# DWS Limited

2016 Half Year Results Presentation

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# Results Highlights

- Strong 6 month revenue growth of $21.41 million to $68.17 million (46% on pcp)
- H1 FY16 underlying EBITDA (excluding one-off items) up 51% to $12.08 million
- EPS of 5.76 cents (3.85 cents in pcp)
- Both Symplicit and Phoenix acquisitions contributed positively in H1 FY16 with combined revenue of $19.86 million
- High demand across a number of regions and continued focus on productivity across the Group
- Growing client portfolio with Victoria performing strongly
- Balance sheet remains sound and liquid with $6.99 million of cash at 31 December 2015
- Interim fully franked dividend of 4.75 cents per share up 27% on pcp representing a 82% pay-out ratio

# Half Year Results – Summary Review

| | H1 FY16 ($'000) | H1 FY15 ($'000) | Movement |
|---|---|---|---|
| Revenue from continuing operations | 68,173 | 46,764 | 21,409 |
| Gross Margin | 31.6% | 31.4% | 0.2% |
| EBITDA from continuing operations excluding one-off items | 12,082 | 8,012 | 4,070 |
| EBITDA Margin | 17.7% | 17.1% | 0.6% |
| Reported EBITDA | 11,739 | 7,461 | 4,278 |
| Reported NPAT excl OEI | 7,597 | 5,100 | 2,612 |
| Reported EPS | 5.76 cents | 3.85 cents | 1.91 cents |

- H1 FY16 revenue $68.2 million up 46% on pcp including contribution from Symplicit and Phoenix
- Average utilisation per consultant increased to 75% from 71% H1 FY15
- H1 FY16 underlying EBITDA (excluding one-off items) up 51% to $12.08 million
- H1 FY16 NPAT of $7.60 million up 49% on pcp
- Gross margin was increased on the higher revenue base
- One-off costs of $0.34 million consisting:
  - Bank facility set up costs;
  - Symplicit transaction costs; and
  - Phoenix transaction costs

# Half Year Results - Financial Position

| | 31 Dec 2015 $'000 | 30 June 2015 $'000 | Movement |
|---|---|---|---|
| Trade and other debtors | **25,882** | 21,913 | 3,969 |
| Work in progress | **1,498** | 502 | 996 |
| Trade creditors and accruals | **(6,313)** | (6,312) | (1) |
| **Working capital** | **21,067** | **16,103** | **4,964** |
| Property, plant & equipment | **2,441** | 2,420 | 21 |
| Intangible assets and DTA | **64,095** | 50,133 | 13,962 |
| Contingent consideration | **(4,533)** | (4,428) | (105) |
| Other | **(8,890)** | (9,979) | 1,089 |
| **Total capital employed** | **74,180** | **54,249** | **19,931** |
| Cash | **6,991** | 10,371 | (3,380) |
| Debt | **(18,500)** | (5,000) | (13,500) |
| **Net assets** | **62,671** | **59,620** | **3,051** |

