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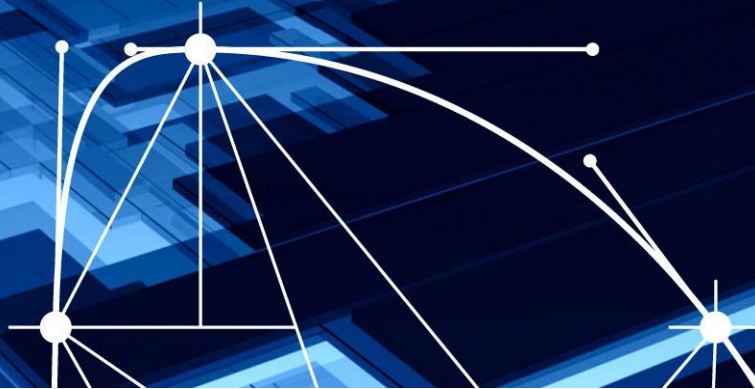
# DWS Limited

## HY2013 RESULTS PRESENTATION



DWS

*Excellence*



# DWS Limited

## HY2013 RESULTS PRESENTATION

1. Introduction

Danny Wallis (CEO)

Lachlan Armstrong (CFO)

2. Results Presentation Headlines

3. HY2013 Financial Results

4. Apt Business Solutions Acquisition

5. Operations Update

6. Outlook

7. Questions



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# Results Presentation Headlines

## Financials

- HY13 revenue up \$138K to \$55.44M
- HY13 EBITDA down 15% to \$11.85M
- HY13 earnings down 13% to \$8.31M
  - EPS down 13% to 6.28 cents
- Final fully franked dividend of 5.50 cents per share, representing a total payout ratio of 87% for HY13
- Operating cash flow (before interest and tax) of \$14.32M. Ratio of operating cash flow to EBITDA 120%
- Balance sheet remains strong with zero debt and net cash of \$11.46M (post the \$5.7M acquisition of Apt Business Solutions completed Dec 2012 which was funded by cash)

## Operations

- Second quarter performance significantly impacted by a slowing in client demand
  - Headcount reductions were undertaken to keep consultant capacity at the optimum levels
  - Focus has remained on market share acquisition while keeping operations lean
- Acquisition of the business assets of Apt Business Solutions Pty Ltd (Apt) strengthens both the ACT operations and DWS' application managed services footprint
- DWS' Perth operations are growing with pleasing demand across most sectors
- DWS iSolutions specialist practice is continuing to see strong interest from clients in all operating regions
- Borealis joint venture is driving strong demand for services in DWS' QLD operations
- DWS has commenced its offshore operations with a partner in the Philippines to recruit and manage local resources

# Half Year Results – Summary Review

	DEC 2012 (\$'000)	DEC 2011 (\$'000)
Revenue from continuing operations	55,444	55,306
EBITDA	11,845	14,022
NPAT	8,306	9,521
Contribution from Associates	(61)	-
Basic EPS	6.27 cents	7.19 cents
Gross Margin	36%	40%
Overhead Margin	15%	15%
EBITDA Margin	21%	25%

- Revenue performance was flat with strong Q1 utilisation. Q2 saw a deterioration in demand which dragged on overall results
  - Weighted average revenue per billable consultant in HY13 \$99K (HY12: \$100K)
  - Total billable hours in HY13 437,410 (HY12 439,696)
  - Average utilisation per billable consultant in HY13 75% (Q1: 79%, Q2: 72%), (HY12 : 77%)
- BDCS investment reflects initial business development activity with consulting staff expected to transition from QLD operations in Q4
- Gross margin impacted by lower Q2 utilisation performance and staff termination costs
- Overheads continue to be tightly managed but balanced against *Improve, Extend, Grow* strategy execution

# Half Year Results – Summary Review

	DEC 2012 \$'000	JUNE 2012 \$'000
Cash & Equivalents	11,458	15,206
Receivables	16,131	23,568
Work in Progress	4,776	2,733
Debt / Borrowings	NIL	NIL
Net Tangible Assets	26,711	32,289
NTA per share (cents)	20.18	24.44

