



Interim report | Full year and fourth quarter 2018

28 February 2019

Presenters and agenda

1. Highlights
2. Financial performance in Q4/18 and full year 2018
3. Market update and conclusion



Hans-Petter Mellerud
Founder and CEO



Nina Stemshaug
CFO



Year of integration, enabling pan-European reach

- Acquisition-driven growth in 2018
 - Full year revenues of NOK 745 million in 2018, up 29 percent year-over-year due to businesses acquired at the end of 2017 in Continental Europe and the UK.
- Moving in the right direction
 - Demanding integration process concluded, allowing increased focus on customers going forward
 - Q4/18 revenues reached NOK 194.1 million, in line with Q4/17.
- Sales activity and strong pipeline resulted in solid contract signings in Q4/18
 - Delivery of cloud-based talent management solutions for Knight Frank in UK
 - Multiple new and renewed contracts in H2 18 demonstrating the long-term relationships with our customers in Germany.



With history dating back to 1896, Knight Frank is a global estate agency, covering residential and commercial property consultancy, with more than 18,000 people in 60 markets from 523 offices worldwide

As Zalaris UK Managing Director Will Jackson says;

“This success reflects the benefits of Zalaris UK being part of the enlarged Zalaris Group”

Improved profitability over the past quarters

Key figures

NOK Million	FY	
	2018	2017
Revenues	745	577
Adjusted EBIT ¹	17.3	33.9
Profit for the period	(0.6)	(12.1)
Total Comprehensive Income	0.8	1.8

NOK Million	Q4	
	2018	2017
Revenues	194	193
Adjusted EBIT ¹	10	9.3
Profit for the period	(3.6)	(16.8)
Total Comprehensive Income	12.4	(7.6)

- 2018 group revenues of 745 million, an increase of 29 percent Y/Y related to M&A activities.
- Q4/18 revenues amounted to NOK 194 million, a marginal growth compared to Q4/17.
- Strong profitability improvement compared to previous quarters, establishing a good starting point for 2019.
- Pre-tax profits for the quarter strongly impacted by a non-cash revaluation of net debt in EUR but with a corresponding positive effect on Total Comprehensive Income

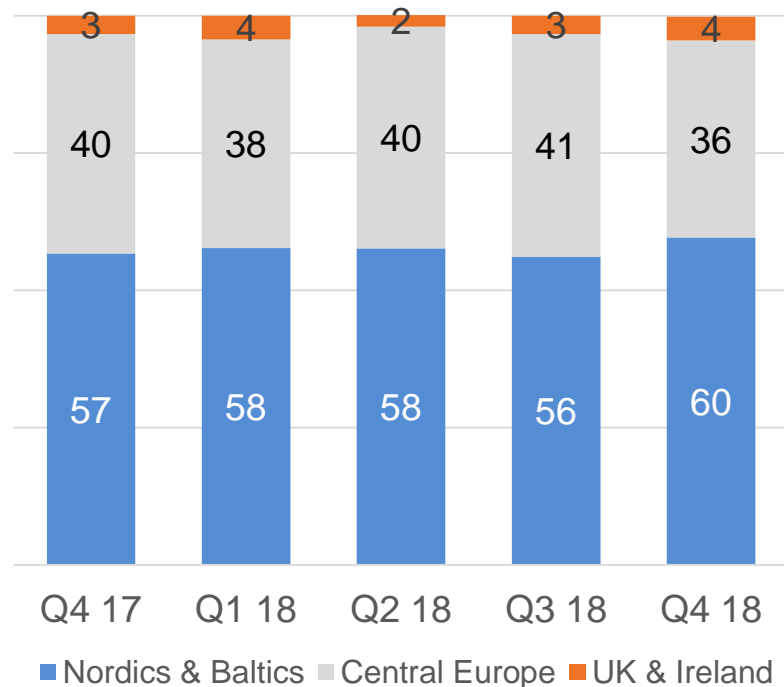
All amounts in NOK unless otherwise specified.

