



Simplify work life. Achieve more.

Presentation of interim and preliminary full-year financial results | Q4 2020

Agenda

20
years

1. Highlights

2. Financial Review

3. Markets and Outlook

4. Q&A



Hans-Petter Mellerud
Founder and CEO



Gunnar Manum
CFO

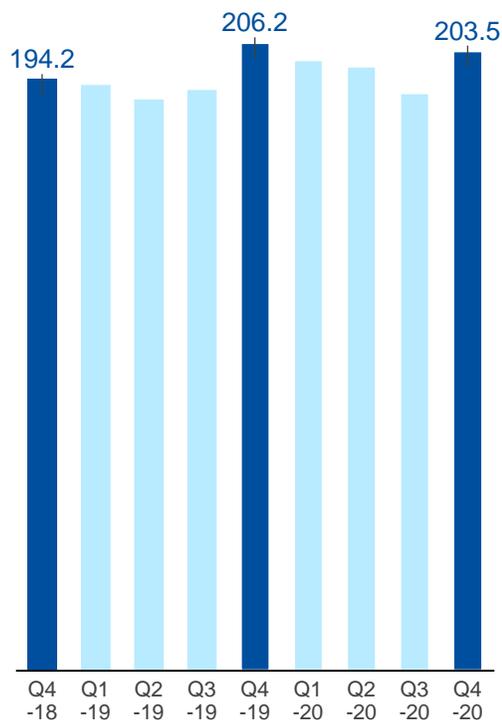
Fourth quarter 2020: All time high adj. EBIT

- Revenue of NOK 203.5 million for Q4 (-1.3%) and NOK 792.3 million for the full-year (+2.0%) – **the 20th year of uninterrupted growth**
- **Strong positive development in EBIT** resulting in **all time high adj. EBIT** for the quarter and full-year
- **Signed a 5-year BPO agreement with Metsä** for delivery of multi-country payroll services covering **10,000+ employees** in **28 countries**
- Continued strong operating **cash flow**
- The board will propose a **dividend** of **NOK 1.00 per share** for 2020

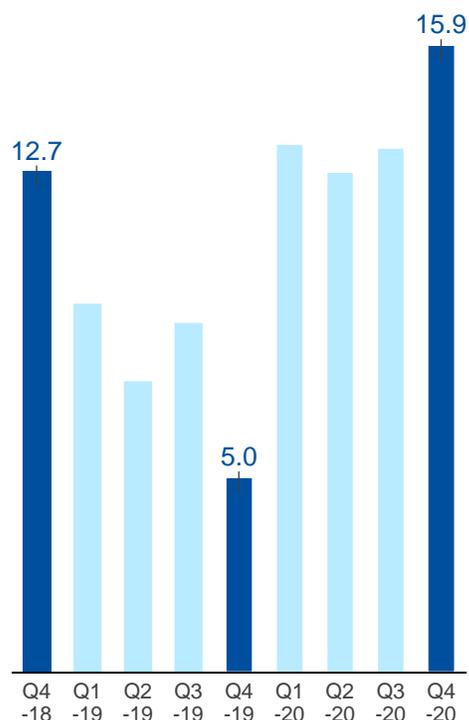


Positive margin development continuing during the quarter

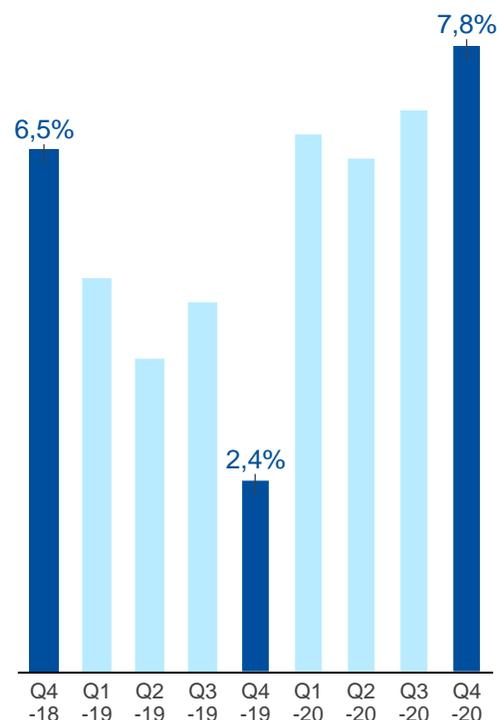
Revenue
NOK 204m (-1.3%)



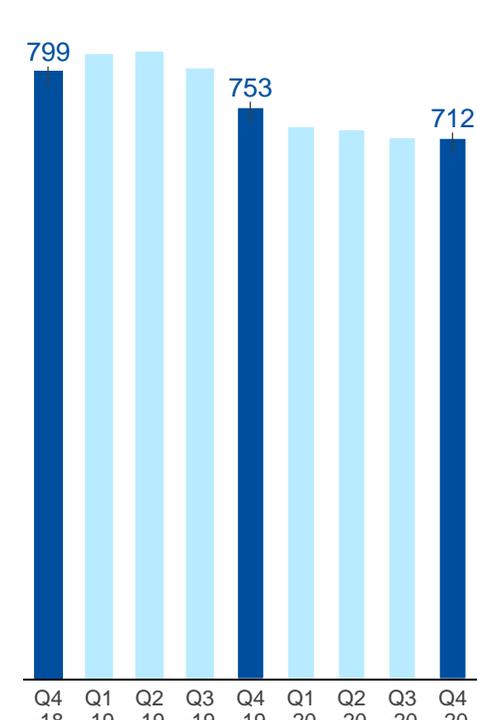
Adj. EBIT*
NOK 15.9m (+218%)



