Zalaris

Company outlook

Moving to the next stage of growth

Software and comp services

2 October 2025

Zalaris has built an impressive track record over the last five years, with a revenue CAGR of 11.6% and adjusted EBIT margins growing from 7.0% to 11.0% from FY20 to FY24. The company is on track to hit its original FY26 targets early and has set ambitious targets for FY28. With long-term customer relationships and a low churn rate, Zalaris has good revenue visibility due to a high proportion of recurring revenues. Focused on multinational customers with a strong presence in Europe, the company has been winning progressively larger contracts and has the opportunity to expand further in Europe and the Asia-Pacific region (APAC).

Year end	Revenue (NOKm)	PBT (NOKm)	EPS (NOK)	DPS (NOK)	P/E (x)	Yield (%)
12/23	1,134.0	10.8	0.95	0.00	86.7	N/A
12/24	1,346.3	80.7	2.70	0.90	30.4	1.1
12/25e	1,494.5	145.4	5.06	0.96	16.2	1.2
12/26e	1,626.0	186.7	6.38	1.36	12.9	1.6

Note: PBT and EPS (diluted) are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Leading HR and payroll solutions provider

Zalaris is a leading European provider of comprehensive payroll and HR solutions and services, covering the entire employee lifecycle. The company has a strong relationship with SAP and expertise in SAP human capital management (HCM) and SAP SuccessFactors software. The company's proprietary platform, PeopleHub, is tailored towards multinational corporations or large and complex single-country projects, the more attractive end of the business process outsourcing (BPO) market. As a company headquartered in Norway with operations across Europe, Zalaris can provide data sovereignty for customers that require it.

International expansion key to growth targets

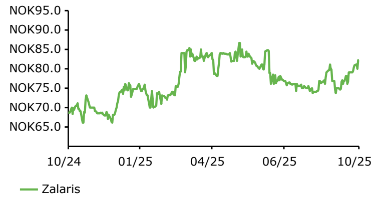
We see the opportunity for Zalaris to hit its revenue and profit targets through a combination of growth from more recently entered geographies (UK and Ireland, APAC), expansion into other countries in continental Europe, such as France, Benelux and Italy, and the optimisation of the operational model to support margins. Zalaris has developed a hybrid delivery model, with onshore, nearshore and offshore capability that can be flexed according to customer needs.

Valuation: Double-digit growth supports upside

The stock continues to trade at substantial discounts to both its payroll software and IT services peers. Based on the company's medium-term targets and forecasting average revenue growth of 10% from FY24 to FY28 and 4% thereafter with a 14% operating margin, a discounted cash flow analysis values the company at NOK110.2 per share, 34% above the current share price. Maintaining churn at current low levels, winning new large multinational contracts and applying the optimum operating model in each region will be key to the company meeting if not exceeding these assumptions.

Price	**NOK82.20**
Market cap	**NOK1,771m**
Net cash/(debt) at end H125	NOK(217.1)m
Shares in issue	22.1m
Free float	65.6%
Code	ZAL
Primary exchange	OSLO
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	4.2	4.2	15.6
52-week high/low		NOK87.0	NOK64.5

Business description

Zalaris is a leading provider of comprehensive human capital management and payroll solutions.

Next events

Q325 results	24 October 2025

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Edison profile page

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Investment summary

Company description: Leading HR and payroll solutions

Zalaris is a leading provider of payroll and HR solutions, enabling corporations to digitise their HR functions through its products and services. Zalaris covers the entire employee lifecycle through its two business segments, Managed Services and Zalaris Consulting. Managed Services is Zalaris's cloud and comprehensive outsourcing solution, centred around its PeopleHub platform, which is hosted on SAP and easily flexed to the client's requirements. Zalaris Consulting represents Zalaris's consulting, implementation and application maintenance business, which is predominantly focused on SAP software solutions. Its single platform enables it to focus on larger and more complex multi or single-country projects. Currently, its solutions and services serve around 1.5 million employees across all HR solutions. From a geographic perspective, Zalaris operates in 17 countries through service centres with local expertise. Having grown initially in the Nordics, Zalaris is focusing now on the larger markets of Germany and the UK and Ireland, as well as the more recently entered territory of APAC, where it won its first major contract in 2022.

