from the issue of share capital, net of share issue costs		**1,892**	-	209
Dividends paid		**(19,248)**	(16,413)	(21,200)
Net cash (outflow)/inflow from financing activities		**(40,201)**	(30,952)	(50,173)
Net (decrease)/increase in cash and cash equivalents		**(17,615)**	(9,962)	7,745
Cash and cash equivalents at beginning of the period		**46,974**	38,155	38,155
Exchange (losses)/gains on cash and cash equivalents		**(1,095)**	(780)	1,074
Cash and cash equivalents at end of the period	7	**28,264**	27,413	46,974

Free cash flow				
Analysis of free cash flow				
Net cash generated from operations		**34,234**	33,931	81,827
Net interest paid		**(1,210)**	(2,244)	(4,020)
Income tax paid		**(8,734)**	(6,028)	(11,464)
Purchases of property, plant and equipment		**(998)**	(908)	(3,844)
Purchases of intangibles		**(1,954)**	(1,614)	(4,170)
Free cash flow		**21,338**	23,137	58,329

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation

General information
The condensed consolidated Interim financial statements for the six months to 31 March 2020 were approved by the Directors on 8 June 2020.

The condensed consolidated interim financial statements for the six months ended 31 March 2020 have been prepared in accordance with Accounting Standard IAS34, "Interim Financial Reporting". The condensed consolidated interim financial statements for the six months ended, and as of, 31 March 2020 and 31 March 2019 have been neither audited nor reviewed by the Group's auditors.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 September 2019 and any public announcements made by RWS Holdings plc during the interim reporting period.

The Group's statutory accounts for the year ended 30 September 2019 have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain any statements under s498 (2) or (3) of the Companies Act 2006 and did not contain any matters to which the auditors drew attention without qualifying their report.

Going concern
The Directors believe the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account reasonably possible changes in trading performance and the market uncertainty generated by the financial impact of Covid-19, show that the Group should be able to operate within the level of its current committed facilities, which includes a new $120 million Revolving Credit facility (RCF) running until January 2024 of which $21.9 million remains undrawn at the date of this report. With this in mind, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

New and amended accounting policies adopted by the Group
With effect from 1 October 2019 the Group has adopted the following new accounting standard.

IFRS 16 'Leases'
The Group has adopted IFRS 16 from 1 October 2019 and applied the modified retrospective approach. IFRS 16 provides a single on-balance sheet accounting model for lessees which recognises a right-of-use asset, representing its right to use the underlying asset, and lease liability, representing its obligations to make payment in respect of the use of the underlying asset. The distinction between finance and operating leases is removed. Comparatives for the prior period have not been restated and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 October 2019 as follows:

	1 October 2019 £000
Non-Current assets	
Right-of-use assets	23,650
Deferred tax asset	249
Trade and other receivables	(14)
Total assets	**23,885**
Current liabilities	
Trade and other payables	(682)
Lease liabilities	5,261
Non-Current liabilities	
Lease liabilities	19,701
Total liabilities	**24,280**
Total movement in retained earnings as at 1 October 2019	**(395)**

The Group has predominantly office leases, which were all previously accounted for under IAS 17 as operating leases. These leases have a variety of lease terms and some include scheduled rent reviews, break options, extension options or rent increases based on future indices (e.g. CPI).

At transition, the Group recognized lease liabilities for leases which had previously been classified as operating leases by measuring the present value of the remaining lease payments, discounted by an incremental borrowing rate. The Group's weighted average incremental borrowing rate at 1 October 2019 was 2.9%.

In regard to right-of-use assets, these were measured at either:

- Their carrying amount as if IFRS 16 had applied since the lease commitment date (or where subsidiaries holding these leases were acquired by the Group), discounted by the relevant incremental borrowing rate as at 1 October 2019. The Group has applied this transition methodology where sufficient historical information has been available; or
- An amount equal to the lease liability. This approach has been applied to a small number of property and non-property leases where either historical information was unavailable or where these leases were not considered to be material.

	£000
Operating lease commitments as disclosed at 30 September 2019	**24,687**
Effect of discounting	(2,292)
Short term leases with less than 12 months to expiry	(188)
Low value leases	(58)
Recognition differences relating to lease extension options and lease term assumptions	2,813
Lease liability recognized as at 1 October 2019	**24,962**

Practical expedients applied

On adoption of IFRS 16, the Group has used the following practical expedients permitted by the standard:

- Used a single incremental borrowing rate for similar leases exposed to similar risks
- Excluded initial direct costs for the measurement of right-of-use assets at the date of the initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Excluded long-term leases with less than 12 months remaining until expiry.

