

Full Year Results

December 2019

Andrew Brode
Chairman

Richard Thompson
Chief Executive Officer

Des Glass
Chief Financial Officer



An excellent year



16th successive year of growth in sales, profit, EPS and dividend since flotation



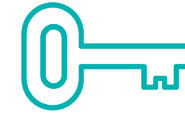
Increased investment and focus in the period on environmental, social and corporate governance



Acquisition of Alpha Translations Canada Inc., a specialized legal translation provider



Strong growth in all three main divisions despite economic uncertainty



Opening of a new Moravia office in Brno will result in improved communication and efficiency



Awarded AIM Company of the Year for 2019

Strong cash-generative growth driving returns

Revenue

£355.7m

+ 16%
+7% underlying¹

2018: £306.0m

Adjusted PBT²

£74.2m

+ 20%
+ 14% underlying¹

2018: £61.8m

Adjusted EPS²

21.3p

+ 22%

2018: 17.4p

Final dividend

7.00p

+17%

2018: 6.0p

Cash

£47.0m

after £50.4m in debt,
interest and dividend
payments

2018: £38.2m

Net debt

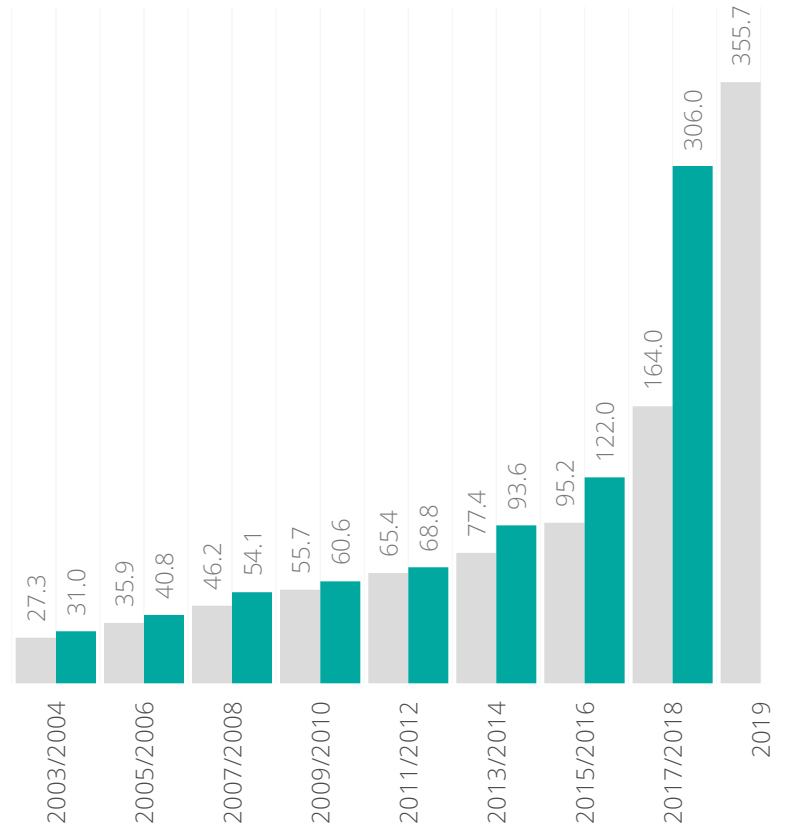
£36.8m

0.5x 2019 Adjusted PBT

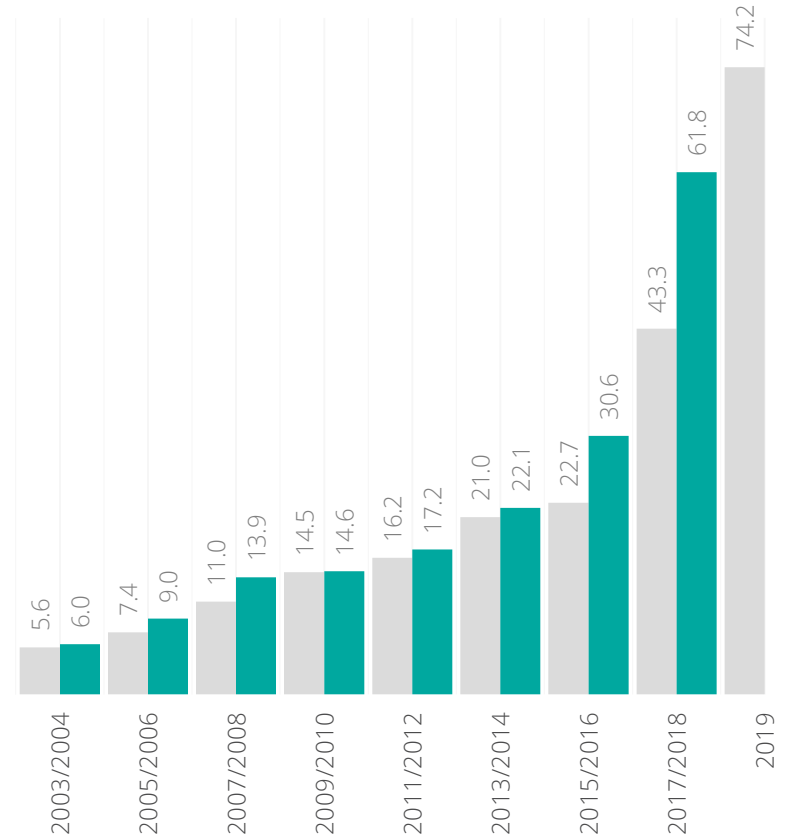
2018: £65.1m

A 16-year track record of unbroken growth

Annual revenue (£m)



Annual adjusted PBT (£m)



Financial Review 2019

Income statement

	Year ended 30 September 2019 (£m)	Year ended 30 September 2018 (£m)
Revenue	355.7	306.0
Cost of sales	(213.2)	(187.2)
Gross profit	142.5	118.8
GM%	40.1%	38.8%
Administrative expenses (before adjusting items)	(64.1)	(52.5)
Net finance costs	(4.2)	(4.5)
Adjusted profit before tax	74.2	61.8
NM%	20.9%	20.2%
Adjusting items ³	(16.5)	(22.2)
Tax expense	(12.6)	(11.4)
Profit for the year	45.1	28.2
Basic EPS (pence)	16.5	10.4
Adjusted Basic EPS (pence)	21.3	17.4

