



DWS Limited

Proposed Acquisition of
SMS Management &
Technology via Scheme of
Arrangement

27 February 2017

Transaction Summary

- DWS Limited (**DWS**) has executed an agreement to acquire SMS Management & Technology (**SMS**) via Scheme of Arrangement (**Scheme**)
- Offer of \$1.00 in cash (**Cash Component**) and 0.39 DWS shares (**Scrip Component**) for each SMS share (**Scheme Consideration**) agreed to as part of the Scheme
 - Implied value of the Scheme Consideration is \$1.66¹
- In addition, SMS has declared an interim dividend of \$0.015 (fully franked) without reduction to the Scheme Consideration, providing additional value to SMS shareholders
- SMS has retained the discretion to declare a fully franked special dividend of up to 10.2 cents per SMS share, to enable franking benefits of approximately 4.4 cents per share to be distributed to SMS shareholders
 - Any special dividend paid will reduce the Cash Component of the Scheme Consideration on a dollar-for-dollar basis
- The Scheme Consideration offers attractive value to SMS shareholders, and represents:
 - a premium of 30% to SMS' undisturbed closing share price on 22 February 2017 (\$1.28);
 - a premium of 26% to SMS' undisturbed one month volume weighted average price² calculated at 22 February 2017;
 - an implied LTM EV / EBITDA multiple of 11.9x³ for the year ended 31 December 2016
- The mix of cash and scrip in the Scheme Consideration provides SMS shareholders with immediate cash proceeds and the opportunity to participate in the ongoing performance of SMS, and the combined entity, going forward
- This Transaction will be transformational for DWS giving rise to significant benefits including material cost synergies, operational efficiencies and broader service offering for clients
 - Anticipated to deliver strong shareholder value through material earnings accretion from FY18 and significant growth opportunities
- The SMS Board believes the Transaction is in the best interests of SMS shareholders and unanimously recommends that SMS shareholders vote in favour of the Transaction (in the absence of a superior proposal emerging prior to the scheme meeting and subject to an Independent Expert concluding the Transaction is in the best interests of SMS shareholders)



Note: (1) Based on DWS' 5 day volume weighted average price to 24 February 2017 of \$1.70 (2) 31 calendar days to 22 February 2017 (\$1.32) (3) Implied Scheme Consideration of \$1.66 per SMS share (total issued shares of 68.5 million), SMS net debt of \$10.3 million as at 31 December 2016, and SMS EBITDA prior to significant items of \$5.4 million in 2H FY16 and \$5.0 million in 1H FY17

Melbourne | Sydney | Canberra | Brisbane | Coolangatta | Adelaide | Perth



Transaction Highlights



The transaction will be transformational for DWS and SMS



The combined entity will be a leading provider of integrated IT solutions across Australia, with additional scale in workforce, knowledge and client base



SMS shareholders will continue to have exposure to the upside in the combined businesses going forward through the Scrip Component



Material cost synergies are expected in the near-term, with additional efficiency and cross selling benefits expected over the medium-term



“Best of breed” approach will be adopted to integrating the two organisations to fully leverage the combined capabilities of the merged group



Benefits to SMS Shareholders



Attractive value provided to SMS shareholders under Scheme Consideration



Immediate cash proceeds with ability to participate in future value upside of combined businesses



Continued exposure to combined businesses, with substantial scale in workforce, knowledge and enlarged 'blue-chip' client base



Exposure to material synergy and operational benefits of the combined businesses



DWS' experienced management team to lead the combined businesses to deliver improved profitability

Transaction Overview

Scheme Consideration

- ▶ **Offer of \$1.00 in cash and 0.39 DWS shares for each SMS share**
 - Implied value of the Scheme Consideration is \$1.66 based on DWS' 5 day volume weighted average price¹
- ▶ **SMS to pay an interim dividend of \$0.015 (fully franked) without a reduction in the Cash Component, providing additional value**
- ▶ **Fully funded offer supported by new debt facilities**
- ▶ **SMS has retained the discretion to declare a fully franked special dividend of up to 10.2 cents per SMS share, to enable franking benefits of approximately 4.4 cents per share to be distributed to SMS shareholders**
 - Special dividend paid will reduce the Cash Component of the Scheme Consideration on a dollar-for-dollar basis
 - SMS intends to apply to the ATO in respect of any special dividend

