

Half Year Results

June 2019



Andrew Brode
Chairman

Richard Thompson
Chief Executive Officer

Desmond Glass
Chief Financial Officer



An excellent first half

Double-digit underlying revenue and profit growth



Record revenues of £172.3m (H1 2018: £139.6m), an increase of 23%



Strong sales performance from RWS IP Services, including 23% growth in its European patent translation and filing business



Growing demand for IP and language services in China and Japan from existing and new clients



Significant margin improvement at RWS Moravia, with growing demand for higher value localization services



RWS Life Sciences revenue up 21%¹, with 26% growth for its specialist, high value linguistic validation offering



Strengthened legal and financial translation offering with acquisition of Alpha Translations Canada Inc.

Strong, cash-generative growth driving returns

Sales
£172.3m
 + 23%
 +10% underlying¹

H1 2018: £139.6m

Adjusted PBT²
£35.6m
 + 24%
 + 18% underlying¹

H1 2018: £28.6m

Cash
£27.4m
 after £35.4m in debt,
 acquisition and dividend
 payments

H1 2018: £24.3m

Adjusted EPS²
10.1p
 + 23%

H1 2018: 8.2p

Net debt
£63.9m
 < 1.0x expected 2019 adjusted PBT

H1 2018: £82.8m

Interim dividend
1.75p
 +17%

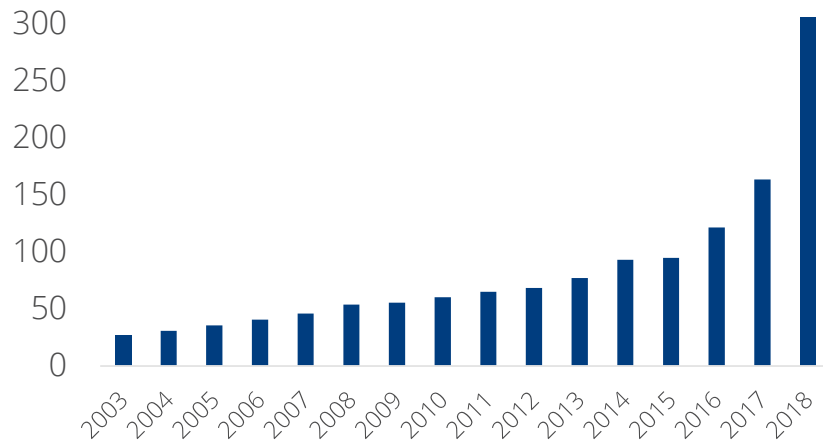
H1 2018: 1.5p

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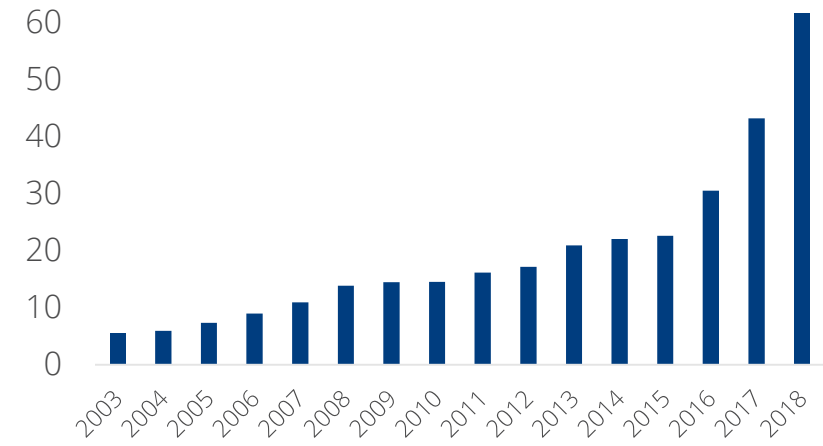
¹ Excluding the impact of acquisitions and assumes constant currency.
² Before amortization of acquired intangibles and acquisition costs.

A 15-year track record of unbroken growth

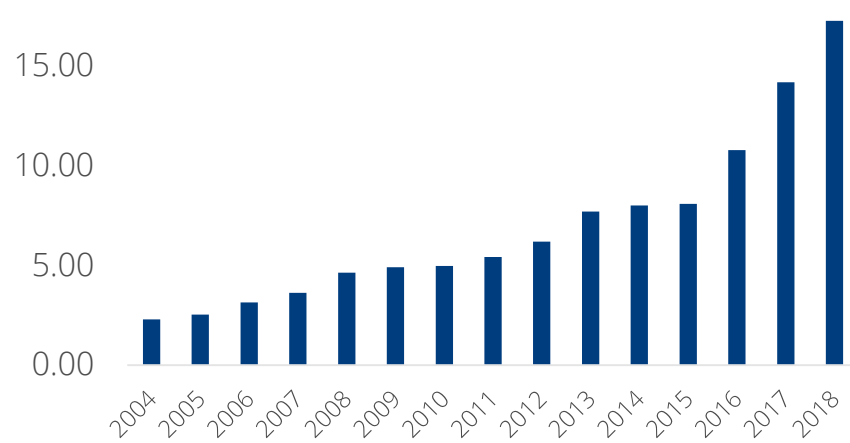
Annual revenue (£m)



