



DWS Limited

2020 Half Year Results
Presentation

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Disclaimer



Results Highlights

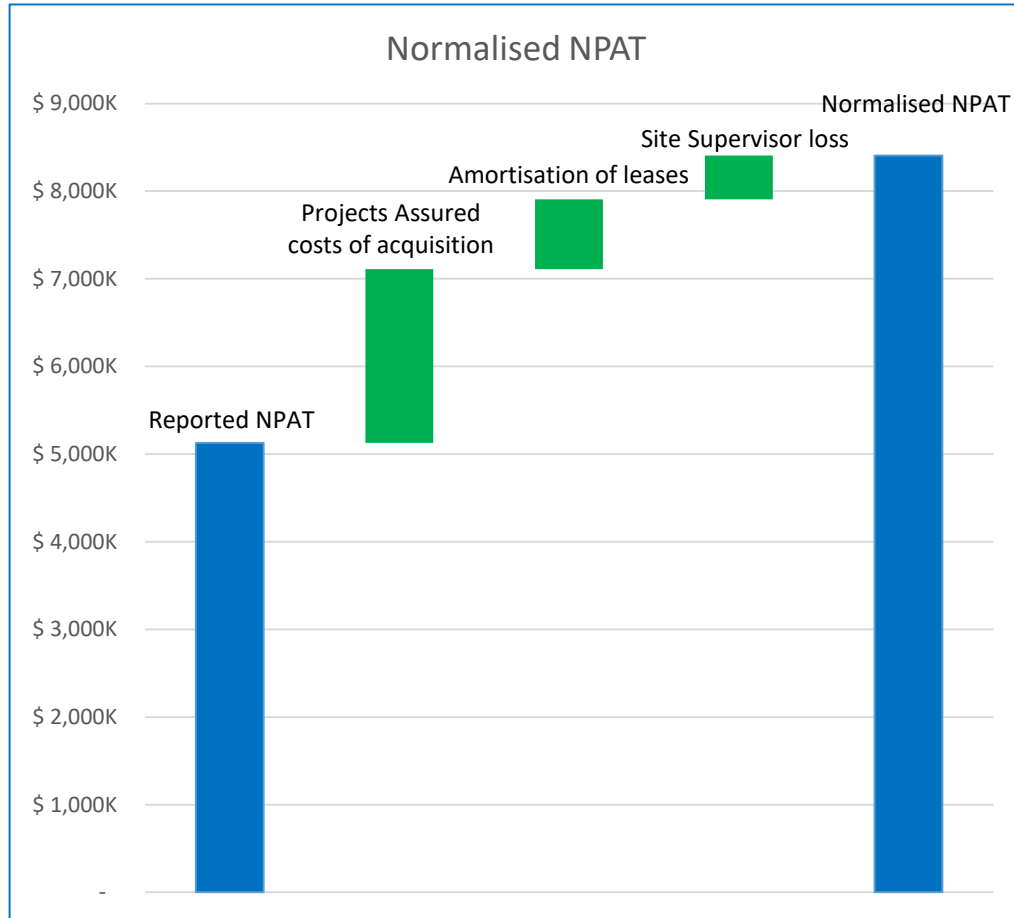
- Operating revenue of \$83.0 million for H1 FY20 compared to \$82.3 million in H1 FY19
- Underlying EBITDA up 2.5% to \$12.3 million compared to \$12.0 million for pcpc. Reported EBITDA of \$10.8 million compared to \$10.9 million in prior corresponding period (“pcpc”)
- Normalised NPAT of \$8.4 million up \$0.8 million or 11% on pcpc
- Reported NPAT of \$5.1 million impacted by the accounting treatment for costs associated with the Projects Assured and Object Consulting acquisitions, amortisation of leases under AASB 16 and share of loss from Site Supervisor
- Continued focus on productivity and managing consultant numbers with total billable consultants of 745 at 31 December 2019 (763 in pcpc)
- Balance sheet remains sound and liquid with \$10.87 million of cash at 31 December 2019
- Net debt of \$34.13 million (\$33.12 million at 30 June 2019)
- The Board of Directors has declared an interim fully franked dividend of 3.0 cents per share representing a 77% pay-out ratio using reported NPAT

