

WEBSTEP

Q3 2019 & STRATEGIC UPDATE

Webstep ASA

Oslo 7 November 2019

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1. Q3 presentation

- Highlights
- Financial review
- Outlook

2. Strategic update

- Status
- IT market towards 2022
- Ambitions and priorities 2020-2022

3. Q&A



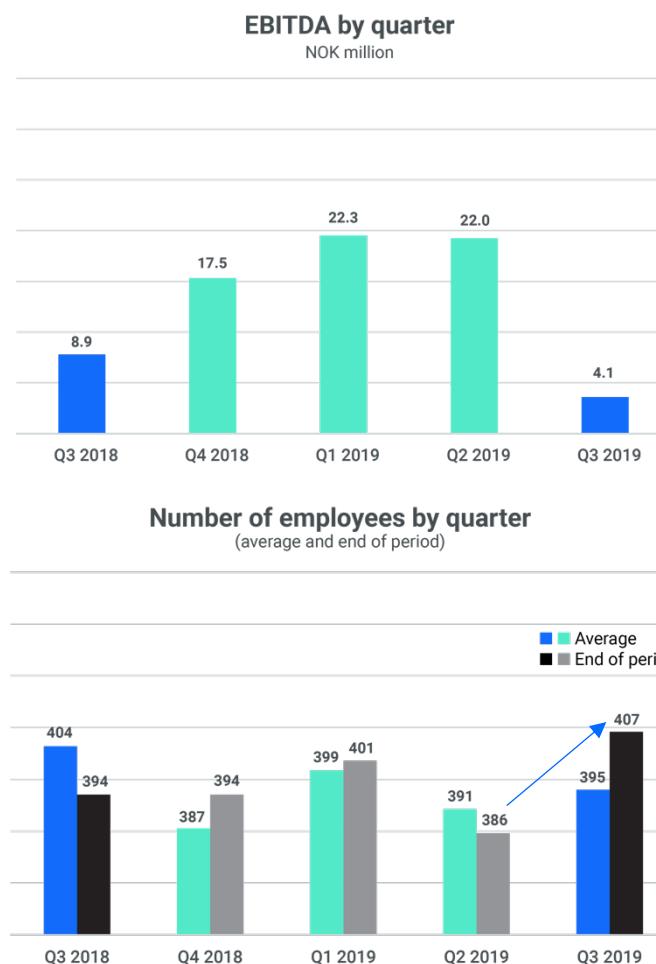
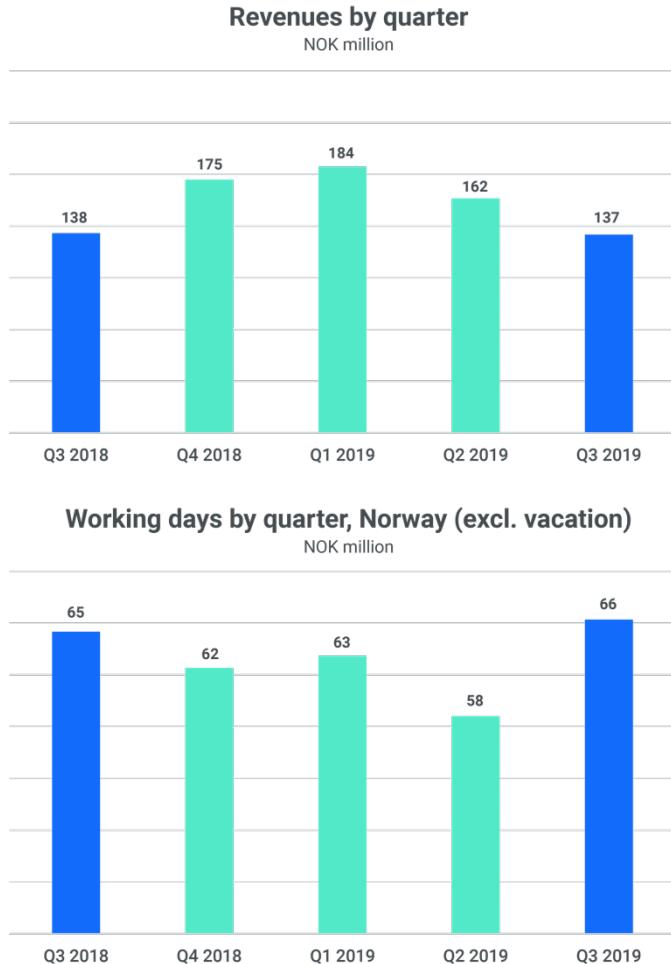
Q3 Highlights

- Revenue growth hampered
 - *Q3 revenues: NOK 137.2 million (-0.6 per cent)*
 - *YTD revenues: NOK 483.7 million (-0.9 per cent)*
- EBITDA negatively impacted by increased use of subcontractors and costs of growth initiatives
 - *Q3 EBITDA: NOK 4.1 million (-53.8 per cent)*
 - *YTD EBITDA: NOK 48.4 million (-21 per cent)*
- Capacity growth initiatives starting to yield results
 - *407 employees at quarter end, up by 5.3 per cent from end of Q2*
 - *Growth in headcount continues in Q4*
- Strategic review process concluded
 - *Separate update follows as part 2 of this presentation*



