



Interim report | Full year and fourth quarter 2017

28 February 2018

Presenters and agenda

1. Highlights
2. Financial performance in the fourth quarter and full year 2017
3. Market trends
4. Outlook



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Founder and CEO



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CFO



Highlights | Strategy and operations

Well placed for continued organic growth

- A year of change: From mostly Nordic player to broad presence across Northern and Central Europe, and with activities in India and Thailand
- Secured position as leading provider of multi-process human resources outsourcing with a scalable platform in regions characterised by growth
- Emerging technologies and cloud solutions drive customer demand for new services and cross-country offering, a shift from when outsourcing of basic HR services used to be a key driver for growth
- Encouraging feedback and increased business from existing customers, as we have expanded our offering and capabilities to new geographies



Zalaris signed a five-year contract with Santander Consumer Bank in Norway.

BPO transactional HR and payroll Services for almost 600 employees in Norway.

Highlights | Financial

Strong growth through acquisitions

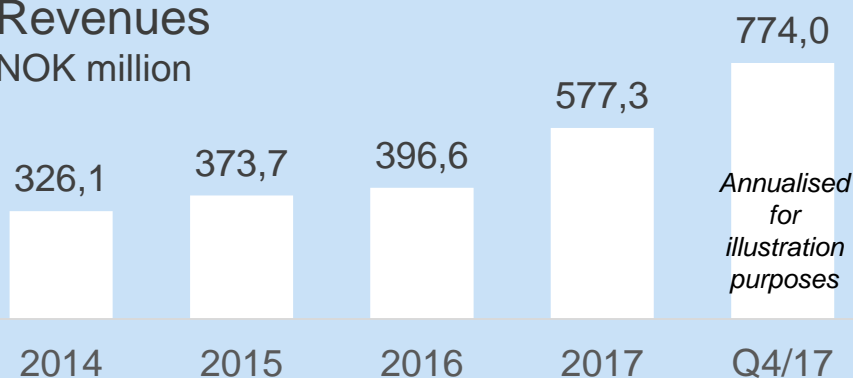
Key figures

NOK million	Q4/17	Q4/16	FY17	FY16
Revenues	193.5	105.2	577.3	396.6
Operating profit ¹	12.4	12.4	37.0	38.0
Profit before tax ²	-12.4	11.1	-6.5	33.3
EPS (NOK)	-0.82	0.55	-0.58	1.34

¹ Operating profit before other costs. ² Including a negative NOK 12.1 million unrealised foreign currency item with no cash effect

Revenues

NOK million

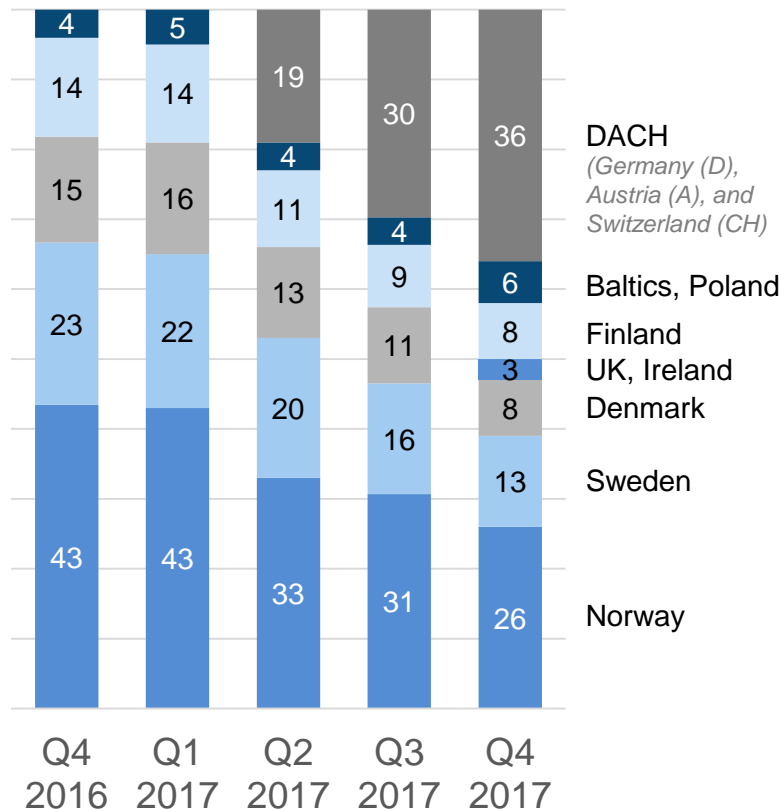


- Growth through acquisitions and organically. New businesses included with full revenue effect in Q4/17
- Group revenues in Q4/17 was close to NOK 800 million on an annualized basis
- Q4/17 operating profit margin 6.4 per cent, before transaction costs, but including integration effects
- Full year ordinary result before tax was negative NOK 6.5 million, after NOK 12.1 million non-cash foreign currency effect on EUR based acquisition financing in Q4/17

