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DWS Limited

2019 Full Year Results
Presentation

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Results Highlights

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- Operating revenue of \$163.5 million compared to \$126.1 million in FY18. Increase in revenue predominantly due to Projects Assured acquisition
- Reported EBITDA of \$21.9 million compared to \$22.8 million in FY18. Underlying EBITDA up 15.7% to \$26.4 million
- EPS of 7.8 cents (12.1 cents in pcg). EPS impacted by accounting treatment for costs associated with the Projects Assured acquisition and investment in RPA and licensed products. Normalised EPS of 12.73 cents compared to 12.07 cents in pcg
- Continued focus on productivity and managing consultant numbers to match client demand along with the acquisition of Projects Assured resulted in an increase in total billable consultants to 751 at 30 June 2019 (704 in pcg)
- Balance sheet remains sound and liquid with \$8.88 million of cash at 30 June 2019
- Net debt of \$33.12 million (\$1.88 million at 30 June 2018)
- Final fully franked dividend of 4.0 cents per share taking total dividends to 8.0 cents per share for the year representing a 102% pay-out ratio using reported NPAT and a 63% pay-out ratio for the year using normalised NPAT



Full Year Results – Summary Review

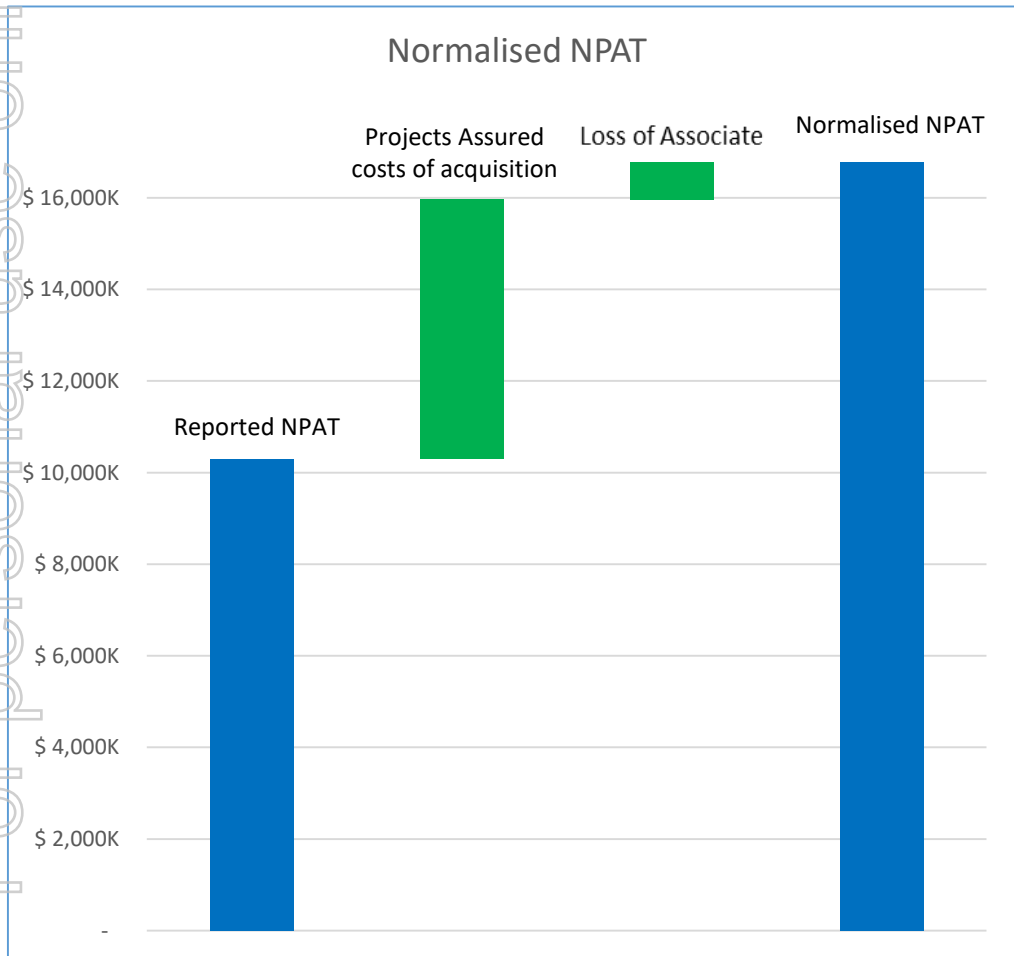
	30 June 2019 \$'000	30 June 2018 \$'000	Movement
Operating Revenue	163,496	126,098	37,398
Gross Margin	29.9%	31.9%	(2.0%)
Reported EBITDA	21,915	22,804	(889)
Reported EBITDA Margin	13.4%	18.1%	(4.7%)
Adjusted EBITDA excluding one-off acquisition costs and other items	26,435	22,858	3,577
Adjusted EBITDA Margin	16.2%	18.1%	(1.9%)
Reported NPAT	10,298	15,917	(5,619)
Reported EPS	7.81 cents	12.07 cents	(4.26 cents)

