

Half Year Results

7 June 2018



Andrew Brode
Chairman

Richard Thompson
Chief Executive Officer

Desmond Glass
Chief Financial Officer



Overview

A transformational period for RWS



Completed \$320m acquisition of Moravia, establishing the Group as one of the world's leading language services providers



Strong performances from Life Sciences, Patent Information and Language Solutions



Moravia grew sales and won new clients, albeit forex and lower volumes from a few clients held its growth back



Steady performance from Patent Translation & Filing following a record 2017



Strengthened the management team and Board:

Tomas Kratochvíl, Independent Non-Executive Director
Paul Danter, CEO of Moravia
Joe Lugo, COO of RWS



Moravia has enjoyed an excellent start to the second half and we are encouraged by good momentum across the Group leaving us confident of further progress

Financial highlights

Sales

£139.6m

+ 82%

+ 5% organic, constant FX

H1 2017: £76.6m

Moravia contribution

5 months

£52.1m revenue

£4.7m adjusted operating profit

Adjusted PBT*

£28.6m

+ 47%

+ 12% organic, constant FX

H1 2017: £19.4m

Adjusted EPS*

8.2p

+ 19%

H1 2017: 6.9p

Net debt

£82.8m

after £66.8m to fund the
Moravia acquisition

FY 2017: £20.2m

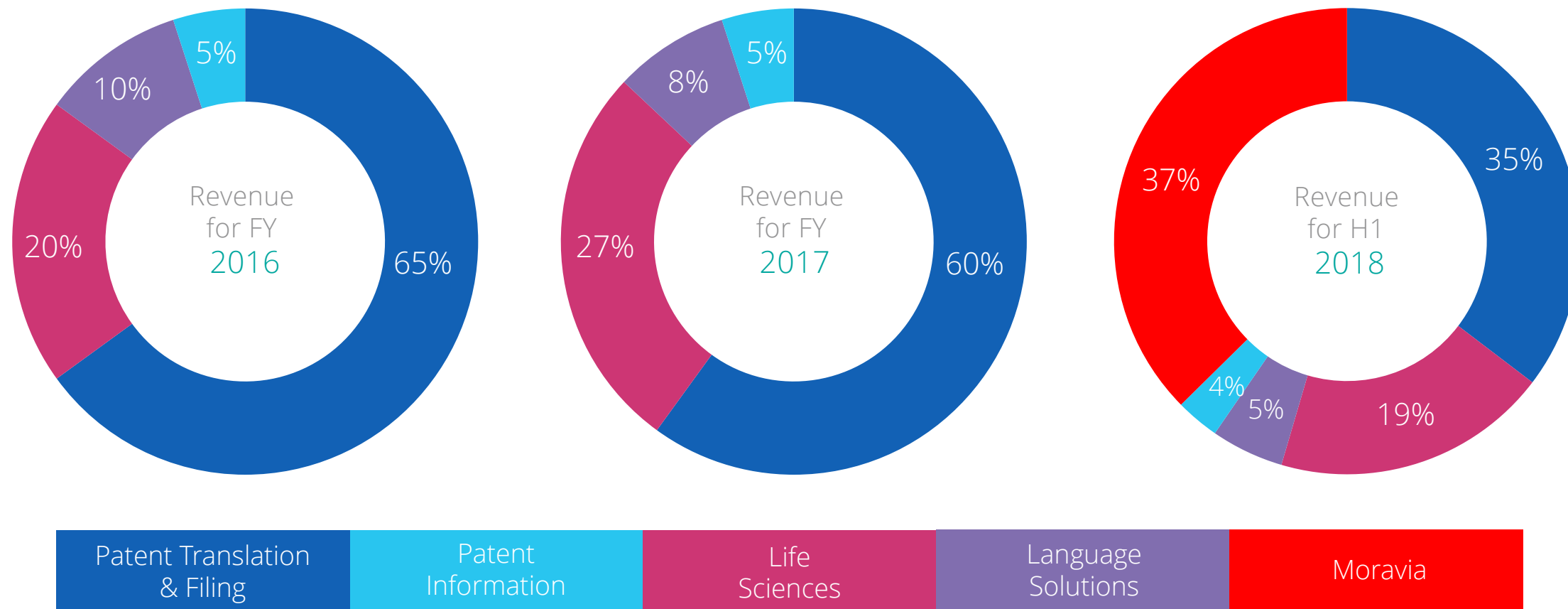
Interim dividend

1.5p

+ 15%

H1 2017: 1.3p

Highly specialized services



Financial Review 2018

Income statement

	6 months ended 31 March 2018 (£m)	6 months ended 31 March 2017 (£m)
Revenue	139.6	76.6
Cost of sales	(84.7)	(43.1)
Gross profit	54.9	33.5
<i>GM</i>	39.3%	43.7%
Depreciation and amortization*	(2.1)	(0.6)
Other administrative expenses (before exceptional items)	(22.3)	(13.9)
Net finance costs	(1.9)	0.4
Adjusted profit before tax**	28.6	19.4
<i>NM</i>	20.5%	25.3%
Tax expense	5.7	3.7
Basic EPS (pence)	4.7	4.9
Adjusted EPS (pence)	8.2	6.9

Strong revenue growth

- › Acquisition of Moravia
- › Full period contribution from LUZ & AOP
- › Organic growth

Margin trend reflects margin mix following Moravia acquisition

Adjusted PBT impacted by currency headwinds; £30.4m on a constant currency basis

Adjusted EBITDA*** increased to £32.6m from £19.6m

Increased net finance costs reflects new \$160m facility

Underlying tax rate of 22.8% (adjusted for acquisition costs)

5

* Excludes amortization on acquired intangibles.