Revenues split

Broadened geographical presence

Distribution of revenues
by geography (in per cent)

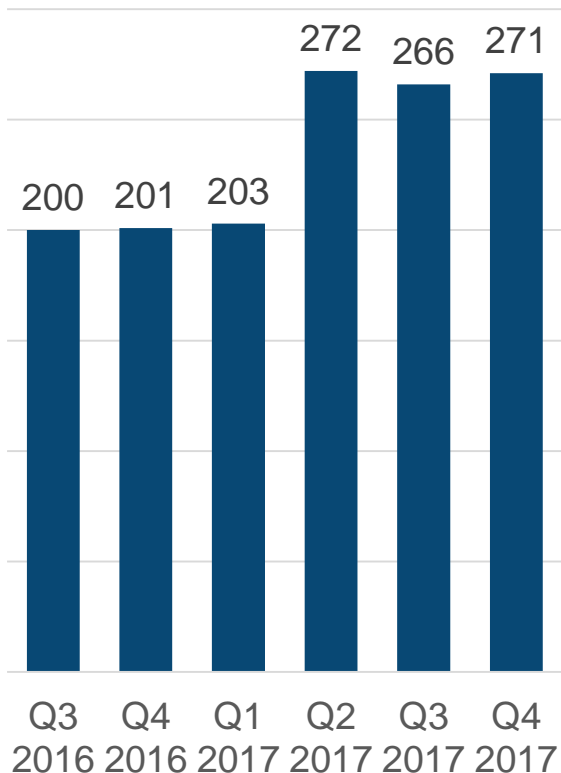


- Growth through acquisitions reflected in more balanced geographic presence across Europe
- DACH now largest in Zalaris in terms of revenues, 36 % in Q4
- Consequently, Norway's share of revenues reduced to 26 %, although Norway revenues nominally increased 9 % from 2016 to 2017

Customer reach

Number of employees served by HR Outsourcing

Number of employees
served (1000')



- Number of customer employees served by HR Outsourcing is an indication of the volume of transactions and services delivered
- Scope of services provided varies for each customer
- Increase in number of employees served in Q4/17 mainly due to one new large Norwegian customer on Zalaris platform
Services provided include payroll and SuccessFactors solutions
- Zalaris total group headcount at end of Q4/17 was 829. Number of FTEs was 768
- Aggregate number of offshore and nearshore employees was 25 % at end of Q4/17

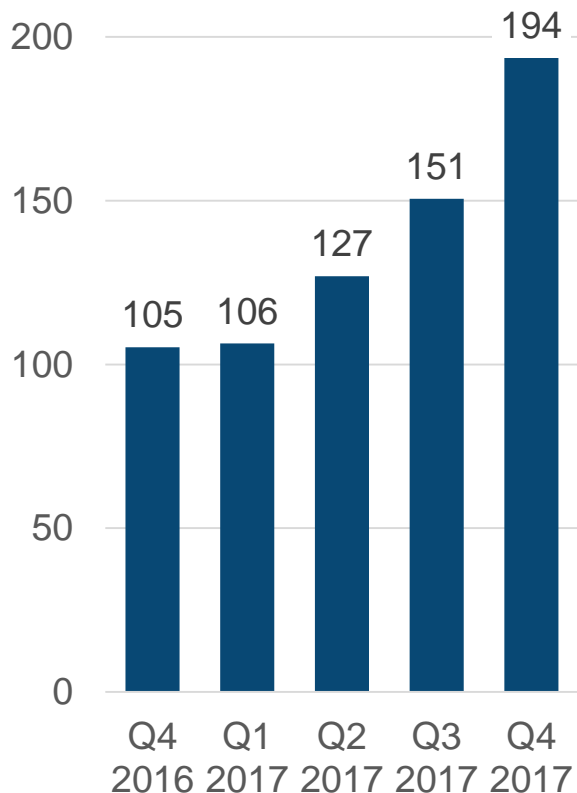
Key financials

Fourth quarter 2017

Group operating revenues

Organic growth and through acquisitions

Operating revenues
(in NOK million)