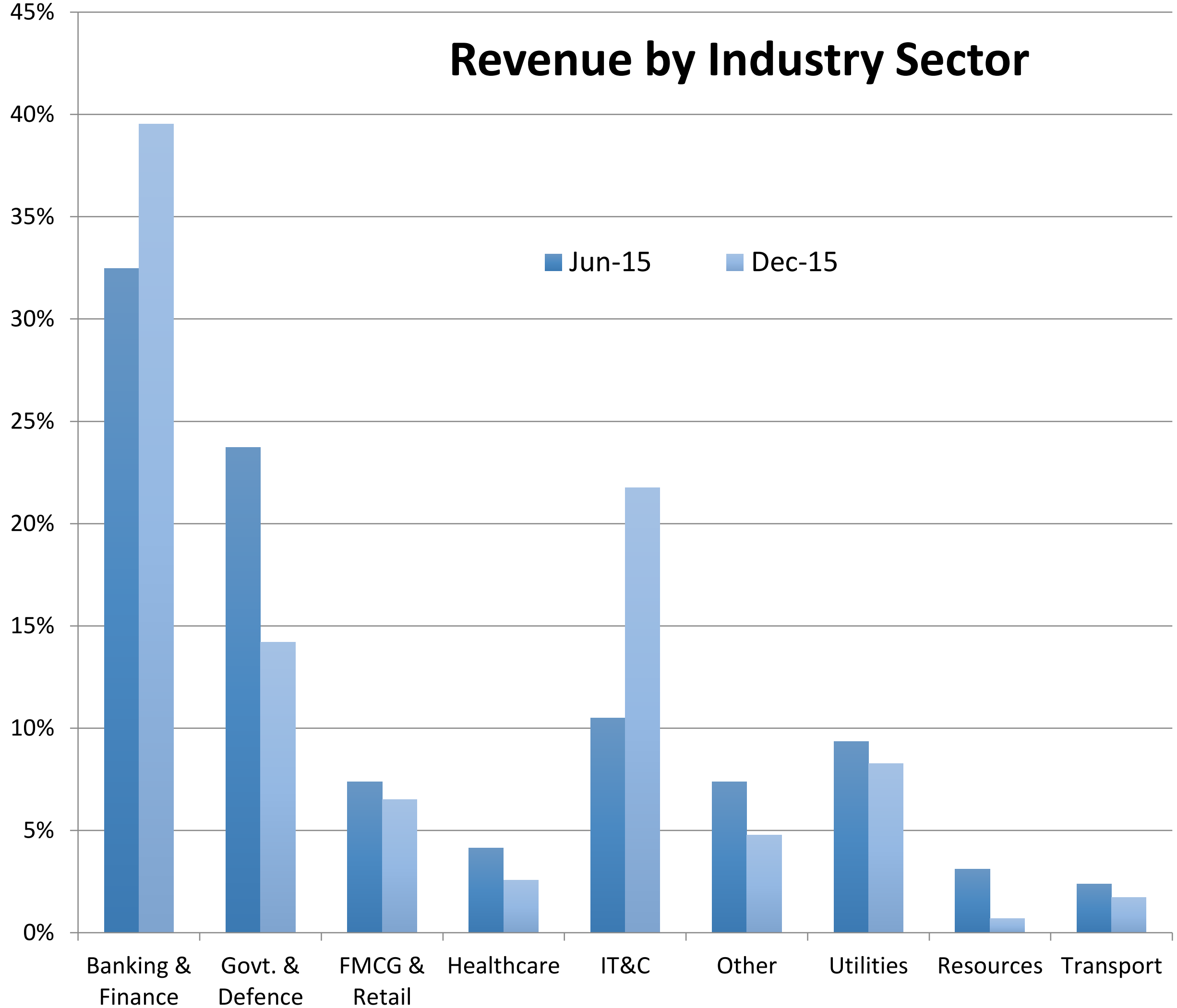
- Debtors increased due to increased revenue
- Increase in WIP due to timing of fixed price engagement milestones and increased revenue of the group
- Working capital increase as a result of Phoenix acquisition and increased revenue
- Increase in intangibles due to goodwill on acquisition of Phoenix
- Reduction in cash due to Phoenix acquisition
- Debt funding for Symplicit and Phoenix under 3-year interest only bank facility
- Bank debt of $18.5 million as at 31 December 2015 ($5.0 million as at 30 June 2015) following purchase of Phoenix and Symplicit
- Liquidity remains strong with $6.99 million of cash on hand at 31 December 2015 after net repayment of $6.0 million of bank debt during the period

