29 February 2024

Presentation of financial results Q4 2023

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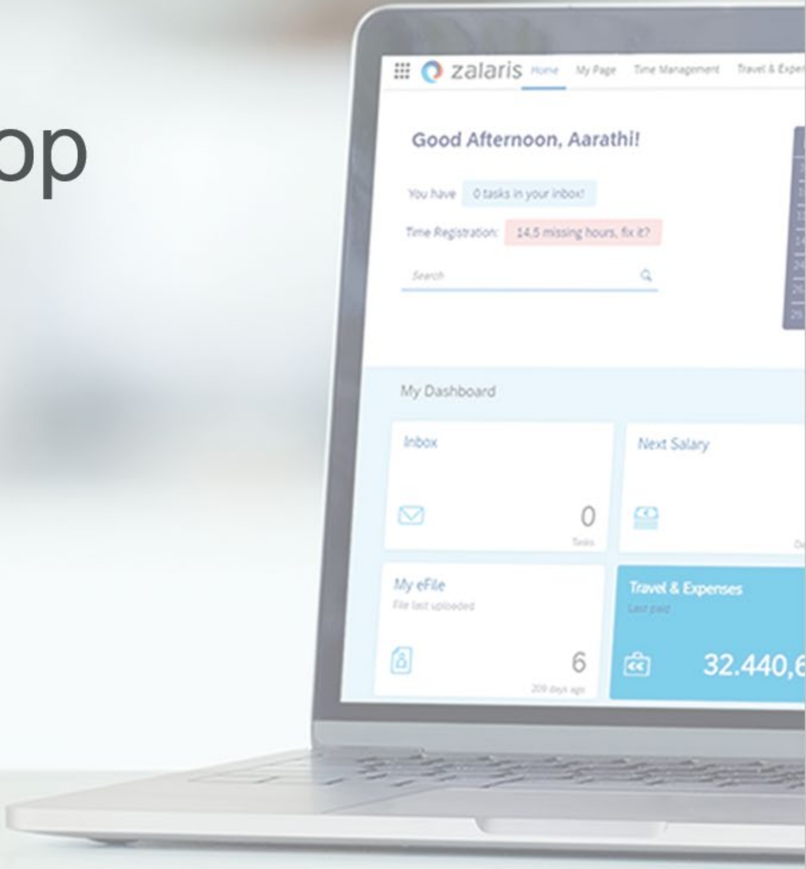
PeopleHub BY ZALARIS

Your one-stop HR platform



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Agenda

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

Today's presenters

Hans-Petter Mellerud
CEO and Founder

Gunnar Manum
CFO

Highlights

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Simplify work life.
Achieve more.

Q4 2023 Highlights – delivering on growth and EBIT target

- **Strong growth:** Revenue increased **24.7%** YoY to **NOK 312 million** with **Net Revenue Retention in MS of 104%**
- **EBIT margin >10%: all time high adj. EBIT of NOK 33.4 million (10.7%)**, up from NOK 15.3 (6.1%) last year
- **EBIT improvement program delivered: FY 2023 EBIT NOK 55 million higher (+133%)** compared to base line in Q3 2022 (start of program)
- **Market success continues** with more than **NOK 20 million annual contract value** of **new signings and upsell** in MS and more than **NOK 160 million** for **FY 2023**
- **Increased cash flow:** Operating cash flow of **NOK 34 million** (when adj. for positive NOK 10 million reclassification to investments)

Market success continues with new signings in Q4

- **New signings and upsell in MS with Annual Contract Value of~NOK 22m** during the quarter
- **Significant pipeline of Multi-Country PeopleHub new name and upsell opportunities**

Notable Wins

Global Retailer

5-year Master Services Agreement with **Global Retailer** for Zalaris **PeopleHub** based payroll Solution expanded to include their **+10,500 employees in the UK and Ireland.**

Heinemann

Heinemann
Asia Pacific

Implementation & Provision of **Payroll Services to 5 countries across APAC region** based on PeopleHub ECP for their approx. 600 employees in the region.

