DWS Limited

2018 Half Year Results Presentation

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Results Highlights

- H1 FY18 NPAT of $10.134 million up 12% on pcp
- H1 FY18 Reported EBITDA up 1% to $13.79 million
- H1 FY18 Adjusted EBITDA down 13% to $11.85 million
- EPS of 7.69 cents showing growth of 12% (6.88 cents in pcp)
- Continued high utilisation of staff and focus on cost controls across the Group have resulted in an adjusted EBITDA margin of 19%
- Balance sheet remains sound and liquid with $9.25 million of cash at 31 December 2017
- Net debt of $2.75 million ($12.48 million pcp)
- Interim fully franked dividend of 5.0 cents per share representing a payout ratio of 80% of Adjusted EBITDA

Half Year Results – Summary Review

	H1 FY18 ($'000)	H1 FY17 ($'000)	Movement
Revenue from continuing operations	**61,669**	73,739	(12,070)
Gross Margin	**32.20%**	32.98%	(0.78%)
Reported EBITDA	**13,792**	13,652	140
Reported EBITDA Margin	**22.4%**	18.5%	3.9%
Adjusted EBITDA	**11,849**	13,652	(1,804)
Adjusted EBITDA Margin	**19.2%**	18.5%	0.7%
Reported NPAT	**10,134**	9,065	1,069
Reported EPS	**7.69 cents**	6.88 cents	0.81 cents

- H1 FY18 revenue down 16% on pcp and down 3% on H2 FY17 as renegotiated panel agreements took effect
- Average utilisation per consultant 82% (81% pcp)
- Adjusted EBITDA margin improved to 19.2% from 18.5% pcp
- H1 FY18 Reported EBITDA (excluding adjustments) up 1.0% to $13.79 million. After adjustment for the writeback of the Symplicit Earn Out provision, adjusted EBITDA was $11.85 million
- Adjusted EBITDA margin increased to 19.2% as a result of continued strong cost control
- H1 FY18 Reported NPAT of $10.13 million up 11.8% on pcp

Half Year Results - Financial Position

	31 Dec 2017 $'000	30 June 2017 $'000	Movement
Trade and other debtors	**16,200**	21,763	(5,563)
Work in progress	**1,707**	958	749
Trade creditors and accruals	**(7,510)**	(11,255)	3,745
Working capital	**10,397**	**11,466**	**(1,069)**
Property, plant & equipment	**2,095**	2,253	(158)
Intangible assets and DTA	**70,824**	70,895	(71)
Contingent consideration	**-**	(3,143)	3,143
Other	**(7,609)**	(7,928)	319
Total capital employed	**75,707**	**73,543**	**2,164**
Cash	**9,247**	10,868	(1,621)
Debt	**(12,000)**	(15,000)	3,000
Net assets	**72,954**	**69,411**	**3,543**

