



Simplify work life. Achieve more.

Presentation of interim financial results | Q2 2021

Agenda

1. Highlights
2. Financial Review
3. Markets and Outlook
4. Q&A



Hans-Petter Mellerud
Founder and CEO



Gunnar Manum
CFO

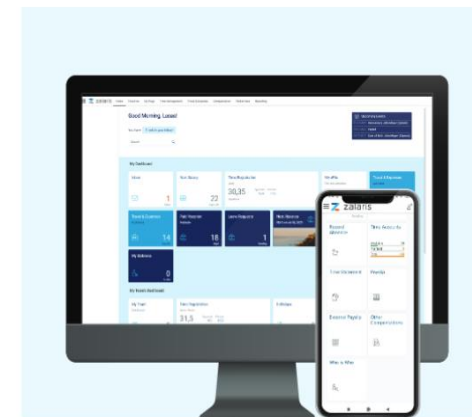


Second quarter 2021: Continuing the significant ARR build-up

- Revenue of NOK 185.4 million for Q2
- Adjusted EBIT of NOK 11.4 million
- New BPO contracts awarded year-to-date with expected ARR of NOK 71 million
- Completed the acquisition of **ba.se GmbH** providing a platform for further growth
- New BPO contracts and **ba.se** expected to increase revenue with >10%
- Successful completion of NOK 120.7 million equity issue
- Paid dividend of NOK 1.00 per share for 2020
- Cash and cash equivalents of NOK 212.0 million



Personnel. Time. Travel. Compensation.



One-stop
HR platform

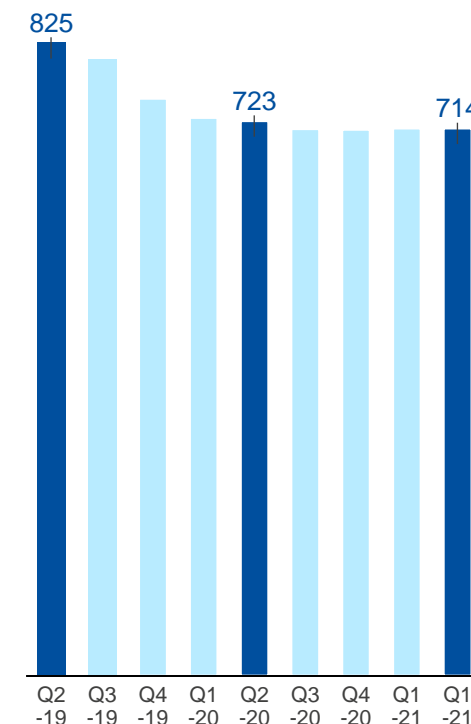
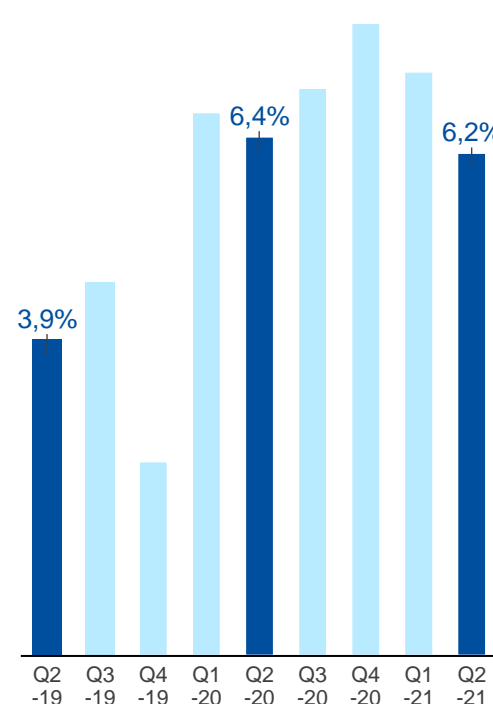
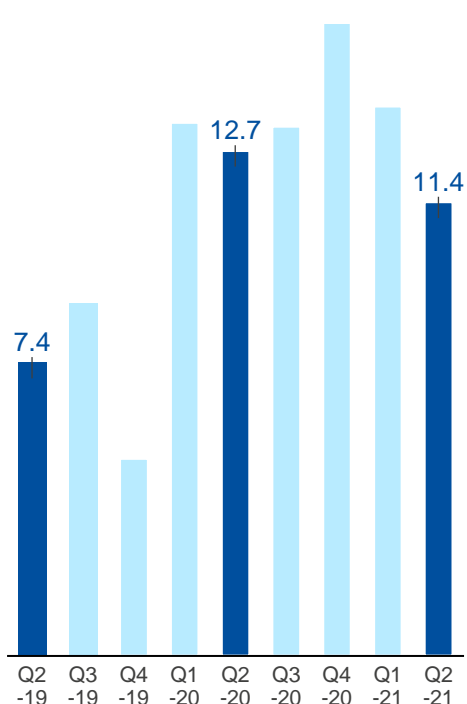
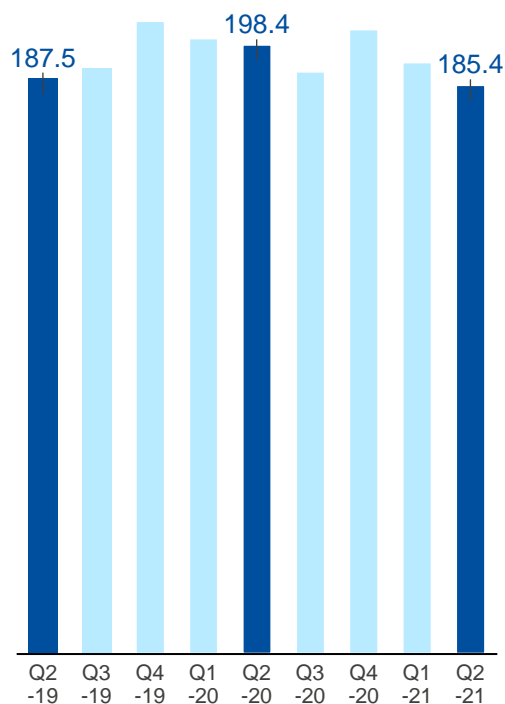
Revenue for the quarter negatively impacted by currency changes and sold projects in ramp-up phase not recognizing revenue

