

RWS Holdings plc

Half Year Report for the Six Months ended 31 March 2024

Encouraging trends and start to H2 support a full year performance in line with market expectations¹

RWS Holdings plc ("RWS", "the Group", "the Company"), a unique world-leading provider of technology-enabled language, content and intellectual property services, today announces its half year results for the six months ended 31 March 2024 ("the first half", "H1 2024" or "HY24").

Financial overview

	H1 2024	H1 2023	Change
Revenue	£350.3m	£366.3m	-4%
Adjusted profit before tax ²	£45.6m	£54.4m	-16%
Reported profit before tax	£17.3m	£28.7m	-40%
Adjusted basic earnings per share ²	9.1p	10.6p	-14%
Basic earnings per share	3.0p	5.4p	-44%
Interim dividend	2.45p	2.40p	+2%
Cash conversion ²	30%	85%	-55% pts
	H1 2024	FY 2023	Change
Net (debt)/cash ³	£(38.9)m	£23.6m	-£62.5m

H1 2024 highlights

- The Group made further progress in improving performance, and mitigating end market pressures, with an encouraging return to growth in two of our four divisions and growing traction with our AI-based solutions, particularly TrainAI, Language Weaver and Evolve, supporting a number of new business wins in the first half:
- Improving trend in organic constant currency ("OCC")⁴ revenues – 2% decline in the period (H1 FY23: -7% and H2 FY23: -5%), with the Group returning to growth in the second quarter
- High levels of repeat revenue, supported by further incremental revenue contribution from our growth levers, particularly TrainAI and Linguistic Validation
- Revenues from Language Weaver and TrainAI and the proportion of localisation revenues which are machine-translated first, which comprise the Group's AI-related products and services, now represent more than a quarter of Group revenues
- Benefits from our investments in transformation and sales effectiveness starting to be realised

- Reported revenue of £350m, down 4% on prior period (HY23: £366m) and down 2% on an OCC⁴ basis (HY23: £357m):
 - Language Services returned to growth on an OCC⁴ basis, driven by a good performance in Enterprise Services, particularly in TrainAI, where our major global technology clients are increasingly benefiting from our data services expertise
 - IP Services returned to growth on an OCC⁴ basis, driven by an encouraging performance in the Eurofile segment with many patent filers remaining committed to existing arrangements over the new Unitary Patent
 - In Language & Content Technology (“L&CT”) revenue contracted on an OCC⁴ basis although reported revenues increased, supported by an 18% growth in SaaS licence revenues, good growth in Propylon, and a high level of new bookings in Language Weaver, offset by weaker performance in Tridion
 - In Regulated Industries revenue declined on an OCC⁴ basis, driven by a continuation of the challenges previously noted in the Life Sciences segment, a number of our larger clients going through cost-cutting exercises and the non-recurrence of some work in the financial services segment last year; however, we are encouraged by some early signs of recovery in the second half
- Language eXperience Delivery (“LXD”), our production platform, has continued to drive increasing efficiency across the Group:
 - The LXD has started to handle volume from IP Services, and currently manages the majority (73%) of our localisation volume in Language Services and Regulated Industries; more than 60% of this content is now machine-translated first by Language Weaver
 - LXD technology and expertise is also being used to help manage the large communities of high-quality annotators and validators that are critical to enabling TrainAI revenue growth
- Gross margins have been maintained at 45.7% (HY23: 45.7%), due to the cost reduction actions taken in H2 FY23 and ongoing LXD efficiencies, fully offsetting weaker performance in some parts of our higher margin businesses and foreign exchange headwinds
- Adjusted profit before tax² (“PBT”) of £45.6m (HY23: £54.4m) reflected lower gross profit. Adjusted administrative expenses remained in line with prior year, as the cost reduction actions in FY23 offset the expected foreign exchange headwinds and ongoing planned investments. As a result, adjusted profit before tax² margin was 13.0%, down from 14.9% in HY23
- Net debt³ was £38.9m at 31 March 2024 (FY23: net cash of £23.6m) after payment during the first half of the £36m final dividend for FY23 and £30m under the share repurchase programme. £25m cash was received as initial consideration for PatBase in May 2024 after the period end
- Cash conversion² was 30% in H1 (as a result of weaker business performance, continued planned investments and a short-term lengthening of debtor days), which is expected to revert to normal levels by the year end
- In October 2023 RWS acquired ST Comms Language Specialists Proprietary Limited, a Cape Town-based language services provider, enabling our clients to extend their reach into the African market with locally-based linguistic expertise across 40+ African languages, further strengthening RWS's position in rarer languages
- The share repurchase programme, announced in June 2023, was successfully completed in February 2024
- An interim dividend of 2.45p, an increase of 2% (HY23: 2.40p) has been approved

Progress on strategy

- Evolve, our pioneering linguistic AI solution which utilises a private Large Language Model (“LLM”), has a strong opportunity pipeline, with 8 clients having completed or going through proof of concept and we anticipate it contributing to second half revenues
- We have just launched HAI, a digital self-service platform designed to streamline the translation experience for small and medium businesses by combining human expertise and AI, simplifying project management, offering real-time cost visibility, security and ensuring high-quality translations, all in one place
- In Q3 we are releasing Trados Studio 2024 and Tridion Docs 15.1, each with multiple AI features, which are expected to enhance revenues in the second half
- We remain committed to our planned investments in sales and marketing, R&D and transformation that will underpin future growth, efficiency and margin development; having successfully completed the second and most significant release of our HR system in May, and we are on track to complete our HR transformation by the end of FY24
- On 16 May the Group further strengthened its balance sheet with the disposal of its interest in a revenue and cost sharing arrangement, together with some associated assets, relating to a patent information resource business known as "PatBase", receiving £25m in cash in May, with the remaining £5m payable at the latest six months after completion

Outlook

- We continue to expect a stronger performance in the second half of the year, supported by new business wins across the Group and some recovery in higher margin parts of the business
- Our many years of investment in AI solutions, both to improve outcomes for clients and to drive internal efficiency, position us well to play a leading role and navigate the AI-related transformation we are seeing in our industry
- We are encouraged by some strong wins in the period in our AI-centred solutions, particularly TrainAI, which will make further positive contribution to our revenue and growth rates in the second half
- While 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 year¹ and we remain confident in the multiple long-term growth drivers for our products and services.

Ian El-Mokadem, Chief Executive Officer of RWS, commented:

“The Group’s first half results reflect good progress in a number of areas and demonstrate that we are well positioned for clients’ increased appetite to harness AI to meet their language and content needs. Our successes with TrainAI and Evolve, which have continued into the early part of the second half, demonstrate that our AI-enabled solutions are resonating with clients at this pivotal moment for our industry.

“With AI-related products and services accounting for more than a quarter of the Group’s revenues, RWS is both an established industry leader and one of the principal AI innovators. RWS’s proprietary technology platform and in-house linguistic expertise mean that we have a unique combination of human and artificial intelligence, which we call Genuine Intelligence™. Operating at the intersection of both allows us to continually improve our AI solutions with training data validated by our own language specialists, supporting rapid improvement in client outcomes.

“We are pleased to see that both Language Services and IP Services have returned to growth. Our growth initiatives, such as Linguistic Validation and TrainAI, continue to deliver incremental revenue. In parallel, we saw an encouraging first half performance in Language Weaver, our long-standing AI-based machine translation solution.

“It has been disappointing that we have not seen the recovery in Regulated Industries as quickly as we would have hoped and that sales in some parts of our content management software business have been slower than planned. However, with the implementation of a range of corrective actions, we expect these parts of the Group to show some recovery in the second half.

“We remain committed to the investments in growth and transformation that will underpin future revenue and margin development, alongside continued effective cost management. The Group returned to growth in the second quarter, and has had an encouraging start to H2, currently pointing to a performance in line with market expectations for the full year.¹ The multiple long-term growth drivers for our products and services continue to give us confidence in the future.”

