



Simplify work life. Achieve more.

## Presentation of interim financial results | Q1 2021

# Agenda



## 1. Highlights

## 2. Financial Review

## 3. Markets and Outlook

## 4. Q&A



**Hans-Petter Mellerud**  
Founder and CEO



**Gunnar Manum**  
CFO

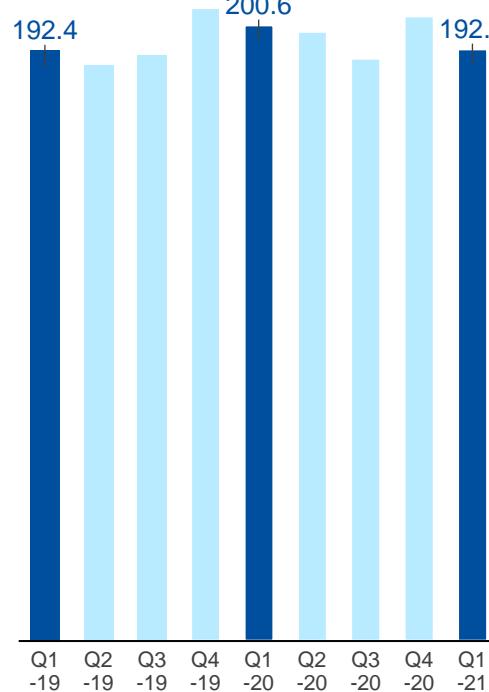
# First quarter 2021: Continued improvement in EBIT

- Revenue of NOK 192.8 million for Q1 (-3.9%)
- EBIT of NOK 13.8 million for Q1 (+3.0%)
- Covid-19 still impacting revenue negatively through some temporary lower volumes and change orders
- **Signed a 5-year BPO agreement with Metsä for delivery of multi-country payroll services covering 10,000+ employees in 28 countries**
- **New BPO contracts** awarded year-to-date have annual **recurring revenue of ~NOK 40 million** (when fully implemented), and net additions were NOK 29 million during the period
- Continued strong **cash balance of NOK 118m**
- A **dividend of NOK 1.00 per share** for 2020 to be paid on 1 June (subject to approval by AGM)

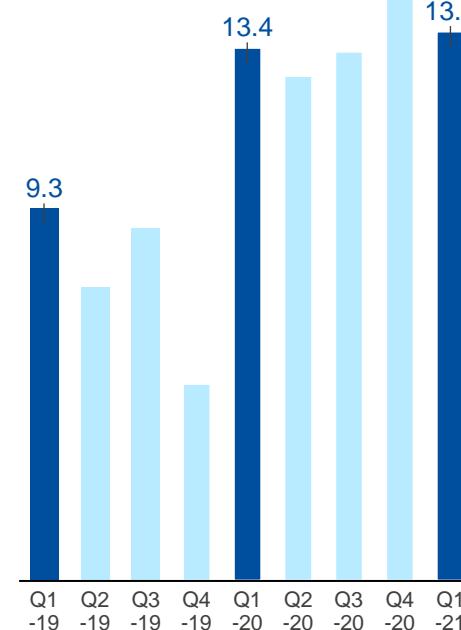


# Positive margin development continuing during the quarter

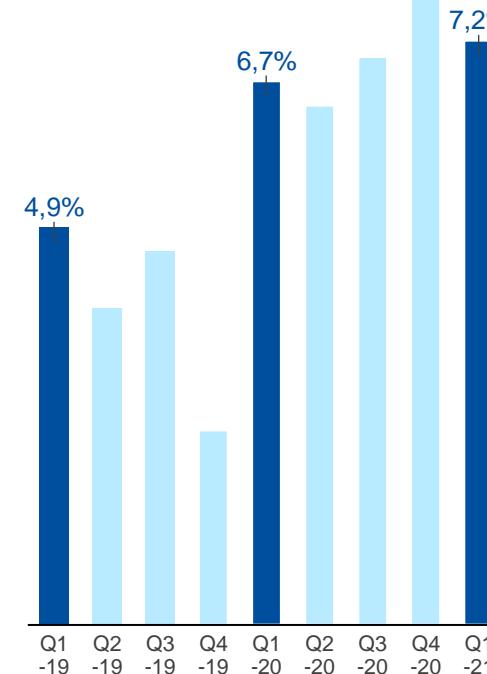
Revenue  
NOK 193m (-3.9%)



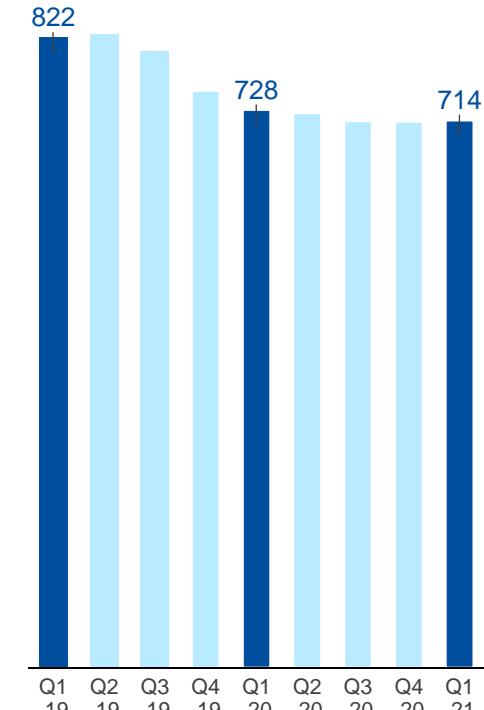
Adj. EBIT\*  
NOK 13.8m (+3.0%)