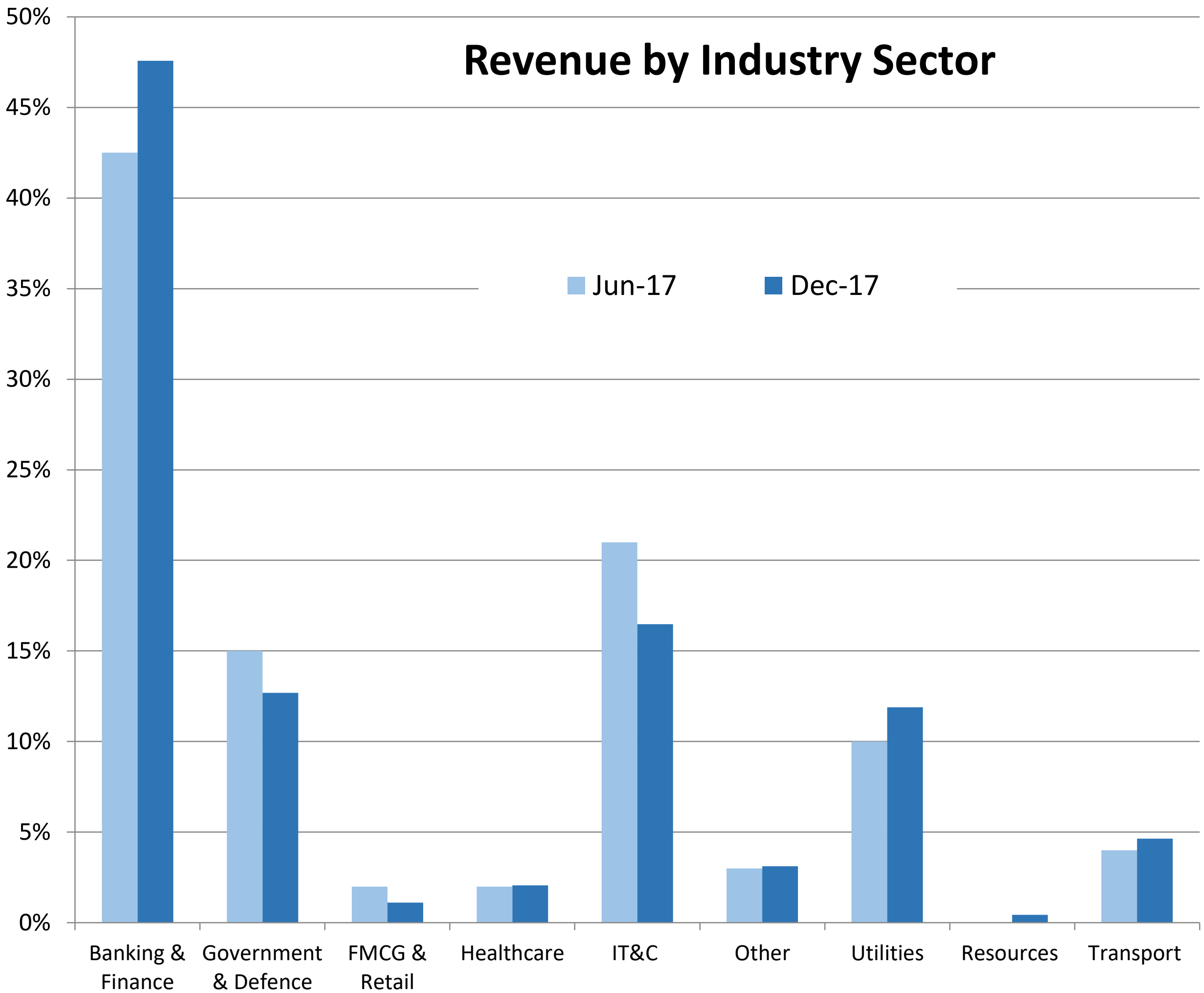
- Debtors reduced due to strong collections and lower revenue for the period. Similarly, trade creditors and accruals lower for the period
- Increase in WIP due to timing of fixed price engagement milestones and increased number of fixed price/milestone billed engagements
- Reduction in contingent consideration due to payment of the Symplicit Earn Out for the year ended 30 June 2017 ($1.2m) & writeback of the remainder of the Earn Out provision
- Debt funding for the Group under a 3-year interest only bank facility with total drawn debt for working capital/prior acquisitions of $12.0 million as at 31 December 2017 (net debt of $2.75 million)
- Liquidity remains strong with $9.25 million of cash on hand at 31 December 2017 after net repayment of $3.0 million of bank debt during the period

Half Year Results - Cash Flow Performance

	H1 FY18 $'000	H1 FY17 $'000	Movement
Opening cash balance	**10,868**	10,164	704
Cash flow from operations (before interest & tax)	**13,311**	14,927	(1,616)
Tax paid	**(3,932)**	(5,814)	1,882
Capital asset purchases	**(15)**	(85)	69
Intangible asset payments	**(41)**	(38)	(3)
Dividends paid	**(6,591)**	(6,591)	-
Acquisitions	**(1,200)**	(800)	(400)
Debt funding / (repayment)	**(3,000)**	(2,000)	(1,000)
Net Interest expense	**(153)**	(245)	92
Closing cash balance	**9,247**	9,519	(272)