Revenue
NOK 185m (-6.5%)

Adj. EBIT*
NOK 11.4m (-10.2%)

Adj. EBIT margin
6.2% (-0.2pp)

#FTEs*
714 (-1.2%)

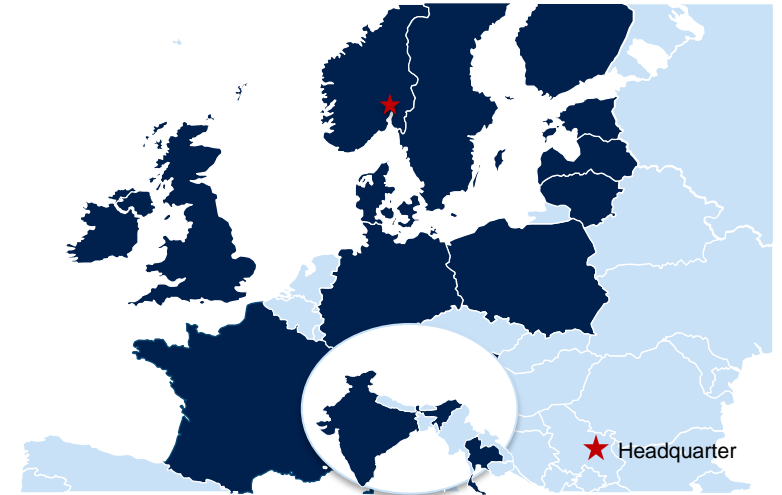


*See Q2 report for definitions of APMS

Payroll & HR Solutions that Enable Fully Digital Organizations

Zalaris – Local presence with one global IT platform

- **Zalaris is a leading European provider of Payroll and Human Capital Management Solutions** delivered through Software as a Service, Outsourcing, or Consulting delivery models
- Supporting **fully digital processes** for Payroll and Human Capital Management targeting 20-30% cost savings
- **One common multi-country solution** satisfying GDPR requirements combined with competent resources serving complex customers from with **local competence and language**



2020 Revenue:
EUR 78 million

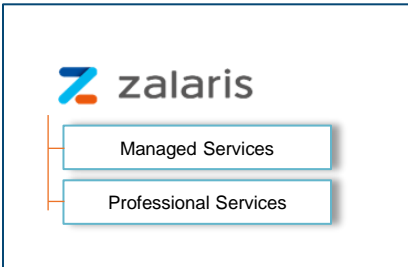
880
Zalaris employees

> 300,000
employees served monthly through payroll services

20
years of experience and continuous growth

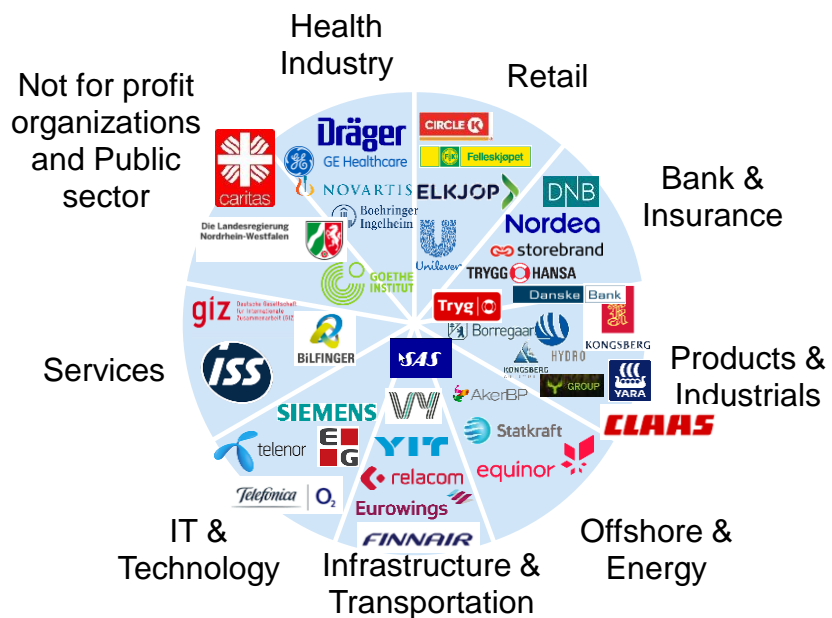
Local service centers in
12
countries with expertise in local laws and regulations

> 1,500,000
employees served monthly across all HR solutions

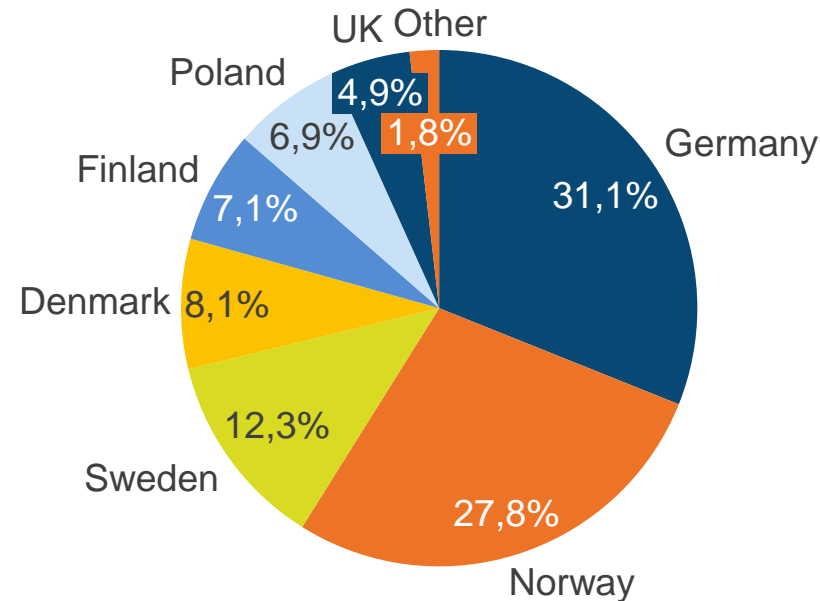


Diversified customer base with Germany largest market facing unit

Diversified across industries and sectors



Revenue per country Q2 2021 (%)



