DWS Limited

2018 Full Year Results Presentation

Contents

Results Highlights

- Operating revenue of $126.1 million compared to $137.4 million in FY17. Lower revenue due to a number of factors including a decline in daily chargeable rate at a major client partially offset by growth in headcount
- Reported EBITDA of $22.8 million compared to $26.2 million in FY17
- EPS of 12.1 cents (13.2 cents in pcp)
- Continued focus on productivity and managing consultant numbers to match client demand resulted in an increase in total billable consultants to 704 at 30 June 2018 (596 in pcp)
- Balance sheet remains sound and liquid with $8.13 million of cash at 30 June 2018
- Net debt of $1.87 million ($4.13 million at 30 June 2017)
- Final fully franked dividend of 5.0 cents per share taking total fully franked dividends to 10.0 cents per share for the year representing a 83% pay-out ratio for the year
- Acquisition of Projects Assured will diversify earnings increasing the DWS Group's exposure to Canberra based and Federal Government clients and be earnings accretive in FY19

Full Year Results – Summary Review

	30 June 2018 ($'000)	30 June 2017 ($'000)	Movement
Operating Revenue	**126,098**	137,438	(11,340)
Gross Margin	**31.9%**	33.8%	(1.9%)
EBITDA excluding one-off acquisition costs and other items	**22,858**	26,992	(4,134)
EBITDA Margin	**18.1%**	19.6%	(1.5%)
Reported EBITDA	**22,804**	26,243	(3,439)
Reported EPS	**12.1 cents**	13.2 cents	(1.1 cents)

- FY18 revenue $126.1 million down 8.3% on pcp
- Gross margin decreased to 31.9% from 33.8% due to lower revenue not fully offset by lower costs
- Operating expenses $5.3 million lower than pcp
- Average utilisation per consultant largely maintained at 83.9% (84.1% in pcp)
- One-off acquisition costs of $0.05 million during the period relating to the acquisition of Projects Assured
- Underlying EBITDA of $20.92 million after removing one-off acquisition costs for Projects Assured ($0.05 million) and the write back of the Symplicit Earn-out provision ($1.943 million)

Full Year Results - Financial Position

	30 June 2018 $'000	30 June 2017 $'000	Movement
Trade and other debtors	**19,566**	21,763	(2,197)
Work in progress	**719**	958	(239)
Trade creditors and accruals	**(7,631)**	(11,256)	3,625
Working capital	**12,654**	**11,465**	**1,189**
Property, plant & equipment	**2,061**	2,254	(193)
Intangible assets and DTA	**70,906**	70,895	11
Contingent consideration	**-**	(3,143)	3,143
Other	**(11,604)**	(7,928)	(3,676)
Total capital employed	**74,017**	**73,543**	**474**
Cash	**8,128**	10,868	(2,740)
Debt	**(10,000)**	(15,000)	5,000
Net assets	**72,145**	**69,411**	**2,734**