Adj. EBIT margin  
7.2% (+0.5pp)



#FTEs\*  
71 (-5.4%)



\*See Q1 report for definitions of APMs

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# European Payroll & HR Solutions that Value People

Zalaris – Local presence with one global platform

- **Zalaris is a leading European provider of Payroll and Human Capital Management Solutions** delivered through Software as a Service, Business Process as a Service, 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**

2020 Revenue:  
**EUR 78 million**

**800**  
Zalaris employees

**> 300,000**  
employees served monthly through payroll services

**20**  
years of experience and continuous growth

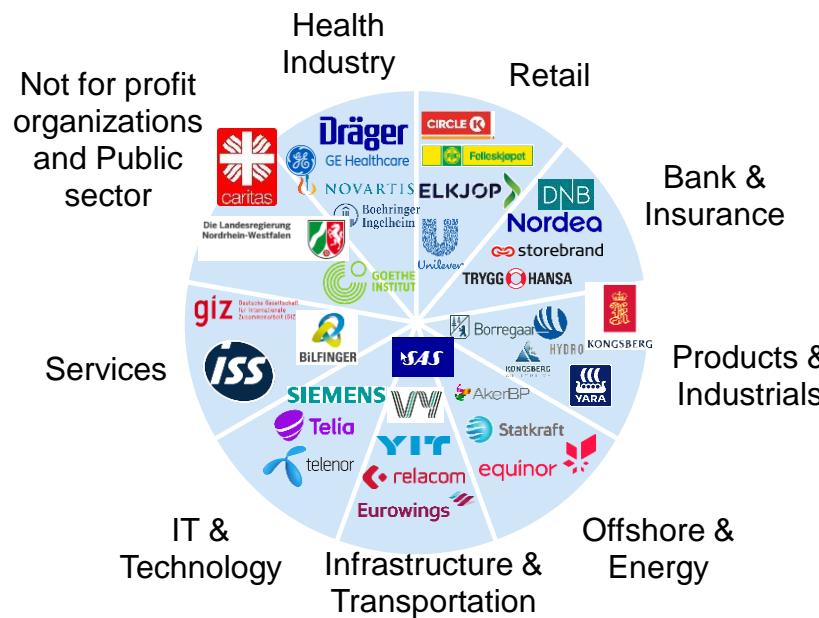
Local service centers in  
**12**  
countries with top-notch expertise in local laws and regulations

