

# RWS Half Year Results 2024

12 June 2024





**Ian El-Mokadem**

**Chief Executive  
Officer**



**Candida Davies**

**Chief Financial  
Officer**

# Agenda

Overview

Financial Review

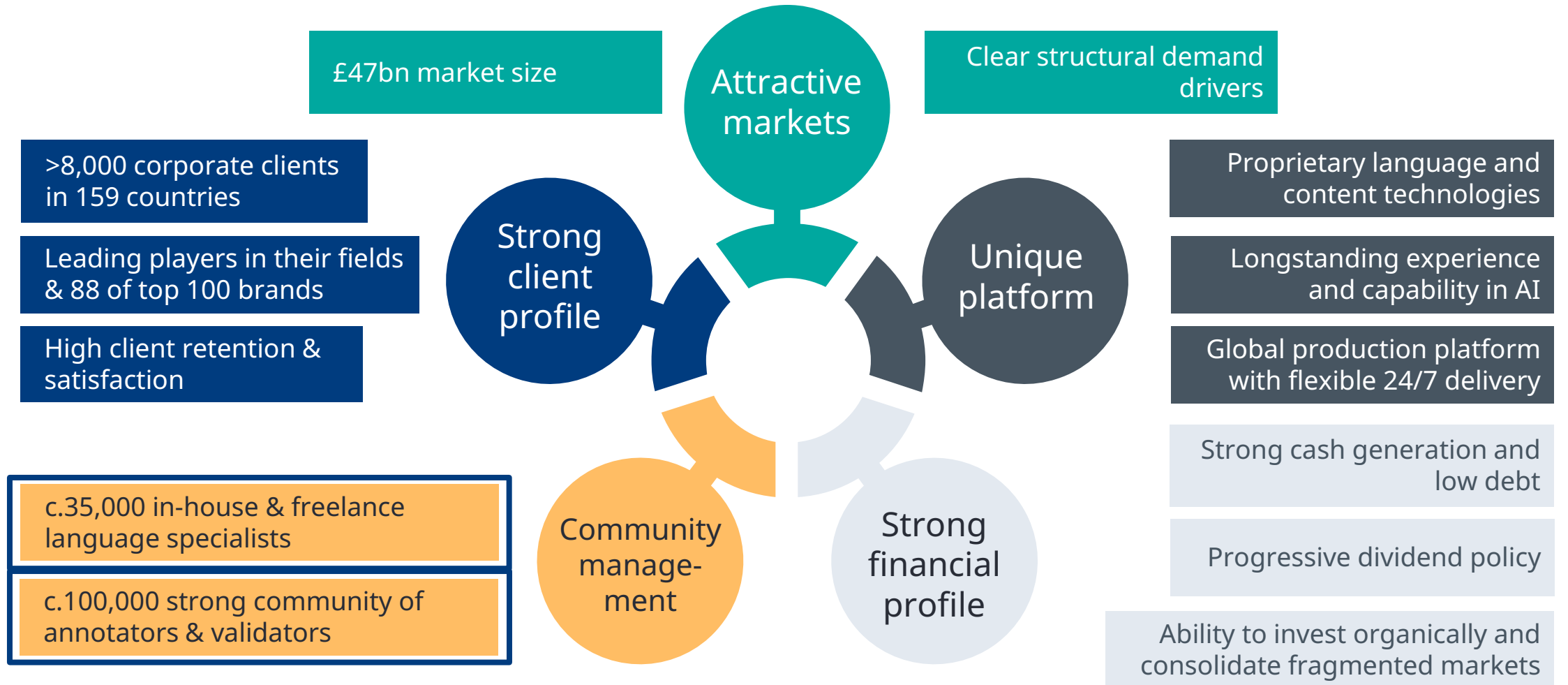
Strategic and Operational Review

Current Trading and Outlook

Discussion / Appendix

# Who we are

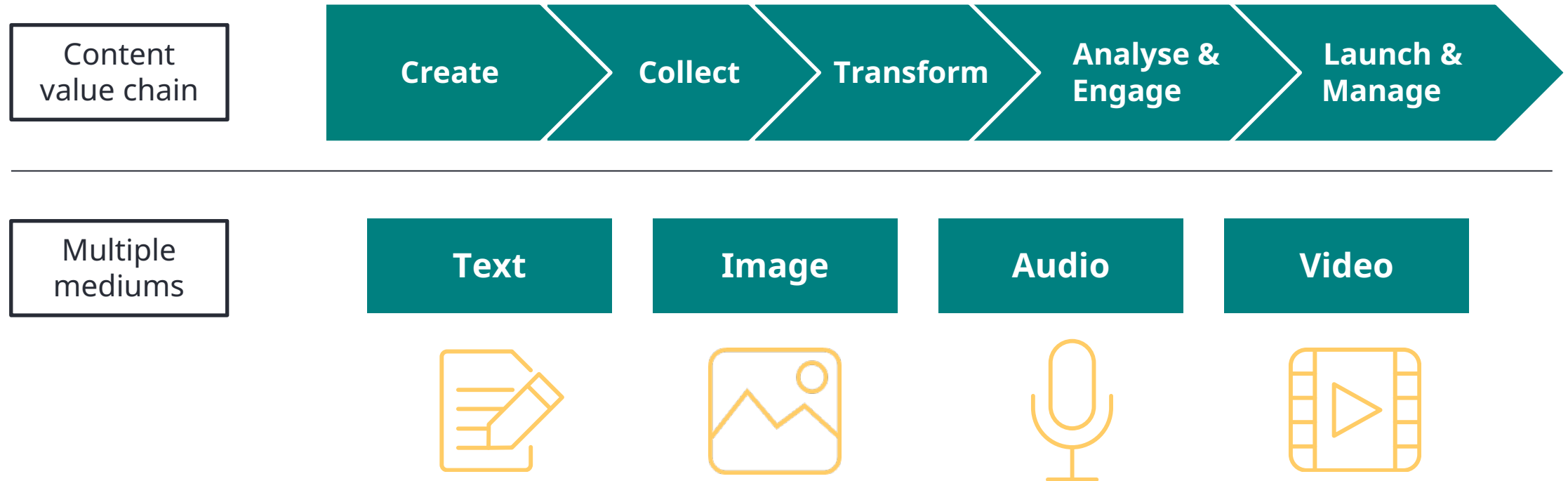
A unique, world-leading provider of technology-enabled language, content and intellectual property services; well-diversified, with many leading market positions



# What we do

Using a unique combination of technology and human expertise, we support our clients to create, collect, transform and analyse, launch and manage content

This helps our clients grow, by ensuring they are understood anywhere, in any language



# Encouraging trends and start to H2 support a full year performance in line with market expectations

## H1 FY24 performance

2 divisions returned to growth; improving trend vs. H1 & H2 FY23

Group grew in Q2 (on organic constant currency basis)

Encouraging interest in Evolve, pioneering new linguistic AI solution

8 clients completed or in Proof of Concept

c.£50m opportunity pipeline

## TrainAI

Starting to broaden client base

Good wins supporting increasing momentum in H2

## LXD

Increasing source of competitive advantage for localisation & AI services

Gross Margin maintained at 45.7%

Pivot to growth initiatives gaining traction

£9.5m HY24 incremental revenue

(HY23: +£6m)

18% reported growth in SaaS licence revenues

SaaS now established as a revenue tailwind

## HAI

Digital self-service platform, combining AI & human expertise, with enterprise grade security