- Cash and Work Capital lower following the \$5.7M acquisition of Apt in December 2012 which was funded 100% from cash
- Continued improvements in cash collections and systems evidenced by improved debtor days
- WIP increased at year end due to project completion dates with unwind occurring in February
- Change in tangible asset mix reflects the allocation of capital to the Apt Business Solutions acquisition

# Half Year Results – Summary Review

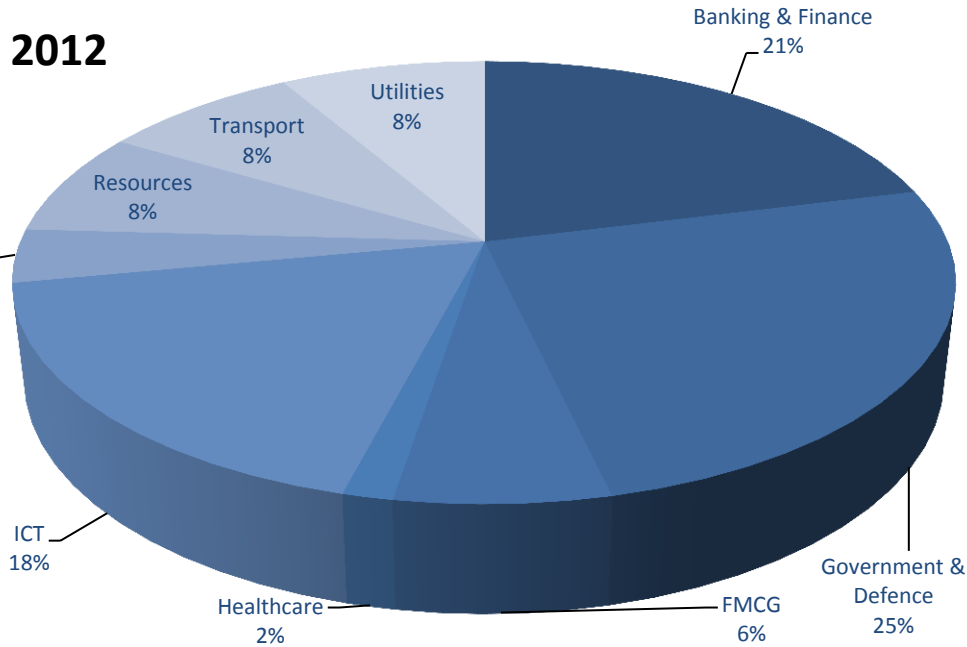
	DEC 2012 \$'000	DEC 2011 \$'000
Opening Cash Balance	15,206	10,977
Cash flow from Operations (before interest & tax)	14,320	19,798
Tax Paid	(4,392)	(4,770)
Capital Asset Purchases	(169)	(366)
Acquisition Costs	(5,554)	(600)
Dividends Paid	(8,273)	(7,942)
Interest Income & Other	320	321
Closing Cash Balance	11,548	17,418

- Cash flow before interest and tax represents \$14.32M (or 120% of EBITDA)
- Operating cash flow in H1 boosted by debtors conversions from June 2012
- Capital expenditure requirements in FY13 will be lower post the completion of the FY12 Melbourne office fit out
- Acquisition Costs relate to business assets of Apt. There is no further consideration payable for this acquisition

