



Interim report | First quarter 2018

3 May 2018

Presenters and agenda

1. Highlights
2. Financial performance in the first quarter
3. Market trends
4. Outlook



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Founder and CEO



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Highlights | Strategy and operations

New contracts and expansions prove scalability

- Financial results continued the trend from previous quarters, with revenues up more than NOK 80m for the quarter. Both organic and M&A related growth.
- New contract signed with oil champion Aker BP for HR outsourcing services.
- Successful go-live for existing customers in Ireland and Germany proves revenue potential in our cross-border scalable business model.
- Integration activities across acquired businesses are progressing according to plan



New contract with leading fully-fledged oil company Aker BP.

Zalaris will provide payroll and cloud based talent management services for their employees and consultants in Norway.

Highlights | Financial

Growth both organically and through M&As

Key figures

NOK million	Q1/18	Q1/17	2017
Revenues	186.2	106.4	577.3
Operating profit ¹	11.3	10.7	37.0
Profit for the period	11.4	5.4	(12.2)
EPS (NOK)	0.57	0.28	(0.61)

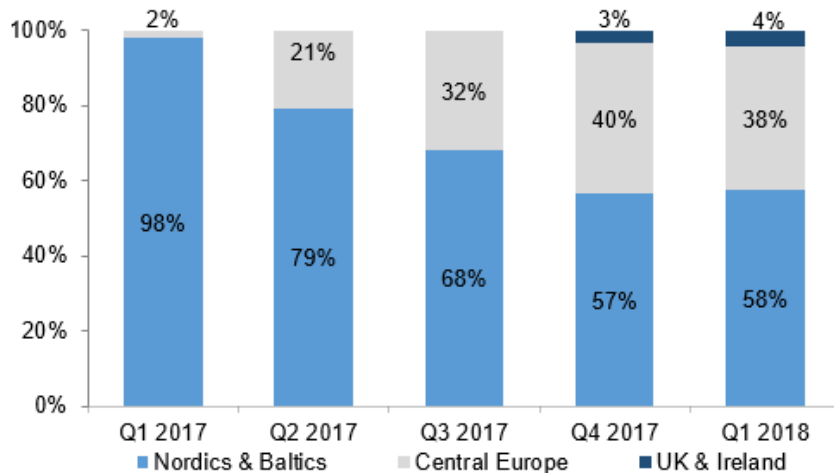
¹ Operating profit before other costs.

- Group total revenue amounted to NOK 186.2 million (NOK 106.4 million).
- Group operating profit Q1/18 was NOK 11.4 million, representing a 6.1% margin (NOK 10.7 million and 10.1%).
- Proposed dividend of NOK 0.65 per share for FY 2017.

Revenue split

Growth in all segments in UK & Ireland

Distribution of revenues
by geography (in percent)



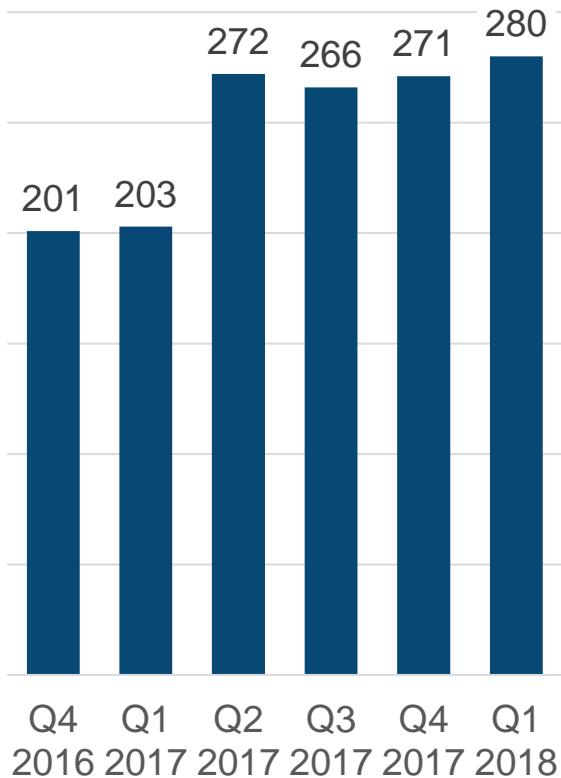
UK & Ireland included after acquisitions in Q4/17.

