

Full Year Results

December 2018



Andrew Brode
Chairman

Richard Thompson
Chief Executive Officer

Desmond Glass
Chief Financial Officer



An outstanding year

Extended our leadership in global language services

60
YEARS

Celebrated our 60th year in business and our 15th year of unbroken growth in revenue and profit since flotation



Excellent H2 performance from Moravia with adjusted operating profit up 162% from H1 to £12.3m



Successfully completed assimilation and rebranding to RWS Moravia on 1 October 2018



Organic growth in revenue and underlying adjusted operating profit across all divisions



Good new business wins across the Group including from cross-sell opportunities



Promising start to FY 2019 with a strong performance in the first two months

Strong, cash-generative growth driving returns

Sales

£306.0m

+ 87%

+5% organic, constant FX

FY 2017: £164.0m

Moravia contribution

11 months

£126.9m revenue

£17.0m adjusted operating profit

+14% revenue growth, constant FX

Adjusted PBT¹

£61.8m

+ 43%

+ 6% organic, constant FX

FY 2017: £43.3m

Adjusted EPS¹

17.4p

+ 22%

FY 2017: 14.3p

Net debt

£65.1m

after £66.8m to fund the
Moravia acquisition

FY 2017: £20.2m

Final dividend

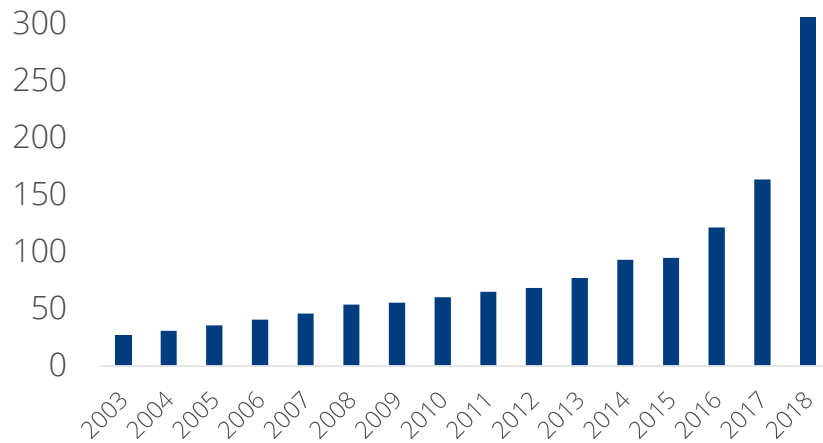
6.0p

+15% on final and
total dividend

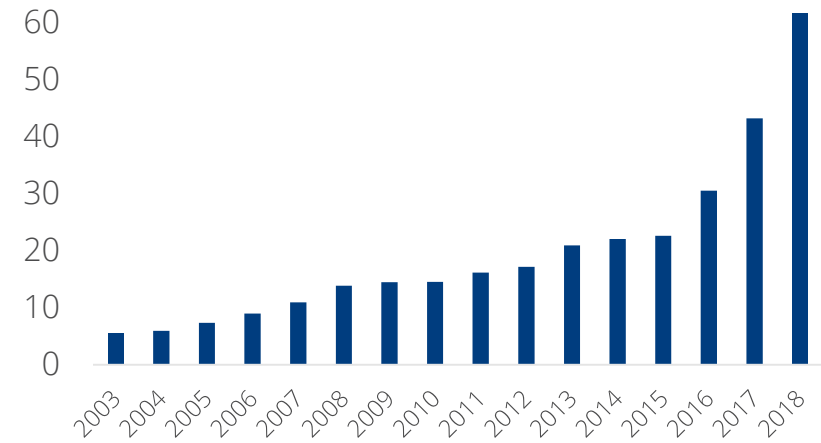
FY 2017: 5.2p

A 15-year track record of unbroken growth

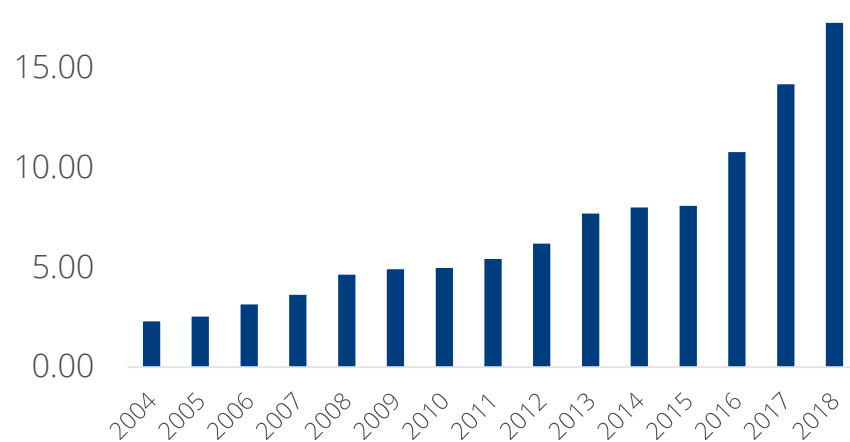
Annual revenue (£m)



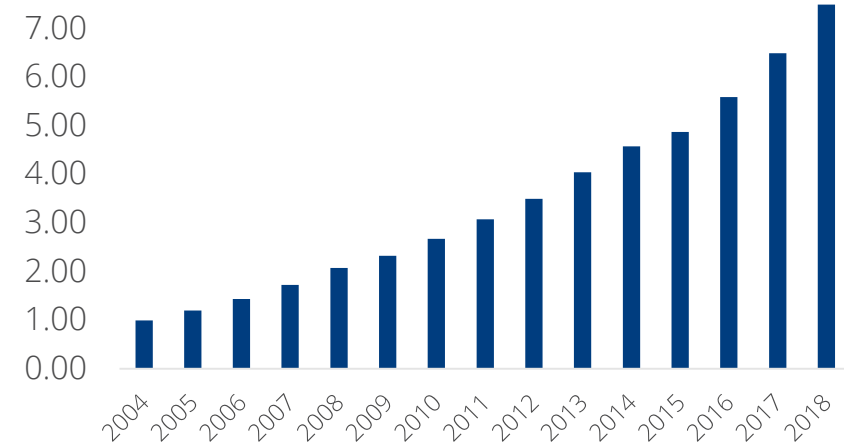
Annual adjusted PBT¹ (£m)



