

# **RWS Half Year Results 2022**

**9 June 2022**





**Andrew Brode**  
**Chairman**



**Ian El-Mokadem**  
**Chief Executive  
Officer**



**Rod Day**  
**Interim Chief  
Financial Officer**

# Agenda

Overview

Financial Review

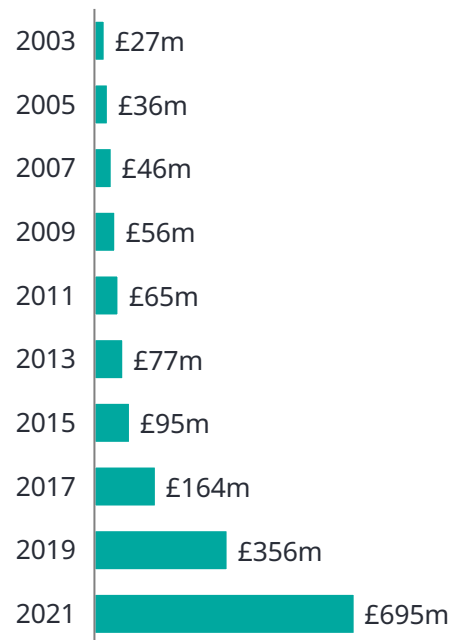
Strategic and Operational Review

Current Trading and Outlook

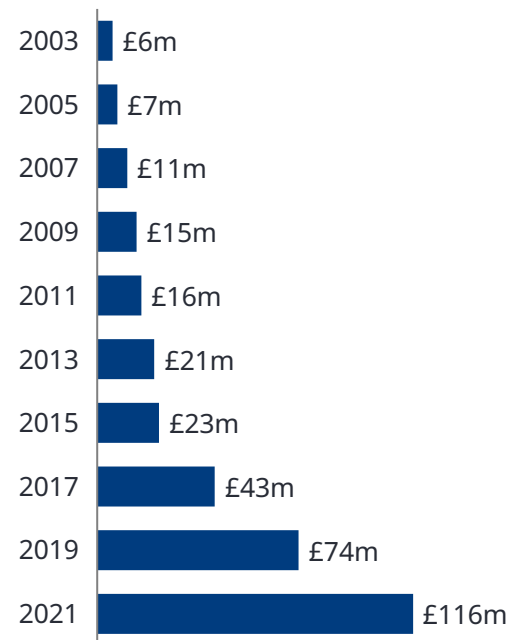
Appendix

# Unique, world-leading provider of technology-enabled language, content and IP services

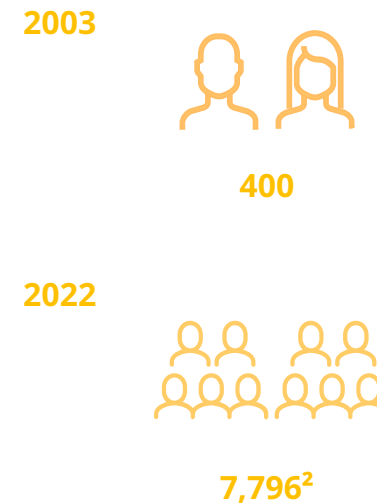
## Revenue<sup>1</sup>



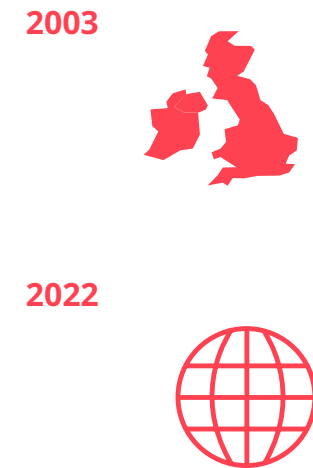
## Adjusted PBT<sup>1</sup>



## Expertise



## Reach



**Long track record of sustained growth and customer delivery**

# High quality, long-term client relationships

Supporting our ability to grow organically on a sustainable basis

- **Diversified client base:**
  - Top 10 = 30% Group revenues
  - Top 30 = 41% Group revenues
- **High loyalty - average tenure:**
  - 16 years (Top 10)
  - 13 years (Top 30)
- **Revenue growth (CAGR 2017-2021):**
  - Top 10 = 7.5%
  - Top 30 = 7.7%
- **High satisfaction**
  - +41 NPS (12 month rolling average)



# A robust performance with H1 profit ahead of our expectations

## REVENUE

**£357.3m**

+ 9%

*HY21: £326.4m*

## ADJUSTED PBT<sup>1</sup>

**£60.7m**

+ 20%

*HY21: £50.5m*

## GROSS MARGIN

**45.9%**

+ 100 bps

*HY21: 44.9%*

## CAPEX

**4%**

of revenue

+ 100 bps

*HY21: 3%*

## ADJUSTED BASIC EPS<sup>2</sup>

**11.9p**

+ 13%

*HY21: 10.5p*

## INTERIM DIVIDEND

**2.25p**

+ 13%

*HY21: 2.0p*

## CASH CONVERSION<sup>3</sup>

**120%**

+ 4100 bps

*HY21: 79%*

## ROCE<sup>4</sup>

**11.1%**

12-month rolling basis to end  
HY22

*FY21: 10.2%*

<sup>1</sup> Calculated before exceptional items, share-based payment expenses and amortisation of acquired intangibles.

<sup>2</sup> Calculated before exceptional items, share-based payment expenses and amortisation of acquired intangibles, net of associated tax effects.

<sup>3</sup> Cash conversion is defined as adjusted operating cash flows, divided by adjusted operating profit.