First Multi Country Payroll in APAC

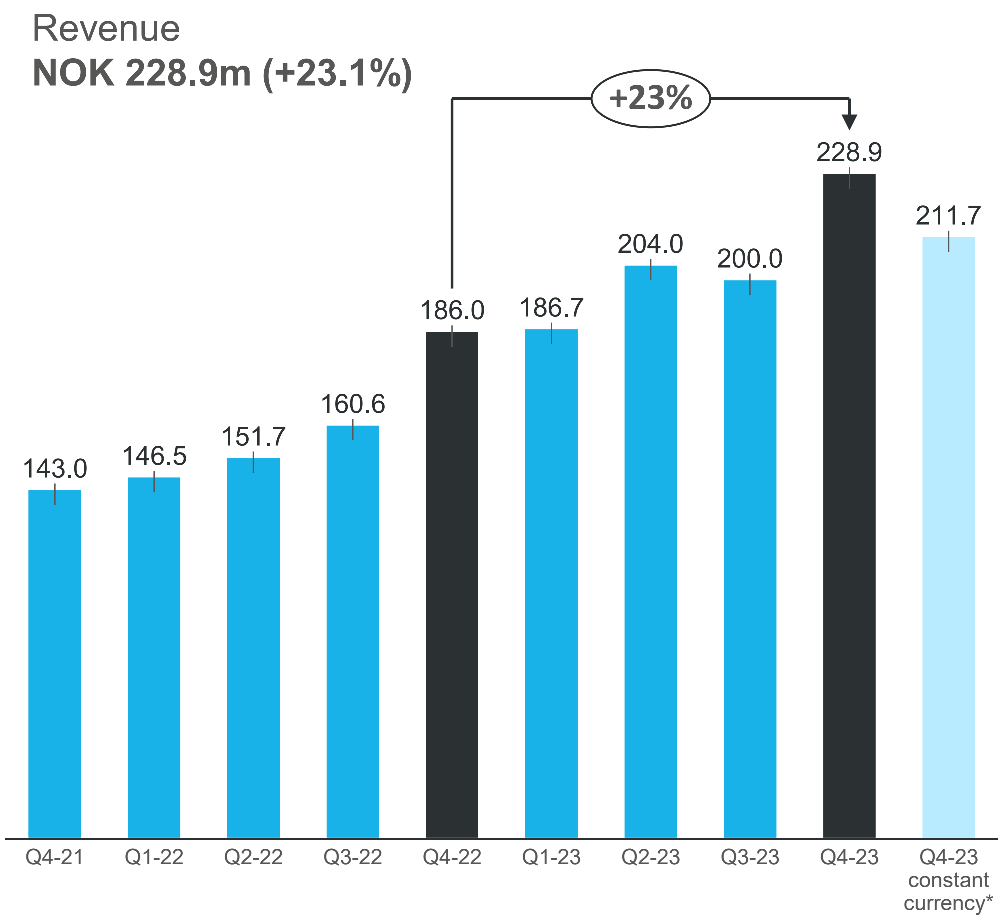
State of NRW

New 4-year agreement with the **state of North Rhein Westphalia** with **more than EUR 2 Million Annual Contract Value** for Application Maintenance Services (PS) serving **~700,000 employees.**

German Public

Agreement for the implementation of a new SAP HCM solution serving ~132,000 employees of a German state, with more than **EUR 15m in Total Contract Value** over 4 years, awarded after quarter-end.

Managed Services grew 23% YoY to NOK 229 million and 73% of total revenue.

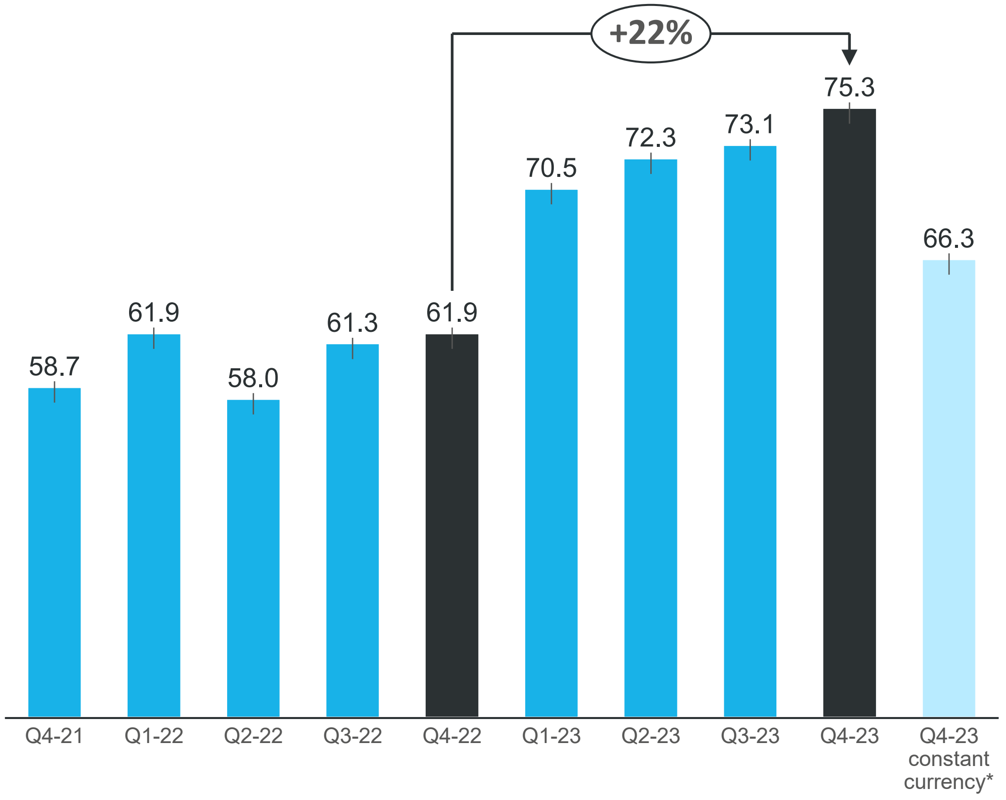


*Revenue in local currency converted to NOK using the avg. currency rate from the quarter last year. See the interim financial report for definitions of APMs