Adjusted diluted EPS² (pence)



Dividend² year total (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 2018

Income statement

	Year ended 30 September 2018 (£m)	Year ended 30 September 2017 (£m)
Revenue	306.0	164.0
Cost of sales	(187.2)	(92.3)
Gross profit	118.8	71.8
GM%	38.8%	43.8%
Administrative expenses (before adjusting items)	(52.5)	(28.4)
Net finance costs	(4.5)	(0.1)
Adjusted profit before tax	61.8	43.3
NM%	20.2%	26.4%
Adjusting items ²	(22.2)	(9.4)
Tax expense	(11.4)	(9.3)
Profit for the year	28.2	24.6
Basic EPS (pence)	10.4	11.0
Adjusted Basic EPS (pence)	17.4	14.3

Strong revenue growth – up 87%

- › Acquisition of Moravia
- › Full period contribution from LUZ & AOP
- › Organic growth – 3% reported; 5% underlying¹

Margin trend reflects changed margin mix following Moravia acquisition

43% uplift in Adjusted PBT

- › Strong H2 performance from Moravia
- › Organic YoY growth recorded across all divisions

Increased net finance costs reflects new US\$160m facility

Underlying tax rate of 24.1% (2017: 25.3%) after adjusting for acquisition costs

Currency has a significant impact on both H1 and H2 performance

¹ Adjusted for acquisitions and assumes constant currency.

² Amortization on acquired intangibles £14.6m (2017: £6.6m) and acquisition costs £7.6m (2017: £2.8m).

Underlying segmental revenue analysis

	2018 Reported (£m)	2017 Reported (£m)	YoY Growth (£m)	YoY Growth (%)	Currency Impact (£m)	Acquisition Impact (£m)	Underlying ¹ YoY (£m)
Patent Translation & Filing	102.3	97.8	4.5	4%	(0.7)	-	5.2
Patent Information	9.7	7.7	2.0	26%	(0.1)	1.5	0.6
Life Sciences	52.3	45.3	7.0	15%	(2.5)	8.6	0.9
Language Solutions	14.9	13.2	1.7	13%	0.1	-	1.6
Moravia	126.9	-	126.9	n/a	n/a	126.9	n/a
Total	306.0	164.0	142.0	87%	(3.2)	137.0	8.3

Underlying revenue growth

Patent Translation & Filing
+5%

Patent Information
+8%

Life Sciences
+2%

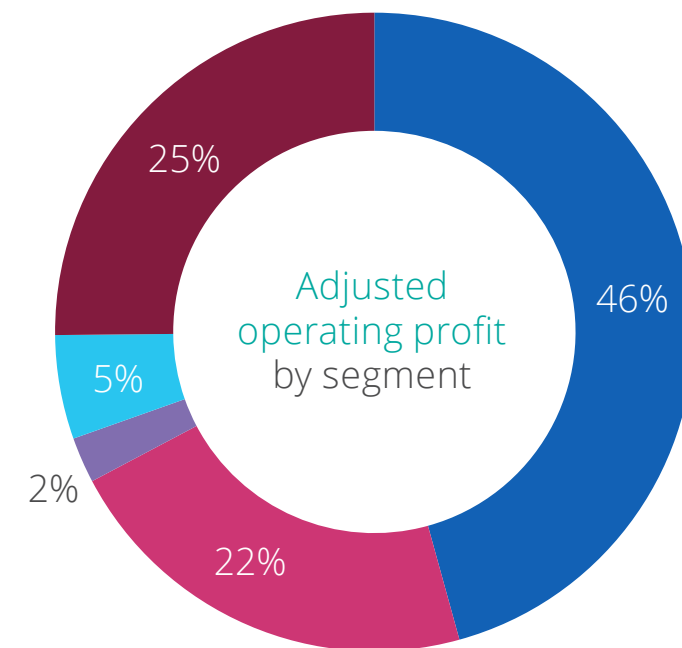
Language Solutions
+12%

Moravia
+14%²

Group
+5%¹

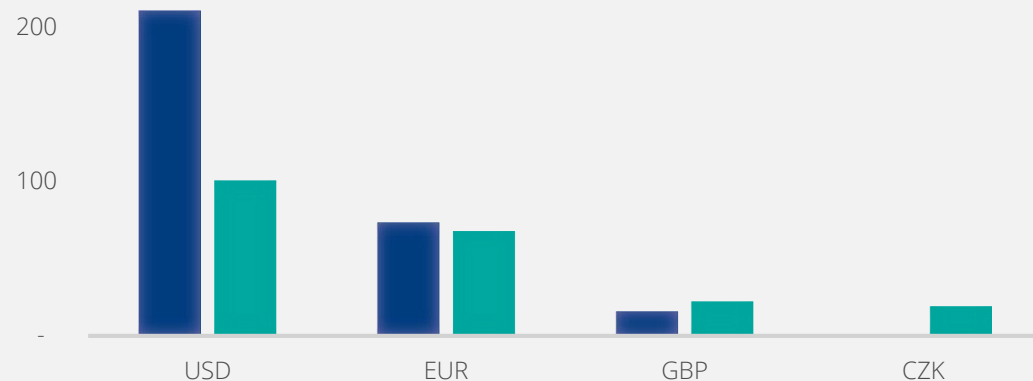
Segmental operating margin analysis

	Patent Translation & Filing		Patent Information		Life Sciences		Language Solutions		Moravia	
	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	H118 ¹
Revenue	102.3	97.8	9.7	7.7	52.3	45.3	14.9	13.2	126.9	52.1
Adjusted operating profit - £m	30.9	26.9	3.6	4.1	14.5	12.0	1.6	1.3	17.0	4.7
Adjusted operating margin - %	30.2%	27.5%	37.1% ²	53.2%	27.7%	26.5%	10.7%	9.8%	13.4%	9.0%
Movement	+2.7%		-16.1%		+1.2%		+0.9%		+4.4%	