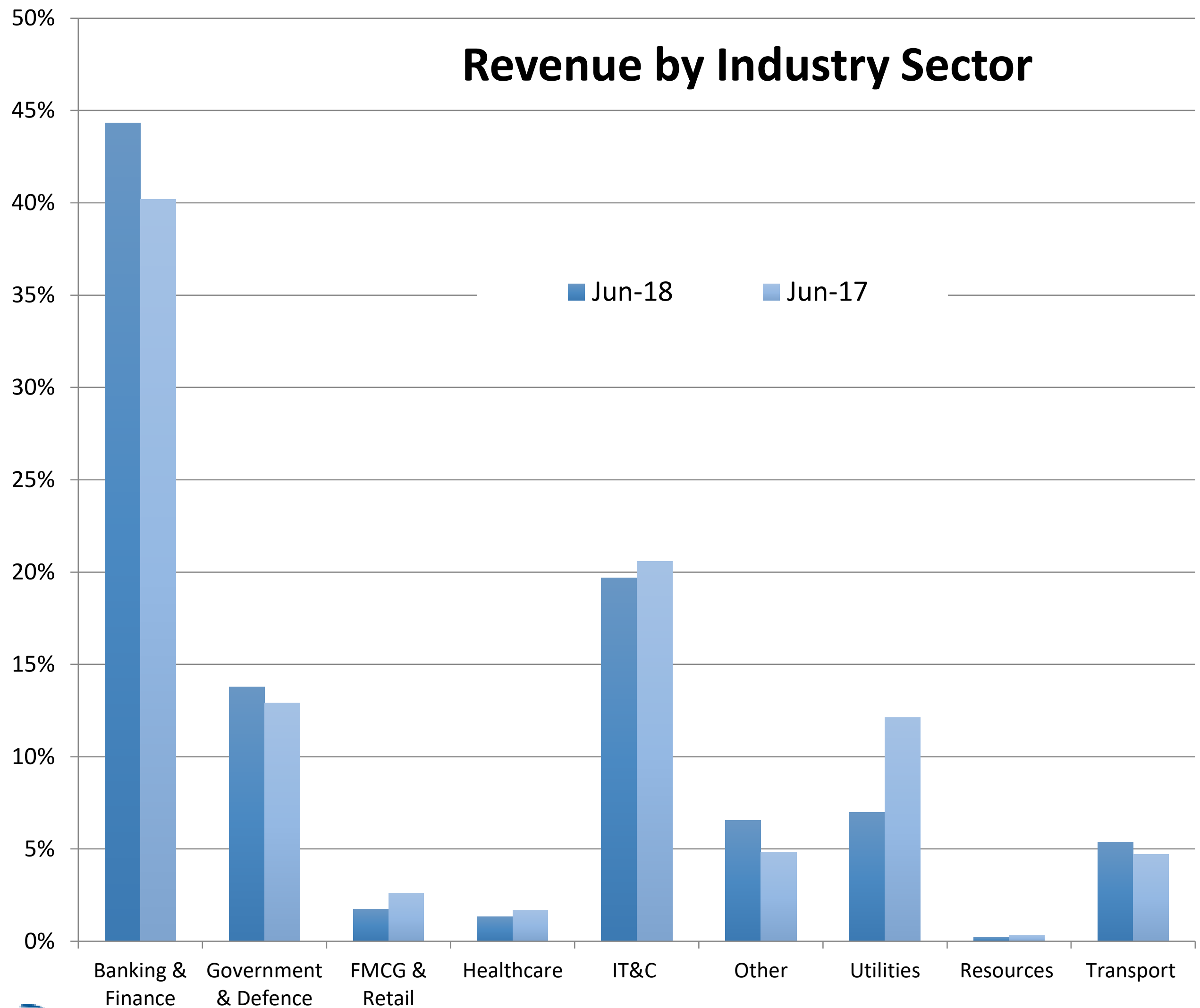
- Debtors decreased due to strong collections and lower revenue. Similarly, trade creditors and accruals lower for the period.
- Decrease in WIP due to timing of fixed price engagement milestones and increased number of fixed price/milestone billed engagements
- Reduction in contingent consideration due to payment of $1.2 million of the Symplicit Earn-out during the period and the writeback of the remaining $1.943 million of the Symplicit Earn-out
- Debt funding for Symplicit and Phoenix under 3-year interest only bank facility with total drawn for acquisitions/working capital of $10.0 million as at 30 June 2018
- Liquidity remains strong with $8.13 million of cash on hand at 30 June 2018 after net repayment of $5.0 million of bank debt during the period

Full Year Results - Cash Flow Performance

	30 June 2018 $'000	30 June 2017 $'000	Movement
Opening cash balance	**10,868**	10,164	704
Cash flow from operations (before interest & tax)	**21,709**	32,827	(11,118)
Tax paid	**(4,986)**	(9,119)	4,133
Capital asset purchases	**(124)**	(124)	-
Intangible asset payments	**(107)**	(75)	(32)
Dividends paid	**(13,183)**	(13,183)	-
Acquisitions	**(1,200)**	(800)	(400)
Debt funding / (repayment)	**(5,000)**	(9,000)	4,000
Interest Income & other	**151**	178	(27)
Closing cash balance	**8,128**	10,868	(2,740)

- Strong cash conversion maintained with operational cash flow being 95% of Reported EBITDA
- Tax paid in line with profit
- Intangibles represents capitalised R&D on product development software
- Total dividends of $13.2 million paid during the year
- Symplicit earn-out payment of $1.2 million
- Debt repayment of $5.0 million as part of DWS's ongoing commitment to pay down acquisition debt whilst maintaining dividends

