



Simplify work life. Achieve more.

Presentation of interim financial results | Q2 2020

Agenda

1. Highlights
2. Financial Review
3. Markets and Outlook
4. Q&A



Hans-Petter Mellerud
Founder and CEO



Gunnar Manum
CFO



Second quarter 2020: Continued EBIT improvement

- Strong **positive development in EBIT** and **Cash Flow**
- Signed **several new agreements and expansions** despite **Covid-19 resulted in a slow-down in closing new contracts** during the quarter.
- Proactively and **successfully servicing our customers** in a challenging **Covid-19** environment.
- Based on the current financial performance of the Company the **Board will propose a dividend** of minimum NOK 0.5 per share for 2020

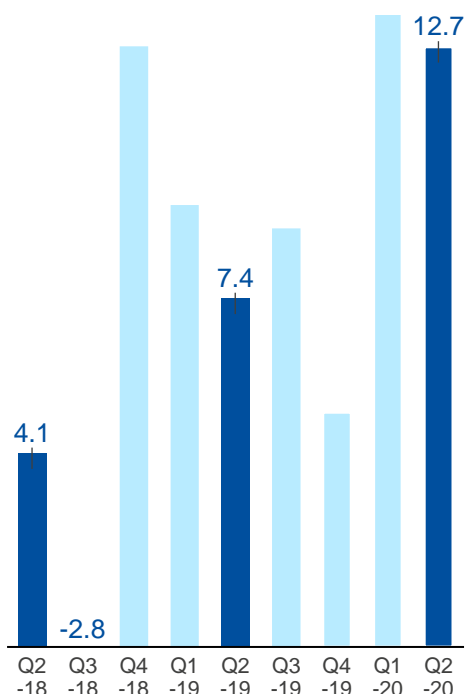


Positive margin development resulting from improvement efforts during the quarter

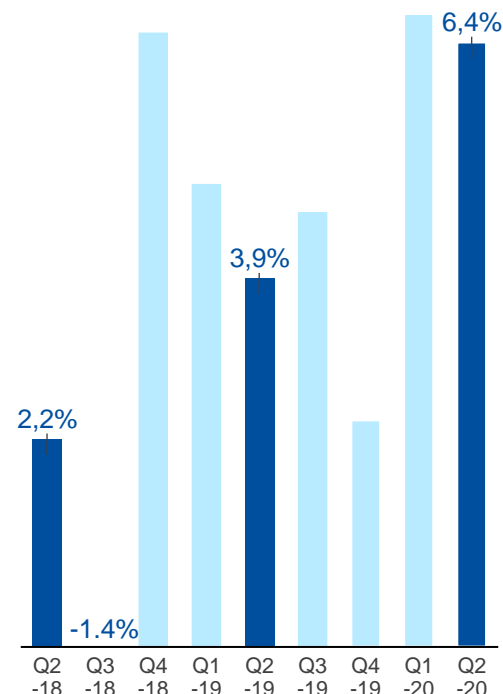
Revenue
NOK 198m (+6%)



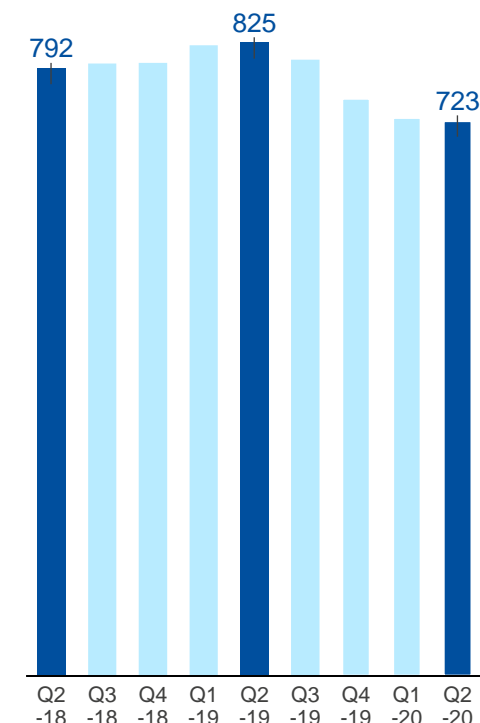
Adj. EBIT
NOK 12.7m (+72%)



Adj. EBIT margin
6.4%



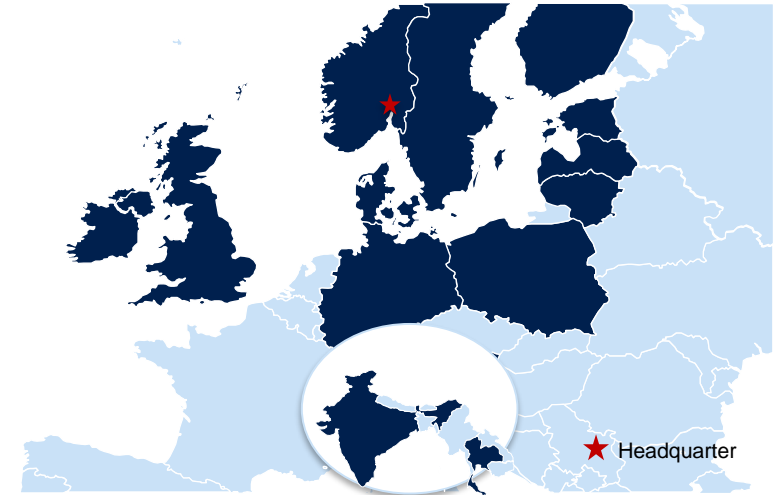
#FTEs
723 (-12.4%)