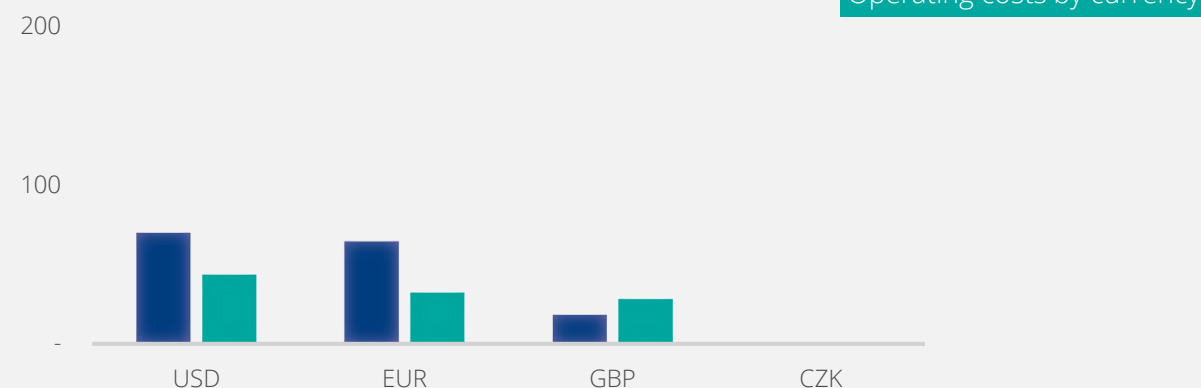


Group currency analysis

Analysis of key Group currencies – FY 2018
(in GBP equivalents)



Analysis of key Group currencies – FY 2017
(in GBP equivalents)



The acquisition of Moravia has changed the Group's currency mix in three ways:

- › Further increased the net surplus of USD
- › Balanced out the Group's previous net surplus of EUR in the Patent Translation & Filing division
- › Introduced CZK cost exposure, which alongside GBP, are the Group's main net currency deficits

Overall, key average exchange rates in 2018 were adverse compared to 2017

	2018 average	2017 average
USD/GBP	1.347	1.273
USD/EUR	1.190	1.106
EUR/GBP	1.132	1.151

Managing our currency risk

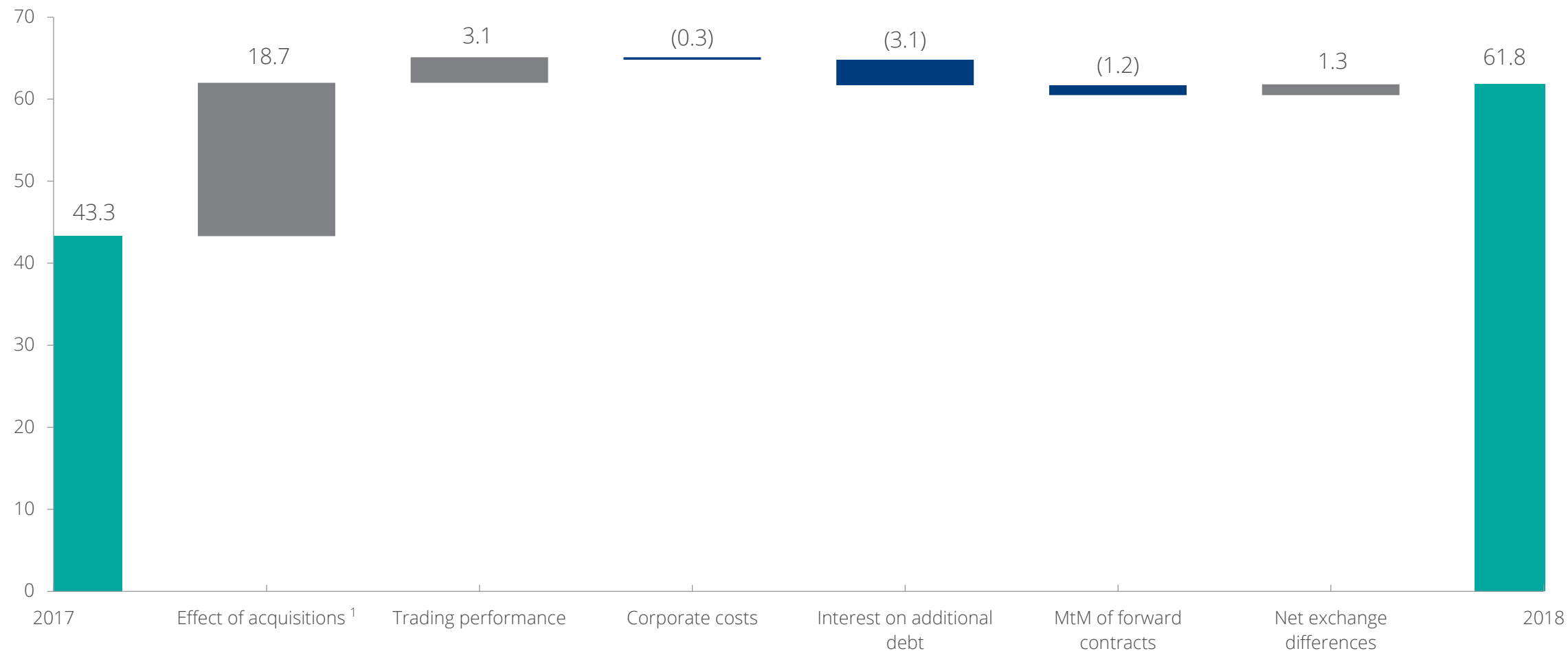
- › We are effectively economically hedged at Group level
 - › Natural hedge of USD denominated debt
 - › Additional currency specific hedging through currency forwards at both Group and entity level
- › Focused on reducing earnings volatility through better alignment of our USD borrowings to subsidiary USD cash flows
 - › Novation of significant portion of our USD debt at Group level to Moravia
 - › USDGBP forward contracts in place due to GBP shortfall
 - › USDCZK forward contracts in place throughout FY 2019 to cover Moravia CZK operating costs
 - › Moravia pre-acquisition EUR hedges continue to unwind through December 2018
- › Continue to mitigate our key USD exposure at both balance sheet and income statement level

