



DWS Limited

2019 Half Year Results
Presentation

Contents

Introduction – **Danny Wallis (CEO) / Stuart Whipp (CFO)**

Summary of Results

Half Year Results

Capital Management

Operations Update

Summary and Outlook

Questions

Appendices – DWS Service Offering

Summary of Results

- H1 FY19 Adjusted EBITDA of \$12.03 million after adjustment for Project Assured acquisition costs (\$11.85 million pcg)
- H1 FY19 Reported EBITDA \$10.89 million compared to \$13.79 million pcg
 - H1 FY19 includes investment in licensed products / RPA and acquisition costs of \$2.2 million
 - H1 FY18 included a \$1.943 million writeback of the Symplicit Earn Out provision
- H1 FY19 NPAT of \$6.68 million reflects
 - acquisition costs of \$1.1 million
 - increased financing costs of \$1.01 million
 - \$1.1 million investment in licensed products and Robotic Process Automation (“RPA”) practice
- EPS of 5.07 cents (7.69 cents in pcg)
- Balance sheet remained sound and liquid with \$8.43 million of cash at 31 December 2018
- Net debt of \$33.57 million (\$2.75 million pcg)
- Interim fully franked dividend of 4.0 cents per share representing a payout ratio of 79% of NPAT
- Focus on utilisation of staff and growth in client work for H2 FY19

Half Year Results – Summary Review

	H1 FY19 (\$'000)	H1 FY18 (\$'000)	Movement
Revenue from continuing operations	82,271	61,669	(20,602)
Gross Margin	28.60%	32.20%	(3.6%)
Reported EBITDA	10,889	13,792	(2,903)
Reported EBITDA Margin	13.2%	22.4%	(9.2%)
Adjusted EBITDA	12,027	11,849	178
Adjusted EBITDA Margin	14.6%	19.2%	(4.6%)
Reported NPAT	6,679	10,134	(3,455)
Reported EPS	5.07 cents	7.69 cents	(2.62 cents)

- H1 FY19 revenue up 33% on pcp and up 28% on H2 FY18 predominantly due to acquisition of Projects Assured
- Average utilisation per consultant 79% (82% pcp)
- H1 FY19 Reported EBITDA down \$2.9 million to \$10.889 million. After adjustment for the acquisition costs of Project Assured, H1 FY19 adjusted EBITDA was \$12.027 million compared to \$11.849 million pcp
- Adjusted EBITDA margin down to 14.6% from 19.2% pcp
- H1 FY19 Reported NPAT of \$6.68 million reflects increased financing costs for the debt financed acquisition of Projects Assured (\$1.01 million), acquisition costs for Projects Assured (\$1.1million) and investment in licensed products and RPA (\$1.1 million)

Half Year Results - Financial Position

	31 Dec 2018 \$'000	30 June 2018 \$'000	Movement
Trade and other debtors	22,185	19,566	2,619
Work in progress	2,218	719	1,499
Trade creditors and accruals	(16,167)	(7,631)	(8,536)
Working capital	8,236	12,654	(4,418)
Property, plant & equipment	2,083	2,061	22
Intangible assets, DTA & Investment in associate	115,110	70,906	44,204
Contingent consideration	(13,000)	-	(13,000)
Other	(6,624)	(11,604)	4,980
Total capital employed	105,805	74,017	31,788
Cash	8,427	8,128	299
Debt	(42,000)	(10,000)	(32,000)
Net assets	72,232	72,145	87

