

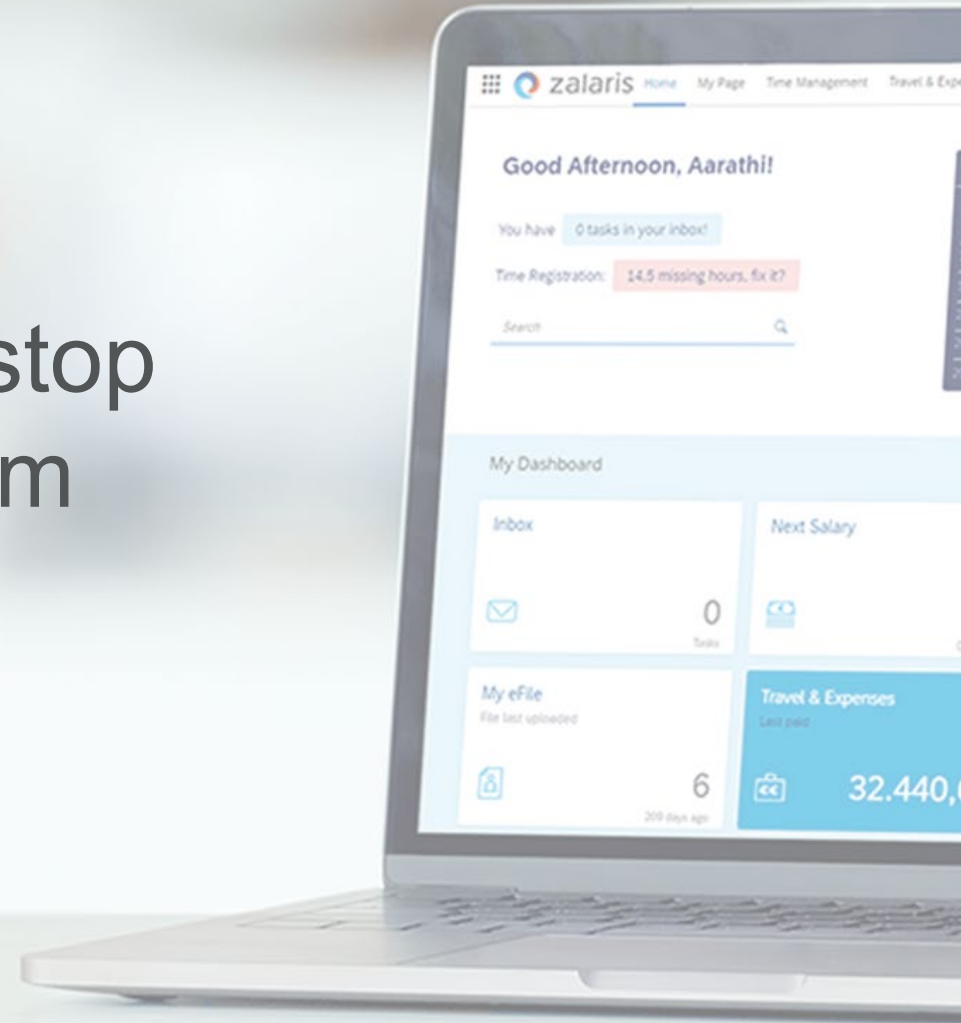
7 May 2024

# Presentation of financial results Q1 2024



PeopleHub BY ZALARIS

## Your one-stop HR platform



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# Agenda

## Today's presenters

- Highlights
- Company in brief
- Financial review
- Outlook
- Q&A



**Hans-Petter Mellerud**  
CEO and Founder



**Gunnar Manum**  
CFO

# Highlights



Simplify work life.  
Achieve more.



# Q1 2024 Highlights – all time high revenue and EBIT

- ✓ **Strong growth:** Revenue increased **22.0%** YoY to **NOK 318 million** with **Net Revenue Retention in MS of 109%**
- ✓ **High EBIT margin:** all time high adj. EBIT of **NOK 34.8 million (10.9%)**, up from **NOK 18.5 (7.1%)** last year
- ✓ **Market success continues** with contracts for more than **NOK 200 million** in **total contract value** for long-term projects in **PS** signed in Q1
- ✓ **Strong free cash flow:** Free cash flow of **NOK 43 million**, following sale of the office building in Leipzig
- ✓ After the end Q1 Zalaris announced the start of a **strategic review process**

# Several large new contract in Professional Services in Q1

- ✓ New signings and upsell in PS with Total Contract Value of >NOK 200m during the quarter
- ✓ Significant pipeline of Multi-Country PeopleHub new name and upsell opportunities

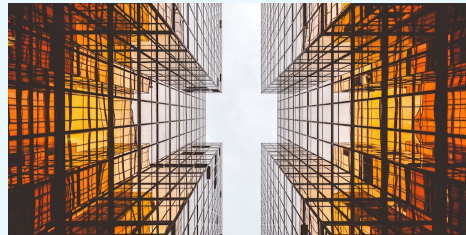
## Notable Wins

### Vår Energi



**Five-year agreement** to deliver payroll, travel & expense solutions and services to **Vår Energi**, a large Norwegian energy company, serving their **1,000+ employees in Norway**.

### City of Berlin



**Agreement for the implementation of a new SAP HCM solution** serving ~132,000 employees of a German state, with more than **NOK 170m in Total Contract Value** over 4 years, awarded after quarter-end.