Acquisition of ba.se service & consulting GmbH completed - platform for further growth in Germany and Central Europe

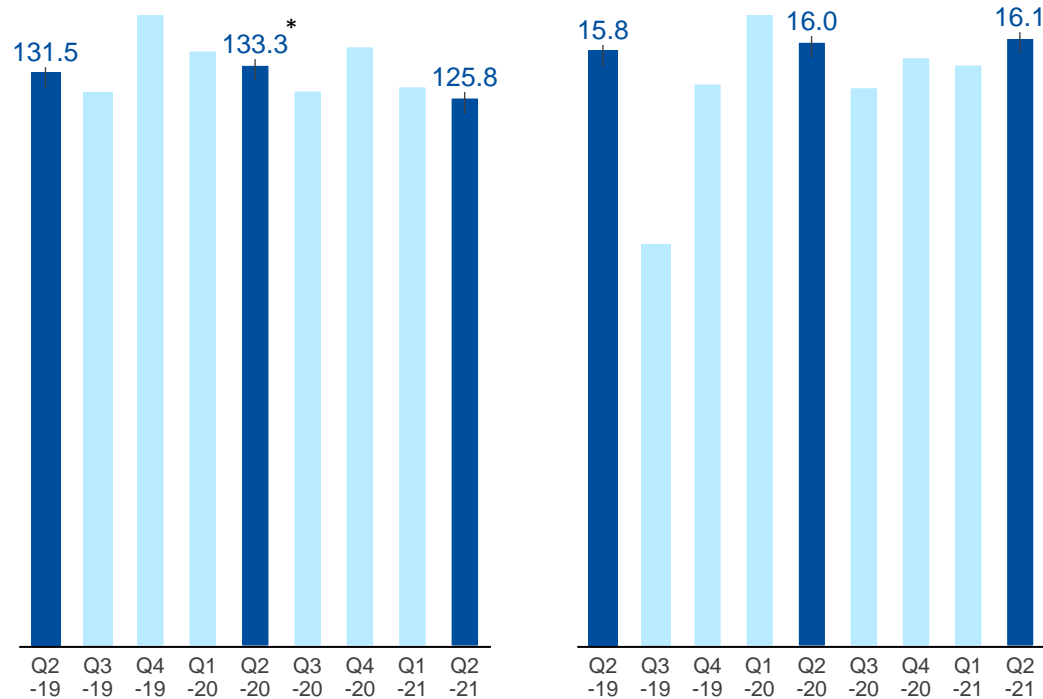
- **Leading provider of payroll and HR services** within the German retail sector
- **Considerable customer base** in Germany, Austria, Switzerland and France, including well-known companies, such as Douglas, Christ and Thalia
- **~80 employees** located in Hagen, near Düsseldorf and **annual revenue of ~EUR 6 million** (almost 100% ARR)
- The acquisition will provide Zalaris with an additional platform for further BPO growth in Germany and Central Europe,
- Expected to be **accretive** (positive impact on multiples and EBIT margin) **already in 2021**
- Fully consolidated from August



Managed Services with all time high new signings currently in the implementation phase with no revenue recognized

Revenue
NOK 125.8m (-8.2%)

EBIT
NOK 16.1m (+NOK 0.1m)



- **Lower revenue** mainly due to **currency movements** (-NOK 5.4m) and some lower volume of travel expense processing and change orders due to **Covid-19**
- Net **new signings** (net of churn) with **annual recurring revenue (ARR)** of **NOK 15m** during the quarter and **NOK 43m YTD**
- **Churn within historic levels YOY** and **~90% recurring revenue**
- **Top priority** of Zalaris, following the completion of the EBIT improvement program, has been to focus available resources on the sale and implementation of BPO contracts that will **generate ARR long-term**

*Q2-20 revenue adj. for NOK 3.8m moved to PS

Continued strong development in new signings and pipeline

- **Several new BPO contracts and extensions signed** during Q2 and recent weeks
- Platform based deals **utilizing existing capacity** with higher incremental margin
- **Pipeline of BPO opportunities continue developing positively in all geographies** as companies are reevaluating their business continuity plans and cost situation coming from Covid-19



5-year expanded agreement with Felleskjøpet for delivery of cloud-based HR solution for 3,000+ employees in Norway and Sweden



5-year agreement with Nordic insurance company Tryg for BPO payroll with 6,000+ employees in the Nordic region



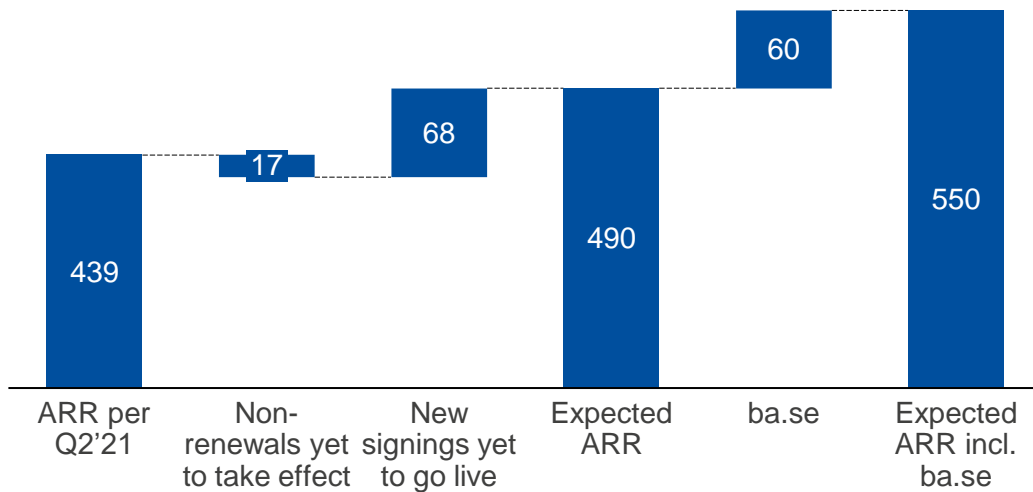
5-year agreement with CLAAS UK for cloud-based HR and payroll solution for 400+ employees in the UK