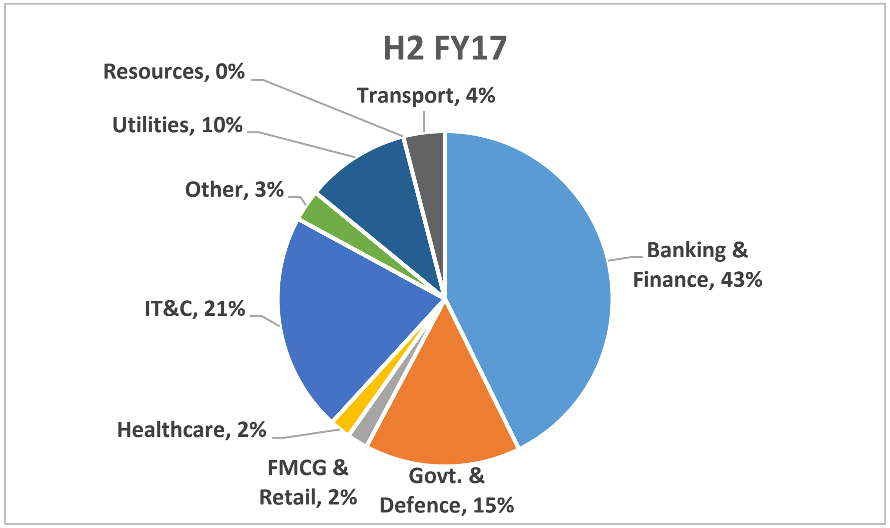
- Strong cash conversion maintained with operational cash flow being 112% of Adjusted EBITDA (97% of Reported EBITDA)
- Tax paid in line with profit
- Intangibles represents capital software development
- Acquisitions payment of $1.2 million relates to the Earn Out payment for Symplicit for the year ended 30 June 2017 ($0.8 million pcp)
- Debt repayment of $3.0 million compared to pcp debt repayment of $2.0 million