Adj. EBIT margin
7.8% (+5.4pp)



#FTEs
71 (-5.4%)



*See Q4 report for definitions of APMs

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

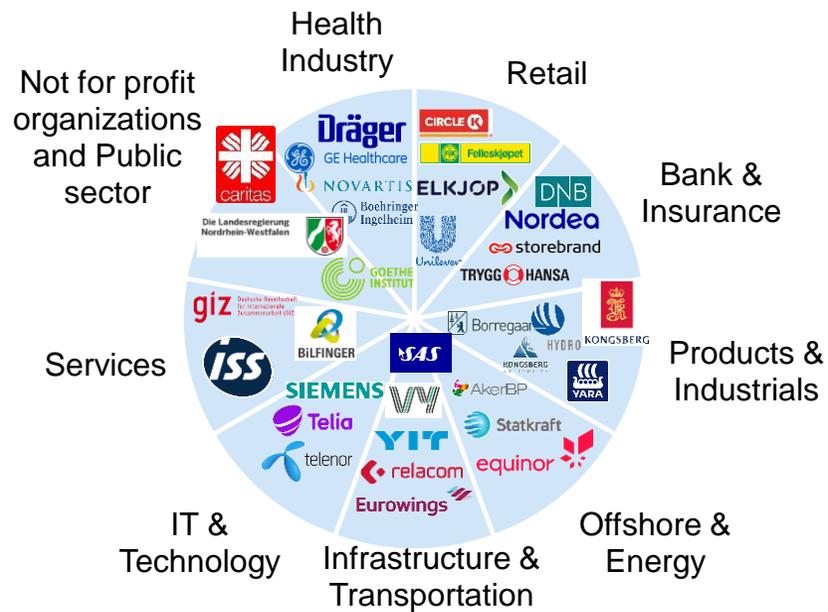
Local service centers in
12
countries with top-notch expertise in local laws and regulations

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

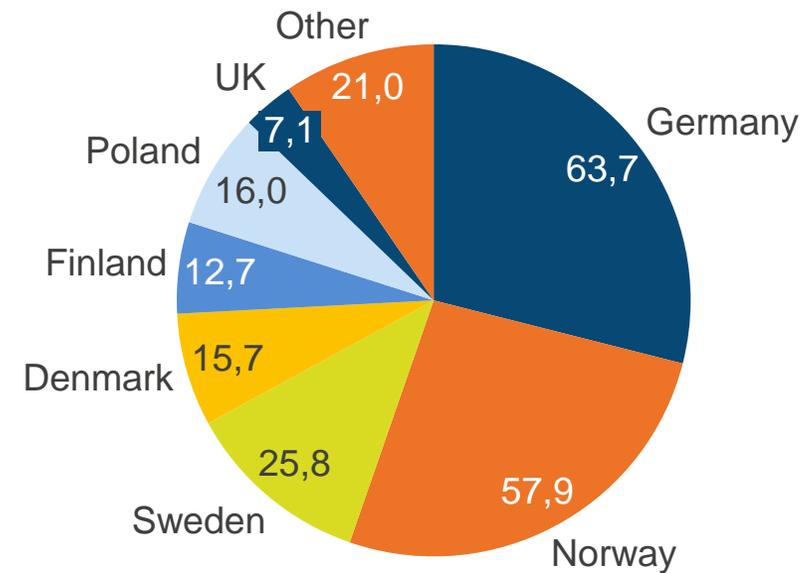


Diversified customer base with Germany largest market facing unit

Diversified across industries and sectors



Revenue per country Q4 2020 (NOKm)



Signed Multi-Country Payroll agreement with Metsä

- **Five-year agreement with Metsä Group** to deliver Multi-Country Payroll technology and outsourcing services based on the Zalaris PeopleHub platform
- Outsourcing services covering **10,000+ employees** operating in **28 countries**
- **Global processes**, supporting standardization, compliance and cost reduction based on Zalaris' PeopleHub platform
- **Strengthened position as a leading supplier of payroll and HR solutions to large companies** headquartered in the Nordics, Germany and UK.



Several other new agreements and renewals

- Several other **new BPO contracts and extensions** signed during Q4 and recent weeks
- **Pipeline of BPO opportunities continue to develop positively in all geographies** as companies are reevaluating their business continuity plans and cost situation coming from Covid-19



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



Agreement with **Elkjøp Nordic** to deliver Nordic Managed Payroll and HR services for another five-year term



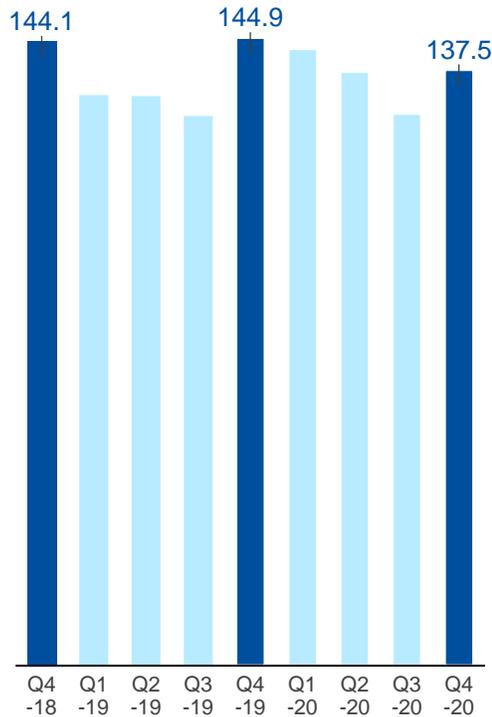
Allente Group selects Zalaris to deliver HR and Payroll Services in the Nordics



