DWS Limited

2015 Full Year Results Presentation

Results Highlights

- NPAT of $10.4 million down 19% on pcp after poor first 9 months of FY15
- Strong improvement in Q4 financial performance with reduced costs, increased demand and improved utilisation
- Return to revenue growth with H2 up 3%
- Symplicit acquisition contributed its first profit to DWS in June with full benefit in FY16
- Balance sheet remains strong and liquid with $10.4 million of cash at 30 June 15
- Final fully franked dividend of 3.75 cents per share
- Phoenix acquisition expected to be EPS accretive in FY16

Results Highlights

Financial Performance

- FY15 revenue of $94.63M in line with PCP of $94.40M
- FY15 underlying EBITDA (excluding one-off items) down 13% to $15.86M
- NPAT down 19% to $10.4M
- EPS of 7.9 cents (PCP 9.7 cents)
- Fully franked dividend of 7.5 cents per share representing a total payout ratio of 95%
  - 90% payout ratio excluding one-off items
- Operating cash flow (before interest and tax) of $15.12M
  - Ratio of operating cash flow to EBITDA of 102%
- Liquidity remains strong with $10.37M of cash and acquisition funded by an interest only, 3-year facility

Results Highlights

Operations

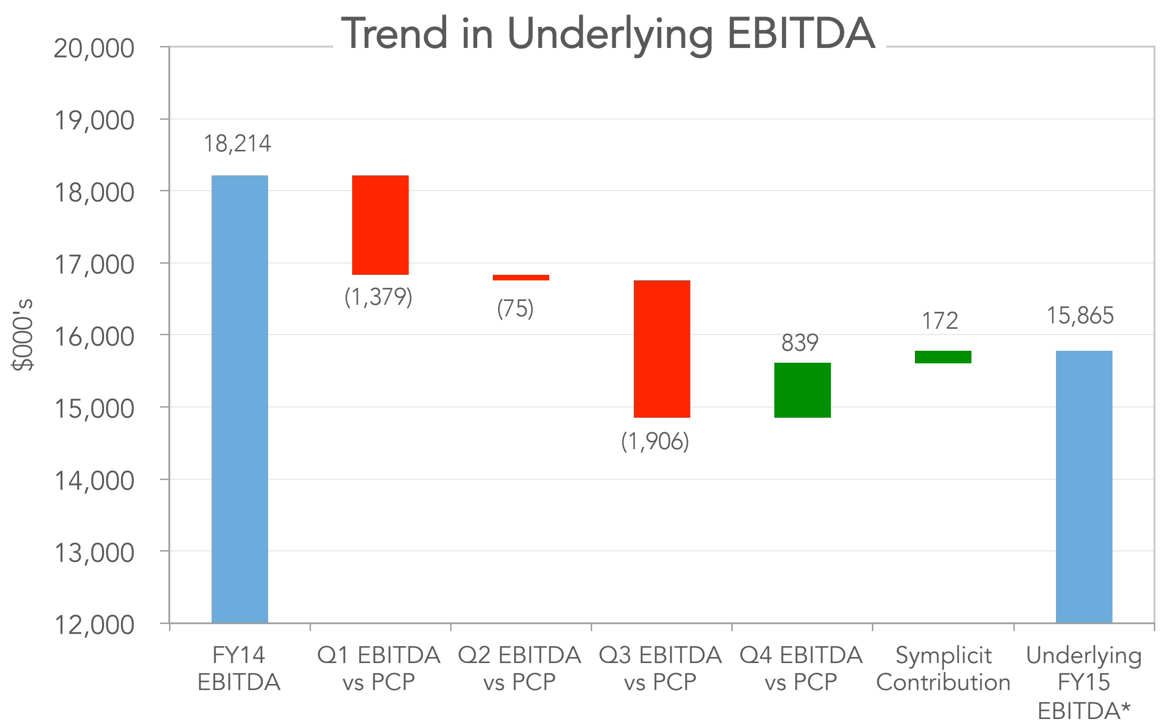
- Financial performance showed a strong turnaround in Q4 due to:
  - restructuring to improve utilisation;
  - overhead cost reductions; and
  - strong client demand, particularly in VIC
- Total consultant numbers up 6% to 517:
  - Symplicit acquisition added 44 consultants
  - DWS headcount reductions due to attrition and restructuring in VIC and WA
  - Increase in NSW and SA partially offsetting reductions
- DWS' growth strategy is being executed with recent acquisitions:
  - growing annualised revenue by over 50%;
  - positioning DWS in growth domains and diversifying its customer base and client relationships; and
  - providing revenue synergies from cross-selling and collaboration

