



# *Interim report | Second quarter and first half year 2017*

Oslo, 16 August 2017

# Presenters and agenda



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## Agenda

- Recent highlights
- Financial performance in second quarter and first half of 2017
- sumarum acquisition
- Outlook

# Growth continued in a milestone quarter for Zalaris

## Financial indicators

- Q2/17 revenues of 127 million represent an increase of 33 % from Q2/16.
- Revenues H1/17 ex-sumarum was 209 million, a 8.0% year-over-year growth.
- Profit marked by seasonal variations as usual. Profit margin for Q2/17 was 5.7 %.

## Key figures

NOK million	Q217	Q216	YTD17	YTD16
Revenues	127	95	233	194
Operating profit	7.2	7.1	18.0	14.9
Profit for the period	(4.6)	4.7	0.8	10.3
EPS (NOK)	(0.23)	0.21	0.04	0.47

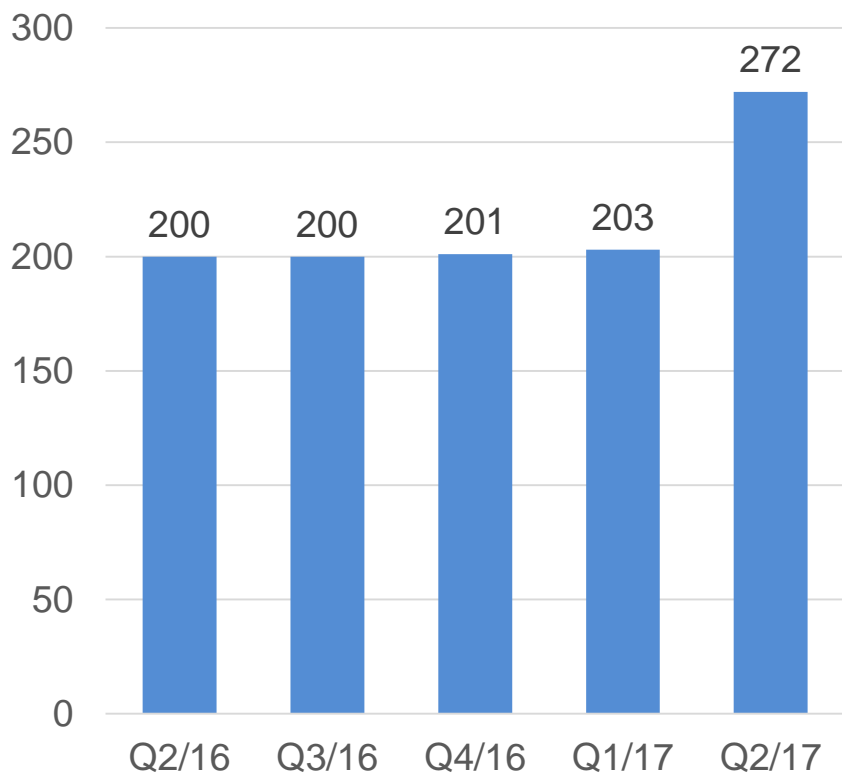
## Strategic milestones and trends

- Acquisition of sumarum AG completed, combination of business well underway, opening new markets for Zalaris
- Organic growth continues with additional major deals and prospects
  - Five-year contract for cloud services to Swedish based automotive innovator China Europe Vehicle Technology
  - Five-year contract with Statkraft signed. Wide range of services
- Growth and margin expansion squarely in our sights as new digital HR opportunities unfold

