

29 April 2022

# Presentation of financial results Q1 2022



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# Agenda

## Today's presenters

- Highlights
- Company in brief
- Financial review
- Markets and outlook
- Q&A



**Hans-Petter Mellerud**  
CEO and Founder



**Gunnar Manum**  
CFO

# Highlights



Simplify work life.  
Achieve more.

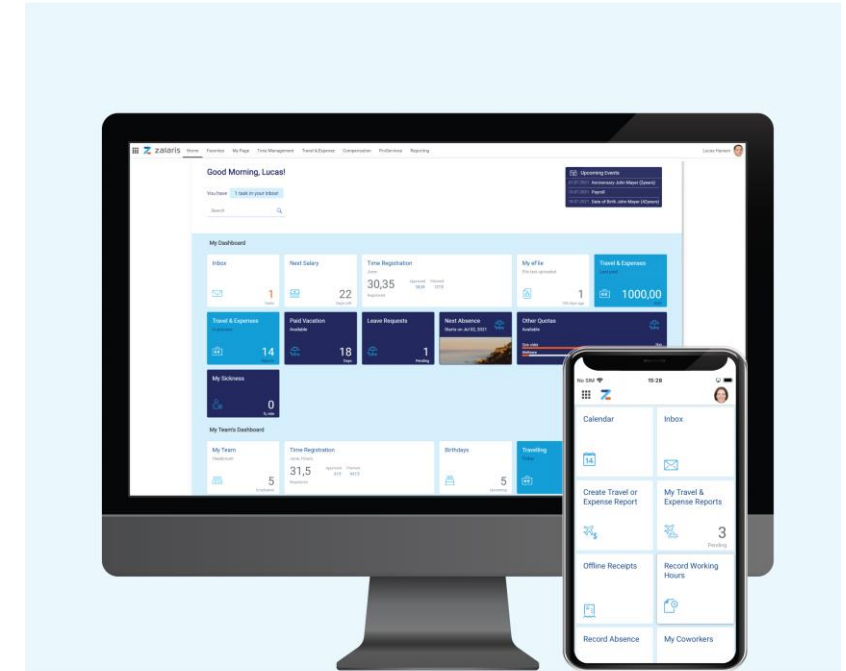


# Q1 2022: All time high quarterly revenue

- ✓ Revenue of **NOK 209.7 million** (NOK 192.8 million) for the first quarter. **Revenue grew by +12.0% YoY** in constant currency
- ✓ **Adjusted EBIT** of **NOK 14.9 million** (NOK 13.8 million) **+8.0% YoY**
- ✓ **Adjusted EBIT margin** of **7.1%** (7.2%). The margin is expected to increase throughout the year to our 10% target, as our new projects go live and corresponding revenue being recognised
- ✓ **Signed a seven-year agreement with Stora Enso** in April, a leading Finnish industrial company, for delivery of Payroll and Time Management technology and outsourcing services. The contract will be among our 10 largest and strengthens our position in the global production industry vertical
- ✓ **Revenue deferred** during the quarter was **NOK 18.5 million** (NOK 8.6 million), an increase of 119% as a result of many new customer contracts being implemented
- ✓ **Acquired vyble**, a German provider of cloud-based Payroll & HR management system (SaaS) for the SME market.
- ✓ **Cash** and cash equivalents of **NOK 134.7 million**, **+NOK 17.1 million** compared to last year
- ✓ The **board has proposed a dividend for 2021** of **up to NOK 1.00 per share** in total, with NOK 0.35 to be paid immediately following shareholder approval, and up to NOK 0.65 planned to be paid before the end of the year pursuant to a proposed board authorisation



Personnel. Time. Travel. Compensation.



**One-stop  
HR platform**



# Continued development in new signings in Managed Services driving recurring revenue streams

- ✓ Several new BPO contracts and extensions signed
- ✓ Platform based deals **utilizing existing capacity** with higher incremental margin
- ✓ **Pipeline of BPO opportunities still strong in all geographies** not impacted of Ukrainian war



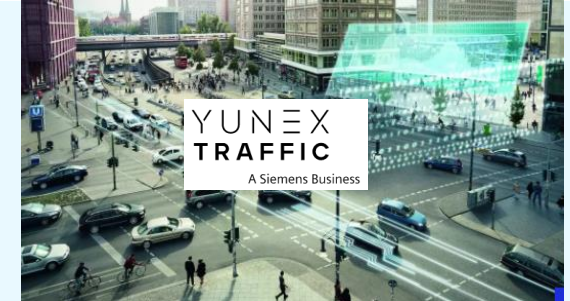
7-year agreement to deliver **Peoplehub Payroll and Time-based** outsourcing services to **Stora Enso's** 6000+ employees in **Finland**. Approx. 20 FTEs business transfer to Zalaris.



5-year agreement with **KAEFER UK & Ireland** to implement SAP **SuccessFactors integrated with Zalaris PeopleHub** and mobile solutions for their 3,000+ employees



5-year agreement with iconic retailer **KaDeWe in Germany** to implement Zalaris **PeopleHub based Payroll services** for their 1,900+ employees



Add-on to 5-year agreement announced in Q4'21 to deliver **Zalaris' Travel solution** as part of Zalaris PeopleHub for **Yunex's** 3,100+ employees in **22 countries**

# Professional Services continued development

- ✓ Several new agreements signed
- ✓ Implementing and maintenance of Managed Services projects
- ✓ Continued building a new generation of consultants through trainee programs
- ✓ Using smart shoring and robotized solutions to improve cost efficiency

**HITACHI**



**PORSCHE**

**In the UK** signing new agreements with leading brands as Hitachi, Veolia, and Porsche



**In Poland** we signed new and extended agreements with companies as ABB, Lidl, and Ryanair to provide Application Maintenance Services



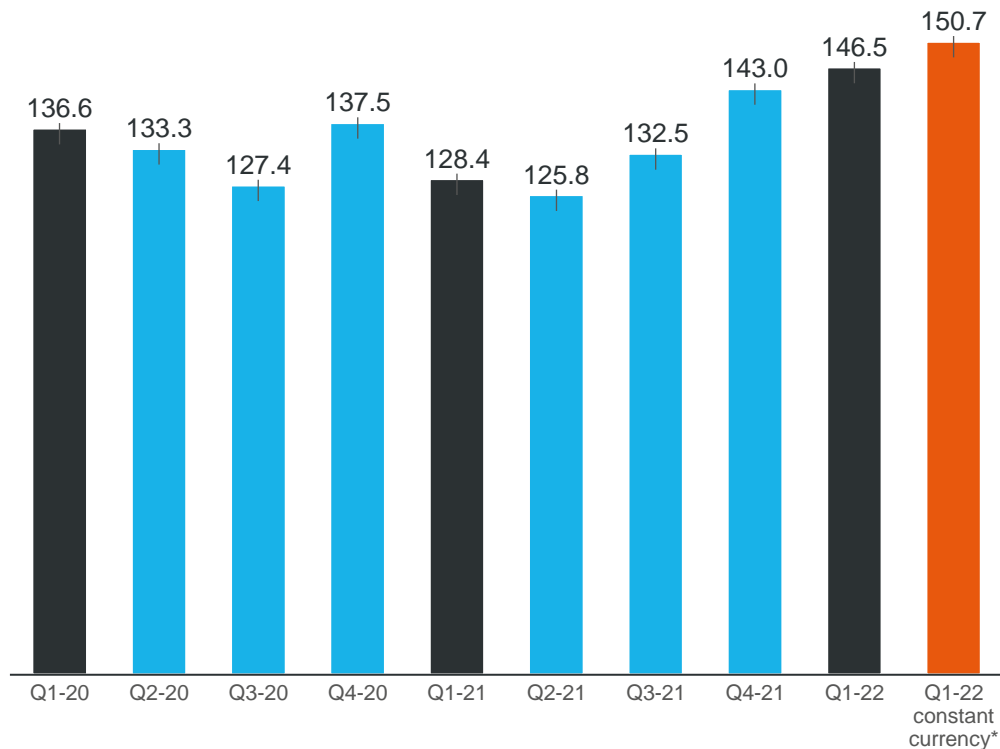
**In Germany** extended long-term agreement for application maintenance services with the state of Rhineland-Pfalz, extended our agreement with Bitzer AG for a global rollout and finalized a new payroll solution to serve ThyssenKrupp Elevator's 7000 employees