Q3 Highlights

Key Value Drivers



- Reduced capacity
- Increased use of subcontractors
- Higher rates
- One more working day
- Onboarding (costs and utilisation)
- Increase of sales and recruitment capacity
- Capacity growth initiatives starting to yield results

Financial Review | Income Statement

Revenue growth hampered by lower capacity

(Amounts in NOK million)	Q3 2019	Q3 2018	% Change	YTD 2019	YTD 2018	% Change
Total revenues	137.2	138.1	-0.6 %	483.7	487.9	-0.9 %
Cost of services and goods	17.9	12.9		61.6	45.2	
Salaries and personnel cost	106.2	107.3		344.8	351.6	
Other operating expenses	9.1	9.0		28.9	29.8	
EBITDA	4.1	8.9	-53.8 %	48.4	61.3	-21.0 %
EBITDA margin	3.0 %	6.4 %		10.0 %	12.6 %	
Depreciation and amortisation	2.6	0.7		7.1	1.9	
EBIT	1.5	8.2	-81.8 %	41.3	59.3	-30.4 %
EBIT margin	1.1 %	5.9 %		8.5 %	12.2 %	
Net financial items	-0.7	-0.6		-1.8	-1.8	
Profit before tax	0.8	7.6	-89.7 %	39.5	57.6	-31.4 %
Income tax expenses	0.2	1.7		8.7	13.2	
Profit for the period	0.6	5.9	-89.6 %	30.8	44.4	-30.5 %
Earnings per share (NOK)	0.02	0.22	-89.7 %	1.16	1.68	-30.8 %
Earnings per share, fully diluted (NOK)	0.02	0.22		1.16	1.68	

- Higher hourly rates and increased use of subcontractors partly offset the negative effect of reduced capacity
- Higher costs due to increased use of subcontractors and effects of growth initiatives
- 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 (Q3: NOK 1.7m YTD: NOK 4.4m)

Financial Review | Segments

NORWAY

(Amounts in NOK million)

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Sales revenues	118.1	120.2	418.1	419.8	570.3
EBITDA	3.8	8.8	45.8	57.9	75.3
EBITDA margin	3.2 %	7.3 %	11.0 %	13.8 %	13.2 %
EBITDA with former principles for leasing (IAS 17)	2.5	8.8	42.6	57.9	75.3
EBITDA margin with former principles for leasing (IAS 17)	2.1 %	7.3 %	10.2 %	13.8 %	13.2 %
Number of employees, average (FTE)	335	346	334	354	348
Number of employees, end of period	345	338	345	338	334
Number of work days, Norway (excl. vacation)	66	65	187	187	249
EBITDA per average employee (NOK thousand)	11.4	25.3	137.1	163.4	216.4
EBITDA per average employee with former principles (NOK thousand)	7.5	25.3	127.6	163.4	216.4

- Negative revenue and EBITDA effect from fewer employees, partly offset by increased revenue from subcontractors and increased hourly rates
- Positive EBITDA effect of IFRS 16 in Q3 was NOK 1.3 million
- Capacity growth initiatives starting to yield results: Number of employees end of period increased by 20 employees since end of Q2

Financial Review | Segments

SWEDEN

(Amounts in NOK million)

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Sales revenues	19.1	17.8	65.6	68.1	92.8
EBITDA	0.3	0.1	2.6	3.4	3.5
EBITDA margin	1.4 %	0.6 %	4.0 %	5.0 %	3.7 %
EBITDA with former principles for leasing (IAS 17)	-0.1	0.1	1.4	3.4	3.5
EBITDA margin with former principles for leasing (IAS 17)	-0.7 %	0.6 %	2.1 %	5.0 %	3.7 %
Number of employees, average (FTE)	60	58	60	59	59
Number of employees, end of period	62	56	62	56	60
Number of work days, Sweden (excl. vacation)	66	65	189	189	251
EBITDA per average employee (NOK thousand)	4.4	1.7	43.3	58.0	58.9
EBITDA per average employee with former principles (NOK thousand)	-2.3	1.7	23.3	58.0	58.9

- Revenue increase enabled by increased use of subcontractors and increased hourly rates
- Slightly lower utilisation had a negative effect on both revenue and EBITDA
- Positive EBITDA effect of IFRS 16 in Q3 was NOK 0.4 million