### State of NRW

Die Landesregierung  
Nordrhein-Westfalen



4-year agreement with the **state of North Rhein Westphalia** for Application Maintenance Services (PS) **increased in scope - annual contract value increased by ~NOK 8m, to more than NOK 30m**

### APAC Wins

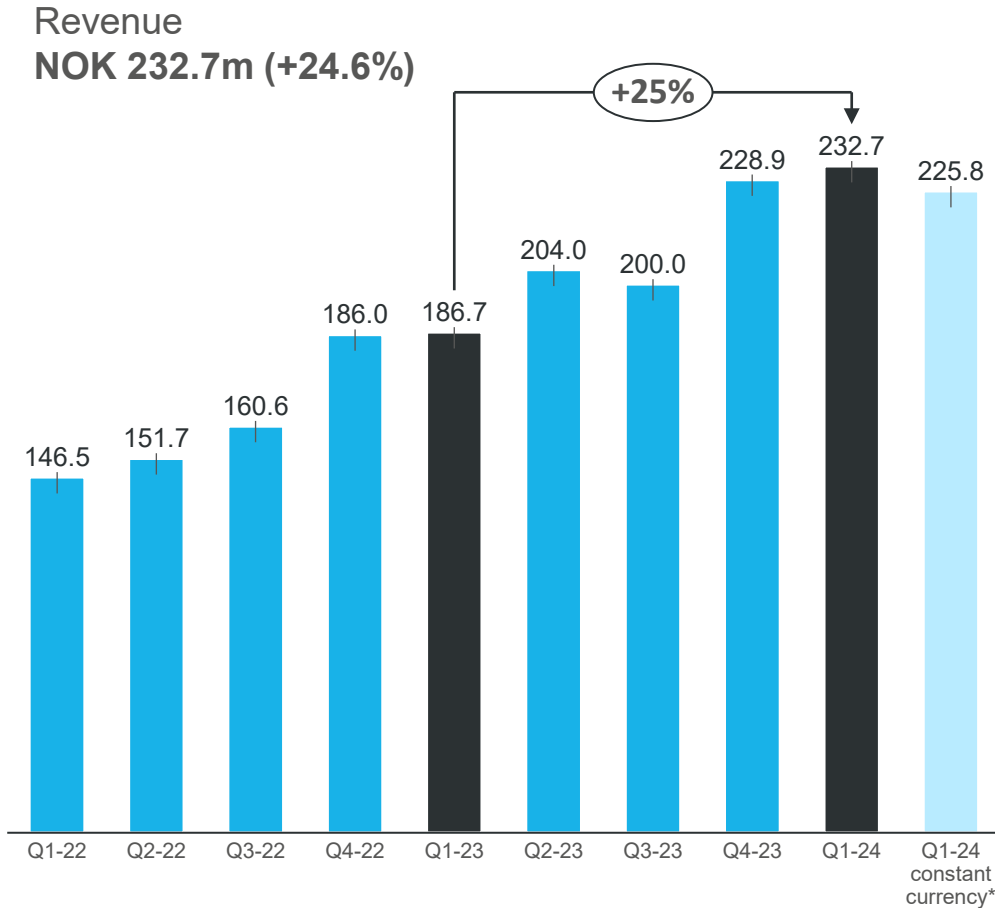


Accolade  
Wines



Agreements with **Accolade Wines** for **Multi-Country Payroll** and the implementation of a **new payroll solution for Telstra Broadcasting Services**.

# Managed Services grew 25% YoY to NOK 233million and 73% of total revenue.

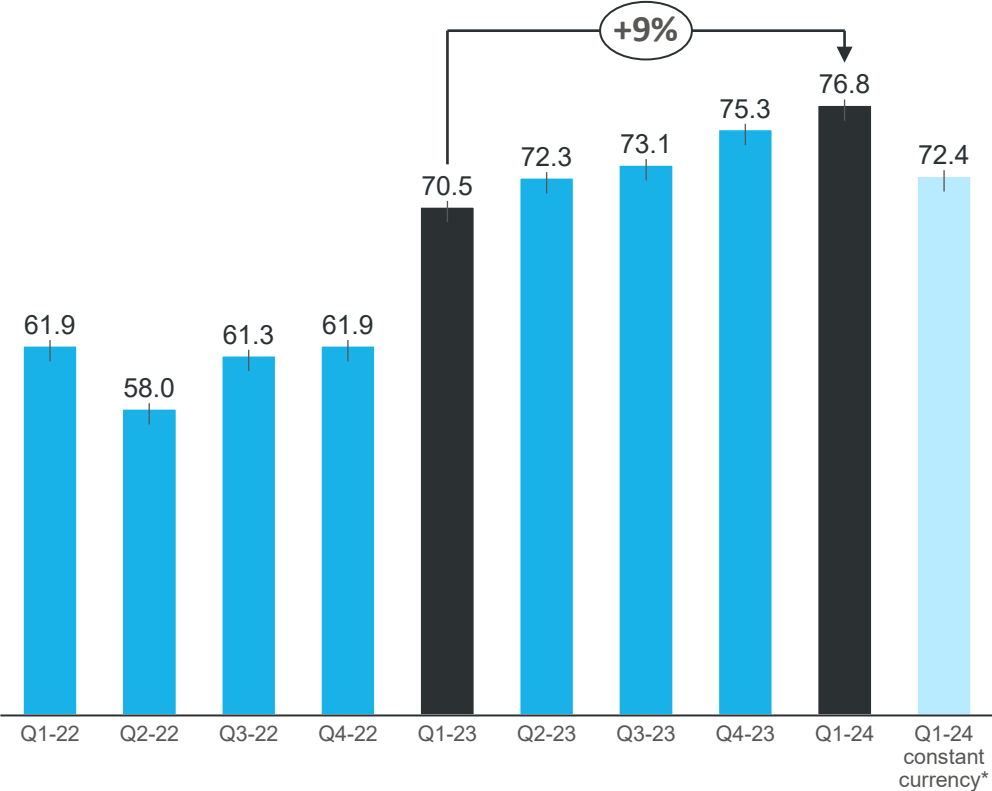


- ✓ Revenue in Managed Services grew by 24.6% YoY (+20.9% growth YoY when adj. for positive currency effects)
- ✓ 109% Net Revenue Retention YoY in constant currency as existing customers expand their geographic footprint and functionalities
- ✓ Significant growth in all regions in local currency.
  - ✓ Northern Europe: 20%
  - ✓ DACH: 28%
  - ✓ UKI: 5%
  - ✓ Eastern Europe: 13%