Launched as planned in June

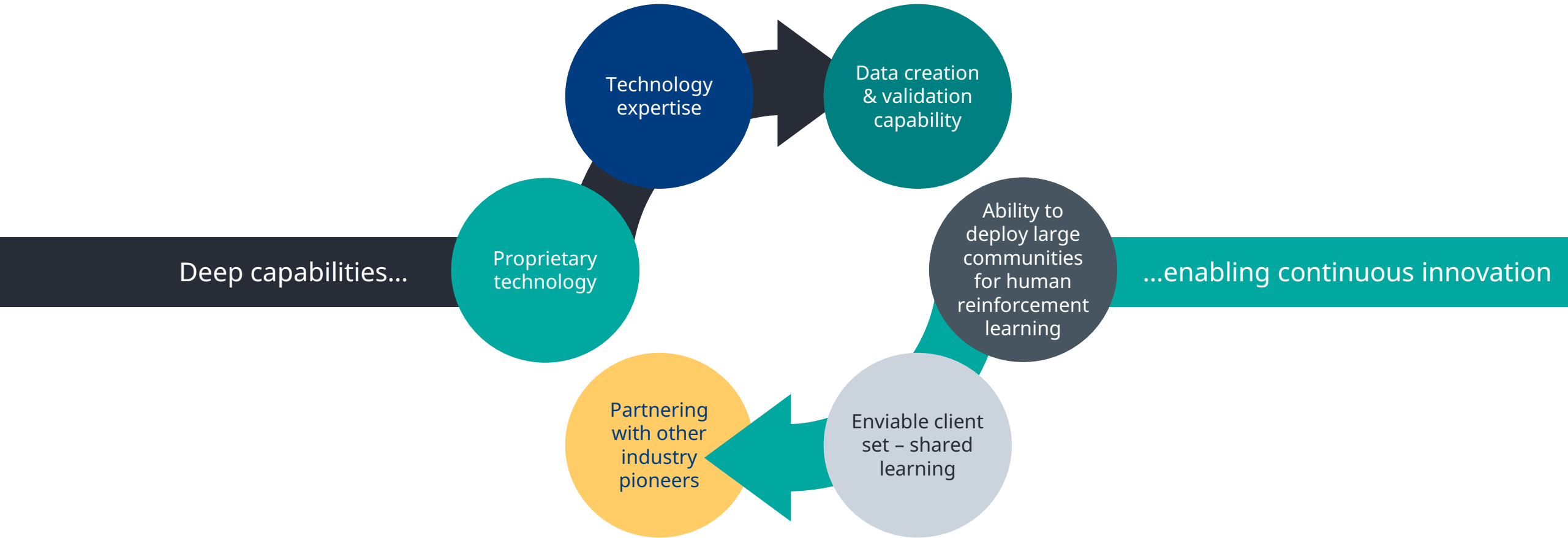
Propylon and ST Communications acquisitions

Both performing ahead of expectations

**AI-related products and services now account for more than a quarter of the Group's revenues**

# AI – RWS's right to win

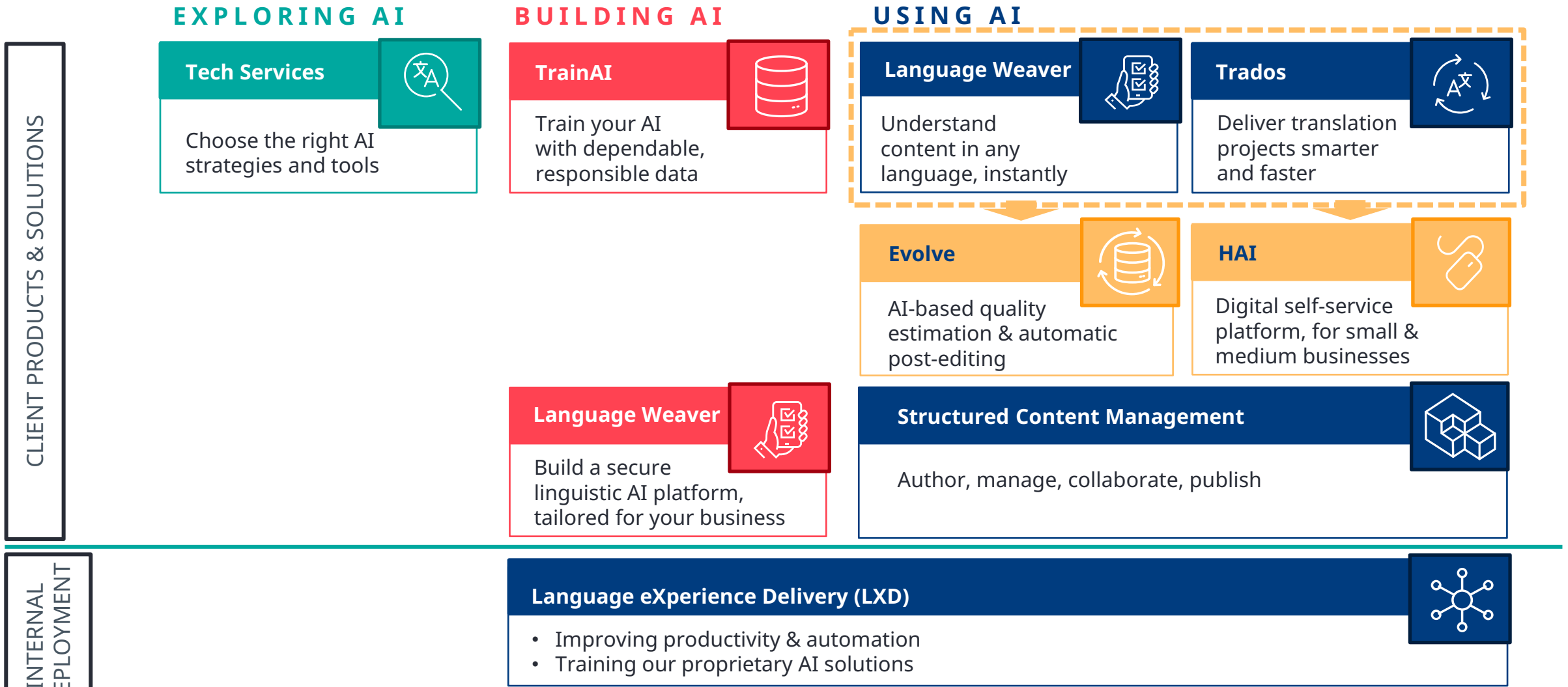
Increasing appetite from clients to harness AI to meet their language, content & other emerging needs



...delivering enterprise grade solutions across Linguistic AI, Data Services & Content Technology

# Evolve & HAI join established set of AI-related solutions

RWS supporting clients throughout their AI journey





# Language eXperience Delivery (LXD) – increasingly critical to the Group

## Increased volume

- Now managing 73% of Language Services & Regulated Industries (LS & RI) content
- Since Q1, started handling content from IP Services

## AI dominant

- >60% of LS & RI content is machine translated first by Language Weaver
- Evolve being trained & continuously fine-tuned by linguists in dialogue with AI R&D teams

## Supply chain consolidation

- All language specialists, in-house & freelance network, managed through LXD
- Improved visibility & cost management

## Supply chain expertise

- Sourcing & managing large communities for data services solutions - TrainAI & Reinforcement Learning from Human Feedback
- Managing Group procurement

# H1 FY24 represents further step towards a return to growth; progressive dividend maintained

REVENUE	GROSS MARGIN	ADJUSTED PBT <sup>2</sup>	ADJUSTED PBT MARGIN <sup>2</sup>	ADJUSTED BASIC EPS <sup>3</sup>
<p><b>£350.3m</b></p> <p>- 4.4% (reported) - 2.0% (OCC)<sup>1</sup></p> <p>HY23: £366.3m</p>	<p><b>45.7%</b></p> <p>+ 0 bps</p> <p>HY23: 45.7%</p>	<p><b>£45.6m</b></p> <p>- 16%</p> <p>HY23: £54.4m</p>	<p><b>13.0%</b></p> <p>- 190 bps</p> <p>HY23: 14.9%</p>	<p><b>9.1p</b></p> <p>- 14%</p> <p>HY23: 10.6p</p>
CAPEX	INTERIM DIVIDEND	CASH CONVERSION <sup>4</sup>	ROCE <sup>5</sup>	
<p><b>6.9%</b></p> <p>of revenue</p> <p>+ 90 bps</p> <p>HY23: 6%</p>	<p><b>2.45p</b></p> <p>+ 2%</p> <p>HY23: 2.40p</p>	<p><b>30%</b></p> <p>- 55% pts</p> <p>HY23: 85%</p>	<p><b>10.6%</b></p> <p>- 70 bps</p> <p>HY23: 11.3%</p>	

<sup>1</sup> Adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods

<sup>2</sup> Calculated before exceptional items, share-based payment expenses and amortisation of acquired intangibles

<sup>3</sup> Calculated before exceptional items, share-based payment expenses and amortisation of acquired intangibles, net of associated tax effects.

