



# *Interim report | First quarter 2017*

Oslo, 27 April 2017

# Presenters and agenda



**Hans-Petter  
Mellerud**  
Founder and CEO



**Nina Stemshaug**  
CFO

## Agenda

- Recent highlights
- Financial performance in first quarter of 2017
- Expanding into D-A-CH through acquisition of sumarum AG
- Outlook

# Second quarter on a row with revenues above hundred million mark, several important wins

## Financial indicators

- Q1/17 revenues was 106.4 million, up 8.0 % year-on-year
- Operating profit before other costs was 10.7 million, corresponding to a 10.1 % margin, in line with our stated targets (9.4 % same quarter last year).

## Key figures

NOK million	Q1 17	Q1 16	FY16
Revenues	106.4	98.5	396.6
Operating profit	10.7	9.3	38.0
Profit for the period	5.4	5.6	26.0
EPS (NOK)	0.28	0.26	1.35

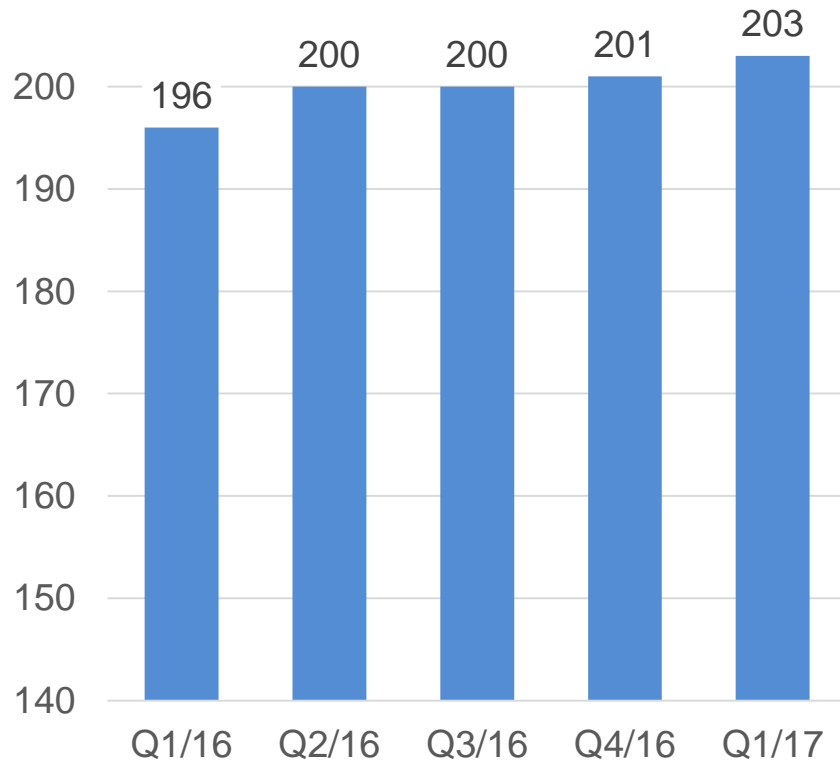
## Strategic milestones and trends

- Norsk Hydro renewed agreement for 10,000 employees and pensioners
- Siemens renewed and expanded relationship that started in 2005, adding 2,000 new employees, now covering 5,000 in Sweden
- Leading Nordic headquartered energy company chose Zalaris to deliver wide range of transaction HR service, including payroll to approx. 3,000 employees globally
- Nearly debt-free and financially strong, Zalaris is well placed to grow into new markets through acquisitions

All amounts are in NOK unless otherwise stated. Operating profit before extraordinary costs

