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# Full Year Results

## September 2017

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Andrew Brode  
Chairman

Richard Thompson  
Chief Executive Officer

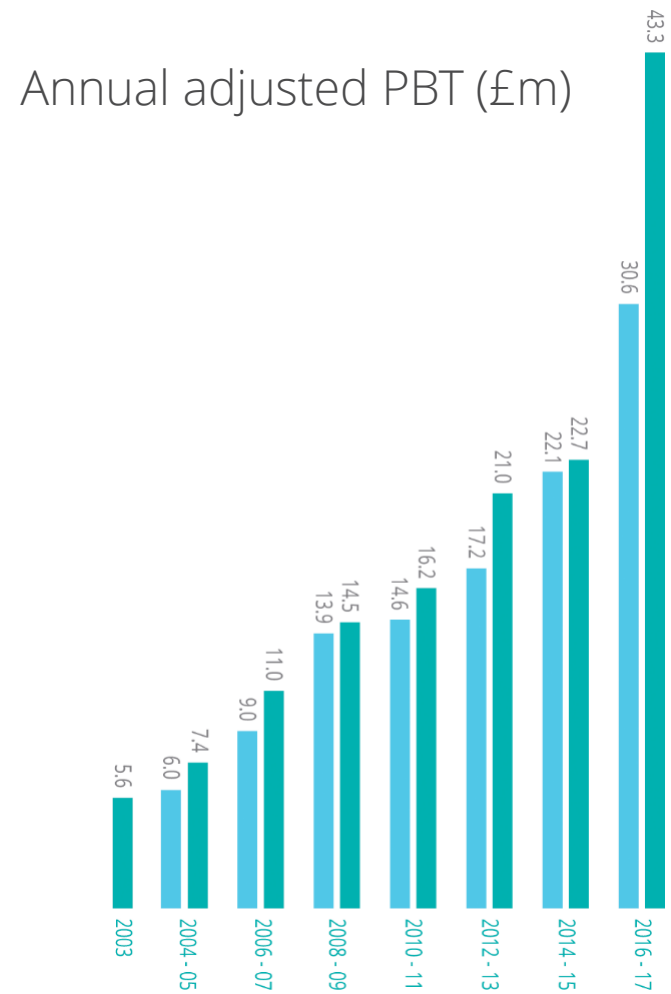
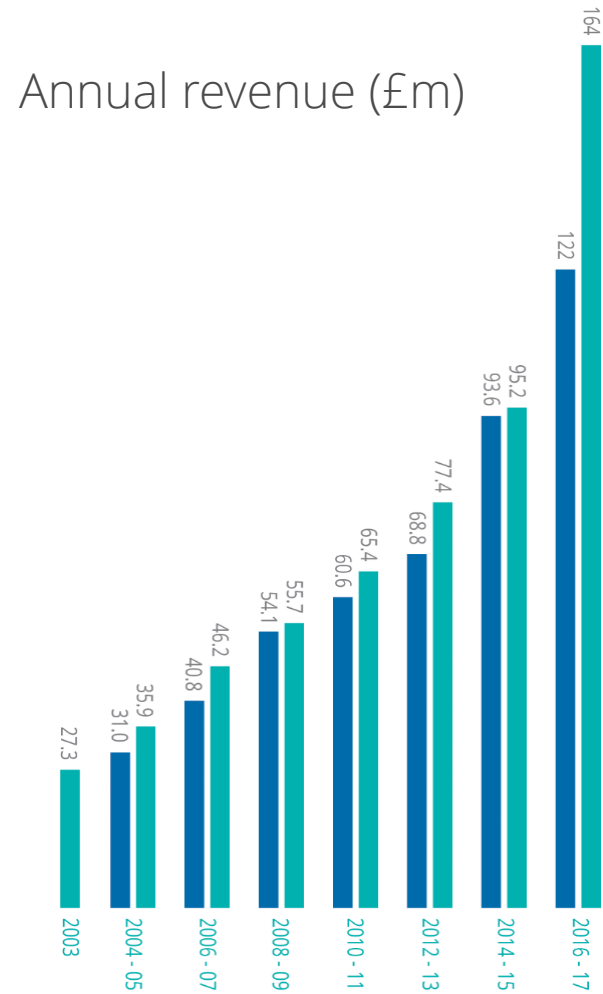
Desmond Glass  
Chief Financial Officer



“The post year-end acquisition of Moravia firmly establishes the Group as one of the world’s leading language services providers.”

Andrew Brode, Chairman

# Strong track record



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

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**Sales****£164.0m**

+ 34%

+ 8% organic growth

FY 2016: £122.0m

**LUZ contribution****7.5 months**£17.4m revenue  
£5.5m operating  
profit**Adjusted PBT\*****£43.3m**

+ 42%

+ 18% organic growth

FY 2016: £30.6m

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**Adjusted EPS\*****14.3p**

+ 31%

FY 2016: 10.9p

**Net debt****£20.2m**After £74.8m  
acquisitions and  
£40.0m placing

FY 2016: £1.5m

**Total dividend****6.5p**

+ 16%

FY 2016: 5.6p

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\* Before amortization of intangibles, acquisition costs and, in 2016 only, share-based payment costs.