**> 1,500,000**  
employees served monthly across all HR solutions

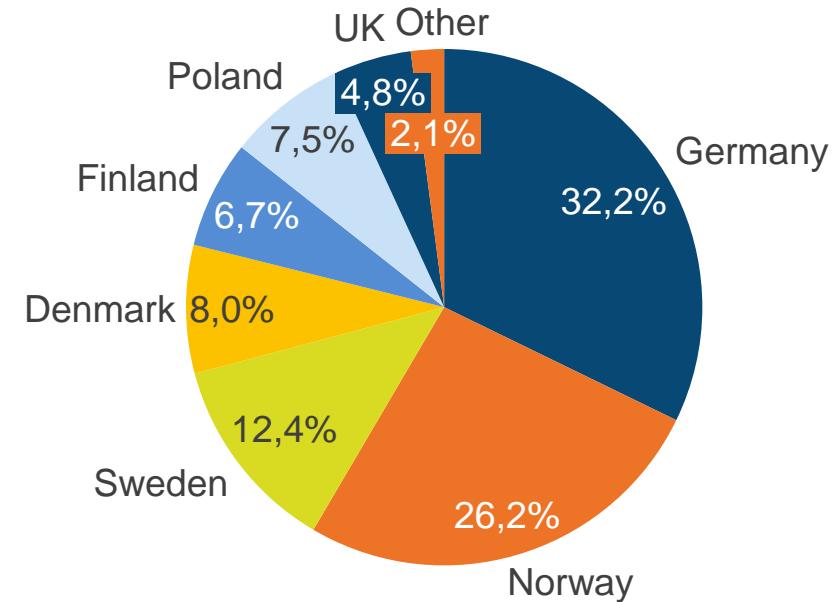


# Diversified customer base with Germany largest market facing unit

## Diversified across industries and sectors

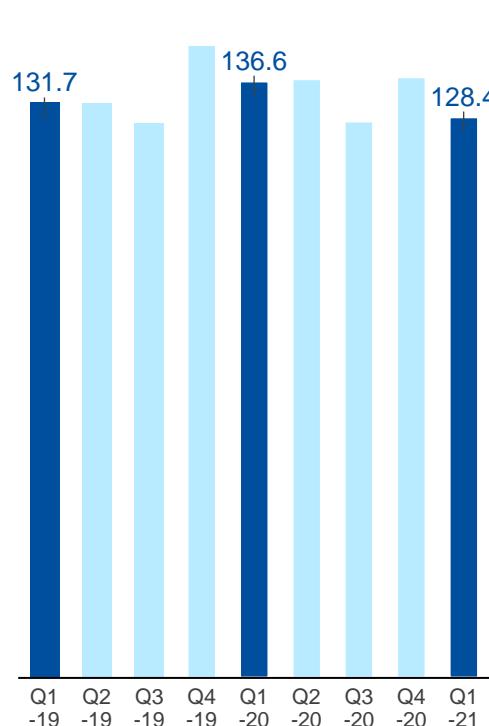


## Revenue per country Q1 2021 (%)

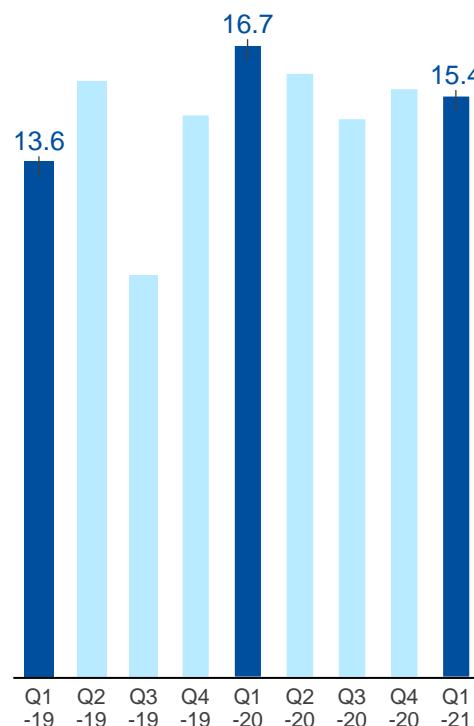


# Lower BPO revenue on reduced volumes, but strong new signings

Revenue  
NOK 128.4m (-6.0%)



EBIT  
NOK 15.4m (-NOK 1.3m)



- **Reduction in revenue** due to lower volume of travel expense processing and change orders due to **Covid-19**. Expect to recoup majority post-Covid 19
- Net **new signings** (net of churn) with **annual contract value of NOK xx million** during the quarter
- **No material churn YOY and > 90%+ recurring revenue**
- Management focus on executing on defined Business Continuity Plan to secure customer deliveries and **further digitalization of our customer facing processes**

# Strong start of the year with several strategic signings in Managed Services

- **Several new BPO contracts and extensions signed** during Q1 and recent weeks
- Platform based deals **utilizing existing capacity**
- **Pipeline of BPO opportunities continue developing positively in all geographies** as companies are reevaluating their business continuity plans and cost situation coming from Covid-19



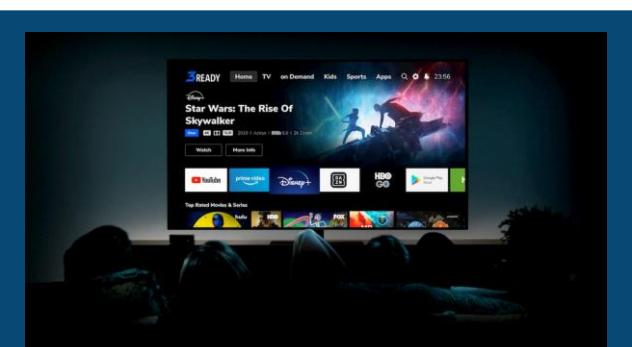
5-year agreement with **Metsä Group** for multi-country payroll covering 10'000+ employees in 28 countries



5-year agreement with **Telefónica** for BPO payroll covering 8'000+ employees in Germany



5-year agreement with **Lindorff** for payroll and transactional HR Services for 800+ employees in Norway



**Allente Group** selects Zalaris to deliver HR and Payroll Services in the Nordics

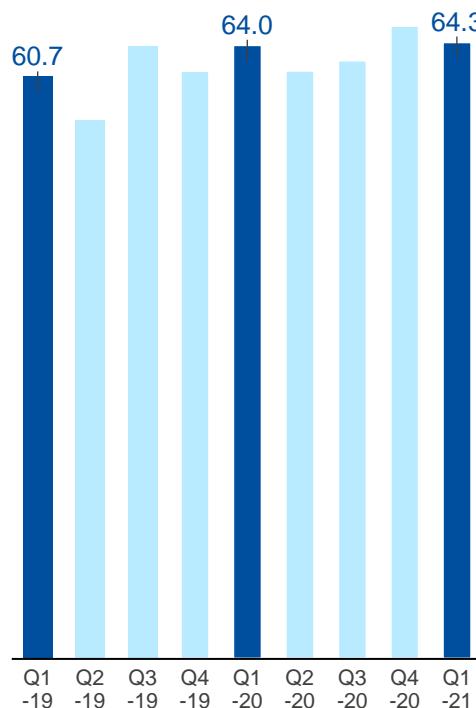
# Telefonica – a landmark deal on the Zalaris platform in Germany blueprinting the future

- **8'200 employees** to be served from Zalaris' Leipzig Service Center
- **Consolidate two SAP Payroll** solutions to one cloud SAP solution on the **Zalaris PeopleHub** platform
- **Integrated** to Telefonica's SAP **SuccessFactors HR solution** for efficient processes
- Target **efficiency and quality through digitalization and automation** of processes using Zalaris platform capabilities and Robotics Process Automation
- Support **customer focusing on strategic HR** while **Zalaris to future proof systems and deliver transactional HR processes**
- **Go live January 2022**

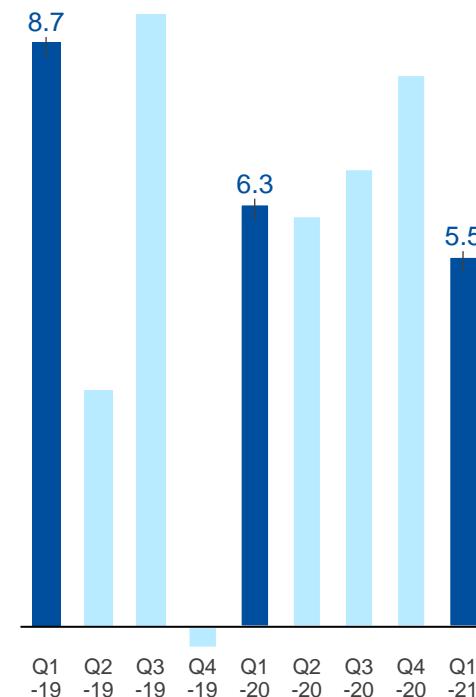


# Grew Professional Services in Poland during the quarter

Revenue  
NOK 64.3m (+0.5%)