**In APAC** signed agreement to implement payroll for Google Australia

# Managed Services grew by 17% in the first quarter, in local currency

Revenue  
NOK 146.5m (+14.1%)



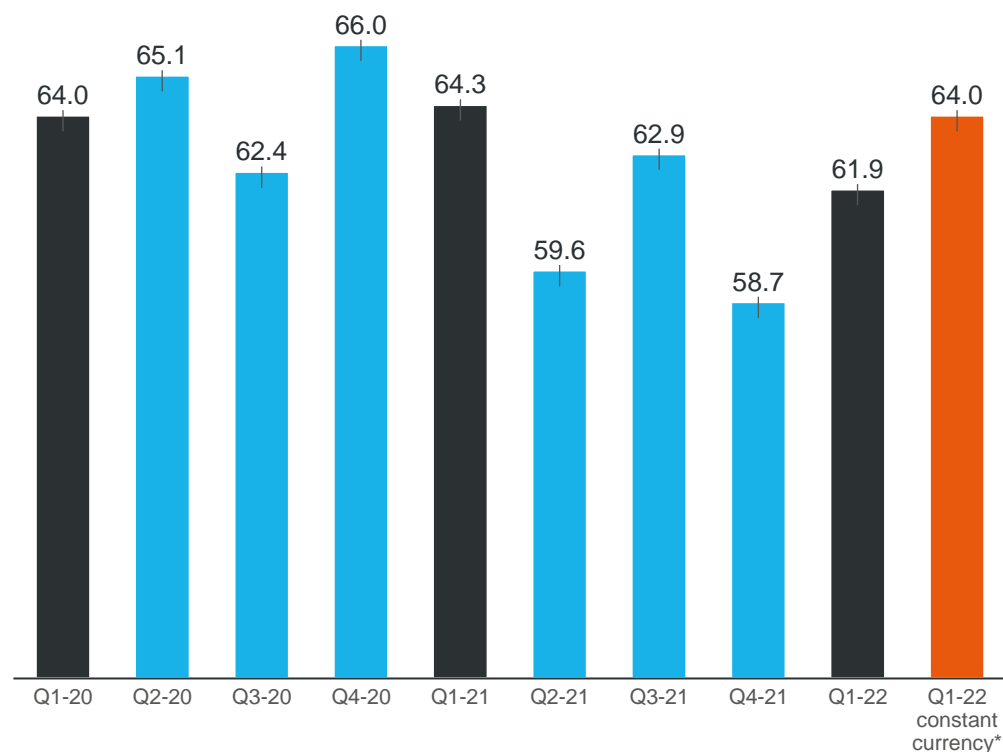
- ✓ **+17.4% higher revenue** when adj. for currency effects
- ✓ The inclusion of ba.se added +10.2%, while **+7.2% relates to new customers** and volume increases
- ✓ Net **new signings** with **annual recurring revenue (ARR)** of **NOK 6m** during the quarter – immaterial churn
- ✓ **Continued good activity level**, particularly within the European multi-country HR & Payroll segment, where Zalaris has a strong position
- ✓ **>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. See Q1 interim report for definitions of APMs



# Professional Services had revenue in line with last year, in local currency

Revenue  
NOK 61.9m (-2.4%)

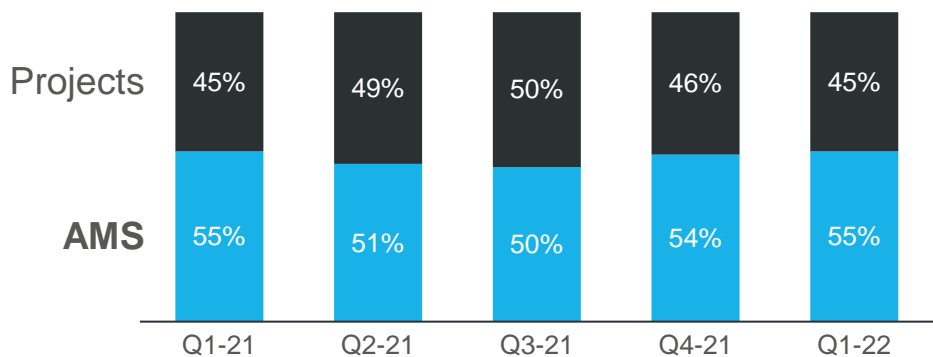


- ✓ **Revenue** in Professional Services was **in line with last year** when adjusted for negative currency effects
- ✓ Significant **PS capacity** still being utilized on **implementing new customers in MS** (transformation projects)
- ✓ In local currency, revenue in **Poland grew by ~38%**, from additional volume from existing clients, while Germany had a reduction of ~5%

\*Revenue in local currency converted to NOK using the avg. currency rate from the quarter last year. See Q1 interim report for definitions of APMs

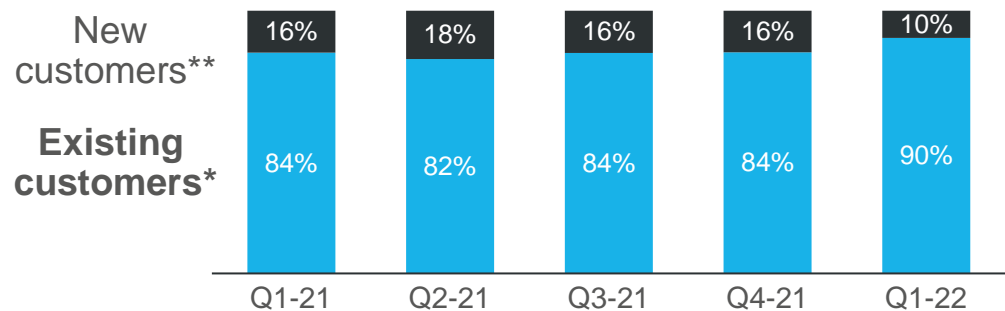
# Majority of Professional Services revenue is recurring and supports a continuous presence with customers

Distribution of Projects vs long term AMS based revenue



- ✓ ~55 % of Professional Services revenue is recurring, or recurring like, and based on long term agreements and relationships
- ✓ ~90 % 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

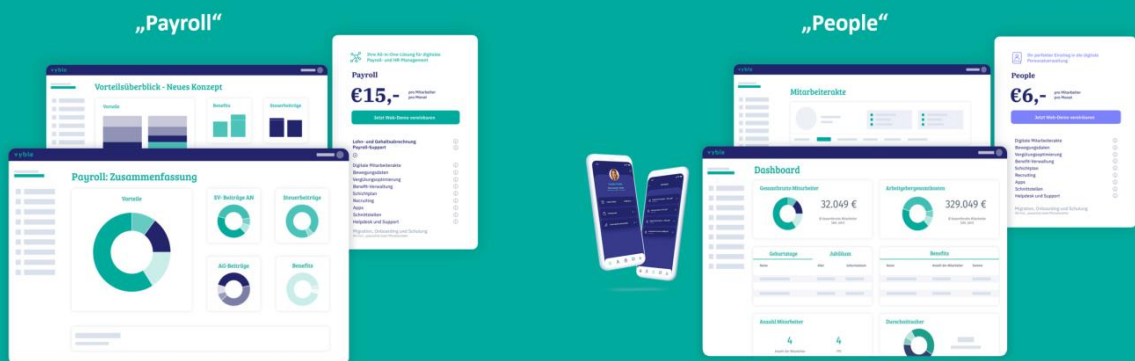
# Investments in new growth initiatives

- ✓ **Established operations in Australia**, with further expansion in the APAC region planned
  - ✓ Better support European HQed customers as 64% of deals with European origin included APAC coverage\*
  - ✓ APAC one of fastest growing markets for Multi Country Payroll
  - ✓ Vendor consolidation opened opportunity to acquire seasoned team of industry experts to build Australian and Singapore foothold. Already working closely with SAP in the region.
- ✓ **Building up Application Maintenance Service (AMS) centre in Poland** to support smartshoring
  - ✓ Gradual build-up during 2022, with 30+ FTEs planned
  - ✓ Capacity at attractive cost to produce change orders for Managed Services customers
  - ✓ Aftermarket support to growing base of SuccessFactors and Workday customers