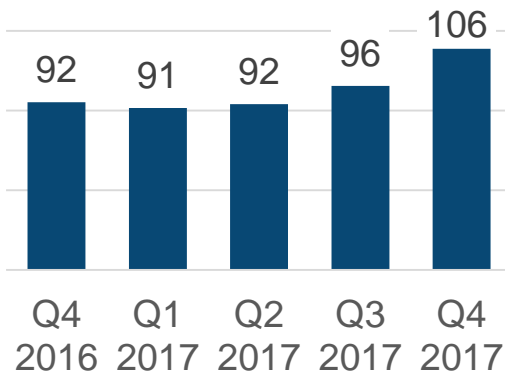
- Total revenue for Zalaris Group in Q4/17 was NOK 193.5 million, up 84 % compared to Q4/16
- Revenues in acquired businesses was NOK 81.6 million in Q4/17
- Group revenue increased 33 % or NOK 42 million from Q3/17 to Q4/17. Growth mainly a result of the acquisition of ROC
- Growth in Zalaris pre-acquisitions businesses was 7.4 % in Q4/17 compared with Q4/16
- **Full year 2017** revenues were NOK 577.3 million, up 46 % from 396.6 million in 2016

Revenues by segment

Growth in Consulting and Cloud through acquisitions

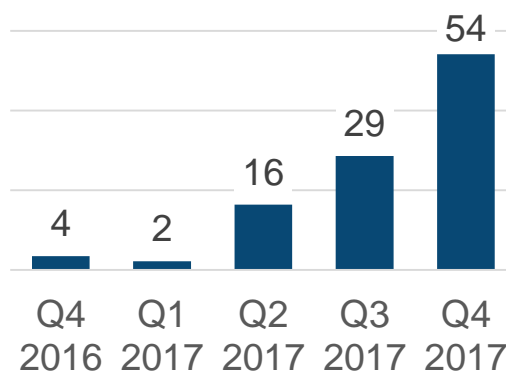
HR Outsourcing (amounts in NOK million)

- HR Outsourcing revenue in increased 14.5% compared to Q4/16, mainly due to sumarum acquisition
- Change from FY2016 to FY2017 was 8.1%. Pre-acquisition business grew 1.5%



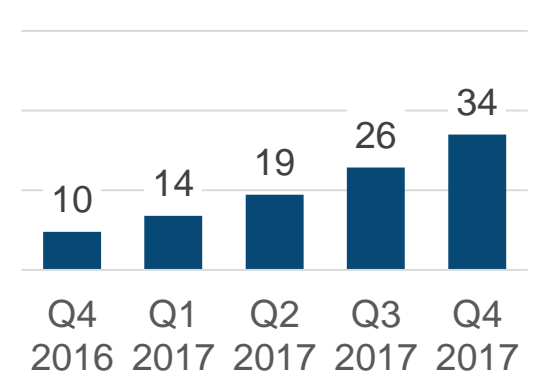
Consulting (amounts in NOK million)

- Consulting revenues in Q4/17 was NOK 54.1 million, a remarkable upswing of NOK 50.6 million from Q4/16, mostly attributable to acquisitions
- Consulting share of total revenues in Q4/17 was 28%



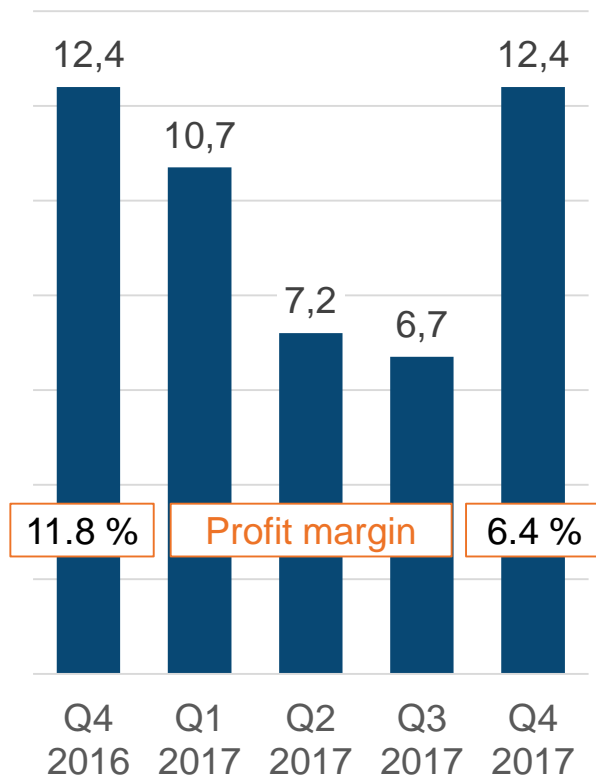
Cloud Services (amounts in NOK million)