EBIT  
NOK 5.5m (-NOK 0.8m)



- Revenue in **Poland** grew by ~23% (+NOK 2.3m YOY) through new and existing customers, offset by a reduction in Germany
- **Pipeline** of potential projects is **higher than at the same time last year**
- **Approx. 84% of Q1 revenue** was with customers that were also **customers 12 months prior**

# Professional Services sales is picking up after Covid slowdown

- **Significant new project wins** in Germany and Poland
- Continuing **positive trend of additional sales to existing** UK customers
- **Strong pipeline.** Access to qualified resources is key growth constraint.
- **Established Trainee program** and organized **Professional Services as Group wide business unit** to maximize resource utilization.



Agreement with ThüßenKrupp Elevator for the implementation of SAP Payroll in Germany



Agreement for the implementation of SAP SuccessFactors for Landesbetrieb Straßenbau Nordrhein-Westfalen

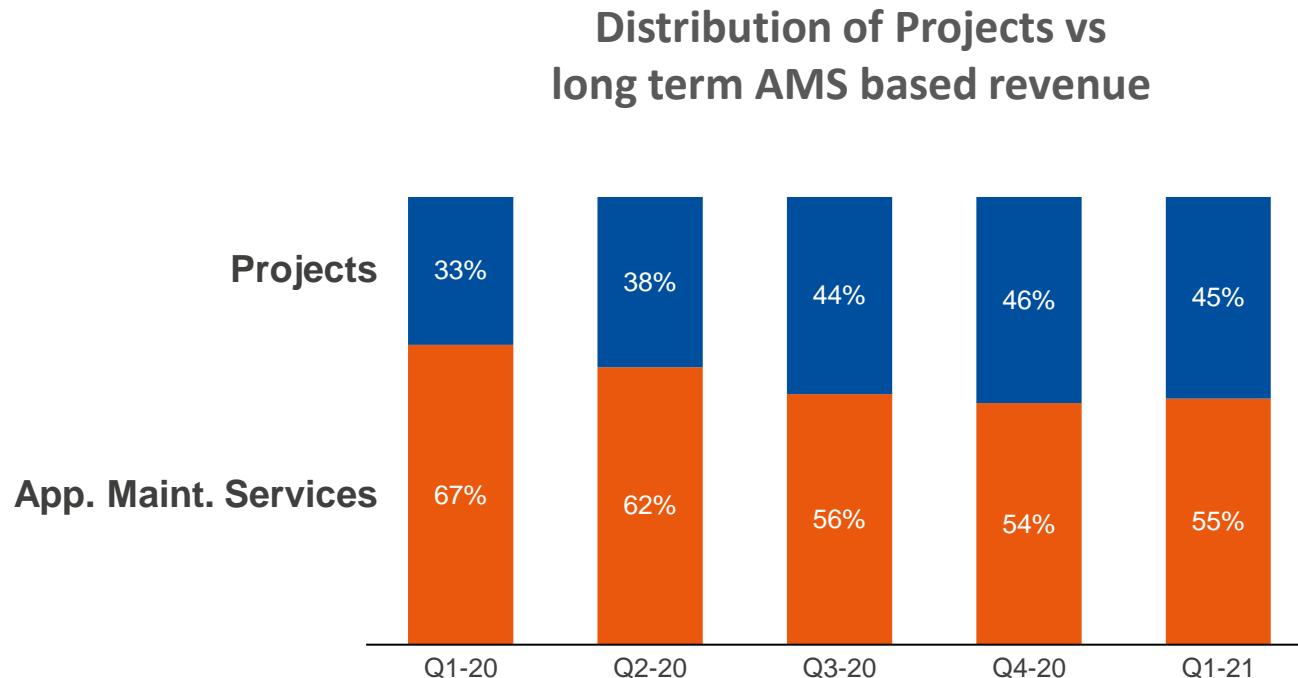


New 3-year framework agreement with partner T-Systems International to deliver up to 6,000 man-days for large German public sector client



Additional Application Maintenance Services serving 150'000 ABB employees in 97 countries

# More than 55% of Professional Services revenue is recurring and supports a continuous presence with customers



- **~55% of Professional Services revenue is recurring** and based on long term agreements and relationships
- Proves valuable in Covid-19 times to **protect utilization of consultants**
- Covid-19 infused uncertainty drives customers buying behavior toward **smaller projects with defined payback with known suppliers\***

\*) Gartner research

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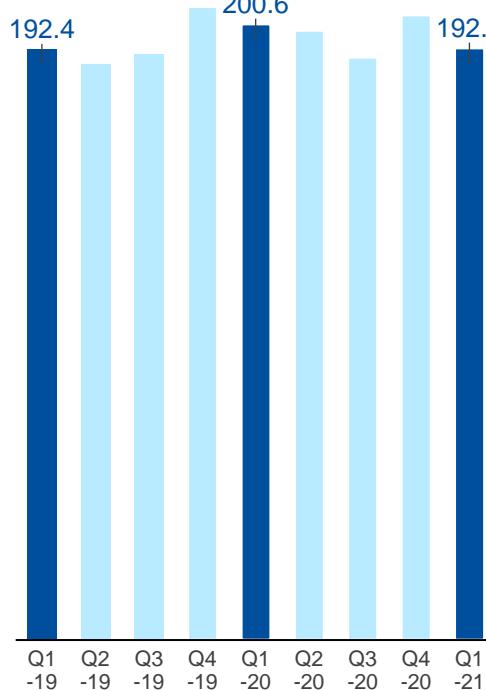
**Hans-Petter Mellerud**  
Founder and CEO