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About RWS:

RWS Holdings plc is a unique, world-leading provider of technology-enabled language, content and intellectual property solutions. 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 45+ 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, Africa 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.

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, RWS undertakes no obligation to update or review these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. RWS and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

- 1. 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.*
- 2. RWS uses adjusted results as key performance indicators as the directors believe these provide a more consistent measure of operating performance. The definitions for these key performance indicators can be found in the Appendix.*
- 3. Net cash comprises cash and cash equivalents less loans but before deducting lease liabilities.*
- 4. Adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.*

RWS Holdings plc

Results for the Six Months ended 31 March 2024

Chief Executive Officer's Review

The Group's performance in the first six months of the year ("the first half", "H1 2024" or "HY24") demonstrates good progress compared with the second half of FY23 and shows the positive impact of the steps we continue to take in response to difficult trading conditions and in delivering our medium-term strategy. Two of our divisions, Language Services and IP Services, have returned to growth, our growth levers are delivering incremental revenues and our AI-centred solutions are playing an increasingly important role both for our clients and in respect of our internal efficiency. We are disappointed that we have not yet seen the anticipated recovery in the Regulated Industries division and that sales in some parts of our content technology business have been slower than planned. Our financial strength has allowed us to continue investing in sales and marketing effectiveness and our transformation programmes, which will underpin future growth, efficiency and margin development.

Business overview

RWS is a unique world-leading provider of AI-enabled language, content and intellectual property services. The Group is a profitable cash-generative business with a strong track record of growth and value creation. We operate in attractive markets with a combined global size estimated at more than £47bn, where specialist knowledge, in-house technology, proprietary linguistic data, security, reputation and scale are critical.

We have successfully diversified in recent years and now occupy leading positions in many of our chosen markets, as well as owning and developing a significant technology platform.

We offer a wide range of products and services, delivered with a unique blend of technology and human expertise to meet our clients' content needs. AI-based solutions and functionality are central to our success and, as an AI-native organisation, we have long-established capability across the content value chain, from the sourcing and validation of training data to the provision of neural machine translation across multiple use cases.

This is recognised by both industry analysts and our clients. Slator's recently published language industry report¹ noted RWS's leveraging of generative AI with a private large language model to deliver the automatic post-editing that underpins the Evolve solution. We will shortly be announcing an expansion to our partnership with Amazon Web Services to bring to market new solutions powered by generative AI.

- **Language Services** focuses on localisation and related solutions for a wide range of industry verticals, including automotive, chemical, consumer, manufacturing, retail, technology, travel and telecommunications. The range of services includes AI-centred localisation and data services, eLearning and multimedia localisation. The division has three client segments – global technology enterprises (served by the Enterprise Services business unit), major accounts and small & medium enterprises (both served by the Strategic Content Solutions business unit). RWS's technology products, such as Language Weaver and Trados, either underpin the division's services solutions (such as Evolve and HAI) or are sold in combination with them. The division is able to support clients at any stage of their globalisation journey.
- **Regulated Industries** provides a range of localisation services for three verticals – life sciences, financial services and the legal sector. Service provision is centred around highly specialised technical translations with a strong emphasis on quality and security. The division's clients include 19 of the world's top 20 pharmaceutical companies, all of the top 10 asset management companies and 18 of the top 20 law firms. In the pharmaceutical and medical device verticals, we work in both the clinical and regulatory phases of therapy development and our services often make a critical contribution to life safety.
- **Language & Content Technology** offers a range of technology products which deliver translation and content management solutions. A pioneer in machine translation ("MT"), Language Weaver is a neural MT product, using linguistic AI. With Trados, RWS offers a suite of translation productivity and management solutions for enterprises, small and medium-sized organisations and professionals. Tridion, Contenta and Propylon are the Group's portfolio of content management products, which offer specialised solutions for multiple end markets, including aerospace and defence, high-tech, law-makers and law-takers, life sciences and manufacturing, alongside a leading XML editor (Fonto). All these products offer clients enterprise grade privacy, security and quality.

- **IP Services** is one of the world's leading providers of patent translations, filing solutions and IP search, renewal, recordals and monitoring services. The division delivers highly specialised technical translations to patent applicants and their representatives and counts 18 of the world's top 20 patent filers as its clients.

Language eXperience Delivery ("LXD"), RWS's unique production platform, translates the majority of client content from the Language Services and Regulated Industries divisions: 73% (FY23: 63%). The LXD uses RWS's technology products to support operational efficiency and excellence in the delivery of solutions to clients - the Trados Enterprise product is deployed to aid translation productivity and management and Language Weaver AI is routinely used both to analyse client content to enable it to be better assigned to linguists and to pre-translate content before it is post-edited by linguists. More than 60% of this content is machine-translated first by Language Weaver, making the LXD an extensive and experienced user of AI.

The LXD began handling volumes from the IP Services division in the first quarter. The LXD is now running a common supply chain for the whole Group and, as a result, all three services divisions are benefiting from volume discounts with our freelance network of language specialists. The LXD supply chain team are now applying their expertise to support the sourcing and management of the communities that underpin the delivery of TrainAI and other data services.

Our strategy

RWS is confident that its medium-term strategy is supporting the next phase of the Group's development and will help build a long-term sustainable business, delivering financial and social value. Through our defined growth initiatives, we are accelerating penetration into existing higher growth segments, leveraging our capabilities into adjacent higher growth segments such as AI data services (TrainAI), Linguistic Validation and eLearning and re-affirming our technology product leadership. In respect of our language technology portfolio, we are underway with our Trados transition programme.

AI is at the heart of these developments and we are already well-established as developers, providers and users of AI technology through products such as Language Weaver and Trados and AI data services such as TrainAI. Large Language Models ("LLMs") represent an exciting development as far as content generation and transformation is concerned and we have deployed a private LLM as a core part of our Evolve solution.

In parallel we are investing to create an efficient scalable platform that can underpin both organic and inorganic growth. Having successfully completed the second and most significant release of HR D365 in May we are on track to complete our HR transformation by the end of FY24. In Finance the first phase of the shared service centre implementation has been completed. We have made good progress on moving a greater proportion of volume into the LXD (including some IP Services content) and we have rationalised the supply chain for our freelance network, with the resulting efficiency benefits already supporting margin. Looking forward, we will complete the existing programmes in Finance and IP Services, and look to access new opportunities in the further development and scaling of our AI propositions, end-to-end optimisation and legal entity rationalisation.

RWS's strong cash position means that the Group continues to seek acquisitions which can accelerate delivery of our medium-term plans. Our disciplined M&A programme is focused on selectively acquiring complementary businesses which enhance our organic growth profile and fit with our strategic priorities to add:

- localisation assets with attractive end market exposure;
- new capabilities in AI technology and technology-enabled language services;
- assets that broaden our natural language processing capabilities; and
- data annotation solutions.

Our strategy is underpinned by the RWS Growth Model, which demonstrates our unique position and the basis on which we will deliver our strategy.

The Growth Model's five components are:

- Building long-term client relationships – we offer a comprehensive range of services and products, with configurable solutions to meet any mix of quality, value and speed requirements from clients, who also benefit from dedicated sector account management teams and specialist sector expertise in areas such as life sciences, technology and intellectual property.
- Deepening our cultural and technical expertise– we support over 429 language pairs and have access to more than 35,000 freelance linguists alongside nearly 1,600 that we directly employ. We have rich and varied data – translation memories, term bases and accumulated knowledge about brands and their voices and different cultures. We also invest in future linguistic and technical talent via the RWS Campus programme.
- Deploying our unique technology and AI – we are machine translation pioneers via our AI-driven Language Weaver product, and our neural MT research team is accredited with more than 40 patents. The Trados suite offers a range of market-leading cloud-oriented translation management and productivity tools, and we provide complementary content management technologies through Tridion to allow brands to better reach their audiences.