<sup>4</sup> ROCE is adjusted operating profit, divided by total assets less current liabilities

# RWS Growth Model

Building long-term client relationships

- New wins in Major Accounts and GoGlobal, including several EV manufacturers
- eLearning sales to new logos, and as upsell to established clients
- Further penetration of Linguistic Validation segment in RI
- Investment in go-to-market and sales in Language Weaver and Trados

Deepening our cultural and technical expertise

- Specialised recruitment underway in support of growth initiatives
- Improving freelancer recruitment, onboarding and management
- RWS Campus programme – expansion into Africa (8 languages, 6 countries)

Deploying our unique technology and AI

- Fuller ownership and accountability across technology product teams
- Return to organic growth in L&CT (even after increase in SaaS revenue proportion)
- Significant win with robotic software provider for Tridion

Developing our portfolio

- Strong cash conversion continues to support our growth
- Development of updated Data Annotation proposition underway
- Acquisition of Fonto, adding content management capability alongside Tridion

Leveraging our global scale and reach

- Widened scope of Language eXperience Delivery (LXD) use across the Group, increasing throughput and implemented business partnering model
- IP Services transformation programme progressing
- Finance and HR platforming projects established

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# Income statement

	6 months ended 31 March 2022 (£m)	6 months ended <sup>1</sup> 31 March 2021 (£m)
<b>Revenue</b>	<b>357.3</b>	<b>326.4</b>
Cost of sales	(193.3)	(179.9)
<b>Gross profit</b>	<b>164.0</b>	<b>146.5</b>
<i>GM%</i>	45.9%	44.9%
Administrative expenses (before adjusting items)	(102.0)	(94.3)
Net finance costs	(1.3)	(1.7)
<b>Adjusted profit before tax</b>	<b>60.7</b>	<b>50.5</b>
<i>Adjusted PBT margin%</i>	17.0%	15.5%
Adjusting items <sup>3</sup>	(27.8)	(35.6)
Tax expense	(9.3)	(3.8)
<b>Profit for the period</b>	<b>23.6</b>	<b>11.1</b>
<b>Basic EPS (pence)</b>	<b>6.1</b>	<b>3.0</b>
<b>Adjusted Basic EPS (pence)</b>	<b>11.9</b>	<b>10.5</b>

- Revenue up 9% following the acquisition of SDL in November 2020:
  - Organic constant currency<sup>2</sup> +1%
- Gross margin 100bps higher at 45.9%:
  - Greater use of LXD
  - Exiting low margin contracts in RI
- Administrative expenses as a percentage of revenue continues to fall to 28.5% from 28.9%
- 20% period-on-period increase in adjusted PBT:
  - Organic growth
  - SDL synergies in line with expectations
- Adjusted effective tax rate<sup>4</sup> stable at 23.7% (H1: 2021 – 23.4%)
- Basic EPS increased 103% to 6.1p
- Adjusted basic EPS<sup>5</sup> increased 13% to 11.9p

<sup>1</sup> Prior period balances restated to reflect finalisation of SDL plc purchase price allocation resulting in an increase of amortisation of acquired intangible assets. Profit before tax has decreased by £9.1m accordingly and profit after tax has decreased by £4.4m following release of deferred tax on amortisation and impact of prior period tax adjustments.

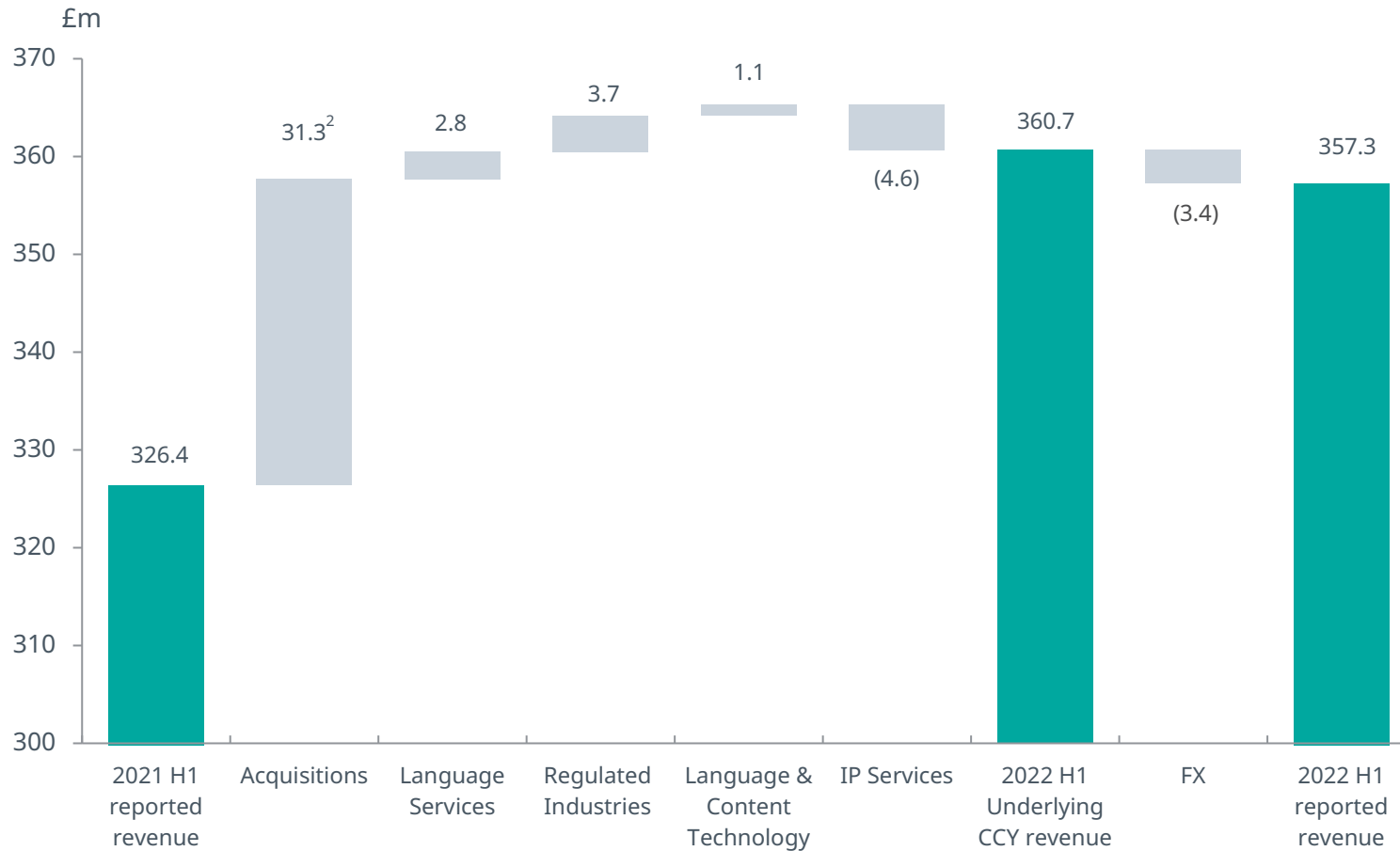
<sup>2</sup> Adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.