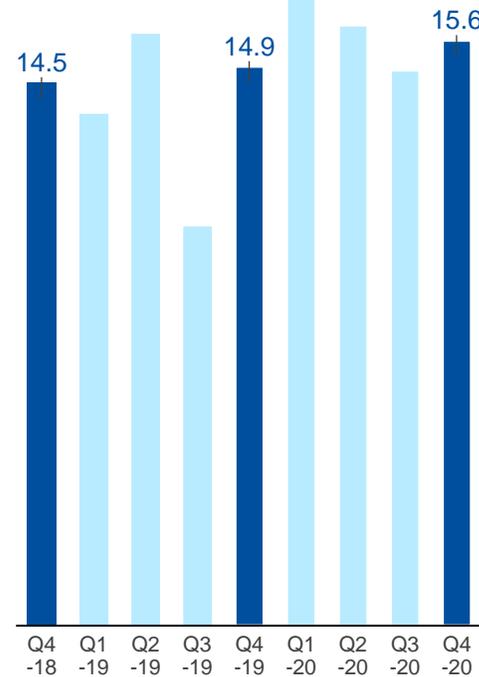
Leading international online gaming operator **Gamesys Group** select Zalaris for payroll technology and services.

Strong margin improvement in Managed Services

Revenue
NOK 137.5m (-5.1%)

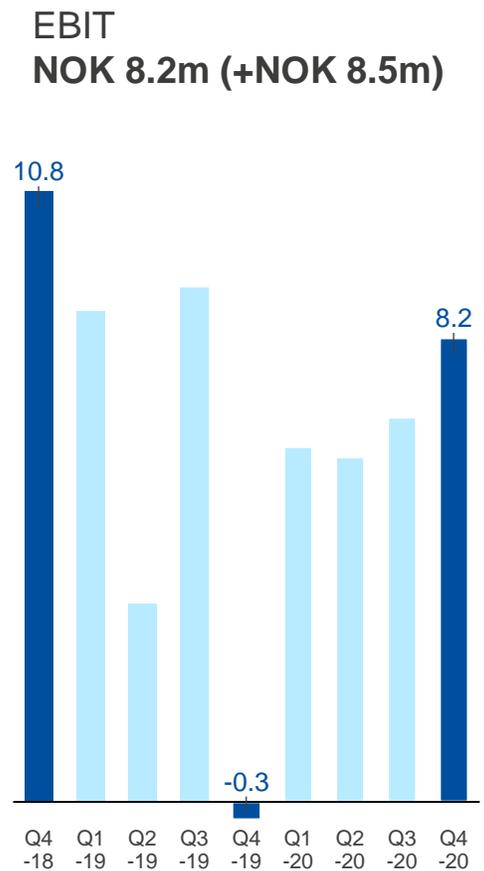
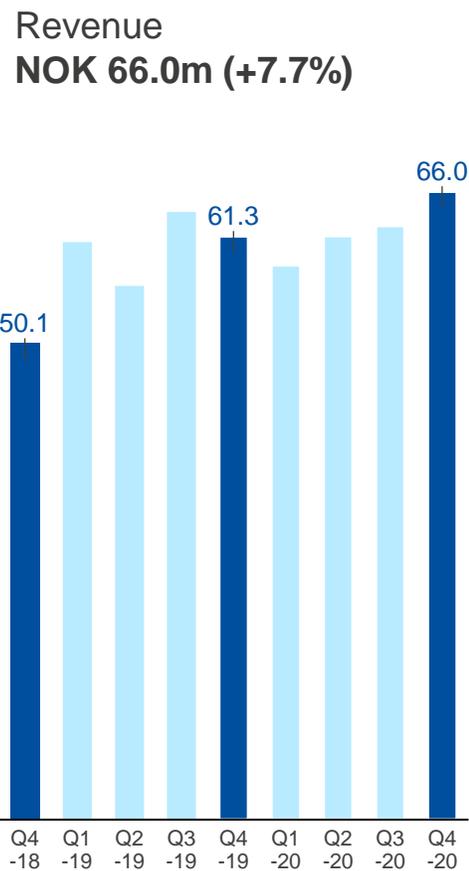


EBIT
NOK 15.6m (+7.6%)



- **~NOK 3-4 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
- **Minimal churn** 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**

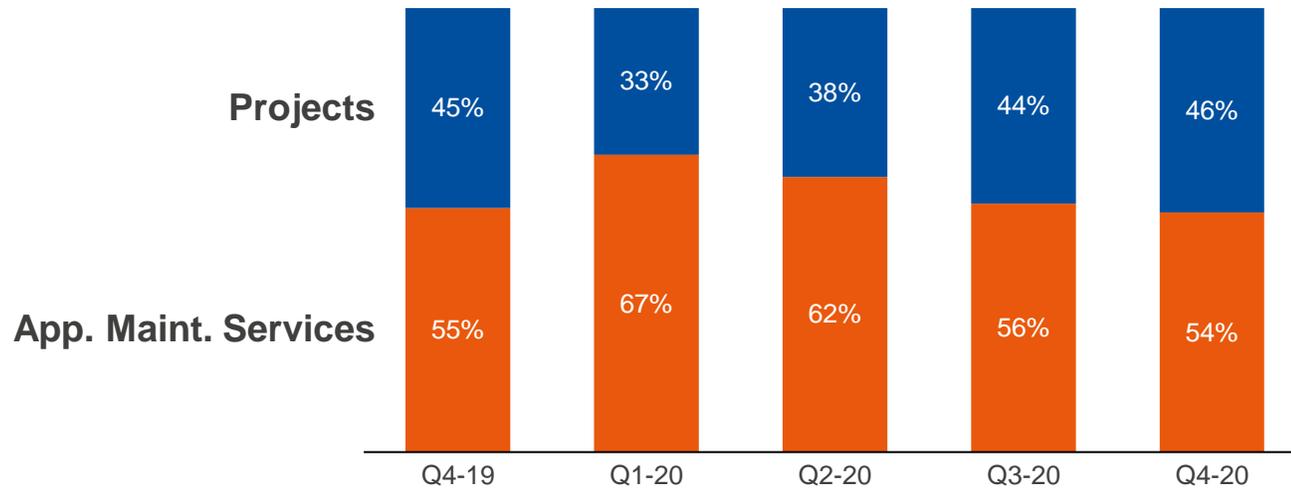
Grew Professional Services in Poland during the quarter