- Increase in Cloud revenues partly driven by acquisitions, and also partly due to continuous strong demand from Zalaris' existing customers
- Consulting share of total revenues in Q4/17 was 18%



Group operating profit | Temporary lower margins because of transactions and integration activities

Group operating profit¹
(in NOK million)



- Q4/17 operating profit for the group was NOK 12.4 million excluding other costs, which amounted to NOK 9.3 million, mainly related to transactions
- HR Outsourcing showed a continuous strong margin, whereas Consulting and Cloud were negatively affected by a low utilization, caused by post acquisition integration activities and a low utilization of SuccessFactors capacity
- **Full year 2017** operating profit was NOK 37.0 million before other costs, which amounted to NOK 23.4 million

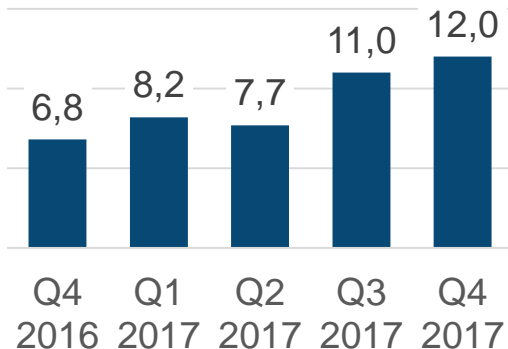
All amounts are in NOK unless otherwise stated ¹ Excluding other costs

Profit by business segment

HR Outsourcing performing well in Q4

HR Outsourcing (amounts in NOK million)

- Q4/17 operating margin was 11.3%, 3.9 points higher than in Q4/16
- Revenues and profits in Q4/17 also positively impacted by termination fee
- FY 2017** operating profit was NOK 38.8, corresponding to a 10.1% margin



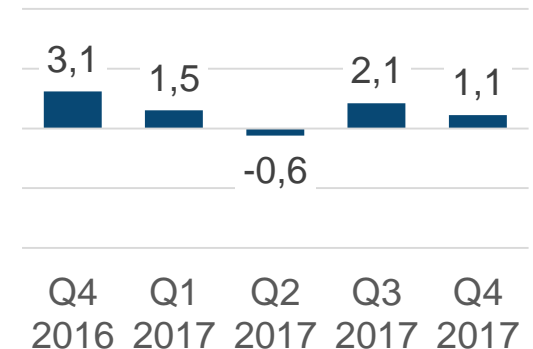
Consulting (amounts in NOK million)

- Operating margin in the segment was 3.2% in Q4/17
- Consulting capacity channeled to integration activities and training reduced margin
- FY 2017** operating result was negative NOK 0.9 million



Cloud Services (amounts in NOK million)

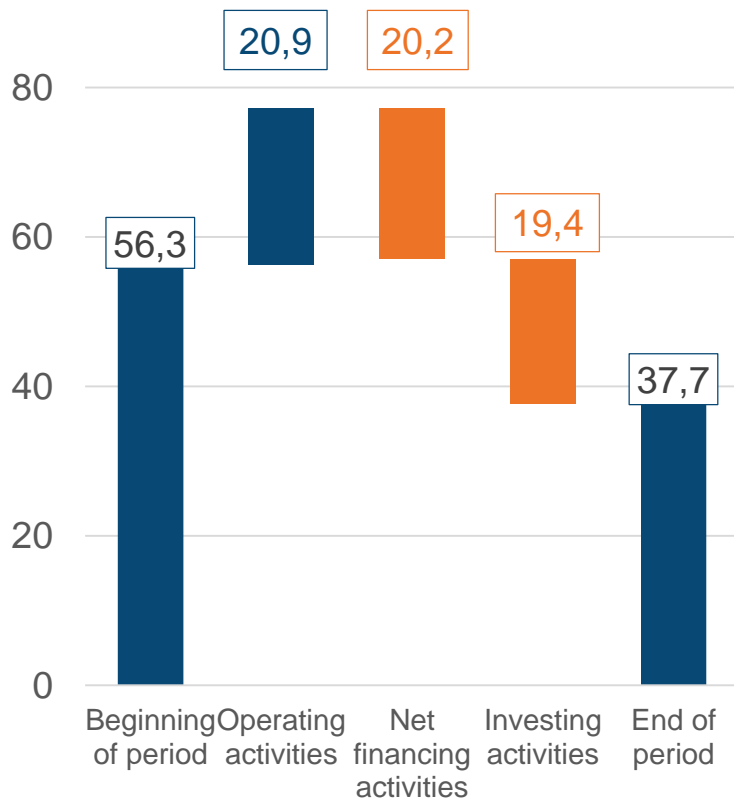
- Operating margin in Cloud segment was 2.2% in Q4/17
- Low utilization and high integration costs in acquired business. Stable strong margin in pre-acquisition Zalaris business.
- FY 2017** operating result was NOK 4.1 million, margin 4.5%