<sup>3</sup> Includes acquisition costs £0.4m (H1 21: £10.6m), amortisation of acquired intangibles £16.8m (H1 21: £17.5m), share-based payment expenses £1.8m (2021: £0.7m) and exceptional items £8.8m (2021: £6.8m).

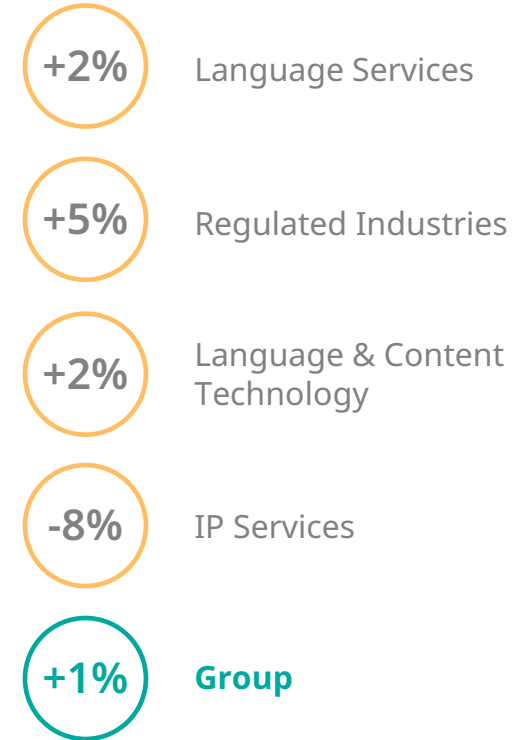
<sup>4</sup> Adjusted effective tax rate is the effective tax rate before exceptional items, amortisation of acquired intangibles, tax on exceptional items and prior year adjustments.

<sup>5</sup> Adjusted basic EPS is earnings per share before exceptional items net of tax, share-based payments net of tax, amortisation of acquired intangibles and exceptional tax items.

# Total revenue bridge



## ORGANIC CONSTANT CURRENCY<sup>1</sup> REVENUE GROWTH



<sup>1</sup> Adjusted for the effect of acquisitions and assumes constant currency i.e. FY 2021 results are retranslated at FY 2022 average exchange rates.

<sup>2</sup> Reflects pre-acquisition SDL and Horn & Uchida revenues.

# Net debt/cash<sup>1</sup> bridge



<sup>1</sup> Net debt/cash comprises cash and cash equivalents less loans but before lease liabilities

# Balance sheet

	As at 31 March 2022 (£m)	As at 30 September 2021 (£m)
Non-current assets	1,071.5	1,059.4
Trade and other receivables	189.2	191.8
Other current assets	6.7	3.5
Cash and cash equivalents	80.6	92.5
<b>Total assets</b>	<b>1,348.0</b>	<b>1,347.2</b>
Trade and other payables	159.0	154.4
Loans	42.4	47.2
Lease liabilities	48.3	51.5
Deferred tax liabilities	53.7	51.2
Other liabilities	32.5	32.0
<b>Total liabilities</b>	<b>335.9</b>	<b>336.3</b>
<b>Net assets</b>	<b>1,012.1</b>	<b>1,010.9</b>
<b>Net cash</b>	<b>38.2</b>	<b>45.3</b>
<b>Net debt – including lease liabilities</b>	<b>(10.1)</b>	<b>(6.2)</b>

## Non-current assets

- Goodwill increased £17.4m or 2.8% following the acquisition of Fonto and impact of FX during the period
- Intangible assets have fallen £2.8m due to amortisation in the period, mostly offset by the acquisition of Fonto and the impact of FX

## Working capital

- Net working capital has reduced £1.8m during H1 22
- Debt collection rates consistent with H1 21
- Cash conversion of 120%

## Cash and Net debt

- Cash has decreased by 13% to £80.6m
- Debt reduced 10% from £47.2m to £42.4m
- Net cash (excluding lease liabilities) reduced by £7.1m to £38.2m during the period, after:
  - Fonto initial consideration of €17.5m (£14.4m); and
  - Record dividend payment of £33.1m