\*) Source: Everest Group 2018

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

- ✓ Complete suite of Payroll and HR delivered as Software as a Service (SaaS)
- ✓ Targeting German SME market (companies with 1-250 employees) valued at estimated EUR 2,6 billion
- ✓ 20 employees located in Hamburg and ARR of approx. EUR 1m
- ✓ Assets acquired by Zalaris ASA through a new subsidiary vyble GmbH for EUR 1.1m effective on Feb 1<sup>st</sup>, 2022
- ✓ Initial focus on Germany. Explore expanding market coverage to other European markets.
- ✓ Serve as basis for solutions covering white space in Zalaris solution portfolio.



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

**„Payroll“** section:

- Shows a „Verteilungsübersicht - Neues Konzept“ (Distribution Overview - New Concept) with a bar chart.
- Displays a „Payroll: Zusammenfassung“ (Payroll: Summary) with a large donut chart and several smaller charts.
- Includes a „Payroll“ summary card showing a total of €15,-.

**„People“** section:

- Shows a „Mitarbeiterliste“ (Employee List) with a table of employee data.
- Displays a „Dashboard“ with various charts and metrics, including a large donut chart showing 32,049 €.
- Includes a „People“ summary card showing a total of €6,-.

Below the screenshots, there are two columns of text:

**Left Column:**

- 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, ...

**Right Column:**

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

# Company in brief



Simplify work life.  
Achieve more.