Financial Review | Statement of Financial Position

Continued strong financial position

(Amounts in NOK million)	30 Sept 2019	31 Dec 2018	(Amounts in NOK million)	30 Sept 2019	31 Dec 2018
ASSETS	2019	2018	EQUITY	2019	2018
<i>Non-current assets</i>			Share capital	27.0	27.0
Intangible assets	383.6	383.4	Treasury shares	-0.5	-0.6
Fixed assets	5.4	5.3	Share premium	154.8	150.7
Right-of-use assets	22.7	0.0	Retained earnings	181.2	180.3
Non-current financial assets	0.0	0.0	Total equity	362.4	357.3
Deferred tax asset	0.4	0.0			376.6
Total non-current assets	412.0	388.9			
<i>Current assets</i>			LIABILITIES		
Trade receivables	106.0	138.3	<i>Non-current liabilities</i>		
Other current receivables	5.6	3.1	Borrowings	15.1	0.0
Cash and short-term deposits	8.9	4.2	Deferred tax	1.6	1.5
Total current assets	120.4	145.7	Total non-current liabilities	16.8	1.5
Total assets	532.5	534.6			1.8
IFRS 16 Leases: Lease contracts for office premises classified as Right-of-use assets. The related liabilities classified as borrowings and current leasing liabilities.			Debt to credit institutions	0.0	41.5
Receivables: Trade receivables at quarter end NOK 106.0 million, down from NOK 138.3 million Y/Y mainly because due date fell on a Sunday in 2018 (most receivables are due the last day of the month).			Current leasing liabilities	7.5	0.0
Strong equity position (68%) and low non-current liabilities reflect strong performance.			Trade and other payables	18.5	12.0
			Tax payable	16.6	12.9
			Dividends payable	0.0	0.0
			Social taxes and VAT	46.9	47.8
			Other short-term debt	63.7	61.6
			Total current liabilities	153.3	175.8
					156.7
			Total equity and liabilities	532.5	534.6
					535.0

Financial Review | Cash Flow

Solid cash flow from operating activities

(Amounts in NOK million)

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018	
Operating activities						
Profit/(loss) before tax	0.8	7.6	39.5	57.6	73.5	
Adjustments for:						
Depreciation of property, plant and equipment	2.6	0.7	7.1	1.9	2.9	
Net change in trade and other receivables	32.5	5.6	-3.3	-12.3	20.9	
Net change in other liabilities	0.9	-12.8	-11.0	-15.9	2.8	
Net foreign exchange differences	-0.4	0.1	-0.4	0.1	-0.2	
Income tax expenses	-0.4	-0.0	-8.6	-7.6	-8.0	
Net cash flow from operating activities	36.0	1.3	23.2	23.8	91.9	
Investing activities						
Payments for R&D initiative	0.0	-0.6	0.0	-1.9	-2.8	
Purchase of property and equipment	-0.6	-0.8	-2.3	-2.0	-2.7	
Net cash flow from investing activities	-0.6	-1.3	-2.3	-3.9	-5.5	
Financing activities						
Repayment of lease liabilities	-1.5	0.0	-4.0	0.0	0.0	
Change in bank overdraft	-30.9	-2.3	0.0	17.2	-24.3	
Payment of dividends	0.0	0.0	-42.4	-39.5	-39.5	
Sale of treasury shares	0.3	0.0	0.8	0.0	4.3	
Net cash flows from financing activities	-32.2	-2.3	-45.5	-22.3	-59.6	
Net increase/(decrease) in cash and cash equivalents	3.2	-2.3	-24.6	-2.3	26.9	
Cash and cash equivalents beginning of the period	5.7	6.6	33.5	6.6	6.6	
Cash and cash equivalents at the end of the period	8.9	4.2	8.9	4.2	33.5	

- Positive change in receivables impacted by calendar effect for payments falling due 30 Sept 2019 (Monday) vs 30 Sept 2018 (Sunday)
- Bank overdraft was reduced due to positive cash flow from operating activities
- Cash balance of NOK 8.9 million 30 Sept 2019 (NOK 4.2 million)
- The RCF of NOK 110 million was renewed for 2 years in Q2

Outlook

- Utilisation expected to remain high, although near-term impact of onboarding
- Employee growth expected in Q4. Higher average number of employees and reduced use of subcontractors compared to Q4 2018
- Costs related to increasing the sales and recruiting capacity and other measures to support future growth may create short-term challenge for the ability to maintain an EBITDA margin above average market level
- Signs of somewhat slower market in Sweden, which may affect utilisation. Focus on sales rather than recruitment in the coming quarter
- Strong order book confirms good momentum in Norway



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Where do we stand?

Ambitions for 2017–2019

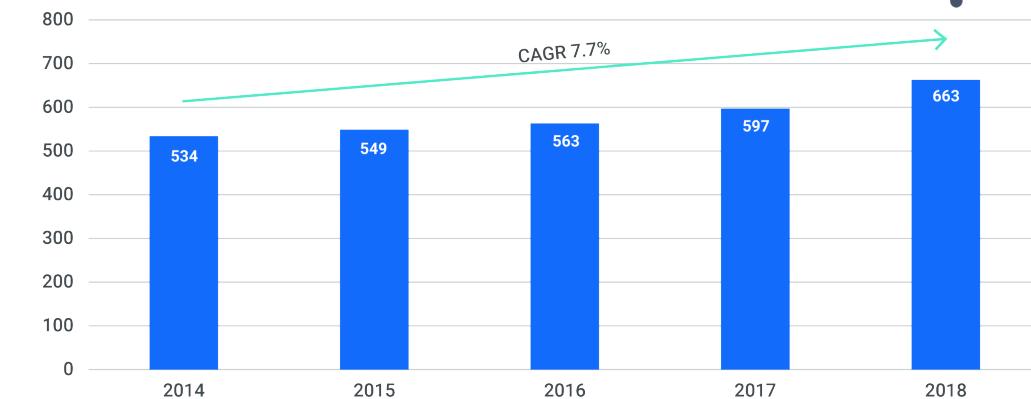
1. Grow faster than the market for IT consulting services in the geographies we operate
2. Maintain EBITDA margin above market as demonstrated over the last years
3. Annual dividends minimum 75 per cent of net profit