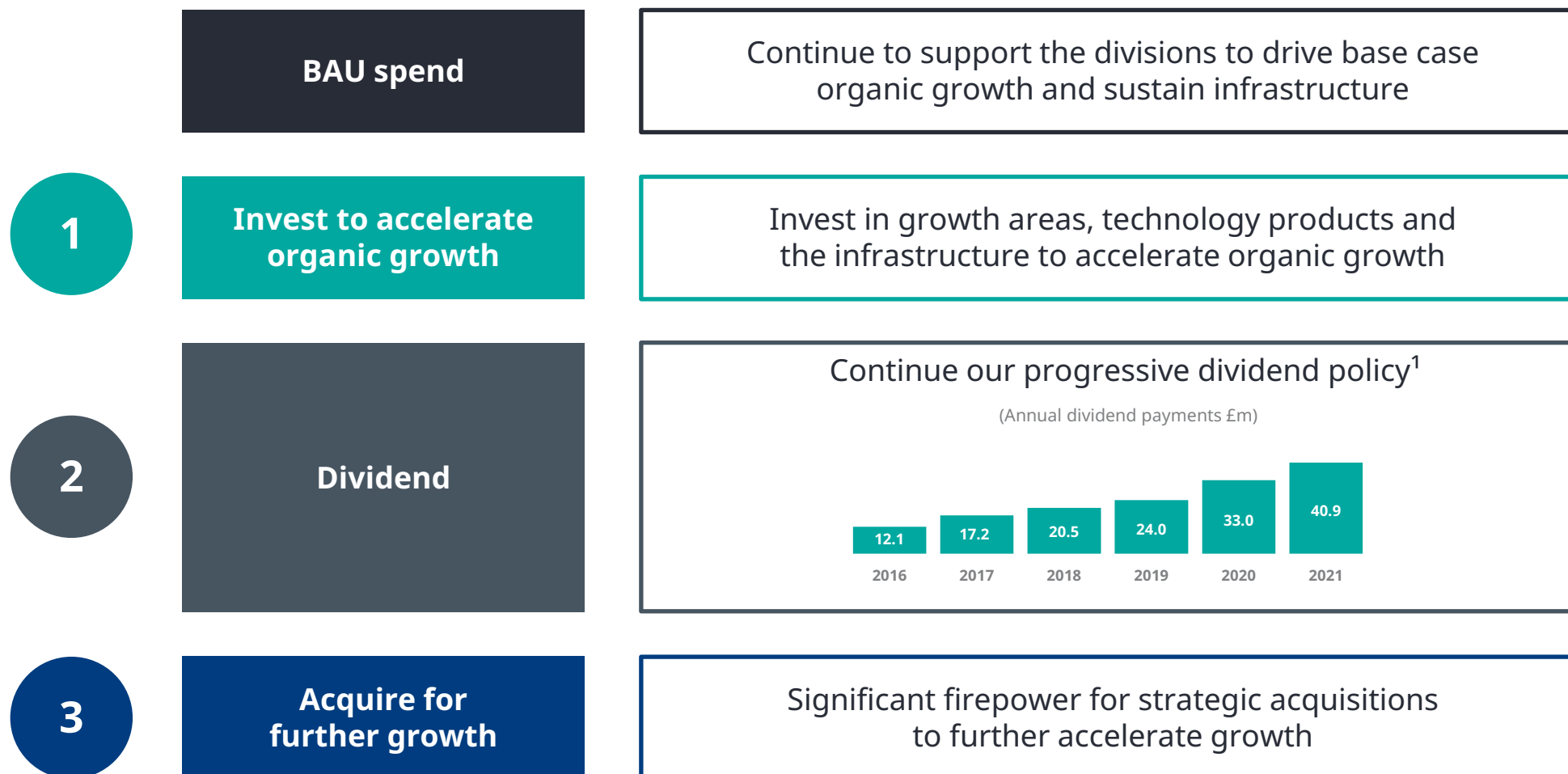
# Investing to support accelerated growth

			Capex <sup>1</sup>	Opex	Payback period
Long-term relationships	BAU opex	<ul style="list-style-type: none"> <li>Investment behind sales enablement</li> <li>Drive new logos and grow existing accounts</li> </ul>	-	£7m	<12 months
Cultural and technical expertise	Increase competitive moat in growth areas	<ul style="list-style-type: none"> <li>Technology platform to support Data Annotation services</li> <li>People &amp; technology delivering Linguistic Validation</li> </ul>	£8m	£15m	12-24 months
Unique technology and AI	Investing behind our technology products	<ul style="list-style-type: none"> <li>Drive growth in Trados Enterprise</li> <li>Migrate legacy language technology clients</li> <li>Language Weaver proposition and go-to-market</li> </ul>	£12m	£10m	18-36 months
Leveraging scale and reach	Investing in our infrastructure	<ul style="list-style-type: none"> <li>Single Finance and HR platforms</li> <li>Further automation of LXD</li> <li>Automation of patent translation and filing workflows</li> </ul>	£30m	£15m	36+ months
<b>TOTAL INVESTMENT OVER 5 YEARS:</b>			<b>£50m</b>	<b>£47m</b>	
Developing our portfolio	<b>+ M&amp;A accelerants</b>				Variable

<sup>1</sup> Capex guidance given at Capital Markets Day: FY22-24: 4-7% of revenue; FY24-26: c.4% of revenue

# Investments governed by capital allocations policy

Continued strong cash generation demands disciplined capital allocation



<sup>1</sup> HY22 interim dividend of 2.25p, totalling £8.8m

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# Strategy on a page

<b>Purpose</b>	<b>Why we exist</b>	Unlocking global understanding
<b>Our business</b>	<b>Who we are</b>	A unique, world leading technology-enabled language, content and IP services business
<b>Proposition</b>	<b>What we do</b>	Through content transformation and multi-lingual data analysis, our unique combination of technology and cultural expertise helps our clients to grow, by ensuring they are understood anywhere, in any language
<b>Growth model</b>	<b>How we win</b>	<ul style="list-style-type: none"><li>• Long-term relationships</li><li>• Cultural and technical expertise</li><li>• Unique technology and AI</li><li>• Developing our portfolio</li><li>• Leveraging our global scale</li></ul>
<b>Values</b>	<b>How we think, act and behave</b>	<ul style="list-style-type: none"><li>• We partner</li><li>• We pioneer</li><li>• We progress</li><li>• We deliver</li></ul>



# Strong portfolio, unique production platform

OPERATING DIVISIONS	<b>Language Services</b>		<b>Regulated Industries</b>		<b>Language &amp; Content Technology</b>		<b>IP Services</b>	
	<ul style="list-style-type: none"> <li>Localisation solutions to multiple verticals</li> <li>Includes data training, eLearning, video localisation and interpreting services</li> </ul>		<ul style="list-style-type: none"> <li>Life sciences</li> <li>Financial services</li> <li>Legal services</li> <li>Highly specialised technical translations</li> </ul>		<ul style="list-style-type: none"> <li>Linguistic AI - neural MT</li> <li>Language technology - translation management and productivity</li> <li>Content technology</li> </ul>		<ul style="list-style-type: none"> <li>Patent translation and filing</li> <li>Search, retrieval and monitoring services</li> <li>Highly specialised technical translations</li> </ul>	
REVENUE SPLIT	HY22: 44%   FY21: 46%		HY22: 24%   FY21: 23%		HY22: 17%   FY21: 15%		HY22: 15%   FY21: 16%	
PRODUCTION PLATFORM	Language eXperience Delivery							
SUPPORT FUNCTIONS	Finance	HR	Corporate Development	Technology & Data	Legal & Company Secretary			

