

27 April 2023

Presentation of financial results Q1 2023



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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

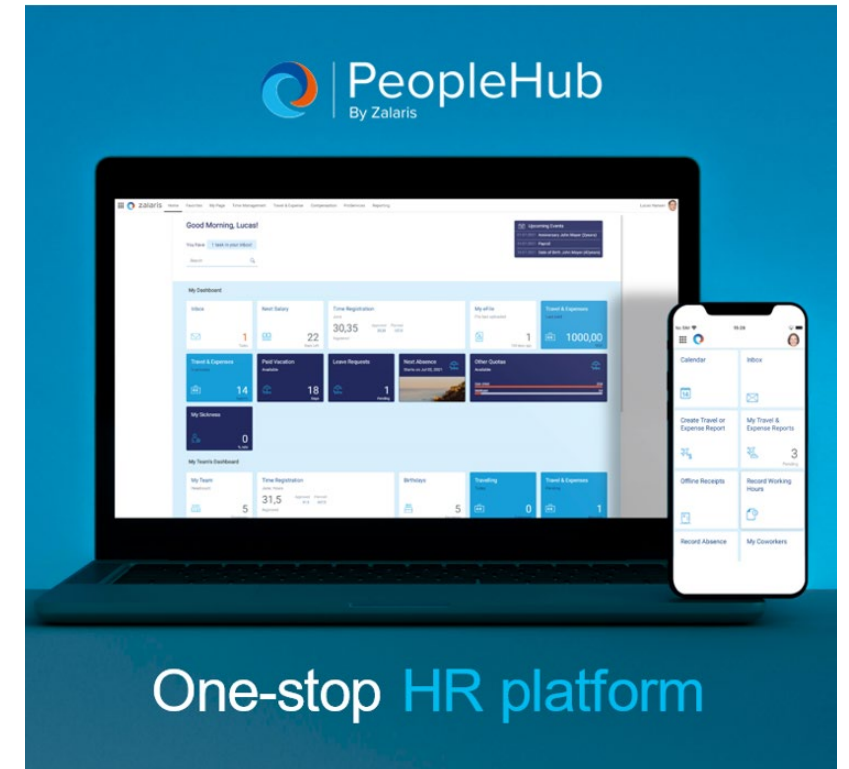


Simplify work life.
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Q1 2023 key takeaway

- ✓ **Strong growth:** Revenue growing **25%** (as reported) and 17% percent in constant currency year-on-year to **NOK 261 million**
- ✓ **EBIT improvement program on track: EBIT of NOK 21 mill (8,2%)** excluding investments in building APAC up from NOK 14,8 (7,1%) last year
- ✓ **Significant new-sales:** Landmark global EUR 5m+ (ARR) 7-year contract with Innomotics - a Siemens spin-out - and new contracts with total ARR of NOK 72 million signed in Q1
- ✓ **Solid pipeline:** Several multi-country deals in contracting stage
- ✓ **Refinancing completed:** Raised new 5-year EUR 40 million bond loan



All time high value of new sales in Q1 and strong pipeline of several contracts in final contracting stage

- ✓ Sold new agreements with annual contract value (ACV) of approximately NOK 72 million representing 72% of the annual sales budget for 2023.
- ✓ Landmark 7-year agreement for payroll and HR services covering 16,000 employees in 46 countries globally signed in Q1
- ✓ Pipeline of Multi-Country Peoplehub powered opportunities remains strong, and another year of record sales expected for 2023

Innomotics

7-year agreement for **outsourced payroll and HR services** based on Zalaris **PeopleHub** to a spin-out from Siemens, covering ~16,000 employees in ~46 countries

PowerCo

5-year agreement for **outsourced payroll and HR services** based on Zalaris **PeopleHub** to a spin-out from a German automobile manufacturer targeting 10,000+ employees in 5+ countries



ERICSSON

Geographical expansion with Ericsson. 5-year agreement for payroll services based on Zalaris **PeopleHub** to **Ericsson Hungary**

Global Retailer

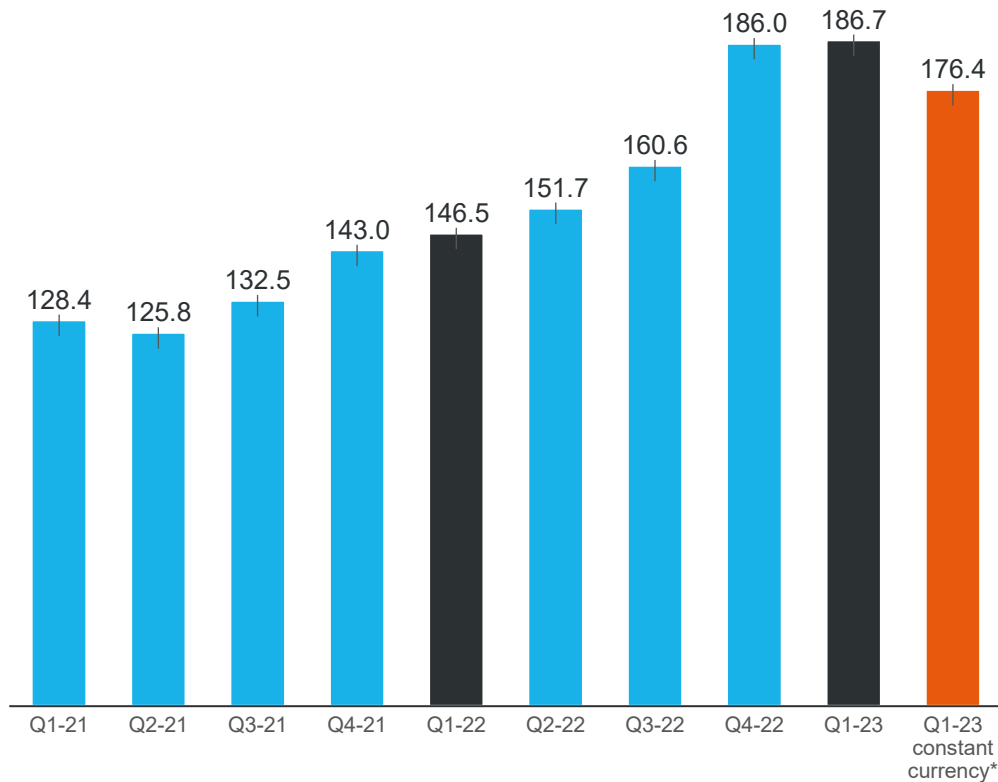
5-year Master Services Agreement with **Global Retailer for Zalaris Peoplehub based payroll solution in Denmark** for their 3'000+ employees with potential expansion to additional countries.