¹ EBIT before other costs

² Purchase price allocation and other non-cash accounting effects amounted to negative 2.4 million in Q3/18

Revenue distribution quite stable in Q4/18

Distribution of revenues
by geography (in per cent)



UK & Ireland included after acquisitions in Q4/17

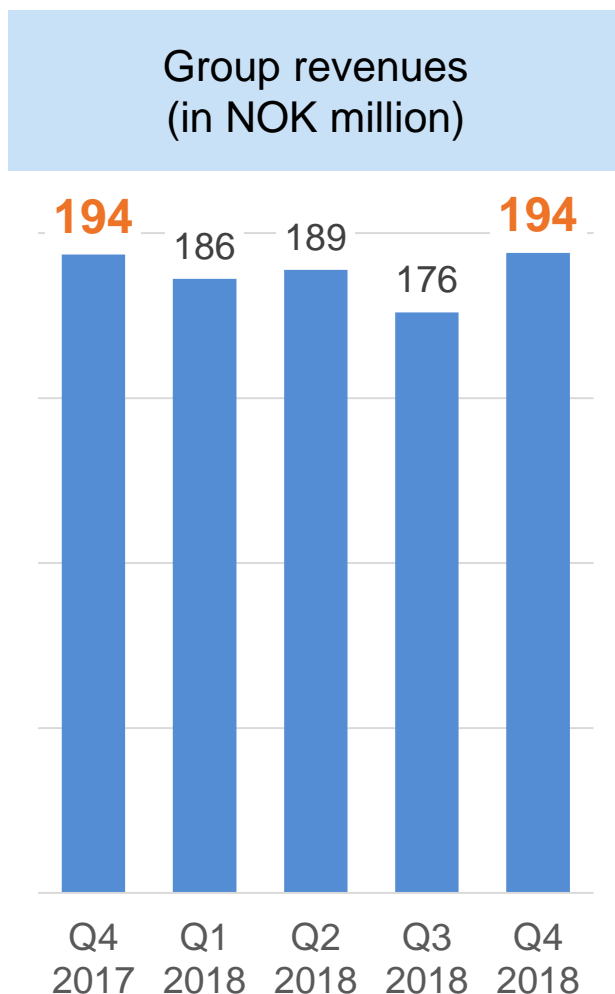
All amounts in NOK unless otherwise specified

- Nordics & Baltics the largest region, delivering 60 percent of the company's revenues.
- Revenues in Nordics & Baltics driven by higher cloud revenues and additional change order sales
- Central Europe affected by temporary lower consulting capacity
- Growth in UK and Ireland achieved by improved utilization and strong pipeline built in last quarters

Key financials

Fourth quarter 2018

Quarterly revenues in line with Q4/17

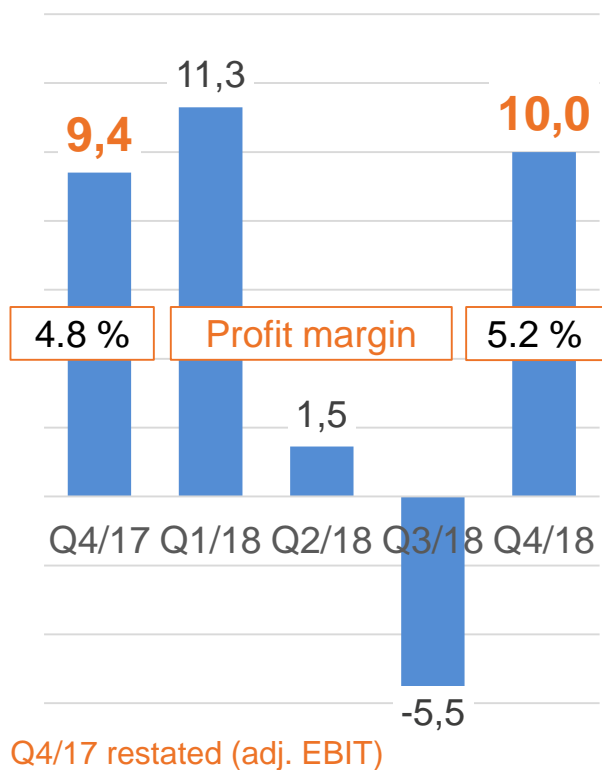


- Revenues for Q4/18 amounted to 194 million, marginally higher than Q4/17.
- Although cross-selling of products and services increased in Q4/18, the benefits of the acquisitions of sumarum AG and ROC have not yet fully materialized.
- Consulting capacity in Central Europe temporarily reduced in Q4, contributed to lower growth than expected.
- **Full year** revenues up from 577 million in 2017 to 745 million in 2018. M&A driven.