# Operating highlights

- › Group gross margin improved by a further 96 basis points to 43.8% after significant gains in 2016
- › Excellent growth recorded by patent translation activities
- › Patent search activities enjoyed their best-ever results; PatBase subscription revenues grew by 20%
- › Acquired LUZ, a leading US-based translation company focusing exclusively on life sciences translations
- › Acquired Article One Partners (AOP), an innovative IP information business
- › Strengthened the management team and Board with the appointments of:
  - › Richard Thompson as Chief Executive Officer
  - › Desmond Glass as Chief Financial Officer
  - › Lara Boro as a Non-Executive Director

Excellent organic progress and further acquisition in Life Sciences

# The Group at a glance

## Patent Translation & Filing

- › World's premier provider of patent translation and filing
- › Patent translations in over 200 language pairs
- › 100 full-time highly qualified translators
- › Multi jurisdictional patent filing via international web filing platform, inovia

## Patent Information

- › A comprehensive range of patent search, retrieval and monitoring services
- › PatBase – patent database covering over 57 million patent families
- › AOP's crowd of 42,000+ researchers revolutionizing the quality and transparency of IP-related research

## Life Sciences

- › Full suite of language solutions for the life sciences industry
- › Technical translations and linguistic validation for pharmaceutical, biotech, medical device companies and clinical research organizations

## Language Solutions

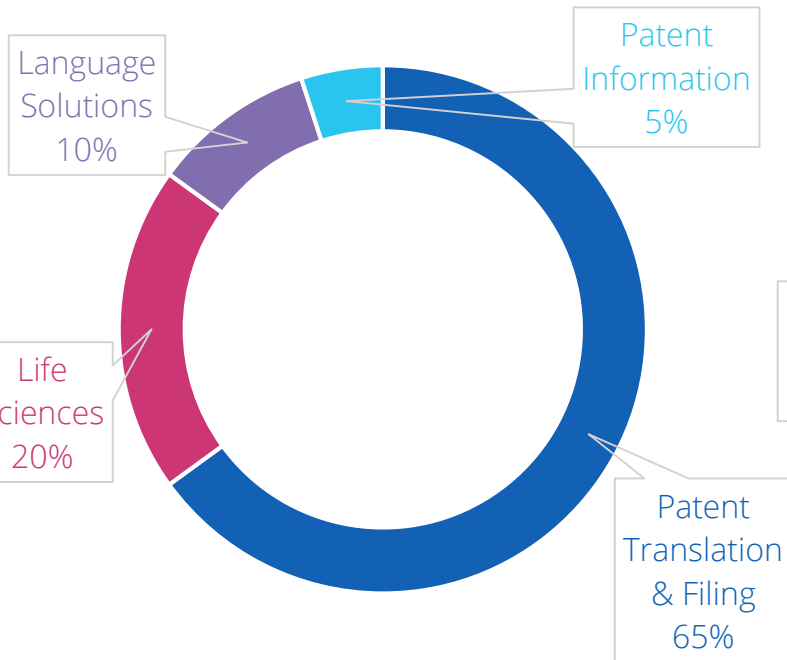
- › Formerly "Commercial Translations"
- › Non-patent or life science translations with a particular emphasis on technical and sensitive legal and financial documents
- › Includes our interpreting offering

## Moravia / Localization

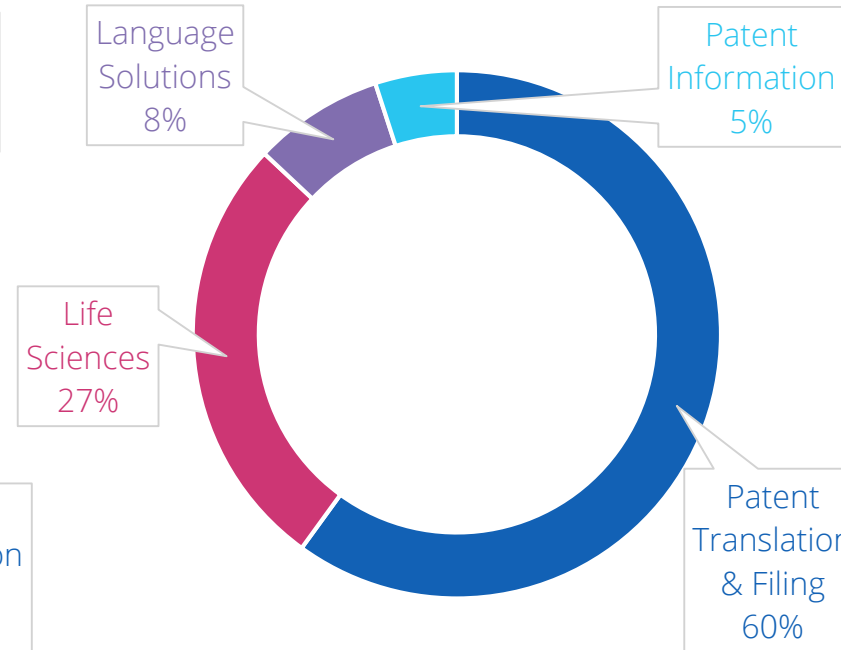
- › Technology-enabled localization for many of the World's largest publicly traded companies
- › Adapts content, software, websites and applications into 100s of languages and geographies
- › Customizes for cultural conventions, local regulation and consistency of brand style and tone