<sup>4</sup> Cash conversion is defined as free cash flow before exceptional cashflows, divided by adjusted net income

<sup>5</sup> ROCE is adjusted operating profit (rolling 12 months), divided by total assets less current liabilities

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# Income statement

	6 months ended 31-Mar-24 (£m)	6 months ended 31-Mar-23 (£m)	<i>HY24 Actuals vs. HY23 (£m)</i>
<b>Revenue</b>	<b>350.3</b>	<b>366.3</b>	<b>(16.0)</b>
Cost of sales	(190.0)	(198.9)	8.
<b>Gross profit</b>	<b>160.3</b>	<b>167.4</b>	<b>(7.1)</b>
<i>GM%</i>	<i>45.7%</i>	<i>45.7%</i>	<i>5bps</i>
Administrative expenses (before adjusting items)	(112.2)	(111.1)	(1.1)
Net finance costs	(2.5)	(1.9)	(0.6)
<b>Adjusted profit before tax</b>	<b>45.6</b>	<b>54.4</b>	<b>(8.8)</b>
<i>Adjusted PBT margin%</i>	<i>13.0%</i>	<i>14.9%</i>	<i>-182bps</i>
Adjusting items <sup>3</sup>	(28.3)	(25.7)	(2.6)
<b>Profit/(Loss) before tax</b>	<b>17.3</b>	<b>28.7</b>	<b>(11.4)</b>
Tax expense	(6.2)	(7.8)	1.
<b>Profit/(Loss)</b>	<b>11.1</b>	<b>20.9</b>	<b>(9.8)</b>
<b>Basic EPS (£p)</b>	<b>3.0</b>	<b>5.4</b>	<b>(2.4)</b>
<b>Adjusted Basic EPS (£p)</b>	<b>9.1</b>	<b>10.6</b>	<b>(1.5)</b>

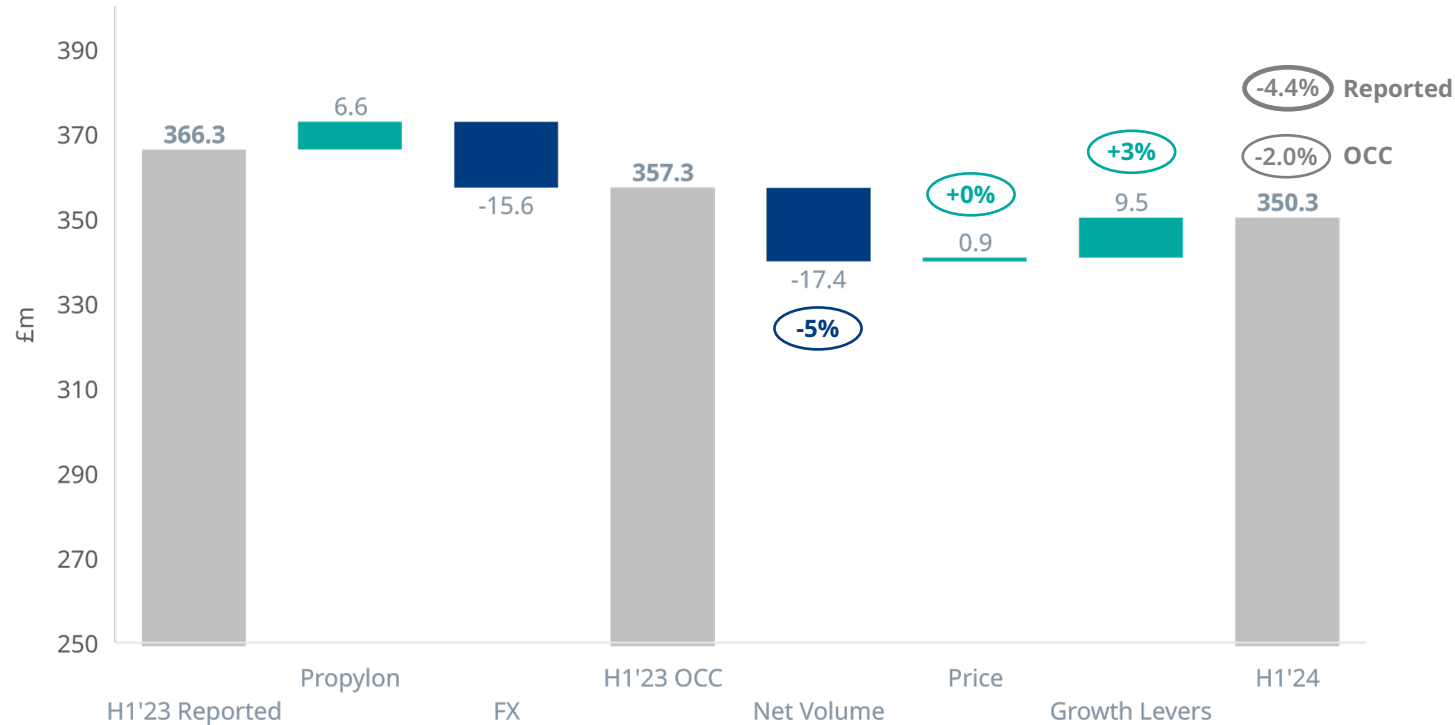
- Reported revenue down -4.4% year on year:
  - Like-for-like<sup>1</sup> revenue decline -6.1% (adjusting for Propylon)
  - Organic constant currency<sup>2</sup> -2.0%
- Gross margin maintained year on year at 45.7%:
  - Some volume softness and changes in regional mix, as well as adverse impact of strengthening of \$ and €
  - Offset by LXD and divisional cost reductions
- Administrative expenses as a percentage of Gross Profit has increased to 70.0% from 66.4%
- 16% year-on-year decrease in Adjusted PBT:
  - Adjusted PBT margin down 182bps to 13.0%, driven primarily by lower revenues
  - Savings delivered to offset the reduced FX gains from hedging programme
  - Excluding the impact of FX, slight expansion of Adjusted PBT and margin
- Adjusted effective tax rate of 25.1% (HY23: 24.4%)

<sup>1</sup> Adjusted to reflect a like-for-like comparison between actual and prior year

<sup>2</sup> Adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods

<sup>3</sup> Includes acquisition costs £4.3m (HY 23: £1.6m), amortisation of acquired intangibles £21.5m (HY 23: £19.3m), share-based payment expenses £1.7m (HY 23: £1.3m) and exceptional items £0.8m (HY 23: £3.5m)