Signed landmark 7-year contract for payroll and HR services for ~46 countries world-wide with ARR of ~EUR 5m

- ✓ 7-year contract with Innomotics, a spin-off, from Siemens, Germany
- ✓ Zalaris will deliver a HR solution based on SAP SuccessFactors seamlessly integrated with Zalaris PeopleHub outsourcing services which covers the entire spectrum of Zalaris' value proposition.
- ✓ Zalaris Peoplehub AI Powered chatbot Zally for competency sharing will be implemented for all countries.
- ✓ ~16,000 employees in ~46 countries
 - Czech Republic, Germany, China, and Chile are the largest countries
 - ~40 countries, including China and Chile, to be serviced by Zalaris' payroll partners
- ✓ Annual recurring revenue (ARR) of ~EUR 5 million, plus consulting/project revenue of EUR 5 – 6 million from implementation of payroll and HR solutions
- ✓ All countries to be fully implemented by end-2024

Managed Services grew by 20% in the first quarter, in local currency

Revenue
NOK 186.7m (+27.4%)

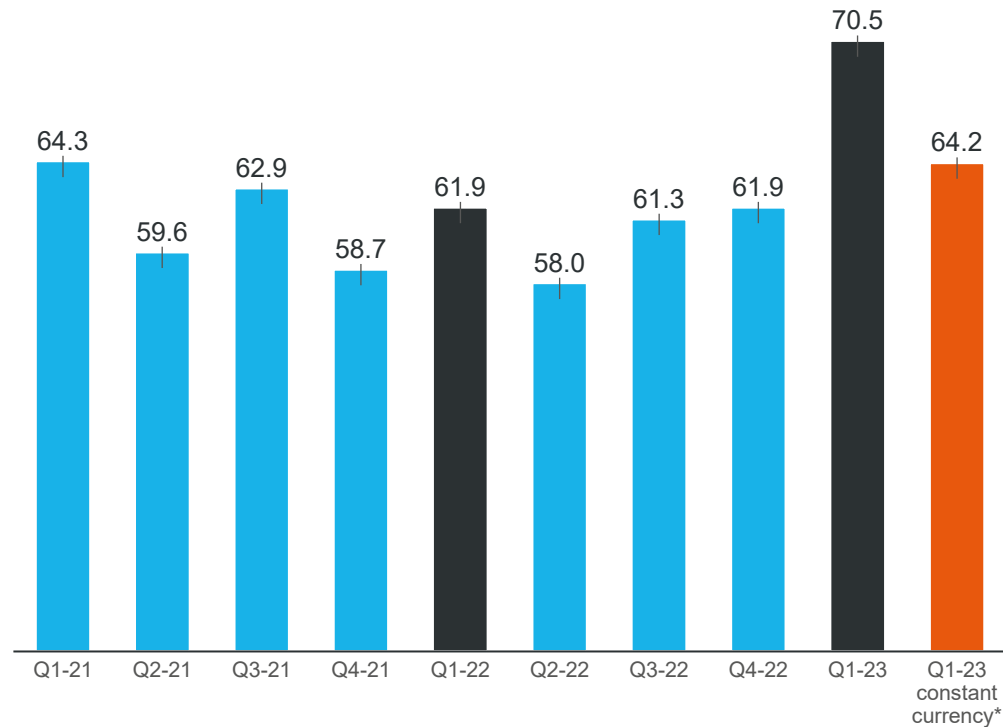


- ✓ **+20.4% higher revenue YoY** when adj. for positive currency effects
- ✓ **Strong growth from new customer and up -sale/additional volume from existing customers: +27.4%** (as reported)
 - ✓ New contracts, up-sale and volume increases: +26.4%
 - ✓ More change orders contributed with 38.0% (+NOK 5.2m)
- ✓ **Net new signings with annual recurring revenue (ARR) of ~NOK 72m** during the quarter
- ✓ The pipeline remains strong, with **several** potential European multi-country **deals in an advanced stage**

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

Professional Services continue being strong contributor to Zalaris' overall success and Managed Services growth

Revenue
NOK 70.5m (+13.9%)

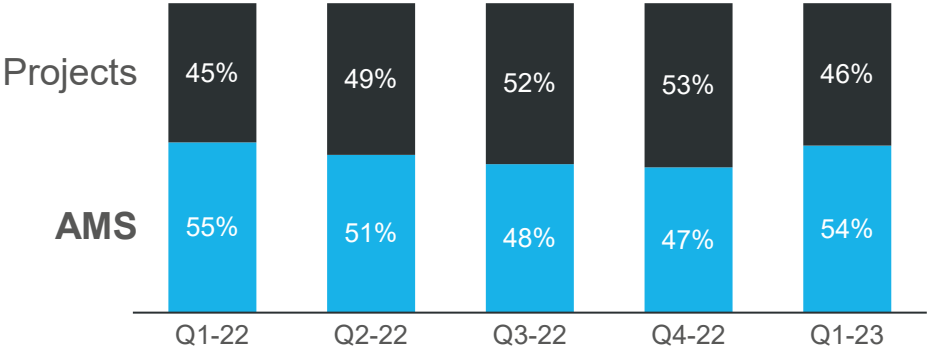


*Revenue in local currency converted to NOK using the avg. currency rate from the quarter last year. See the interim financial report for definitions of APMs

- ✓ Revenue in Professional Services grew by 3.7% when adjusted for positive currency effects
- ✓ In local currency, revenue in UK grew by 87%, from consulting work from new clients, including Ryanair while Germany had a reduction of 2.5%
- ✓ Significant PS capacity being utilized on implementing new customers in MS (transformation projects) or change orders for MS customers, particularly in Germany
- ✓ First step in organizing Professional Services as Global Business unit completed under the leadership of Mike Ellis, Executive Vice President
- ✓ Continued focus on adding internal capacity through trainee and certification programs to address pressure on consulting resources and replace the use of external consultants, particularly in Germany.