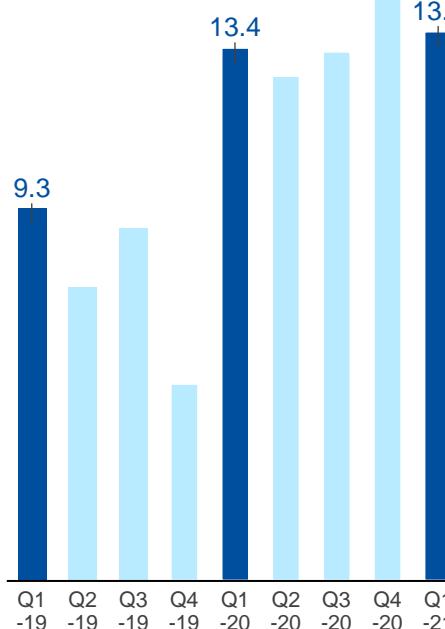
**Gunnar Manum**  
CFO

# Covid-19 related reduction in revenue YoY

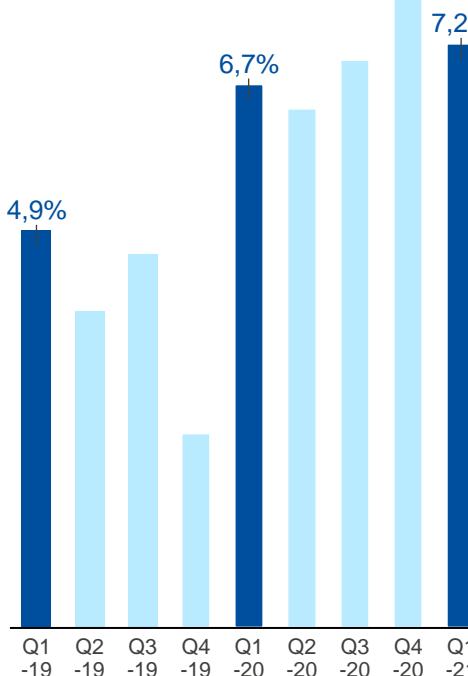
Revenue  
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Adj. EBIT\*  
NOK 13.8m (+3.0%)



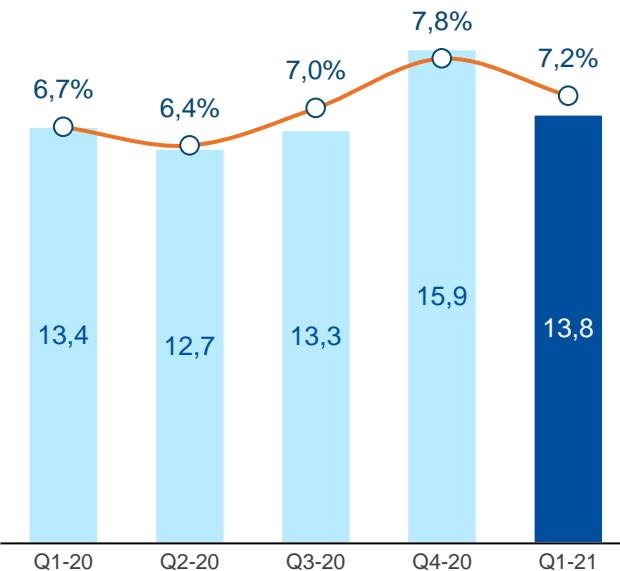
Adj. EBIT margin  
7.2% (+0.5pp)



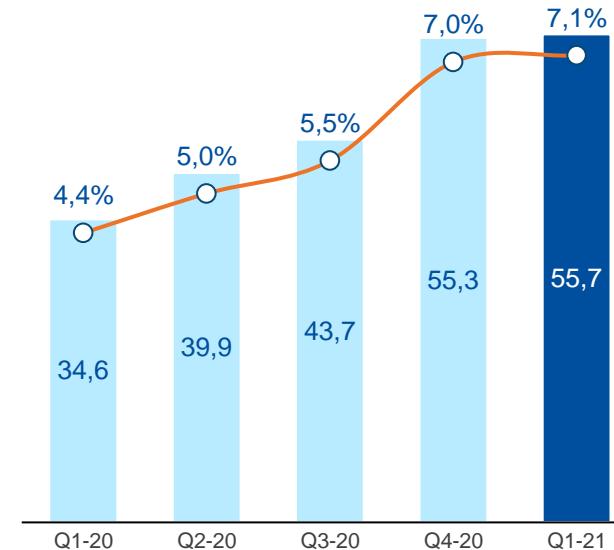
- **Revenue for the quarter lower than last year**, with some lower volumes (e.g. travel expense processing and change orders) in NE, partly offset by **increased** Profession Service **revenue in Poland** and stronger EUR vs. NOK
- **Stable recurring revenue** within Professional Services, except for lower travel expense processing, and only minor churn during the quarter
- **Adj. EBIT increased by 3.0%** compared to last year

# Stable EBIT YoY and margins gradually improving

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



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



- **Adj. EBIT increased** by **3.0%** compared to last year, despite some lower revenue
- **Adj. EBIT margin (%) increased** by **0.5 percentage points** compared to last year
- Efficiency improvements and cost reduction initiatives have had a positive impact on margins