# All-time high average of employees served in Q1/17

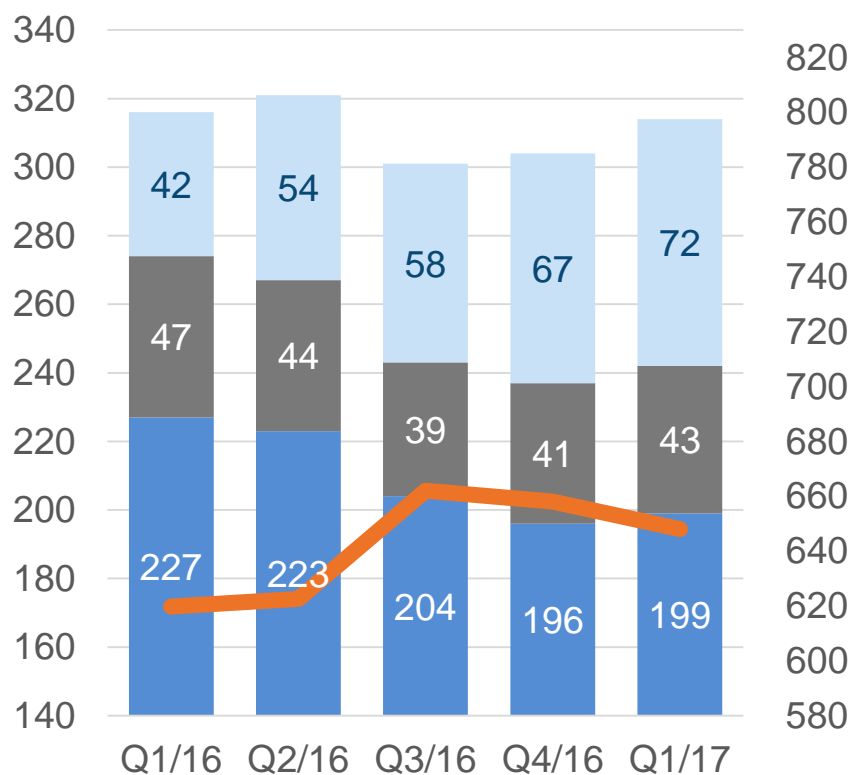
Employees served (1000')



- Number of customer employees served indicates volume of transactions and services delivered
- Growth in average number of employees served in Q1 compared to last quarter, is the result of go-live for several customers both within the HR Outsourcing and Cloud Services segments

# Operational key performance indicators, efficiency flattens as result of taking on new customers

## HR Outsourcing Employees and productivity

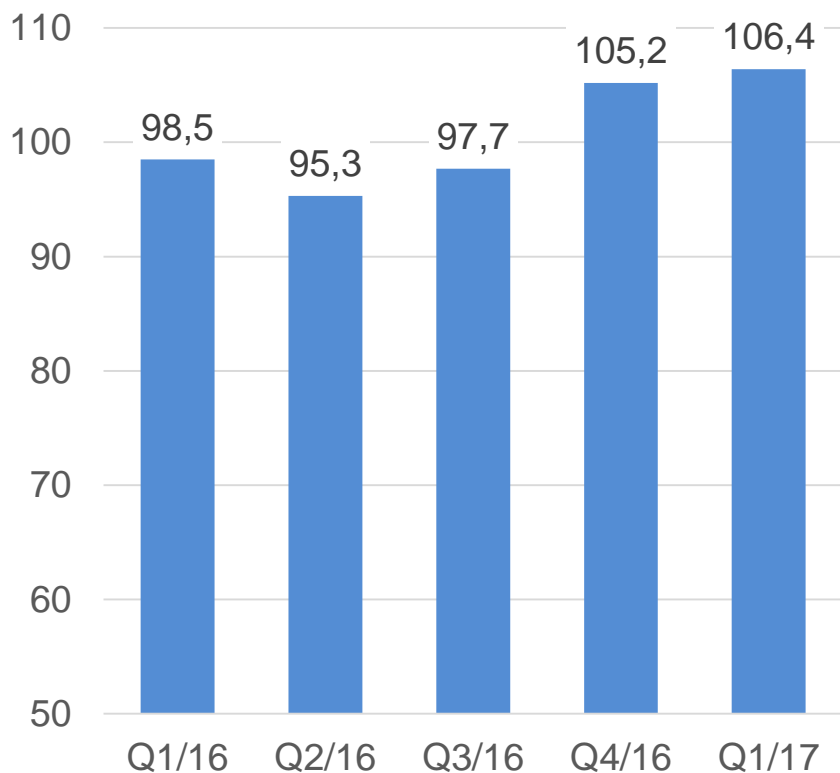


- Average number of employees served per FTE (full time equivalent) by **HR Outsourcing** was 648 in Q1/17, up from 620 in Q1/16.
- Transfer of transactional services to India continues as planned, full effect expected in mid-2017.
- In **HR Outsourcing** offshore and nearshore employees was 36 % of workforce at end of Q1.
- **Group** headcount was 494 at end of Q1/17, up 4.8 % mainly driven by offshore expansion. Total number of FTEs was 461.