# Group revenue bridge



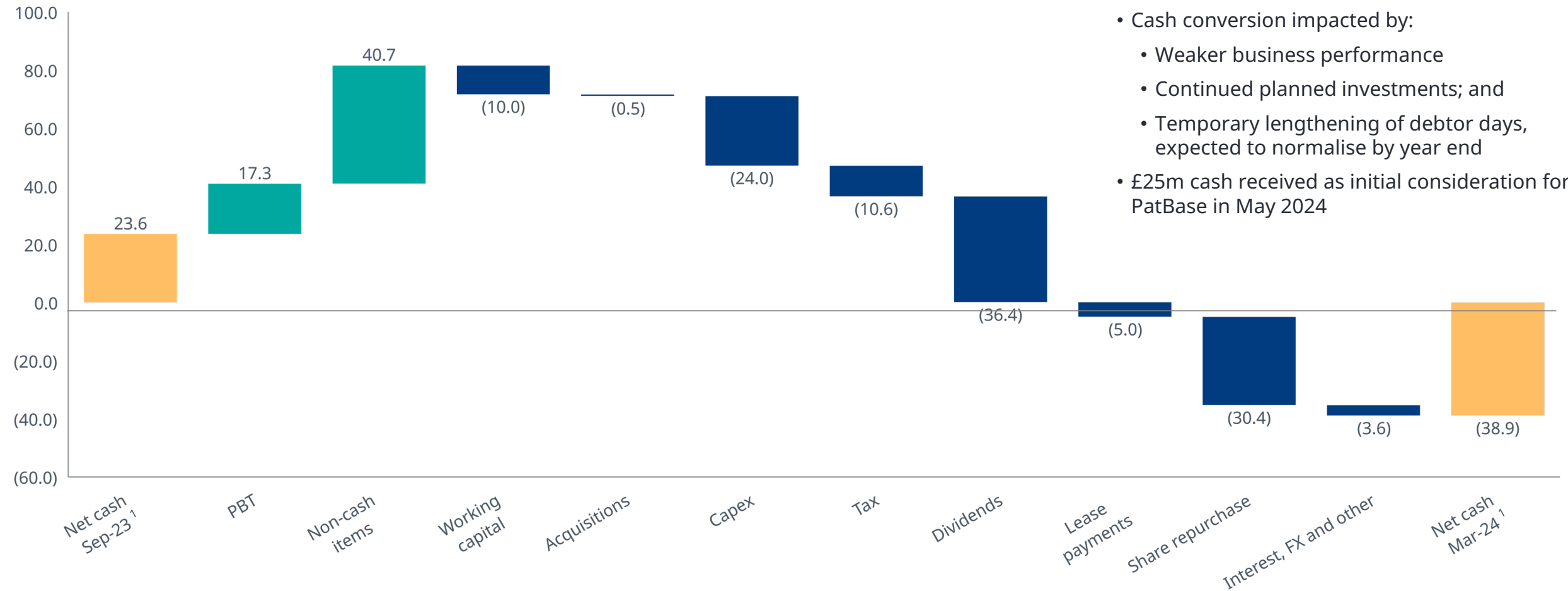
REPORTED REVENUE GROWTH		ORGANIC CONSTANT CURRENCY <sup>1</sup> REVENUE GROWTH
-3%	Language Services	+2%
-15%	Regulated Industries	-12%
+2%	Language & Content Technology	-3%
+0%	IP Services	+4%
-4%	<b>Group</b>	-2%

<sup>1</sup> Adjusted to reflect a like-for-like comparison between actual and prior year and assumes constant currency.

# Net cash<sup>1</sup> bridge & cash conversion

	HY24	HY23
Cash conversion <sup>2</sup>	30%	85%

- Net cash flow from operating activities: £37.4m
- Cash conversion impacted by:
  - Weaker business performance
  - Continued planned investments; and
  - Temporary lengthening of debtor days, expected to normalise by year end
- £25m cash received as initial consideration for PatBase in May 2024



1 Net cash comprises cash and cash equivalents less loans but before lease liabilities  
 2 Cash conversion is defined as free cash flow before exceptional cash flows, divided by adjusted net income

# Balance sheet

	As at 31 March 2024 (£m)	As at 30 September 2023 (£m)
Non-current assets	990.5	1,025.6
Trade and other receivables	227.3	212.3
Other current assets	1.7	1.7
FX derivative assets	1.6	0.0
Cash and cash equivalents	64.6	76.2
<b>Total assets</b>	<b>1,285.7</b>	<b>1,315.8</b>
Trade and other payables	163.1	152.1
Loans	103.5	52.6
Lease liabilities	29.8	33.5
Income tax payable	15.0	15.3
Deferred tax liabilities	52.6	57.7
Other liabilities	12.7	17.2
<b>Total liabilities</b>	<b>376.7</b>	<b>328.5</b>
<b>Net assets</b>	<b>909.0</b>	<b>987.3</b>
<b>Net (debt)/ cash</b>	<b>(38.9)</b>	<b>23.6</b>
<b>Net (debt) – including lease liabilities</b>	<b>(68.7)</b>	<b>(9.9)</b>

## Non-current assets

- Goodwill decreased by £15m due to the impact of FX
- Intangible assets have decreased by £15m due to the impact of FX (£7m) and associated amortisation of (£30m) partially offset by capitalised software development costs of £22m

## Working capital

- Net working capital has increased mainly due to temporary lengthening of debtor days, as a result of the transition to the shared service centre; actions are in place to recover to reduce DSO in H2

## Cash and net debt

- Net cash decreased by £63m to a net debt position of £39m principally due to the continuing repurchase of shares (£30m) and payment of the final dividend (£36m)
- Net debt (including lease liabilities) now stands at £69m, an increase of £59m since year end

# Tracking our Growth Model and ESG progress

Building long-term client relationships

Deepening our cultural and technical expertise

Deploying our unique technology and AI

Developing our portfolio

Leveraging our global scale and reach

Environment, social and governance

	Measure	FY23	H1 FY23	H1 FY24
1	Organic revenue growth at constant currency	-6.0%	-6.8%	-2.0%
2	Net Promoter Score (Rolling 12 months)	42	42	36
3	Repeat revenue rate (Services)	95%	98%	93%
1	Incremental revenue from defined growth initiatives £m <sup>1</sup>	25.4	11.0	34.9
1	% SaaS licence growth - L&CT	23%	29%	18%
2	% SaaS revenue - L&CT	34%	33%	39%
3	Capitalised development spend as % of L&CT revenue	11.6%	12.5%	7.9%
1	<i>To be reported on specific transactions as they occur</i>	n/a	n/a	n/a
1	Gross margin % - Group	46.3%	45.7%	45.7%
2	Overheads divided by Gross Profit, as a percentage - Group	63.5%	66.4%	70.0%
3	Adjusted PBT margin % - Group	16.4%	14.9%	13.0%
4	Capex spend as a % of revenue - Group	5.5%	6.2%	6.9%
1	% voluntary colleague attrition - Group	11.9%	12.5%	12.4%
2	Colleague engagement score - Group	61%	n/a	n/a
3	Number of women in SLT positions	39%	39%	39%
4	EcoVadis business sustainability rating - score <sup>2</sup>	66%	n/a	n/a

<sup>1</sup> Cumulative Incremental Revenue

<sup>2</sup> For Mar-24, no YTD measures for colleague engagement score or EcoVadis – as these are only assessed annually.