Contenta offers specialised content management for the defence and aerospace sectors. Our technology product suite is sold both separately and alongside our service solutions, as well as supporting our internal efficiency and effectiveness.

- Developing our portfolio – RWS consistently delivers strong underlying cash generation. As a result, the Group has the ability to invest in service and technical development to support our clients as they innovate and grow. Our strong balance sheet also allows us to make further value accretive acquisitions which will support our move into higher growth segments.
- Leveraging our global scale and reach – The LXD provides 24 x 7 coverage via a blend of human expertise and technology. The platform delivers operational leverage, with potential for sustained efficiency and margin improvement. We are also investing to establish effective and lean shared services which will support our four operating divisions and facilitate the integration of acquisitions and continued margin development.

Profit and Loss

The Group's revenues were £350.3m compared with £366.3m in the six months ended 31 March 2023 ("HY23"), a 4.4% decline. On an OCC² basis revenues fell by 2%, representing an improving trend (H1 FY23: -7% and H2 FY23: -5%), with the Group returning to growth in the second quarter. Gross margins were maintained at 45.7% (HY23: 45.7%) due to cost reduction actions taken in H2 FY23 and ongoing LXD efficiencies fully offsetting weaker performance in some parts of our higher margin businesses and foreign exchange headwinds.

The Group achieved an adjusted PBT³ of £45.6m in the first half-year, a decrease of 16% compared with £54.4m in HY23, reflecting the lower gross profit. Adjusted administrative expenses remained in line with prior year, as the cost reduction actions in FY23 offset the expected foreign exchange headwinds and ongoing planned investments. As a result, adjusted profit before tax³ margin was 13.0%, down from 14.9% in HY23. Adjusted profit before tax³ is stated before exceptional items, share-based payment expenses and amortisation of acquired intangibles. On the same basis, adjusted basic earnings per share³ decreased by 14% to 9.1p (HY23: 10.6p).

Taxation

The adjusted effective tax rate⁴ for the Group was 25.1% (HY23: 24.4%). This increase reflects the impact of different tax rates in the geographical locations where profits are made, together with the impact of movements in provisions as part of our regular reassessment of tax exposures across the Group.

Currency and FX

The Group remains exposed to movements in the US dollar exchange rate reflecting the fact that the majority of revenues are denominated in US dollars (approximately 52%). The Group continues to hedge transactional risk while relying on constant currency reporting to highlight underlying translation risk, which remains unhedged. The Group uses forward exchange contracts to hedge risk at both Group and divisional level.

Cash Flow

Net cash flow from operating activities was £37.4m (HY23: £60.2m). During the first half, the major cash outlays were the final dividend of £36.4m, repurchase of shares £30.4m, intangible asset additions of £21.6m and tax payments of £10.6m. Cash conversion was 30% as a result of weaker business performance, continued planned investments and a short-term lengthening of debtor days. Cash conversion is expected to revert to normal levels by the end of the period.

£25m cash was received as initial consideration for the disposal of the Group's interest in a revenue and cost sharing arrangement, together with some associated assets, relating to a patent information resource business known as "PatBase" in May 2024.

Balance sheet and liquidity

At 31 March 2024, shareholders' funds amounted to £909.0m (HY23: £1,062.7m). At the same date, the Group had net debt⁵ of £38.9m (FY23: net cash £23.6m), comprising cash of £64.6m less borrowings of £103.5m. RWS has a cash generative business model and the Board is confident that the Group's cash generation and liquidity put it in a strong position to further invest in organic growth as well as explore suitable acquisition opportunities. In addition to its cash reserves, the Group had drawn US\$135m of its US\$220m banking facility, leaving headroom of US\$85m at the period end and total liquidity of £132m.

Dividend

The Directors have approved an interim dividend of 2.45p per share, reflecting a 2% increase over the 2.40p interim dividend in HY23. This reflects the Group's strong financial position, its cash generative business model and the Board's confidence in its future prospects.

The dividend will be paid on 19 July 2024 to shareholders on the register at 21 June 2024 and the ex-dividend date is 20 June 2024. The Group remains committed to a progressive dividend policy, which has been followed in every year since flotation in 2003.

Operating review

Language Services

The Language Services division, which represented 45% of Group revenues (HY23: 44%) in the period, generated revenues of £156.5m (HY23: £160.9m).

Language Services returned to growth on an organic constant currency (OCC)² basis, up 2% versus prior year, driven by a good performance in Enterprise Services, particularly in TrainAI, where our major global technology clients are increasingly benefiting from our data services expertise. We also won our first TrainAI contracts in other parts of the Group and, with an encouraging pipeline, we anticipate TrainAI will make a further positive contribution to our revenue growth rate in the second half. Clients are attracted to the enterprise-grade security and privacy that RWS offers, as well as its strong ethical practices in the sourcing and quality checking of data for training their AI models.

We are also encouraged by the impact of Evolve, our pioneering linguistic AI solution. Evolve combines RWS's language services expertise with its translation management system (Trados Enterprise) and neural machine translation technology (Language Weaver) alongside language specialist-trained quality estimation and a finely tuned private large language model. After a successful beta program in which a number of clients participated, we are now seeing early revenues from Evolve contracts with major clients. With a strong pipeline of opportunities including several clients currently going through proof of concept, we anticipate Evolve contributing to second half revenues and becoming an important part of our AI-enabled services portfolio.

We made good progress in respect of growth levers in the division during the period. In eLearning we have an increasing number of pilots and opportunities across all verticals and we have just launched HAI, a digital self-service platform designed to streamline the translation experience for small and medium businesses by simplifying project management, offering real-time cost visibility and ensuring high-quality translations, all in one place.

Once again, we saw high levels of client retention and satisfaction in the division, a number of new client wins in the technology and e-commerce sectors and good organic performance in the Asia-Pacific region.

The division's adjusted³ operating profit was £15.3m (HY23: £13.0m), reflecting top line revenue growth and the impact of cost reduction measures taken in the second half of FY23.

Regulated Industries

In Regulated Industries, reported revenues were £71.8m (HY23: £84.9m), representing 21% of Group revenues (HY23: 23%).

Revenue declined on an OCC² basis by 12%, driven by a continuation of the challenges previously noted in the life sciences segment, a number of our larger clients going through cost-cutting exercises and the non-repeat of compliance work to meet PRIIPS regulatory changes in the financial services segment last year. By contrast, Linguistic Validation, one of our growth initiatives and a service used by clients at the clinical phase of therapy development, continues to perform strongly. Its success also points to improved demand in the regulatory and launch phases in due course.

During the period we secured our first Evolve contract with a large life sciences client and are encouraged by the number of pipeline opportunities in this part of the division. We are also encouraged by some early signs of recovery in the second half.

Adjusted³ operating profit for Regulated Industries was £7.5m (HY23: £11.7m), reflecting the reduction in top line revenues, partially mitigated by increased use of the LXD and the impact of FY23 cost actions.

Language & Content Technology

Language & Content Technology ("L&CT") revenues were £68.8m (HY23: £67.6m) and accounted for 20% of Group revenues (HY23: 18%).

Revenue contracted 3% on an OCC² basis, with good growth in Propylon and a high level of new bookings in Language Weaver, offset by lower term and perpetual licence sales and renewals and professional services revenues in Tridion. We saw new logo wins across a range of end markets, including financial services, government, media and retail.

We achieved an 18% growth in SaaS licence revenues in the period compared with HY23 and SaaS revenues as a percentage of total licence revenues in the division increased to 39% (HY23: 33%), demonstrating the continued shift in our licence models to SaaS, linked to the increased R&D investments in our technology products. This transition to SaaS builds long-term value for FY24 and beyond by supporting greater stability and predictability of future revenue streams.

