

DWS Limited

2014 Full Year

Results Presentation



DWS

Excellence

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Results Presentation Headlines

Financials

- FY14 revenue down \$14.66M to \$94.40M
- FY14 EBITDA down 25% to \$18.21M
- FY14 earnings down 23% to \$12.90M
 - EPS of 9.74 cents (PCP 12.74 cents)
- Fully franked dividend of 4.25 cents per share representing a total payout ratio of 90% for FY14
- Operating cash flow (before interest and tax) of \$24.74M. Ratio of operating cash flow to EBITDA of 136%
- Balance sheet remains strong with zero debt and net cash of \$16.45M
- Share buy-back announced (subsequent to year-end) as part of tight capital management program

Operations

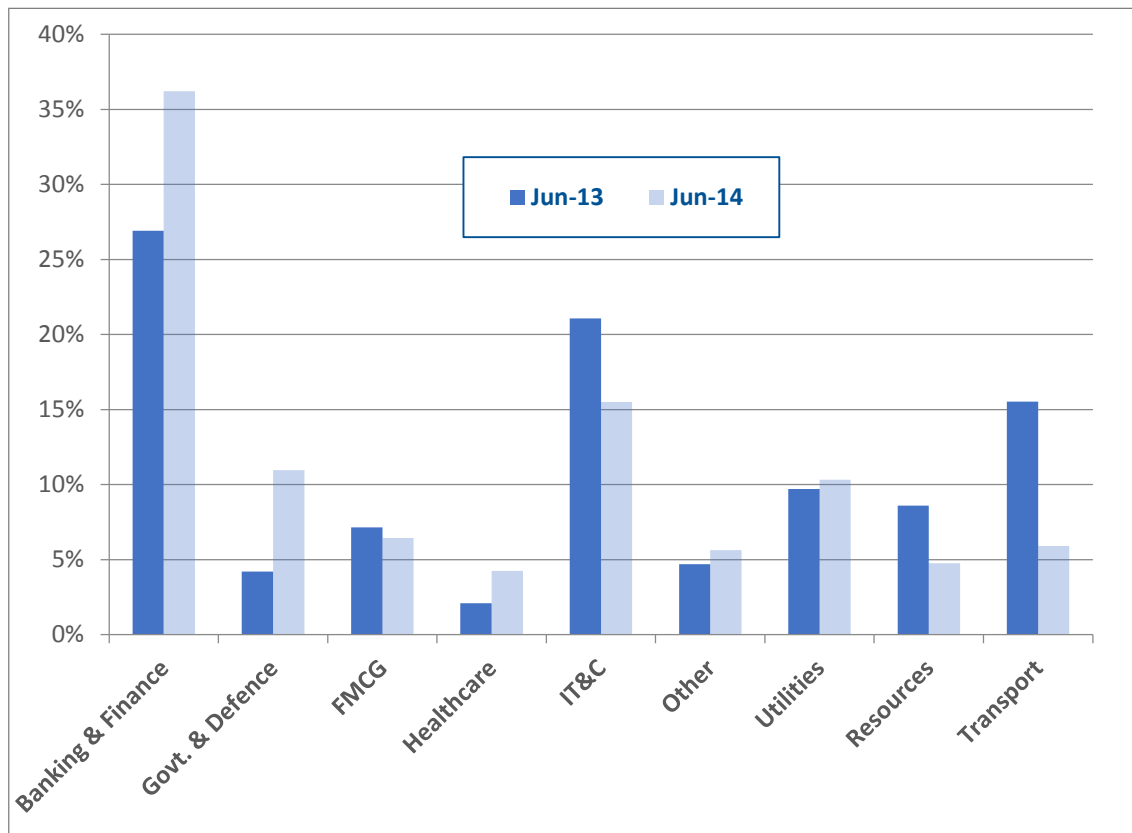
- Trading conditions generally difficult throughout the year with some improvement observed in H2 (Q4)
- Clients continue to focus on cost with reductions in capital expenditure in most industries
 - This trend has prompted DWS to adjust its own service delivery model
- Headcount reductions were undertaken in H1 to keep billing capacity at optimum levels (total cost of \$673K). Billable headcount added in H2 in line with moderate improvement in demand.
 - Total consultant numbers as at 30 June 2014: 490 (June 2013: 535)
- Transition of Executive Management Team occurred in March 2014 and new strategic direction announced
- The restructure of NSW and QLD management teams in H1 has delivered improved performance and growth in H2
- Several new strategic partnerships signed, including one enabling DWS to continue supplying solutions to Telstra with a large US-based company on the Telstra panel
- Cloud Services practice launched, which is experiencing strong demand for cloud migration strategy and implementation services
- JV with Borealis discontinued in June 2014 in favour of DWS acting as Borealis' delivery partner in Australia