** Before amortization on acquired intangibles and acquisition costs.

*** Before tax, net finance costs, depreciation, amortization on acquired intangibles and non-acquired intangibles and acquisition costs.

Year-on-year segmental revenue analysis

	H1 2018 (£m)	H1 2017 (£m)	YoY (£m)	YoY (%)	Currency Impact (£m)	Acquisition Impact (£m)	Underlying* YoY (£m)
Patent Translation & Filing	49.47	49.61	(0.14)	(0.2%)	(0.8)	-	0.7
Patent Information	4.81	3.75	1.06	30%	(0.1)	0.8	0.4
Life Sciences	26.16	17.00	9.16	54%	(1.6)	8.6	2.2
Language Solutions	6.98	6.27	0.71	11%	0.0	-	0.7
Moravia	52.14	-	52.14	n/a	n/a	-	n/a
Total	139.6	76.6	63.0	82%	(2.5)	9.4	4.0

Underlying revenue growth

Patent Translation & Filing
+1%

Patent Information
+11%

Life Sciences
+9%

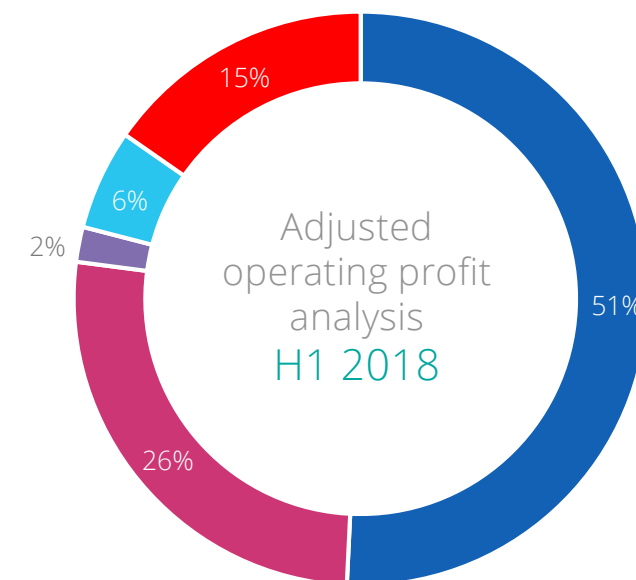
Language Solutions
+11%

Moravia
+9%**

Group
+5%

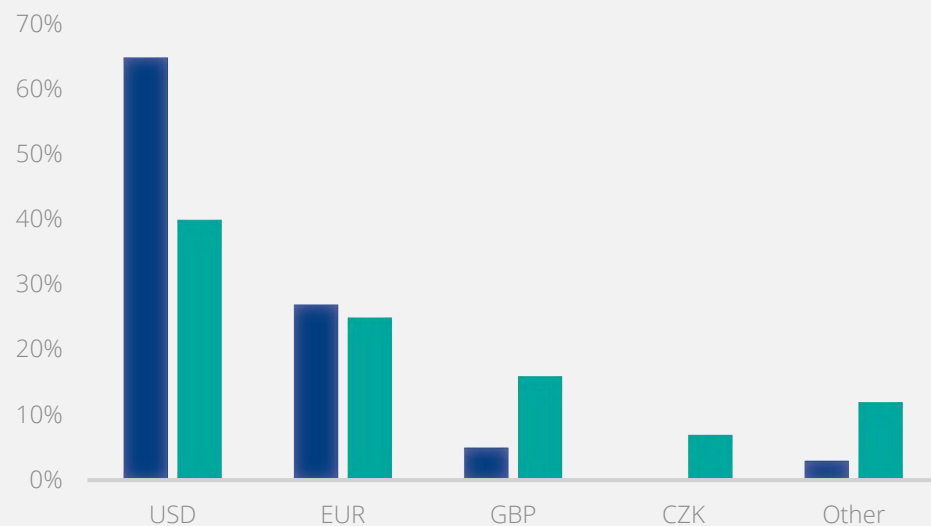
Segmental operating margin analysis

	Patent Translation & Filing	Patent Information	Life Sciences	Language Solutions	Moravia
Revenue	49.5	4.8	26.2	7.0	52.1
Adjusted operating profit*	15.5	1.7	8.0	0.6	4.7
Adjusted operating margin	31%	35%	31%	9%	9%
Adjusted operating margin – H1 2017	27%	53%	22%	5%	n/a
Movement	+4%	-18%**	+9%	+4%	n/a