Strong revenue growth – up 16%

- › Full period contribution from Moravia
- › Organic¹ growth – 12%
- › Underlying² growth – 7%

Gross margin strengthened 130bps led by Moravia and Life Sciences offset by planned investment in gross margins in IP Services

20% YoY growth in Adjusted PBT

- › Underlying² growth – 14%
- › Organic¹ YoY growth recorded across the Group's three main divisions

Effective tax rate of 21.2% (2018: 23.8%)

Adjusted basic EPS grew 22% to 21.3p

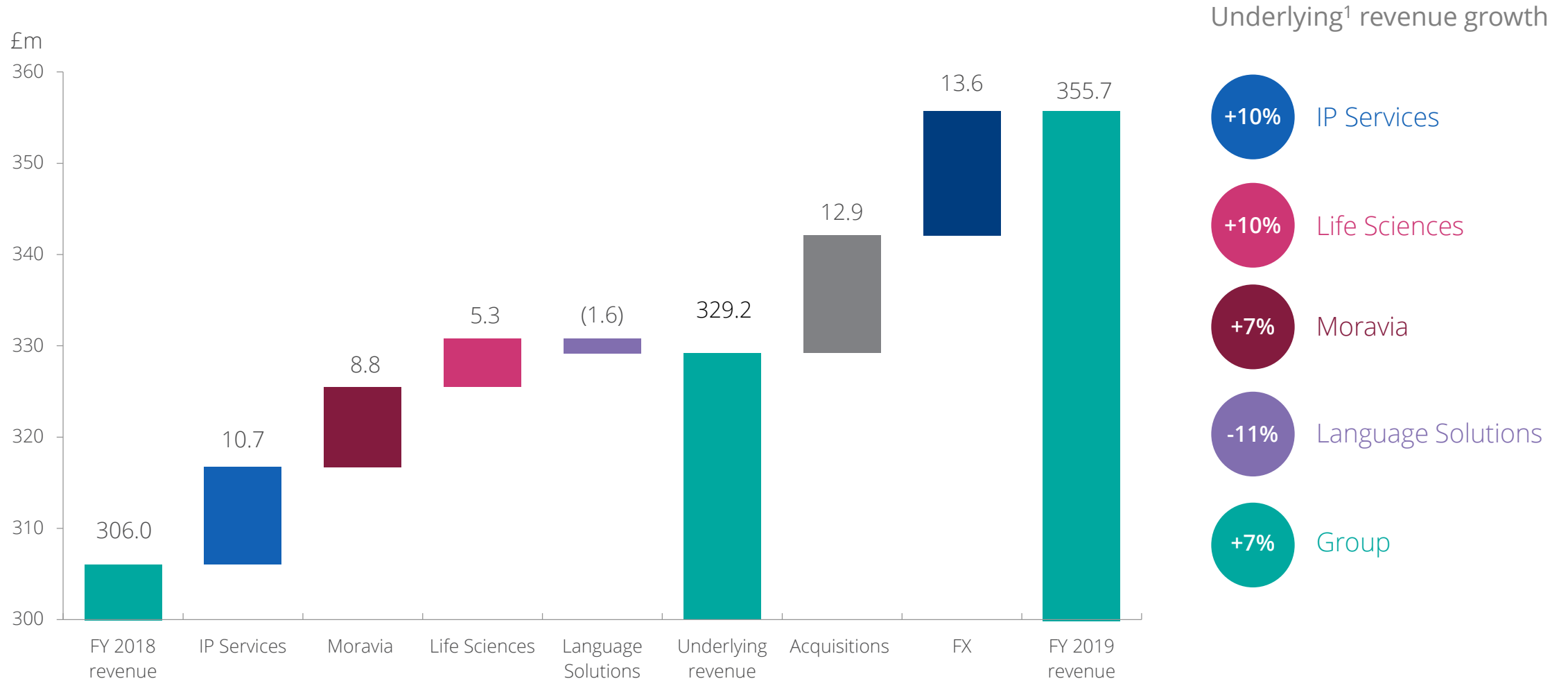
Favourable average exchange rates compared to FY 2018

¹ Adjusted for acquisitions.

² Adjusted for acquisitions and assumes constant currency.

³ Includes amortization on acquired intangibles £15.4m (2018: £14.6m), acquisition costs £0.8m (2018: £7.6m) and share-based payments expense £0.3m (2018: £nil).

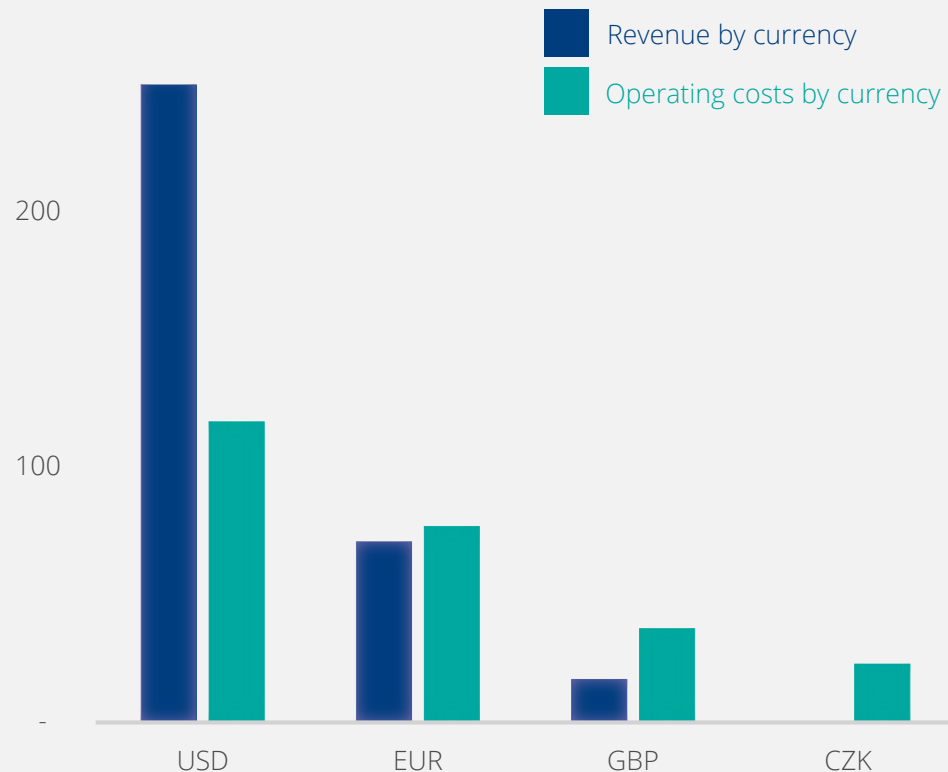
Underlying segmental revenue bridge



¹ Adjusted for the effect of acquisitions and assumes constant currency i.e. FY 2018 results retranslated at FY 2019 exchange rates.