All amounts in NOK unless otherwise specified

Improved profitability in Q4/18 vs Q4/17

Group adjusted EBIT
(in NOK million)

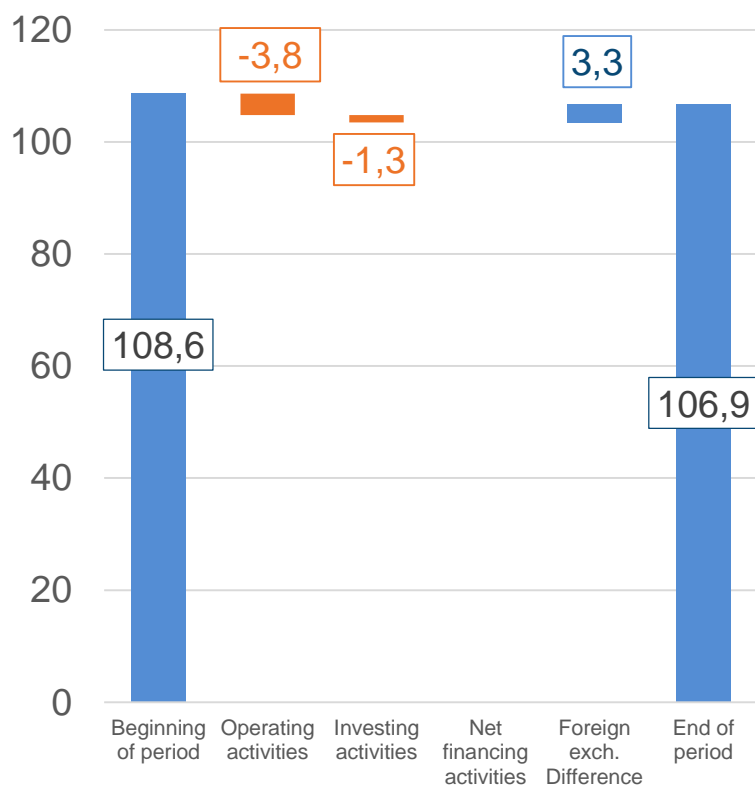


- Group adjusted EBIT for Q4/18 amounted to 10 million (9.4 million). Corresponding EBIT margin of 5.2 % (4.8%).
- Profit margins improved in Q4/18 vs Q4/17. Efforts throughout 2018 proves potential for further margin improvement going forward.
- Net financial items for Q4/18 were -19.3 million, including a non cash loss of 12.7 million related to revaluation of debt nominated in euro
- Net loss for the full year 2018 was 1.3 million, compared to a 12.2 million loss in 2017
- Total Comprehensive Income was 12.4 million for Q4/18 and 0.8 million for the full year.

All amounts in NOK unless otherwise specified. Adjusted EBIT is excluding other costs.

Cash balance almost unchanged compared to Q3/18

Cash and cash flows Q4/18 (in NOK million)



All amounts in NOK unless otherwise specified

Changes in balance sheet and cash flows

- Increase in total assets by 30.7 million during Q4/18 to 725.6 million at 31 December 2018
- Increase in equity from 95.6 million to 108.4 million. Equity ratio consequently increased slightly to 14.9 %
- Cash and cash equivalents on 31 December 2018 was 107 million, largely unchanged Q/Q
- Cash balance declined due to negative operating cash flow after investments and interest payments of NOK -5.1 million.
- Net interest bearing debt at the end of 2018 was 271.6 million, up from 253 million in Q3/18

Key financials | Business segment

Fourth quarter 2018

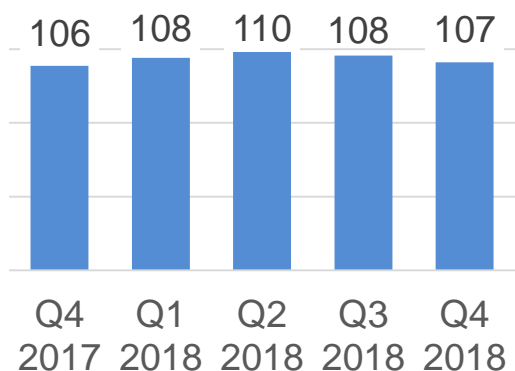
*Segment reporting includes
only external revenues and external profit*