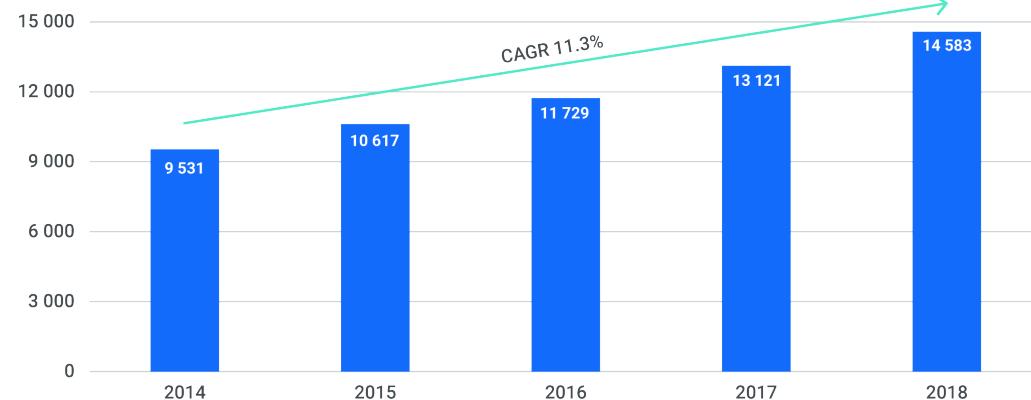
Where do we stand?

Revenues & EBITDA 2014-2018

Webstep revenue development (NOK million)



Peers' revenue development*

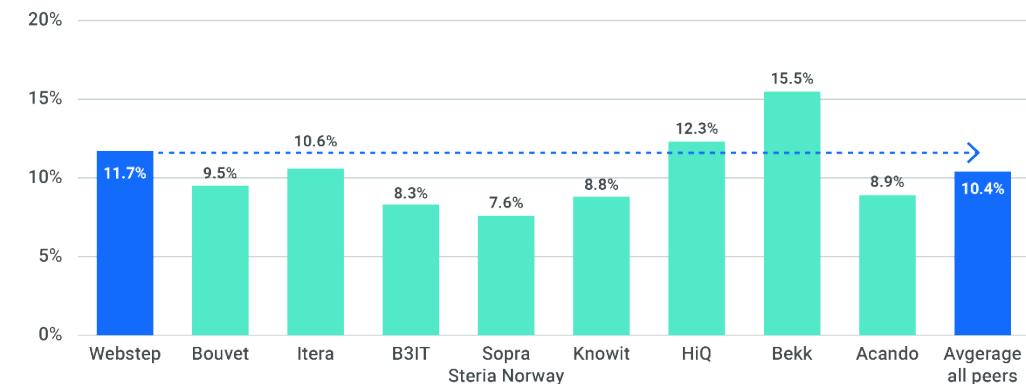


CAGR 11.3%

*) Total revenues for following peers: Webstep. Bouvet. Sopra Steria Norway. Itera. B3IT. Knowit. HiQ. Bekk. Avega Group. Acando.

Dividends 2018-2019

EBITDA margin by company, average for 2014–2018



Dividend ratio in line with 75% ambition

Payout year	2019	2018
Dividend per share (NOK)	1.60	1.50
Total dividend	NOK 42.4 million	NOK 39.7 million
Net profit previous year	NOK 56.2 million	NOK 33.9 million
Payout ratio	75%	117%

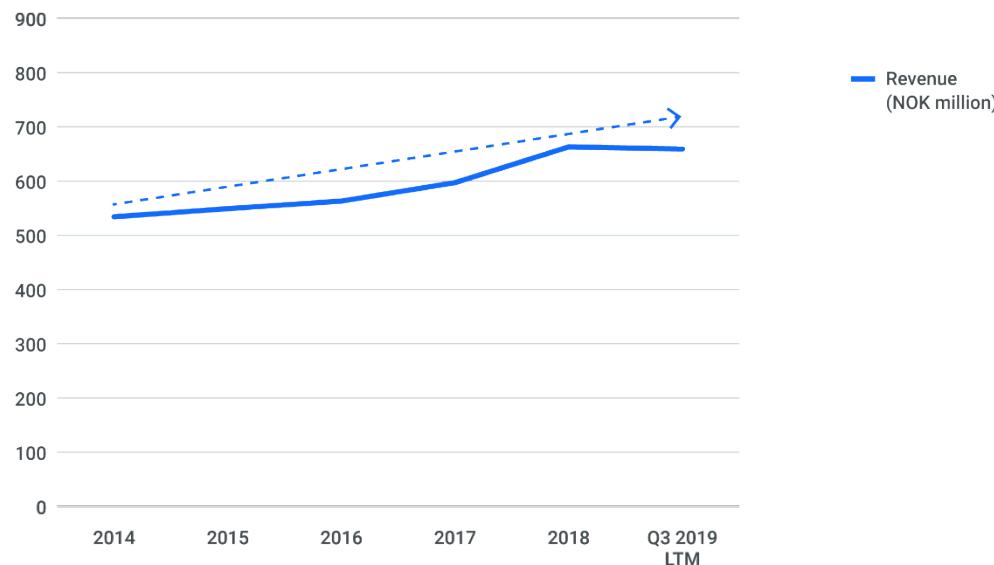


Where do we stand?