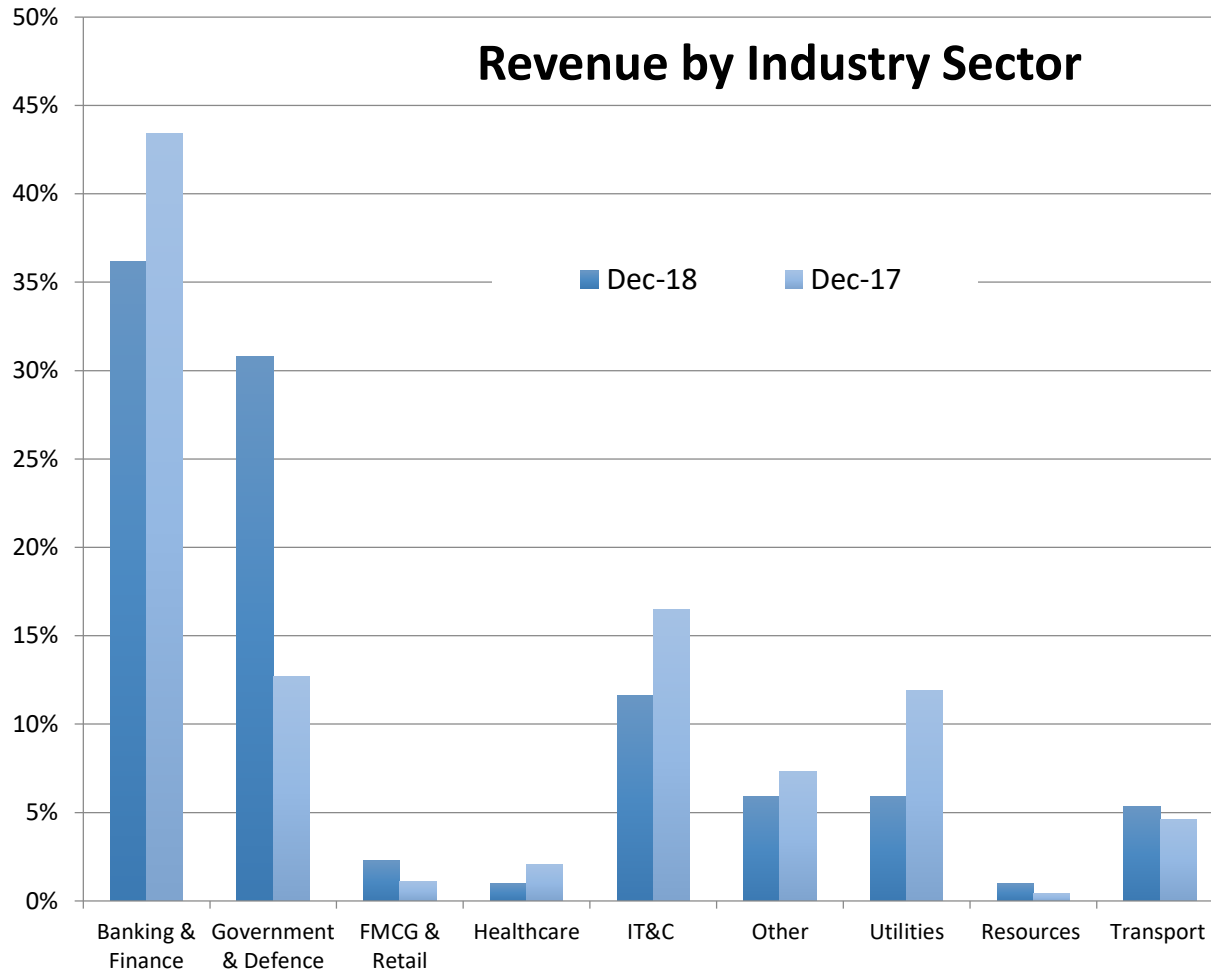
- Debtors increased due to the Projects Assured acquisition. Similarly, trade creditors and accruals were higher for the period
- Increase in WIP due to the timing of fixed price engagement milestones and increased number of fixed price/milestone billed engagements
- Increase in Intangible assets, DTA and Investments in associate due to the Projects Assured acquisition and investment in Site Supervisor
- Increase in contingent consideration due to the Projects Assured acquisition
- Debt funding for the Group under a 3-year interest only bank facility with total drawn debt for working capital/prior acquisitions of \$42.0 million as at 31 December 2018 (net debt of \$33.57 million)
- Liquidity remained strong with \$8.43 million of cash on hand at 31 December 2018

