

Q2 and H1 **2019**

PRESENTATION

Webstep ASA

OSLO, 21 AUGUST 2019

Arne Norheim, CEO
Liv Annike Kverneland, CFO



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

Q2 AND H1 HIGHLIGHTS

- Continued strong order book and high demand
- Revenues affected by calendar effects and lower capacity year-on-year
 - Q2 revenues: NOK 162.0m (-7.4 %)
 - YTD revenues: NOK 346.5m (-1.0 %)
- EBITDA impacted by one-off costs and increased use of subcontractors
 - Q2 EBITDA: NOK 22.0m (- 22.9 %)
 - YTD EBITDA: NOK 44.3m (- 15.5 %)
- Improving the capabilities to re-establish growth capacity
 - Additional initiatives to retain employees and strengthen recruitment capacity implemented
 - Both organic and inorganic growth opportunities pursued
 - Partnerships with world-leading technology platforms continue to evolve

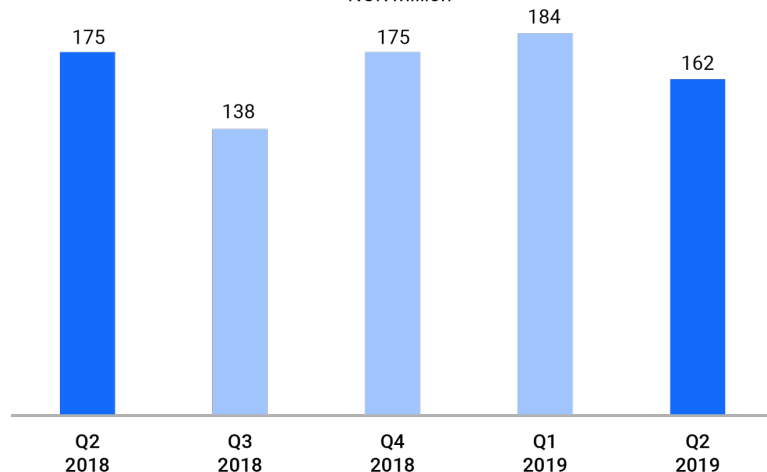


CAPACITY AND SEASONALITY

KEY VALUE DRIVERS

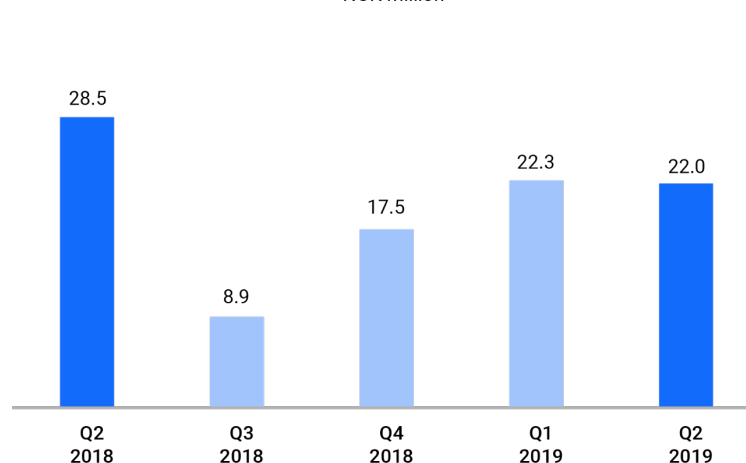
Revenues by quarter

NOK million



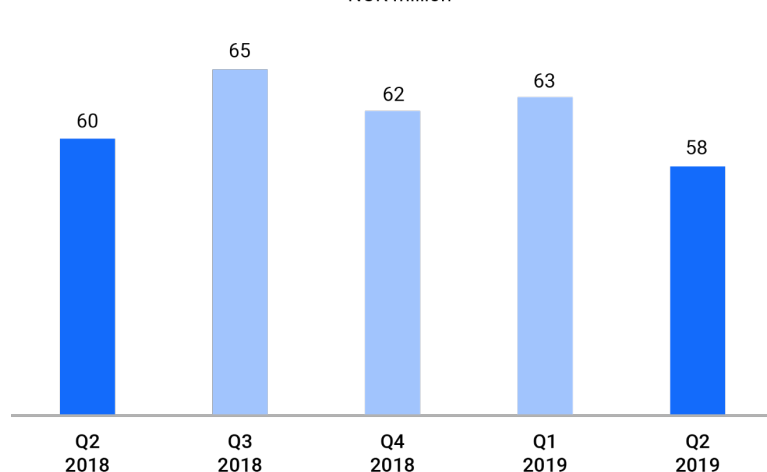
EBITDA by quarter

NOK million

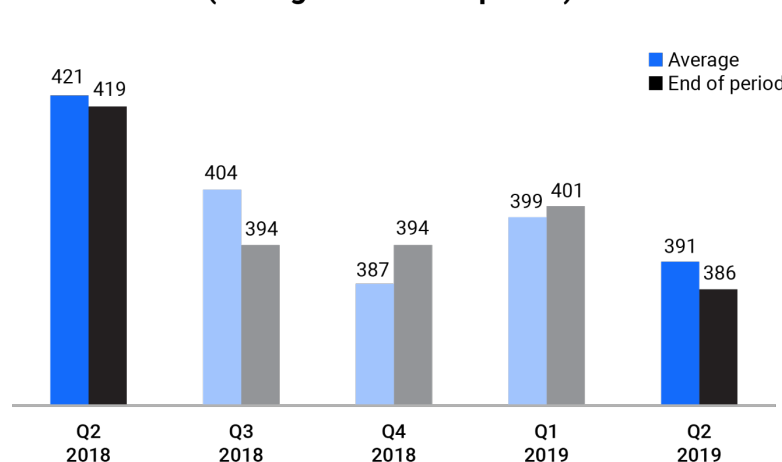


Working days by quarter, Norway (excl. vacation)

NOK million



Number of employees by quarter
(average and end of period)



Highlights Q2

- Revenue and EBITDA affected by reduced capacity and calendar effects (Easter in Q2 2019)
- Higher hourly rates and increased use of subcontractors partly offset the negative effect of reduced capacity
- Increased use of subcontractors and one-off costs related to CEO recruitment and transition affect EBITDA

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BUSINESS REVIEW

MARKETS AND SERVICES

- Strong fundamentals for continued growth
 - Users of IT consultants have awarded large, long-term frame agreements in the Scandinavian market in 2019, confirming high demand in the coming years
 - Significant long-term frame agreements awarded to Webstep
- Webstep has a strong market position
 - Strong order book and continued high demand for Webstep's expert services in all geographic markets