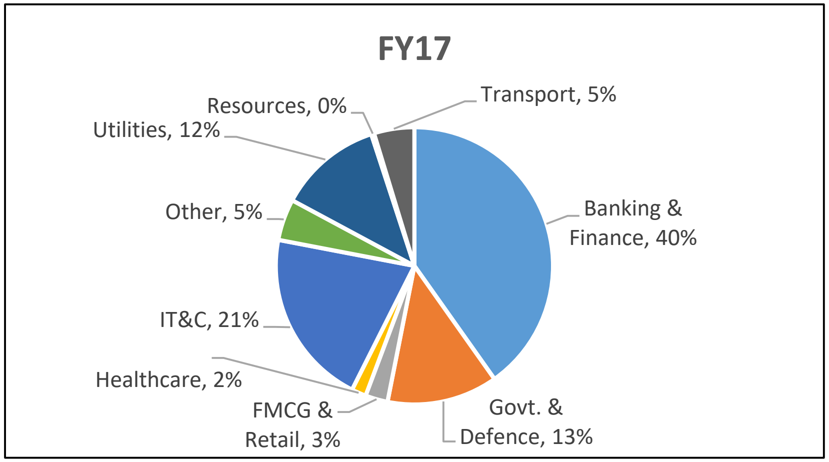
Full Year Results – Revenue Breakdown by Industry Sector

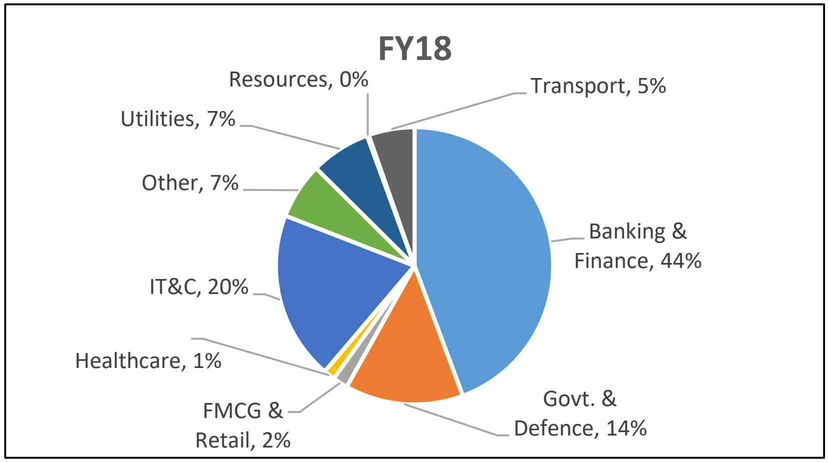


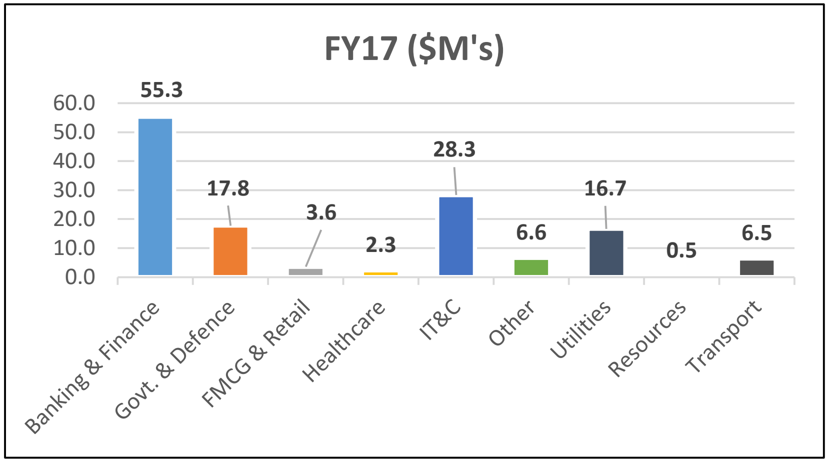
- Banking & Finance relative share of total revenue increased as a result of lower IT&C revenue and continued strength in this industry
- Lower IT&C share mainly due to reduced contractor demand across IT&C clients
- Govt & Defence share higher due to new projects in both Federal and State Governments and fall in other sector's revenue. Govt & Defence share will increase further in FY19 as a result of the acquisition of Projects Assured
- Lower Utilities relative share and lower revenues due to decrease in demand across Victoria and South Australia