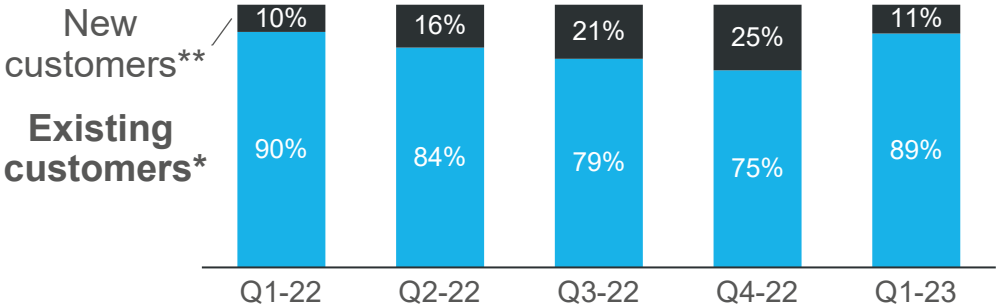
Majority of Professional Services revenue is recurring and supports a continuous presence with customers

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
- ~89 % 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

EBIT improvement program to increase annual EBIT by NOK 40 - 50m by end-23

- ✓ **Improve customer margins in Northern Europe** through full implementation of Zalaris 4.0 operating model and near-/offshoring by end of 2023 resulting in **NOK 8 - 10m** annualized cost savings
- ✓ **Implement Zalaris 4.0 operating model and near-/ offshoring for German operations** by end of 2023 resulting in **NOK 8 - 10m** annualized savings
- ✓ **Utilize existing capacity to serve new customers** and additional change orders resulting in **NOK 5 - 10 million** annualized savings/incremental margin
- ✓ **Add contribution (margin) from customers to go live** (net of non-renewals) with an EBIT effect of **NOK 20 million**
- ✓ **Reduce the use of external consultants** and replace with own employees with 20-25% lower costs resulting in **~NOK 5 million** annual savings
- ✓ **Review overhead costs** targeting maintaining or slightly lower existing levels

Company in brief



Simplify work life.
Achieve more.



Payroll & HR solutions that enable digital organizations

One global IT platform with local presence

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 with local competence and language

Market leader within large Nordic companies with cross-boarder need and a strong customer portfolio of some of the largest corporations in the Nordics and DACH region

1,500,000

Employees served monthly by Zalaris supported HR solutions

~1,100

Zalaris employees across the world

300,000+

Employees served monthly through payroll services

NOK 960m

Annual run rate revenues Q4'2022

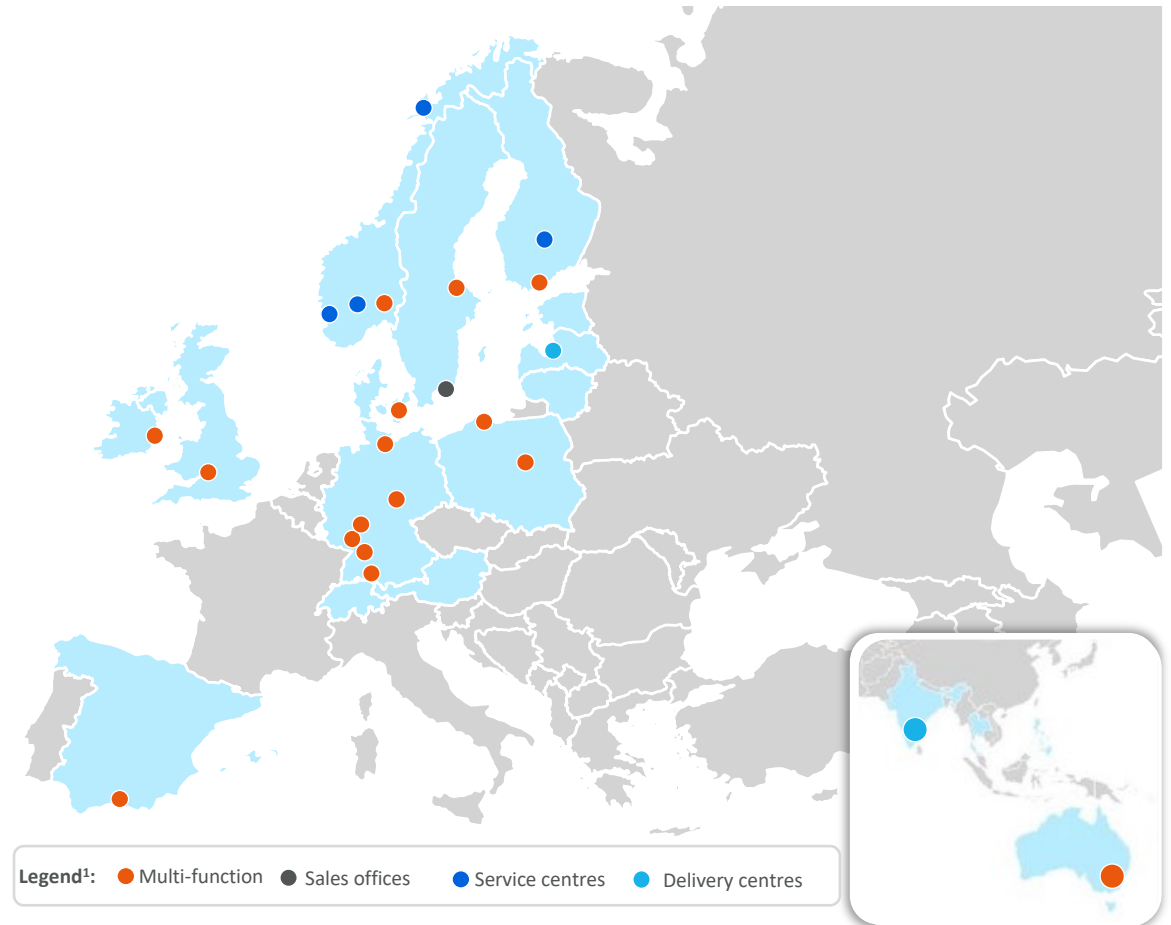
17 countries

With own service centers and expertise in local laws and regulations

150+ countries

With expertise in local laws and regulations, together with partners

Geographical footprint



1) Type of office

Zalaris' Product offering covering the full employee life cycle

HR system

- Benefits management
- Country specific locations
- Employee self services
- Organizational structures
- Employee Co2 footprint
- Document archive

Payroll

- Cloud payroll
- Global payroll
- Payroll hr-automation
- Payroll HR-transformation

Workforce management

- Time attendance
- Absence management
- Scheduling planning
- Sick leave monitoring

