27 November 2023

Zalaris ASA
Investor Presentation

Deutsches Eigenkapitalforum 2023

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Agenda

- Company in brief
- Market positioning
- Key financials
- Key take-aways

Today's presenter

Hans-Petter Mellerud
CEO and Founder

Payroll & HR solutions that enable digital organizations

One global IT platform with local presence

Zalaris is a leading European provider of global payroll and human capital management solutions delivered through software as a service, outsourcing, or consulting delivery models

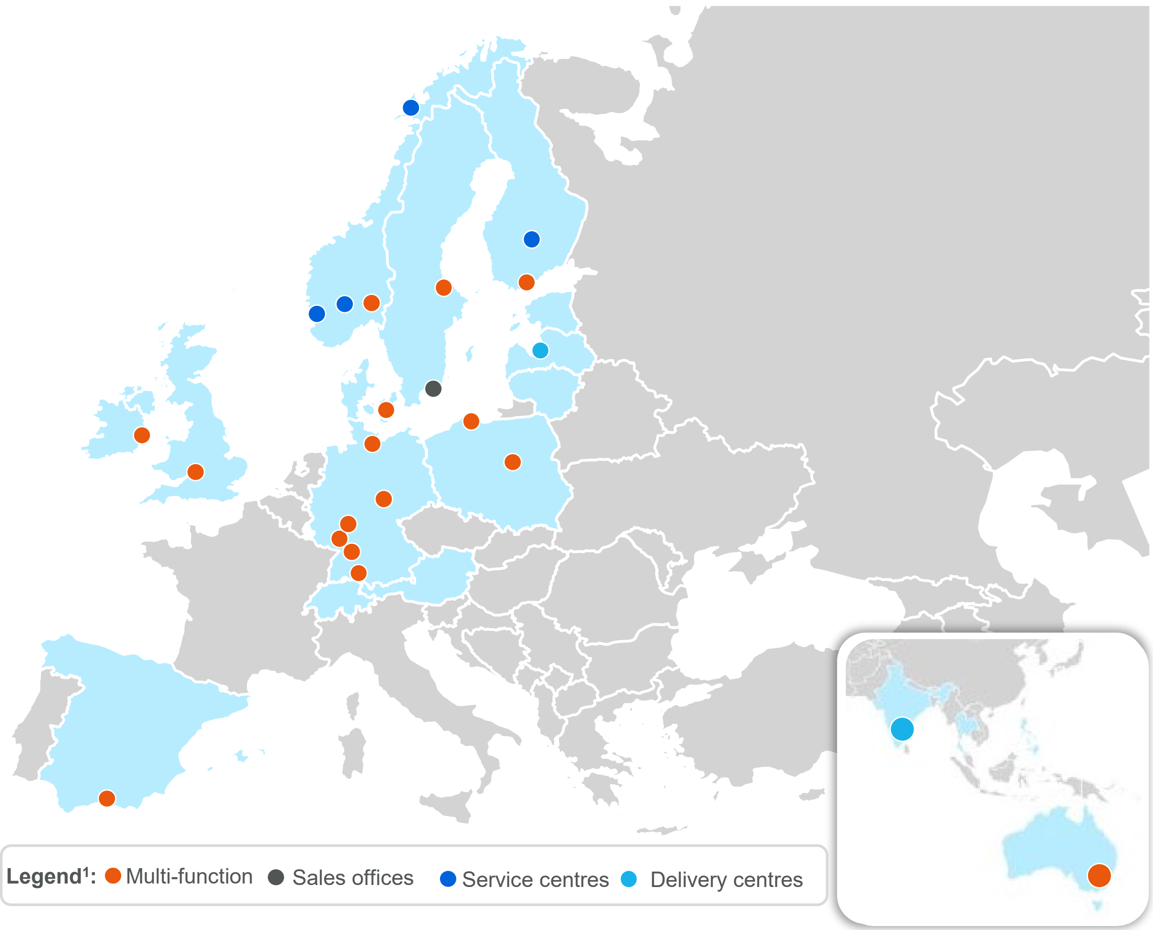
Supporting **fully digital processes** for payroll and human capital management targeting 20-30% cost savings

One common multi-country solution satisfying GDPR requirements combined with competent resources serving complex customers with local competence and language

Market leader within mid-size companies with cross-border need and a strong customer portfolio of some of the largest corporations in the Nordics, DACH, UKI and APAC regions

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
~EUR 100m Annual run rate revenues Q3'2023	**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

PeopleHub covers 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 most revenues being recurring of nature

Managed services (MS)

Zalaris' cloud solution and comprehensive payroll and HR outsourcing services

Services

- Zalaris PeopleHub (SaaS)
- Payroll Processing
- Manged payroll services and travel expense
- Comprehensive HR outsourcing

Degree of outsourcing / cost savings

89[1] customers, ~73%[3] of total revenues with ~90% recurring revenues

Professional services (PS)

Consulting services including delivery of traditional consulting projects as well as outsourcing and cloud implementation projects

- Implementation / transformation projects
- SAP advisory and consulting
- Application management services (AMS)

Degree of reoccurring revenues

46[2] customers, ~27%[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 '23 revenues