# Payroll & HR Solutions that Enable Fully Digital Organizations

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

21

years of experience and  
continuous growth

2021 Revenue:

**NOK 775  
million**

Own service centers in

**13 Countries**

with expertise in local laws  
and regulations

Together with partners

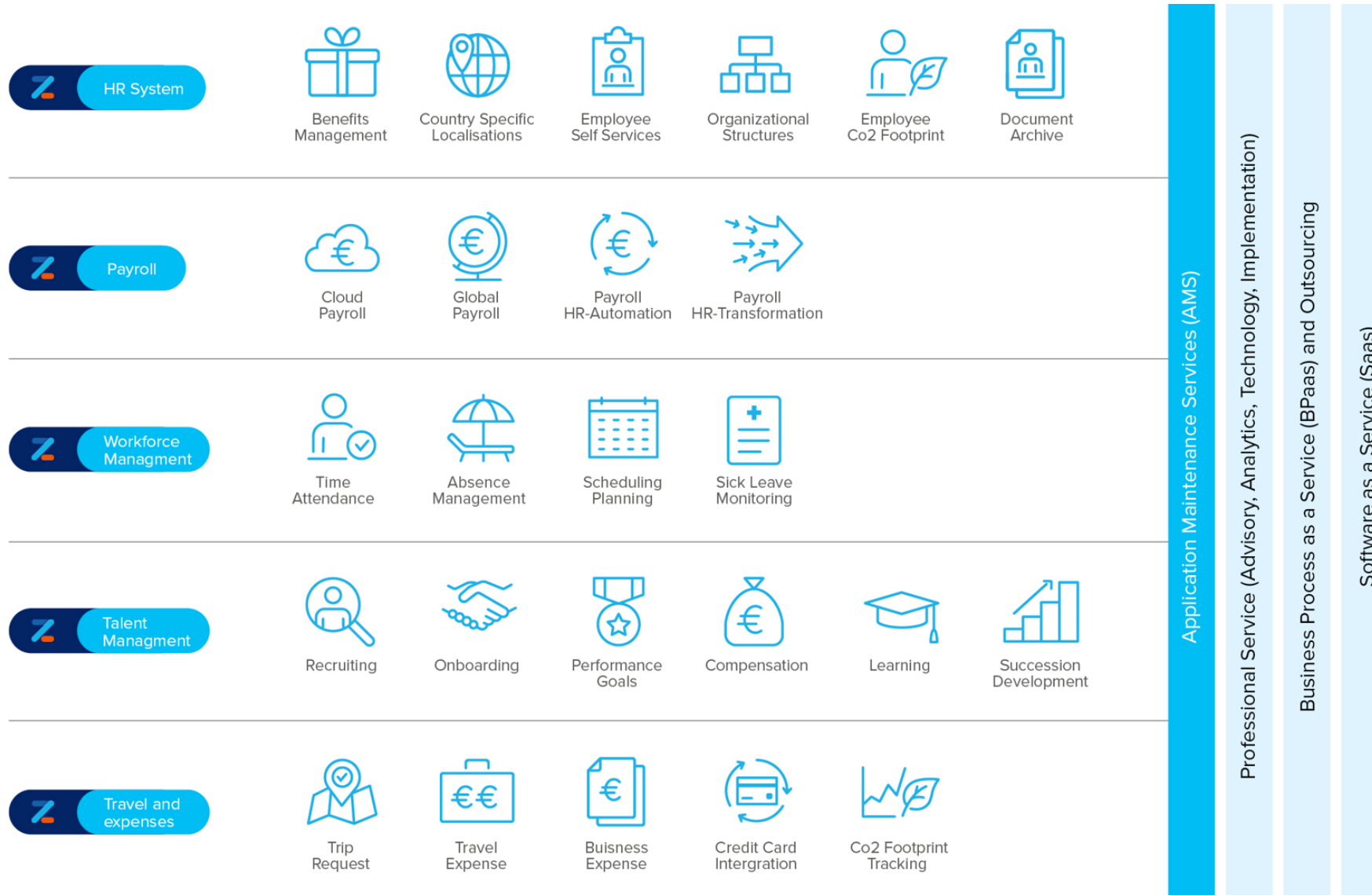
**150+ Countries**

with expertise in local laws  
and regulations

 **zalaris**

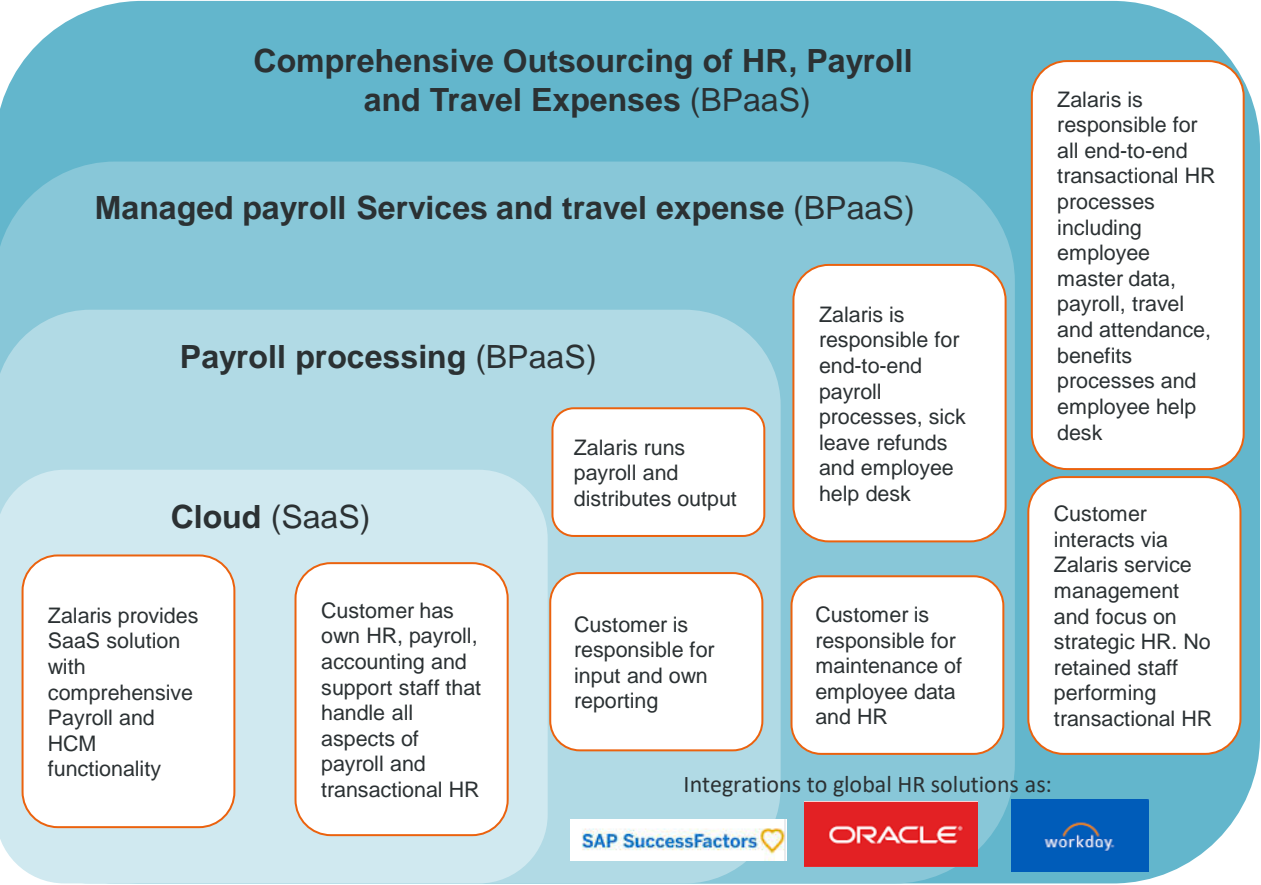
Managed Services  
Professional Services

# Zalaris offering is built around Peoplehub – covering the whole employee life cycle

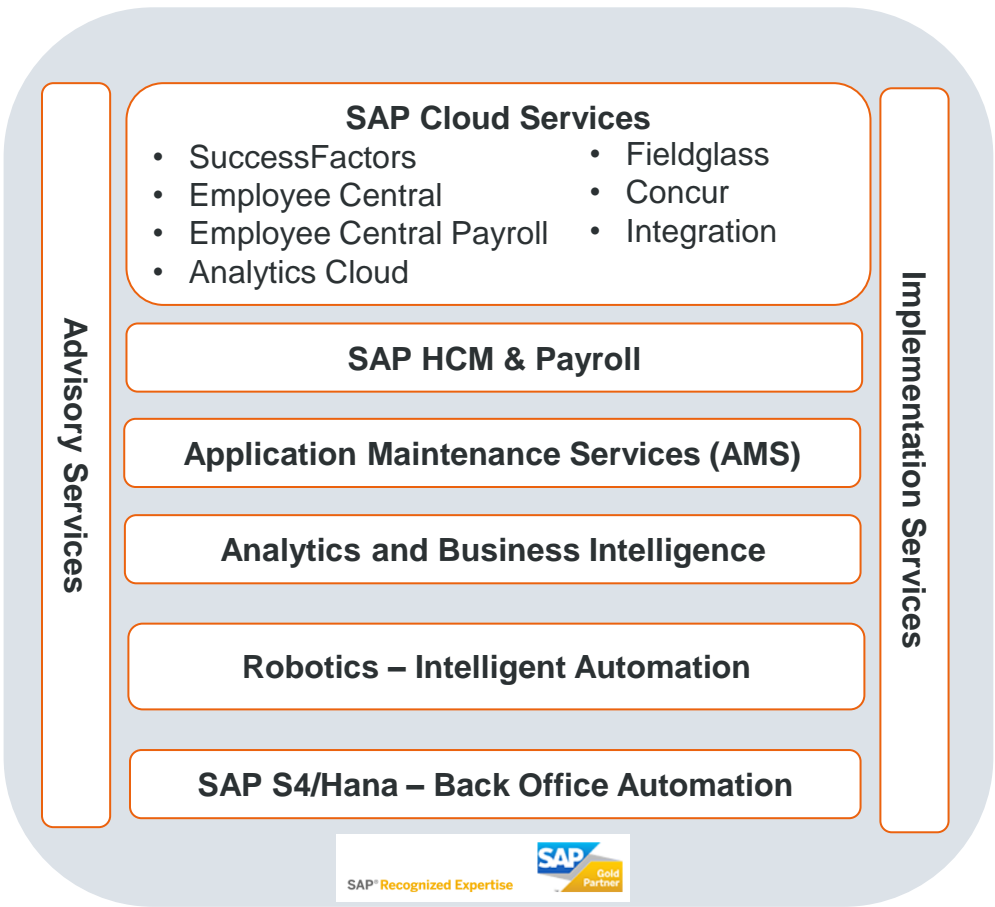


# Payroll and HR partner to mid- and large size organizations

## MANAGED SERVICES (MS)

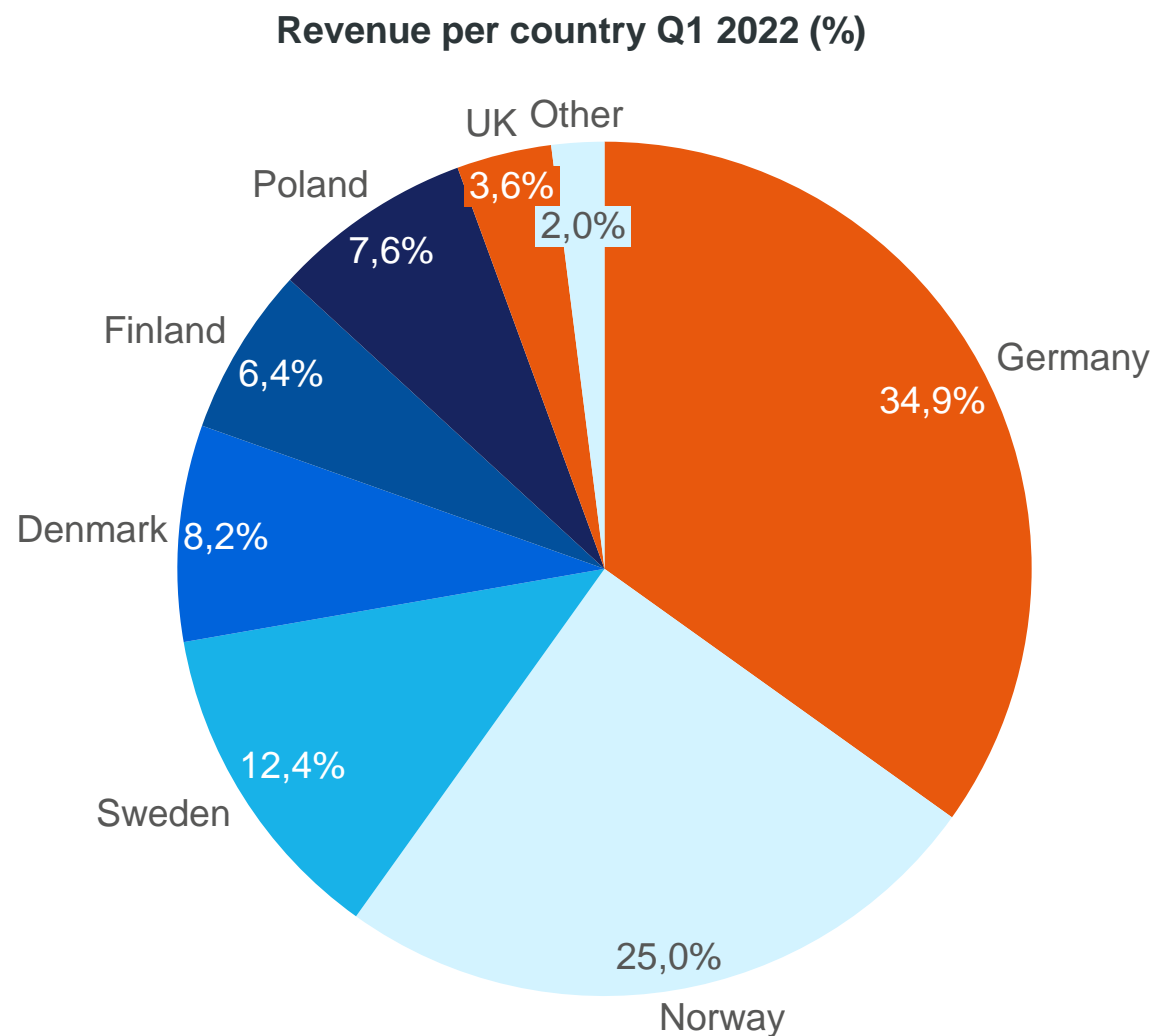


## PROFESSIONAL SERVICES (PS)























**Professional Services is responsible for the delivery of traditional consulting projects as well as outsourcing- and cloud implementation projects**