- **Revenue in Managed Services grew by 23.1% YoY** (+14.2% growth YoY when adj. for positive currency effects)
  - 51% of growth came from customers that were customers in Q4 last year
  - 49% of growth came from new names
- **104% 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: 10%
  - DACH: 23%
  - UKI: 14%
  - Eastern Europe: 28%

Professional Services grew 22% and continued being strong contributor to Zalaris' overall success and Managed Services growth

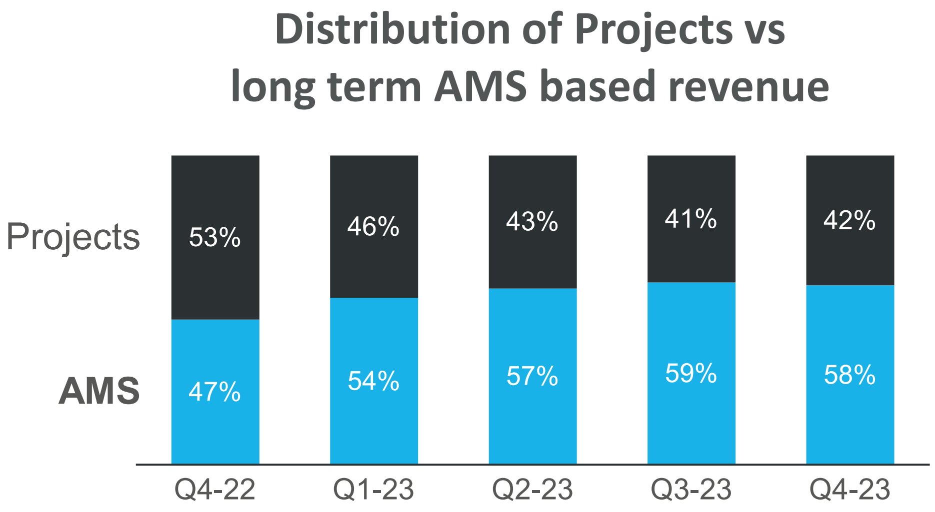
Revenue
NOK 75.3m (+21.6%)

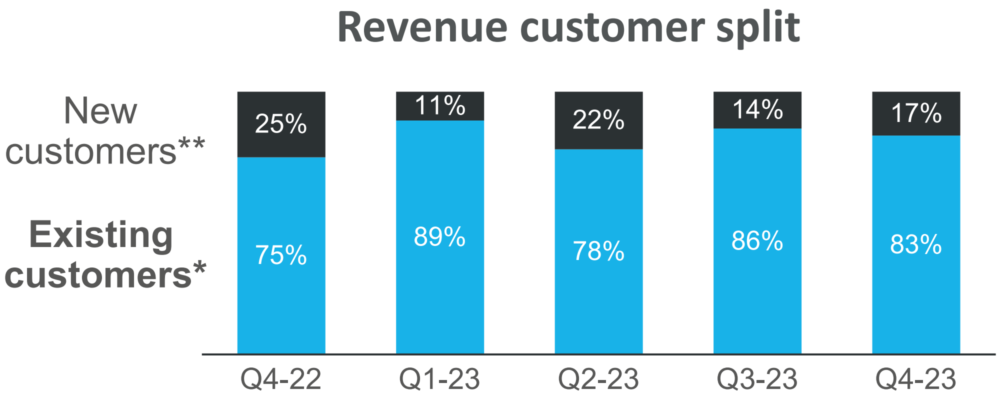


- **Revenue** in Professional Services **grew by 21.6% YoY** (+7.2% when adjusted for positive currency effects)
- In local currency, revenue in **UK grew by 93%,** from consulting work from new clients, including a large airline, while **Germany had revenue approx. in line with last year**
- Significant **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 recurring and supports a continuous presence with customers