- Revenue in **Poland grew by ~57%** (+NOK 4.8m YOY) through new and existing customers
- Reducing management layer and **operational efficiency** and capacity adjustments start to **show effects**
- **Improved EBIT** through increased revenue (Poland) and lower costs (Germany) – restructuring process had a negative impact last year
- **Approx. 85% of Q4 revenue** was with customers that were also **customers 12 months prior**

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



- **~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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Founder and CEO

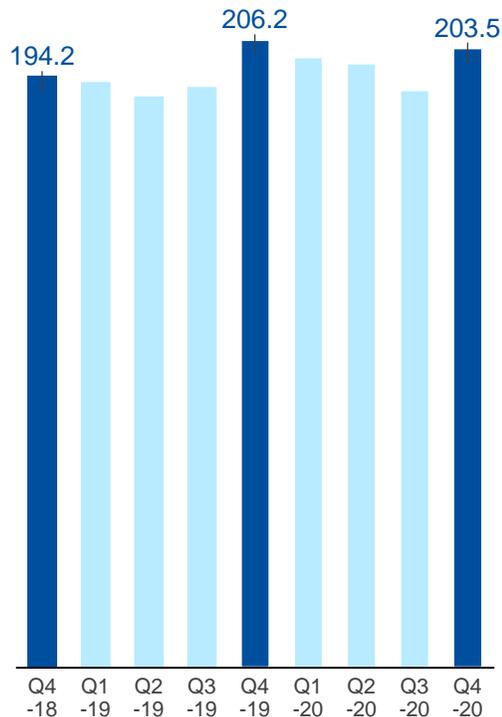


Gunnar Manum
CFO

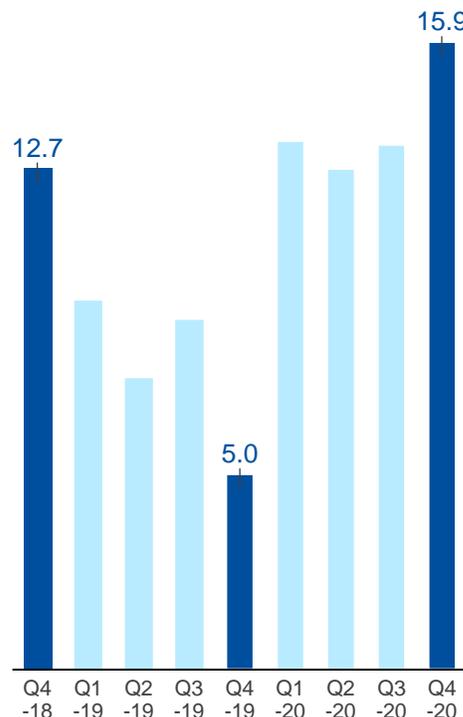
20
years

Stable revenue y-o-y and large EBIT improvement

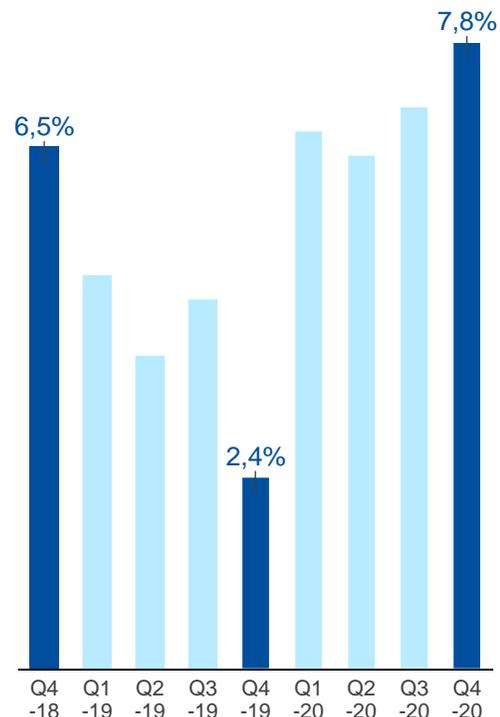
Revenue
NOK 204m (-1.3%)



Adj. EBIT*
NOK 15.9m (+218%)