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 Services** 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**



2019 Revenue:
EUR 78 million

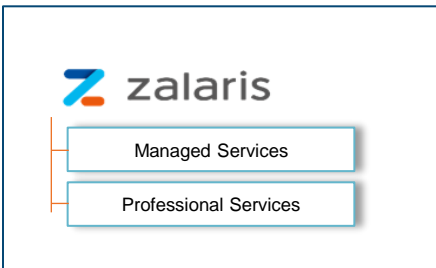
800
Zalaris employees

> 300,000
employees served monthly through payroll services

19
years of experience and continuous growth

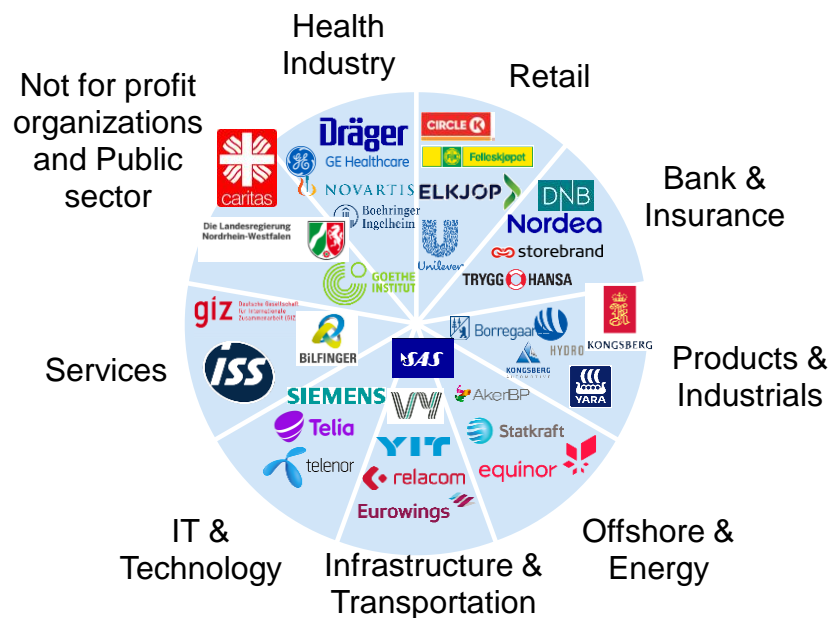
Local service centers in
12
countries with top-notch expertise in local laws and regulations

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

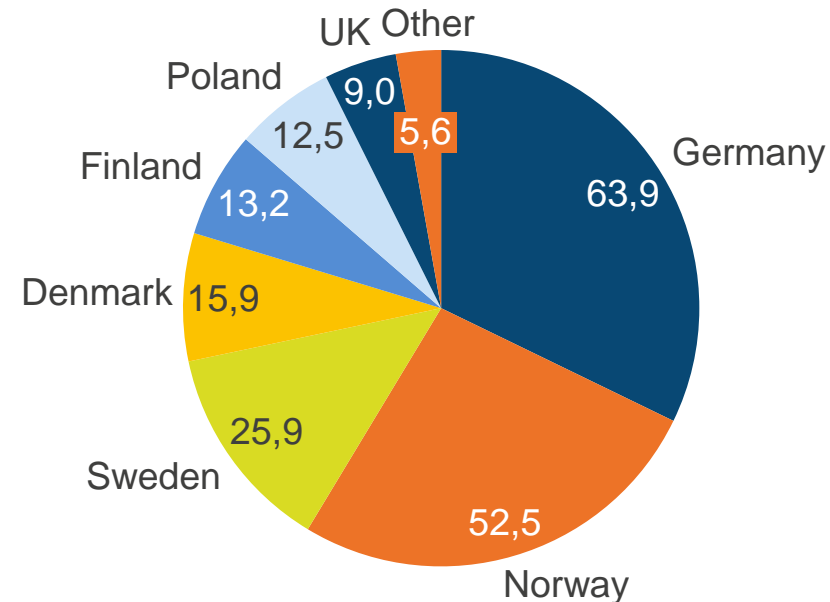


Diversified customer base with Germany as largest country

Diversified across industries and sectors



Revenue per country Q2 2020 (NOKm)



Signed several new agreements and expansions

- Covid-19 resulted in a slow-down in closing new contracts during the quarter
- Pipeline remains strong and Covid-19 is expected to give a positive effect going forward
- Positive results from new Oracle Payroll partnership



New 10 years Master Services Agreement with leading Nordic Bank with 19'000+ employees for payroll and HR Services