Group currency analysis

Analysis of key currencies – FY 2019
(in GBP million equivalents)



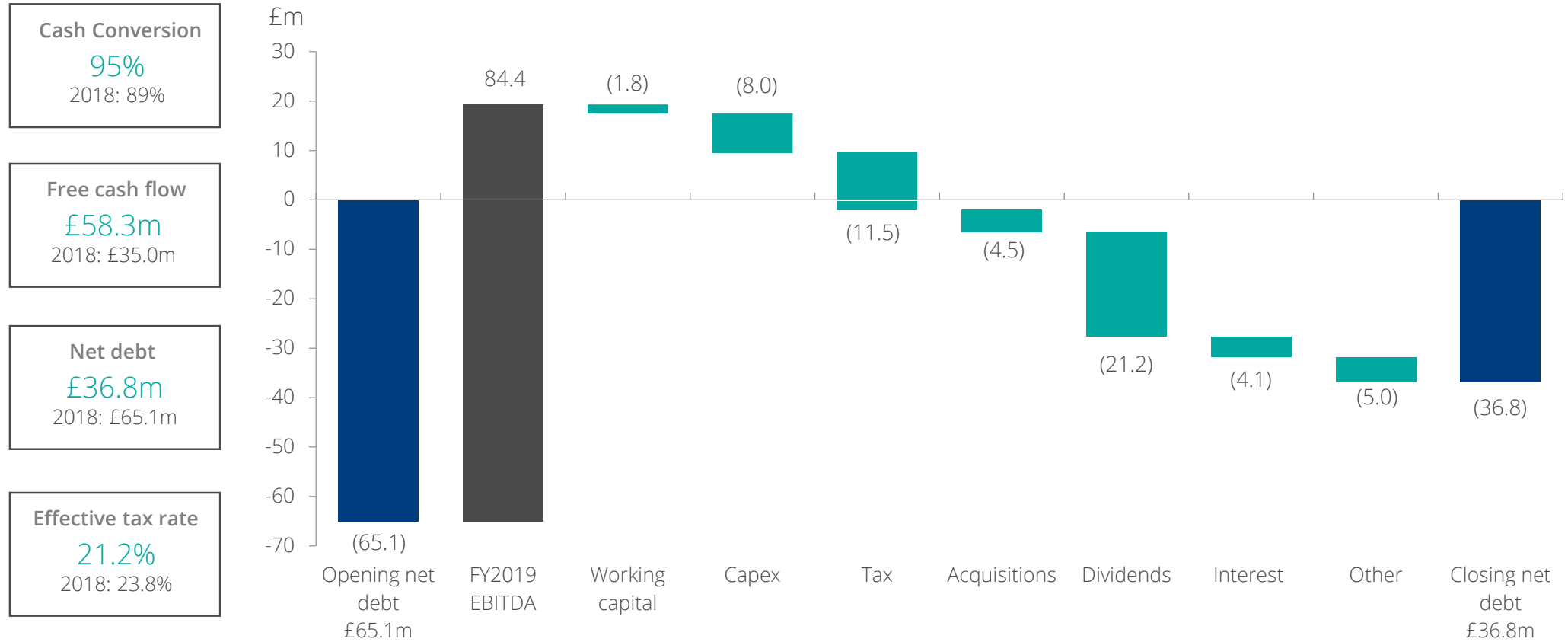
Currency management remains a priority

Significant and growing USD surplus being actively managed

- › Substantial natural hedge through USD debt
- › Effectively hedged at a transactional level
 - › USD/GBP forwards in place to cover Sterling shortfall (Dividend and UK Cost base)
 - › USD/CZK forwards in position throughout FY 2020
- › Translational FX movements highlighted through constant currency reporting

	2019 average	2018 average	Variance
GBP/USD	1.275	1.347	5.3%
EUR/USD	1.125	1.190	5.5%
GBP/EUR	1.133	1.132	(0.1%)

Net debt bridge



Cash Conversion
95%
2018: 89%

Free cash flow
£58.3m
2018: £35.0m

Net debt
£36.8m
2018: £65.1m

Effective tax rate
21.2%
2018: 23.8%

Balance sheet

Balance sheet	As at 30 September 2019 (£m)	As at 30 September 2018 (£m)
Non-current assets	444.8	429.8
Trade and other receivables	85.5	72.6
Foreign exchange derivatives	-	1.0
Cash and cash equivalents	47.0	38.2
Total assets	577.3	541.6
Trade and other payables	57.7	48.2
Loans	83.7	103.3
Foreign exchange derivatives	0.8	-
Other liabilities	37.6	34.8
Total liabilities	179.8	186.3
Net assets	397.5	355.3
Net debt	36.8	65.1

Intangibles

Increase in non-current assets due to acquisition of Alpha Translations Canada Inc. and exchange movements, partly offset by amortization