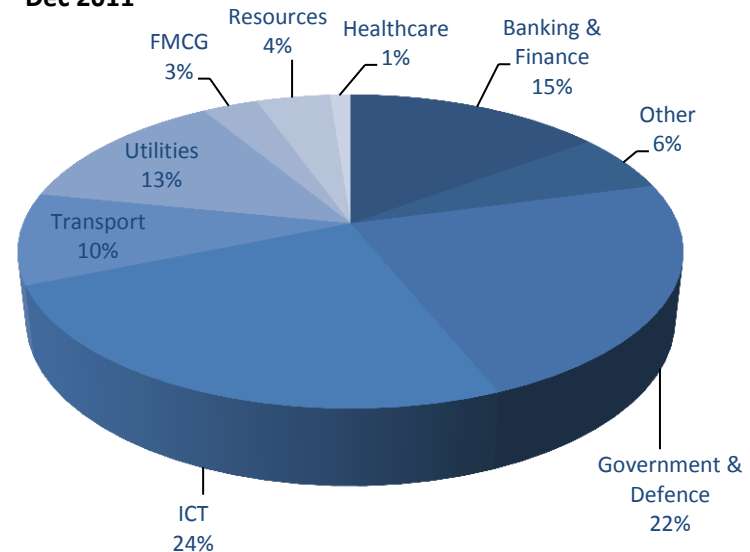
# Revenue by Sector Analysis

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**Dec 2012**



**Dec 2011**



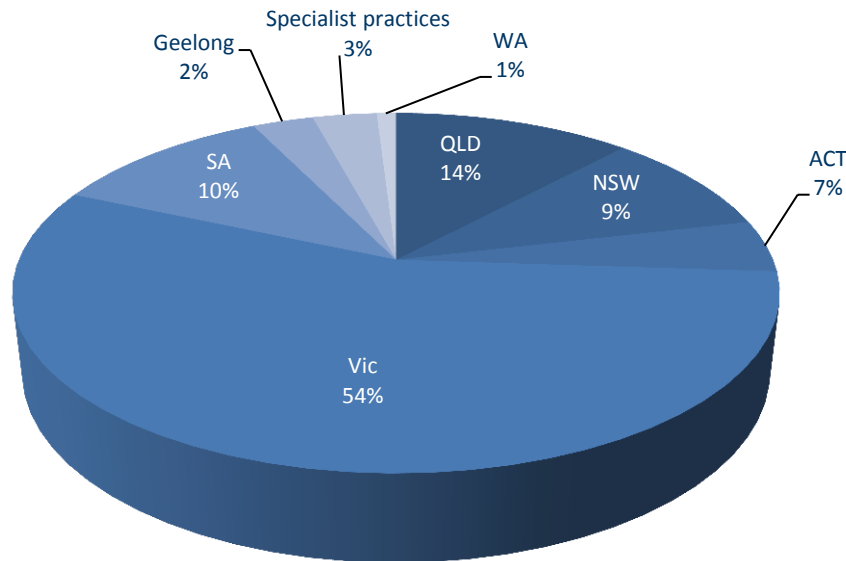
- Strong demand for services in Q1 from Banking & Finance clients underpinned revenue performance
- Contractions in both utilities and ICT had a significant impact on H1 trading
- Revenues from Defence will be strengthened post the acquisition of Apt with demand from other Federal Gov clients patchy
- Revenue from resources expected to continue growing with the development of the BDCS joint venture
- FMCG sector has been solid in H1 with outlook steady into H2

# Staff Summary

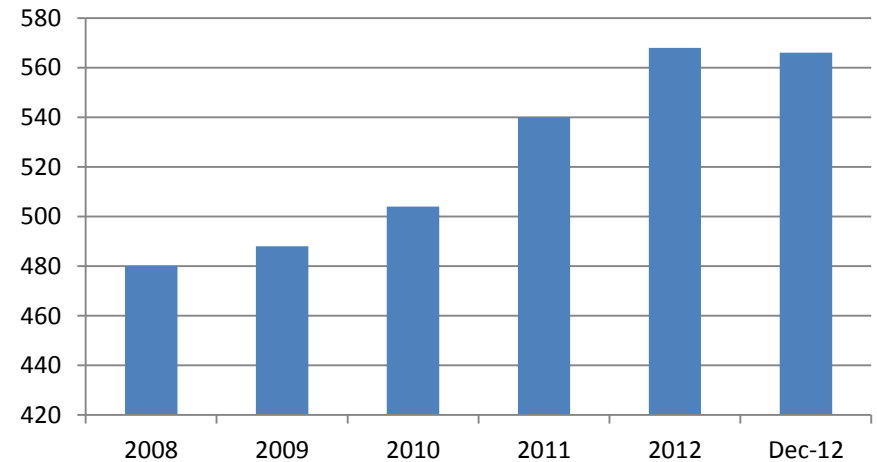
		Dec 2012	June 2012
Consulting Staff	Total chargeable	566	568
Office Staff	Management	13	13
	BD/Sales	15	18
	Admin	19	21
Grand Total		613	620

