

22 August 2024

Presentation of financial results Q2 2024

PeopleHub BY ZALARIS

Your one-stop HR platform



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Agenda

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

Today's presenters



Hans-Petter Mellerud
CEO and Founder



Gunnar Manum
CFO

Highlights



Simplify work life.
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Revenue and EBIT improvements continued in Q2 2024

- ✓ **Strong growth:** Revenue increased **14.9% YoY** to **NOK 323 million** with **Net Revenue Retention in Managed Services of 106%**
- ✓ **Higher EBIT:** adj. EBIT of **NOK 28.4 million (8.8%)**, up from NOK 20.2 (7.2%) last year
- ✓ **Strong sales pipeline** in Managed Services, including an **annual contract value of NOK 42 million** supported by signed letters of intent with new customers
- ✓ Implemented detailed plans for annual **EBIT improvements in DACH** of **~NOK 40 million** within the next NOK 12 – 18 months, in addition to **~NOK 10 million** from new customer contracts
- ✓ **Improved cash flow:** Operating cash flow of **NOK 18 million**, up from NOK 3 million last year
- ✓ Following a planning period with focus on solid preparatory work, the **strategic review process** announced in April is well **underway**

Q2 sales securing growth and continued low churn

- ✓ Expanded and renewed services with existing customers in Managed Services
- ✓ Started implementation project for two large German Managed Services customers based on LOI
- ✓ Significant pipeline of Multi-Country PeopleHub new name and upsell opportunities
- ✓ Securing large long term Professional Services engagements with both public and private clients

Nordic



Expansion of service coverage with Telenor to cover **1,800 employees in Finland** and **SAS to cover UK**. Renewed agreements with **Sporveien** and **Kongsberg Automotive** for another five years.

City of Berlin and State of North Rhine Westphalia



Agreement for the implementation of a new SAP HCM solution for the City of Berlin with more than NOK 170m in Total Contract Value and winning new frame **agreement for Application Maintenance services with NRW with more than NOK 32 mill contract value over 4 years**

DACH



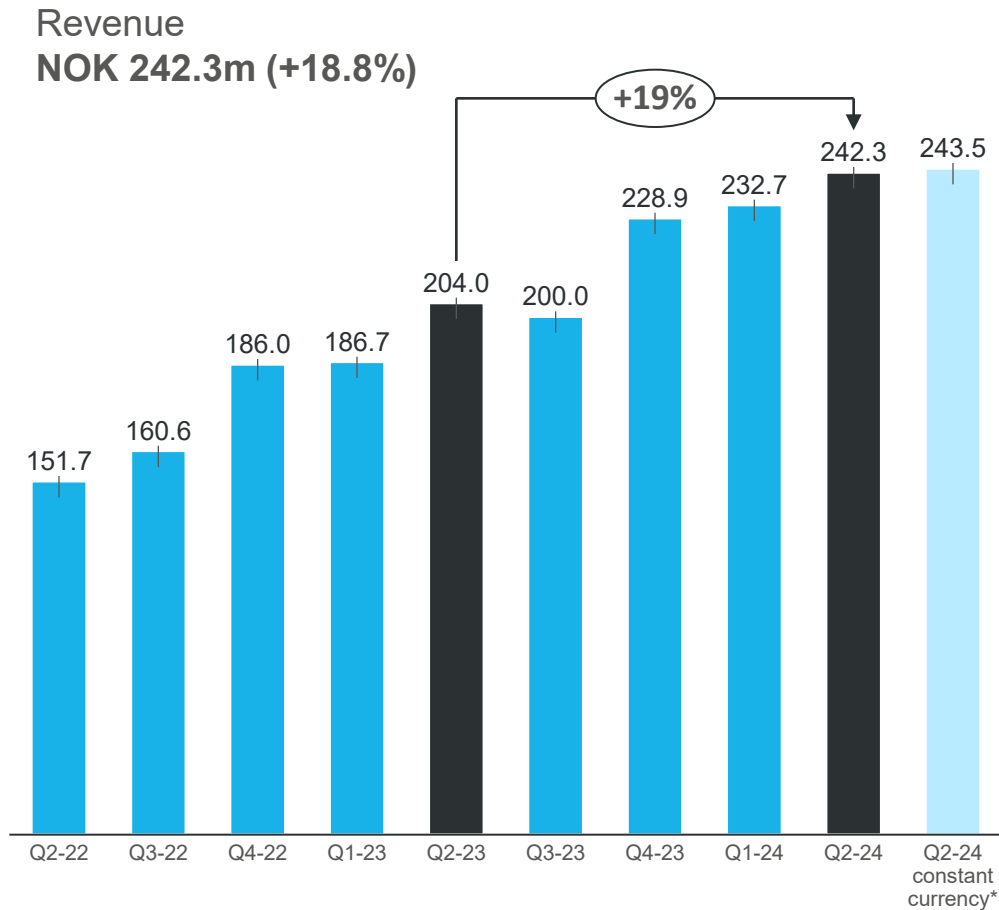
Signed LOI and started implementation projects for payroll and HR services for two large customers totaling more than 40 million Annual Contract Value with contracting expected to be finalized in August

APAC



Strongest Quarter sales to date totaling more than EUR 1,8 million total contract value. Balanced mix of recurring revenue 59% vs project deals 41%.

Managed Services grew 19% YoY to NOK 242 million and 75% of total revenue.