- Average number of local FTEs (left axis)
- Average number of nearshore FTEs
- Average number of offshore total FTEs
- Average number of customer employees served per FTE total (right axis)

# Q1/17 revenues increased 8 % year-on-year. Cloud business continues to grow in importance

## Operating revenues

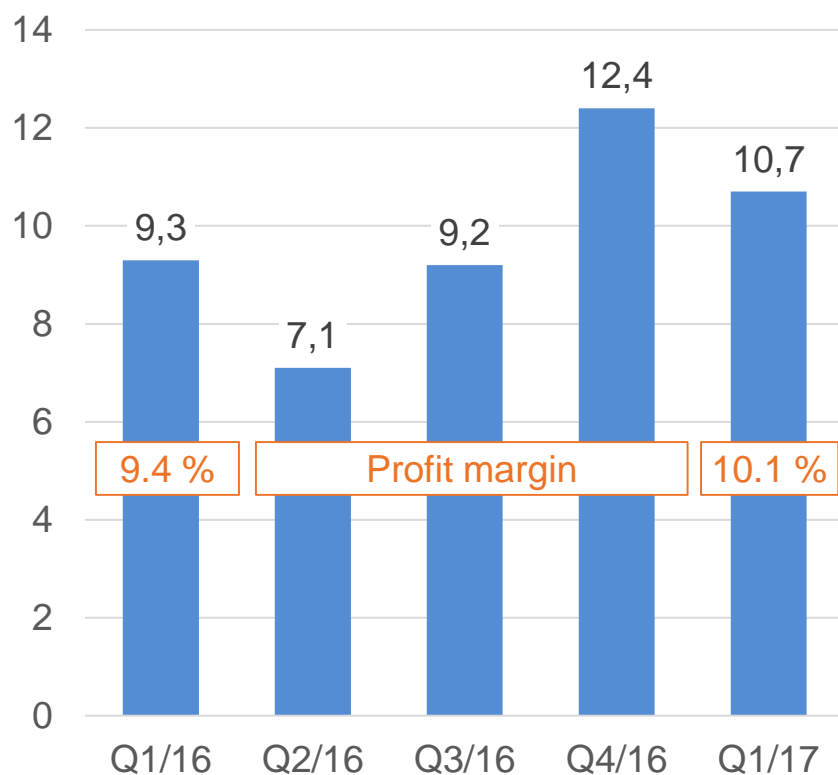


- **Group** revenues in Q1/17 was 106.4 million, above hundred million mark for the second consecutive quarter
- Growth in **cloud services** continued, reaching revenue of 13.6 million, up from 5.0 million one year before
- **Outsourcing** revenues was NOK 90.6 million in Q1/17, in line with last year
- **Consulting** business segment experienced a minor decline in revenue, down to 2.2 million, mainly because capacity was used on services in the Cloud segment
- Norway continues to be the leading revenues contributor with 43 % of group revenues