The division's in-house R&D team led the development of the Evolve solution and continues to roll out the range of language pairs available through Evolve. In parallel, having announced end of life for the majority of our legacy translation management products in March, we have continued to work on the transition programme to Trados Enterprise for clients of these products, with 17% of transitions completed so far.

Later this month we will launch Trados Studio 2024, the latest version of our computer-assisted translation tool for individual users. Delivering access to cutting-edge AI, multiple usability improvements and enhanced accessibility features, and with Language Weaver as a standard feature, Trados Studio 2024 continues to address the diverse, evolving needs of users and reinforces Trados's position as the backbone of the industry.

The upcoming release of Tridion Docs 15.1 includes a host of new AI features, including Tridion Docs Genius and Draft Companion, marking a major step forward for organisations with complex content requirements.

Adjusted³ operating profit for the division was £12.8m (HY23: £15.5m), impacted by lower OCC² revenues and the intended transition from one off licence purchases to a higher proportion of SaaS revenues.

IP Services

In IP Services revenues were £53.2m (HY23: £52.9m), representing 15% of Group revenues (HY23: 14%).

Revenue grew 4% on an OCC² basis, driven by strong growth in the Eurofile segment with many patent filers remaining committed to the existing arrangements over the Unitary Patent. The IP research segment returned to growth with several new client wins and we saw growth in patent renewals work, particularly in China. With an expanded product offering in IP records and docketing, we further demonstrated our ability to serve clients across the entire IP lifecycle, reflecting an improved sales structure and effectiveness.

On 16 May the Group completed its disposal of its interest in a revenue and cost sharing arrangement, together with some associated assets, relating to a patent information resource business known as "PatBase" for £30m in cash. We received £25m in May, with the remaining £5m payable at the latest six months after completion.

The division delivered an adjusted³ operating profit of £14.2m (HY23: £13.1m), benefitting from top-line growth, transition to the LXD and the impact of cost reduction actions taken in FY23.

ESG

Environmental, social and governance ("ESG") matters continue to be core to the way RWS operates. Clients, partners and colleagues are keen to understand the steps we are taking to become a more sustainable business.

On environmental matters, the Group formally submitted its greenhouse gas ("GHG") emissions reduction targets to the Science Based Targets initiative ("SBTi") for validation in December 2023. We were delighted to receive confirmation from the SBTi in May that the targets had been validated. We have committed to reduce absolute scope 1 and 2 GHG emissions by 54.6% by FY33 from a FY22 base year. The Group has also committed to reduce scope 3 GHG emissions from purchased goods and services and colleague commuting by 61.1% per million GBP value added within the same timeframe.

RWS continues to promote Campus, a global programme nurturing localisation talent. By partnering with over 600 universities worldwide, we foster strong relationships to develop the next generation of professionals who will positively impact our industry. One of these is the University of Manchester, where the RWS Foundation provides funding each year via the RWS-Brode scholarship and, during the last six months, professional development workshops were delivered to students. The RWS Foundation also provided funding for our project to make Trados Studio more accessible to visually impaired and blind language specialists, as well as financial support to match the funds raised by colleagues across a range of local community initiatives.

In terms of governance, RWS has recently joined Meta's Open Loop to help bridge the gap between rapid advances in AI innovation and policy-making. Open Loop is a global programme involving a consortium of technology

businesses, academics and civil society representatives that connects policymakers and technology companies to help develop effective and evidence-based policies around AI and specifically generative AI systems. As an extensive developer and user of AI, RWS believes that it is critical that proposed AI regulations strike the right balance between fostering innovation and ensuring that AI is developed safely and securely for the benefit of customers and broader society.

In recognition of our ESG progress, in December 2023 we were awarded a Silver Medal by EcoVadis for the second year running. Once again we ranked in the top quartile of participating companies and in the top 10% of companies in our industry category, improving our score to 66% (FY22: 63%).

People and Board

RWS teams across the world continue to deliver for our clients and each other every day. Over the past six months I have been particularly pleased to see enhanced collaboration across the Group, both in pursuit of cross-selling and in developing, operationalising and selling our Evolve solution. Our technology experts and our language specialists remain critical to the success of RWS and they are backed by our operational, sales and marketing and functional support teams.

We have continued to address the feedback from our 2023 colleague engagement survey, with action plans in place across four global workstreams and at individual divisional and functional levels to focus and drive improvements. In support of one of the global workstreams we held a “One RWS” event in every location in the last week of April, supplemented by a number of virtual events for those colleagues who are fully remote. It was an opportunity for colleagues to be recognised for their contribution, to better connect them to strategy and one another, to learn more about our portfolio of products and solutions, particularly how critical AI is to our future, and to focus on our community and culture. These events were well received and we anticipate it becoming an annual event in our calendar. Voluntary colleague attrition levels have fallen to 12.4% in the 12 months ended 31 March 2024, compared with 12.5% for the 12 months ended 31 March 2023⁶.

Paul Abbott and Graham Cooke were appointed to the Board as Non-Executive Directors on 1 January 2024. Paul sits on the Remuneration Committee and Graham on the Audit Committee, and both are members of the Nomination Committee. In February Lara Boro stepped down as a Non-Executive Director after six years and I would like to thank her for her guidance and support since I joined the Group. David Clayton succeeded Lara as Senior Independent Director.

At 31 March 2024 the number of full-time equivalent colleagues in the Group was 7,814 (HY23: 7,944).

On 23 May we announced my intention to step down from the role of CEO and Director of the company. I expect to remain with RWS until early 2025 in order to ensure an orderly transition, once a successor has been appointed. In the meantime, it remains my privilege to lead our talented and diverse global team and to serve our wonderful clients.

Current trading and outlook

The Group's first half results reflect good progress in a number of areas and demonstrate that we are well positioned for clients' increased appetite to harness AI to meet their language and content needs. Our successes with TrainAI and Evolve, which have continued into the early part of the second half, demonstrate that our AI-enabled solutions are resonating with clients at this pivotal moment for our industry.

The Group returned to growth in the second quarter and has had an encouraging start to the second half, currently pointing to a performance in line with market expectations for the full year⁷.

Ian El-Mokadem
Chief Executive Officer
11 June 2024

- ^{1.} *Stator 2024 Language Industry Market Report, May 2024.*
- ^{2.} *Adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.*
- ^{3.} *RWS uses adjusted results as key performance indicators as the directors believe these provide a more consistent measure of operating performance. The definitions for these key performance indicators can be found in the Appendix.*
- ^{4.} *The adjusted effective tax rate is the effective tax rate before exceptional items, amortisation of acquired intangibles, tax on exceptional items and prior year adjustments.*
- ^{5.} *Net cash comprises cash and cash equivalents less loans but before deducting lease liabilities.*

6. *Calculated as number of leavers during the financial year, on a rolling last twelve months basis, divided by average headcount over the same period, noting the constraints imposed by having multiple HR systems.*
7. *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.*

RWS Holdings plc: Condensed Consolidated Statement of Comprehensive Income

	Note	6 months ended 31 March 2024 (Unaudited) £m	6 months ended 31 March 2023 (Unaudited) £m
Revenue	2	350.3	366.3
Cost of sales		(190.0)	(198.9)
Gross profit		160.3	167.4
Administrative expenses		(140.5)	(136.8)
Operating profit		19.8	30.6
Analysed as:			
Operating profit before charging:		48.1	56.3
Exceptional items – other	4	(0.8)	(3.5)
Exceptional items – acquisition-related costs	4	(4.3)	(1.6)
Share-based payment expenses		(1.7)	(1.3)
Amortisation of acquired intangibles		(21.5)	(19.3)
Operating profit		19.8	30.6
Net finance costs	3	(2.5)	(1.9)
Profit before tax		17.3	28.7
Taxation	5	(6.2)	(7.8)
Profit for the period from continuing operations attributable to the equity holders of the parent company	2	11.1	20.9
Other comprehensive (expense)/ income			
(Loss) on retranslation of foreign operations (net of deferred tax)		(23.7)	(67.7)
(Loss)/gain on cash flow hedges (net of deferred tax)		(0.6)	5.9
Total other comprehensive (expense)		(24.3)	(61.8)
Total comprehensive (expense) attributable to owners of the Parent		(13.2)	(40.9)
Basic earnings per ordinary share (pence per share)	7	3.0	5.4
Diluted earnings per ordinary share (pence per share)	7	3.0	5.4