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

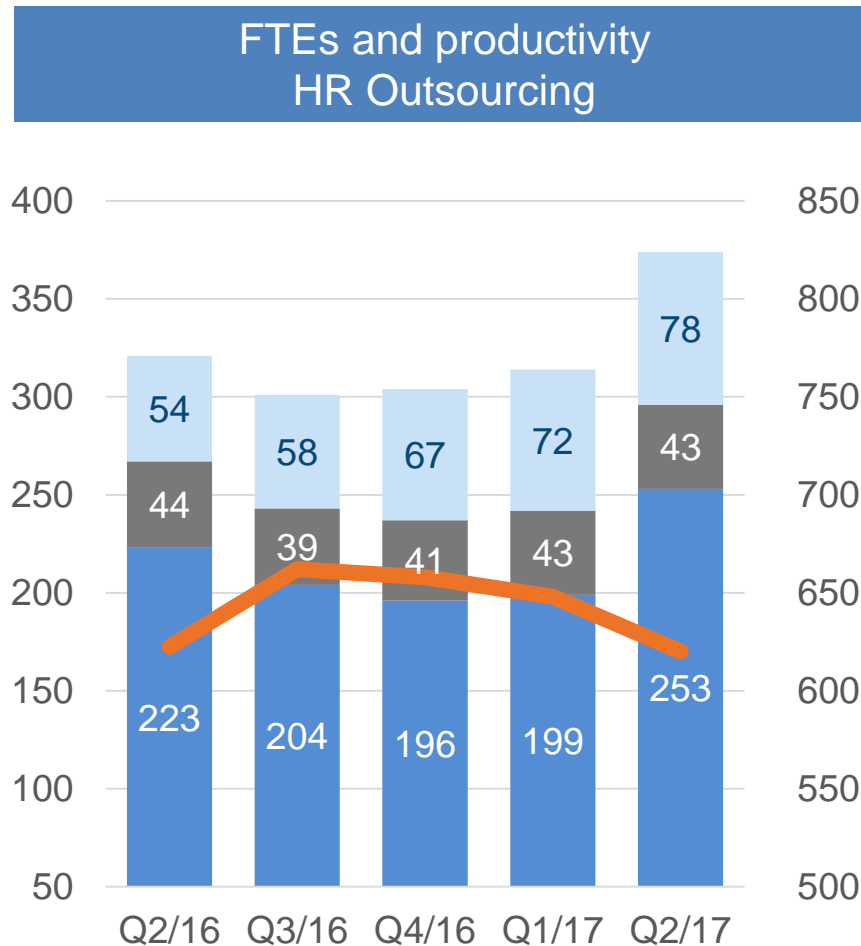
# Significant increase in number of employees served due to acquisition of sumarum

Number of employees served (1000')



- Number of customer employees served indicates volume of transactions and services delivered by Zalaris. The scope of services provided varies for each customer.
- Growth in average number of employees served in Q2, is primarily the an effect of the acquisition of sumarum and its 70' customers in central Europe.

# Operational key performance indicators, efficiency on par y-o-y

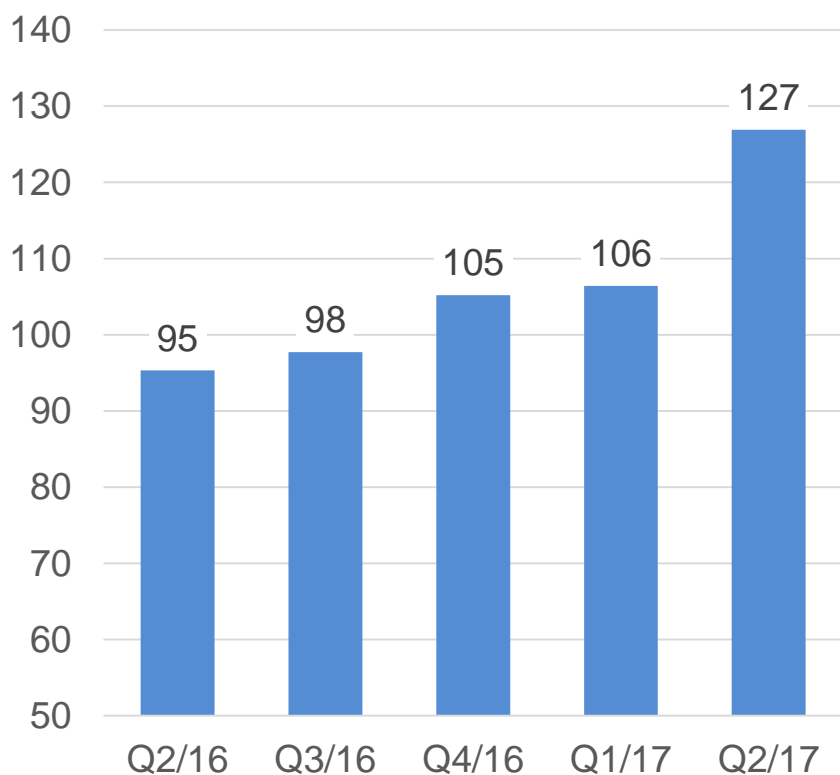


- Average number of employees served per FTE (full time equivalent) by **HR Outsourcing** was 620 in Q2/17, slightly down from previous quarters, on par with Q2/16
- Increase in local resources as sumarum staff has now been included
- Build-up of offshore resources continued. Offshore and nearshore represented 28 % of total number of employees, including sumarum
- **Group** headcount was 690, including 183 who joined from sumarum. Total number of FTEs was 643.