All amounts are in NOK unless otherwise stated

# Operating margin stayed above 10 % target, well above Q1/16

## Group operating profit<sup>1</sup>



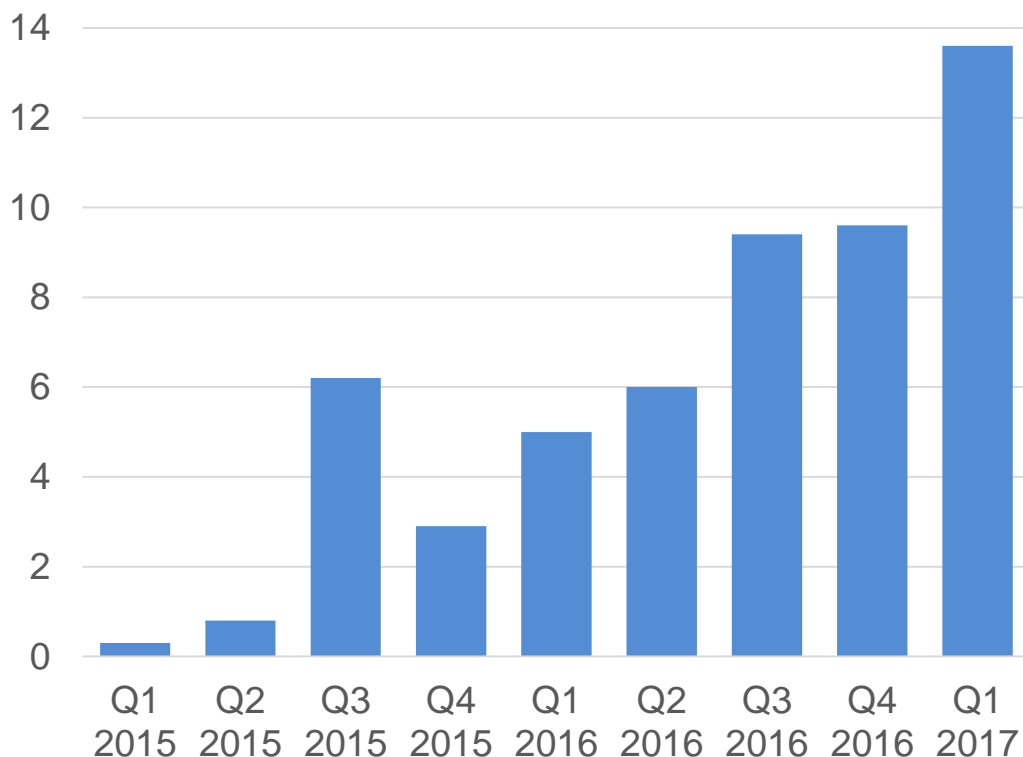
- Operating profit **for Q1/17** was 10.7 million, with profit margin of 10.1 %
- Operating expenses increased 98.7 million in Q1/17, including 3.1 million in other costs
- Group revenues and costs were impacted by a weaker Norwegian krone. Operating margin decreased 0.7 %-points due to currency effects
- Net financial items amounted to minus 0.7 million in Q1/17.
- Profit after tax was NOK 5.4 million

All amounts are in NOK unless otherwise stated

<sup>1</sup> Excluding extraordinary costs

# Cloud services segment: Consistent and strong growth in demand

Revenues per quarter

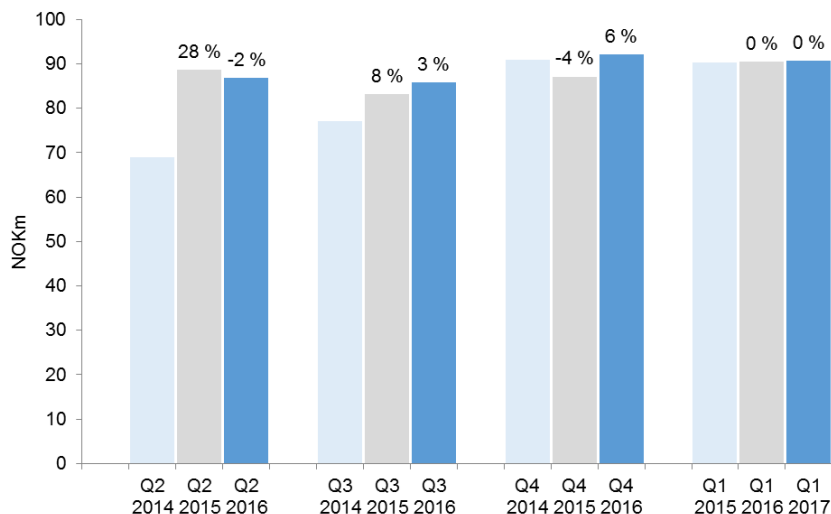


- Consistent and strong demand for cloud services shift revenue composition for Zalaris
- Step-up in Q1/17 mainly due to launch of service delivery to customers in Sweden
- Cloud services now at a solid 14 per cent of total operating profit.

