

25 November 2024

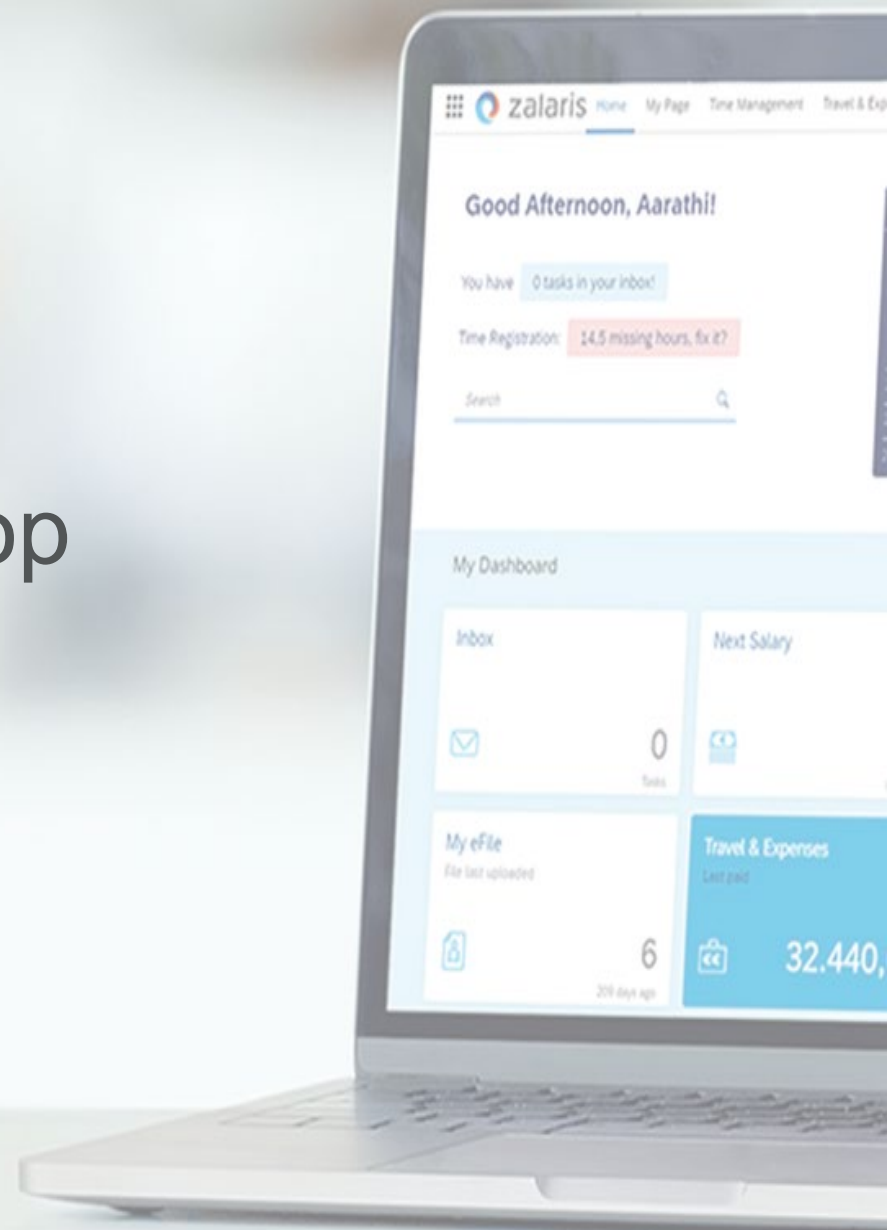
Zalaris ASA Investor Presentation

Deutsches
Eigenkapitalforum 2024



PeopleHub BY ZALARIS

Your one-stop
HR platform



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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