Half Year Results – Summary Review

	H1 FY20 \$'000	H1 FY19 \$'000	Movement
Operating Revenue	83,024	82,271	753
Gross Margin	28.2%	28.6%	(0.4%)
Reported EBITDA	10,800	10,889	(89)
Reported EBITDA Margin	13.0%	13.2%	(0.2%)
Adjusted EBITDA excluding one-off acquisition costs and other items	12,324	12,027	297
Adjusted EBITDA Margin	14.8%	14.6%	0.2%
Reported NPAT	5,129	6,679	(1,550)
Reported EPS	3.89 cents	5.07 cents	(1.18 cents)

- H1 FY20 revenue \$83.0 million up \$0.75 million or 1% on pcip
- Gross margin broadly in line with pcip at 28.2%
- Average utilisation per consultant at 77.7% (79.3% in pcip)
- Reported EBITDA \$10.8 million (\$10.9 million pcip)
- Projects Assured and Object Consulting acquisition costs of \$1.52 million included in Reported EBITDA
- Adjusted EBITDA \$12.3 million up 2% on pcip
- Reported EPS is 3.9 cents per share after accounting for the Project Assured acquisition (including amortisation of customer relationships), amortisation of leases and share of loss from Site Supervisor
- Normalised NPAT and normalised EPS is \$8.4 million and 6.4 cents per share respectively (refer following slide)

Half Year Results – Normalised NPAT



- Reported NPAT of \$5.1 million includes the after tax impact of approximately \$2.0 million relating to the acquisition of Projects Assured (consisting of Earn Out and retention payments and the amortisation of a customer relationship intangible asset recognised upon acquisition of Projects Assured)
- A change in the accounting treatment of Earn Out payments has meant that the Projects Assured Earn Out payments are recognised as an expense in the P&L for FY20 (along with amortisation of a customer relationship intangible asset recognised upon acquisition of Projects Assured). Previously Earn Out payments for DWS acquisitions have been recognised through balance sheet adjustments
- After adjusting for the Projects Assured costs of acquisition, the amortisation costs for leases under AASB 16 and the share of loss from DWS's joint venture investment, Site Supervisor, normalised NPAT for the DWS Group is approximately \$8.4 million and normalised EPS is 6.4 cents (5.8 cents pcg)

Half Year Results - Financial Position

	31 Dec 2019 \$'000	30 June 2019 \$'000	Movement
Trade and other debtors	20,504	30,455	(9,951)
Work in progress	2,457	1,253	1,204
Trade creditors and accruals	(14,928)	(17,150)	2,222
Working capital	8,033	14,558	(6,525)
Property, plant & equipment	2,603	2,701	(98)
Intangible assets and DTA	104,235	100,668	3,567
Staff provisions	(7,988)	(7,884)	(104)
Contingent consideration and other	(2,316)	(6,345)	4,030
Total capital employed	104,568	103,698	870
Cash	10,866	8,880	1,986
Debt	(45,000)	(42,000)	(3,000)
Net assets	70,434	70,578	(144)

