



Interim report | Third quarter 2017

Oslo, 9 November 2017

Presenters and agenda



**Hans-Petter
Mellerud**
Founder and CEO



Nina Stemshaug
CFO

Agenda

- Recent highlights
- Financial performance in the third quarter of 2017
- The ROC acquisition
- Outlook

Highlights | Strategy and operations

Another milestone quarter

- Expanding into UK and Ireland, Europe's largest market for BPO, with acquisition of ROC Global Solutions
- Important step on our journey to provide seamless services to companies operating across Northern Europe, supporting them in their efforts to digitalize and modernize HR functions
- Zalaris, now in the market with 350 SAP Human Capital Management (HCM) and SAP SuccessFactors consultants, was recently named "top provider" by leading industry analyst Nelson Hall
- ROC and sumarum acquisitions have resulted in seven-fold increase of available market, paving the way for strong organic growth. Market synergies are expected through increased scale and organic growth



Awarded prestigious 5-yr agreement with DNB for provision of cloud services

Including payroll and talent management for approximately 9 500 employees

Highlights | Financial

Strong growth through acquisitions

Key figures

NOK million	Q3/17	Q3/16	YTD17	YTD16
Revenues	151	98	383	291
Operating profit	6.7	9.1	24.6	25.6
Profit for the period	3.8	6.2	4.6	16.4
EPS (NOK)	0.19	0.32	0.24	0.78

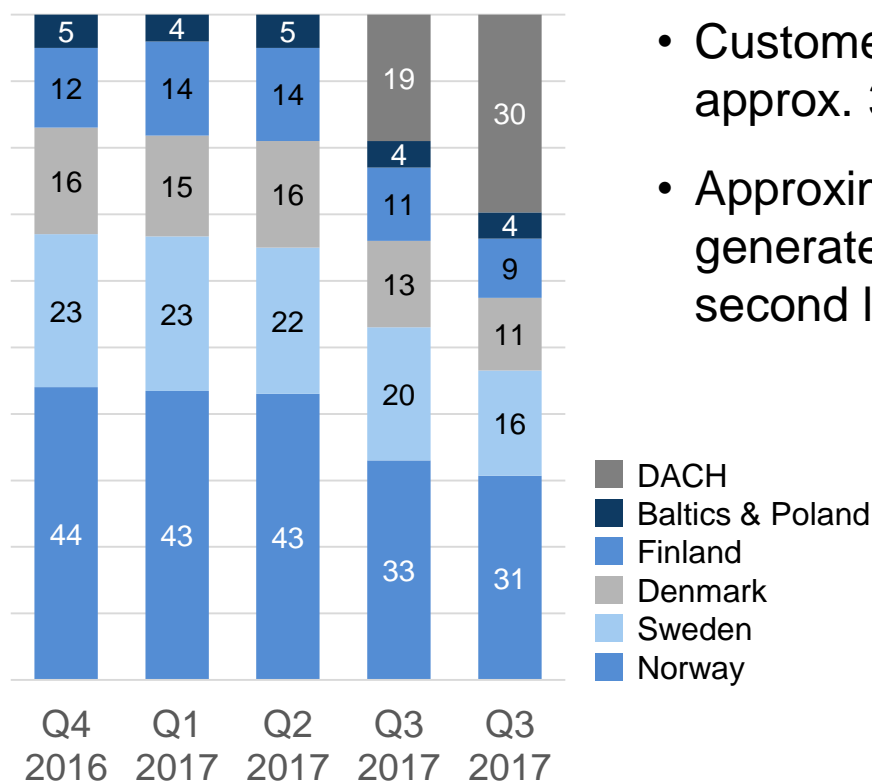
The ROC transaction was completed on 25.9.2017. The acquired business is included in the consolidated statement of financial position (balance sheet) as of 30.9.2017, but will only be reflected in the profit and loss statement from Q4/17.