New contract for implementation of SuccessFactors for Stadwerke Krefeld in Germany



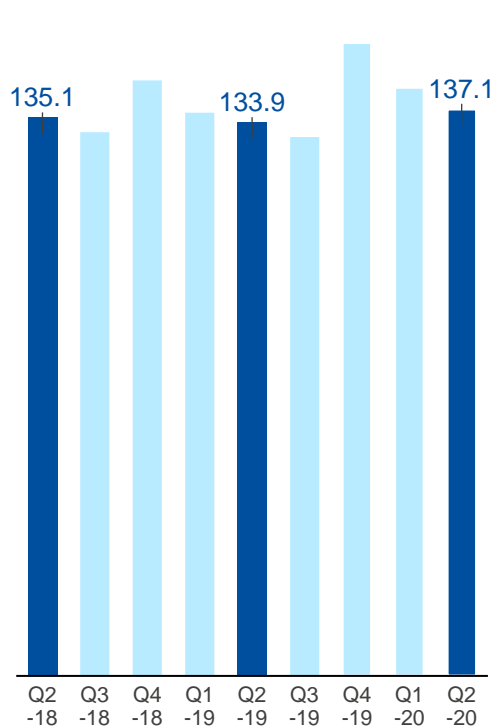
Numerous expansions of agreements with existing UK customers for Business Continuity Services



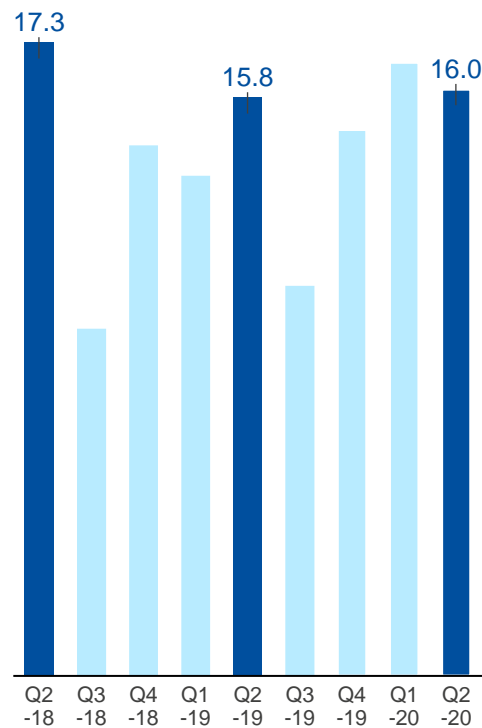
New contract for the implementation of Payroll for Trøndelag County Municipality's 5000+ employees in Norway in partnership with Oracle

Maintained stable recurring revenue in Managed Services

Revenue
NOK 137.1m (+2.4%)



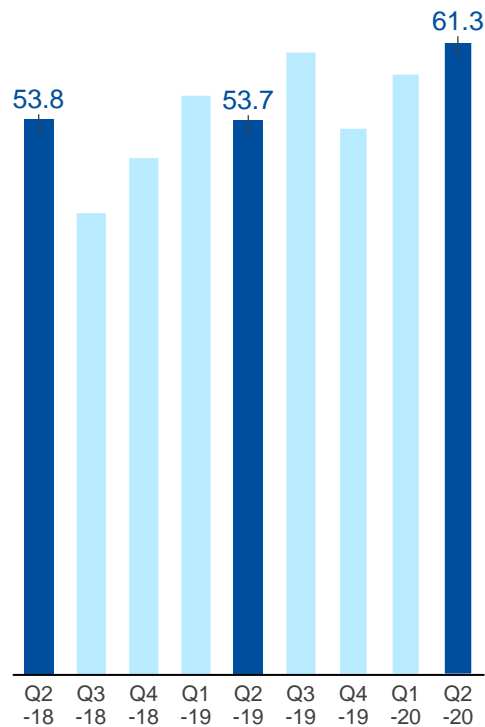
EBIT
NOK 16.0m (+1.3%)



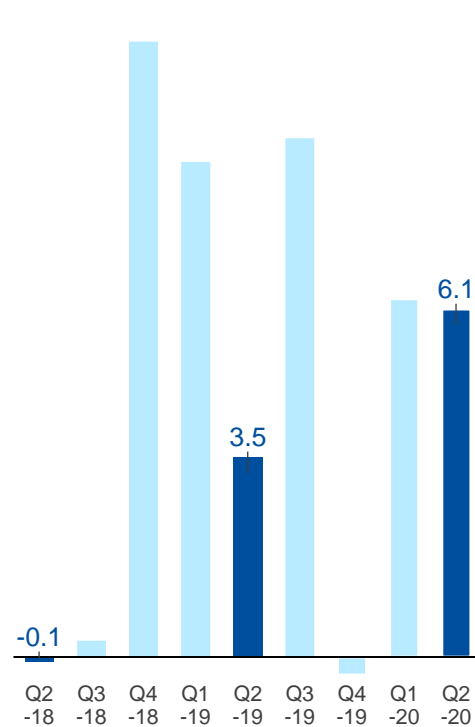
- Revenue approx. in line with Q2 last year. Some reductions due to reduced volume of travel expense processing.
- Zero churn and 90%+ recurring revenue
- Management focus on executing on defined Business Continuity Plan to secure customer deliveries
- Realized additional approx. NOK 1 mill monthly cost savings from Q4 through streamlining of organization

