

18 February 2022

Presentation of financial results Q4 2021



Simplify work life.
Achieve more.



Agenda

- Highlights
- Financial Review
- Markets and Outlook
- Q&A



Hans-Petter Mellerud
Founder and CEO



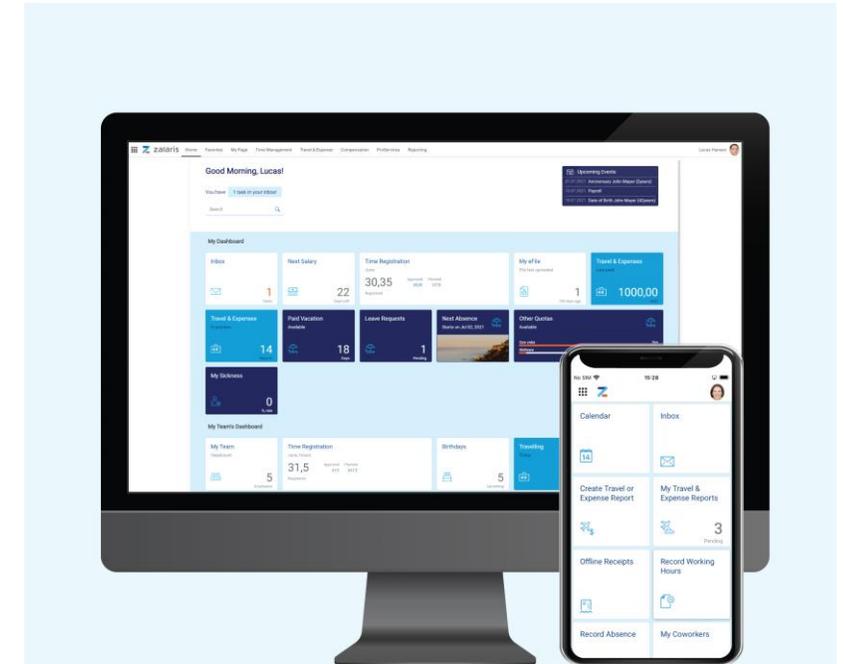
Gunnar Manum
CFO

Fourth quarter 2021: Record level of new BPO contracts awarded for 2021

- ✓ Revenue of **NOK 201.7 million** for Q4 (+4.1% - constant currency)
- ✓ Adjusted **EBIT of NOK 10.2 million** (-36.8%)
- ✓ Adjusted **EBIT margin of 5.1%** (-2.7pp)
- ✓ **New BPO contracts awarded** with expected **ARR of NOK 37 million** in Q4 and **NOK 115 million full-year** representing a future **revenue growth of 11.5%** when implemented
- ✓ **Deferred revenue** full-year increased by NOK 26.5 million YoY to **NOK 41.4 million (+176%)** from all time high activity level implementing new contracts
- ✓ **Acquired vyble**, a German provider of cloud-based Payroll & HR management system (SaaS) for the SME market
- ✓ **Cash and cash equivalents of NOK 176.2 million**

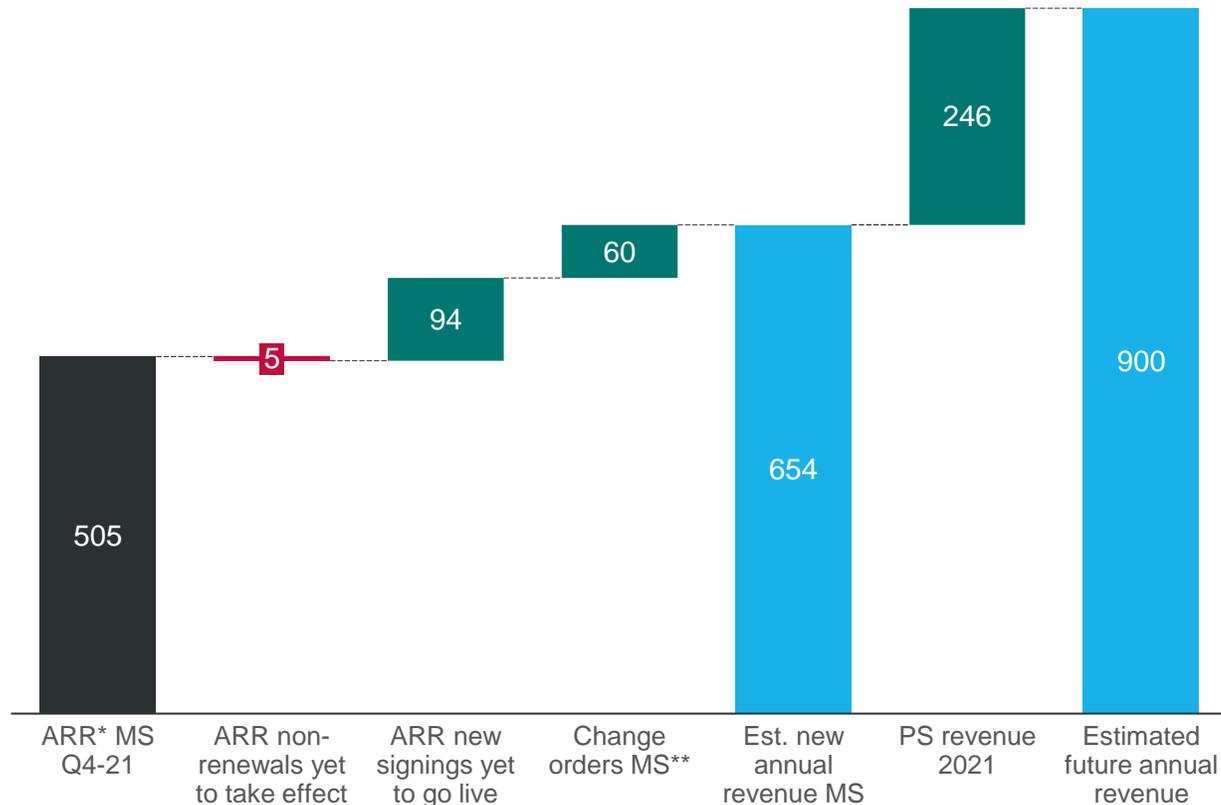


Personnel. Time. Travel. Compensation.