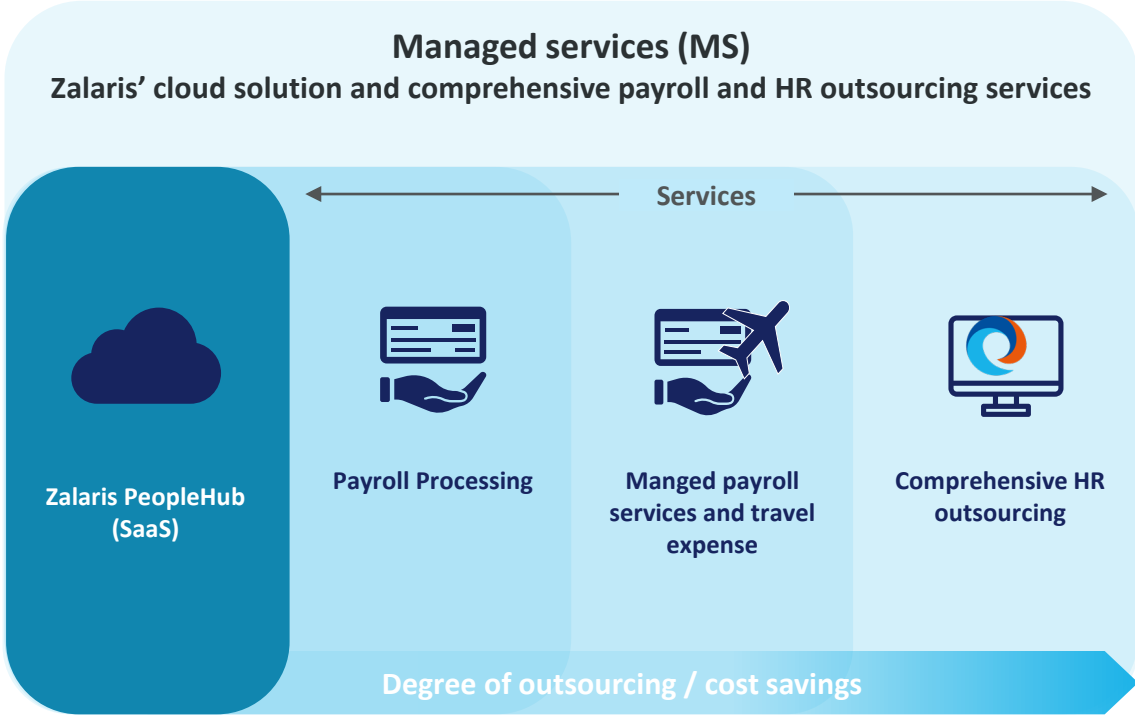
Talent management

- Recruiting
- Onboarding
- Performance goals
- Compensation
- Learning
- Succession development

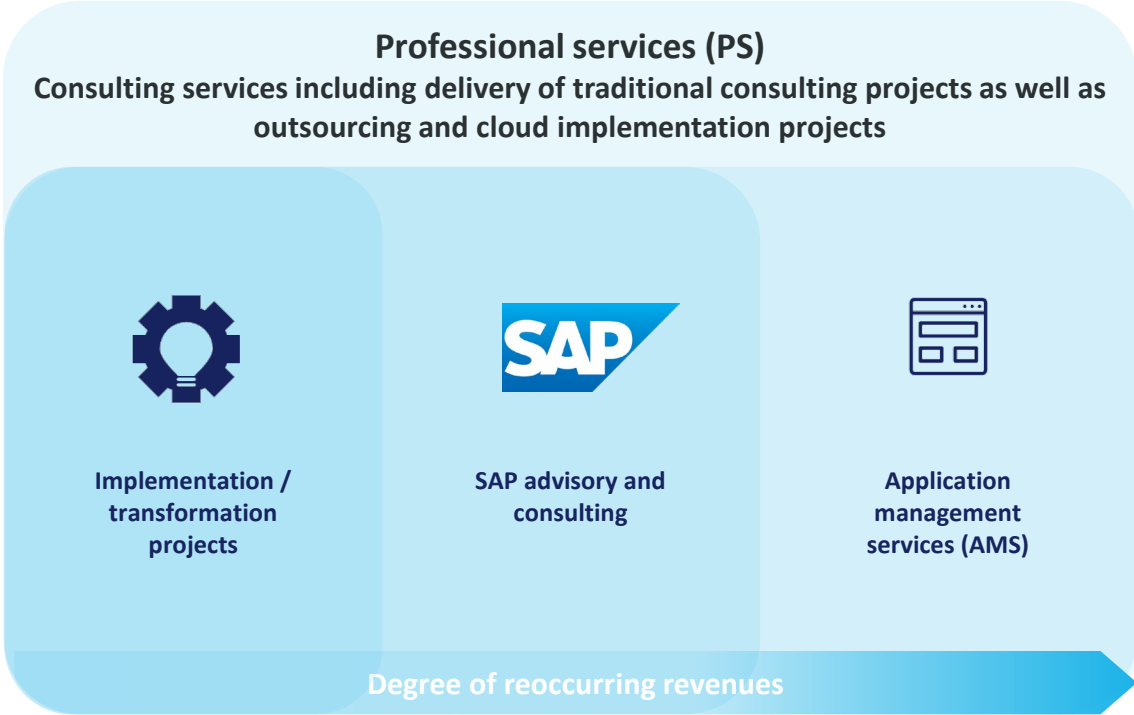
Travel and expense

- Trip request
- Travel expense
- Business expense
- Credit card integration
- Co2 footprint tracking

Services delivered by two integrated business units with the majority of revenues being recurring of nature



89¹ customers, ~71%³ of total revenues with ~90% recurring revenues



46² customers, ~29%³ of total revenue with ~50% recurring revenues

1) 89 customers paying Zalaris NOK >1m, with a long-tail of 100 smaller customers
 2) 46 customers paying Zalaris NOK >1m, with a long-tail of 189 smaller customers
 3) Based on LTM Sep '22 revenues

Diversified customer base across a wide range of industries

Customer traits

Managed services

- ✓ >1,000 employees
- ✓ >2 countries
- ✓ Software agnostic

Professional services

- ✓ >1,000 employees
- ✓ Private and public sector
- ✓ SAP integration

Bank, Insurance & Financial services	Health & Life Science	Infrastructure & Transportation
IT, Technology & Telecom	Offshore & Energy	Product & Industrials
Public Services & Other Institutions	Retail	Service Industries