\*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 grew 9% and continued being strong contributor to Zalaris' overall success and Managed Services growth

Revenue  
**NOK 76.8m (+9.0%)**



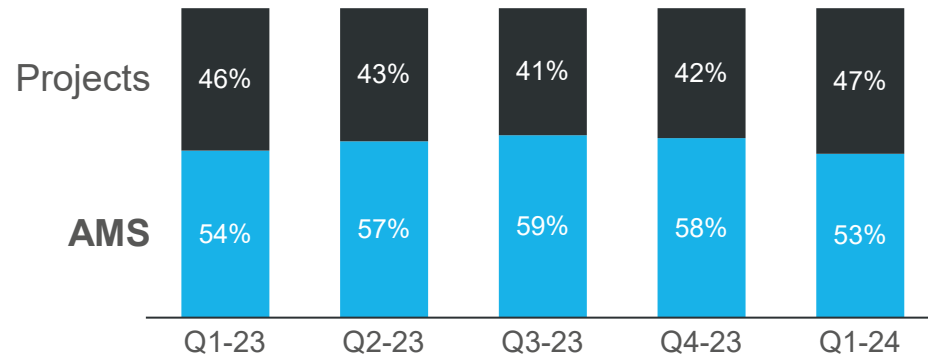
- ✓ Revenue in Professional Services grew by 9.0% YoY (+2.8% when adjusted for positive currency effects)
- ✓ In local currency, revenue in UK grew by 60%, from consulting work from new clients, including a large airline, while Germany grew by 2.5%
- ✓ Significant PS capacity being utilized to support Managed Services in implementing new customers (transformation projects) or delivering change orders. Particularly in Germany

\*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



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

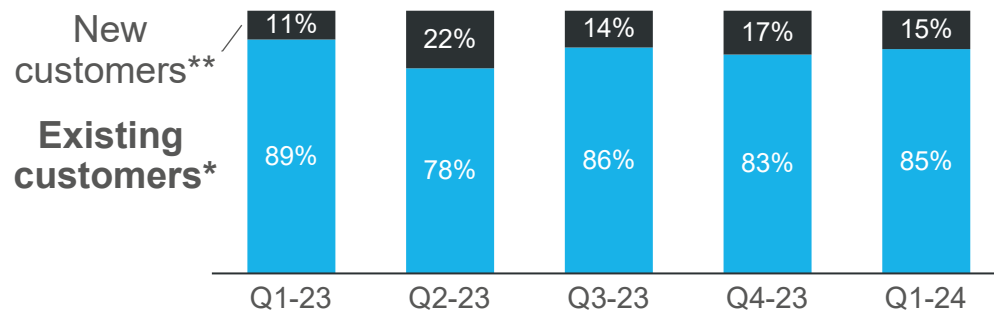
Distribution of Projects vs long term AMS based revenue



- ~53 % of Professional Services revenue is recurring, or recurring like, and based on long term agreements and relationships

- ~85 % of Professional Services revenue is from customers that were customers 12 months prior

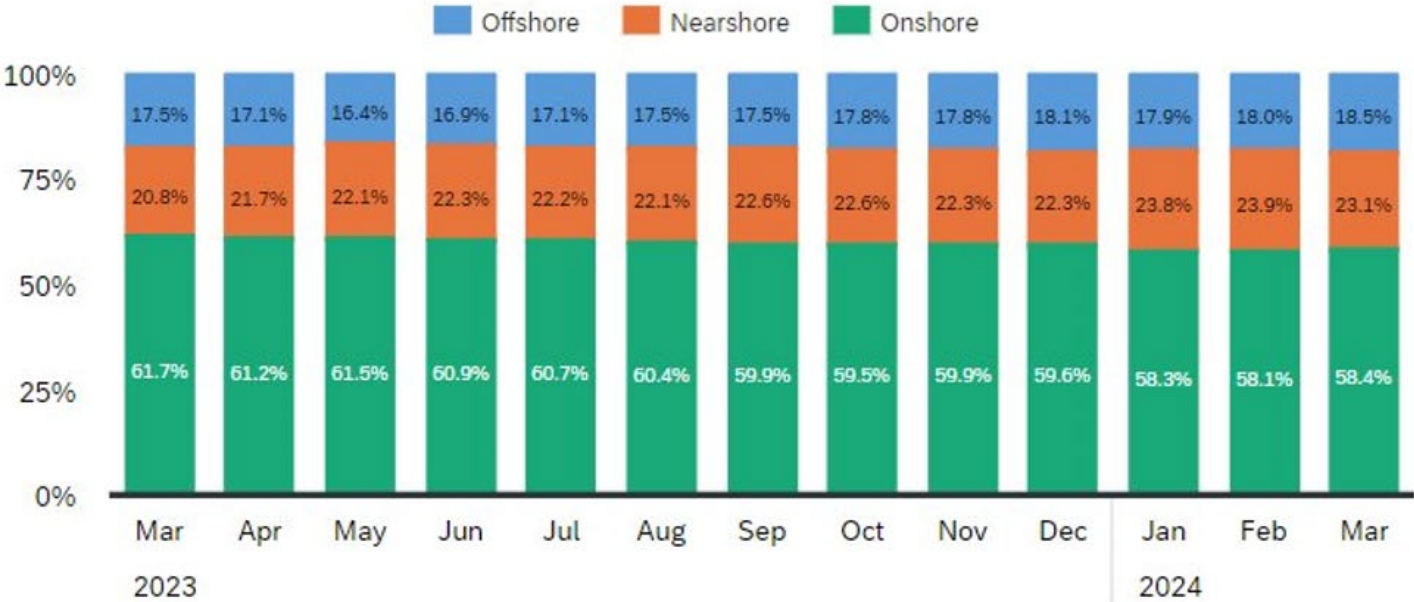
Revenue customer split



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

# X-shoring continue to develop in the right direction gradually reducing onshore share of total headcount

Number of Headcount - Trend in %



- ✓ **Use of near-/offshore resources as % of total headcount improved with 1.2% during the quarter**
- ✓ **Trend expected to continue towards Zalaris 4.0 target of 50%**

# Company in brief



Simplify work life.  
Achieve more.



