

Q3 2017

PRESENTATION

Webstep ASA

OSLO, 16 NOVEMBER 2017

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Anders Løken, CFO



1. **Highlights**
2. Business review
3. Financial review
4. Outlook
5. Q&A

Q3 HIGHLIGHTS

- Stable revenue growth (+4.9%) and high demand for core services
- EBITDA impacted by slightly lower utilisation
- Attracting talent: 27 experienced experts signed, adding new capacity in Q4 and Q1
- Strong market fundamentals for future growth



MEETING TODAY'S DEMAND ENABLING FUTURE GROWTH

CORE SERVICES

Digitisation

The Cloud

Integration

~85-90%
of total revenues

Focus :
**Increase capacity
to meet high demand**

NEW SERVICES

Internet of Things

Analytics

Machine learning

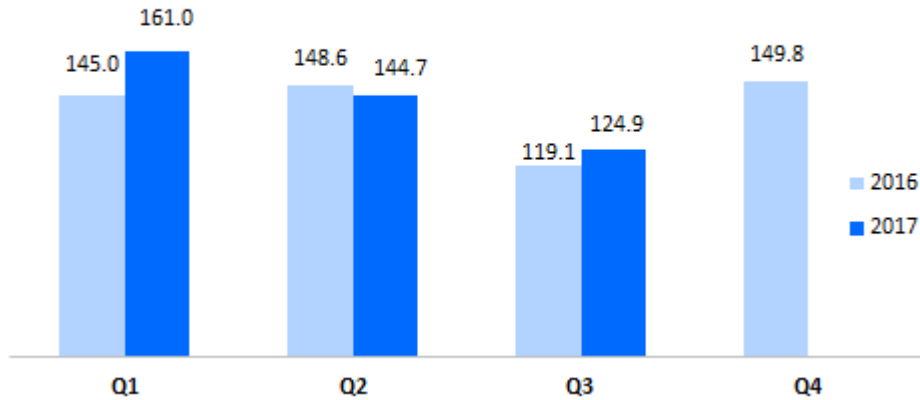
~10-15%
of total revenues

Focus:
**Invest in
expertise and capacity**

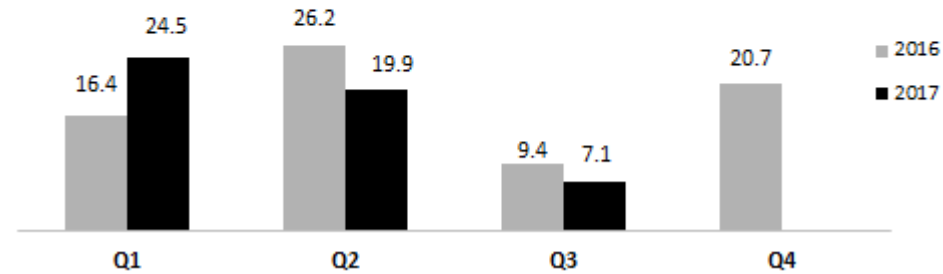
CAPACITY AND SEASONALITY

KEY VALUE DRIVERS

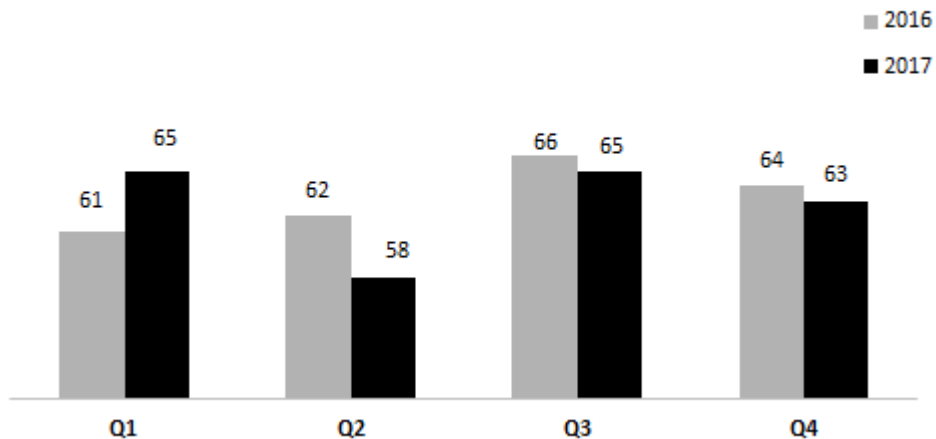
Revenues by quarter
(NOK million)