Working capital

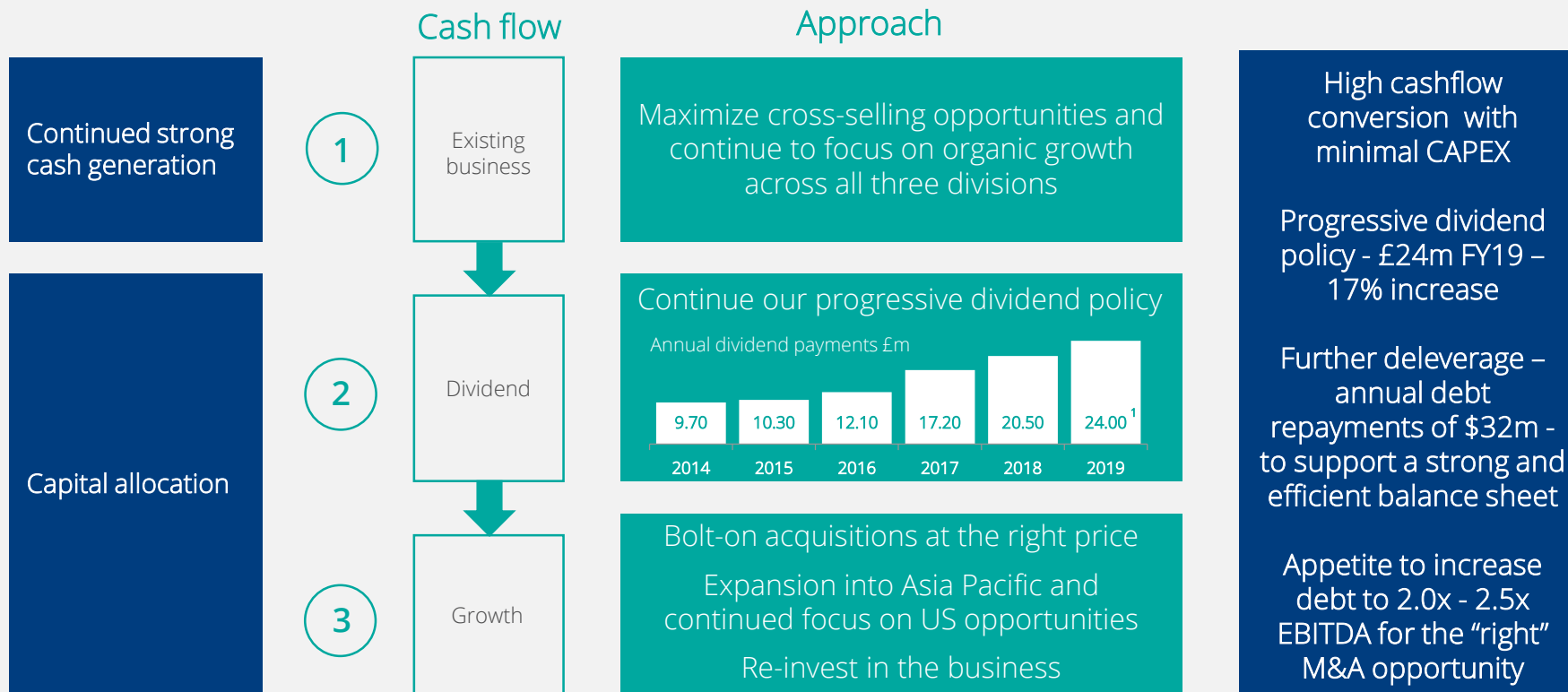
Increases in both trade and other receivables and trade and other payables driven by underlying revenue growth and exchange movements

Net debt

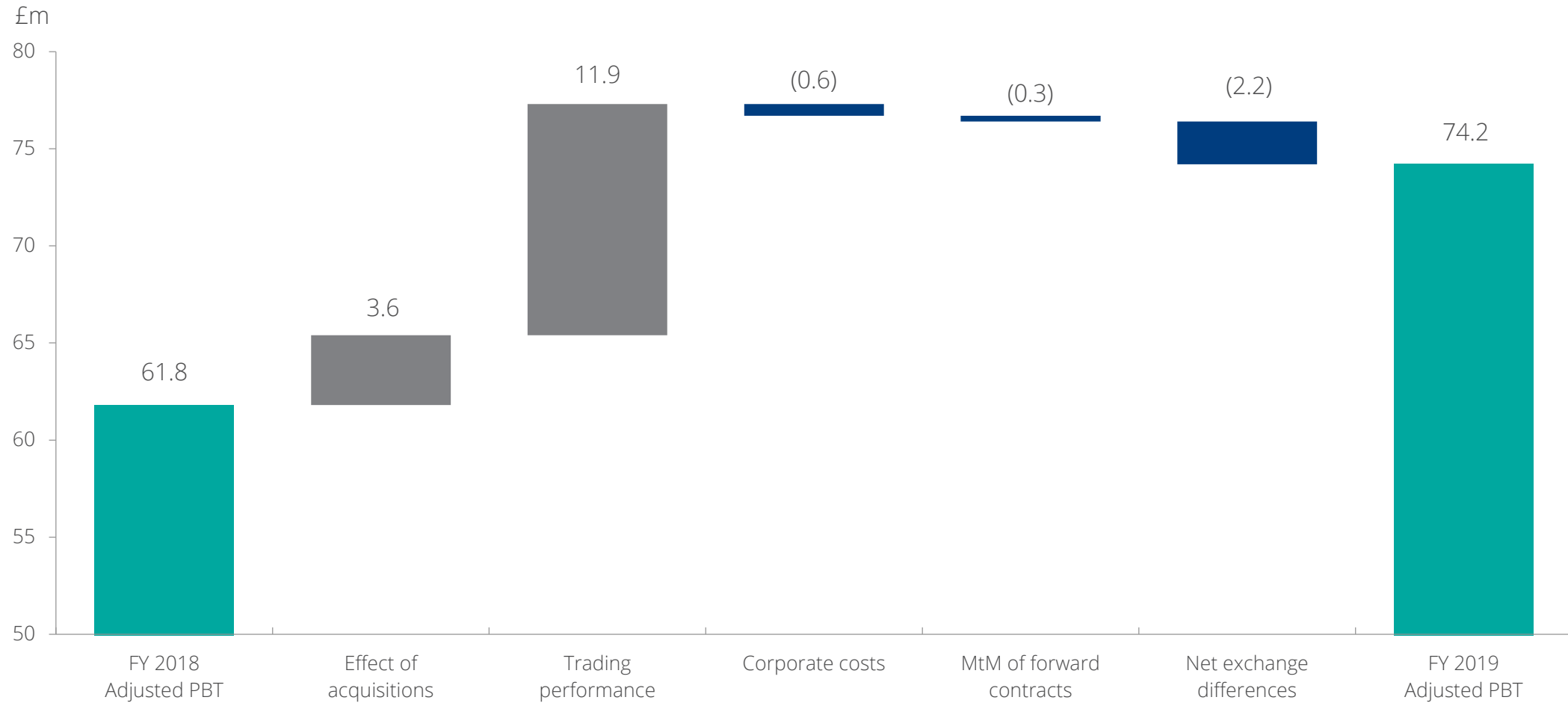
Net debt decreased by 43% to £36.8m, reflective of the Group's underlying growth in Adjusted PBT, together with the Group's strong cash conversion rate of 95%