- 2017 a year of growth through acquisitions
- Revenues shown include summarum full quarterly effect. ROC revenues will appear in Q4
- The two acquisitions will result in a nearly 80 % increase in revenue over the last six months
- Profit margin at 4.4 per cent. Costs related to integration and preparing for synergy programs as well as costs to build capacity for fast growing cloud segment

Revenues split

Broadened presence across Northern Europe

Distribution of revenues
by geography (in per cent)

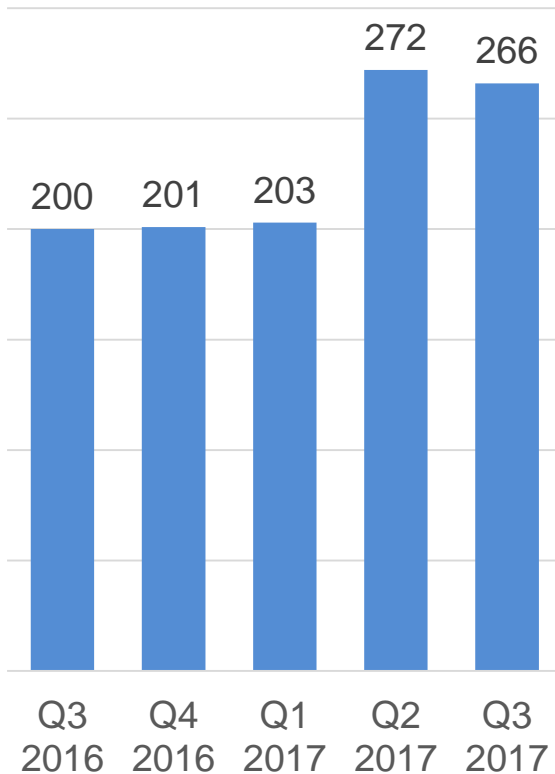


- sumarum and ROC acquisitions will significantly change Zalaris geographical footprint. ROC will be included from Q4
- Customers in Norway represented approx. 30% of revenues in Q3
- Approximately 70 % of our revenue was generated outside Norway. Germany is now our second largest market
- ROC acquisition provides immediate access to UK and Ireland, more that 60 million people and high concentration of medium and large size international companies

Customer reach

Number of employees served by Zalaris systems

Number of employees served (1000')



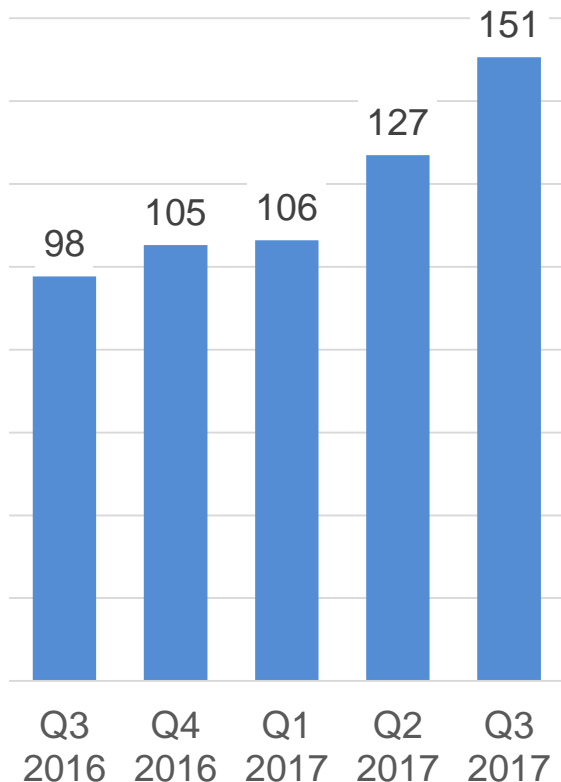
- Number of employees served in Q2 increased due to the integration of sumarum.
- The decrease in Q3 was mainly due to a change in scope for one large customer, with minor effect on revenues
- Zalaris total group headcount, excluding ROC employees, was 710 at the end of Q3. Another 120 FTEs have joined with ROC
- Aggregated offshore and nearshore presence at the end of Q3/17 was 29% of total number of employees per end of Q3/17

Key financials
Third quarter 2017

Group operating revenues

Boost by acquisitions

Operating revenues
(in NOK million)



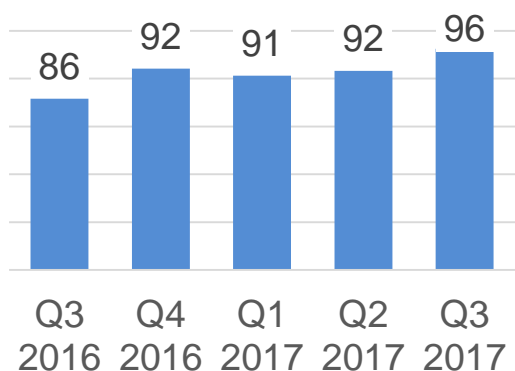
- Total revenue for Zalaris group in Q3/17 reached NOK 150.6 million with a growth of 54.1% compared to Q3/16.
- Growth mainly a result of the recently acquired sumarum business, which contributed NOK 45.9 million in the quarter.
- Excluding sumarum's results, Zalaris grew by NOK 7.0 million compared to same quarter last year, mainly attributable to the Cloud Services segment.
- Revenue for the group increased 18.7% or NOK 23.7 million from Q2/17 to Q3/17
- Revenue impact from the ROC companies will appear in Q4/17 numbers.