Grew Professional Services revenue and margin developed positively

Revenue
NOK 61.3m (+14.2%)



EBIT
NOK 6.1m* (+74.3%)

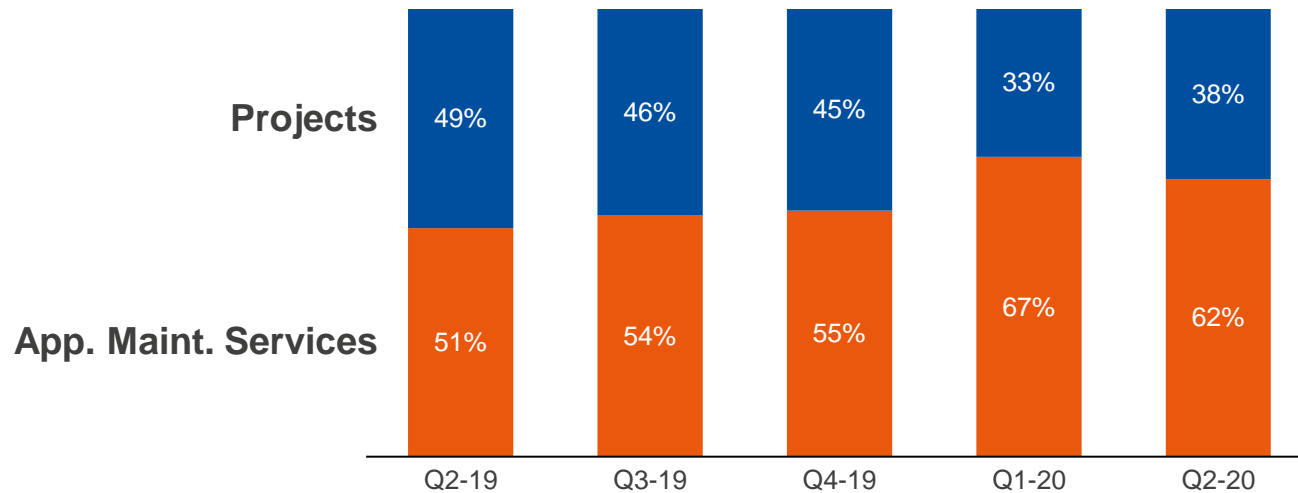


- Strong revenue growth to new and existing customers in Poland and UK&I
- Reducing management layer in German organization increased agility
- Operational efficiency and capacity adjustments start to show effects
- Approx. 80% of Q2 revenue was with customers that were also customers 12 months prior

*Adjusted for one-off redundancy provision of NOK 2.0m

More than 60% of Professional Services revenue is recurring and supports a continuous presence with customers

Distribution of Projects vs long term AMS based revenue



- **60%+ 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 Group research

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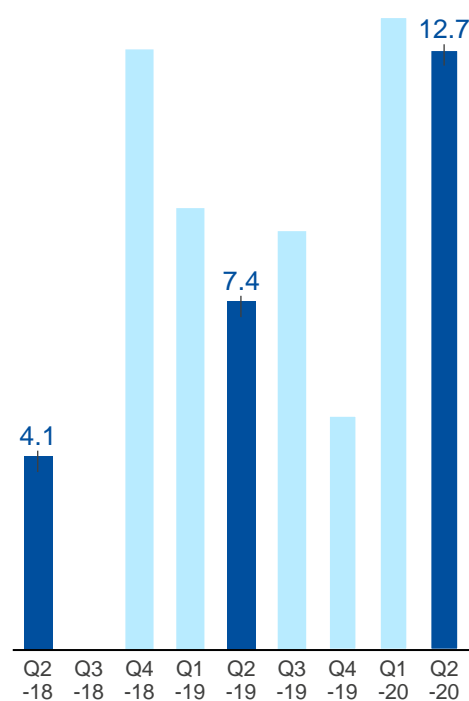