Financial position

Balance sheet marked by integration and investments

Cash and cash flows Q4/17 (in NOK million)



Changes in balance sheet and cash flows

- Total assets of 31.12.17 was NOK 563 million. Total equity was NOK 115 and equity ratio was 20.3 %, down from 52.4 % one year before
- Interest-bearing debt at year end 2017 was NOK 230 million compared with NOK 4.3 million one year earlier. Increase in debt reflects the acquisitions, see details next page
- Q4/17 cashflow from operations was positive NOK 20.9 million, mainly driven by changes in accounts payable and other short-term debt
- Main investment activities in the period related to new portal release and CRM system in addition to system integration project for the acquired companies. Campus Leipzig was finalized in October and partly included in the investments in Q4/17
- Net financing NOK -20.2 million including repayment of borrowings of NOK 21.8 million.

Financial position will be carefully managed, aiming at strengthening the capital structure

Changes in balance sheet through 2017



Assets

	31.12.16	30.06.17	30.09.17	31.12.17	
Goodwill, other intangible assets	39 054	219 286	281 160	293 582	Increase in goodwill reflecting transaction values
Total non-current assets	46 484	249 403	318 329	331 926	Change corresponding to increased size of business
Trade accounts receivable	70 887	103 008	143 932	157 912	
Cash and cash equivalents	43 509	46 430	56 738	37 657	Continued strong cash position
Total current assets	145 528	181 409	239 319	231 386	
Total assets	192 012	430 813	557 648	563 312	Zalaris group grows nearly 3x

Equity and liabilities

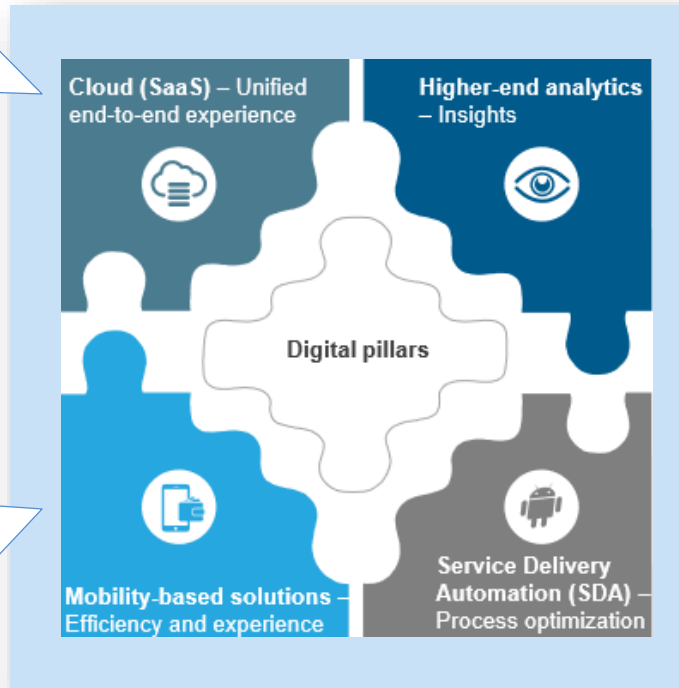
Total equity	100 624	118 685	128 356	114 540	Acquisitions partly financed by debt, partly by equity
Total long-term debt	4 331	185 777	269 472	261 649	
Total short-term debt	87 057	126 351	159 820	187 122	Reflecting increased volume of business
Total equity and liabilities	192 012	430 813	557 648	563 312	
Equity ratio	52 %	28 %	23 %	20 %	

Concluding remarks

Digital pillars in future HR

SaaS platforms such as Workday, SuccessFactors and Oracle HCM Cloud have been witnessing high adoption rates.