Capital allocation

Our capital allocation priorities are clear



Adjusted profit before tax bridge



Operational Review 2019

Leaders in specialist, growing market segments



IP Services

World's premier provider of patent translation and filing, search, retrieval and monitoring services

Over 250 full time in-house translators and linguistic revisors

Crowd of 43,000+ researchers

Multijurisdictional patent filing via web filing platform, inovia



Moravia

Customized localization programs with innovative technology solutions

Document, web, software and app localization in 100s of languages

Simultaneous, consecutive and telephone interpretation

Specialized teams for technical, legal and financial content



Life Sciences

Exclusive focus on pharmaceutical, biotech, medical device companies and CROs

Global regulatory labelling translation

The high margin linguistic validation business has grown strongly in the year

Won first local Chinese client following investment to capitalize on the growing Asian market

Strong growth across all three main businesses

Attractive growth markets

PCT Filings

253,000

3.9% increase in 2018

Source: WIPO

European Patent Applications

174,317

4.6% increase in 2018

Source: EPO

Good consistent growth in both PCT filings and EP applications

United States still largest PCT filer but the number of applications from Asia has continued to grow and, for the first time, applicants originating from this region accounted for the majority of all PCT applications (50.5%)

Life Sciences

US\$10 trillion market by 2022

5.4% annual growth rate 2018-2022

Source: Deloitte, 2019 Global Life Sciences Outlook

Highly regulated and audited industries with significant R&D spend

Growing market worldwide and greater regulatory scrutiny. Growth closely tied to global healthcare expenditure

Regulatory changes can pause growth but ultimately drive volume

Language industry

US\$49.6bn market

7.8% CAGR 2009-2019

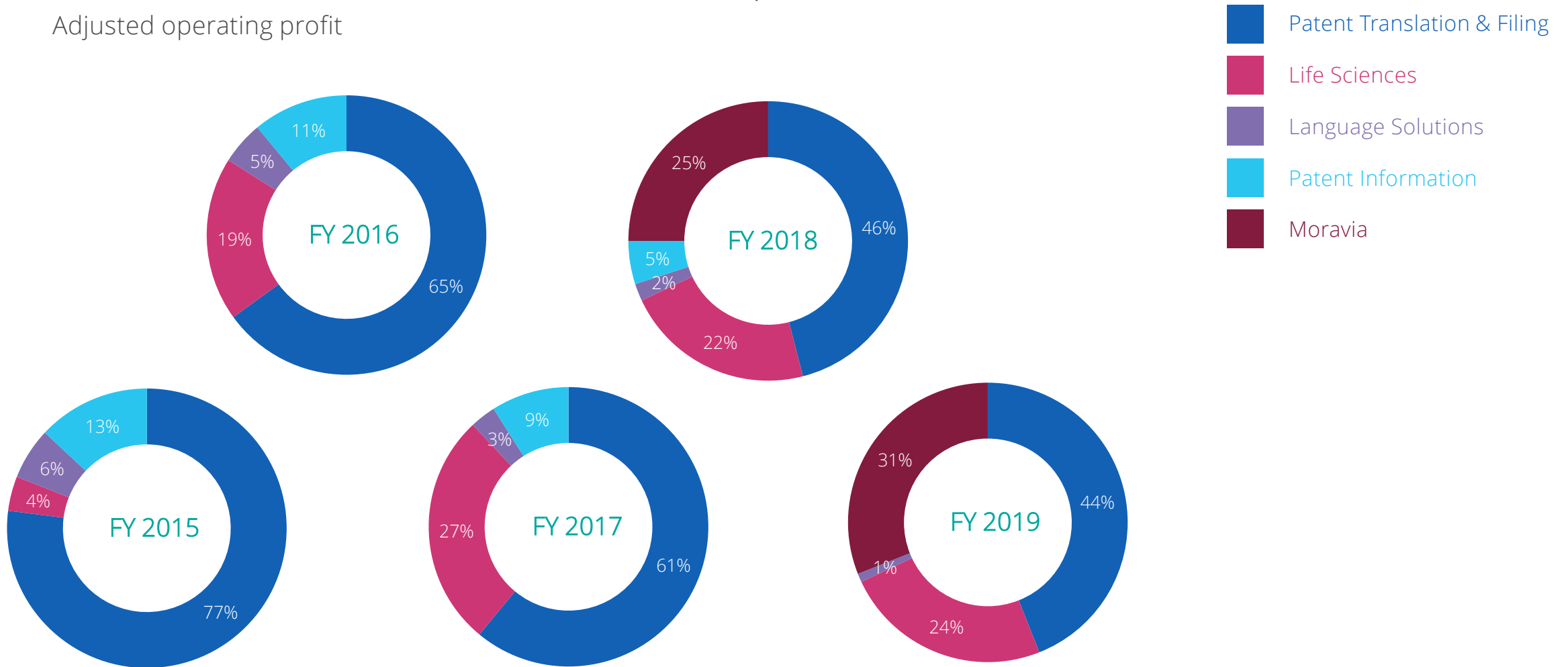
Source: Common Sense Advisory Report, 2019

Language industry is an essential function for companies with a global mindset

Market growth is driven by globalization and increased digital content

Increased diversification of services: profit

Adjusted operating profit



IP Services

Revenue grew by 10% (CC¹)

- › Strong organic growth from established client base
- › Increased revenue from prior period client wins
- › Good new business including notable pharmaceutical client

¹ CC = constant currency.

Operational improvements

- › Strengthened management team (sales and marketing)
- › Investment in staffing supporting growth and long term careers
- › New centralized Tokyo office

Future growth

- › Strong order pipeline

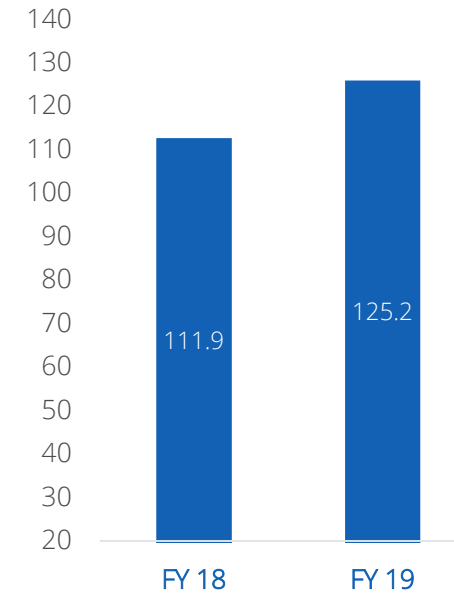
Asia

- › Long-term revenue growth from China, Japan and Korea
- › Rapid growth from local companies and patent attorneys