Financial Review

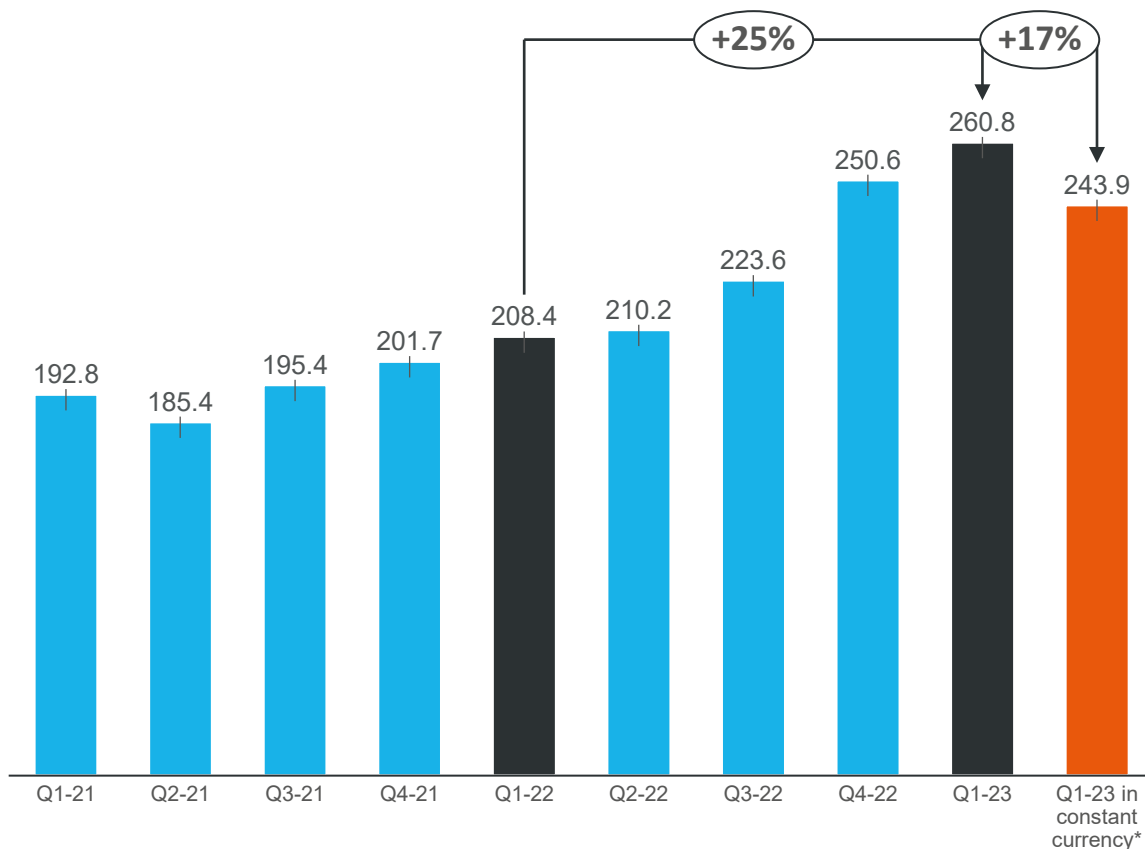


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Revenue increased by 17% for the quarter YoY in local currency

Revenue
NOK 260.8m (+25.1%)

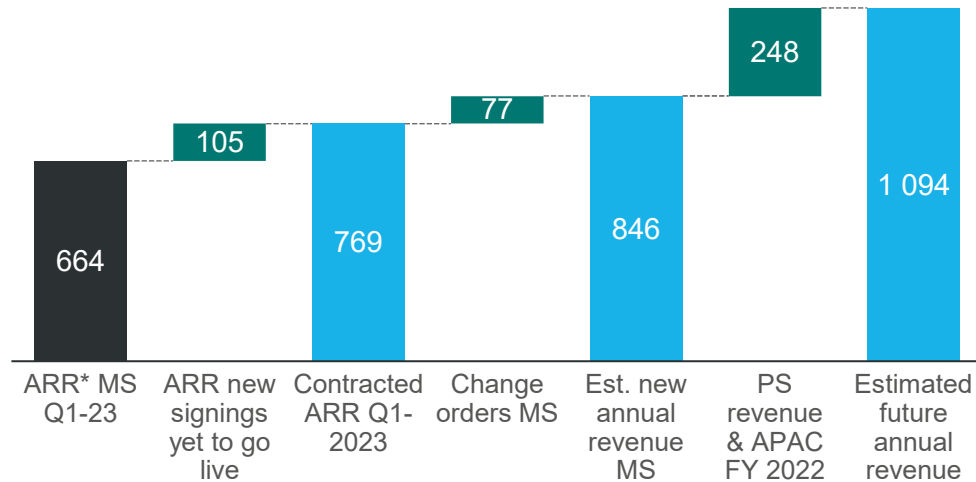


- ✓ Revenue growth (as reported) for the quarter YoY: **+25.1%**
- ✓ Revenue growth **+17.1% YoY** in constant currency
- ✓ **MS +27.4%** to NOK 187m
 - New contracts/up-sale/volume changes in MS: +26.4%
 - Increased change orders in MS: +38.0%
- ✓ **PS +13.9%** to NOK 70m
- ✓ Signed **new SaaS/BPaaS contracts** with annual recurring revenue of **~NOK 72m** during the quarter
- ✓ **New SaaS/BPaaS contracts signed**, but yet to go live, has annual recurring revenue of **~NOK 105m**

*See the interim financial report for definitions of APMs

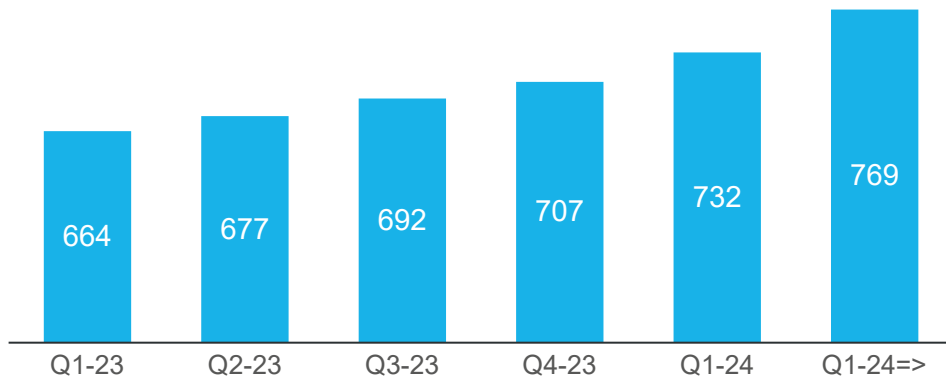
Strong revenue visibility through 2023 and 2024 - newly signed BPO contracts will result in significant revenue increase