Revenue growth of 6% y-o-y

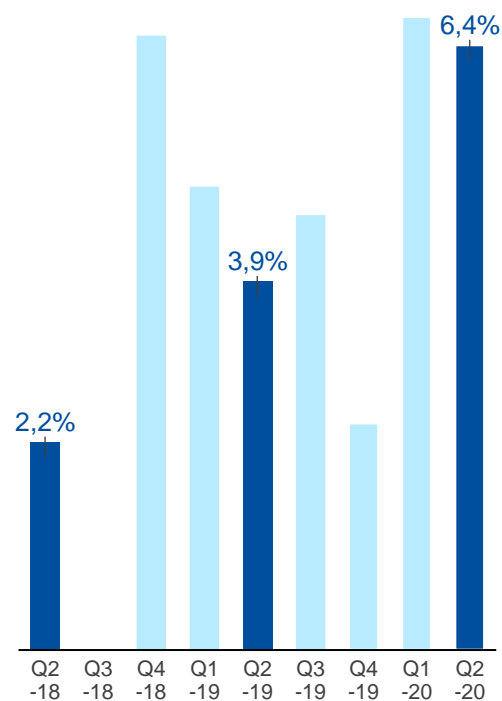
Revenue
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Adj. EBIT
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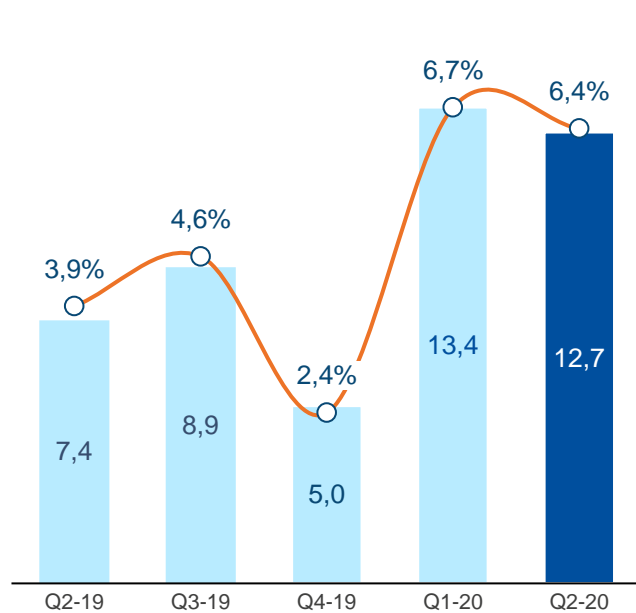
Adj. EBIT margin
6.4%



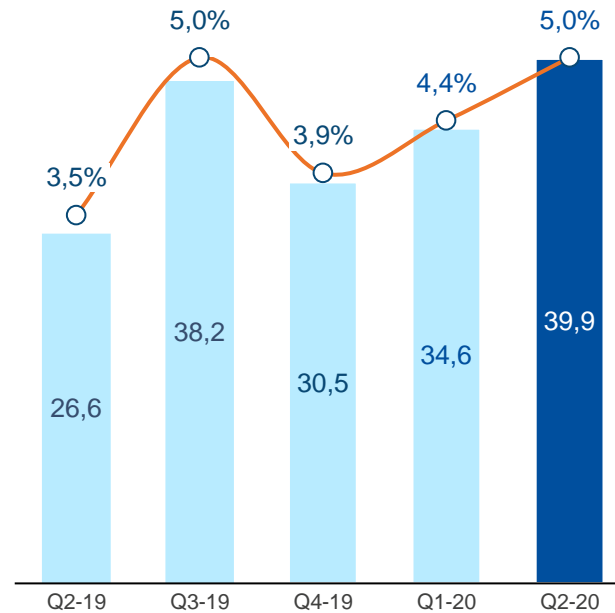
- Revenue for the quarter approx. in line with Q2 last year when adjusted for positive one-off revenue effects last year and currency movements
- Stable recurring revenue within Managed Services and good revenue generation from existing customers within Professional Services
- Covid-19 resulted in a slow-down in closing contracts with new customers during the quarter
- Adj. EBIT increased by 71.6% compared to last year
- Efficiency improvements and cost reduction initiatives gradually impacting EBIT margin positively
- Underlying cost base reduced by ~NOK 27m (-9%) year-to-date 2020 compared to last year

EBIT margins gradually improving

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



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



- Adj. EBIT increased by 71.6% compared to last year
- Adj. EBIT LTM has increased by 50.0% compared to last year
- Efficiency improvements and cost reduction initiatives gradually impacting EBIT margin positively
- Underlying cost base reduced by ~NOK 27m (-9%) year-to-date 2020 compared to last year