# Highly specialized services

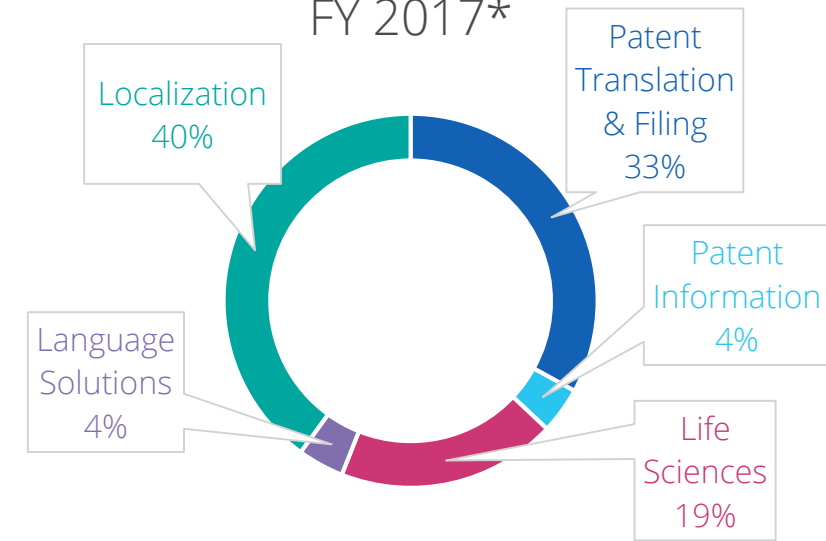
Revenue for FY 2016



Revenue for FY 2017



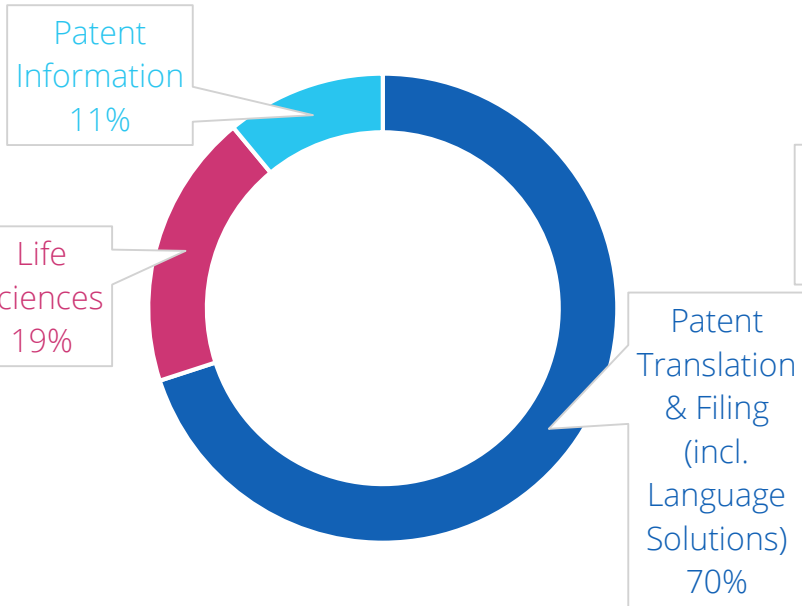
RWS + 12 months LUZ / AOP +  
Moravia Pro forma revenue for  
FY 2017\*



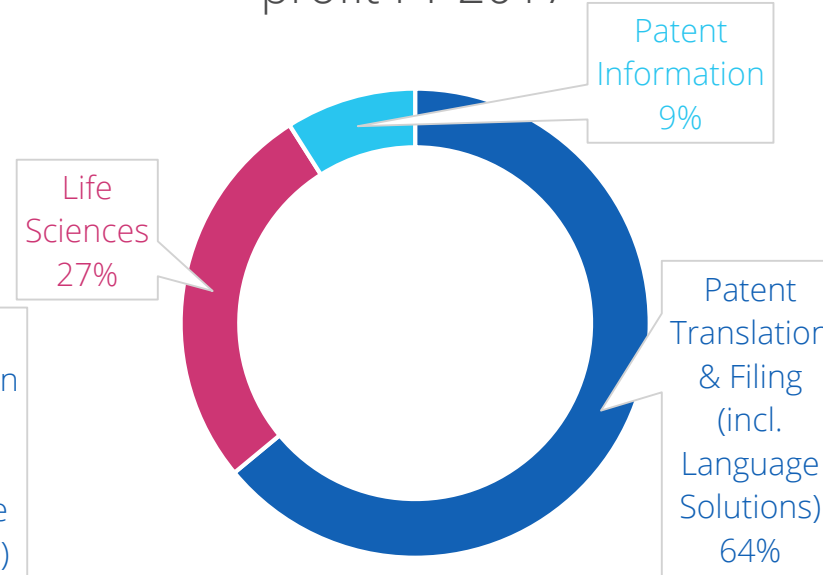
\* RWS results for 12 months to 30 September 2017, plus estimate of full year revenue for LUZ and AOP acquisitions, plus Moravia revenue for 12 months to December 2016 translated into GBP at an exchange rate of 1.32.