Revenue development based on signed MS contracts (NOKm)



- ✓ Total annual revenue expected to increase by ~NOK 201m (+23%) vs. FY 2022, based on signed contracts (assuming no material churn and based on avg. currency rates for Q1)
- ✓ The new contracts signed will start generating monthly recurring revenue when the customers go live on PeopleHub
 - New EUR 5m (ARR) contract with Innomotics will be fully implemented by end-2024
- ✓ Estimated future annual revenue assumes MS change order level at historical ~10% of ME revenue and PS & APAC revenue at FY 2022 level
- ✓ No material churn as of Q1 2023

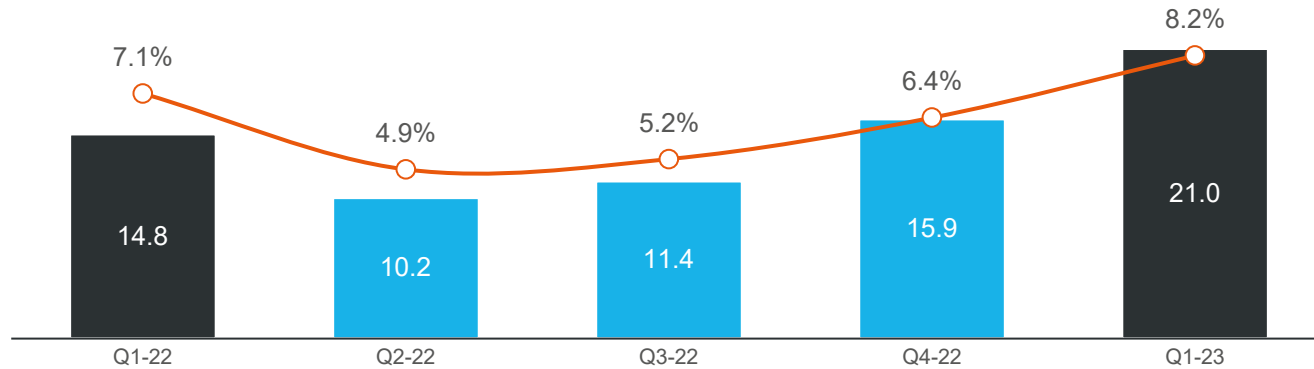
Contracted ARR* development over time based on signed contracts (NOKm)



*The ARR for the quarter is an estimate calculated by annualising the actual recurring revenue (according to contract revenue and additional services) 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.

Increase in adj. EBIT (ex. APAC) for the quarter, year-on-year

Adj. EBIT* excluding APAC (NOKm) and margin (%)



✓ Adj. EBIT (ex APAC) NOK 21.0 (NOK 14.8m) +42%

✓ Adj. EBIT (ex APAC) margin 8.2% (+1.1pp)

✓ EBIT improvement program to increase annual EBIT by NOK 40 – 50m by end-23 on track

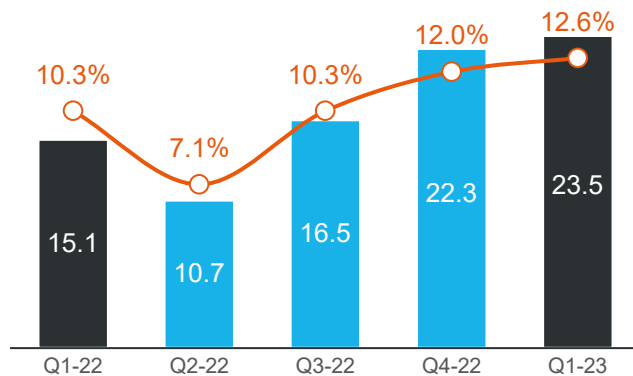
✓ Cost improvements by moving work to near-shore and off-shore locations (program has started)

✓ Improved allocation of resources and focus on improvement in customer margins after initial rapid growth since 2021, which necessitated large increase in FTEs

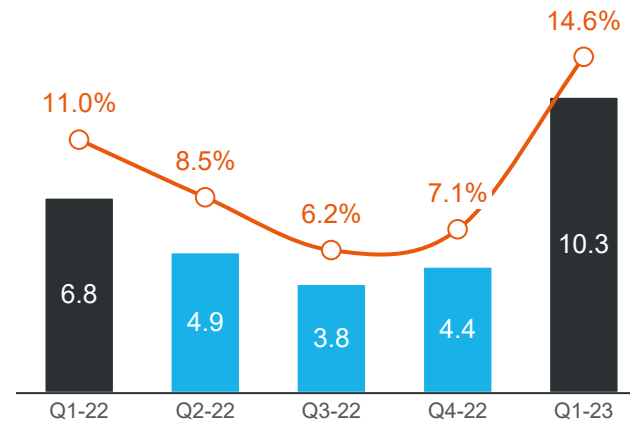
✓ Contribution from new signed contracts

✓ Reduced used of external consultants through recruitment of own personnel

MS - EBIT (NOKm) and margin (%)



PS - EBIT (NOKm) and margin (%)