- FY19 revenue \$163.5 million up 29.7% on pcp
- Gross margin 29.9% compared to 31.9%. Gross margin increased to 31% in H2 FY19
- Average utilisation per consultant at 79.7% (83.9% in pcp)
- Reported EBITDA \$21.9 million (\$22.8 million pcp)
- One-off and Projects Assured acquisition costs of \$4.5 million included in Reported EBITDA
- Adjusted EBITDA \$26.4 million up 15.7% on pcp
- Reported EPS is 7.81 cents per share after a change in the accounting treatment for acquisitions
- Normalised NPAT and normalised EPS is \$16.8 million and 12.73 cents per share respectively (refer following slide)

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Full Year Results – Impact of new accounting treatment

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- Reported NPAT of \$10.3 million includes \$5.7 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 FY19 (and future years) has been recognised as an expense in the P&L for FY19 (along with amortisation of a customer relationship intangible asset recognised upon acquisition of Projects Assured). Previously Earn Out payments have been recognised through balance sheet adjustments
- After adjusting for the Projects Assured costs of acquisition and the Loss from Equity Accounted Associates of \$0.8 million (relating to DWS's investment in Site Supervisor, an innovative software application developed for the construction industry), normalised NPAT for the DWS Group is approximately \$16.8 million and normalised EPS is 12.73 cents (12.07 cents pcp)



Full Year Results - Financial Position

	30 June 2019 \$'000	30 June 2018 \$'000	Movement
Trade and other debtors	30,455	20,464	9,991
Work in progress	1,253	719	534
Trade creditors and accruals	(17,150)	(7,631)	(9,519)
Working capital	14,558	13,552	1,006
Property, plant & equipment	2,701	2,061	640
Intangible assets and DTA	100,668	70,905	29,763
Staff provisions	(7,884)	(7,319)	(565)
Contingent consideration and other	(6,345)	(5,182)	(1,163)
Total capital employed	103,698	74,017	29,681
Cash	8,880	8,128	752
Debt	(42,000)	(10,000)	(32,000)
Net assets	70,578	72,145	(1,567)