# A well balanced business

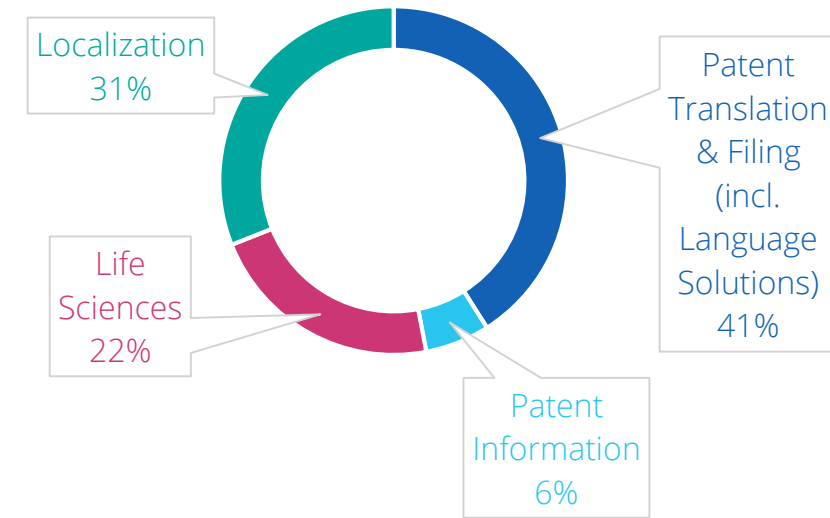
RWS + LUZ adjusted operating profit FY 2016



RWS + LUZ adjusted operating profit FY 2017



RWS + LUZ / AOP + Moravia adjusted operating profit FY 2017

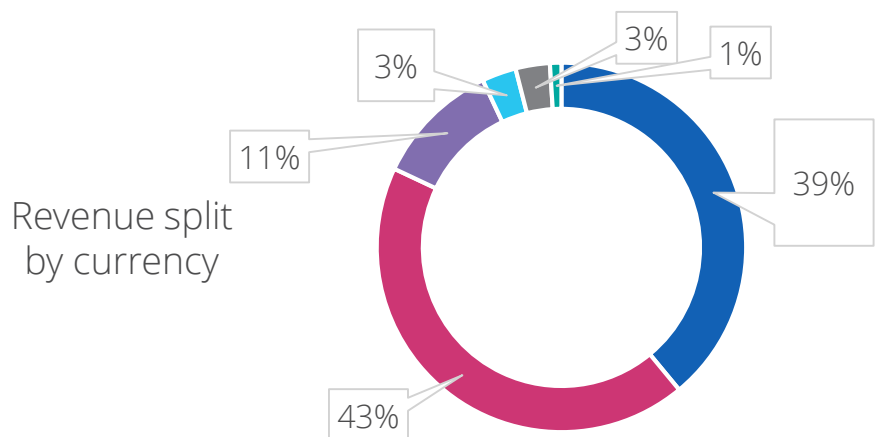


A diversified business model operating in highly attractive markets globally

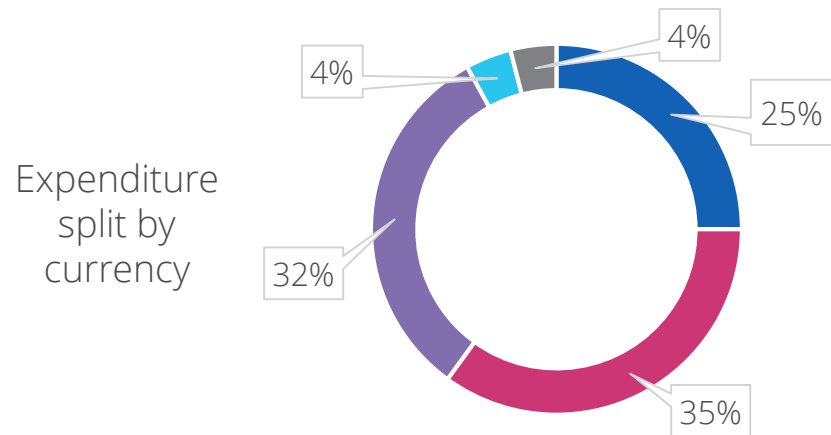


# Financial Review 2017

# Currency exposure and revenue analysis



■ Euro ■ USD ■ GBP ■ JPY ■ CHF ■ Other



■ Euro ■ USD ■ GBP ■ JPY ■ Other

	12 months to 30 September 2017 £m	12 months to 30 September 2016 £m	% increase
Revenue (as reported)	164.0	122.0	+34%
LUZ & CTi	(18.9)	-	-
Favourable exchange rate movements	-	12.2	-
Underlying revenue at constant currency	145.1	134.2	+8%

# Income statement

	Year ended 30 September 2017 £m	Year ended 30 September 2016 £m
Turnover	164.0	122.0
Gross profit	71.8	52.2
Gross margin %	43.8%	42.8%
Administrative expenses	(28.4)	(20.2)
Adjusted operating profit	43.4	32.0
Net finance income	(0.1)	(1.4)
Adjusted profit before tax*	43.3	30.6
Intangibles amortization	(6.6)	(4.6)
Acquisition costs	(2.8)	(0.9)
Profit before tax	33.9	25.1
Taxation expense	(9.3)	(5.8)
Profit for the year	24.6	19.3
Basic EPS (pence)	11.0	9.0
Adjusted EPS (pence)	14.3	10.9

