



DWS Limited

2020 Full Year Results
Presentation

Contents

Results Highlights

Full Year Results

Revenue Breakdown

Capital Management

Operations Update

Summary and Outlook

Questions

Appendices - DWS Group Service Offering

Disclaimer



Results Highlights

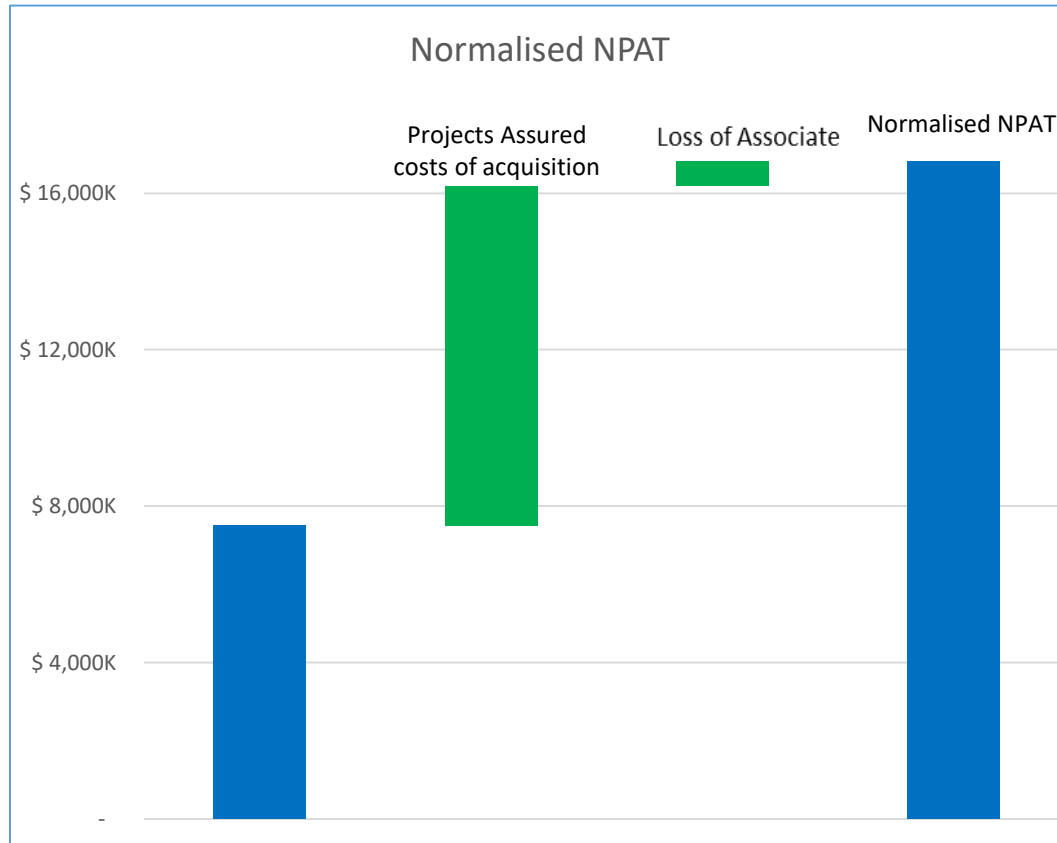
- Operating revenue of \$167.9 million compared to \$163.5 million in FY19. Increase in revenue predominantly due to Projects Assured
- Underlying EBITDA of \$28.5 million compared to \$26.4 million in FY19 up 8%.
- Reported EBITDA of \$20.5 million compared to \$21.9 million in FY19.
- EPS of 5.7 cents (7.8 cents in pcg). EPS impacted by accounting treatment for costs associated with the Projects Assured acquisition and loss from DWS's investment in Site Supervisor. Normalised EPS of 12.84 cents compared to 12.73 cents in pcg
- Continued focus on productivity and managing consultant numbers to match client demand with total billable consultants of 720 at 30 June 2020 (751 in pcg)
- Balance sheet remains sound and liquid with \$14.36 million of cash at 30 June 2020
- Net debt of \$24.64 million (\$33.12 million at 30 June 2019)
- Final fully franked dividend of 3.0 cents per share taking total dividends to 6.0 cents per share for the year representing a 105% pay-out ratio using reported NPAT and a 46% pay-out ratio for the year using normalised NPAT