350,000+

Employees served monthly through payroll services

~EUR 110m/10.3%

Q3 2024 LTM revenue / adj. EBIT-margin

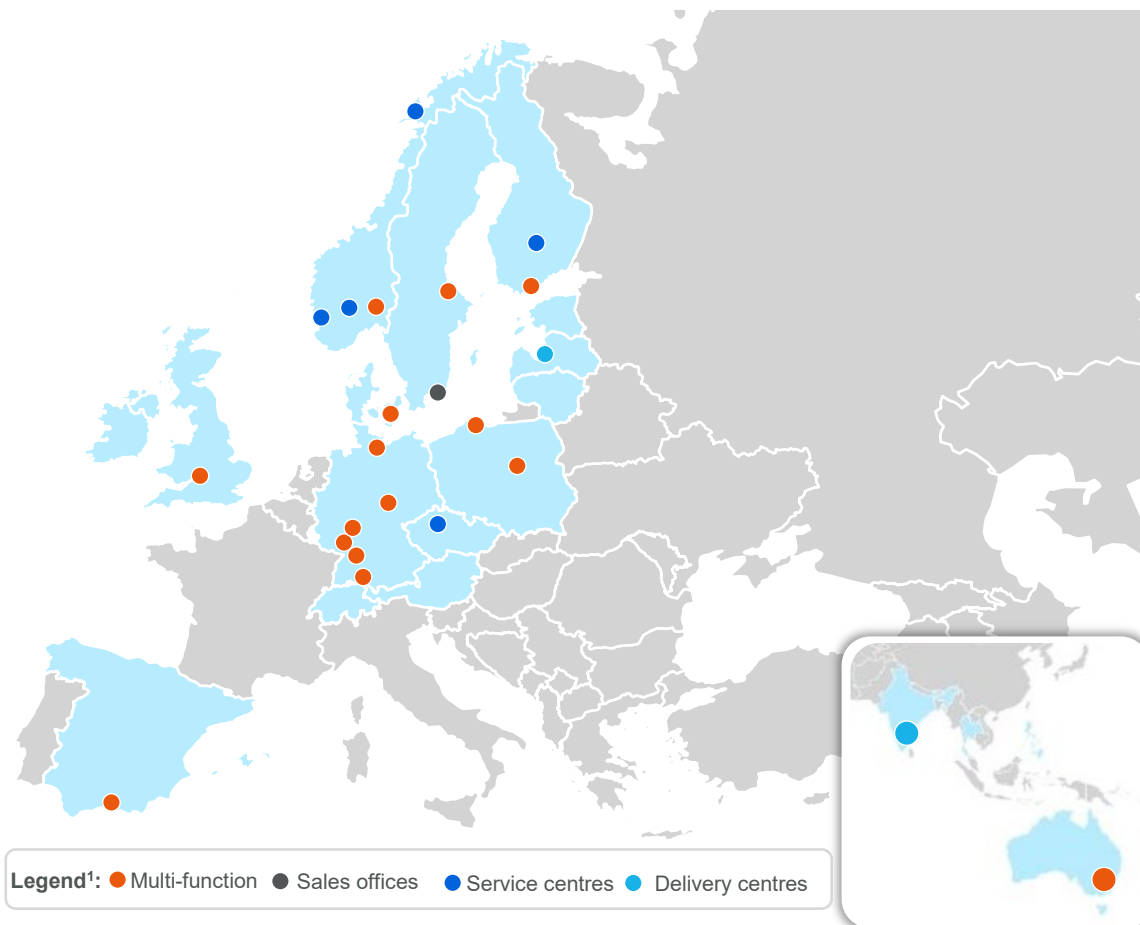
17 countries

With service centres and expertise in local regulations

150+ countries

With expertise in local regulations with partners

Geographical footprint



1) Type of office

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

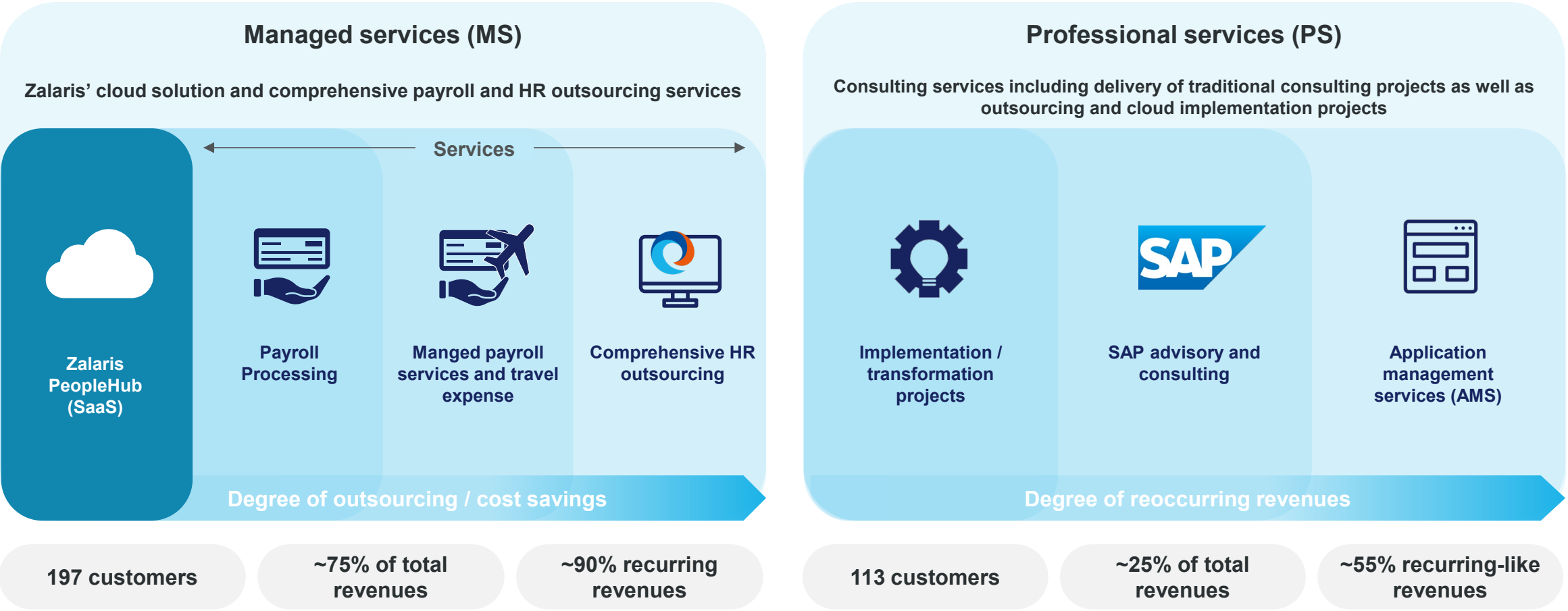

Travel expense


Business expense


Credit card integration


Co2 footprint tracking

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



Well-positioned to support European leaders globally



- Zalaris are capable of serving
- Zalaris are already serving
- Zalaris office locations