Revenue growth in the Cloud Services segment

HR Outsourcing

(NOK million)

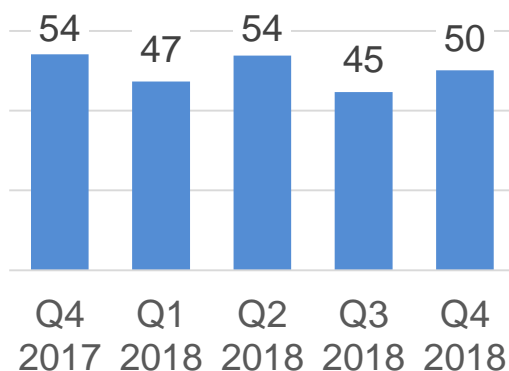
- Q4/18 revenues amounted to 106.5 million (105.5 million). Slight increase vs Q4/17.



Consulting

(NOK million)

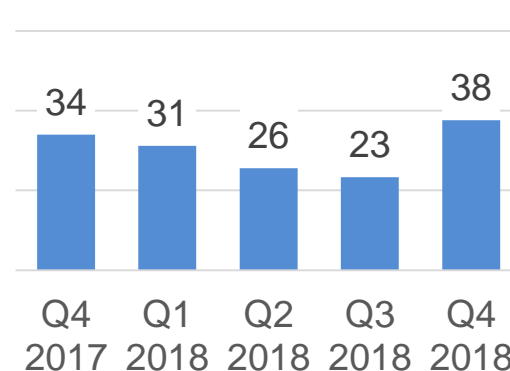
- Revenues declined by 4.0 million to 50.1 million in Q4/18
- The decrease mainly reflects a temporary reduction in consulting capacity in Central Europe
- Strength in the UK consulting business partly compensated for the decline in Central Europe



Cloud Services

(NOK million)

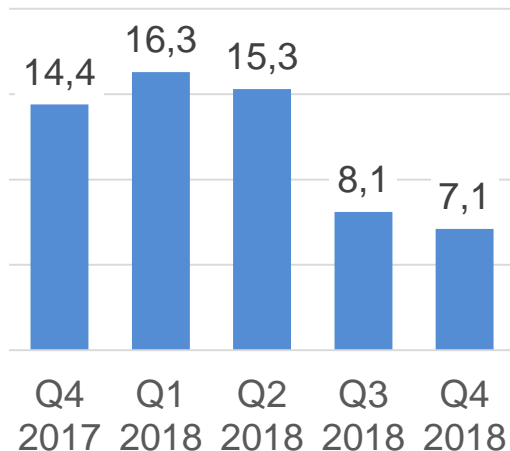
- The Cloud services segment's revenues in Q4/18 amounted to 37.6 million (34.0 million)
- Higher project activity and annual contract revenues booked in Q4/18.



Improved margins in Consulting and Cloud Services

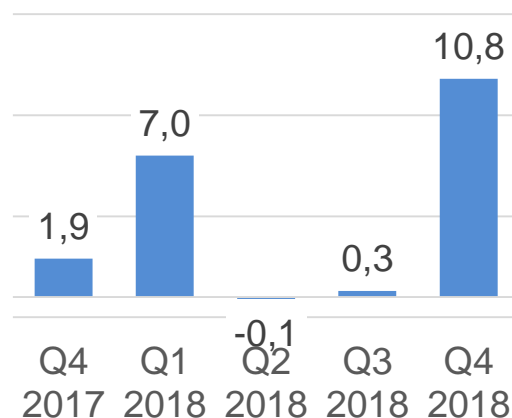
HR Outsourcing (NOK million)

- EBIT amounted to 7.1 million (14.4 million) in Q4/18.
- Profits in the segment affected by higher project amortization cost and price reductions on renewed contracts with up-sale potential.