# Language Services

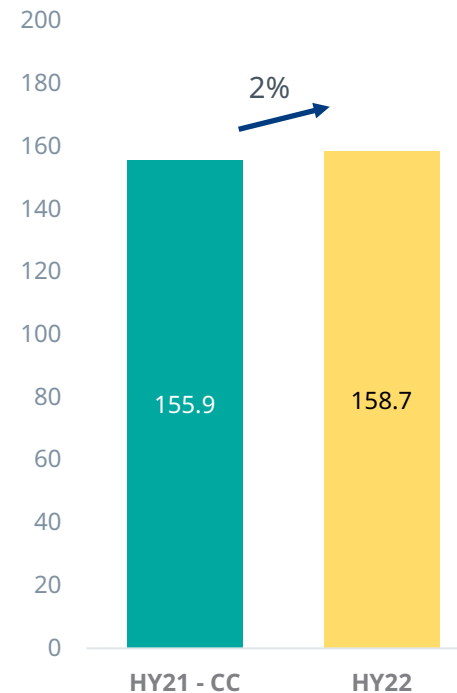
Group revenue share: HY22 – 44% (FY21 – 46%)

Client wins across all three segments; growth in eLearning; Data Services proposition developing

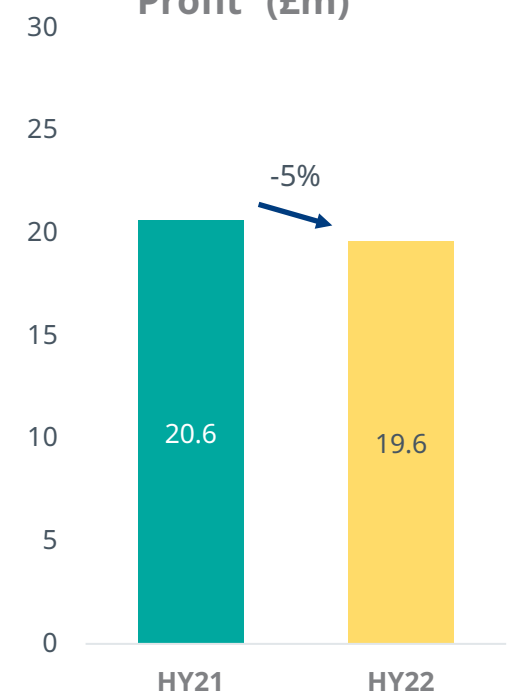
## Performance

- 2% organic growth at constant currency, with several new client wins and encouraging progress in eLearning
- Americas region strong, including new EV manufacturer logos
- GoGlobal proposition introduced to Japan and Korea, with encouraging early signs
- In Tech Enterprise segment, retention strong, with revenues slightly behind prior period, though expected to recover in H2
- Revenue growth with global digital retailer and programme wins with large technology company
- Adjusted operating profit ahead of prior period, after adjusting for period-on-period exchange differences of £1.8m

### Revenue<sup>1</sup> (£m)



### Adjusted Operating Profit<sup>2</sup> (£m)



<sup>1</sup> Revenue figures adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.

<sup>2</sup> Adjusted operating profit figures adjusted to reflect a like-for-like comparison between reporting periods.

# Regulated Industries

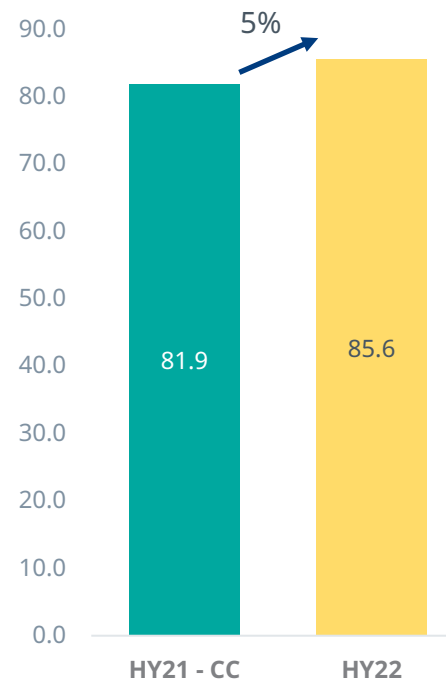
Group revenue share: HY22 – 24% (FY21 – 23%)

Strong penetration in Linguistic Validation; revenue growth in 14 of top 20 clients

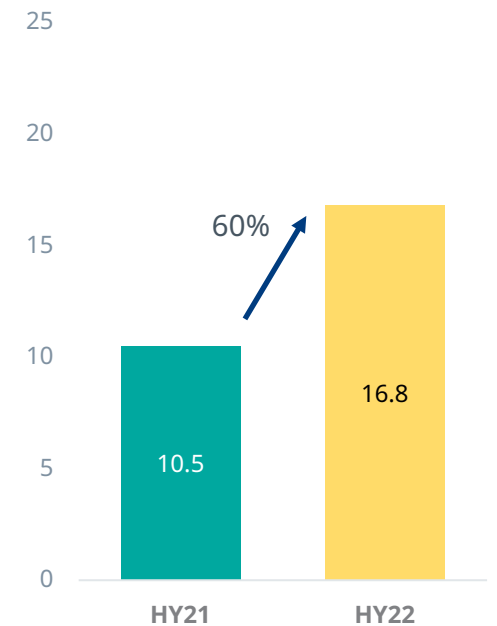
## Performance

- 5% organic growth at constant currency
- Continued penetration of Linguistic Validation segment – collaboration with US-based clinical trial platform provider
- Solid performance with largest life sciences client, with good growth in regulatory and clinical work
- Good period-on-period growth with 14 of top 20 clients
- Gross margin supported by increasing use of LXD
- Exited several low margin contracts in financial and legal services segment, supporting improved profit performance

Revenue<sup>1</sup> (£m)



Adjusted Operating Profit<sup>2</sup> (£m)



<sup>1</sup> Revenue figures adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.