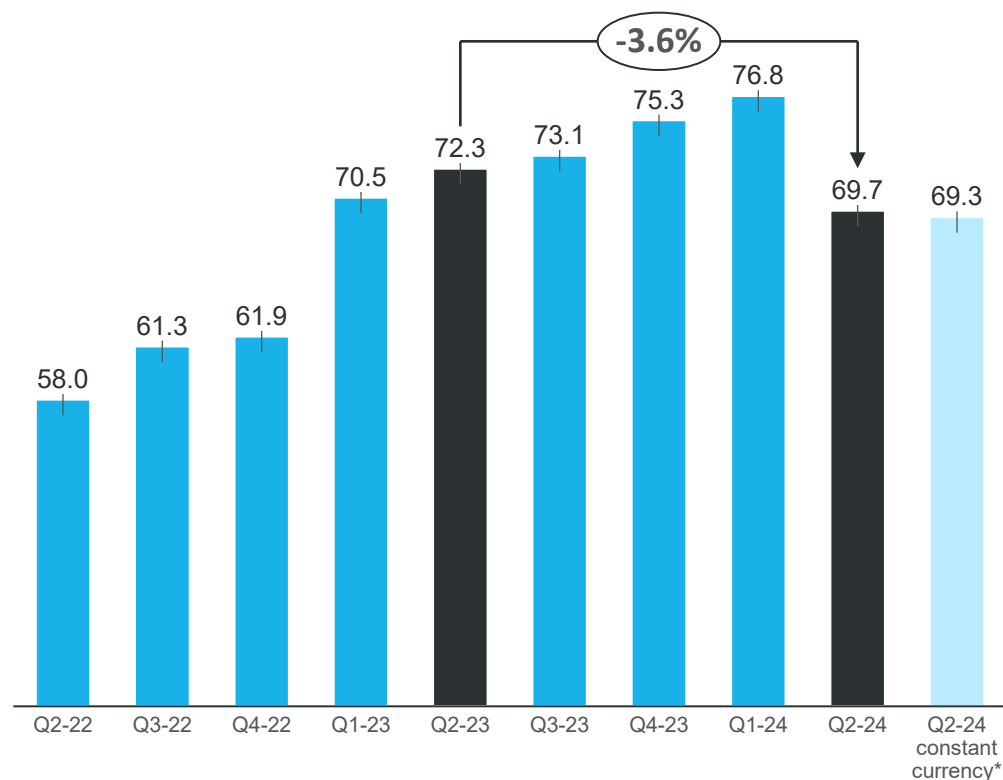


- ✓ **Revenue in Managed Services grew by 18.8% YoY (+19.4% growth YoY when adj. for currency effects)**
- ✓ **106% Net Revenue Retention** YoY in constant currency as existing customers expand their geographic footprint and functionalities
- ✓ **Significant growth in all regions in local currency.**
 - ✓ Northern Europe: +15%
 - ✓ DACH: +32%
 - ✓ UK&I: +23%

*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

Professional Services revenue was 4% lower YoY mainly due to less working days and lower AMS volume in Poland

Revenue
NOK 69.7m (-3.6%)

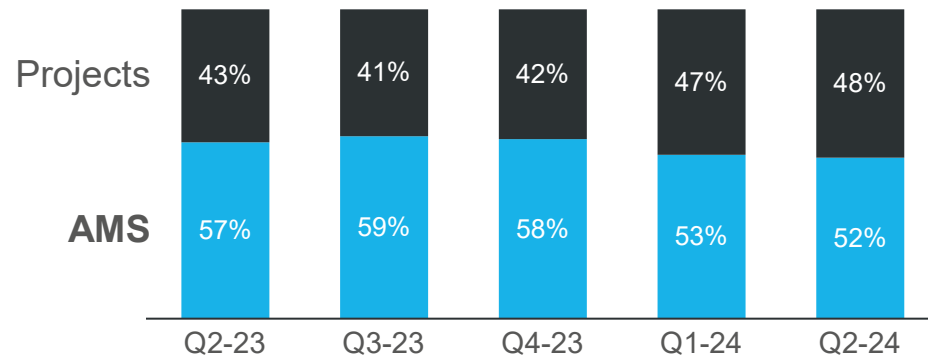


- ✓ **Revenue** in Professional Services was **3.6% lower YoY** (-4.2 when adjusted for currency effects). Revenue reduction is mainly due to lower AMS volume in Poland.
- ✓ Revenue was **lower compared to the first quarter** mainly because there were **4 fewer working days** in Germany in the second quarter, and in addition **more annual leave** was **taken**, resulting in less billable hours
- ✓ 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 considered recurring and supports a continuous presence with customers

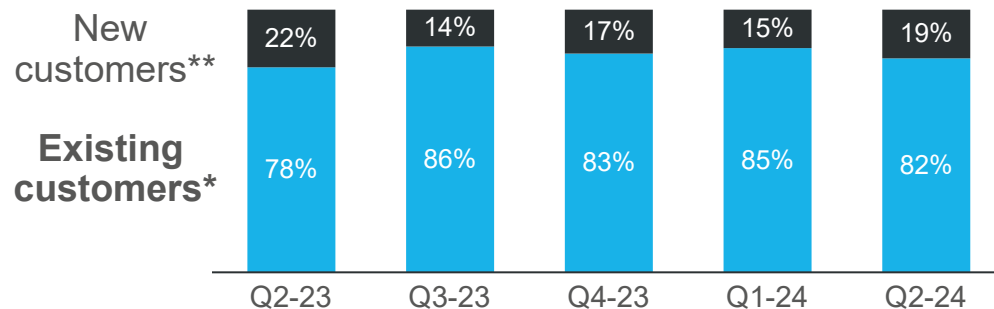
Distribution of Projects vs
long term AMS based revenue



✓ ~52 % of Professional Services revenue is recurring, or recurring like, and based on long term agreements and relationships

✓ ~82 % of Professional Services revenue is from customers that were customers 12 months prior