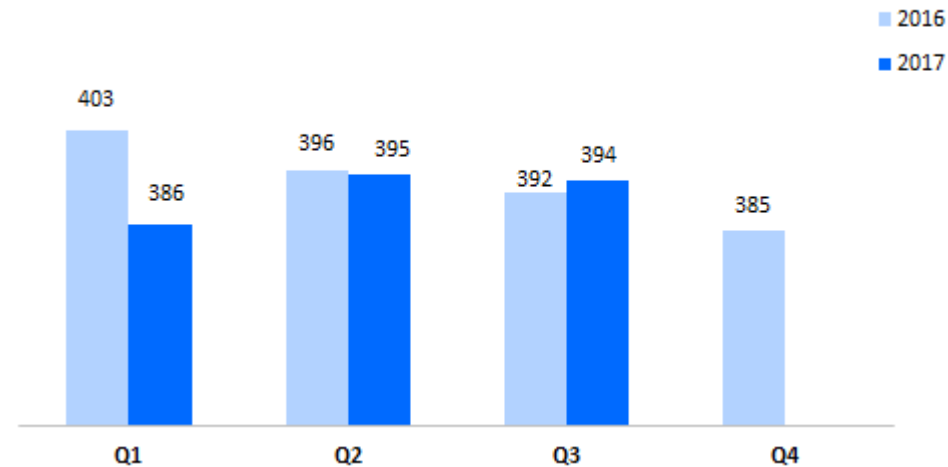
EBITDA by quarter
(NOK million)



Working days by quarter, Norway, (excl. vacation)



Average number of employees by quarter



Capacity + hourly rates:

- Main revenue drivers in times of high demand

Key capacity drivers:

- Working days
- Project practice during holidays
- Number of employees

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BUSINESS REVIEW

MARKET AND CUSTOMERS

- The digitalisation wave drives market growth
- Strong demand for core services
 - In a broad range of sectors
 - In all geographic locations
 - Increasing demand for Cloud Services
- Longer sales processes for strategic new services
- Continued long-lasting customer relations
 - Existing customers extends contracts and initiates new projects
- Strong position in Public sector, new frame agreements won
- The expert profile pays off: Continued positive development in hourly rates



BUSINESS REVIEW

EMPLOYEES AND ORGANISATION

- A highly competitive market for IT experts
- Very successful recruitment program in Norway
 - Adding delivery capacity going forward
 - Still recruiting only experienced experts
- Increased focus on Cloud Services
- Continued focus on employee growth in Sweden
 - Main growth potential in Stockholm



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FINANCIAL REVIEW

INCOME STATEMENT

(Amounts in NOK million)

	Q3 2017	Q3 2016	% Change	Q3 YTD 2017	Q3 YTD 2016	% Change
Total revenues	124.9	119.1	4.9 %	430.6	412.6	4.4 %
Cost of services and goods	11.0	6.3		32.7	23.9	
Salaries and personell cost	98.3	95.3		319.9	309.9	
Other operating expenses	8.5	8.0		26.5	26.9	
EBITDA	7.1	9.4	-24.5 %	51.5	52.0	-1.0 %
EBITDA margin	5.7 %	7.9 %		12.0 %	12.6 %	
Depreciation and amortisation	2.2	2.1		6.4	8.5	
EBIT	4.9	7.3	-33.2 %	45.1	43.5	3.7 %
EBIT margin	3.9 %	6.2 %		10.5 %	10.5 %	
Net financial items	-2.0	-2.9		-6.3	-8.0	
Profit before tax	5.1	6.5	-21.0 %	45.2	44.0	2.7 %
Income tax expenses	0.7	1.9		9.3	8.9	
Profit for the period	4.4	4.6	-3.6 %	35.9	35.1	2.2 %

