

DWS Limited

2015 Half Year Results Presentation



DWS

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Results Presentation Headlines

Financials

- HY15 revenue down 2% to \$46.76M
- HY15 operating EBITDA down 15% to \$8.01M
- HY15 reported earnings down 24% to \$5.10M
 - EPS of 3.85 cents (PCP 5.09 cents)
- Default on monies owed by Borealis' Australian subsidiary to JV entity caused DWS to write-down its investment and associated working capital funding by \$551k
- HY15 adjusted earnings (excluding one-off write-down) down 16% to \$5.65M or EPS of 4.27 cents
- Fully franked dividend of 3.75 cents per share representing a total payout ratio of 97%, or 88% excluding one-off write-down
- Operating cash flow (before interest and tax) of \$8.79M. Ratio of operating cash flow to EBITDA of 110%
- Balance sheet remains strong with zero debt and net cash of \$16.01M
- Share buy-back in progress as part of tight capital management program

Operations

- Financial performance declined against pcg due to demand reductions by key customers in Victoria in Q1 and subdued general trading conditions
- Total consultant numbers remained steady at 490. Organic headcount declines in VIC, QLD and ACT were offset by increases in NSW, SA and WA
- Management changes and the addition of new business development resources in NSW, SA and WA have delivered improved performance in H1
- Senior sales and business development resources have been added in VIC to focus on higher value solution based engagements
- DWS' Design, Build, Run three year strategic evolution remains in place with specialist senior resources being selectively recruited across our practice domains
 - Key industry partnerships continue to be strengthened
 - Additional proprietary software product is being developed to add to DWS' growing IP base
 - Acquisitions are being sought to supplement organic evolution and the Strategic Plan

Half Year Results – Summary Review

	H1 FY15 (\$'000)	H1 FY14 (\$'000)	Movement (\$'000)
Revenue from continuing operations	46,764	47,881	(1,117)
Gross Margin	31.4%	33.3%	(1.9%)
EBITDA from continuing operations	8,012	9,468	(1,456)
Operating EBITDA Margin	17.1%	19.8%	(2.7%)
Reported NPAT	5,100	6,743	(1,643)
NPAT excluding one-off items	5,651	6,743	(1,092)
Reported EPS	3.85 cents	5.09 cents	(1.24 cents)
EPS excluding one-off item	4.27 cents	5.09 cent	(0.82 cents)

- Revenue performance was down 2% against pcg due to expenditure reductions by certain key customers in Victoria in July and August and subdued general trading conditions
- Key metrics for the half:
 - Weighted average billable headcount in HY15 489 (HY14 489)
 - Average utilisation per billable consultant in HY15 71% (HY14: 72%)
 - Average revenue per billable consultant in HY15 \$96K (HY14: \$98K)
- Reported NPAT affected by one-off write-down of joint venture investment with Borealis

Half Year Results – Summary Review

	H1 FY15 \$'000	H1 FY14 \$'000	Movement
Opening Cash Balance	16,448	11,792	4,656
Cash flow from Operations (before interest & tax)	8,794	16,244	(7,450)
Tax Paid	(3,553)	(3,877)	324
Capital Asset Purchases	(46)	(844)	798
Intangible Asset Payments	(106)	(73)	(33)
Dividends Paid	(5,625)	(7,280)	1,655
Share buy-backs	(95)	-	(95)
Interest Income & Other	195	217	(22)
Closing Cash Balance	16,012	16,179	(167)