2019: The change of trends require action

Webstep revenue trend

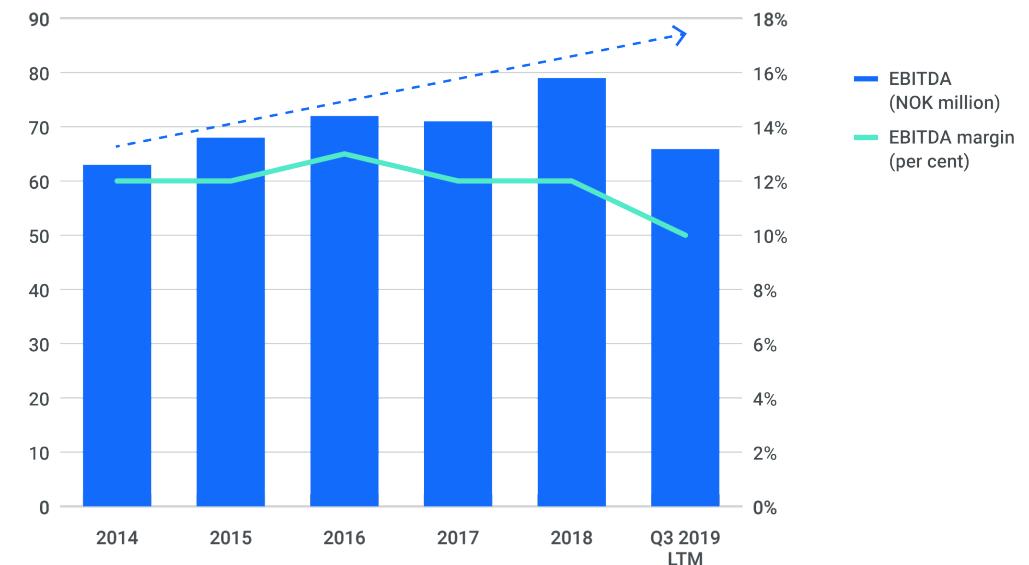
Revenue development trend 2014–2019



LTM = Last Twelve Months

Webstep EBITDA and EBITDA margin trends

EBITDA development trend 2014–2019



2017 EBITDA is excl IPO and other non-recurring costs

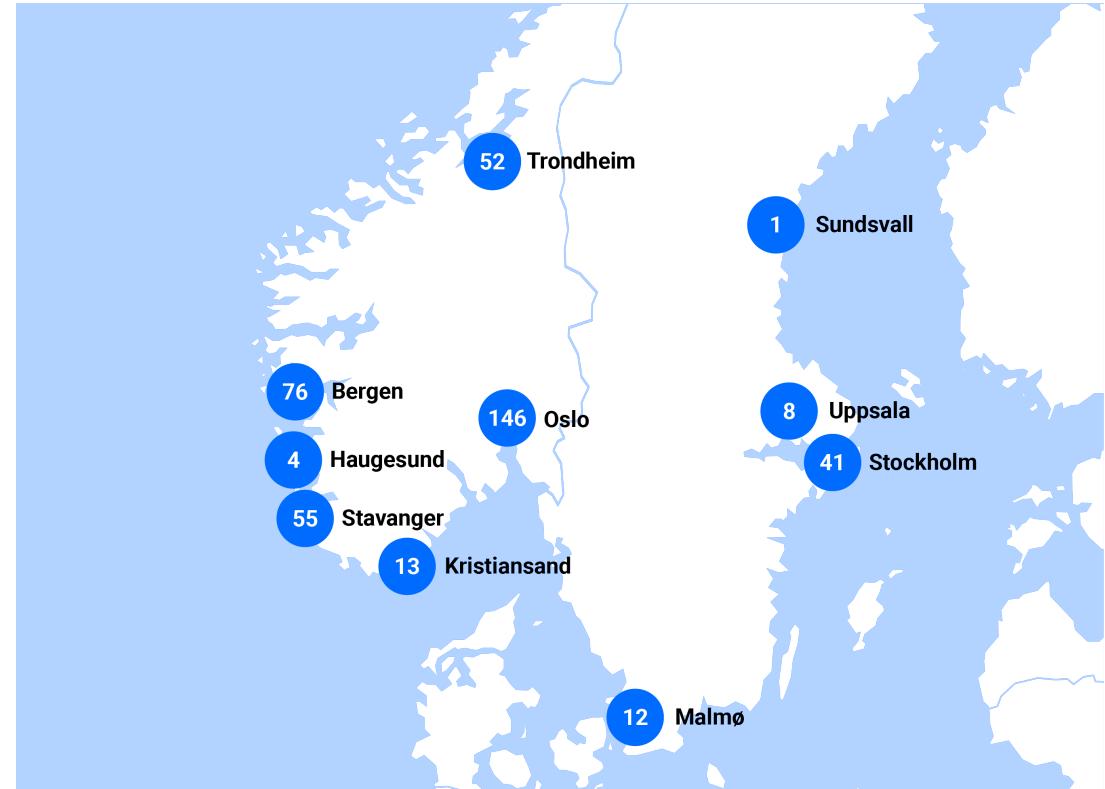
Where do we stand?