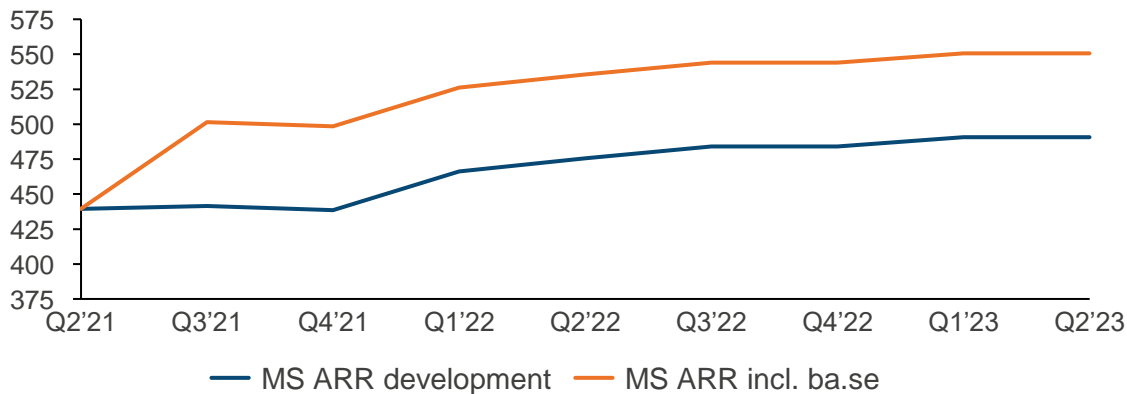
5-year expanded agreement with Siemens for multi-country payroll BPO for 8,000+ Nordic employees

Significant ARR build-up YTD in MS

Expected ARR in MS (NOKm)



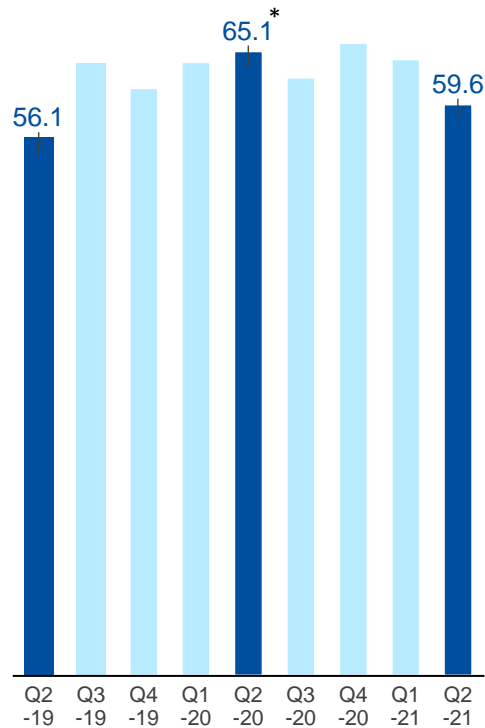
Expected ARR evolution over time (NOKm)



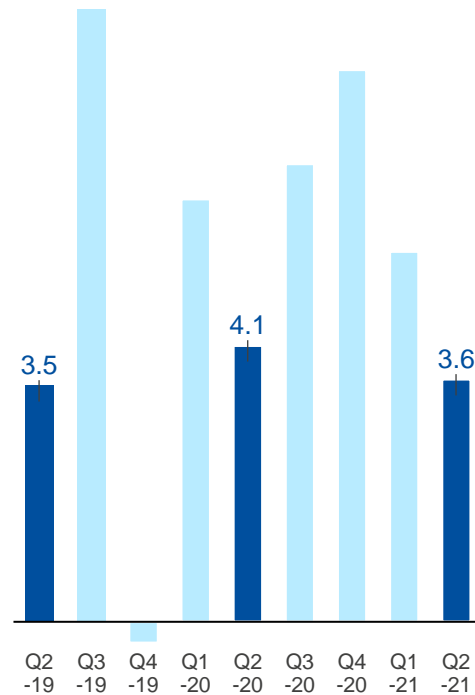
- High sales activity within Managed Services, resulting in a continued build-up of future ARR through several new BPO agreements and extensions during the second quarter
- Total new BPO contracts awarded year-to-date have expected ARR of NOK 71 million (net ARR NOK 43 million), when fully implemented.
- The pipeline remains strong and the conversion to actual BPO contracts is expected to continue, which should increase the expected ARR for MS further
- New BPO contracts won as of 30 June 2021, and revenue from ba.se, represents an expected increase in total annual revenue for Zalaris of >10% over the next 12 months

Professional services delivered revenue in line with the same quarter last year when adjusted for currency movements

Revenue
NOK 59.6m (-2.8%)



EBIT
NOK 3.6m (-NOK 0.5m)

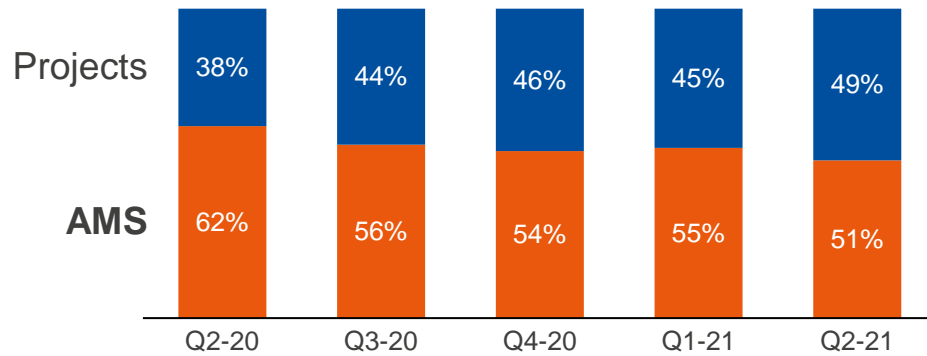


- Most of the **variance** in revenue vs. Q2'20 (NOK 5.3m) due to **currency movements**
- In local currency, revenue in **Poland grew by ~12%** through new and existing customers, offset by a small reduction in Germany
- **Short term negative EBIT impact of higher-than-normal use of external consultants in combination with costs for trainee program building new consulting capacity in Germany. Will be productive from Q3/Q4.**