Revenues by segment

Continued strong growth in Cloud

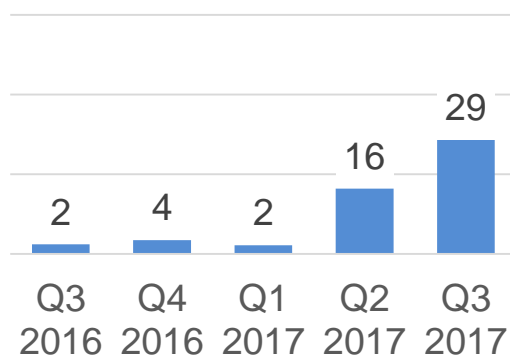
HR Outsourcing (amounts in NOK million)

- Revenue increased by 12.1% and 5.1% compared to Q3/16 and Q2/17 respectively.
- Revenues from sumarum companies are main reason for growth



Consulting (amounts in NOK million)

- Growth in both Q2 and Q3 is entirely attributable to business from sumarum companies with 1.5 months in Q2 and 3 months in Q3.



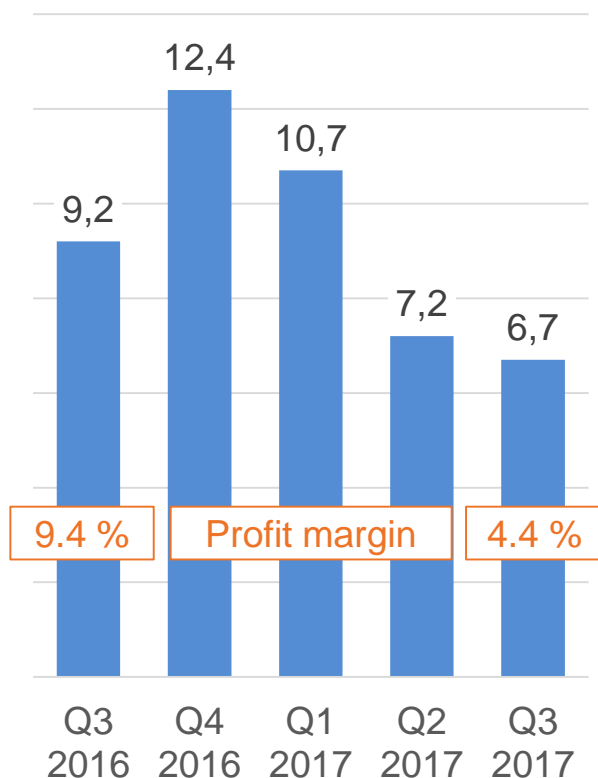
Cloud Services (amounts in NOK million)

- Cloud revenues increased 173% year-on-year, as demand continues to grow from both existing and new customers. Q3/17 also includes annual licensee fee to one large customer
- sumarum included with full effect in Q3.



Group operating profit | Temporary weakening of margins as new experts are onboarded

Group operating profit¹
(in NOK million)



- Operating profit was NOK 6.7 million or 4.4 %.
- Year-on-year decrease stems from higher level of personnel costs and other operating expenses.
- The latter reflects high usage of external consultants within the Cloud segment in the sumarum companies.
- Normal seasonal variations and integration activities related to newly acquired companies effect the personnel costs as percentage of revenue negatively.
- A weaker Norwegian krone compared to last year negatively effected Q3 profit margin by 0.6.