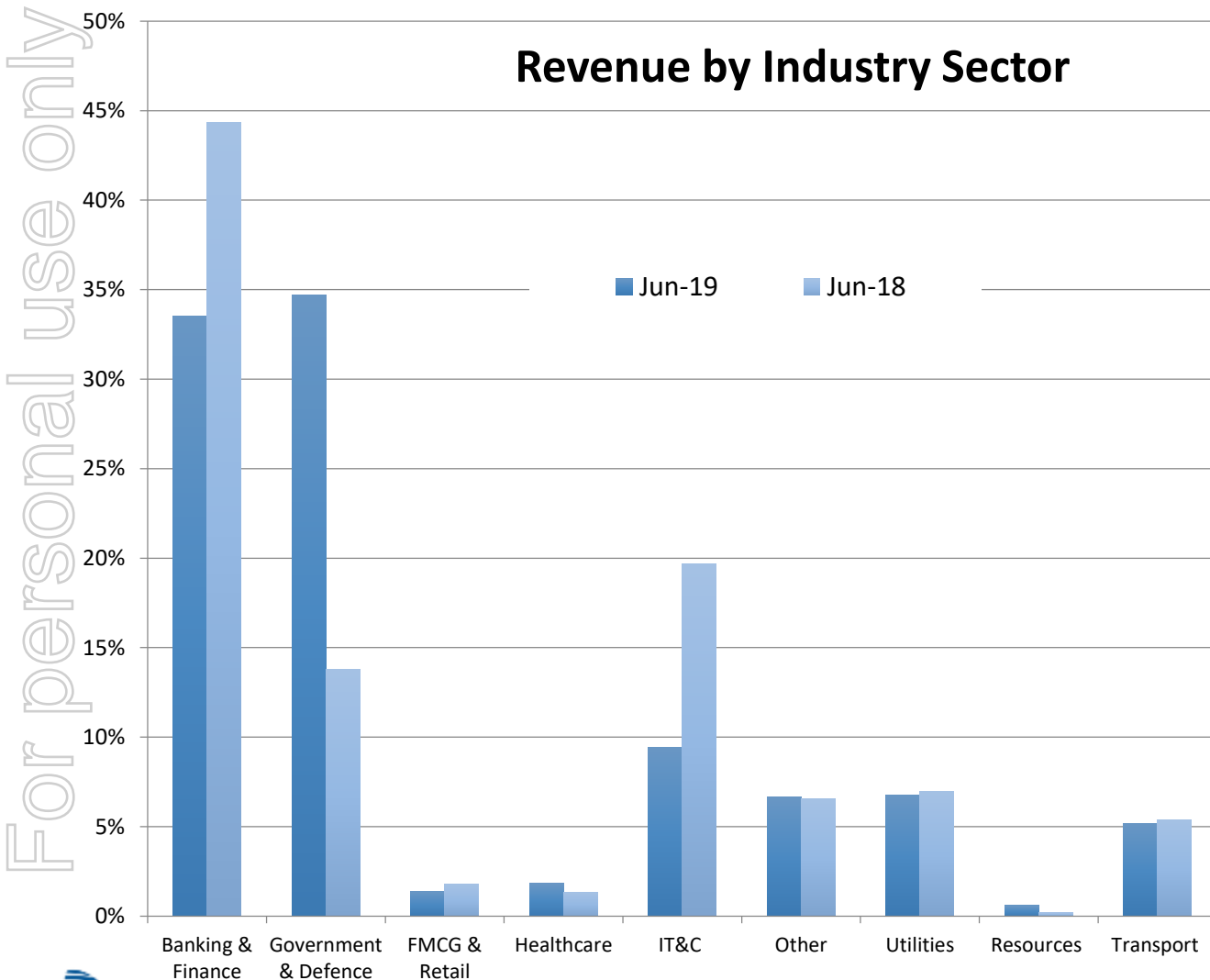
- Debtors increased due to the Projects Assured acquisition
- Increase in WIP due to the timing of fixed price engagement milestones and increased number or fixed price/milestone billed engagements
- Contingent consideration and other includes Earn Out payments due to Projects Assured for FY19 and future 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 \$42.0 million as at 30 June 2019
- Liquidity remains strong with \$8.88 million of cash on hand at 30 June 2019

Full Year Results - Cash Flow Performance

	30 June 2019 \$'000	30 June 2018 \$'000	Movement
Opening cash balance	8,128	10,868	(2,740)
Cash flow from operations (before interest & tax)	23,027	22,286	741
Tax paid	(6,320)	(4,986)	(1,334)
Capital asset purchases	(911)	(124)	(787)
Intangible asset payments	(1,236)	(107)	(1,129)
Dividends paid	(11,865)	(13,183)	1,318
Acquisitions	(33,000)	(1,200)	(31,800)
Debt funding / (repayment)	32,000	(5,000)	37,000
Interest Income/(expense) & other	(943)	(426)	(517)
Closing cash balance	8,880	8,128	752

- Strong cash conversion maintained with operational cash flow being 105.1% of Reported EBITDA
- Tax paid in line with profit/taxable income
- Intangibles represents capitalised R&D on DWS's product development software for its investment in Site Supervisor, an innovative software application developed for the construction industry and iApply
- Total dividends of \$11.9 million paid during the year
- Projects Assured initial acquisition payments of \$33 million funded by bank debt funding and internal funds

