30th of April, 2025

## Zalaris ASA

Presentation of financial results

Q1 2025



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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**



# Q1 2025: Another quarter of all time high revenue and adj. EBIT



- Strong growth: Revenue increased 16.2% YoY to NOK 370 million
- High EBIT: adj. EBIT of NOK 52.1 million (14.1%), up from NOK 34.8 (10.9%) last year.
- Strong sales pipeline in both Managed Services and Zalaris Consulting (formerly Professional Services) securing continued growth
- Improved cash flow: Operating cash flow of NOK 22 million, up from NOK 7 million last year
- The board has proposed a dividend of NOK 0.90 per share for 2024, to be approved by the Annual General Meeting



# Good progress in sales to new names and existing customers

#### **Managed Services**

- While deal signings started slowly, a significant Nordic payroll agreement covering 3,500 employees was finalized shortly after quarter-end.
- The sales pipeline remains strong, with both expansions from existing clients and interest from new names. We remain optimistic about achieving our 2025 sales targets.

#### Consulting

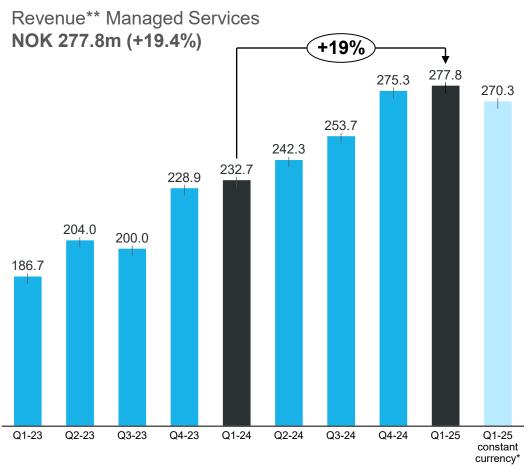
- Performance is on budget for the year.
- We've secured contract extensions with both existing clients—spanning public and private sectors—and have also brought in new clients.

#### **Customer Privacy and Communication Policy**

- As a general rule, we will no longer disclose customer names to reduce cybersecurity risks and protect confidential financial details.
- However, we will continue issuing anonymous press releases for significant deals to maintain transparency.



## Managed Services grew 19% YoY to NOK 278m and 75% of total revenue.



<sup>\*</sup>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

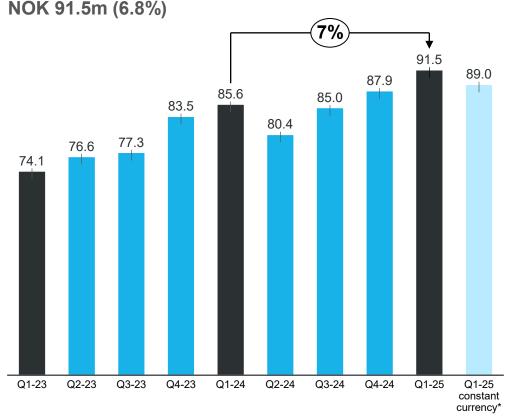
- Revenue in Managed Services grew by 19.4% YoY (+16.2% growth YoY when adj. for currency effects)
- 101% Net Revenue Retention
  YoY in constant currency, despite
  some churn, as existing
  customers expand their
  geographic footprint and
  functionalities
- Significant growth in all regions in local currency.
  - DACH: +27%
  - Northern Europe: +13%
  - UK&I: +6%



<sup>\*\*</sup> Revenue in the APAC region, which has previously been reported separately, are included in MS and ZC from Q1'25. Historical figures have been revised.

# Zalaris Consulting revenue was 7% higher YoY mainly from growth in APAC and Poland

Revenue\*\* Zalaris Consulting (formerly Professional Services)



<sup>\*</sup>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

- Consulting was 6.8% higher YoY (3.9% when adjusted for currency effects).
  Revenue increase is mainly from increased sales in APAC and Poland, partly offset by the partial completion of a large consulting project in UK
- Significant ZC capacity being utilized to support Managed Services in implementing new customers (transformation projects) or delivering change orders. Particularly in Germany
  Zalaris