*Q2-20 revenue adj. for NOK 3.8m moved from MS

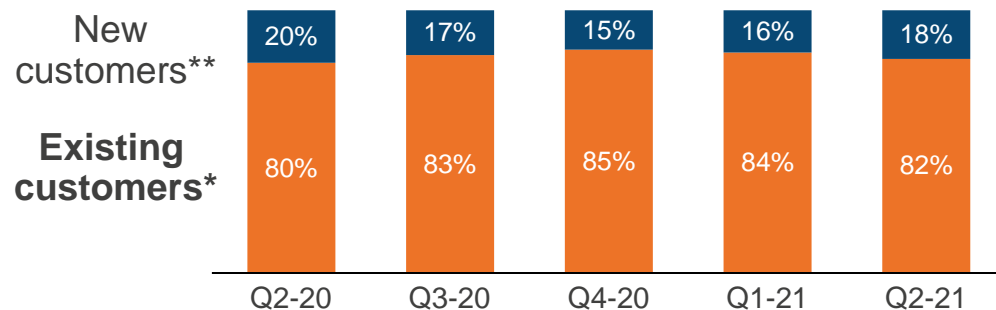
Majority of Professional Services revenue is recurring and supports a continuous presence with customers

Distribution of Projects vs long term AMS based revenue



- **~51 % of Professional Services revenue is recurring**, or recurring like, and based on long term agreements and relationships
- **~82 % of Professional Services revenue is from customers that were customers 12 months prior**

Revenue customer split



* Customers that were invoiced in the same quarter previous year
 ** New customers since the end of the same quarter previous year

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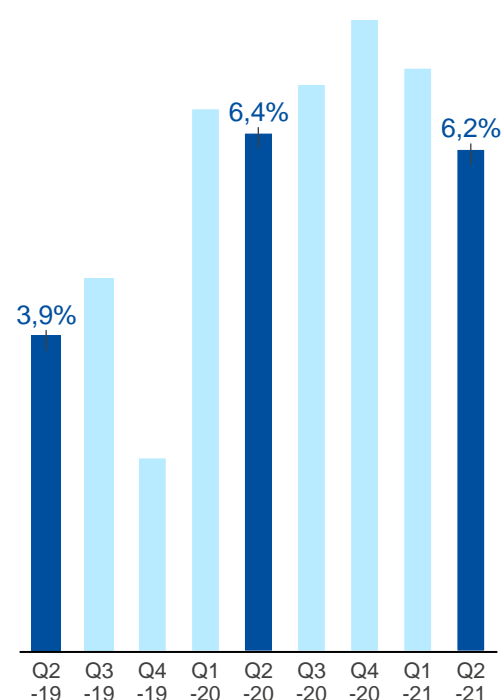
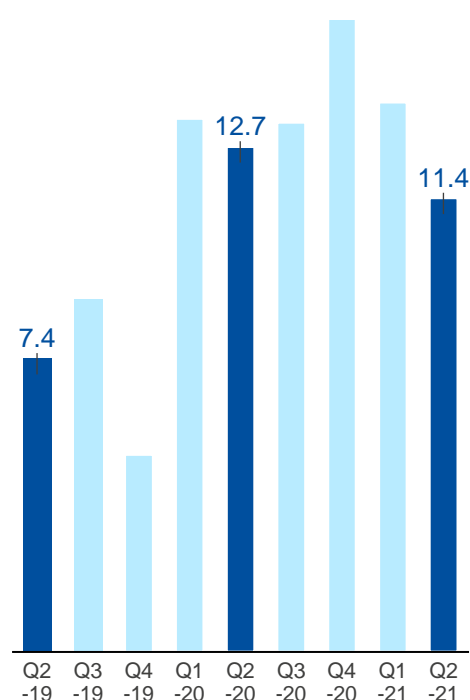
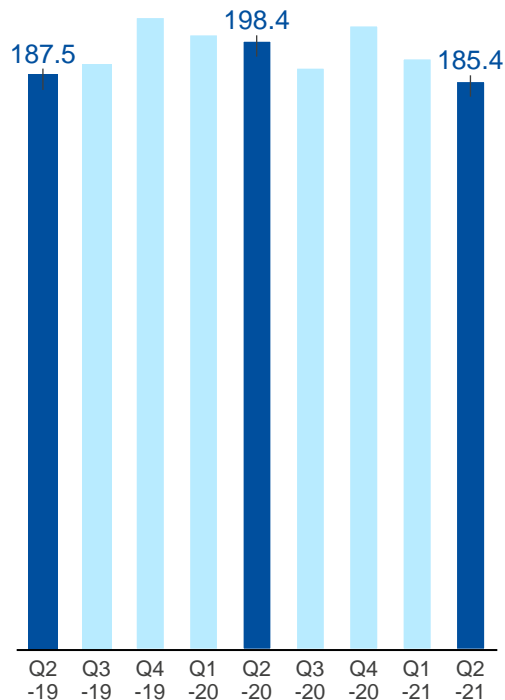


Currency related reduction in revenue YoY

Revenue
NOK 185m (-6.5%)

Adj. EBIT*
NOK 11.4m (-10.2%)

Adj. EBIT margin
6.2% (-0.2pp)

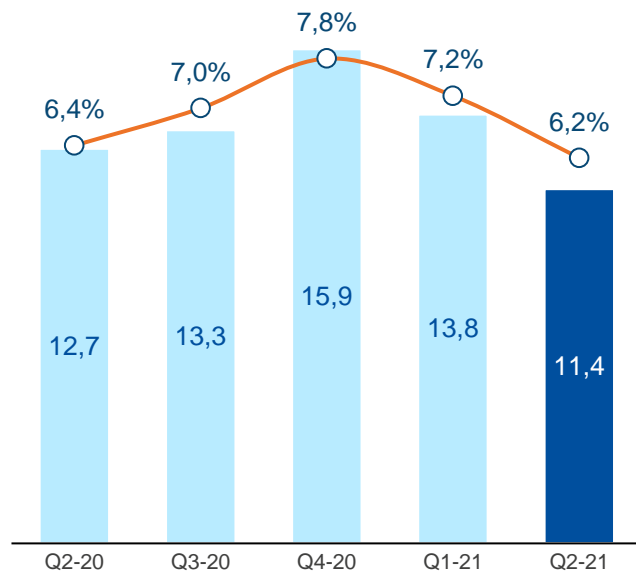


- **Lower revenue** for the quarter vs. last year, mainly due to **currency movements (-NOK 10.7m)**
- Some lower revenue in NE in Germany as a result of **reduced transaction volume** (e.g. travel expense processing and change orders)
- Continued **strong growth** within Professional Services in **Poland** with a revenue increase of **14% YoY**

