

RWS Holdings plc**Half-year Trading and SDL Integration Update**

RWS Holdings plc ("RWS", "the Group"), the world's leading language services and technology group, today provides an update on trading for the six months ended 31 March 2021 ("the first half"), ahead of the announcement of its half-year results on 8 June 2021, alongside further detail on the integration of RWS with SDL Plc ("SDL"), following the all-share combination which completed on 4 November 2020.

Highlights

- Good first half performance despite FX headwinds, with revenue in line with our expectations
- Group expects to report FY Adjusted PBT¹ in line with market expectations²
- SDL integration progressing well with total cost synergies of at least £32m now identified, significantly ahead of the £15m originally stated
- Will continue to identify further cost-saving synergies as Group progresses the integration through the year, and will provide updates on the expected profit impact
- Numerous workstreams underway to further integration and improve the Group's operational structure
- Acquisition of SDL makes RWS the largest provider of Language Services and Language Technology in the world
- The rationale for the SDL transaction is validated by the integration work to date

Half-year Trading Update

RWS has performed well during the first half.

Notwithstanding the FX headwinds that we flagged in our AGM statement, the Group has achieved revenues of £326.4 million for the first half, compared with £169.7 million in the prior-year period, in line with our expectations.

The Group's first-half revenues incorporate the acquisitions made in the previous financial year, namely the H1 revenue of Iconic Translation Machines Ltd ("Iconic") and Webdunia.com (India) Private Limited ("Webdunia") (combined revenue £4.4m), and five months' trading of SDL (£151.5m revenue).

As a result, the Group expects to report Adjusted PBT of at least £50.0 million in the first half, compared with £33.1m in the prior year, which is ahead of our expectations.

The performance of the original RWS business in the first half was strong with adjusted PBT significantly ahead of the prior year and revenue in line with our expectations.

The average exchange rate for the first half was \$1.350: £1, compared with an average of \$1.285: £1 during the prior year. As RWS's revenue is predominantly denominated in USD, this 5% swing formed the principal FX headwind in the period.

¹ Adjusted PBT or Adjusted profit before tax – is stated before amortisation of acquired intangibles, acquisition costs, share-based payment expense and exceptional items

² Based on joint broker consensus Numis/Berenberg

The Board will continue to monitor exchange rates over the remainder of the year. However, if the current rates continue, the Group expects to deliver a full-year Adjusted PBT figure in line with current market expectations, with the projected impact of FX being offset by the additional cost synergies identified.

Cash generation of the combined Group remains strong and the Group had net cash³ of over £10m on 31 March 2021, after the recent payment of the Group's final dividend, acquisition costs and the additional costs necessary to deliver the synergies achieved in the first half.

The key drivers of the Group's performance in the first half across each of its recently formed four divisions are set out below:

- **RWS IP Services division** recorded an improved trading performance in the first half of 2021 compared with the second half of 2020, ahead of our expectations. However, revenue continues to be impacted by Covid-19 lockdowns in Europe. Longer term, the prospects for the division remain bright, particularly in the Asia Pacific region.
- **RWS Regulated Industries division** consists of the former RWS Life Sciences division and the former SDL Regulated Industries business. Trading within the former RWS business has been strong, +5.4% in reported terms (+10.7% in constant currency ("CC")) with the Linguistic Validation business and sales to the Group's largest pharmaceutical customer continuing to see strong growth. We have also seen further sales growth in the rest of the Life Sciences business following new customer wins, further work related to Covid-19 and the re-commencement of elective surgery, as lockdown restrictions begin to ease. We expect this growth to continue into the second half of the year. The former SDL business has also shown increased sales during the five months since acquisition. Margin levels within the former SDL business continue to be reviewed and addressed as part of the integration process.
- **RWS Language Services division** comprises both the former RWS Moravia and former SDL C&E businesses. Moravia saw strong growth in revenue up +6% in CC, including increased sales to several of its major Technology customers. Revenue from certain segments of the former SDL business, such as manufacturing, remain impacted by Covid-19 such that it is down 3% on the prior year.
- **RWS Language Content and Technology** is the fourth division in RWS's new organisational structure. This business had a strong H1 with CC revenue +3.9% versus the same period in 2020. Several new business wins in the period will also support the second-half performance.