**One-stop
HR platform**

New BPO contracts will result in significant revenue increase going forward



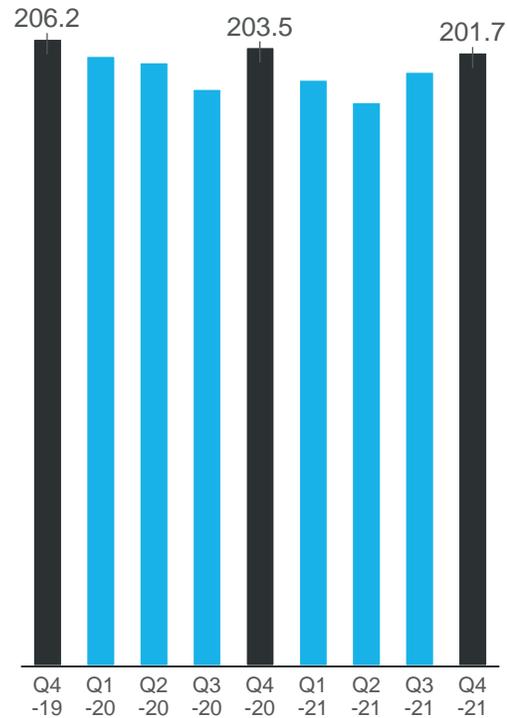
- ✓ Total annual revenue expected to increase by NOK 125m (+16%) by Q1 2023, based on signed contracts
- ✓ Increase in estimated total revenue vs. 2021 from new contracts signed and the full annual effect of ba.se
- ✓ Any new contract signings in 2022, with a revenue effect by Q1 2023, will come in addition
- ✓ Assumes PS revenue at actual 2021 level

*The ARR for the quarter is an estimate calculated by annualising the actual recurring revenue (according to contract revenue) for the quarter, for customers at the end of the quarter. Please refer to the APMs section of the interim financial report for further details.

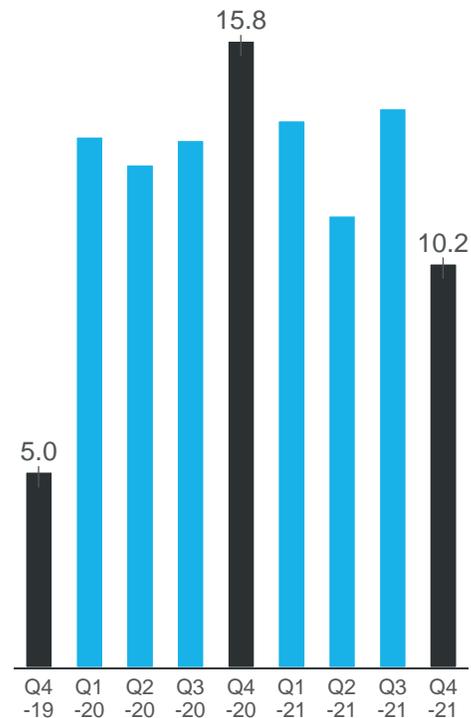
** Revenue from change orders in MS = 10% of recurring revenue, based on historical rate

Revenue increased by 4.1% for the quarter in local currency

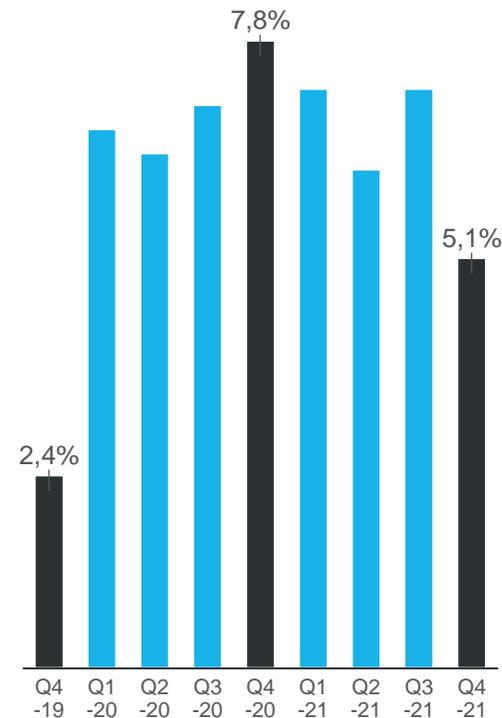
Revenue
NOK 202m (-0.8%)



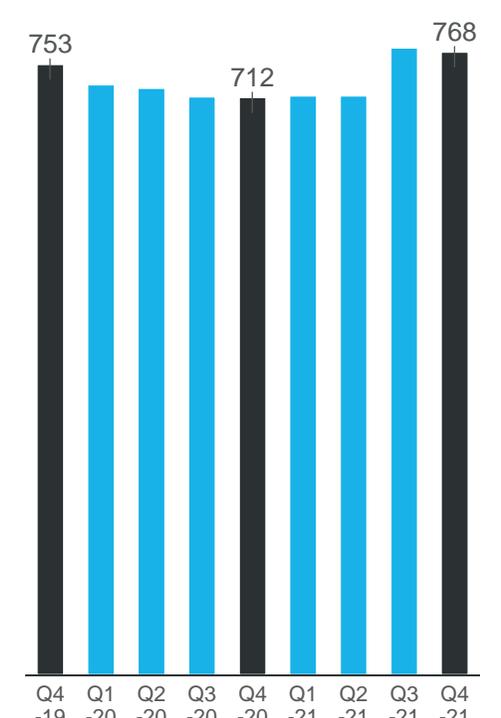
Adj. EBIT*
NOK 10.2m (-36.8%)



Adj. EBIT margin
5.1% (-2.7pp)



#FTEs*
768 (+2.0%)