# Payroll & HR solutions that enable digital organizations



**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

**A market leader within mid-size companies with cross-border needs** and a strong customer portfolio of some of the largest corporations in the Nordics, DACH, UK&I and APAC regions

**1,500,000**

Employees served monthly by Zalaris supported HR solutions

**~1,100**

Zalaris employees across the world

**340,000+**

Employees served monthly through payroll services

**NOK 1.13bn / 8%**

2023 revenues / adj. EBIT-margin

**17 countries**

With service centres and expertise in local regulations

**150+ countries**

With expertise in local regulations with partners

# 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

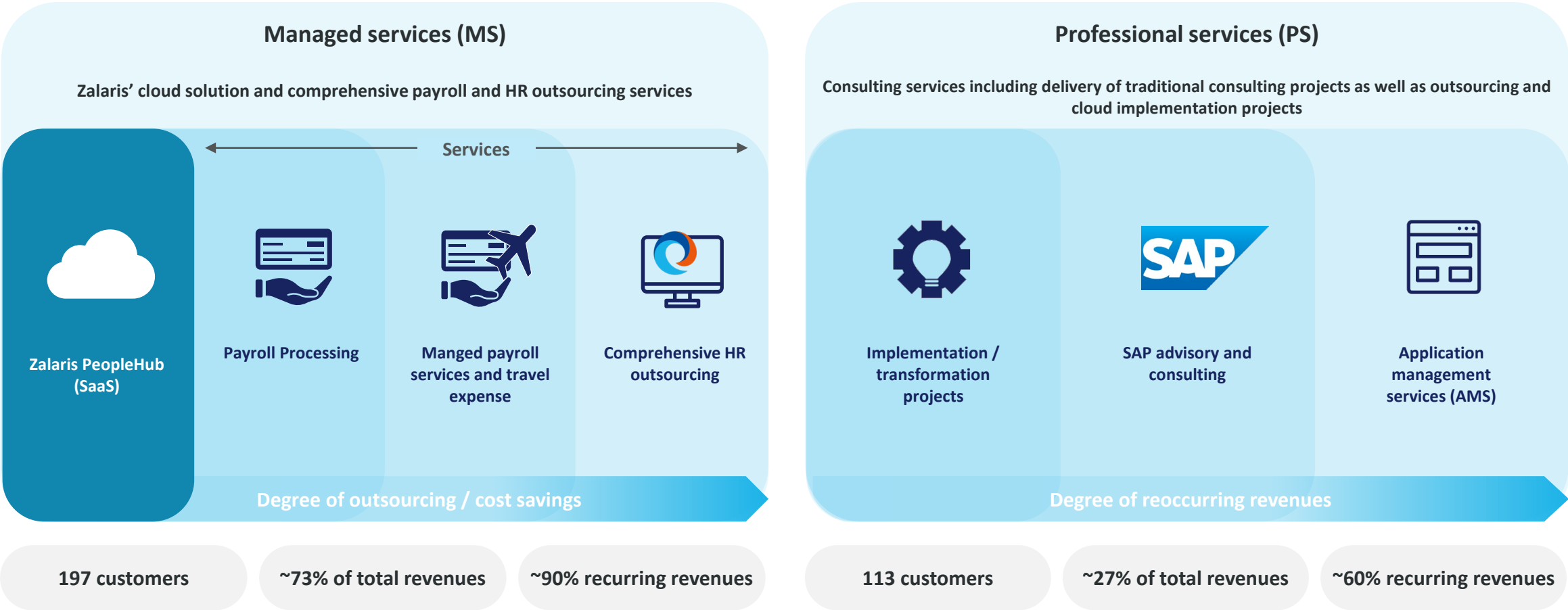
**Talent management**

- 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 most revenues being recurring of nature



Source: Company information, PWC analysis




# Diversified and large customer base comprising blue-chips across multiple industries

## 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

Services & Other Institutions

IT, Technology & Telecom

Offshore & Energy

Product & Industrials

Retail

# Financial Review



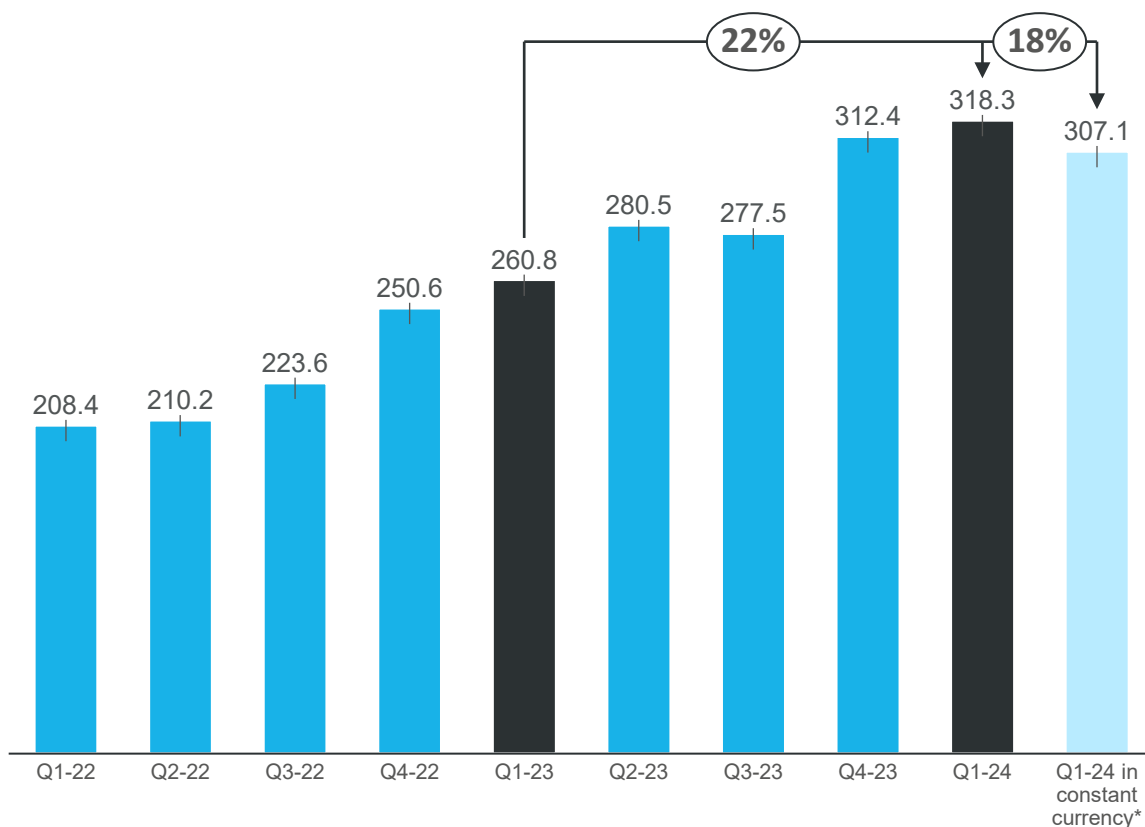
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# Revenue increased by 18% for the quarter YoY in local currency