 - Our IT experts are sought after when customers explore and implement new technologies and IT-platforms
- The heated job market with fierce competition for IT experts continues
- New measures implemented to enhance growth capacity



BUSINESS REVIEW | CUSTOMER CASE

Frame agreements - green shift and digitalisation

Statnett

Norsk Helsenett

SSB

Norsk Tipping

It was recently announced that Statnett awarded a NOK 1.2 – 1.5 billion frame agreement to Bouvet along with Webstep and other partners

- To Statnett, strategic cooperation with leading IT competence partners has been defined crucial, enabling Statnett to plan and execute more effectively in the digitalisation field
- Statnett has been among Webstep's core customers for years, making Webstep IT experts important in the frame agreement process and to the closing of the deal
- The Statnett frame agreement is one of many significant public agreements signed in 2019, with institutions such as Norsk Helsenett, SSB and Norsk Tipping

BUSINESS REVIEW | CUSTOMER CASE

Smart use of data through machine learning and AI

EQUINOR

Equinor invests heavily in innovation and technological development. Industrial strength is now put behind digitalisation

- **Equinor's software innovation department in Bergen utilise machine learning, model optimisation and visualisation to analyse Equinor's huge data repositories**
- **Webstep AI and machine learning expert consultants help Equinor develop and maintain a distributed deployment system of deep learning models using time series data to analyse and predict systems behavior**
- **Cutting edge models and predictions have proved to increase efficiency and improve decision making**

BUSINESS REVIEW | CUSTOMER CASE

Maintenance and safety software for the aquaculture industry



Moen Marin is a leading aquaculture industry supplier. Their boats, custom fitted and designed, are considered to be among the very best in the industry