<sup>\*\*</sup> Revenue in the APAC region, which has previously been reported separately, are included in MS and ZC from Q1'25. Historical figures have been revised.
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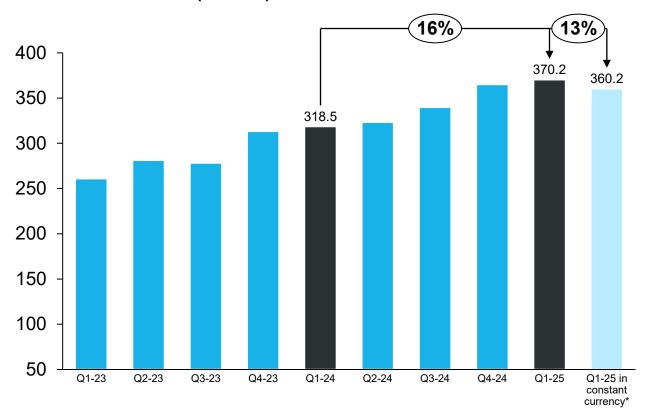


## **Financial Review**



# Revenue increased by 16% for the quarter YoY in constant currency

Revenue **NOK 370.2m (+16.2%)** 



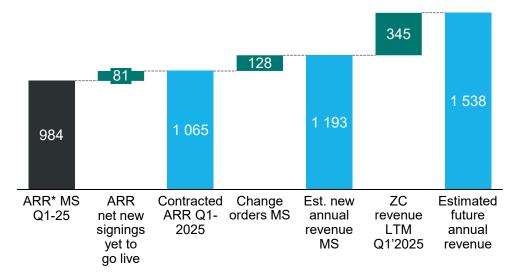
- Revenue growth (as reported) for the quarter YoY: +16.2%
- Revenue growth +13.1% YoY in constant currency\*
- MS +19.4% to NOK 278m

  Net retention of 101%
- **PS +6.8%** to NOK 91m
- Net new SaaS/BPaaS contracts signed, but yet to go live, has annual recurring revenue\* of ~NOK 81m

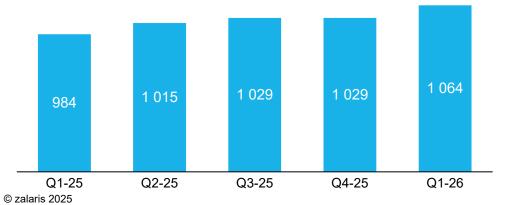
<sup>\*</sup>See the interim financial report for definitions of APMs

# Strong revenue visibility through 2025/26 - full annual effect of new BPO customers should result in >14% revenue increase compared to revenue FY 2024

#### Revenue development based on signed MS contracts (NOKm)



#### **Contracted ARR\* development over time (NOKm)**



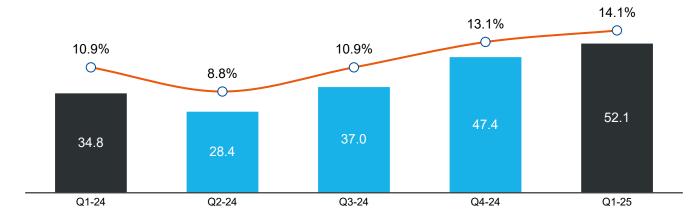
- Total annual revenue expected to increase by ~NOK 192m (+14%) vs. FY 2024 by Q1'26, based on already signed contracts (assuming no material churn and based on avg. currency rates for Q1'25)
- The new contracts will normally generate full monthly recurring revenue when the customer has gone live on the PeopleHub platform
  - All current contracts expected to be fully implemented by end Q1'26
- Estimated future annual revenue assumes MS change order level at historical ~12% of recurring revenue, and revenue from ZC LTM Q1 2025

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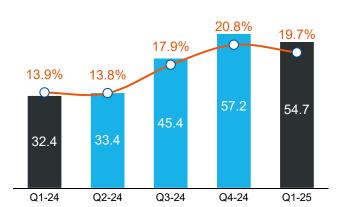
<sup>\*</sup>The ARR for the quarter is an estimate calculated by annualising the actual recurring revenue (according to contract revenue and additional services) for the quarter, for customers at the end of the quarter. Please refer to the APMs section of the interim financial report for further details.

