



DWS Limited

2017 Half Year Results
Presentation

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Results Highlights

- H1 FY17 NPAT of \$9.065 million up 19% on pcp
- H1 FY17 EBITDA up 13% to \$13.65 million
- EPS of 6.88 cents showing growth of 19% (5.76 cents in pcp)
- Increased contribution from Symplicit as a result of higher demand for digital and customer led innovation services from clients
- Strong utilisation particularly in Victoria, NSW and Queensland and tight cost controls across the Group
- Balance sheet remains sound and liquid with \$9.52 million of cash at 31 December 2016
- Net debt of \$12.48 million (\$13.84 million at 30 June 2016)
- Interim fully franked dividend of 5.0 cents per share up 5.3% on pcp representing a payout ratio of 73%

Half Year Results – Summary Review

	H1 FY17 (\$'000)	H1 FY16 (\$'000)	Movement
Revenue from continuing operations	73,739	68,173	5,566
Gross Margin	32.98%	31.6%	1.38%
EBITDA from continuing operations	13,652	12,082	1,570
EBITDA Margin	18.5%	17.7%	0.8%
Reported EBITDA	13,652	11,739	1,913
Reported NPAT excl OEI	9,065	7,597	1,468
Reported EPS	6.88 cents	5.76 cents	1.12 cents

- H1 FY17 revenue \$73.74 million up 8% on pcg showing good organic growth
- Average utilisation per permanent consultant 81% (75% H1 FY16)
- EBITDA margin improved to 18.5% from 17.7%
- H1 FY17 Reported EBITDA (excluding one-off items) up 16.3% to \$13.65 million
- H1 FY17 NPAT of \$9.065 million up 19% on pcg
- Gross margin and EBITDA margin increased on the higher revenue base

Half Year Results - Financial Position

	31 Dec 2016 \$'000	30 June 2016 \$'000	Movement
Trade and other debtors	25,243	30,776	(5,533)
Work in progress	1,420	323	1,097
Trade creditors and accruals	(7,437)	(9,196)	1,759
Working capital	19,225	21,903	(2,677)
Property, plant & equipment	2,308	2,368	(60)
Intangible assets and DTA	70,836	70,846	(10)
Contingent consideration	(3,095)	(3,895)	800
Other	(9,116)	(12,182)	3,066
Total capital employed	80,159	79,040	1,119
Cash	9,519	10,164	(645)
Debt	(22,000)	(24,000)	2,000
Net assets	67,678	65,204	2,474