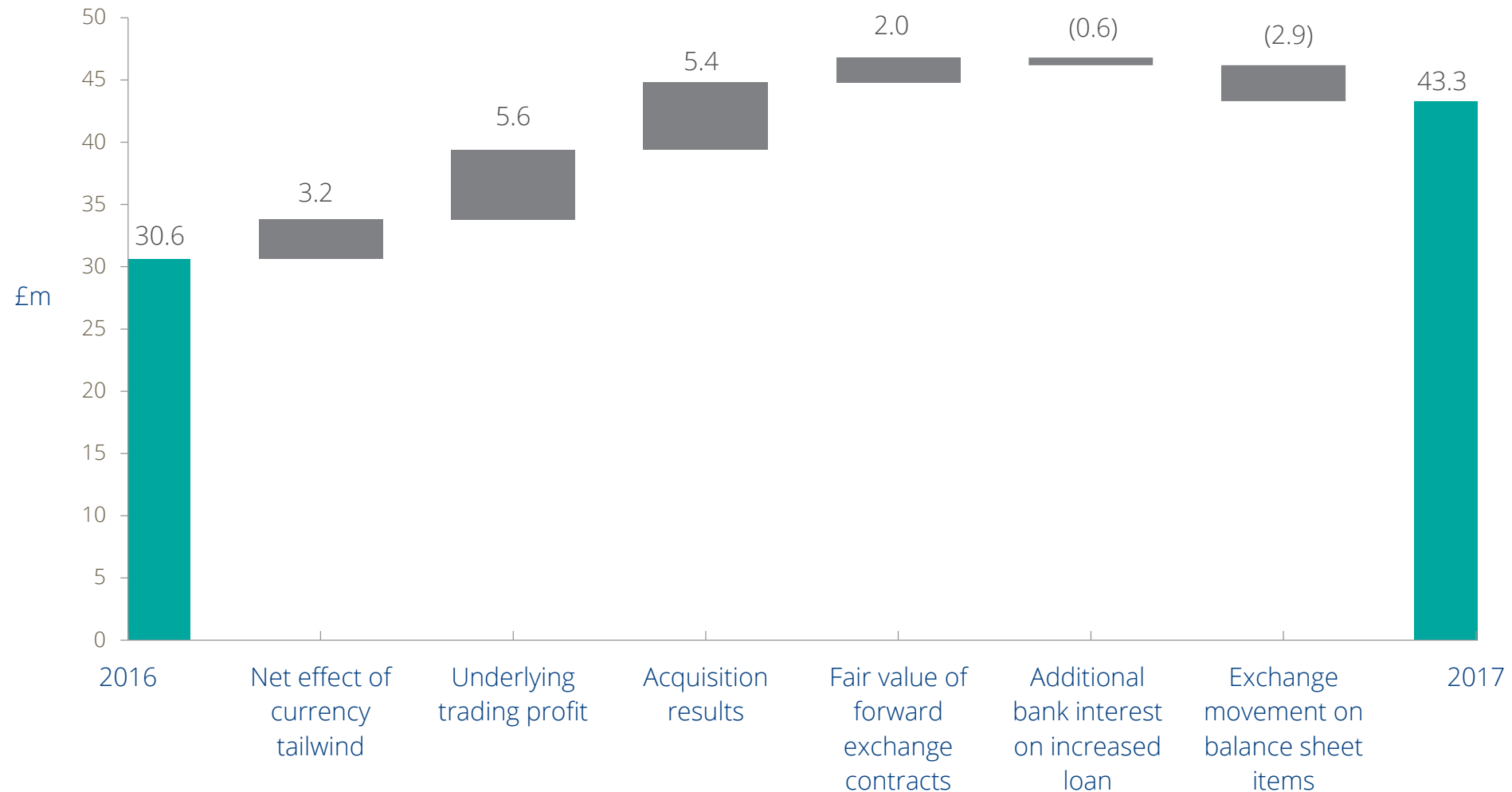
\* Before amortization of intangibles, share option costs and acquisition costs.

# Exchange rate movement

## Variance analysis – due to exchange rate movements

	Year ended 30 September 2017 £m	Year ended 30 September 2016 £m	Net movement £m
(Loss) made on realized forward contracts	(0.3)	(0.3)	-
Estimation of profit on sales increase due to exchange tailwinds	3.2	-	3.2
Exchange effect on assets denominated in foreign currencies	(1.2)	1.7	(2.9)
Mark to market on unrealized forward contracts	1.0	(1.0)	2.0
Total year-on-year exchange rate variance	2.7	0.4	2.3

# Adjusted profit before tax bridge



# Balance sheet

	Year ended 30 September 2017 £m	Year ended 30 September 2016 £m
Intangibles	149.9	89.9
Fixed assets	18.1	17.6
Deferred tax assets	1.5	1.9
Total non-current assets	169.5	109.4
Cash	20.1	27.9
Other current assets	41.9	28.2
Loan due < 12 months	(9.0)	(6.9)
Current liabilities	(30.5)	(25.7)
Net current assets	22.5	23.5
Term loan > 12 months	(31.3)	(22.5)
Provisions and other creditors	(0.3)	(0.4)
Deferred tax liabilities	(1.5)	(1.3)
Total net assets	158.9	108.7