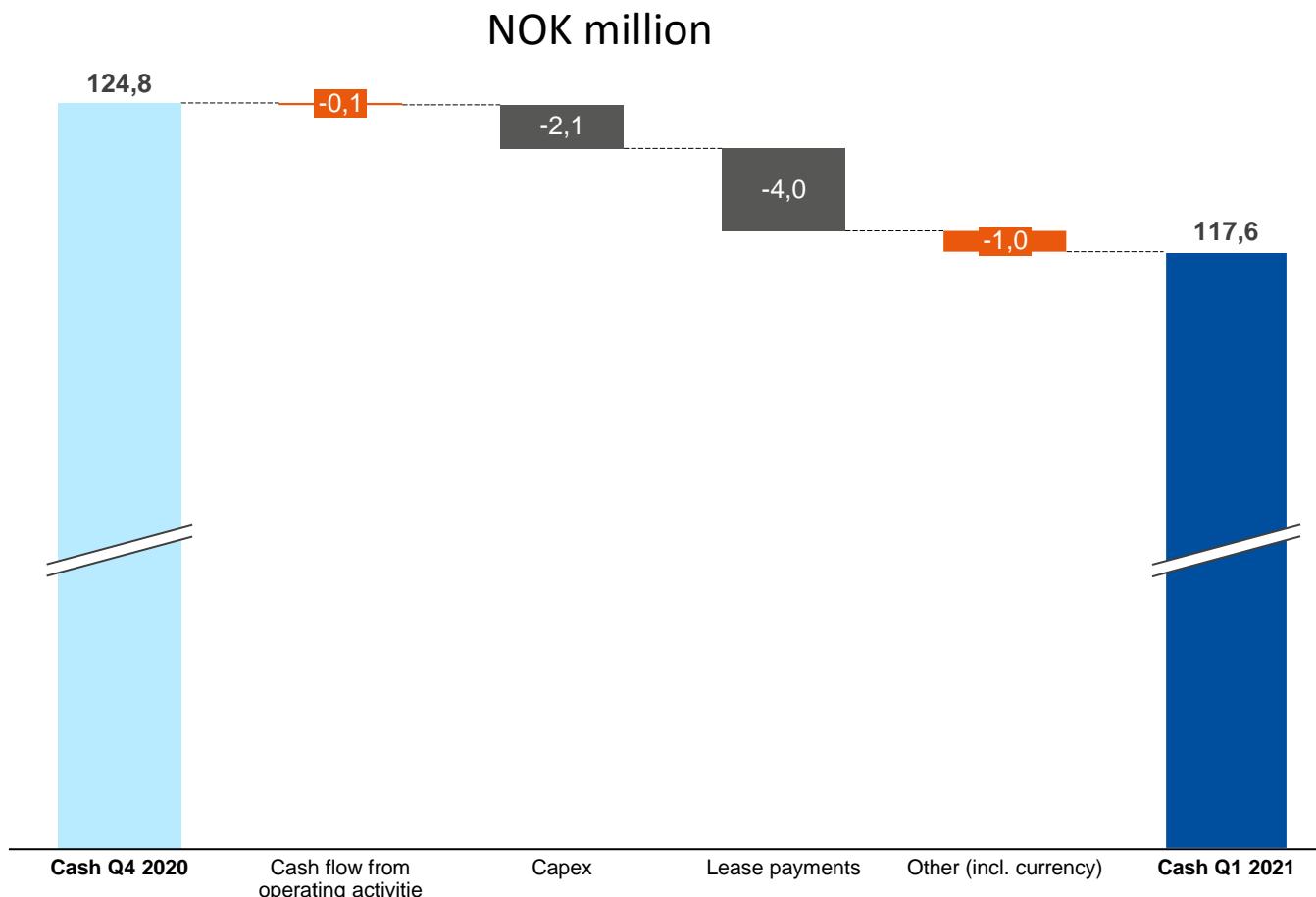
# Condensed Profit and Loss

(NOK 1 000)	2021 Jan-Mar	2020 Jan-Mar	2020 Jan-Dec
<b>Revenue</b>	<b>192 778</b>	<b>200 611</b>	<b>792 326</b>
License costs	15 575	16 998	72 517
Personnel expenses	106 062	111 579	430 733
Other operating expenses	42 226	41 181	167 138
Amortization implementation costs customer projects	6 756	8 603	34 666
Depreciation, amortization and impairments	11 894	12 799	49 849
<b>EBIT</b>	<b>10 265</b>	<b>9 451</b>	<b>37 423</b>
Adjustment items	3 523	3 940	17 767
<b>Adjusted EBIT*</b>	<b>13 789</b>	<b>13 391</b>	<b>55 190</b>
Adjusted EBIT margin %	7,2%	6,7%	7,0%
<b>Net financial income/(expense)</b>	<b>11 220</b>	<b>(71 996)</b>	<b>(50 813)</b>
Profit/(loss) before tax	21 485	(62 545)	(13 390)
Income tax expense	(4 010)	13 994	4 405
<b>Profit/(loss) for the period</b>	<b>17 475</b>	<b>(48 551)</b>	<b>(8 985)</b>
Basic earnings per share (NOK)	0,89	(2,48)	(0,46)

\* Items excluded from adjusted EBIT Q1 2021: restructuring costs (NOK 0.3m), share-based payments (NOK 0.6m) and amortization of excess values on acquisitions (NOK 2.6m). (see definition of adj. EBITDA under APMs in Q1 2021 Report)