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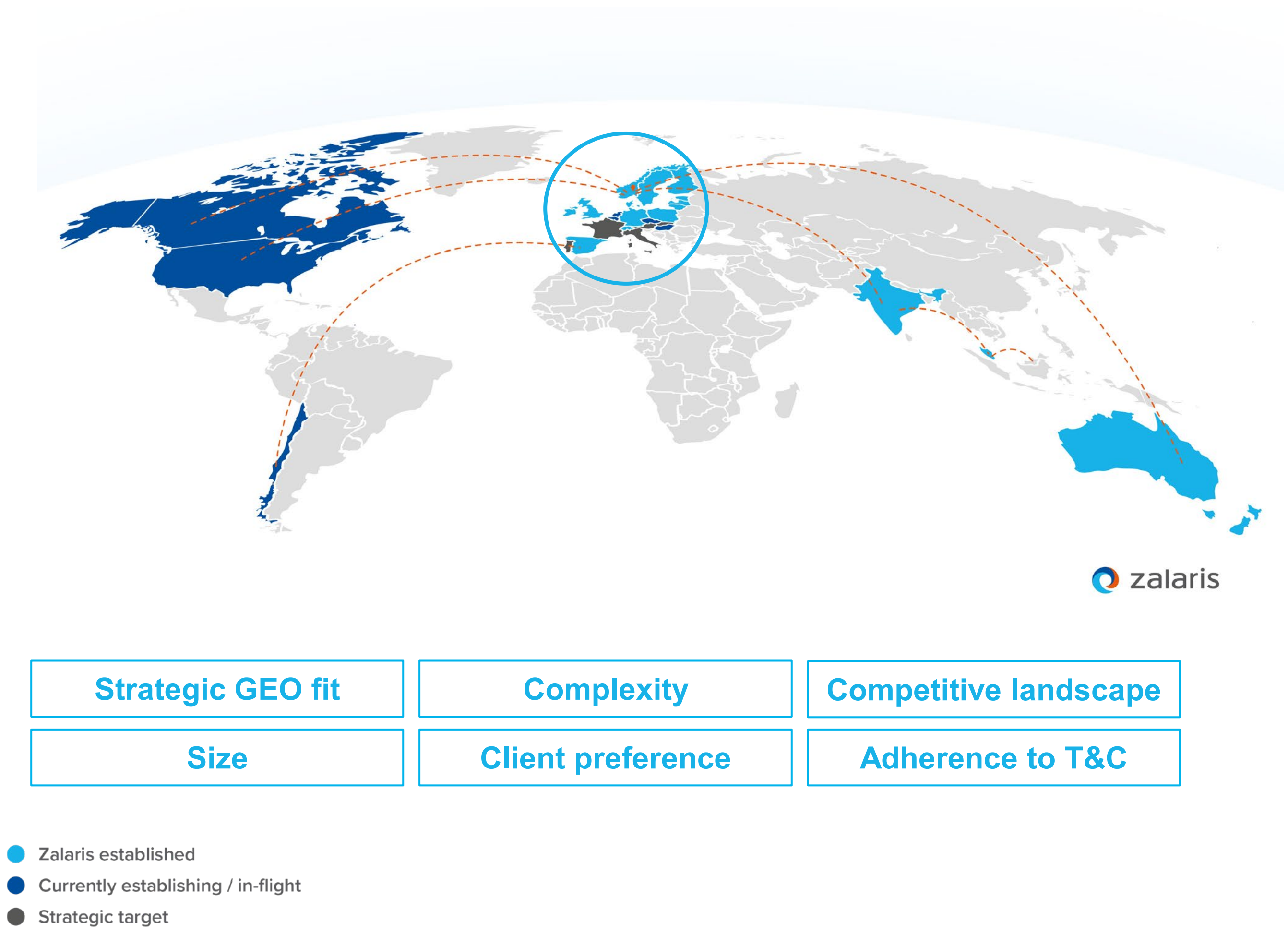
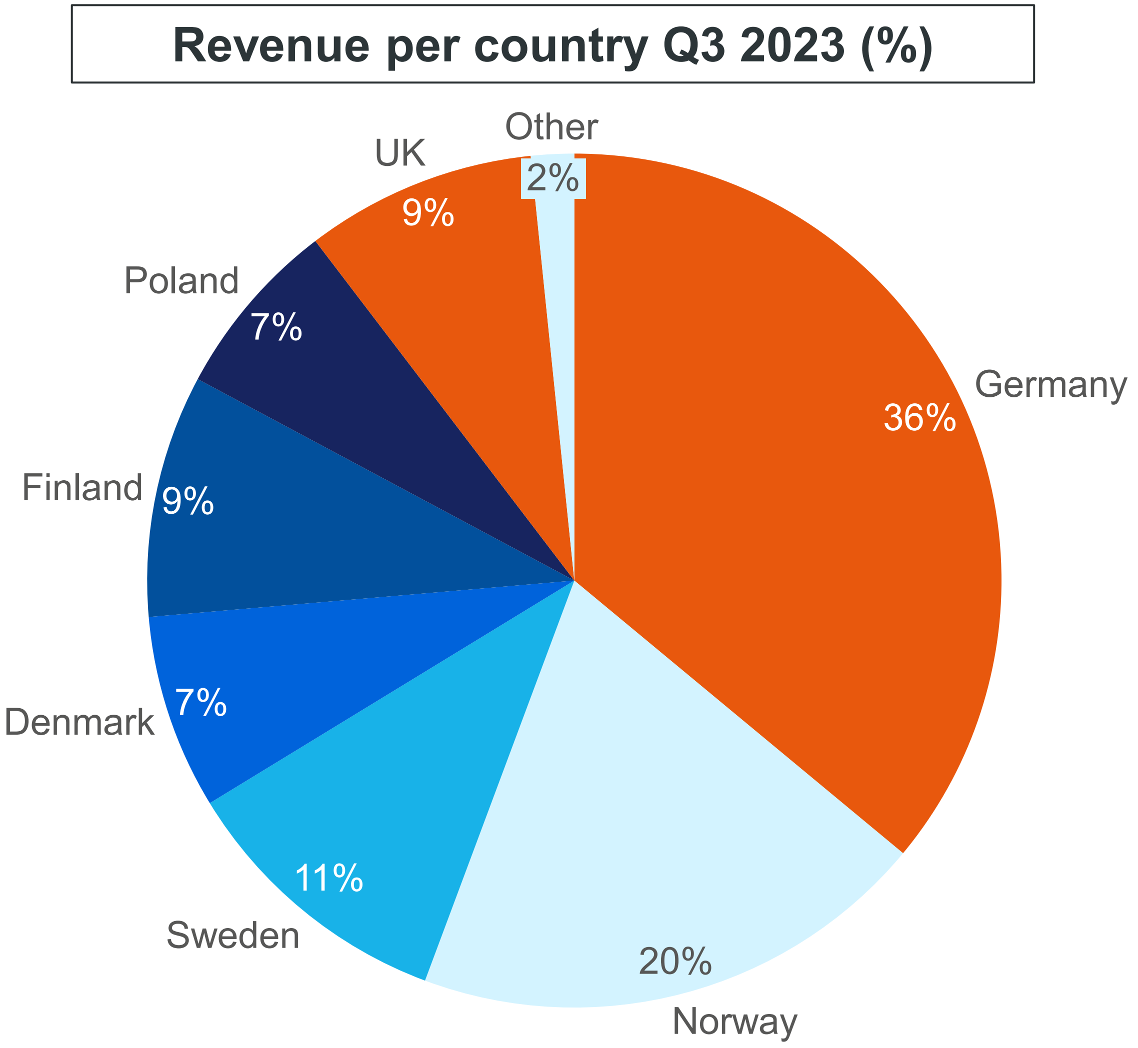
We successfully support European companies globally