# Cash flow statement

	Year ended 30 September 2017 £m	Year ended 30 September 2016 £m
Cash inflow generated from operations	38.1	29.6
Net interest expense	(1.0)	(0.4)
Taxation paid	(9.7)	(5.2)
Acquisitions	(74.8)	(47.1)
Capital expenditure	(2.2)	(0.9)
<b>Net cash outflow before financing</b>	<b>(49.6)</b>	<b>(24.0)</b>
Proceeds from issue of shares	41.9	5.4
Net movement on loan	12.8	24.6
Equity dividends paid	(12.6)	(10.6)
<b>Cashflow movement</b>	<b>(7.5)</b>	<b>(4.6)</b>
Opening cash	27.9	30.6
Exchange rate movement	(0.3)	1.9
<b>Closing cash</b>	<b>20.1</b>	<b>27.9</b>
Free cashflow	25.2	23.1

# Operational Review 2017



# Patent Translation & Filing

- › Revenue grew by 23% in the year
- › Strong growth in period
  - › Additional services to existing customers
  - › New revenue from wins in prior periods
  - › Increased number of patents filed, particularly in Europe
- › Future growth
  - › Increased revenue from customer wins in prior year
  - › Excellent cross selling opportunities across full suite of IP services and into other key divisions, already seeing strong cross selling into AOP
  - › Successfully targeting Japanese and Chinese international filers
  - › Developing reciprocal relationships with patent agents
- › Developing Chinese market
  - › Increased employees to 87 (2016 : 70) across our three offices
  - › Increased sales to North American and European filers, local patent attorneys and international patent bodies



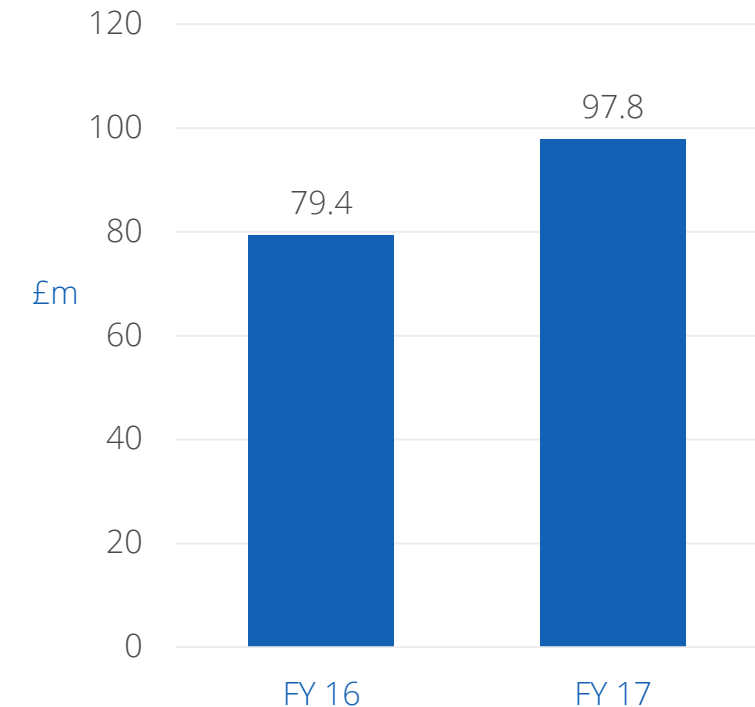
Over 90,000 patent and IP documents translated and/or filed in FY17



7.3% growth in worldwide PCT applications in 2016

\* Source: [http://www.wipo.int/pressroom/en/articles/2017/article\\_0002.html](http://www.wipo.int/pressroom/en/articles/2017/article_0002.html)

## Patent Translation & Filing Revenue (£m)



WIPO 9 of the top 20 applicants at the World IP Office

EPO 12 of the top 20 applicants at the European Patent Office



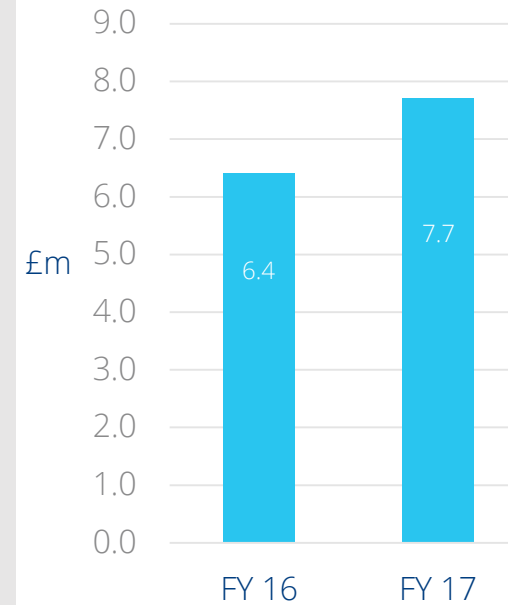
# Patent Information

- › Reported revenue up 20% to £7.7m (2016 : £6.4m)
- › Strong growth in search (up 22%) due to client wins and good flow of regular work from existing clients
- › PatBase experienced strong growth; up 20% due to new subscribers, a price increase and currency tailwinds
- › Acquired AOP, an innovative IP information business:
  - › Online crowdsourced research platform linked to 42,000 researchers globally and based in the United States
  - › FY 16 revenue of US\$3.7m

# Language Solutions

- › 11% growth in revenues to £13.2m (2016 : £11.9m)
- › Restructured under one management team and rebranded
- › Now operating as a standalone business unit which will drive focus on margins and production efficiencies