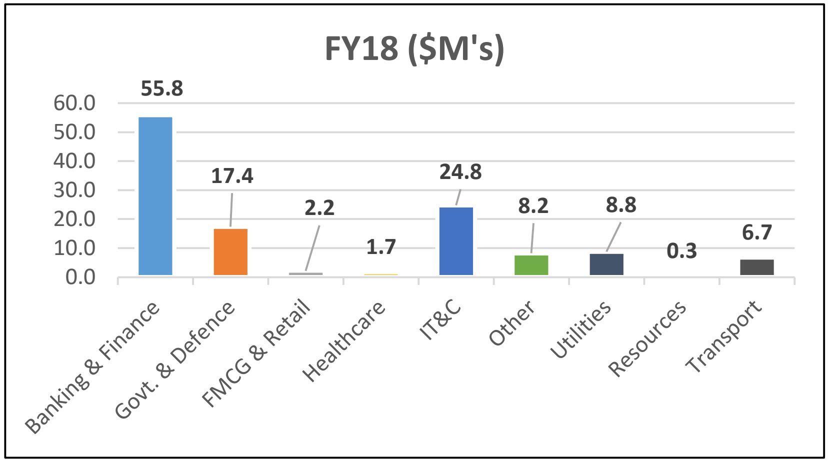
Full Year Results – Revenue Breakdown by Industry Sector (cont'd)

DWS industry mix has remained similar to FY17 with the main change the reduction in contractor demand from IT&C and a fall in demand from the Utilities and Retail industry sector





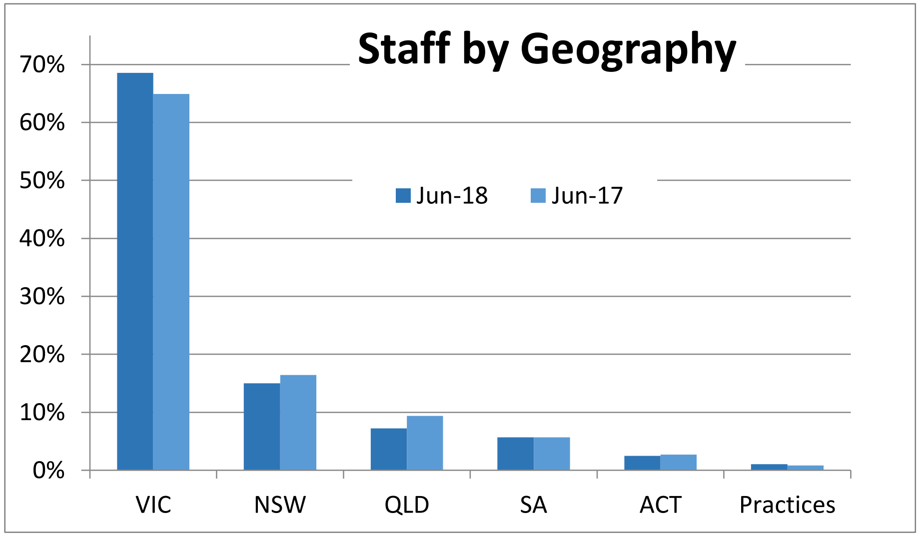


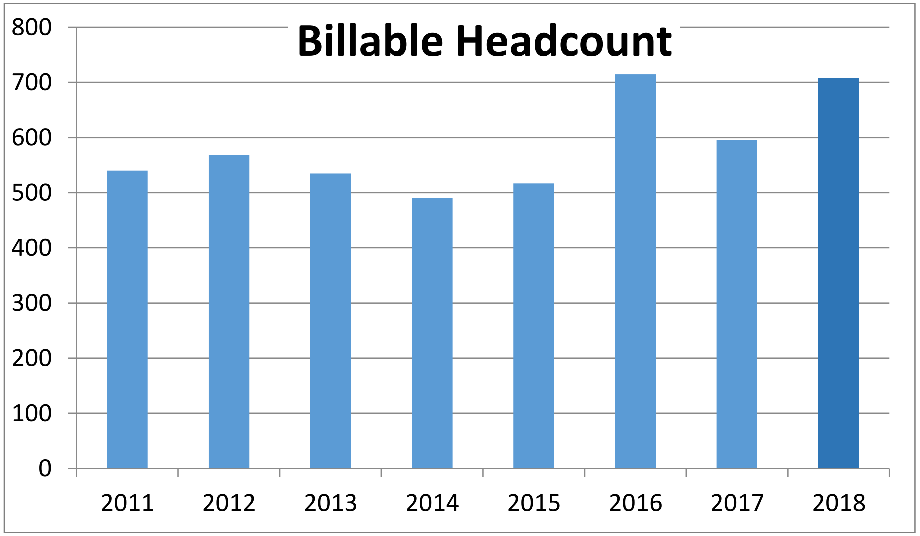


Full Year Results – Revenue Breakdown – Billable Headcount

		June 2018	June 2017
Consulting Staff	Total chargeable	**704**	596
Office Staff	Management	**13**	11
	BD/Sales	**21**	18
	Admin	**19**	18
Grand Total		**757**	643