Financial Results – Summary Review

	H1 FY15 ($'000)	H2 FY15 ($'000)	Total FY15 ($'000)	Total FY14 ($'000)	Movement (%)
Revenue from continuing operations	46,764	47,868	94,632	94,397	0.2%
Gross margin	31%	32%	32%	34%	(2%)
Underlying EBITDA	8,012	7,853	15,865	18,214	(13%)
Underlying EBITDA margin	17%	16%	17%	19%	(2%)
Additional termination costs	-	(518)	(518)	-	-
Acquisition costs	-	(215)	(215)	-	-
Gain on PV of future earnout liability	-	321	321	-	-
Impairment	(551)	-	(551)	-	-
EBITDA	7,461	7,441	14,902	18,214	(18%)
NPAT	5,100	5,299	10,399	12,897	(19%)
EPS	3.9c	4.0c	7.9	9.7	(19%)

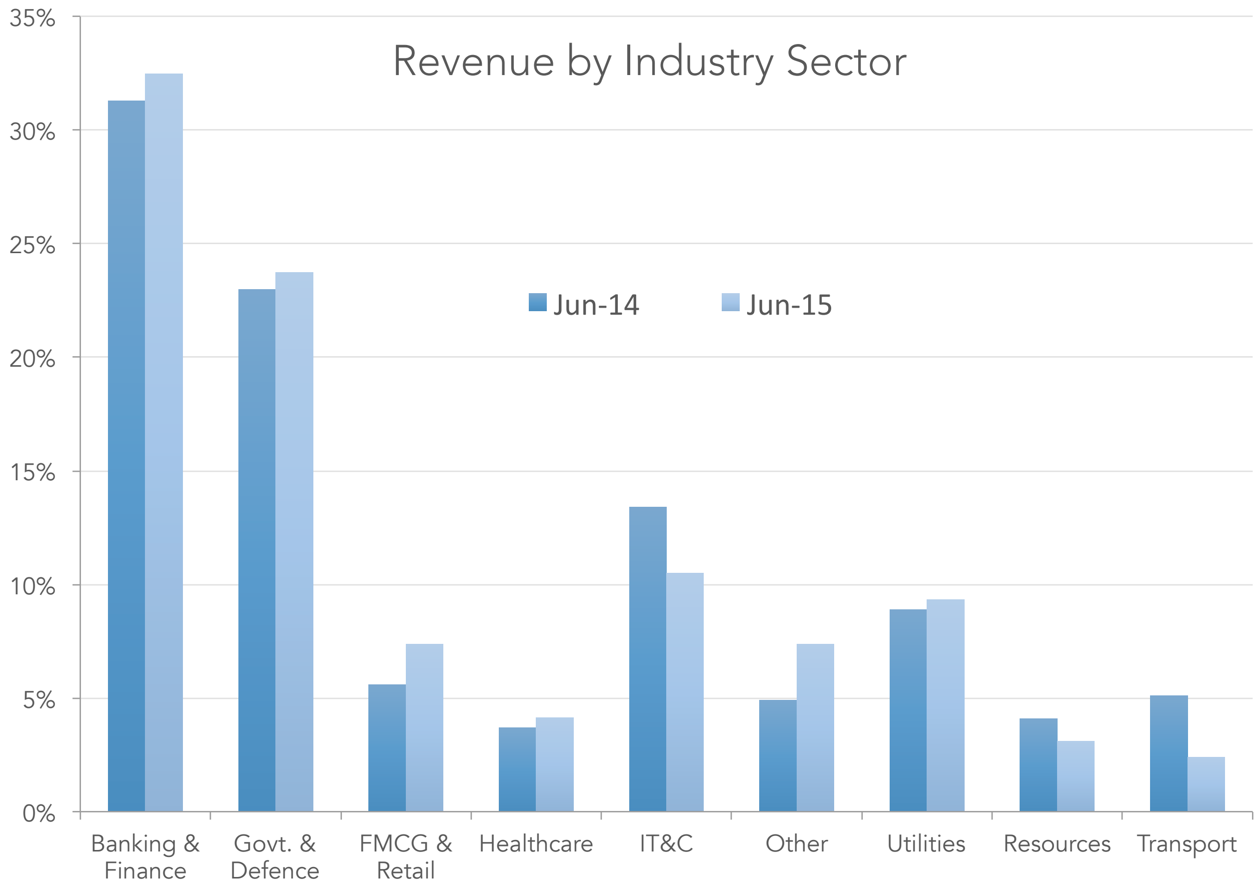
- H2 revenue up 3% on PCP including $1.1M contribution from Symplicit (up 1% ex acquisition)
- Average utilisation per consultant of 75% was in-line with FY14
- While H2 EBITDA was slightly lower than H1 DWS has exited the year strongly compared to PCP
- One-off costs are:
  - incremental termination costs incurred in H2 relative to PCP to improve utilisation;
  - Symplicit transaction costs;
  - time value benefit on contingent earn-out payments; and
  - JV write-down announced in H1

