

Webstep Q2 2019: Strong market, but limited growth capacity

Oslo 21 August 2019: Webstep ASA reports a slight revenue decrease in the first half of 2019, due to lower capacity year-on-year. The EBITDA margin remains solid, although affected by one-off costs and use of subcontractors. The order book remains strong. Additional measures to re-establish growth capacity have been implemented to enable Webstep to capitalise on the continued attractive market momentum.

Webstep ASA ("the Group" or "Webstep") recorded consolidated revenues in the second quarter of NOK 162.0 million, down 7.4 per cent from the same quarter last year. The decline is mainly explained by reduced capacity and calendar effects related to Easter holidays. Revenues in the first half of 2019 decreased by 1.0 per cent from the same period last year and ended at NOK 346.5 million, reflecting the previously communicated situation with reduced capacity and increasingly fierce competition for IT expert consultants.

"Webstep enjoys a strong market position, and the long-term growth drivers are strong, but growth capacity is a continuous challenge these days. IT expertise has become a scarce resource, and continuous investments in human capital is key to increase our ability to recruit, develop and retain the best people", says Arne Norheim, CEO of Webstep ASA.

EBITDA for the second quarter amounted to NOK 22.0 million, down 22.9 per cent from the corresponding quarter of 2018, following the drop in Q2 revenues explained above. EBITDA for the first half year was NOK 44.3 million, down by 15.5 per cent from the first half of 2018, mainly due to increased use of subcontractors, one-off costs related to CEO recruitment and transition, and expensed costs related to Internet of Things (IoT). The EBITDA margin was 13.5 per cent (16.3 per cent) in the quarter and 12.8 per cent (15.0 per cent) in the first half year, reflecting the abovementioned situation.

Net profit for the second quarter was NOK 14.8 million, down 29.0 per cent compared to same quarter last year. Net profit for the first half year was NOK 30.2 million down 21.5 per cent compared to the first half of 2018.

The financial position at 30 June is strong, with total equity of NOK 361.0 million (NOK 350.5 million), corresponding to an equity ratio of 64 per cent (65 per cent). Equity was affected by the payment of dividend of NOK 42.4 million (NOK 39.5 million), NOK 1.60 per share (NOK 1.50 per share), in the second quarter. Cash flow from operations in the second quarter amounted to negative NOK 6.4 million (negative NOK 1.3 million). The negative figures are mainly explained by calendar effects related to which weekday receivables are falling due.

The market growth continues, with generally high demand for Webstep's core digitalisation offering. Sales of New Services, such as IoT, analytics and machine learning are also growing, partly as a result of the Group's strong emphasis on sharing knowledge and expertise across the organisation. This is strengthening the offering to existing and new clients in all Webstep locations.

Webstep expects long-term market growth, supported by the fact that both Webstep and its partners have won some large, long term contracts and frame agreements in 2019. Webstep enjoys a strong position in an attractive growth market and has a robust order book. The high demand has driven an increase in hourly rates compared to 2018. However, growth capacity is still a challenge, following the already high utilisation and the continuously challenging conditions for recruitment of IT experts. Further measures to re-establish growth capacity have been implemented in the second quarter, hereunder new initiatives to retain employees and strengthen recruitment capacity, leverage new geographic expansions, pursue inorganic growth opportunities and continue strengthening the partnerships with world-leading technology platforms. These initiatives are expected to contribute to building a new and robust platform for future growth, which supports the long-term ambition to exceed the average market levels for growth and profitability. The focus on identifying further growth opportunities will remain strong.

A strategic review process is ongoing and will be concluded during the fall, followed by a strategic update to the capital market on 7 November 2019, in connection with the announcement of the third quarter results.

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Webstep ASA is a provider of consultancy services to the private and public sector, with the IT expertise necessary to deliver the most demanding digitalisation and IT services. The Webstep Group employs approximately 400 employees in Norway and Sweden. The company offers its services to more than 200 customers annually and has been recognised for its work environment.