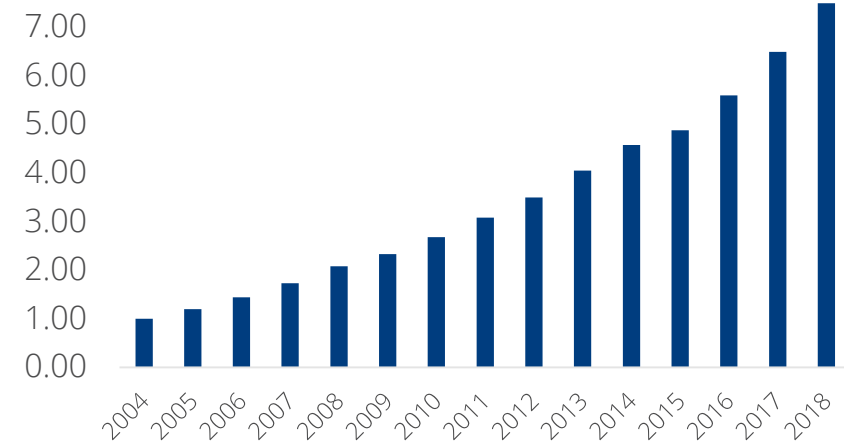
Annual adjusted PBT¹ (£m)



Adjusted diluted EPS² (pence)



Dividend² per share (pence)



¹ Adjusted profit before tax is before charging, amortization of intangible assets, share scheme costs and acquisition costs.

² Adjusted to reflect the 5 for 1 subdivision of shares approved at RWS's February 2015 AGM.

Financial Review H1 2019

Income statement

| | 6 months ended 31 March 2019 (£m) | 6 months ended 31 March 2018 (£m) |
|--|---|---|
| Revenue | 172.3 | 139.6 |
| Cost of sales | (103.6) | (84.7) |
| Gross profit | 68.7 | 54.9 |
| <i>GM%</i> | 39.8% | 39.3% |
| Administrative expenses (before adjusting items) | (30.8) | (24.4) |
| Net finance costs | (2.3) | (1.9) |
| Adjusted profit before tax | 35.6 | 28.6 |
| <i>NM%</i> | 20.7% | 20.5% |
| Adjusting items ³ | (8.0) | (10.3) |
| Tax expense | (6.3) | (5.7) |
| Profit for the year | 21.3 | 12.6 |
| Basic EPS (pence) | 7.8 | 4.7 |
| Adjusted Basic EPS (pence) | 10.1 | 8.2 |

Strong revenue growth – up 23%

- › Organic¹ growth – 14%
- › Underlying² growth – 10%
- › Full period contribution from RWS Moravia

Improved GM of 39.8% driven by RWS Moravia

24% uplift in Adjusted PBT

- › Underlying growth² – 18%
- › Excellent H1 2019 performance from RWS Moravia

Increased net finance costs primarily due to a stronger USD and higher US interest rates during H1 2019

Effective tax rate of 22.8% down from 31.1% at H1 2018

Favourable average exchange rates compared to H1 2018

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¹ Adjusted for the effect of acquisitions.

² Adjusted for the effect of acquisitions and assumes constant currency.

³ Amortization on acquired intangibles £7.6m (2017: £3.7m) and acquisition costs £0.5m (2017: £6.7m).

Underlying segmental revenue analysis

| | H1 2019 reported (£m) | H1 2018 reported (£m) | YoY growth (£m) | YoY growth (%) | Currency impact (£m) | Acquisition impact (£m) | Internal transfers ³ (£m) | Underlying ¹ YoY Growth (£m) | Underlying ¹ revenue growth |
|--------------------|-----------------------------|-----------------------------|-----------------------|----------------------|----------------------------|-------------------------------|--|---|--|
| IP Services | 62.3 | 54.3 | 8.0 | 16% | 0.9 | - | - | 7.1 | IP Services +13% |
| Moravia | 71.1 | 52.1 | 19.0 | 36% | 3.3 | 11.2 | (2.2) | 6.7 | Moravia +10%² |
| Life Sciences | 31.8 | 26.2 | 5.6 | 21% | 1.7 | - | 2.2 | 1.7 | Life Sciences +6% |
| Language Solutions | 7.1 | 7.0 | 0.1 | 1% | - | 0.5 | - | (0.4) | Language Solutions -5% |
| Total | 172.3 | 139.6 | 32.7 | 23% | 5.9 | 11.7 | - | 15.1 | Group +10% |