Full Year Results – Summary Review

	30 June 2020 \$'000	30 June 2019 \$'000	Movement
Operating Revenue	167,948	163,496	4,452
Gross Margin	30.3%	29.9%	0.4%
Reported EBITDA	20,461	21,915	(1,454)
Reported EBITDA Margin	12.2%	13.4%	(1.2%)
Underlying EBITDA excluding one-off acquisition costs and other items	28,480	26,435	2,045
Underlying EBITDA Margin	17.0%	16.2%	0.8%
Reported NPAT	7,510	10,298	(2,788)
Reported EPS	5.70 cents	7.81 cents	(2.11 cents)

- FY20 revenue \$167.9 million up 2.7% on pcp
- Gross margin 30.3% compared to 29.9% pcp. Gross margin increased to 32.4% in H2 FY20
- Average utilisation per consultant at 78.7% (79.9% in pcp) impacted by COVID-19 and a one-off mandatory leave initiative implemented at short notice by a key client
- Reported EBITDA \$20.5 million (\$21.9 million pcp)
- Projects Assured acquisition costs of approximately \$8.0 million included in Reported EBITDA
- Underlying EBITDA \$28.5 million up 7.7% on pcp (\$26.4 million pcp). After adjustment for redundancy costs and JobKeeper payments received by Symplicit, EBITDA is \$29.1 million
- Reported EPS is 5.7 cents per share (7.8 cents per share pcp)
- Excluding redundancy costs and JobKeeper payments, normalised NPAT and normalised EPS is \$16.9 million and 12.84 cents per share respectively (refer following slide)

Full Year Results – Impact of new accounting treatment



- Reported NPAT of \$7.5 million includes \$8.7 million of Projects Assured costs of acquisition (consisting of Earn Out and retention payments and amortisation of a customer relationship intangible asset recognised upon acquisition of Projects Assured)
- A change in the accounting treatment of Earn Out payments has meant that the Projects Assured Earn Out payment for FY20 (and future years) has been recognised as an expense in the P&L for FY20 (along with amortisation of a customer relationship intangible asset recognised upon acquisition of Projects Assured). Previously Earn Out payments have been recognised by DWS through balance sheet adjustments
- After adjusting for the Projects Assured costs of acquisition and the Loss from Equity Accounted Associates of \$0.7 million (relating to DWS's investment in Site Supervisor), normalised NPAT for the DWS Group is approximately \$16.9 million and normalised EPS is 12.84 cents (12.73 cents pcpc)

Full Year Results - Financial Position

	30 June 2020 \$'000	30 June 2019 \$'000	Movement
Trade and other debtors	22,915	30,455	(7,540)
Work in progress	2,025	1,253	772
Trade creditors and accruals	(20,900)	(17,150)	(3,750)
Working capital	4,040	14,558	(10,518)
Property, plant & equipment	2,609	2,701	(92)
Intangible assets and DTA	104,158	100,668	3,490
Staff provisions	(9,460)	(7,884)	(1,576)
Contingent consideration and other	(7,845)	(6,345)	(1,500)
Total capital employed	93,502	103,698	(10,196)
Cash	14,358	8,880	5,478
Debt	(39,000)	(42,000)	3,000
Net assets	68,860	70,578	(1,718)

- Debtors decreased due to strong debtor management
- Increase in WIP due to the timing of fixed price engagement milestones and increased number or fixed price/milestone billed engagements
- Trade creditors and accruals increased due to an increase in wage accruals compared to the pcg due to the timing of year end
- Intangible assets and DTA and staff provisions increased due to the recognition of goodwill from the acquisition of the Object Consulting business and annual leave and long service leave for Object Consulting staff
- Contingent consideration and other includes Earn Out payments due to Projects Assured for FY20 and future years
- Debt funding for Projects Assured and prior year acquisitions under a 3-year interest only bank facility with total drawn funds for acquisitions/working capital of \$39.0 million as at 30 June 2020
- Liquidity remains strong with \$14.36 million of cash on hand at 30 June 2020