<sup>2</sup> Adjusted operating profit figures adjusted to reflect a like-for-like comparison between reporting periods.

# Language and Content Technology

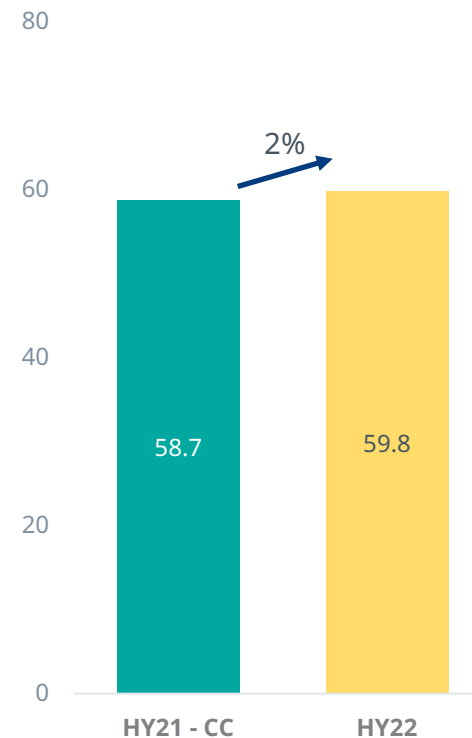
Group revenue share: HY22 – 17% (FY21 – 15%)

Return to organic growth; SaaS revenue growth ahead of plan

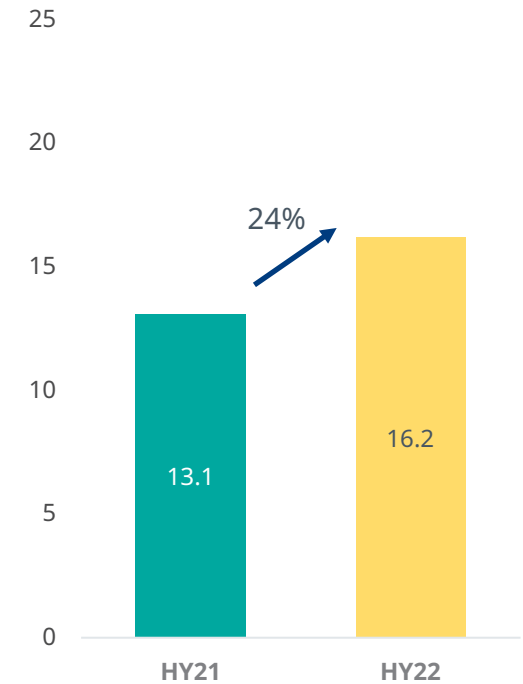
## Performance

- 2% organic growth in constant currency, even after increased SaaS revenues, which were ahead of plan
- Share of new SaaS revenues 34% (HY21: 24%)
- Full ownership and accountability for each product area having positive effect on go-to-market and product development coordination
- Strong growth for content technologies, with client renewals and extensions
- Major new Tridion client – robotic automation software company
- Major new release of Trados Studio in early H2 expected to underpin second half performance
- Integration of Fonto, acquired in March 2022, underway

Revenue<sup>1</sup> (£m)



Adjusted Operating Profit<sup>2</sup> (£m)



<sup>1</sup> Revenue figures adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.

<sup>2</sup> Adjusted operating profit figures adjusted to reflect a like-for-like comparison between reporting periods.

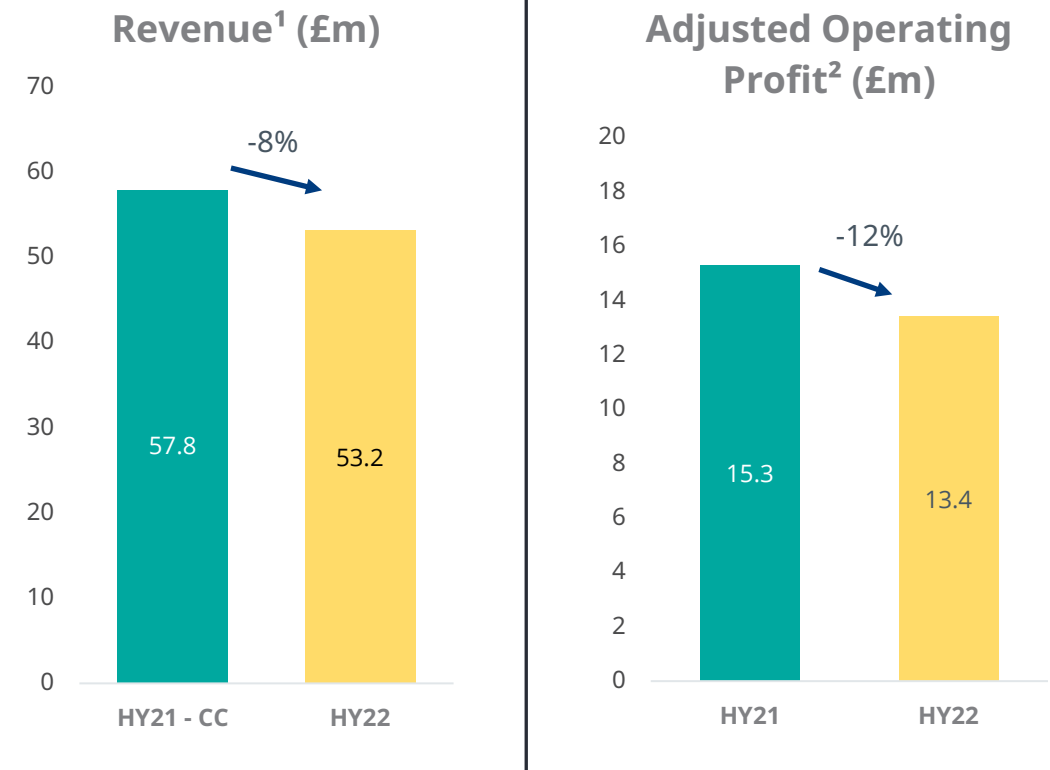
# IP Services

Group revenue share: HY22 – 15% (FY21 – 16%)