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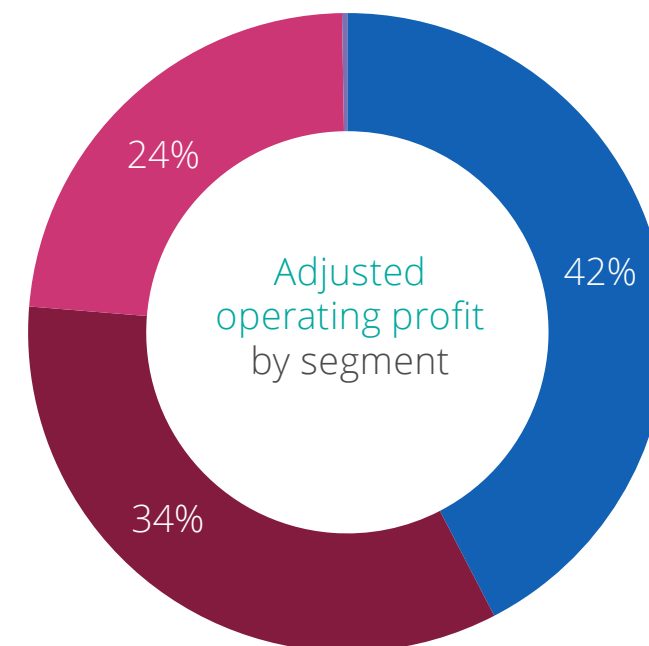
¹ Adjusted for the effect of acquisitions and assumes constant currency i.e. H1 2018 figures retranslated at H1 2019 exchange rates.

² Includes Moravia's October 2017 pre-acquisition revenues and excludes the effect of clients transferred to RWS Life Sciences (see below).

³ As of 1 October 2018, a number of life sciences clients serviced by Moravia were transferred to RWS Life Sciences.

Segmental operating margin analysis

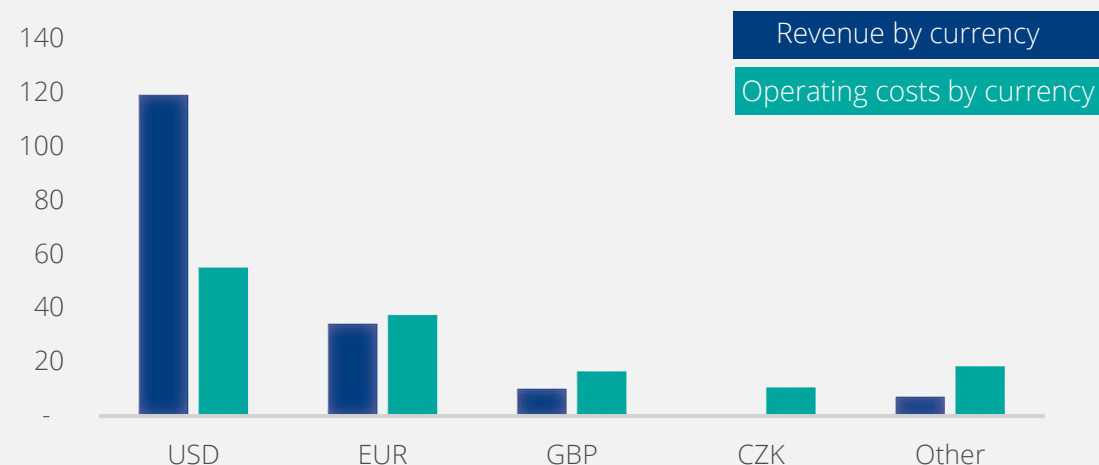
| | IP Services | | Moravia | | Life Sciences | | Language Solutions | |
|--------------------------------|-------------|---------|---------|----------------------|---------------|---------|--------------------|---------|
| | H1 2019 | H1 2018 | H1 2019 | H1 2018 ¹ | H1 2019 | H1 2018 | H1 2019 | H1 2018 |
| Revenue | 62.3 | 54.3 | 71.1 | 52.1 | 31.8 | 26.2 | 7.1 | 7.0 |
| Adjusted operating profit - £m | 17.1 | 17.2 | 13.7 | 4.7 | 9.5 | 8.0 | 0.1 | 0.6 |
| Adjusted operating margin - % | 27.4% | 31.7% | 19.3% | 9.0% | 29.9% | 30.5% | 1.4% | 8.6% |
| Movement | -4.3% | | +10.3% | | -0.6% | | -7.2% | |