Full Year Results – Summary Review

	H1 FY14 (\$'000)	H2 FY14 (\$'000)	Total FY14 (\$'000)	Total FY13 (\$'000)	% Movement
Revenue from continuing operations	47,881	46,516	94,397	109,053	(13%)
Gross Margin	33.3%	34.5%	33.9%	36.7%	(2.8%)
EBITDA	9,468	8,746	18,214	24,324	(25%)
EBITDA Margin	19.8%	18.8%	19.3%	22.3%	(3.0%)
NPAT	6,743	6,154	12,897	16,858	(23%)
Contribution from Associates	152	(16)	136	(135)	201%
Basic EPS	5.09 cents	4.65 cents	9.74 cents	12.74 cents	(23%)

- Revenue performance was down 13% against pcg
- H2 utilisation was improved half-on-half, but on a lower staff base against pcg:
 - Weighted average revenue per billable consultant in FY14 \$196K (FY13: \$201K)
 - Average utilisation per billable consultant in FY14 75% (H1: 72%, H2: 77%), (FY13: 75%)
- Revenue decline in the IT Consulting Services area was partially offset by a \$3.13M revenue increase in the areas of Managed Application Services, Digital Solutions and Business Analytics
- Gross margin impacted by staff termination costs of \$673K
- EBITDA decline was partially offset by a \$1.989M reduction in group overheads

Revenue by Sector Analysis



- Strong demand for services from Banking & Finance clients underpinned revenue performance
- Defence revenue increased due to the Apt Business Solutions acquisition in ACT and solid demand for services in H2
- Healthcare revenue increased, particularly in WA
- IT&C and Transport revenue declined, partly due to the completion of large work programs
- Resources revenue decreased due to the transfer of work to the Borealis JV

Full Year Results – Summary Review

	June 2014 \$'000	June 2013 \$'000
Cash & Equivalents	16,448	11,792
Receivables	15,094	20,021
Work in Progress	2,000	4,160
Debt / Borrowings	NIL	NIL
Net Current Assets	22,282	23,843
Net Tangible Assets	26,887	27,775
NTA per share (cents)	20.31	20.98

- Strong cash position due to no major acquisitions in FY14 and improved working capital conversion
- Receivables down \$4.93M due to reduced revenue and lower average days outstanding
- Lower Work in Progress due to decreased incomplete fixed price project milestones at balance date
- Net Tangible Assets declined largely due to goodwill from the acquisition of a QLD based Business Analytics business