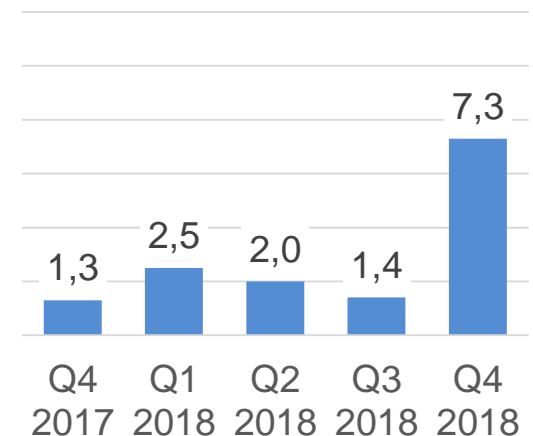
Consulting (NOK million)

- EBIT amounted to 10.8 (1.9 million) for the quarter.
- Y/Y increase partly driven by higher volumes and utilization in UK and Polish consulting business, with improved margins



Cloud Services (NOK million)

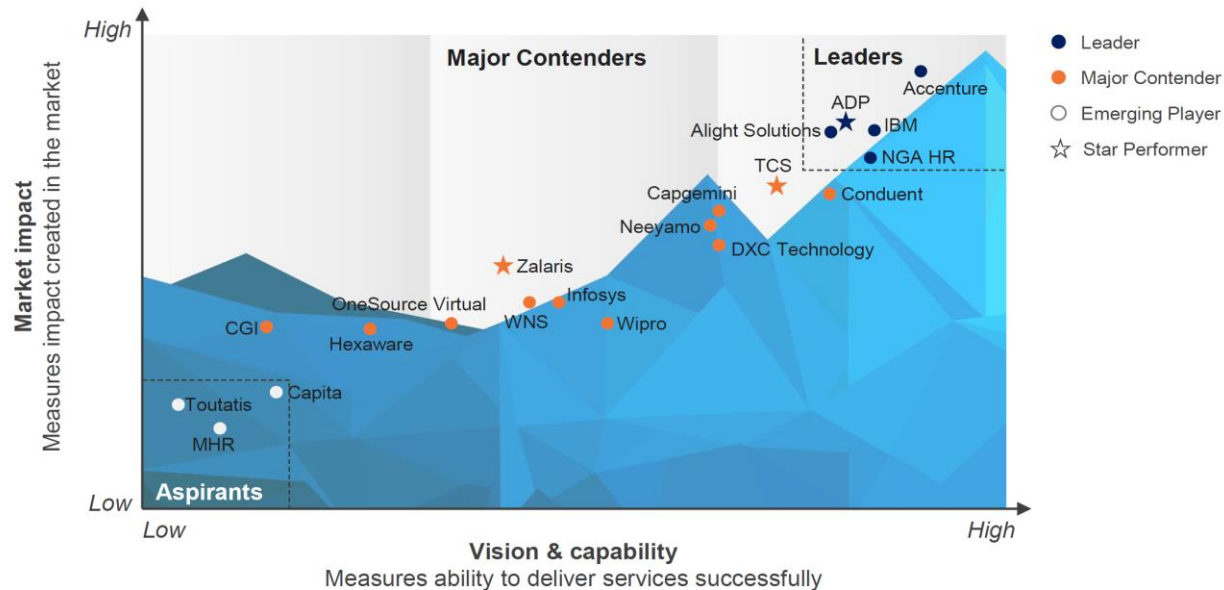
- EBIT of 7.3 million (1.3 million) in the quarter.
- The increase mainly reflects higher revenues.



Market update and concluding remarks

Everest cites Zalaris a Star Performer in the Multi Process Outsourcing Provider Landscape as only European HQed player

Everest Group Multi-Process Human Resource Outsourcing (MPHRO) – Service Provider Landscape with Services
PEAK Matrix™ Assessment 2019^{1,2}