Half Year Results - Cash Flow Performance

	H1 FY19 \$'000	H1 FY18 \$'000	Movement
Opening cash balance (incl Projects Assured for H1 FY19)	8,915	10,868	(1,953)
Cash flow from operations (before interest & tax)	11,172	13,311	(2,139)
Tax paid	(2,587)	(3,932)	1,345
Capital asset purchases	(58)	(15)	(43)
Intangible asset payments & Investment in associate	(1,122)	(41)	(1,081)
Dividends paid	(6,592)	(6,591)	(1)
Acquisitions	(33,000)	(1,200)	(31,800)
Debt funding / (repayment)	32,000	(3,000)	35,000
Interest Income (expense) & other	(301)	(153)	(148)
Closing cash balance	8,427	9,247	(820)

- Strong cash conversion maintained with operational cash flow being 103% of Reported EBITDA
- Tax paid in line with profit
- Intangible asset payments includes investment in licensed products (i.e. Site Supervisor, an innovative software application developed for the construction industry and iApply)
- Acquisitions payment of \$33.0 million relates to the acquisition of Projects Assured including funding working capital requirements
- Debt funding of \$32.0 million compared to pcpc debt repayment of \$3.0 million

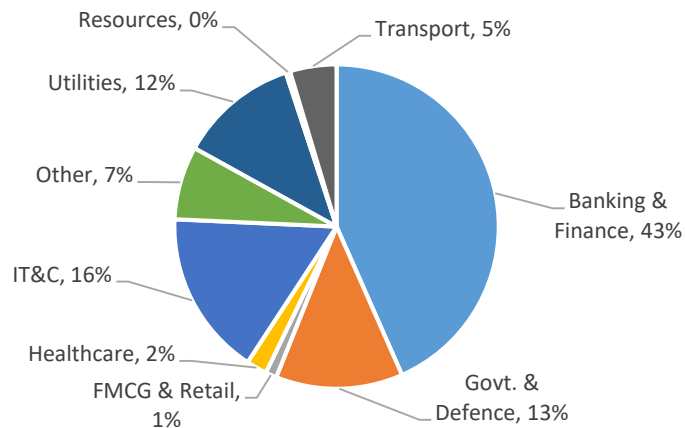
Revenue Breakdown by Industry Sector



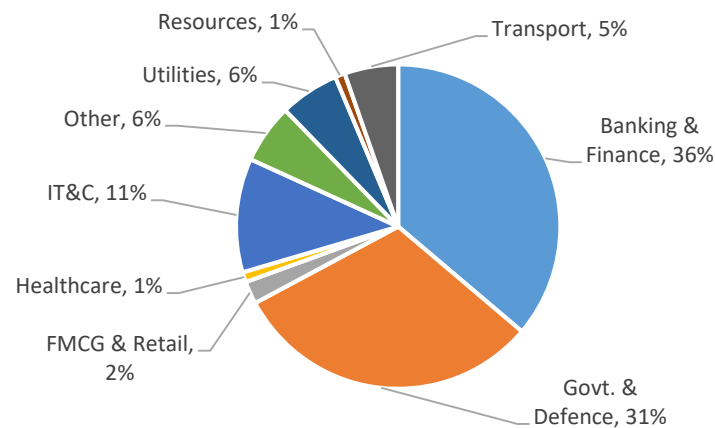
- Demand for services from Banking & Finance lower than expected coinciding with the Banking Royal Commission.
- Increased share of revenue for Government & Defence reflects the client portfolio of Projects Assured
- Increased share of revenue in FMCG & Retail and Transport mainly due to increased footprint at new clients
- Reduction in IT&C and Utilities due to lower demand from these industry sectors reflecting underlying industry conditions

Revenue Breakdown by Industry Sector (cont'd)