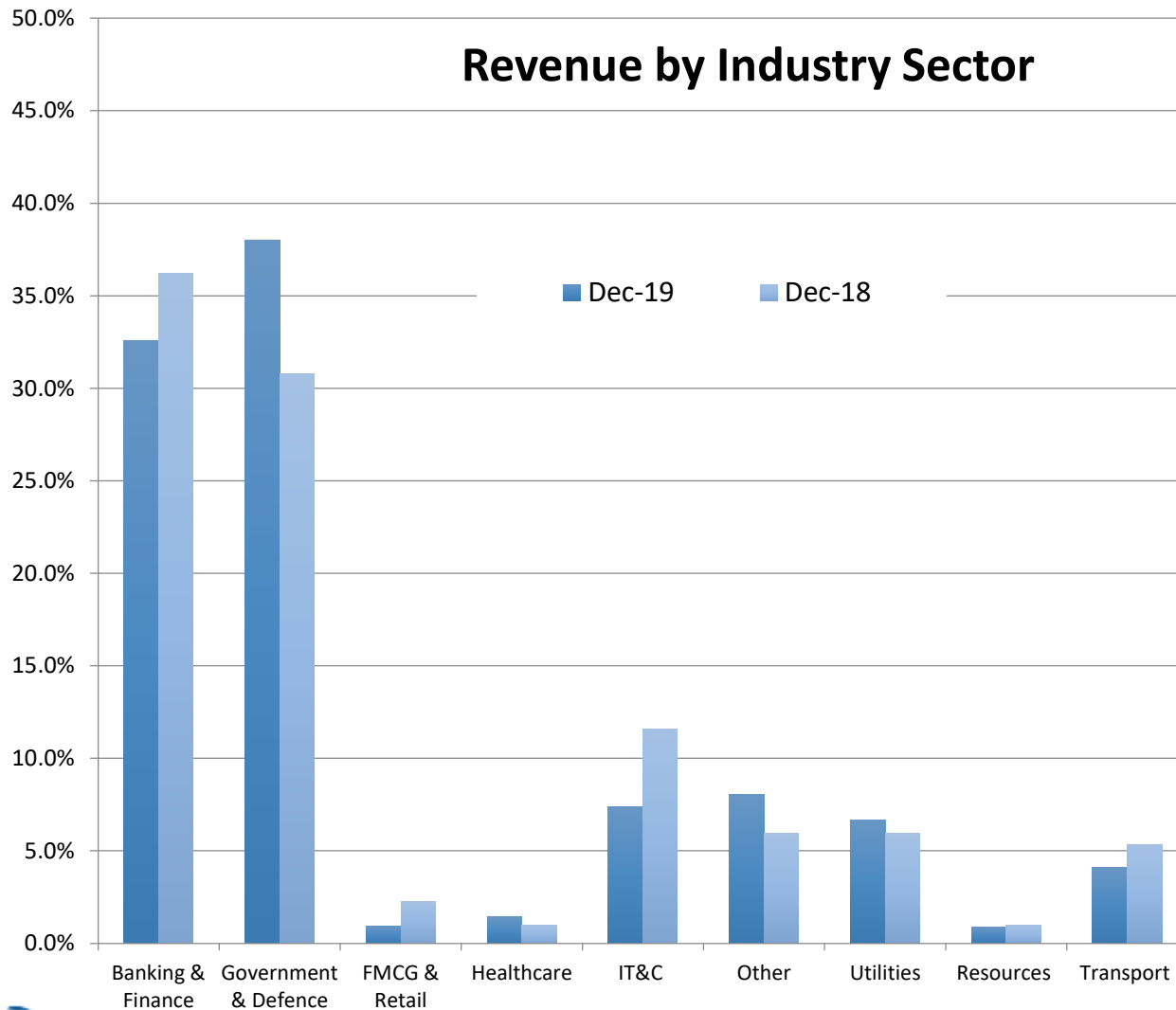
- Debtors decreased due to strong collections and improvements in Projects Assured debtor management
- Increase in WIP due to the timing of fixed price engagement milestones and increased number or fixed price/milestone billed engagements
- Contingent consideration and other includes accounting for the Earn Out payments due to Projects Assured for FY20 and future years
- Debt funding under a multi-year interest only bank facility with total drawn funds for acquisitions/working capital of \$45.0 million as at 31 December 2019
- Liquidity remains strong with \$10.87 million of cash on hand at 31 December 2019

Half Year Results - Cash Flow Performance

	H1 FY20 \$'000	H1 FY19 \$'000	Movement
Opening cash balance	8,880	8,915	(35)
Cash flow from operations (before interest & tax)	15,069	11,172	3,897
Tax paid	(5,335)	(2,587)	(2,748)
Capital asset purchases	(22)	(58)	36
Intangible asset payments	(1,069)	(1,122)	53
Dividends paid	(5,273)	(6,592)	1,319
Acquisitions	(3,318)	(33,000)	29,682
Debt funding / (repayment)	3,000	32,000	(29,000)
Interest Income/(expense) & other	(1,066)	(301)	(765)
Closing cash balance	10,866	8,427	2,439

- Strong cash conversion maintained with operational cash flow being 140% of Reported EBITDA and 122% of Adjusted EBITDA
- Tax paid in line with profit/taxable income and reflects impact of non-deductible Project Assured acquisition costs and non-deductible lease amortisation costs included in P&L
- Intangible asset payments represents investment in Site Supervisor and capitalised R&D for iApply
- Total dividends of \$5.3 million paid during the period
- Object Consulting business acquisition payment of \$3.318 million funded by bank debt funding and internal funds