Revenue customer split



* Customers that were invoiced in the same quarter previous year

** New customers since the end of the same quarter previous year

Financial Review

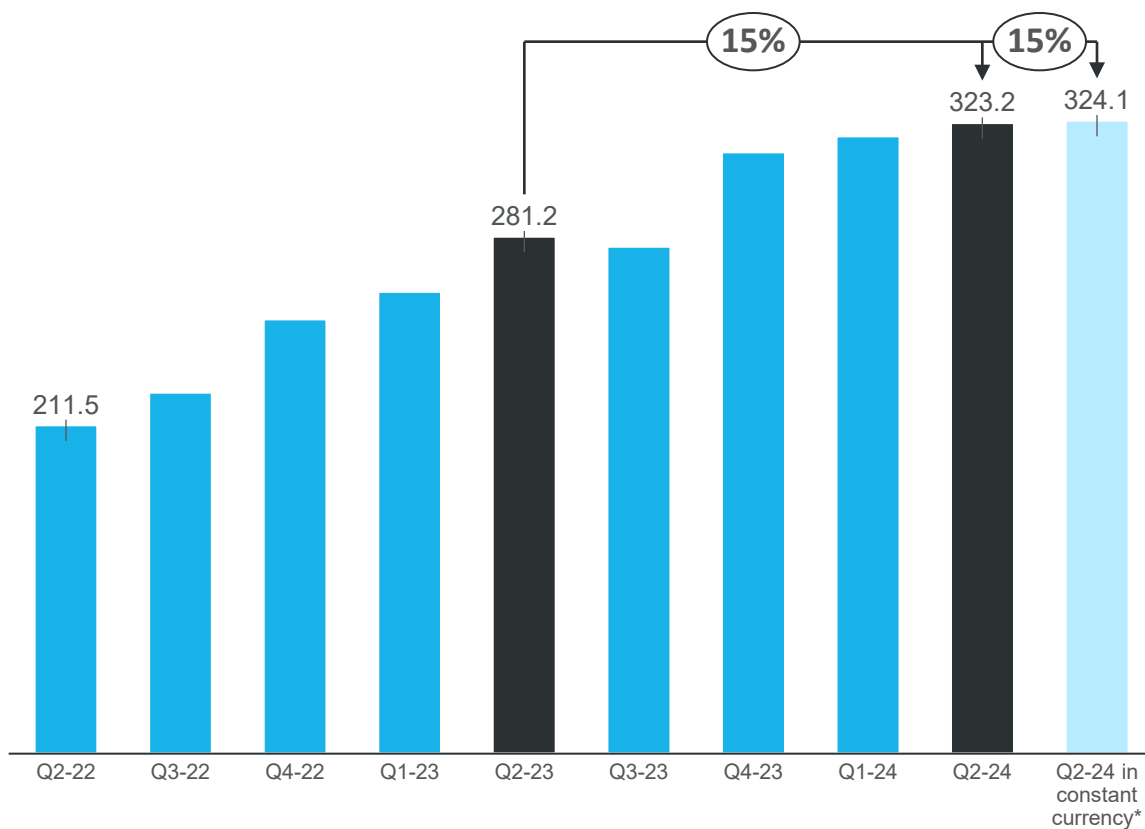


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Revenue increased by 15% for the quarter YoY in local currency

Revenue
NOK 323.2m (+14.9%)

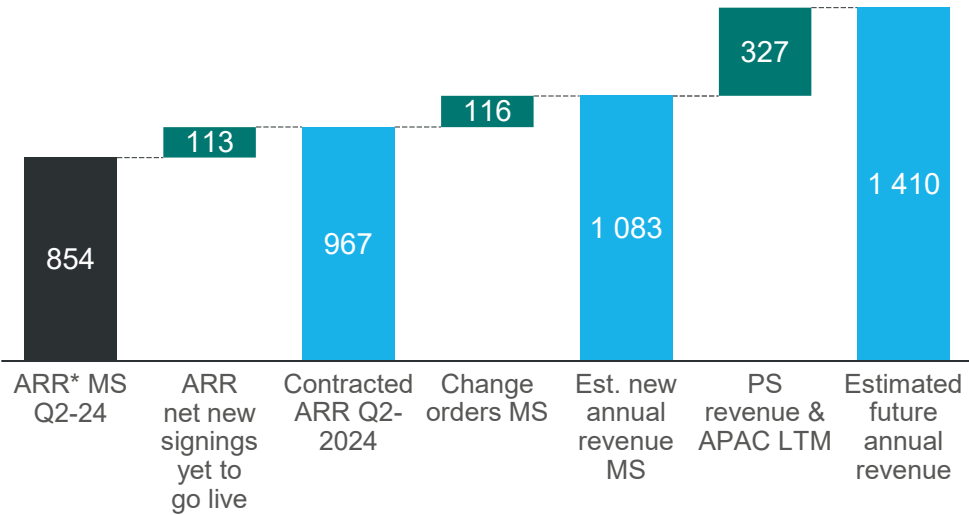


- ✓ Revenue growth (as reported) for the quarter YoY: **+14.9%**
- ✓ Revenue growth **+15.3%** YoY in constant currency
- ✓ MS **+18.8%** to NOK 242m
 - Net retention of 106%
- ✓ PS **-3.6%** to NOK 70m
- ✓ Net new SaaS/BPaaS contracts signed, but yet to go live, has annual recurring revenue of **~NOK 113m**

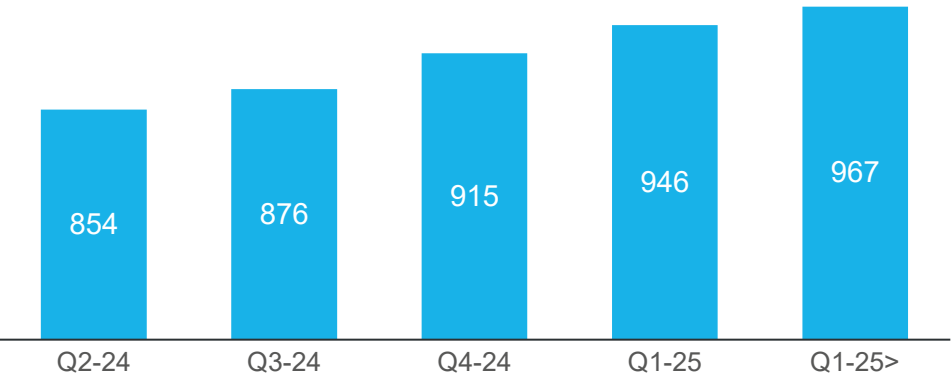
*See the interim financial report for definitions of APMs