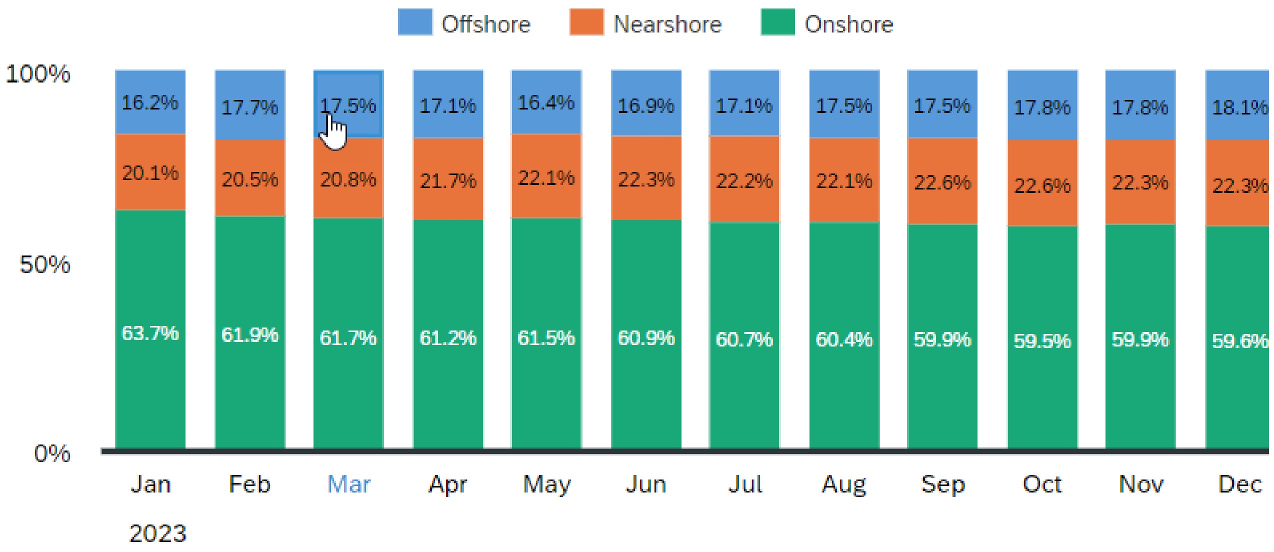




- **~58 % of Professional Services revenue is recurring**, or recurring like, and based on long term agreements and relationships
- **~83 % of Professional Services revenue** is from customers that were customers **12 months prior**

* 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 reducing onshore with four percentage points over the last months



- **Use of near-/offshore resources** as % of total headcount **improved with 4% over the last twelve months**
- **Trend expected to continue** towards Zalaris 4.0 target of 50%

Company in brief

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Simplify work life.
Achieve more.

Payroll & HR solutions that enable digital organizations

1,500,000+
employees served monthly across all HR solutions

~ 1,100
Zalaris employees

300,000+
employees served monthly through payroll services

23 years
years of experience and continous growth

NOK 1,131 mill
2023 Revenue

17 Countries
with service centers and local expertise

150+ Countries
partnered with Zalaris giving local expertise

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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

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

103[1] customers, ~72%[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

49[2] customers, ~28%[3] of total revenue with ~55%+ recurring revenues

1) 103 customers paying Zalaris NOK >1m, with a long-tail of ~100 smaller customers
2) 49 customers paying Zalaris NOK >1m, with a long-tail of 176 smaller customers
3) Based on FY 2023 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

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, BERLIN, University of Salford Manchester, UNIVERSITY OF WESTMINSTER, Die Landesregierung Nordrhein-Westfalen, Rheinland-Phalz, Kent Police

Retail

Carlsberg, müller, Felleskjøpet, INTERSPORT VOSWINKEL, 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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Financial Review