RWS Holdings plc: Condensed Consolidated Statement of Financial Position

	Note	31 March 2024 (Unaudited) £m	31 March 2023 (Unaudited) £m	30 September 2023 (Audited) £m
Assets				
Non-current assets				
Goodwill		593.8	653.3	608.6
Intangible assets		344.6	359.7	359.4
Property, plant and equipment		25.1	29.7	27.5
Right-of-use assets		24.6	31.8	27.5
Non-current income tax receivable		1.4	1.0	1.4
Deferred tax assets		1.0	1.1	1.2
		990.5	1,076.6	1,025.60
Current assets				
Trade and other receivables		227.3	196.3	212.3
Foreign exchange derivatives		1.6	8.0	-
Income tax receivable		1.7	3.0	1.7
Cash and cash equivalents	8	64.6	76.3	76.2
		295.2	283.6	290.2
Total assets		1,285.7	1,360.2	1,315.80
Liabilities				
Current liabilities				
Trade and other payables		160.6	154.3	149.8
Lease liabilities		9.0	9.8	9.9
Income tax payable		15.0	19.4	15.3
Provisions		6.8	2.5	7.6
Liabilities associated with assets held for sale				
		191.4	186.0	182.6
Non-current liabilities				
Loans	9	103.5	18.5	52.6
Lease liabilities		20.8	28.7	23.6
Trade and other payables		2.5	5.0	2.3
Provisions		5.9	4.3	9.7
Deferred tax liabilities		52.6	55.0	57.7
		185.3	111.5	145.9
Total liabilities		376.7	297.5	328.5
Total net assets		909.0	1,062.7	987.30
Equity				
Capital and reserves attributable to owners of the parent				
Share capital		3.7	3.9	3.8
Share premium		54.5	54.5	54.5
Share-based payment reserve		7.0	4.8	5.3
Reverse acquisition reserve		(8.5)	(8.5)	(8.5)
Merger reserve		624.4	624.4	624.4
Foreign currency reserve		10.0	28.2	33.7
Hedge reserve		(4.1)	0.4	(3.5)
Retained earnings		222.0	355.0	277.6
Total equity		909.0	1,062.7	987.30

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Other reserves (see below) £m	Retained earnings £m	Total attributable to owners of parent £m
At 30 September 2022	3.9	54.4	712.3	371.1	1,141.7
Profit for the period	-	-	-	20.9	20.9
Gain on cash flow hedges	-	-	5.9	-	5.9
Loss on retranslation of foreign operations	-	-	(67.7)	-	(67.7)
Total comprehensive income for the period ended 31 March 2023	-	-	(61.8)	20.9	(40.9)
Issue of shares (net of issue costs)	-	0.1	-	-	0.1
Dividends	-	-	-	(37.0)	(37.0)
Cash-settled share-based payments	-	-	(2.5)	-	(2.5)
Share-based payments expense	-	-	1.3	-	1.3
At 31 March 2023 (unaudited)	3.9	54.5	649.3	355.0	1,062.7
At 30 September 2023	3.8	54.5	651.4	277.6	987.3
Profit for the period	-	-	-	11.1	11.1
(Loss) on cash flow hedges	-	-	(0.6)	-	(0.6)
Loss on retranslation of foreign operations	-	-	(23.7)	-	(23.7)
Total comprehensive (expense)/ income for the period ended 31 March 2024	-	-	(24.3)	11.1	(13.2)
Issue of shares (net of issue costs)	-	-	-	-	-
Purchase of own shares	(0.1)	-	-	(30.3)	(30.4)
Dividends	-	-	-	(36.4)	(36.4)
Share-based payments expense	-	-	1.7	-	1.7
At 31 March 2024 (unaudited)	3.7	54.5	628.8	222.0	909.0

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share-based payment reserve £m	Reverse acquisition reserve £m	Merger reserve £m	Hedge reserve £m	Foreign currency reserve £m	Total other reserves £m
Other reserves						
At 30 September 2022	6.0	(8.5)	624.4	(5.5)	95.9	712.3
Other comprehensive income/ (expense) for the period ended 31 March 2023	-	-	-	5.9	(67.7)	(61.8)
Cash-settled share-based payments	(2.5)	-	-	-	-	(2.5)
Share-based payments expense	1.3	-	-	-	-	1.3
At 31 March 2023 (unaudited)	4.8	(8.5)	624.4	0.4	28.2	649.3
At 30 September 2023	5.3	(8.5)	624.4	(3.5)	33.7	651.4
Other comprehensive (expense) for the period ended 31 March 2024	-	-	-	(0.6)	(23.7)	(24.3)
Share-based payments expense	1.7	-	-	-	-	1.7
At 31 March 2024 (unaudited)	7.0	(8.5)	624.4	(4.1)	10.0	628.8

RWS Holdings plc: Condensed Consolidated Statement of Cash Flows

	Note	6 months ended 31 March 2024 (Unaudited) £m	6 months ended 31 March 2023 (Unaudited) £m
Cash flows from operating activities			
Profit before tax		17.3	28.7
Adjustments for:			
Depreciation of property, plant and equipment		4.5	4.6
Amortisation of right-of-use asset		3.5	4.7
Amortisation of intangible assets		29.6	27.7
Amortisation of debt issue costs		0.4	
Share-based payment expense		1.7	1.3
Finance income		(1.0)	(0.4)
Finance expense		3.5	2.3
Unrealised foreign exchange gain		-	(0.1)
Fair value movement on derivatives		(1.5)	(5.4)
Operating cash flow before movements in working capital		58.0	63.4
(Increase)/decrease in trade and other receivables		(19.7)	14.2
Increase/(decrease) in trade and other payables		9.7	(6.2)
Cash generated from operating activities		48.0	71.4
Income tax paid		(10.6)	(11.2)
Net cash inflow from operating activities		37.4	60.2
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(0.5)	(4.2)
Purchases of property, plant and equipment		(2.4)	(2.1)
Purchases of intangible assets		(21.6)	(20.5)
Net cash outflow from investing activities		(24.5)	(26.8)
Cash flows from financing activities			
Proceeds of borrowing		50.9	-
Repayment of borrowings		-	(8.3)
Net interest paid		(2.5)	(1.7)
Lease liability payments		(5.0)	(6.0)
Proceeds from the issue of share capital, net of share issue costs		-	0.1
Purchase of own shares		(30.4)	-
Dividends paid	6	(36.4)	(37.0)
Net cash outflow from financing activities		(23.4)	(52.9)
Net decrease in cash and cash equivalents		(10.5)	(19.5)
Cash and cash equivalents at beginning of the period		76.2	101.2
Exchange (losses) on cash and cash equivalents		(1.1)	(5.4)
Cash and cash equivalents at end of the period	8	64.6	76.3

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation

General information

RWS Holdings plc, together with its subsidiaries, is a world-leading provider of AI-enabled language, content and intellectual property services, offering a wide range of solutions delivered with a unique blend of technology and human expertise to meet our clients' content needs.

RWS Holdings plc is a public limited company incorporated under the Companies Act 2006 and domiciled in England and Wales and its shares are quoted on the AIM Market.

This condensed consolidated interim financial report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts of RWS Holdings plc in respect of the year ended 30 September 2023 have been delivered to the Registrar of Companies, upon which the Company's auditors have given a report which was unqualified and did not contain any statement under Section 498 of the Companies Act 2006

The condensed consolidated interim financial report for the six months ended 31 March 2024 were approved by the Directors on 11 June 2024.