Strategic GEO fit	Complexity	Competitive landscape
Size	Client preference	Adherence to T&C

- The **addressable market has increased significantly** with global opportunities
- **We efficiently manage CAPEX exposure by leveraging our established partner ecosystem** for PeopleHub implementation and operation in larger GEOs – and full long-tail coverage
- **3 countries outside Europe in flight** supported by partners will enable us to onboard a larger European customer base with global demands
- **Prudent approach** with clear criteria being used and evaluated **when qualifying opportunities**
- **Centralized contract management** and established standards **minimizing risks**

Significant European player with Germany largest and fastest growing market facing unit



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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

Danske Bank, Santander Consumer Bank, TRYGG HANSA, DZ HYP, IB.SH Ihre Förderbank, storebrand, DNB, Nordea, Gjensidige, Tryg, eika.

Health & Life Science

aspen, NOVARTIS, Dräger, Boehringer Ingelheim, gsk GlaxoSmithKline, Roche, CSL Behring Biotherapies for Life, amplifon

Infrastructure & Transportation

SAS, VY, RYANAIR, sporveien, FINNAIR, Eurowings

IT, Technology & Telecom

SIEMENS, gamesys group, EG, ERICSSON, Sony Interactive Entertainment, Telefonica, telenor, OneCo, YUNEX TRAFFIC

Offshore & Energy

ABB, AkerBP, eew, Statkraft, Hitachi Energy, GASSCO

Product & Industrials

brose, Hydro, SEAT, outokumpu, KONGSBERG, YARA, PORSCHE, Metsä, storaenso

Public Services & Other Institutions

HESSEN, University of Salford Manchester, University of Westminster, Kent Police, Die Landesregierung Nordrhein-Westfalen

Retail

Carlsberg, INTERSPORT VOSWINKEL, müller, Felleskjøpet, RINGNES Part of the Carlsberg Group, KaDeWe, MARSTON'S, DOUGLAS, CIRCLE K, Thalia Bücher & mehr, ELKJØP

Service Industries

LINDORFF del av Intrum, entra, ISS, BILFINGER, COMPASS GROUP

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Predominantly annual recurring revenue from long-term contracts and low churn

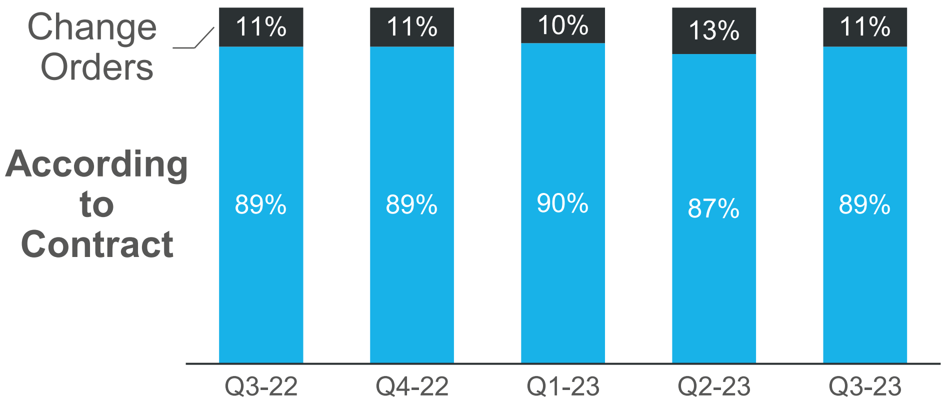
Managed Services

- **5-year contracts** (average)
- **Low** historic **churn** (1.5 - 2.0%) and **high net retention** 106% (Q3'23 YoY)
- **~90% recurring revenue**

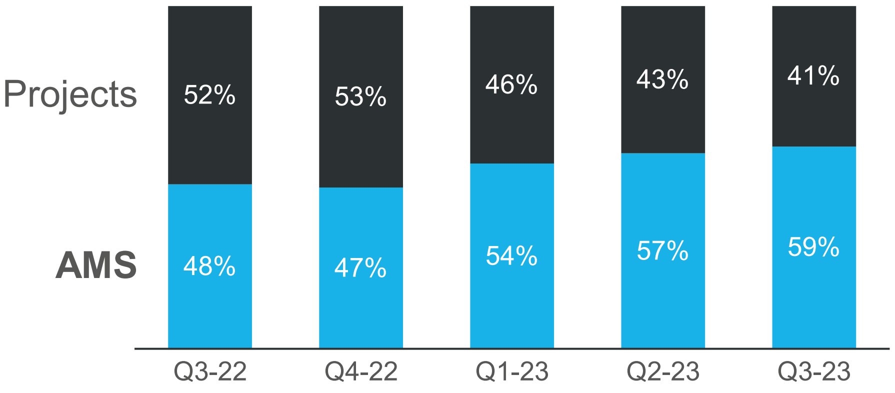
Profession Services

- **~78% of revenue** is from customers that were customers **12 months prior** (Q3'23)
- **~59% of revenue** is **recurring**/recurring like