Additionally, on transition the Group elected not to reassess whether a contract is, or contains, a lease, instead relying on the assessment already made applying 'IAS 17, 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

Impact on the statement of comprehensive income

The impact on the income statement for the six months ended 31 March 2020 was an increase in operating profit of approximately £0.2m and an increase in finance costs of £0.3m resulting in a decrease in profit before tax of £0.1m. The impact on the statement of comprehensive income for the year ended 30 September 2020 is an increase in operating profit of approximately £0.5m and an increase in finance costs of £0.7m resulting in a decrease in profit before tax of £0.2m.

Impact on the statement of cash flows

There has been a change to the classification of cash flows in the cash flow statement with operating lease payments previously categorised as net cash used in operations now being split between the principal element, included as interest paid within financing activities. In the six months to 31 March 2020 there are £3.0m of lease payments within financing activities comprising £2.7m of repayment of lease liabilities and £0.3m of interest paid.

Accounting policy

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Payments associated with short term leases or low-value assets are recognized on a straight-line basis as an expense in the income statement. Short term leases are leases with a term of 12 months or less.

The Group’s activities as a lessor are currently not material

There were no other new IFRSs or IFRS IC interpretations that are not yet effective that are expected to have a material impact on the Group.

Judgements and estimates

Following the adoption of IFRS 16 Leases from 1 October 2019, the Group has applied significant judgement to the determination of the expected lease term over which to recognise a lease liability. The Group's largest lease at transition expires in May 2030, but it has a break clause exercisable at least 9 months prior to May 2025. Whether this break clause will be triggered is not reasonably certain at either transition or 31 March 2020, but will be reassessed at each reporting date. Such reassessment will take into account time to expiry of the option, current trading, future trading forecasts and the economic benefits of triggering the break clause. A reassessment of the lease term may result in a material adjustment to the lease liability and associated right-of-use asset.

A further key estimate made by the Group following the adoption of IFRS 16 leases has been the incremental borrowing rate used to discount the Group's lease liabilities. This has been determined by reference to the Group's existing debt arrangements at transition date and specific requests from banks in respect of our largest lease.

All other significant judgements and estimates applied are disclosed in our 30 September 2019 annual report.

2 Revenue from contracts with customers and segment information

Revenue from contracts with customers

The Group generates all revenue from contracts with its customers for the provision of translation and localization, intellectual property support solutions and life sciences language services. Revenue from providing these services during the year is recognized both at a point in time and over time as shown in the table below.

Timing of revenue recognition for contracts with customers	**(Unaudited) 6 months ended 31 March 2020 £'000**	(Unaudited) 6 months ended 31 March 2019 £'000	(Audited) Year ended 30 September 2019 £'000
At a point in time	**142,430**	144,394	300,315
Over time	**27,224**	27,947	55,381
Total revenue from contracts with customers	**169,654**	172,341	355,696

Segmental reporting

The Board divided the Group into three reportable segments. The Board assesses the performance of the segments based on revenue and profit/(loss) from operations. These are measured on a basis consistent with the Statement of Comprehensive Income. The three reportable segments are:

- RWS IP Services: provides the highest quality patent translations, a seamless global patent filing experience and a wide range of cutting-edge intellectual property (IP) search services.
- RWS Life Sciences: provides a full suite of language services, including technical translations and linguistic validation, exclusively for the life sciences industry.
- RWS Moravia: provides language solutions and localization services including the adaptation of content, software, websites, applications, marketing material and audio/video to ensure brand consistency. The previously reported RWS Language Solutions segment is now fully integrated within this segment.

The unallocated segment relates to corporate overheads, assets and liabilities.

Segment results for the 6 months ended 31 March 2020 - (Unaudited)	**RWS IP Services £'000**	**RWS Life Sciences £'000**	**RWS Moravia £'000**	**Unallocated £'000**	**Group £'000**
Revenue	**57,869**	**32,586**	**79,199**	**-**	**169,654**
Operating profit/(loss) before charging:	16,050	9,201	11,158	(1,695)	34,714
Amortization of acquired intangibles	(334)	(2,952)	(4,302)	-	(7,588)
Acquisition costs	-	-	-	(238)	(238)
Share-based payments expense	-	-	-	(40)	(40)
Other exceptional items	(707)	-	-	1,330	623
Operating profit/(loss)	**15,009**	**6,249**	**6,856**	**(643)**	**27,471**
Finance income					38
Finance expense					(1,677)
Profit before taxation					**25,832**
Taxation					(5,878)
Profit for the period					**19,954**
Segment assets	98,864	136,977	327,993	3,747	567,581
Segment liabilities	25,889	38,662	103,685	4,870	173,106
Net assets/(liabilities)	**72,975**	**98,315**	**224,308**	**(1,123)**	**394,475**