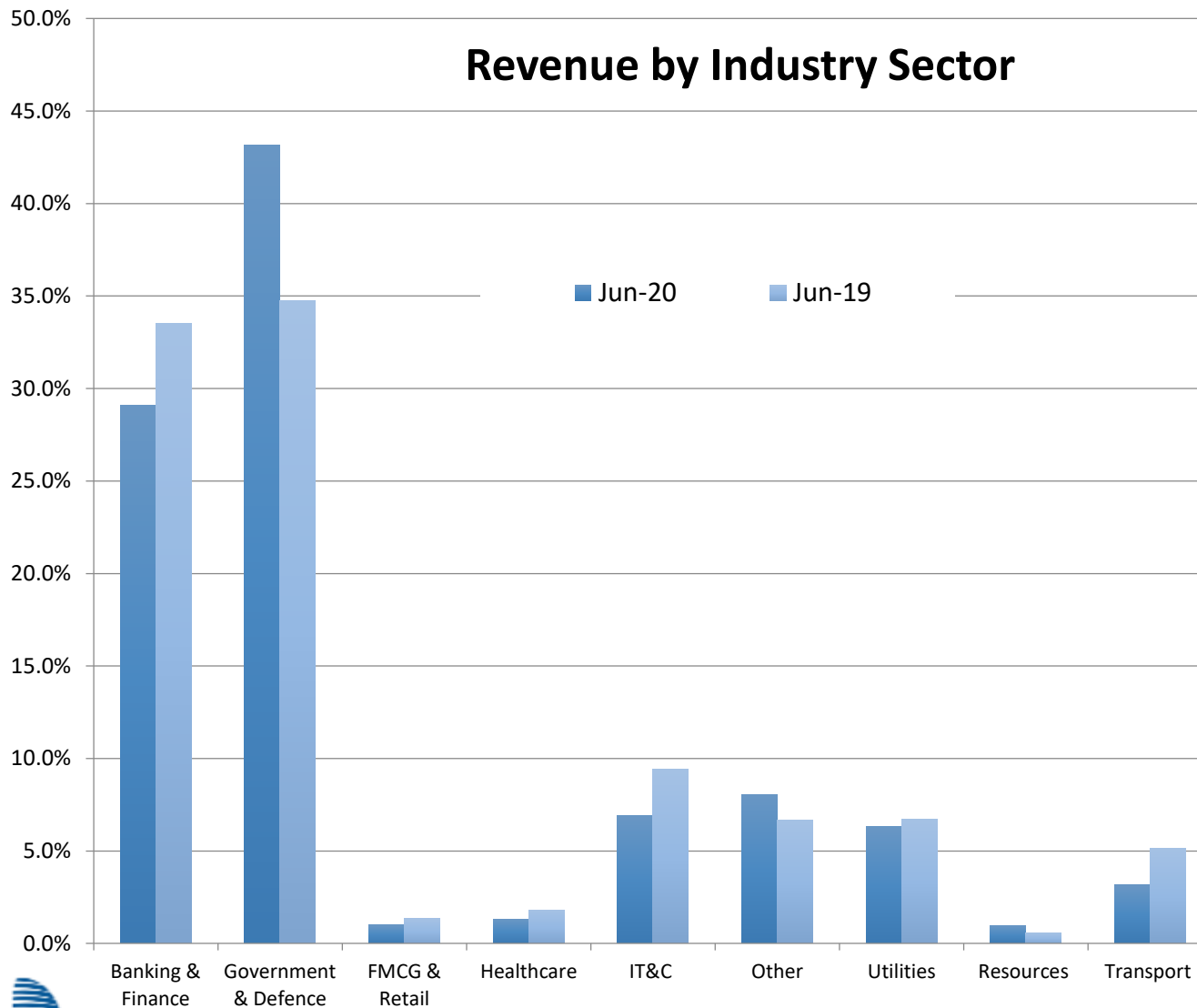
Full Year Results - Cash Flow Performance

	30 June 2020 \$'000	30 June 2019 \$'000	Movement
Opening cash balance	8,880	8,128	752
Cash flow from operations (before interest & tax)	32,042	23,027	9,015
Tax paid	(7,922)	(6,320)	(1,602)
Capital asset purchases	(202)	(911)	709
Intangible asset payments	(1,154)	(1,236)	82
Dividends paid	(9,228)	(11,865)	2,637
Acquisitions	(3,318)	(33,000)	29,682
Debt funding / (repayment)	(3,000)	32,000	(35,000)
Interest Income/(expense) & other	(1,740)	(943)	(797)
Closing cash balance	14,358	8,880	5,478

- Strong cash conversion maintained with operational cash flow being 156.6% of Reported EBITDA and 112.5% of underlying EBITDA
- Tax paid in line with profit/taxable income and reflects impact of non-deductible Projects Assured acquisition costs and non-deductible lease amortisation costs in P&L
- Intangible asset payments represents investment in Site Supervisor and capitalised R&D for iApply
- Total dividends of \$9.2 million paid during the year
- Object Consulting business acquisition payment of \$3.318 million funded by bank debt funding and internal funds
- Net repayment of \$3.0 million of bank debt during the year
- Increase of \$5.5 million in closing cash balance after payment of \$9.2 million of dividends and \$3.0 million net repayment of bank debt