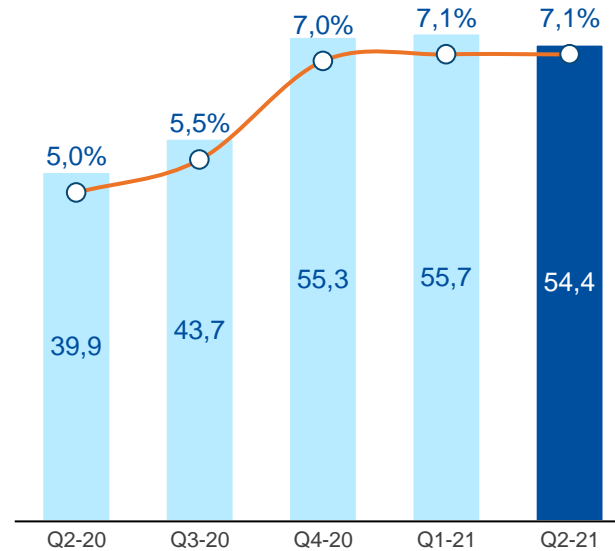
*See Q2 report for definitions of APMS

Marginally lower EBIT YoY – margins expected to improve with scale

Adj. EBIT (NOKm) and margin (%), quarterly



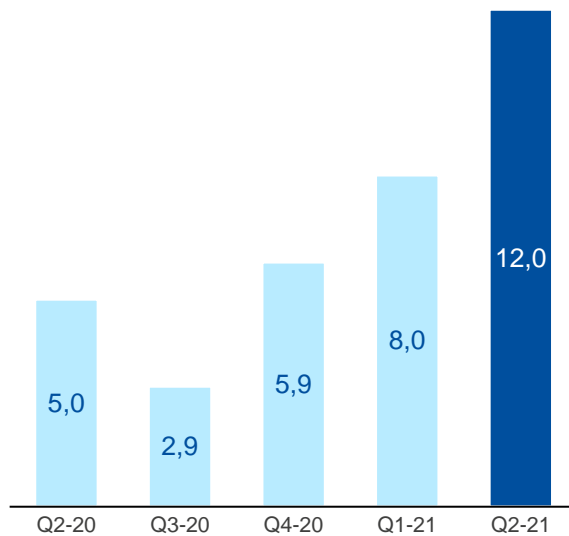
Adj. EBIT (NOKm) and margin (%), LTM



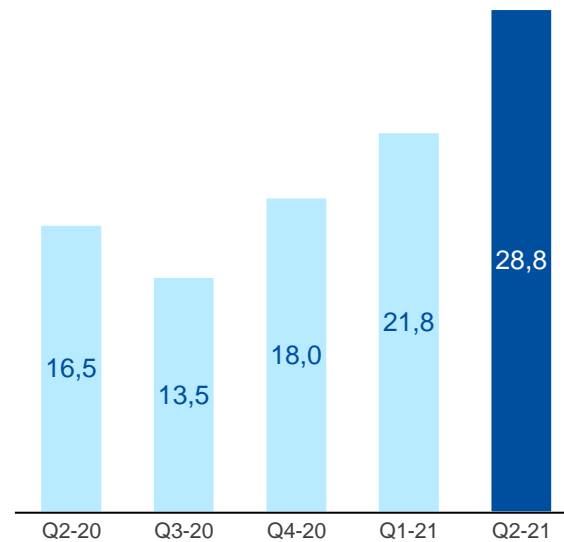
- **EBIT** and EBIT margin approx. **in line with last year** when adj. for currency effects (~NOK 1m)
- **Increased EBIT** and EBIT margin in **NE**, through improved customer margins and higher utilisation, as more resources as being used on new customer projects
- Lower EBIT in **Germany**, partly due to **temporary use of external consultants** within PS in Germany and **ramp-up for new BPO contracts in MS**
- Further margin improvements to reach targeted EBIT 10% to be achieved through scale (revenue growth) and further efficiency improvements

Significant investment in future revenue through transformation projects for new BPO contracts

Employee hours capitalised, quarterly (NOKm)



Employee hours capitalised, LTM (NOKm)



- Significant potential revenue generating capacity utilised on implementing new BPO contracts, which will generate recurring revenue from go-live date
- Value of employee hours capitalised in Q2 LTM NOK 28.8m vs. NOK 16.5m last year
- The amount of revenue deferred in Q2 was NOK 11.4m (NOK 3.1m) and YTD NOK 20.0m (NOK 5.4m)