Revenue  
NOK 318.3m (+22.0%)

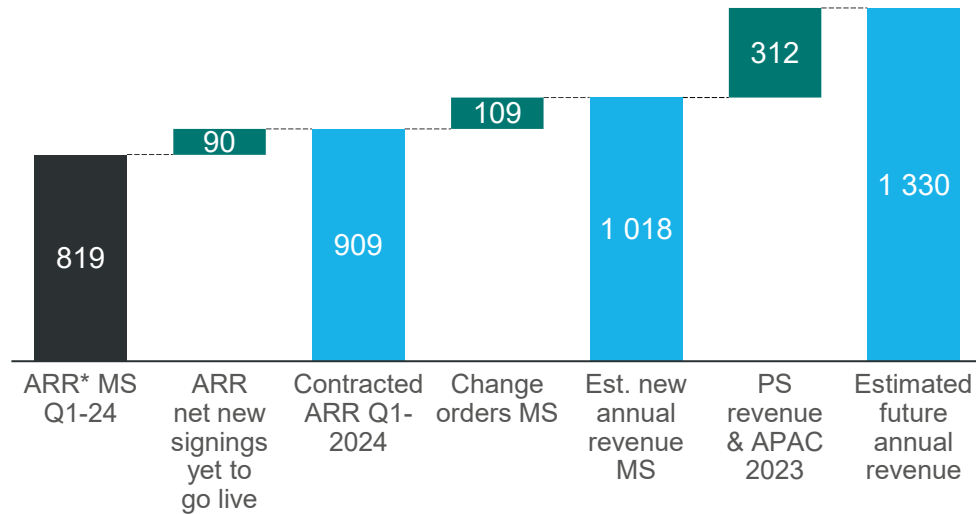


- ✓ Revenue growth (as reported) for the quarter YoY: **+22.0%**
- ✓ Revenue growth **+17.8%** YoY in constant currency
- ✓ **MS +24.6%** to NOK 233m
  - Net retention of 109%
- ✓ **PS +9.0%** to NOK 77m
- ✓ **Net new SaaS/BPaaS contracts signed**, but yet to go live, has annual recurring revenue of **~NOK 90m**

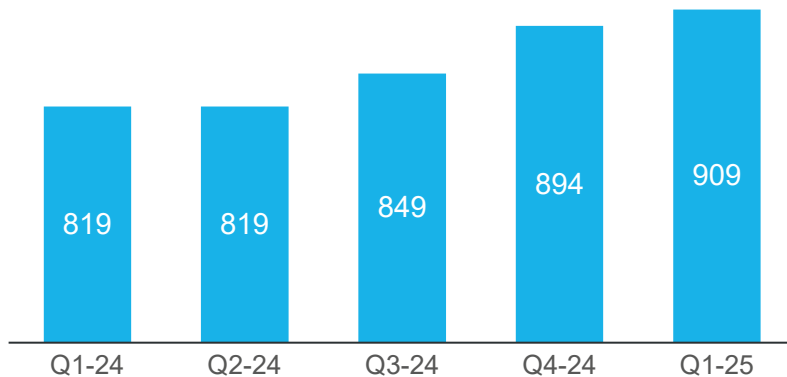
\*See the interim financial report for definitions of APMs

# Strong revenue visibility through 2024 - new BPO customers to go live will result in significant revenue increase

Revenue development based on signed MS contracts (NOKm)