RWS & SDL Integration

The integration of the businesses is progressing well and is in line with our internal timetable. To date over £32 million of annual cost synergies have been identified, significantly ahead of the £15 million initially stated. Action plans are in place to deliver these savings by September 2022 and £13.2 million will be realised in the 2021 financial year, principally from the removal of overlapping roles. This figure takes account of a limited amount of dis-synergies that have been identified, principally in relation to one of the Group's major customers.

The Group's Senior Management Team will continue to identify further cost-saving initiatives as we progress the integration through the year and will provide updates on the expected profit impact.

³ Net cash is defined as net cash less borrowings, but before lease liabilities

There are numerous integration workstreams and operational improvements currently being delivered. At Group level, we have introduced a new cross-selling scheme which we are confident will support organic growth across the Group. We are also undertaking a number of divisional workstreams, some of which are outlined below, by division:

- **Regulated Industries Integration**
 - The division now has one operational structure
 - Sales teams have been restructured with new compensation plans
 - SDL's previous acquisition of Donnelley Language Solutions (DLS) had not been fully integrated with SDL. This work has been accelerated
 - Work is underway to standardise quality metrics prior to migrating selected customers to the SDL Helix delivery platform, which will lead to improved margins

- **Language Services Integration**
 - Consolidated operational structure with integrated sales teams
 - Work is well underway to consolidate services to the Group's biggest customer on to the SDL delivery platform
 - The language delivery operations for Webdunia have been integrated into the Group's Language Delivery team, providing it with lower-cost support
 - The project to move smaller Moravia customers to Helix has commenced
 - Moravia's large technology customers will continue to be serviced by Moravia's highly bespoke and successful operating model

- **Language and Content Technology**
 - This is a separate division, with limited overlap with RWS and therefore limited integration. However, a number of operational improvements have been made
 - The rationalisation of the Group's technology products is underway as we increasingly focus on the development of Cloud and AI services for our customers
 - Iconic and the former SDL Machine Translation teams are being merged

- **IP Services**
 - As there is very limited overlap between IP Services and the other RWS divisions, it is largely unaffected by integration work
 - The Group's cross-selling project has identified some promising early sales opportunities which are being progressed. To assist with cross-selling we have successfully shared CRM systems across the Group as a precursor to the unification of our sales and marketing platforms
 - The division's ongoing ERP project continues to be delivered in line with budget

Andrew Brode, Chairman of RWS, commented:

"The successful and rapid integration of RWS and SDL remains the Group's top priority in the near term and I would like to thank colleagues across the business who are working tirelessly to progress this complicated project whilst continuing to deliver a first-class service to our customers, grow our business and work in a challenging environment.

"Trading in the first half has been encouraging despite having been impacted significantly by adverse FX rates. Notwithstanding FX pressures, the future for the Group is bright. The markets in which we operate are growing and we continue to see opportunities for organic growth in all four of our divisions, whilst we also drive synergies across the Group.



“The cash generative nature of our business model and strength of our balance sheet enables the Group to continue to look for selective acquisition opportunities in specific sectors and geographies.

“We are making continued efforts to ensure the wellbeing of our teams whilst providing an excellent service to our customers and focusing on the ongoing integration work. We, therefore, look forward to a successful second half.”

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About RWS

RWS Holdings plc is the world’s leading provider of technology-enabled language, content management and intellectual property services. We help our customers to connect with and bring new ideas to people globally, by communicating business critical content at scale and enabling the protection and realization of their innovations.

Our vision is to help organizations interact effectively with people anywhere in the world, by solving their language, content and market access challenges through our collective global intelligence, deep expertise and smart technology.

Customers include 90 of the globe’s top 100 brands, the top 10 pharmaceutical companies and approximately half of the top 20 patent filers worldwide. Our client base spans Europe, Asia Pacific, and North and South America across the technology, pharmaceutical, medical, legal, chemical, automotive, government, and telecommunications sectors, which we serve from offices across five continents.

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