According-to-contract revenue vs. change orders/project revenue

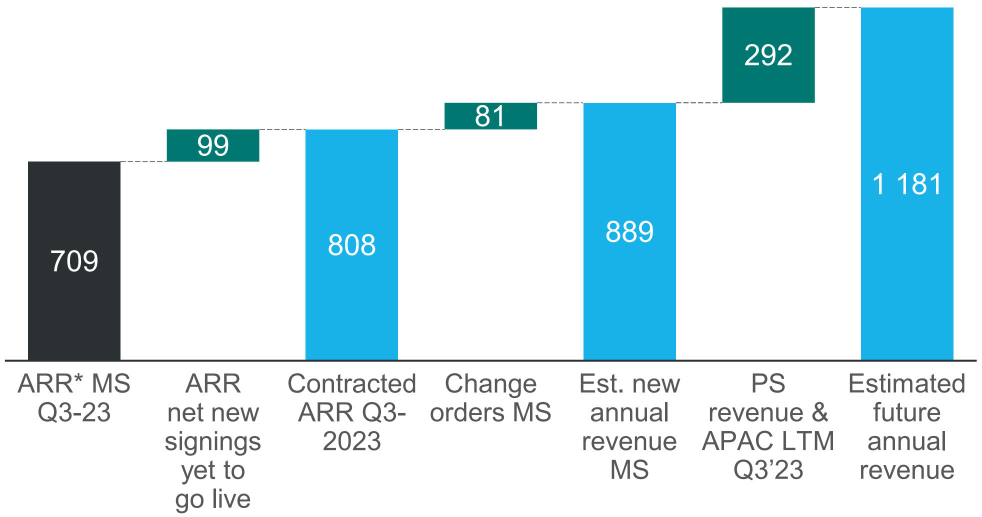


Long-term AMS based revenue vs. project revenue

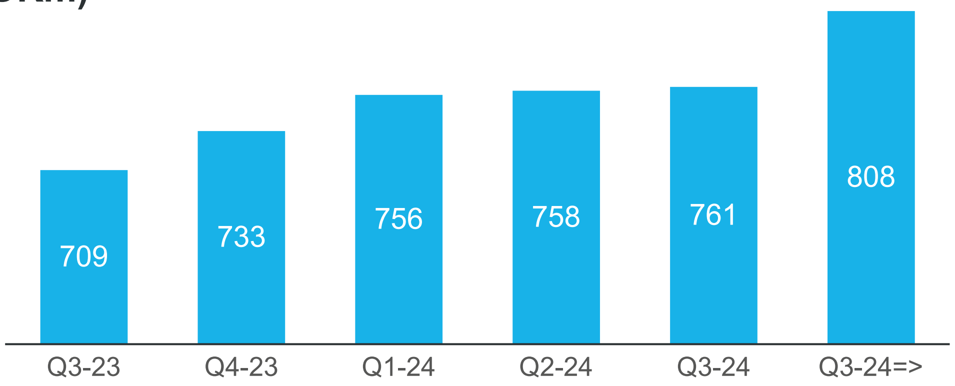


Strong revenue visibility through 2024 - newly signed BPO contracts will result in significant revenue increase

Revenue development based on signed MS contracts (NOKm)



Contracted ARR* development in MS based on signed contracts (NOKm)



- **Total annual revenue expected to increase by ~NOK 112m (+10%)** vs. LTM Q3'23, based on already signed contracts (assuming no material churn and based on avg. currency rates for Q3 2023)
- The new contracts will generally generate full monthly recurring revenue when the customer has gone live on the PeopleHub platform
  - All current contracts will be fully implemented by end-2024
- Estimated future annual revenue assumes MS change order level at historical ~10% of recurring revenue, and PS & APAC revenue at LTM Q3'23 level
- ~NOK 12m in churn, effective Q1 2024, included in net new signings

*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.

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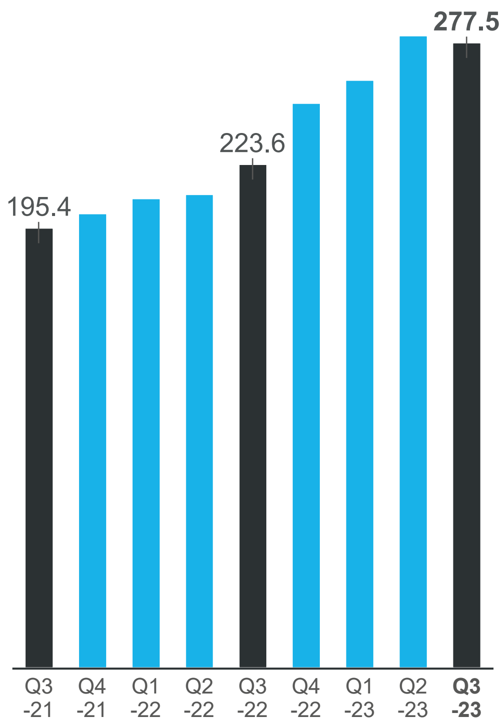
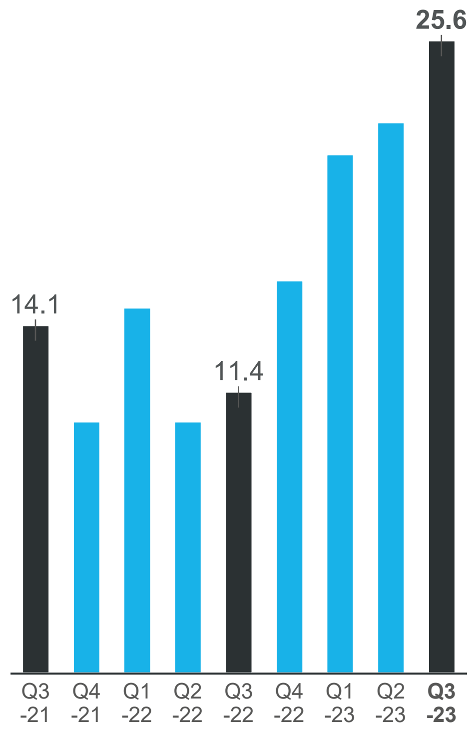
Significant growth in revenue and EBIT during the last quarters: +27% organic revenue growth LTM YoY (+17% in constant currency)

Figures in NOK million

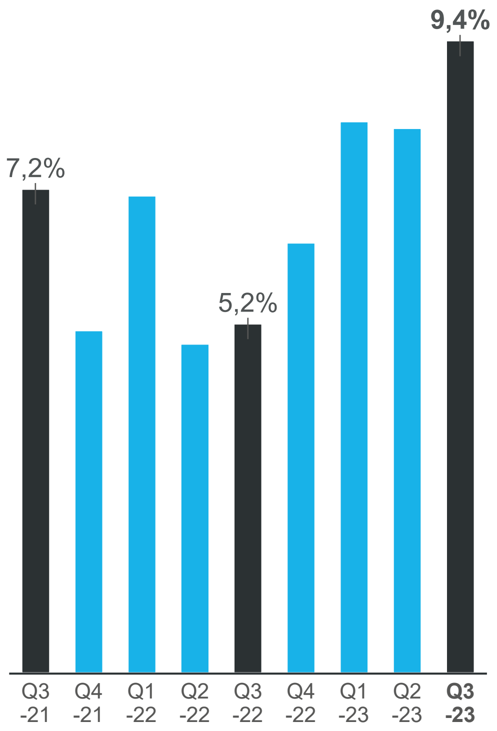
Revenue



Adj. EBIT* (ex. APAC region)



Adj. EBIT margin (ex. APAC region)



*See Q3 interim report for definitions of APMs

Market positioning and growth opportunities

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Simplify work life.
Achieve more.