- 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)

## Q2 revenues increased 8 % year-on-year. Cloud business continues to grow in importance

### Operating revenues



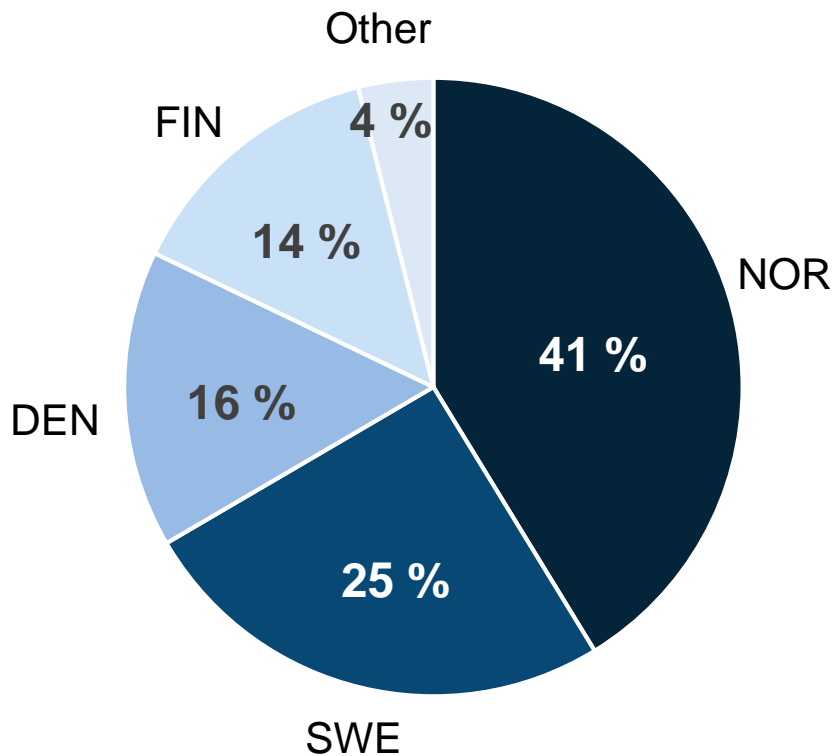
- **Group** revenues in Q2/17 was 126.9 million, including 24 million from the acquired sumarum group
- Excluding sumarum y-o-y revenue growth for Zalaris was 7.9 %, while Q2/17 compared with previous quarter was slightly down due to normal seasonal variations
- Growth in **Cloud services** continued, reaching revenue of 18.9 million (14.5 million ex. sumarum), up from 6.0 million one year before
- **Outsourcing** revenues was NOK 86.8 million in Q2/17, same as Q2 last year
- **Consulting** business was down to 0.9 million in external sales, as capacity was channeled to the Cloud segment