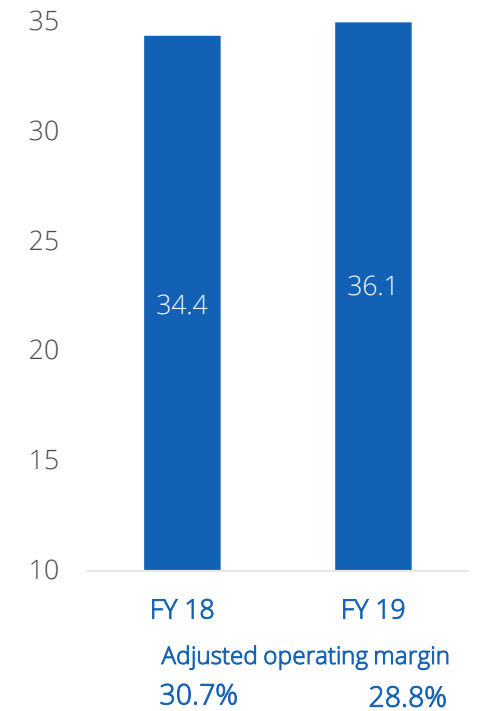
North America

- › Major global corporates
- › Patent filers seeking protection in Asia

IP Services Revenue (£m)



IP Services Adjusted Operating Profit (£m)



Life Sciences

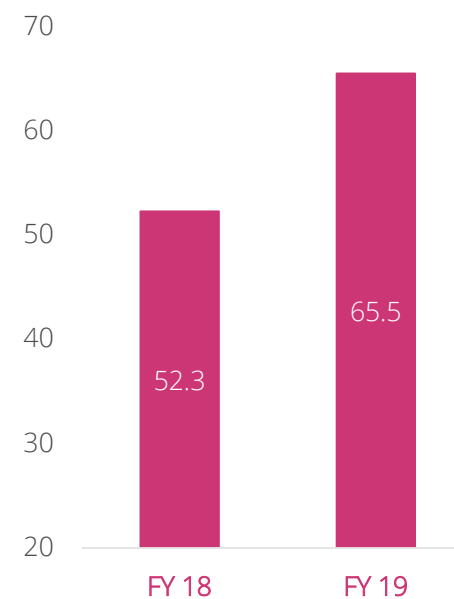
Revenue grew by 10% on underlying¹ basis

- › Good growth from key clients (largest customer grew by 9% CC¹)
- › Increased sales in linguistic validations (+24% CC¹)
- › Sales to former Moravia life science clients improved by 10%
- › New management team bedded down and plans in place to improve performance of broader life science services

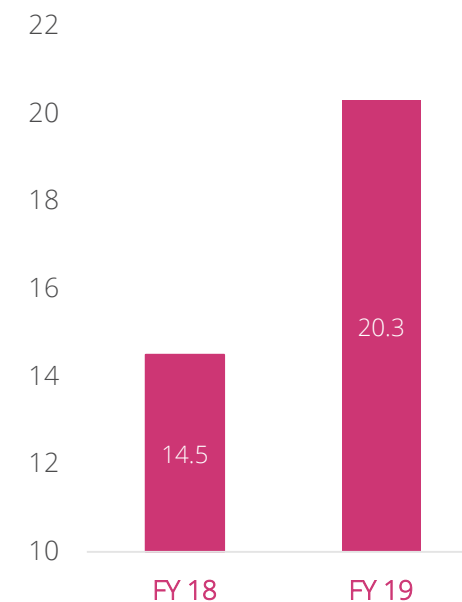
Future growth

- › Good opportunities in linguistic validation
- › Good progress on machine translation (MT) projects
- › Invest and expand in Asia to capitalize on growth and better serve clients
- › Improvements in broader life science business increased volumes in medical device translations (EU Medical Device requirements)

Life Sciences Revenue (£m)



Life Sciences Adjusted Operating Profit (£m)



Adjusted operating margin
27.8% 31.0%

Moravia

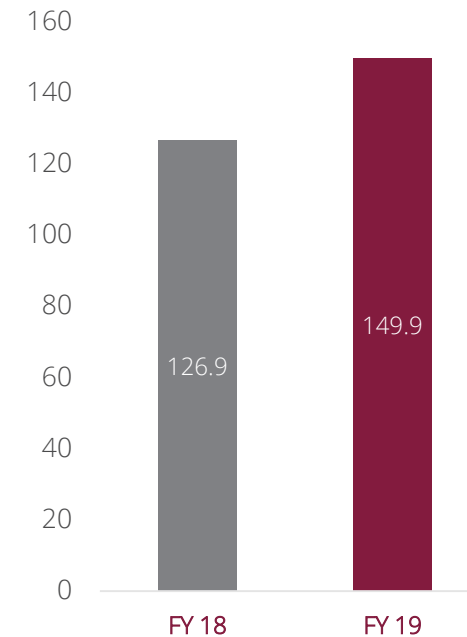
Revenue grew by 7% on underlying¹ basis

- › Significant growth outside the 'top 5' clients
- › Tight control on overheads
- › Good sales growth
- › New centralized office opened in Brno resulting in better communication, improved efficiency and innovation

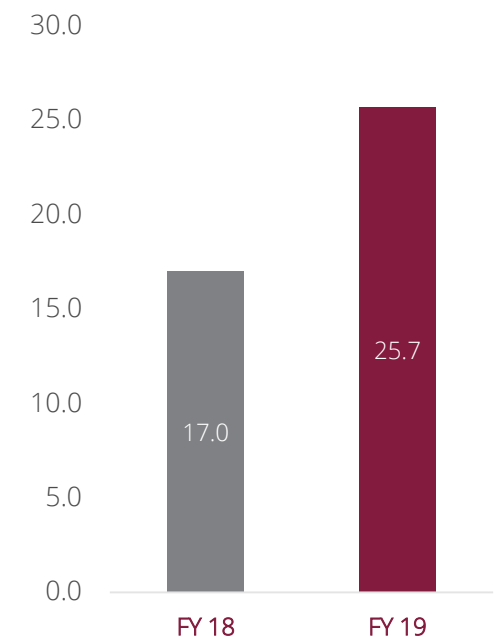
Future growth

- › Future investment being made in technology and new services to keep at the forefront of language services and localization market