Strong revenue visibility through 2024/25 - new BPO customers to go live should result in >15% revenue increase compared to revenue LTM

Revenue development based on signed MS contracts (NOKm)



Contracted ARR* development over time based on signed contracts (NOKm)

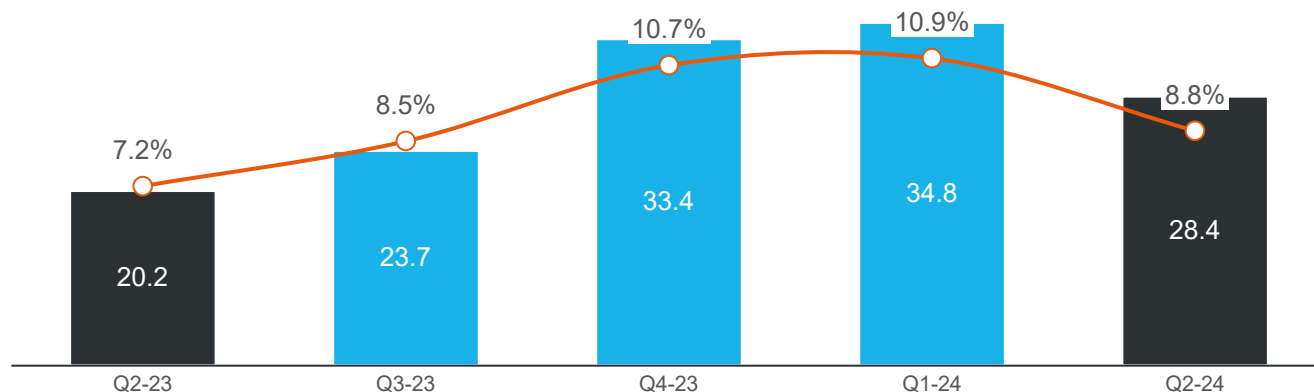


- ✓ **Total annual revenue expected to increase by ~NOK 179m (+15%)** vs. LTM Q2'24, based on already signed contracts (assuming no material churn and based on avg. currency rates for Q2 2024)
- ✓ The new contracts will normally generate full monthly recurring revenue when the customer has gone live on the PeopleHub platform
 - All current contracts expected to be fully implemented by Q4-2025
- ✓ Estimated future annual revenue assumes MS change order level at historical ~12% of recurring revenue, and revenue from PS & APAC LTM Q2'24
- ✓ **No known material churns going forward**

*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.

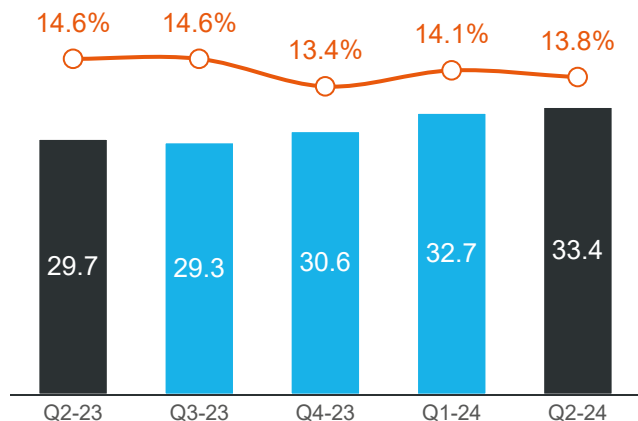
Higher adj. EBIT for the quarter

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

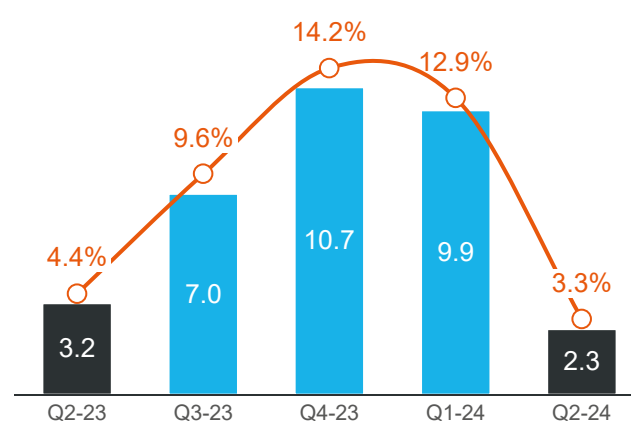


- ✓ **Adj. EBIT NOK 28.4** (NOK 20.2m) +41%
- ✓ **Adj. EBIT margin 8.8%** (+1.6pp)
 - ✓ EBIT and margin **improvements from increased revenue** (lower unit cost) and **operational improvements** (e.g. larger share of service delivery from near-shore and offshore location)
 - ✓ **APAC** contributing with a **positive EBIT** for the quarter

MS – adj. EBIT* (NOKm) and margin (%)



PS –adj. EBIT* (NOKm) and margin (%)



- ✓ **MS: Adj EBIT NOK 33.4m** (NOK 29.7m) +12%
 - ✓ Positively impacted by operational improvements (ref. above)
- ✓ **PS: Adj. EBIT NOK 2.3m** (3.2m) -28%
 - ✓ Adversely impacted by reduced revenue and the onboarding of a new SuccessFactors team, which requires time to implement