All amounts are in NOK unless otherwise stated

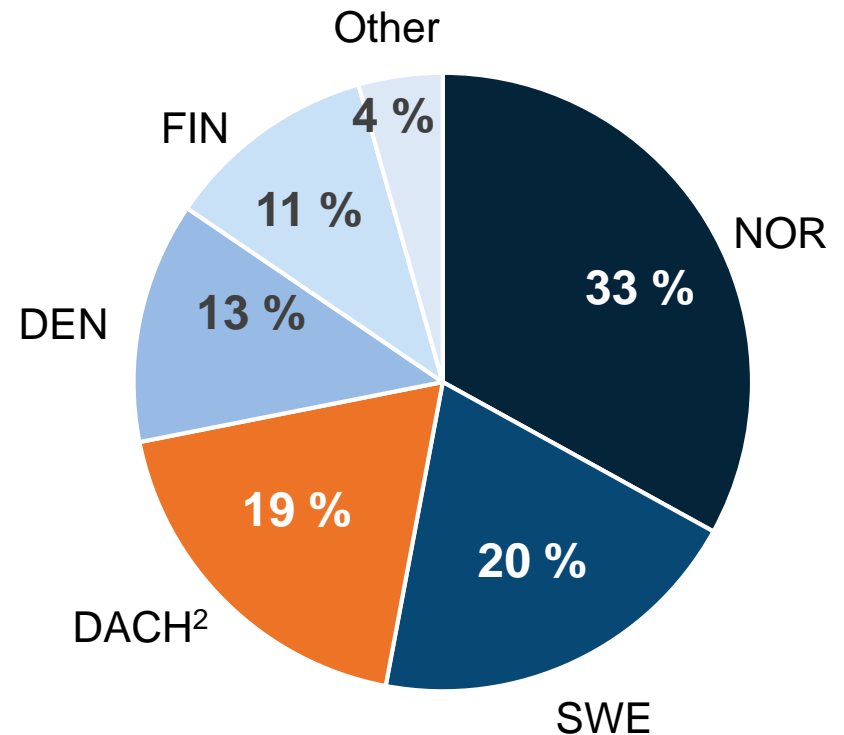


# sumarum acquisition has opened new markets for Zalaris

Q1/17 revenues by geography



Q2/17 revenues<sup>1</sup> by geography

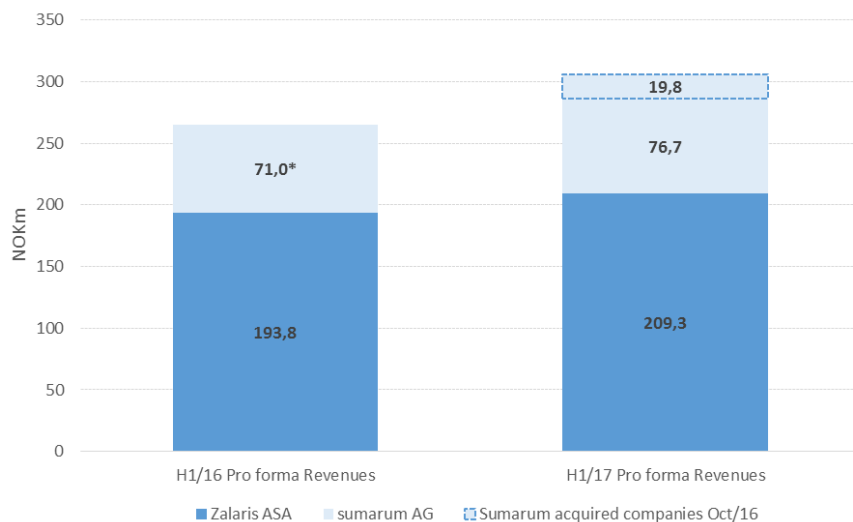


<sup>1</sup> sumarum revenues included from closing of transaction on 18 May

<sup>2</sup> DACH = Germany, Austria and Switzerland

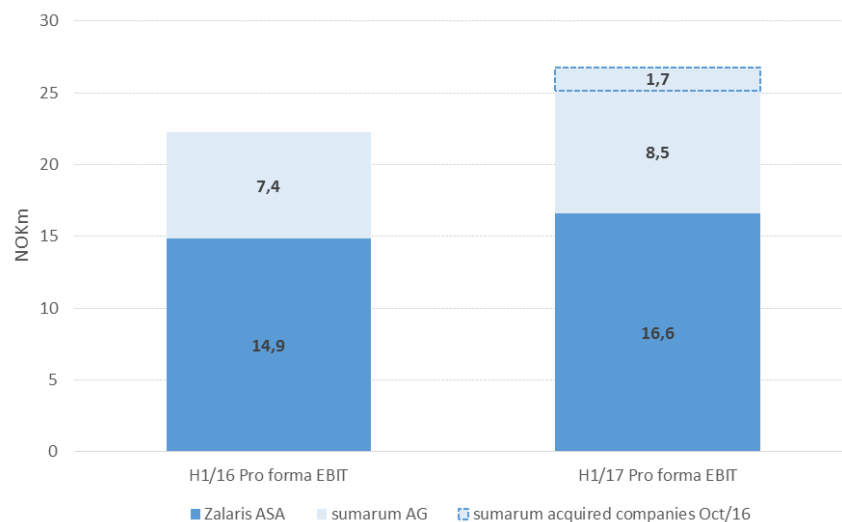
# Solid revenue and profit growth for the combined company in H1/17

H1/17 vs H1/16 pro forma revenues for the combined entity\*



\*Assuming 50% of pro forma FY16 revenues allocated to H1/16.