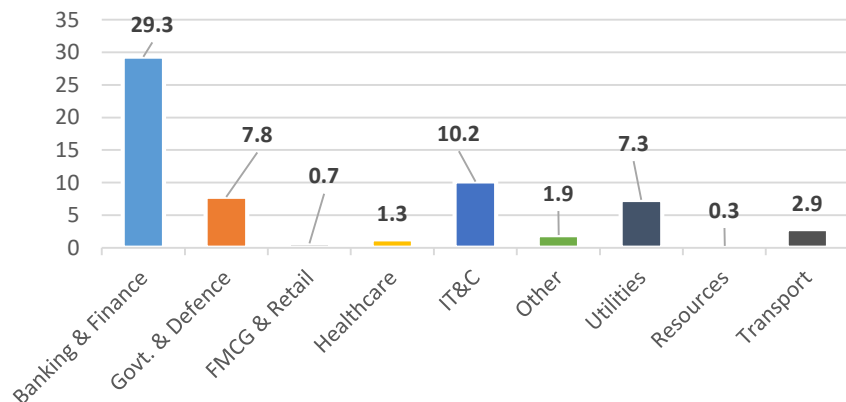
H1 FY18



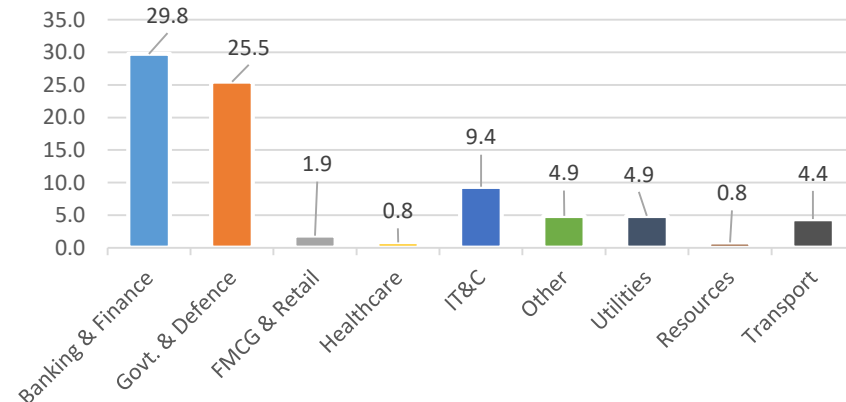
H1 FY19



H1 FY18 (\$M's)



H1 FY19 (\$M's)

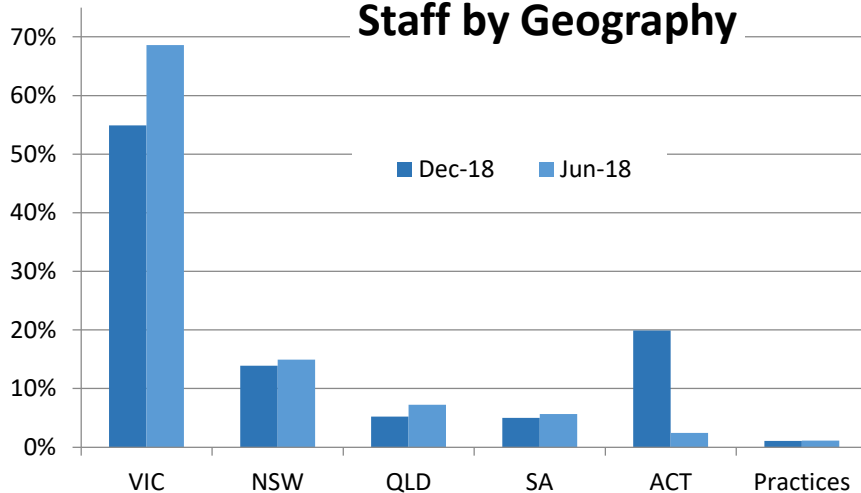


Revenue Breakdown – Billable Headcount

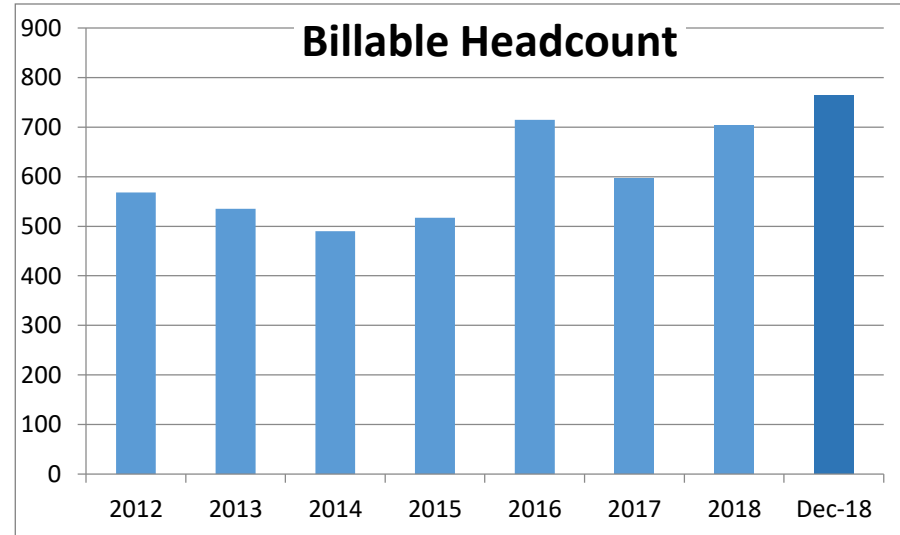
		Dec 2018	June 2018
Consulting Staff	Total chargeable	763	704
Office Staff	Management	12	13
	BD/Sales	21	21
	Admin	24	19
Grand Total		820	757