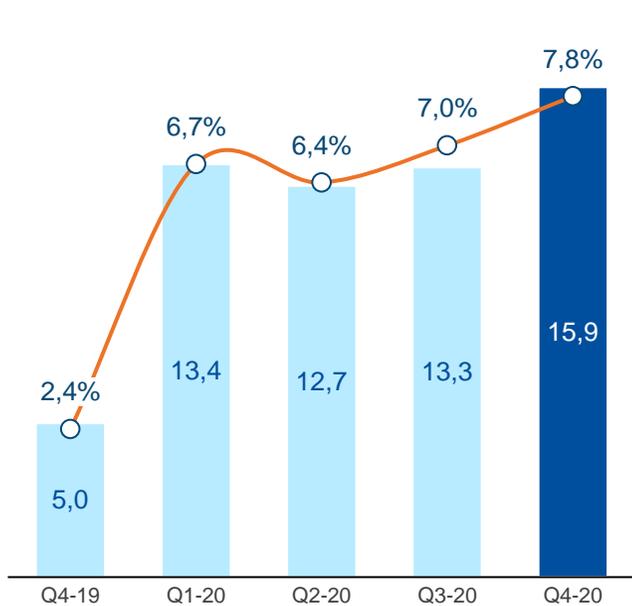
Adj. EBIT margin
7.8% (+5.4pp)



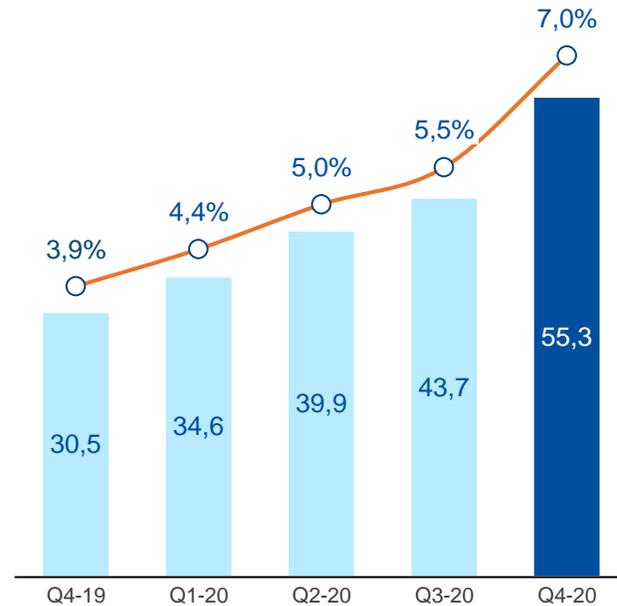
- **Revenue for the quarter marginally lower than last year**, with some lower volumes (e.g. travel expense processing and change orders) offset by **increased Profession Service revenue in Poland** and stronger EUR vs. NOK
- **Stable recurring revenue** within Managed Services, except for lower travel expense processing, and only minor churn during the quarter
- Efficiency improvements and cost reduction initiatives gradually impacting EBIT margin positively
- **Adj. EBIT increased by 218%** compared to last year

EBIT margins gradually improving

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



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



- **Adj. EBIT increased by 218%** compared to last year
- **Adj. EBIT margin (%) increased by 5.4 percentage points** compared to last year
- Efficiency improvements and cost reduction initiatives gradually impacting EBIT margin positively
- Underlying **cost base reduced by ~NOK 50m (-8%) FY 2020** compared to last year