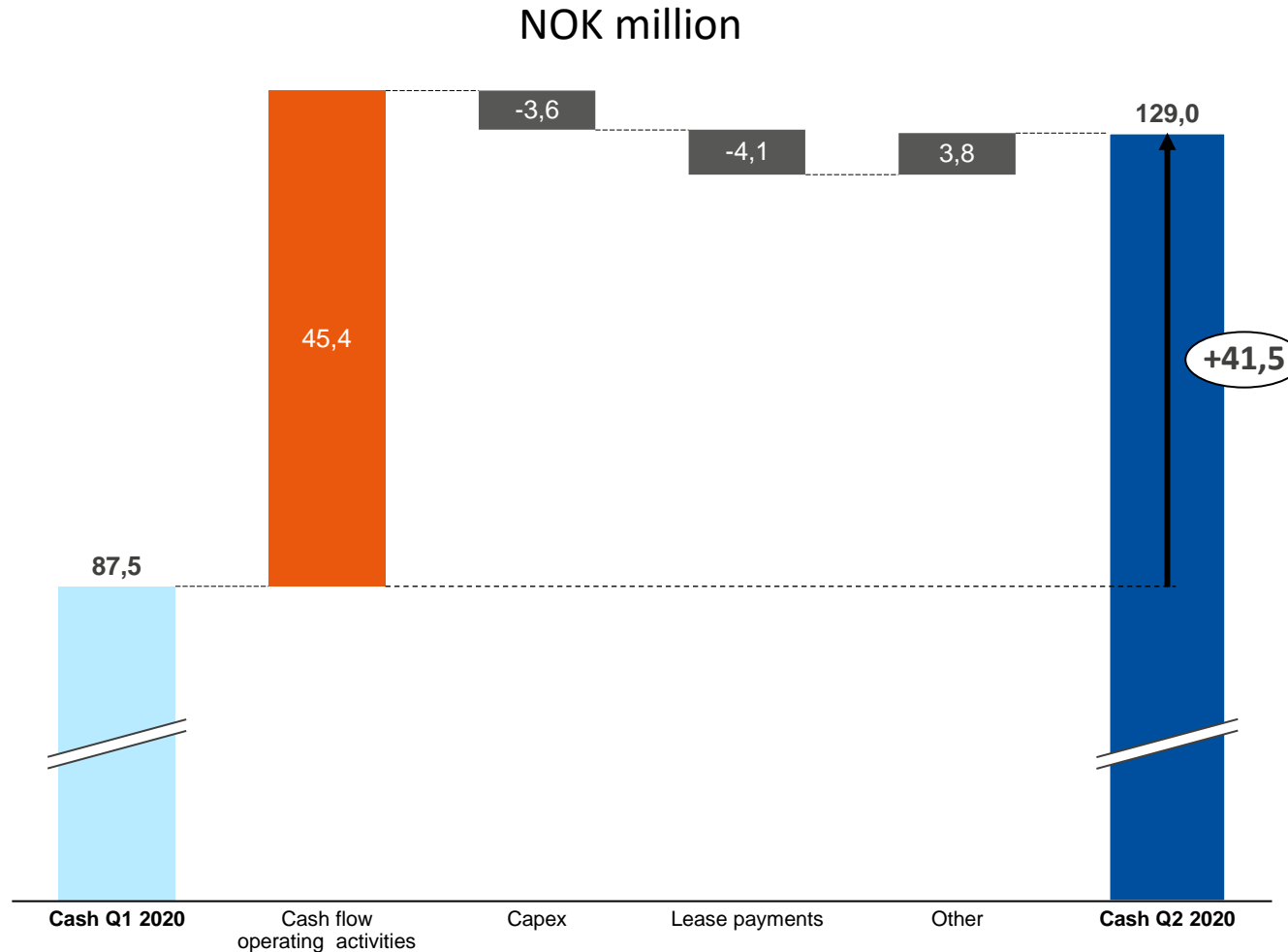
Condensed Profit and Loss

(NOK 1 000)	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Revenue	198 445	187 548	399 056	379 899	776 792
License costs	16 237	13 904	33 235	28 832	67 981
Personnel expenses	113 131	106 911	224 710	214 480	438 543
Other operating expenses	39 759	40 381	80 940	82 416	166 887
Amortization implementation costs customer projects	8 939	8 714	17 541	17 011	36 606
Depreciation, amortization and impairments	13 012	13 226	25 811	26 265	52 684
EBIT	7 367	4 412	16 818	10 895	14 091
Adjustment items	5 323	2 965	9 263	5 534	16 149
Adjusted EBIT*	12 690	7 377	26 081	16 429	30 240
<i>Adjusted EBIT margin</i>	<i>6,4 %</i>	<i>3,9 %</i>	<i>6,5 %</i>	<i>4,3 %</i>	<i>3,9 %</i>
Net financial income/(expense)	19 785	(8 710)	(52 211)	(7 572)	(24 051)
Profit/(loss) before tax	27 152	(4 298)	(35 393)	3 323	(9 960)
Income tax expense	(4 733)	974	9 261	(383)	2 950
Profit/(loss) for the period	22 420	(3 324)	(26 132)	2 940	(7 010)
Basic earnings per share (NOK)	1,14	(0,17)	(1,33)	0,15	(0,36)

- **Significant improvement** in adj. **EBIT margin** (%) compared to last year – 6.4% vs. 3.9%
- **EBIT improvement program** has resulted in a ~10% lower cost base (NOK 15.2m) YoY, however this has been offset by less costs being capitalised to customer projects and currency movements
- **Unrealised currency gain of NOK 25.6m**, relating the EUR 35m bond loan and other foreign currency denominated items

* Items excluded from adjusted EBIT Q2 2020: restructuring costs (NOK 2.0m), share-based payments (NOK 0.5m) and amortization of excess values on acquisitions (NOK 2.8m). (see definition of adj. EBITDA under APMs in Q2 2020 Report)

Significant positive cash flow during the quarter



- **Cash balance increased by NOK 41.5m** during the quarter
- **Cash balance** at 30 June 2020 is **NOK 69.4m higher than last year** (Q2'19: NOK 59.6m)
- **Operating cash flow for the quarter of NOK 45.4m**, includes a reduction in trade receivables of NOK 23.8m and deferred VAT payments (Covid-19 relief) of NOK 8 - 10m

