

27 November 2023

Zalaris ASA

Investor Presentation

Deutsches Eigenkapitalforum 2023



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Agenda

Today's presenter

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



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

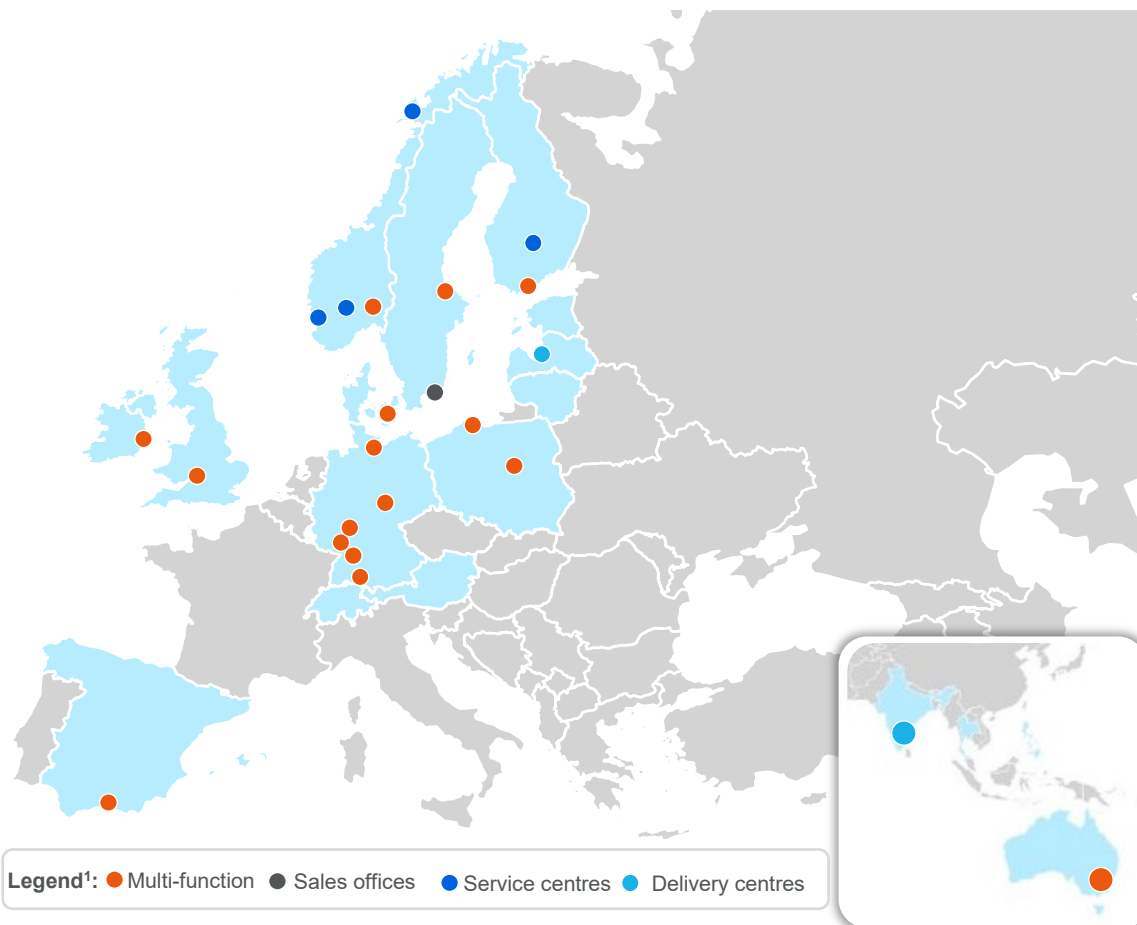
17 countries

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

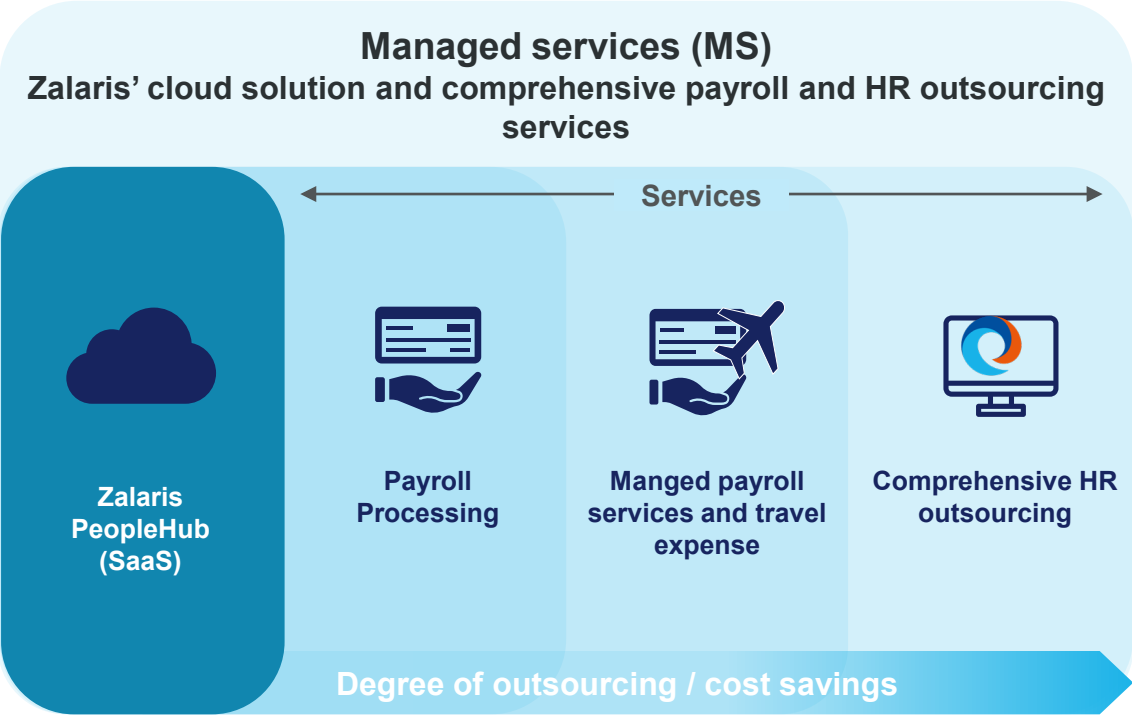


1) Type of office

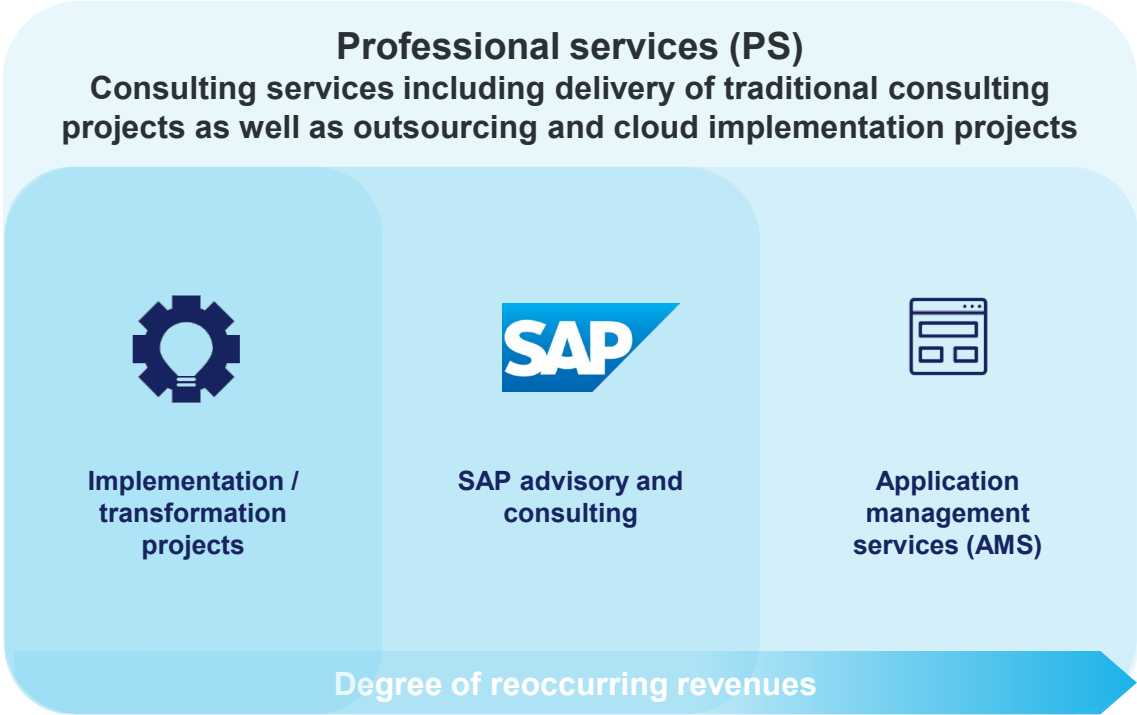
PeopleHub covers the full employee life cycle



