DWS Limited

2016 Half Year Results Presentation

Contents

Results Highlights

- Strong 6 month revenue growth of $21.41 million to $68.17 million (46% on pcp)
- H1 FY16 underlying EBITDA (excluding one-off items) up 51% to $12.08 million
- EPS of 5.76 cents (3.85 cents in pcp)
- Both Symplicit and Phoenix acquisitions contributed positively in H1 FY16 with combined revenue of $19.86 million
- Strong utilisation particularly in Victoria and Queensland and tight cost controls across the Group
- Growing client portfolio with Victoria performing strongly
- Balance sheet remains sound and liquid with $6.99 million of cash at 31 December 2015
- Interim fully franked dividend of [4.75] cents per share up 27% on pcp representing a 82% pay-out ratio

Half Year Results – Summary Review

	H1 FY16 ($'000)	H1 FY15 ($'000)	Movement
Revenue from continuing operations	68,173	46,764	21,409
Gross Margin	31.6%	31.4%	0.2%
EBITDA from continuing operations excluding one-off items	12,082	8,012	4,070
EBITDA Margin	17.7%	17.1%	0.6%
Reported EBITDA	11,739	7,461	4,278
Reported NPAT excl OEI	7,597	5,100	2,612
Reported EPS	5.76 cents	3.85 cents	1.91 cents

- H1 FY16 revenue $68.2 million up 46% on pcp including contribution from Symplicit and Phoenix
- Average utilisation per consultant increased to 75% from 71% H1 FY15
- H1 FY16 underlying EBITDA (excluding one-off items) up 51% to $12.08 million
- H1 FY16 NPAT of $7.60 million up 49% on pcp
- Gross margin was increased on the higher revenue base
- One-off costs of $0.34 million consisting:
  - Bank facility set up costs;
  - Symplicit transaction costs; and
  - Phoenix transaction costs

Half Year Results - Financial Position

	31 Dec 2015 $'000	30 June 2015 $'000	Movement
Trade and other debtors	**25,882**	21,913	3,969
Work in progress	**1,498**	502	996
Trade creditors and accruals	**(6,313)**	(6,312)	(1)
Working capital	**21,067**	**16,103**	**4,964**
Property, plant & equipment	**2,441**	2,420	21
Intangible assets and DTA	**64,095**	50,133	13,962
Contingent consideration	**(4,533)**	(4,428)	(105)
Other	**(8,890)**	(9,979)	1,089
Total capital employed	**74,180**	**54,249**	**19,931**
Cash	**6,991**	10,371	(3,380)
Debt	**(18,500)**	(5,000)	(13,500)
Net assets	**62,671**	**59,620**	**3,051**