H1/17 vs H1/16 pro forma EBIT for the combined entity\*



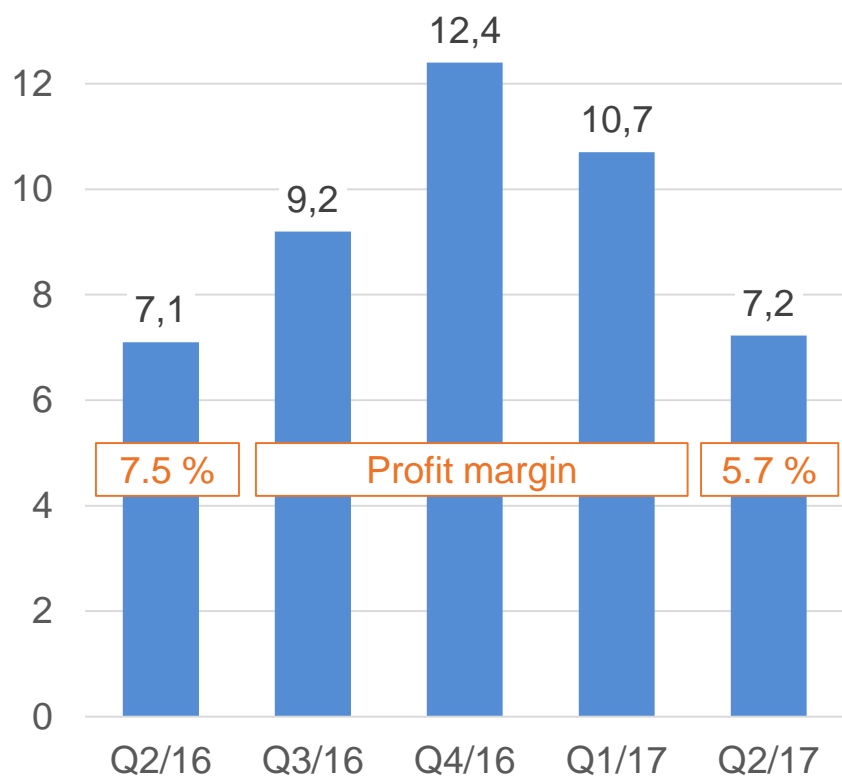
\*Assuming 50% of pro forma FY16 EBIT allocated to H1/16.

- The revenue growth for the combined entity was 15.4 per cent in H1/17 vs H1/16\*.
- sumarum acquired two companies Aug/16 and Oct/16, implying revenues in H1/17 of NOK 19.8 million. Excluding this, the revenue growth for the two combined was 8% for H1/17.