We target specific customer characteristics enabling efficient selling

Multi-country vs. Single –country

Focusing on multicountry and large single-country opportunities

Company size

Large and mid-size enterprises in one or multiple countries

Industry type

Covers most industries with some strongholds

1st vs 2nd generation outsourcing

Particularly strong in 1st generation outsourcing deals. 2nd generation is typically more competitive

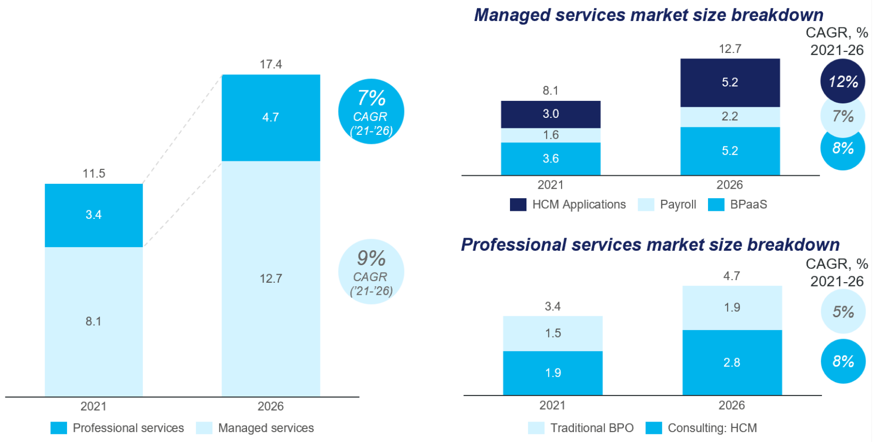
IT strategy/HR system

Historically strong if the customer has an SAP strategy. However, our aim is to be the preferred partner regardless of the Customer`s preference for a global HR solution

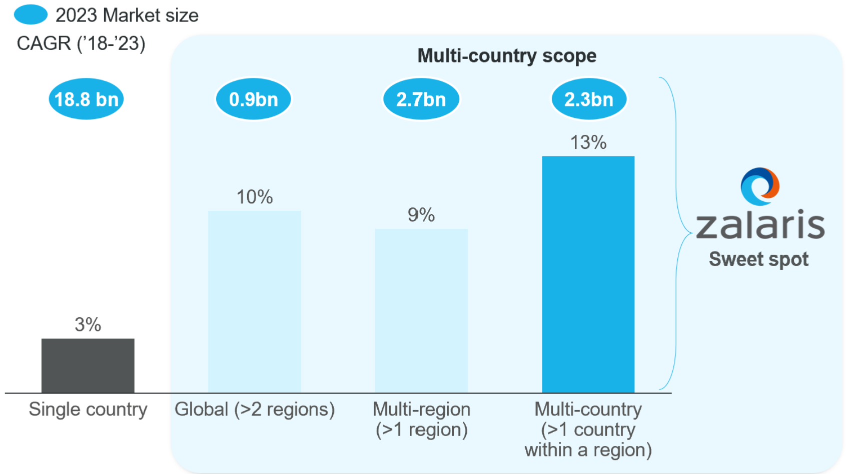
We operate in an attractive market which is expected to grow with a CAGR of ~8-10%

Market growth expectations

Market size, USDbn



Source: Gartner IT Services Forecast 2Q22, European HCM and Payroll Management Applications Market Forecast 2021-2026



Source: Nelson Hall, "Next Generation Payroll Services"

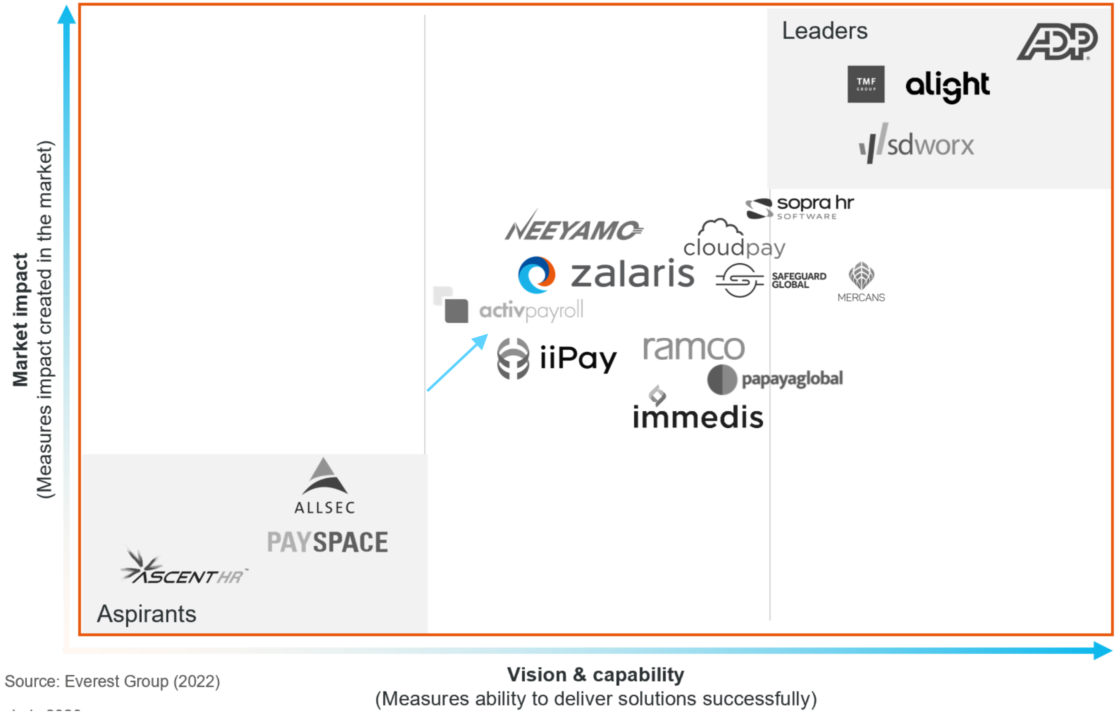
- Attractive market with a **strong growth outlook** across both managed and professional services **for which Zalaris currently outperforms**
- **Market supported by several tailwinds** such as increasing global workforce, intensifying compliance burden, cost and innovation focus, and longer refresh cycles in HCM and Payroll
- The **core market is multi-country companies** with more than two or more countries within a region, **aligning seamlessly with one of our key strengths**
- Additionally, Zalaris' other focus markets, multi-region and global are expected to grow ~10% annually
- ***Zalaris is well positioned with a sweet spot within multi-country and further upside from multi-region and global***