- ✓ Zalaris’ **addressable market** has increased significantly with global opportunities
- ✓ Low-cost (capex) effort to support global accounts **through established partner ecosystem** for PeopleHub implementation and operation in larger GEOs (and full long-tail coverage)
- ✓ **2 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**

Recent wins




INNOMOTICS
A Siemens Business




PowerCo


Recent inbounds



Global fast-food chain

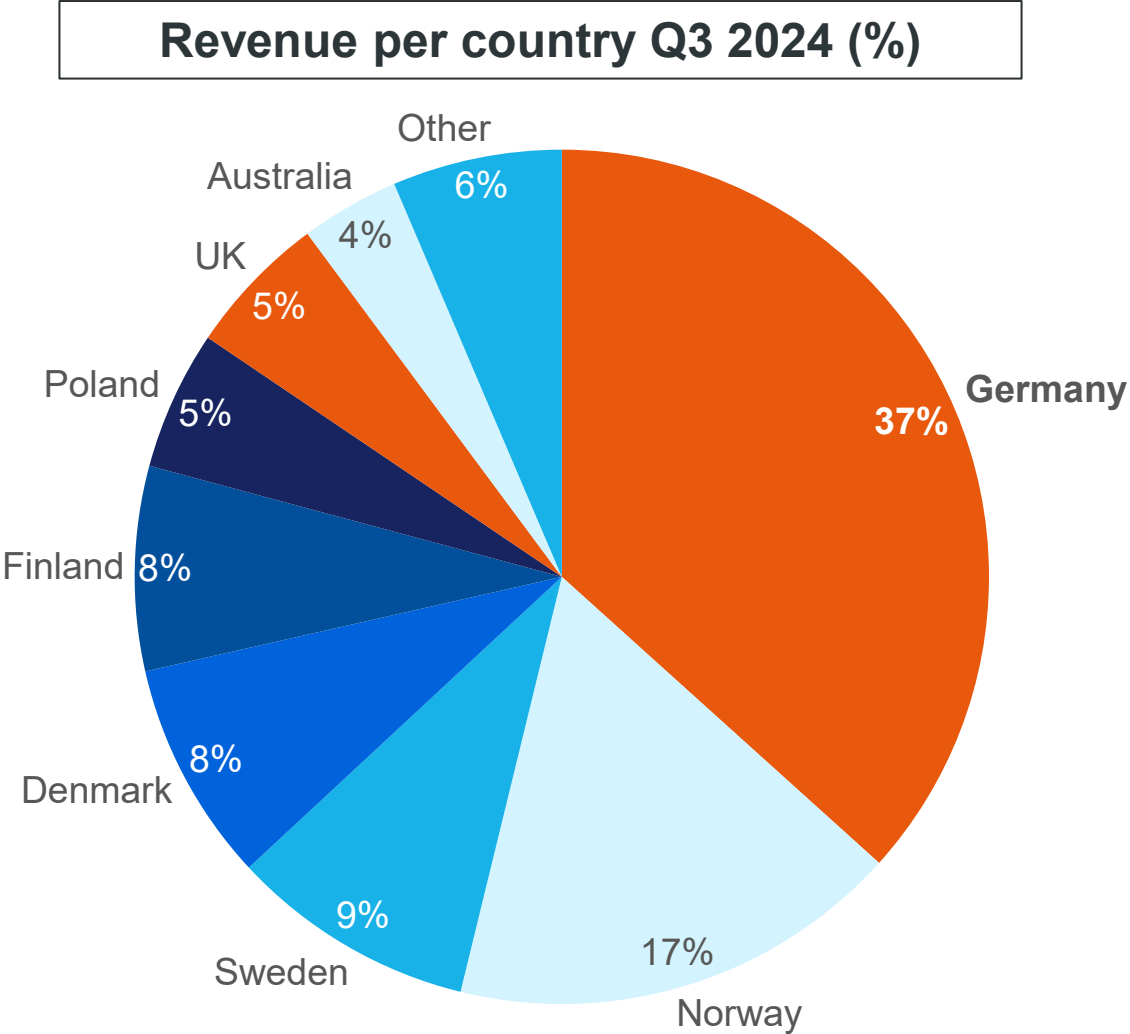


Global call-centre






Global logistics

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






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

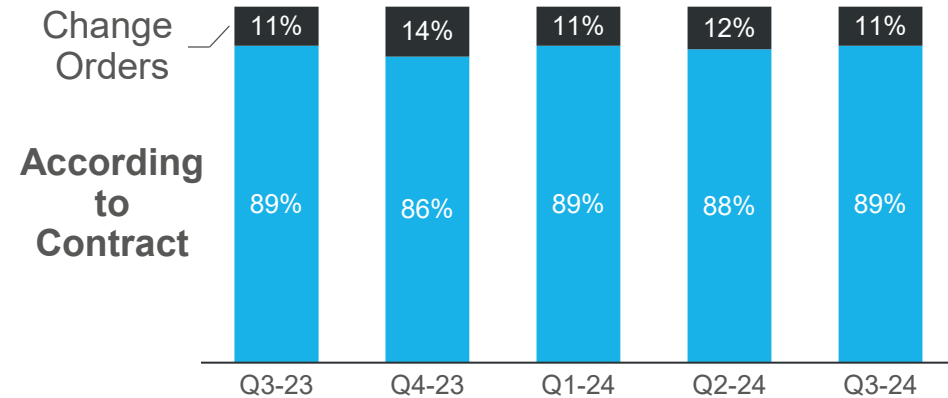
Predominantly annual recurring revenue from long-term contracts and low churn