Financials: Long-term customers with attractive margins

Zalaris has an attractive financial profile due to its long-term relationships with customers and a low historical churn rate of 1.5–3.0%. Both business verticals have high levels of recurring revenue (Managed Services: 90%, Zalaris Consulting: 50%) and attractive adjusted EBIT margins (FY24: Managed Services: 16.8%, Zalaris Consulting: 6.8%), with an FY24 group margin of 11.0% due to overheads (up from 8.5% in FY23 and 5.2% in FY22). In FY24, Managed Services accounted for 74.5% of revenue and 88% of adjusted EBIT before central overheads. Zalaris Consulting was 25.2% of FY24 revenue and 12% of adjusted EBIT before central overheads. We forecast an improvement in adjusted EBIT margin to 12.7% for FY25 and 13.9% in FY26 as the benefits of scale and the optimised operating model flow through. Management's mid-term (FY28) targets are for revenue of NOK2.0bn (run-rate) with an EBIT margin range of 13–15%. Having refinanced its debt with a €40m five-year senior secured bond with a rate of 5.25% plus three-month Euribor in March 2023, the business remains well capitalised. We forecast a reduction in gearing (net debt excluding leases/ adjusted EBITDA) from 1.1x at the end of FY24 to 0.8x at the end of FY25 and 0.4x at the end of FY26.

Valuation: Share price does not reflect potential progress

Our discounted cash flow (DCF)-based approach suggests a valuation of NOK110.2 per share based on an FY24–28 revenue CAGR of 10% followed by growth of 4% per year from FY29 to FY34, and an adjusted EBIT margin of 14%, reflecting significant potential upside to the current price on relatively conservative estimates. Zalaris is currently trading at a discount on FY25 and FY26 EV/EBIT multiples to its payroll software and IT services peers.

Sensitivities: Contract momentum

Zalaris's growth and margin progression depend on its ability to win new customers and retain existing clients. Furthermore, it is largely reliant on a strong working relationship with SAP, on whose software its PeopleHub platform is hosted and its professional services are centred on. There are other wider risks around data protection and cyberattacks. With a broad geographic reach, foreign currency exposure is another key risk, specifically the Norwegian krone/euro rate due to its euro- denominated bond.

Company description: Leading HCM solutions

Background

Headquartered in Norway and listed on the Oslo Stock Exchange, Zalaris was founded in 2000 by CEO Hans-Petter Mellerud. It is a leading global provider of HCM and payroll solutions. Its products and services cover the entire employee lifecycle, including recruitment, onboarding, compensation, time sheets, travel expenses and performance management. Due to its single platform solution, Zalaris specialises in servicing multinational corporations or large, complex single-country projects that target client cost savings of between 20% and 30%.

Since 2000, the business services outsourcing sector has grown significantly in size, from $45.6bn to $394.5bn in 2024, and now makes up a greater percentage share of the wider IT services sector, as businesses further digitise their administrative and back-office functions. Through a greater level of outsourcing, businesses can focus on core operations to drive growth while also reducing overhead costs. The shift towards business service outsourcing accelerated during the COVID-19 pandemic. CEOs and management teams reorganised and right-sized businesses as revenue generating operations ceased or slowed, seeking greater operational efficiencies within their cost base. Over the past five years Zalaris has outperformed the wider BPO market, delivering a CAGR from FY20 to FY24 of 11.6% versus the 7.2% market CAGR. Furthermore, business outsourcing companies such as Zalaris can provide their clients with accurate data to enable management teams to track KPIs or further empower decisions.