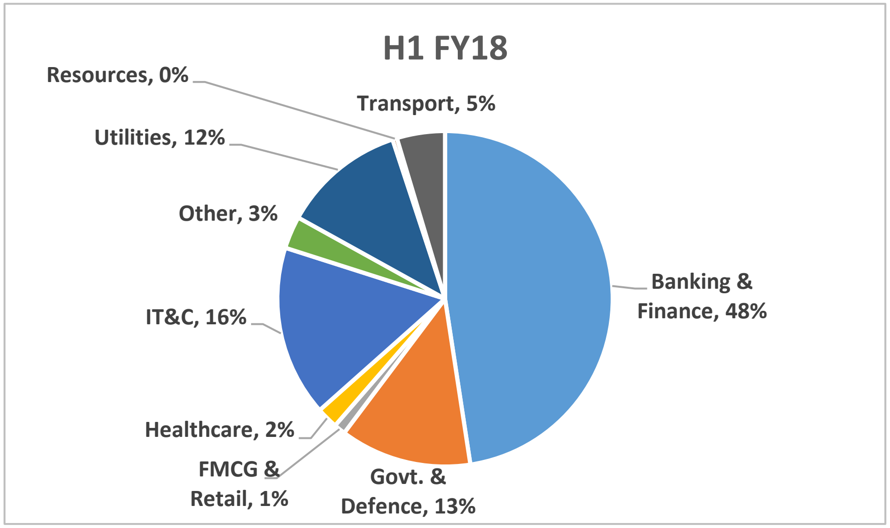
Revenue Breakdown by Industry Sector

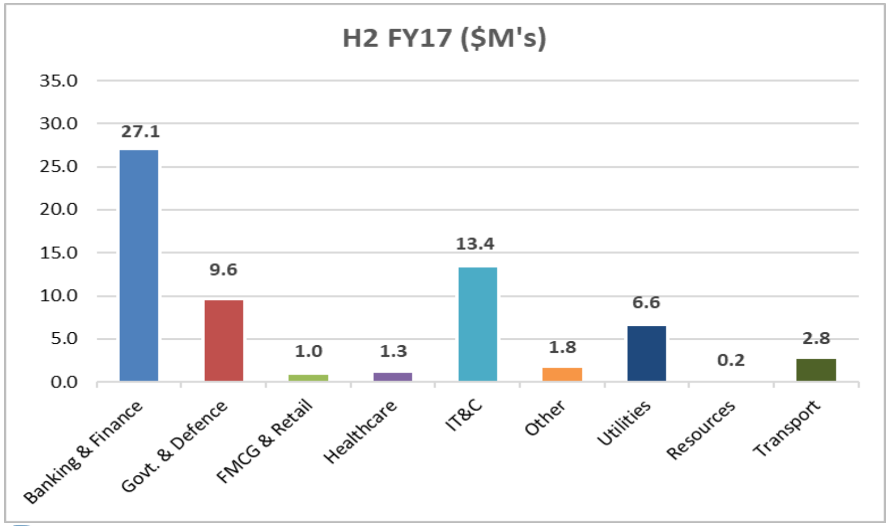


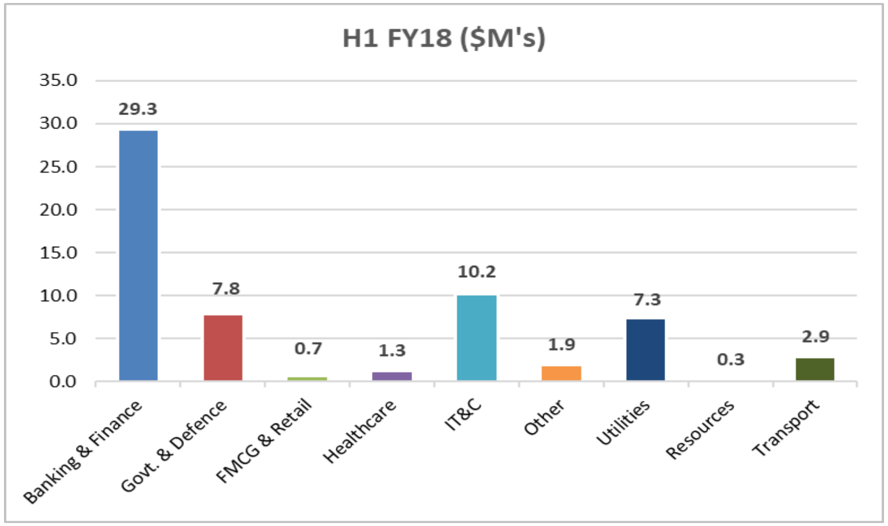
- Strong demand for services from Banking & Finance clients a key driver of the Group's revenue performance
- Increased share of revenue for Banking & Finance, Utilities and Transport reflects the client portfolios of Symplicit and Phoenix and growth in new/existing clients in these industries
- Reduction in IT&C and Government & Defence due to relative size of Banking & Finance and reduction in actual revenue for the period

Revenue Breakdown by Industry Sector (cont'd)