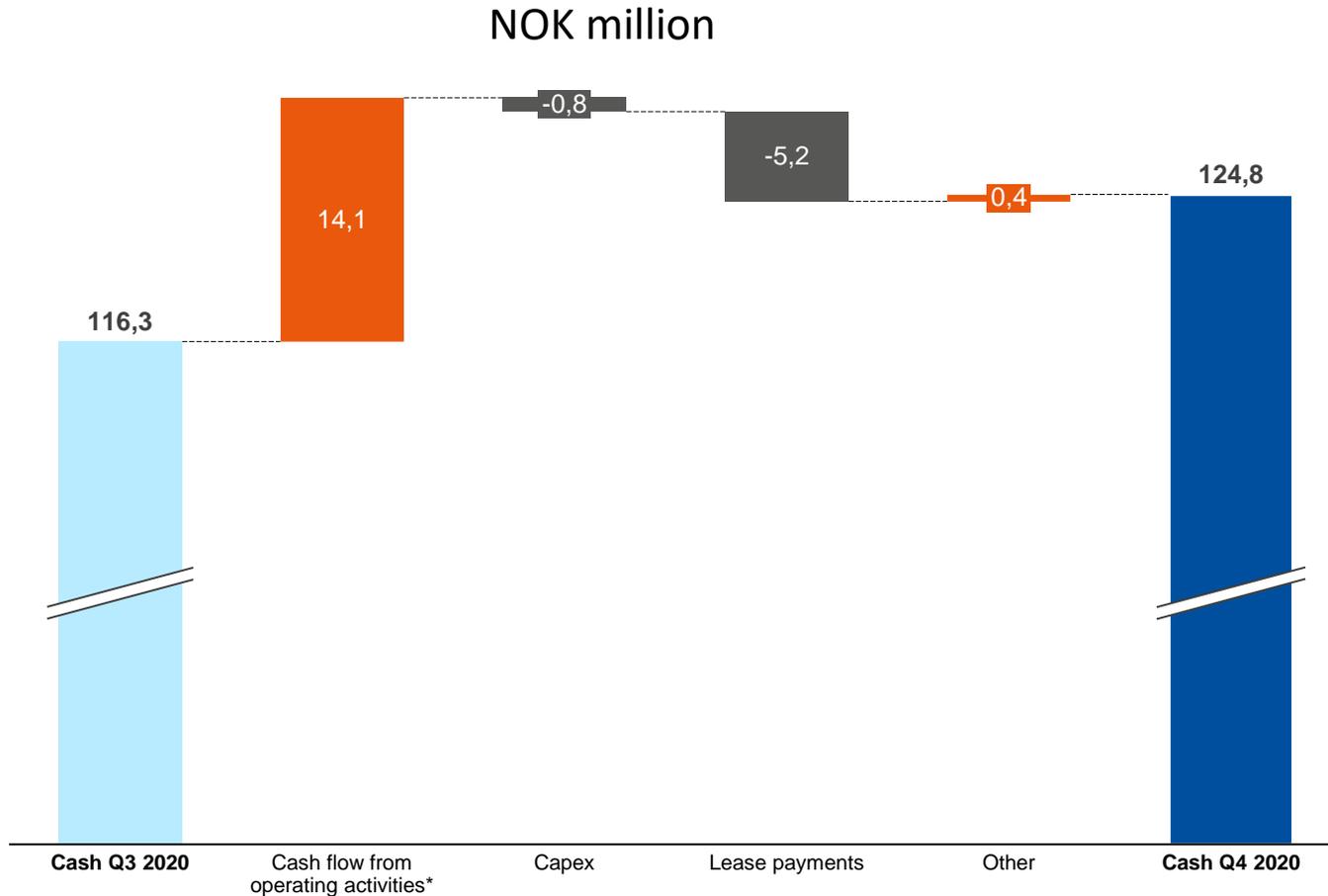
Condensed Profit and Loss

(NOK 1 000)	2020	2019	2020	2019
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Revenue	203 522	206 220	792 326	776 792
License costs	20 944	23 911	72 517	67 981
Personnel expenses	106 851	117 298	431 000	438 543
Other operating expenses	44 380	44 418	166 993	166 887
Amortization implementation costs customer projects	8 352	8 848	34 666	36 606
Depreciation, amortization and impairments	11 683	13 325	49 849	52 684
EBIT	11 311	(1 580)	37 302	14 091
Adjustment items	4 598	6 538	17 991	16 051
Adjusted EBIT*	15 909	4 958	55 292	30 142
Adjusted EBIT margin %	7,8 %	2,4 %	7,0 %	3,9 %
Net financial income/(expense)	13 685	(2 378)	(50 813)	(24 051)
Profit/(loss) before tax	24 997	(3 958)	(13 511)	(9 960)
Income tax expense	(7 437)	651	3 187	2 950
Profit/(loss) for the period	17 559	(3 307)	(10 324)	(7 010)
Basic earnings per share (NOK)	0,89	(0,17)	(0,53)	(0,36)

- **Significant improvement** in adj. **EBIT margin (%)** compared to last year – 7.8% vs. 2.4%
- **EBIT improvement program** has resulted in a **~9% lower personnel expenses** (NOK ~10m) YoY, when adjusted for more costs being capitalised to customer projects (NOK 5.9m vs. NOK 1.4m) during the quarter and currency movements. Personnel costs in Q4 2019 particularly high, due to restructuring costs
- **Unrealised currency gain of NOK 18.9m**, relating the EUR 35m bond loan and other foreign currency denominated items

* Items excluded from adjusted EBIT Q4 2020: restructuring costs (NOK 1.0m), share-based payments (NOK 0.9m) and amortization of excess values on acquisitions (NOK 2.7m). (see definition of adj. EBITDA under APMs in Q4 2020 Report)

Positive operating cash flow during the quarter



- **Operating cash flow** for the quarter of **NOK 14.1m**
- **Cash balance** at 31 December 2020 is **NOK 42.3m higher than last year**, after repayment of debt of NOK 17.5m (Q4'20: NOK 82.5m)

Condensed Balance Sheet

(NOK 1 000)	2020 31. Dec	2019 31. Dec
Fixed and intangible assets	334 608	354 184
Trade accounts receivable	148 651	148 614
Customer projects assets	78 246	88 808
Cash and cash equivalents	124 843	82 448
Other assets	34 386	38 984
Total assets	720 735	713 038
Equity	109 774	92 166
Interest-bearing loans and borrowings	377 077	369 058
Lease liabilities	22 896	35 635
Customer projects liabilities	50 256	55 740
Other liabilities	160 733	160 440
Total equity and liabilities	720 735	713 038

- **Cash** and cash equivalents of **NOK 124.8m**
- Lease liabilities relate to right-of-use assets, and primarily rental contracts for premises (IFRS 16)
- **Net interest-bearing debt** of NOK 252.3m, which is **NOK 28.4m lower** than last quarter due to increased cash and currency movements
- The Board plans to propose a **dividend of NOK 1.00 per share** for 2020