FINANCIAL REVIEW

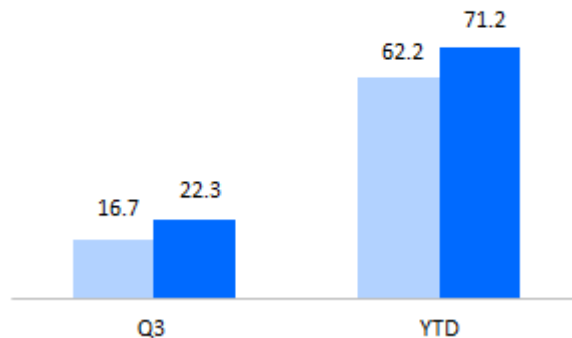
SEGMENTS: SWEDEN

Improvement efforts are paying off

- Improved utilisation and strong client development
- Increased hourly rates
- Building new client relations: Strategic use of subcontractors

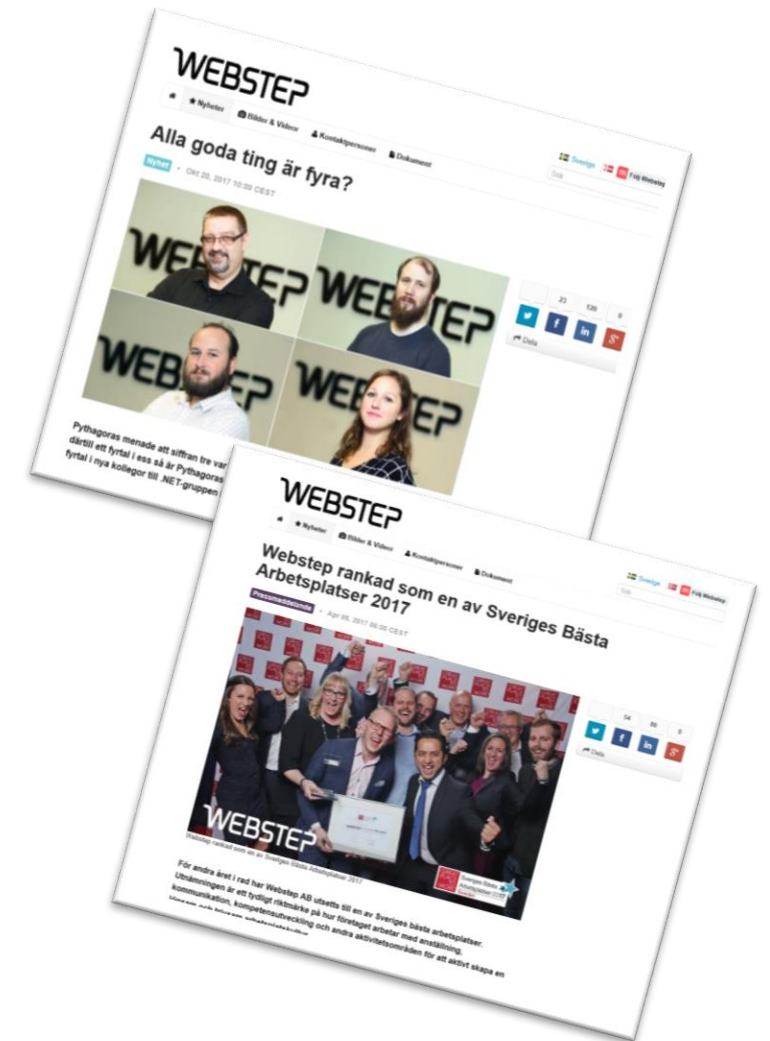
Revenues Sweden
(NOK million)

■ 2016 ■ 2017



EBITDA Sweden
(NOK million)