Moravia Revenue (£m)



Moravia Adjusted Operating Profit (£m)



Adjusted operating margin
13.4% 17.2%

Language Solutions

Adjusted operating profit fell to £0.4m

- › Adverse trading conditions in core markets
- › Standardized and rationalized operational processes which will result in improved efficiencies

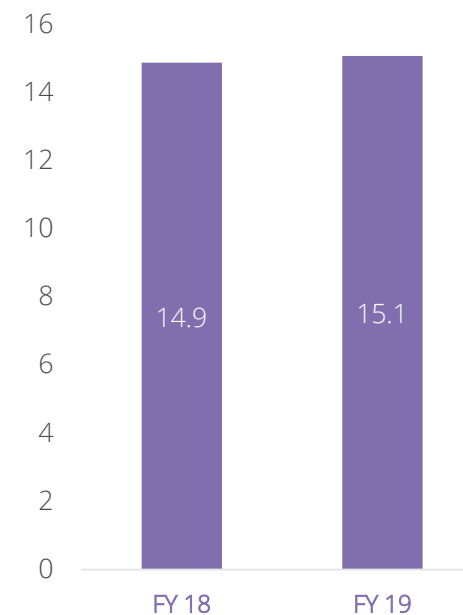
Integration with Moravia

- › Offer similar services albeit at different scales
- › Will benefit from Moravia's experience and knowledge of MT

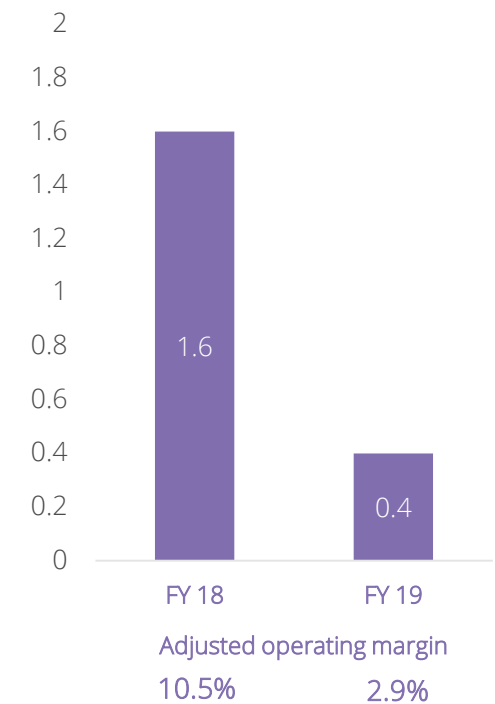
Acquisition of Alpha Translations Canada Inc.

- › Focuses on German legal translation market and provides the division with a new North American operational centre

Language Solutions Revenue (£m)



Language Solutions Adjusted Operating Profit (£m)



Environmental, Social and Governance

Environmental, social and governance highlights

Environment

Compliant with Streamlined Energy and Carbon Reporting (SECR) policy **Yes**

Energy: seeking to reduce our energy consumption and Scope 1 and Scope 2 emissions on a comparable basis as defined by the Greenhouse Gas Protocol **2%**

Waste: to reduce the waste we create on a comparable basis **2%**

Social and Community

Employee health and wellbeing: proactively support the personal health and wellbeing

Coaching and mentoring: maximizing our employees' potential is central to our growth

Actively promote foreign language learning through school and university partnership programmes: RWS Scholarship Programme with The University of Manchester & Outward Bound Trust

Corporate governance

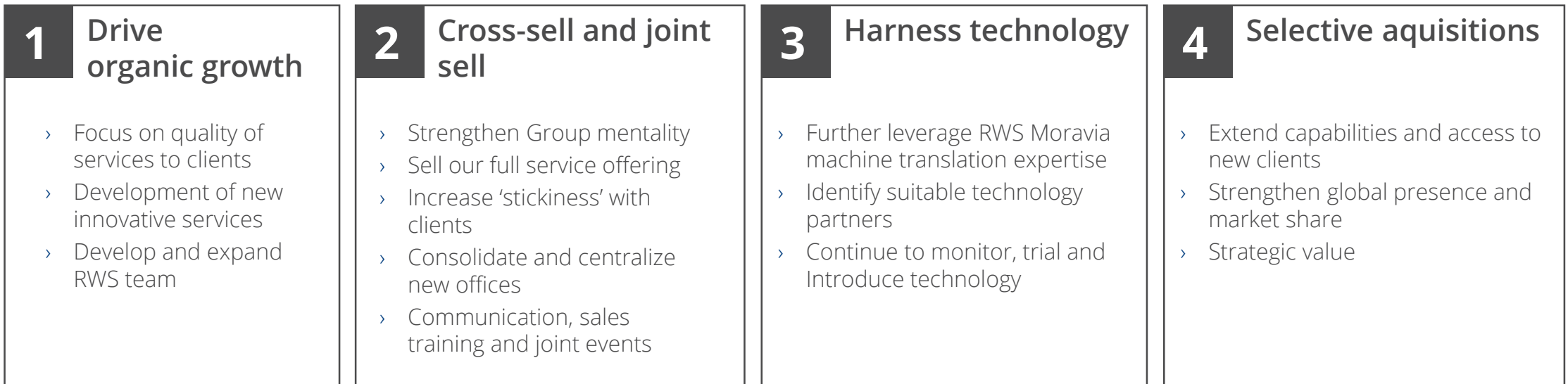
Compliance with the 10 key principles in the QCA Corporate Governance Code **Yes**

Independent Board review **Yes**



Strategic priorities

Our strategic priorities remain



Current trading and outlook

Current trading summary and outlook

- › Group is now a well-balanced and integrated business with extensive service offerings and a global presence, well positioned to convert a wide range of sales opportunities
- › The year has started in line with our underlying expectations, albeit with recent currency headwinds
- › Three divisions are well placed to take advantage of opportunities in their growing markets

- › Strong platform to maximise opportunities across our full suite of services and technology capabilities for new and existing clients
- › Excellent pipeline of new clients, particularly in the IP Services division
- › Strong balance sheet and minimal net debt positions us well to compete for most attractive acquisitions

Thank you

RWS.com

Appendices

Shareholders list

As at 25 November 2019

Top seven shareholders

Holding (%)