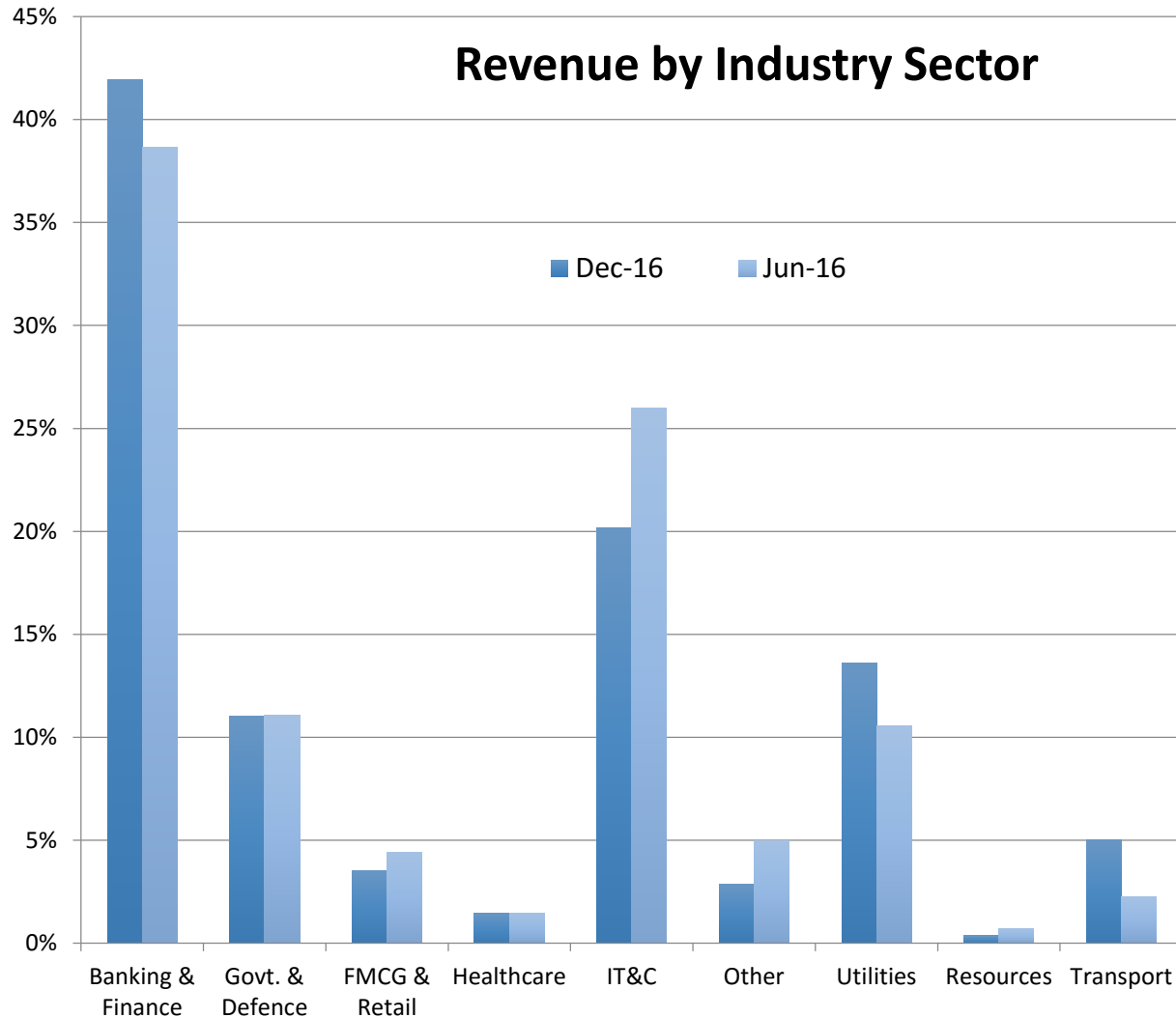
- Debtors decreased due to strong collections
- Increase in WIP due to timing of fixed price engagement milestones and increased number of fixed price/milestone billed engagements
- Reduction in contingent consideration due to payment of Symplicit Earn Out
- Debt funding for Symplicit and Phoenix under 3-year interest only bank facility with total drawn for acquisitions/working capital of \$22.0 million as at 31 December 2016
- Liquidity remains strong with \$9.52 million of cash on hand at 31 December 2016 after net repayment of \$2.0 million of bank debt during the period

Half Year Results - Cash Flow Performance

	H1 FY16 \$'000	H1 FY15 \$'000	Movement
Opening cash balance	10,164	10,371	(207)
Cash flow from operations (before interest & tax)	14,605	9,890	4,715
Tax paid	(5,814)	(3,994)	(1,820)
Capital asset purchases	(85)	(103)	19
Intangible asset payments	(38)	(38)	0
Dividends paid	(6,591)	(4,943)	(1,649)
Share buy-backs	-	-	-
Acquisitions	(800)	(17,738)	16,938
Debt funding	(2,000)	13,500	(15,500)
Interest Income & other	78	46	32
Closing cash balance	9,519	6,991	2,528

- Strong cash conversion maintained with operational cash flow being 107% of EBITDA
- Tax paid in line with profit
- Intangibles represents capital software development
- Acquisitions of \$0.8 million relates to the Earn Out for Symplicit
- Debt repayment of \$2.0 million compared to pcg debt funding of \$13.5 million to acquire 75% of Phoenix