All amounts are in NOK unless otherwise stated

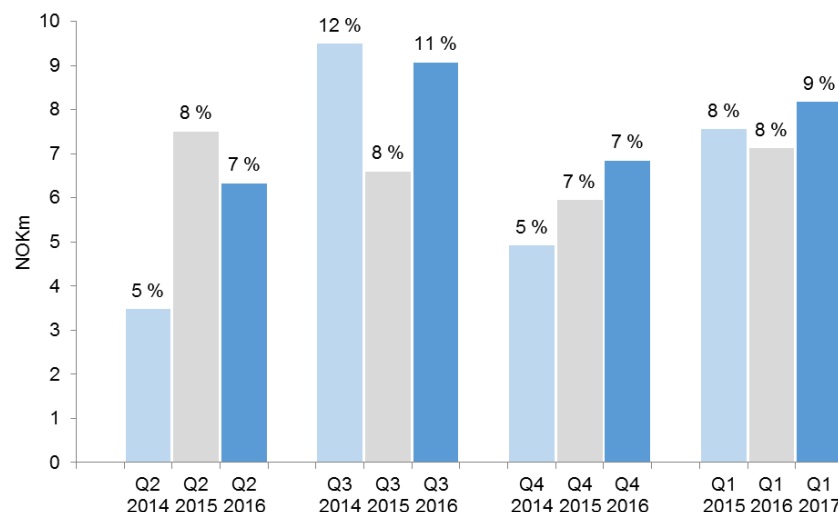
# HR Outsourcing segment: Steady growth in profit compared with Q1 in previous years

## Operating revenues



- Revenues in Q1/17 was 90.6 million, same level as Q1/16
- Marginally down from Q4/16, which was marked by high portion of additional services sold to some large customers

## Operating profit and margin

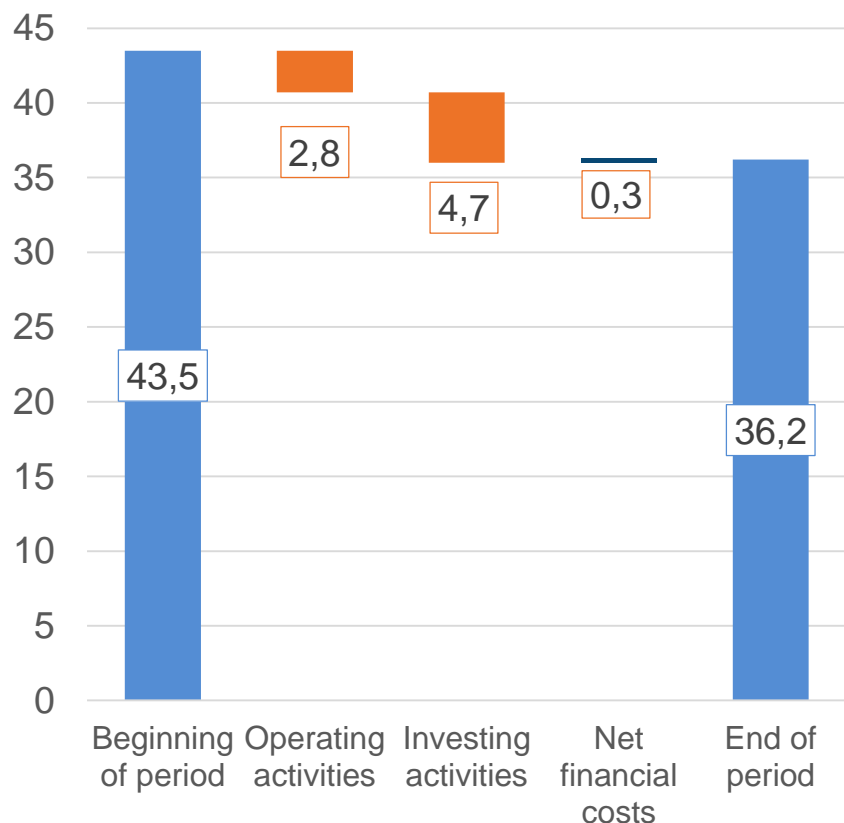


- Profit in Q1/17 was 8.2 million, up 1.1 million from Q4/16
- Personnel costs reduced by 4.5 million since Q1/16 due to onshore downsizing process

All amounts are in NOK unless otherwise stated

# Positive cash flow from operations, strong financial position

## Cash and cash flows Q1/17



- Group cash and cash equivalents was 36.2 million at end of Q1/17
- Cash from operating activities was negative 2.9 million, mainly due to capitalized implementation project costs and other short-term debt
- Continued investment in new functionality, features and systems in addition to new standard interface solutions to make the company prepared for customers' cloud-focused requirements
- Strong financial position: 56 % equity ratio at end of Q1/17
- Interest bearing debt was 1.4 million at end of Q1/17, same as 3 months before

All amounts are in NOK million unless otherwise stated

*Expanding into D-A-CH  
through acquisition of sumarum AG  
(previously known as IT2 Solutions  
AG)*