# Significant European player with Germany largest entity



# Diversified customer base across a wide range of industries

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
     	     	  



# Financial Review

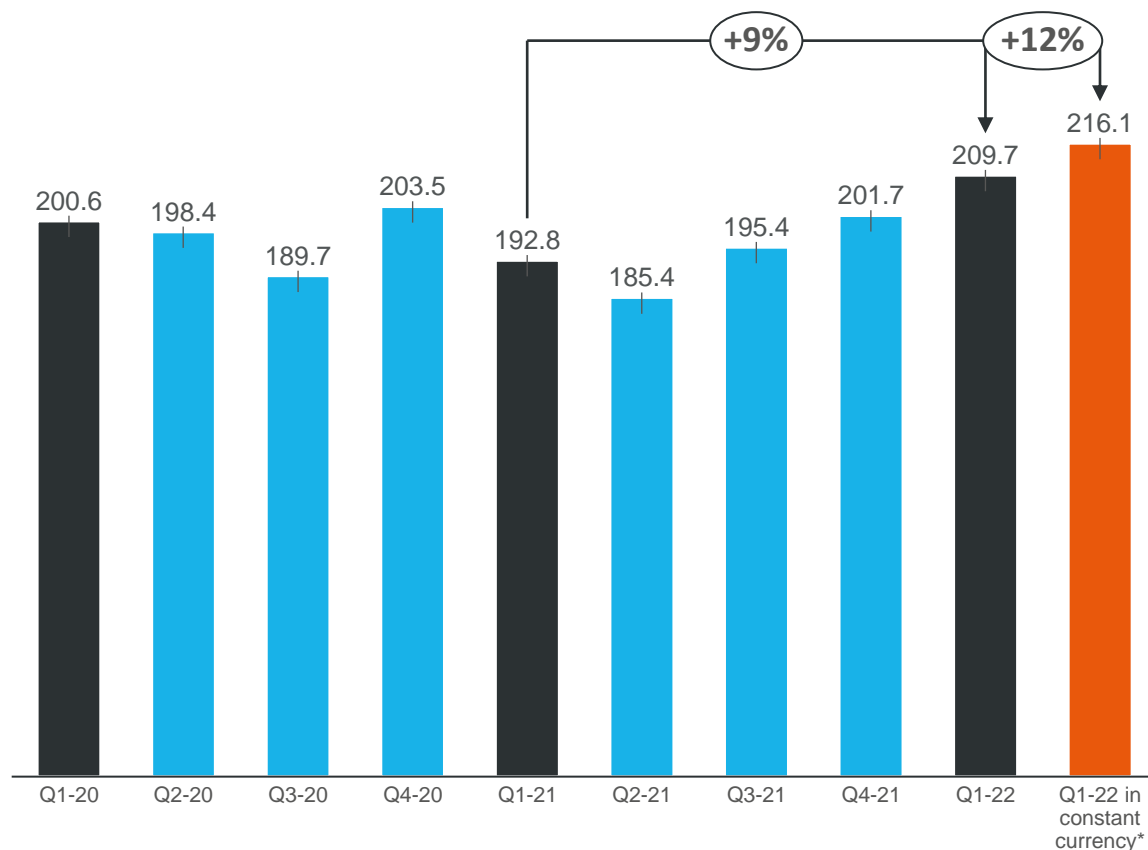


Simplify work life.  
Achieve more.



# Revenue increased by 12% for the quarter in local currency

Revenue  
NOK 210m (+8.8%)

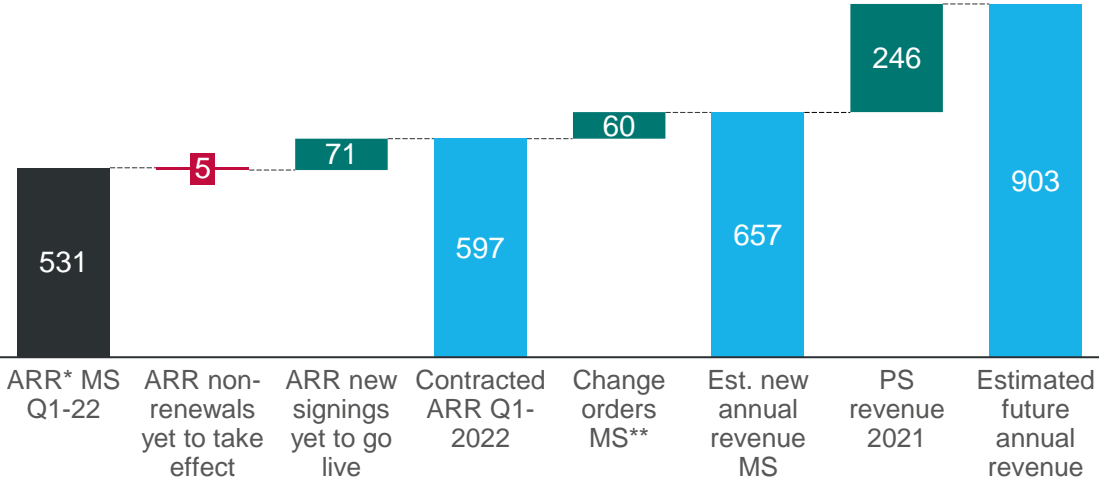


- ✓ Revenue growth **+12.0% YoY** in constant currency
- ✓ Revenue growth (as reported) for the quarter YoY: **+8.8%**
  - From new entities (ba.se and vyble): +7.4%
  - New contracts/volume changes: +1.4%
- ✓ MS **+14.5%** to NOK 146.5
- ✓ PS **-3.7%** to NOK 61.9 (negatively impacted by EUR/NOK)
- ✓ **New BPO contracts** awarded yet to be implemented has annual recurring revenue of **~NOK 71m (+9% vs total revenue for 2021)**, not including Stora Enso (signed in April)

\*See Q1 financial report for definitions of APMs

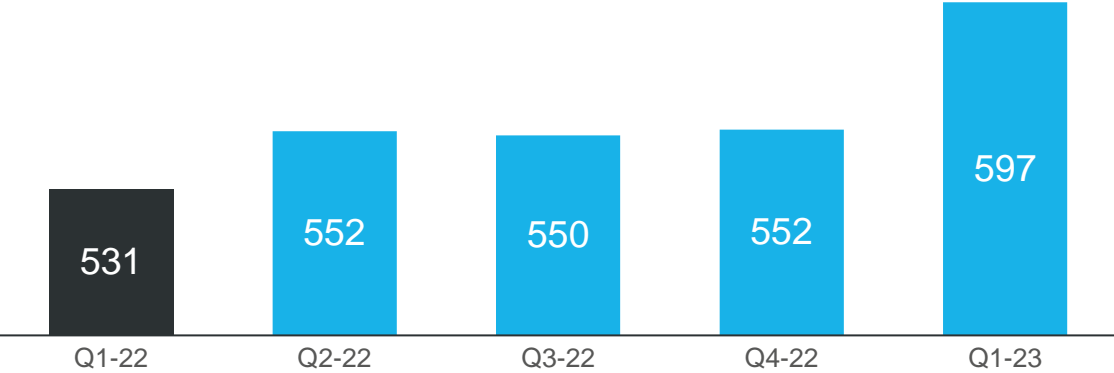
# New BPO contracts will result in significant revenue increase going forward