Key Conditions

- ▶ **SMS shareholder approval of the scheme of arrangement**
- ▶ **An independent expert issuing its report which concludes the Transaction is in the best interests of SMS shareholders**
- ▶ **Court approval of the Scheme of Arrangement**
- ▶ **No SMS or DWS Prescribed Occurrences**
- ▶ **No SMS or DWS Material Adverse Change**
- ▶ **Relevant ASX and ASIC approvals**



Strategic Rationale

Services overview

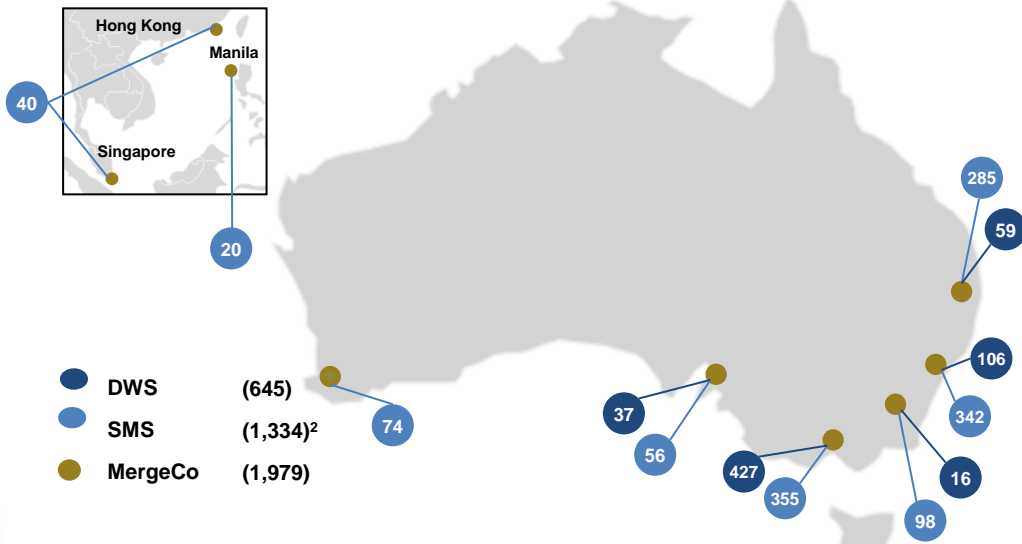
| Service | DWS | SMS | MergeCo |
|---------------------|-----|-----|---------|
| Consulting | ✓ ✓ | ✓ ✓ | ✓ ✓ |
| Solutions / Digital | ✓ ✓ | ✓ | ✓ ✓ |
| Managed Services | | ✓ | ✓ |
| Recruitment | | ✓ | ✓ |

Broad offering in IT solutions sector

Significant depth and experience in IT consulting and digital solutions

Complementary offering of recruitment (labour hire service) and managed services

Geographic overview (billable staff and contractors)¹



Billable workforce of c.2,000⁽³⁾ across all major Australian cities, including presence in South East Asia

Notes: (1) As at 31 December 2016. (2) Includes 64 Managed Service consultants (not shown in map). (3) Includes contractors. Does not include non-billable staff (e.g. head office staff).

Strategic Rationale (cont.)



One of Australia's leading IT Solutions providers



Core client base of ASX-listed 'blue-chips'