Balance sheet and cash flow

Balance sheet	As at 30 September 2018 (£m)	As at 30 September 2017 (£m)
Non-current assets	429.8	169.5
Trade and other receivables	72.6	41.7
Foreign exchange derivatives	1.0	0.3
Cash and cash equivalents	38.2	20.1
Total assets	541.6	231.6
Trade and other payables	48.2	27.7
Loans	103.3	40.3
Other liabilities	34.8	4.7
Total liabilities	186.3	72.7
Net Assets	355.3	158.9
Net Debt	65.1	20.2

Cash flow	Year ended 30 September 2018 (£m)	Year ended 30 September 2017 (£m)
Profit before tax	39.7	33.9
<i>Add/(Less):</i>		
Net finance costs/(income)	4.5	0.1
Amortization	16.6	6.7
Depreciation	2.8	1.2
Operating cash flows before working capital & taxation	63.5	41.9
Working capital movements	(7.1)	(3.8)
Income tax paid	(12.8)	(9.7)
Net cash from operating activities	43.6	28.4

Adjusted profit before tax bridge



12

¹ Includes 11 months trading from Moravia, 12 months from AOP and an incremental 4.5 months trading from LUZ in 2018.

Operational Review 2018

Leaders in specialist, growing market segments

Patent Translation & Filing

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

Patent Information

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



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



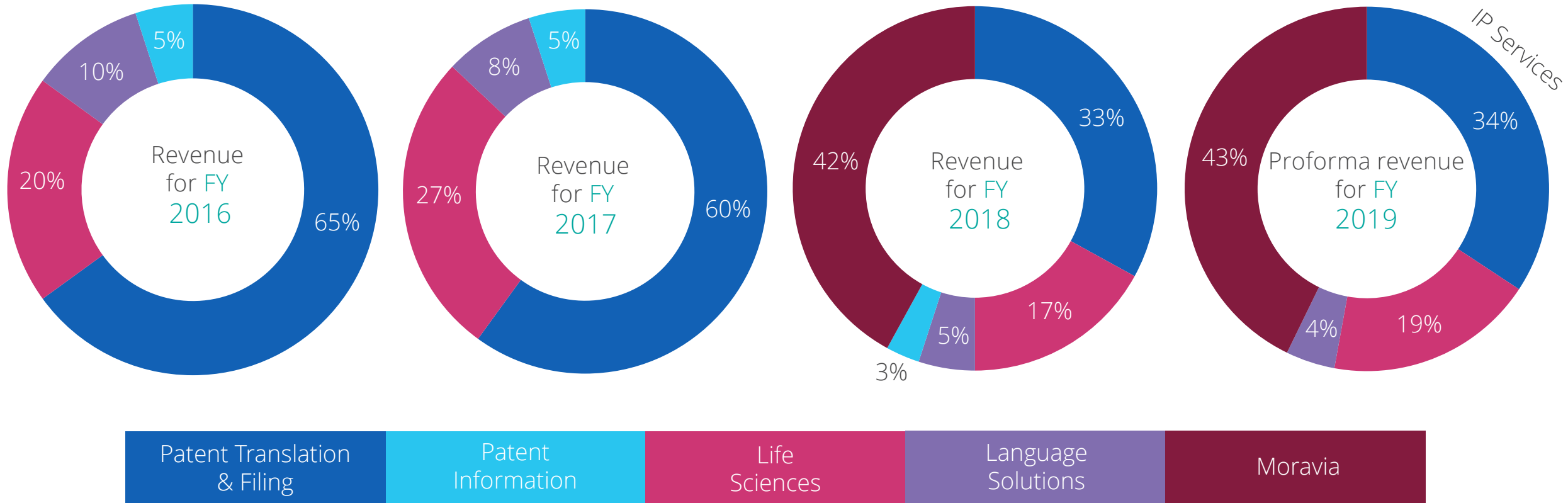
World leader in language and intellectual property services with a reputation for high-quality people, processes and technology