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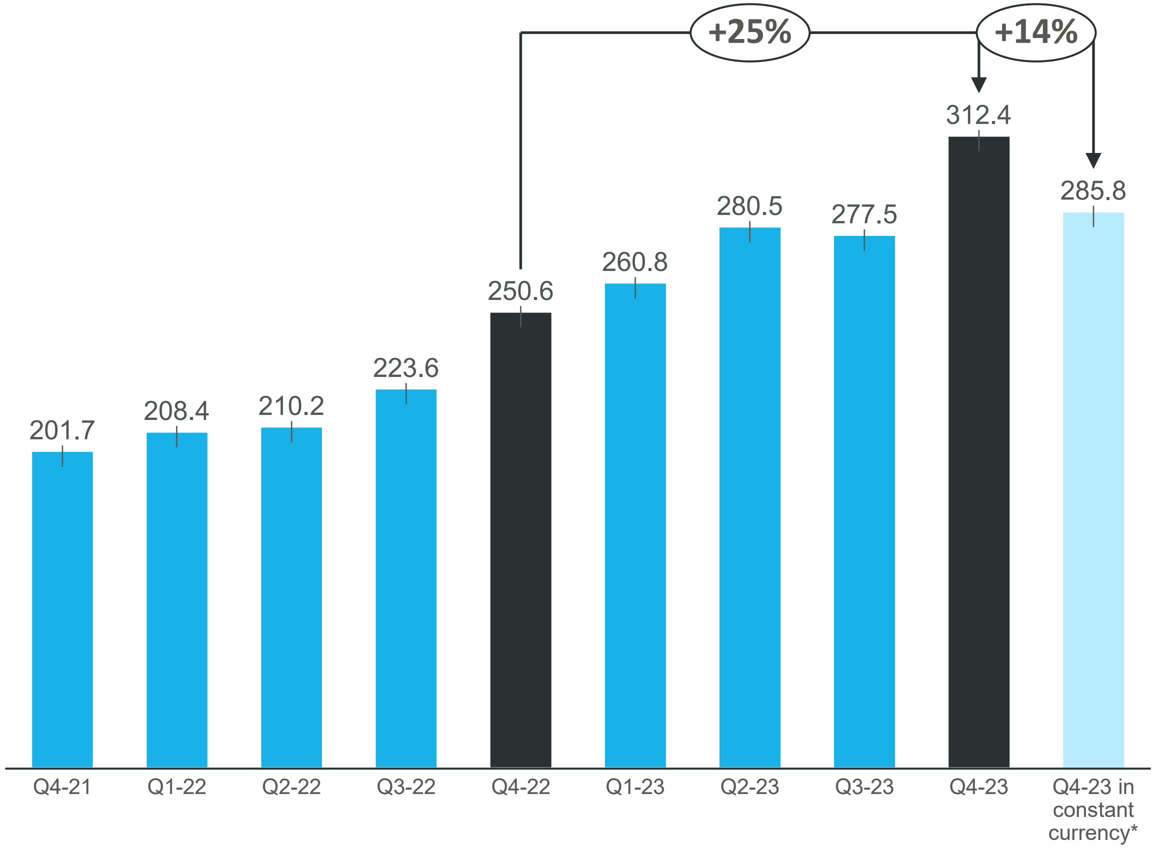
Revenue increased by 14% for the quarter YoY in local currency

Revenue
NOK 312.4m (+24.7%)

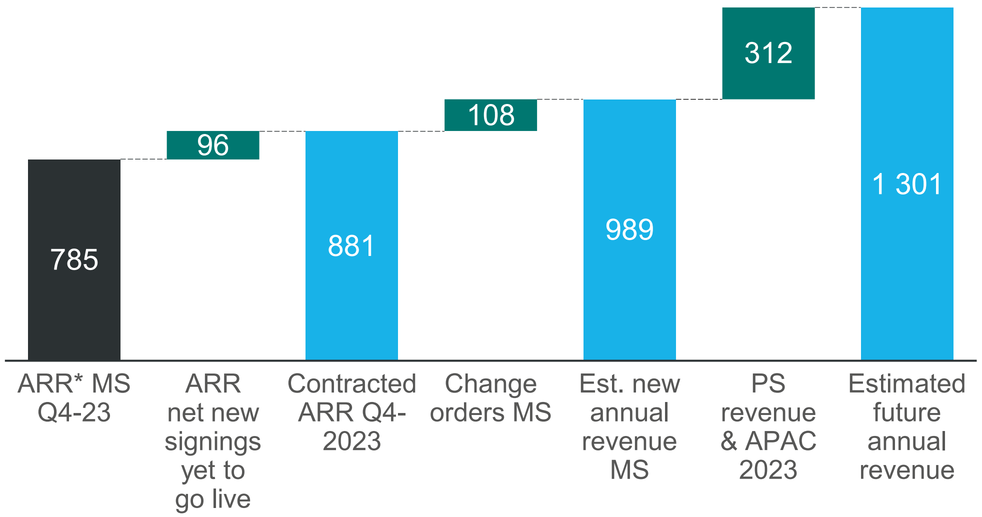


*See the interim financial report for definitions of APMs

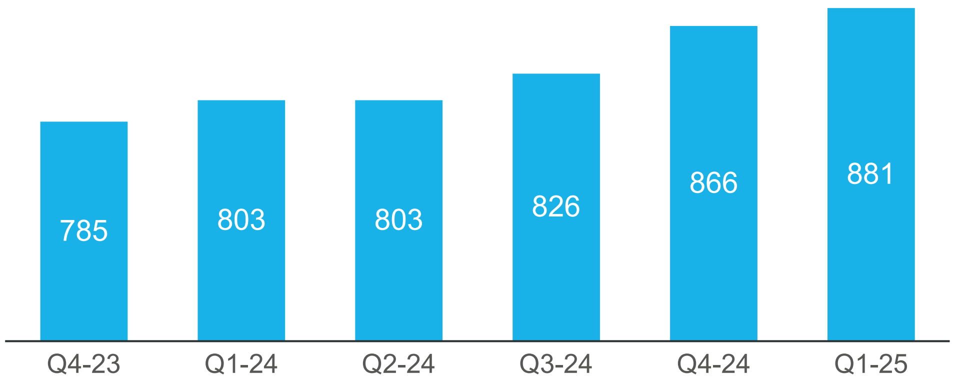
- **Revenue growth** (as reported) for the quarter YoY: **+24.7%**
- **Revenue growth +14.1%** YoY in constant currency
- **MS +24.5%** to NOK 229m
  - 51% of growth came from customers that were customers in Q4 last year
  - 49% of growth came from new names
- **PS +12.8%** to NOK 81m
- Signed **new SaaS/BPaaS contracts** with annual recurring **revenue of ~NOK 8m** during the quarter, not including upsell
- **Net new SaaS/BPaaS contracts signed,** but yet to go live, has annual recurring **revenue of ~NOK 96m**