Basis of preparation

The condensed consolidated interim financial report is for the six months ended 31 March 2024. It is unaudited and prepared in accordance with the AIM rules for Companies and with IAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2023, which have been prepared in accordance with international accounting standards and in conformity with the requirements of the Companies Act 2006

Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those of the Group's annual financial statements for the year ended 30 September 2023.

New accounting standards and interpretations

IFRS 17 Insurance Contracts and its amendments;

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practise Statement 2);

Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);

Definition of Accounting Estimates (Amendments to IAS 8);

International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) – application of the exception and disclosure of the fact; and

International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) – other disclosure requirements.

These standards and amendments do not have a material impact on the financial statements.

New standards and interpretations not yet adopted

At the date of the interim report, the following standards and interpretations which have not been applied in this report were in issue but not yet effective (and in some cases had not yet been adopted by the UK):

IFRS S1 - General Requirements for Disclosure of Sustainability related Financial Information;

IFRS S2 - Climate related financial disclosures;

Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS17);

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);

Non-current Liabilities with Covenants (Amendments to IAS 1); and

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS7)

The directors anticipate that the adoption of these standards and interpretations will have no material impact on the Group's financial statements.

Going concern

At 31 March 2024, the Group's balance sheet reflects a net asset position of £909.0m and the liquidity of the Group remains strong with £64.6m of cash and cash equivalents. The Group has a US\$220m Revolving Credit Facility (RCF) maturing on 3 August 2026, with an option to extend maturity to 3 August 2027. At the period end, US\$85m of this RCF is undrawn.

At 31 March 2024, the Group is in a net debt position excluding lease liabilities of £38.9m (see note 9), and the Group's two debt covenants under its RCF, being the ratio of Net Debt to trailing 12-month adjusted EBITDA (as defined in the RCF agreement) and trailing 12-month EBITDA to Finance Charges (as defined in the RCF agreement) are both well within the covenant limits permitted by the Group's RCF.

On the basis set out above, the Directors consider it appropriate to conclude that the Group has adequate resources to continue as a going concern for the foreseeable future and for a period of at least 12 months from the date of authorising these interim financial statements. Therefore, the Group continues to adopt the going concern basis for preparing its interim financial statements.

Principal risks and uncertainties

The Board routinely monitors risks that could materially and adversely affect the Group's ability to achieve strategic goals, its financial condition and the results of its operations. The Group's risk management framework is explained from page 44 of our 2023 Annual Report and Financial Statements which is available on our website at www.rws.com. The Board assumes overall accountability for the management of risk whilst the Audit Committee continues to monitor and review the effectiveness of the Group's risk management and internal control systems. The identified principal risks are considered unchanged from those outlined on pages 45 to 47 of our 2023 Annual Report and Financial Statements. These are technology and AI, competitive risk, talent retention and development, failure to deliver profitable growth, inflation and pricing pass through, data privacy, cyber security, climate change and the environment, complexity and business transformation, legislative and regulatory compliance and geopolitical changes.

Judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The actual future outcomes may differ from these estimates and give rise to material adjustments to the reported results and financial position of the Group. Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future periods affected. The Group's significant estimates and judgements are described in note 2 of the 2023 Annual Report and Financial Statements and summarised below:

Areas of estimation and uncertainty:

- Value in use estimation for the Group's Cash Generating Units ("CGUs")
- Interpretation of applicable tax legislation, including transfer pricing, timing of future taxable income which could necessitate future adjustments to taxation already recorded, and the recoverability of the Group's resulting deferred tax assets.
- Estimates of cost to complete for the rendering of services delivered on an 'over time' basis and by extension the associated accrued income.

Significant areas of judgement:

- Revenue - multiple arrangements. To determine the appropriate revenue recognition for contracts containing multi-elements that include both products and services, we evaluate whether the contract should be accounted for as a single, or multiple performance obligations.
- Capitalised development costs. Management applies judgement in determining if the costs meet the criteria under IAS 38, Intangible Assets and are therefore eligible for capitalisation.

2 Revenue from contracts with customers and segment information

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

Timing of revenue recognition for contracts with customers

	6 months ended 31 March 2024 (Unaudited)	6 months ended 31 March 2023 (Unaudited)
	£m	£m
At a point in time	26.4	23.2
Over time	323.9	343.1
Total revenue from contracts with customers	350.3	366.3

Segmental reporting

The chief operating decision maker for the Group is identified as the Board of Directors collectively. The Board reviews the Group's internal reporting in order to assess performance and allocates resources. The Board divides the Group into four reportable segments and assesses the performance of the segments based on revenue and adjusted profit before tax. These are measured on a basis consistent with the Condensed Consolidated Statement of Comprehensive Income. The four reporting segments, which match the operating segments, are explained in more detail below:

- Language Services: provides localisation services including data training, eLearning, video localisation and interpreting services to a wide variety of industry verticals.
- Regulated Industries: provides a full suite of language services, including highly specialised technical translations and linguistic validation, exclusively for the life sciences, legal and financial services industries.
- Language & Content Technology ("L&CT"): provides a range of technology products which deliver translation and content management solutions for enterprises, small and medium-sized organisations and individuals.
- IP Services: provides patent translations, patent filing and a wide range of intellectual property ("IP") search, retrieval and monitoring services, delivering highly specialised technical translations to patent applicants and their representatives.

Segment results for the 6 months ended 31 March 2024 (Unaudited)	Language Services £m	Regulated Industries £m	L&CT £m	IP Services £m	Unallocated £m	Group £m
Revenue	156.5	71.8	68.8	53.2	-	350.3
Operating profit/ (loss) before charging:	15.3	7.5	12.8	14.2	(1.7)	48.1
Amortisation of acquired intangibles	(7.1)	(6.0)	(8.4)	-	-	(21.5)
Exceptional items - acquisition-related costs	-	-	-	-	(4.3)	(4.3)
Share-based payments expenses	-	-	-	-	(1.7)	(1.7)
Exceptional items - other	-	-	-	-	(0.8)	(0.8)
Operating profit/(loss)	8.2	1.5	4.4	14.2	(8.5)	19.8
Finance expense						(2.5)
Profit before taxation						17.3
Taxation						(6.2)
Profit for the period						11.1

Segment results for the 6 months ended 31 March 2023 (Unaudited)

	Language Services £m	Regulated Industries £m	L&CT £m	IP Services £m	Unallocated £m	Group £m
Revenue	160.9	84.9	67.6	52.9	-	366.3
Operating profit/(loss) before charging:	13.0	11.7	15.5	13.1	3.0	56.3
Amortisation of acquired intangibles	(7.3)	(6.3)	(5.7)	-	-	(19.3)
Exceptional items - acquisition-related costs	-	-	-	-	(1.6)	(1.6)
Share-based payments expenses	-	-	-	-	(1.3)	(1.3)
Exceptional items - other	-	-	-	-	(3.5)	(3.5)
Operating profit/(loss)	5.7	5.4	9.8	13.1	(3.4)	30.6
Finance expense						(1.9)
Profit before taxation						28.7
Taxation						(7.8)
Profit for the period						20.9

Capitalised contract costs, contract asset and contract liabilities

The Group holds material asset balances in respect of contract costs capitalised as they meet the criteria under IFRS 15 as incremental costs to obtain a contract. These primarily relate to the commissions paid on the acquisition of new contracts, the value of these balances at the balance sheet date was £1.5m (HY23: £2.0m).