Financial Results – Turnaround in Q4



- Full-year performance was affected by poor utilisation, particularly in Q1 and Q3
- Q4 performance was strong due to restructuring in certain states and solid client demand in Victoria
- The Symplicit acquisition made its first profit contribution to DWS in June

Financial Results – Revenue Breakdown

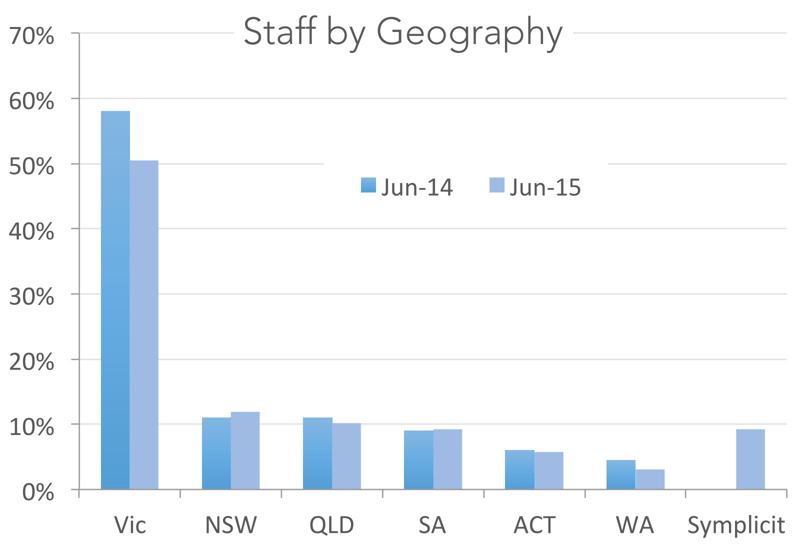


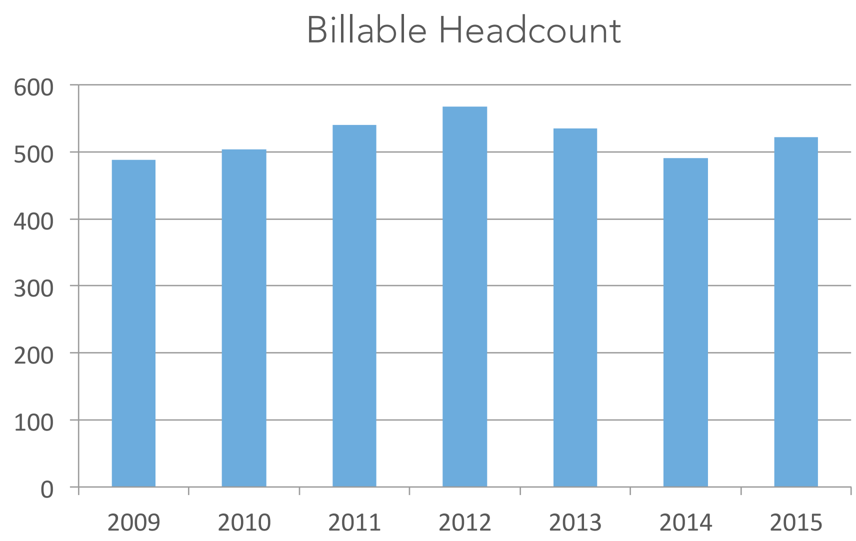
- Continued strong demand for services from Banking & Finance clients underpinned revenue performance
- The Government sector was supported by higher revenue from State Government departments and Defence
- FMCG, Healthcare and Utilities increased due to improved sector penetration
- Lower IT&C and Transport revenue was due to less telco and aviation engagements

Financial Results – Revenue Breakdown

		June 2015	June 2014
Consulting Staff	Total chargeable	517	490
Office Staff	Management	14	13
	BD/Sales	15	12
	Admin	14	13
Grand Total		560	528

- Billable headcount growth of 6% following acquisition of Symplicit
- DWS headcount reductions in VIC, ACT and WA, via natural attrition and restructuring, were partially offset by increases in NSW and SA