■ 2016 ■ 2017



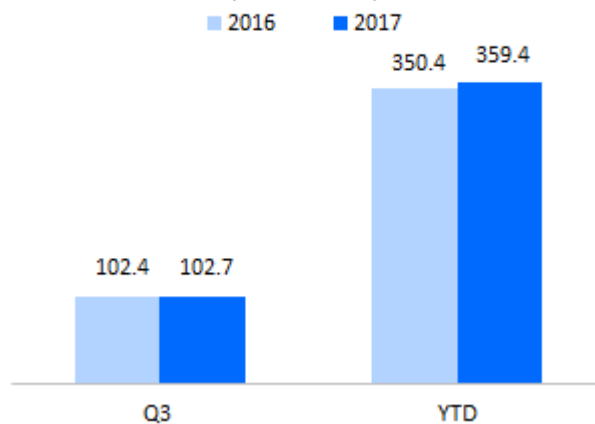
FINANCIAL REVIEW

SEGMENTS: NORWAY

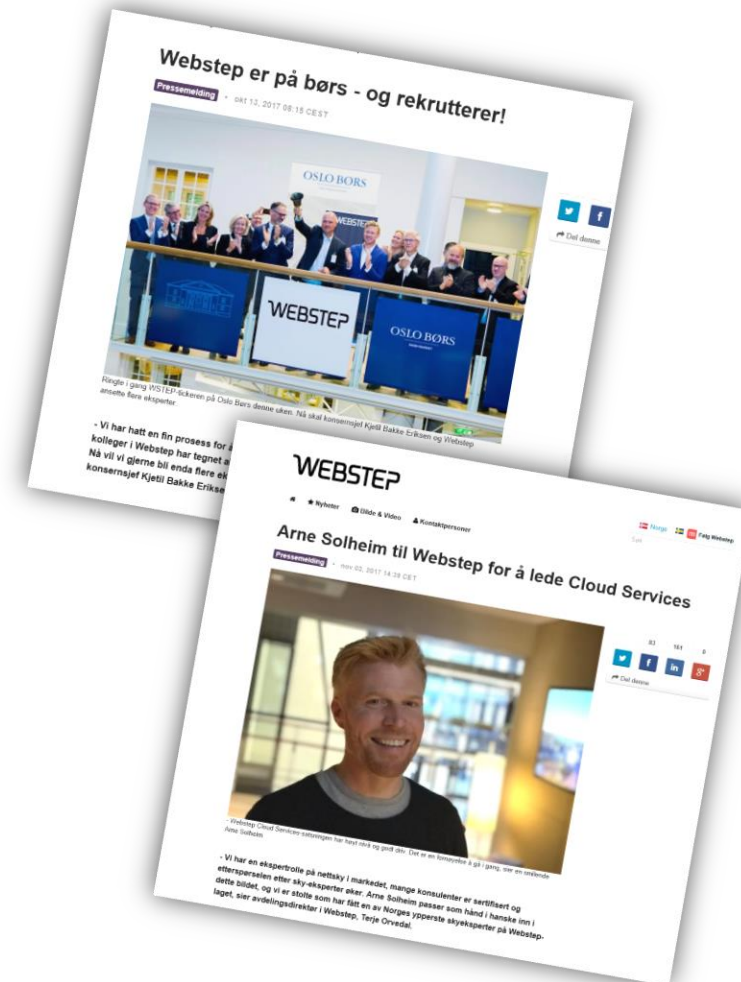
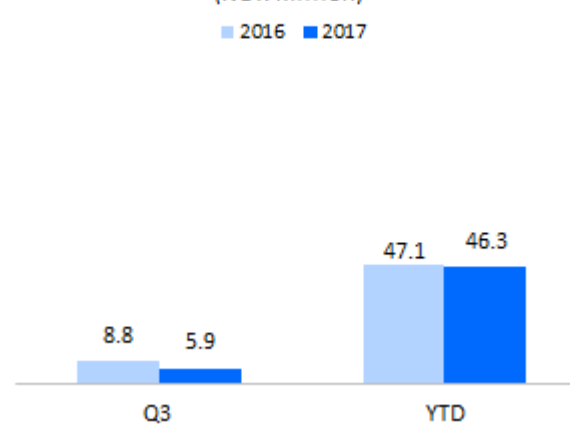
Adding growth capacity

- Strong utilisation within Core Services
- Increased hourly rates
- High onboarding activity with slightly lower utilisation in Q3

Revenues Norway
(NOK million)



EBITDA Norway
(NOK million)