Managed Services (~75% of revenue)

- ✓ **5-year contracts** (average)
- ✓ **Low historic churn** (1.5 - 3.0%) and **high net retention** 108% (Q4'24 YoY in constant currency)
- ✓ **~90% recurring revenue**



According-to-contract revenue vs.
change orders in Managed Services

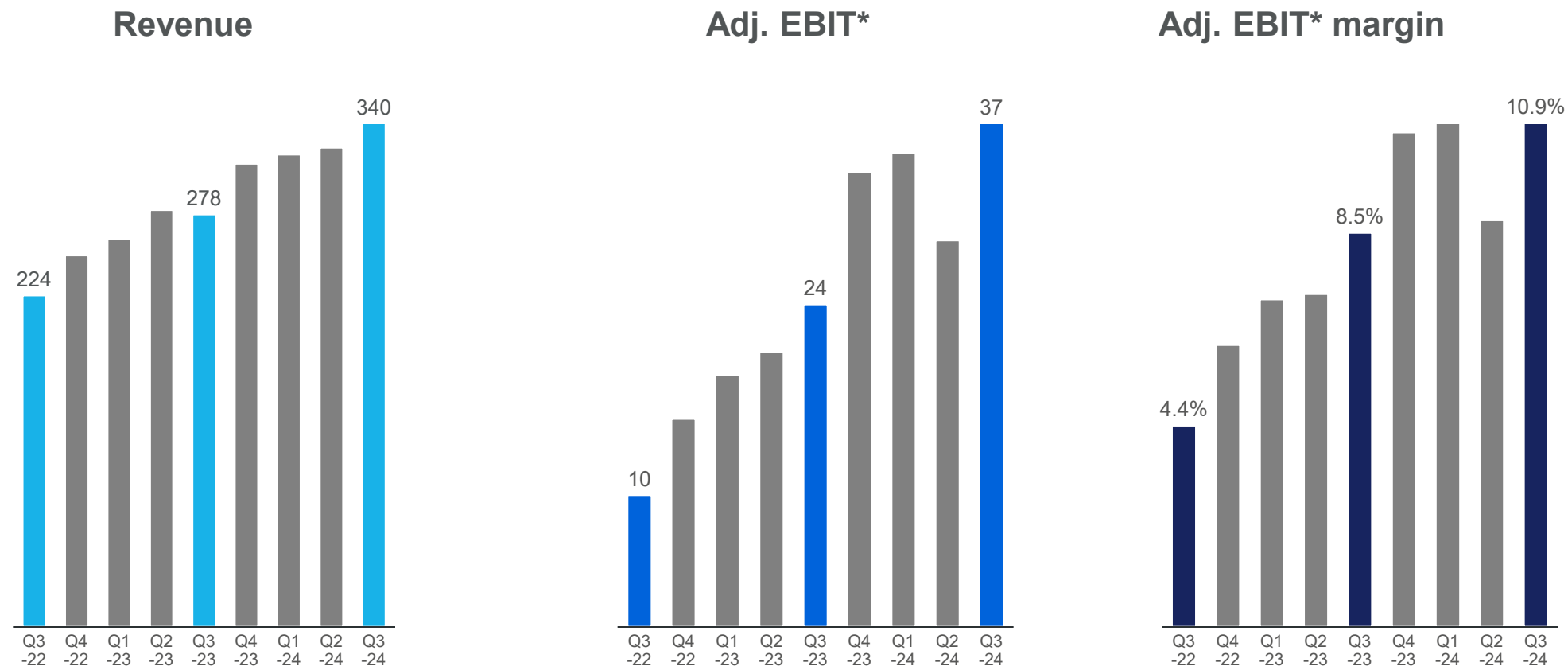


Profession Services (~25% of revenue)

- ✓ **~76% of revenue** is from customers that were customers **12 months prior** (Q3'24)
- ✓ **>50% of revenue** is **recurring**/recurring like (AMS contracts)

Significant growth in revenue and EBIT during the last quarters: +20% organic revenue growth LTM YoY (+17% in constant currency)