Revenue Breakdown by Industry Sector

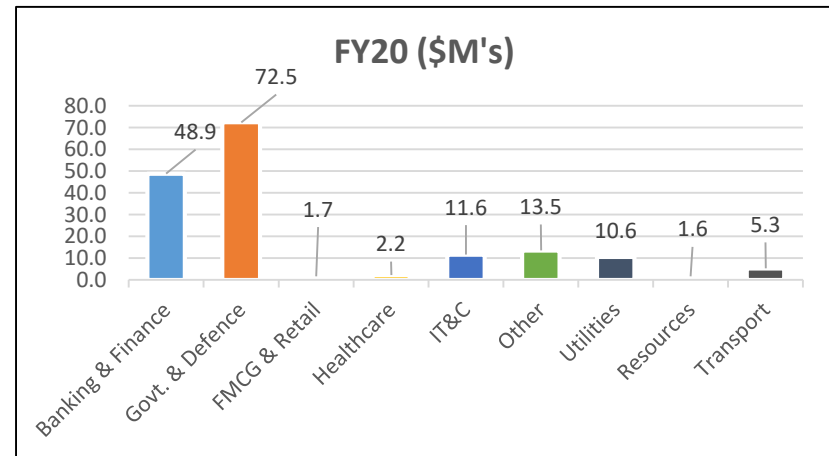
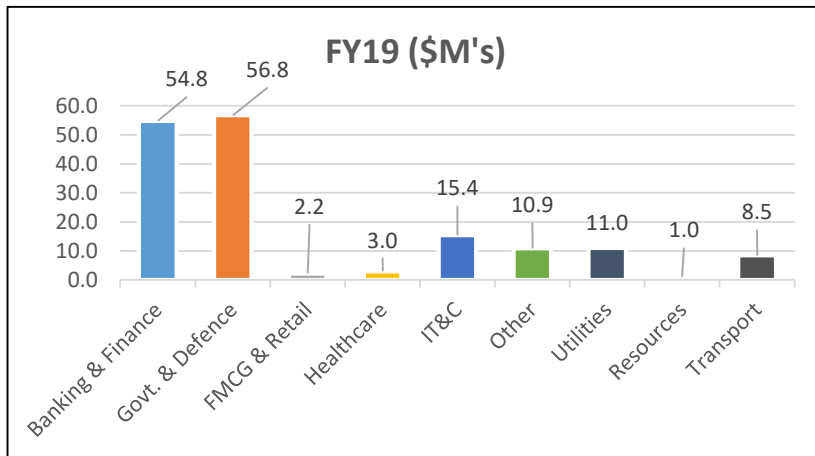
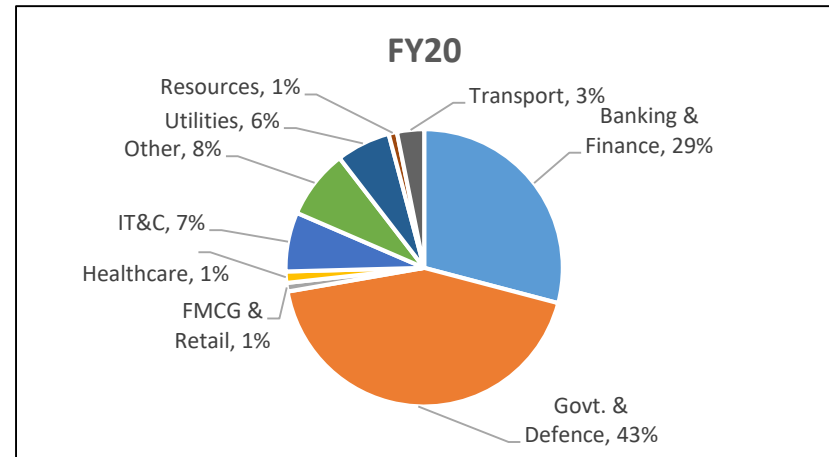
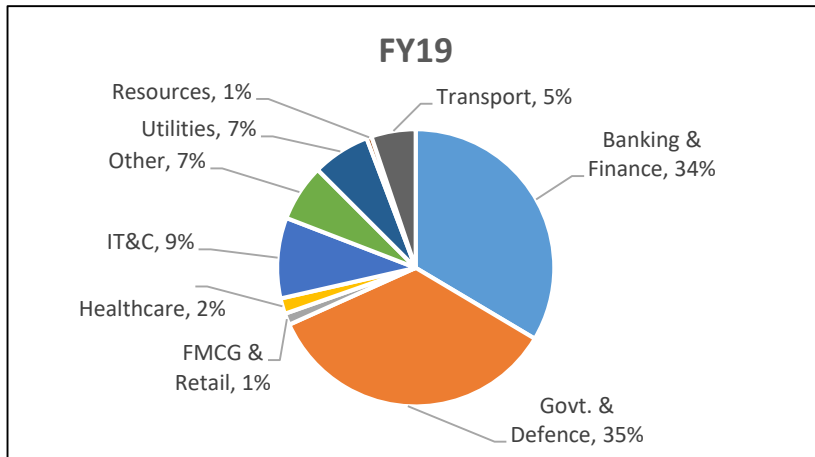
Revenue by Industry Sector