All amounts are in NOK unless otherwise stated ¹ Excluding extraordinary and other costs

Profit by business segment

HR Outsourcing delivers the profits in Q3

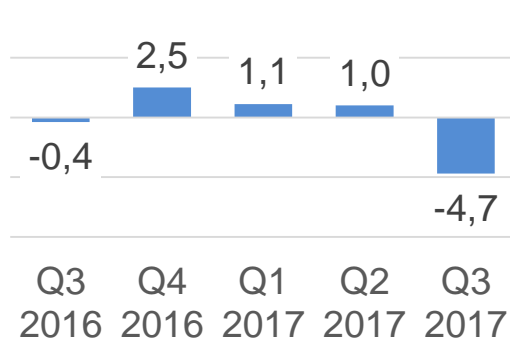
HR Outsourcing (amounts in NOK million)

- Operating margin in the segment was 11.5% in Q3/17
- Increase in margin is partly attributable to the cost realizations of the increased offshore presence and good performance in sumarum companies in this segment.



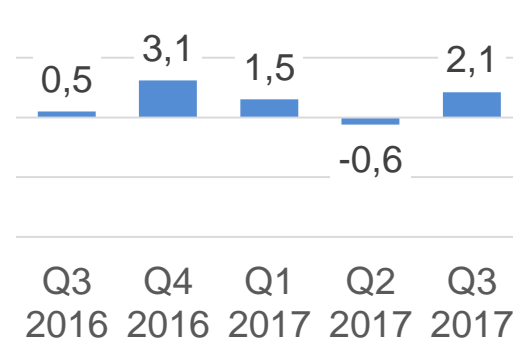
Consulting (amounts in NOK million)

- NOK 4.7 million loss in Q3/17
- Normal seasonal variations related to vacation resulting in fewer workdays
- Integration activities with no revenue component.
- Training up from 3% to 10% of available hours to build SuccessFactors capacity



Cloud Services (amounts in NOK million)

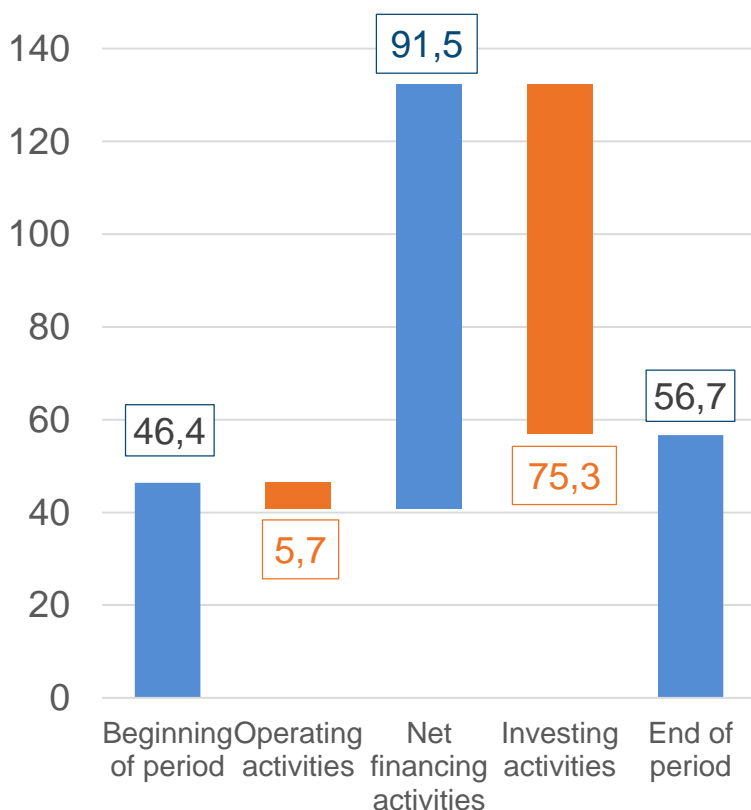
- Operating margin in the Cloud Services segment was 8.1% in Q3/17
- Zalaris stand alone reached 12.4 % profit margin in Q3/17.
- This was partly offset by costs related to use of external consultants and product development in the sumarum business



Strong financial position

Balance sheet marked by recent acquisitions

Cash and cash flows Q3/17 (in NOK million)



Comments to changes in balance sheet

- Total assets as of 30.9.17 was NOK 558 million. Total equity was NOK 128 and equity ratio was 23 %, down from 28 % on 30.6.17, mainly as a result of transaction related to acquisition of ROC.
- This acquisition, which was completed on 25.9.17, was funded through a combination of cash financed by debt and the issuance of new shares.
- Interest-bearing debt at 30.9.17 was NOK 240 million compared with NOK 1.6 million at 30.6.17.
- Increase in debt reflects the acquisition of sumarum AG in Q2/17 and the acquisition of ROC in Q3/17