Group currency analysis

Key currency exposures – H1 2019

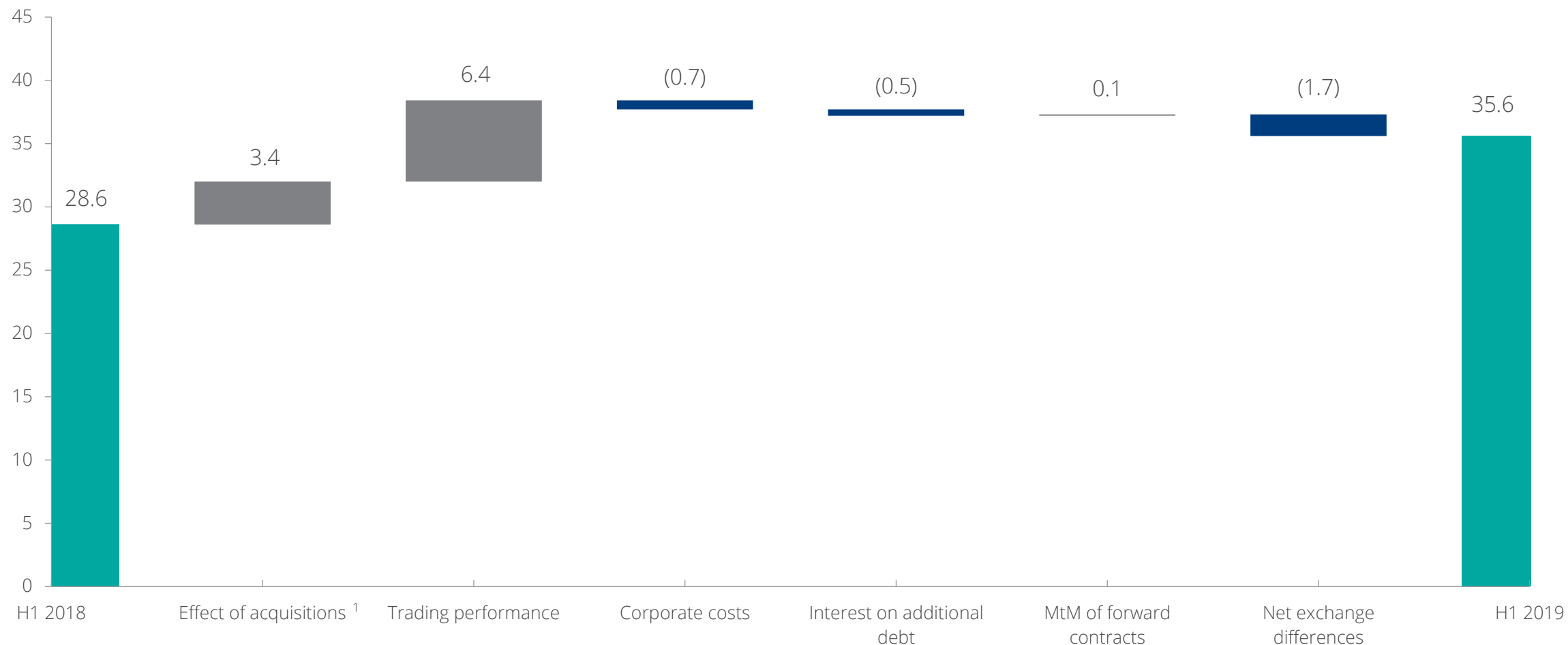
(in millions of GBP equivalents)



| | H1 2019 average | H1 2018 average |
|---------|-----------------|-----------------|
| USD/GBP | 1.295 | 1.372 |
| USD/EUR | 1.135 | 1.208 |
| EUR/GBP | 1.142 | 1.137 |

- › Continued focus on reducing earnings volatility
 - › Novation of significant portion of USD debt to RWS Moravia in late FY18 and now applying hedge accounting
 - › USDGBP forward contracts and disciplined cash management to manage our GBP shortfall
 - › USDCZK forward contracts in place until 30 September 2020 to cover RWS Moravia's CZK operating costs
- › From a Group perspective, we remain substantially economically hedged
 - › USD denominated debt continues to provide a natural hedge
 - › Additional currency specific hedging through currency forwards at both Group and local entity level
- › Continue to mitigate our key USD exposure at both Group and local entity level

Adjusted profit before tax bridge



10 ¹ Includes an incremental month of trading from Moravia (October 2018) and 2.5 months trading from Alpha Translations Canada Inc. since acquisition.

Balance sheet and cash flow

| | As at 31 March 2019 (£m) | As at 30 September 2018 (£m) | | 6 months ended 31 March 2019 (£m) | 6 months ended 31 March 2018 (£m) |
|------------------------------|--------------------------------|------------------------------------|---|---|---|
| Non-current assets | 425.6 | 429.8 | Profit before tax | 27.6 | 18.3 |
| Trade and other receivables | 79.5 | 72.6 | <i>Add/(Less):</i> | | |
| Foreign exchange derivatives | 0.1 | 1.0 | Net finance costs/(income) | 2.3 | 1.9 |
| Cash and cash equivalents | 27.4 | 38.2 | Amortization | 8.8 | 4.5 |
| Total assets | 532.6 | 541.6 | Depreciation | 1.5 | 1.3 |
| Trade and other payables | 47.6 | 48.2 | Operating cash flows before working capital and taxation | 40.2 | 26.0 |
| Loans | 91.3 | 103.3 | Working capital movements | (6.2) | (10.7) |
| Other liabilities | 34.7 | 34.8 | Income tax paid | (6.0) | (4.9) |
| Total liabilities | 173.6 | 186.3 | Net cash from operating activities | 27.9 | 10.4 |
| Net assets | 359.0 | 355.3 | Free cash flow | 23.1 | 5.3 |
| Net debt | 63.9 | 65.1 | | | |