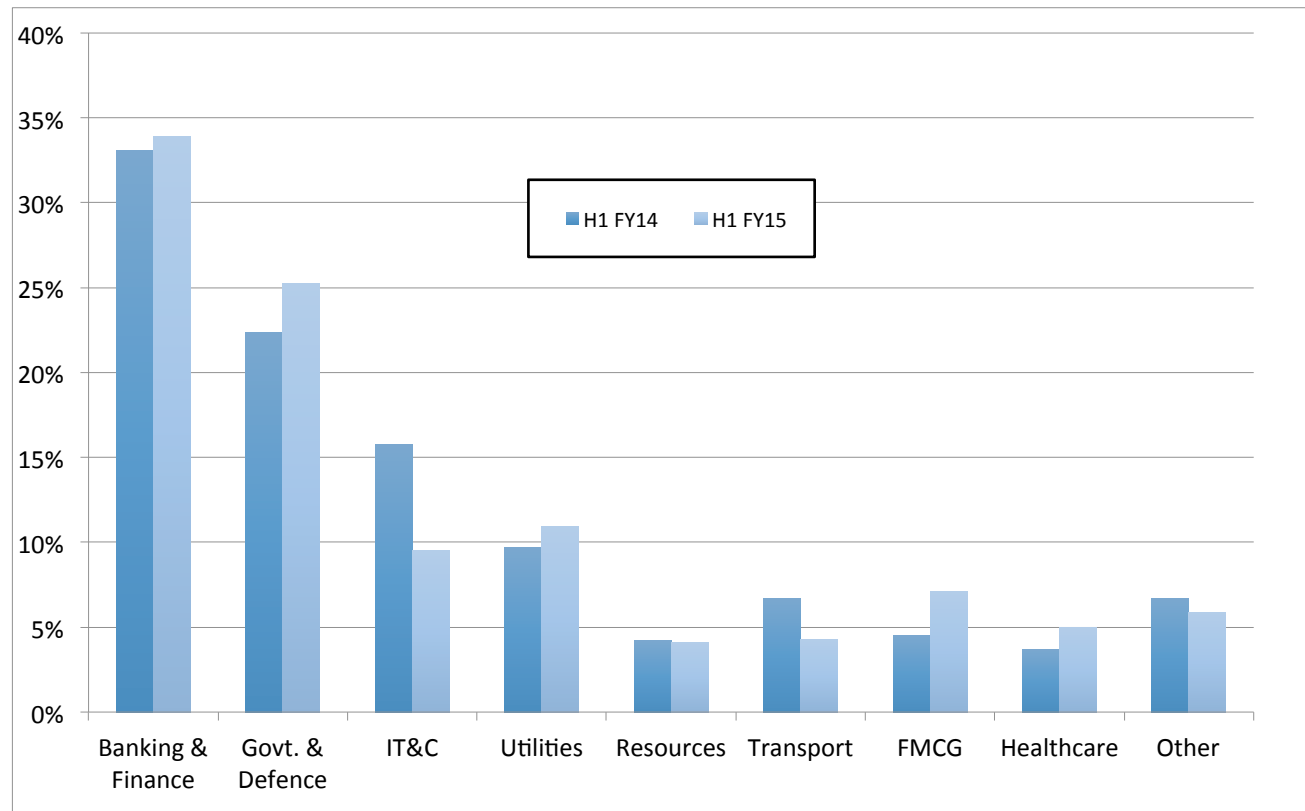
- Cash flow from operations before interest and tax represents \$8.79M (or 110% of continuing EBITDA) due to strong working capital conversion
- Tax paid exceeded tax expense due to the final instalment for the FY14 tax year
- Capital expenditure was minimal compared to pcg
- Intangible asset payments largely represent the deferred consideration for a QLD based Business Intelligence business acquired in August 2013

Half Year Results – Summary Review

	31 December 2014 \$'000	30 June 2014 \$'000	Movement
Cash & Equivalents	16,012	16,448	(436)
Receivables	12,660	15,094	(2,434)
Work in Progress	3,393	2,000	1,393
Debt / Borrowings	NIL	NIL	
Net Current Assets	21,757	22,282	(525)
Net Tangible Assets	26,184	26,887	(703)
NTA per share (cents)	19.78	20.31	(0.57)

- Strong cash position in-line with June 2014
- Receivables down \$2.43M due to reduced revenue and average days outstanding lowered to 50 (59 at 30 June 2014)
- Increased Work in Progress due to higher incomplete fixed price project milestones at balance date
- Net Tangible Assets declined largely due to the payment of the final FY14 dividend