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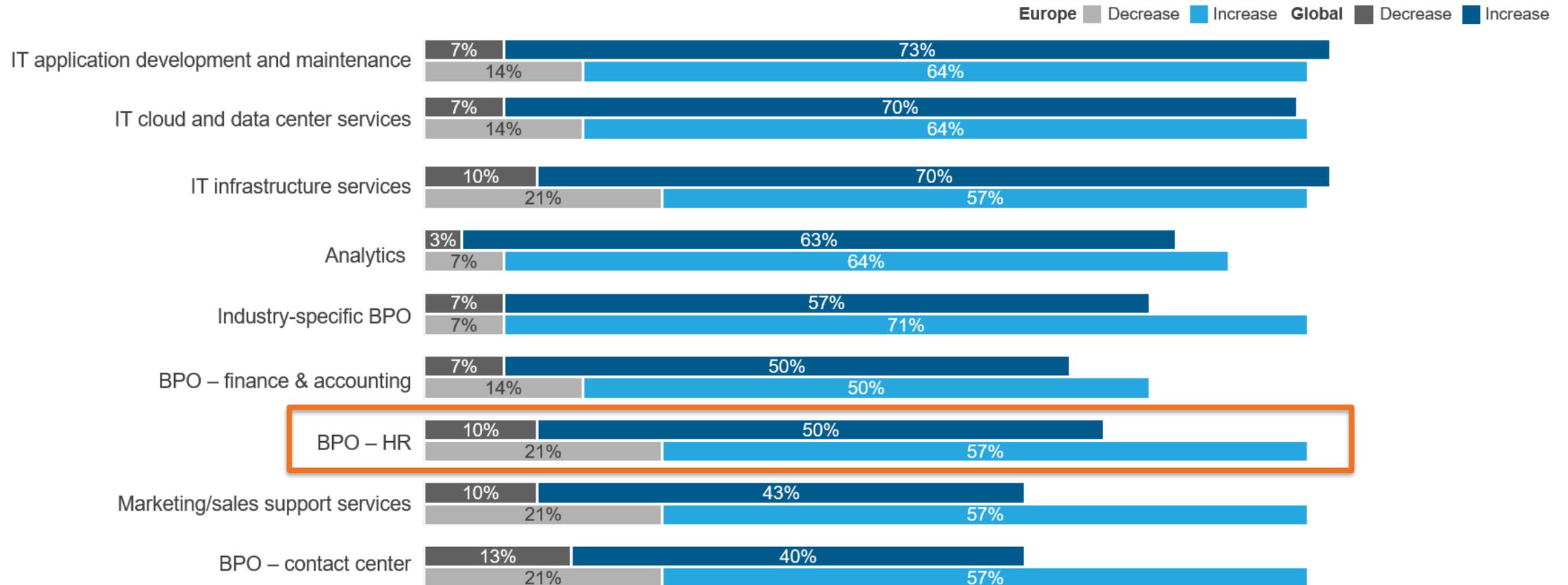
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Founder and CEO



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CFO

20
years

57% of European senior stakeholders from global enterprises expect the use of HR BPO to grow - according to a recent survey by industry analyst Everest Group



Note: Bars do not sum to 100% because they exclude the neutral respondents
 Source: Everest Group Key Issues Survey, 2020

Market for Multi-Country payroll is growing at 10%+ according to leading industry analyst Nelson Hall

Market Segment	2018 Market Size (\$m)	2018-2023 CAAGR (%)	2023 Market Size (\$m)
Multi-country scope:	3,696	10.7	5,932
– Global (>2 regions)	656	10.1	925
– Multi-region (> 1 region)	1,807	8.9	2,745
– Multi-country (>1 country within a region)	1,233	13.1	2,262
Single country	16,254	2.5	18,755
Total	19,950	~4.4%	24,687

- Multi-country payroll services are increasingly being adopted by organizations of all sizes, as many are expanding into new international markets and require payroll solutions to support expanded global footprints
- Growth is driven by a demand for consolidation of payroll suppliers, greater visibility of the global workforce and associated analytics, increased control over compliance and risk associated with payroll processing, and a demand for a more modern, future proof cloud platform, that can seamlessly integrate with the HCM landscape
- ~90% of vendors included in this market analysis are currently providing multi-country payroll services; in calendar year 2018 multi-country contracts averaged ~10 countries in scope.

Source: Nelson-Hall, "Next Generation Payroll Services"

Zalaris cover the whole spectrum of HR Tech, Multi-Country Payroll and Multi Process HR Outsourcing services

Packages

Market Opportunity

Average Customer Profile

- Global, European & UK presence
- All industries and sectors
- One platform with multi country capability and language

A service package to run your HR & Payroll including:

- Web based ticketing & reports
- SLA and target service level delivering user satisfaction
- First class service management

Why Zalaris

- 20 years' experience
- Locally service managed
- GDPR & legislatively compliant
- SLA managed with detailed and transparent service reporting
- Process automation (RPA)
- Continual system evolution
- Options to TUPE your staff
- Rapid response team
- Diverse & experienced team
- Excellent solution with flexibility to meet customer needs

Technology & Services
“The Complete Zalaris Package”
 Zalaris provide a “best of breed” technology solution and Zalaris transact your HR & Payroll activities.

Technology Only
“Software as a Service (SaaS)”
 Zalaris provide a “best of breed” technology solution and you transact your HR & Payroll activities.

Services Only
“Transactional HR & Payroll”
 You provide Zalaris access to your technology and Zalaris transact your HR & Payroll activities.

HR Technology

	Interactive Portal		HR Master data		Payroll Engine		Payroll Control Centre
	eForms & eFile		Chatbot & AI		Mobile		Analytics

Processes and Services

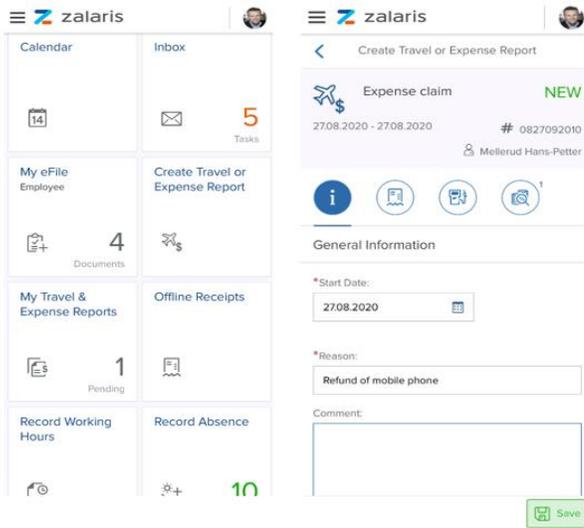
	Local Presence & Expertise		DBS Checks		Employee Data		Time & Absence Processing
	Pension & Benefit Processing		Compensation Management		Inpat & Expat Processing		Gross-to-Net Payroll Processing
	Travel & Expense Processing		Accounting & Reconciliation		Internal & External Reporting		Bank & Payments