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

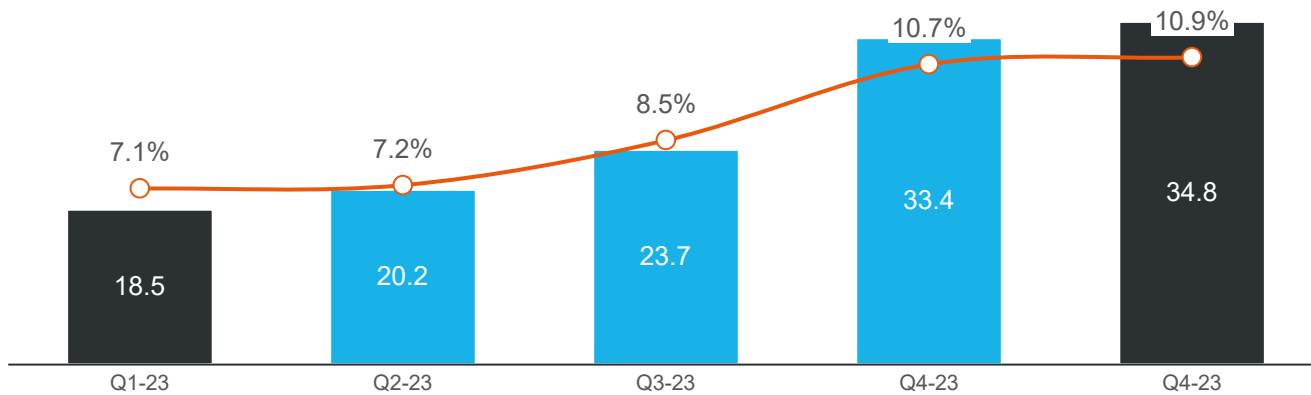


- ✓ **Total annual revenue expected to increase by ~NOK 199m (+18%)** vs. FY 2023, based on already signed contracts (assuming no material churn and based on avg. currency rates for Q1 2024 – EUR/NOK 11.41)
- ✓ The new contracts will normally generate full monthly recurring revenue when the customer has gone live on the PeopleHub platform
  - All current contracts expected to be fully implemented by Q1-2025
- ✓ Estimated future annual revenue assumes MS change order level at historical ~12% of recurring revenue, and PS & APAC revenue at FY 2023 level
- ✓ **No known material churns going forward**

\*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.

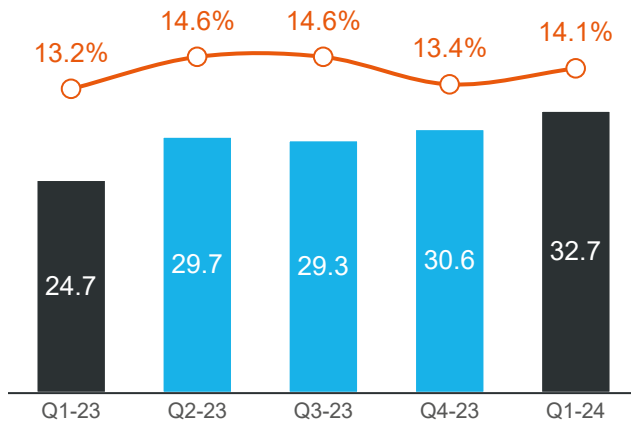
# All time high adj. EBIT for the quarter

Adj. EBIT\* (NOKm) and margin (%)

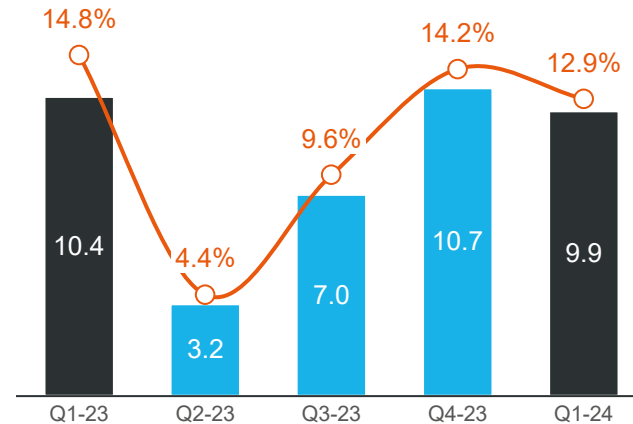


- ✓ Adj. EBIT NOK 34.8 (NOK 18.5m) +88%
- ✓ Adj. EBIT margin 10.9% (+3.8pp)
- ✓ EBIT and margin improvements from increased revenue (lower unit cost) and operational improvements (e.g. larger share of service delivery from near-shore and offshore location)

MS – adj. EBIT (NOKm) and margin (%)



PS –adj. EBIT (NOKm) and margin (%)



- ✓ MS: Adj EBIT NOK 32.7m (NOK 24.7m) +32%
- ✓ PS: Adj. EBIT NOK 9.9m (10.4m) -5%