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



89¹ customers, ~73%³ of total revenues with ~90% recurring revenues



46² 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

We successfully support European companies globally



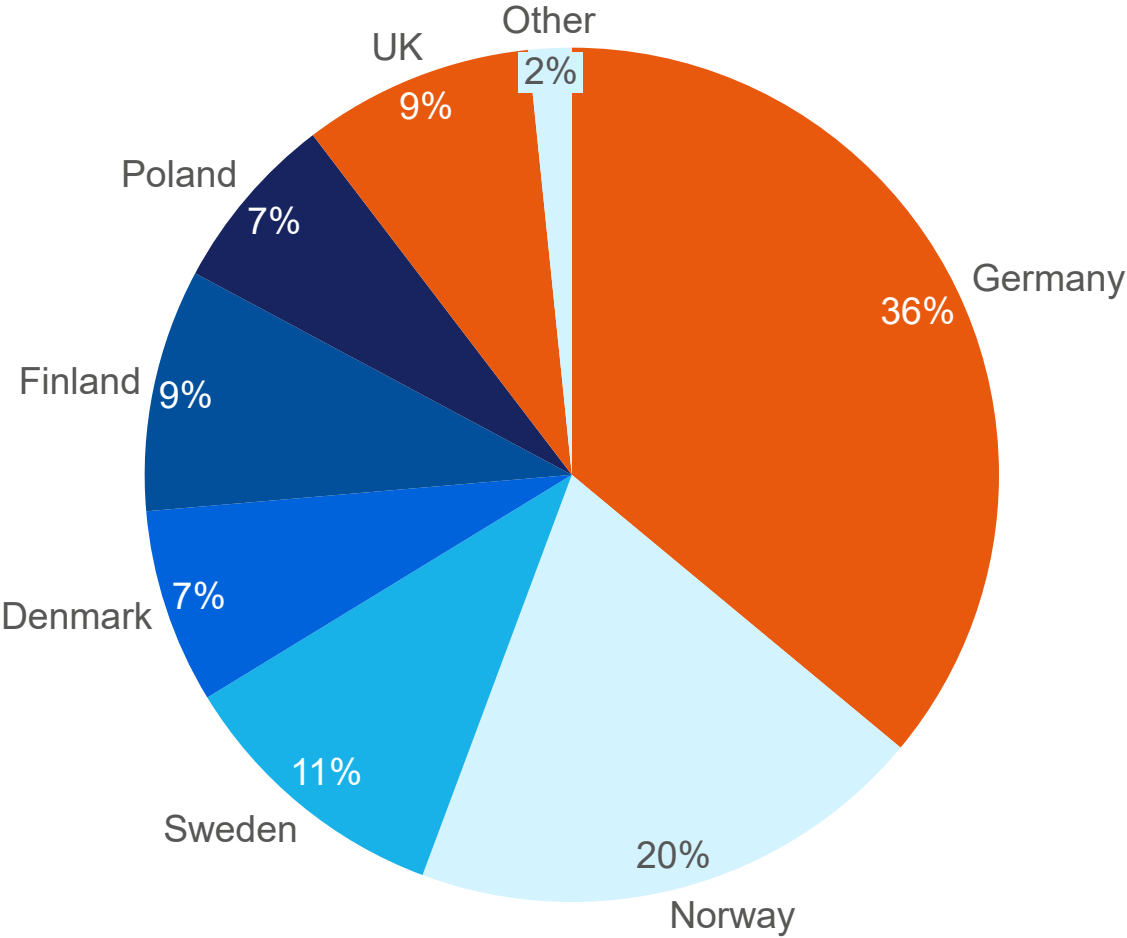
- ✓ The **addressable market has increased significantly** with global opportunities
- ✓ We **efficiently manage CAPEX exposure by leveraging our established partner ecosystem** for PeopleHub implementation and operation in larger GEOs – and full long-tail coverage
- ✓ **3 countries outside Europe in 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**

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

- Zalaris established
- Currently establishing / in-flight
- Strategic target

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

Revenue per country Q3 2023 (%)