- Growth through acquisitions reflected in more balanced geographic presence across Europe.
- New geographical regions going forward: *Nordics & Baltics*, *Central Europe* and *UK & Ireland*.
- Central Europe revenue had a slight decrease compared to previous quarter, after a strong development in 2017.
- UK & Ireland growth in all segments compared with previous quarter.
- Nordics & Baltics growth within the HR Outsourcing and Cloud segment through the launch of new customers compared with the same quarter previous year.

Customer reach

Number of employees served by HR Outsourcing

Number of employees
served (1000')



- Number of employees and group full time equivalent at the end of the quarter were 837 and 779.
- Number of customer employees served by HR Outsourcing per month is 280 000
- Expansion into Ireland with Circle K in Q1/18, a long-term customer. New services provided in Norway, UK and Germany for Statkraft, a leading company in hydropower and Europe's largest generator of renewable energy.
- New contract with Aker BP aiming to build a state-of-the art human capital management system.

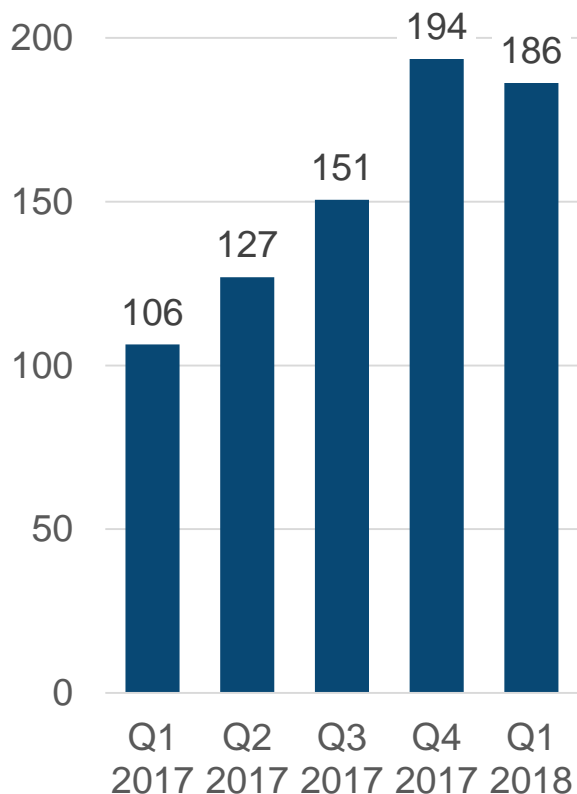
Key financials

First quarter 2018

Group operating revenues

Revenues up NOK 80m to above NOK 185m

Operating revenues
(in NOK million)



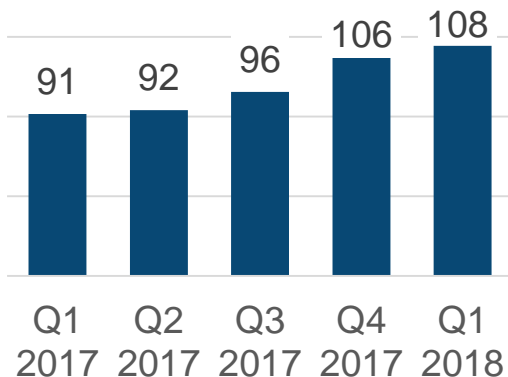
- Total revenue for Zalaris Group in Q1/18 was NOK 186.2 million, NOK 80m or 75.0% growth compared to the same quarter previous year.
- The organic growth was 2.9% in Q1/18 compared to Q1/17.
- HR Outsourcing segment shows steady growth as new customers have been launched,
- The decline from previous quarter is mainly explained by reduced variable project revenues within the consulting and cloud segment.

Revenues by segment

Positive trend for HR Outsourcing

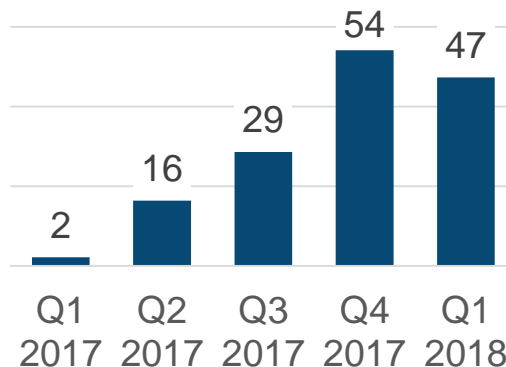
HR Outsourcing (NOK m)

- Q1/18 revenues increased with 18.6% to NOK 108m compared with the same quarter previous year.
- The organic growth within this segment was 3.9% compared to Q1/17 due to launch of new customers.