\*See the interim financial report for definitions of APMs

# Condensed Profit and Loss

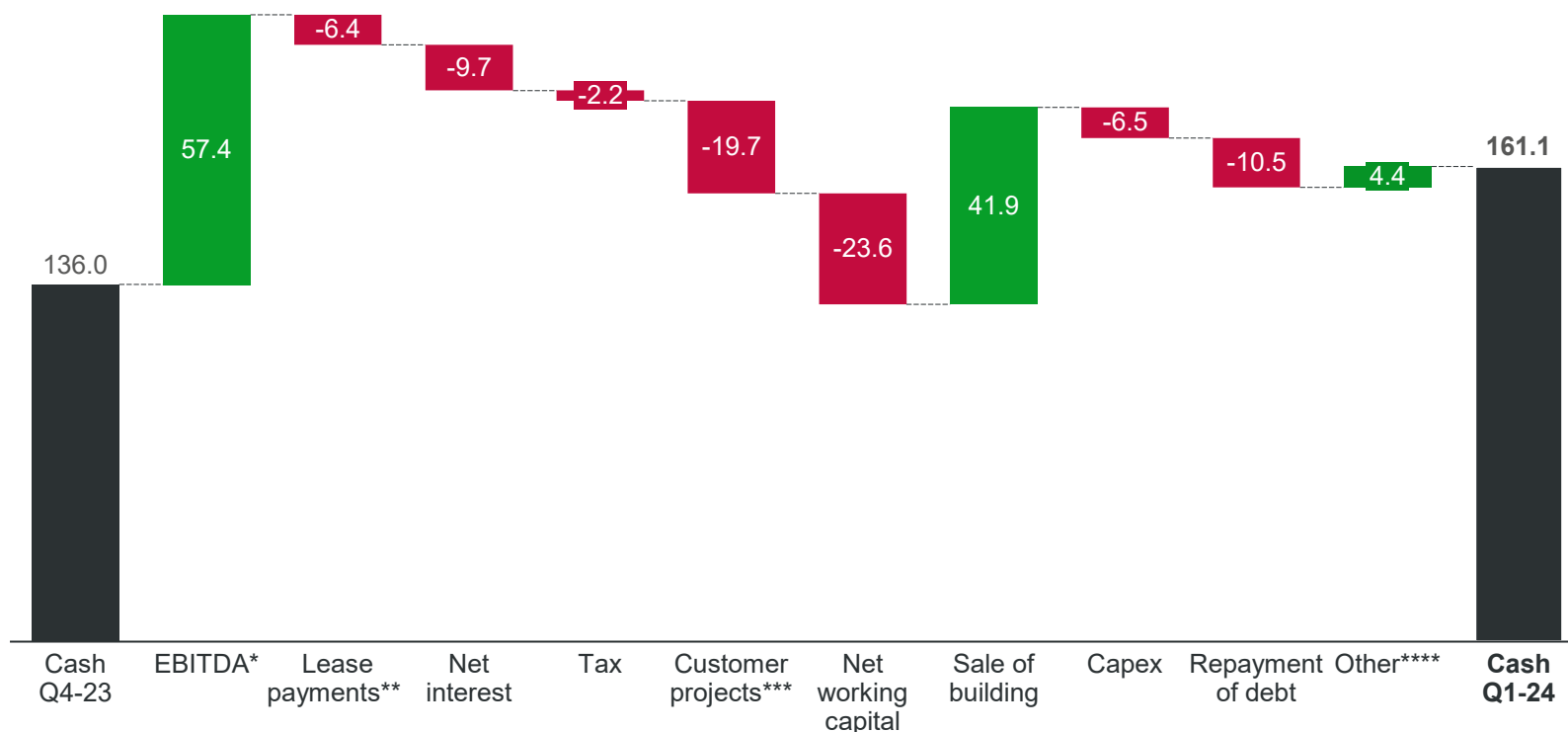
(NOK 1 000)	2024	2023	2023
	Jan-Mar	Jan-Mar	Jan-Dec
<b>Revenue</b>	<b>318 309</b>	<b>260 799</b>	<b>1 131 209</b>
License costs	24 898	24 009	99 527
% of revenue	7,8 %	9,2 %	8,8 %
Personnel expenses	162 095	139 394	584 324
% of revenue	50,9 %	53,4 %	51,7 %
Other operating expenses	82 796	64 900	284 751
% of revenue	26,0 %	24,9 %	25,2 %
(Gain)/loss on sale of assets	(10 503)	-	-
Amortisation implementation costs customer projects	10 530	5 834	33 765
Depreciation, amortisation and impairments	15 534	13 886	58 339
<b>EBIT</b>	<b>32 959</b>	<b>12 776</b>	<b>70 503</b>
Adjustment items*	1 858	5 711	25 266
<b>Adjusted EBIT</b>	<b>34 817</b>	<b>18 486</b>	<b>95 768</b>
Adjusted EBIT margin %	10,9 %	7,1 %	8,5 %
Net financial income/(expense)	(23 778)	(37 867)	(74 224)
<b>Profit/(loss) for the period</b>	<b>6 418</b>	<b>(25 940)</b>	<b>(10 566)</b>

- ✓ **Personnel expenses:** Increased number of FTEs YoY (+69), higher option costs (+NOK 6.5m) and negative currency movements of (+3%). **Revenue per FTE** in constant currency **increased by ~9%**
- ✓ **License costs:** Approx. in line with last year
- ✓ **Other op. exp.:** Increase mainly explained by **higher IT costs** (e.g. hosting), use of **external payroll providers and consultants**, and one-off provisions for doubtful debts. Negative currency movements also contributed
- ✓ **Financial expense:** Includes **NOK 11.5m in unrealised currency loss** on EUR bond loan

\*Items excluded from adjusted EBIT Q1 2024: share-based payments (NOK 8.9m), gain on sale of assets (NOK 10.5m) and amortization of excess values on acquisitions (NOK 3.4m) - see definition of adj. EBIT under APMs in the interim financial report )

# Strong cash position and proceeds from sale of assets of NOK 42m – cash collection negatively affected by public Easter holidays at quarter end

## Development in cash balance (NOKm)



- ✓ Positive cash flow from operating activities of NOK 6.9m
  - ✓ Negative impact from public Easter holidays at quarter end – cash balance NOK 24 million higher on 2 April
- ✓ Proceeds from sale of office building NOK 41.9m
- ✓ Cash balance at 31 March NOK 161.1m (+NOK 25.1m from Q4)
- ✓ Net interest-bearing debt of NOK 297.9m vs. NOK 314.8m at the end of previous quarter

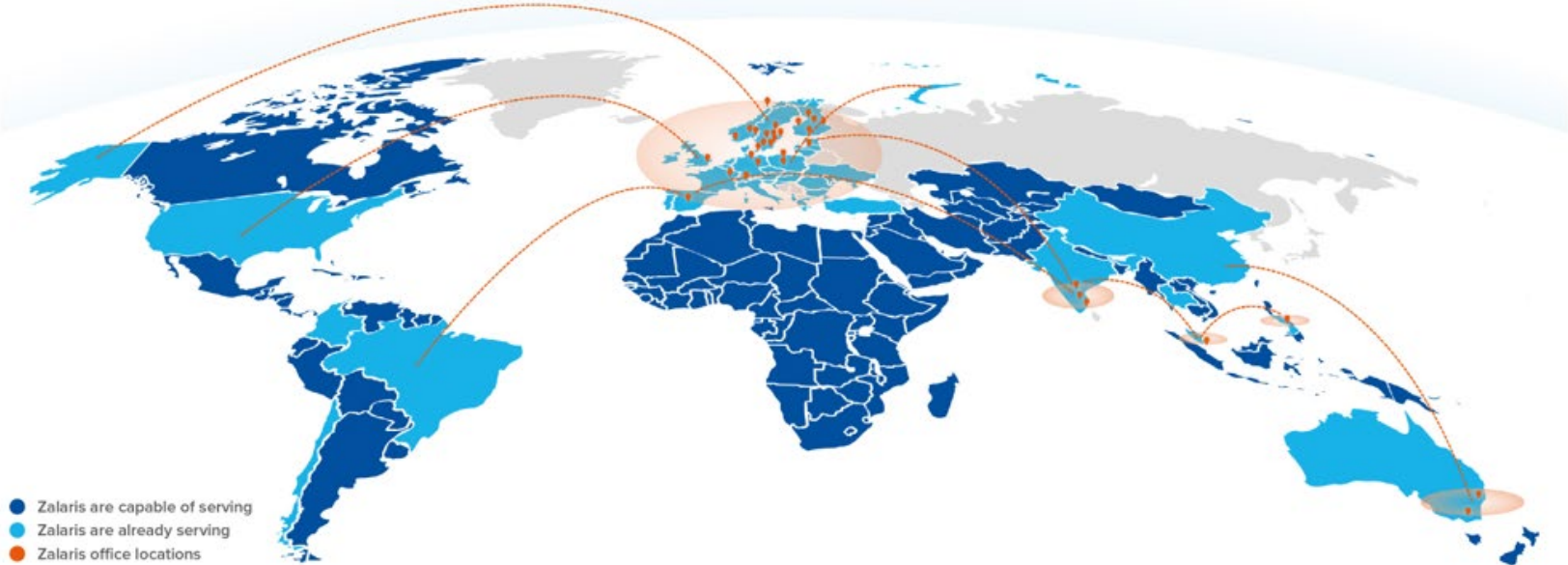
\* Before share based payment costs and gain on sale of assets