Revenue development over time based on signed MS contracts (NOKm)



- ✓ **Total annual revenue expected to increase by NOK 125m (+16%)** by Q1 2023 vs. FY 2021, based on signed contracts (assuming no material churn)
- ✓ Any new contract signings after Q1 2022, with a revenue effect by Q1 2023, will come in addition (including Stora Enso)
- ✓ Revenue from new contracts signed will materialise gradually through to Q1 2023
- ✓ Assumes MS change order levels at historical ~10% and PS revenue at actual 2021

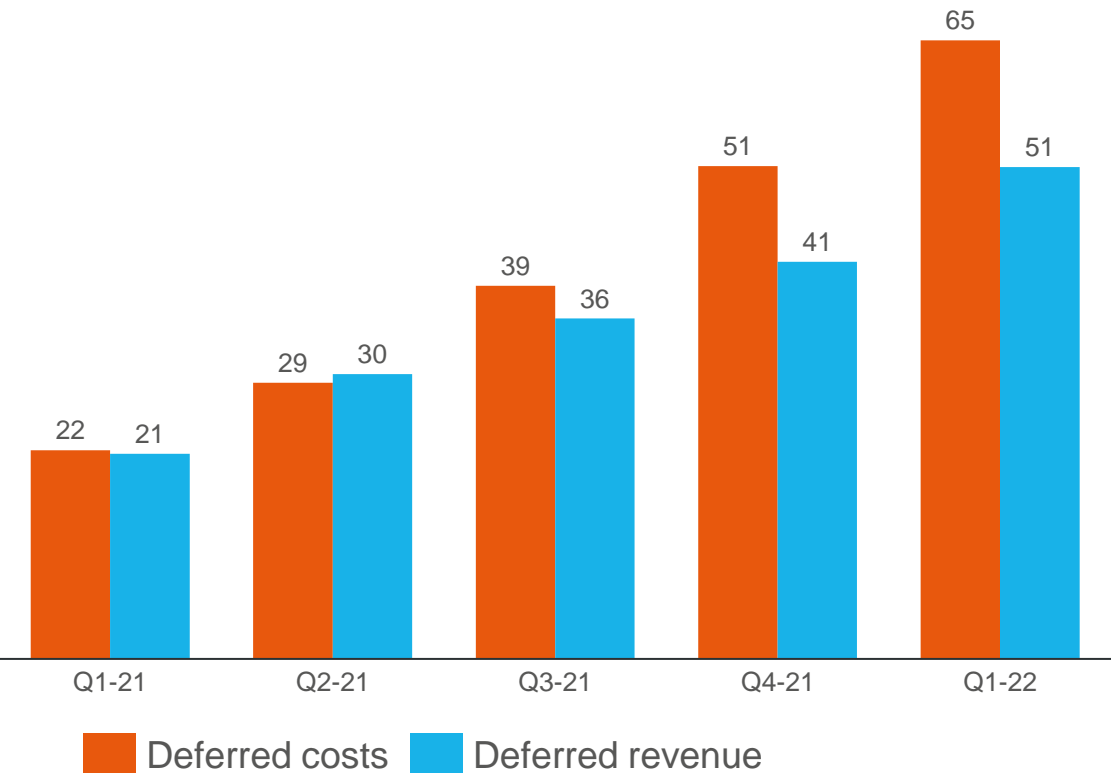
Contracted ARR\* evolution over time based on signed contracts (NOKm)



\*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 deferred as part of transformation projects for new BPO contracts continues to show a high activity level

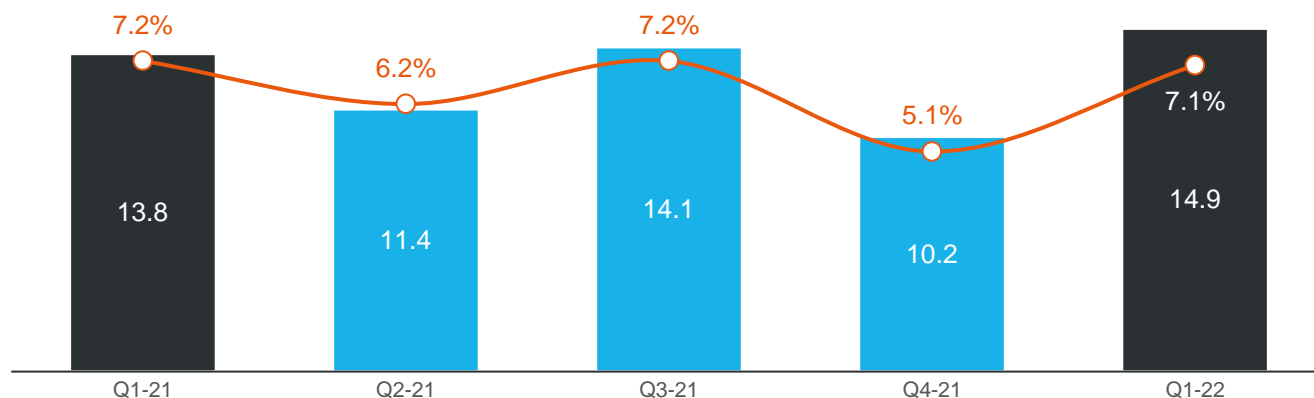
Deferred revenue and employee hours capitalised, LTM (NOKm)



- ✓ 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 115% to NOK 18.5m** for the quarter YoY
- ✓
- ✓ Value of employee hours capitalised increased by 164% to NOK 21.1m for the quarter YoY
- ✓ Deferred revenue and costs will be recognised over the contract period, from the go-live date

# EBIT for Q1 impacted by vyble and investments in 2022 revenue

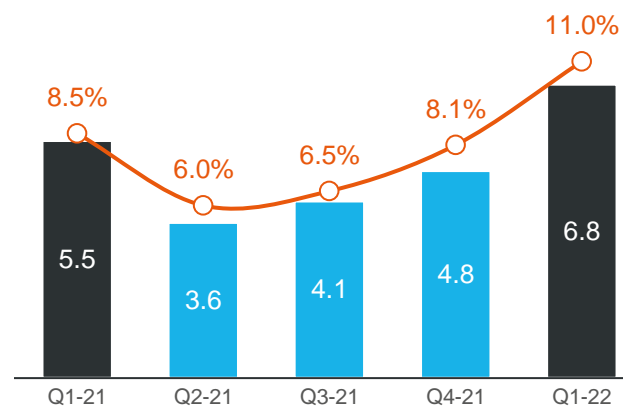
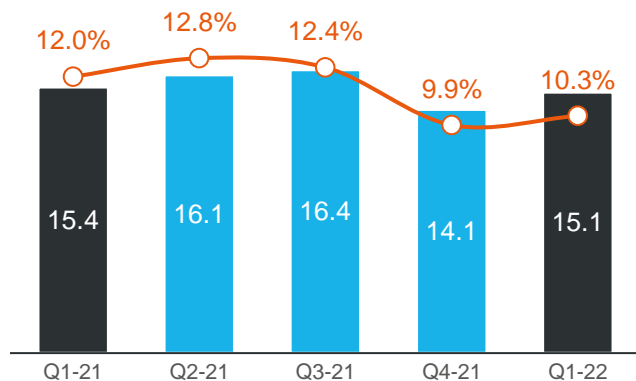
Adj. EBIT (NOKm) and margin (%)



- ✓ Adj. EBIT NOK 14.9m (NOK 13.8m) +8.0%
- ✓ Adj. EBIT margin 7.1% (7.2%)
- ✓ Adj. EBIT margin impacted by build-up of delivery capacity for new contracts +42 FTEs (65% near/offshore) since Q4'21 to 837 FTEs ex. Vyble
- ✓ New contracts that go live in 2022 and 2023 will support further increase in EBIT margins