## Q2/17 operating margin slightly down, reflecting normal seasonal variations

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

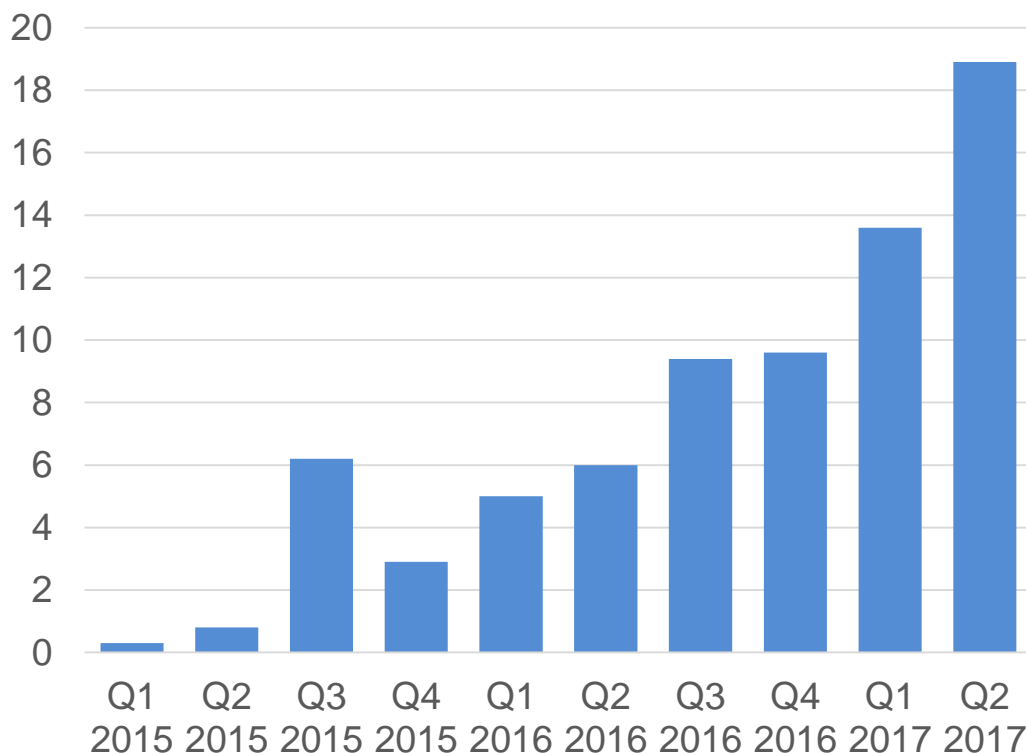


- Operating profit for Q2/17 was 7.2 million, with profit margin of 5.7 %, reflecting normal season variations.
- Operating expenses was 130.5 million, of which 22.7 million was attributable to the sumarum group.
- In Q2/17 currency effects – a weaker NOK – impacted operating margin negatively by 0.8 percentage points.
- Other costs includes 10.8 million related to acquisition of sumarum.
- Net financial items amounted to minus 2.2 million in Q2/17 and loss after tax was 4.6 million.

All amounts are in NOK unless otherwise stated <sup>1</sup> Excluding extraordinary and other costs

# Cloud services segment: Consistent and strong growth in demand

Revenues per quarter

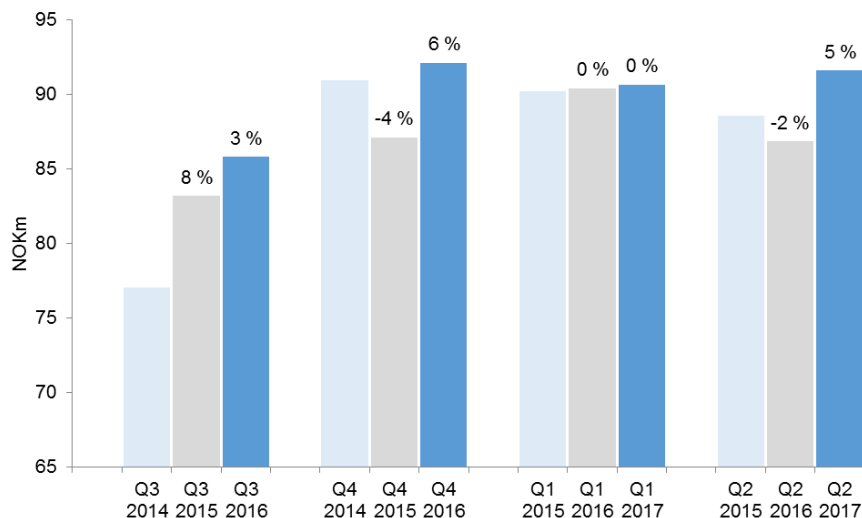


- Consistent and strong demand for cloud services shift revenue composition for Zalaris.
- Significant revenues growth up to NOK 18.9 million (NOK 6.0 million) in Q2/17 (NOK 14.5 million ex. sumarum)
- Cloud services now represent a solid 14.9% of total revenues.
- New signings in the quarter boosting further Cloud activity.

All amounts are in NOK unless otherwise stated

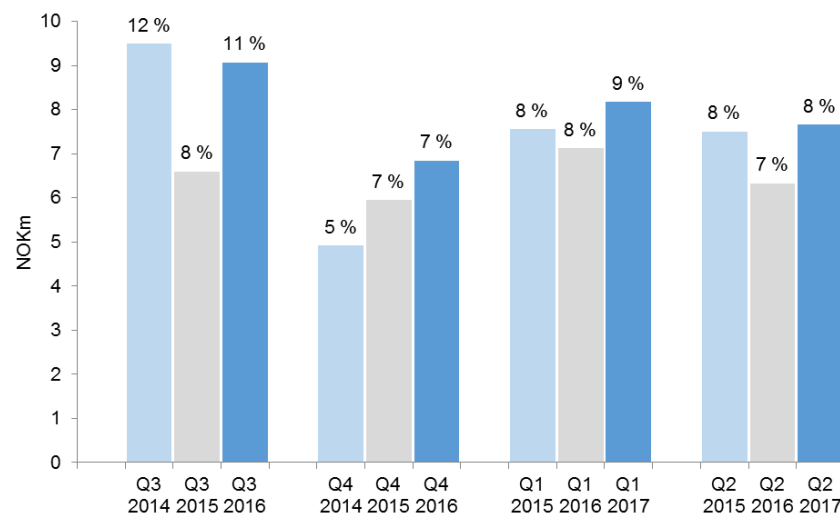
# HR Outsourcing: Growth in y-o-y revenues and operating profit. Seasonal variations as usual