Zalaris' PeopleHub is robust platform for multi-country payroll and multi process HR outsourcing with common processes, unified analytics and business continuity



Mobile and Portal

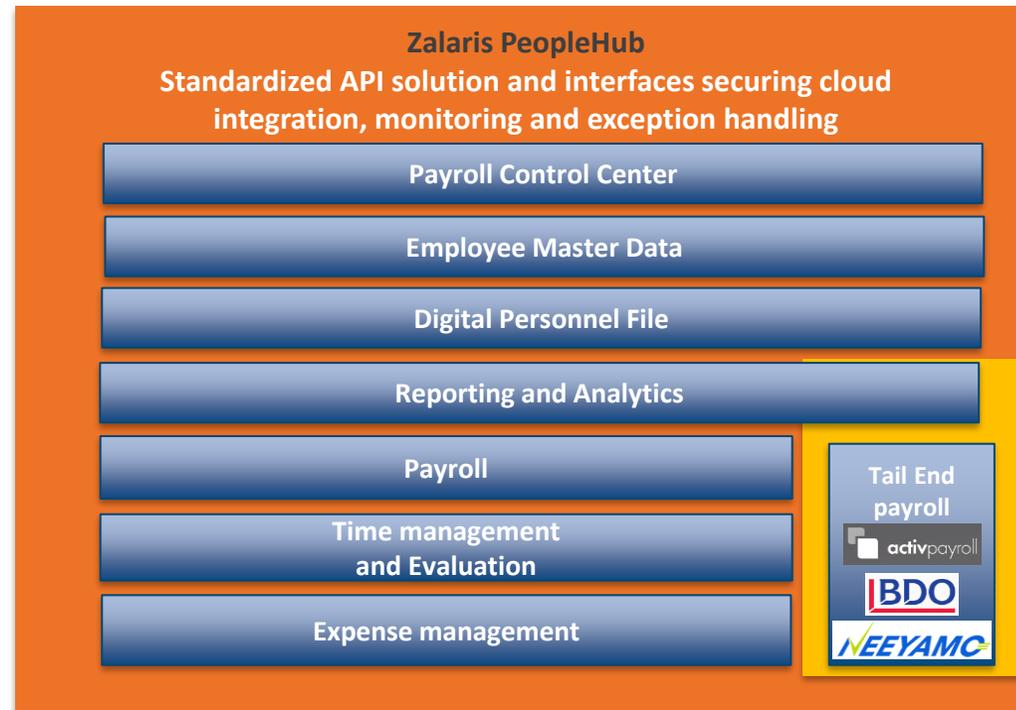
- Time and Absence
- Travel and Expenses
- Compensation statement
- Help desk



High frequency synchronization of master data and relevant payroll results through APIs and interfaces



User friendly digital workflows for updating of local payroll data not provided through global HR

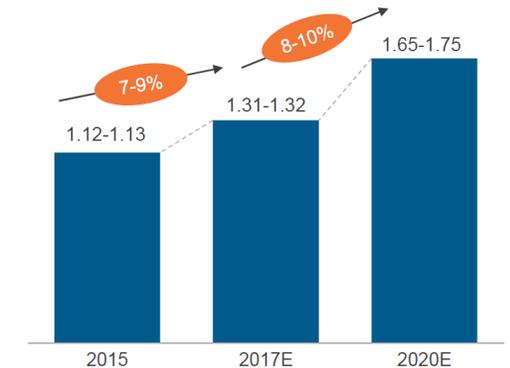


Customer Workforce Planning solution as Quinyx, Atoss, Timegrip etc.

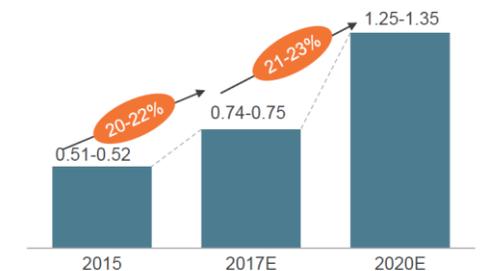
Aiming at delivering our 21st year of consecutive growth

- **Healthy pipeline** and high ambitions. Continue our streak and deliver our **21st year of continuous growth**.
- **Markets are growing** as customers are looking for new solutions coming out of Covid-19.
- Managed Services target growth by **increasing share of wallet** with existing customers and acquire **new large customers** in the fast-growing market for **Multi-Country Payroll and Multi Process HR Outsourcing** with PeopleHub concept
- In Professional Services **support our customers on their journey to the Cloud leveraging our string partnership with SAP. Growing Application Maintenance Services (AMS)** securing customers' business-critical payroll and HR functions, keeping up with fast-changing needs.
- **Actively exploring growth by M&A** in a market with increasing activity driven by both industrial and financial ambitions.

European Market for Multi Process HR Outsourcing
US\$ billion



European Market for Multi-Country Payroll
US\$ billion



Source: Everest Group

Moving into 2021 we continue #BestingOurselves

- 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 21st year of uninterrupted growth**
- 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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We simplify HR and payroll administration, and empower you with useful information so that you can invest more in people.

Thank you!

Gunnar.Manum@zalaris.com
Hans-Petter.Mellerud@zalaris.com



Hans-Petter Mellerud, CEO & Founder