Growth in most locations since IPO

393 employees as of 30 September 2017



407 employees as of 30 September 2019

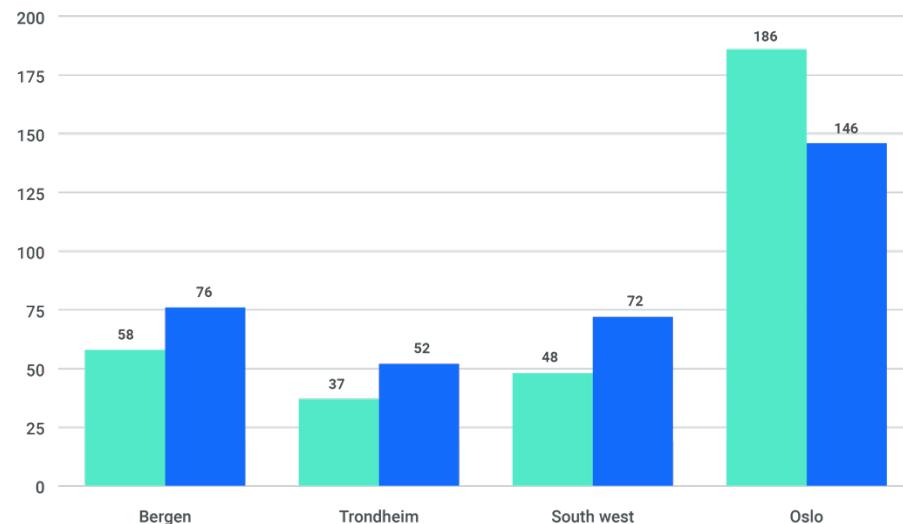


Where do we stand?

Growth in most locations since IPO

Norway

Number of employees Q3 2017 vs Q3 2019

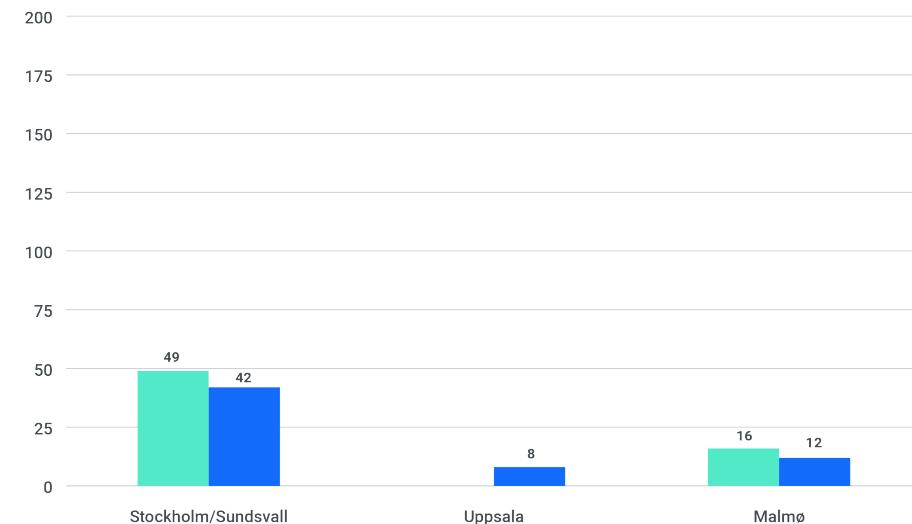


Oslo:

- Extraordinary turnover in 2H 2018 with spill-over effect into 1H 2019
- Expect stepwise build-up of capacity in 2020

Sweden

Number of employees Q3 2017 vs Q3 2019



Sweden:

- Positive development for Malmö and Uppsala
- Stockholm requires a continued focus

Key tech trends supporting market growth



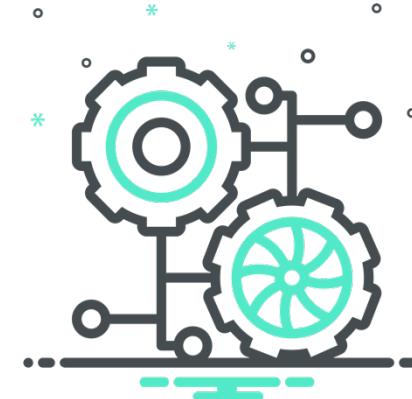
Digitalisation Wave 2

“End to end”; digitalisation of core business processes. New products and services. New business processes and models



New Technologies

IoT. Blockchain. AI. ML etc – different maturity in different sectors



Industrialisation of IT

Mass produces and standardised products from a few global players with innovative power and benefits of scale



Cyber Security

Mid size businesses also start acknowledging the risk

IT market towards 2022

Webstep is well positioned to capture market growth



Summing up

Webstep is well positioned to capture market growth

- Megatrends support future market growth
- Expect high demand and willingness to pay for expert services
- Customers also want a wider range of services
- Webstep has a strong position as a preferred employer for IT experts
- Webstep intends to respond to the market changes and develop its offering to meet new demand



Heading towards 2022

*The preferred
IT experts*

W.