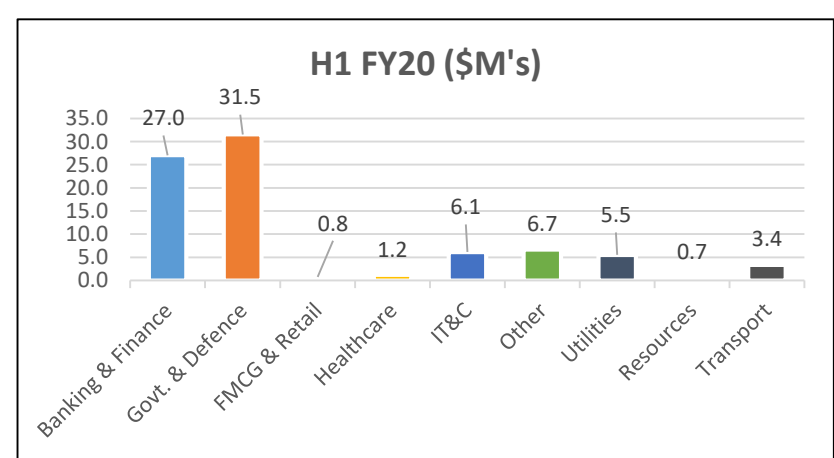
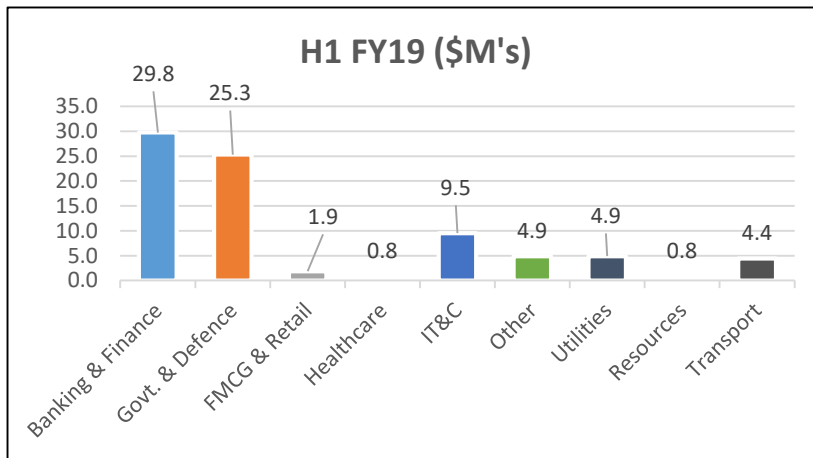
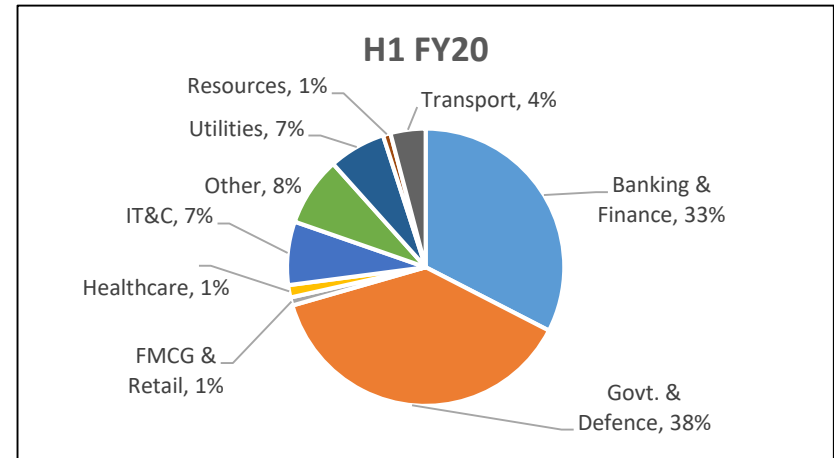
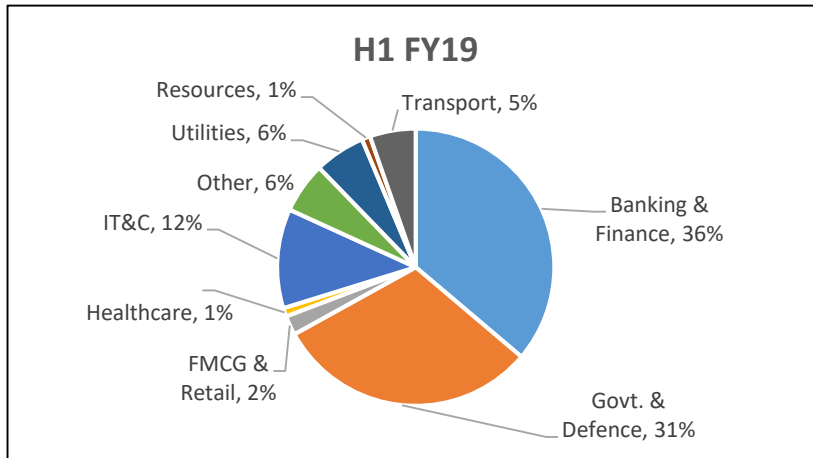
Revenue Breakdown by Industry Sector