Full Year Results – Summary Review

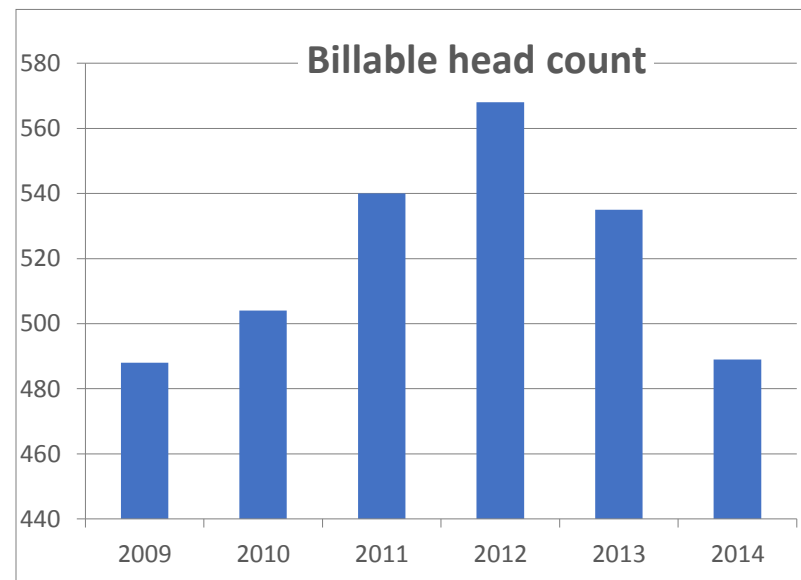
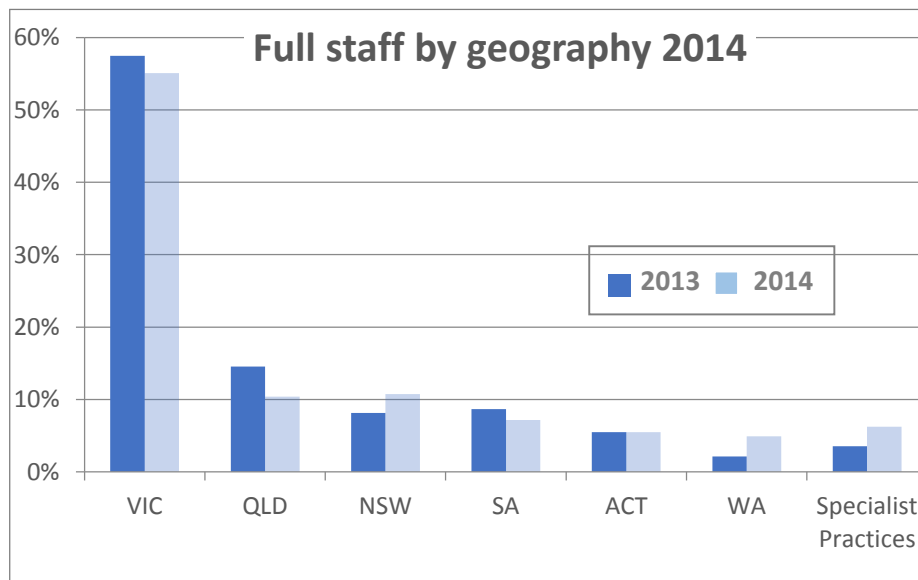
	June 2014 \$'000	June 2013 \$'000
Opening Cash Balance	11,792	15,206
Cash flow from Operations (before interest & tax)	24,744	24,554
Tax Paid	(6,006)	(6,423)
Capital Asset Purchases	(895)	(636)
Intangible Asset Payments	(339)	(5,845)
Dividends Paid	(13,236)	(15,552)
Interest Income & Other	388	488
Closing Cash Balance	16,448	11,792

- Operating cash flow before interest and tax represents \$24.74M (or 136% of EBITDA)
- Capital expenditure was largely attributable to the construction in H1 of a high security Managed Applications Services facility in the ACT
- Intangible asset payments largely represent the goodwill for a QLD based Business Analytics business acquired in August 2013

Staff Summary

		June 2014	June 2013	June 2012
Consulting Staff	Total chargeable	490	535	568
Office Staff	Management	13	12	13
	BD/Sales	12	12	18
	Admin	13	19	21
Grand Total		528	578	620

- Tight head count management continued, with selective recruitment in H2 (billable headcount increase of 11)
 - Chargeable headcount returned from BDC JV in June 2014 as part of restructure
- Focus remains on adding technical headcount to meet demand in high growth domains of Cloud, Analytics, and Digital