Core competency in consulting, with broad range of complementary services



Strong presence in all key Australian cities



Opportunities for EBITDA uplift through improved margins and utilisation rates

Combined customer base provides diversification across key industry verticals

Financial Services

Government

TMT

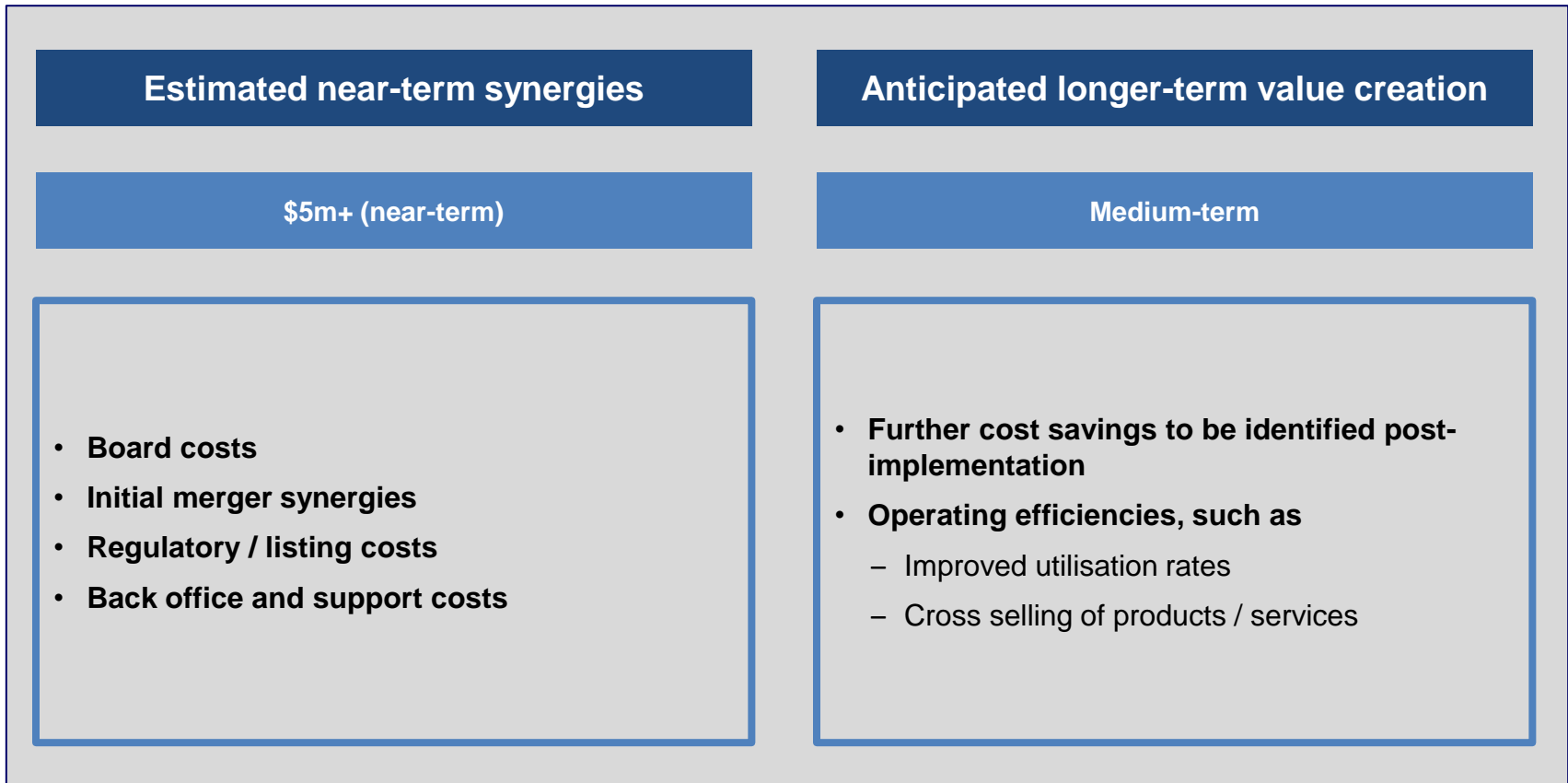
Energy, Resources & Infrastructure

Other commercial



Potential Synergies and Long-term Value Creation

Material cost-synergies, operational efficiencies and cross selling opportunities are anticipated for the combined DWS and SMS businesses.



Indicative Transaction Timeline

Indicative Timing

Announcement and execution of Scheme Implementation Agreement

27 Feb 17

First Court hearing

Late Apr 17

Scheme Booklet sent to SMS shareholders

Early May 17

Scheme Meeting

Early Jun 17

Second Court hearing

Mid Jun 17

Implementation Date

Late Jun 17





Appendix A: SMS Overview

SMS Overview

SMS is a leading provider of IT advisory, technology services and contract recruitment.

DIGITAL TRANSFORMATION



Go to Market Themes

Analytics & Insights

Customer Experience

Digital Automation



SMS Service Offerings

| | ADVISORY | SOLUTIONS | MANAGED SERVICES | RECRUITMENT |
|--|---------------------------------------|--|---------------------------------|-----------------------|
| | Digital Business Strategy | Web, Mobile & IoT Apps | Application Managed Services | Permanent Recruitment |
| | Technology Strategy & Planning | Data Provisioning, Reporting & Analytics | Infrastructure Managed Services | Contract Recruitment |
| | Design Thinking & Customer Experience | Process and Productivity Solutions | Cloud Orchestration | Talent Acquisition |
| | Agile Transformation | Customer Solutions | Support Services | Retained Search |
| | Information Management Strategy | Cloud Migration & Enablement | | |
| | Program Delivery & Enablement | | | |



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