

Webstep Q3 2019: Strengthening the platform for future growth

Oslo 7 November 2019: Webstep reports third quarter revenues in line with the same quarter last year and a weaker EBITDA margin. Capacity growth initiatives are starting to yield results with 5.3 per cent growth in headcount in the quarter. A revised strategy has been developed and measures to support future growth will be implemented going forward.

Webstep ASA ("the Group" or "Webstep") recorded consolidated revenues in the third quarter of NOK 137.2 million, down 0.6 per cent from the same quarter last year, affected by reduced headcount year-on-year, but offset by increased hourly rates and use of subcontractors. Year to date revenues decreased by 0.9 per cent compared to last year and ended at NOK 483.7 million, reflecting reduced capacity following the strong competition for IT expert consultants.

"Webstep enjoys a strong position in an attractive market with high demand. Some of our growth initiatives have started to yield results. We saw 5 per cent growth in headcount in the third quarter and expect further growth this quarter", says Webstep's CEO, Arne Norheim.

EBITDA for the third quarter amounted to NOK 4.1 million, against NOK 8.9 million in the same quarter of 2018, impacted by seasonality effects (summer holidays and annual activities related to culture and competence development), use of subcontractors and costs of strategic measures to strengthen the growth platform. Lower utilisation and higher onboarding costs also impacted EBITDA in the quarter.

EBITDA year to date ended at NOK 48.4 million, down by 21 per cent from the same period last year, mainly due to use of subcontractors, costs related to Internet of Things (IoT) and the initiatives to increase growth capacity.

The new reporting standard IFRS 16 Leases, implemented from 1 January 2019, had a positive EBITDA effect of NOK 1.7 million in the third quarter and NOK 4.4 million the first nine months. Adjusted EBITDA based on the former principles for classification of leasing was NOK 2.4 million (NOK 8.9 million) for the third quarter, and NOK 44.0 million (NOK 61.3 million) year to date.

Net profit came to NOK 0.6 million for the quarter and NOK 30.8 million year to date.

The financial position at 30 September is strong, with total equity of NOK 362.4 million (NOK 357.3 million), corresponding to an equity ratio of 68 per cent (67 per cent)

The fundamentals for long-term market growth are supported by megatrends within digitalisation and the fact that Webstep has won large, long term contracts and frame agreements in 2019.

Webstep has developed a revised strategy with the purpose of strengthening the position as the preferred IT-expert consultancy in Scandinavia towards 2022.

Webstep's three business areas Technology Expert, Tech Advisory & Management, and Solutions will be made clearer by strengthening and making visible the customer offerings within each area. Main focus will be on restoring growth capacity in the Technology Expert business area and at the same time realise untapped growth potential in the Tech Advisory & Management and the Solutions business areas.

The strategy includes expansion of service offerings and delivery models in response to customer demand, expansion of the recruitment base by recruiting new types of expertise. Local presence is a key success factor and expansion of current locations and entry into new key locations in Scandinavia will be a priority. Sales and recruitment capacity, expertise and processes will be strengthened, and a branding process will be important to further enhance the Group's position as preferred employer and provider of IT expertise. Growth will mainly be organic, with selective use of M&A as a tool to access new customer relations or key expertise in new technologies.

The long-term ambition to exceed the market average in terms of revenue growth and EBITDA margin remains unchanged. Measures to support future growth may create a short-term challenge with respect to the EBITDA margin level. The dividend policy remains unchanged.

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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.

This information is subject to the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.