*See the interim financial report for definitions of APMs

Condensed Profit and Loss

	2024	2023	2024	2023	2023 *
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
(NOK 1 000)					
Revenue	323 206	281 219	641 724	542 604	1 133 971
License costs	27 243	26 983	52 250	52 089	103 231
% of revenue	8,4 %	9,6 %	8,1 %	9,6 %	9,1 %
Personnel expenses	172 420	155 080	335 077	296 333	589 845
% of revenue	53,3 %	55,1 %	52,2 %	54,6 %	52,0 %
Other operating expenses	86 012	64 979	168 366	131 541	287 068
% of revenue	26,6 %	23,1 %	26,2 %	24,2 %	25,3 %
(Gain)/loss on sale of assets			(10 503)		-
Amortisation implementation costs customer projects	10 839	9 058	21 369	14 891	33 765
Depreciation, amortisation and impairments	14 346	15 071	30 282	29 214	59 940
EBIT	12 346	10 048	44 883	18 535	60 122
Adjustment items*	16 040	10 169	18 322	20 167	35 647
Adjusted EBIT	28 386	20 217	63 205	38 702	95 768
Adjusted EBIT margin %	8,8 %	7,2 %	9,8 %	7,1 %	8,4 %
Net financial income/(expense)	(6 227)	(21 914)	(30 117)	(59 945)	(74 630)
Profit/(loss) for the period	5 332	(11 275)	11 750	(37 213)	(18 980)

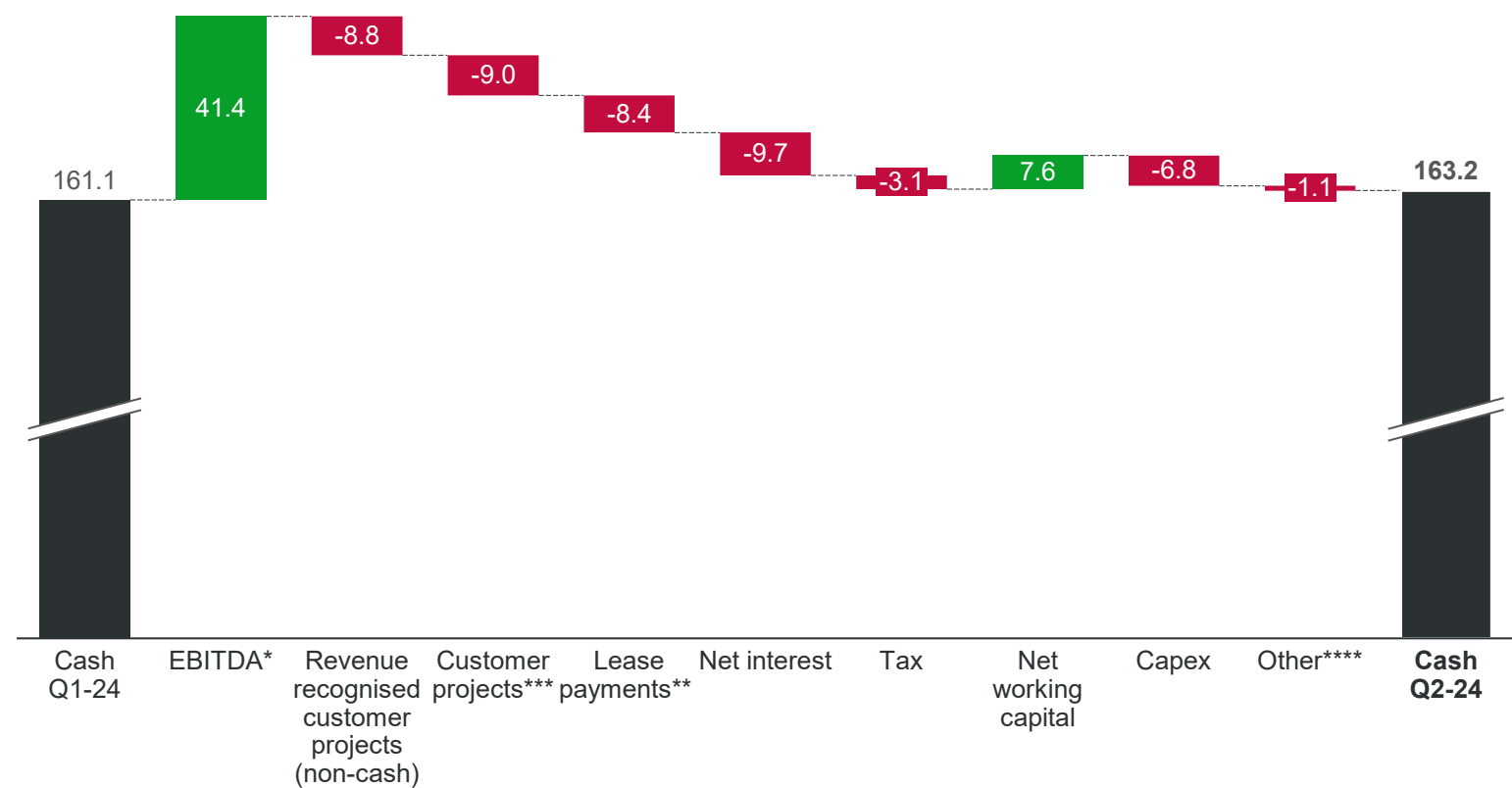
* 2023 accounts are reclassified

- ✓ **Personnel expenses: Revenue per FTE** in constant currency **increased by ~7%**. Cost increase mainly due to increased number of FTEs YoY (+78) and higher option costs (+NOK 4.9m).
- ✓ **License costs:** Approx. in line with last year
- ✓ **Other op. exp.:** Increase mainly explained by **higher IT costs** (e.g. hosting), use of **external payroll providers and consultants**
- ✓ **Financial expense:** Includes **NOK 6.6m in unrealised currency gain** on EUR bond loan