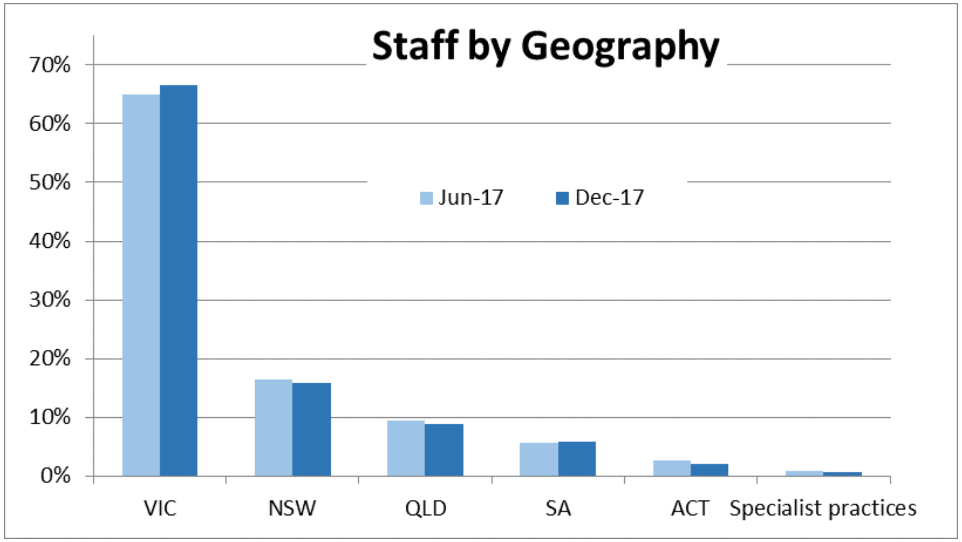


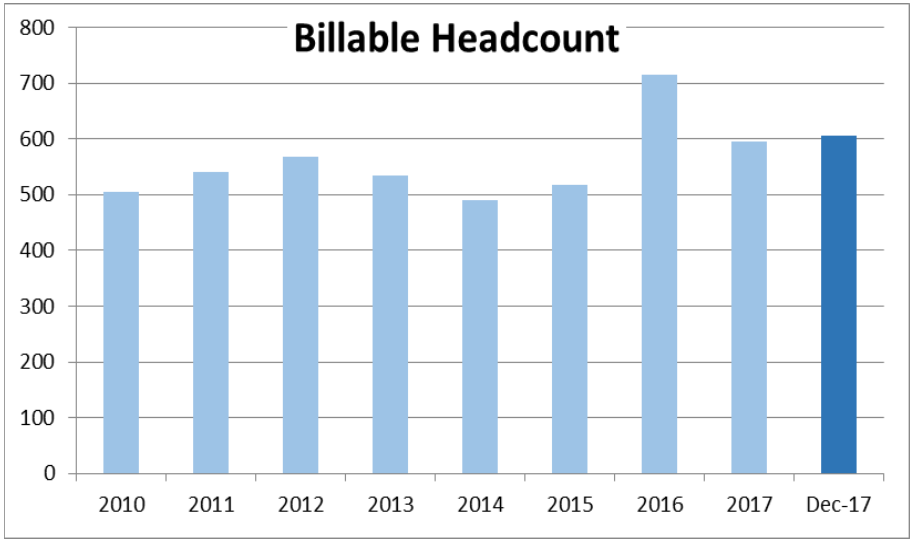


Revenue Breakdown – Billable Headcount

		Dec 2017	June 2017
Consulting Staff	Total chargeable	**606**	596
Office Staff	Management	**13**	11
	BD/Sales	**19**	18
	Admin	**22**	18
Grand Total		**660**	643

- Total consulting staff increased as a result of an increase in client demand for permanent staff offset by a reduction in client demand for contracting staff
- Increase in Management with appointment of National Sales manager and National Operations Manager.
- Increase in Admin due to additional internal recruitment resources Nationally





Capital Management

DWS intends to maintain dividend payments and continue to repay debt as its primary capital management initiatives in the absence of suitable acquisitions

Interim Dividend

	Dec 2017	Dec 2016
Interim Dividend	5.0 cents	5.0 cents
Payout Ratio on Adjusted NPAT	80.5%	72.7%
Record Date	16 March 2018	16 March 2017
Expected Payment Date	4 April 2018	4 April 2017

- Dividend payout ratio of 80.5% of Adjusted NPAT (72.7% pcp)
- 100% franking for Australian shareholders at 30% tax rate

