Pronounced recovery continues

Ework started 2021 by continuing its pronounced recovery in the first quarter. Positive sales performance, reduced expenses and greater efficiency in our business enabled EBIT of SEK 27.6 M. These earnings are close to the previous year’s level despite lower revenue for pandemic-related reasons.

Zoran Covic, CEO

First quarter of 2021 compared to 2020

Net sales down by 7% to SEK 3,165 M (3,413).

EBIT decreased by 3% to SEK 27.6 M (28.5).

Profit after financial items rose by 4% to SEK 28.6 M (27.5).

Order intake down by 10% to SEK 3,991 M (4,426).

Earnings per share after tax before and after dilution were SEK 1.29 (1.30).

Earnings were charged with SEK 3.1 M of expenses for organisational changes.

The Polish operation started reporting as an independent segment.

The market continued its recovery, with the demand for consulting services increasing quarter on quarter.

The firm’s view that sales and earnings can grow in 2021 was reinforced in the quarter.

CEO's STATEMENT

Pronounced recovery continues

Ework started 2021 by continuing its pronounced recovery in the first quarter. Positive sales performance, reduced expenses and greater efficiency in our business enabled EBIT of SEK 27.6 M. These earnings are close to the previous year’s level despite lower revenue for pandemic-related reasons.

The positive trend in Ework’s performance we reported on after the first fourth quarter accentuated in the first quarter of the year. The demand for consulting services increased, and the base of consultants on assignment continued to expand. New consultant appointments were a higher share of the sales mix than in the previous year, and the previous quarter. This progress creates the potential for continued positive margin growth in coming quarters.

Our digital business, through our proprietary platform Verama, is another contributor to our improved EBIT margin. It creates benefits that clients appreciate, strengthens our market positioning and rationalises our delivery. Its user base is growing steadily on the client side and supplier portal. Our development expenses were down significantly in the quarter year on year, while we accelerated the amortization of our digital investments.

The cost reductions we reported last year are continuing to plan. It’s worth noting that in the quarter, we took SEK 3.1 M of non-recurring expenses for organisational changes.

Net sales were down by some 7% on the first quarter of the previous year, but the quarter-on-quarter trend is clearly positive since the previous quarter.

The pandemic remains a challenge for our organisation, with continued high remote working levels. Our staff have shown commendable adaptability, maintaining the pressure of sales and delivery.

The pandemic-related demand downturn on the previous year mainly affected Sweden and Finland, while Denmark and Norway had better exposure to sectors that experienced less impact. Norway’s especially positive sales and earnings performance continued to stand out. From this Report onwards, we’re reporting Poland separately, which was previously included in the Sweden segment. This vindicates our investment, which has now attained long-term viability, with this operation now well established. Its first-quarter numbers show the brisk progress in Poland continuing.

Zoran Covic, CEO

FOURTH QUARTER 2020

Increasing demand is a continuing trend

Market

The trend of increasing demand for new consultant appointments that began in the previous year continued in the first quarter, after a short covid-related downturn in the second and third quarters of 2020. The demand for consultant appointments—when Ework is appointed to find the right consultant for an assignment—increased, representing a continued increasing share of the sales mix. The base of consultants on assignment in the quarter peaked at 10,259 (10,542). Ework’s demand indicators suggest a further demand recovery for consulting services.

Business model and revenue streams

We continued to implement Ework’s digital platform Verama with more clients in the quarter, and implementation is now ongoing with clients in three countries. This platform is continuing to consolidate Ework’s positioning to help increase total business with clients. A growing base of users of Verama’s supplier and consultant modules are contributors to the positive progress supporting this marketplace.

The Group’s net sales

The Group’s net sales were SEK 3,165 M (3,413) in the first quarter, down by 7%.

The comparison is against a quarter only marginally impacted by effects of the pandemic. Accordingly, the downturn is due to lower demand for consulting services because of the pandemic, and some extent, lower pricing for assignments beginning in the weak second and third quarters 2020, as well as some impact of currency effects. However, pricing has returned to levels established prior to the pandemic, with the sales mix moving in a positive direction, with a growing share of consultant appointments. Our revenue base in the form of consultants on assignments increased, but was still down somewhat on the corresponding point of the previous year.

The Group’s earnings

The Group’s EBIT for the first quarter amounted to SEK 27.6 M (28.5). The earnings reduction is due to lower revenue than the first quarter of the previous year. SEK 3.1 M of expenses for organisational changes were also taken in the quarter. The earnings downturn was limited by a positive transition in the sales mix towards higher-margin business, and a lower cost base than the previous year. The expenses for Ework’s digital initiative decreased in the period, as did capitalized expenses, as illustrated in the following table. However, amortization of previously capitalized development expenditure did increase as planned.

Profit after financial items was SEK 28.6 M (27.5) for the first quarter. Net financial income/expense improved to SEK 1.0 M (-1.0), with interest expenses being SEK -1.1 M (-1.9) of this. Profit after tax was SEK 22.2 M (22.5).

Comments on progress

The Group’s order intake was SEK 3,991 M (4,426) in the first quarter. Order intake includes new assignments and extensions. The number of consultants on assignment in the first quarter peaked at 10,259 (10,542).