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



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

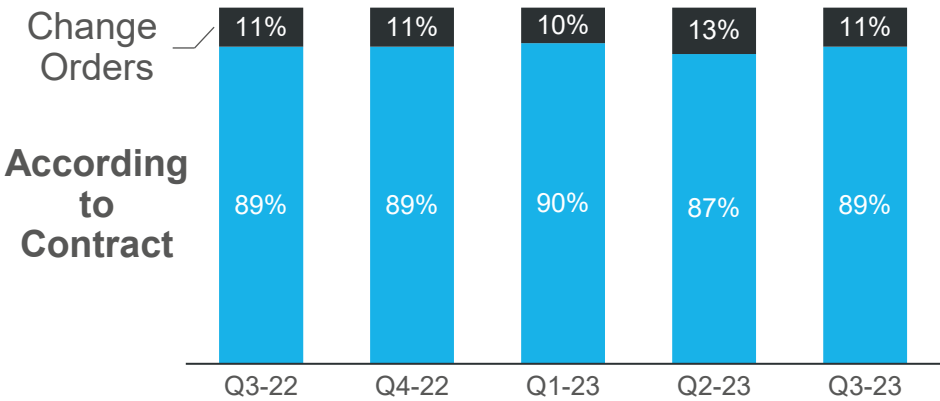
Managed Services

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

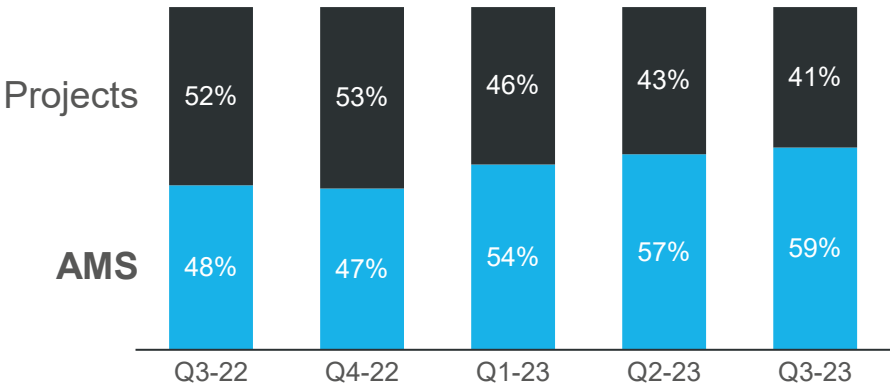
Profession Services

- ✓ **~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

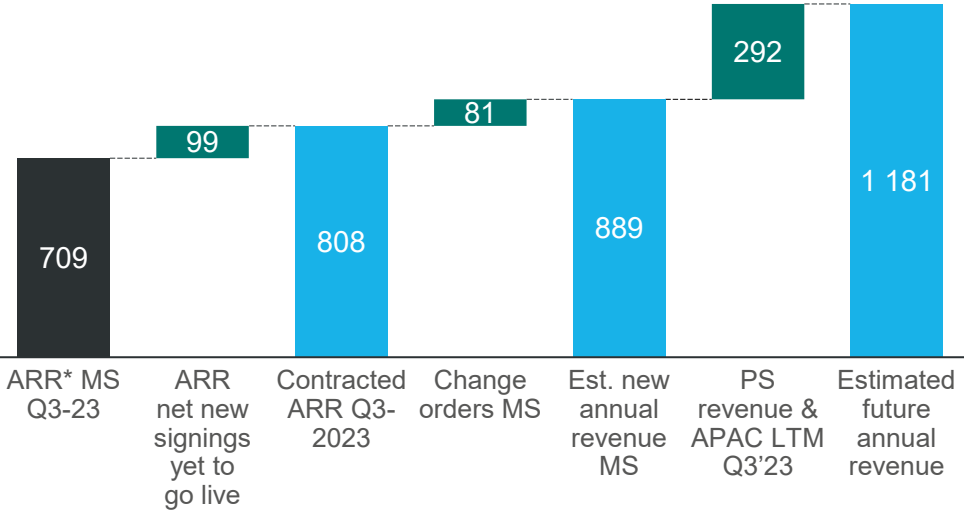


Long-term AMS based revenue vs. project revenue

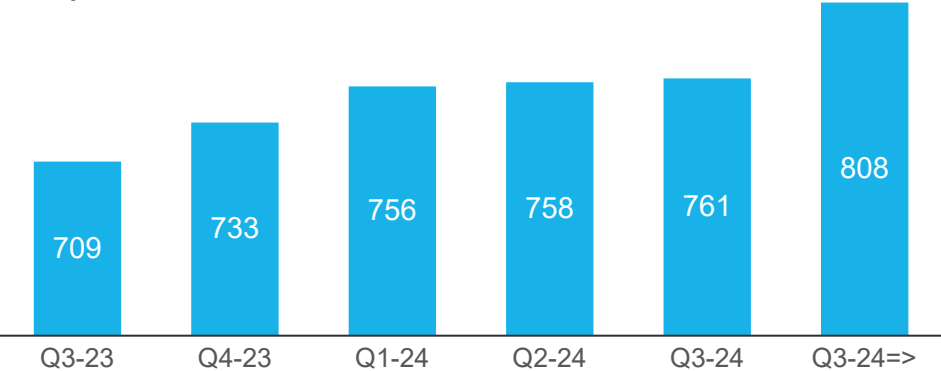


Strong revenue visibility through 2024 - newly signed BPO contracts will result in significant revenue increase

Revenue development based on signed MS contracts (NOKm)