- Increase in permanent consulting staff offset by a reduction in contracting staff in response to client demand.
- Increase in Management with appointment of National Sales Manager and National Operations Manager.
- Additional internal recruitment resources nationally





Capital Management

Final Dividend

	June 2018	June 2017
Interim Dividend	5.0 cents	5.0 cents
Final Dividend	5.0 cents	5.0 cents
Total Dividend	10.0 cents	10.0 cents
Payout Ratio on Reported NPAT	83%	76%
Record Date	4 September 2018	4 September 2017
Expected Payment Date	2 October 2018	2 October 2017

- Dividend payout ratio of 83% of Reported NPAT
- 100% franking for Australian shareholders at 30% tax rate

Bank debt

- DWS held a 3-year, $25 million bank facility at 30 June 2018
- As at 30 June 2018 $10.0 million of the facility was drawn with $15.0 million undrawn
- Net repayment of bank debt of $5.0 million during the period
- Following the acquisition of Projects Assured, DWS will look to maintain dividend payment amounts at current levels and use surplus cash generated to repay debt in the absence of any further M&A activity

Operations Update

- FY18 financial performance driven by:
- Continued focus on utilisation and margins;
- Good cost management across the Group; and
- Strong client demand, particularly in Banking and Finance

- Total consulting staff numbers increased to 704 as at 30 June 2018 due to a increase in demand from major clients in H2 FY18 as well as project wins in new clients. Increase in headcount largely in the Banking and Finance sector which has enabled revenue levels to be maintained despite a reduction in the daily chargeable rates at a major client.
- DWS will continue to vary its workforce to match the specific needs of its clients and look to grow its footprint in digital and in Federal Government sectors following the acquisition of Projects Assured
- The IT industry remains highly competitive as large organisations seek to refresh IT contracts. This is offset by increased demand due to new projects

Operations Update (cont'd)

- Acquisition of Projects Assured effective 2 July 2018
- A leading Canberra based Strategic Management and IT Consulting business with over 100 highly skilled consultants and an experienced management team committed to growing the Projects Assured business as part of the DWS Group
- Projects Assured diversifies the DWS Group earnings and increases exposure to Canberra based and Federal Government clients with FY19 revenue estimated to be approximately $35 to $40 million
- Consistent with DWS's stated aim of making earnings accretive acquisitions with Earnings Per Share accretion estimated to be in excess of 3.5 cents after funding costs
- With the acquisition of Projects Assured the DWS Group has over 800 consultants nationally and an increased presence in Canberra

Summary and Outlook

Summary

- The DWS Group will continue to focus on utilisation and margins in FY19
- Consistent with DWS's stated aim during the year, DWS has increased headcount to offset downward pressure on charge out rates in DWS's traditional business
- DWS has diversified earnings and has enhanced its service offering as a result of the acquisition of the Canberra based Projects Assured business
- The DWS Group will continue to focus on client service, growing revenue and margins
- DWS' financial position remains sound with conservative levels of debt and strong cash flow generation

Outlook

- Subject to market conditions, FY19 performance expected to reflect:
  - Diversification of earnings following the acquisition of Projects Assured;
  - Maintaining productivity with continued organic growth; and
  - Continued good cost management
- Following the acquisition of Projects Assured, DWS will look to maintain dividend payment amounts at current levels and use surplus cash generated to repay debt in the absence of any further M&A activity
- DWS will focus on leveraging the benefits from its recent and past acquisitions to grow shareholder returns.

Questions?

Q & A

Appendices - DWS Group Service Offering

DELIVERING VALUE
THROUGH OUR COLLECTIVE STRENGTH

DWS	symplicit	Phoenix	PROJECTS ASSURED
HERITAGE:	HERITAGE:	HERITAGE:	HERITAGE:
DELIVERY EXCELLENCE IN IT PROFESSIONAL SERVICES	HUMAN CENTRED DESIGN & INNOVATION	BUSINESS EFFICIENCY	STRATEGIC ADVISORS & DELIVERY PARTNERS

Appendices - DWS Group Service Offering

DELIVERING VALUE TO
BLUE CHIP CLIENTS
ACROSS AUSTRALIA

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