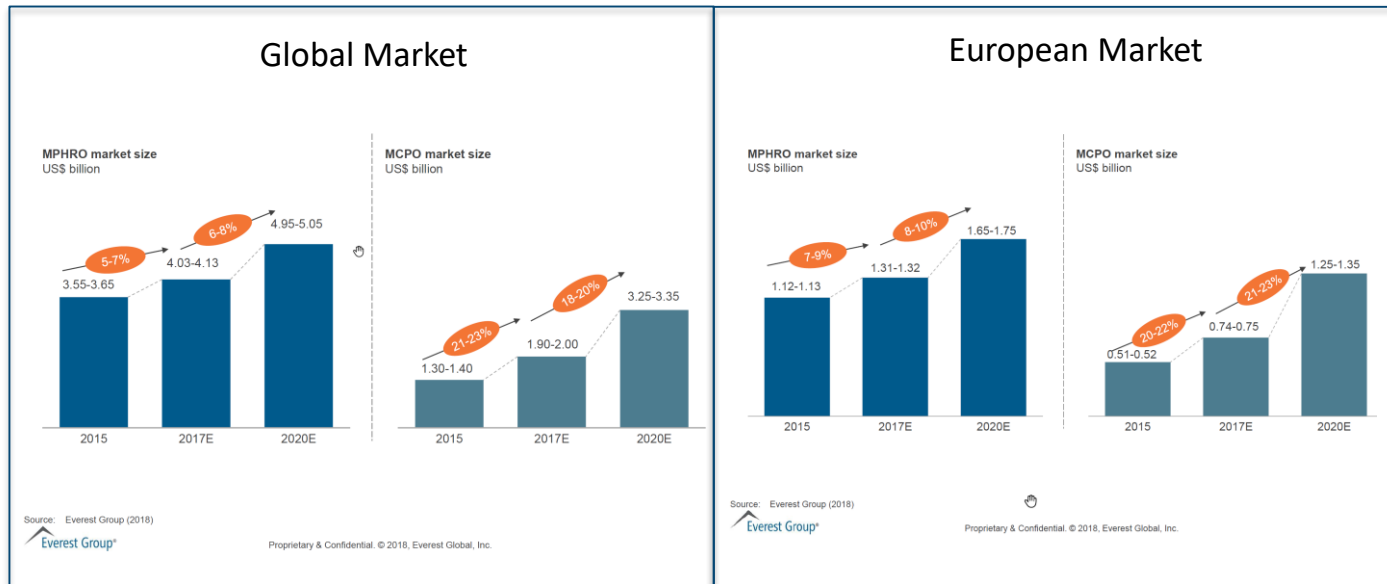


1 PEAK Matrix specific to MPHRO services

2 Assessment for Capita, CGI, Hexaware, MHR, Toutatis, and Wipro excludes service provider inputs on this particular study, and is based on Everest Group's estimates which leverage Everest Group's proprietary Transaction Intelligence (TI) database, ongoing coverage, the service provider's public disclosures, and interaction with buyers

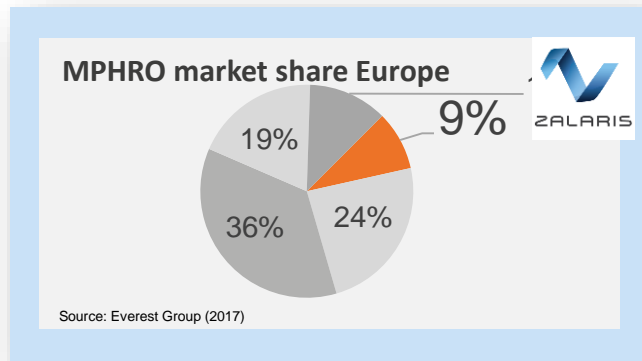
Everest Group also identified three service providers as the “2019 MPHRO Market Star Performers” – ADP, TCS, and Zalaris. This was based on the relative year-over-year movement of different service providers on the PEAK Matrix.

We are part of fast growing markets. How can we take and increase our share?