### Another all-time high adj. EBIT for the quarter

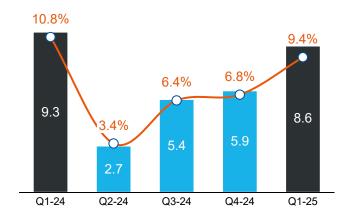
Adj. EBIT\* (NOKm) and margin (%)



MS – adj. EBIT\* (NOKm) and margin (%)



ZC - adj. EBIT\* (NOKm) and margin (%)



- Adj. EBIT NOK 52.1 (NOK 34.8m) +50%
- Adj. EBIT margin 14.1% (+3.2pp)
  - EBIT and margin improvements from increased revenue (lower unit cost) and operational improvements Germany (e.g. larger share of services in MS delivery from nearshore and offshore locations, standardization of delivery processes etc.)
- MS: Adj EBIT NOK 54.7m (NOK 32.4m) +69%
  - Positively impacted by increased revenue and operational improvements (ref. above)
- ZC: Adj. EBIT NOK 8.6m (9.3m) -7.5%
  - Contribution from higher revenue offset by marginally higher allocation of regional overhead costs

Note: The APAC region, which has previously been reported separately, are included in MS and ZC from Q1'25. Historical figures have been revised.



<sup>\*</sup>See the interim financial report for definitions of APMs © zalaris 2025

### **Condensed Profit and Loss**

	2025	2024	2024
(NOK 1 000)	Jan-Maı	r Jan-Mar	Jan-Dec
Revenue	370 150	318 518	1 346 282
License costs	28 046	25 007	108 074
% of revenue	7,6 %	7,9 %	8,0 %
Personnel expenses	181 822	162 657	674 778
% of revenue	49,1 %	51,1 %	50,1 %
Other operating expenses	88 424	82 354	347 642
% of revenue	23,9 %	25,9 %	25,8 %
(Gain)/loss on sale of assets	-	(10 504)	(10 504)
Amortisation implementation costs customer projects	14 028	10 530	49 581
Depreciation, amortisation and impairments	16 086	15 936	63 058
EBIT	41 744	32 538	113 653
Adjustment items**	10 403	2 279	33 862
Adjusted EBIT	52 147	34 817	147 515
Net financial income/(expense)	1 207	(23 890)	(64 196)
Profit/(loss) for the period	32 220	6 419	33 447

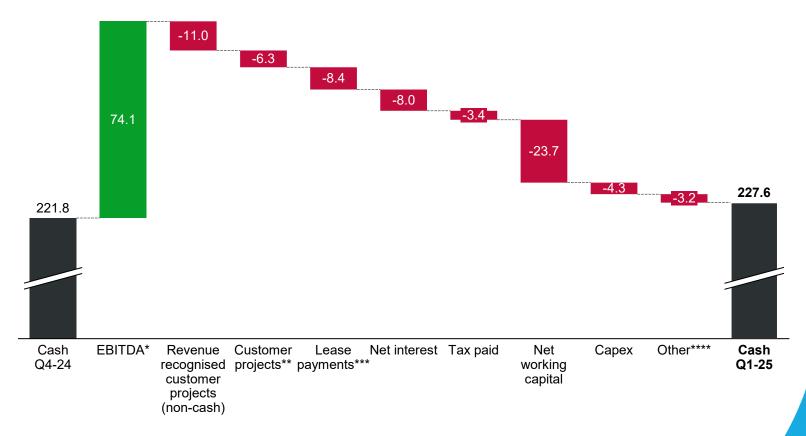
- License costs: Increased due to higher revenue from Payroll/HR solutions that incurs license costs. Approx. in line as a % of revenue YoY
- Personnel expenses: Reduced as a % of revenue (-2.0pp), partly due to lower share-based payment costs. Revenue per FTE in constant currency increased by ~11%. Cost increase mainly due to increased average number of FTEs YoY (+19) and currency impact.
- Other op. exp.: Reduced as a % of revenue (-2.0pp). Higher expenses mainly from use of external payroll providers for global payroll (+NOK 7m), external hosting (+NOK 3m) and strategic process costs (+NOK 2.6m), partly offset by less use of external consultants (-NOK 8m)



<sup>\*\*</sup>Items excluded in adjusted EBIT Q1 2025: share-based payments (NOK 3.3m), amortization of excess values on acquisitions (NOK 3.5m), strategic process costs (NOK 2.5m) and negative EBIT vyble (NOK 1.0m) - see definition of adj. EBIT under APMs in the interim financial report

## Operating cash flow increased by NOK 14m YoY

#### **Development in cash balance (NOKm)**



- Cash flow from operating activities of NOK 21.6m vs. NOK 7.2m last year
- Cash balance as of 31 March NOK 227.6m (+NOK 5.8m from Q4)
- Net interest-bearing debt of NOK 225.6m vs. NOK 247.5m at the end of previous quarter (-NOK 21.9m)