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 170m (+15%)** vs. FY 2023, based on already signed contracts (assuming no material churn and based on avg. currency rates for Q4 2023 – EUR/NOK 11.65)
- The new contracts will generally generate full monthly recurring revenue when the customer has gone live on the PeopleHub platform
  - Total annual value of contracts to be implemented (NOK 96m) has been increased by ~NOK 20m from up-sell etc. to these new customers
  - All current contracts will 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
- ~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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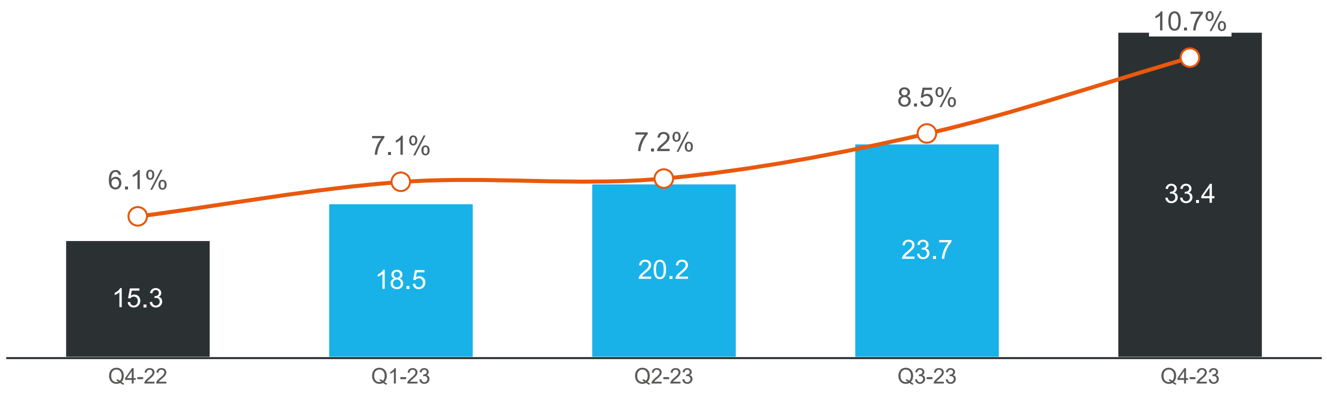
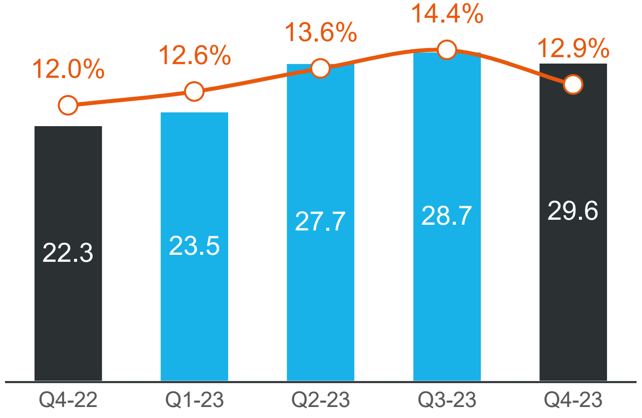
Significant increase in adj. EBIT for the quarter, year-on-year

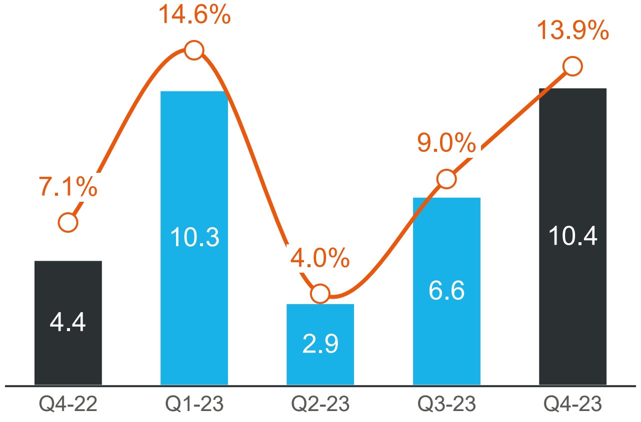
Adj. EBIT* (NOKm) and margin (%)