# Significant progress made with business transformation launched in FY22

## Delivered (FY22-FY24)

- Key growth initiatives launched & contributing
- Technology product improvements made and transitions underway
- Shift to common Microsoft platform
- HR – Phases 1 & 2 (Phase 3 by end FY24)
- Finance – Phase 1 shared service centre (SSC)
- LXD – supply chain rationalisation / volume shift
- IP Services – shift of language work to LXD

**Capex peak at c.7% in FY24**

## To follow (FY25-27)

### Existing programmes:

- Finance – Phase 2 SSC & ERP implementation
- Complete Trados transition programme
- IP Services – further digitalisation

### New opportunities:

- Scaling and further development of AI propositions
- Further end-to-end optimisation
- Legal entity rationalisation

**Capex trending down towards c.4%**

# Investments governed by capital allocation policy

## Continued strong cash generation and disciplined capital allocation

	<b>BAU spend</b>	Continue to support divisions to drive base case organic growth and sustain infrastructure																		
<b>1</b>	<b>Invest to accelerate organic growth</b>	Invest in growth areas, technology products and infrastructure to accelerate organic growth																		
<b>2</b>	<b>Dividend</b>	<p>Continue our progressive dividend policy</p> <p>(Annual DPS - £p)</p> <table><thead><tr><th>Fiscal Year</th><th>Annual DPS (£p)</th></tr></thead><tbody><tr><td>FY16</td><td>5.60</td></tr><tr><td>FY17</td><td>6.50</td></tr><tr><td>FY18</td><td>7.50</td></tr><tr><td>FY19</td><td>8.75</td></tr><tr><td>FY20</td><td>9.00</td></tr><tr><td>FY21</td><td>10.50</td></tr><tr><td>FY22</td><td>11.75</td></tr><tr><td>FY23</td><td>12.20</td></tr></tbody></table>	Fiscal Year	Annual DPS (£p)	FY16	5.60	FY17	6.50	FY18	7.50	FY19	8.75	FY20	9.00	FY21	10.50	FY22	11.75	FY23	12.20
Fiscal Year	Annual DPS (£p)																			
FY16	5.60																			
FY17	6.50																			
FY18	7.50																			
FY19	8.75																			
FY20	9.00																			
FY21	10.50																			
FY22	11.75																			
FY23	12.20																			
<b>3</b>	<b>Acquire for further growth</b>	Significant firepower for acquisitions to further accelerate growth																		
<b>4</b>	<b>Share repurchase</b>	Share repurchase programme successfully completed (February 2024)																		

# Agenda

Overview

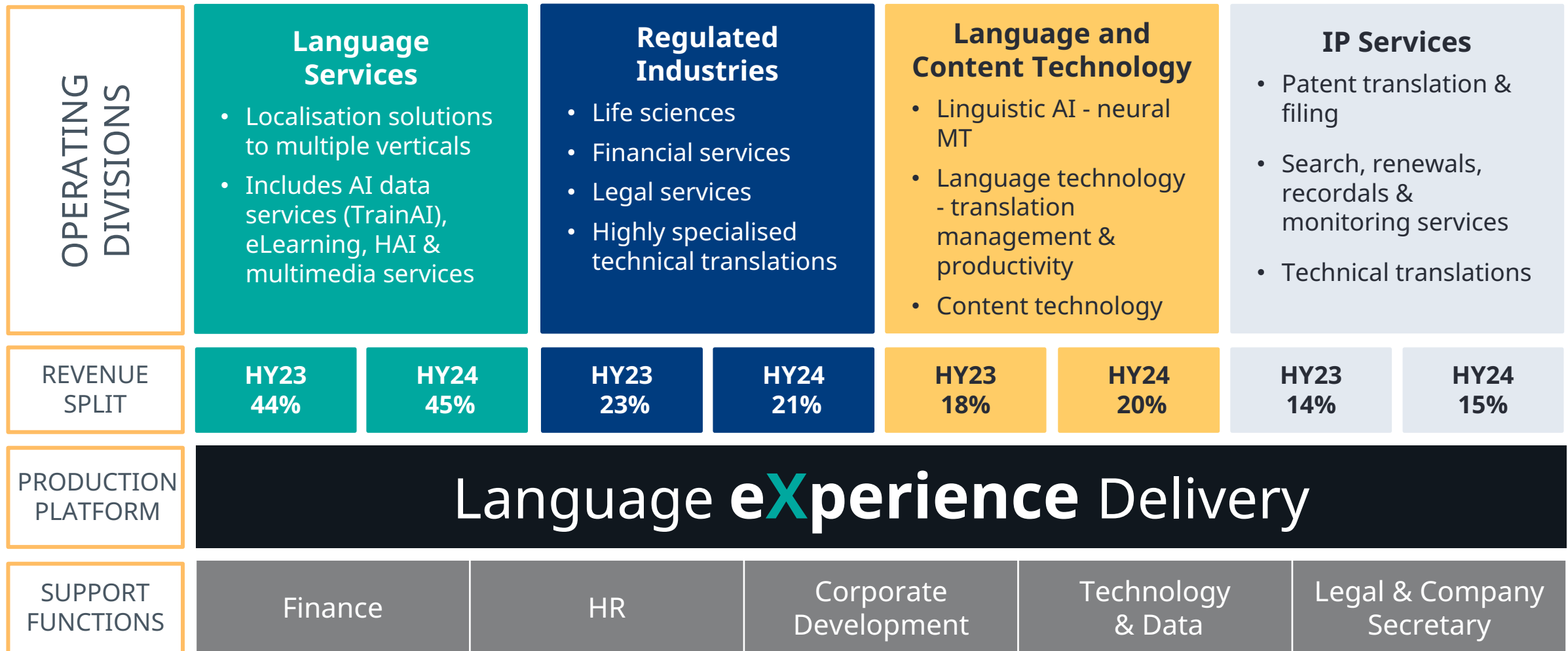
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# Strong portfolio, unique production platform



# Language Services

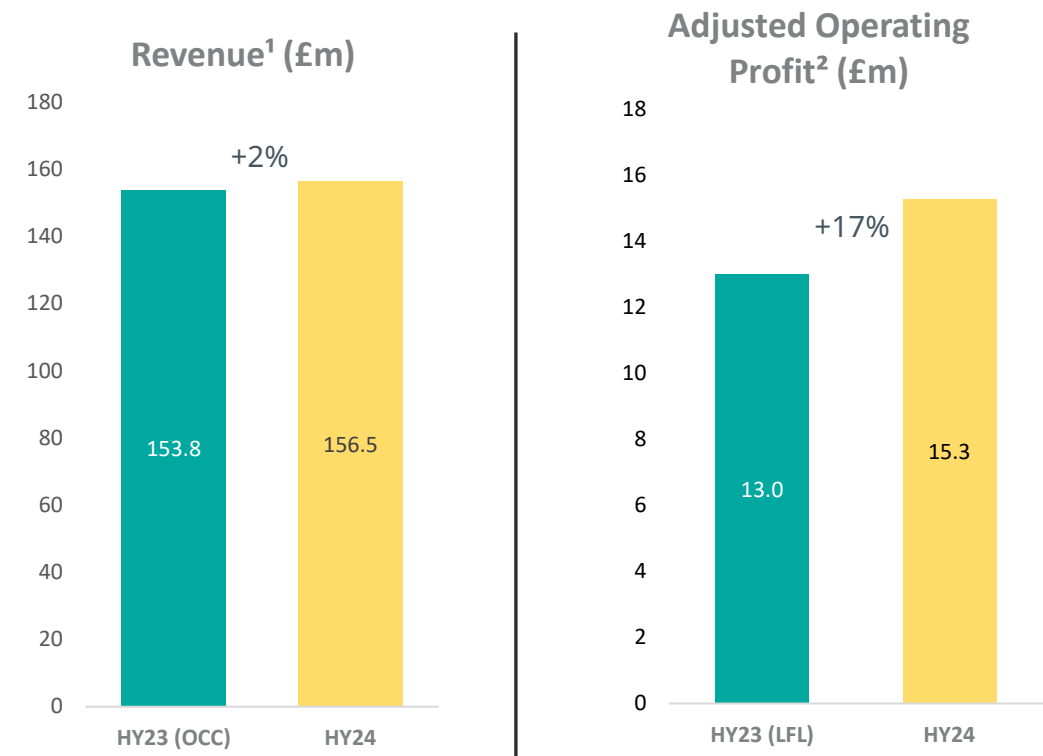
Return to organic constant currency growth

## Performance

- 2% organic growth in constant currency, driven by growth in TrainAI with Enterprise clients increasingly benefiting from our data services expertise
- 8 clients completed or in Proof of Concept and recorded first revenues for Evolve deal - strong pipeline of opportunities in H2
- New client wins in technology and e-commerce sectors
- HAI, our digital self-service platform, for small & medium businesses, launched in June
- Adjusted operating profit favourable versus HY23, reflecting top line revenue growth and the impact of cost reduction measures taken in H2 2023

## H2 focus

- Further growth momentum with TrainAI
- Securing new Evolve wins
- Roll out of marketing campaign to support HAI



<sup>1</sup> Revenue figures adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.