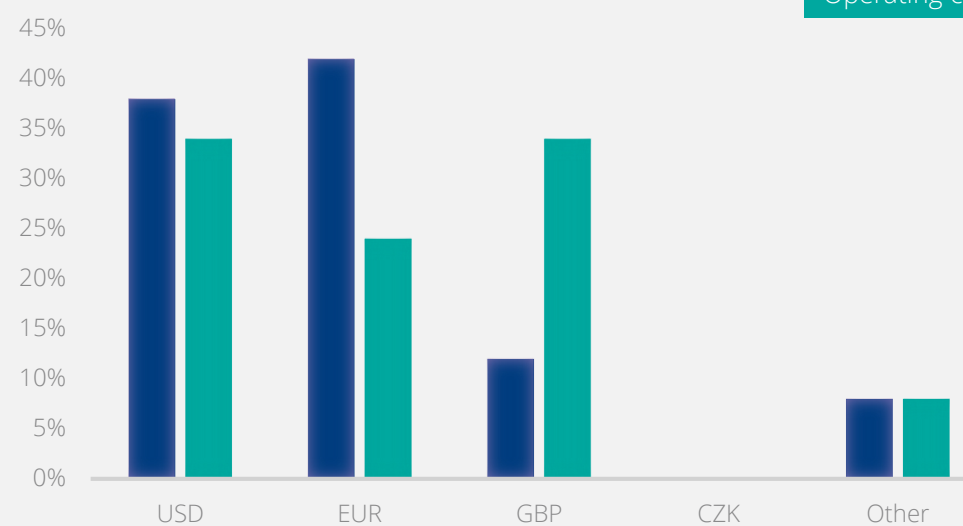


Group currency analysis

H1 2018 currency analysis



H1 2017 currency analysis



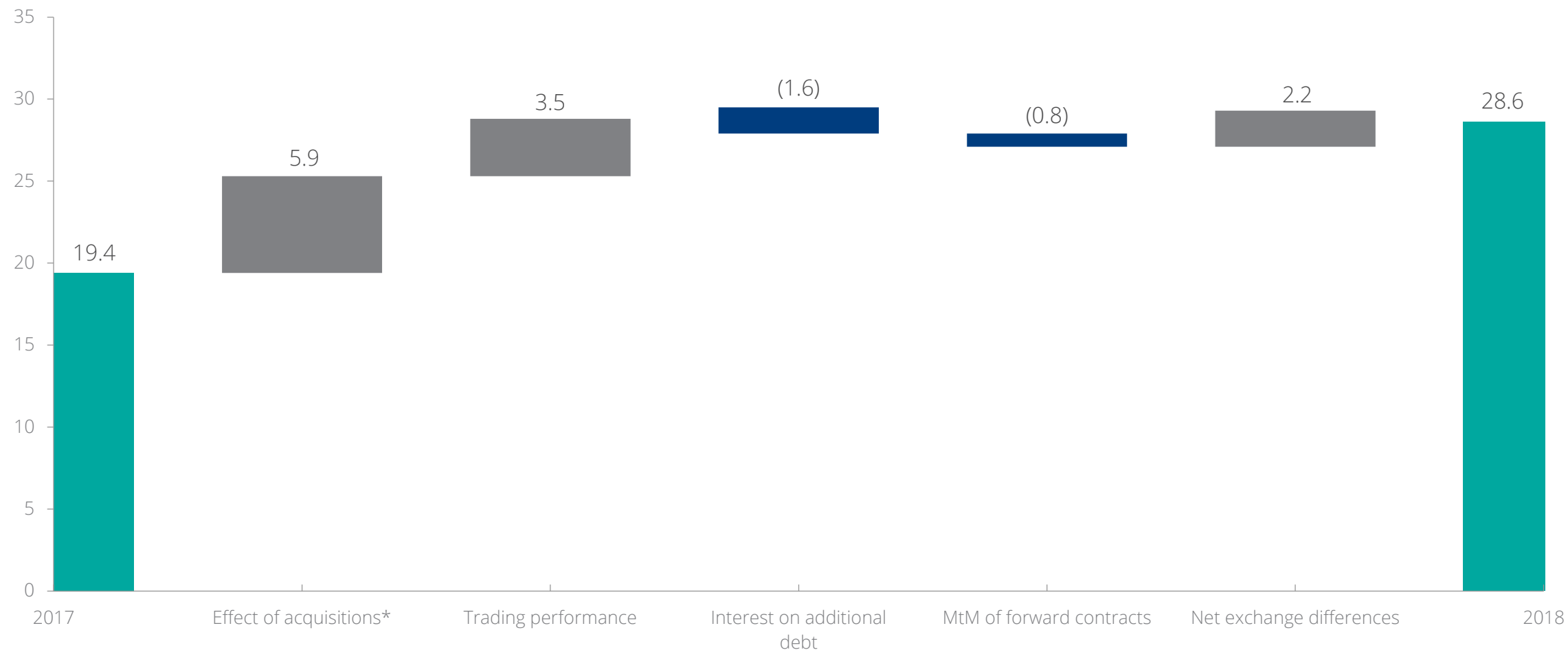
- › Average USDGBP exchange rate in H1 2018 was \$1.37: £1, compared to \$1.24: £1 in H1 2017
- › Average EURGBP exchange rate in H1 2018 was €1.14: £1, compared to €1.16: £1 in H1 2017
- › Change in currency mix away from the EUR towards the USD
 - › Natural hedge against the USD denominated debt
 - › Additional hedging measures being implemented