- **Webstep has developed Moen Marin mLINK, a web-based cloud solution covering aquaculture industry multi level maintenance and safety, on company, devices and components levels**
- **The easy to use cloud based tablet and mobile application, are fully integrated for industry inspections and servicing, and covers planning, execution and live monitoring activities**
- **Webstep is Moen Marin's "department" for software development. Webstep consultants do all their architecture and software development work, including management support in customer meetings, and the mapping of needs and ideas for new functionality**

BUSINESS REVIEW | CUSTOMER CASE

Scaling and development partner for life- and pension insurance digital solutions



Webstep has been Danica's systems development scaling and technology partner for the past 12 years

- **Danica Pensjonsforsikring AS (Danica Pensjon) is a life and pension insurance company in the Danske Bank Group. Danica has more than 14,000 companies as direct or indirect customers on individual and corporate pension and personal risk products**
- **Webstep has supported Danica with all kinds of competence within the software development disciplines; architects, front- & backend developers, scrum master, tech lead and mentoring of Danica's own developers**
- **The Danica – Webstep relation and partnership is built on years of ability to deliver experts into crucial projects in the making of solid, customer friendly digital solutions**

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FINANCIAL REVIEW | INCOME STATEMENT

(Amounts in NOK million)

	Q2 2019	Q2 2018	% Change	YTD 2019	YTD 2018	% Change
Total revenues	162.0	174.9	-7.4 %	346.5	349.8	-1.0 %
Cost of services and goods	21.3	15.0		43.7	32.3	
Salaries and personnel cost	109.7	119.6		238.6	244.3	
Other operating expenses	9.1	11.8		19.9	20.8	
EBITDA	22.0	28.5	-22.9 %	44.3	52.4	-15.5 %
EBITDA margin	13.5 %	16.3 %		12.8 %	15.0 %	
Depreciation and amortisation	2.3	0.6		4.5	1.3	
EBIT	19.6	27.8	-29.6 %	39.8	51.1	-22.2 %
EBIT margin	12.1 %	15.9 %		11.5 %	14.6 %	
Net financial items	-0.6	-0.8		-1.0	-1.2	
Profit before tax	19.0	27.1	-29.9 %	38.7	50.0	-22.5 %
Income tax expenses	4.2	6.2		8.5	11.5	
Profit for the period	14.8	20.9	-29.0 %	30.2	38.5	-21.5 %
Earnings per share (NOK)	0.56	0.79	-29.3 %	1.14	1.46	-21.9 %
Earnings per share, fully diluted (NOK)	0.56	0.79		1.14	1.46	

- Revenues down due to calendar effects (Q2) and lower capacity (Q2 and YTD)
- Higher hourly rates and increased use of subcontractors partly offset the negative effect of reduced capacity
- Higher costs due to increased use of subcontractors
- One-off CEO recruitment and transition costs of NOK 2.8m YTD
- Implementation of IFRS 16 positive effect on EBITDA, but increases depreciation and financial cost (Q2: NOK 1.5m YTD: NOK 2.7m)

FINANCIAL REVIEW | SEGMENTS

NORWAY

(Amounts in NOK million)

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Sales revenues	138.4	151.9	300.0	299.6	570.3
EBITDA	20.6	27.2	42.0	49.1	75.3
EBITDA margin	14.9 %	17.9 %	14.0 %	16.4 %	13.2 %
EBITDA with former principles for leasing (IAS 17)	19.6	27.2	40.1	49.1	75.3
EBITDA margin with former principles for leasing (IAS 17)	14.1 %	17.9 %	13.4 %	16.4 %	13.2 %
Number of employees, average (FTE)	329	362	334	359	348
Number of employees, end of period	325	359	325	359	334
Number of work days, Norway (excl. vacation)	58	60	121	122	249
EBITDA per average employee (NOK thousand)	62.6	75.0	125.6	136.7	216.4
EBITDA per average employee with former principles (NOK thousand)	59.5	75.0	120.1	136.7	216.4

FINANCIAL REVIEW | SEGMENTS

SWEDEN

(Amounts in NOK million)