Revenue Breakdown by Industry Sector

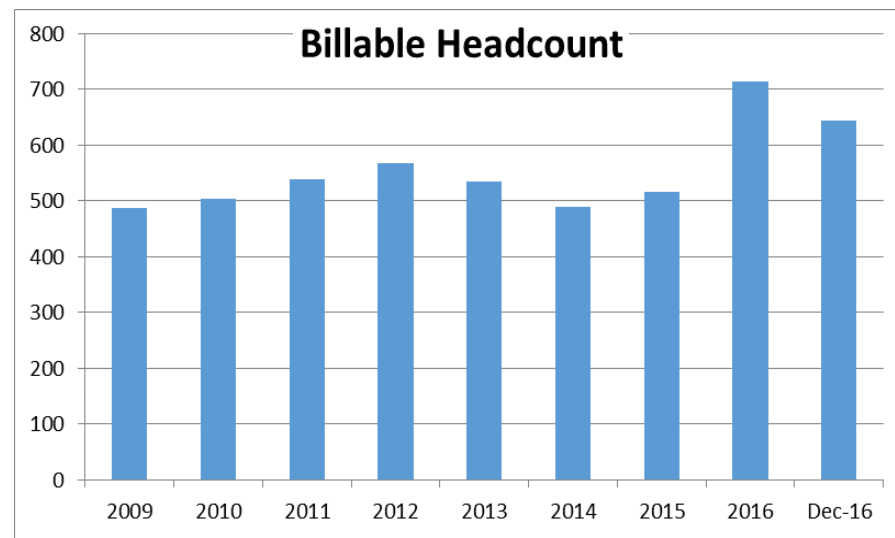
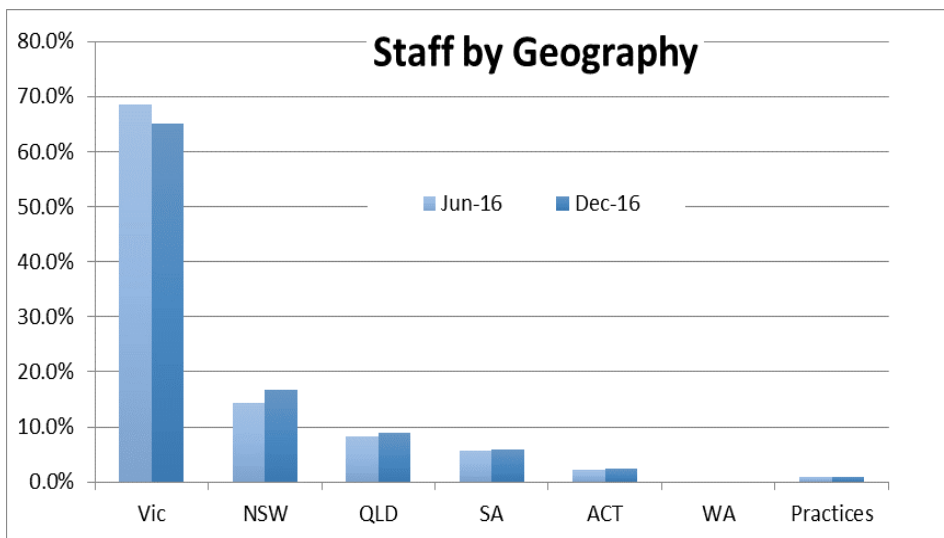


- Strong demand for services from Banking & Finance clients underpinned revenue performance
- Increased share of revenue for Banking & Finance, Utilities and Transport reflects the DWS Group's client portfolios following the acquisition of Symplicit and Phoenix and growth in new/existing clients in these industries
- Reduction in IT&C due to relative size of Banking & Finance, Utilities and Transport as well as reduction in work from IT&C clients
- Lower Resources work reflected the downturn in the resources industries

Revenue Breakdown – Billable Headcount

		Dec 2016	June 2016
Consulting Staff	Total chargeable	645	715
Office Staff	Management	12	12
	BD/Sales	20	21
	Admin	14	17
Grand Total		691	765

- Reduction in consulting staff due to reduction in contracting staff greater than growth in permanent staff.
- Reduction in contracting staff mainly in VIC and NSW in response to a reduction in client demand
- Further efficiencies obtained in office staff



Capital Management

DWS intends to maintain dividend payments and continue to repay debt as its primary capital management initiatives

Interim Dividend

	Dec 2016	Dec 2015
Interim Dividend	5.0 cents	4.75 cents
Payout Ratio on Reported NPAT	73%	82%
Record Date	16 March 2017	16 March 2016
Expected Payment Date	4 April 2017	4 April 2016

- Dividend payout ratio of 73%
- 100% franking for Australian shareholders at 30% tax rate

Bank debt

- DWS holds a 3-year, \$31 million bank facility
- As at 31 December 2016 \$22.0 million of the facility was drawn with \$9.0 million undrawn
- Net repayment of bank debt of \$2.0 million during the period

Operations Update

- Financial performance showed organic growth in H1 FY17 due to:
 - Continued focus on utilisation and margins;
 - Good cost management across the Group; and
 - Strong client demand, particularly in digital and customer led innovation
- Phoenix contracting model fully integrated into the DWS operating model and continued growth in Symplicit's contribution to the Group result
- Total consulting staff numbers decreased to 645 due to a reduction in contracting staff greater than an increase in permanent staff (as a result of a reduction in client demand for contracting staff)
- DWS' continuing its breadth and depth strategy focussing on:
 - Enhanced service offering; and
 - Cross-selling by sales teams
- DWS continuing to match the specific resourcing needs of DWS' clients with the flexibility of the Phoenix contracting model