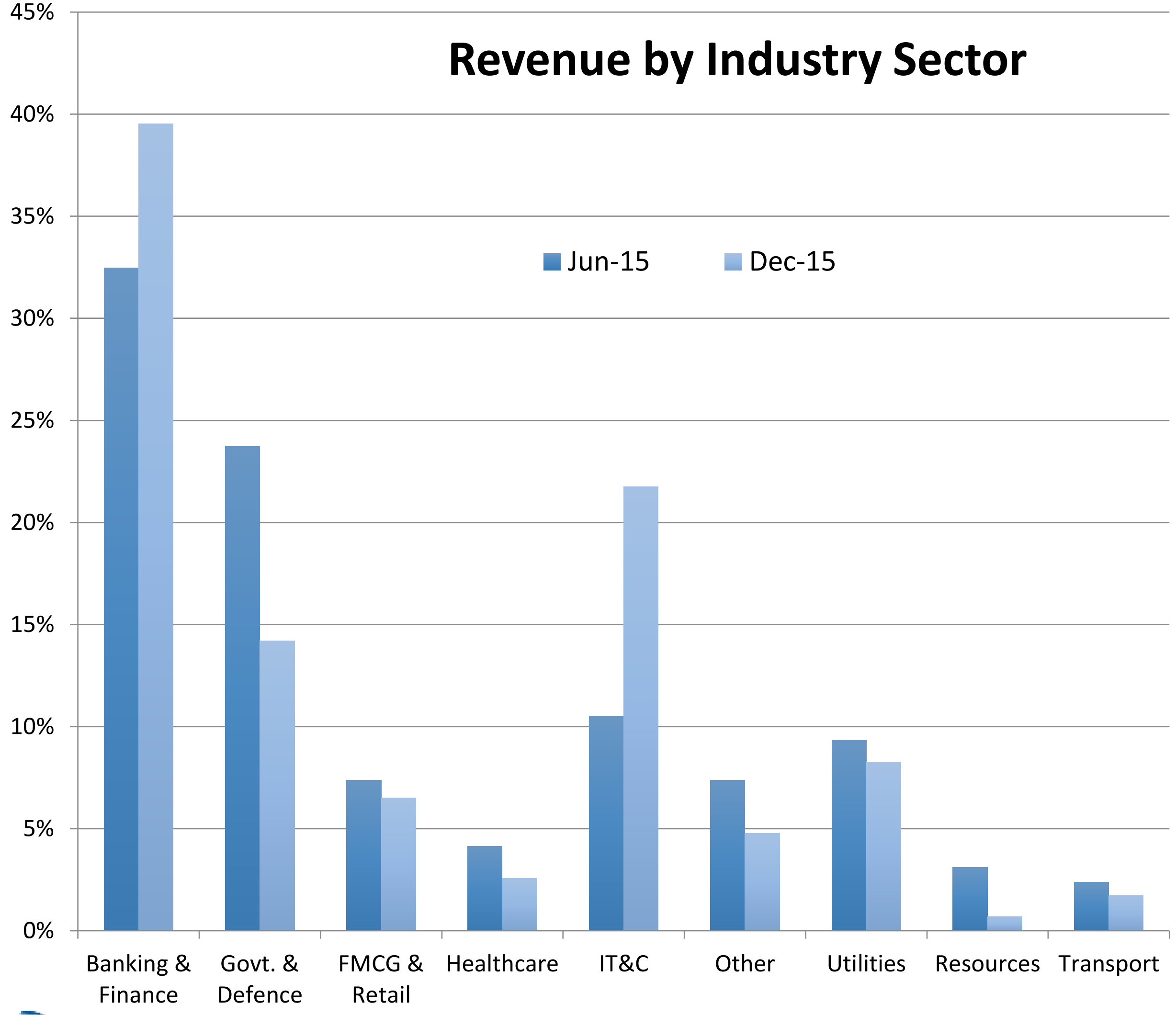
- Debtors increased due to increased revenue
- Increase in WIP due to timing of fixed price engagement milestones and increased revenue of the group
- Working capital increase as a result of Phoenix acquisition
- Increase in intangibles due to goodwill on acquisition of Phoenix
- Reduction in cash due to Phoenix acquisition
- Debt funding for Symplicit and Phoenix under 3-year interest only bank facility
- Bank debt of $18.5 million as at 31 December 2015 ($5.0 million as at 30 June 2015) following purchase of Phoenix and Symplicit
- Liquidity remains strong with $6.99 million of cash on hand at 31 December 2015 after net repayment of $6.0 million of bank debt during the period

Half Year Results - Cash Flow Performance

	H1 FY16 $'000	H1 FY15 $'000	Movement
Opening cash balance	**10,371**	16,448	(6,077)
Cash flow from operations (before interest & tax)	**9,694**	8,794	900
Tax paid	**(3,798)**	(3,553)	(245)
Capital asset purchases	**(103)**	(46)	(57)
Intangible asset payments	**(38)**	(106)	68
Dividends paid	**(4,943)**	(5,625)	682
Share buy-backs	**-**	(95)	95
Acquisitions	**(17,738)**	-	(17,738)
Debt funding	**13,500**	-	13,500
Interest Income & other	**46**	195	(149)
Closing cash balance	**6,991**	16,012	(9,021)