*See Q4 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**



> 1,500,000

employees served monthly across all HR solutions

880

Zalaris employees

> 300,000

employees served monthly through payroll services

20

years of experience and continuous growth

2021 Revenue:

EUR 76 million

Own service centers in

13 Countries

with expertise in local laws and regulations

Together with partners

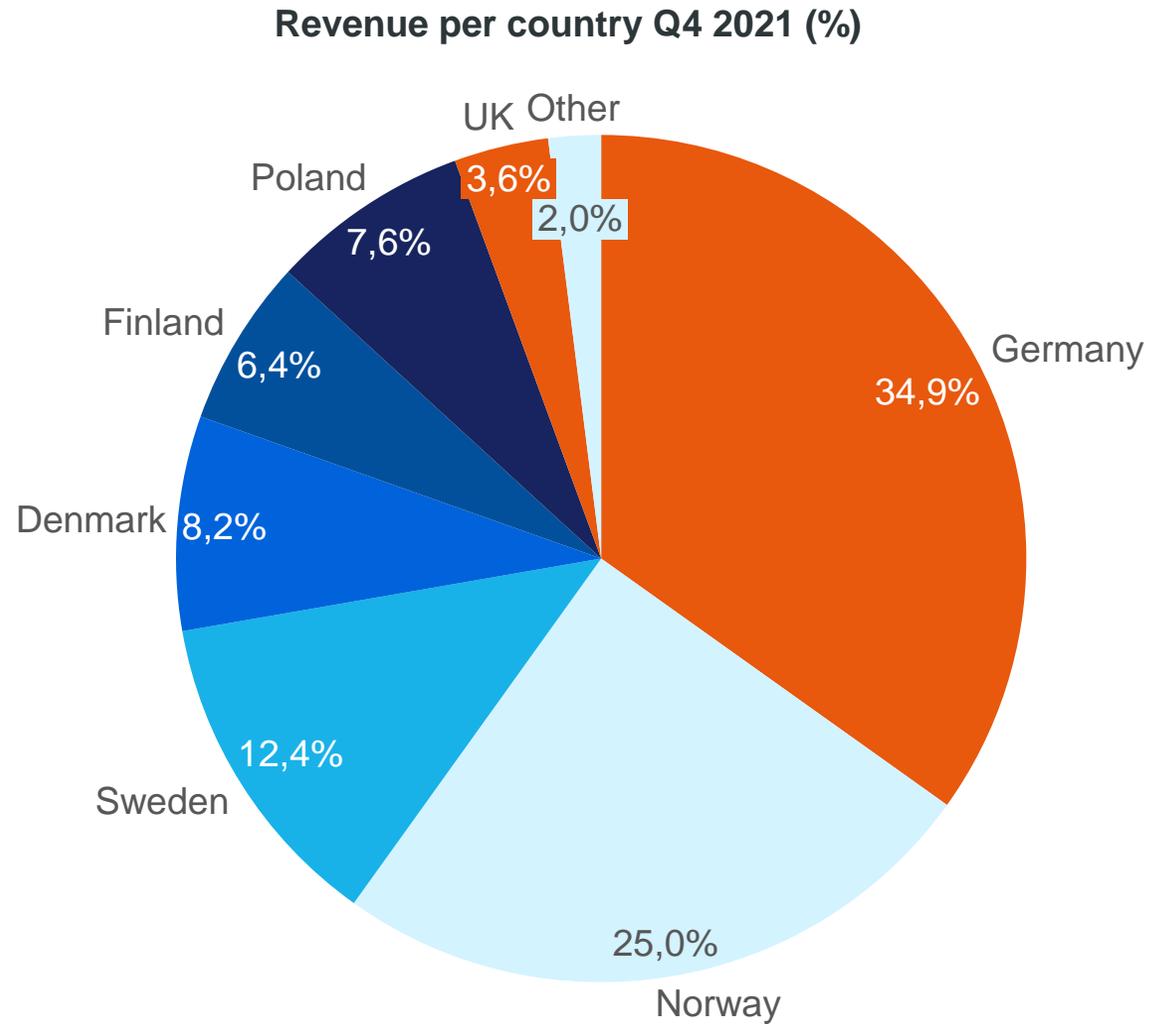
150+ Countries

with expertise in local laws and regulations

 **zalaris**

Managed Services
Professional Services

Significant European player with Germany largest market facing unit



Diversified customer base

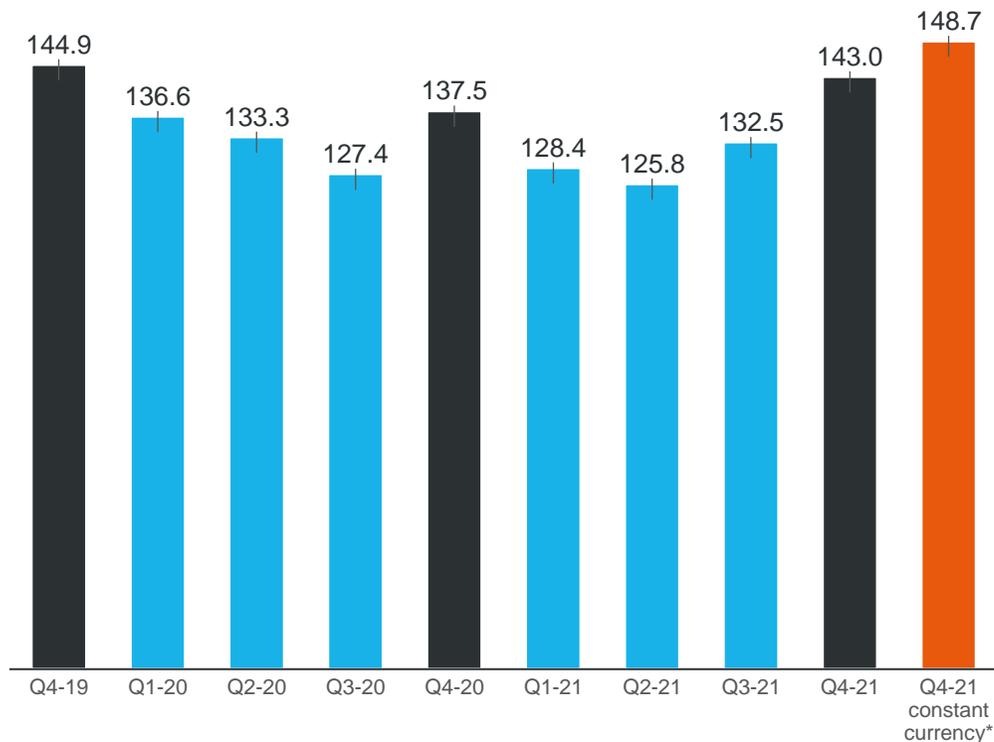
BANK, INSURANCE & FINANCIAL SERVICES	HEALTH AND LIFE SCIENCES	INFRASTRUCTURE & TRANSPORTATION
		
IT, TECHNOLOGY & TELECOM	OFFSHORE & ENERGY	PRODUCTS & INDUSTRIALS
		
PUBLIC SERVICES AND OTHER INSTITUTIONS	RETAIL	SERVICE INDUSTRIES
		

Delivering services based on solutions from has been a key element of our success

- SAP – worlds largest supplier of enterprise SW with more than 450'000 customers in 180 countries; nearly 80% of all multi-nationals use SAP
- Global leader in payroll and HR solutions since the 1990's with communicated roadmap for maintaining current solution to 2040
- Robust solution solving needs of complex customers
- 10K+ customers in 99 countries paying more than 100 million people
- SAP SuccessFactors – leading cloud-based HR solution and dominant player in European HQed companies
- Flexible integration framework to other solutions
- SAP's success over competitors is largely due to its market reach through its more than 20K partners
- Zalaris has been partner with SAP since 2001
- Leading BPO partner since 2008
- Gold partner and working with SAP in all countries
- Strong relationships to the SAP organization
- CEO member of SAPs Next Generation Advisory Council

Managed Services grew by 8% in the fourth quarter (in local currency)

Revenue
NOK 143.1m (+4.1%)



- ✓ **+8% higher revenue** when adj. for currency movements, mainly due to the inclusion of ba.se
- ✓ Net new signings (net of churn) with **annual recurring revenue (ARR)** of **NOK 32m** during the quarter and **NOK 83m FY** – represents an **increase** in annual MS revenue of **+15%**
- ✓ **Record high activity level** in 2021, exemplified by **NOK 41.4 million in revenue deferred** for the full-year vs. NOK 15.0 million last year
- ✓ **>90% of revenue is recurring** based on long-term BPO contracts, while the remaining <10% relates to change orders etc.

