# RWS shares plunge to 14-year low after steep profit warning and margin pressures



Investors reacted negatively to RWS Holdings' latest trading update, leading to a significant decline in the company's share price. RWS, a language services specialist listed on the Aim market, has reported a substantial profit warning that saw its shares plummet by 44 per cent, reaching a 14-year low.

The company anticipates an adjusted pre-tax profit of approximately £17 million for the six-month period ending March 31, a notable decline from £46 million reported in the same timeframe the previous year. This downturn has been attributed to several factors, including adverse currency fluctuations, increased non-cash charges, the divestment of its PatBase database, and heightened expenditure on technology initiatives.

RWS Holdings has also revised its full-year profit guidance downward, now projecting an adjusted pre-tax profit between £60 million and £70 million for the fiscal year 2025, a significant drop from £106.7 million achieved last year. The company is currently facing pressures on its gross margins, exacerbated by a shift towards lower-margin projects, alongside rising overheads due to technology investments.

Despite these challenges, organic constant currency sales grew by 1.3 per cent, with three out of four of RWS’s divisions posting growth. However, reported revenue is expected to decline by 1.8 per cent to £344 million, largely influenced by weaknesses within its regulated industries business. Management has guided for modest single-digit organic growth throughout the year.

Recurring profit warnings are becoming a pattern for RWS; the company issued a previous caution in April 2023, driven by a slowdown in client demand. Investor concerns have recently centred on the rising competition posed by AI-driven translation tools. Nevertheless, RWS maintains that its new AI services, such as TrainAI and Language Weaver, are contributing positively to growth.

Year-to-date, RWS shares have fallen by over two-thirds. In response to the current stock weakness, Chief Executive Officer Benjamin Faes, who previously held a position at Google and took over from Ian El-Mokadem in January, demonstrated his confidence in the company's future by purchasing £679,000 worth of RWS stock on April 24.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ft.com/content/7d624221-63a2-4666-92f4-8d501ce515f0> - This article reports that RWS Holdings issued a profit warning, leading to a 44% drop in its share price, reaching a 14-year low. It also mentions the company's adjusted pre-tax profit expectations for the six months ending March 31, attributing the decline to currency issues, higher non-cash charges, the sale of its PatBase database, and increased technology spending.
2. <https://www.proactiveinvestors.co.uk/companies/news/1059354/rws-tumbles-14-on-flat-sales-outlook-1059354.html> - This source discusses RWS Holdings' caution about flat sales in the current twelve months, marking two years of static revenues. It highlights the company's expectations of annual revenues of £718 million, 2% lower than the previous year due to adverse currency movements, and adjusted profits within guidance but before currency impacts.
3. <https://www.proactiveinvestors.co.uk/companies/news/1013151/rws-profit-warning-translates-into-share-price-tumble-1013151.html> - This article covers RWS Holdings' profit warning, leading to a 12% drop in shares to 251.3p. It attributes the decline to a 6.8% decrease in organic sales in the first half, citing 'softer' activity levels and slower decision-making from some clients.
4. <https://www.proactiveinvestors.co.uk/companies/news/1030918/rws-holdings-tumbles-as-sales-dip-in-shadow-of-ai-1030918.html> - This source reports that RWS Holdings' shares slumped by more than 18% as it warned revenues had fallen by 2% that year. It mentions concerns over AI-driven translation tools and the company's development of its own AI programs, including Language Weaver.
5. <https://www.morningstar.co.uk/uk/news/AN_1713861758281627900/rws-holdings-expects-interim-profit-decline-as-certain-segments-weaken.aspx> - This article states that RWS Holdings expects a decline in interim profit due to weaker performance in some higher-margin businesses. It mentions that adjusted pre-tax profit for the first half is expected to fall by 11% to roughly £54 million.
6. <https://www.morningstar.co.uk/uk/news/AN_1702371558142676000/rsw-swings-to-annual-loss-on-impairments%3B-ups-dividend.aspx> - This source reports that RWS Holdings swung to a pre-tax loss of £10.9 million from a £83.3 million profit the previous year, mainly due to impairment charges of £62.4 million related to its Language and Content Technology division's cash-generating units.
7. <https://www.ft.com/content/7d624221-63a2-4666-92f4-8d501ce515f0> - Please view link - unable to able to access data