Source: Everest Group

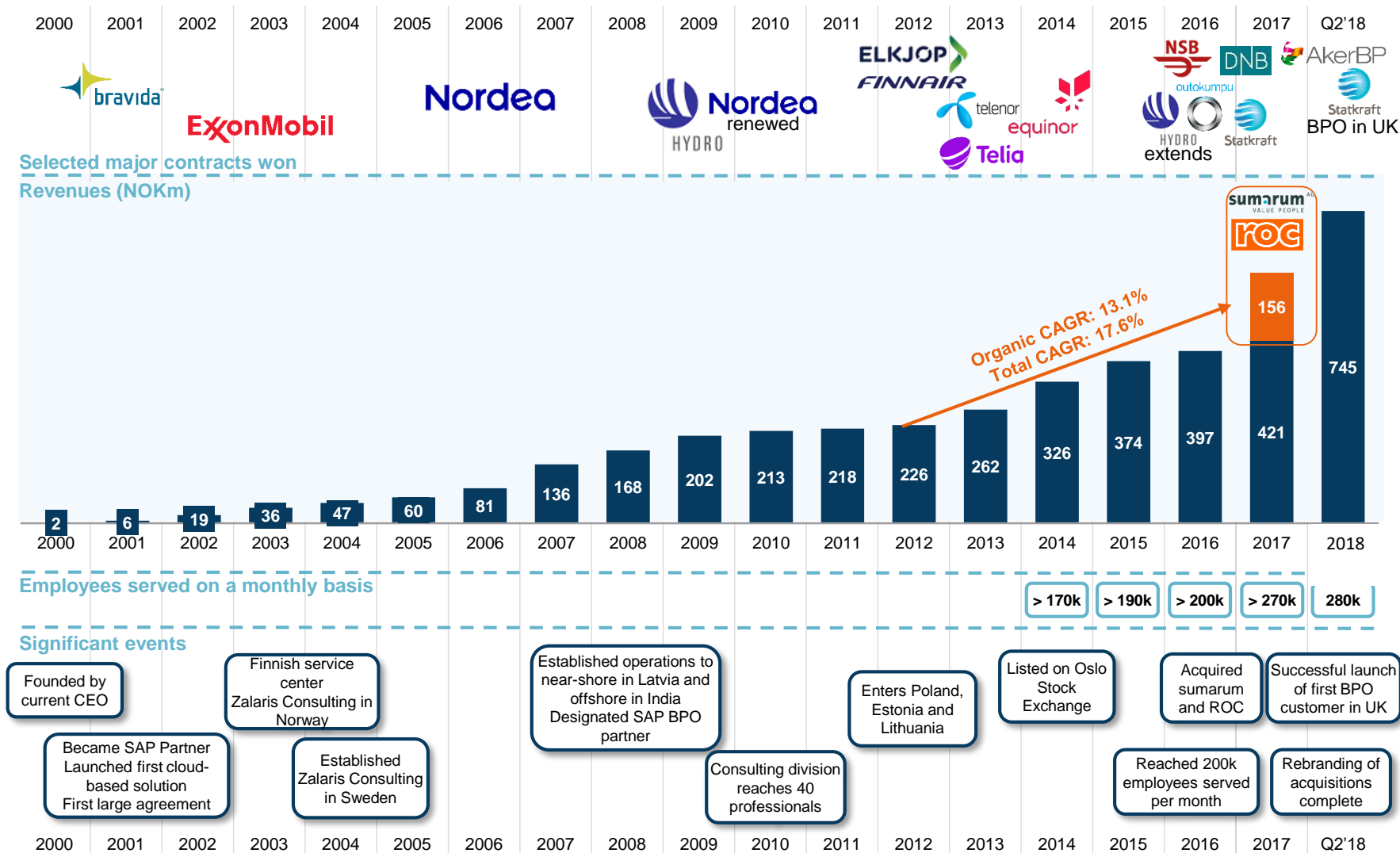
Everest estimates Zalaris to have approximately 9% of the number of HRO deals in the European Multi-process HR market