Financial positions remains strong after significant changes as result of strategic acquisitions



Assets

	31.12.2016	30.06.2017	30.09.2017
Goodwill and other intangible assets	39 054	219 286	281 160
Total non-current assets	46 484	249 403	318 329
Trade accounts receivable	70 887	103 008	143 932
Cash and cash equivalents	43 509	46 430	56 738
Total current assets	145 528	181 409	239 319
Total assets	192 012	430 813	557 648

Increase in goodwill and other intangible assets reflecting transaction values

Change corresponding to increased size of business

Continued strong cash position

Zalaris group grows nearly 3x

Equity and liabilities

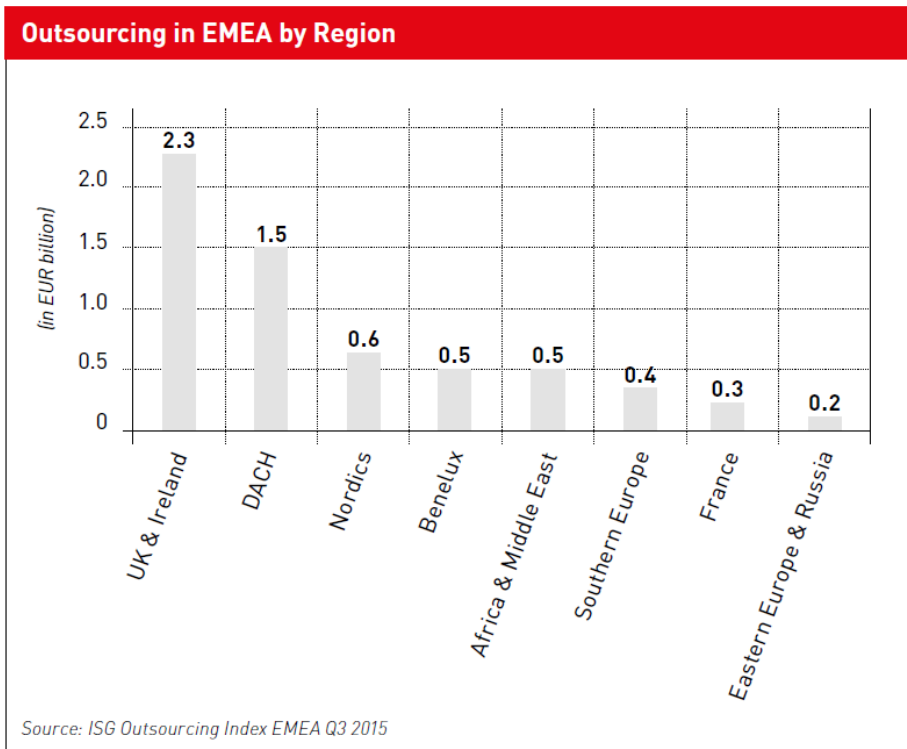
Total equity	100 624	118 685	128 356
Total long-term debt	4 331	185 777	269 472
Total short-term debt	87 057	126 351	159 820
Total equity and liabilities	192 012	430 813	557 648
Equity ratio	52 %	28 %	23 %

Acquisitions partly financed by debt, partly by equity

Reflecting increased volume of business

*Concluding
remarks*

Adding market facing operations to Germany and UK/Ireland increases the market for selling our outsourcing services with an estimated 7x



Population of:

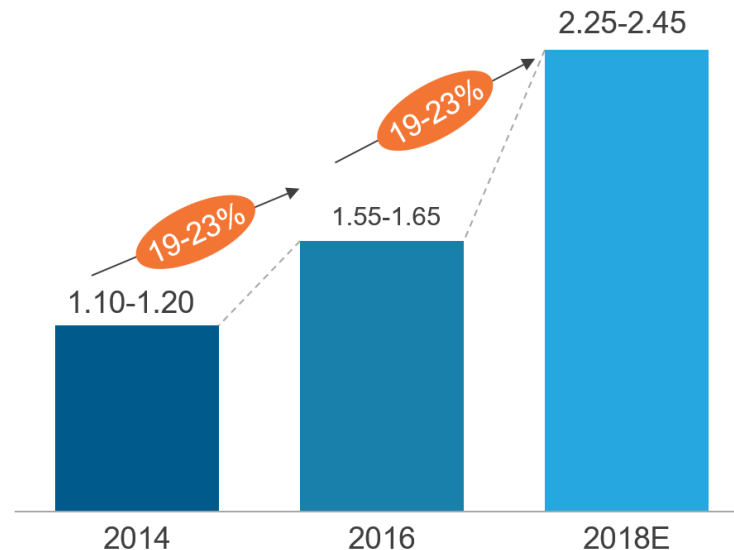
- Nordics and Baltics as served by original Zalaris of 30 million
- DACH with 97 million, UK/Ireland with 71 million and Poland with 38 million
- **From 30 ->230 million**