<sup>2</sup> Adjusted operating profit figures adjusted to reflect a like-for-like comparison between reporting periods.

# Regulated Industries

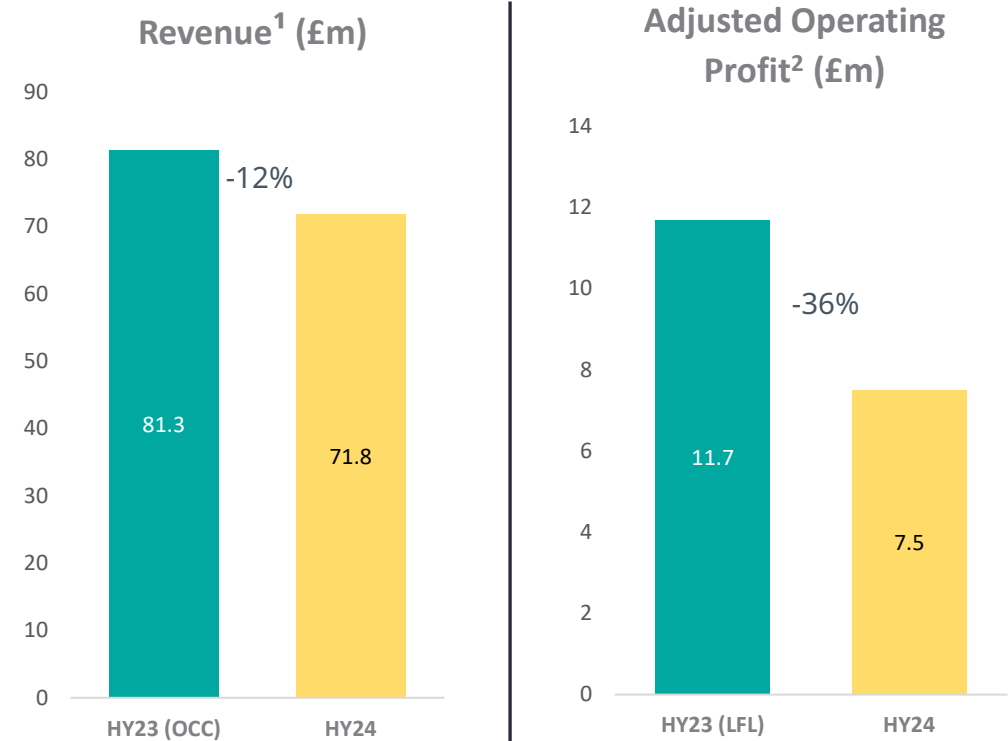
Market conditions remain challenging, actions being taken to improve performance with early signs of progress

## Performance

- Constant currency organic revenue declined by 12%, driven by:
  - Reduced activity in Life Sciences due to spending cuts with large clients and overall softness in Financial & Legal Services
  - Non recurrence of compliance work from FY23 to meet PRIIPS regulatory changes in Financial Services
  - H2 began strongly with two periods of YoY OCC growth
- Partial mitigation through:
  - Linguistic Validation – growth initiative continues to perform well, supporting pivot to more clinical work
  - Cost actions from FY23 and in FY24
  - Ongoing support of margin through the LXD
- Lower adjusted operating profit reflecting top line decline

## H2 Focus

- Securing Evolve wins
- Sustaining early signs of revenue improvement in April & May
- Further cost actions for FY25 impact



<sup>1</sup> Revenue figures adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.

<sup>2</sup> Adjusted operating profit figures adjusted to reflect a like-for-like comparison between reporting periods.

# Language and Content Technology

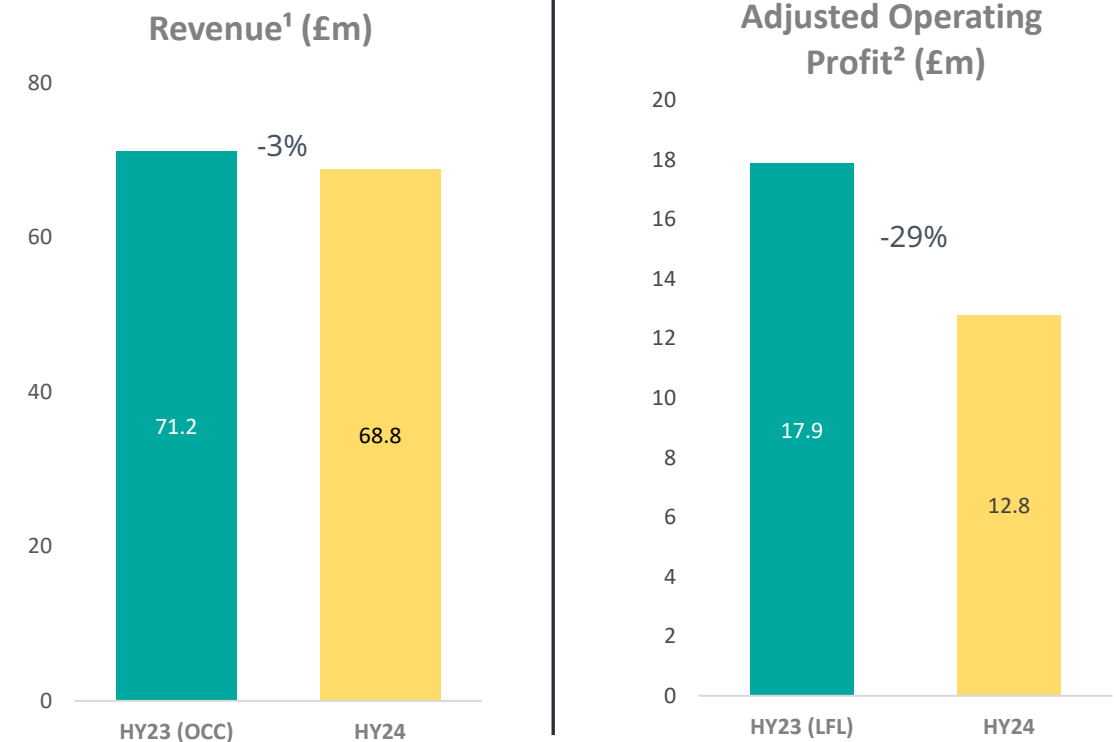
Good progress with AI-centred solutions (Language Weaver & Evolve) and SaaS licences, offset by weaker performance in content technology

## Performance

- Revenue at organic constant currency declined by 3%, impacted by lower Term and perpetual licence sales & renewals and professional services revenues
- High level of new bookings in Language Weaver
- Propylon acquisition performing ahead of plan & growing strongly
- New logo wins in financial services, government, media and retail
- SaaS revenues continued to grow, up 18%
- SaaS revenues as % of total licence revenues increased to 39% (FY23: 33%)
- Adjusted operating profit (like-for-like) declined 29%, linked to lower revenue and FX

## H2 focus

- Sustaining momentum with Language Weaver and Evolve
- Recovering sales performance in Tridion
- Launch of new Generative AI features across Trados and Content Technologies



<sup>1</sup> Revenue figures adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.

<sup>2</sup> Adjusted operating profit figures adjusted to reflect a like-for-like comparison between reporting periods (Reported HY23 £15.5m).