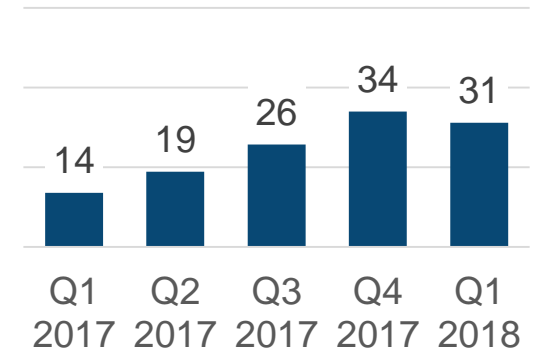
Consulting (NOK m)

- Activities have grown from 2.2 NOK million to 47.3 NOK million. Growth due to previous year's acquisitions.
- Capacity has been utilized in customer implementation projects, internal system integration projects and business development for new opportunities in all segments.



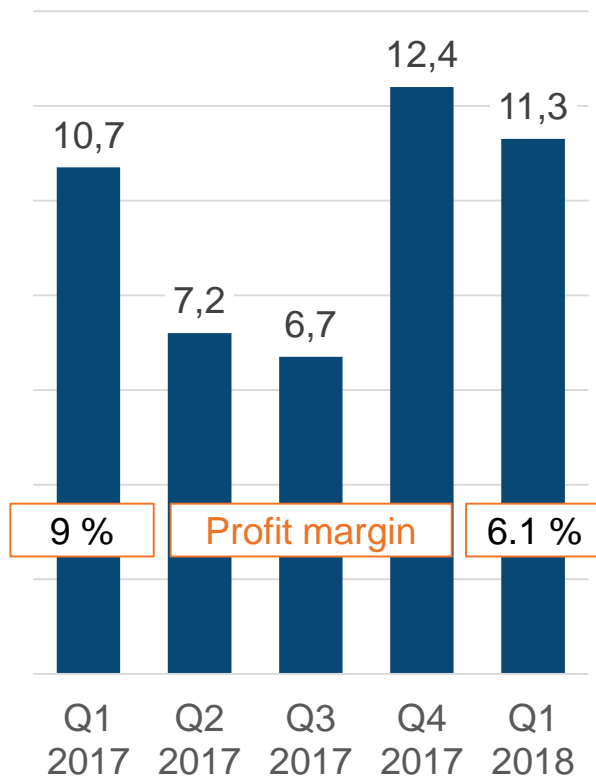
Cloud Services (NOK m)

- Revenues in Q1/18 amounted to NOK 31.2 million (13.6 million). The acquisition of sumarum and ROC provided most of the growth within this segment compared to Q1/17.
- Total growth was 121.9%, of which 3.4% or NOK 0.5 million was organic growth.



Group operating profit | Integration activities progressing according to plan, affecting margins

Group operating profit
(in NOK million)



- Q1/18 operating profit for the group was NOK 11.3 million excluding other costs, representing a 6.1% margin (NOK 10.7 million and 10.1%).
- All business segments have been impacted by the post-merger integration activities in the quarter, efforts that are supporting short and long-term growth prospects.

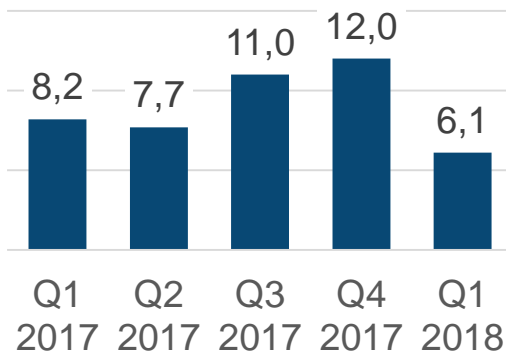
All amounts are in NOK unless otherwise stated ¹ Excluding other costs

Profit by business segment

Margin improvement on the agenda

HR Outsourcing (amounts in NOK million)

- Q1/18 operating margin was 5.7%.
- The underlying business showed a positive margin development compared to same quarter previous year.