FINANCIAL REVIEW

A CAPITAL EFFICIENT BUSINESS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)

	30 September 2017	2016	Full year 2016
ASSETS			
<i>Non-current assets</i>			
Intangible assets	381.7	385.3	385.0
Fixed assets	5.4	3.8	2.7
Non-current financial assets	4.5	0.0	2.7
Deferred tax asset	0.3	0.4	0.3
Total non-current assets	392.0	389.5	390.7
<i>Current assets</i>			
Trade receivables	128.8	90.4	82.6
Other current receivables	7.3	3.2	4.1
Cash and short-term deposits	1.8	24.1	80.3
Total current assets	137.9	117.7	167.1
Total assets	529.8	507.2	557.8

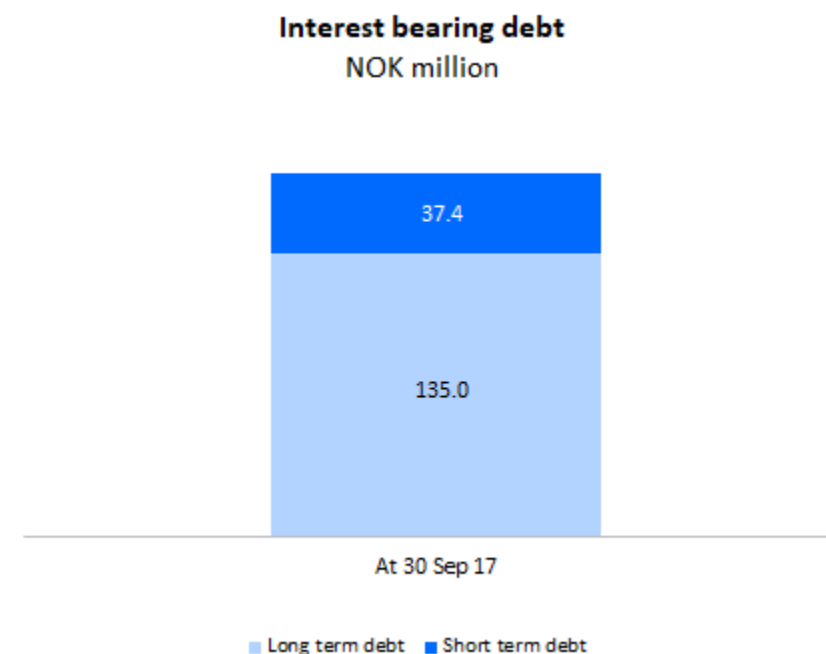
- **Significant balance sheet changes post IPO**
- **Some of the items at 30 Sept need explanation**
 - Increase in receivables, decrease in cash
 - Composition of intangibles
 - Interest bearing debt

	30 September 2017	2016	Full year 2016
EQUITY			
Share capital	21.3	20.1	21.3
Treasury shares	-0.6	-0.6	-0.6
Share premium	32.1	136.0	32.1
Retained earnings	175.3	30.4	144.2
Non-controlling interest	-	-	-
Total equity	228.0	186.0	196.9
LIABILITIES			
<i>Non-current liabilities</i>			
Borrowings	135.0	170.0	161.3
Deferred tax	2.6	2.7	3.6
Total non-current liabilities	137.6	172.7	164.8
<i>Current liabilities</i>			
Debt to credit institutions	37.4	30.0	60.0
Trade and other payables	9.7	5.9	10.6
Tax payable	14.8	11.6	15.7
Dividends payable	-	-	-
Social taxes and VAT	40.1	42.0	48.9
Other short-term debt	62.2	59.1	60.8
Total current liabilities	164.2	148.5	196.0
Total equity and liabilities	529.8	507.2	557.8

FINANCIAL REVIEW

CREDIT FACILITIES AND LIQUIDITY

- Significantly stronger financial position post quarter end (post IPO)
- Net proceeds used to partly repay long term loan (October)
- New, NOK 110 million revolving credit facility in place
- Remainder of long term loan (NOK 55 million) converted to the RCF



FINANCIAL REVIEW

CASH FLOW

(Amounts in NOK million)