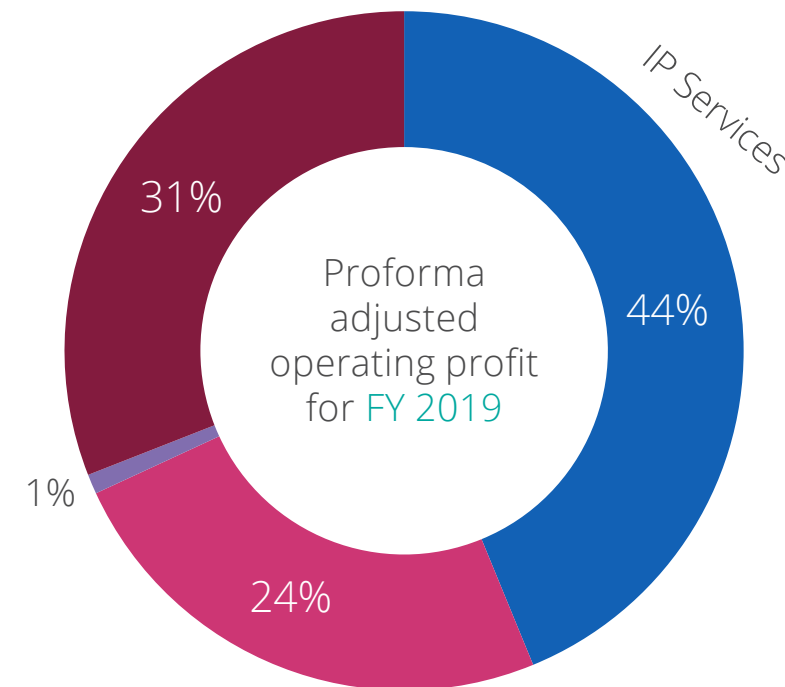
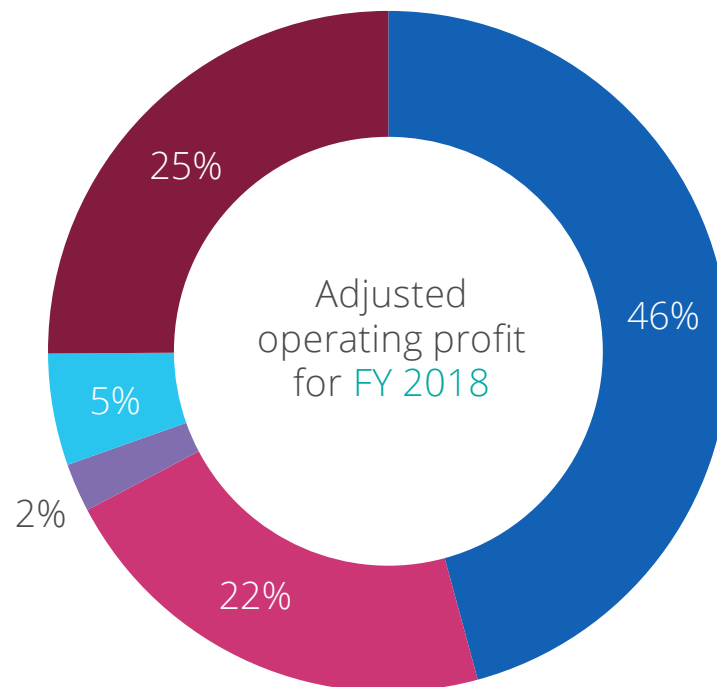
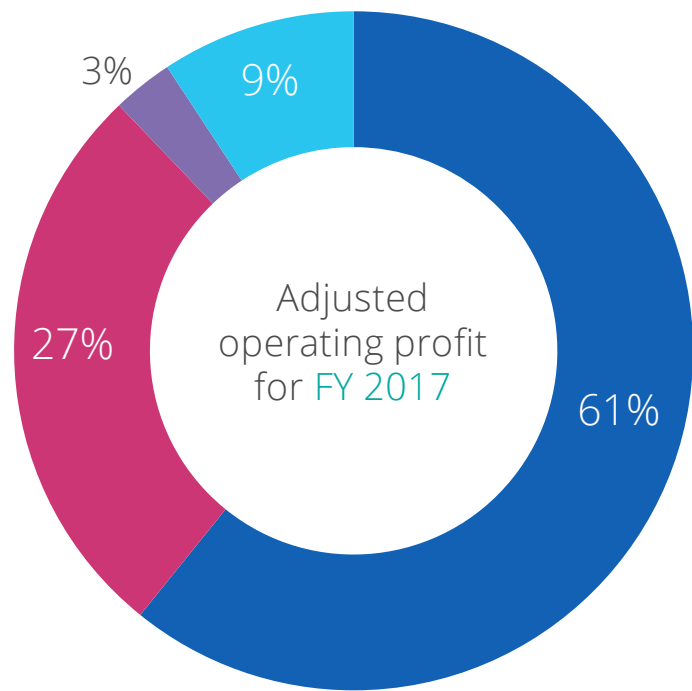
Language Solutions

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

Increased diversification of services: revenue



Increased diversification of services: profit



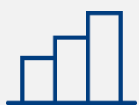
Extended our geographical reach


2,459
FTE employees



Patent Translation & Filing

Revenue growth and improvement in adjusted operating profit through tight control of overheads and FX gains. Strong growth opportunities in China and America.



Revenue grew by 5% (CC¹)

- › Good growth from core client base
- › Revenue from new wins in prior periods
- › Several new clients including notable cross-sell wins
- › Revenue up 9% in H2



Operational improvements

- › Strengthened management team
- › Focus on communications and systems



Future growth: China

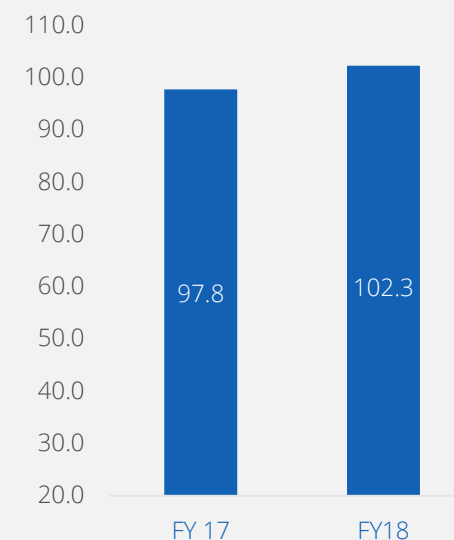
- › Long-term strategic revenue growth market – “made in China” to “designed in China”
- › Investment in local team