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Sales revenues	23.6	23.1	46.4	50.2	92.8
EBITDA	1.4	1.3	2.3	3.3	3.5
EBITDA margin	5.7 %	5.7 %	5.0 %	6.6 %	3.7 %
EBITDA with former principles for leasing (IAS 17)	1.0	1.3	1.5	3.3	3.5
EBITDA margin with former principles for leasing (IAS 17)	4.1 %	5.7 %	3.2 %	6.6 %	3.7 %
Number of employees, average (FTE)	62	59	61	60	59
Number of employees, end of period	61	60	61	60	60
Number of work days, Sweden (excl. vacation)	60	61	123	124	251
EBITDA per average employee (NOK thousand)	21.9	22.3	38.3	55.4	58.9
EBITDA per average employee with former principles (NOK thousand)	15.5	22.3	24.1	55.4	58.9

FINANCIAL REVIEW | STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)

	30 June 2019	31 Dec 2018	31 Dec 2018
ASSETS			
<i>Non-current assets</i>			
Intangible assets	383.5	382.3	387.8
Fixed assets	5.1	5.3	5.0
Right-of-use assets	24.2	-	-
Non-current financial assets	0.0	0.0	0.0
Deferred tax asset	0.4	0.2	0.4
Total non-current assets	413.2	387.8	393.3
<i>Current assets</i>			
Trade receivables	135.9	138.6	103.3
Other current receivables	8.2	8.4	5.0
Cash and short-term deposits	5.7	6.6	33.5
Total current assets	149.8	153.7	141.7
Total assets	563.0	541.5	535.0

IFRS 16 Leases: Lease contracts for office premises classified as Right-of-use assets. The related liabilities classified as borrowings and current leasing liabilities.

Receivables: 30 June falling on a weekend in both 2019 and 2018 explains the high receivables, as most receivables are due the last day of the month

Strong equity position (64%) and low non-current liabilities reflect strong performance.

Dividend of NOK 1.60 per share was paid to the shareholders in May, as approved by the Annual General Meeting 8 May 2019.

(Amounts in NOK million)

	30 June 2019	31 Dec 2018	31 Dec 2018
EQUITY			
Share capital	27.0	27.0	27.0
Treasury shares	-0.5	-0.6	-0.5
Share premium	154.5	150.4	154.0
Retained earnings	180.0	173.8	196.1
Total equity	361.0	350.5	376.6
LIABILITIES			
<i>Non-current liabilities</i>			
Borrowings	17.0	-	-
Deferred tax	1.6	1.5	1.8
Total non-current liabilities	18.7	1.5	1.8
<i>Current liabilities</i>			
Debt to credit institutions	30.9	43.8	-
Current leasing liabilities	7.1	-	-
Trade and other payables	19.3	13.6	21.6
Tax payable	17.1	11.5	16.5
Dividends payable	-	-	-
Social taxes and VAT	55.6	65.0	53.7
Other short-term debt	53.4	55.5	64.9
Total current liabilities	183.4	189.5	156.7
Total equity and liabilities	563.0	541.5	535.0

FINANCIAL REVIEW | CASH FLOW

(Amounts in NOK million)

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	YTD 2018
Operating activities					
Profit/(loss) before tax	19.0	27.1	38.7	50.0	73.5
Adjustments for:					
Depreciation of property, plant and equipment	2.3	0.6	4.5	1.3	2.9
Net change in trade and other receivables	12.5	-7.7	-35.8	-18.0	20.9
Net change in other liabilities	-36.5	-20.9	-11.9	-3.2	2.8
Net foreign exchange differences	0.2	0.1	-0.1	0.0	-0.2
Income tax expenses	-3.9	-0.6	-8.2	-7.6	-8.0
Net cash flow from operating activities	-6.4	-1.3	-12.8	22.6	91.9
Investing activities					
Payments for R&D initiative	-	-0.4	-	-1.4	-2.8
Purchase of property and equipment	-1.2	-0.4	-1.7	-1.2	-2.7
Net cash flow from investing activities	-1.2	-0.9	-1.7	-2.6	-5.5
Financing activities					
Repayment of lease liabilities	-1.1	-	-2.4	-	-
Change in bank overdraft	30.9	40.8	30.9	19.5	-24.3
Payment of dividends	-42.4	-39.5	-42.4	-39.5	-39.5
Sale of treasury shares	0.3	-	0.6	-	4.3
Net cash flows from financing activities	-12.2	1.2	-13.3	-20.0	-59.6
Net increase/(decrease) in cash and cash equivalents	-19.9	-1.0	-27.8	-0.0	26.9
Cash and cash equivalents at the beginning of the period	25.6	7.5	33.5	6.6	6.6
Cash and cash equivalents at the end of the period	5.7	6.6	5.7	6.6	33.5