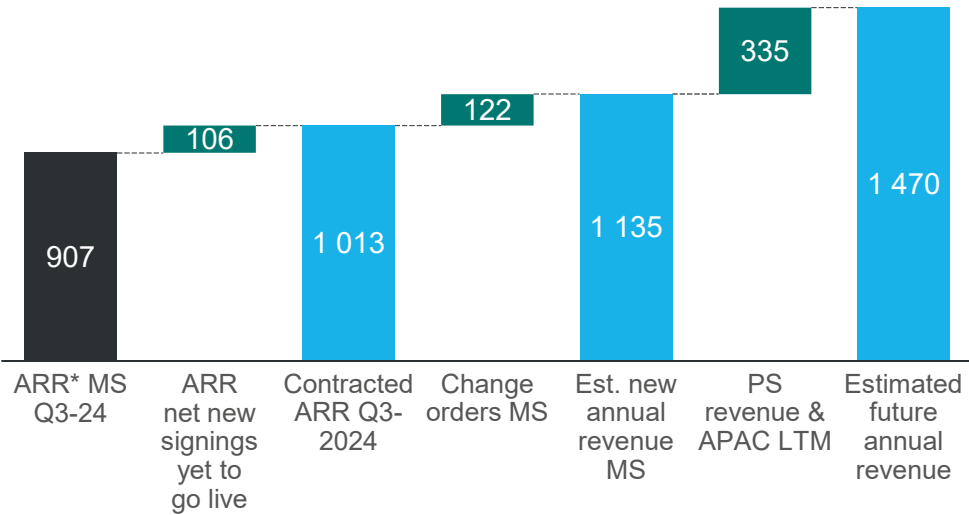
Figures in NOK million



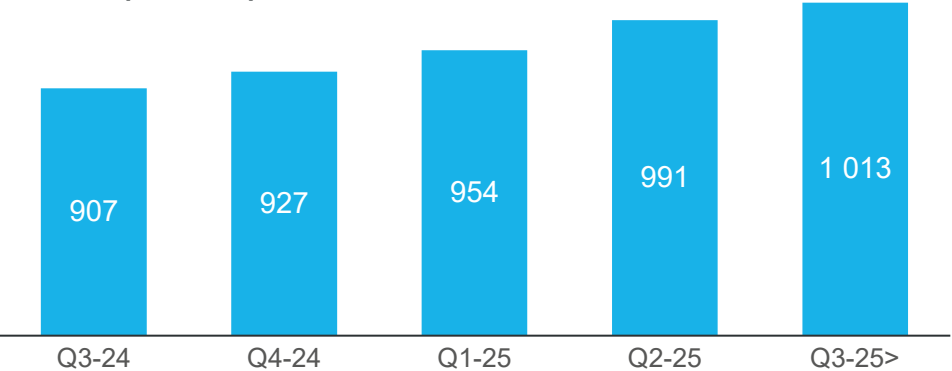
*See Q3'24 interim report for definitions of APMs

Strong revenue visibility through 2024/25 - new BPO customers to go live should result in >13% revenue increase compared to revenue LTM

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 173m (+13%) vs. LTM Q3'24, based on already signed contracts (assuming no material churn and based on avg. currency rates for Q3 2024)
- ✓ 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 Q1-2026
- ✓ Estimated future annual revenue assumes MS change order level at historical ~12% of recurring revenue, and revenue from PS & APAC LTM Q3'24

*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.

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

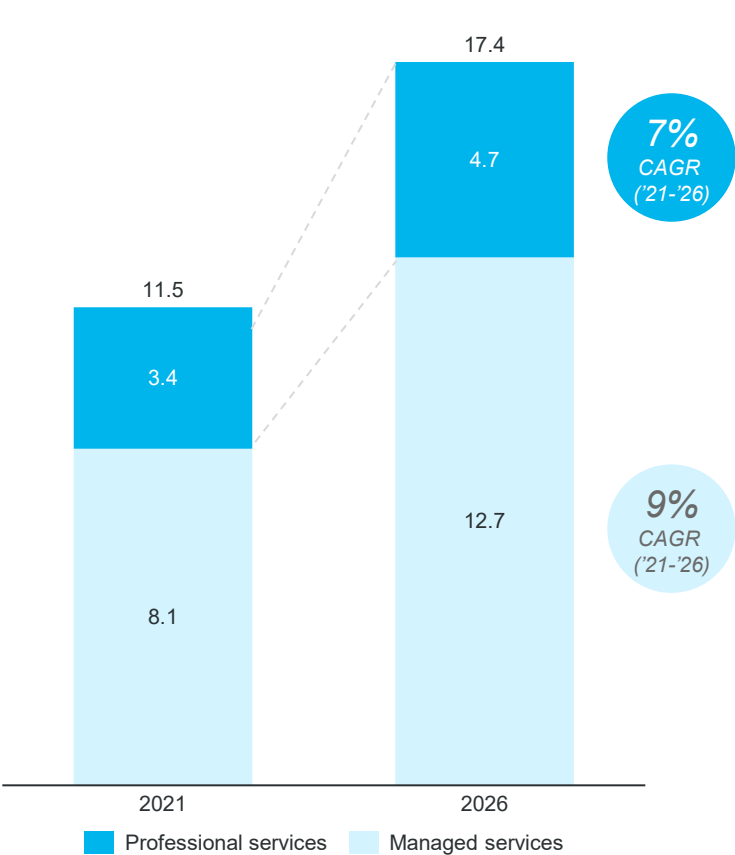
Historically strong if the customer has an SAP strategy. However, our aim is to be the preferred partner regardless of the Customer's preference for a global HR solution