# Transaction rationale – joining forces with sumarum to speed organic growth and serving customers footprint

- Combined entity becomes **HCM powerhouse with more than 650 passionate professionals** with hearths beating for HR and payroll based on SAP and SuccessFactors and more than MNOK 550 revenue
- **Strengthened ability to serve customers in local language** and subject matter expertise on the basis of one common cloud based solution supporting common HR processes and regulatory compliance covering **Nordics, Baltics, Poland, Germany, Austria and Switzerland**
- Speeding entry into attractive German market for outsourced payroll and HR services – **adding more than 3X of Zalaris' current available market size** – and the home of some of Europe's leading organizations
- **Strengthen both parties SAP HCM and SuccessFactors capacity** to serve rapidly growing cloud segment
- **Access to sumarum's product and solution portfolio** – IP - that can be utilized serving Zalaris' existing customer base
- Take **active part in the consolidating** the Payroll and HCM Industry

# Being focused on SAP HCM and Payroll since 2001 – sumarum AG is a perfect fit for Zalaris' entrance into DACH

- sumarum is one of the largest independent HCM consulting companies in Germany
  - SAP HCM and payroll specialists
  - 178 employees in 5 German locations
  - ISAE 3402 and DIN ISO 9001 certified
- 
- Full service provider of SAP HCM related services for customers in almost all industries including the public- & not-for-profit sector
- 19,6 Mio € revenue\* (2016) with 60% consulting and 40% Outsourcing (AMO and BPO) with around 45.000 pay slips per month

\*consolidated operating revenues before intercompany transaction elimination

# Sumarum and Zalaris key figures will have more than MNOK 550 annual revenue and 650+ employees

	Year ended 31 December 2016
<b>Summary income statement (EUR million)</b>	
Operating revenues*	19,6
EBITDA	2,2
Operating profit (EBIT)	1,9
Profit / loss for the period	1,3

	As of 31 December 2016
<b>Summary statement of financial position (EUR million)</b>	
Total assets	6,4
Equity	2,3
Total Liabilities	4,1
Equity and liabilities	6,4

\*consolidated operating revenues before intercompany transaction elimination

## Deal structure and timeline

- Zalaris acquires 95,1% of shares from founder and senior management with the goal of acquiring the remaining 100% of the shares based on an Enterprise value of EUR 19,2 million
  - Financed with approx. 85% debt and 15% equity
  - Existing management will become Zalaris share holders and continue managing the business on long term agreements
- 
- Sumarum CEO and founder, Harald Goetsch will join Zalaris Group Management as responsible for the DACH region and CEO of sumarum
  - Expected closing in second half of May subject to approval of Information Memorandum by the Oslo Stock Exchange

## Concluding remarks: Another strong quarter and a milestone strategic acquisition completed

- **Revenues** above the NOK 100 million mark for second quarter on a row, with an 8 % growth year-on-year, delivering a profit above our 10 % target
- **Customer satisfaction** is intrinsic and vital to Zalaris' continued success, as witnessed in renewed agreements and new wins in Q1, including Norsk Hydro, Siemens in Sweden and new Nordic HQ Energy company
- **Strengthening partnerships** with leading technology innovators such as SAP, as the company this year was one of their first-ever business process outsourcing partners for their top-rated SAP SuccessFactors HCM platform
- **Expanding into new geographies** with current customers, and through milestone strategic acquisition of sumarum AG adding more than 3x existing market size to the combined entity with additional capacity to serve rapidly growing cloud and outsourcing business

# Important Notice

This Presentation includes certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements relate to future circumstances and results and other statements that are not historical facts, sometimes identified by the words “believes”, “expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets”, and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts which are subject to material risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. Neither the Company nor any of its subsidiaries or any such person’s officers or employees provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor do any of them accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to its actual results.