- Negative cash flow from operating activities YTD mainly explained by calendar effects related to which weekday receivables are falling due
- Other liabilities affected by holiday pay to employees
- Payment of dividend of NOK 42.4m
- Cash balance of NOK 5.7 m 30 Jun 2019 (NOK 6.6 m)
- The RCF of NOK 110m was renewed for 2 years in Q2

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OUTLOOK | A SUSTAINED STRONG MARKET

- Strong order book and **continued high demand** for IT expertise
- High **digitalisation activity** still a growth driver, driving high demand and a heated market for recruitment of IT experts
 - Capacity is expected to increase in Q3 compared to Q2
 - Continuous efforts to retain, develop and recruit have the highest priority
- Ongoing **operational focus** on the following areas:
 - Organisation: Retain, develop and recruit employees
 - New locations: Further expansion considered
 - M&A: Continued assessment of inorganic growth opportunities
 - Partnerships: World-leading technology platforms
- Overall long-term ambition unchanged; profitable growth and EBITDA margin above the average market levels
- **Strategic update** to be presented **with the Q3 results on 7 November 2019**

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APPENDIX

EFFECTS OF IMPLEMENTATION OF IFRS 16 LEASING

Amounts in NOK 1000

	IFRS 16	IAS 17		IFRS 16	IAS 17	
	Q2 2019	Q2 2019	Q2 2018	YTD 2019	YTD 2019	YTD 2018
Operating revenues	162 032	162 032	174 936	346 464	346 464	349 802
Operating expenses (excluding depreciation and amortisation)	140 082	141 502	146 458	302 171	304 823	297 391
EBITDA	21 950	20 531	28 479	44 294	41 641	52 411
Depreciation and impairment	2 346	1 047	643	4 503	2 063	1 275
EBIT	19 605	19 485	27 835	39 790	39 578	51 135
Net financial items	-608	-488	-755	-1 044	-832	-1 154
Profit before tax	18 996	18 996	27 081	38 747	38 747	49 981

	IFRS 16	IAS 17	
	30 June 2019	30 June 2019	31 Dec 2018
Fixed assets	29 297	5 143	5 011
Borrowings	17 036	-	-
Current leasing liabilities	7 119	-	-
 Total assets/Total equity and liabilities	 562 978	 538 824	 535 023
Total equity	360 965	360 965	376 574
Equity ratio	64,1 %	67,0 %	70,4 %

FINANCIAL REVIEW | EQUITY CHANGES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

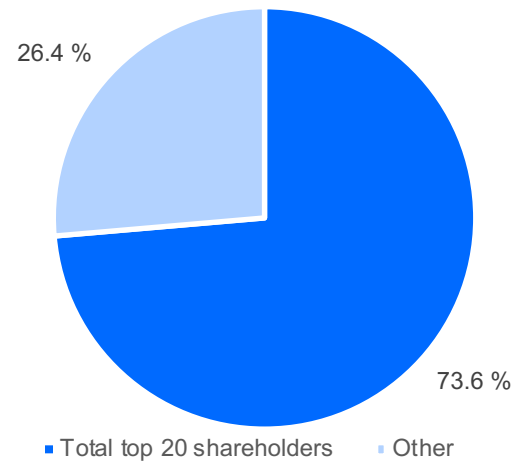
<i>(Amounts in NOK 1000)</i>	Issued capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total attributable to equity owners parents	Non-controlling interest	Total equity
At 1 January 2018	26 967	(610)	149 823	12 391	169 167	357 738	-	357 738
Profit for the period	-	-	-	-	56 220	56 220	-	56 220
Sales of treasury shares	-	124	3 020	-	-	3 144	-	3 144
Other comprehensive income/(loss)	-	-	-	(2 109)	-	(2 109)	-	(2 109)
Share incentive program	-	-	1 117	-	-	1 117	-	1 117
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	(39 535)	(39 535)	-	(39 535)
At 31 December 2018	26 967	(486)	153 960	10 282	185 851	376 575	-	376 575
Profit for the period	-	-	-	-	30 232	30 232	-	30 232
Sales treasury shares	-	-	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	(4 031)	-	(4 031)	-	(4 031)
Share incentive program	-	-	559	-	-	559	-	559
Dividends	-	-	-	-	(42 369)	(42 369)	-	(42 369)
At 30 June 2019	26 967	(486)	154 519	6 251	173 714	360 965	-	360 965