	Q3 YTD 2017	Q3 YTD 2016	Full year 2016
Operating activities			
Profit/(loss) before tax	38.8	35.5	54.6
Adjustments for:	-	-	-
Depreciation of property, plant and equipment	6.4	8.5	10.6
Net change in trade and other receivables	-51.1	-6.9	-2.7
Net change in other liabilities	-8.3	-10.7	2.7
Net foreign exchange differences	-0.5	1.0	0.6
Income tax expenses	-10.9	-14.2	-15.2
Net cash flow from operating activities	-25.6	13.2	50.5
Investing activities			
Purchase of property and equipment	-4.1	-2.3	-1.7
Net cash flow from investing activities	-4.1	-2.3	-1.7
Financing activities			
Proceeds from borrowings	-	200.0	200.0
Repayment of borrowings	-48.9	-80.8	-62.4
Net proceeds from equity	-	-	-
Purchase of treasury shares	-	-0.1	-0.1
Payment of dividends	-	-173.7	-173.7
Payment of seller credit	-	-	-
Unrealized value of financial instruments	-	-	-
Net cash flows from financing activities	-48.9	-54.6	-36.2
Net increase/(decrease) in cash and cash equivalents	-78.5	-43.7	12.6
Cash and cash equivalents at 1 January	80.3	67.8	67.8
Cash and cash equivalents at end of period	1.8	24.1	80.3

- Changes in cash flows from same period **2016 to be seen in context with previous slide**
- Negative impact on cash flow due to **increase in receivables** as explained (see Appendix)
- **NOK 38 million payments from customers received 3 October**

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OUTLOOK

STRONG MARKET FUNDAMENTALS

- **Robust outlook** driven by high digitalisation activity
- **High demand** for the core services - digitisation, cloud and integration - **expected to continue**
- **Moving towards high-end position** as strategic advisor within Cloud services
- New services, defined as IoT, Machine Learning and Analytics, expected to be **important growth areas, but still in early phase**



OUTLOOK

INVESTING IN GROWTH CAPACITY

- Significant **non-recurring costs** in Q4
 - IPO and one-off costs related to recruitment incentive program
- Continuous **recruitment of experienced IT experts**
- Investments in **new services** highly prioritized
 - Expect short term lower utilisation of experts within new services
- Growth in number of employees **will increase revenue capacity from Q4.**
 - Main revenue impact expected from Q1/18
- **Over all ambition unchanged; profitable growth and EBITDA margin above the average market levels**



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APPENDIX

FINANCIAL REVIEW

SEGMENTS

Sweden

(Amounts in NOK million)

	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Sales revenues	22.3	16.7	71.2	62.2	84.0
EBITDA	1.2	0.6	5.3	4.9	5.3
EBITDA margin	5.3 %	3.8 %	7.4 %	7.9 %	6.2 %
EBITDA per average employee	0.02	0.01	0.08	0.07	0.08
Number of employees, average	65	65	64	66	65
Number of employees, end of period	65	64	65	64	61
Number of work days, Sweden (excl. vacation)	65	66	188	189	253