- Total consulting staff increased as a result of the Projects Assured acquisition partly offset by a reduction in consulting staff for DWS traditional services
- Increase in Admin as a result of the Projects Assured acquisition

Staff by Geography



Billable Headcount



Capital Management

Investment in licensed products and DWS's Robotic Process Automation ("RPA") practice and Projects Assured acquisition costs approximately \$3.2 million for H1 FY19. Further investment in licensed products and RPA planned for H2 FY19.

Interim Dividend

	Dec 2018	Dec 2017
Interim Dividend	4.0 cents	5.0 cents
Payout Ratio on Reported NPAT	79.0%	65.0%
Record Date	15 March 2019	16 March 2018
Expected Payment Date	4 April 2019	4 April 2018

- Dividend payout ratio 79.% of NPAT (65.0% pcg)
- 100% franking for Australian shareholders at 30% tax rate

Bank debt

- DWS holds a 3-year, \$55 million bank facility
- As at 31 December 2018 \$42.0 million of the facility was drawn with \$13.0 million undrawn (excluding bank guarantees for office leases)
- Given \$8.43 million of cash on hand, total funds available as at 31 December 2018 approximately \$21.43 million (excluding bank guarantees for office leases)

Operations Update

- Key drivers of the financial results are as follows:
 - Lower utilisation of staff during the period with lower than expected demand in the Banking & Finance, IT&C and Utilities sectors;
 - Total consulting staff numbers increased to 763 with increases in staff from the Projects Assured acquisition partly offset by a reduction in consulting staff for DWS traditional services; and
 - Investment in new growth areas of licenced products and RPA
- Digital work undertaken by the DWS Group was impacted by tight labour conditions and is performing behind expectations. A new Management team has been put in place to drive improvement in performance, to increase the proportion of digital work provided by the DWS Group and increase margins
- Projects Assured continuing to grow and performing in line with expectations
- DWS is continuing its breadth and depth strategy focussing on:
 - Enhanced service offering; and
 - Cross-selling by sales teams
- Overall strong cost management across the Group led to an EBITDA margin of 14.6% after investing \$2.2M in licensed products and DWS's RPA practice during the period and costs associated with the Projects Assured acquisition

Summary and Outlook

Summary

- H1 FY19 impacted by variable and lower than expected demand in the Banking & Finance sector coinciding with the Banking Royal Commission. In addition, lower demand in the IT&C and Utilities sectors and pressure on costs in the IT&C sector
- Projects Assured acquisition contributed positively and is performing in line with expectations
- Total consulting staff increased as a result of the Projects Assured acquisition partly offset by a reduction in consulting staff for DWS traditional services due to lower than expected demand in the Banking & Finance, IT&C and Utilities sectors
- DWS continues to invest in new growth areas including licensed products (Site Supervisor and iApply) and the RPA practice with further investment planned for H2 FY19

Outlook

- Subject to market conditions, H2 FY19 performance is expected to reflect:
 - Improved performance from the growth areas of licensed products and RPA;
 - Improved staff utilisation and organic growth in headcount in DWS traditional services;
 - Improved performance and an increased proportion of digital work provided by the DWS Group; and
 - Continued good cost management
- DWS will focus on staff utilisation during H2 FY19 and its strategy of breadth and depth whilst supporting Projects Assured growth initiatives and further investment in licensed products and RPA

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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