Summary and Outlook

Summary

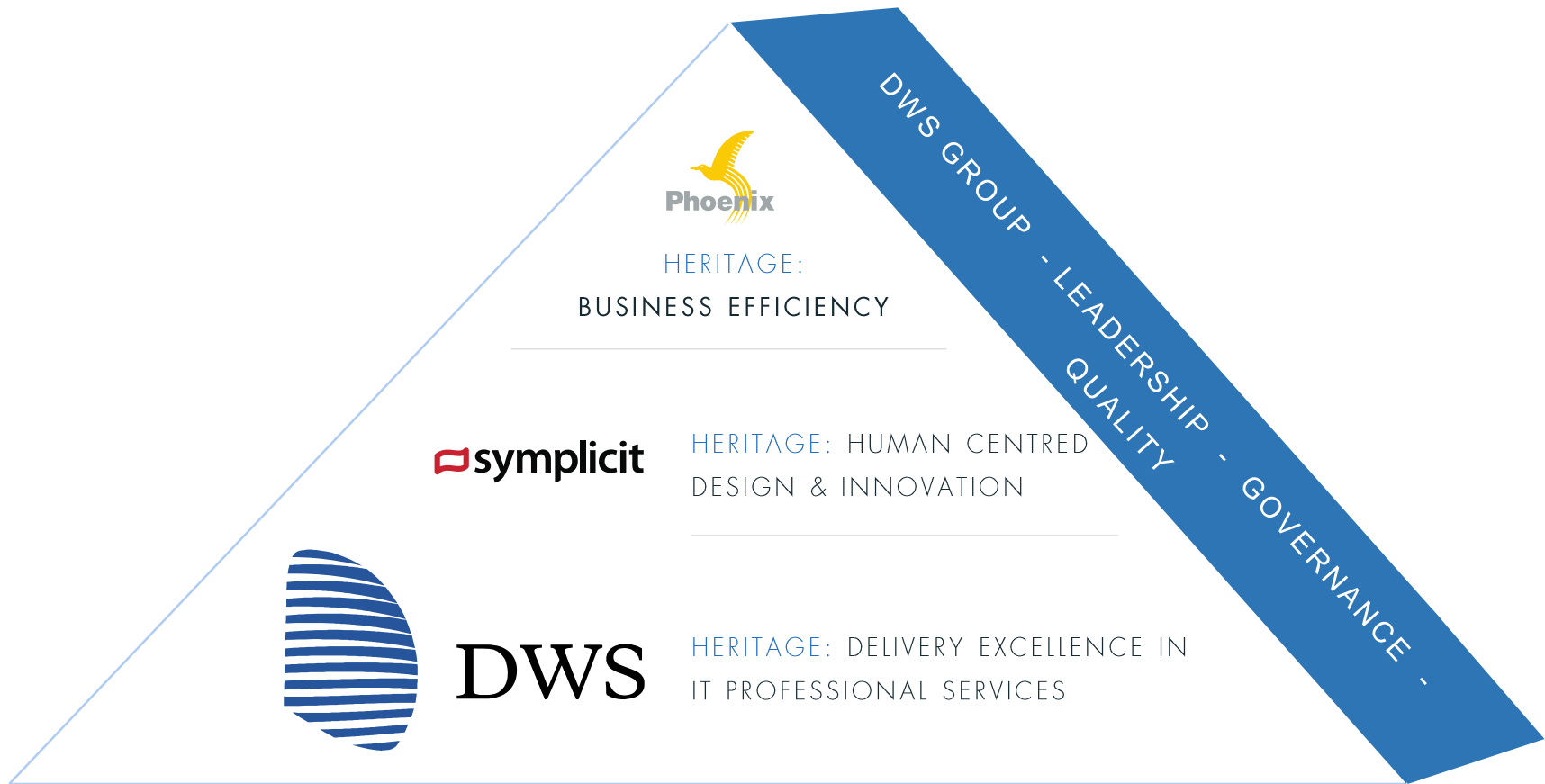
- DWS has integrated its acquisitions successfully and is leveraging the greater resourcing flexibility from the Phoenix contracting model
- Symplicit continues to perform strongly with its digital and customer led innovation services in high demand
- DWS will continue to focus on utilisation and margins
- DWS' financial position remains sound with conservative levels of debt and strong cash flow generation giving a platform for further earnings accretive acquisitions where appropriate