The emerging tech-savvy millennial population prefer using technology on the go, and this in turn is driving the demand for mobility-based solutions.



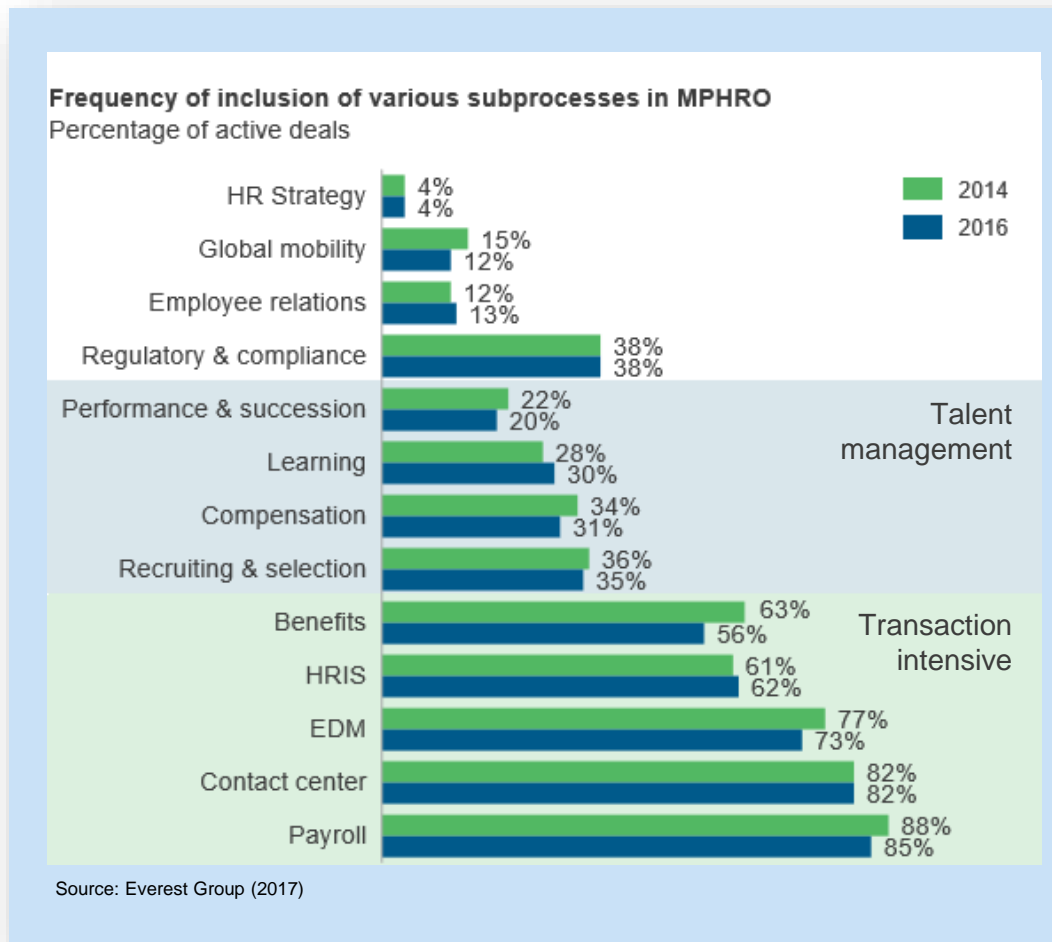
Source: Everest Group (2017)

The sophistication of analytics systems is increasing with predictive and prescriptive capabilities that have applications across several processes

MPHRO service providers are leveraging SDA technologies such as RPA and AI (natural language processing and machine learning) to optimise several key functions across employee data management, talent acquisition, and HR reporting and analytics

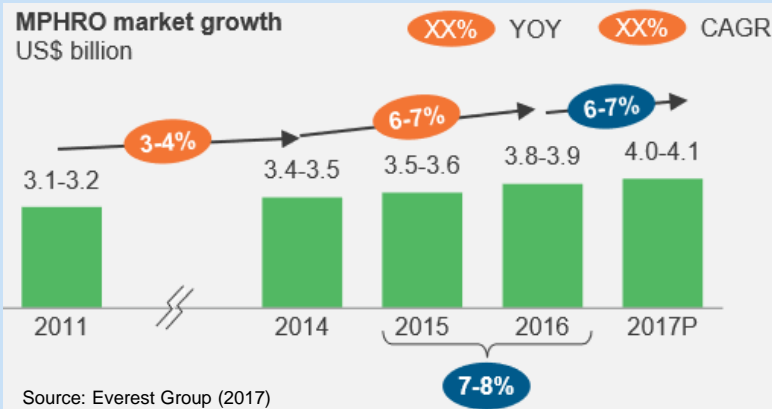
Trends in MPHRO deals

Organisations take a more selective approach to talent management components compared to transaction-intensive processes