Competitive environment according to industry analysts

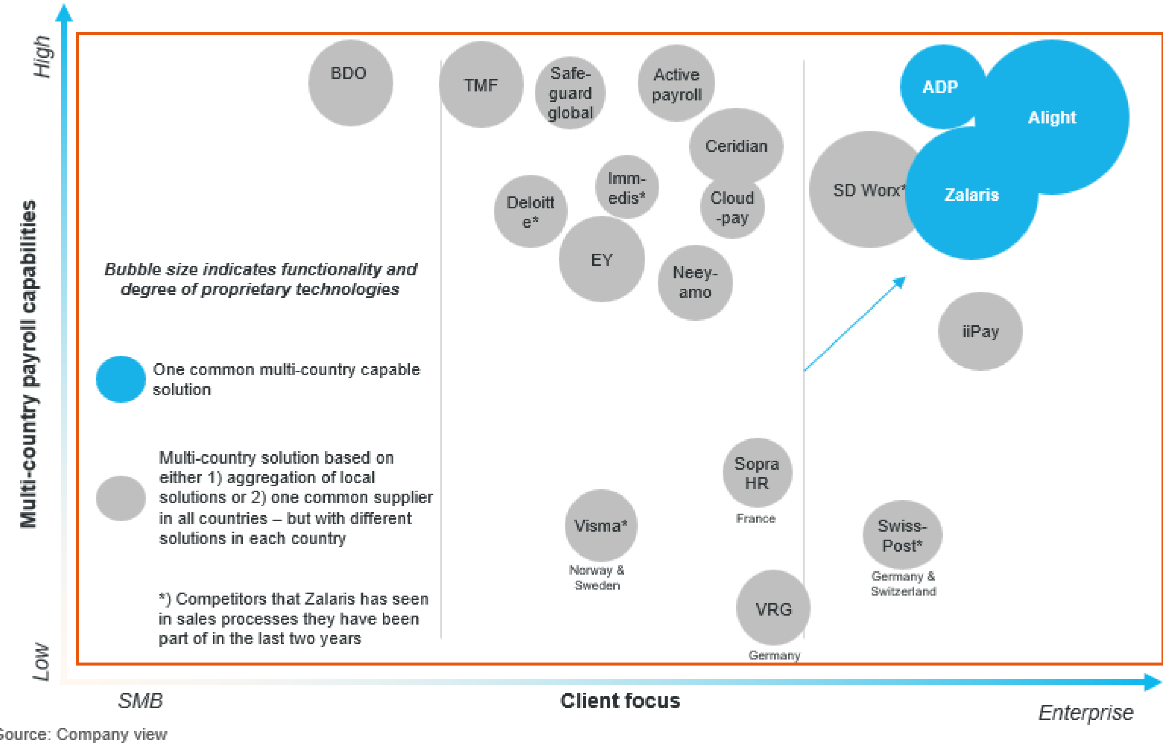
The **Global** competitive landscape for which ***Zalaris is a strong challenger***

vs.

Europe for which ***Zalaris is considered among the providers of choice*** for enterprise customers



Source: Everest Group (2022)



Source: Company view

Financial strategy and targets

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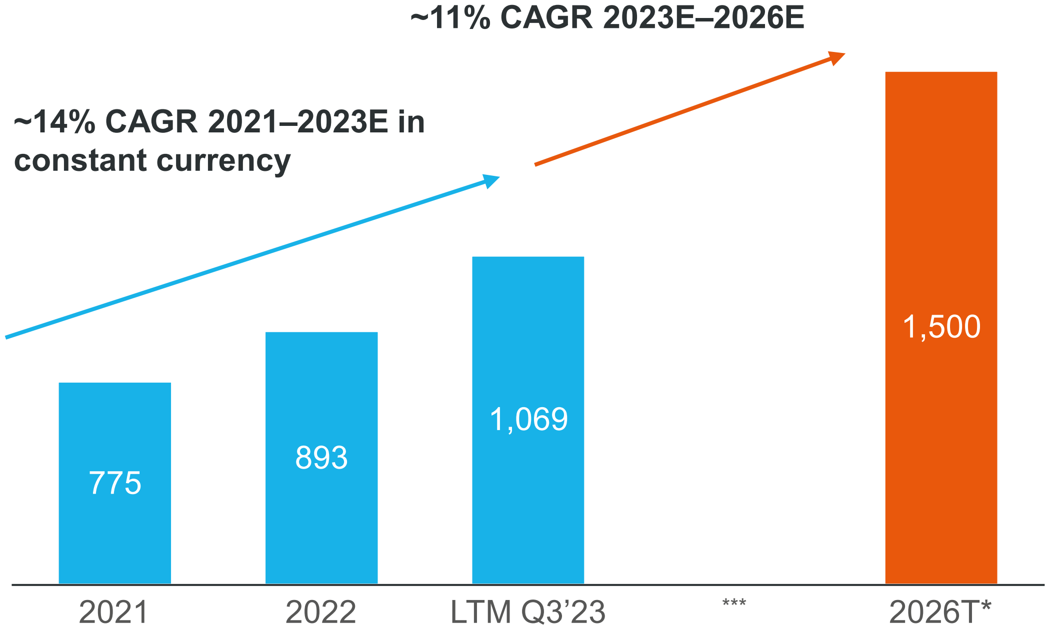
Achieve more.