Outlook

- Subject to market conditions, H2 FY17 performance expected to reflect:
 - Maintaining H1 FY17 utilisation with continued organic growth compared to H2 FY16; and
 - Continued good cost management
- DWS will focus on its strategy of breadth and depth to grow shareholder returns and pay down bank debt

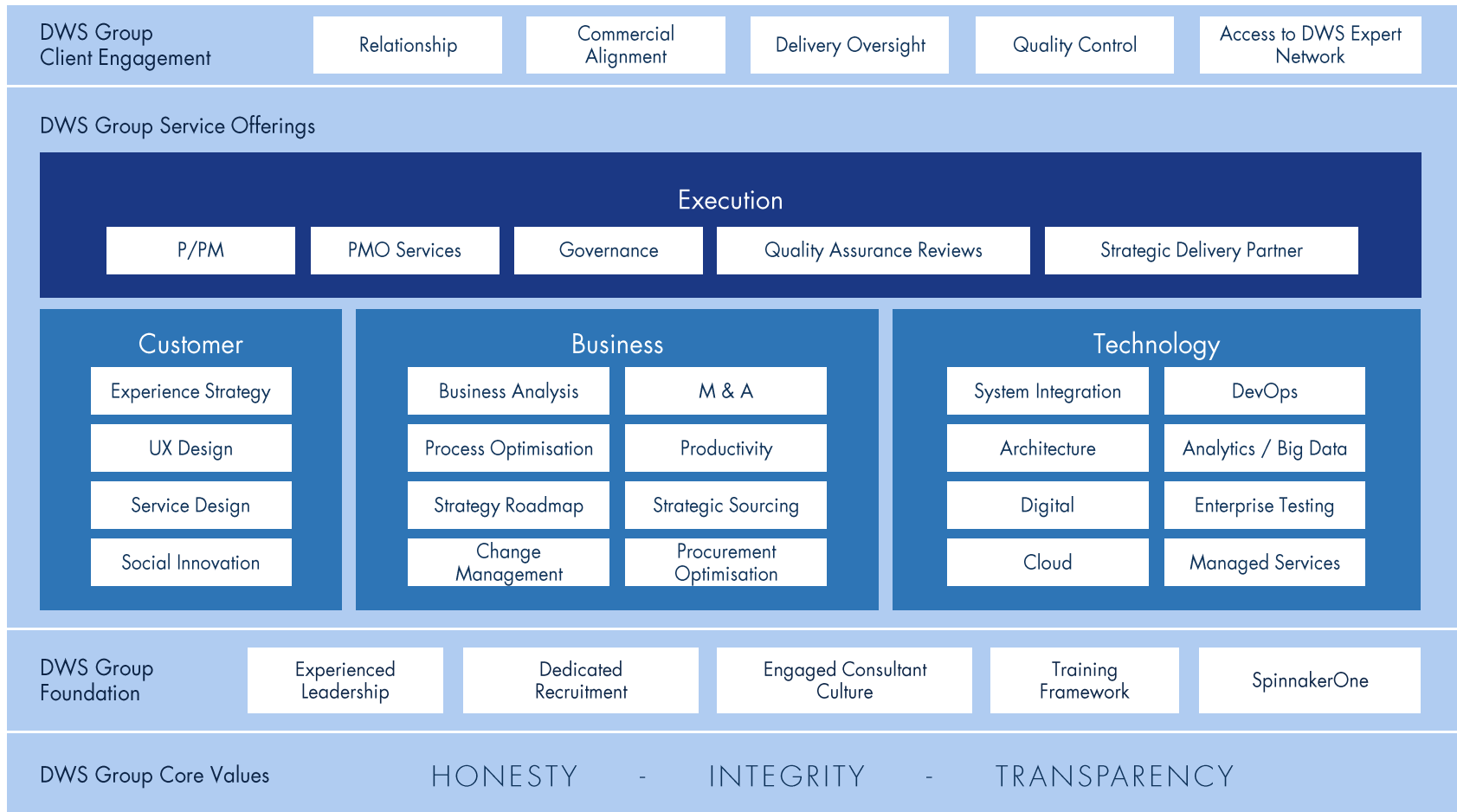
DWS Service Offering

DELIVERING VALUE
THROUGH OUR COLLECTIVE STRENGTH



DWS Service Offering

THE DWS GROUP MODEL FOR DELIVERING VALUE



DWS Service Offering

DELIVERING VALUE TO
BLUE CHIP CLIENTS
ACROSS AUSTRALIA



Questions?

Q & A

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