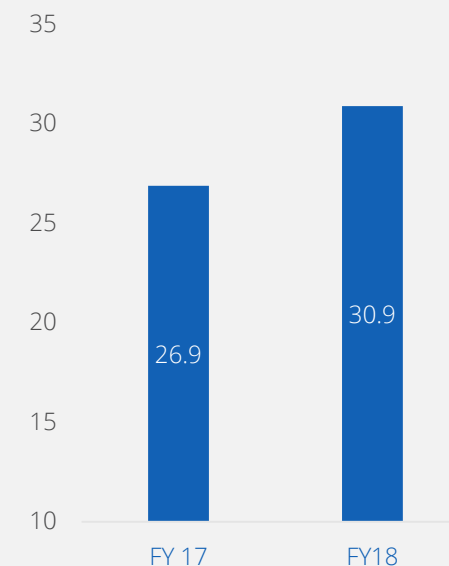
Future growth: America

- › Stronger value proposition than patent attorneys
- › Leverage Moravia and Life Sciences client relations to generate new wins

Patent Translation & Filing Revenue (£m)



Patent Translation & Filing Adjusted PBT (£m)



Patent Information

Strong growth for the search business and PatBase service.
Integration and rebranding of AOP completed on 1 October 2018.



Strong underlying¹ revenue growth of 8%

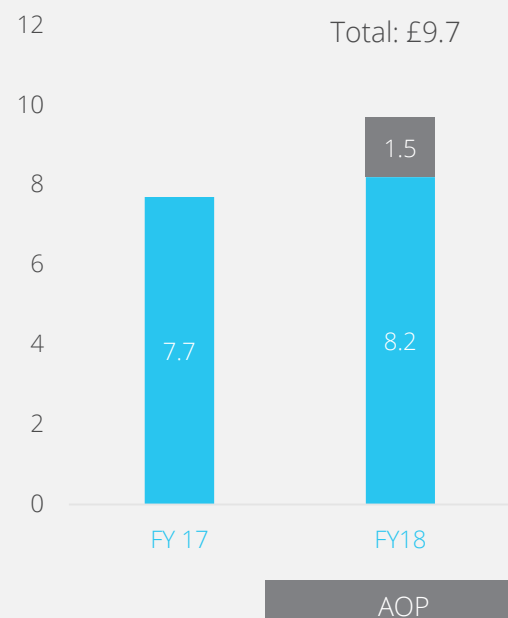
- > Search: revenue grew +10% (CC²) with regular client work
- > PatBase continues to grow with high margin (+7% CC²)
- > PatBase annual subscription 95%+ renewal rate
- > Full year of trading from AOP delivering £1.5m revenue



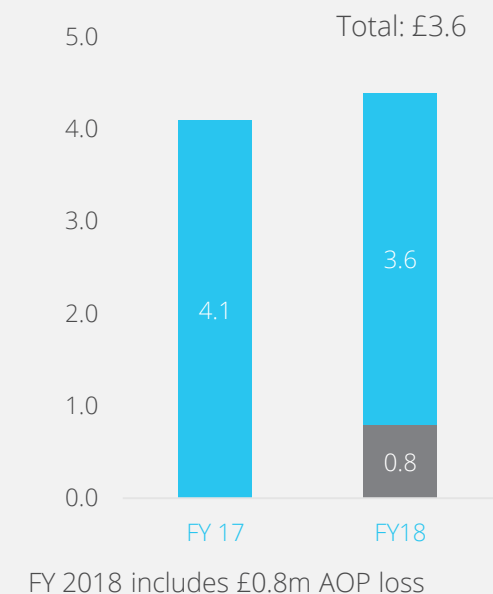
AOP fully integrated into RWS

- > AOP cost base rationalized and year ended profitably
- > AOP Connect platform adopted as sole client platform across the search business
- > AOP Connect allows the division to deliver search services in the US
- > New client for RWS Patent Translation & Filing through cross-sell

Patent Information Revenue (£m)

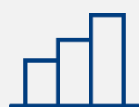


Patent Information Adjusted PBT (£m)



Life Sciences

First full year of results for RWS Life Sciences, formed on 1 October 2017, following the integration of CTi and LUZ. Strong growth opportunity in Asia Pacific.



Revenue increased by 2% on underlying¹ basis

- › Strong first half with good growth from key clients
- › H2 impacted by slower trade from core clients, in part due to new medical device regulation
- › Upselling divisional services and leveraging Group for cross-sell



Benefits of integration

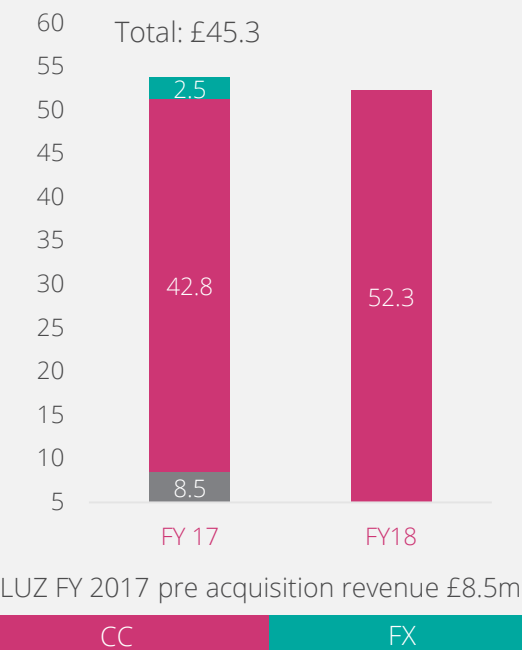
- › Adjusted operating profit at £14.5m (2017: £12.0m)
- › Streamlined teams and vendor relationships