*Items excluded from adjusted EBIT Q2 2024: share-based payments (NOK 8.7m), amortization of excess values on acquisitions (NOK 3.4m), strategic process costs (NOK 2.6m) and EBIT vyble (NOK -1.3m) - see definition of adj. EBIT under APMs in the interim financial report)

Operating cash flow increased by NOK 15m YoY and strong cash position at quarter-end

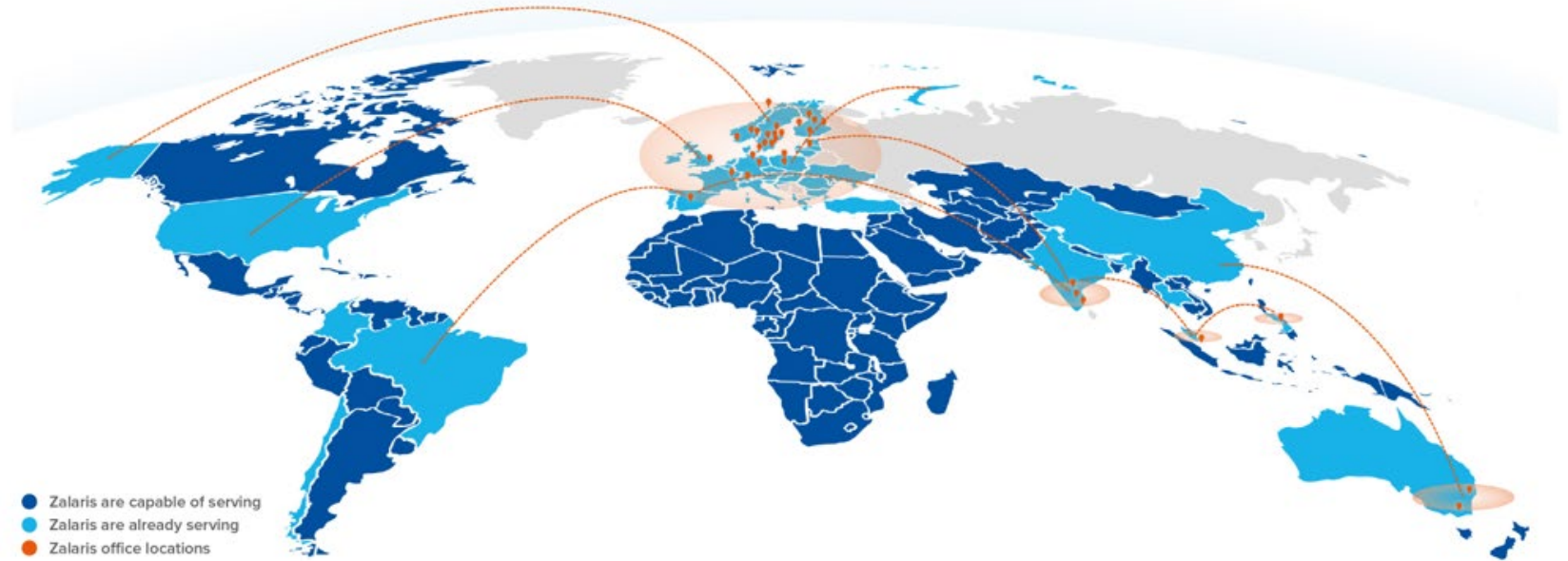
Development in cash balance (NOKm)



- ✓ Positive cash flow from operating activities of NOK 18.4m vs. NOK 3.2m last year
- ✓ Cash balance at 30 June NOK 163.2m (+NOK 2.1m from Q1)
- ✓ Net interest-bearing debt of NOK 286.5m vs. NOK 297.9m at the end of previous quarter

* Before share based payment costs (ex. payroll taxes)
** Relates mainly to rental costs for office premises
*** Revenue deferred less project costs capitalised
**** Including currency movements