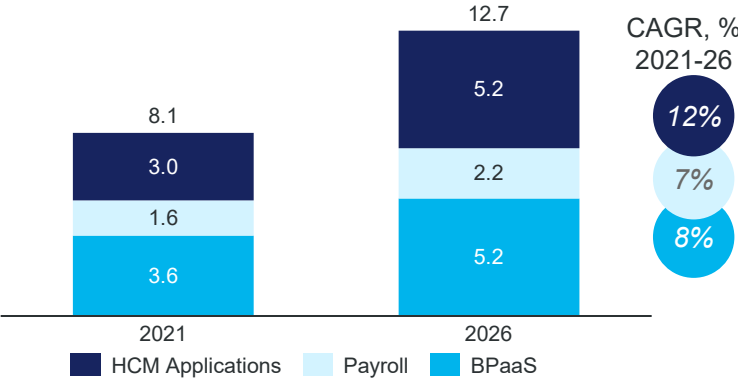
The market for HR business process outsourcing is expected to continue its strong growth

Market growth expectations

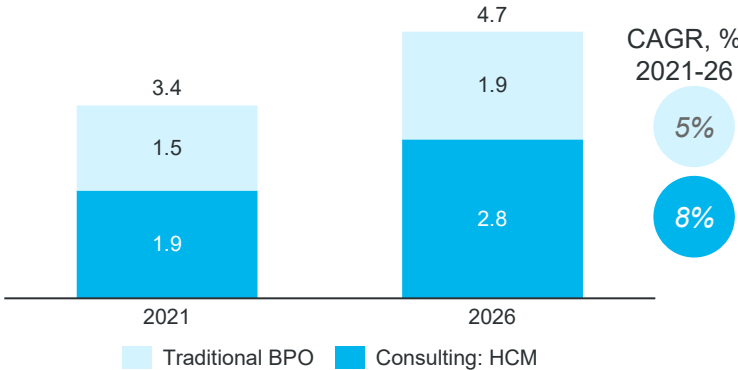
Market size, USDbn



Managed services market size breakdown



Professional services market size breakdown



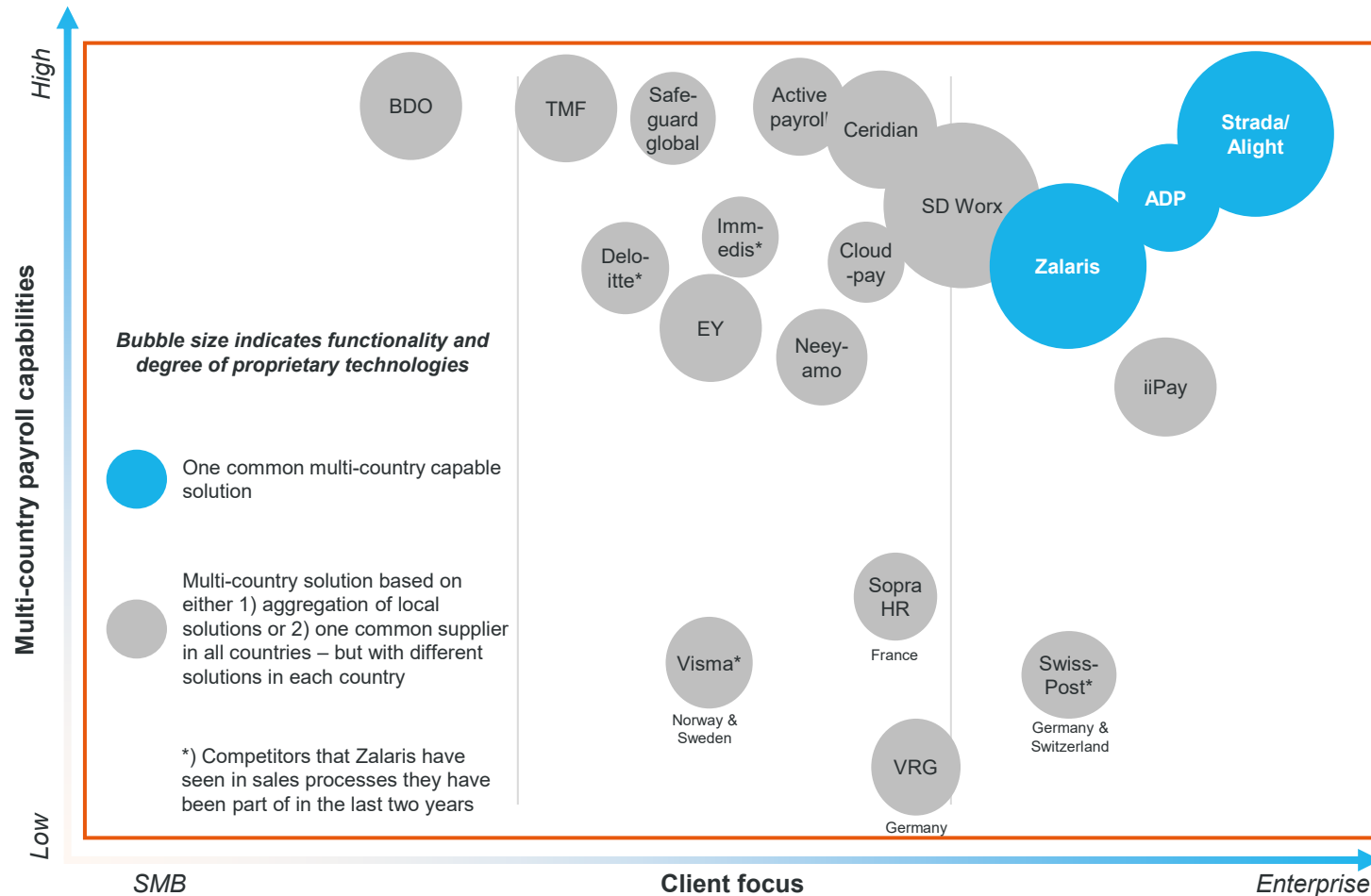
Comments

- ✓ Attractive market with strong growth outlook across both managed and professional services with Human Capital Management (HCM) applications being a major growth driver with ~12% CAGR '21-'26
- ✓ Shift from traditional HR services towards digital oriented offerings e.g., BPaaS and HCM applications are core growth drivers
- ✓ Market supported by several tailwinds such as increasing global workforce, intensifying compliance burden and longer refresh cycles in HCM and Payroll