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



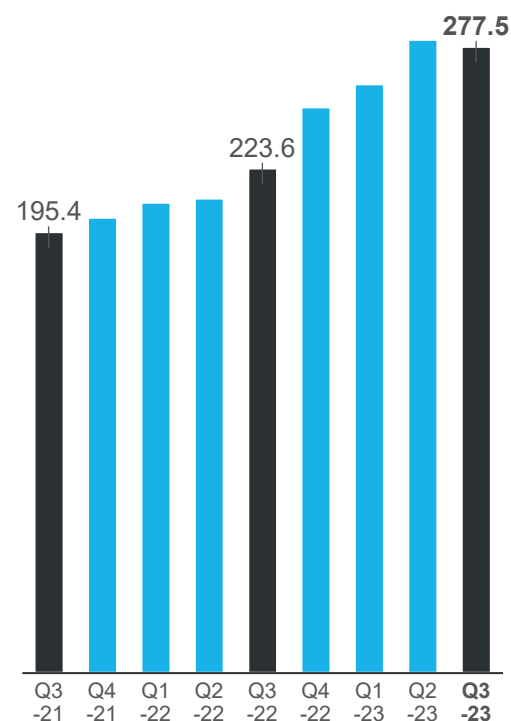
- ✓ **Total annual revenue expected to increase by ~NOK 112m (+10%)** vs. LTM Q3'23, based on already signed contracts (assuming no material churn and based on avg. currency rates for Q3 2023)
- ✓ The new contracts will generally generate full monthly recurring revenue when the customer has gone live 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.

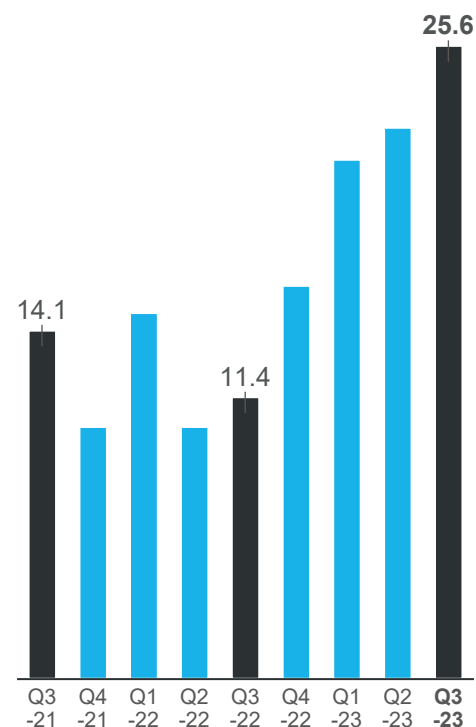
Significant growth in revenue and EBIT during the last quarters: +27% organic revenue growth LTM YoY (+17% in constant currency)

Figures in NOK million

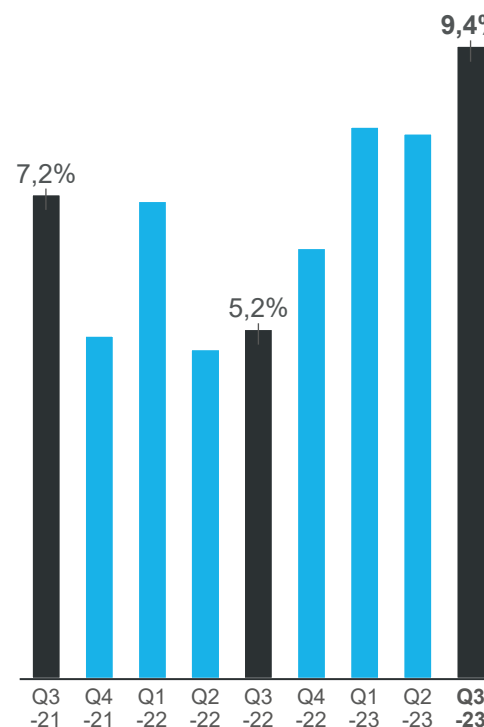
Revenue



Adj. EBIT* (ex. APAC region)



Adj. EBIT margin (ex. APAC region)



*See Q3 interim report for definitions of APMs

Market positioning and growth opportunities



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

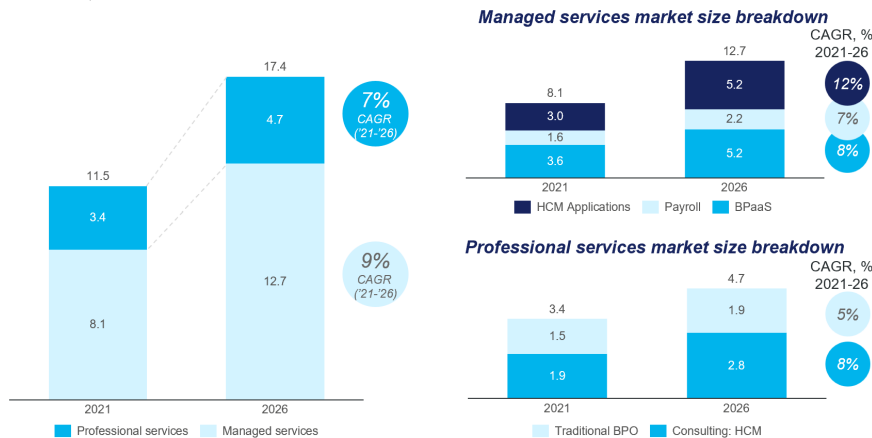
Historically strong if the customer has an SAP strategy. However, our aim is to be the preferred partner regardless of the Customer's preference for a global HR solution