*See the interim financial report for definitions of APMs

Condensed Profit and Loss

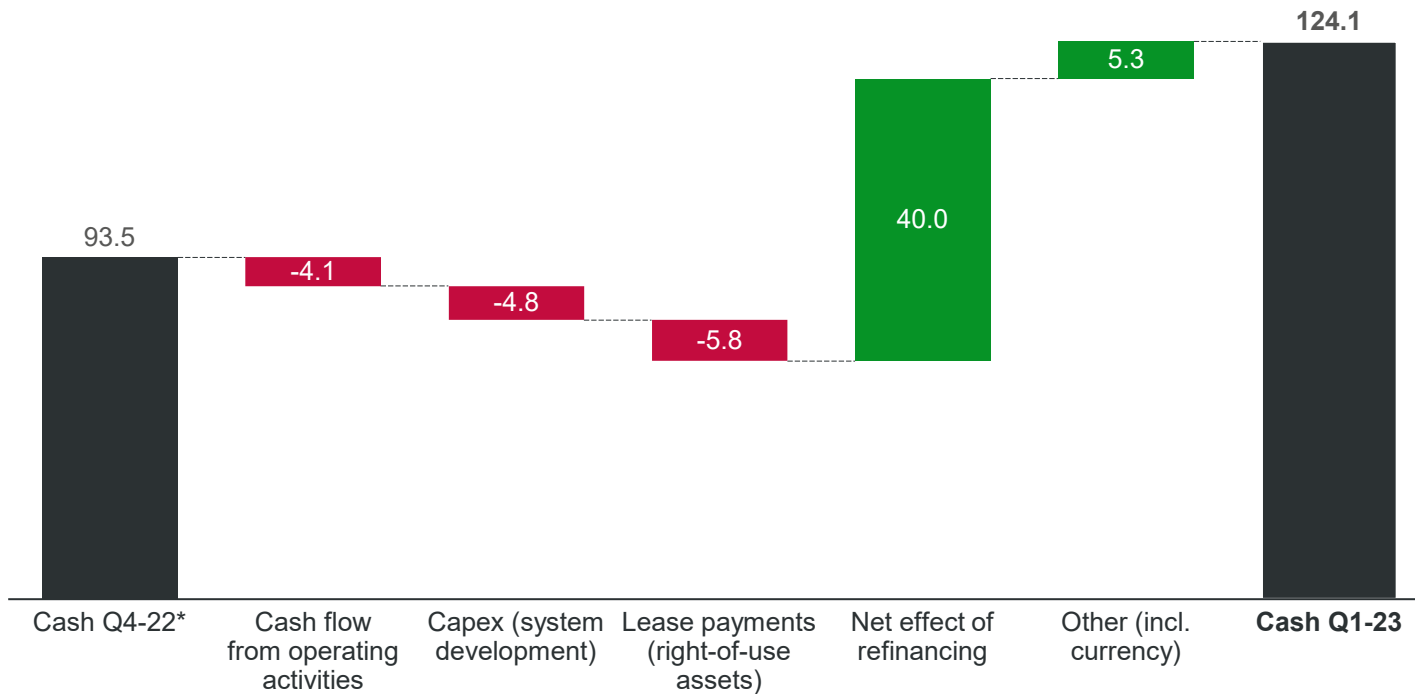
(NOK 1 000)	2023	2022	2022
	Jan-Mar	Jan-Mar	Jan-Dec
Revenue	260 799	208 440	892 743
License costs	24 008	19 770	80 198
Personnel expenses	139 394	110 757	483 824
Other operating expenses	64 900	49 222	222 537
Amortisation implementation costs customer projects	5 834	8 021	31 638
Depreciation, amortisation and impairments	13 886	12 221	50 852
EBIT	12 777	8 449	23 694
Adjustment items	5 705	5 934	22 547
Adjusted EBIT*	18 482	14 383	46 241
Adjusted EBIT margin %	7,1%	6,9%	5,2%
Net financial income/(expense)	(37 867)	6 288	(40 102)
Profit/(loss) before tax	(25 090)	14 737	(16 408)
Income tax expense	2 626	(1 518)	(6 295)
Profit/loss from discontinued operations	(3 475)	-	-
Profit/(loss) for the period	(22 464)	13 219	(22 703)
Basic earnings per share (NOK)	(1,20)	0,44	(1,79)

- ✓ **Personnel expenses:** Increased number of FTEs YoY (+145) and negative currency movements of (+8.7%). Personnel expenses per FTE decreased by approx. 1.3% YoY in local currency
- ✓ **License costs and other operating exp.:** Increase mainly due to currency movements and additional SuccessFactors licenses for customers
- ✓ **Other op. exp.:** Additional externals (+NOK 5.3m), external payroll partners (+NOK 2.4m), travel (+NOK 2m) and currency movements
- ✓ **Financial expense:** Includes currency loss of NOK 26m relating to the EUR denominated bond loan

* Items excluded from adjusted EBIT Q1 2023: share-based payments (NOK 2.4m) and amortization of excess values on acquisitions (NOK 3.3m) - see definition of adj. EBIT under

Continued strong cash position

Development in cash balance (NOKm)



- ✓ **Cash balance at 31 March NOK 124m**
- ✓ **Negative cash flow from operating activities of NOK 4.1** from changes in working capital
- ✓ Investments relates mainly to internal system development including projects partly financed through SkatteFunn
- ✓ **Net interest-bearing debt of NOK 332.9m** vs. NOK 287.1m at the end of previous quarter.

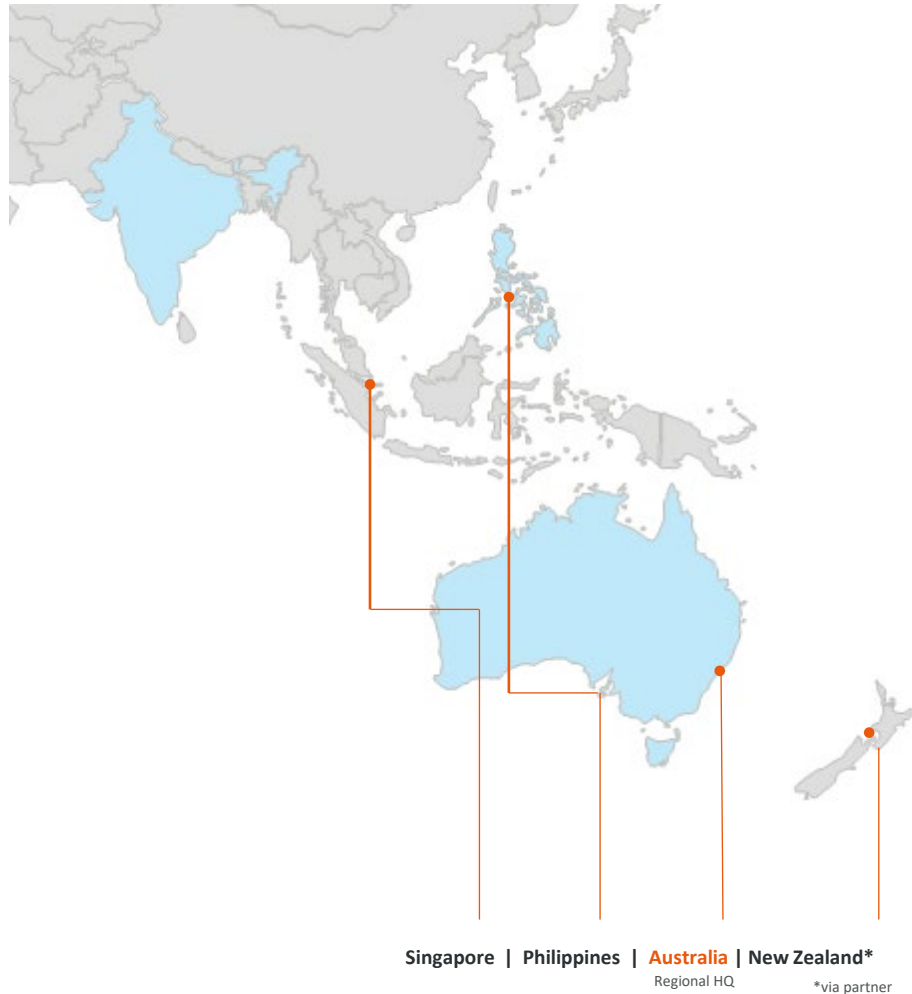
* Restricted cash deposits of NOK 6.2m reclassified to other receivables