- Banking & Finance relative share of total revenue decreased as a result of higher revenue in Government and Defence
- Government and Defence increased due to growth in revenue by Projects Assured in Federal Government and growth in revenue in State Governments following DWS's acquisition of the Object Consulting business
- Lower IT&C share due to reduced demand across IT&C clients and relative increase in share of total revenue by Government & Defence

Revenue Breakdown by Industry Sector (cont'd)

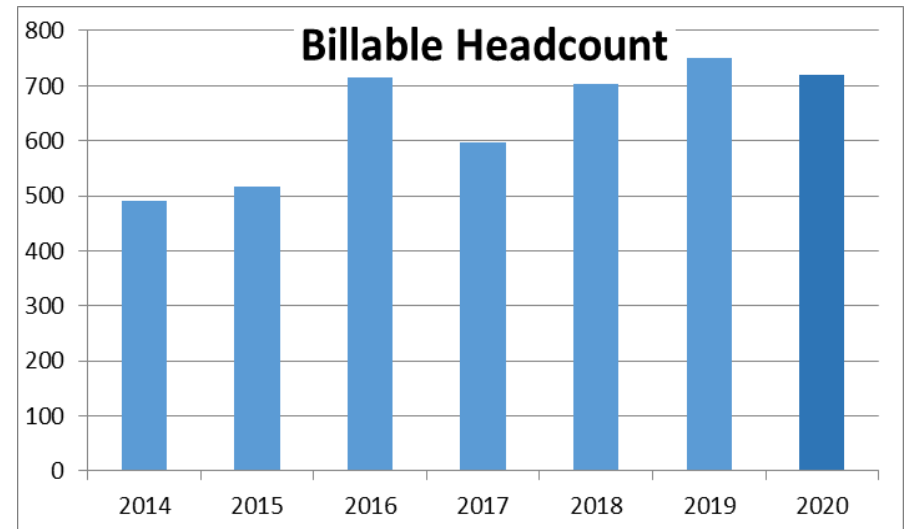
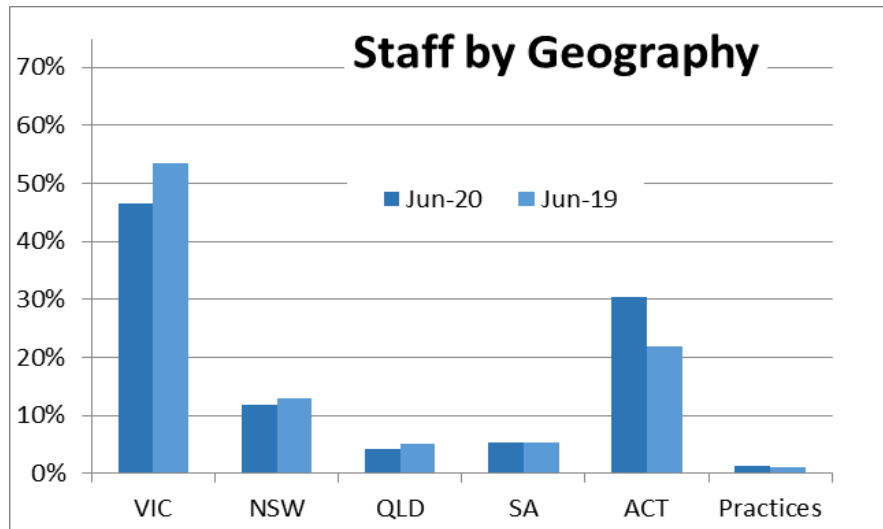
DWS industry mix has changed since FY19 with the main change the increase in absolute and relative size of Government & Defence and the reduction in absolute and relative size of Banking & Finance and IT&C