- H1 FY16 cash flow from operations represents 82.5% of EBITDA
- Tax paid in line with profit
- Intangibles represents capital software development
- Share buy-back discontinued in favour of acquisitions
- Acquisitions of $17.7 million relates to purchase of Phoenix
- Debt funding of $13.5 million to acquire 75% of Phoenix (balance funded out of cash balances held by DWS)

Revenue Breakdown by Industry Sector

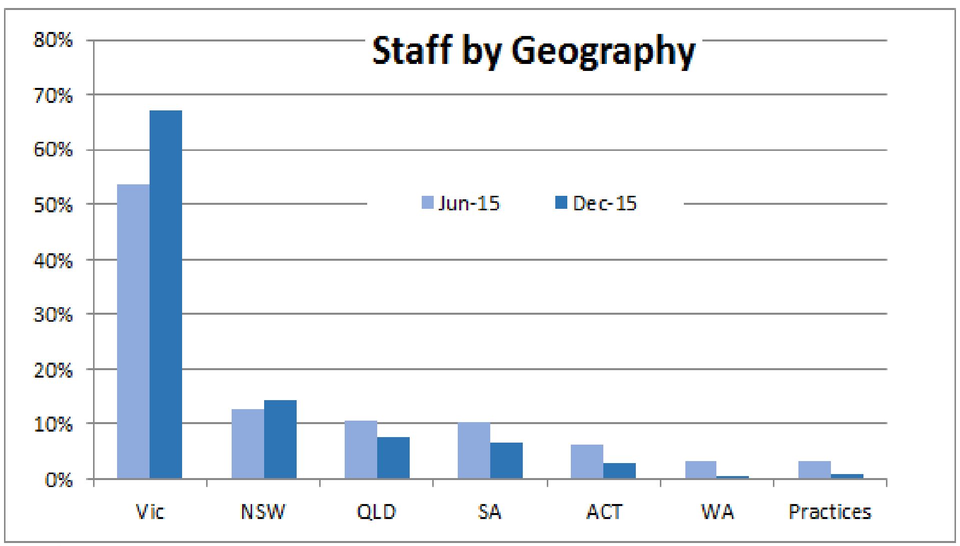


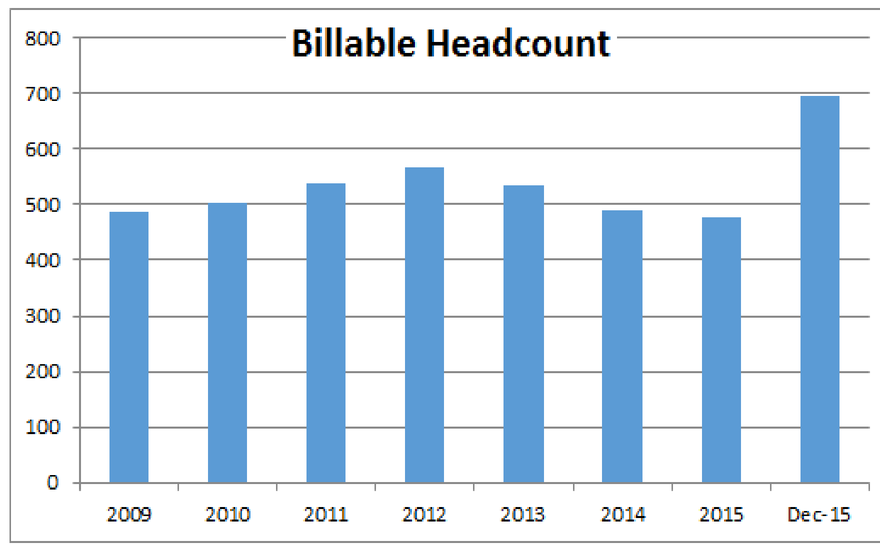
- Continued strong demand for services from Banking & Finance clients underpinned revenue performance
- Increased share of revenue for Banking & Finance and IT&C reflects the client portfolios of Symplicit and Phoenix
- Govt & Defence sector was lower due to completion of major projects and the portfolios of Symplicit and Phoenix
- Lower Resources work reflected the downturn in the resources industries