Operational Review H1 2019


Leaders in specialist, growing market segments

 IP Services


- > World's premier provider of patent translation and filing, search, retrieval and monitoring services
- > 130 full-time translators
- > Crowd of 42,000+ researchers
- > 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

 Moravia

- > Technology-enabled localization for companies requiring global reach and consistent brand voice
- > Adapts content, software, websites and applications into 100s of languages and geographies

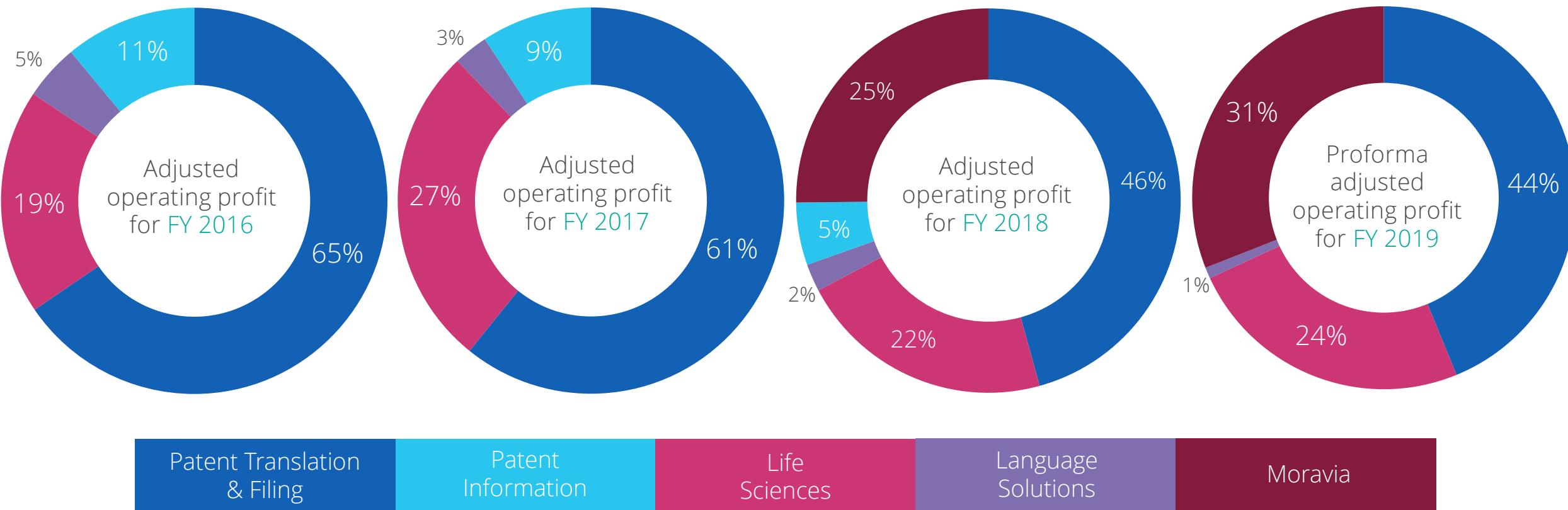
 Language Solutions

- > Commercial translations with a particular emphasis on technical and sensitive legal and financial documents
- > Includes our interpreting offering



World leader in language and intellectual property services with a reputation for high-quality people, processes and technology

Increased diversification of services: profit



RWS IP Services

Revenue grew by 13% on underlying¹ basis

- › Good growth from core client base and revenue from new wins in prior periods
- › Good pipeline of sales opportunities
- › Continuing growth in PatBase

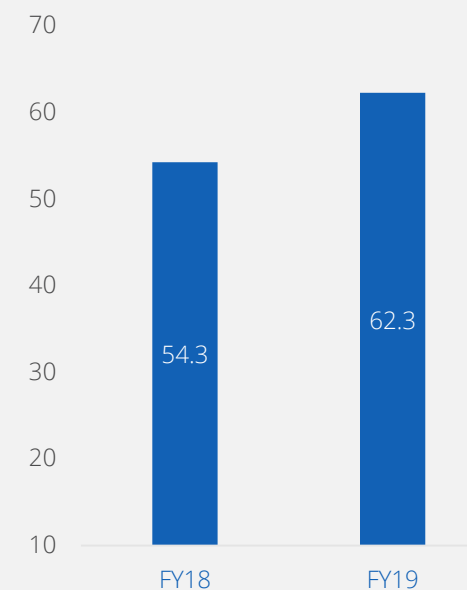
Operational improvements

- › Strengthened management team and focus on communications
- › Increased investment in staffing and training
- › Ongoing investment in technology to drive efficiency