Contract assets and liabilities are recognised at the point in which the Group's right to consideration is unconditional. The Group uses the term 'Trade Receivables' for these financial asset balances. Contract assets are recognised where performance obligations are satisfied over time until the point of final invoicing when these are classified as 'Trade Receivables'. The Group recognises revenue for partially satisfied performance obligations as 'Accrued Income', below is a summary of contract balances held by the Group:

	31 March 2024 (Unaudited) £m	31 March 2023 (Unaudited) £m
Trade receivables (included in trade and other receivables)	138.2	126.4
Accrued income (included in trade and other receivables)	52.9	46.4
Total contract assets	191.1	172.8
Deferred income (included in trade and other payables)	51.8	51.6
Total contract liabilities	51.8	51.6

3 Net finance expense

	6 months ended 31 March 2024 (Unaudited) £m	6 months ended 31 March 2023 (Unaudited) £m
Net finance expense		
- Net bank interest payable	1.5	1.0
- Interest payable on lease obligations	0.6	0.7
- Amortised borrowing costs	0.4	0.2
Net finance expense	2.5	1.9

4 Exceptional items

Exceptional items are items of financial significance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group.

	6 months ended 31 March 2024 (Unaudited) £m	6 months ended 31 March 2023 (Unaudited) £m
Acquisition-related costs	4.3	1.6
Other exceptional items	0.8	3.5
Total exceptional items	5.1	5.1

Other exceptional items

A description of the principal items included is provided below:

Severance costs - £0.4m was incurred in respect of severance and termination payments related to the businesses defined integration plan for the OneRWS initiative.

Finance costs - £0.1m was incurred related to amortisation expense associated with a gain on debt modification recognised in previous accounting periods.

Restructuring costs - £0.2m was incurred for the disposal of its interest in a revenue and cost sharing arrangement, together with some associated assets, relating to PatBase.

Other - £0.1m was incurred for the insertion of a new holding company, a wholly owned subsidiary of RWS Holdings plc.

All the costs noted above were incurred and paid during the period.

In HY23, other exceptional costs included costs of £3.5m related to restructuring, integration and transformation costs incurred.

Acquisition-related costs

Acquisition-related costs of £4.3m (HY23: £1.6m) include £1.1m of contingent consideration associated with the acquisition of Liones Holding BV ("Fonto") being recognised in accordance with IFRS 3, £2.9m of contingent consideration associated with the acquisition of Propylon being recognised in accordance with IFRS 3, £0.2m of contingent consideration associated with the acquisition of ST Comms Language Specialists Proprietary Limited being recognised in accordance with IFRS 3, and £0.1m in respect of on-going strategic projects. These have been accounted for as exceptional items in line with the Group's accounting policy and treatment of similar costs during the year ended 30 September 2023.

In the prior period, acquisition-related costs of £1.6m related primarily to £1.1m of contingent consideration associated with the acquisition of Fonto being recognised in accordance with IFRS 3, £0.2m related to settlement of final obligations in respect of the Iconic acquisition and £0.4m in respect of on-going strategic projects, transaction fees associated with the acquisition of Fonto.

5 Taxation

	6 months ended 31 March 2024 (Unaudited) £m	6 months ended 31 March 2023 (Unaudited) £m
Total current taxation	10.3	9.1
Deferred taxation	(4.1)	(1.3)
Tax expense	6.2	7.8

Effective tax rate

The effective tax rate on reported profit before tax was 35.8% (HY23: 27.2%). The Group's effective tax rate for the period is higher than the UK's statutory tax rate mainly due to non-tax deductibility of acquisition related exceptional costs.

The adjusted tax charge was £11.4m (HY23: £13.3m) giving an adjusted effective tax rate of 25.1% (HY23: 24.4%) on adjusted profit before tax of £45.6m (HY23: £54.4m). Adjusted profit before tax is an adjusted measure which, is reconciled as part of the Alternative Performance Measures section at the end of this report.

The adjusted tax charge is the total tax charge as disclosed in the Condensed Consolidated Income Statement less the tax effects of exceptional items and amortisation of acquired intangibles. The effective income tax rate represents the best estimate of the average annual effective income tax rate expected for the full year, applied to the profit before income tax for the six months ended 31 March 2024 adjusted for discrete items as required.

The Group's adjusted effective tax rate going forward is expected to be in the region of 25%, similar to the effective UK rate. There are some countries in which the tax rate is lower than the UK, but the impact is largely offset by the tax rates in countries that are higher than the UK.

Uncertain tax provisions

The Group holds uncertain tax provisions in relation to historic transfer pricing arrangements between the UK, Ireland, the US as well as other tax risks across the Group. These provisions total £6.8m at 31 March 2024 (HY23: £6.2m).

6 Dividends

An interim dividend of 2.45p (HY23: 2.40p) per ordinary share will be paid on 19 July 2024 to shareholders on the register at 21 June 2024. The ex-dividend date is 20 June 2024.

This dividend, declared by the Directors after the balance sheet date, has not been recognised in these financial statements as a liability at 31 March 2024. The interim dividend will reduce shareholders' funds by an estimated £9.0m (HY23: £9.3m).

Dividends paid in the period were £36.4m (HY23: £37.0m).

7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the basic earnings per share for the effects of share options and awards granted to employees. These are included in the calculation when their effects are dilutive.

Adjusted earnings per share is a trend measure, which presents the long-term profitability of the Group excluding the impact of specific transactions that management considers affects the Group's short-term profitability. The Group presents this measure to assist investors in their understanding of trends. Adjusted profit after tax is the numerator used for this measure. The Group has identified the following items to be excluded when arriving at adjusted profit after tax: exceptional items, share-based payment expenses and amortisation of acquired intangibles.

	6 months ended 31 March 2024	6 months ended 31 March 2023
Earnings per ordinary share – basic (p)	3.0	5.4
Earnings per ordinary share – diluted (p)	3.0	5.4
Adjusted earnings per ordinary share – basic (p)	9.1	10.6
Adjusted earnings per ordinary share – diluted (p)	9.1	10.6

	6 months ended 31 March 2024 Earnings £m	6 months ended 31 March 2023 Earnings £m
Profit for the period	11.1	20.9
<i>Adjustments:</i>		
Amortisation of acquired intangibles	21.5	19.3
Share-based payment expenses	1.7	1.3
Exceptional items	5.1	5.1
Tax effect of adjustments	(5.5)	(5.6)
Tax adjustment in respect of prior years	0.2	0.1
Adjusted profit attributable to equity holders of the parent	34.1	41.1

	6 months ended 31 March 2024	6 months ended 31 March 2023
Weighted average number of ordinary shares in issue for basic earnings	374,012,554	389,438,555
Dilutive impact of share options	-	30,688
Weighted average number of ordinary shares for diluted earnings	374,012,554	389,469,243

8 Cash and cash equivalents

	31 March 2024 (Unaudited) £m	31 March 2023 (Unaudited) £m	30 September 2023 (Audited) £m
Cash at bank and in hand	52.2	68.2	68.5
Short-term deposits	12.4	8.1	7.7
Cash and cash equivalents in the cash flow statement	64.6	76.3	76.2

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.

9 Loans

	1 October 2023 £m	Effects of cash flows £m	Non-cash movements £m	31 March 2024 (Unaudited) £m
Cash & cash equivalents	76.2	(10.5)	(1.1)	64.6
Issue costs	2.1	-	(0.4)	1.7
Loans (current and non-current)	(54.7)	(52.8)	2.3	(105.2)
Net debt (excluding lease liabilities)	23.6	(63.3)	0.8	(38.9)
Lease liabilities	(33.5)	5.0	(1.3)	(29.8)
Net debt (including lease liabilities)	(9.9)	(58.3)	(0.5)	(68.7)

At 31 March 2024, the Group is in a net debt position, excluding lease liabilities, of £38.9m and the Group's two debt covenants under its RCF being the net leverage ratio and interest coverage ratio are both well within the covenant limits permitted by the Group's RCF.

10 Share-based compensation grants

On 24 January 2024, 4,013,2281 Long Term Incentive Plan ("LTIP") shares were awarded to certain key senior executives and employees of the Group.