Capital Management

Final Dividend

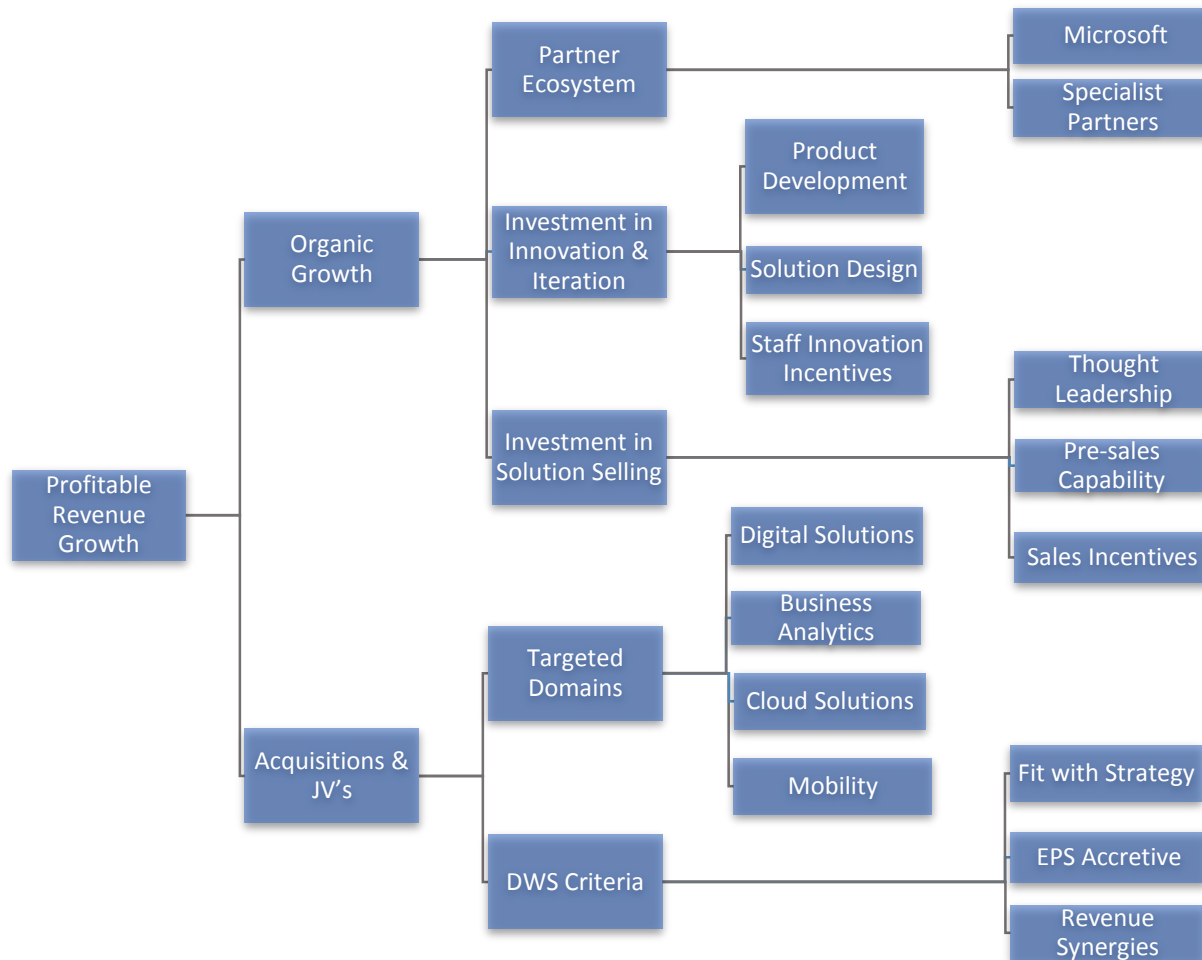
	JUNE 2014	JUNE 2013
Final Dividend	4.25 cents	5.50 cents
Full-year Payout Ratio	90%	87%
Record Date	12 September 2014	14 September 2013
Expected Payment Date	3 October 2014	4 October 2013

- High dividend payout ratio has been maintained at 90%
- 100% franking for Australian shareholders at 30% tax rate

Share Buy-back

- On-market buy-back of up to 5% of ordinary shares on issue is able to commence on 21 August 2014 for a period of 12 months
- Buy-back will be funded from cash reserves and is expected to be EPS accretive
- The timing and total number of shares to be purchased will depend on the prevailing share price, available cash reserves, market conditions, market volumes and other EPS accretive uses of capital
- Will only buy-back shares at times and in circumstances considered beneficial to the efficient capital management of the company