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

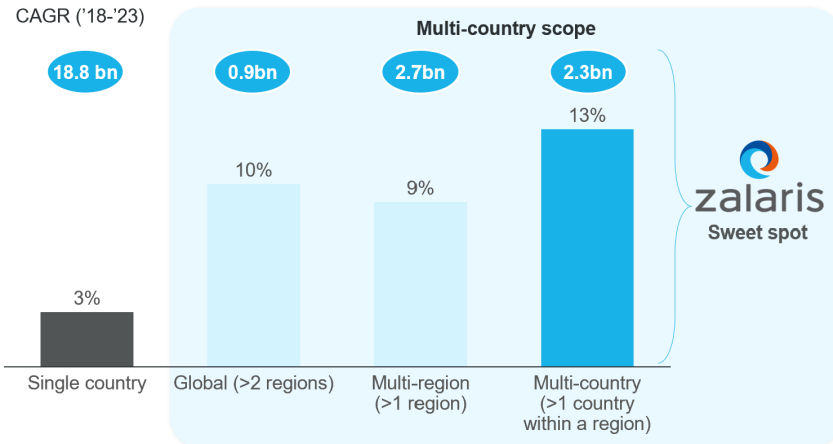
Market growth expectations

Market size, USDbn



Source: Gartner IT Services Forecast 2022, European HCM and Payroll Management Applications Market Forecast 2021-2026

2023 Market size
CAGR ('18-'23)



Source: Nelson Hall, "Next Generation Payroll Services"

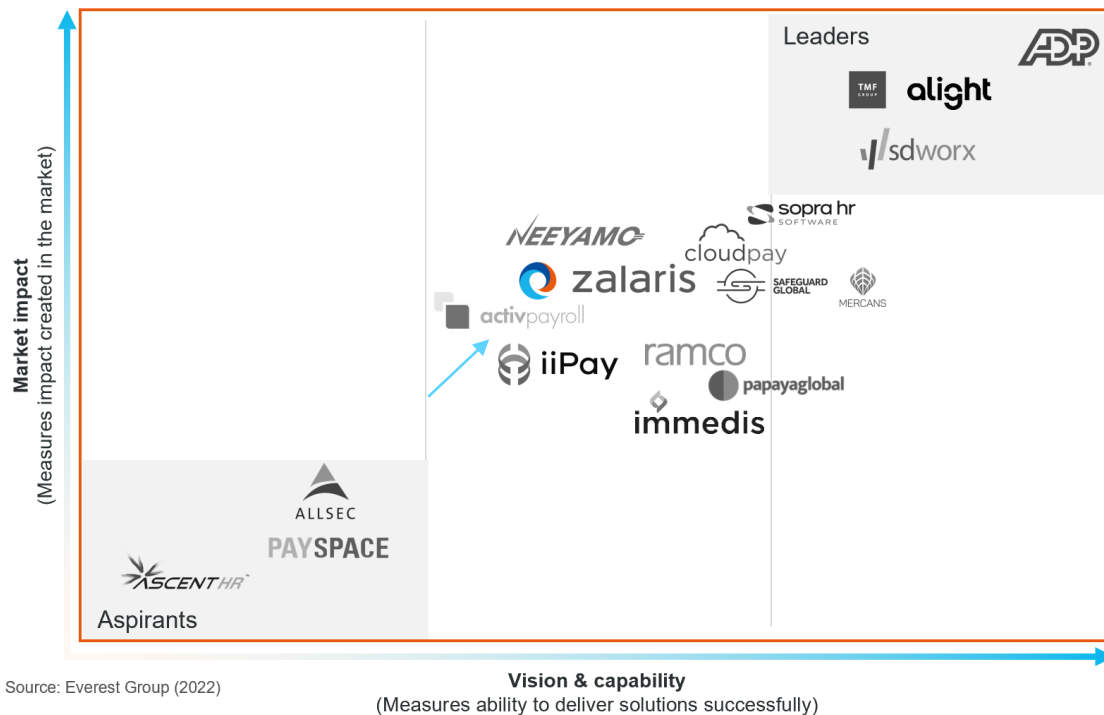
- ✓ Attractive market with a **strong growth outlook** across both managed and professional services **for which Zalaris currently outperforms**
- ✓ **Market supported by several tailwinds** such as increasing global workforce, intensifying compliance burden, cost and innovation focus, and longer refresh 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