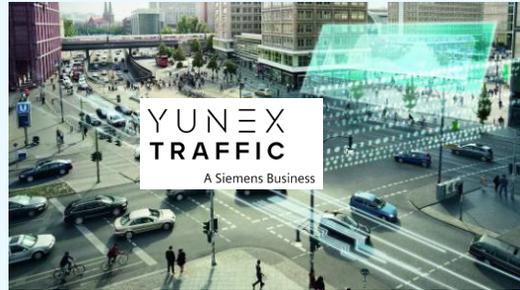
*Revenue in local currency converted to NOK using the avg. currency rate from the quarter last year

Continued strong development in new signings

- ✓ **Several new BPO contracts and extensions signed** during Q4
- ✓ Platform based deals **utilizing existing capacity** with higher incremental margin
- ✓ **Pipeline of BPO opportunities still strong in all geographies** as companies are reevaluating their business continuity plans and cost situation coming from Covid-19



5-year agreement to deliver Payroll and Travel & Expense solution to Gjensidige's 3,700+ employees in Norway, Sweden and Denmark



5-year agreement to deliver Global HR solution integrated with Zalaris PeopleHub, including payroll and workforce management, for Yunex's 3,100+ employees in 22 countries



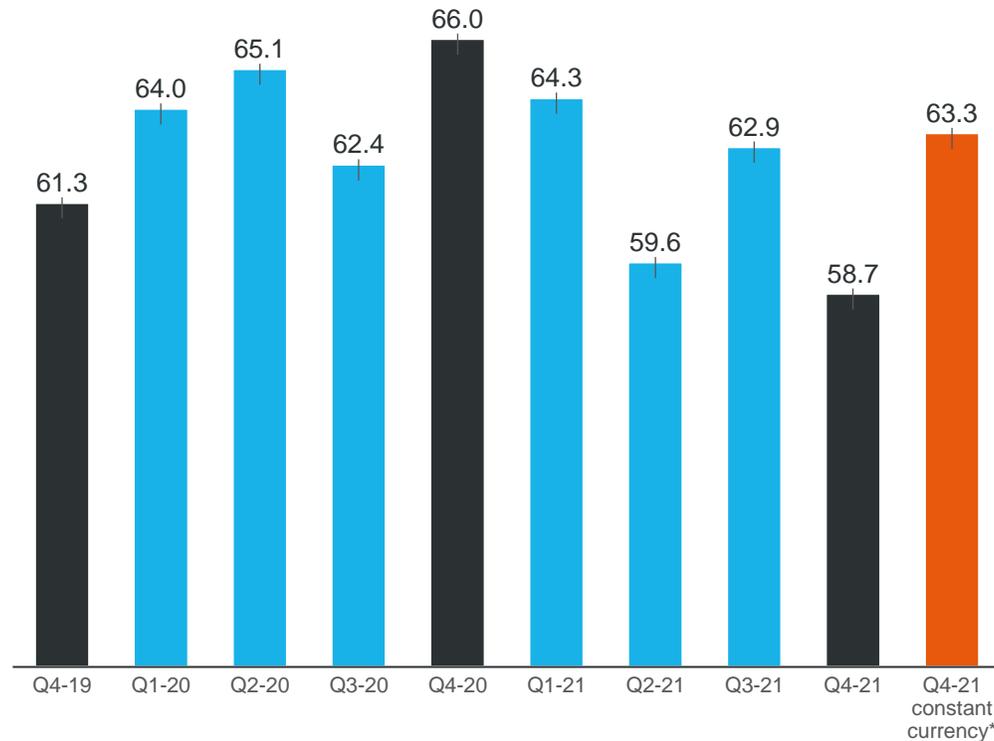
5-year agreement to deliver a Zalaris PeopleHub powered SaaS solution serving 14,000+ employees in the UK



6-year renewal and expansion of an agreement to deliver payroll and transactional HR services to Siemens AB, now with full Nordic coverage including Denmark and Finland

Professional Services had a reduction in revenue of 4% when adjusted for currency movements

Revenue
NOK 58.7m (-11.1%)

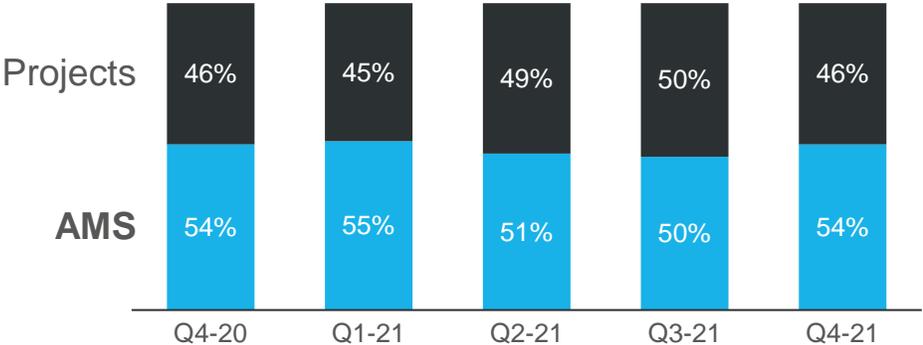


- ✓ Revenue in Professional Services was **4.1% lower** year-on-year when adjusted for negative currency movements
- ✓ Reduction mainly explained by **PS resources being utilized on implementing new customers in MS** (transformation projects)
- ✓ In local currency, revenue in **Poland grew by ~6%**, while Germany had a reduction of ~6%, after completing some projects in Q4 last year, which were not renewed

*Revenue in local currency converted to NOK using the avg. currency rate from the quarter last year