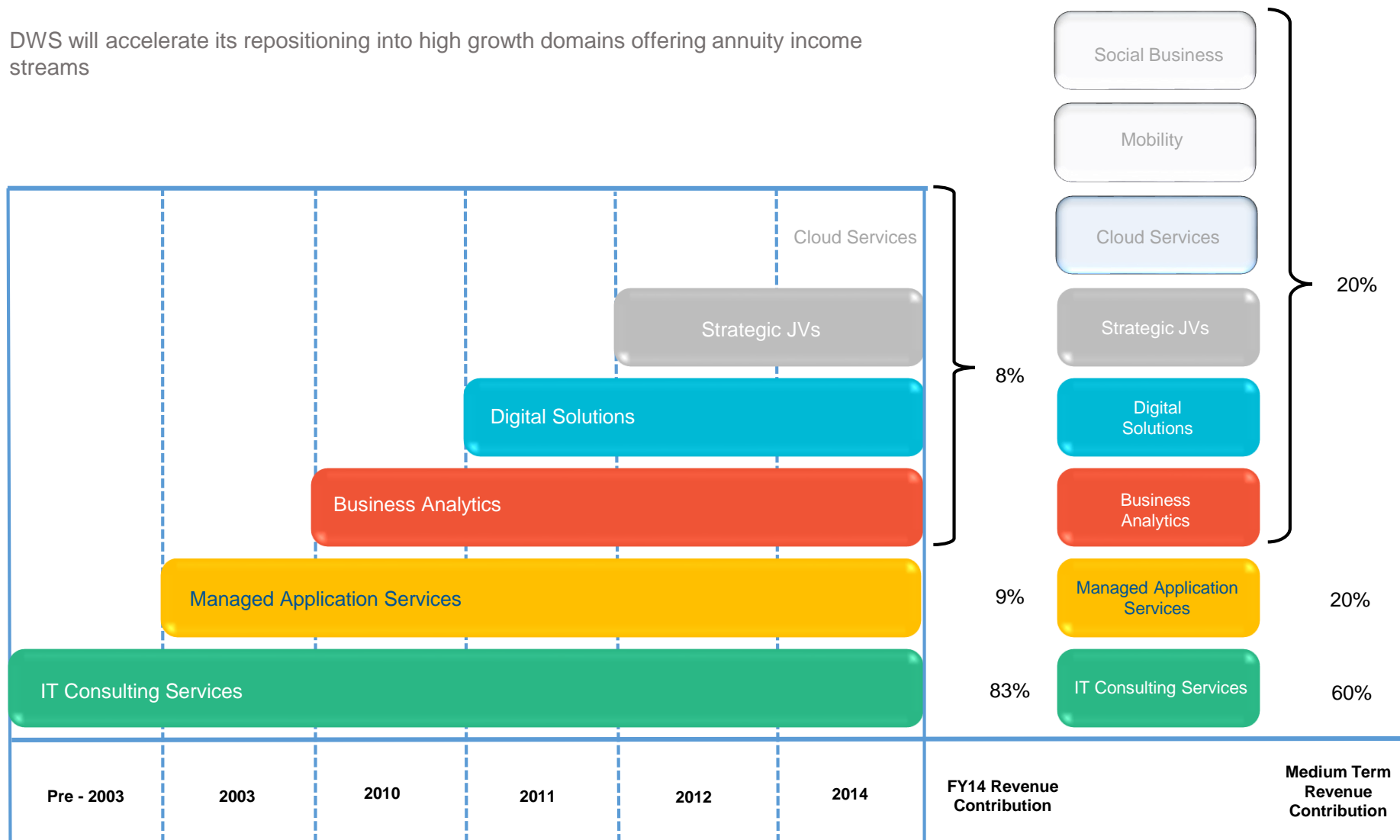
DWS Growth Strategy



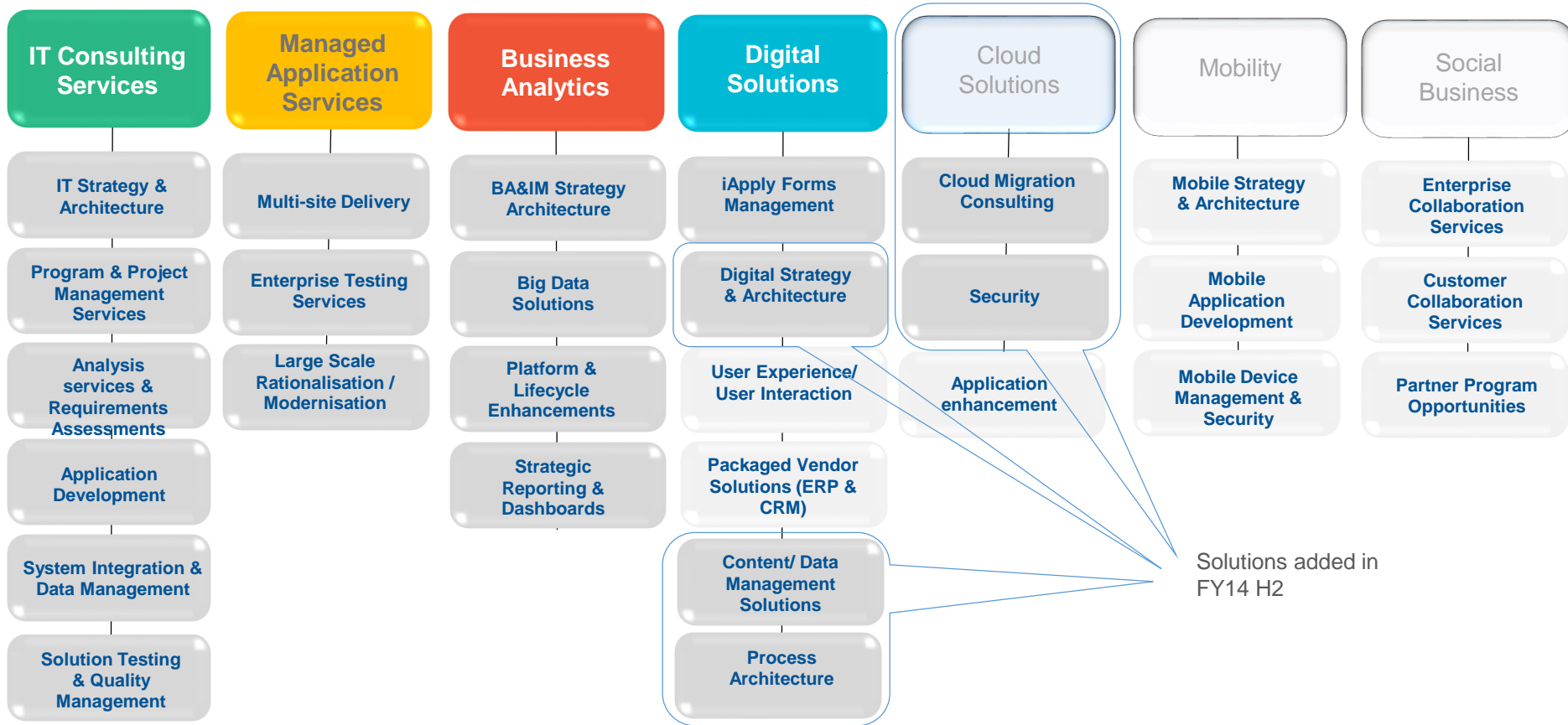
DWS' strategy focuses on achieving organic growth through the development of innovative, value-added solutions for our clients delivered with a range of partners. Growth will be complemented by acquisitions and joint ventures in targeted high-growth domains provided the investments meet our evaluation criteria

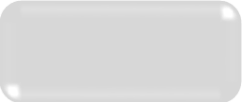
DWS Growth Strategy

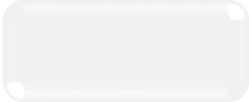
DWS will accelerate its repositioning into high growth domains offering annuity income streams



DWS Growth Strategy



 = Existing solution offerings DWS will continue to develop to enhance its market positioning

 = High growth areas in which DWS will look to develop capability via a combination of acquisitions, organic practice development and vendor partnerships

Summary & Outlook

Summary

- DWS is progressively repositioning the business to be an *Innovation Partner* for our clients
- Operational focus remains on existing business operations to minimise the impact of subdued trading conditions
- Our business remains strong overall and we are maintaining stable cash flows
- Our growth strategy will see DWS:
 - Continue to invest in existing business lines (eg. Digital Solutions, Business Analytics and Cloud Services) where demand is strong
 - Continue expanding our managed services capability
 - Leverage our partnership network to design value-added solutions for our clients
 - Expand service offerings in growing domains through organic extensions and acquisitions
- Platform for growth is in place for FY15

Outlook

- While we expect an overall improvement in FY15 following investment in practices and partnerships, general demand remains subdued:
 - Q1 general recruitment is on-hold in Vic, ACT, SA, and WA, with headcount additions expected in Q2
 - Solid demand for Digital, Analytics and Cloud offerings with billable headcount being added in these practice domains nationally
 - Trading update will be given at AGM in Nov
- We are continuing to seek EPS accretive acquisitions that can operate synergistically with our existing operations and strategic direction

Questions?