Heading towards 2022

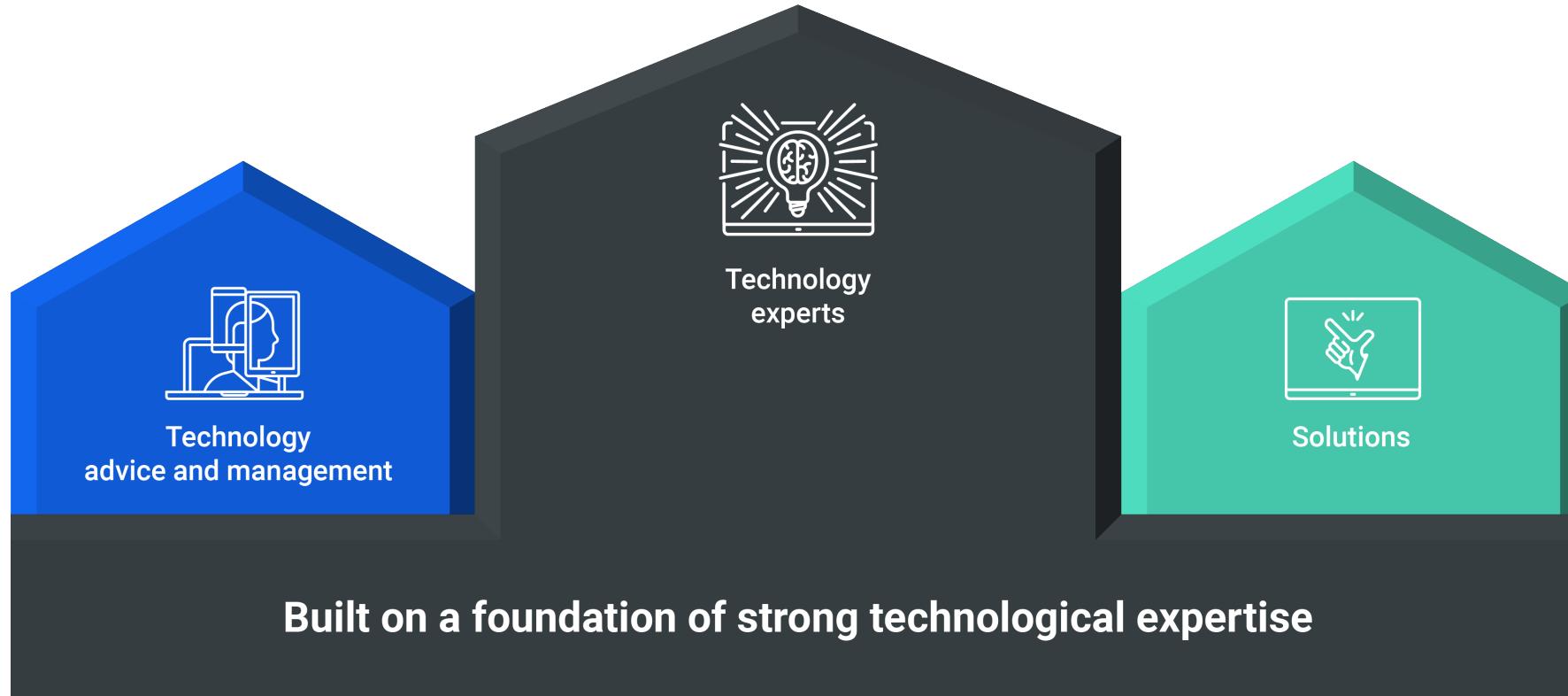
Our long-term ambitions remain unchanged

1. Grow faster than the market for IT consulting services in the geographies we operate
2. EBITDA margin above market average
3. Annual dividends of minimum 75 per cent of net profit

Enhancing the business model

Webstep today

The technology experts



Enhancing the business model

Webstep towards 2022

A structured approach to meeting new and increased demands



Enhancing the business model

Strategic partnership with Telenor

- Telenor and Webstep has entered into a strategic partnership to deliver smarter solutions for digitization and Internet of Things
- Solutions will be developed on Telenor's data platform – Managed IoT Cloud (MIC)
- The strategic agreement is leveraging Webstep's expertise as a system integrator and will strengthen our solution business
- The partnership is aiming at positioning Webstep as the preferred partner for forward-looking solutions in the IoT market segment
- Webstep's local presence was an important factor when the partnership was established
- Customer value provided from solutions developed:
 - *Improved resource management*
 - *Process automation and increased control*
 - *Lower maintenance costs*
 - *Increased insight*
 - *Improved documentation*



Heading towards 2022

Key success factors and strategies for future growth

Success factors



Strategies

1. **Expand service offerings, delivery models and partnerships** in response to customer demand
2. **Expand recruitment base**; recruiting new types of expertise
3. **Strengthen local presence** in current and new key locations in Scandinavia.
4. **Organic growth**, but with selective use of M&A to access new client relations and/or new expertise
5. **Further strengthen** capacity, expertise and processes within recruitment and sales
6. **Further improve** brand recognition and position as preferred employer and provider of IT expert services

The preferred IT experts

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APPENDIX

IFRS 16 Leasing

Effects of implementation

Amounts in NOK 1000

Operating revenues
 Operating expenses (excluding depreciation and amortisation)
EBITDA
 Depreciation and impairment
EBIT
 Net financial items
Profit before tax