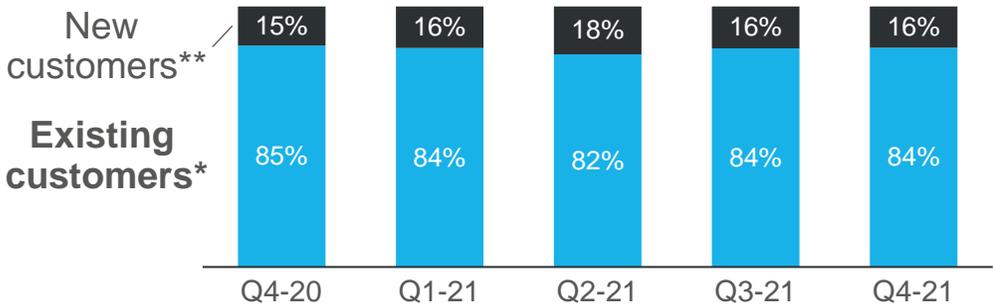
Majority of Professional Services revenue is recurring and supports a continuous presence with customers

Distribution of Projects vs long term AMS based revenue



- ~54 % of Professional Services revenue is recurring, or recurring like, and based on long term agreements and relationships
- ~84 % 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

Acquisition of vyble® - German provider of cloud-based payroll & HR management (SaaS) for the SME market

- ✓ vyble has a complete suite of Payroll and HR solutions delivered as Software as a Service (SaaS)
- ✓ Targeting the German SME market (companies with 1-250 employees) valued at estimated EUR 2,6 billion
- ✓ 25 employees located in Rostock and Hamburg and ARR of EUR 1m
- ✓ Assets (business transfer) acquired by Zalaris ASA through a new subsidiary vyble GmbH for a purchase consideration of EUR 1.1m - transaction effective 1 Feb 2022
- ✓ Aim at supporting strong growth of vyble in the German SME market and explore expanding market coverage to other European markets and serve as basis for solutions covering white space in our existing solution portfolio.

Financial Review

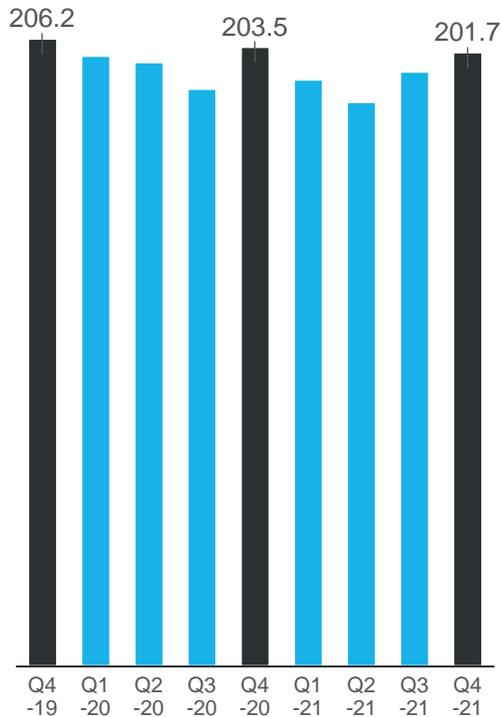


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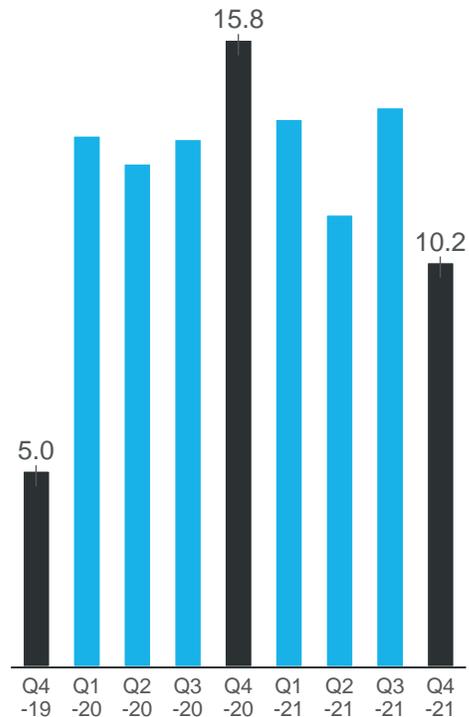


Higher revenue for the quarter in local currency

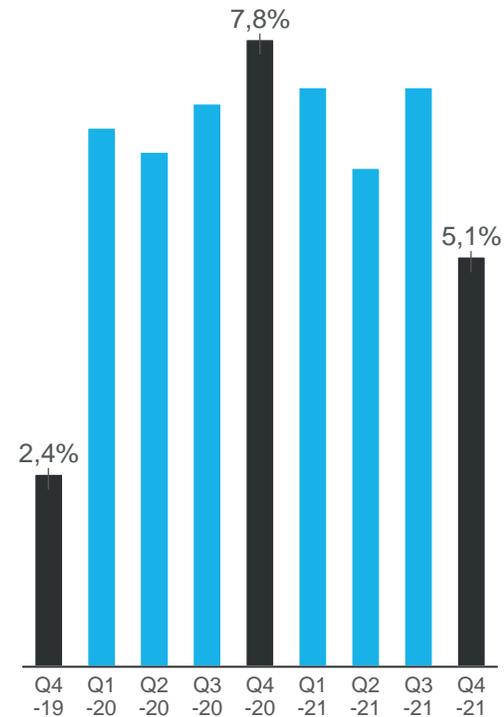
Revenue
NOK 202m (-0.8%)



Adj. EBIT*
NOK 10.2m (-36.8%)



Adj. EBIT margin
5.1% (-2.7pp)

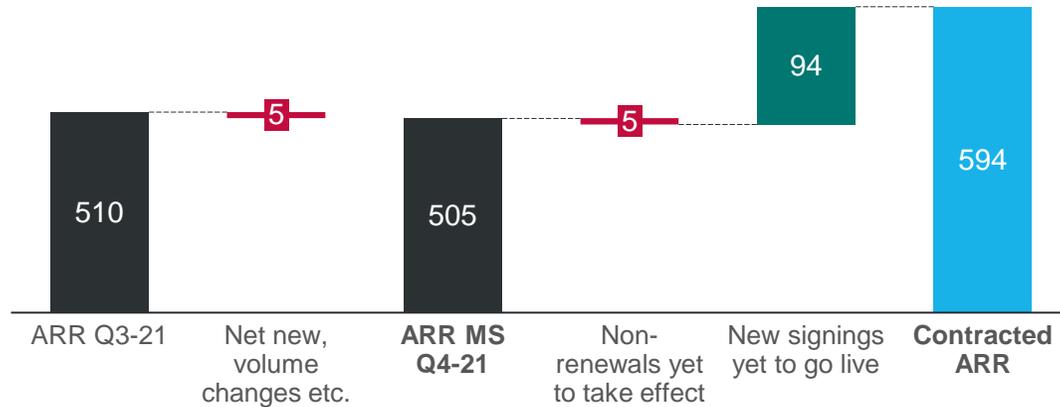


- ✓ **+4.1% higher revenue** for the quarter vs. last year, when adj. for currency movements (NOK 10.3m)
- ✓ Increase mainly due to the inclusion of ba.se, partly offset by lower consulting revenue in PS
- ✓ Lower actual revenue impacting EBIT negatively, as well some additional costs of one-off nature (payroll tax adj. of NOK 1.7m), and some cost increases in preparation for increased volumes, as new BPO contracts go live in 2022