Cash Flow Performance

	FY15 $'000	FY14 $'000	Movement
Opening cash balance	**16,448**	11,792	4,656
Cash flow from operations (before interest & tax)	**15,165**	24,744	(9,579)
Tax paid	**(4,981)**	(6,006)	1,025
Capital asset purchases	**(169)**	(895)	726
Intangible asset payments	**(232)**	(339)	107
Dividends paid	**(10,569)**	(13,236)	2,667
Share buy-backs	**(570)**	-	(570)
Acquisitions	**(10,000)**	-	(10,000)
Debt funding	**5,000**	-	5,000
Interest Income & other	**279**	388	(109)
Closing cash balance	**10,371**	16,448	(6,077)

- FY15 cash flow from operations represents 102% of EBITDA
- Tax paid lower in line with profit
- Capex returned to nominal levels
- Intangibles represents capital software development
- Dividends lower in line with profit
- Share buy-back discontinued in favour of more accretive acquisitions
- Symplicit investment to date based on FY15 result
- Bank loan for Symplicit acquisition

Financial Position

	30 June 2015 $'000	30 June 2014 $'000	Movement
Trade and other debtors	**20,490**	15,094	5,396
Work in progress	**1,925**	3,787	(1,862)
Trade creditors and accruals	**(6,258)**	(3,800)	(2,458)
Working capital	16,157	15,081	1,076
Property, plant & equipment	**2,418**	2,241	177
Intangible assets	**47,576**	33,473	14,103
Contingent consideration	**(4,429)**	-	(4,429)
Other	(7,473)	(6,883)	(590)
Total capital employed	54,249	43,912	10,337
Cash	10,371	16,448	(6,077)
Debt	**(5,000)**	-	(5,000)
Net assets	59,620	60,360	(740)

- Debtors increased largely due to:
  - reduction in WIP; and
  - addition of Symplicit debtors ($1.6M)
- Decrease in WIP due to timing of fixed price engagement milestones
- Working capital and PP&E increase from Symplicit acquisition
- Increase in intangibles represents:
  - Symplicit goodwill (including contingent consideration); and
  - capitalised software development
- Contingent payments are subject to Symplicit EBITDA growth to FY18
- Reduction in cash largely due to:
  - Symplicit cash investment of $5M (additional $1.5M paid in respect of FY15 result); and
  - share buy-backs of $570k
- Debt funding for Symplicit under 3-year interest only bank facility

Capital Management

Final Dividend

	June 2015	June 2014
Final Dividend	3.75 cents	4.25 cents
Payout Ratio on Reported NPAT	95%	90%
Payout Ratio on NPAT excl. one-off items	90%	90%
Record Date	4 Sept 2015	12 Sept 2014
Expected Payment Date	2 Oct 2015	3 Oct 2014