Segment results for the 6 months ended 31 March 2019 - (Unaudited)	RWS IP Services £'000	RWS Life Sciences £'000	RWS Moravia £'000	Unallocated £'000	Group £'000
Revenue	**62,301**	**31,823**	**78,217**	**-**	**172,341**
Operating profit/(loss) before charging:	17,120	9,468	13,801	(2,470)	37,919
Amortization of acquired intangibles	(332)	(2,988)	(4,233)	-	(7,553)
Acquisition costs	-	-	-	(501)	(501)
Operating profit/(loss)	**16,788**	**6,480**	**9,568**	**(2,971)**	**29,865**
Finance income					40
Finance expense					(2,345)
Profit before taxation					**27,560**
Taxation					(6,292)
Profit for the period					**21,268**
Segment assets	88,304	130,307	309,758	4,220	532,589
Segment liabilities	20,773	43,834	106,930	2,090	173,627
Net assets	**67,531**	**86,473**	**202,828**	**2,130**	**358,962**

Segment results for the year ended 30 September 2019 - (Audited)	RWS IP Services £'000	RWS Life Sciences £'000	RWS Moravia £'000	Unallocated £'000	Group £'000
Revenue	**125,240**	**65,466**	**164,990**	**-**	**355,696**
Operating profit/(loss) before charging:	36,119	20,327	26,181	(4,231)	78,396
Amortization of acquired intangibles	(674)	(6,036)	(8,704)	-	(15,414)
Acquisition costs	-	-	(195)	(596)	(791)
Share-based payments expense	(74)	-	(58)	(179)	(311)
Operating profit/(loss)	**35,371**	**14,291**	**17,224**	**(5,006)**	**61,880**
Finance income					105
Finance expense					(4,268)
Profit before taxation					**57,717**
Taxation					(12,577)
Profit for the period					**45,140**
Segment assets	105,453	138,676	329,511	3,666	577,306
Segment liabilities	23,009	44,636	108,249	3,916	179,810
Net assets/(liabilities)	**82,444**	**94,040**	**221,262**	**(250)**	**397,496**

3 Finance income and costs

	(Unaudited) 6 months ended 31 March 2020 £'000	(Unaudited) 6 months ended 31 March 2019 £'000	(Audited) Year ended 30 September 2019 £'000
Finance income			
- Returns on short-term deposits	**38**	40	105
Finance expense			
- Bank interest payable	**(1,164)**	(2,171)	(3,921)
- Interest payable on lease obligations	**(338)**	-	-
- Amortized borrowing costs	**(175)**	(174)	(347)
Net finance expense	**(1,639)**	(2,305)	(4,163)

4 Other exceptional items

	(Unaudited) 6 months ended 31 March 2020 £'000	(Unaudited) 6 months ended 31 March 2019 £'000	(Audited) Year ended 30 September 2019 £'000
Gain on debt modification	**1,376**	**-**	-
Amortization on revised debt	**(46)**	-	-
Net gain on debt modification	**1,330**	**-**	**-**
Redundancy costs	**(707)**	-	-
Total other exceptional items	**623**	-	-

On 10 February 2020 the Group completed a refinancing of its term loan (see Note 8 for further details), which is treated as a non-substantial modification under IFRS 9 Financial Instruments, which did not result in an extinguishment of debt. The difference between the amortised cost carrying amount of the old facility and the present value of the new facility, discounted using the original effective interest rate, resulted in a modification gain, which will be amortised over the life of the new facility.

Redundancy costs of £0.707 million relate to the restructuring of the sales team within the IP Services division.

The Directors are of the view that each of these items are not recurring and by their nature do not form part of the Group's ongoing operating activities.

5 Dividends

	(Unaudited) 6 months ended 31 March 2020		(Unaudited) 6 months ended 31 March 2019		(Audited) Year ended 30 September 2019	
	pence per share	**£'000**	pence per share	£'000	pence per share	£'000
Interim paid July	**-**	**-**	-	-	1.75	4,787
Final paid February	**7.00**	**19,248**	6.00	16,413	6.00	16,413
Dividends paid to shareholders	**7.00**	**19,248**	6.00	16,413	7.75	21,200

An interim dividend of 1.75 pence per ordinary share will be paid on 17 July 2020 to shareholders on the register at 26 June 2020. This dividend, declared by the Directors after the balance sheet date, has not been recognized in these financial statements as a liability at 31 March 2020. The interim dividend will reduce shareholders' funds by an estimated £4.8m.