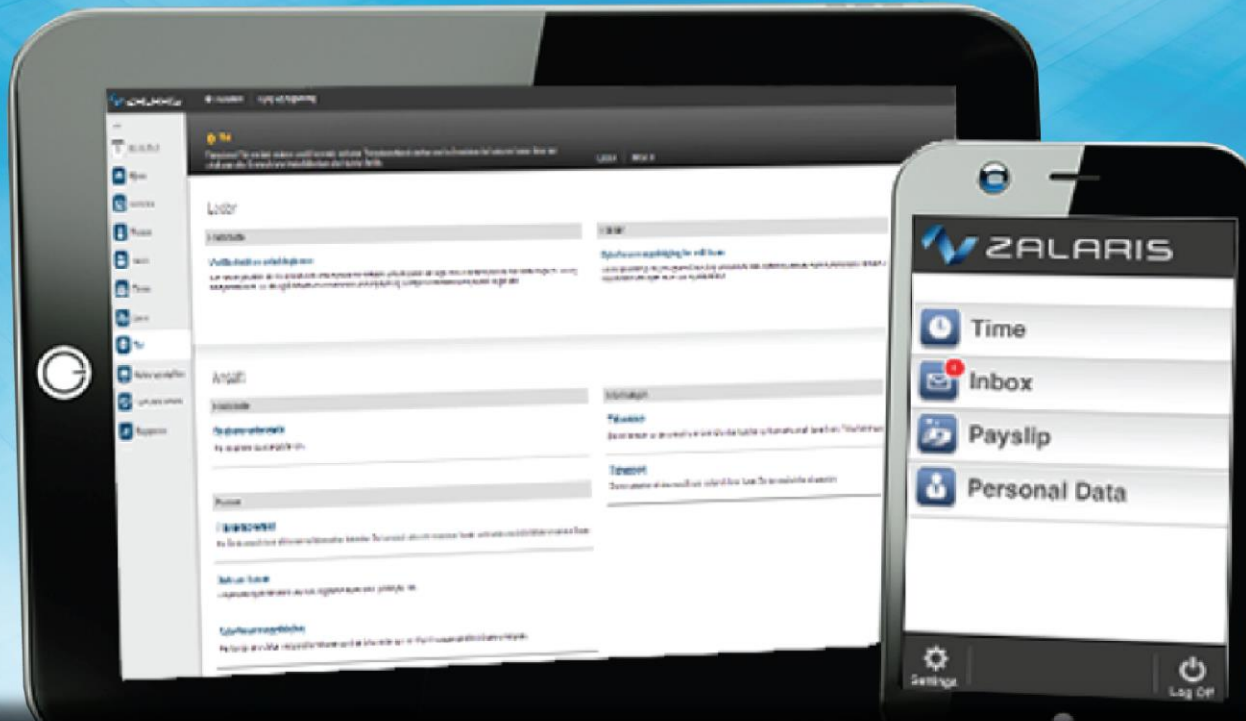
AN INVESTMENT IN THE COMPANY INVOLVES SIGNIFICANT RISK AND SEVERAL FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY STATEMENTS AND INFORMATION IN THIS PRESENTATION. A NON-EXHAUSTIVE OVERVIEW OF RELEVANT RISK FACTORS THAT SHOULD BE TAKEN INTO ACCOUNT WHEN CONSIDERING AN INVESTMENT IN THE SHARES ISSUED BY THE COMPANY IS INCLUDED IN THIS PRESENTATION. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED IN THIS PRESENTATION. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT THE INFORMATION INCLUDED IN THIS PRESENTATION.

No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, neither the Company nor any of its subsidiaries nor any such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this Presentation.

The contents of this Presentation are not to be construed as legal, business, investment or tax advice. Each recipient should consult its own legal, business, investment or tax adviser as to legal, business, investment or tax advice. By attending or receiving this Presentation you acknowledge that (i) you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company’s business, (ii) if you are a U.S. person, you are a QIB (as defined below), and (iii) if you are a non-U.S. person, you are a Qualified Investor or a Relevant Person (as defined below).

This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in any jurisdiction or to any person in which or to whom it is unlawful to make such an offer or solicitation. The distribution of this Presentation and the offering, subscription, purchase or sale of securities issued by the Company are in certain jurisdictions restricted by law. Persons into whose possession this Presentation may come are required by the Company to inform themselves about, and to comply with, all applicable laws and regulations in force in any jurisdiction in or from which it invests in the securities issued by the Company or receives or possesses this Presentation and must obtain any consent, approval or permission required under the laws and regulations in force in such jurisdiction. The Company shall not have any responsibility or liability whatsoever for these obligations.

*We open for questions*



*Thank you!*

Hans-Petter Mellerud  
CEO & Founder  
hans-petter.mellerud@zalaris.com

Nina Stemshaug  
CFO  
nina.stemshaug@zalaris.com

Zalaris HR Services AS  
PO Box 1053  
NO-0218 Oslo  
Tel: +47 4000 3300  
www.zalaris.com