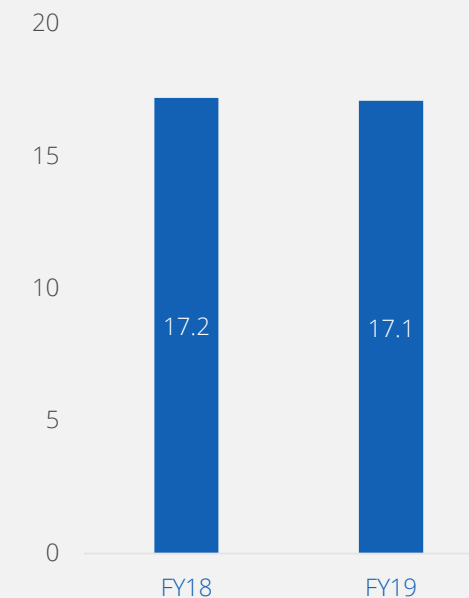
Future growth: China and Japan

- › Long-term strategic revenue growth markets
- › Investment in local teams and consolidation of offices

IP Services revenue (£m)



IP Services adjusted PBT (£m)



RWS Life Sciences

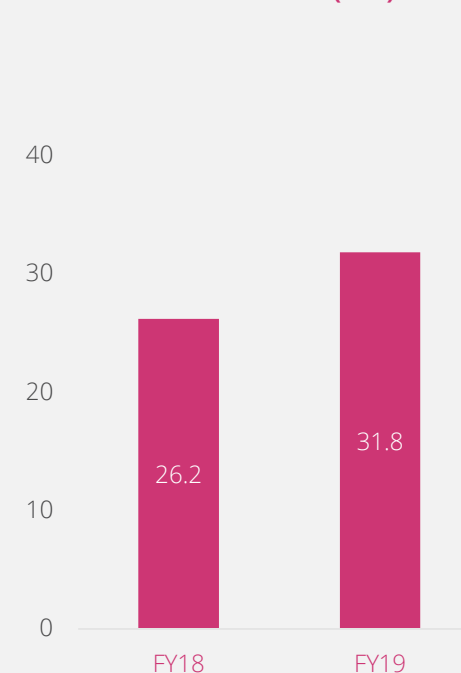
Revenue grew by 6% on underlying¹ basis

- › Strong first half with good growth from key clients and strong performance from linguistic validation business (+26%) where we continue to invest
- › Former Moravia life sciences clients successfully transferred
- › Jon Hart appointed as new Managing Director

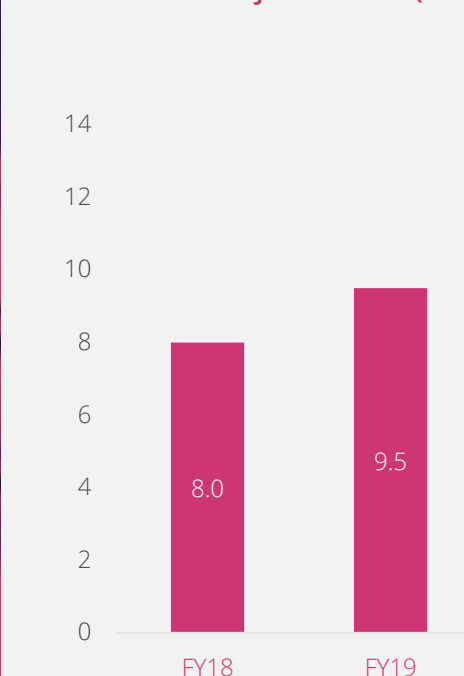
Expansion and continued investment in Asia Pacific

- › Capitalize on growth in the pharmaceutical market
- › Better serve existing client base
- › New heads in operations and sales
- › First new local business win in China

Life Sciences revenue (£m)



Life Sciences adjusted PBT (£m)



RWS Moravia

Strong H1 performance with margins up to 19.0% from 9.3%

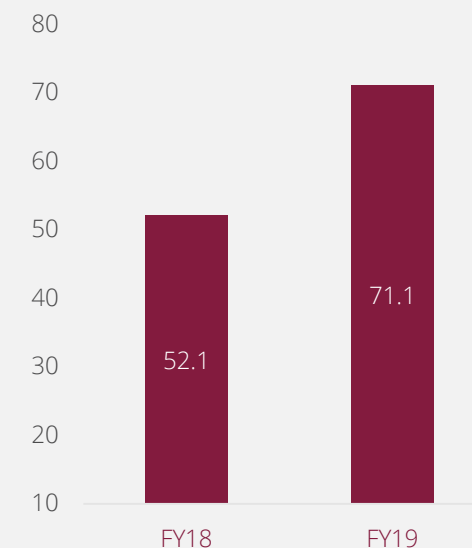
- › Growth from top clients
- › Several new business wins as we continue to diversify client base
- › Continued focus on cost control

- › Leveraging machine translation expertise across the Group

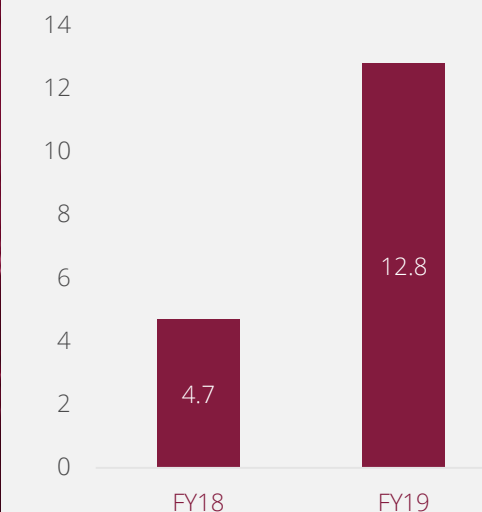
- › Ongoing work to build business outside existing top five clients – revenues from other clients up 36%