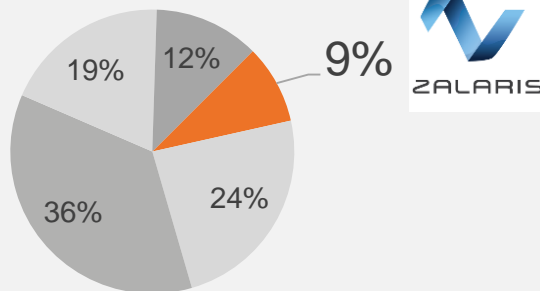
Key market trends

Multi-process HR Outsourcing continue growing



- Multi-process human resources outsourcing (MPHRO) market growth 6-7%
- Zalaris with a strong footprint in North and Central Europe with 9 % share of the European market
- Strong demand for products and services within SuccessFactors
- More than 50'000 SAP HCM on premise installations worldwide that are target for conversion for cloud based solutions
- The future of HR outsourcing models have digital pillars such as Cloud and Mobile-based solutions

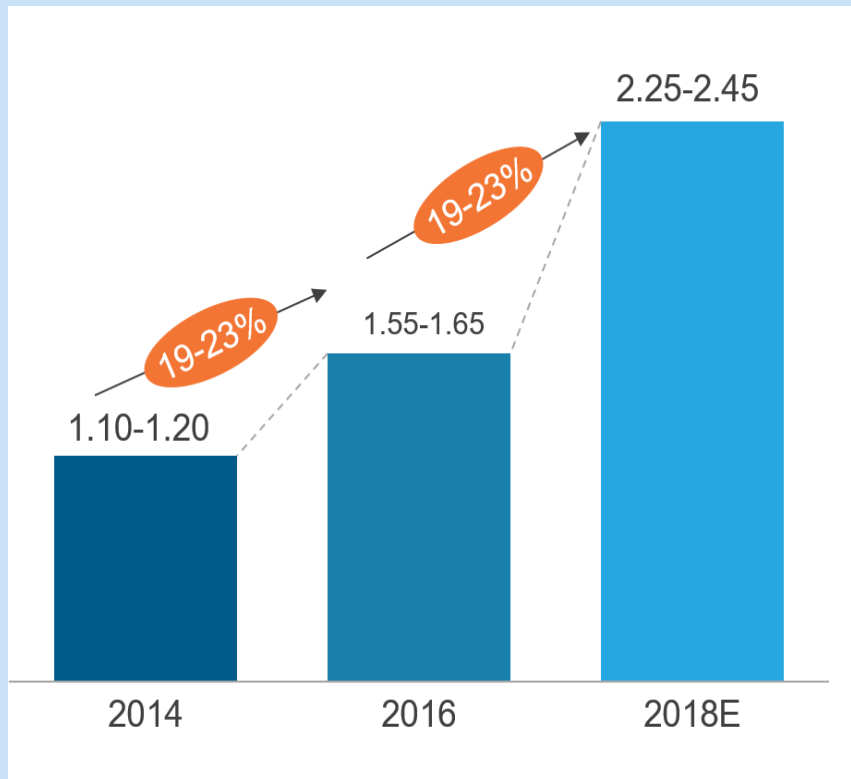
MPHRO market share Europe



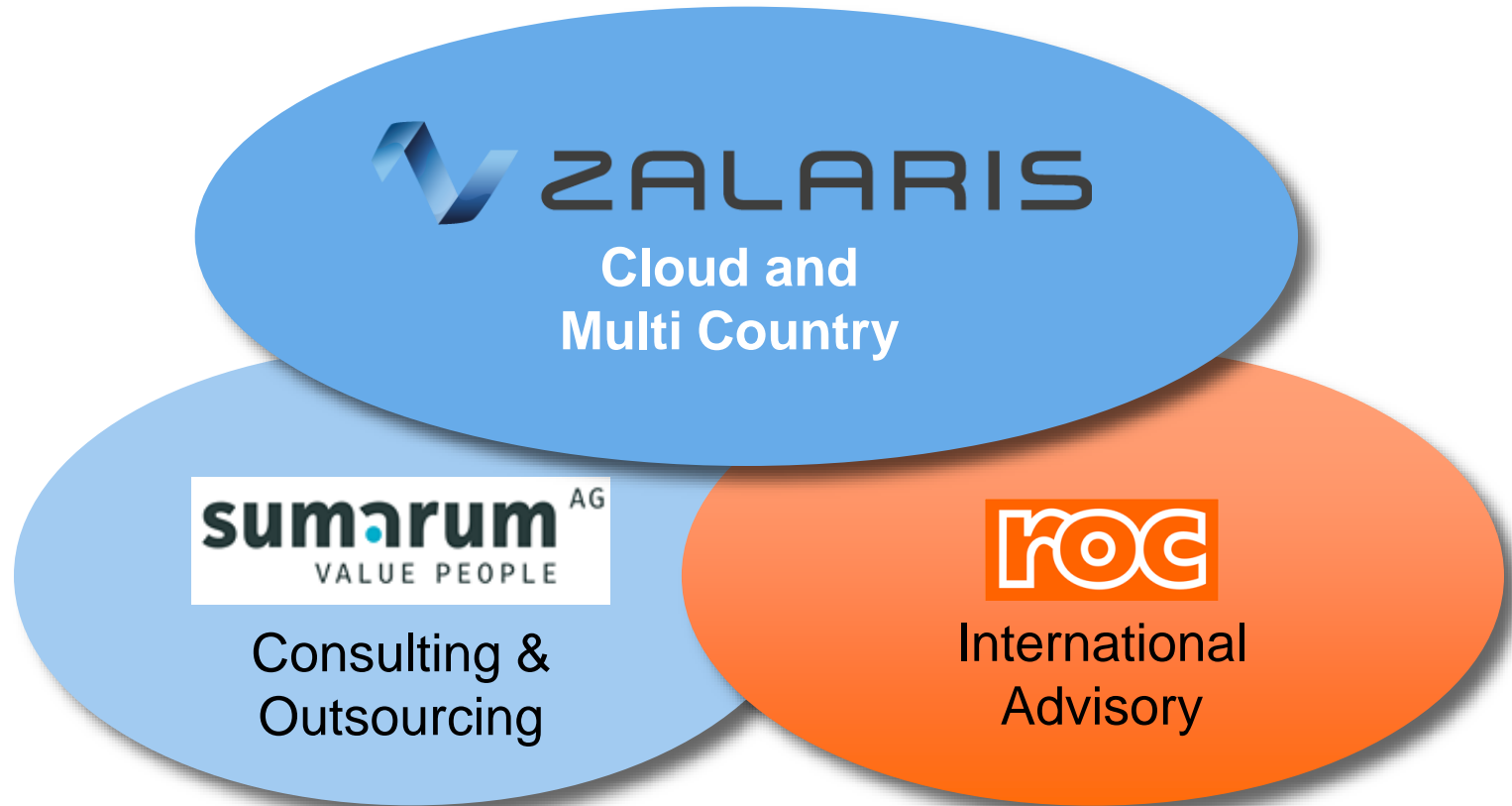
Source: Everest Group (2017)

Multi-country payroll outsourcing market growing rapidly

Market size of multi-country payroll outsourcing market (USD billion)



- Multi-country payroll outsourcing market has had compound annual growth rates around 21% in 2014-2016
- Global market exceeds USD 1.5 billion
- Momentum is expected to continue over the next few years



In second quarter 2018 ROC and sumarum will be rolled into the Zalaris brand, reflecting our ambition as **a one-stop shop for the HR function in enterprises and organisations across Europe**

Concluding remarks

Priority to margin improvement and organic growth

- Through recent acquisitions Zalaris has built a **significantly stronger platform** for continued organic growth
- While transactions have been formally concluded and the company is already offering its broader range of services in new geographies, **full effect** of integration is expected **from mid-2018**
- **Margin improvement** will continue to be a priority going forward. A structured program is being implemented
- Zalaris seeks to **maintain or increase** historic organic **growth rates** and **profit margins**.
- Driven by advances in digital technology, the European market for multi country payroll and HR outsourcing is strong. **Cloud solutions** and **mobile innovations** are some key focus areas.
- For Zalaris, this is reflected in a pipeline of business opportunities that remains solid, and the company is **optimistic about growth opportunities**, both in the form of contracts with new customers and increased scope with existing ones.

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We open for questions



Thank you!

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