MS – EBIT (NOKm) and margin (%)



PS – EBIT (NOKm) and margin (%)



- **Adj. EBIT NOK 33.4** (NOK 15.3m) +118%
- **Adj. EBIT margin 10.8%** (+4.6pp)
- **EBIT-improvement program to increase annual EBIT has delivered +NOK 55m by end-23** (vs. Q3'22 as base line)
  - Significant cost improvements by moving work to near-/offshore locations – work still in progress in Germany
  - Improved allocation of resources and focus on improvement in customer margins after rapid growth
  - Contribution from new signed contracts
  - Reduced used of external consultants through recruitment of own personnel still to be done - hampered by tight market for SAP HCM consultants
- **Reduction in EBIT margin for MS**, compared to the **previous two quarters** due to **additional investments in business development and increased capacity** to handle volume growth in 2024

*See the interim financial report for definitions of APMs

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Condensed Profit and Loss

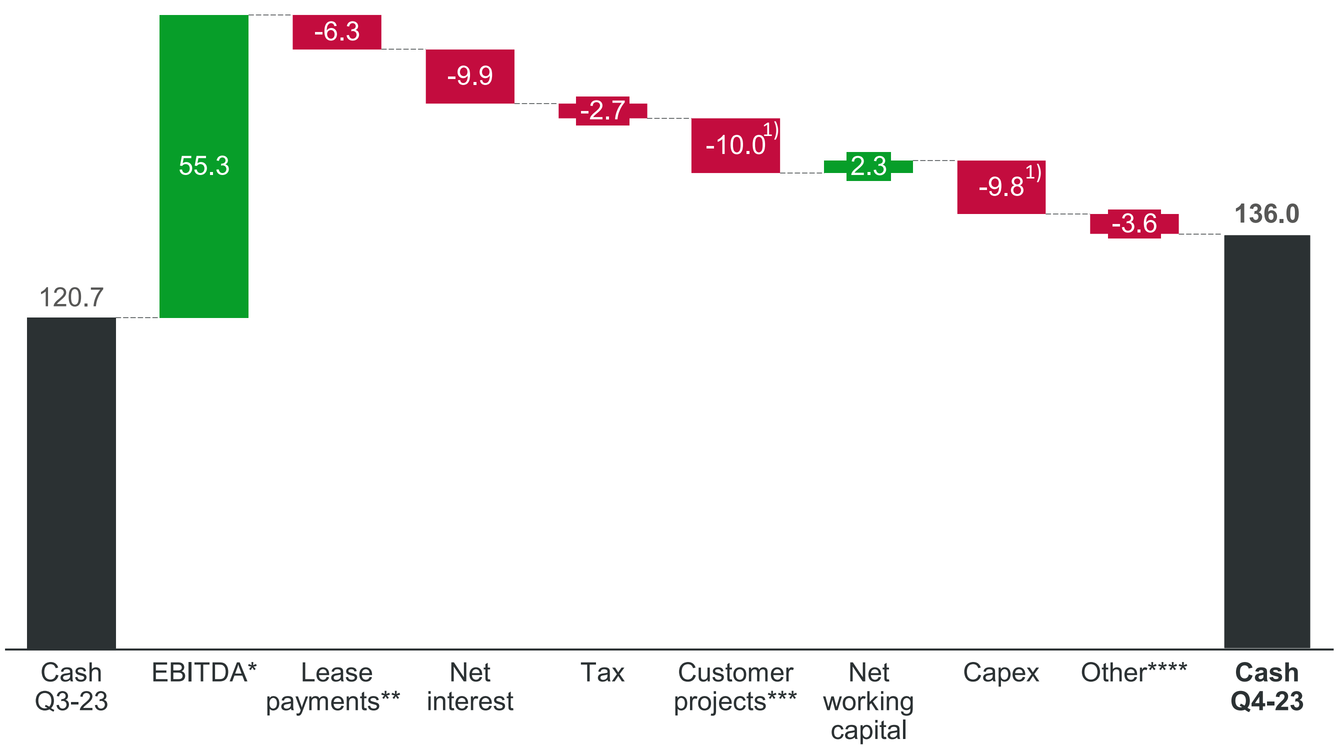
(NOK 1 000)	2023 Oct-Dec	2022 Oct-Dec
Revenue	**312 421**	**250 552**
License costs	26 179	19 078
% of revenue	8,4 %	7,6 %
Personnel expenses	152 766	128 836
% of revenue	48,9 %	51,4 %
Other operating expenses	81 131	70 291
% of revenue	26,0 %	28,1 %
Amortisation implementation costs customer projects	9 915	8 832
Depreciation, amortisation and impairments	15 310	13 819
EBIT	**27 120**	**9 695**
Adjustment items*	6 280	5 594
Adjusted EBIT	**33 400**	**15 290**
Adjusted EBIT margin %	10,7 %	6,1 %
Net financial income/(expense)	(15 583)	(5 218)
Profit/(loss) for the period	**20 879**	**(12 100)**

