

SDL Financial Performance

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A Strategy that Delivers our Ambition



Trading for the current year is in line with Board expectation

Medium Term Commitments

REVENUE

- Drive revenue growth at least in line with market
- Increase recurring revenue as a percentage of total revenue

GROSS MARGIN

- Deliver gross margin expansion to 55%+
- Includes structural improvements in Language Services gross margins

EBITA MARGIN

- Improve EBITA margin by 1-2% each year
- Balancing cost reductions and investment for growth

Key Levers

Revenue Growth

- Evolve and strengthen go-to-market
- Focus on higher growth market segments
- Innovate new services, products and solutions

Gross Margin expansion

- Automate Language Services
- Revenue mix, including premium, technology & solutions
- DLS gross margin synergies

Lower Opex as a %

- Controls and re-architecting cost base
- DLS synergies
- Targeted investments

Improved EBITA Margins

- Build operations that can scale
- With flexibility to invest
- Reduce costs associated with legacy processes

Cost Focus Areas for 2018-2020

These areas offer the most material opportunities for gains and progress towards our operating margin target

Language Services
Automation



Every 1% margin improvement drives £2m profit

Operating Cost
Efficiency Programme



Every 1% reduction in opex/sales drives £3m profit

Drive Acquisition
Synergies



Targeting operating margin accretion

Cost Savings Programme

- Identified cost savings and synergies throughout the business
- > £8m gross annualised savings delivered by 2020
- Associated exceptional costs of £2 - £3m
- Option to use savings to reinvest in growth markets
- Payback criteria of 2 years

At Least £8m Gross Annualised Savings

FUNCTION	OPPORTUNITY
Finance	Transition to Global Business Service Centre
Real Estate	Optimise footprint utilisation
IT	Vendor consolidation and standardisation
Other: HR, Sales & Marketing	Systems and organisational streamlining

Integration and Synergies On Track

Well planned and executed integration with no business disruption

ACHIEVEMENTS TO DATE

- Facilities rationalisation
- Management integration
- Cross-sell and up-sell pipeline

AREAS OF FOCUS

- Process and systems integration planning for 2019
- Synergies realisation and cost discipline

Capital Allocation

- Focus on strong cash conversion
- Maintain our progressive dividend policy
- Disciplined capital expenditure
- Seek strategic, value enhancing M&A

Summary

- Our organisational transformation is well under way
- Integration of DLS is on track
- Further opportunities to reduce legacy costs
- We have a significant market opportunity – but one that is changing hence the need to transform
- We have a clear strategy to grow profitably
- We will continue to invest to modernise our offering
- The net impact will still be profit and margin growth in each year and a higher quality, market-leading business

SDL*

Software and Services for Human Understanding

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