Condensed Profit and Loss

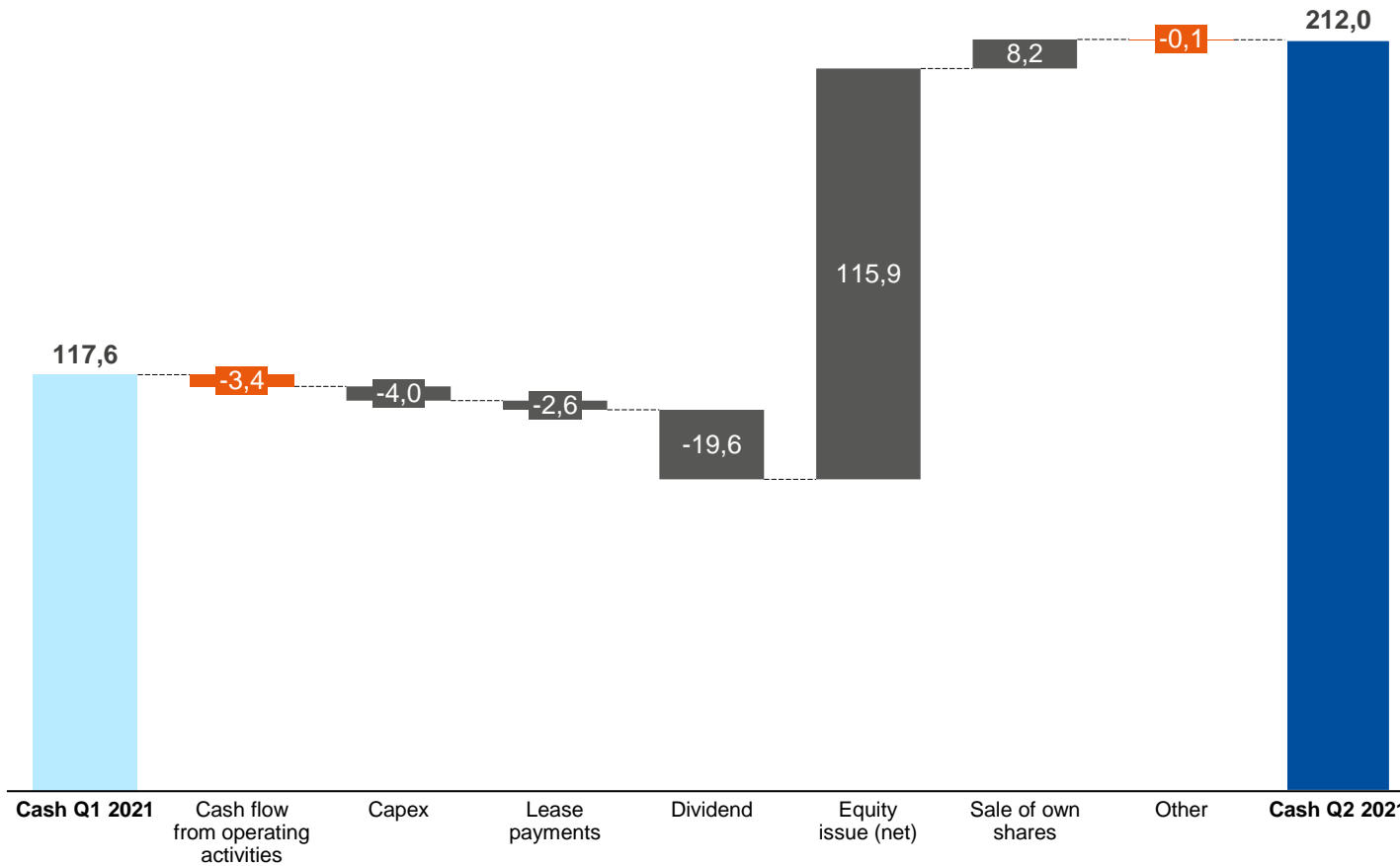
(NOK 1 000)	2021 Apr-Jun	2020 Apr-Jun	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Revenue	185 415	198 445	378 194	399 056	792 326
License costs	16 188	16 237	31 762	33 235	72 517
Personnel expenses	98 961	113 131	205 023	224 710	430 733
Other operating expenses	48 497	39 759	90 723	80 940	167 138
Amortization implementation costs customer projects	6 922	8 939	13 679	17 542	34 666
Depreciation, amortization and impairments	11 748	13 012	23 642	25 811	49 849
EBIT	3 100	7 367	13 365	16 818	37 423
Adjustment items	8 320	5 323	11 843	9 263	17 767
Adjusted EBIT*	11 419	12 690	25 208	26 081	55 190
Adjusted EBIT margin %	6,2%	6,4%	6,7%	6,5%	7,0%
Net financial income/(expense)	(12 138)	19 785	(919)	(52 211)	(50 813)
Profit/(loss) before tax	(9 039)	27 152	12 446	(35 393)	(13 390)
Income tax expense	2 623	(4 733)	(1 387)	9 262	4 405
Profit/(loss) for the period	(6 416)	22 420	11 059	(26 132)	(8 985)
Basic earnings per share (NOK)	(0,31)	1,14	0,53	(1,33)	(0,46)

- **Lower personnel** expenses, as more personnel are utilized on customer implementation projects (costs and income deferred) and currency movements
- Increased other op. exp. from external m&a costs and use of external SAP consultants
- **Unrealised currency loss of NOK 7.3m**, relating the EUR 35m bond loan and other foreign currency denominated items

* Items excluded from adjusted EBIT Q2 2021: external m&a costs (NOK 5.1m), share-based payments (NOK 0.7m) and amortization of excess values on acquisitions (NOK 2.6m). (see definition of adj. EBITDA under APMs in Q1 2021 Report)

Equity issue providing strong cash balance for further expansion

NOK million



- **Cash balance** at 30 June of **NOK 212m** following NOK 120.7m private placement
- Operating cash flow for the quarter includes NOK 7m in cash settlement of expired RSUs
- Capex of NOK 4.0m related to internal system and product development projects
- EUR 4.6m (NOK 48.1m) utilized for initial payment for ba.se subsequent to quarter-end

Condensed Balance Sheet

(NOK 1 000)	2021 30. Jun	2020 30. Jun	2020 31. Dec
Fixed and intangible assets	343 992	372 205	358 008
Trade accounts receivable	145 174	138 118	148 651
Customer projects assets	80 962	84 763	78 246
Cash and cash equivalents	211 952	128 953	124 843
Other assets	23 436	26 391	15 989
Total assets	805 516	750 430	725 738
Equity	207 140	101 522	104 359
Interest-bearing loans and borrowings	366 367	406 892	377 077
Lease liabilities	19 873	30 961	22 896
Customer projects liabilities	60 335	52 255	50 256
Other liabilities	151 800	158 800	171 151
Total equity and liabilities	805 515	750 430	725 738

- **Cash** and cash equivalents of **NOK 212m**
- **Equity issue** of **NOK 120.7m** at NOK 60 per share (net proceeds NOK 115.9m)
- A **dividend** of **NOK 1.00 per share** (NOK 19.6m) paid in June
- Lease liabilities relate to right-of-use assets, and primarily rental contracts for premises (IFRS 16)
- **Net interest-bearing debt** of NOK 154.4m

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Founder and CEO



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CFO

20
years

With Q2 as basis - implementing contracted net revenue growth and base are key drivers in our roadmap to >10% EBIT

Managed Services

- **Addition of net revenue of NOK 111 mill** (ACV* of base + full effect of H1 net signings with incremental margin)
- **Implement Zalaris 4.0 and finalize platform consolidation** realizing synergies resulting in 2% margin improvement for MS

Professional Services

- **Increase revenue of PS with 5%** through addition of capacity and optimized pricing
- **Maintain existing utilization** levels.
- **Improve margins** with 2.4% through **replacing external consultants** with internal resources in combination of stabilized resource situation leading to reduced recruiting costs.