<sup>\*</sup> Before share based payment costs (ex. payroll taxes)

<sup>\*\*</sup> Revenue deferred less project costs capitalised

<sup>\*\*\*</sup> Relates mainly to rental costs for office premises

<sup>\*\*\*\*</sup> Including currency movements

## Outlook





## Zalaris is well-positioned to benefit from macroeconomic uncertainties

- 2025 presents a complex global landscape, including growing macroeconomic uncertainties
- Business model anchored in long-term contracts delivering essential services like payroll
- Value proposition delivering cost savings and strategic flexibility is attractive in uncertain - and recession like times
- European provider delivering services hosted in Europe and supported by European values



# We start to see positive effects from Al Driving the Next Wave of Transformation

- In early 2024, launched strategic initiative defining roadmap for leveraging artificial intelligence to enhance customer-facing innovation and internal efficiency.
- Started to see meaningful results—from reducing system implementation costs to automating travel expense processing and improving our help desk interface.
- As part of the SAP ecosystem, rapidly adopting new AI-driven capabilities into our SuccessFactors-based solutions.

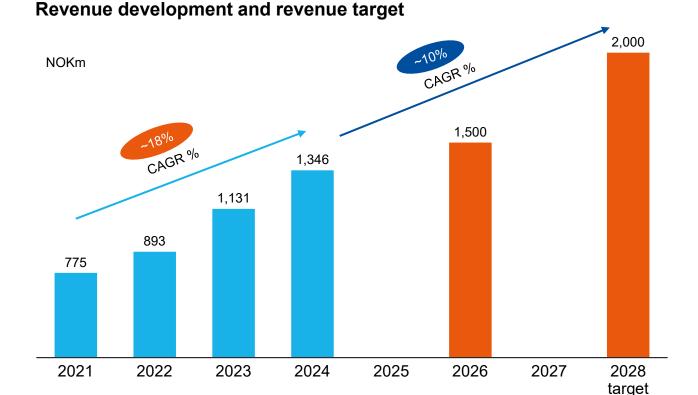


Looking ahead, AI will be instrumental in reducing project timelines, improving operational efficiency, and introducing new time-saving innovations that benefit both our customers and employees.



# On track to overdeliver on NOK 1.5bn target for 2026. Now setting sights on reaching revenue of NOK 2bn with adj. EBIT of 13-15% by 2028.

# **Key growth and margin initiatives**



- Preferred partner for multi-country payroll and transactional HR services to the mid-market and target NOK 2 billion by 2028
- Land and expand combining
  Consulting and MS capabilities to
  win new large deals and explore
  potential in existing customer
  base
- Automation, Al and X-shore initiatives to explore scale and drive EBIT towards target 13-15% with resulting adj. EBIT of NOK 260-300 million



## Summary: Q1 another all-time high revenue and EBIT.

- Revenue grew 16.2% to NOK 370 million for the quarter and well positioned to deliver revenue target of 1.5 billion in 2025
- Pipeline with large deals continue developing positively supporting maintaining our 10% growth target in the coming years
- EBIT improvements continued delivering more than 14.1% EBIT in the quarter.
- Cash flow of 21.6 million, up from 7.2 million last year.
- New target set of reaching 2 billion in revenue by 2028 with corresponding EBIT between 13-15%
- Board of Directors has proposed a dividend of NOK 0.90 per share
- Strategic Review is progressing