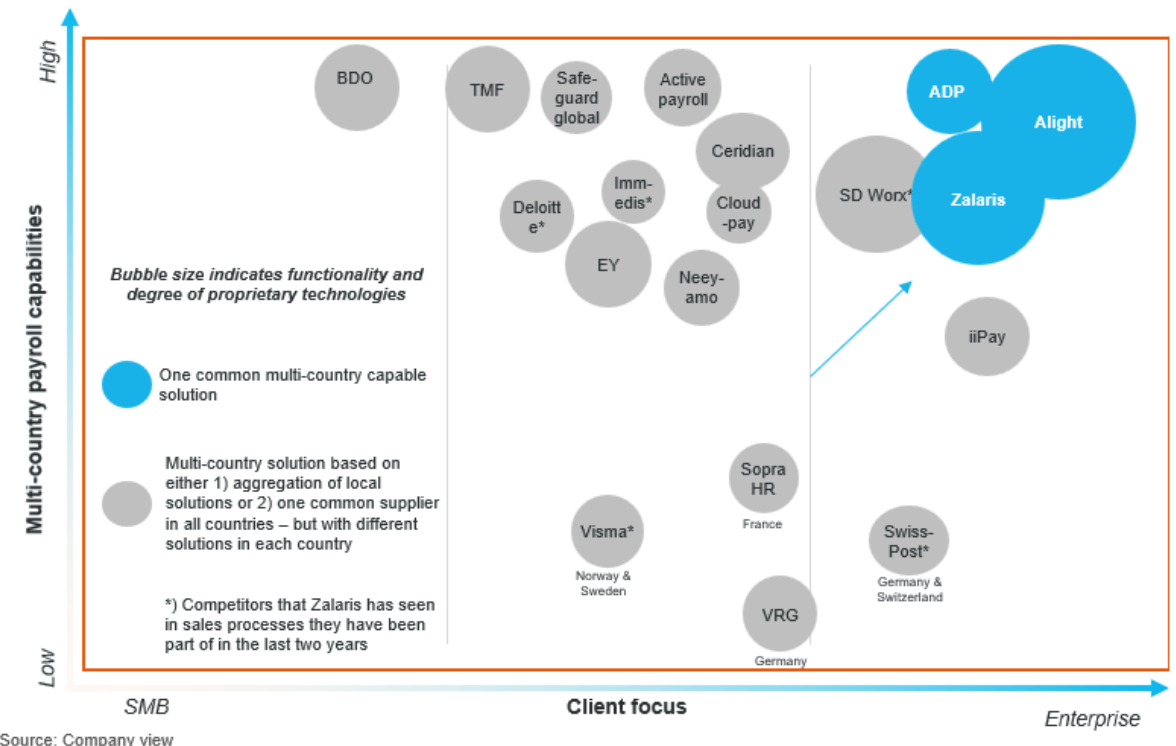
The **Global** competitive landscape for which *Zalaris is a strong challenger*