Revenue by Sector Analysis

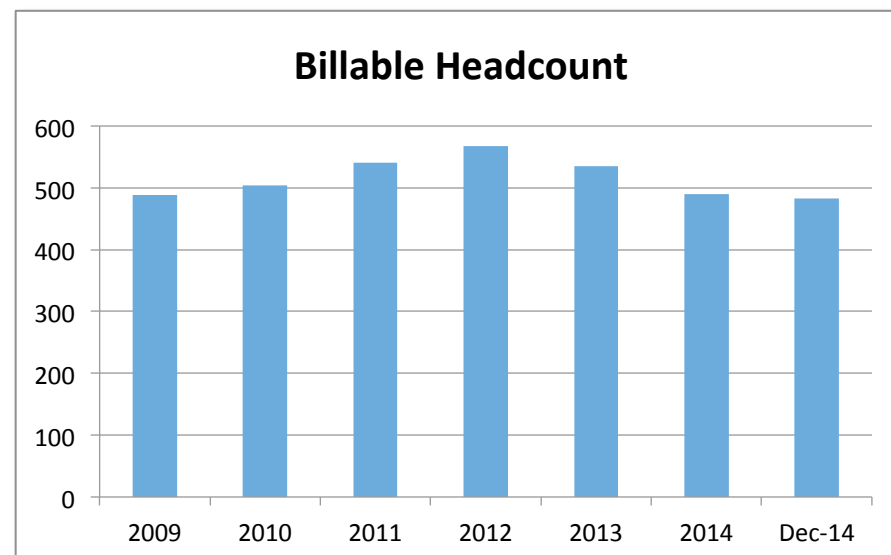
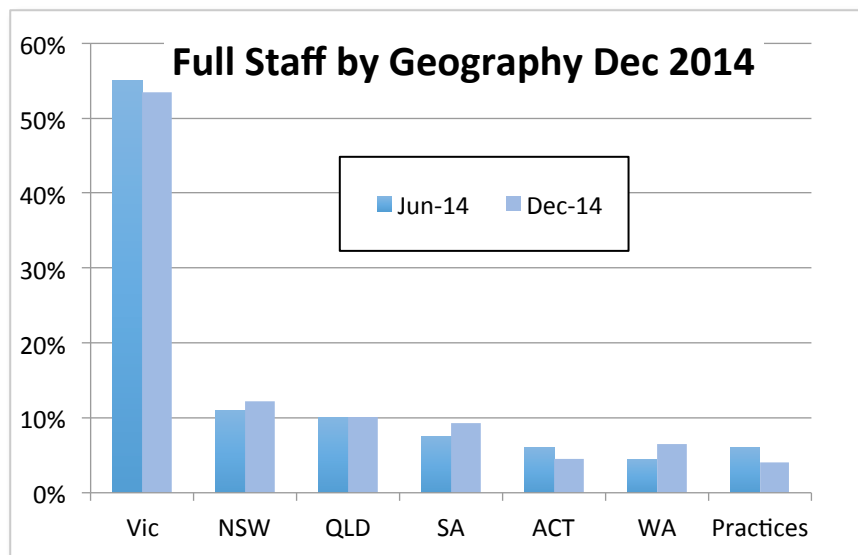


- Continued strong demand for services from Banking & Finance clients underpinned revenue performance
- The Government sector was supported by higher revenue from Defence and State Government departments
- Utilities, Healthcare and FMCG increased due to increased sector penetration particularly in SA, WA and VIC respectively

Staff Summary

		Dec 2014	June 2014
Consulting Staff	Total chargeable	490	490
Office Staff	Management	12	13
	BD/Sales	11	12
	Admin	13	13
Grand Total		526	528

- Headcount reductions in VIC and ACT, largely via natural attrition, were offset by increases in NSW, SA and WA
- Recruitment is occurring nationally to grow billable headcount throughout the second half