Markets and Outlook



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Zalaris APAC operations – nucleus to drive regional growth in place after 12 months from green field inception



KEY NUMBERS & PROGRESS

ASIA PACIFIC



18

Zalaris employees – certified across all SuccessFactors modules



4

countries with ability to provide service across the entire region



20+

years of common working relationships amongst our team

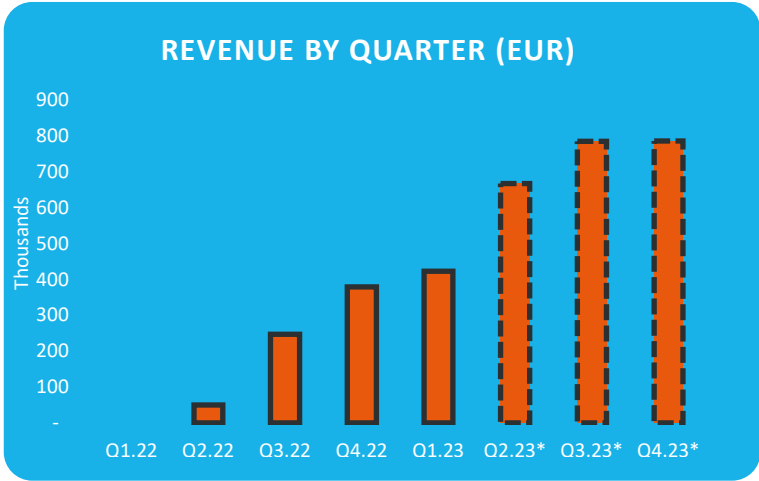


15 (to date)

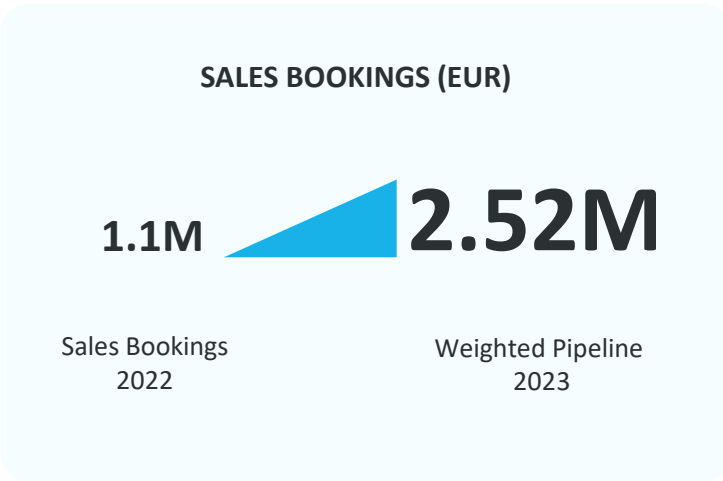
Net new clients



APAC placed for Strong Growth targeting neutral EBIT from Q2



* TARGET



APAC defined as AU, SG, MY, NZ, PH

Strong growth seen by quarter to quarter revenue growth, and increase in pipeline generated month on month. Large addressable market to enable growth target achievement.

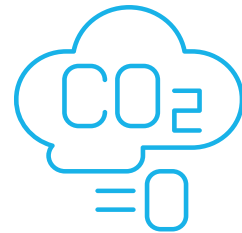


Zalaris Sustainability report published in Q1 – Building sustainability thinking into products and services



Three ESG related products were launched.

- Automated Business travel CO2 calculation integrated into PeopleHub Travel
- My Carbon Footprint maps employee commute.
- Dashboard for easier reporting and monitoring of aspects related to the Norwegian Activity and Statement ACT (ARP Rapportering)



NET ZERO by 2040

- Zalaris has committed to Net Zero by 2040.
- Targeting 100% renewable Scope 2 power in 2025
- 40% reduction on business travel emissions by 2030.



UN Global Compact

In 2022 Zalaris joined the United Nations Global Compact and its Ten Principles on human rights, labour, environment, and anti-corruption. As a company, we recognize our responsibility to contribute to a more sustainable and equitable world, the UN Global Compact helps us achieve that goal.

Find the full 2022 Sustainability report on zalaris.com/sustainability

Starting the year with a bang and with a continued potent outlook – growth outside the Nordic is increasingly driving the business

- ✓ **Accelerating past our communicated 10%+ growth target with large new strategic signings** and on track becoming a NOK 1 billion company in 2023
- ✓ **Maintain our target EBIT of 10%**, as revenue from projects under implementation are recognized and EBIT improvement program actions implemented, targeting annualized EBIT of NOK 100 million in 2023
- ✓ **Resilient vs macro picture.** Majority of contracts with indexation clauses protect against inflation and pressure on personnel costs. Historically increased demand for outsourcing in recession/crisis situations.

Q&A



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“If your dreams don’t scare you, they are not big enough”

That was the way in which Germany’s 2014 IRONMAN and two-time IRONMAN 70.3 World Champion, Sebastian Kienle, announced the news last week that one of the aims for his final season in the sport is to win the 2023 Zalaris Norseman Xtreme Triathlon



Scary dreams and Zombie Hill - Sebastian Kienle's Norseman challenge

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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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