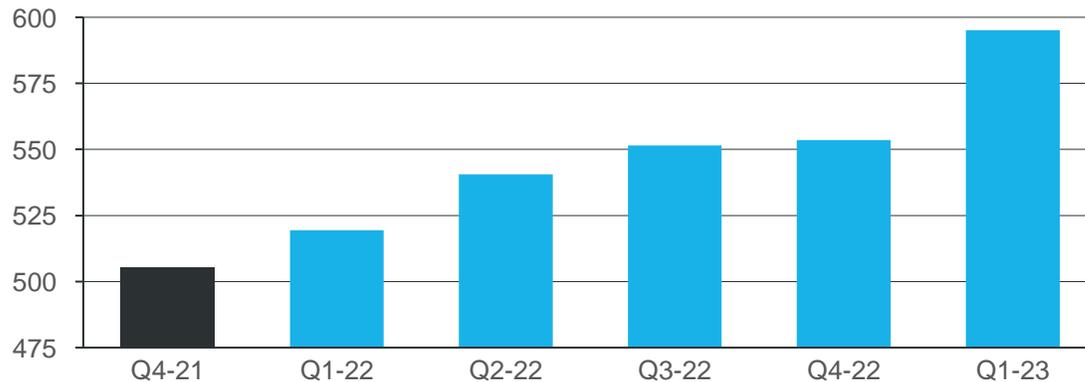
*See Q4 report for definitions of APMs

Significant ARR build-up in Managed Services through new BPO contracts

Contracted ARR* in MS (NOKm)



Contracted ARR evolution over time based on signed contracts (NOKm)

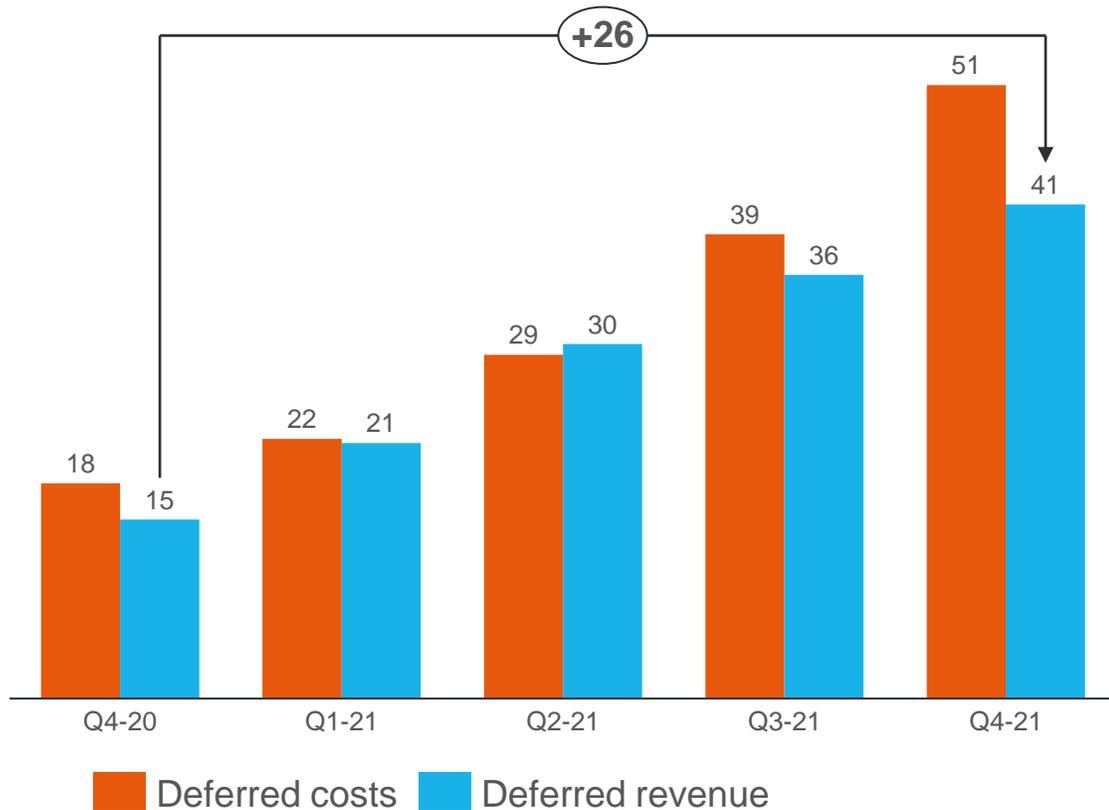


- ✓ **New BPO contracts** within Managed Services with total ARR of **~NOK 37m** signed during the quarter
- ✓ New BPO contracts awarded **FY** have expected **ARR** of **~NOK 115m** when fully implemented
- ✓ The net ARR to be implemented in 2022 from new contracts (NOK 89m), represents an **increase in total annual revenue of +11.5%** vs. FY 2021
- ✓ Revenue from new contracts signed to materialise gradually through to Q1 2023

*The ARR for the quarter is an estimate calculated by annualising the actual recurring revenue (according to contract revenue) for the quarter, for customers at the end of the quarter. Contracted ARR includes the estimated recurring revenue from customers/upsell that have not gone live at the end of the quarter. Please refer to the APMs section of the interim financial report for further details.