Capital Management

Interim Dividend

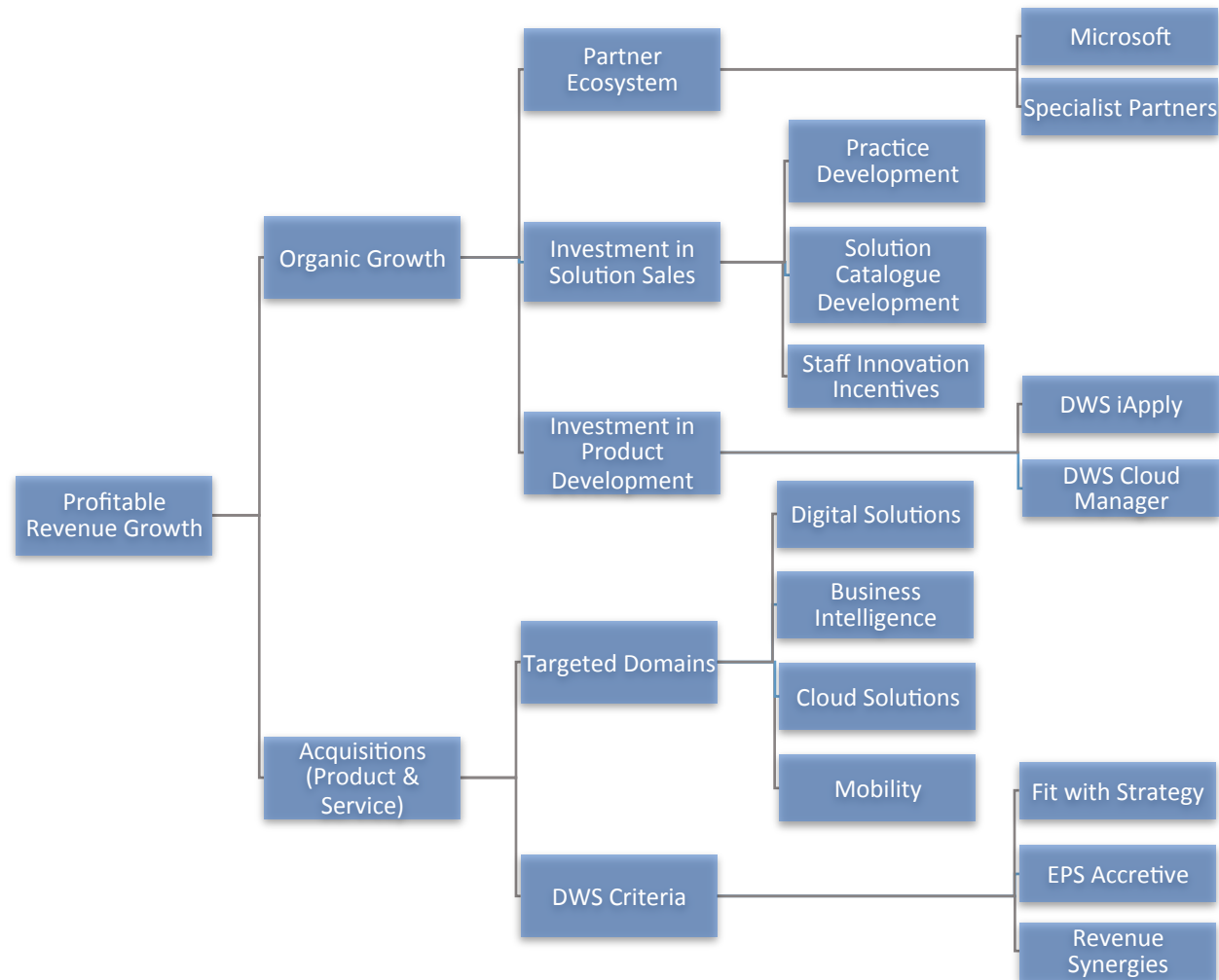
	DEC 2014	DEC 2013
Interim Dividend	3.75 cents	4.50 cents
Payout Ratio on Reported NPAT	97%	88%
Payout Ratio on NPAT excl. one-off items	88%	88%
Record Date	18 March 2015	19 March 2014
Expected Payment Date	3 April 2015	4 April 2014

- High dividend payout ratio has been maintained at 88% (excluding one-off items)
- 100% franking for Australian shareholders at 30% tax rate