- › RWS Language Solutions will be integrated as of 1 October 2019

Moravia revenue (£m)



Moravia adjusted PBT (£m)



Market Dynamics

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

Life Sciences

US\$1,060bn market by 2022

6.5% CAGR 2017-2022

Source: Deloitte, 2018 Global Life Sciences Outlook

Localization

US\$49.6bn market

7.8% CAGR 2009-2019

Source: Common Sense Advisory Report, 2019

Good consistent growth in both PCT filings and EP applications

US 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. Growth closely tied to global healthcare expenditure

Regulatory changes can pause growth but ultimately drive volume

Localization is an essential function for companies with a global mindset

Market growth is driven by globalization and increased digital content

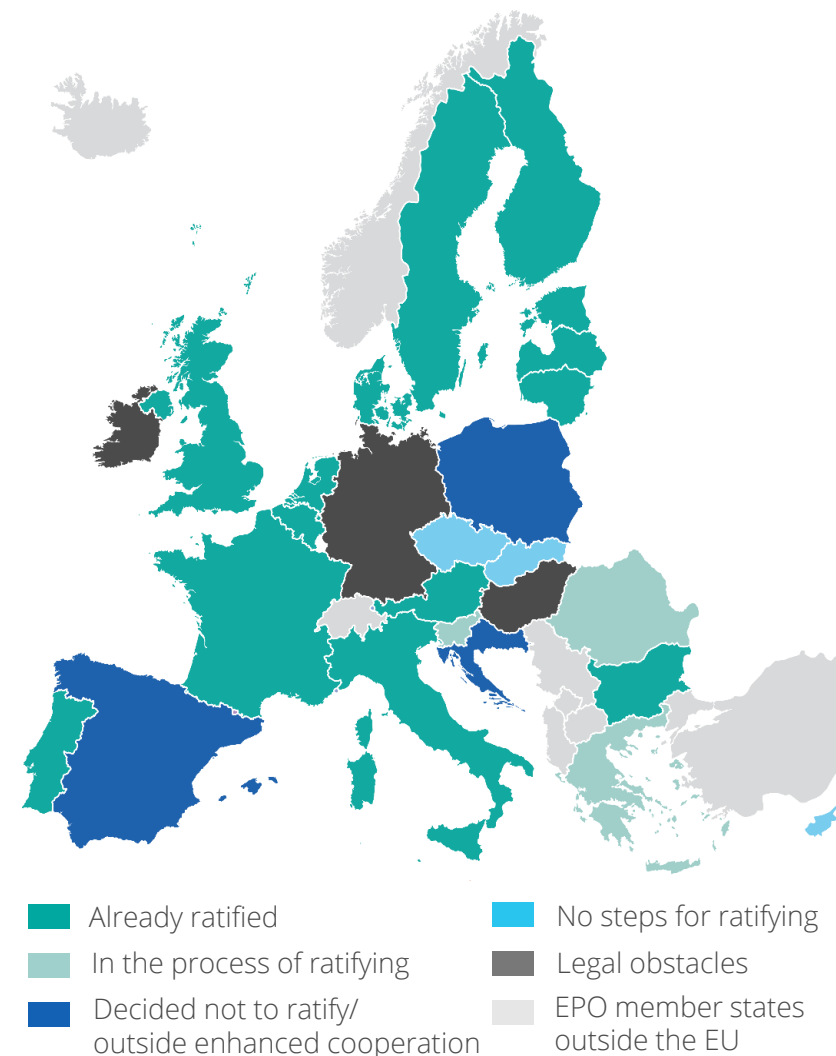
Challenges and opportunities

Unitary Patent

- › Now expected to be introduced in Q2 2020 at the earliest
- › German ratification delayed pending a court appeal that claims the UP is unconstitutional
- › 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 filing in fewer key markets

Machine Translation

- › Neural machine translation (NMT) both a challenge and an opportunity
- › Group will continue to review use of NMT and will introduce it where it makes sense to do so and can provide significant additional benefit over existing TM
- › RWS Moravia's knowledge of MT technologies is being leveraged across the Group



Strategic Priorities

Our strategic priorities remain

#1

Drive organic growth

- › Increase sales
- › Additional services
- › Gain market share

#2

Cross-sell

- › Strengthen Group mentality
- › Sell our full service offering
- › Increase 'stickiness' with clients
- › Sales training and joint events

#3

Harness technology

- › Further leverage RWS Moravia expertise
- › Identify suitable technology partners
- › Introduce technology where it makes sense