=7x

The MCPO market has grown rapidly at a CAGR of ~21% from 2014 to 2016 to cross US\$1.5 billion. This momentum is expected to continue over the next few years

Market size of MCPO market
US\$ billion

x% MCPO CAGR



Source: Everest Group (2017)



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With sumarum and ROC joining the Zalaris family our market footprint and advisory capability has doubled



Highlights

Description

Market

- » German-speaking countries. 97 mill people in DE, A, CH
- » Serving customers from six German locations

Clients

- » 70 000+ employees per month receiving outsourcing services and 1+ mill receiving AMO services
- » Huge potential among SMEs

Financial

- » H1/17 pro forma revenues of NOK 96.5m, and EBIT of NOK 10.2m
- » Total equity consideration of EUR 19.2m

Impact

- » Access to DACH market
- » New products



Highlights

Description

Market

- » UK/Ireland 66 +5 million, DACH 97 mill and Poland with 36 million people
- » 112 consultants in five offices in UK (headquarter), Germany and Poland

Clients

- » Blue chip customers in: Banks, Automotive, Utilities & Hospitality
- » Human resources consulting company with expert resources.

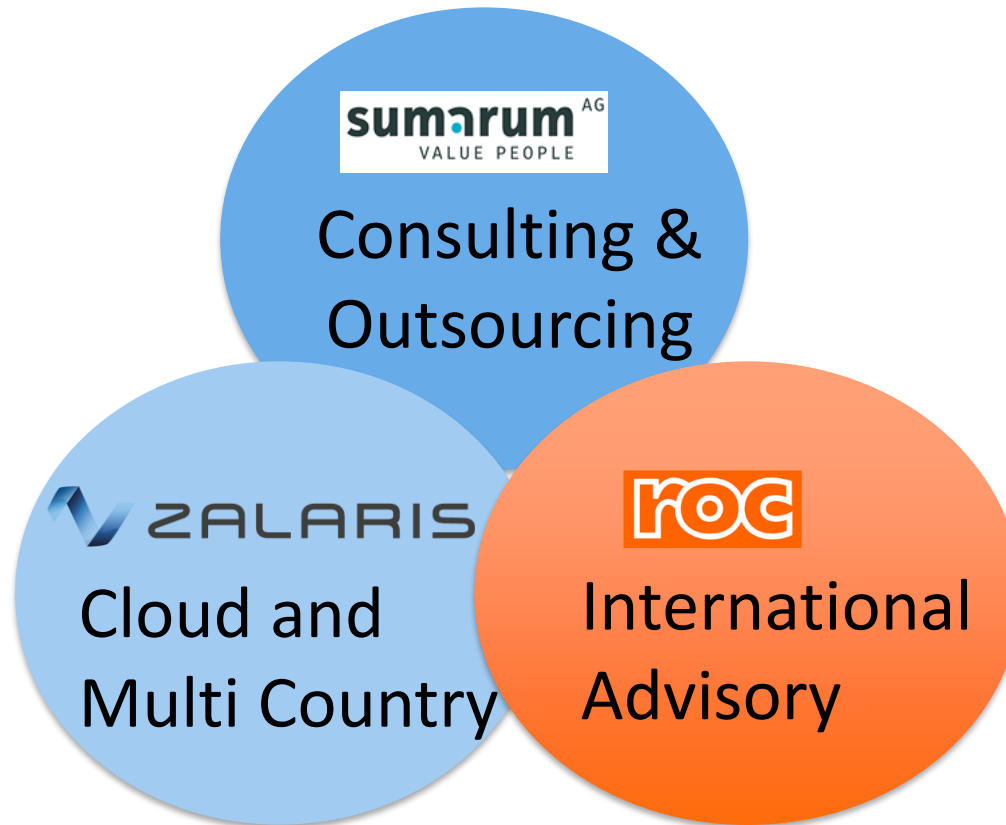
Financial

- » FY16 end 30 Sept 16 revenues of GBP 10.7m, and EBITDA of GBP 0.8m
- » Total equity consideration of GBP 8.6m