Balance sheet and cash flow

Balance sheet	As at 31 March 2018 (£m)	As at 30 September 2017 (£m)
Non-current assets	386.0	169.5
Trade and other receivables	67.7	41.7
Derivative contracts	4.1	0.3
Cash and cash equivalents	24.3	20.1
Total assets	482.1	231.6
Trade and other payables	42.6	27.7
Loans	107.1	40.3
Other liabilities	7.8	4.7
Total liabilities	156.8	72.7
Net Assets	325.3	158.9
Net Debt	82.8	20.2

Cash flow	6 months ended 31 March 2018 (£m)	6 months ended 31 March 2017 (£m)
Profit before tax	18.3	14.3
<i>Add/(Less):</i>		
Net finance costs/(income)	1.9	(0.4)
Amortization	4.5	2.7
Depreciation	1.3	0.6
Operating cash flows before working capital & taxation	26.0	17.2
Working capital movements	(10.7)	(2.6)
Income tax paid	(4.9)	(4.8)
Net cash from operating activities	10.4	9.8

Adjusted profit before tax bridge



10

* Includes 5 months trading from Moravia and 6 months from AOP in 2018 and 4.5 months trading from LUZ in H1 2017.

Operational Review 2018

The Group at a glance

Patent Translation & Filing

- › World's premier provider of patent translation and filing
- › 100 full-time translators
- › Multijurisdictional patent filing via web filing platform, inovia

Life Sciences

- › Technical translations and linguistic validation for pharmaceutical, biotech, medical device companies and clinical research organizations

Language Solutions

- › Non-patent or life science translations with a particular emphasis on technical and sensitive legal and financial documents
- › Includes our interpreting offering

Patent Information

- › Patent search, retrieval and monitoring services
- › Patent database covering 57+ million patent families
- › Crowd of 42,000+ researchers



World leader in translation and localization, intellectual property support solutions and life sciences language services.

Moravia

- › Technology-enabled localization
- › Adapts content, software, websites and applications into 100s of languages and geographies

Moravia acquisition

Rationale

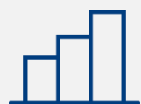
- › Creates an RWS division of critical mass in a highly attractive adjacent market
- › Provides further diversification, with strengthened operating base in EU
- › Differentiated ability to source and manage talent globally
- › Increased global footprint enables RWS to better serve its customers
- › Potential for strong technological knowhow to benefit other divisions in the Group

Post-transaction operations

- › Moravia operating as a standalone division, with its management reporting to the RWS Executive Board
- › Former Moravia CEO joined the RWS Board as Non-Executive Director
- › Paul Danter appointed CEO of Moravia
- › Moravia senior management team strengthened by inclusion of RWS COO

Moravia

New client wins and growth of existing clients. Integration and cost base review on track.



New and existing business growth

- › Good new business wins
- › Strong growth from top clients
- › Good sales opportunities / pipeline
- › Cost base review ongoing and actions underway



Benefitting from cross-selling work provided by other RWS divisions



Strong machine translation knowledge benefits rest of Group

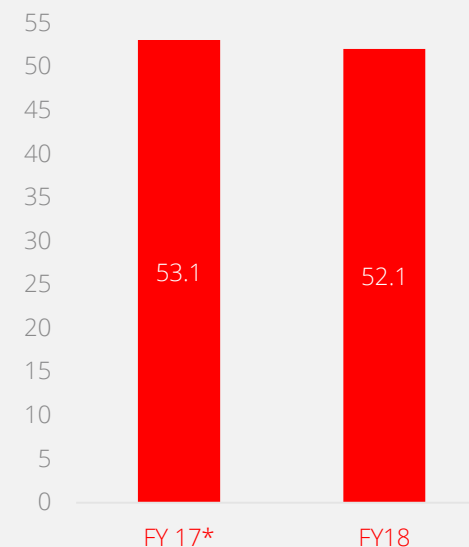


Life Sciences integration on track and will be completed by year end

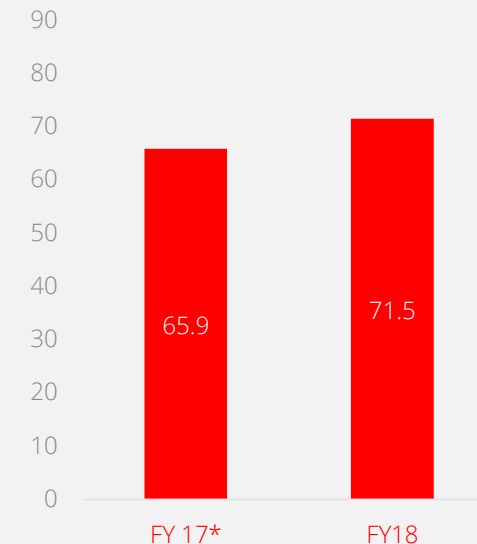


Rebrand to RWS Moravia on 1 October

Moravia 5 months to March Revenue (£m)



Moravia 5 months to March Revenue (\$m)



Moravia operating performance and cost reduction strategy

Analysis

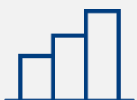
- › Adversely affected by FX
- › Slow revenue from new business wins
- › One forecasted project did not materialize
- › Improving profit by month pre cost reduction
- › Trading seasonality

Plan

- › Structural reorganization to improve both focus (on new business) and communications
- › Reduce head count in 2018
- › Consolidate office locations
- › \$6.7m annualized savings already identified

Patent Translation & Filing

Excellent cross-selling opportunities across full suite of IP services and into other key divisions. Already seeing cross-selling with AOP and Life Sciences.