# Half Year Results - Cash Flow Performance

| | H1 FY16 $'000 | H1 FY15 $'000 | Movement |
|---|---|---|---|
| Opening cash balance | **10,371** | 16,448 | (6,077) |
| Cash flow from operations (before interest & tax) | **9,890** | 8,794 | 900 |
| Tax paid | **(3,994)** | (3,553) | (245) |
| Capital asset purchases | **(103)** | (46) | (57) |
| Intangible asset payments | **(38)** | (106) | 68 |
| Dividends paid | **(4,943)** | (5,625) | 682 |
| Share buy-backs | **-** | (95) | 95 |
| Acquisitions | **(17,738)** | - | (17,738) |
| Debt funding | **13,500** | - | 13,500 |
| Interest Income & other | **46** | 195 | (149) |
| Closing cash balance | **6,991** | 16,012 | (9,021) |

- H1 FY16 cash flow from operations represents 84% of EBITDA
- Tax paid in line with profit
- Intangibles represents capital software development
- Share buy-back discontinued in favour of acquisitions
- Acquisitions of $17.7 million relates to purchase of Phoenix
- Debt funding of $13.5 million to acquire 75% of Phoenix (balance funded out of cash balances held by DWS)

# Revenue Breakdown by Industry Sector

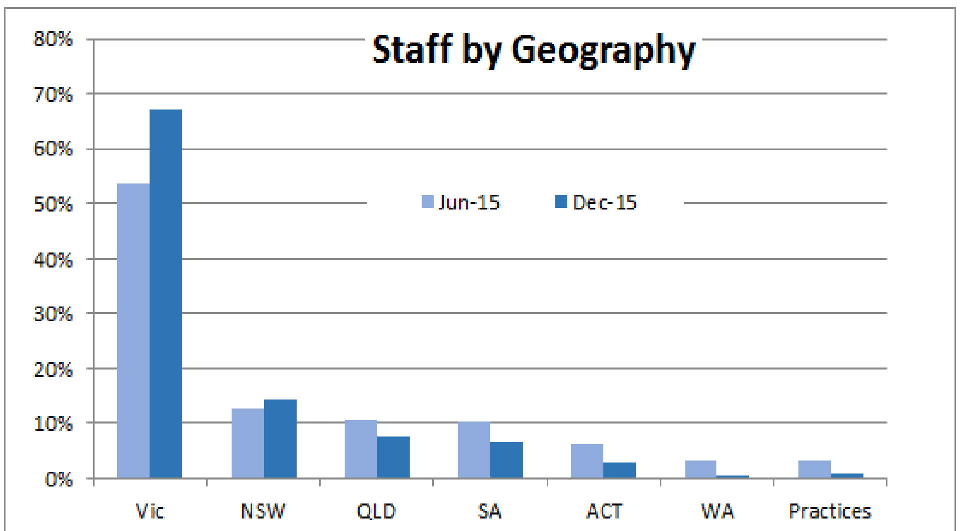


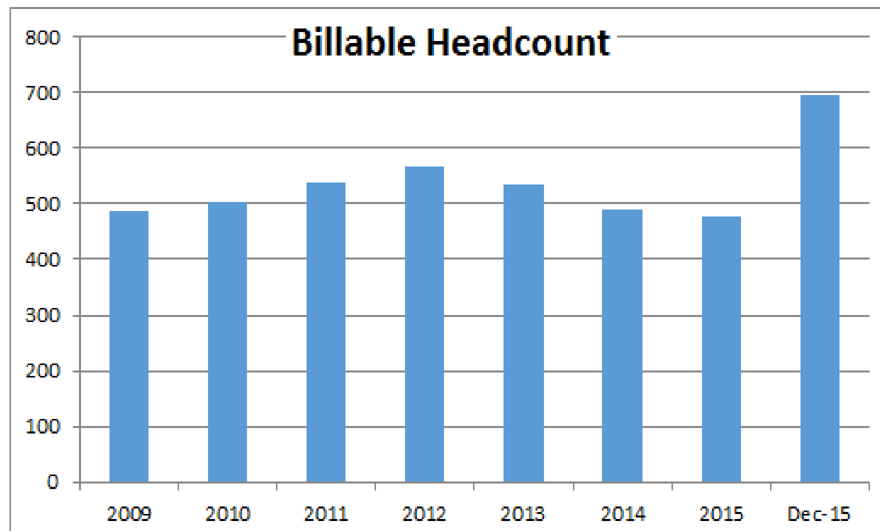

- Continued strong demand for services from Banking & Finance clients underpinned revenue performance
- Increased share of revenue for Banking & Finance and IT&C reflects the client portfolios of Symplicit and Phoenix
- Govt & Defence sector was lower due to completion of major projects and the portfolios of Symplicit and Phoenix
- Lower Resources work reflected the downturn in the resources industries