Condensed Balance Sheet

(NOK 1 000)	2020 30. Jun	2019 30. Jun	2019 31.Dec
Fixed and intangible assets	360 477	364 051	354 184
Trade accounts receivable	138 118	162 531	148 614
Customer projects assets	84 763	99 665	88 808
Cash and cash equivalents	128 953	59 570	82 448
Other assets	38 119	38 965	38 984
Total assets	750 430	724 783	713 038
Equity	101 522	100 094	92 166
Interest-bearing loans and borrowings	406 892	368 293	369 058
Lease liabilities	30 961	44 476	35 635
Customer projects liabilities	52 255	60 645	55 740
Other liabilities	158 799	151 276	160 440
Total equity and liabilities	750 430	724 783	713 038

- **Cash** and cash equivalents of NOK 129.0 million, **up by NOK 41.5 million** from previous quarter
- Lease liabilities relate to right-of-use assets, and primarily rental contracts for premises (IFRS 16)
- **Net interest-bearing debt** of NOK 277.9 million, **decreased by NOK 66.6 million** from previous quarter
- Based on the current financial performance of the Company the Board will propose a dividend of minimum NOK 0.5 per share for 2020

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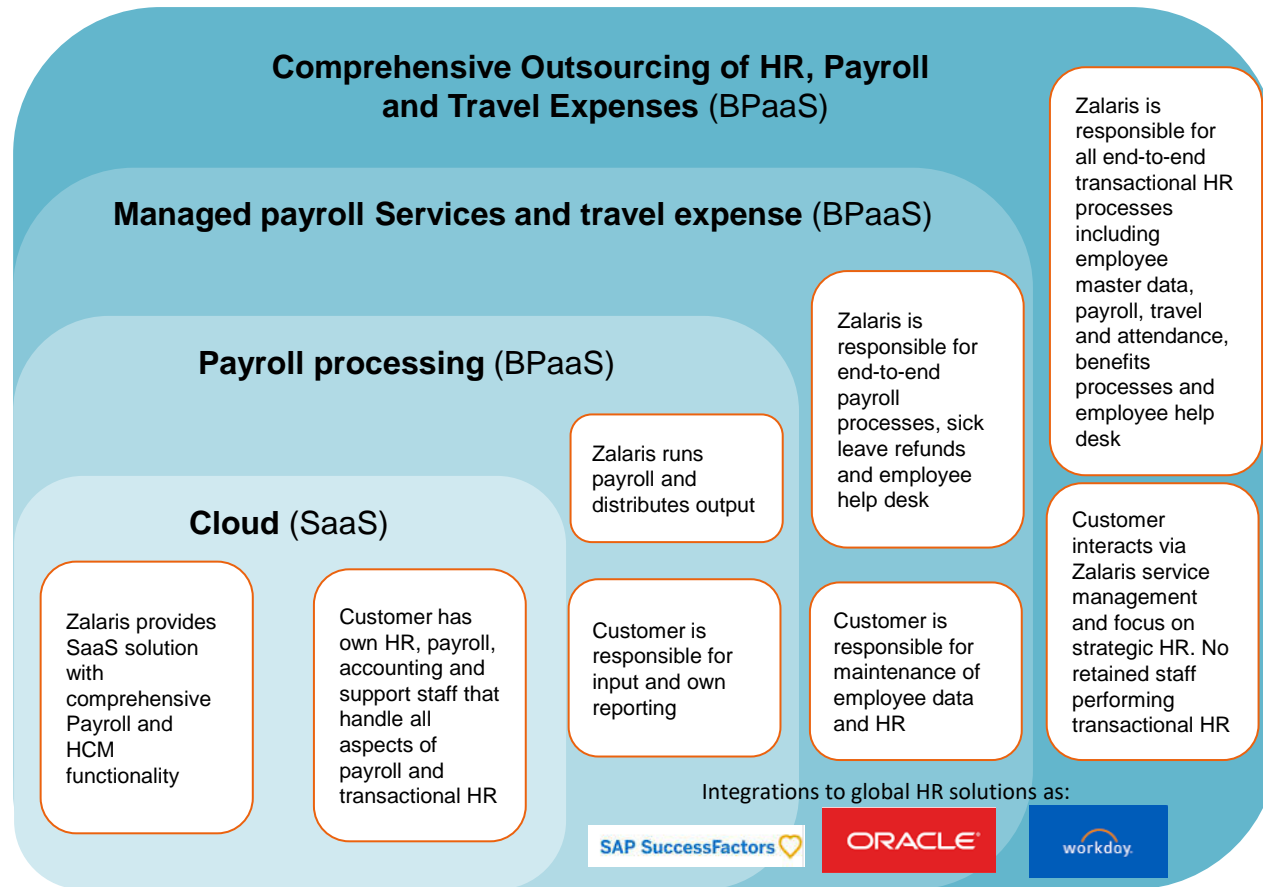