Revenue deferred as part of transformation projects for new BPO contracts

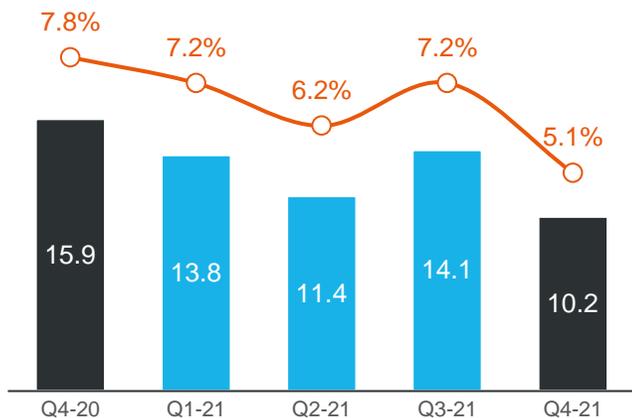
Deferred revenue and employee hours capitalised, LTM (NOKm)



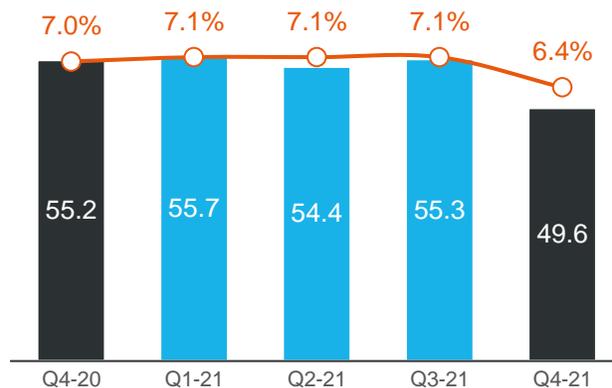
- ✓ Significant potential **revenue generating capacity utilised on implementing new BPO contracts**, which will generate recurring revenue from go-live date
- ✓ Amount of **revenue deferred increased by NOK 26m FY** compared to last year – represents 3.4% of total revenue FY 2021
- ✓ Value of employee hours capitalised FY 2021 was NOK 51.4m vs. NOK 18.0m last year
- ✓ Deferred revenue and costs will be recognised over the contract period, from the go-live date

EBIT for Q4 impacted by one-offs and investments in 2022 revenue

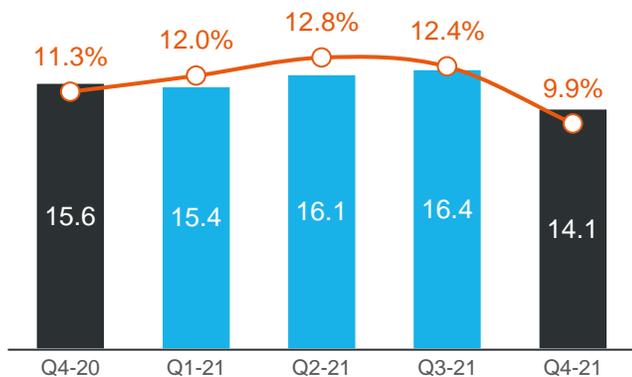
Adj. EBIT (NOKm) and margin (%)



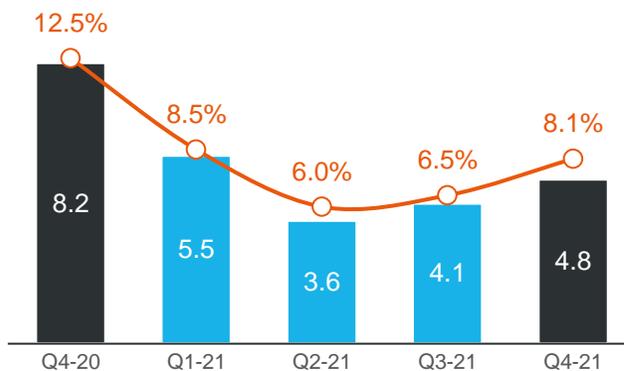
Adj. EBIT (NOKm) and margin (%), LTM



MS - EBIT (NOKm) and margin (%)



PS - EBIT (NOKm) and margin (%)



Consolidated adj. EBIT and adj. EBIT margin for Q4 impacted by:

- More MS and PS resources utilised on transformation projects - deferred revenue and costs, but negative EBIT impact vs. last year
- Payroll tax adj. on share options (NOK 1.7m)
- Investment in future capacity (lower utilisation for newly added employees)

MS EBIT marginally higher than last year when adj. for settlement of VAT dispute from 2019 (NOK 1.8m)

PS EBIT impacted by more resources being utilized on transformation projects, however margins on the increase (EBIT particularly high in Q4 last year)

Condensed Profit and Loss

	2021	2020	2021	2020
(NOK 1 000)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Revenue	201 695	203 522	775 265	792 326
License costs	18 519	20 945	67 481	72 517
Personnel expenses	102 196	106 584	405 949	430 733
Other operating expenses	57 493	44 526	199 892	167 138
Amortization implementation costs customer projects	8 858	8 351	29 874	34 666
Depreciation, amortization and impairments	13 164	11 683	49 488	49 849
EBIT	1 465	11 433	22 579	37 423
Adjustment items	8 757	4 394	26 989	17 767
Adjusted EBIT*	10 222	15 827	49 568	55 190
Adjusted EBIT margin %	5,1%	7,8%	6,4%	7,0%
Net financial income/(expense)	205	13 685	(7 443)	(50 813)
Profit/(loss) before tax	1 670	25 118	15 136	(13 390)
Income tax expense	(322)	(6 220)	(2 066)	4 405
Profit/(loss) for the period	1 348	18 898	13 071	(8 985)
Basic earnings per share (NOK)	0,06	0,96	0,61	(0,46)

- ✓ **Personnel expenses:** Lower for the quarter YoY due to more costs being deferred (-NOK 12m) and positive currency movement (-NOK 5m), partly off-set by higher calculated option costs (+NOK 1.1m) and the inclusion of ba.se (+NOK 6.7m)
- ✓ **Increase in other op. exp.** of NOK 13.5m from the use of external SAP consultants (+NOK 10.2), external m&a costs relating to ba.se (+NOK 1.8m), one-off settlement of VAT dispute from 2019 (+NOK 1.8m) and inclusion of ba.se (+NOK 2.7m) - partly offset by currency movements (-NOK 3.3m)

* Items excluded from adjusted EBIT Q4 2021: external m&a costs (NOK 1.8m), share-based payments (NOK 1.8m), settlement of VAT dispute (NOK 1.8m) and amortization of excess values on acquisitions (NOK 3.3m). (see definition of adj. EBIT under APMs in Q4 2021 Report)

Positive cash flow from operations during the quarter and strong cash position

Development in cash balance (NOKm)



- ✓ **Cash balance** at 31 December of **NOK 176m**
- ✓ **Positive cash flow from operations** of **NOK 19.9m**, 19% higher than last year
- ✓ **Net interest-bearing debt** of **NOK 183.0m** vs. **NOK 198.1m** at the end of previous quarter.

Markets and Outlook



Simplify work life.
Achieve more.



Complete SaaS based payroll and HR suite digitalizing people processes

The image displays the vyble SaaS interface, divided into two main sections: „Payroll“ and „People“.