Andrew S Brode	32.9
Liontrust Asset Management	11.0
Aberdeen Standard Investment	7.5
Octopus Investments	5.0
Canaccord Genuity	4.7
BlackRock	2.8
Investec	2.6

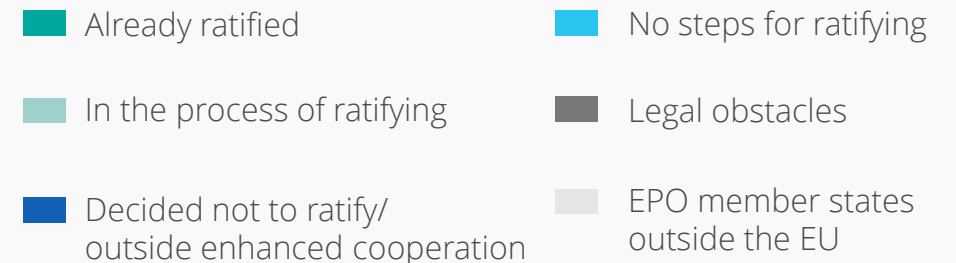
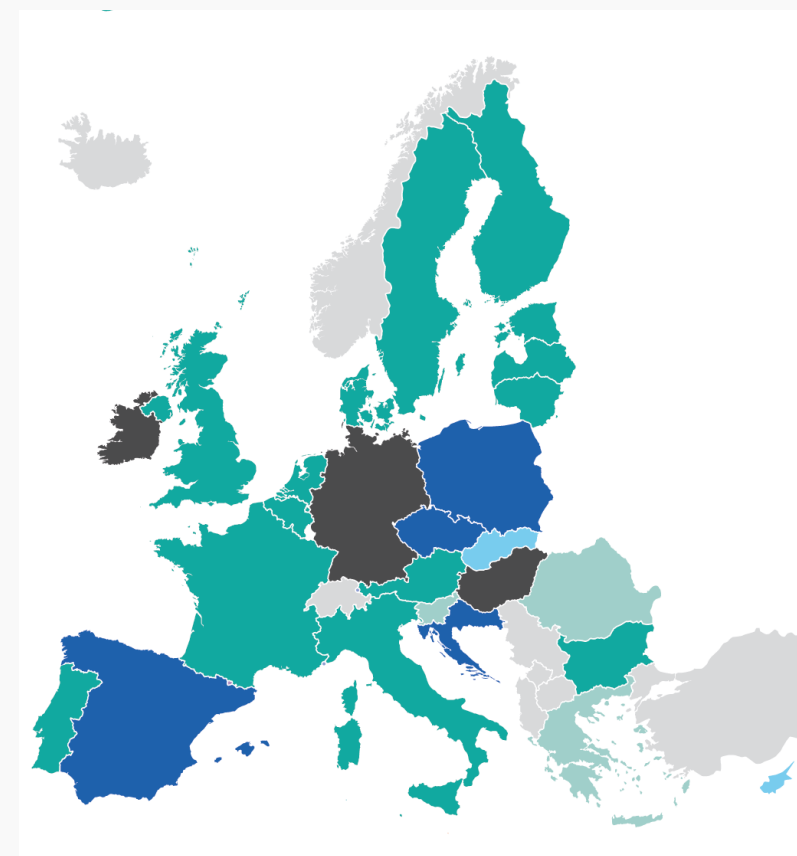
Challenges and opportunities

Unitary Patent (UP)

- › Remains unclear when UP system will start as date is dependent on ratification of UP agreement by German authorities pending a legal appeal that claims it is unconstitutional. Expected case will be heard in Q1 2020
- › Uncertainty remains over UK's membership of UP post Brexit
- › Territorial coverage of proposed UP is not as comprehensive as current, long established patent applications procedures, and will run in parallel
- › Believe our major clients will be cautious in take-up of new and unproven system. Do not expect the UP to impact our FY 2020 results and expect limited impact in subsequent years

Machine Translation (MT)

- › Neural machine translation (NMT) remains a challenge and an opportunity
- › Group will continue to monitor, trial its use and introduce MT where there is commercial sense and benefit beyond our existing MT
- › Moravia's knowledge is being leveraged across the Group. The quality of MT will improve over time and, as a leader in language services, we will continue to differentiate by focussing on translation work in critical areas



Environmental, social and governance highlights

Environment

Compliant with Streamlined Energy and Carbon Reporting (SECR) policy

Yes

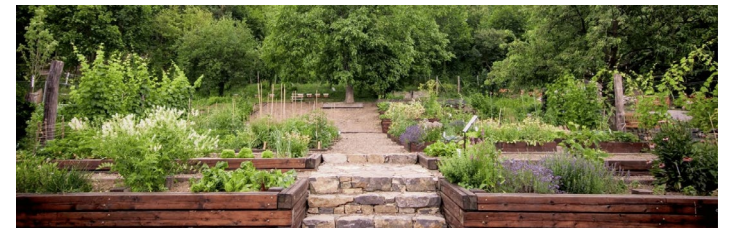
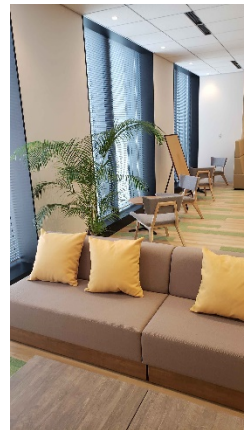
Energy: seeking to reduce our energy consumption and Scope 1 and Scope 2 emissions on a comparable basis as defined by the Greenhouse Gas Protocol

2%

Waste: to reduce the waste we create on a comparable basis

2%

ISO 14001: 2015: seeking certification at Chalfont St Peter office



Environmental, social and governance highlights

Community

Actively promote foreign language learning through school and university partnership programmes:

RWS Scholarship Programme with The University of Manchester



Outward Bound Trust



Environmental, social and governance highlights

Social

Employee health and wellbeing: proactively support the personal health and wellbeing

Equal opportunities: deliver our commitment to equal opportunities for everyone

Service longevity: create a workplace where employees feel valued and supported

Coaching and mentoring: maximizing our employees' potential is central to our growth

Data privacy and security is a top priority



Corporate governance

Compliance with the 10 key principles in the QCA Corporate Governance Code **Yes**

Independent Board review **Yes**

Independent Board members **57%**

Female Board members **28.5%**

Independence of Audit and Remuneration committees **Yes**

Clear division of responsibilities between the Chairman and the CEO **Yes**

Extended our geographical reach