# IP Services

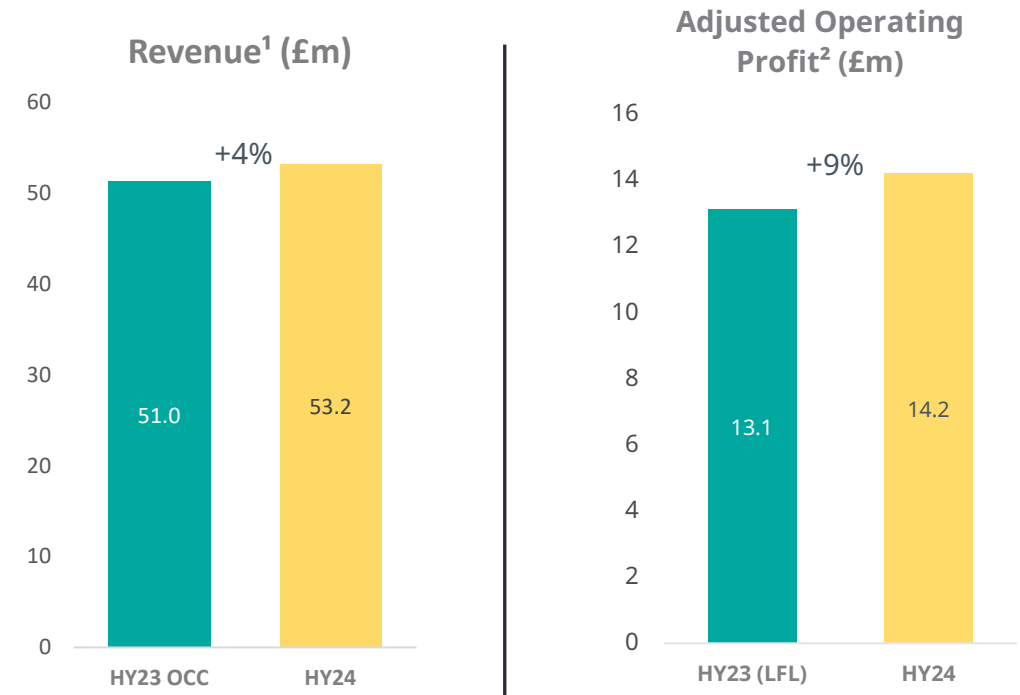
Return to organic constant currency growth driven by strong Eurofile revenues, with good drop through to profit

## Performance

- Return to growth with 4% organic constant currency growth
- Eurofile revenue growth in Q4 FY23 continued and accelerated in H1 following Unitary Patent launch in June 2023
- IP Research segment returned to growth with several client wins and near-term opportunities
- Good progress with expanding product offering across the IP Lifecycle
- Adjusted operating profit was 9% higher, benefitting from top-line growth, streamlined processes and FY23 cost reduction actions

## H2 Focus

- Worldfile revenue growth
- Continued volume transition into LXD and adoption of LXD working practices
- Preparing for deployment of upgraded finance system

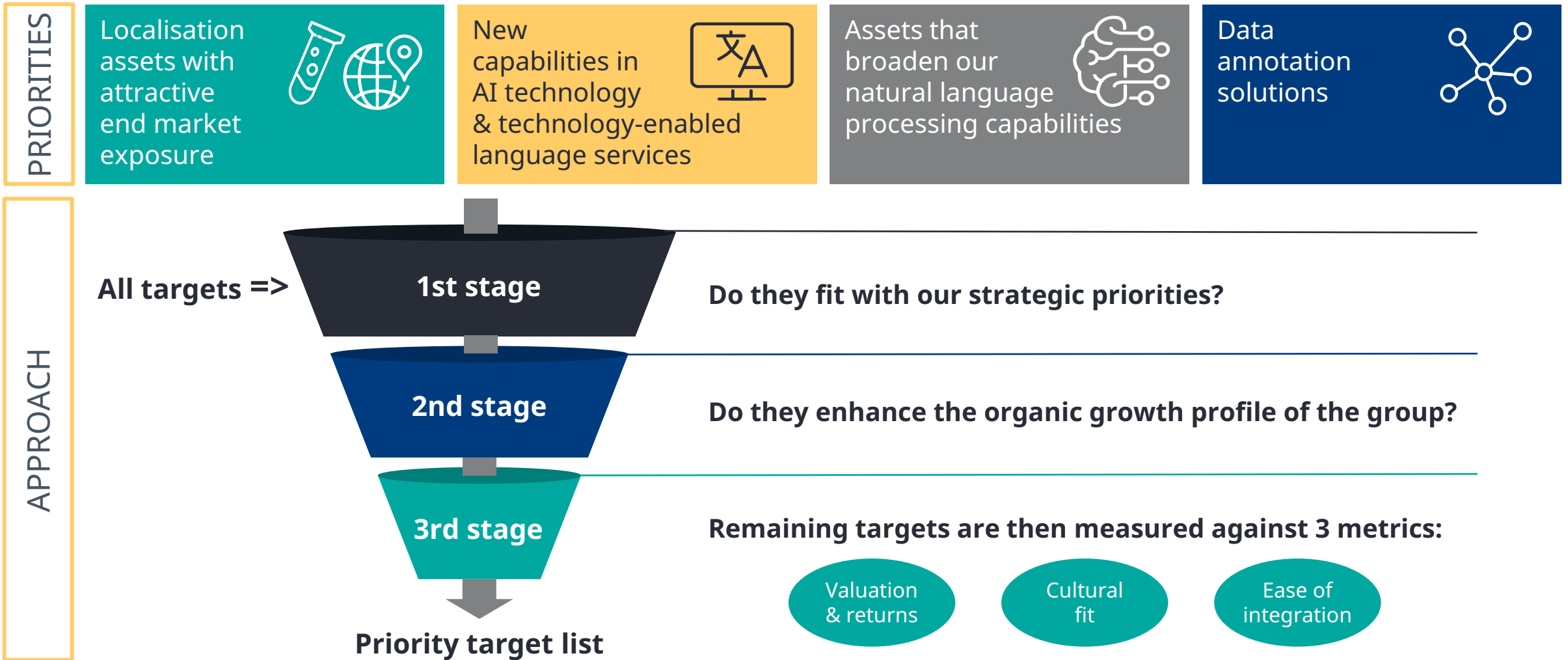


<sup>1</sup> Revenue figures adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.

<sup>2</sup> Adjusted operating profit figures adjusted to reflect a like-for-like comparison between reporting periods.



# M&A – continuing to look at range of attractive opportunities



# ESG progress



## Environment

Science-Based Targets approved by SBTi

Scope 1 & 2: 54.6% reduction by FY33

Scope 3: 61.1% reduction by FY33

FY22 baseline: robust & granular baseline data

## Social & community

RWS Foundation supporting Trados Accessibility Project & matching local community fundraising efforts

RWS Campus, partnership programme with >700 universities, continues to nurture localisation talent

## Governance

Joined Meta's Open Loop programme

Objective to develop effective & evidence-based policies around AI

Aligned with RWS's belief that innovation must be balanced with safety & security

## Assurance

Awarded Silver Medal by EcoVadis – 2<sup>nd</sup> year running

Score: 66% (FY22: 63%)

Again in top quartile of participating companies

In top 9% of companies in relevant industry category

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# FY24: Current trading and outlook

## Growth

- We continue to expect revenue to be stronger in the second half, building on an improving OCC trend, and driven by:
  - Some recovery in higher margin parts of the business
  - Impact of H1 wins in the TrainAI and Evolve

## Investing to accelerate

- Continuing to invest in AI capability (e.g. TrainAI, Evolve) and new propositions such as HAI
- Business transformation progressing as expected

## Full year

- We are confident in the multiple long-term growth drivers for our products and services
- While we are mindful of the wider macroeconomic environment and continuing pressures in some of our end markets, we are pleased that recent trading, including an encouraging start to H2, currently points to a performance in line with market expectations for the full year<sup>1</sup>