Revenue Breakdown – Billable Headcount

		Dec 2015	June 2015
Consulting Staff	Total chargeable	**696**	517
Office Staff	Management	**13**	14
	BD/Sales	**21**	15
	Admin	**18**	14
Grand Total		**748**	560

- Billable headcount growth of 35% following the acquisition of Phoenix
- DWS headcount reductions in ACT and WA, via natural attrition and restructuring offset by increases in VIC and NSW





Capital Management

Interim Dividend

	Dec 2015	Dec 2014
Interim Dividend	4.75 cents	3.75 cents
Payout Ratio on Reported NPAT	82%	97%
Record Date	16 March 2016	18 March 2015
Expected Payment Date	4 April 2016	3 April 2015

- Dividend payout ratio of 82%
- Net repayment of $6.0 million of bank debt during the period
- 100% franking for Australian shareholders at 30% tax rate

Bank debt

- Following the acquisitions of Symplicit and Phoenix DWS holds a 3-year, $31 million bank facility
- As at 31 December 2015 $18.5 million of the facility was drawn with $12.5 million undrawn
- Further drawings of $6.5 million planned for 2H2016 to purchase remaining 25% of Phoenix
- Net increase of $13.5 million during the period resulting from borrowings to pay for the purchase of 75% of Phoenix offset by repayment of debt from cash reserves and operating cashflows
- DWS intends to maintain a high dividend payout ratio and repay debt where possible

Operations Update

- Financial performance showed a solid performance in H1 FY16 due to:
  - Focus on utilisation and margins;
  - Continued tight cost control across the Group; and
  - Strong client demand, particularly in VIC partially offset by weaker demand in WA and ACT
- Symplicit and Phoenix acquisitions made a positive contribution (NB: Phoenix results for four months)
- Total consulting staff numbers increased to 696 as at 31 December 2015 an increase of 35% mainly as a result of the Phoenix acquisition
- DWS' continuing to leverage recent acquisitions and focus on utilisation and margins in H2 FY16
  - Enhanced service offering; and
  - Cross-selling by sales teams
- DWS continues to position its workforce to match the specific needs of DWS' clients

Operations Update - Symplicit and Phoenix

Symplicit:

- Strong demand for Symplicit's customer led innovation and digital design services
- Improved utilisation providing higher margins
- Focus on cross-selling and penetration of clients (especially NSW)

Phoenix:

- Back office integration of Phoenix is on track
- Integration of the Phoenix sales function underway
- Focus on cross-selling and penetration of clients

DWS Growth Strategy

DWS' growth strategy is aimed at leveraging its enhanced service offerings and expanding customer touch points through organic expansion and acquisitions where required

Summary and Outlook

Summary

- DWS is integrating its acquisitions and leveraging its enhanced service offering to focus on high value solutions
- DWS will continue to focus on utilisation and margins
- Phoenix acquisition only made 4 months contribution to results
- DWS' financial position remains sound with conservative levels of debt and strong cash flow generation

Outlook

- Subject to market conditions, H2 FY16 performance expected to reflect:
  - Maintaining H1 FY16 utilisation, particularly in Victoria; and
  - Continued focus on margins and cost control
- H2 FY16 demand from Banking and Finance expected to remain steady. IT&C demand reliant on DWS' larger clients
- Following the acquisitions of Symplicit and Phoenix, DWS will focus on leveraging the benefits from its broader service offering to grow shareholder returns and pay down bank debt

Questions?

Q & A

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