Solid revenue growth last 2 years and ambition to grow to NOK 1.5 billion by 2026 (+10% p.a.)

Development in revenue
NOKm



Revenue share %

	2021	2022	LTM Q3'23		2026T*
MS	68%	73%	73%	→	77%
PS	32%	27%	27%	→	23%

>10% annual organic revenue growth driven by:

- Growing HR and payroll market
- New large multi-country/global long-term contracts
- Expansion with existing customers – products and geography (i.e. positive net retention)
- Higher than targeted growth in APAC
- M&A as a potential upside

Growth target per segment:

- Managed Services 15% growth
- Professional Services 5% growth
- Growing share of recurring revenue from Managed Services with long-term contracts of 5 – 7 years

* Based on current EUR/NOK rate

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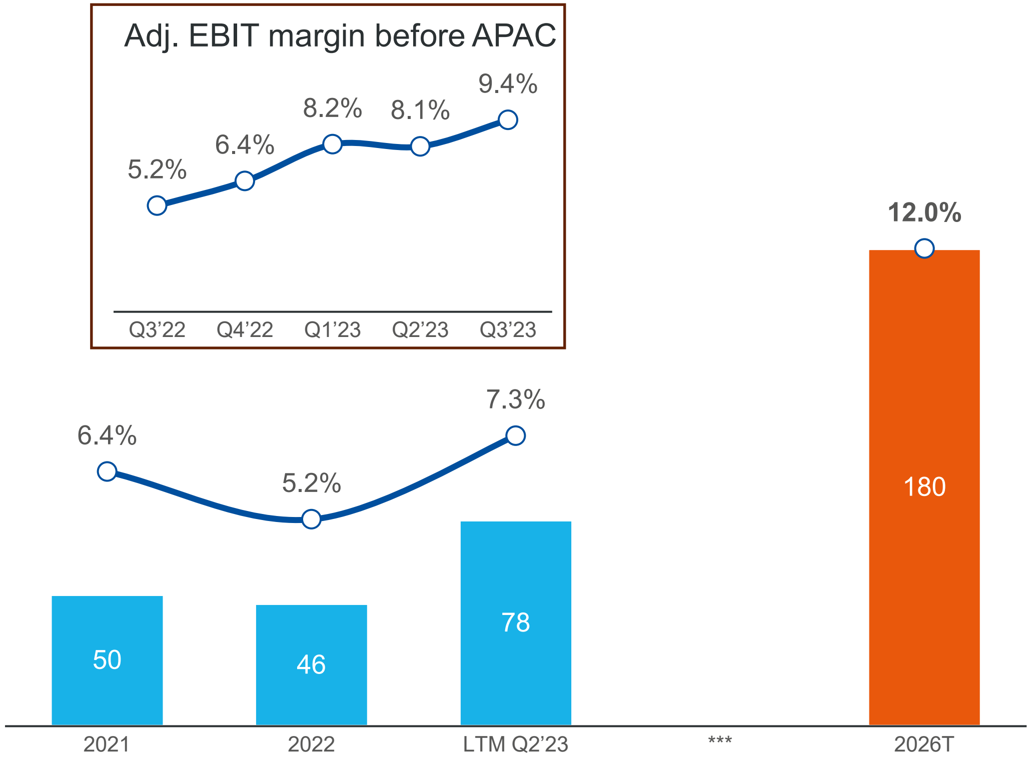
Closing in on short-term adj. EBIT margin target of 10% and ambition to expand to 12 - 15% by end-2026

Development in adj. EBIT and adj. EBIT margin

NOKm and %



>10% adj. EBIT margin short-term driven by:

- Current EBIT improvement program (Zalaris 4.0)
- Further right-shoring and standardisation to improve profitability in Germany

Region/country EBIT target of 15 – 20%:

- Most countries in line and increasing
- Germany significantly behind rest of the group, and major activities ongoing to rectify

12% – 15% adj. EBIT margin by 2026 driven by:

- Utilising scalability of existing operations – lower marginal unit costs
- Further right-shoring
- Automation (AI) and standardisation
- Increase operational leverage (lower SG&A as a % of revenue)

Increased focus on growing operating cash flow conversion and prudent capital allocation

- Targeted long-term operating cash flow conversion* of 70%
- Achieved mainly through:
    - Working capital improvements
    - Transformation projects for new customers to be minimum cash neutral

Target EBIT
2026
~NOK 180m
(12%)

Target EBITDA
2026
~NOK 275m
(18%)

Target
Op. Cash Flow
2026
~NOK 190m
(~70% conversion)

*Operating cash flow conversion is calculated as cash from operating activities before interest over EBITDA

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Key take-aways

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Simplify work life.
Achieve more.

Twenty-three years of continued growth combined with scalable solutions deliver value short - and medium-term value

1) **Zalaris PeopleHub is increasingly in favour by mid-market and large customers** seeking to digitalize their Payroll & HR processes resulting in 24% reported growth in Q3. We are now a **100 MEUR annualized revenue company** and expect to **continue delivering above our 10% growth target over the next 36 months.**

2) **Zalaris PeopleHub is a scalable solution** supporting our Zalaris 4.0 industrialized approach to HR & Payroll and is starting to show with an all-time high adjusted EBIT in the quarter. We are **on track delivering on our 10% EBIT target and next milestone of becoming a NOK 100 mill EBIT company.** We are now aiming higher and are **targeting 12-15% EBIT over the next 36 months.**

3) **Focus on capital allocation starting to show effect in Q3 with NOK 25 million in operating cash flow** and in combination with increased profitability will drive **free cash flow toward our target level of >70% of EBITDA.**

Appendix

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Achieve more.