Revenue Breakdown by Industry Sector



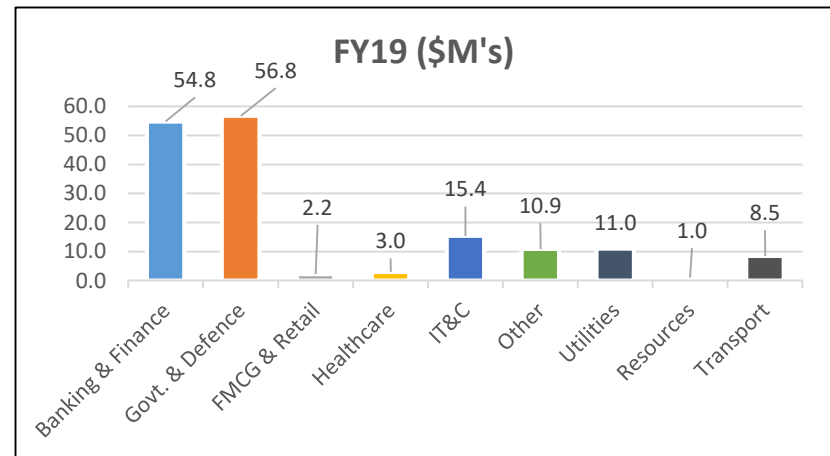
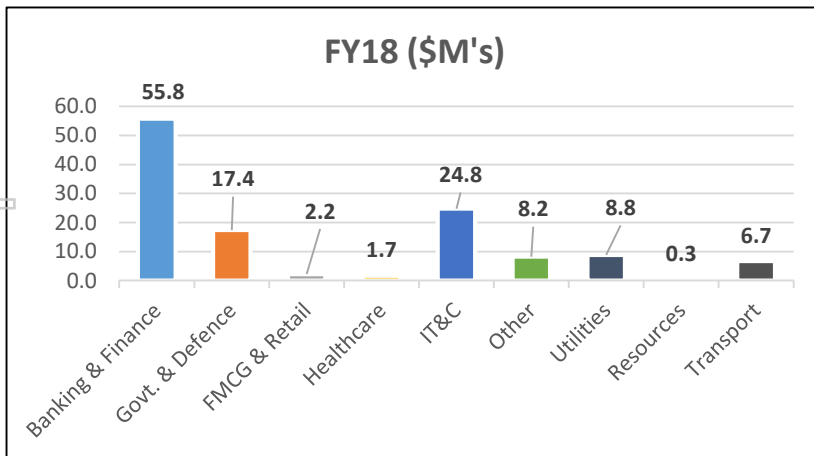
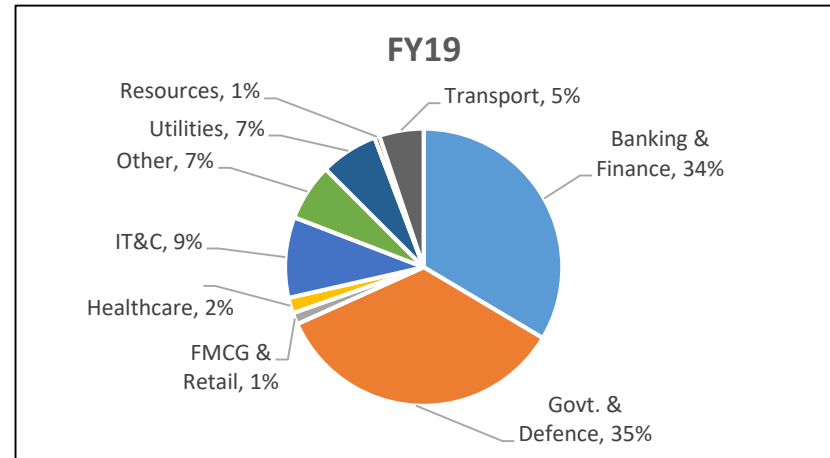
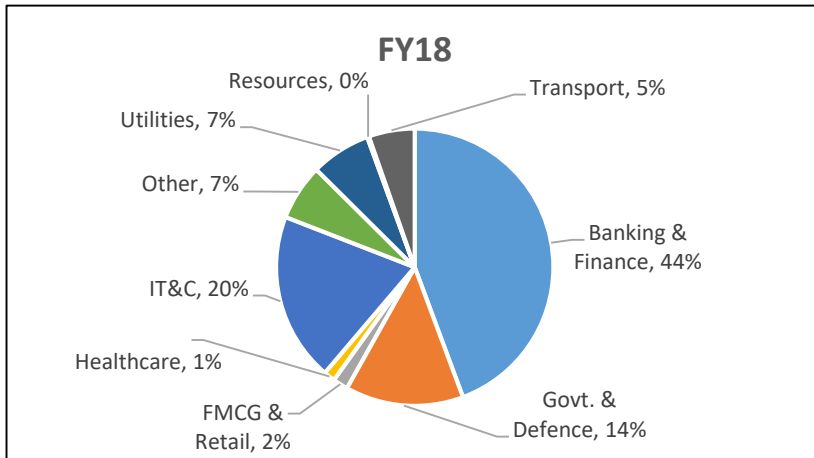
- Banking & Finance relative share of total revenue decreased as a result of higher revenue in Government and Defence
- Government and Defence increased due to Projects Assured acquisition with new projects in both Federal and State Governments
- Lower IT&C share mainly due to reduced contractor demand across IT&C clients and relative increase in share of total revenue by Government & Defence