- Selective recruitment activity in H1 in response to fluctuating demand from clients
- Headcount added in ACT following the acquisition of Apt
- Continued focus on ensuring business remains right-sized in both billable and non-billable head count

FTE's by geography Dec 2012



Billable head count





# Interim Dividend

	DEC 2012	DEC 2011
Dividend	5.50 cents	6.25 cents
Total Payout Ratio	87%	87%
Record Date	19 March 2013	19 March 2012
Expected Pmt Date	4 April 2013	4 April 2012

- Dividend payout ratio has been maintained notwithstanding demands on capital for acquisitions during H1
- 100% franking for Australian shareholders at 30% tax rate

# Apt Business Solutions (Apt) Acquisition

- Acquisition of business assets effective from 1 December 2012
- Total consideration - \$5.70M
  - \$156K in fixed assets
  - \$5.54M in goodwill / intangibles
  - Funded 100% from cash, no further consideration payable
  - Acquisition is EPS accretive for DWS
- Apt is a specialist outsourced application managed services business based in the ACT providing services to several large Federal Government departments
- Apt has signed managed services contracts with Federal Government agencies which have been successfully novated to DWS
- This acquisition also sees DWS take possession of a Federal Government security certified premises for conducting off-site software development activity
- DWS will focus on service delivery initially and then look to extend the service offering within these clients

# H1 Operations Update

- Sales revenue has been maintained in H1 irrespective of the Q2 trading pressures. This demonstrates that DWS remains well positioned to continue growing notwithstanding any cyclical factors
- Decreased demand in ICT sector has put pressure on the Victorian operation however strong demand from Banking and Finance and FMCG sectors lessened the impact
- The implementation of our expanded rate structure is proceeding however the downturn in Q2 trading conditions stalled graduate recruitment initiatives with spare capacity being minimised across the business
- DWS' Perth office has enjoyed a strong H1 doubling its billable consultant numbers to eight with further staff joining in early Q3. We are seeing encouraging demand across all industry sectors including Government
- The BDCS joint venture is expected to commence operations formally in Q4 having initially invested in business development activity to build a pipeline
  - The Borealis relationship continues to provide strong work flows for DWS' QLD operation with 17 consultants working on Borealis engagements with further penetration into the Resources Sector anticipated in Q3
- Specialist capability development remains on track with both *iSolutions* and *Insight Analytics* specialist practice offerings in demand across all regions. *iSolutions* Business Process Automation technology won a high value Federal Government contract during H1

# H1 Operations Update cont.

- DWS' offshore capability has been progressed via the signing of a services agreement with an offshore partner to provide recruitment and HR management services for staff to be based in Manila. This offering will commence operation in Q3 with the employment offshore consultants under a dual-shore model for a QLD based client
- Investment in *Improve, Extend, Grow* initiatives continue. The focus remains on enhancing existing operations and expanding DWS' lines of revenue into areas of strong market demand

## H2 Outlook

- Global pressures continue to drag on local economy. Improvements in local business sentiment and project commencements not yet apparent
- Expect H2 demand from Resources and Banking & Finance to remain solid, Federal Government and FMCG steady with demand from other sectors expected to be volatile
- DWS will continue to add specialist competency in growth areas (eg Cloud, Mobility etc) as opportunities arise. Such competency may be added via acquisition provided a strong alignment can be found
- Extensive activity expected within *iSolutions* specialist practice as Business Process Automation technology continues to be introduced to existing DWS clients
- Development of the BDCS joint venture will continue in Q3 with 'go-live' of operations expected in Q4
- Dual-shore service offerings to be rolled-out in H2 with the commencement of operations expected in early Q4



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# Questions?