TOP 20 SHAREHOLDERS | AT 19 AUGUST 2019

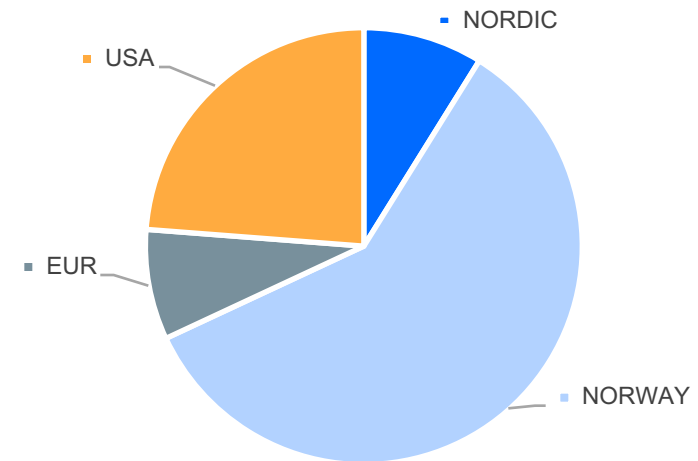
Shareholder name	Shares	%	Type	Country
DnB NOR Bank ASA (J.C. Broch AS and related parties)	5 923 826	22,0	Ordinary	Norway
Virtus KAR International Small-Cap	3 831 491	14,2	Ordinary	United States
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 556 645	5,8	Ordinary	Norway
HANDELSBANKEN Nordiska Smabolag	1 000 180	3,7	Ordinary	Sweden
PARK LANE FAMILY OFFICE AS	840 791	3,1	Ordinary	Norway
Goldman Sachs International	783 058	2,9	Nominee	United Kingdom
VERDIPAPIRFONDET NORDEA NORGE VERD	685 000	2,5	Ordinary	Norway
SOLE ACTIVE AS	551 046	2,0	Ordinary	Norway
Danske Invest Norge Vekst	542 000	2,0	Ordinary	Norway
WEBSTEP ASA	486 427	1,8	Ordinary	Norway
Taaleri Nordic Value Equity Fund	470 000	1,7	Ordinary	Finland
Citibank, N.A.	438 491	1,6	Nominee	Ireland
COLINA INVEST AS	419 080	1,6	Ordinary	Norway
SEB PRIME SOLUTIONS CARN Long Shor	400 000	1,5	Ordinary	Luxembourg
NWT MEDIA AS	390 000	1,4	Ordinary	Norway
SALT VALUE AS	358 130	1,3	Ordinary	Norway
EMPLOYEES RETIR SYSTEM OF TEXAS	330 500	1,2	Ordinary	United States
Danske Bank A/S	290 576	1,1	Nominee	Denmark
VIRTUS TACTICAL ALLOCATION FUND	282 917	1,0	Ordinary	United States
AMG RENAISSANCE INTL EQ FD	275 981	1,0	Ordinary	United States
Total top 20 shareholders	19 856 139	73,6		
Other	7 110 878	26,4		
Total shares outstanding	26 967 017	100,0		

TOP 20 SHAREHOLDERS | SHARE OF TOTAL | BY GEOGRAPHY

Top 20 shareholders at 19 August 2019



Top 20 shareholders by geography at 19 August 2019



ENABLING FUTURE GROWTH MEETING TODAY'S DEMAND