## Patent Information Revenue (£m)

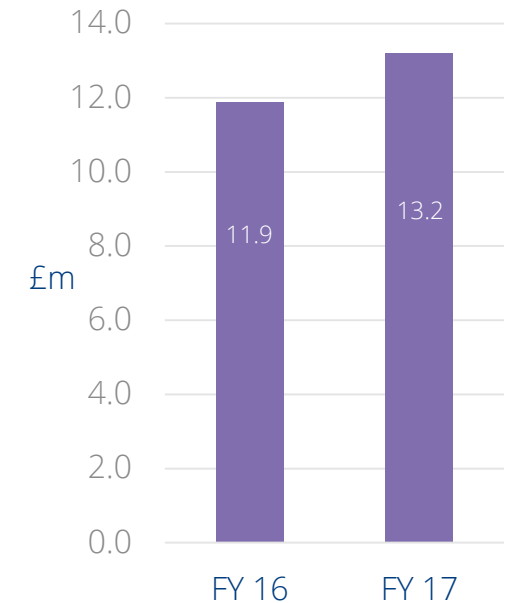


Over 1 billion words translated in FY17



1,500 patent searches performed

## Language Solutions Revenue (£m)



# Life Sciences

- › Brings full suite of services for the sector together:
  - › CTi's clinical translation and linguistic validation expertise plus LUZ's medical device and regulatory offering
  - › Integration complete: one brand addressing the needs of pharmaceutical and CRO customers
  - › LUZ's proprietary translation management technology platform (AURORA) is being introduced across the division
- › Revenue increased to £45.3m (2016: £24.4m):
  - › Now accounts for 27% of total Group revenue
  - › 12 month contribution from CTi, 7.5 months from LUZ
  - › CTi had a challenging year following the renegotiation of key contracts but strengthened relationships leave it well placed for future growth
  - › LUZ performed particularly well with sales of £17.4m, driven by growth from major customers
- › Future Growth:
  - › Planned expansion into Asia Pacific in 2018 to capitalize on growth in the pharmaceutical market and better serve its existing customer base

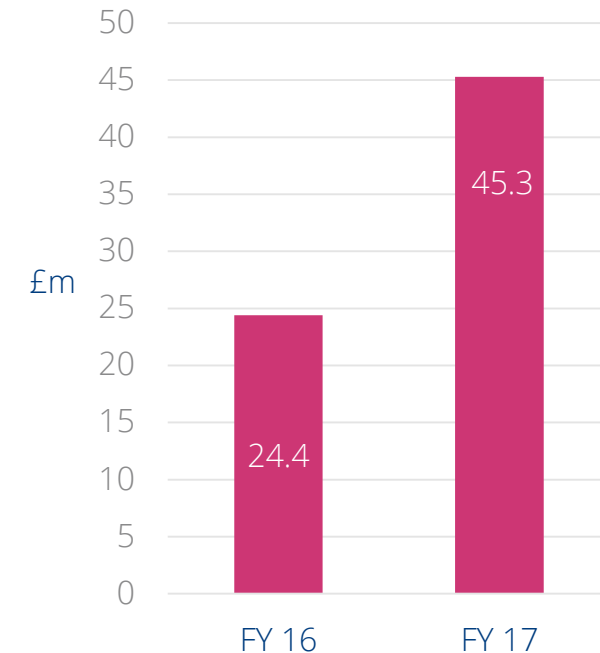


85,000 life science projects in FY17



£17.4 million increase in revenue as a result of LUZ acquisition

## Life Sciences Revenue (£m)



Post period end  
acquisition of  
Moravia

# Moravia: a premier & differentiated localization partner

- › A leading provider of technology-enabled localization services brings a new industry-leading localization division to RWS
- › Addresses clients' large, complex and time-critical localization requirements across multiple languages and platforms
- › Long-term relationships with large technology clients

## Why clients choose Moravia:

- › Focus on collaboration, long-term relationship development and joint innovation
- › Reputation as an industry leader due to quality of client base and to high client satisfaction
- › Strong technological knowhow enables it to identify and deliver localization using the optimal technology for its client
- › Differentiated ability to source and manage talent globally:
  - › 'Second city' approach – locations close to the client and lower cost delivery centres that widen the talent pool



# Moravia acquisition

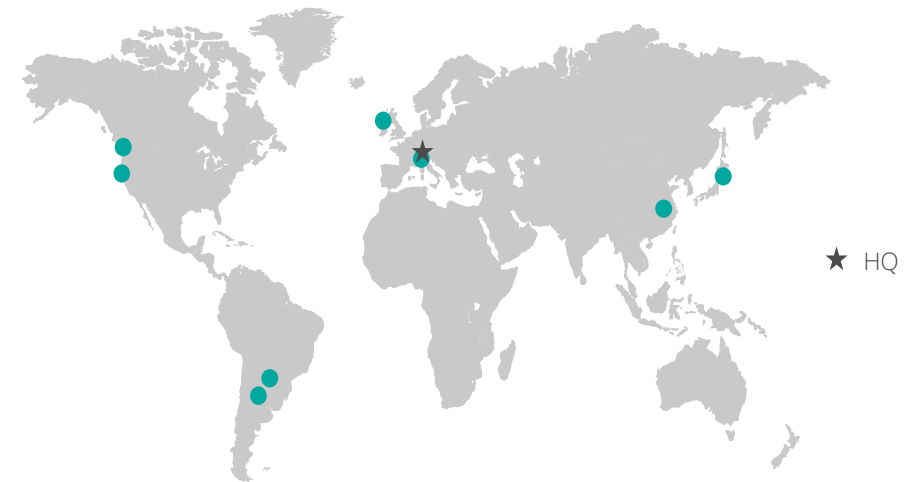
## Rationale

- › Highly successful business with a strong growth track record and an attractive financial profile
- › Creates an RWS division of critical mass in a highly attractive adjacent market
- › Provides further diversification, with strengthened operating base in EU