Transformation programme and strengthened sales capability key to mitigating impact of Unitary Patent

## Performance

- 8% revenue decline at constant currency, reflecting weak demand due to impending introduction of Unitary Patent (UP)
- Division delivering against revised forecast, with record IP Research revenues in March
- Transformation programme expected to deliver significant operating efficiencies & enhance proposition
- Sales capability being enhanced to accelerate growth in renewals and patent attorney segments
- Cost actions taken in H1 to support margin will benefit P&L in H2
- UP anticipated to come into effect in Q4 CY 2022



<sup>1</sup> Revenue figures adjusted to reflect a like-for-like comparison between reporting periods and assumes constant currency across both reporting periods.

<sup>2</sup> Adjusted operating profit figures adjusted to reflect a like-for-like comparison between reporting periods.

# Environmental, social and governance

## Environmental

- Moved to new online platform to facilitate measurement / tracking of carbon emissions; on track to submit science-based targets to SBTi for validation in FY23 using FY22 as baseline
- Currently preparing disclosure to CDP on climate change

## Social

- Purpose and values successfully launched globally
- RWS Campus – expansion into Africa focusing on 8 languages (incl. Amharic, Hausa, Swahili and Zulu) across 6 countries (Ethiopia, Kenya, Nigeria, South Africa, Tanzania, Uganda)
- Continue to support teams affected by pandemics and conflict:
  - Partnering with Translators without Borders to help get people critical information in their language
  - RI division supported St. Jude Children’s Research Hospital, a long-time client, to help evacuate more than 600 children with cancer from Ukraine to neighbouring Poland and then onto North America and other European locations, by providing English / Ukrainian translations

## Governance

- CFO and Company Secretary roles are now separate; General Counsel appointed (starts 1 Oct 2022)
- Launched a new group-wide Code of Conduct and associated mandatory annual training
- Sustainable Procurement Policy launched; supporting action plan for roll out across all divisions

# Agenda

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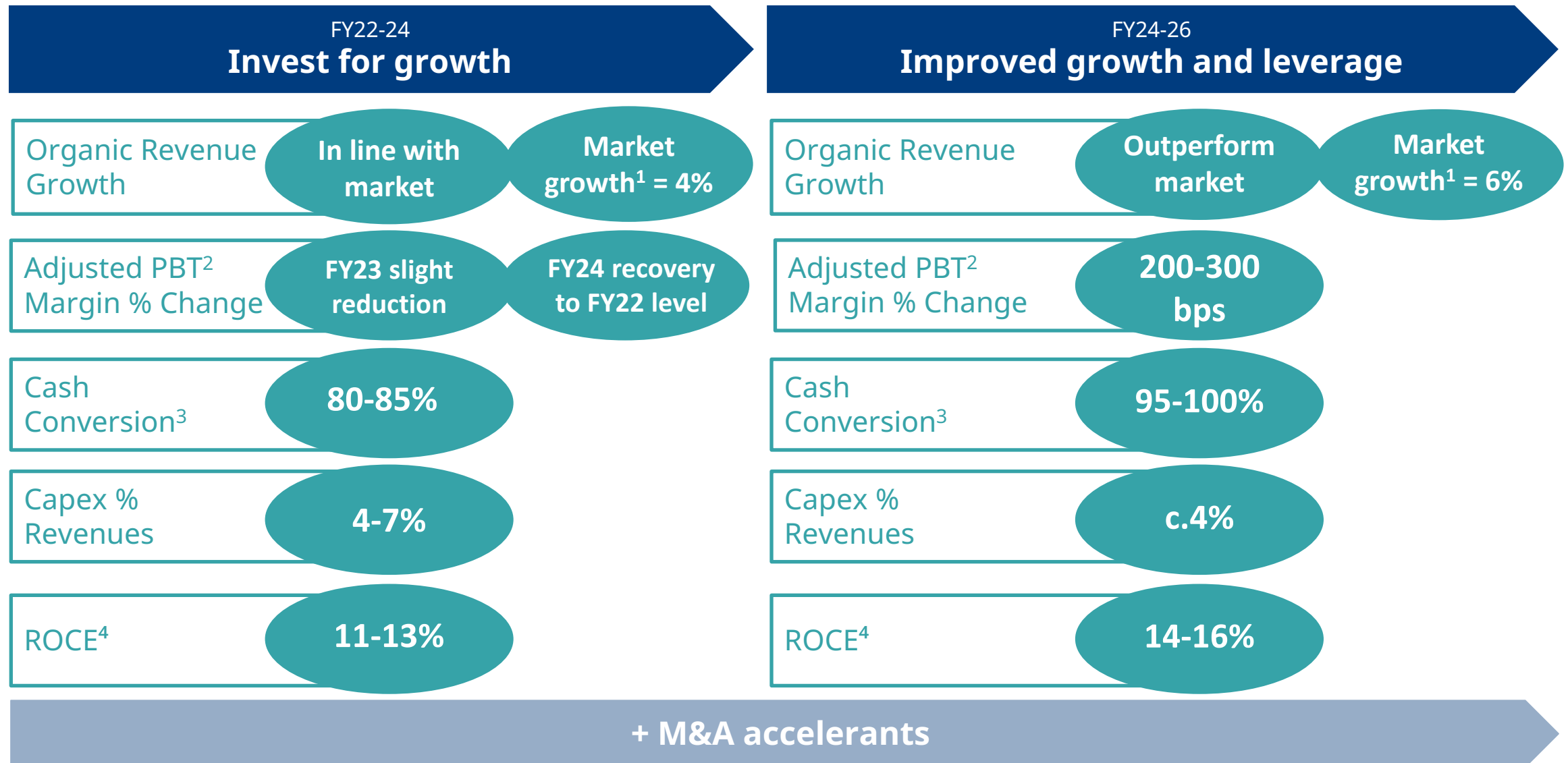
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# Phased returns