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

Zalaris is the MCP provider of choice for enterprise customers in Northern Europe

Overview of competitive landscape (mgmt. assessment)



Why Zalaris win

- ✓ Customers needing one common IT solution to be integrated with Global HR solution
- ✓ Perfect for large multi-country deals headquartered in Nordics, Germany and UK&I
- ✓ Significant number of employees in HQ country and surrounding countries
- ✓ Smaller tail-end countries that can be served by partners
- ✓ Need for local competence and knowledge

Source: Company view

Financial strategy and targets

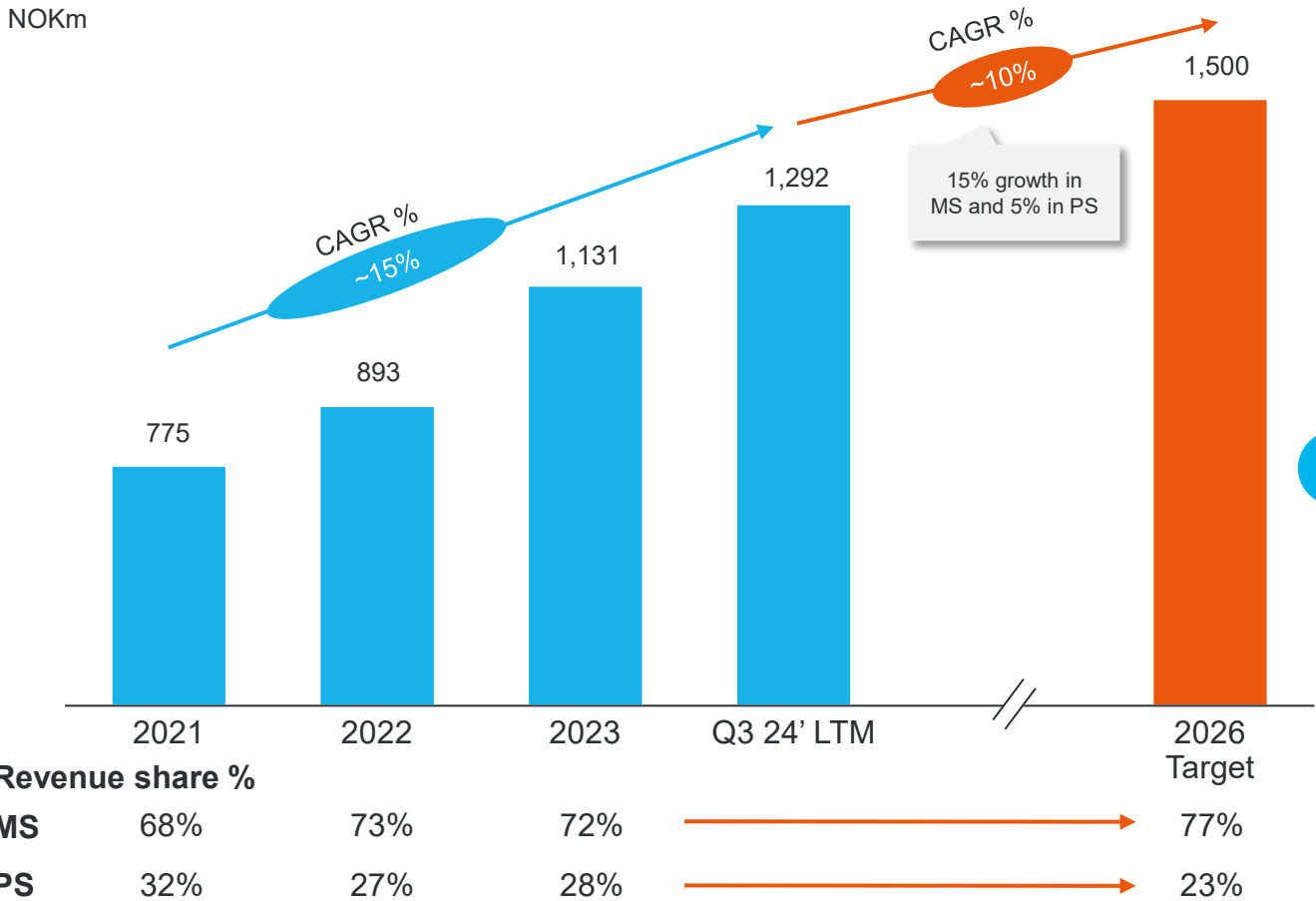


Simplify work life.
Achieve more.