Revenue Breakdown by Industry Sector (cont'd)

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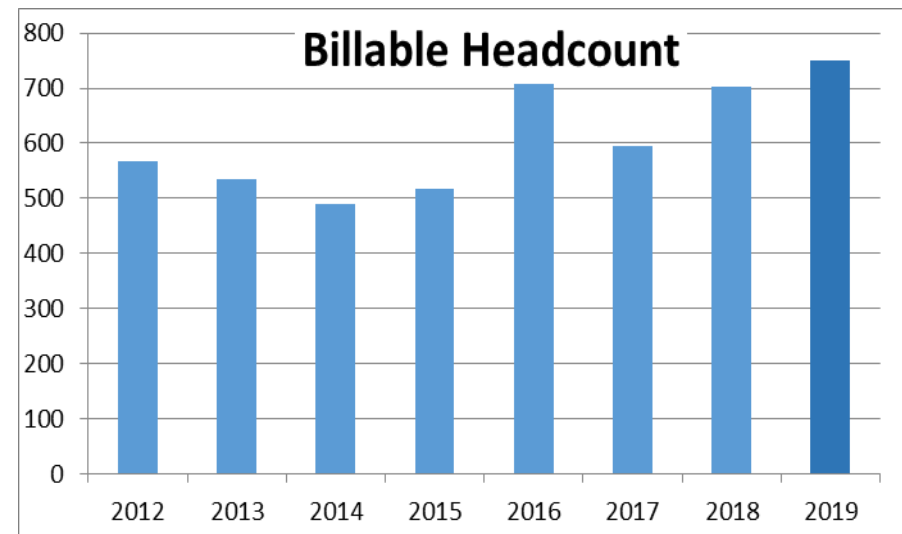
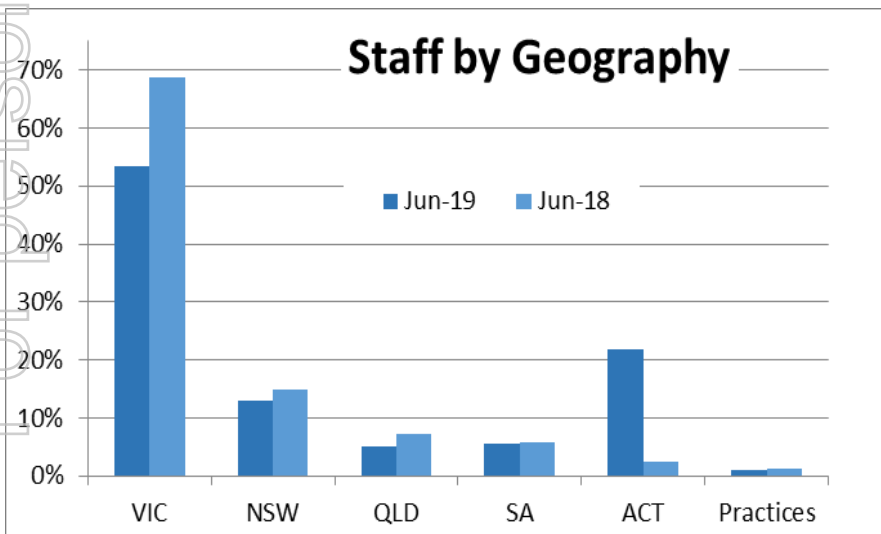
DWS industry mix has changed since FY18 with the main change the increase in absolute and relative size of Government & Defence and the reduction in relative size of Banking & Finance and reduction in absolute and relative size of IT&C



Revenue Breakdown – Billable Headcount

		June 2019	June 2018
Consulting Staff	Total chargeable	751	704
	Management	11	13
Office Staff	BD/Sales	15	21
	Admin	24	19
Total		801	757

- Increase in permanent consulting staff including Projects Assured offset by a reduction in contracting staff in response to lower demand mainly in IT&C
- Decrease in Management and BD/Sales reflects restructure in Symplicit and efficiencies across regions
- Increase in Admin due to support staff for Projects Assured