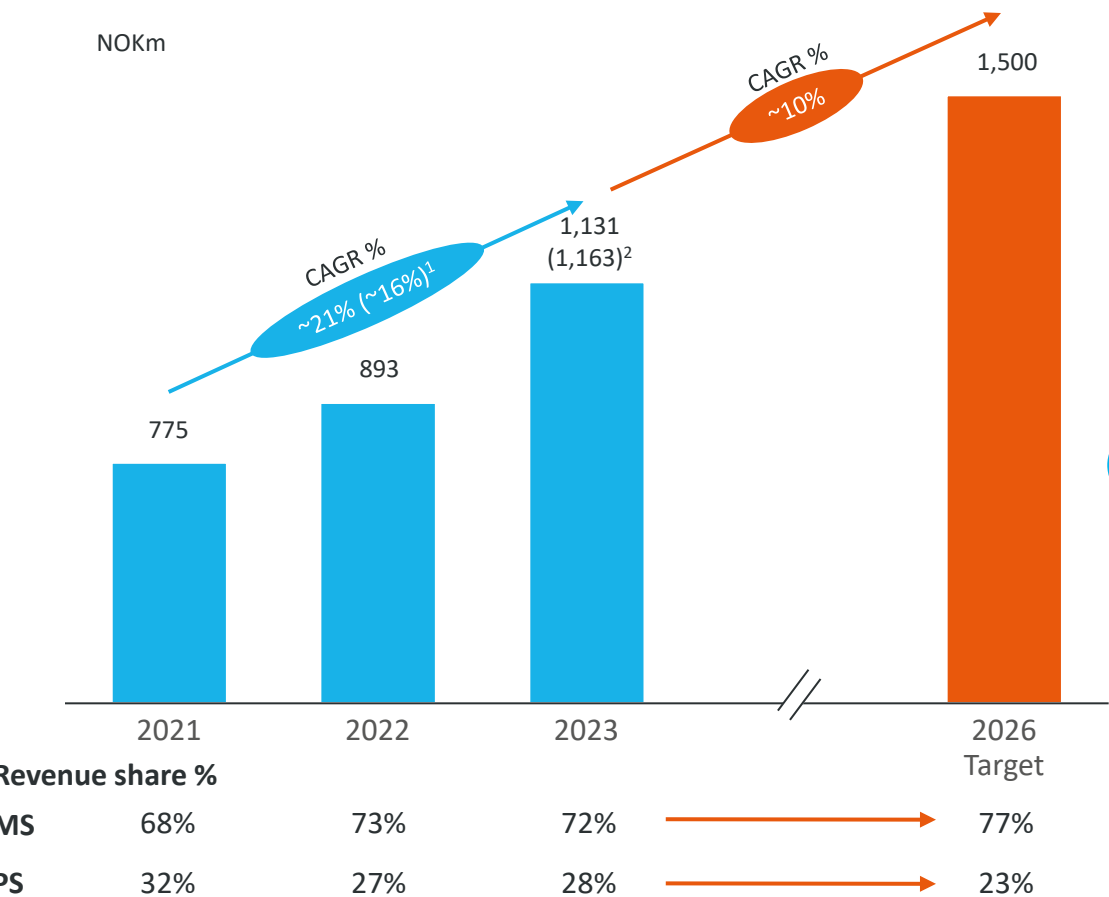
Outlook



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Zalaris target NOK 1.5bn in 2026 revenues with 12-15% adj. EBIT through operational excellence and scale

Development in revenue



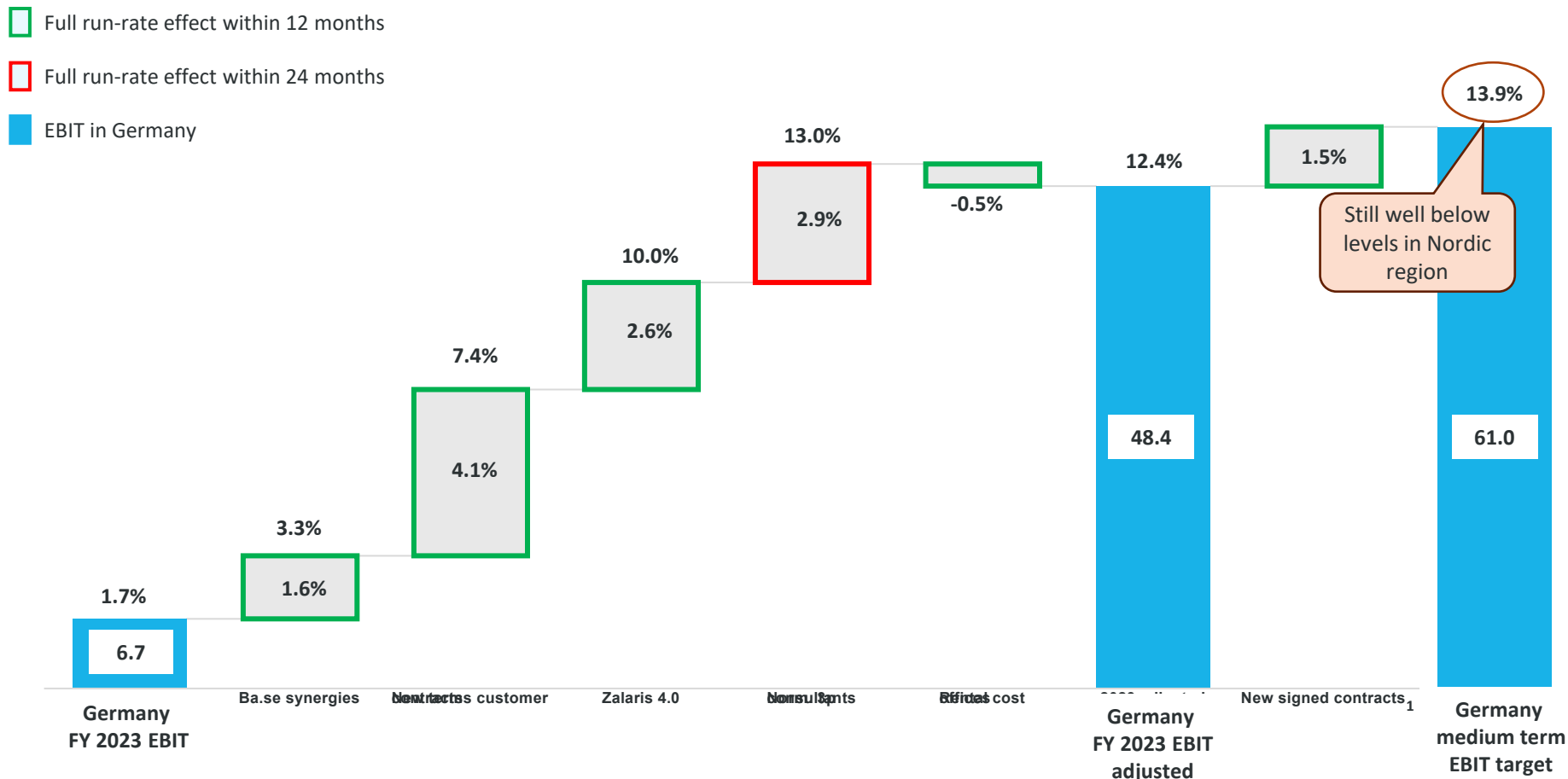
Key growth and margin initiatives

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

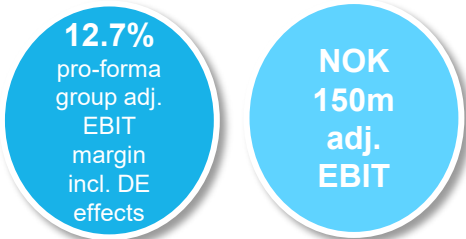
1) Numbers in parenthesis in constat currency based on 31.12.23 currency rates 2) 2023 Q4 run rate of EUR 100m based on currency rate of 11.22 per 31.12.23