Q&A

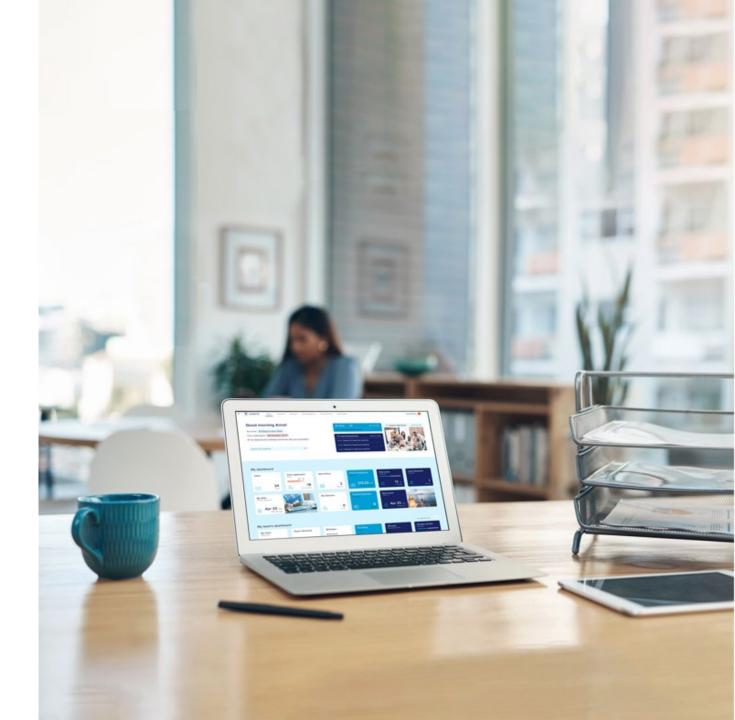


## Appendix:

# Company in brief



Simplify work life. Achieve more.



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

NOK 1.13bn / 8%

2023 revenues / adj. EBITmargin ~1,100

Zalaris employees across the world

17 countries

With service centres and expertise in local regulations

340,000+

Employees served monthly through payroll services

150+ countries

With expertise in local regulations with partners



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## Zalaris' Product offering covering the full employee life cycle











Payroll















Payroll **HR-transformation** hr-automation



Sick leave monitoring











Scheduling

planning



Credit card

integration













Travel expense



Business expense





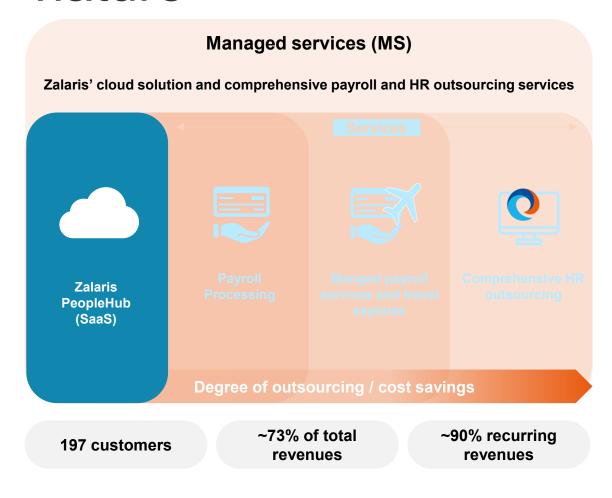
Co<sub>2</sub> footprint tracking

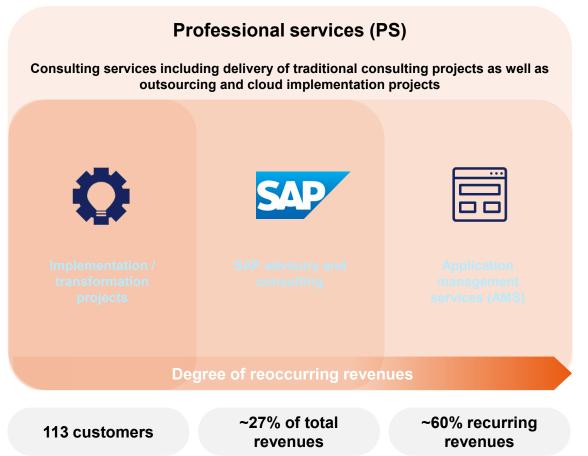






# Services delivered by two integrated business units with most revenues being recurring of nature



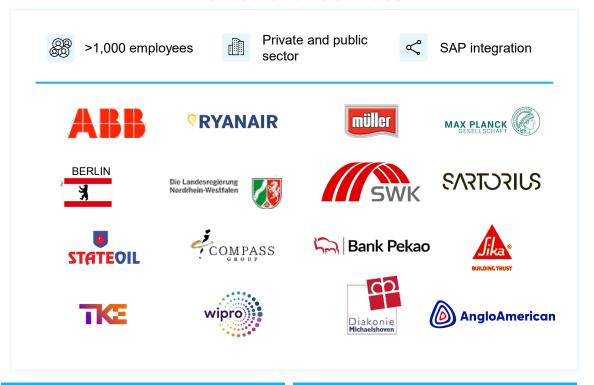


# Diversified and large customer base comprising blue-chips across multiple industries

#### **Managed Services**



#### **Professional Services**



Bank, Insurance & Financial services Health & Life Science Infrastructure & Transportation Services & Other Institutions

IT, Technology & Telecom Offshore & Energy Product & Industrials Retail



66

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.