Notes: <sup>1</sup> Growth rate based on RWS revenue mix in each period; <sup>2</sup> Adjusted PBT is stated before exceptional items, share-based payment expenses and amortisation of acquired intangibles; <sup>3</sup> Cash conversion is adjusted operating cash flows divided by adjusted operating profit; <sup>4</sup> ROCE is adjusted operating profit divided by total assets less current liabilities.



# FY22: Current outlook

## Growth

- Encouraging initial signs of organic growth in L&CT - benefits of reorganisation starting to show
- New client wins in Language Services and Regulated Industries
- Focused efforts on growth levers (e.g. Linguistic Validation, eLearning, GoGlobal and Data Services) starting to have impact

## Investing to accelerate

- LXD enhanced and throughput increased
- Investing in core technology and AI products
- Infrastructure programmes up and running
- Senior appointments to further strengthen leadership

## Full year

- Outlook in line with latest guidance and market expectations
- Confident in medium to long term drivers of demand for our products and services
- Focus on delivering accelerated growth plan

# Q&A

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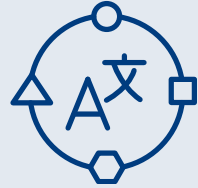
# Investment proposition



## Attractive markets

- Well diversified
- Strong growth potential
- High client retention

+



## Unique platform

- Largest linguist network
- True global coverage
- Proprietary AI / MT and productivity solutions

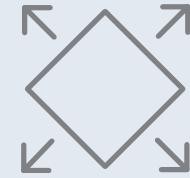
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## Strong cash generation

- Value creation track record
- Optionality to invest in service and technical development

+



## Consolidation opportunity

- Fragmented markets
- Proven M&A success
- Scalable platform

**Long-term sustainable business, delivering financial and social value**

# RWS positive demand drivers

Explosion of data / content



Annual volume of data to reach 2,140 zettabytes by 2035 – 33x increase from 2020<sup>1</sup>

Increasing ESG / regulatory requirements



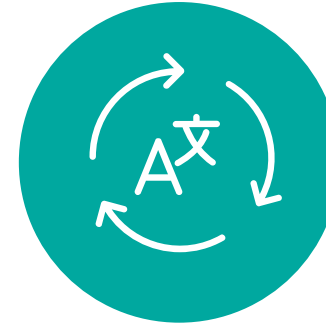
>3k rules/regulations added annually to US Federal Register since 1993<sup>2</sup>

Continued innovation



Capex investment surged 13% in 2021 and is forecast to continue growing to 2030<sup>3</sup>

Growth in AI / automation



AI to contribute \$15tr (14%) of global GDP by 2030<sup>4</sup>

Changing globalisation market



Value of global trade expected to grow 70% from 2020 to \$29.7tn in 2030<sup>5</sup>

# Market size

Area	Mkt Size (£bn)
Language Services – core localisation	30.0
Language Services – data annotation	2.0
Life Sciences – localisation	3.0
Finance & Legal – localisation	4.0
Linguistic AI	3.0
Language Technology	0.3
IP Services	2.0
Content Technology	2.8
<b>Total</b>	<b>47.1</b>

# Our values



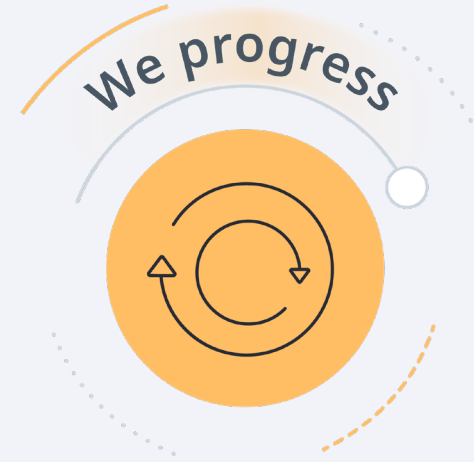
We play as one team –  
with colleagues, clients  
and partners

X



We shape the future –  
combining the best of  
people and technology

X



We choose to be  
positive – using every  
experience to grow

=



We keep our promises  
– to clients, colleagues  
and communities

# Shareholders

As of 30 April 2022

## Top shareholders

## Holding (%)

<b>Andrew S Brode</b>	<b>23.2</b>
<b>Liontrust Asset Management</b>	<b>9.6</b>
<b>Octopus Investments</b>	<b>4.3</b>
<b>RGM Capital</b>	<b>3.5</b>
<b>Canaccord Genuity Wealth Management</b>	<b>3.1</b>





RWS Holdings plc is a unique, world-leading provider of technology-enabled language, content and intellectual property services. Through content transformation and multilingual data analysis, our unique combination of technology and cultural expertise helps our clients to grow by ensuring they are understood anywhere, in any language.

Our purpose is unlocking global understanding. By combining cultural understanding, client understanding and technical understanding, our services and technology assist our clients to acquire and retain customers, deliver engaging user experiences, maintain compliance and gain actionable insights into their data and content.

Our clients include 90 of the world's top 100 brands, the top 20 pharmaceutical companies and 19 of the top 20 patent filers. Our client base spans Europe, Asia Pacific, and North and South America. We work in the automotive, chemical, financial, legal, medical, pharmaceutical, technology and telecommunications sectors, which we serve from 80+ global locations 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](http://www.rws.com)

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