German improvement program combined with contribution from new signed contracts in Germany to increase EBIT-margin

EBIT-margin impact from ongoing operational initiatives in Germany and corresponding effect on group margin and EBIT

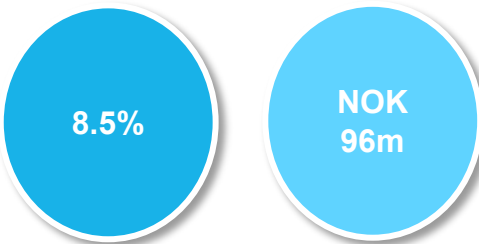


Zalaris pro-forma 2023 adj. EBIT with DE effects



Improvements identified DE ~NOK 54m

Zalaris 2023 adj. EBIT



Note: Applied EUR to NOK = 11.46

¹ Of large contracts won with German clients, only the part related to deliveries in Germany is included in this analysis.

In summary: Q2 another all-time high revenue quarter delivered and well under way to deliver on margin targets as improvements in Germany materialize

- **Solid Q2 with growth of 15%** to annualized revenue of nearly NOK 1.3 billion with 8.8% EBIT
- **Growth to continue** as backlog of sold contracts with 113 million ACV to gradually be recognized as revenue over the next 12 months to bring us **just short of target for 2026 of being a 1.5 billion company**
- **Margins expected to continue improving toward short term target of 12%** as German EBIT improvement programme progresses combined with incremental margin from contract backlog being realized
- **Strategic Review well** underway after initial planning period to **explore options for the future**

Q&A



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Appendix:

Company in brief



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Payroll & HR solutions that enable digital organizations



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

A market leader within mid-size companies with cross-border needs and a strong customer portfolio of some of the largest corporations in the Nordics, DACH, UK&I and APAC regions

1,500,000

Employees served monthly
by Zalaris supported HR
solutions

~1,100

Zalaris employees
across the world

340,000+

Employees served monthly
through payroll services

NOK 1.13bn / 8%

2023 revenues / adj. EBIT-
margin

17 countries

With service centres and
expertise in local regulations

150+ countries

With expertise in local
regulations with partners

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

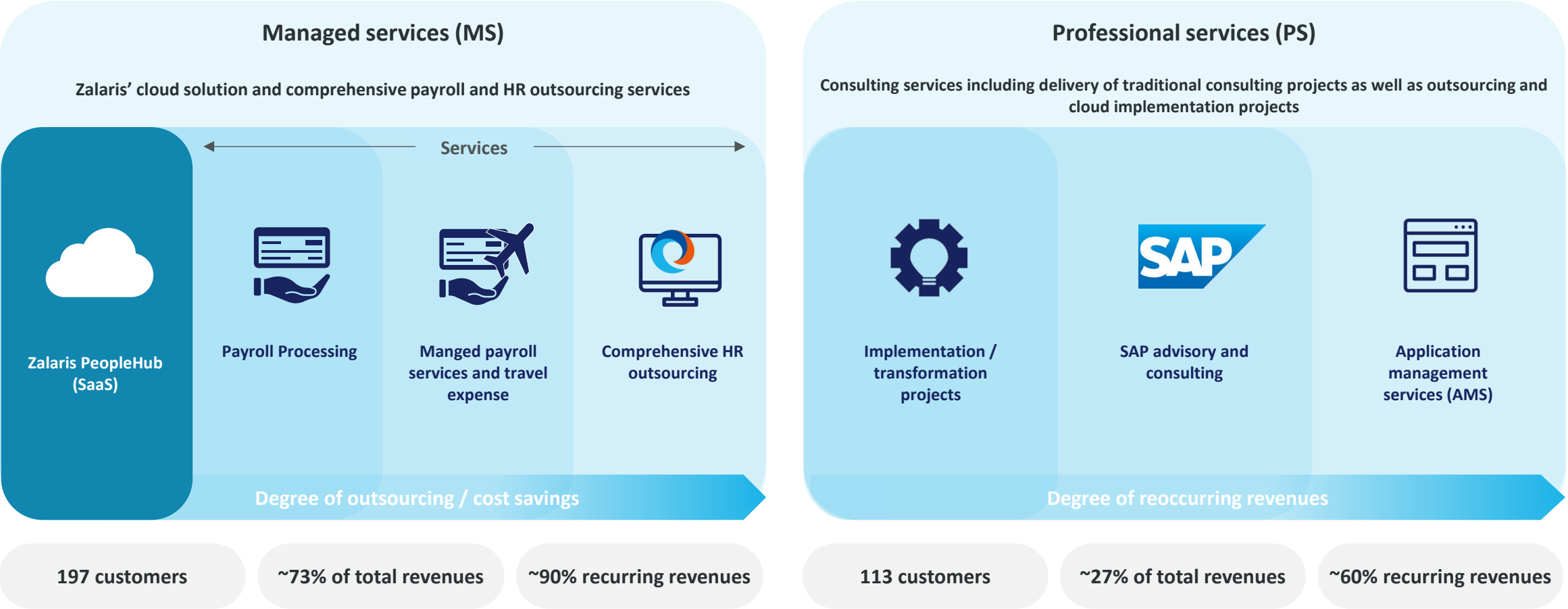


Credit card integration






Co2 footprint tracking

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



Diversified and large customer base comprising blue-chips across multiple industries

Managed Services

 >1,000 employees  >2 countries  Software agnostic






Bank, Insurance & Financial services

Health & Life Science

IT, Technology & Telecom

Offshore & Energy

Professional Services

 >1,000 employees  Private and public sector  SAP integration



Infrastructure & Transportation

Services & Other Institutions

Product & Industrials

Retail

“

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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