Consulting (amounts in NOK million)

- Q1/18 operating margin was 13.6%.
- The total utilization in the consulting segment increased from Q4/17 to Q1/18 and the impact is visible on the profit margin development, growing from 3.2% to 13.8%.



Cloud Services (amounts in NOK million)

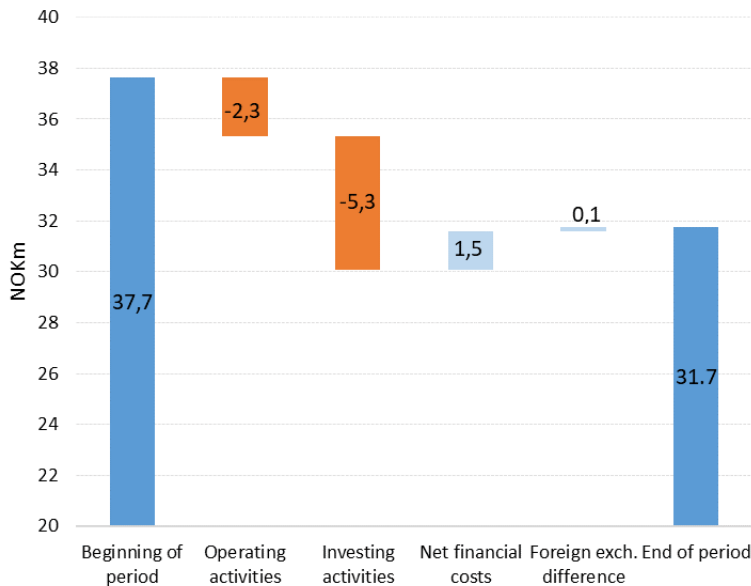
- Q1/18 operating margin in Q1/18 was 3.8%
- Low utilization of Cloud resources in new markets.
- A cross region workforce planning to ensure that people are utilized across the .Group has been implemented



Financial position

Capital structure change due to recent acquisitions

Cash and cash flows Q1/18 (in NOK million)

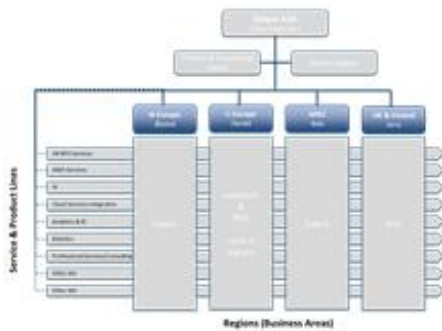


Changes in balance sheet and cash flows

- As of 31 March, total assets amounted to NOK 561.8 million and total equity was NOK 125.3 million. This equals an equity ratio of 22.3% (56.6%).
- Group cash and cash equivalents were NOK 31.7 million as of the end of Q1/18.
- Long term interest bearing debt as of 31 March amounted to NOK 217.4 million (NOK 1.4 million).
- Net financial income for Q1/18 was NOK 1.4 million, including an unrealized foreign currency profit of NOK 4.2 million related to debt nominated in Euro.