# Revenue Breakdown – Billable Headcount

| | | Dec 2015 | June 2015 |
|---|---|---|---|
| Consulting Staff | Total chargeable | **696** | 517 |
| Office Staff | Management | **13** | 14 |
| | BD/Sales | **21** | 15 |
| | Admin | **18** | 14 |
| Grand Total | | **748** | 560 |

- Billable headcount growth of 35% following the acquisition of Phoenix
- DWS headcount reductions in ACT and WA, via natural attrition and restructuring offset by increases in VIC and NSW



# Capital Management

## Interim Dividend

| | Dec 2015 | Dec 2014 |
|---|---|---|
| Interim Dividend | 4.75 cents | 3.75 cents |
| Payout Ratio on Reported NPAT | 82% | 97% |
| Record Date | 16 March 2016 | 18 March 2015 |
| Expected Payment Date | 4 April 2016 | 3 April 2015 |

- Dividend payout ratio of 82%
- Net repayment of $6.0 million of bank debt during the period
- 100% franking for Australian shareholders at 30% tax rate

## Bank debt

- Following the acquisitions of Symplicit and Phoenix DWS holds a 3-year, $31 million bank facility
- As at 31 December 2015 $18.5 million of the facility was drawn with $12.5 million undrawn
- Further drawings of $6.5 million for 2H2016 to purchase remaining 25% of Phoenix
- Net increase of $13.5 million during the period resulting from borrowings to pay for the purchase of 75% of Phoenix offset by repayment of debt from cash reserves and operating cashflows
- DWS intends to maintain a high dividend payout ratio and repay debt where possible

# Operations Update

- Financial performance showed a solid performance in H1 FY16 due to:
  - High demand across a number of regions; and
  - Continued focus on productivity and margins;
- Symplicit and Phoenix acquisitions made a positive contribution (NB: Phoenix results for four months)
- Total consulting staff numbers increased to 696 as at 31 December 2015 an increase of 35% mainly as a result of the Phoenix acquisition
- DWS' continuing to leverage recent acquisitions and focus on productivity and margins in H2 FY16
  - Enhanced service offering; and
  - Cross-selling by sales teams
- DWS continues to position its workforce to match the specific needs of DWS' clients

# Operations Update - Symplicit and Phoenix

Symplicit:

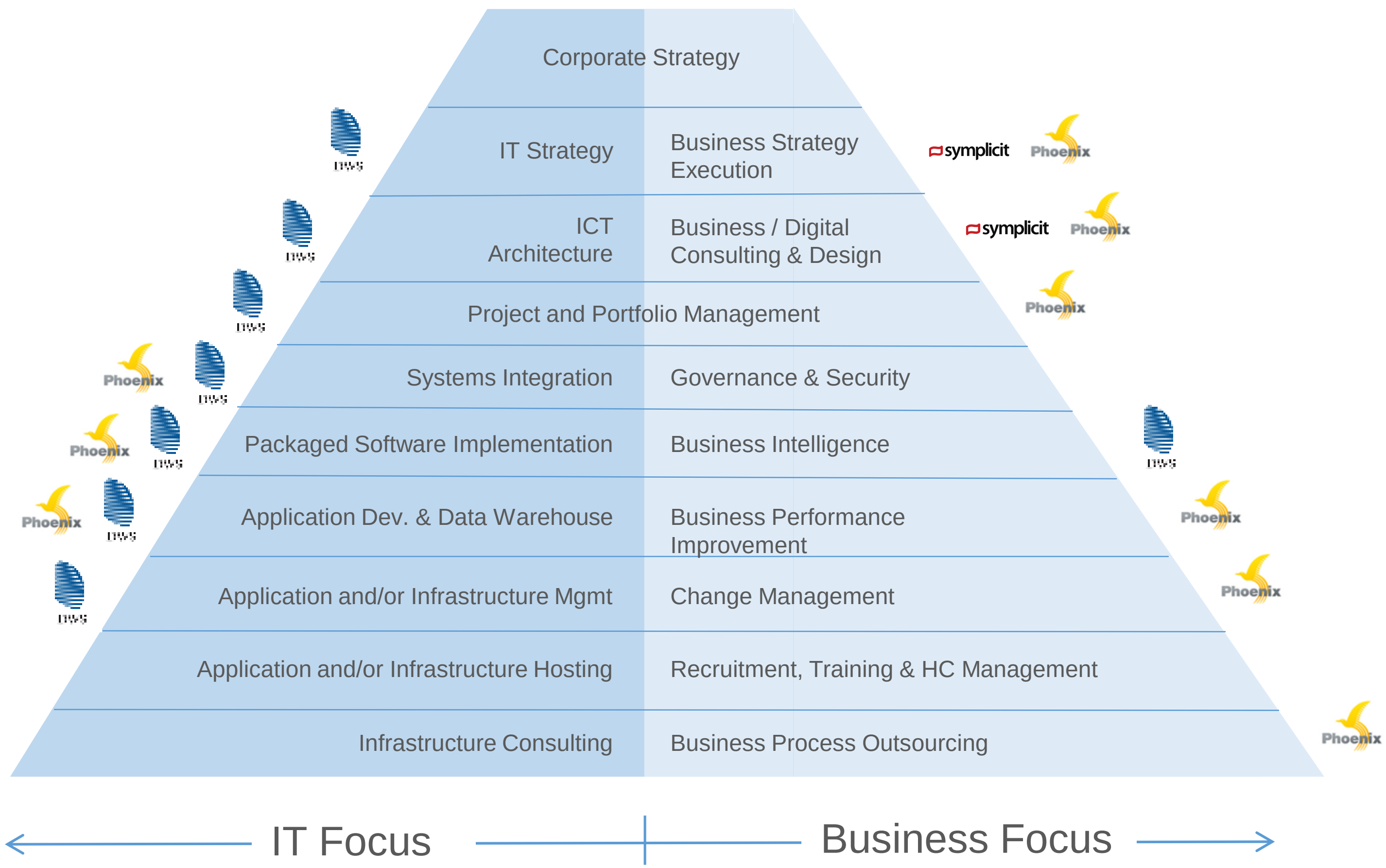
- Strong demand for Symplicit's customer led innovation and digital design services
- Improved utilisation providing higher margins
- Focus on cross-selling and penetration of clients (especially NSW)

Phoenix:

- Back office integration of Phoenix is on track
- Integration of the Phoenix sales function underway
- Focus on cross-selling and penetration of clients

# DWS Growth Strategy

DWS' growth strategy is aimed at leveraging its enhanced service offerings and expanding customer touch points through organic expansion and acquisitions where required



# Summary and Outlook

## Summary

- DWS is integrating its acquisitions and leveraging its enhanced service offering to focus on high value solutions
- DWS will continue to focus on productivity and margins
- Phoenix acquisition only made 4 months contribution to results
- DWS' financial position remains sound with conservative levels of debt and strong cash flow generation

## Outlook

- Subject to market conditions, H2 FY16 performance expected to reflect:
  - Maintaining H1 FY16 productivity, particularly in Victoria; and
  - Continued focus on margins
- H2 FY16 demand from Banking and Finance expected to remain steady. IT&C demand reliant on DWS' larger clients
- DWS expects to see continued success in leveraging the benefits of its broader service offering and will focus on shareholder returns and paying down bank debt where possible

# Questions?

Q & A

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