Share Buy-back

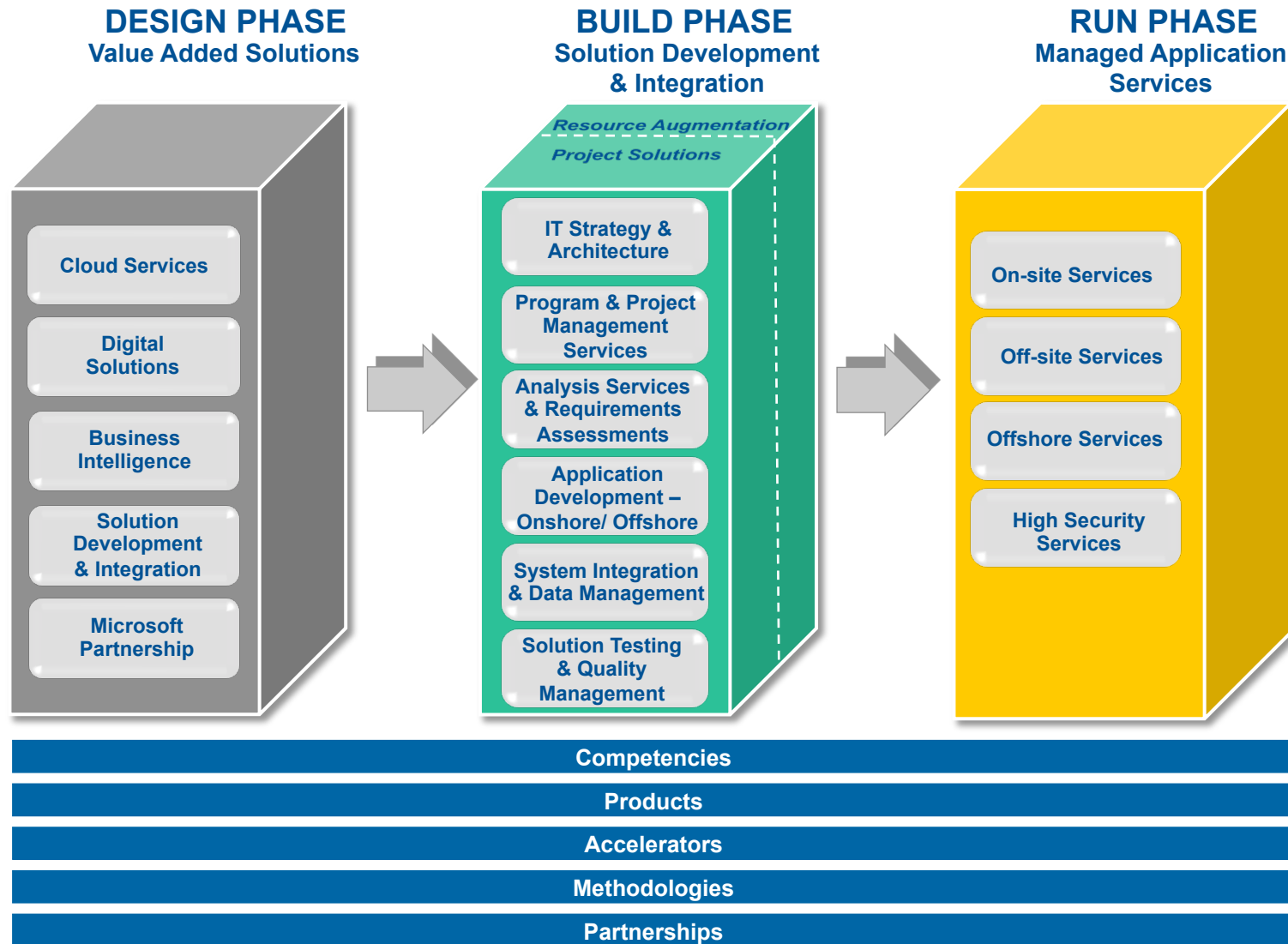
- DWS has purchased 445k shares since 19 December 2014 under the on-market buy-back at an average price of \$1.06 per share
- Buy-back is being funded from cash reserves
- The timing and total number of shares to be purchased will depend on the prevailing share price, available cash reserves, market 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