- **Continued improvement** in adj. **EBIT margin** - 7.2% vs. 6.7%, despite some lower revenue
- **Lower personnel** expenses, as more personnel are utilized on customer implementation projects (costs and income deferred)
- **Unrealised currency gain of NOK 17.4m**, relating the EUR 35m bond loan and other foreign currency denominated items

# Continued strong cash balance



- No material operating cash flow for the quarter due to significant prepayments for licenses in Q1 and other working capital changes, including reduction in VAT payable
- Capex of NOK 2.1m related to internal system and product development projects
- **Cash balance** at 31 March 2021 is **NOK 30.1m higher than last year**, after repayment of debt of NOK 17.5m

# Condensed Balance Sheet

(NOK 1 000)	2021 31. Mar	2020 31. Mar	2020 31. Dec
Fixed and intangible assets	346 881	400 936	358 008
Trade accounts receivable	144 859	161 913	148 651
Customer projects assets	74 731	90 104	78 246
Cash and cash equivalents	117 561	87 491	124 843
Other assets	25 149	32 096	15 989
<b>Total assets</b>	<b>709 181</b>	<b>772 539</b>	<b>725 738</b>
Equity	110 496	95 903	104 359
Interest-bearing loans and borrowings	359 983	431 975	377 077
Lease liabilities	22 765	38 099	22 896
Customer projects liabilities	53 134	55 383	50 256
Other liabilities	162 803	151 178	171 151
<b>Total equity and liabilities</b>	<b>709 181</b>	<b>772 539</b>	<b>725 738</b>

- **Cash** and cash equivalents of **NOK 117.6m**
- Lease liabilities relate to right-of-use assets, and primarily rental contracts for premises (IFRS 16)
- **Net interest-bearing debt** of NOK 242.4m, which is **NOK 9.8m lower** than last quarter due to currency movements
- A dividend of NOK 1.00 per share (NOK 19.6m) will be paid on 1 June (subject to approval at the AGM)

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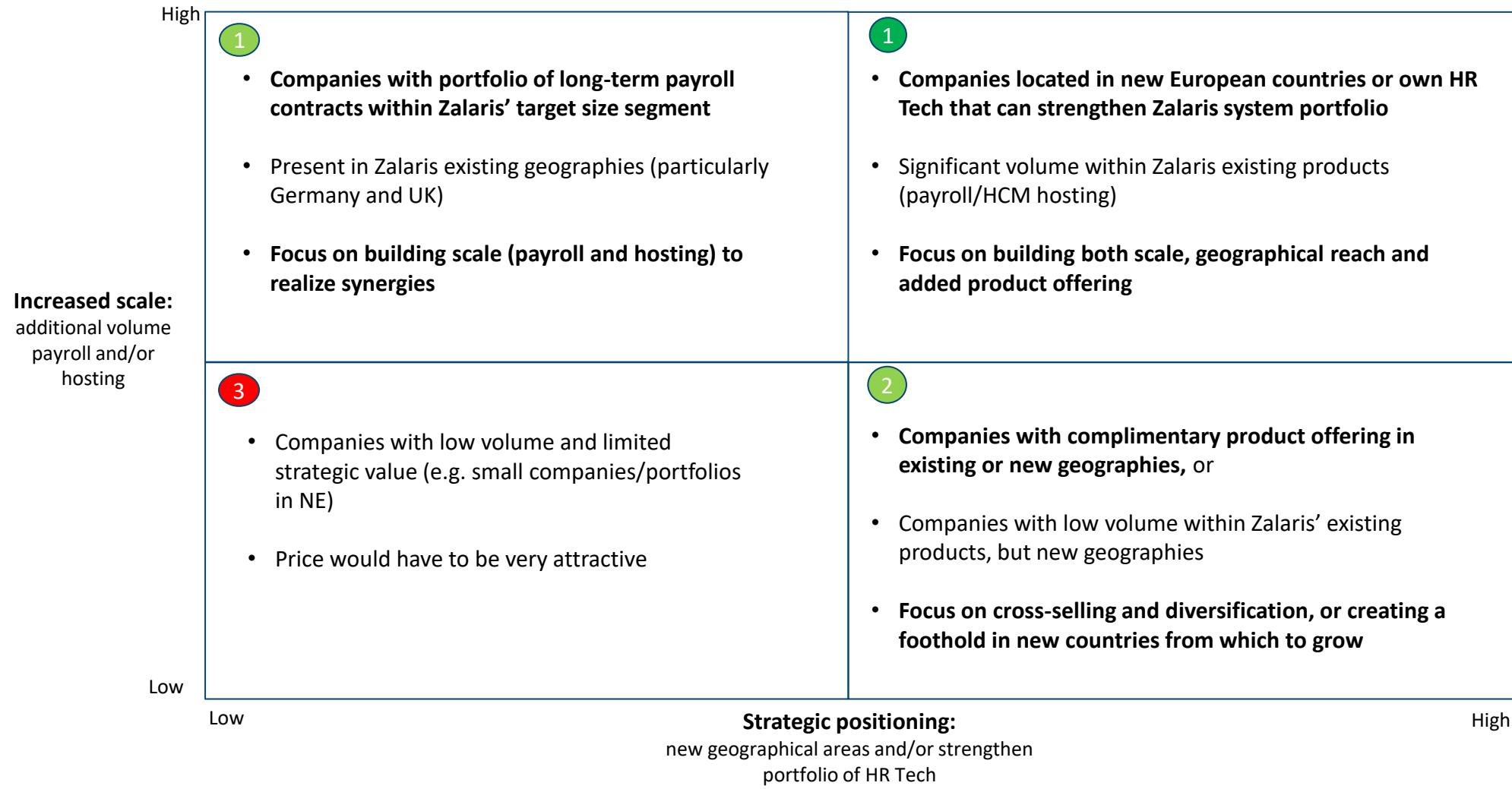
**Hans-Petter Mellerud**  
Founder and CEO