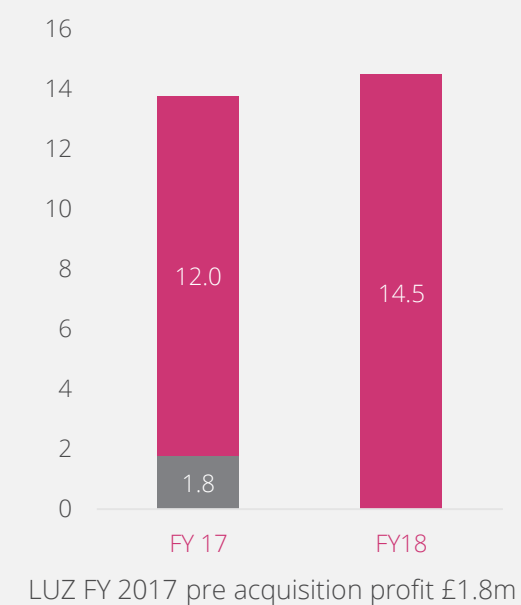
Expansion in Asia Pacific

- › New heads in operations and sales
- › Capitalize on growth in the pharmaceutical market
- › Better serve its existing client base

Life Sciences Revenue (£m)

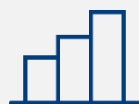


Life Sciences Adjusted PBT (£m)



Moravia

Strong H2 performance with new and existing clients. Assimilation and rebranding to RWS Moravia completed on 1 October 2018.



Strong H2 performance

- › Growth from top clients
- › Several good new business wins, including significant cross-sell win
- › Targeted cost base reduction
- › Improved USD:GBP exchange rate



Management team reorganized to improve focus and efficiency



Leveraging machine translation expertise across the Group

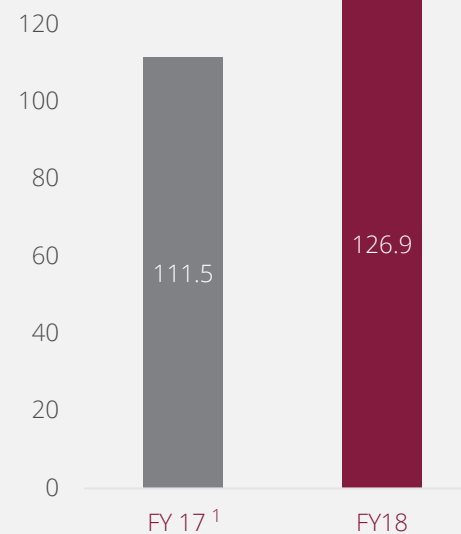


Life sciences integration completed on 30 September

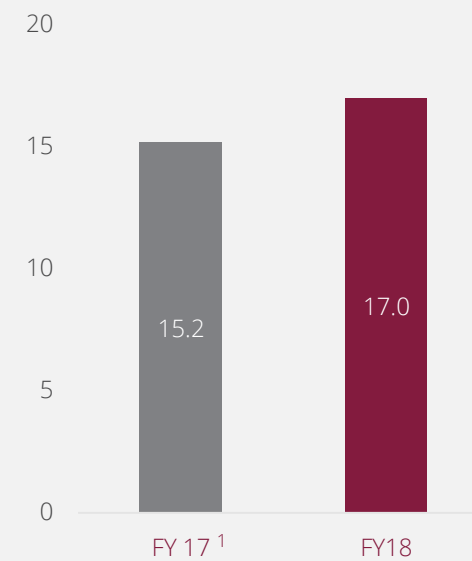


Rebrand to RWS Moravia completed on 1 October 2018

Moravia 11 months to 30 Sept Revenue (£m)

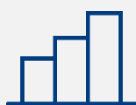


Moravia 11 months to 30 Sept Adjusted PBT (£m)



Language Solutions

Good growth showing benefits of FY 2017 reorganization. Establishing a small team in the US to capitalize on growth potential in the region.



Revenue increased by 12% (CC¹)

- › Good profit improvement in competitive market – adjusted operating profit up 23%
- › Growth with existing clients and addition of several new clients including from cross-sell wins
 - › Multinational pharmaceuticals company across UK and Germany



Reorganization supporting improved performance

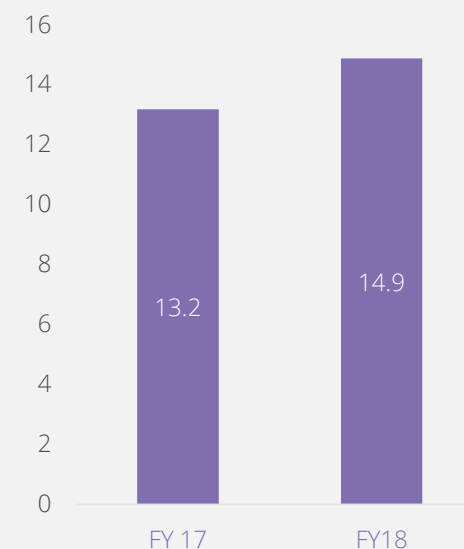
- › Better collaboration across offices
- › Additional revenue
- › Production efficiencies
- › Enhancement to sales processes
- › Introduction of machine translation