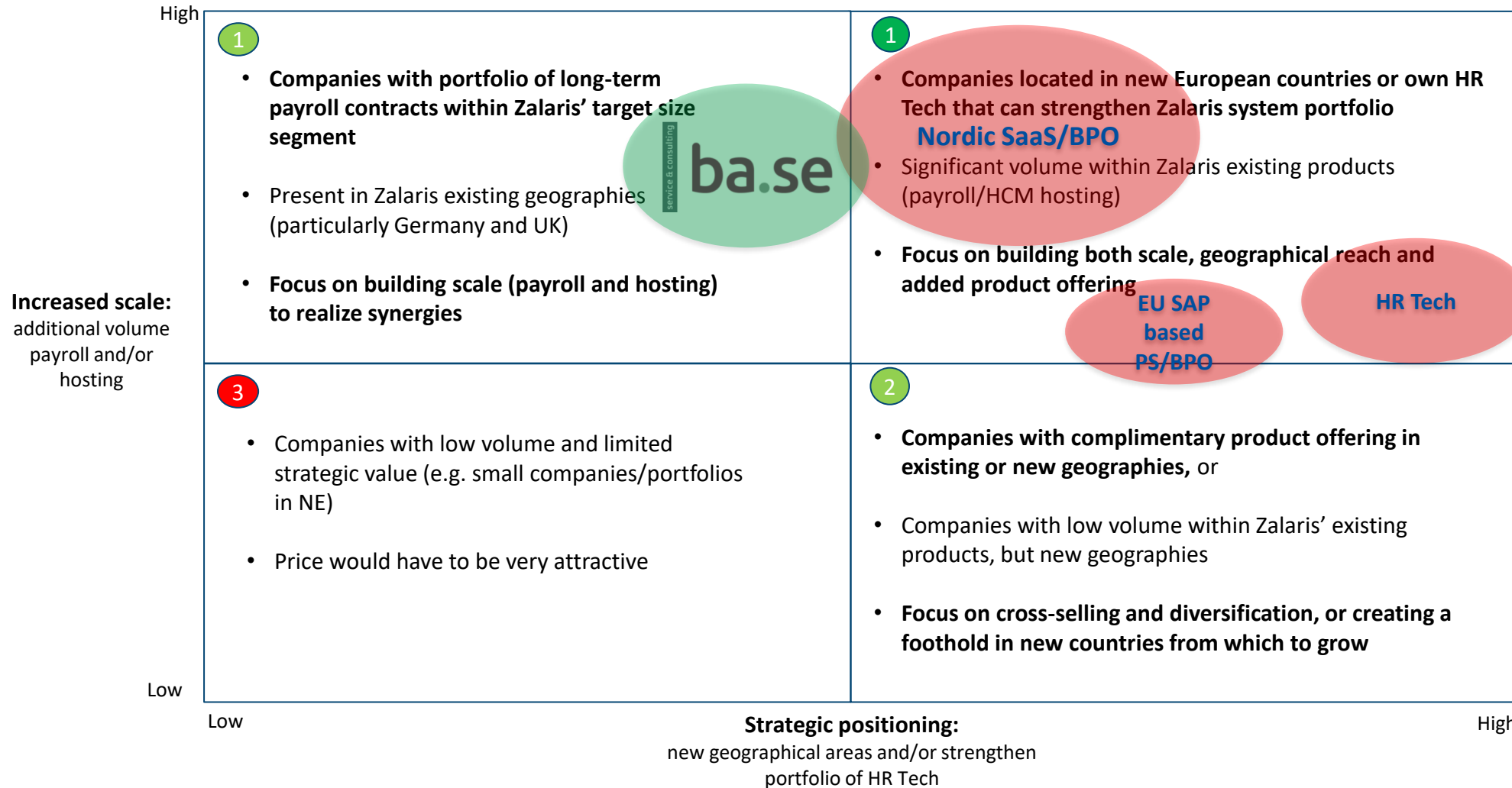
Group and Regional Overhead

- **Maintain and/or slightly reduce** overhead levels through further use of near/offshore shared services and automation

EBIT
>10%

*) ACV = Annual Contract Value

Through Q2 and H1 we have been involved in four structured processes that resulted in the signing of ba.se GmbH



With funding successfully secured through NOK 120 mill issue - we actively seek inorganic growth opportunities

- **Target** pure play HR BPO and combinations of HR Tech and HR BPO in existing and new geographies
- Capacity to finance **acquisitions with existing cash**/balance sheet
- **Larger** acquisitions will be financed through **combination of new bond/debt/equity**
- **Continue** to execute **Capital Discipline** with focus on accretive deal shapes

We continue our journey to become the leading European provider of Payroll and HR services

- Creating more **Net Promoting Customers** - and **Employees**
- **Realizing our roadmap to EBIT >10%** through adding volume, implementing Zalaris 4.0, automation and improve Professional Services resource situation
- Deliver our 21st year of uninterrupted growth through **continuing our closing streak from our strong pipeline** and grow with existing customers
- Execute on **non-organic growth** ambitions

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Gunnar Manum
CFO

20
years

“

We simplify HR and payroll administration, and empower you with useful information so that you can invest more in people.

Thank you!

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Hans-Petter Mellerud, CEO & Founder