Impact

- » Access to UK/Irish market
- » Increased advisory and cloud implementation capacity in Germany and Poland

In addition to giving us the ability to serve our customers in the markets that they operate the acquisitions supports our ambition of being a one stop shop to the HR function



Concluding remarks | Priority to margin improvement and market activities going forward

- Zalaris continues to serve customers across an increasingly diverse range of industries and geographies. Our business pipeline remains solid and we focus on implement our proven Cloud and BPO sales models in our new territories Germany, UK and Ireland
- Margin improvement is an ongoing priority with focus on reducing costs in our BPO segment, resource efficiency and revenue in our consulting segment and scale in our Cloud segment.
- Current market trends gain momentum and support our strategy as customers seek the benefits and cost savings of outsourcing and digitization of functions.
- Zalaris is in a position to further capitalize as current trends gain momentum. Our cloud platform and mobile innovations are particularly relevant
- In addition, new requirements associated with the General Data Protection Regulation (GDPR) contribute to a positive outlook because Zalaris' services, best practices and processes help enterprises achieve and maintain compliance.

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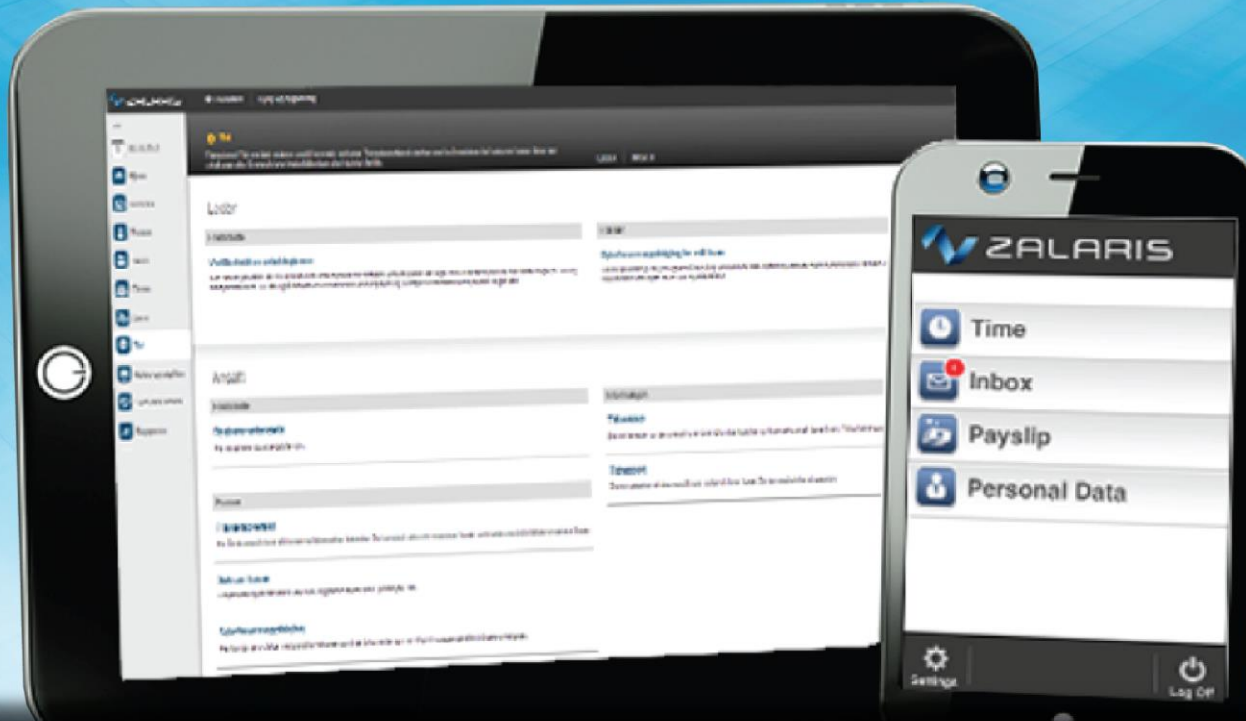
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We open for questions



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