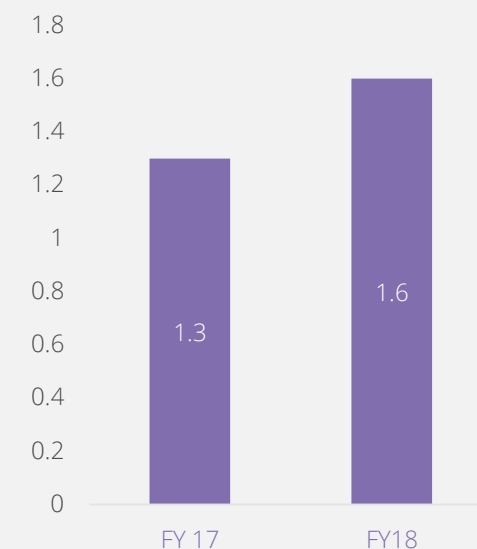
Building presence in the US

- › Better serve existing clients and win new business

Language Solutions Revenue (£m)



Language Solutions Adjusted PBT (£m)



Case study: cross-selling

Improving the patenting process for a multinational biopharmaceutical company

Background

- › American multinational biopharmaceutical company
- › Existing 10-year relationship with RWS Life Sciences
- › RWS Life Sciences referral to RWS Patent Translation & Filing

Opportunity

- › Extensive worldwide patent portfolio
- › Seeking a partner to facilitate international patenting
- › Improve quality, increase efficiency and reduce cost

Market Dynamics

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

US\$1,060bn market by 2022

6.5% CAGR 2017-2022

Source: Deloitte, 2018 Global Life Sciences Outlook

Localization

US\$46.5bn market

7.9% CAGR 2009-2018

Source: Common Sense Advisory Report, 2018

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. Growth closely tied to global healthcare expenditure

Regulatory changes can pause growth but ultimately drives volume

Localization is an essential function for companies with a global mindset

Market growth is driven by globalization, increased digital content

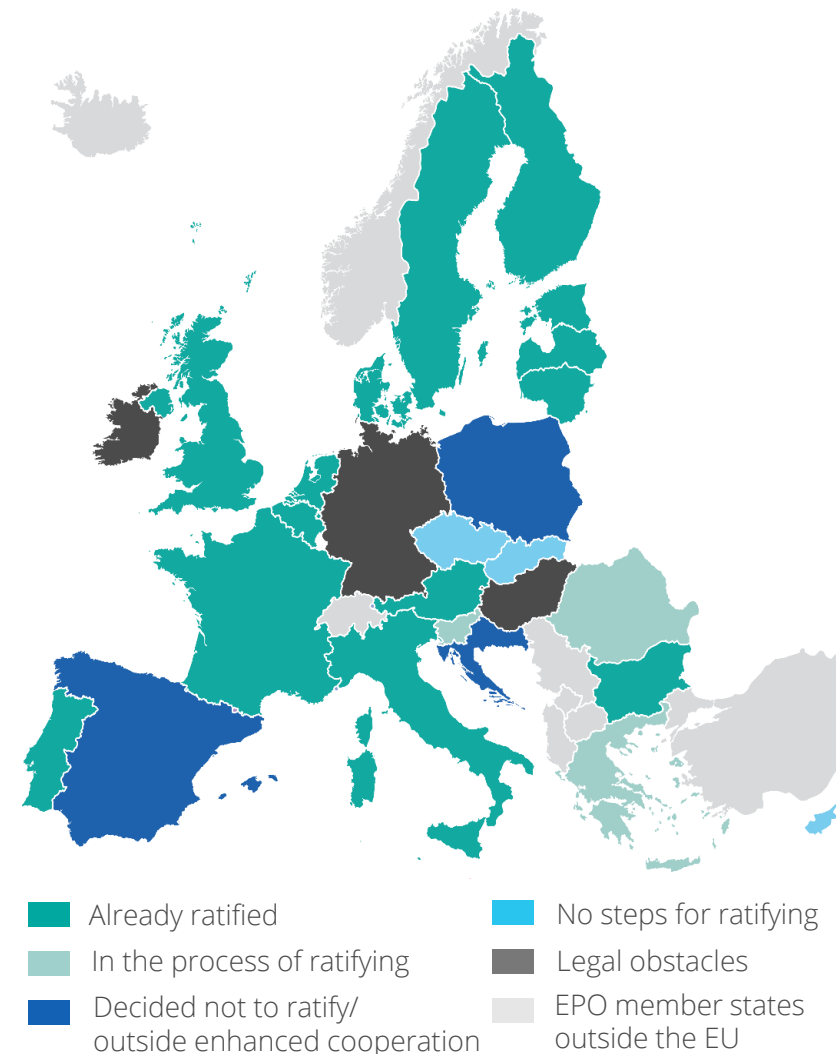
Challenges and opportunities

Unitary Patent

- › Now expected to be introduced in Q2 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
- › Do not expect any impact in FY 2019 and limited incremental impact in subsequent years

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 and can provide significant additional benefit over existing TM
- › 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

- › Promising start to FY 2019 with a strong performance in the first two months
- › Confident in delivering another record year:
 - › leveraging growth opportunities in America and Asia Pacific
 - › continued focus on equipping sales teams to sell across RWS's fuller suite of services
 - › good momentum at Moravia following assimilation into the Group and management reorganization
 - › development of new client wins from FY 2018
- › Strong cash generation continues to underpin the Group's progressive dividend policy
- › Strong balance sheet leaves us well positioned to take advantage of acquisition opportunities as they arise

Thank you

RWS.com

RWS 2018© FULL YEAR RESULTS



Appendices

Shareholders list

As at 23 November 2018

Top seven shareholders

Holding (%)

Andrew S Brode	33.0
Liontrust Asset Management	11.8
Aberdeen Standard Investment	7.8
Octopus Investments	6.4
Canaccord Genuity	5.5
Investec	3.1
Merian Global Investors	2.5