- Government and Defence relative share increased due to growth in revenue from Projects Assured acquisition
- Banking & Finance relative share of total revenue mainly decreased as a result of higher revenue in Government and Defence, Utilities and Other
- Lower IT&C relative share mainly due to reduced demand across IT&C clients and relative increase in share of total revenue by Government & Defence

Revenue Breakdown by Industry Sector (cont'd)

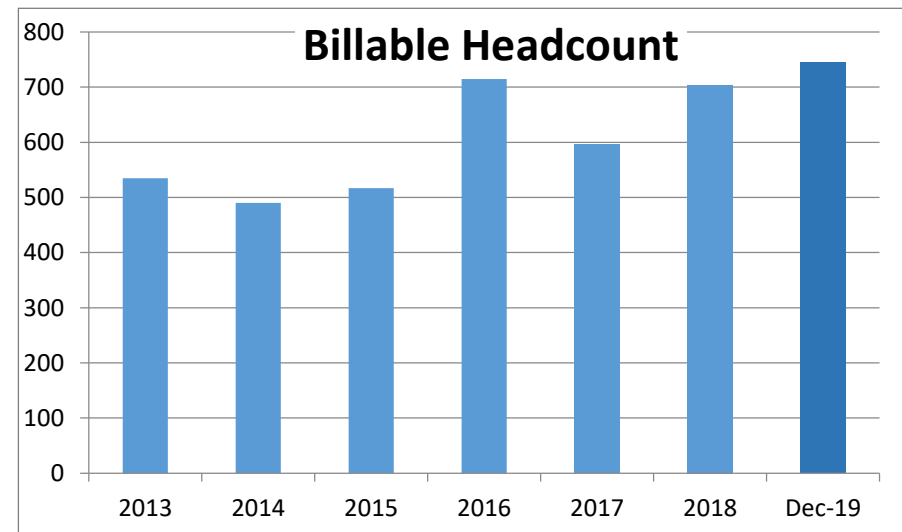
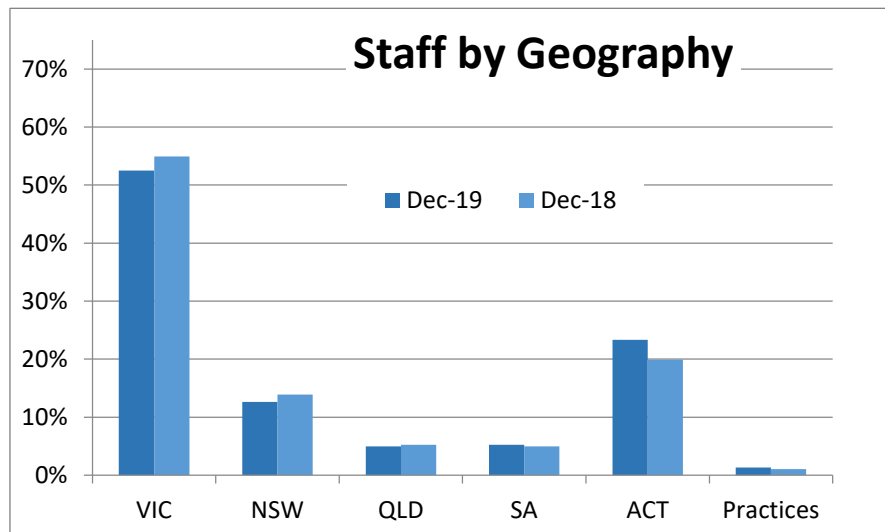
DWS industry mix continues to evolve with an increase in absolute and relative size of Government & Defence and the reduction in absolute and relative size of Banking & Finance and IT&C



Revenue Breakdown – Billable Headcount

		31 Dec 2019	31 Dec 2018
Consulting Staff	Total chargeable	745	763
Office Staff	Management	11	12
	BD/Sales	18	21
	Admin	28	24
Total		802	820

- Decrease in permanent consulting staff compared to pcg mainly due to reduction in DWS/Symplicit staff greater than increase in Projects Assured permanent staff
- Decrease in Management and BD/Sales reflects restructure in Symplicit and efficiencies across regions
- Increase in Admin due to support staff for Projects Assured and Admin staff from the Object Consulting business acquisition