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

Revenue development and revenue target



Key growth and margin initiatives

- 1 Drive revenue growth through continued new customers growth and upsell from 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

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% cash
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-four years of continued growth combined with scalable solutions delivering value short- and medium-term

- 1) **Zalaris PeopleHub is increasingly in favour by mid-market and large customers** seeking to digitalize their Payroll & HR processes resulting in 22% reported growth in Q3'24. We are now a **>110 MEUR annualized revenue company** and expect to **continue delivering above our 10% annual average growth target over the next 24 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% adj. EBIT target for 2024.** We are now aiming higher and are **targeting 12-15% EBIT over the next 24 months.**
- 3) **Focus on capital allocation starting to show effect** and in combination with increased profitability will drive **cash flow toward our target level of ~70% of EBITDA.**

Appendix



Simplify work life.
Achieve more.



Condensed Profit and Loss

	2024	2023	2024	2023	2023 *
(NOK 1 000)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Revenue	339 682	278 157	981 406	820 761	1 133 971
License costs	27 113	24 644	79 363	76 733	103 231
% of revenue	8,0 %	8,9 %	8,1 %	9,3 %	9,1 %
Personnel expenses	165 156	139 862	500 233	436 195	589 845
% of revenue	48,6 %	50,3 %	51,0 %	53,1 %	52,0 %
Other operating expenses	87 169	74 298	255 535	205 839	287 068
% of revenue	25,7 %	26,7 %	26,0 %	25,1 %	25,3 %
(Gain)/loss on sale of assets	-	-	(10 503)	-	-
Amortisation implementation costs customer projects	12 670	8 959	34 039	23 850	33 765
Depreciation, amortisation and impairments	16 523	15 008	46 805	44 221	59 940
EBIT	31 051	15 387	75 934	33 922	60 122
Adjustment items**	6 027	8 278	24 396	28 447	35 647
Adjusted EBIT	37 078	23 665	100 330	62 368	95 768
Adjusted EBIT margin %	10,9 %	8,5 %	10,2 %	7,6 %	8,4 %
Net financial income/(expense)	(21 086)	1 009	(51 203)	(58 937)	(74 630)
Profit/(loss) for the period	8 292	13 370	20 042	(23 843)	(18 980)
Total comprehensive income	19 125	(1 684)	40 898	4 325	26 798

* 2023 accounts are reclassified

*Items excluded from adjusted EBIT Q3 2024: share-based payments (NOK -0.8m), amortization of excess values on acquisitions (NOK 3.5m), strategic process costs (NOK 2.5m) and negative EBIT vyble (NOK 0.8m) - see definition of adj. EBIT under APMs in the interim financial report

Condensed Balance Sheet

	2024	2023	2023
(NOK 1 000)	30. Sept	30. Sept	31. Dec
Fixed and intangible assets	470 114	448 813	468 355
Trade accounts receivable	276 712	241 696	263 649
Customer projects assets	260 739	187 688	197 106
Cash and cash equivalents	180 111	120 750	135 970
Other assets	70 203	55 203	46 467
Total assets	1 257 879	1 054 150	1 111 547
Equity	244 023	177 562	202 954
Interest-bearing loans and borrowings	466 460	457 878	454 496
Lease liabilities	67 076	53 088	47 054
Customer projects liabilities	229 672	161 363	182 588
Other liabilities	250 648	204 257	224 455
Total assets	1 257 879	1 054 150	1 111 547

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	1 482 298	6,70 %	Nominee
4	VERDIPAPIRFONDET DNB SMB	1 343 824	6,07 %	Ordinary
5	J.P MORGAN SE	1 327 608	6,00 %	Nominee
6	CODEE HOLDING AS	1 110 735	5,02 %	Ordinary
7	VESTLAND INVEST A/S	950 659	4,29 %	Ordinary
8	J.P MORGAN SE	772 759	3,49 %	Nominee
9	VERDIPAPIRFONDET NORGE SELEKTIV	703 551	3,18 %	Ordinary
10	SKANDINAVISKA ENSKILDA BANKEN AB	653 734	2,95 %	Nominee
11	ZALARIS ASA	449 844	2,03 %	Ordinary
12	AS MASCOT HOLDING	441 026	1,99 %	Ordinary
13	HARLEM FOOD AS	386 837	1,75 %	Ordinary
14	ØLJA AS	366 261	1,65 %	Ordinary
15	SKANDINAVISKA ENSKILDA BANKEN AB	300 000	1,36 %	Nominee
16	NÆRINGSLIVETS HOVEDORGANISASJON	273 216	1,23 %	Ordinary
17	TACONIC AS	262 040	1,18 %	Ordinary
18	VERDIPAPIRFONDET NORDEA AVKASTNING	507 705	2,29 %	Ordinary
19	BSN AS	240 000	1,08 %	Ordinary
20	A/S SKARV	225 000	1,02 %	Ordinary
	Other shareholders	5 340 254	24,13 %	
	Total number of shares	22 135 179	100,00 %	
	The largest 20 shareholders (incl Zalaris)		75,87 %	

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
Edison	Katherine Thompson	kthompson@edisongroup.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.