Sweden

The Swedish operation progressed positively compared to the previous quarter, with net sales of SEK 2,406 M (2,700). The downturn on the previous year is due to reduced demand mainly related to the effects of covid-19, and to some extent, residual effects of cost pressure on consulting fees for assignments negotiated in the previous year. Staff reductions and general cost savings took effect in the quarter. The Polish operation, previously reported in the Sweden segment, is now reported independently, and comparative figures have been restated.

EBIT was SEK 12.4 M (18.8).

Amounts in SEK M

Quarter 1

Expense for digital initiative

Capitalisation of digital initiative

EBIT effect of digital initiative

Norway

The net sales of the Norwegian operation increased by 17% to SEK 427.7 M (364.0). EBIT rose by 90% to SEK 9.7 M (5.1). The increased sales and earnings are due to continued strong progress of this operation’s market position, and continued firm demand from current and new business clients. The Norwegian operation was only marginally impacted by covid-19 due to its exposure to sectors whose effect in the period was limited.

Denmark

The Danish operation’s net sales were up by 18% to SEK 140.8 M (119.6). EBIT for the period increased to SEK 0.3 M (-0.3). The Danish operation was still impacted marginally by the effects of covid-19 due to its exposure to sectors whose impact in the period was limited.

Finland

The finish operation’s demand was poor, and revenue declined, mainly for pandemic-related reasons.

Net sales were SEK 86.3 M (130.8). EBIT amounted to SEK 1.4 M (2.7).

The earnings decrease is due to lower revenue, but was countered by organisational measures taken, and focusing on profitability.

Poland

The Polish operation is being reported as an independent segment from this Report onwards. It was previously part of the Sweden segment. Operations progressed positively, with increased sales and EBIT.

Net sales rose by 6% to SEK 104.6 M (98.5). EBIT increased by 77% to SEK 3.9 M (2.2).

Financial position and cash flow

The equity/assets ratio at the end of the period was 5.9% (4.6). The higher equity/assets ratio is due to lower capital tied-up because of lower sales than the previous year.

Cash flow from operating activities for the first quarter was SEK 114.0 M (-53.1). Payments from clients and to consultants are at month-ends. A modest shift in payments made or received can have a significant effect on cash flow at a specific time. The firm holds a SEK 550 M (550) credit facility for support services for faster payments. Accounts receivable have been pledged as collateral for this facility. The firm also has an overdraft facility of SEK 30 M (30).

Total unutilised credit facilities at the end of the period were SEK 431 M (77) due to lower volumes of advance payments, add more active liquidity management.

Workforce

The average number of employees in the quarter was 276 (304). Earnings in the period were charged with SEK 3.1 M of expenses for organisational changes.

Parent Company

The Parent Company’s net sales for the first quarter were SEK 2,401 M (2,693). Profit after financial items was SEK 14.5 M (16.7), and profit after tax was SEK 11.5 M (13.1).

The Parent Company’s equity was SEK 167.9 M (155.0) at the end of the quarter, and its equity/assets ratio was 6.3% (4.8). In accordance with an EGM resolution, Ework paid a dividend of SEK 2.00 per share to shareholders in the quarter, totalling SEK 34.5 M. Otherwise, and where applicable, the above comments on the Group’s financial position also apply to the Parent Company.

Subsequent events

No significant events have occurred after the reporting period.

Significant risks and uncertainty factors

Ework’s material business risks, for the Group and Parent Company, consist of reduced demand for consulting services, difficulties in attracting and retaining skilled staff, credit risks, and to a lesser extent, currency risks. Ework’s risks are impacted by the current covid-19 pandemic and its effects on wider society and the economy. This means a risk of reduced demand for consulting services. Meanwhile, regulatory decisions and necessary consideration of safety aspects may imply a risk of disruptions in operations, for Ework’s own staff and for consultants on assignment.

For a more detailed review of material risks and uncertainties, please refer to Ework’s Annual Report.

The Group previously provisioned SEK 7.0 M for a tax dispute in Norway, as stated in previous quarterly Reports. Ework has been ordered to pay tax that a supplier overlooked, due to joint and several liability. Ework is considering appealing against this ruling, and has taken action to avoid being affected by similar oversights by suppliers in future.

Other information

The firm has two outstanding stock option programmes that are part of an incentive programme for senior managers adopted by the AGM 2017. It resolved to issue a total of 120,000 share warrants per year in the period 2017-2019.

In 2019, 47,600 stock options were issued with an exercise price of SEK 86.84, which mature in 2022. In 2018, 87,500 stock options were issued with an exercise price of SEK 113.66, which mature in 2021.

Outlook

In its Year-end Report for 2020, Ework stated the following outlook:

“General economic uncertainty related to the global covid-19 pandemic continued to affect Ework’s business, resulting in reduced revenues. However, any effect in the fourth quarter was limited. Ework takes a positive long-term view of its potential to keep growing, and as in previous cyclical downturns, business opportunities that Ework has good potential to exploit may appear. The cost savings of SEK 50 M on 2019 Ework previously reported are expected to take full effect in 2021. The firm expects to be able to improve revenue and profitability in 2021 compared to 2020.”

The previously reported cost savings are reiterated.

The firm’s view that sales and earnings can grow in 2021 was reinforced in the quarter.

Zoran Covic, CEO

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Because the operations in Poland are now well established, from this Report onwards, these operations are reported as an independent operating segment. They were previously reported in the Sweden segment. The comparative figures in the Sweden segment have been reinstated accordingly.