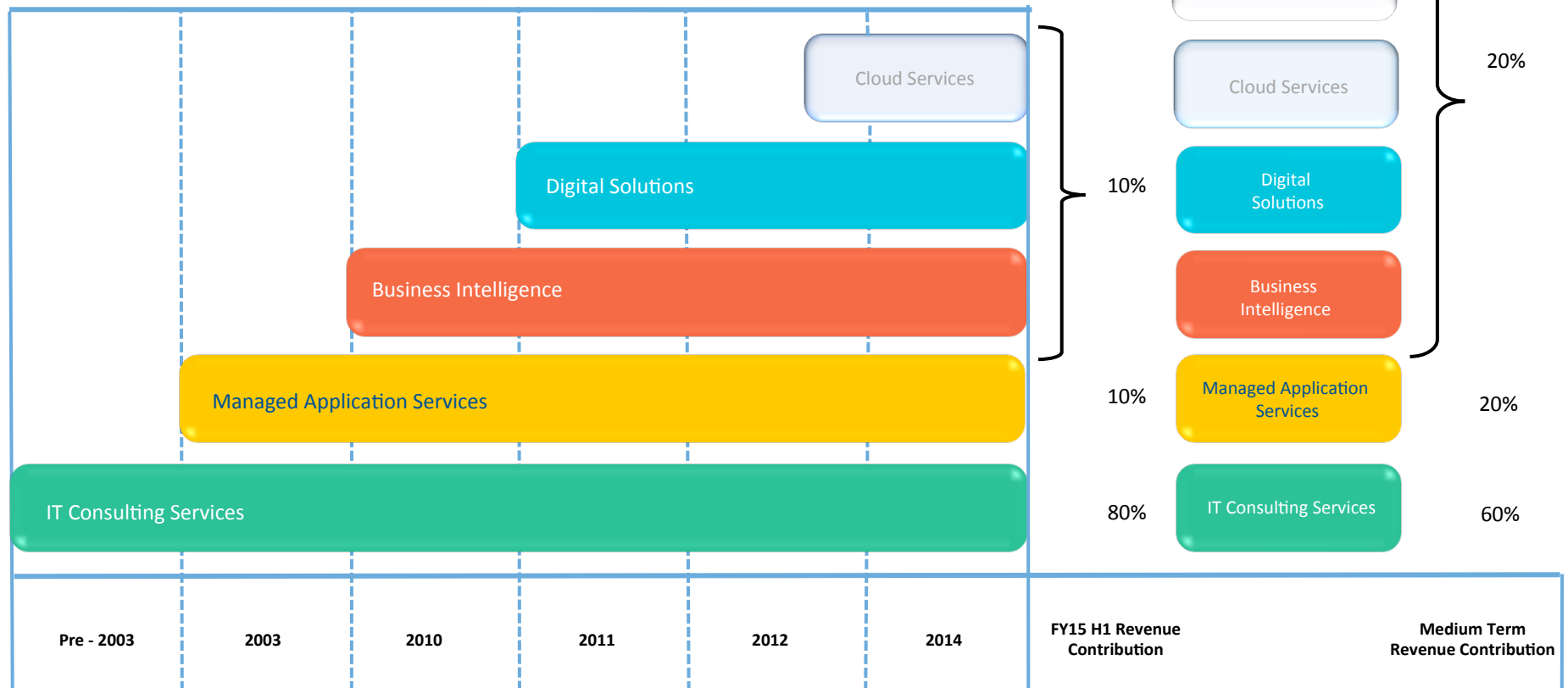
DWS' strategy focuses on achieving organic growth through the development of innovative, value-added solutions for our clients delivered with a range of partners. Growth will be complemented by acquisitions and investments in targeted high-growth domains provided the investments meet our evaluation criteria