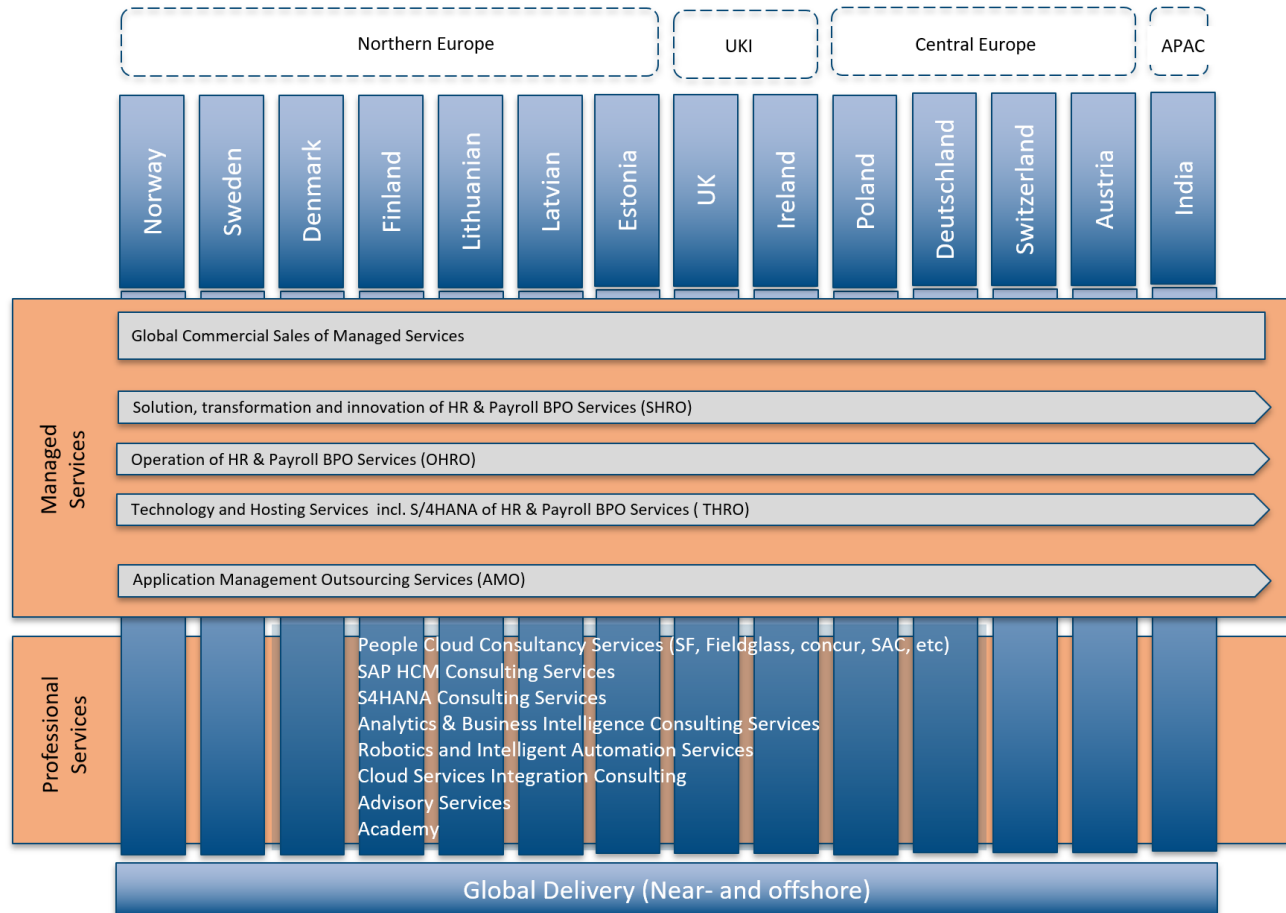
Source: Everest Group

- 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 50K SAP HCM and 10K SAP Payroll on premise installations worldwide that are target for conversion to cloud based solutions
- The future of HR outsourcing models have digital pillars such as Cloud and Mobile-based solutions

Our target is to continue 18 years of uninterrupted growth



Tuning organization with goal of focusing on customer needs, addressing multi country growth ambition and reducing overhead



Centrally managed support functions:

- F&A
- HR
- IT and Infrastructure
- Marketing and Communications

Group organization for Managed Services

Professional Services to define balance between Local and Group

Entrepreneurial country managers and profit center heads focusing on local markets and sales

Consolidating existing three segments to two from Q1 2019 with goal of creating increased transparency including visualizing recurring nature of Professional Services business

Returning to customer focus – and growth

- Strong growth in 2018, reflecting the two acquired businesses in Germany and the UK late 2017.
- The fourth quarter of 2018 marks the end of an exciting and demanding year for Zalaris. Extensive efforts have been made to integrate our new businesses in Germany and the UK, enabling the new pan-European organization to **fully utilize Zalaris' scalable model**.
- The integration process has been more time-consuming than anticipated, but Zalaris is ready to shift its **full focus** back to where it should be – on the **customers**.
- Management sees a notable **shift in attention** on customer relations, business development and pipeline in new markets, especially in UK and Germany. This has already materialized in new contracts and renewals in Q4/18, and the company expect **more contracts and renewals** in the coming next quarter.
- Zalaris is determined to demonstrate that Q4/18 was the first step in the right direction after a challenging period. Our key objectives in the next quarter and through 2019 is **increased growth and improved financial results**.

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We open for questions



Thank you!

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