\*\* Relates mainly to rental costs for office premises

\*\*\* Revenue deferred less revenue recognised less project costs capitalised

\*\*\*\* Including currency movements

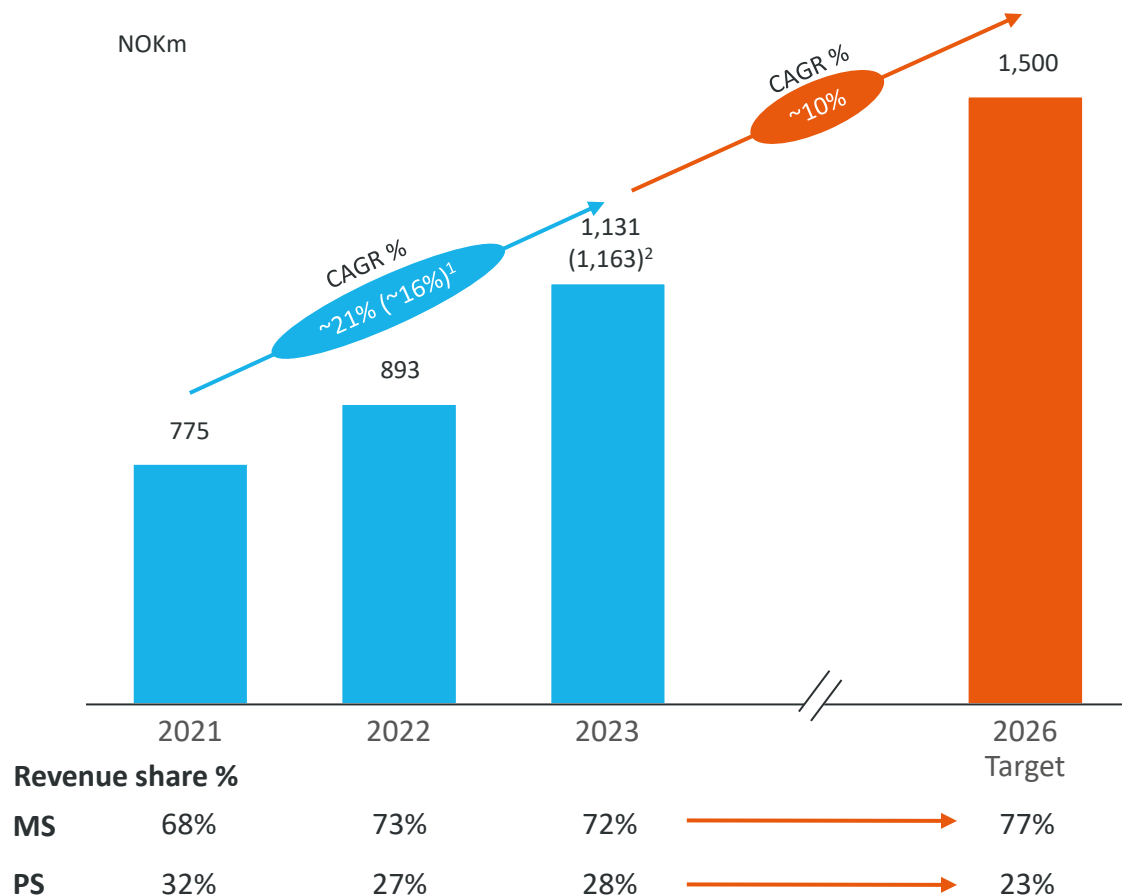
# Outlook



Simplify work life.  
Achieve more.

# Zalaris target NOK 1.5bn in 2026 revenues with 12-15% adj. EBIT through operational excellence and scale

## Development in revenue



## Key growth and margin initiatives

- 1 Drive revenue growth through continued new customers and upsell of existing customers
- 2 Standardized solutions and targeting right shoring will grow margins
- 3 Retool the organisation with AI tools for increased productivity improving customer offerings

1) Numbers in parenthesis in constat currency based on 31.12.23 currency rates 2) 2023 Q4 run rate of EUR 100m based on currency rate of 11.22 per 31.12.23

# In summary: Q1 delivered with all time high revenue and EBIT. Well positioned to continue positive development over the medium and long term.

- **Solid start of the new year** with Q1 Growth of 22% to annualized revenue of nearly NOK 1.3 billion with 10.9% EBIT
- **Growth to continue** as backlog of sold contracts with 90 million ACV to gradually be recognized as revenue over the next 12 months in combination with strong market and positive development in pipeline
- **Margins expected to continue improving** as operating improvements will bring DACH business closer to Nordic baseline in combination with scale effects, continued focus on automation, and improved productivity from implementing AI functionality
- **Strategic Review** underway to **explore options for the future**



# Q&A



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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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