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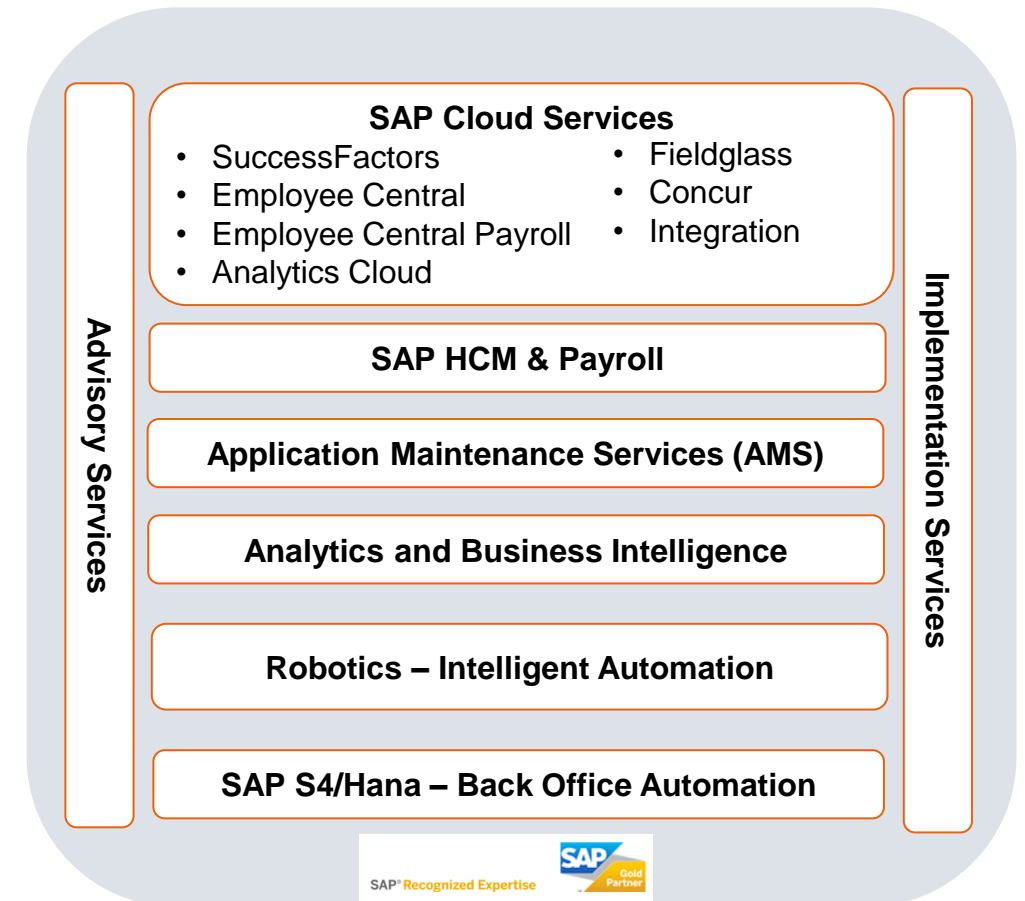
20
years

A complete Payroll and HR partner to mid- and large size organizations

MANAGED SERVICES (MS)



PROFESSIONAL SERVICES (PS)



Professional Services is responsible for the delivery of traditional consulting projects as well as outsourcing- and cloud implementation projects



Attractive market opportunities

- **Growing Market**

- *“The global human capital management market (HCM) market size stood at USD 15,04 Billion in 2018 and is projected to reach **USD 30,55 Billion** by 2026, exhibiting a **CAGR of 9,4%** during the forecast period”* according to Fortune Insights
- Everest Research projects the **Multi Country Payroll** market to grow with **18-21%** per year

- **Recognized by customers and industry analyst** as one of the leaders in Multi Process HR Outsourcing, Multi Country Payroll and Cloud based HR Transformation powered by SuccessFactors.

- **Expected increased demand** resulting from organizations implementing digital HR processes or looking to reduce costs driven **from Covid-19**

- **Increasing M&A activity** in the opening up for consolidation and non-organic growth

We continue work on #BestingOurselves

- **Continue improving margins** towards our communicated **10% target** through organizational simplification, increased productivity, automation and utilization of our near- and offshore assets
- **Deliver our 20th year of uninterrupted growth** through expanding relationships with existing customers, explore new verticals as the municipality market in Norway and focus on core products and services combined with improved efficiency of marketing and sales
- **Grow Managed Services** through **scaling existing solutions into Central Europe, UKI and Ireland** and benefit from expected increased demand as a result of the Covid-19
- **Operate Professional Services as a global business** unit and further develop the potential of our solid partnership with **SAP**
- Explore **non-organic growth** options
- Creating more **Net Promoting Customers** - and **Employees**

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20
years

Zalaris introduces its own team in the world's toughest triathlon to represent our motto in its purest form #bestingmyself

The sponsorship of #teamZalaris for Norseman supports one of Zalaris' values - Aiming High. Together, this four-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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zalaris
NORSEMAN
POWERED BY REBRALT

AKTIV
against cancer



“

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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Hans-Petter Mellerud, CEO & Founder