MS - EBIT (NOKm) and margin (%)

PS - EBIT (NOKm) and margin (%)



- ✓ MS EBIT: In line with last year - NOK 1.0m in additional costs relating to establishing Application Maintenance Service (AMS) centre in Poland
- ✓ PS EBIT: positively impacted by increased revenue and customer margins in Poland

\* Items excluded from adjusted EBIT Q1 2022: share-based payments (NOK 1.9m), amortization of excess values on acquisitions (NOK 3.0m), vyble EBIT (NOK 3.8m), establishing costs Australia and AMS Poland (NOK 1.5) (see definition of adj. EBIT under APMs in Q1 2022 Interim Report)



# Condensed Profit and Loss

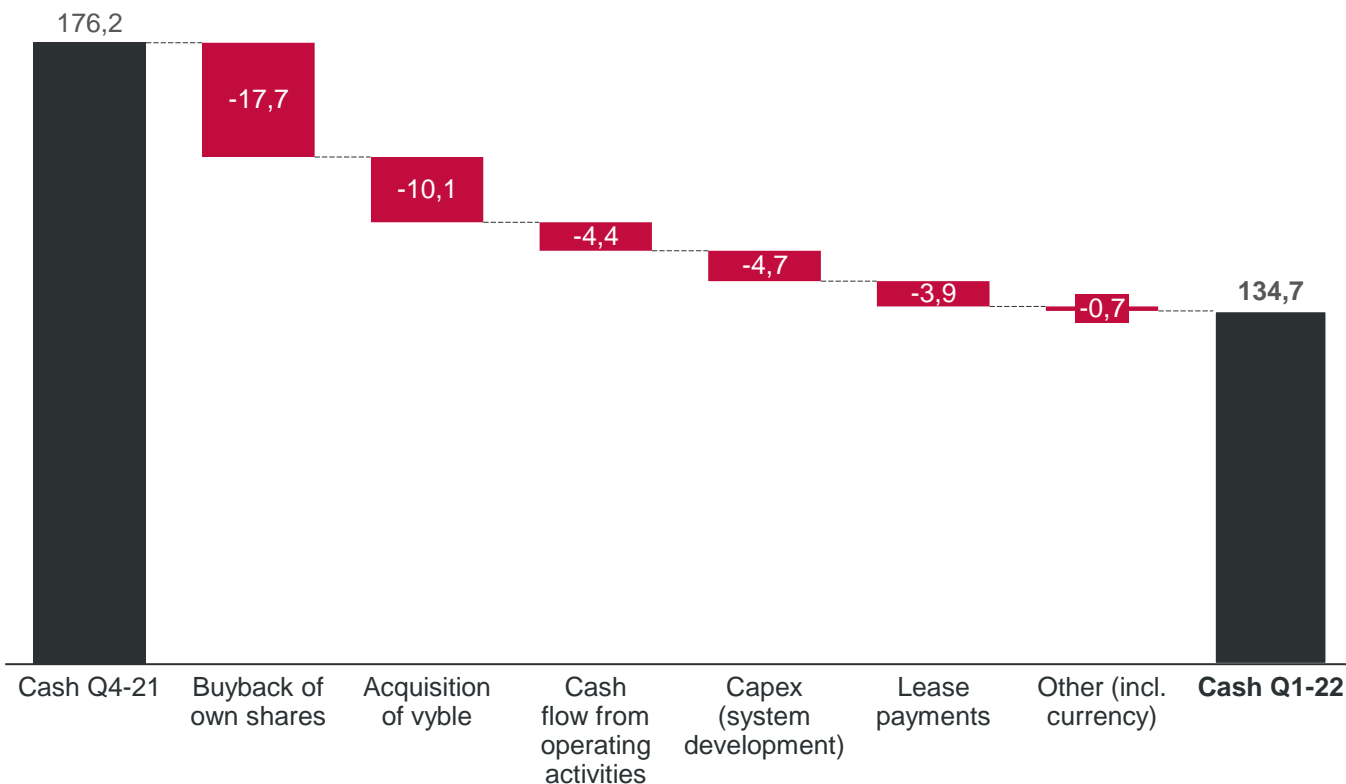
	2022	2021	2021
(NOK 1 000)	Jan-Mar	Jan-Mar	Jan-Dec
<b>Revenue</b>	<b>209 650</b>	<b>192 778</b>	<b>775 265</b>
License costs	19 862	15 575	67 481
Personnel expenses	107 324	106 062	405 949
Other operating expenses	57 307	42 226	199 886
Amortization implementation costs customer projects	8 022	6 756	29 874
Depreciation, amortization and impairments	12 448	11 893	49 488
<b>EBIT</b>	<b>4 686</b>	<b>10 265</b>	<b>22 585</b>
Adjustment items	10 212	3 523	26 989
<b>Adjusted EBIT*</b>	<b>14 899</b>	<b>13 788</b>	<b>49 574</b>
<b>Adjusted EBIT margin %</b>	<b>7,1%</b>	<b>7,2%</b>	<b>6,4%</b>
Net financial income/(expense)	6 289	11 220	(7 571)
Profit/(loss) before tax	10 975	21 485	15 014
Income tax expense	(1 518)	(4 010)	(2 203)
<b>Profit/(loss) for the period</b>	<b>9 457</b>	<b>17 475</b>	<b>12 812</b>
Basic earnings per share (NOK)	0,44	0,89	0,60

- ✓ **License costs:** Increase from inclusion of ba.se (+NOK 2.1) and volume/revenue increases
- ✓ **Personnel expenses:** Increased number of FTEs YoY (+123 incl. ba.se) and higher option costs (+NOK 1.3m), mainly offset by more costs being deferred through customer projects (-NOK 13.1m) and positive currency movements (-NOK 2.7m),
- ✓ **Other op. exp.:** Increase of NOK 15.1m mainly from the use of external SAP consultants (+NOK 10.5), and inclusion of ba.se and vyble (+NOK 2.0m) and vyble

\* Items excluded from adjusted EBIT Q1 2022: share-based payments (NOK 1.9m), amortization of excess values on acquisitions (NOK 3.0m), vyble EBIT (NOK 3.8m), establishing costs Australia and AMS Poland (NOK 1.5) (see definition of adj. EBIT under APMs in Q1 2022 Interim Report)