Capital Management

Investment in licensed products and DWS's Robotic Process Automation ("RPA") practice and Projects Assured acquisition costs approximately \$6.0 million for FY19. Further investment in licensed products and RPA planned for FY20

Final Dividend

	June 2019	June 2018
Interim Dividend	4.0 cents	5.0 cents
Final Dividend	4.0 cents	5.0 cents
Total Dividend	8.0 cents	10.0 cents
Payout Ratio on Reported NPAT	102%	83%
Record Date	4 September 2019	4 September 2018
Expected Payment Date	2 October 2019	2 October 2018

Dividend payout ratio of 102% of Reported NPAT (63% of normalised NPAT after adjusting for Projects Assured costs of acquisition and loss from Associate)

100% franking for Australian shareholders at 30% tax rate

Bank debt

- DWS holds a 3-year, \$55 million bank facility at 30 June 2019
- As at 30 June 2019 \$42.0 million of the facility was drawn with \$13.0 million undrawn (excluding bank guarantees for office leases)
- Given \$8.88 million of cash on hand, total funds available as at 30 June 2019 approximately \$21.88 million (excluding bank guarantees for office leases)

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Operations Update

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- Key drivers of the FY19 financial performance are as follows:
 - Strong performance from Projects Assured;
 - Good cost management across the Group;
 - Continued investment in growth areas of licensed products and RPA with RPA practice showing growth and margin improvement in H2 FY19 whilst DWS's investment in Site Supervisor is in its start up phase and is yet to reach break-even;
 - Improvement in performance of DWS Group's digital offering in H2 FY19 after underperforming in H1 FY19, and
 - Stable performance of DWS Group's core service offering
- Total consulting staff numbers increased to 751 as at 30 June 2019. Increase in headcount due to Projects Assured acquisition whilst headcount in the remainder of the DWS Group largely reflected stable demand in the Banking and Finance sector offset by reduced demand (particularly for contractors) in IT&C
- DWS will continue to vary its workforce to match the specific needs of its clients and look to grow its footprint in digital and in Federal Government sectors via Projects Assured



Operations Update (cont'd)

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- DWS's acquisition of Projects Assured has successfully achieved the DWS Group's strategy of diversifying earnings and increasing exposure to Federal Government and Defence
- Projects Assured has continued to win new work with key Government departments during FY19 and is forecast to start FY20 in a strong position with increased headcount
- Projects Assured is forecast to continue its growth path in FY20 and is committed to attracting and retaining Canberra's best consultants to support its clients. In support of Projects Assured's continued development, the offices of Projects Assured have been updated and refurbished to provide an improved working environment for consultants
- Following the change in senior management in Symplicit and underperforming in H1 FY19, Symplicit's performance improved in H2 FY19. In particular, Symplicit performed well outside its traditional markets of Sydney and Melbourne with growth in Brisbane and Adelaide



Summary and Outlook

Summary

- The DWS Group successfully diversified earnings and enhanced its service offering as a result of the acquisition of the Canberra based Projects Assured business
- Project Assured performed well in its first year as a member of the DWS Group and is forecast to continue its growth path in FY20
- After underperforming in H1 FY19, Symplicit's performance has improved in H2 FY19 with growth in Brisbane and Adelaide expanding Symplicit's national footprint and providing a good base for FY20
- DWS's RPA practice showed growth and margin improvement in H2 FY19 partially offset by DWS's investment in Site Supervisor which is still in start up phase
- Normalised NPAT for the DWS Group approximately \$16.8 million and normalised EPS 12.73 cents (12.07 cents pc)
- DWS' financial position remains sound with conservative 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 and investing in existing and new business offerings

Outlook

- Subject to market conditions, FY20 performance expected to reflect:
 - Further growth by Projects Assured predominantly in Federal Government work in Canberra;
 - Continued improvement in digital with improved profitability;
 - Continued growth and margin improvement in RPA;
 - Maintaining productivity and margins in DWS's core offering; and
 - Continued good cost management
- DWS will monitor investment in licensed products during FY20 to ensure satisfactory progress is made or alternatively to reduce its investment or exit
- DWS will focus on leveraging the benefits from its core and acquired businesses with the aim of growing and diversifying earnings, paying down acquisition debt and providing appropriate shareholder returns

Questions?

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Q & A



Appendices - DWS Group Service Offering

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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

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DELIVERING VALUE TO
BLUE CHIP CLIENTS
ACROSS AUSTRALIA



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