

Focus on regaining profitability level

Today, Multiconsult presents an update to the capital markets, announcing a revised strategy towards 2020. The revised strategy has an increased focus on profitability, with new measures to improve gain and operations.

Multiconsult presented the '3-2-1 GO' strategy in 2016 for the period of 2016 to 2020. As it is now halfway through the strategic period, a revised strategy 'GO' is presented. '3-2-1 GO' launched in October 2016 after a successful IPO, was a well-underpinned strategy, reflecting a Multiconsult with a strong financial performance that was above peers. In 2017 the industry faced an increased profitability challenge in Norway caused by an increasing gap between market billing rates and annual salary increases. In addition, Multiconsult experienced costs of ERP system implementation and acquisition of the Hjøllnes group. In light of the challenging profitability situation, the company has focused on profitability improvement, but sees a need to intensify the efforts to improve operations as well as utilise its market position to regain profitability. Hence, the revised strategy now focuses on improving profitability through gains and operations, to further develop the Multiconsult group.

“Our industry is in one of the most challenging times ever when it comes to price-pressure. At the same time, the market outlook for our business areas is good when it comes to volume and opportunities with an all-time high pipeline within some of our business areas. In order to continue developing for the future, it is necessary to regain normal profitability levels first. This is what we are now doing with the revised “GO” strategy”. Our ambition is to deliver profitability above peer-group average and strengthen our operations and value creation, says CEO of Multiconsult, Christian Nørgaard Madsen.

The revised strategy represents an unchanged course, but reduced speed. Multiconsult's revenue ambition is now to grow in line with market development. The long-term goal of selective expansion in Sweden and Energy international remains, however, execution horizon is postponed until profitability is regained.

“GO” stands for ambitions of “Gain and Operations”. The ambition for “Gain” means being on a profitability level above the peer group average. The ambition for “Operations” means strengthened operations and value creation.

'GO' focuses on improving 'Gain and Operations' with seven key priorities:

- Regain a normalised profitability level as a basis for further development
- Take a position as #1 in large profitable EPC/IPD projects in Norway
- Take a leading position and improved profitability within Transportation
- Realise profitability and selective growth within Energy in Norway and internationally
- Further develop our leading position within healthcare buildings in Scandinavia
- Enable digital innovation and develop new business models
- Develop flexible manning solutions that ensure profitability

Profitability is the main priority going forward, and Multiconsult will now apply an intensified profitability improvement programme across the group. Developments will be monitored continuously and new measures implemented as deemed relevant.

Multiconsult will, on a group-wide basis, intensify its focus on profitability improvement:

- Sales: Further develop sales processes across the group and prioritise tendering with increased profitability requirements.
- Billing ratio: Continue improvements in Norway and optimise hours spent on architecture competitions
- Project profitability: Standardise project portfolio follow-up, increase use of low cost resources and optimise project resources and staffing.
- Efficiency gains: Realise group synergies from new systems, continue tight manning- and cost control and explore flexible manning models.
- Portfolio review: Address challenges in international units and optimise business development in international energy.

The debt level and dividend policy remain unchanged with respectively 1.5 times NIBD/EBITDA (Net interest bearing debt/Earnings before interest tax depreciation and amortisation) as well as a dividend policy of 50% of net profit.

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