Concluding remarks

Our ongoing Integration Program aim at creating one Zalaris



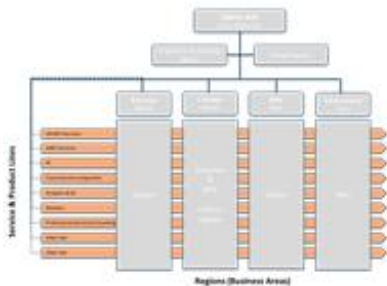
Organization



People



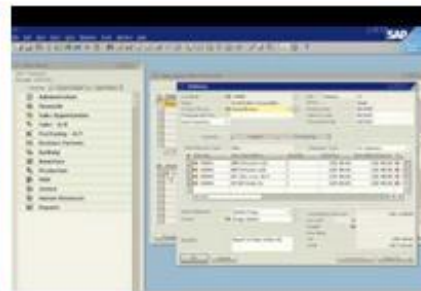
Communication



Product & Services



System & Technology



Finance

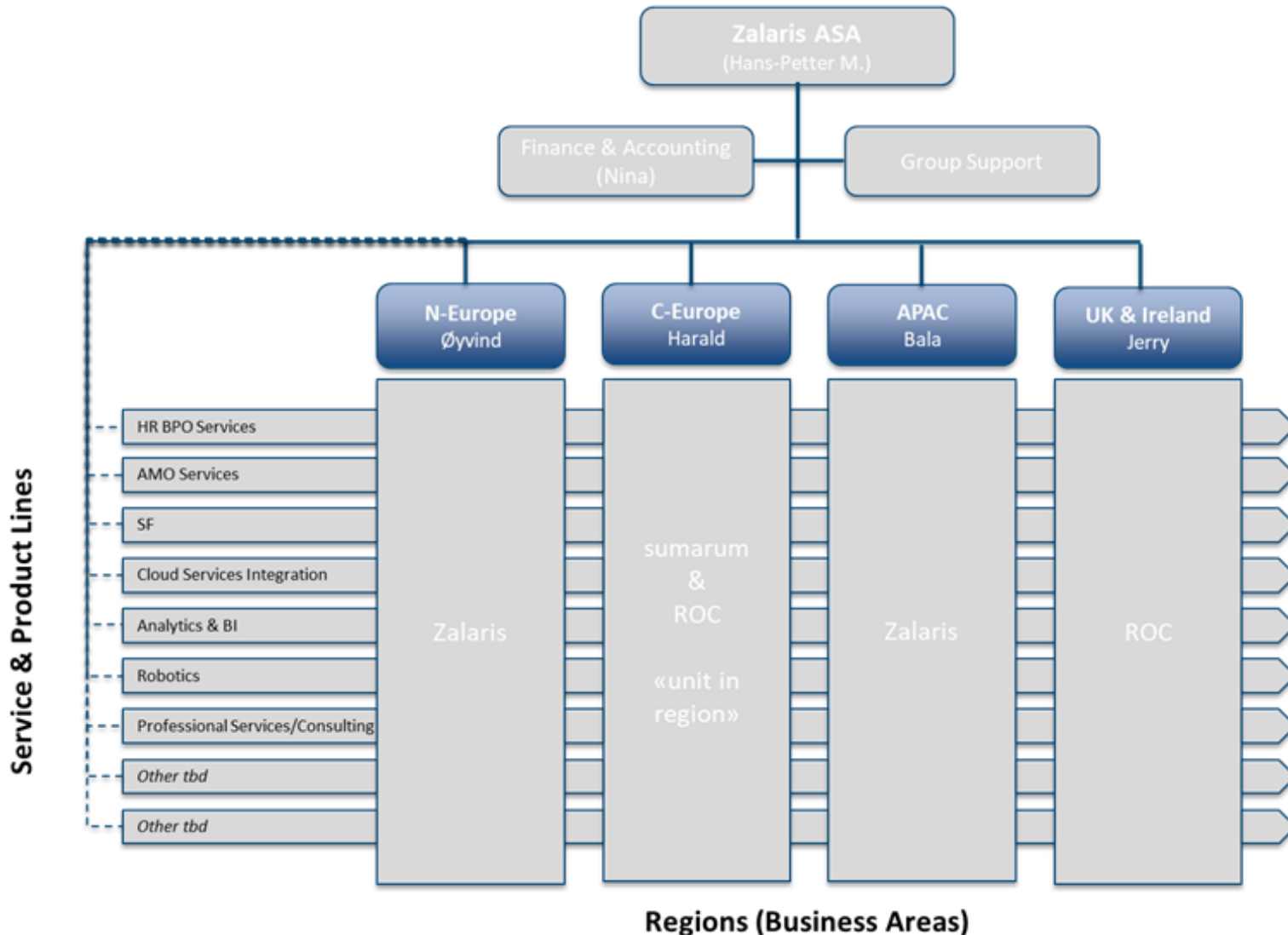


Marketing/
Branding

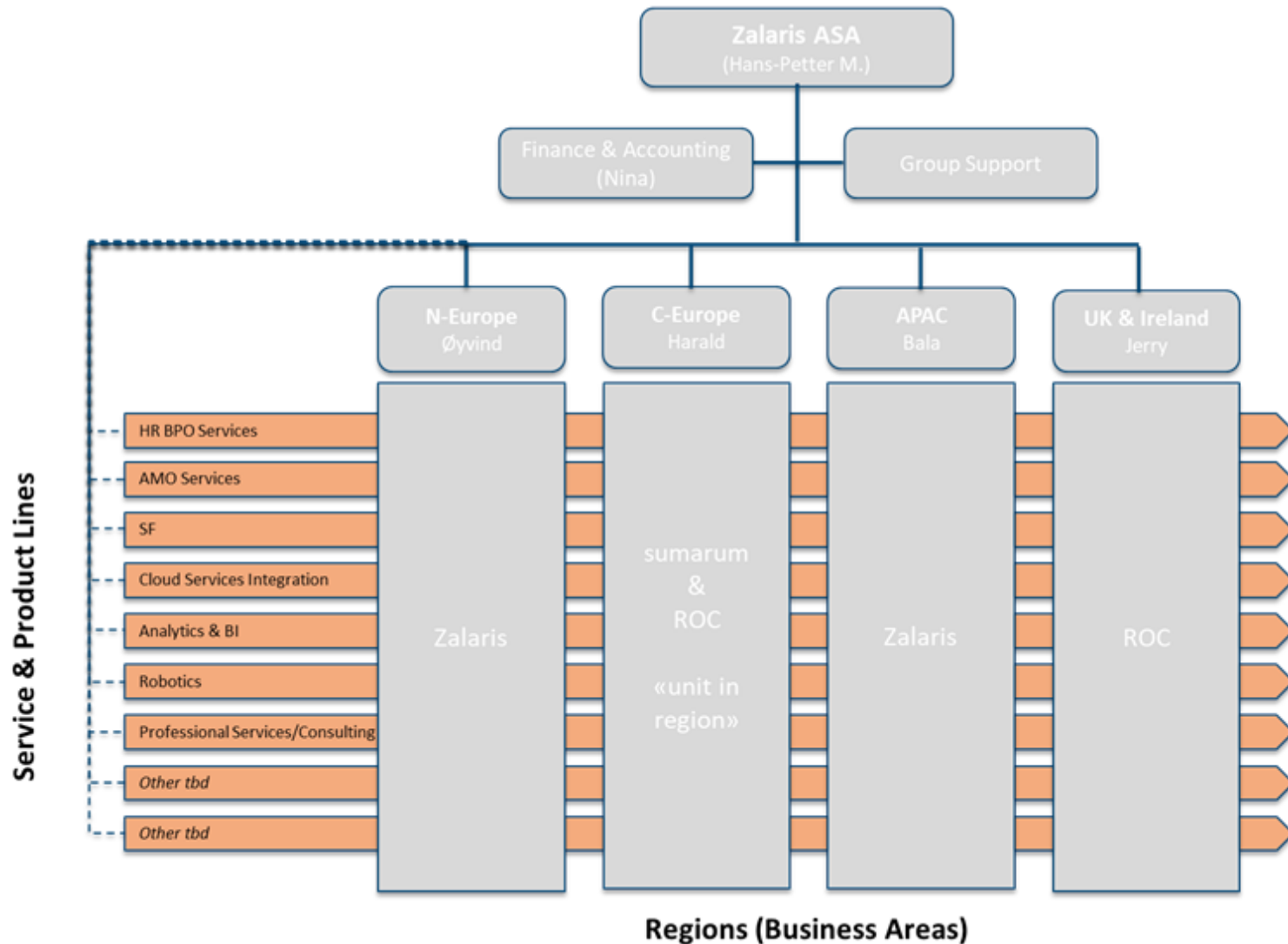
It is incredibly motivating to see the spirit and positive mood in our joint organization



Regional Business Units are Business Operators responsible for profitable delivery of products and services to customers within the region



Our Service and Product Lines aim at developing and manage market oriented offerings across the regions



ROC and sumarum will be rolled into the Zalaris brand in mid-June, reflecting our ambition to become a one-stop shop for the HR function of European Organizations



Concluding remarks

Potential in scalable business model confirmed

- Through recent acquisitions Zalaris has built a **significantly stronger platform** for continued organic growth. Q1/18 shows growth both organically and through M&As.
- Expansions for existing customers in new markets such as Germany and Ireland **prove scalable platform**. Pleased to see first effects of recent acquisitions.
- Integration efforts have affected all business segments in Q1/18, supporting short and long-term growth prospects. **Full effect** of integration is expected **from mid-2018**.
- **Margin improvement** is a priority. A structured program is being implemented
- Zalaris aim 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.

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We open for questions



Thank you!

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