FINANCIAL REVIEW

SEGMENTS

Norway

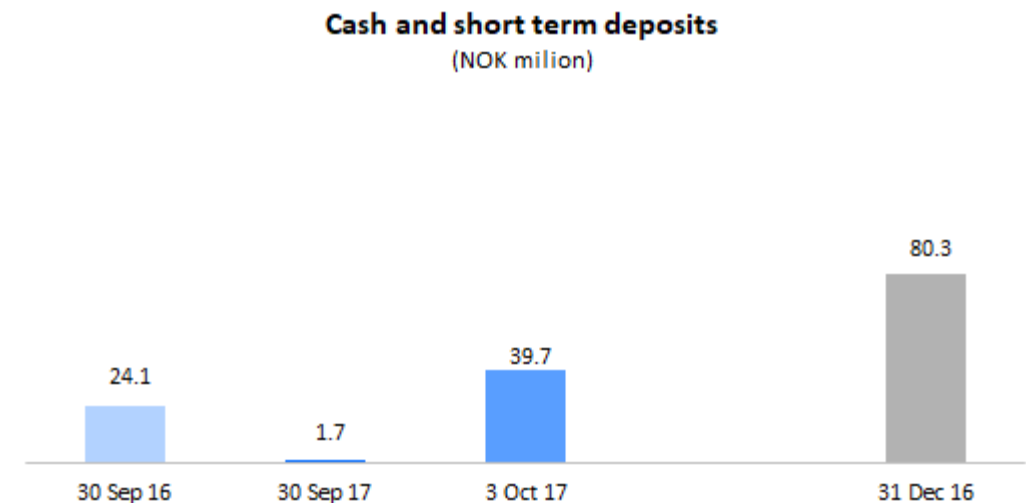
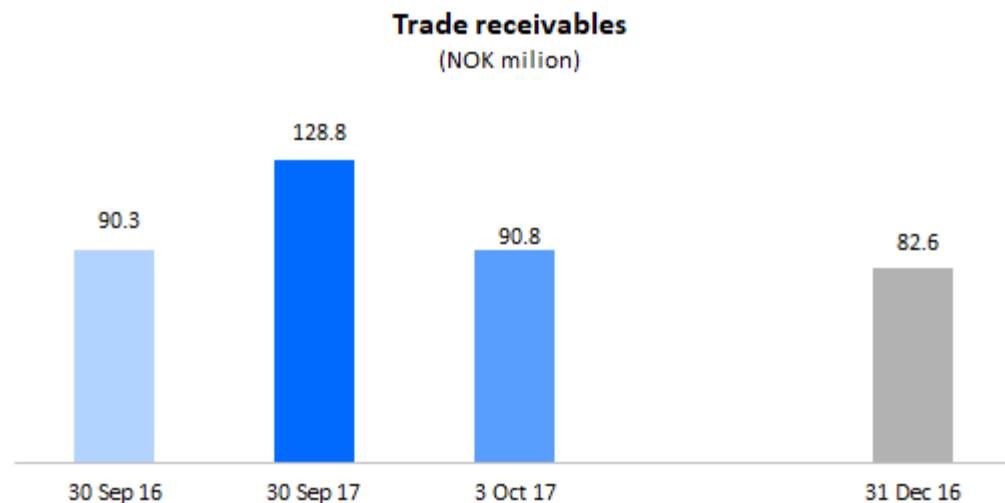
(Amounts in NOK million)

	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Sales revenues	102.7	102.4	359.4	350.4	478.5
EBITDA	5.9	8.8	46.3	47.1	67.5
EBITDA margin	5.8 %	8.6 %	12.9 %	13.4 %	14.1 %
EBITDA per average employee	0.02	0.03	0.14	0.14	0.21
Number of employees, average	329	327	328	331	329
Number of employees, end of period	328	325	328	325	323
Number of work days, Norway (excl. vacation)	65	66	189	189	252

FINANCIAL REVIEW | CASH & RECEIVABLES

WHEN QUARTER END FALLS ON A SATURDAY ...

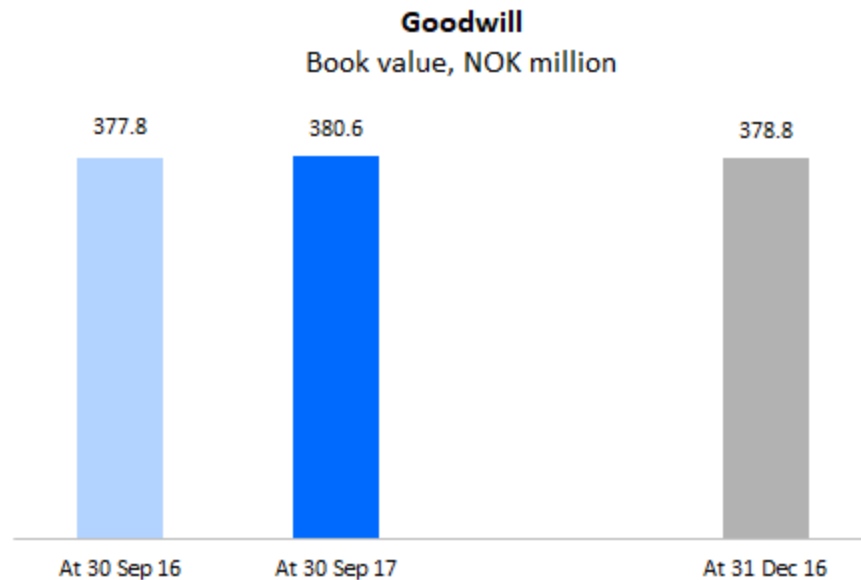
- Monthly invoicing and 30 days net. Month end therefore due date for most payments
- When due date falls on Saturday/Sunday, customers normally don't pay until Monday...