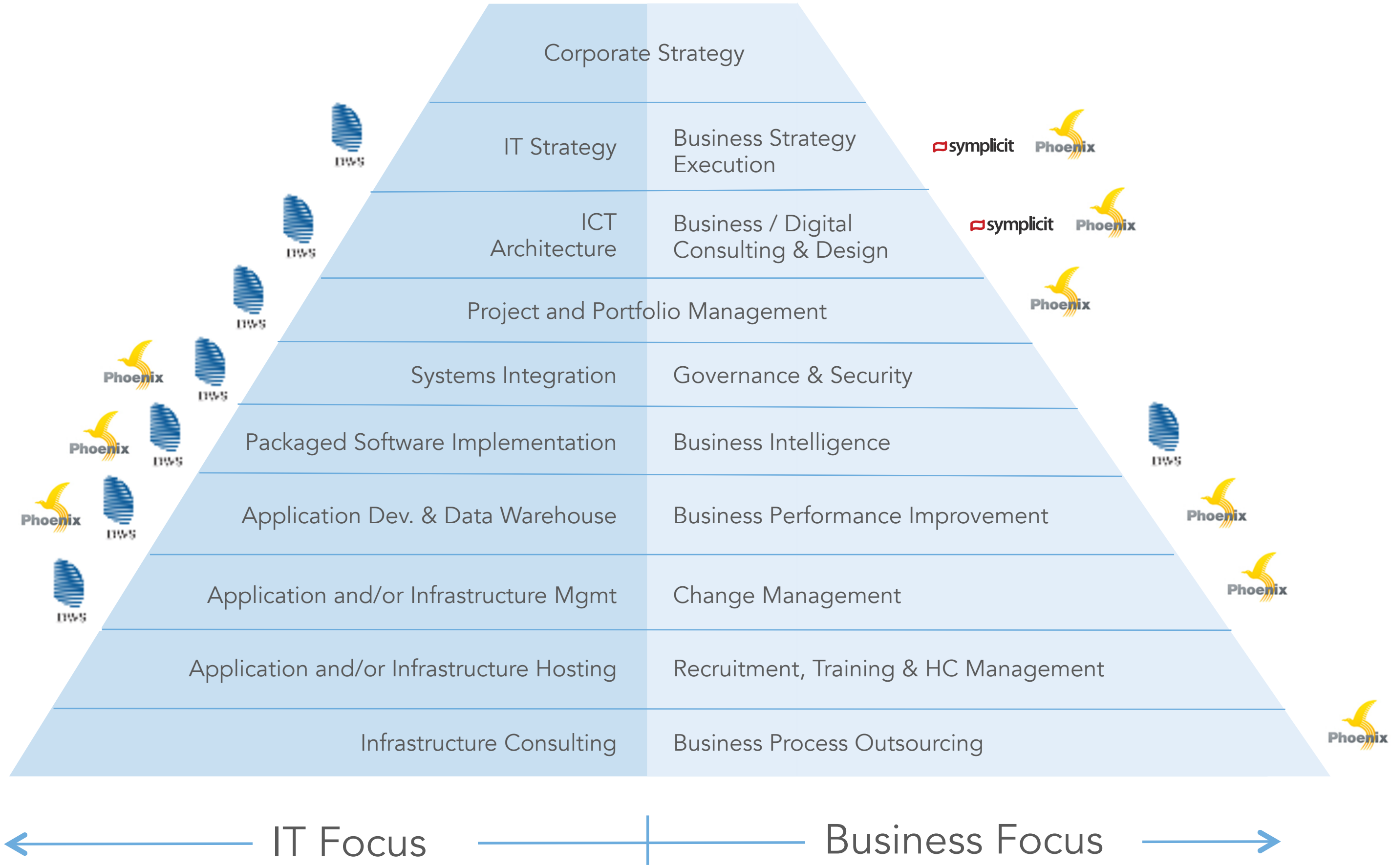
- High dividend payout ratio has been maintained at 90% (excluding one-off items)
- 100% franking for Australian shareholders at 30% tax rate

Funding and Share Buyback

- The acquisition of Symplicit was funded by a 3-year, interest only, $5 million bank debt facility
- The facility will be increased to $31M to accommodate the Phoenix acquisition and buyout of remaining 25% stake
- DWS intends to maintain a high dividend payout ratio and will use any surplus cash to repay debt where possible
- In view of the recent acquisitions the share buyback will not be extended

DWS Growth Strategy

DWS' growth strategy is aimed at broadening and integrating its services offerings and expanding customer touch points through acquisition activity and organic expansion



DWS Growth Strategy – New Acquisition

symplicit

A leading digital consultancy providing services such as:

- Digital strategy
- Customer led innovation
- User experience design
- Social innovation

- $9M revenue and 52 staff across three offices
- Range of large enterprise clients across industry
- Will retain separate brand name and operations led by experienced management team
- Cross-selling and collaboration with DWS under way to provide clients with design, build and run end-to-end digital solutions
- Opportunity for Symplicit to leverage DWS' national footprint and client relationships
- Acquisition is expected to be EPS accretive in FY16

DWS Growth Strategy – New Acquisition

Phoenix

An established consulting company providing services such as:

- Business and IT consulting
- Productivity & Sourcing
- Technical Services

- $40M revenue and 200 staff across two offices
- Range of large enterprise clients across industry sectors sectors contracted under master services agreements
- Will retain separate brand name and operations
- Further broadens DWS' service offering and ability to provide value-added solutions
- Potential to accelerate growth by drawing on DWS' scale, particularly its consultant resource base
- Expected to be EPS accretive in FY16
- Acquisition is expected to complete by the end of August 2015

Summary and Outlook

Summary

- DWS is rapidly broadening and repositioning its services offering to focus on high value solutions
- Financial performance of the core business turned around in Q4 of FY15 due to a strong focus on utilisation and efficiency, which is ongoing
- Symplicit acquisition only made 1 month contribution to results
- DWS' financial position remains strong with sustainable cash flow generation

Outlook

- While economic conditions remain challenging:
  - Utilisation has been solid in July and August
  - The benefits of cost restructuring are being realised
  - Demand is expected to support billable headcount growth in FY16
- DWS will focus on leveraging the benefits from its acquisitions to grow revenue and improve shareholder returns

Questions?

Q&A

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