„Payroll“ features a dashboard with a bar chart titled „Vorteilsüberblick - Neues Konzept“ showing „Vorteile“, „Benefits“, and „Steuererträge“. Below it, a „Payroll: Zusammenfassung“ screen shows a donut chart for „Vorteile“ and four smaller donut charts for „SV-Beiträge AN“, „Steuerbeiträge“, „AG-Beiträge“, and „Benefits“. A sidebar lists services like „Lohn- und Gehaltsabrechnung“, „Payroll-Support“, and „Digitale Mitarbeiterakte“.

„People“ features a „Mitarbeiterakte“ screen and a „Dashboard“ with metrics for „Gesamtbreite Mitarbeiter“ (32.049 €) and „Arbeitgebergesamtbreite“ (329.049 €). It also includes sections for „Geburtsstage“, „Anlässe“, „Benefits“, „Anzahl Mitarbeiter“, and „Durchschnittsalter“.

Two smartphones in the center show the mobile app interface.

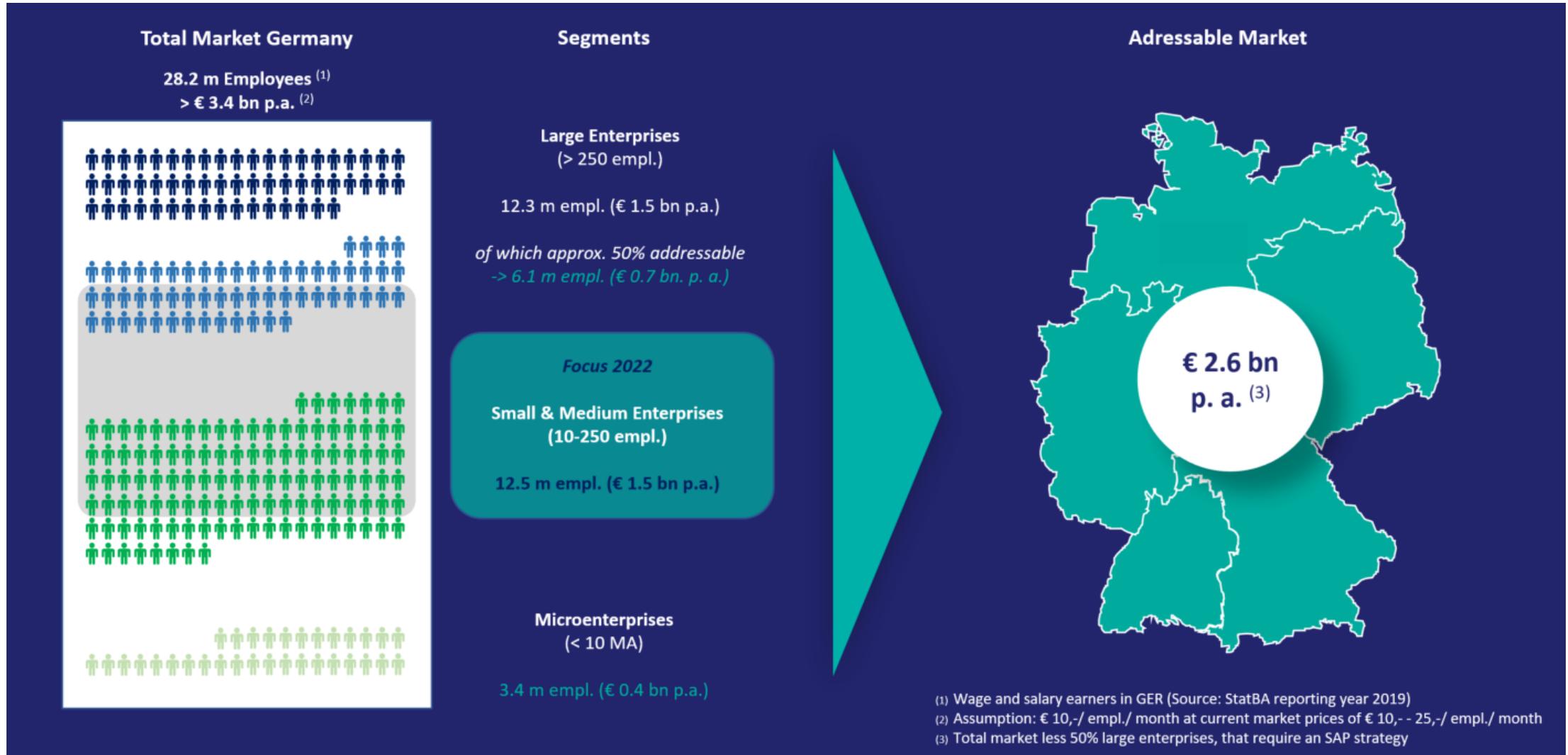
Two summary cards are shown: „Payroll €15,- pro Mitarbeiter pro Monat“ and „People €6,- pro Mitarbeiter pro Monat“.

- Payroll surprisingly simple with just one click
- Paperless run without manual effort thanks to intelligent use of digitization and automation
- Generation of all evaluations and reports to the institutions
- Interfaces to all common systems, e. g. DATEV, SAP, Accurat, ...

vyble® reduces the complexity of the entire payroll process by eliminating manual routines through integrated digital solutions and employee self served flows of information.

incl. e-file, dashboard, time-registration, travel expense tool, administration of absences, digital signature, apps: legally compliant white label and multi-client capable

Addressable German market is valued at EUR 2,6 billion



(1) Wage and salary earners in GER (Source: StatBA reporting year 2019)

(2) Assumption: € 10,-/ empl./ month at current market prices of € 10,- - 25,-/ empl./ month

(3) Total market less 50% large enterprises, that require an SAP strategy

Vyble solution target at small and medium sized businesses



Solution designed to support indirect distribution

Direct to end customers



Indirect to Professional Services and Accountancies



As white label software that is also multi-client capable and has a DATEV interface, vyble an ideal platform suitable for tax consultancies, auditing companies and payroll service providers in Germany.

Aiming a maintaining record speed

- ✓ All time high sales with net ARR of NOK 115 million full-year representing a future revenue growth of 11.5% when implemented
- ✓ Pipeline and opportunity space continue supporting organic growth ambitions of 10%+
- ✓ Continue driving cost efficiency initiatives that with increased scale shall deliver target 10% EBIT
- ✓ Well capitalized to continue exploring M&A to grow, increase geographic coverage and add own IP to cover white space in our own solution footprint.

“

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

Thank you!

Zalaris ASA | +47 4000 3300 | www.zalaris.com



Simplify work life.
Achieve more.