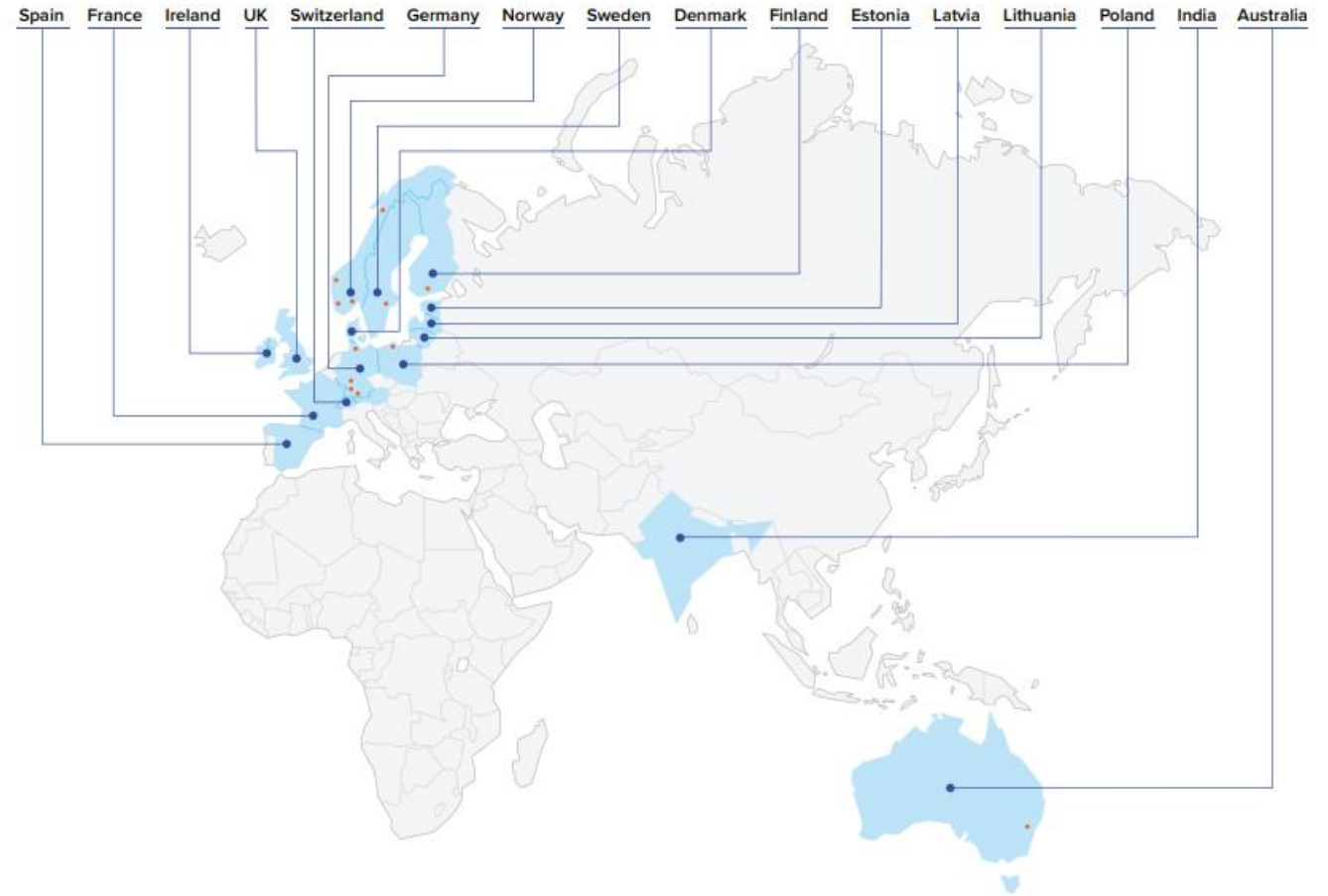
# Continued strong cash position

## Development in cash balance (NOKm)

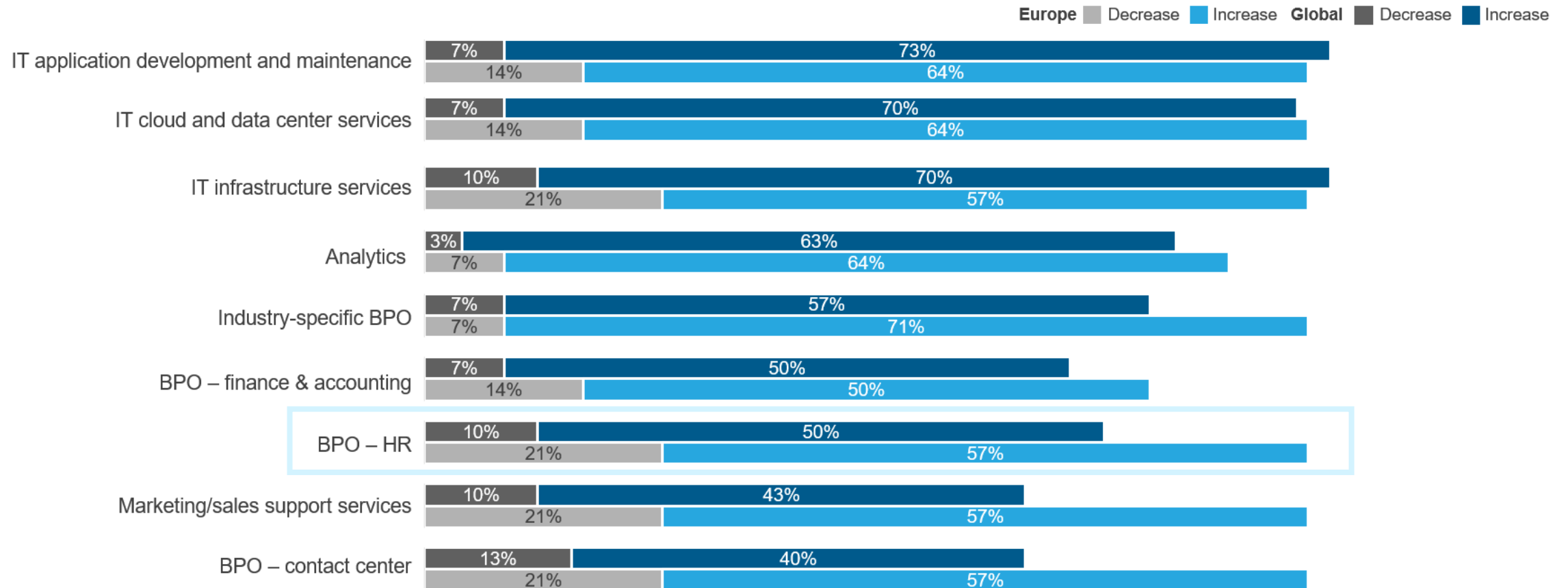


- ✓ **Cash balance** at 31 March of **NOK 135m**
- ✓ **NOK 17.7m for share buy-back** program completed (1.6% of total issued share)
- ✓ **NOK 10.1m investment on acquisition of vyble**
- ✓ **Net interest-bearing debt of NOK 212.9m** vs. NOK 183.0m at the end of previous quarter.
- ✓ The **board has proposed a dividend for 2021 of up to NOK 1.00 per share** in total, with NOK 0.35 to be paid immediately following shareholder approval, and up to NOK 0.65 planned to be paid before the end of the year pursuant to a proposed board authorisation

# Markets and Outlook



# 57% of European senior stakeholders from global enterprises expect the use of HR Outsourcing to grow



Note: Bars do not sum to 100% because they exclude the neutral respondents  
Source: Everest Group Key Issues Survey, 2020

# Multi-Country payroll market is growing at 10%+

Market Segment	2018 Market Size (\$m)	2018-2023 CAAGR (%)	2023 Market Size (\$m)
<b>Multi-country scope:</b>	<b>3,696</b>	<b>10.7</b>	<b>5,932</b>
– Global (>2 regions)	656	10.1	925
– Multi-region (> 1 region)	1,807	8.9	2,745
– Multi-country (>1 country within a region)	1,233	13.1	2,262
<b>Single country</b>	<b>16,254</b>	<b>2.5</b>	<b>18,755</b>
<b>Total</b>	<b>19,950</b>	<b>~4.4%</b>	<b>24,687</b>

- Multi-country payroll services are increasingly being adopted by organizations of all sizes, as many are expanding into new international markets and require payroll solutions to support expanded global footprints
- Growth is driven by a demand for consolidation of payroll suppliers, greater visibility of the global workforce and associated analytics, increased control over compliance and risk associated with payroll processing, and a demand for a more modern, future proof cloud platform, that can seamlessly integrate with the HCM landscape
- ~90% of vendors included in this market analysis are currently providing multi-country payroll services; in calendar year 2018 multi-country contracts averaged ~10 countries in scope.

Source: Nelson-Hall, “Next Generation Payroll Services”

# Leaving Q1 Zalaris is well positioned to deliver on expectations

- ✓ Zalaris brand increasingly known in growing market
- ✓ Communicated growth of 11,5% within sight and annualized revenue of NOK 900+ million by end of year and expected to continue into 2023
- ✓ EBIT on track to 10% as revenue from projects under implementation are recognized and improvements from Zalaris 4.0 implemented
- ✓ Well capitalized to continue M&A, increase geographic coverage and add own IP to cover white space in our own solution footprint
- ✓ Long term contracts with recurring revenue streams from diversified customer base

# Q&A



Simplify work life.  
Achieve more.





“

**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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Simplify work life.  
Achieve more.