Condensed Profit and Loss

(NOK 1 000)	2023 Jul-Sep	2022 Jul-Sep	2023 Jan-Sep	2022 Jan-Sep	2022 Jan-Dec
Revenue	**277 459**	**223 564**	**818 788**	**642 191**	**892 743**
License costs	23 482	20 704	73 348	61 120	80 198
% of revenue	*8,5 %*	*9,3 %*	*9,0 %*	*9,5 %*	*9,0 %*
Personnel expenses	138 853	120 179	431 558	354 988	483 824
% of revenue	*50,0 %*	*53,8 %*	*52,7 %*	*55,3 %*	*54,2 %*
Other operating expenses	73 919	58 392	203 620	152 246	222 537
% of revenue	*26,6 %*	*26,1 %*	*24,9 %*	*23,7 %*	*24,9 %*
Amortisation implementation costs customer projects	8 959	7 316	23 850	22 807	31 638
Depreciation, amortisation and impairments	14 608	12 617	43 029	37 033	50 852
EBIT	**17 638**	**4 356**	**43 383**	**13 998**	**23 694**
Adjustment items*	6 027	5 393	18 985	16 953	22 548
Adjusted EBIT	**23 665**	**9 749**	**62 368**	**30 951**	**46 241**
Adjusted EBIT margin %	**8,5%**	**4,4%**	**7,6%**	**4,8%**	**5,2%**
Net financial income/(expense)	1 113	(13 776)	(58 642)	(34 884)	(40 102)
Profit/(loss) for the period	**13 371**	**(11 100)**	**(23 842)**	**(26 622)**	**(38 721)**

*Items excluded from adjusted EBIT Q3 2023: share-based payments (NOK 2.6m) and amortization of excess values on acquisitions (NOK 3.4m) - see definition of adj. EBIT under APMs in the interim financial report)

Condensed Balance Sheet

(NOK 1 000)	2023 30. Sept	2022 30. Sept	2022 31. Dec
Fixed and intangible assets	439 672	430 120	426 263
Trade accounts receivable	241 011	178 080	191 715
Customer projects assets	187 688	131 478	135 359
Cash and cash equivalents	120 728	94 843	91 796
Other assets	65 050	64 140	60 609
Total assets	**1 054 150**	**898 661**	**905 742**
Equity	177 564	180 462	163 597
Interest-bearing loans and borrowings	454 077	380 051	380 584
Lease liabilities	53 088	54 594	50 111
Customer projects liabilities	161 363	98 302	103 744
Other liabilities	208 058	185 252	207 707
Total equity and liabilities	**1 054 149**	**898 660**	**905 742**

Summary of long-term financial targets (to 2026)

- **Revenue: >10% organic growth (Managed Services >15%, Professional Services >5%)**
  - Fuelled by large multi-country contracts and expansion with existing customers
- **Profitability: 12% - 15% adj. EBIT margin**
  - Utilising right shoring, automation (AI) and increase operational leverage
- **Cash conversion: >70% of adj. EBITDA**
  - Focus on reducing WC as a % of revenue and customer projects to be minimum cash neutral
- **ROCE: >15%**
  - Focus on organic growth initiatives
- **Leverage: NIBD/adj. EBITDA* <2.5**
  - Gradual reduction in leverage to ensure lending flexibility and lower costs
- **Dividend: Deliver on existing dividend policy**
  - ~50% net profit before tax

*According to definition in bond agreement

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Top 20 shareholders

Rank	Investor	Number of shares	Shareholding (%)	Type
1	NORWEGIAN RETAIL AS	2 891 482	13,06 %	Ordinary
2	VERDIPAPIRFONDET ALFRED BERG GAMBAK	2 106 346	9,52 %	Ordinary
3	DANSKE BANK A/S	1 428 006	6,45 %	Nominee
4	CODEE HOLDING AS	1 395 735	6,31 %	Ordinary
5	VERDIPAPIRFONDET DNB SMB	1 221 606	5,52 %	Ordinary
6	J.P MORGAN SE	1 044 168	4,72 %	Nominee
7	VESTLAND INVEST A/S	940 659	4,25 %	Ordinary
8	VERDIPAPIRFONDET NORGE SELEKTIV	703 551	3,18 %	Ordinary
9	SKANDINAVISKA ENSKILDA BANKEN AB	666 247	3,01 %	Nominee
10	VERDIPAPIRFONDET NORDEA AVKASTNING	507 705	2,29 %	Ordinary
11	ZALARIS ASA	490 070	2,21 %	Ordinary
12	AS MASCOT HOLDING	456 048	2,06 %	Ordinary
13	VERDIPAPIRFONDET NORDEA KAPITAL	367 540	1,66 %	Ordinary
14	HARLEM FOOD AS	303 039	1,37 %	Ordinary
15	SKANDINAVISKA ENSKILDA BANKEN AB	300 000	1,36 %	Nominee
16	ØLJA AS	284 650	1,29 %	Ordinary
17	NÆRINGSLIVETS HOVEDORGANISASJON	283 217	1,28 %	Ordinary
18	VERDIPAPIRFONDET NORDEA NORGE PLUS	265 054	1,20 %	Ordinary
19	TACONIC AS	262 040	1,18 %	Ordinary
20	BSN AS	240 000	1,08 %	Ordinary
	Other shareholders	5 978 016	27,01 %	
	Total number of shares	**22 135 179**	**100,00 %**	
	The largest 20 shareholders (incl Zalaris)		72,99 %	

Grouped:

Rank	Investor	Number of shares	Shareholding (%)
1	Norwegian Retail AS	2 891 482	13,06 %
2	Nordea	2 360 000	10,66 %
3	Athanase	2 243 815	10,14 %
4	Alfred Berg	2 106 346	9,52 %
5	DNB	2 073 426	9,37 %
		11 675 069	**52,7 %**

Analyst Coverage

Investment Bank	Analyst	E-mail
ABG Sundal Collier	Njål Eivind Kleiven	njal.kleiven@abgsc.no
Arctic Securities	Kristian Spetalen Jonathan Andersson (credit)	kristian.spetalen@arctic.com jonathan.andersson@arctic.com
Nordea Markets	David Raso (credit)	david.raso@nordea.com
SpareBank1 Markets	Petter Kongslie	petter.kongslie@sb1markets.no

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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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Achieve more.