## Operating revenues



- HR Outsourcing segment revenue grew by 5 % y-o-y.
- This growth is fully attributable to the acquisition of sumarum Group.

## Operating profit and margin

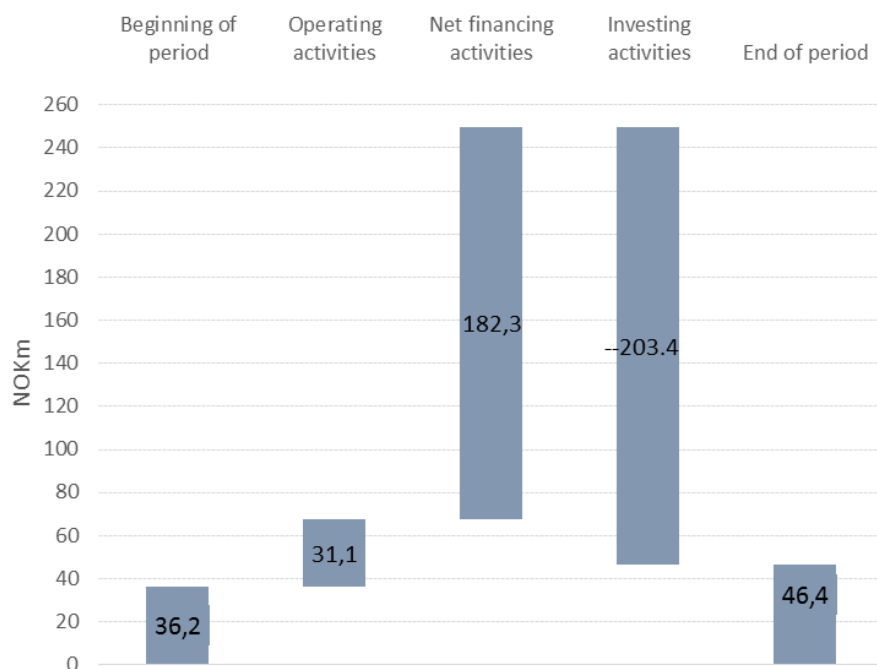


- Operating profit improved in nominal terms and as a percentage of revenues compared to same quarter previous years.
- *Operating margin shown in labels at top of bars.*

All amounts are in NOK unless otherwise stated

# Positive cash flow from operations, strong financial position

## Cash and cash flows Q2/17



- Acquisition of sumarum, partly financed by debt and new equity, had significant impact on financial position and liquidity.
- Total assets at 30.6.17 was 431 million compared with 190 million three months before and equity ratio declined from 56 % to 28 % during Q2/17.
- Cash-flow from operations was 31 million, reflecting re-categorization of long term debt
- Accounts receivables increased with 27.8 million. A dividend payment amounting to 16.6 million was made in Q2/17.
- Interest bearing debt increased to 162 million, deriving from acquisition of sumarum

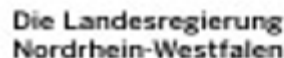
All amounts are in NOK million unless otherwise stated

# Bringing significant volumes to the Zalaris customer portfolio

- 70 000+ employees per month receiving sumarum outsourcing services



- 1 million+ employees per month receiving payroll from customers' on premise SAP Payroll solutions where sumarum is responsible for application maintenance



# sumarum services and products cover the whole specter of SAP HCM and SuccessFactors solutions

sumarum Solutions - Consulting	sumarum services – HRO and Cloud	sumarum tools	sumarum academy
<ul style="list-style-type: none"> <li>• SAP HCM and Payroll</li> <li>• Analytics – Business Intelligence</li> <li>• Talent management</li> <li>• SuccessFactors</li> </ul>	<ul style="list-style-type: none"> <li>• HR and Payroll Outsourcing</li> <li>• Application Maintenance Outsourcing</li> <li>• Cloud - Hosting</li> </ul>	<ul style="list-style-type: none"> <li>• SAP Document management</li> <li>• Electronic files</li> <li>• HR Recruiter</li> <li>• Document Generator</li> <li>• Carve-out-tools</li> <li>• HR auditor</li> </ul>	<ul style="list-style-type: none"> <li>• Education center</li> <li>• Education services and recruiting of trainers</li> </ul>