Revenue grew by 1% (CC*) following record 2017

- › New services to existing clients
- › Revenue from new wins in prior periods
- › 7% growth in Worldfile
- › Cross-selling successes



Developing Chinese market

- › New services to existing clients
- › New client wins



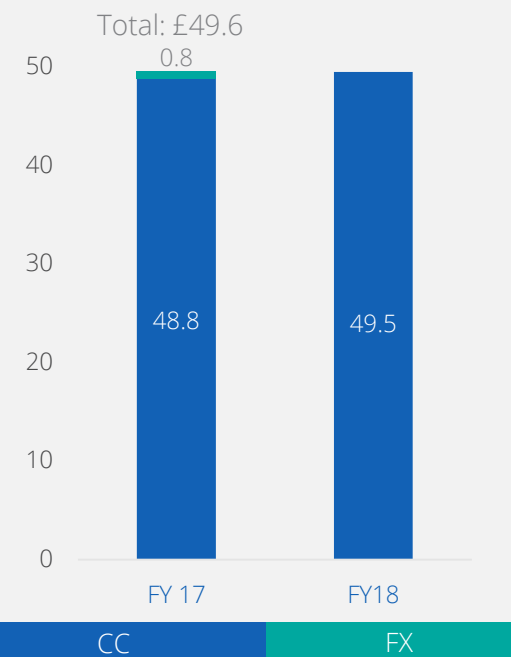
Future growth

- › Cross-selling opportunities across full suite of IP services and into other divisions
- › Successfully targeting Chinese and Japanese international filers
- › Increased focus on US
- › Management team strengthened to support future growth

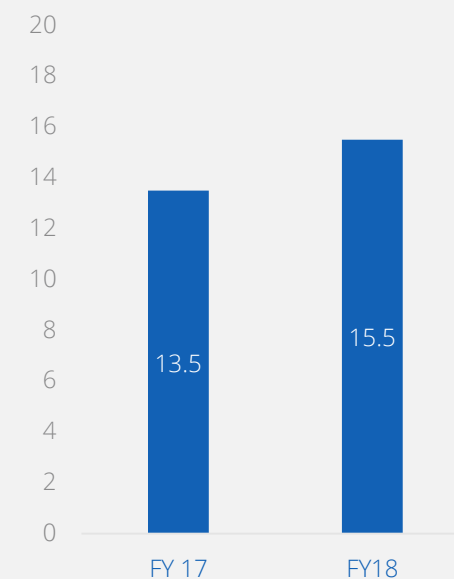


Strong operational profit improvement through tight control of overheads and FX gains

Patent Translation & Filing Revenue (£m)



Patent Translation & Filing Profit (£m)



Patent Information

Continued strong growth as a result of Search and PatBase business. Integration of AOP on track.



Strong LFL* revenue growth of 11%

- › Search: revenue grew +10% (CC*) with continued growth of main client
- › Ongoing work to widen client base
- › PatBase continues to grow (+11% CC*)
- › PatBase annual subscription 95%+ renewal rate
- › Good underlying profit performance



AOP fully integrated into RWS

- › Patent Information product line rationalized
- › AOP Connect platform adopted across search business
- › AOP cost substantially reduced; break-even in Q4
- › Strong client relationships generating cross-selling wins

Patent Information Revenue (£m)

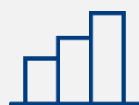


Patent Information Profit (£m)



Life Sciences

Integration of CTi and LUZ complete: one brand addressing the needs of pharmaceutical, CRO and medical device customers.



Revenue increased by 9% on LFL* basis

- › Strong growth in Regulatory revenue



Gross margin improved by 251 base points to 46%

- › Better utilization of resources and technology
- › Tight control of overheads



Benefits of integration being seen in operational results

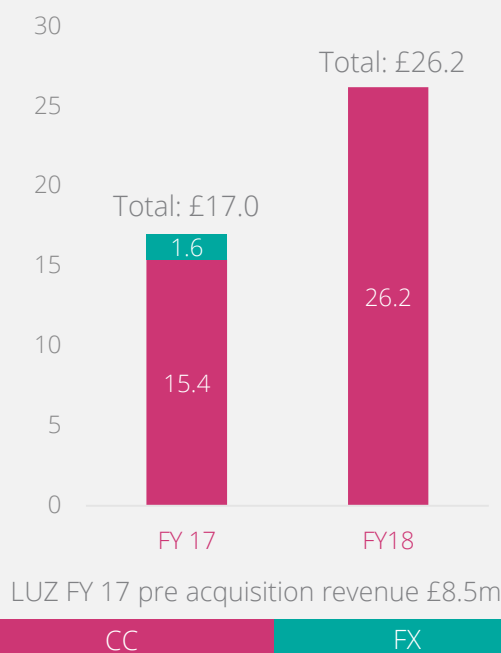
Profit increased by 50% on LFL* basis



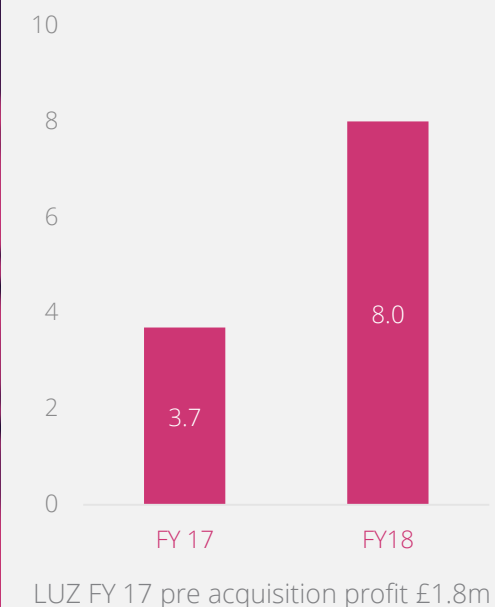
Asia Pacific expansion on track

- › Better serve its existing client base

Life Sciences Revenue (£m)