DWS Growth Strategy

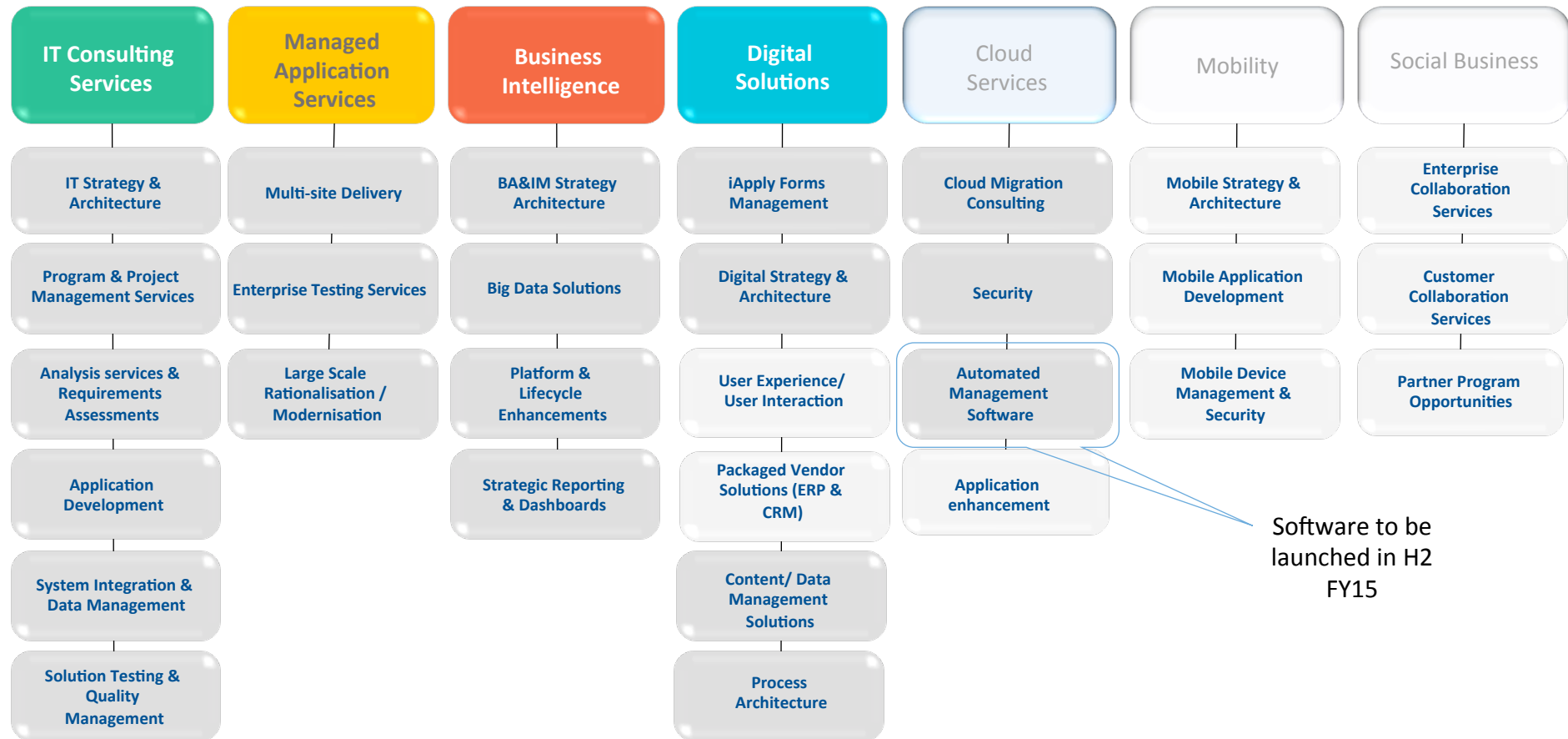


DWS Growth Strategy

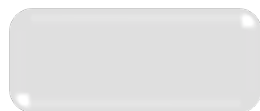
DWS will accelerate its repositioning into high growth domains offering annuity income streams by developing its IP based services catalogue and leveraging proprietary methodologies to create a sustainable, differentiated offering



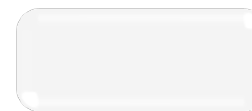
DWS Growth Strategy



Software to be launched in H2 FY15



= 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



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Summary & Outlook

Summary

- DWS is progressively repositioning its services offering to focus on higher value solutions underpinned by differentiating intellectual property
- Our strategic evolution includes:
 - Continuing to invest in proprietary products, IP-based services catalogues and industry partnerships in domains where demand is strong
 - Expanding our managed services capability
 - Complementing our strategic objectives with acquisitions in trend-growth domains provided target companies meet our criteria
- Traditional labour-based offering remains under pressure due to changing industry dynamics and subdued business confidence and investment
- Our financial position remains strong overall and we are maintaining stable cash flows

Outlook

- Economic conditions are likely to remain subdued for the remainder of FY15, however:
 - We expect demand from new IP based offerings to underpin billable headcount growth in H2
 - Investment in new sales resources is expected to see improved utilisation
 - Introduction of a new 5-tiered rate card will gradually assist in engagement flexibility
 - Utilisation in Jan and Feb was lower than anticipated particularly due to delayed project starts with March looking stronger
- DWS is seeking acquisitions that can operate synergistically with our new IP based operations and strategic direction
- DWS will continue with the implementation of its strategic transformation plan aimed at delivering sustainable shareholder returns into the future
- DWS expects to announce the commercialisation of its new Cloud Manager product which is currently subject to patent review

Questions?



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