The LTIPs comprise conditional awards of shares, with performance conditions measured in 2026 by reference to performance in the period to 30 September 2026, based on earnings per share ('EPS'), total shareholder return ('TSR') and cash conversion targets.

On 24 January 2024, a restricted share award (RSA) of 1,228,833 LTIP shares were awarded to certain key senior executives and employees of the Group.

This RSA comprised conditional awards of shares, with performance conditions measured in 2025 by reference to performance in the period to 30 September 2024, based on personal performance targets.

On 16 January 2024, 499,627 share options were granted under the Group's SAYE scheme, which in normal circumstances will not be exercisable until the completion of a three-year savings period ending on 1 April 2027 and will be exercisable for a period of six months thereafter.

11 Related party transactions

During the first half, in the normal course of business, the Group provided translation services worth £202k (HY23: £292k) to subsidiaries of Learning Technologies Group plc (LTG), a company in which Andrew Brode, the Group's Chairman, has a significant interest. £176k (HY23: £164k) was due from LTG at the reporting date.

12 Acquisitions

ST Comms Language Specialist Proprietary Limited ("ST Communications")

On 3 October 2023, the Group acquired ST Comms Language Specialists Proprietary Limited ("ST Communications"), a Cape Town based language services provider for an initial consideration of £0.6m (US\$0.675m) on a cash and debt free basis with additional contingent consideration, deemed as remuneration of £0.5m (US\$0.675m) due in two equal instalments on the first and second anniversary of the transaction.

The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	Fair values £m
Net assets acquired:	
Trade and other receivables	0.3
Cash and cash equivalents	0.1
Trade and other payables	(0.1)
Total identifiable net assets	0.3
Goodwill	0.3
Total consideration	0.6

The fair value of the total amounts paid and payable are as follows:

	Non-contingent consideration £m	Deemed Remuneration payable £m	Total consideration £m
Cash consideration payments made in the current period	0.6	-	0.6
Contingent consideration recorded in the current period and payable in cash	-	0.2	0.2
Future contingent consideration payable in cash	-	0.3	0.3
Total consideration	0.6	0.5	1.1

The difference between the total consideration and the carrying value of the acquired assets and liabilities was allocated to goodwill. The fair values of Trade and other receivables and other classes of assets and their gross contractual amount are the same.

ST Communications contributed £0.4m to the Group revenue and £0.1m to profit after tax in HY24. The goodwill of £0.3m on acquisition comprises the value of expected synergies to be realised across future periods. Including the integration of services work with the RWS language service teams, future growth of a new and diverse customer portfolio and ability to provide clients with solutions and technologies for rare languages. Integration of ST Communications into the RWS Group has continued successfully during HY24.

13 Financial risk management and financial instruments

The Group's operations expose it to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's treasury policy addresses issues of liquidity, funding and investment as well as currency, credit, liquidity and interest rate risks. The condensed consolidated interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements. This information and related disclosures are presented in the Group's annual financial statements at 30 September 2023. There have been no significant changes to risk management policies or processes since the year end.

The Group holds a number of financial instruments that are held at fair value within the condensed consolidated interim financial statements. In deriving the fair value the derivative financial instruments are classified as level 1, level 2, or level 3 dependent on the valuation method applied in determining their fair value.

The different levels are defined as follows:

Level	
1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
3	Inputs for the assets and liabilities that are not based on observable market data (unobservable inputs)

The financial instruments held at fair value by the Group relate to foreign currency forward contracts used as derivatives for hedging. For both the six months ended 31 March 2024 and 31 March 2023, the assets and liabilities arising from foreign currency forward contracts have been classified as level 2. The fair value of these instruments at each of the period ends was:

	31 March 2024 (Unaudited) £m	31 March 2023 (Unaudited) £m	30 September 2023 (Audited) £m
Assets			
Forward foreign currency exchange contracts	1.6	8.0	-

There have been no transfers between level 1 and 2 in any period and there are no level 3 items. The fair value of other financial assets and liabilities, including trade and other receivables, cash and cash equivalents, trade and other payables and borrowings approximate to their carrying amount.

14 Post Balance Sheet events

The Group agreed terms for the disposal of its interest in a revenue and cost sharing arrangement, together with some associated assets, relating to PatBase for £30m in cash. We received £25m on completion on 16 May 2024, with the remaining £5m payable at the latest six months after completion.

Appendix

Alternative performance measures

The Board uses a number of alternative performance measures, which can be directly reconciled to GAAP measures. The Board primarily uses these 'adjusted' measures as they exclude the impact of non-recurring transactions which are not part of the normal course of business. Adjusted measures therefore are calculated by removing the impact of exceptional items, share-based payment expenses and amortisation of acquired intangibles together, where relevant, with their associated tax effects.

Adjusted measures used by the Board include:

- **Adjusted profit before tax:** Profit before tax before exceptional items, share-based payment expenses and amortisation of acquired intangibles (reconciled on the face of the income statement).
- **Adjusted profit after tax:** profit after tax before exceptional items, share-based payment expenses and amortisation of acquired intangibles (reconciled in note 7 as the numerator for adjusted EPS and adjusted diluted EPS).
- **Cash conversion: free cash flow before exceptional cashflows, divided by adjusted net income.**
- **Free cash flow, before exceptional cash flows:** net cash inflow from operating activities before exceptional cash flows, less purchase of fixed assets, net interest paid and lease liability payments (reconciled below).
- **Adjusted effective tax rate:** effective tax rate before exceptional items, amortisation of acquired intangibles, tax on exceptional items and prior year adjustments (reconciled below).
- **Adjusted earnings per share:** earnings per share before exceptional items net of tax, share-based payment expenses, amortisation of acquired intangibles net of tax and exceptional tax amounts (reconciled in note 7).
- **Constant currency:** Prior period underlying measures, including revenue are retranslated at the current period exchange rates to neutralise the effect of currency fluctuations.

	HY24 £m	HY23 £m
Adjusted profit before tax reconciliation		
Statutory profit before tax	17.3	28.7
Exceptional items – other	0.8	3.5
Exceptional items – acquisition-related costs	4.3	1.6
Share-based payments expense	1.7	1.3
Amortisation of acquired intangibles	21.5	19.3
Adjusted profit before tax	45.6	54.4

	HY24 £m	HY23 £m
Free Cash Flow reconciliation		
Net cash inflow from operating activities	37.4	60.2
Exceptional cash flows	4.3	4.9
Purchases of property, plant and equipment and intangible assets	(24.0)	(22.6)
Net interest paid	(2.5)	(1.7)
Lease liability payments	(5.0)	(6.0)
Free cash flow	10.2	34.8

	HY24 £m	HY23 £m
Operating cash conversion reconciliation		
Adjusted net income	34.1	41.1
Free cash flow	10.2	34.8
Operating cash conversion	30%	85%

Adjusted effective tax rate	HY24 £m	HY23 £m
Tax charge	6.2	7.8
Tax on amortisation of acquired intangibles	5.1	4.4
Tax on exceptional items	0.3	1.2
Prior Year Adjustments	(0.2)	(0.1)
Adjusted tax charge	11.4	13.3
Adjusted profit before tax	45.6	54.4
Adjusted effective tax rate	25.1%	24.4%

KPIs

KPIs are those key performance indicators used by management and the Board to monitor the success of the Group. These differ from the Group's alternative performance measures as they are measures that cannot necessarily be calculated from GAAP measures.

The KPIs, reviewed by the Board include revenue growth, gross margin and free cash flow. Free cash flow is defined as cash generated from operations after interest and tax costs, maintenance capital expenditure and capitalised research and development costs. Maintenance capital expenditure is the recurring level of capital expenditure required for the business in its current form to operate in medium term and excludes non-recurring investment in capitalised system and infrastructure costs.

Net cash comprises cash and cash equivalents and external borrowings. Net cash excludes lease liabilities but is reconciled to a measure including lease liabilities in note 9.