## Synergies focus on driving growth

- Expanding services and support to existing Zalaris customers in the German-speaking market
- Increased organic growth from access to larger market
- Leverage Zalaris scalable cloud concept to offer packaged solutions to defined segments and customer groups
- Cost efficiencies related to combined back-office functions within Zalaris' shared-service organization.



## Concluding remarks: Growth continued in a milestone quarter for Zalaris

- Acquisition of sumarum AG completed, combination of business well underway as new revenue opportunities and markets are opening up in German-speaking countries.
- Pipeline of new business remains strong. Zalaris has grown, and will continue to focus on growing its business with existing customers by broadening its scope of deliveries.
- The power and efficiency of cloud computing attracts an increase number of customers. Zalaris is well positioned to take advantage of this development due to the strength of its technology partnerships.
- Outsourcing of HR and payroll continue to represent significant long-term growth opportunities as companies increase their focus on core competencies

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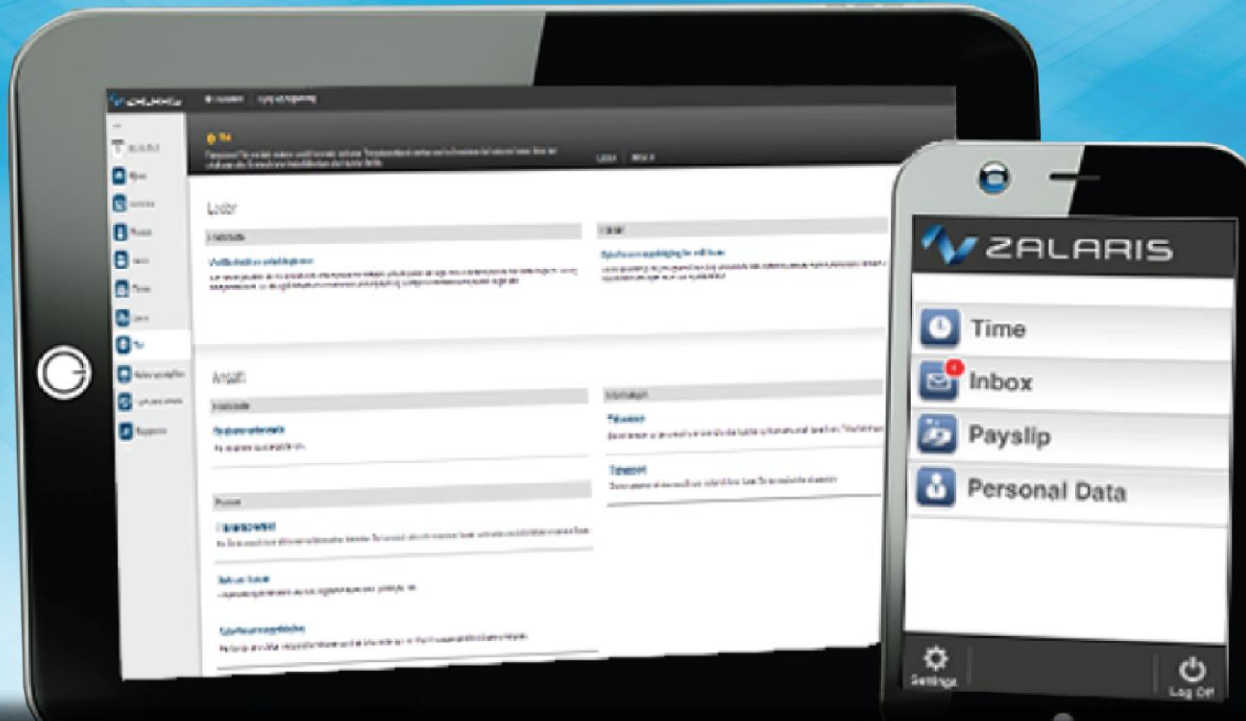
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*We open for questions*



# *Thank you!*

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