Bank debt

- DWS holds a 3-year, $25 million bank facility
- As at 31 December 201 $12.0 million of the facility was drawn with $13.0 million undrawn
- Net repayment of bank debt of $3.0 million during the period

Operations Update

- Key drivers of the financial results are as follows:
  - Continued high utilisation of staff with stronger demand in the Banking & Finance and Utilities sectors and reduced demand in IT&C and Government sectors;
  - Total consulting staff numbers increased to 606 with increases in permanent staff more than offsetting a reduction in contractors (as a result of a reduction in client demand for contracting staff); and
  - Impact of renegotiated panel agreements on revenue in current period with prospects of higher volumes in subsequent periods
- Digital work undertaken by the DWS Group impacted by tight labour conditions restricting the ability to increase headcount and impacting the DWS Group's results (mitigated by the writeback of the Symplicit Earn Out provision). DWS will focus on recruiting digital specialists in H2 FY18 and continue to increase the proportion of digital work provided by the DWS Group
- DWS is continuing its breadth and depth strategy focussing on:
  - Enhanced service offering; and
  - Cross-selling by sales teams
- Investments in the business with the appointment of a National Sales Manager and a National Operations Manager, additional business development managers and additional internal recruitment resources in Melbourne, Sydney and Brisbane are expected to underpin further growth in headcount in H2 FY18
- Overall strong cost management across the Group which maintained EBITDA margin

Summary and Outlook

Summary

- H1 FY18 impacted by lower rates with key clients (as a result of renegotiation of panel agreements) and a tight labour market for digital specialists
- DWS has invested in additional roles to underpin organic growth and support anticipated increased demand due to the reduction of suppliers under new panel agreements
- DWS will focus on recruiting digital specialists and growing the proportion of digital work provided by the DWS Group as well as focussing on utilisation and margins
- DWS' financial position strengthened during the period with reduced net debt levels and strong cash flow generation providing a platform to pursue organic growth and earnings accretive acquisitions where appropriate

Outlook

- Subject to market conditions, H2 FY18 performance is expected to reflect:
    - The impact of lower rates due to renegotiation of panel agreements;
    - Continued organic growth in headcount;
    - Maintaining H1 FY18 utilisation; and
    - Continued good cost management
- DWS will continue to focus on its strategy of breadth and depth and to pay down bank debt in the absence of suitable acquisitions

Questions?

Q & A

Appendices - DWS Service Offering

DELIVERING VALUE
THROUGH OUR COLLECTIVE STRENGTH

Phoenix

HERITAGE:
BUSINESS EFFICIENCY

symplicit

HERITAGE: HUMAN CENTRED DESIGN & INNOVATION

DWS

HERITAGE: DELIVERY EXCELLENCE IN IT PROFESSIONAL SERVICES

DWS GROUP - LEADERSHIP - QUALITY - GOVERNANCE -

THE DWS GROUP MODEL FOR DELIVERING VALUE

DWS Group Client Engagement

- Relationship
- Commercial Alignment
- Delivery Oversight
- Quality Control
- Access to DWS Expert Network

DWS Group Service Offerings

Execution

- P/PM
- PMO Services
- Governance
- Quality Assurance Reviews
- Strategic Delivery Partner

Customer

- Experience Strategy
- UX Design
- Service Design
- Social Innovation

Business

- Business Analysis
- M & A
- Process Optimisation
- Productivity
- Strategy Roadmap
- Strategic Sourcing
- Change Management
- Procurement Optimisation

Technology

- System Integration
- DevOps
- Architecture
- Analytics / Big Data
- Digital
- Enterprise Testing
- Cloud
- Managed Services

DWS Group Foundation

- Experienced Leadership
- Dedicated Recruitment
- Engaged Consultant Culture
- Training Framework
- SpinnakerOne

DWS Group Core Values

HONESTY - INTEGRITY - TRANSPARENCY

Appendices - DWS Service Offering

DELIVERING VALUE TO BLUE CHIP CLIENTS ACROSS AUSTRALIA

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