Life Sciences Profit (£m)



Language Solutions

Good growth showing benefits of FY 2017 reorganization.



Revenue increased by 11% (CC*)

Good profit improvement in competitive market

Gross margin improved by 139 base points



Strong growth in Germany

- › New client wins
- › Additional solutions to existing clients



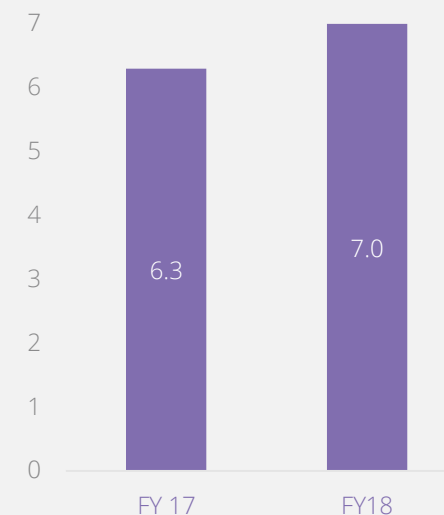
Collaboration across Language Solutions offices generating:

- › Additional revenue
- › Production efficiencies
- › Tighter controls on pricing and overheads
- › Good progress on introduction of machine translation

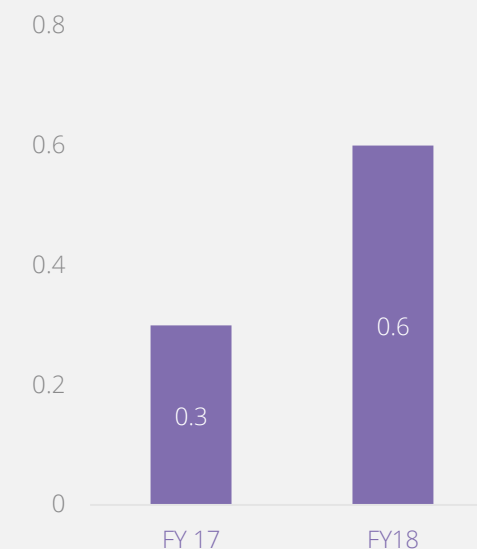


Benefitting from cross-selling work provided by other RWS divisions

Language Solutions Revenue (£m)



Language Solutions Profit (£m)



Market Update

Our markets: update

Unitary Patent

- › Now expected to be introduced in Q1 2019 at the earliest
- › German ratification delayed pending a court appeal that claims the UP is unconstitutional
- › UK ratified unitary patent in May. Uncertainty remains over UK's membership of unitary patent post Brexit
- › Take-up from major clients is uncertain due to the risk of new litigation and procedures, different territorial coverage and fee structures / financial viability if only filing in fewer key markets

Machine Translation

- › Neural machine translation (NMT) both a challenge and an opportunity
- › NMT now introduced into our Language Solutions division. Group will continue to review use of NMT and will introduce it where it makes sense to do so
- › Moravia's knowledge of MT technologies is being leveraged across the Group

Our Priorities

Strategic priorities

#1

Moravia

- › Assimilation with RWS
- › Cost reduction
- › Sharing of best practice
- › Maintaining sales momentum

#2

Cross-selling

- › Sales training and joint events
- › Strengthen Group mentality
- › Increase “stickiness” with new and existing clients

#3

Machine translation

- › Further leverage Moravia expertise
- › Identify suitable technology partners
- › Review production processes
- › Introduce technology where it makes sense to do so