#4

Selective acquisitions

- › Extend capabilities
- › Strengthen global presence

Current Trading and Outlook

Current trading and outlook

- › Trading performance since period end has been in line with recently upgraded market expectations
- › Confident in delivering another record year:
 - › growth opportunities in America and Asia Pacific
 - › continued focus on developing sales teams across the Group
 - › good momentum in the RWS IP Services division
 - › good opportunities at RWS Moravia to expand range of services with key clients
- › Strong cash generation continues to underpin the Group's progressive dividend policy
- › Fragmented market creates opportunities to support strong organic growth with complementary acquisitions

Thank you

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RWS 2019© HALF YEAR RESULTS



Appendices

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 patent filing market, with a leading patent search service with the PatBase database covering over 57 million patent families
 - › No. 2 position in life science translations and linguistic validation
 - › A leading provider of technology-enabled localization services to many of the world's largest companies
- › Attractive, large and growing end markets with fragmented service provision, providing opportunities to gain market share and consolidate
- › International blue chip client base that is well diversified geographically and by sector
- › Cash-generative with low capex requirements and a 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

Shareholders list

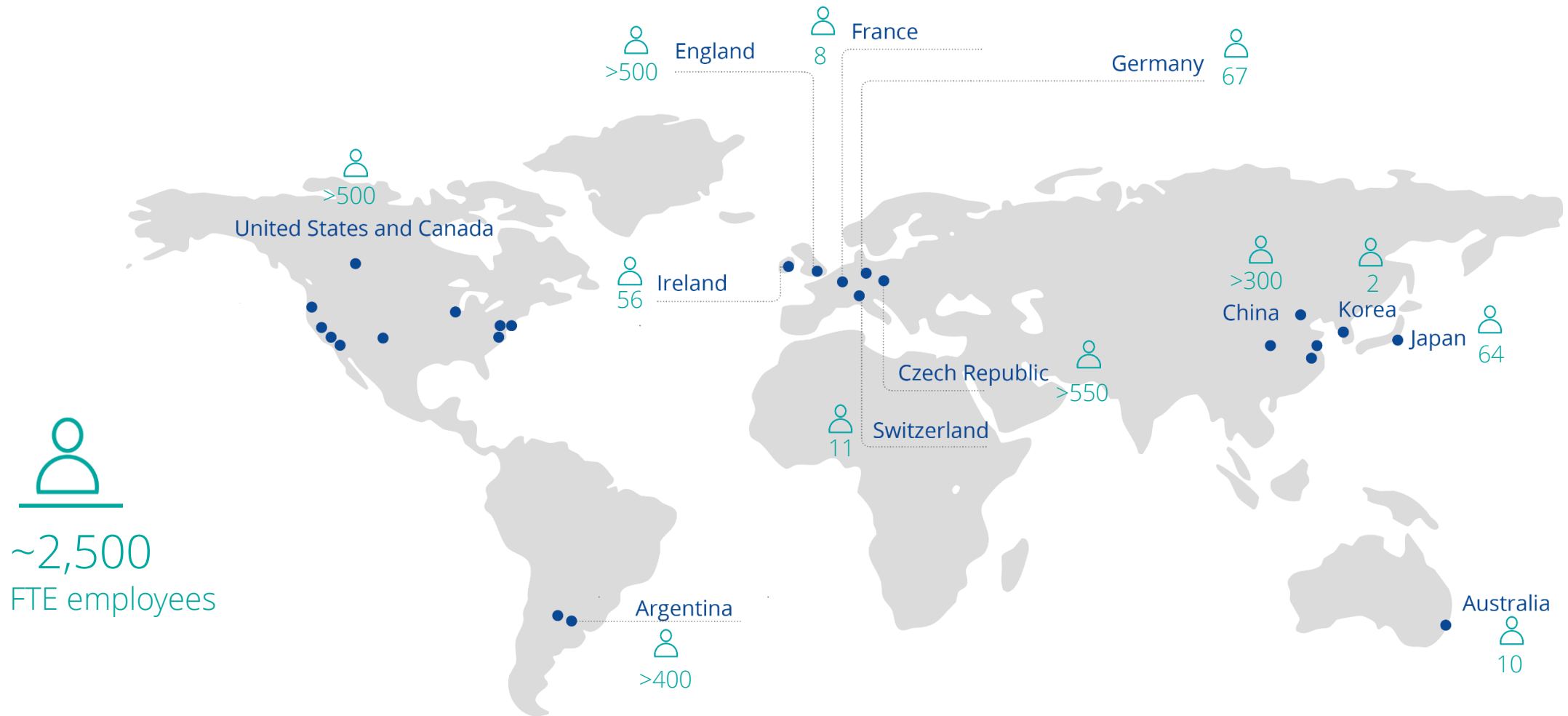
As at 30 May 2019

Top seven shareholders

Holding (%)

| | |
|------------------------------|------|
| Andrew S Brode | 33.0 |
| Liontrust Asset Management | 11.4 |
| Aberdeen Standard Investment | 7.7 |
| Octopus Investments | 5.6 |
| Canaccord Genuity | 5.3 |
| BlackRock | 3.0 |
| Investec | 2.8 |

Our geographical reach




~2,500
FTE employees