<sup>1</sup> The latest Group-compiled view of analysts' expectations for FY24 gives a range of £721.4m-£756.0m for revenue, with a consensus of £735.1m, and a range of £110.4m-£118.4m for adjusted profit before tax, with a consensus of £113.8m, and a range of 21.8p to 24.0p for adjusted EPS, with a consensus of 22.8p

# Q&A

# Agenda

Group Overview

Group Financials

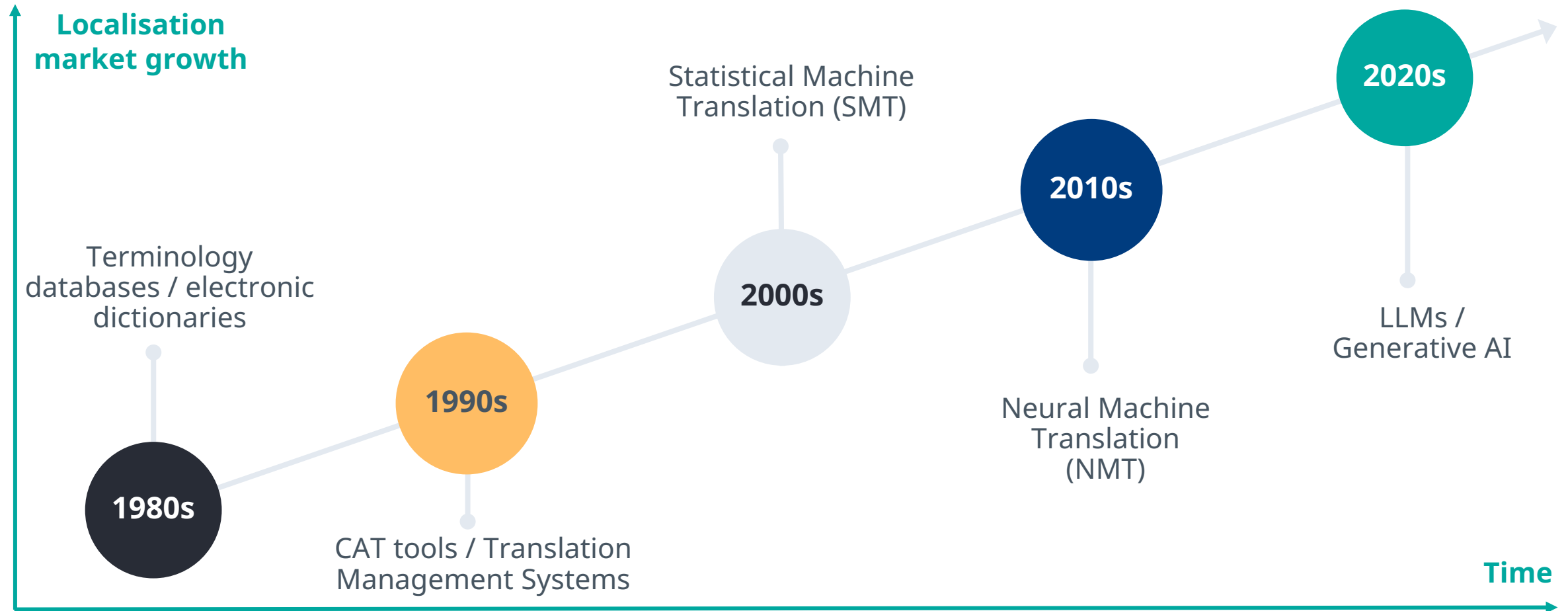
Operational Performance

Summary

Appendix

# Technology evolution and market growth

Successive technology waves have improved efficiency/productivity and lowered price/cost-to-serve



Ongoing content explosion makes technology critical factor in sector's ability to deliver what clients want

# 20+ years' AI experience gives us deep capability and a competitive moat

Established  
enterprise-  
grade solutions

Trados  
Tridion

Language  
Weaver  
TrainAI

Thought  
leadership

>40  
patents

>100  
peer-  
reviewed  
AI papers

Technology  
R&D  
investment

c£35m\*  
FY23

500  
colleagues

Responsible  
player

Data  
Privacy

Security

Internal  
deployment

>60%  
MT first

MTQE

\* - excludes all investments in transformation programmes (i.e. Finance, HR, LXD, IP Services)



# Shareholders

As of 30 April 2024

Top shareholders	Holding (%)
<b>Andrew S Brode</b>	<b>24.5</b>
<b>Liontrust Asset Management</b>	<b>13.4</b>
<b>Octopus Investments</b>	<b>5.4</b>
<b>Jupiter Asset Management</b>	<b>3.4</b>

# KPI definitions

	Measure	Definition
<b>Building long-term client relationships</b>		
1	Organic revenue growth at constant currency	Calculated as a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods
2	Net Promoter Score	Rolling 12 month score from all surveys
3	Repeat revenue rate (Services)	Current year Services revenue from prior year Services clients as a percentage of prior year Services revenue
<b>Deepening our cultural and technical expertise</b>		
1	Incremental revenue from defined growth initiatives	Cumulative incremental revenue on defined growth initiatives
<b>Deploying our unique technology and AI</b>		
1	% SaaS licence growth – L&CT	SaaS revenue growth year-on-year as a proportion of prior year SaaS revenue
2	% SaaS revenue – L&CT	Annual SaaS revenue as a percentage of annual licence revenue generated by the L&CT division
3	Capitalised development spend % of L&CT revenue	Proportion of L&CT divisional revenues spent on development of technology products
<b>Developing our portfolio</b>		
		<i>To be reported on specific transactions when they occur</i>
<b>Leveraging our global scale and reach</b>		
1	Gross margin %	Total revenue less cost of sales over total revenue
2	Overheads divided by Gross Profit, as a percentage	Administrative expenses, less adjusting items, divided by gross profit as a percentage
3	Adjusted PBT margin %	Adjusted PBT as a percentage of total revenue
4	Capex spend	Total purchases of property, plant, equipment and intangibles (software) as a percentage of total revenue
<b>Environment, social and governance</b>		
1	% voluntary colleague attrition	Number of voluntary FTE leavers compared with the average number of FTE during the period
2	Colleague engagement score	As measured via annual colleague engagement survey
3	Number of women in SLT positions	Number of women in RWS senior leadership team (incl. executive team)
4	EcoVadis business sustainability rating - score	Based on our responses to a detailed survey across the areas of human rights, labour, environment and anti-corruption



#### **About RWS**

RWS Holdings plc is a unique, world-leading provider of technology-enabled language, content and intellectual property services. Through content transformation and multilingual data analysis, our combination of AI-enabled technology and human expertise helps our clients to grow by ensuring they are understood anywhere, in any language.

Our purpose is unlocking global understanding. By combining cultural understanding, client understanding and technical understanding, our services and technology assist our clients to acquire and retain customers, deliver engaging user experiences, maintain compliance and gain actionable insights into their data and content.

Over the past 20 years we've been evolving our own AI solutions as well as helping clients to explore, build and use multilingual AI applications. With 40+ AI-related patents and more than 100 peer-reviewed papers, we have the experience and expertise to support clients on their AI journey.

We work with over 80% of the world's top 100 brands, more than three-quarters of Fortune's 20 'Most Admired Companies' and almost all of the top pharmaceutical companies, investment banks, law firms and patent filers. Our client base spans Europe, Asia Pacific and North and South America. Our 65+ global locations across five continents service clients in the automotive, chemical, financial, legal, medical, pharmaceutical, technology and telecommunications sectors.

Founded in 1958, RWS is headquartered in the UK and publicly listed on AIM, the London Stock Exchange regulated market (RWS.L).

For further information, please visit: [www.rws.com](http://www.rws.com).