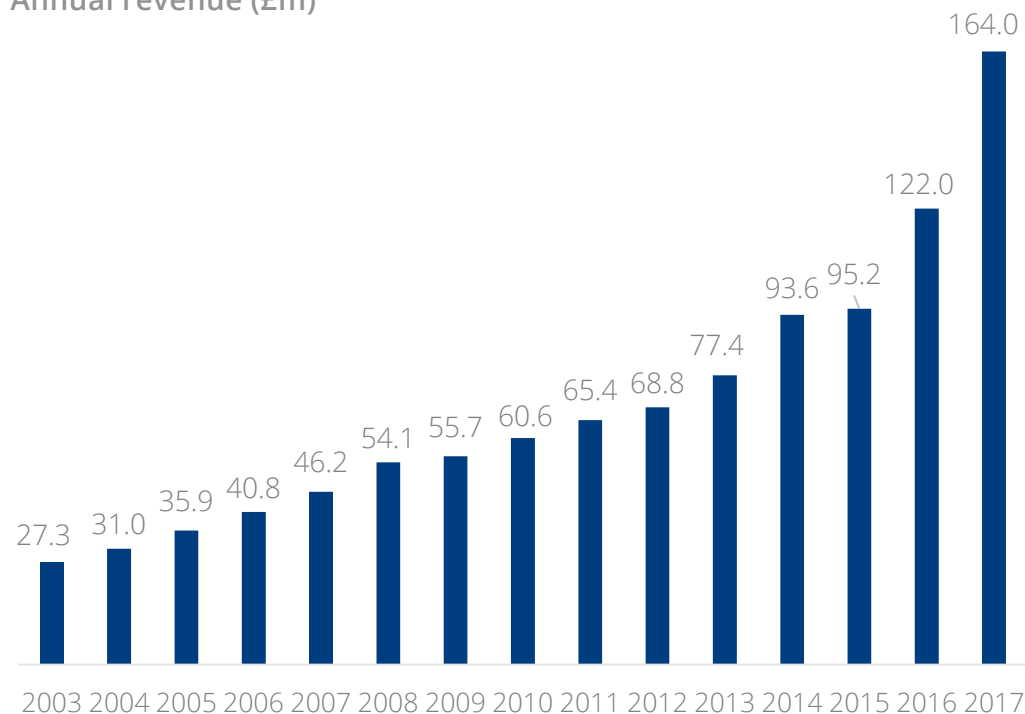
Outlook and Current Trading

Current trading and outlook

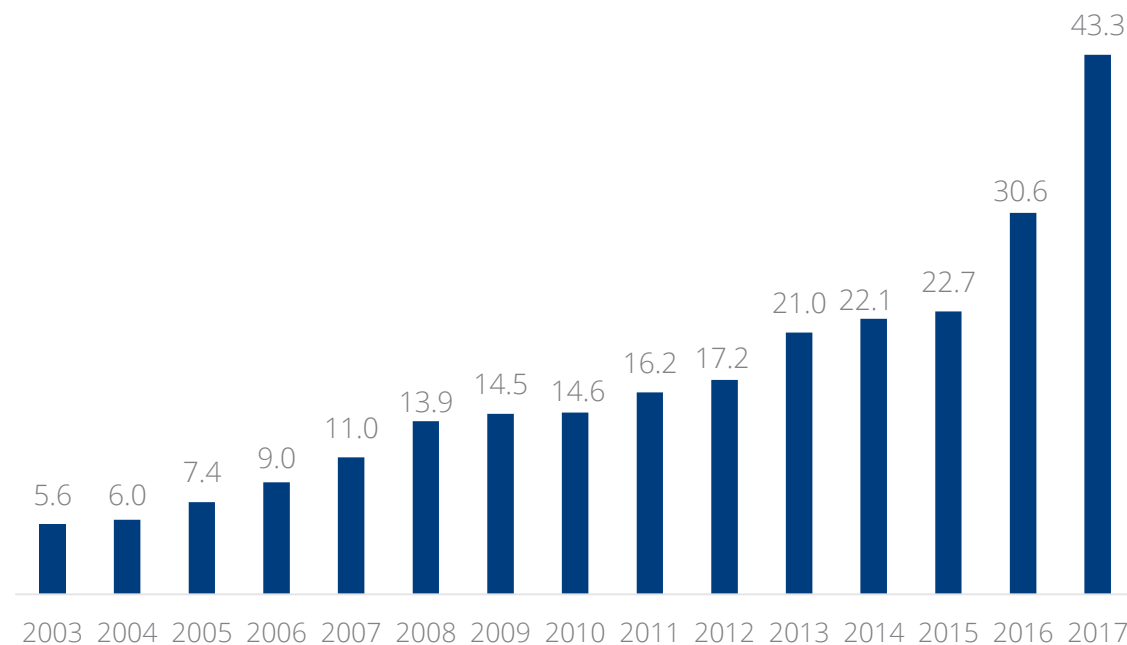
- › Trading since the period end is in line with expectations
- › FX headwinds are easing
- › Expect to grow revenues and profits in the second half with the benefit of:
 - › the integration of our Life Science businesses
 - › accelerating revenue performance at Moravia and better than anticipated cost savings
 - › a steady performance on strong comparatives for Patent Translation & Filing
 - › a strong sales pipeline, including cross-selling opportunities, going into the second half
- › Strong cash generation continues to underpin the Group's progressive dividend policy

Strong track record

Annual revenue (£m)



Annual adjusted PBT* (£m)



Appendices

Attractive growth markets

PCT Filings

243,500

4.5% increase in 2017

Source: WIPO

European Patent Filings

310,784

4.4% increase in 2017

Source: EPO

Life Sciences

£1,060bn market
by 2022

6.5% CAGR 2017-2022

Source: Deloitte, 2018 Global Life Sciences Outlook

Language Services

\$47.5bn market

Grown by 6.9% pa

Source: Common Sense Advisory Report, 2017

Good consistent growth in both PCT and EP filings

USA still largest PCT filer but Chinese applications showing +13% growth. Top two PCT filers Chinese