Capital Management

Payments for investment in licensed products, Projects Assured acquisition costs and Object Consulting business acquisition costs approximately \$8.0 million during H1 FY20

Final Dividend

	Dec 2019	Dec 2018
Interim Dividend	3.0 cents	5.0 cents
Payout Ratio on Reported NPAT	77%	79%
Record Date	13 March 2020	15 March 2019
Expected Payment Date	3 April 2020	4 April 2019

Dividend payout ratio of 77% of Reported NPAT (47% of normalised NPAT after adjusting for Projects Assured and Object Consulting costs of acquisition, amortisation of leases and share of loss from Site Supervisor)

100% franking for Australian shareholders at 30% tax rate

Bank debt

- DWS held a multi-year \$55 million bank facility at 31 December 2019
- As at 31 December 2019 \$45.0 million of the facility was drawn with \$10.0 million undrawn (excluding bank guarantees for office leases)
- Given \$10.87 million of cash on hand, total funds available as at 31 December 2019 were approximately \$20.87 million (excluding bank guarantees for office leases)

Operations Update

- Key drivers of the H1 FY20 financial performance are as follows:
 - Strong performance from Projects Assured;
 - Lower than expected demand from Banking & Finance, IT&C and Transport sectors and underperformance from Symplicit. Symplicit operations restructured and strategies put in place to improve performance in H2 FY20;
 - Initial losses from Object Consulting business acquisition. Object Consulting business to be integrated into the DWS traditional service offering and expected to contribute positively in H2 FY20;
 - DWS's RPA practice is growing more slowly than expected but has completed strategic projects at key clients and is expected to continue its growth in H2 FY20;
 - Site Supervisor still in start-up phase and yet to gain sufficient scale. Ongoing review of operations to determine whether to continue or exit investment; and
 - Good cost management across the Group
- Total consulting staff numbers decreased slightly to 745 as at 31 December 2019 (763 pcg). Increase in headcount at Projects Assured outweighed by decrease in headcount in the remainder of the DWS Group due to lower than expected demand in the Banking & Finance, IT&C and Transport sectors and underperformance of the Symplicit business
- Utilisation of staff was broadly maintained at 78% (79% pcg) despite having to adjust workforce for lower than expected demand for traditional DWS services and a one-off mandatory leave initiative implemented at short notice by a key 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 via Projects Assured

Summary and Outlook

Summary

- The DWS Group continued its diversification of earnings and grew its Government and Defence industry vertical as a result of the continued growth of the Canberra based Projects Assured business
- Normalised NPAT for the DWS Group approximately \$8.4 million (up \$0.8 million or 11% on pcg) and normalised EPS 6.4 cents (5.8 cents pcg). Reported NPAT impacted by accounting for Projects Assured and Object Consulting acquisition costs, amortisation of leases under AASB 16 and share of loss from Site Supervisor
- Object Consulting business is being absorbed into the DWS Group and is expected to contribute positively in H2 FY20
- Ongoing review and focus on the Symplicit business to ensure performance meets management expectations
- DWS's RPA practice is growing more slowly than expected but is expected to continue its growth in H2 FY20
- DWS' financial position remains sound with conservative levels of debt and strong cash flow generation which has enabled DWS to pay dividends to shareholders whilst supporting core and acquired businesses

Outlook

- Subject to market conditions, H2 FY20 performance expected to reflect:
 - Further growth by Projects Assured in Federal Government work in Canberra;
 - Improved performance in Symplicit, RPA and the recently acquired Object Consulting business;
 - Maintaining productivity and margins in DWS's core offering; and
 - Continued good cost management
- DWS will review its investment in Site Supervisor during FY20 to ensure satisfactory progress is made or alternatively to reduce its investment or exit
- DWS will continue to focus on leveraging the benefits from its core and acquired businesses with the aim of growing and diversifying earnings, paying down acquisition debt and providing appropriate shareholder returns

Questions?

Q & A

Appendices - DWS Group Service Offering

DELIVERING VALUE THROUGH OUR COLLECTIVE STRENGTH



HERITAGE:
DELIVERY EXCELLENCE IN
IT PROFESSIONAL SERVICES



HERITAGE:
HUMAN CENTRED
DESIGN & INNOVATION



HERITAGE:
BUSINESS
EFFICIENCY



HERITAGE:
STRATEGIC ADVISORS &
DELIVERY PARTNERS

Appendices - DWS Group Service Offering

DELIVERING VALUE TO
BLUE CHIP CLIENTS
ACROSS AUSTRALIA



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