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



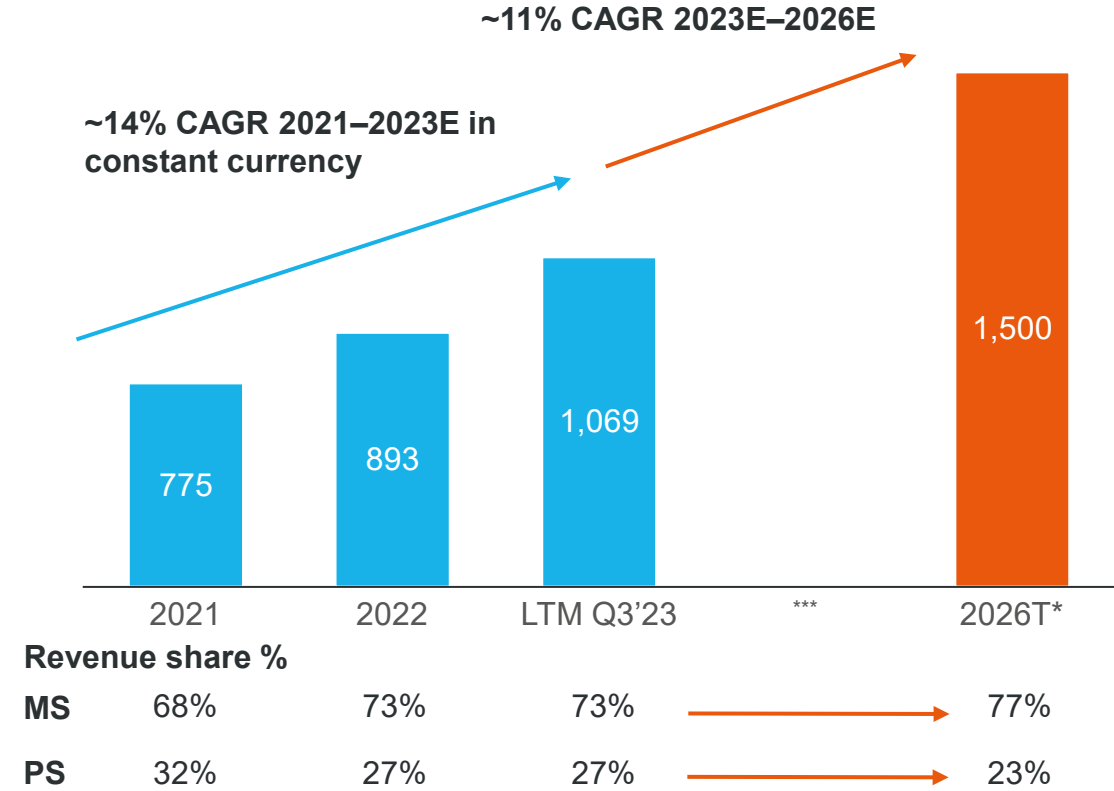
Simplify work life.
Achieve more.



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

Development in revenue

NOKm



>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

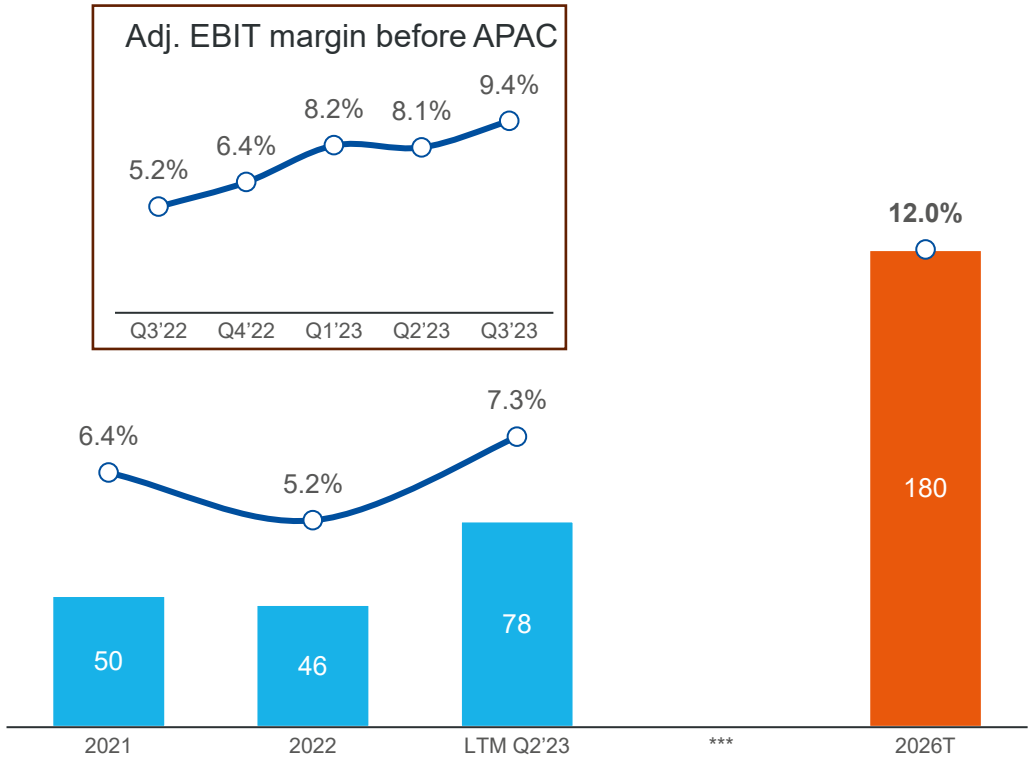
Growth target per segment:

- ✓ 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

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

Key take-aways



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



Simplify work life.
Achieve more.



Condensed Profit and Loss

| | 2023 | 2022 | 2023 | 2022 | 2022 |
|---|----------------|-----------------|-----------------|-----------------|-----------------|
| (NOK 1 000) | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | 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

| | 2023 | 2022 | 2022 |
|---------------------------------------|------------------|----------------|----------------|
| (NOK 1 000) | 30. Sept | 30. Sept | 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

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 | njål.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 Kongsli | petter.kongsli@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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Simplify work life.
Achieve more.