**Gunnar Manum**  
CFO

De neste sidene må fjernes eller oppdateres

# Zalaris' M&A strategy focuses on targets with strong recurring revenue components and/or HR Technology that can strengthen our European market position



## Zalaris is an active player in several processes

- **Participating in several processes** including companies with pure play HR BPO and combinations of HR Tech and HR BPO
- Rationale to **leverage platform, synergies and scale** in existing geographies and **potentially add new HR Tech** to existing portfolio
- Capacity to finance **smaller acquisitions with existing cash/balance sheet**
- **Larger** acquisitions would be financed through **combination of new bond/debt/equity**

We continue our journey to become the leading European provider of Payroll and HR services

- Creating more **Net Promoting Customers** - and **Employees**
- **Continue improving margins** towards our communicated **10% target** through organizational simplification, increased productivity, automation and utilization of our near- and offshore assets
- **Deliver our 21<sup>st</sup> year of uninterrupted growth** through continuing closing deals in our strong pipeline and grow with existing customers
- Execute on **non-organic growth** ambitions

Support #teamZalarisNorseman raising funds to combat cancer in support of #AktivMotKreft and #5KYourWay



The sponsorship of #teamZalaris for Norseman supports key Zalaris' values – Aiming High and Team Spirit!

Together, our eight-member team will help to raise funds for Aktiv mot Kreft and 5K Your Way and participate in the race for Norseman 2021

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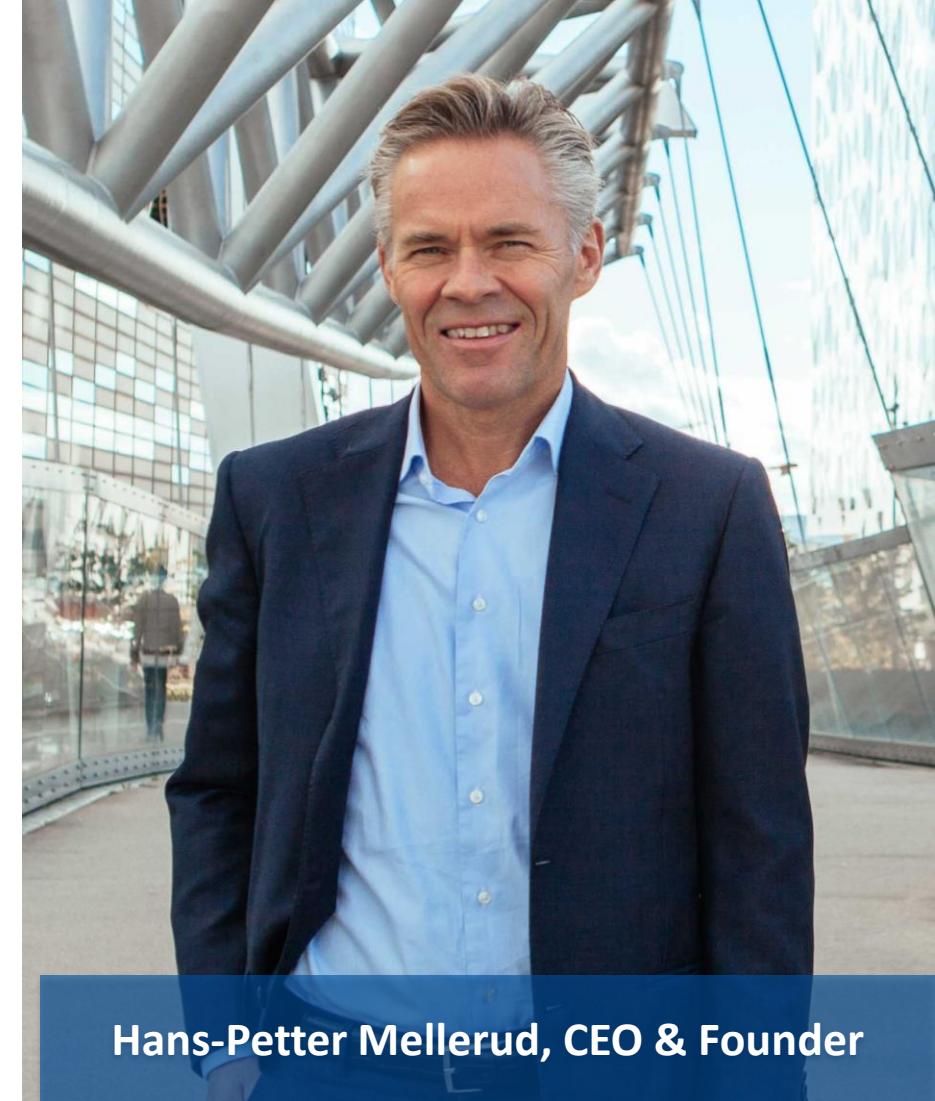
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**Hans-Petter Mellerud**  
Founder and CEO

**Gunnar Manum**  
CFO

“

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



**Hans-Petter Mellerud, CEO & Founder**

**Thank you!**

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[Hans-Petter.Mellerud@zalaris.com](mailto:Hans-Petter.Mellerud@zalaris.com)