6 Earnings per share

In addition to disclosing basic and diluted earnings per share, the Group shows adjusted earnings per share as the Directors believe that this information will be of interest to the users of the accounts in measuring the Group's performance and underlying trends.

	(Unaudited) 6 months ended 31 March 2020		(Unaudited) 6 months ended 31 March 2019		(Audited) Year ended 30 September 2019	
	Earnings £'000	**EPS Pence**	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence
Profit for the period	**19,954**	**7.26**	21,268	7.78	45,140	16.50
Adjustments:						
Amortization of acquired intangibles	**7,588**	**2.76**	7,553	2.74	15,414	5.63
Acquisition costs	**238**	**0.09**	501	0.18	791	0.29
Share based payment expense	**40**	**0.02**	-	-	311	0.11
Other exceptional items	**(623)**	**(0.23)**	-	-	-	-
Tax effect of adjustments	**(1,504)**	**(0.55)**	(1,753)	(0.64)	(3,176)	(1.16)
Adjusted earnings	**25,693**	**9.35**	27,569	10.06	58,480	21.37
Diluted earnings	**19,954**	**7.26**	21,268	7.74	45,140	16.43
Adjusted diluted earnings	**25,693**	**9.35**	27,569	10.03	58,480	21.28

Basic earnings per share are based on the post-tax profit for the period and a weighted average number of ordinary shares in issue during the period.

	(Unaudited) 6 months ended 31 March 2020	(Unaudited) 6 months ended 31 March 2019	(Audited) Year ended 30 September 2019
Weighted average number of ordinary shares in issue for basic earnings	**274,802,384**	273,543,272	273,556,236
Dilutive impact of share options	**118,744**	1,310,712	1,250,343
Weighted average number of ordinary shares for diluted earnings	**274,921,128**	274,853,984	274,806,579

7 Cash and cash equivalents

	(Unaudited) 31 March 2020 £'000	(Unaudited) 31 March 2019 £'000	(Audited) 30 September 2019 £'000
Cash at bank and in hand	**28,264**	27,413	35,799
Short-term deposits	**-**	-	2,356
Cash and cash equivalents in the cash flow statement	**28,264**	27,413	38,155

Short-term deposits include deposits with a maturity of three months or less, or deposits that can be readily converted into cash. The fair value of these assets supports their carrying value.

8 Loans

	(Unaudited) 31 March 2020 £'000	(Unaudited) 31 March 2019 £'000	(Audited) 30 September 2019 £'000
Due in less than one year			
Loan	**-**	24,971	26,037
issue costs	**-**	(356)	(356)
Balance at period end	**-**	24,615	25,681
Due in more than one year			
Loan	**65,693**	67,538	58,787
issue costs	**(2,949)**	(882)	(742)
Balance at period end	**62,744**	66,656	58,045

On 10 February 2020, the Group entered into an Amendment and Restatement Agreement ("ARA") with its banking syndicate which amended its existing US$160 million term loan maturing on 18 October 2022 into a US$120 million Revolving Credit Facility ("RCF") maturing on 10 February 2024, with an option to extend maturity until 10 February 2025.

Under the terms of the ARA, the Group's interest margin over US LIBOR, which is determined by the Group's net leverage, has reduced to 95 basis points. At signing, the Group's existing term loan debt was transferred across to the RCF. Commitment fees are payables at all committed, undrawn funds at 35% of the applicable interest margin. The ARA also contains a US$80 million uncommitted accordion facility.

This debt refinancing has been accounted for as a debt modification without extinguishment under IFRS 9 Financial Instruments resulting in a debt modification gain being recognized within other exceptional items in the condensed consolidated statement of comprehensive income. Refer to Note 4 for further details

9 Events since the reporting date

The following significant events have occurred since 31 March 2020.

Acquisitions of Iconic Translation Machines, Ltd and Webdunia.com (India) Private Limited

On 8 June 2020, RWS Holdings plc completed the acquisition of Iconic Translation Machines, Ltd ("Iconic") for an initial consideration of US$10 million with additional deferred consideration of up to US$10 million in RWS Holdings Plc ordinary shares payables after 28 months subject to the achievement of pre-agreed revenue and EBITDA targets. Iconic, based in Dublin, Ireland, specializes in developing neural machine translation (NMT) solutions adapted for specific industries and blue-chip clients and is a respected thought leader in NMT and in the application of language technology.

Separately, RWS Holdings plc also completed the acquisition of Webdunia.com (India) Private Limited ("Webdunia") for a total consideration of US$21 million. Webdunia is a leader in translation, localization and technology services to technology and digital companies in the Indian and North American markets. RWS Moravia has worked successfully with Webdunia for several years and the business will be integrated within the RWS Moravia division.