- **Personnel expenses:** Increased number of FTEs YoY (+43) and negative currency movements of (+9%). **Revenue per FTE** in constant currency **increased by ~7%**
- **License costs**: Increase as a % of revenue mainly due to currency movements
- **Other op. exp.: Lower as a % of revenue**, and increase mainly explained by currency movements (approx. +NOK 6m) and higher IT costs (e.g. hosting)
- **Financial expense:** Higher financing costs and unrealised currency loss on EUR bond loan vs. last year

*Items excluded from adjusted EBIT Q4 2023: share-based payments (NOK 2.8m) and amortization of excess values on acquisitions (NOK 3.5m) - see definition of adj. EBIT under APMs in the interim financial report)

Strong cash position and positive cash flow from operations of NOK 33.7 million, up from NOK 12.4 million last year

Development in cash balance (NOKm)



- **Positive cash flow from operating activities** before reclassification **of NOK 33.7m**
- **Cash balance** at 31 Dec. **NOK 136m** (+NOK 15.3m from Q3.)
- Net interest-bearing **debt of NOK 314.8m** vs. NOK 333.3m at the end of previous quarter

1) Movement in customer projects and capex per the statement of cashflow adj. for a reclassification of NOK 10.4m from customer projects to capex in Q4

* Before share based payment costs
** Relates mainly to rental costs for office premises
*** Revenue deferred less revenue recognised less project costs capitalised
**** Including currency movements

Outlook

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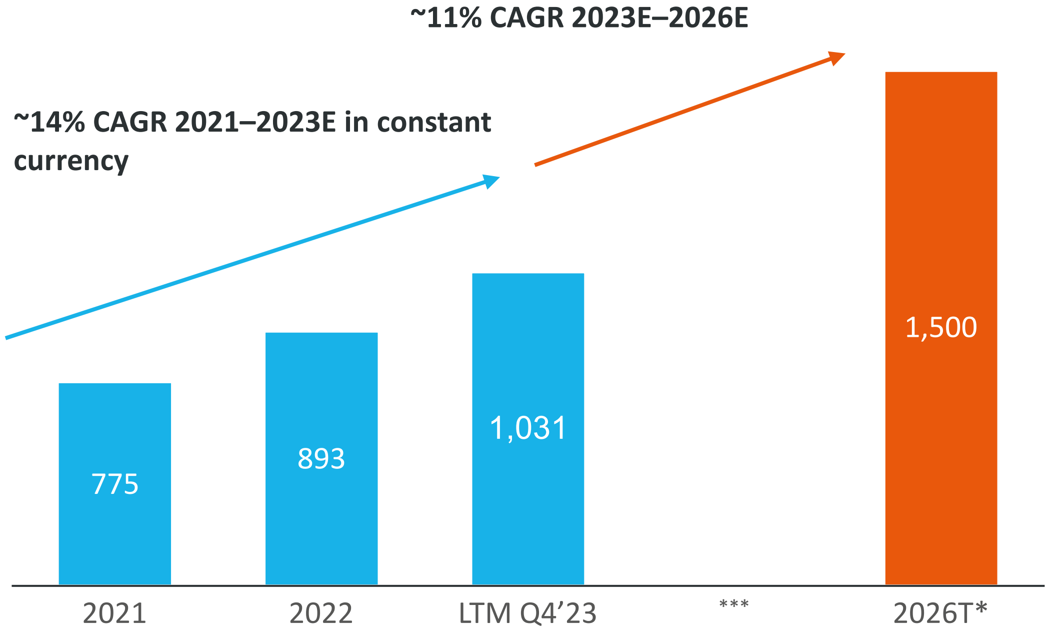
Current growth trajectory supports our ambition of being a NOK 1.5 billion company in 2026

Development in revenue

NOKm



Revenue share %

	2021	2022	LTM Q4'23		2026T*
MS	68%	73%	72%	→	77%
PS	32%	27%	28%	→	23%

* Based on current EUR/NOK rate

>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

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Reaching target 2026 revenue combined with prudent capital allocation show operating cash flow potential in the range of 190-250 million per annum

- 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 180-225m
(12-15%)

Target EBITDA 2026
~NOK 270-360m
(18-24%)

Target
Op. Cash Flow 2026
~NOK 190-250m
(~70% conversion)

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

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In summary: 2023 delivered above communicated targets. Well positioned to continue positive development over the medium and long term.

- **Solid baseline from delivering 2023 above target** with Q4 Growth of 24.7% to annualized revenue of NOK 1.25 billion with 10.7% EBIT

- **Growth to continue** as backlog of sold contracts with 100+ 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

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Q&A

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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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