FINANCIAL POSITION

INTANGIBLE ASSETS

- Mainly goodwill and customer relationships arisen acquisitions of Webstep Norway AS in 2011 and Webstep Sweden AB in 2012



FINANCIAL REVIEW

EQUITY CHANGES

	Issued capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total attributable to equity owners parents	Non-controlling interest	Total equity
(Amounts in NOK million)								
At 1 January 2016	20.1	-0.6	181.0	15.3	110.2	326.1	10.6	336.6
Profit for the period	-	-	-	-	35.1	35.1	-	35.1
Other comprehensive income/(loss)	-	-	-	-3.4	-	-3.4	-	-3.4
Net purchase of treasury shares	-	-0.0	-	-	0.3	0.3	-1.0	-0.7
Restructuring of sub-group	1.1	-	21.1	-	-12.6	9.6	-9.6	-
Dividends to NCI	-	-	-	-	-3.1	-3.1	-	-3.1
Dividends	-	-	-170.0	-	-	-170.0	-	-170.0
At 30 September 2016	21.3	-0.6	32.1	11.8	129.9	194.5	0.0	194.5
Profit for the period	-	-	-	-	-35.1	-35.1	-	-35.1
Other comprehensive income/(loss)	-	-	-	-3.0	-	-3.0	-	-3.0
At 31 December 2016	21.3	-0.6	32.1	8.8	94.8	156.4	0.0	156.4
Profit for the period	-	-	-	-	35.9	35.9	-	35.9
Other comprehensive income/(loss)	-	-	-	1.6	-	1.6	-	1.6
At 30 September 2017	21.3	-0.6	32.1	0.0	10.5	130.7	0.0	193.9

FINANCIAL REVIEW

TOP 20 SHAREHOLDERS AT 13 NOV 2017

#	Shareholder name	Shares	%	Type	Country
1	Reiten & Co Capital	3 125 629	11.91		GBR
2	Virtus KAR Internati The Bank of New York	2 566 800	9.78		USA
3	Verdipapirfondet ALF	1 490 037	5.68		NOR
4	JPMorgan Chase Bank, JPMCB RE HB SWED FUN	1 142 000	4.35	NOM	SWE
5	Colina Invest AS	839 080	3.20		NOR
6	VPF Nordea Norge Ver C/O JP Morgan Europe	685 000	2.61		NOR
7	Nordea Nordic Small	671 311	2.56		FIN
8	Azure Holding AS (Webstep ASA treasury shares)	610 301	2.33		NOR
9	Goldman Sachs Intern Security client segr	600 000	2.29	NOM	GBR
10	Park Lane Family Office	600 000	2.29		NOR
11	Xerxes AS	540 000	2.06		NOR
12	Svenska Handelsbanke C/O Handelsbanken AS	460 040	1.75	NOM	FIN
13	SEB Prime solutions	400 000	1.52		LUX
14	DnB NOR Bank ASA Egenehandelskonto	400 000	1.52		NOR
15	NWT Media AS c/o Thommessen AS	390 000	1.49		NOR
16	Illari AS	387 268	1.48		NOR
17	Danske Invest Norge	342 000	1.30		NOR
18	Danske Bank A/S 3887 Ooperations sec	340 576	1.30	NOM	DNK
19	Citibank, N.A. S/A Mut FD EQ Nordic	338 348	1.29	NOM	FIN
20	Pricia AS	270 320	1.03		NOR
Total top 20 shareholders		16 198 710	61.74		