## Transaction details

- › Total cash consideration of \$320m, plus working capital expenses and transaction costs
- › Funded through:
  - › c.£185m cash placing of new ordinary shares
  - › USD \$160m new banking facilities (replacing RWS's existing USD debt facility)
- › Moravia will operate on an autonomous basis within RWS
- › Moravia management team to run this new division, reporting to the RWS Board
- › Moravia CEO will be invited to join the RWS Board

Regional second city hubs manage workflows



# Market Update



# Our markets: update

## Unitary Patent

- › Timing still uncertain - expected to be introduced in Q4 2018 at the earliest
- › Brexit means uncertainty as to whether the UK will ratify; German ratification delayed pending a court appeal that claims the UP is unconstitutional
- › To run in parallel to the existing system
- › 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

- › New 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
- › For searchable machine translated content in PatBase, a new NMT solution has been implemented
- › Moravia's knowledge of MT technologies can be leveraged across the Group



# Attractive growth markets

## PCT filings

233,000

7.3% increase in  
2016

Source: WIPO

Fastest increase in PCT filings since 2011

USA still largest PCT filer but Chinese  
applications showing strong growth

High quality translations crucial to IP protection

## European patent filings

296,000

6.2% increase in  
2016

Source: EPO

## Life Sciences

£1,650bn market by  
2020

4.9% CAGR 2016 –  
2020

Source: Deloitte, 2017 Global  
Life Sciences Outlook

Highly regulated and audited  
industries with significant R&D  
spend

Growing market worldwide and  
greater regulatory scrutiny /  
information requirements  
underpin substantial growth  
opportunities for high quality  
translations

## Language Services

\$47.5bn market

Grown by 6.9% pa

Source: Common Sense  
Advisory Report, 2017

Localization is an essential  
function for companies with a  
global mind-set

Market growth is driven by  
globalization, increased  
digital content consumption  
and a trend for clients to  
outsource their increasingly  
complex requirements

# Outlook

# Key opportunities & priorities

## Moravia

- › Integration of Moravia with RWS

## Life Sciences

- › Build on combined business to drive sales in Europe and the US
- › Expand Life Science reach to Asia with the assistance of existing Group infrastructure
- › Cross sell services to enlarged Life Sciences customer base

## Cross-selling

- › Harness enhanced service portfolio to retain and win major contracts
- › Full service offering in RFPs to major international corporates

## IP – Online Filing Platform Technology

- › Continue to enhance IP portal as the go-to platform for IP professionals for IP information, cost calculation, filing and translation solutions; build client-integrated systems
- › Continue to integrate platform with additional IP Management Systems

## Translation Technology

- › Continue to expand implementation of Machine Translation in the production flow in selected offices and sectors

# Current trading & outlook

- › The Group has made a strong start in the first two months of the new financial year, in line with our expectations that we will continue to build upon the record levels established in 2017
- › The acquisition of Moravia:
  - › Significantly strengthens the Group's global presence
  - › Provides excellent potential cross-selling opportunities for patent translation services
  - › Further diversifies risk by adding a third market leading business of scale
  - › Positions the Group as one of the world's leading providers of language management services
- › RWS now possesses an outstanding global platform, which will enable it to develop sales opportunities in multiple geographies, with a complete range of language management services and technology offerings into multiple industry verticals
- › Expect significant presence established in the US to be a major driver of revenues and profits

# Appendices

# A strong team to manage growth

Role	Name	Years of service	Role	Name	Years of service
Chairman	Andrew Brode	22	Managing Director Language Solutions	Stuart Carter	14
Chief Executive Officer	Richard Thompson	5	Non-Executive Deputy Chairman	David Shrimpton	
Chief Financial Officer	Desmond Glass	-	Non-Executive	Liz Lucas	
Managing Director Patent Translation & Filing	Charles Sitch	24	Non-Executive	Lara Boro	
Managing Director Patent Information	Neil Simpkin	24	Chief Executive Officer Moravia	Tomas Kratochvil	21
Chief Operating Officer Life Sciences	Joe Lugo	2	EVP Business Development & Client Services Moravia	Paul Danter	2
Managing Director Life Sciences	Sheena Dempsey	2			

# Acquisition of LUZ

- › Founded in 1994 and based in San Francisco, USA, with offices in Broomfield (Colorado), Boston and Lausanne (Switzerland)
- › One of the world's largest specialist Life Science language service providers, with c.100 staff, over 800 freelance linguists worldwide and access to a network of over 3,000 freelance linguists
- › Particular focus on regulatory and medical device language services
- › Services include translation, desktop publishing, client review coordination and project management
- › Proprietary translation management technology platform (AURORA) allows fully integrated service provision and seamless link between suppliers and customers
- › Long-term customer relationships (average length of 9.4 years) testament to the strong and deep-seated relationships that LUZ is able to develop