	IFRS 16		IAS 17		IFRS 16		IAS 17	
	Q3 2019	YTD 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2019	YTD 2018	
Operating revenues	137 237	483 701	137 237	138 060	483 701	483 701	487 862	
Operating expenses (excluding depreciation and amortisation)	133 143	435 314	134 845	129 191	435 314	439 688	426 582	
EBITDA	4 094	48 388	2 392	8 869	48 388	44 033	61 280	
Depreciation and impairment	2 602	7 106	1 071	661	7 106	3 134	1 936	
EBIT	1 492	41 282	1 321	8 209	41 282	40 899	59 344	
Net financial items	-712	-1 755	-541	-601	-1 755	-1 372	-1 756	
Profit before tax	780	39 527	780	7 607	39 527	39 527	57 588	

Fixed assets
 Borrowings
 Current leasing liabilities
 Total assets/Total equity and liabilities
 Total equity
 Equity ratio

	IFRS 16		IAS 17	
	30 Sept 2019	30 Sept 2019	31 Dec 2018	
Fixed assets	28 008	5 354	5 011	
Borrowings	15 128	-	-	
Current leasing liabilities	7 527	-	-	
Total assets/Total equity and liabilities	532 486	509 832	535 023	
Total equity	362 438	362 438	376 574	
Equity ratio	68.1 %	71.1 %	70.4 %	

Equity changes

Consolidated statement of changes in equity

(Amounts in NOK 1000)	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	376 574	-	376 574
Profit for the period	-	-	-	-	30 840	30 840	-	30 840
Sales treasury shares	-	-	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	(3 444)	-	(3 444)	-	(3 444)
Share incentive program	-	-	839	-	-	839	-	839
Dividends	-	-	-	-	(42 369)	(42 369)	-	(42 369)
At 30 September 2019	26 967	(486)	154 799	6 838	174 322	362 438	-	362 438

Top 20 shareholders at 5 November 2019

By shareholder

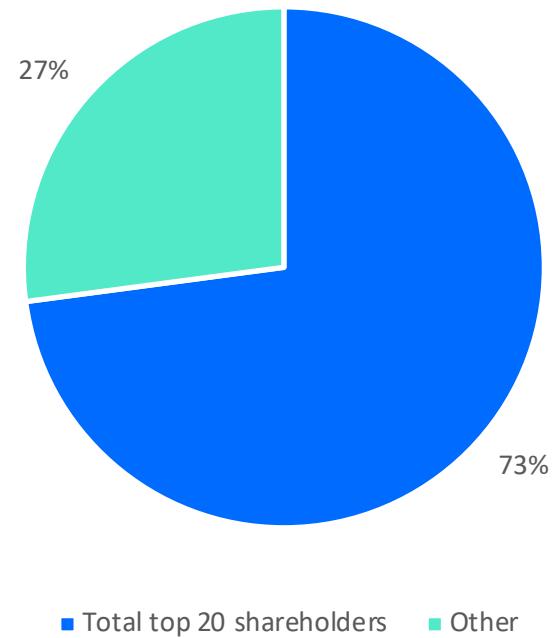
Shareholder name	Shares	%	Type	Country
J.C. Broch AS and related parties	6 444 843	24%	Ordinary	Norway
Virtus KAR International Small-Cap	3 119 279	12%	Ordinary	United States
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 556 645	6%	Ordinary	Norway
HANDELSBANKEN Nordiska Smabolag	1 000 180	4%	Ordinary	Sweden
PARK LANE FAMILY OFFICE AS	840 791	3%	Ordinary	Norway
Goldman Sachs International	783 058	3%	Nominee	United Kingdom
JAKOB HATTELAND HOLDING AS	712 212	3%	Ordinary	Norway
VERDIPAPIRFONDET NORDEA NORGE VERD	685 000	3%	Ordinary	Norway
Danske Invest Norge Vekst	542 000	2%	Ordinary	Norway
Taaleri Nordic Value Equity Fund	470 000	2%	Ordinary	Finland
Citibank, N.A.	438 491	2%	Nominee	Ireland
WEBSTEP ASA	414 016*	2%	Ordinary	Norway
SEB PRIME SOLUTIONS CARN Long Shor	400 000	1%	Ordinary	Luxembourg
NWT MEDIA AS	390 000	1%	Ordinary	Norway
SALT VALUE AS	358 130	1%	Ordinary	Norway
BOREA GLOBAL EQUITIES SPESIALFOND	352 892	1%	Ordinary	Norway
EMPLOYEES RETIR SYSTEM OF TEXAS	349 491	1%	Ordinary	United States
VIRTUS TACTICAL ALLOCATION FUND	282 917	1%	Ordinary	United States
AMG RENAISSANCE INTL EQ FD	281 408	1%	Ordinary	United States
COLINA INVEST AS	231 981	1%	Ordinary	Norway
Total top 20 shareholders	19 653 334	73%		
Other	7 313 683	27%		
Total share outstanding	26 967 017	100%		

* After the balance sheet date, Webstep ASA has transferred 72,411 own shares to 147 eligible employees following the expiry of the vesting period of the employee saving shares program 11 October 2019

Top 20 shareholders at 5 November 2019

Share of total and by geography

Top 20 shareholders at 5 November 2019



Top 20 shareholders by geography at 5 November 2019