Revenue Breakdown – Billable Headcount

		June 2020	June 2019
Consulting Staff	Total chargeable	720	751
Office Staff	Management	11	11
	BD/Sales	17	15
	Admin	24	24
Total		772	801

- Decrease in permanent consulting staff compared to pcg due to reduction in DWS/Symplicit staff greater than increase in Projects Assured permanent staff
- Increase in BD/Sales reflects staff acquired as part of Object Consulting business acquisition



Capital Management

Payments for investment in licensed products, Projects Assured acquisition costs and Object Consulting business acquisition costs approximately \$8.0 million during FY20

Final Dividend

	June 2020	June 2019
Interim Dividend	3.0 cents	4.0 cents
Final Dividend	3.0 cents	4.0 cents
Total Dividend	6.0 cents	8.0 cents
Payout Ratio on Reported NPAT	105%	102%
Record Date	4 September 2020	4 September 2019
Expected Payment Date	2 October 2020	2 October 2019

Dividend payout ratio of 105% of Reported NPAT (46% of normalised NPAT after adjusting for Projects Assured costs of acquisition)

100% franking for Australian shareholders at 30% tax rate

Bank debt

- DWS holds a \$55 million bank facility at 30 June 2020
- As at 30 June 2020 \$39.0 million of the facility was drawn with \$16.0 million undrawn (excluding bank guarantees for office leases)
- Given \$14.36 million of cash on hand, total funds available as at 30 June 2020 were approximately \$30.36 million (excluding bank guarantees for office leases)

Operations Update

- Key drivers of the FY20 financial performance are as follows:
 - Strong performance from Projects Assured with continued growth in Federal Government clients;
 - Impact of COVID-19 on trading conditions for the DWS Group (excluding Projects Assured) with Symplicit being impacted the most and receiving approximately \$0.4 million in JobKeeper payments as well as applying for rent relief for its Melbourne and Sydney offices;
 - Growth in State Government clients following the acquisition of the Object Consulting business; and
 - Good cost management across the Group;
- Total consulting staff numbers decreased to 720 as at 30 June 2020. Increase in headcount for Projects Assured offset by a reduction in headcount in the remainder of the DWS Group as DWS adjusted headcount to meet changes in client demand
- DWS will continue to vary its workforce to match the specific needs of its clients and look to maintain and grow its footprint in Federal Government sectors via Projects Assured and Federal and State Government sectors via DWS and Symplicit

Operations Update (cont'd)

- Despite the impact of COVID-19 on trading conditions, DWS has grown revenue and underlying EBITDA with growth in Federal Government and State Government client work greater than reductions in Banking & Finance and IT&C client work
- Projects Assured continued to win work with key Government departments during FY20 and enters FY21 with a record number of consultants and a strong contract book
- Symplicit has been impacted by COVID-19 trading conditions. Better performance is expected once trading conditions improve
- Following a review of the operations of Site Supervisor, DWS has chosen to exit its investment and sold its shareholding to its Joint Venture partner

Summary and Outlook

Summary

- DWS's successful strategy of increasing revenue from Federal and State Government and strong cost management has limited the impact of COVID-19 affected trading conditions
- Project Assured continues to perform strongly and is forecast to continue its growth in FY21
- Symplicit's performance has been impacted by COVID-19 affected trading conditions. Better performance is expected as trading conditions improve
- DWS has exited its investment in Site Supervisor and will continue to focus on its core DWS offerings, Symplicit and Projects Assured
- Excluding redundancy costs and JobKeeper payments, normalised NPAT for the DWS Group was approximately \$16.9 million and normalised EPS 12.84 cents (12.73 cents pcg)
- DWS' financial position remains sound with relatively low levels of debt and strong cash flow generation which has enabled DWS to continue to pay dividends to shareholders whilst supporting core and acquired businesses

Outlook

- Subject to market conditions, FY21 performance expected to reflect:
 - Further growth by Projects Assured in Federal Government work in Canberra;
 - Growth in State Government work and a continued focus on digital work for all clients;
 - Maintaining productivity and margins in DWS's core offering; and
 - Continued good cost management
- DWS will focus on leveraging the benefits from its core and acquired businesses with the aim of growing and diversifying earnings, continuing to pay down acquisition debt and continuing to provide appropriate shareholder returns

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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