High-quality translations an important part of IP protection process

Highly regulated and audited industries with significant R&D spend

Growing market worldwide and greater regulatory scrutiny / information

Localization is an essential function for companies with a global mindset

Market growth is driven by globalization, increased digital content

Investment summary

- › Strong track record of sales and underlying profit growth
- › Market leading positions across its specialist businesses:
 - › No. 1 position in the worldwide patent translation and PCT filing market
 - › Market leading position in life science translations and linguistic validation
 - › A leading patent search service with the PatBase database covering over 57 million patent families
 - › A leading provider of technology-enabled localization services to many of the world's largest companies
- › International blue-chip client base
 - › Well diversified geographically and by sector
- › Good visibility of patent filing requirements
- › Cash generative with low capex requirements
- › Solid balance sheet
- › Clear strategy to grow internationally; both organically and by acquisition
- › Track record of strong dividend growth and committed to a progressive dividend policy

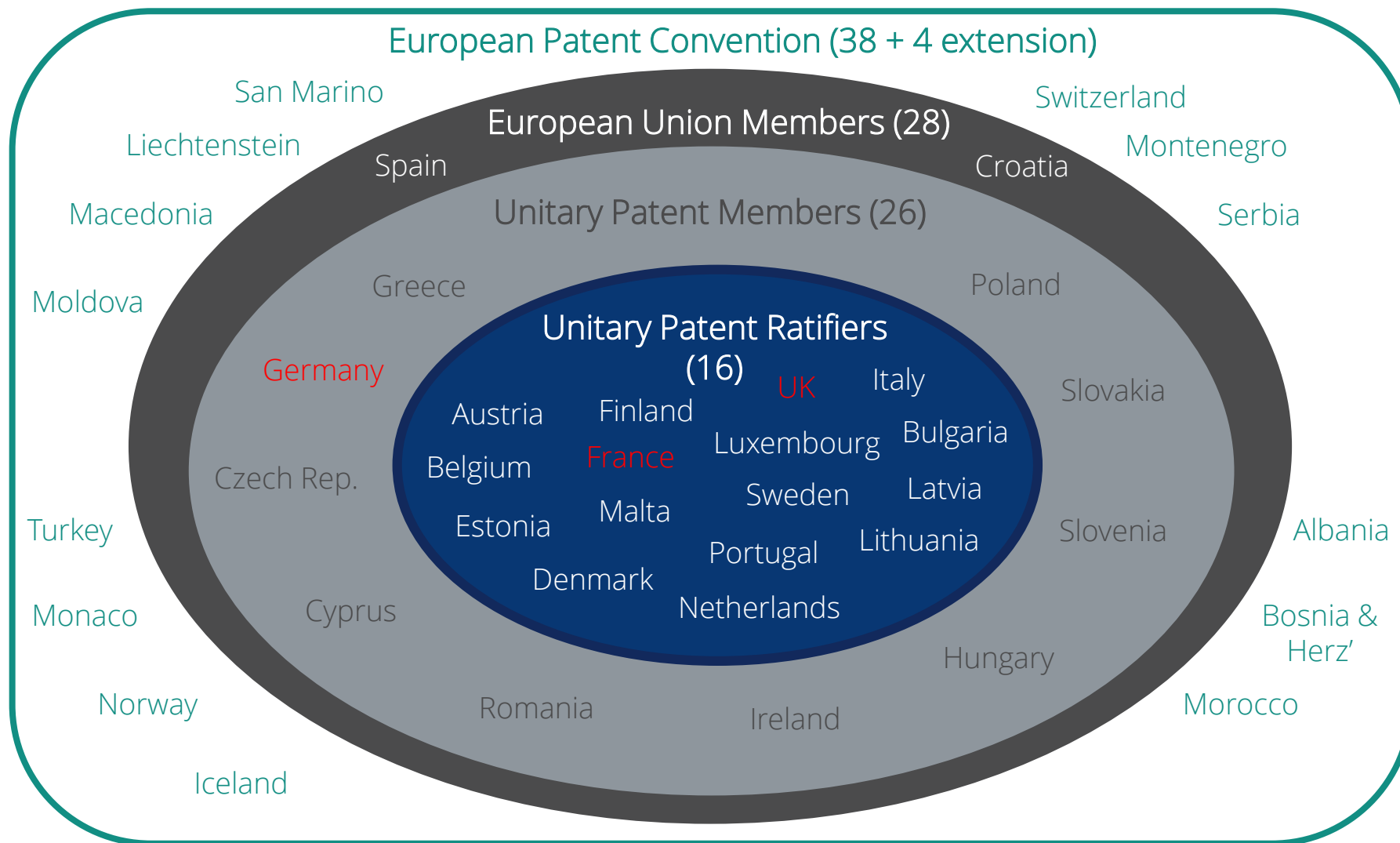
A strong team to manage growth

Role	Name	Years of service
Chairman	Andrew Brode	22
Chief Executive Officer	Richard Thompson	5
Chief Financial Officer	Desmond Glass	-
Chief Operating Officer	Joe Lugo	2
Managing Director, Patent Translation & Filing	Charles Sitch	25
Managing Director, Patent Information	Neil Simpkin	25
Managing Director, Life Sciences	Sheena Dempsey	2
Managing Director, Language Solutions	Stuart Carter	15
Chief Executive Officer, Moravia	Paul Danter	-

Shareholders list

As at 23 May 2018

Shareholder	Holding (%)
Andrew S Brode	33.0
Liontrust Asset Management	10.3
Aberdeen Standard Investment	6.5
Octopus Investments	6.2
Canaccord Genuity	6.1
Investec	3.5
Old Mutual	2.6



Thank you

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