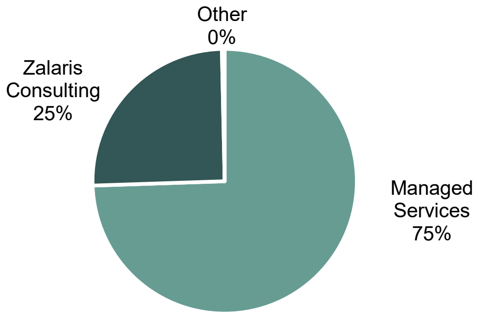
Business verticals

Zalaris operates through two business verticals, Managed Services and Zalaris Consulting. The Managed Services business (74.5% of FY24 revenue) is Zalaris's cloud-based software HR system and service offering, predominantly through its PeopleHub solution. The PeopleHub solution can be scaled from a software-as-a-service (SaaS) business all the way to a BPO solution through a full outsourcing of HR and payroll suite of service, and as such has a high level of recurring revenue. The Managed Services business enables companies to outsource their HR and payroll functions through Zalaris, with the level of service scaled up or down to the needs of the clients. Managed Services' PeopleHub platform operates on SAP software; Zalaris has a strong and long-term commercial relationship with SAP. Given the BPO/SaaS model and long-term relationship, Managed Services has a more attractive operating profit margin profile than Zalaris Consulting.

Zalaris's second business segment is Zalaris Consulting. Through this segment, Zalaris helps clients to plan and implement HR and payroll solutions for businesses, predominantly through an SAP-based solution. Zalaris is an SAP Gold Partner and has SAP Expert Level certification for HCM. However, for those clients that may be using other non-SAP HR software providers, for example Oracle or Workday, Zalaris is able to integrate these into its solutions. Zalaris Consulting offers SAP consulting, as well as application management services, which is essentially application maintenance. Although these services may seem one-off in nature, over 50% of the segment generates recurring revenue due to the application maintenance services (AMS) offering, as well as long-standing customer relationships.

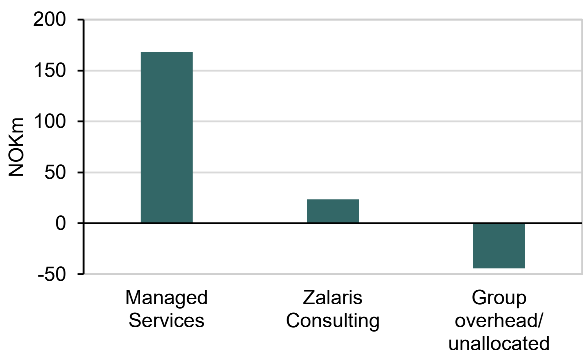
Both Managed Services and Zalaris Consulting are highly integrated within the SAP ecosystem.

Exhibit 1: Zalaris FY24 divisional revenue split



Source: Zalaris

Exhibit 2: Zalaris FY24 divisional adjusted EBIT



Source: Zalaris

Sticky customers with an attractive contract profile

Given the relatively high set-up costs of system implementation and resources required in either a first-case HCM and payroll outsourcing or switching from one provider to another, contracts are typically for around five years. Historically, Zalaris has had long-term relationships with customers with high levels of retention and an average churn rate of 1.5–3.0%. This provides Zalaris with good revenue visibility, providing management with a greater ability to manage profitability and cash flows. Furthermore, the contract structure is made up of an element of the fixed costs in setting up the system or project and an additional charge per payslip. There are inflationary-linked terms within the contract to provide resilience against inflationary pressures. This resilience is highlighted by the margins since FY20, having only dipped in FY22 due to the expansion into APAC. The profile for larger contracts is more attractive from a financial perspective as they offer a greater opportunity for economies of scale and operational leverage.

Zalaris benefits from a number of industry barriers to entry: the BPO provider industry requires relatively high upfront capital investment due to proprietary software or service solutions, particularly when offering cross-border solutions, hence scale is important; expertise and track record in the relevant sector are key; and the costs and risks of switching provider once a system is embedded are relatively high. Furthermore, through its digital solutions Zalaris targets cost savings of 20–30% for its clients, an attractive proposition for management teams looking to reduce non-core overheads.

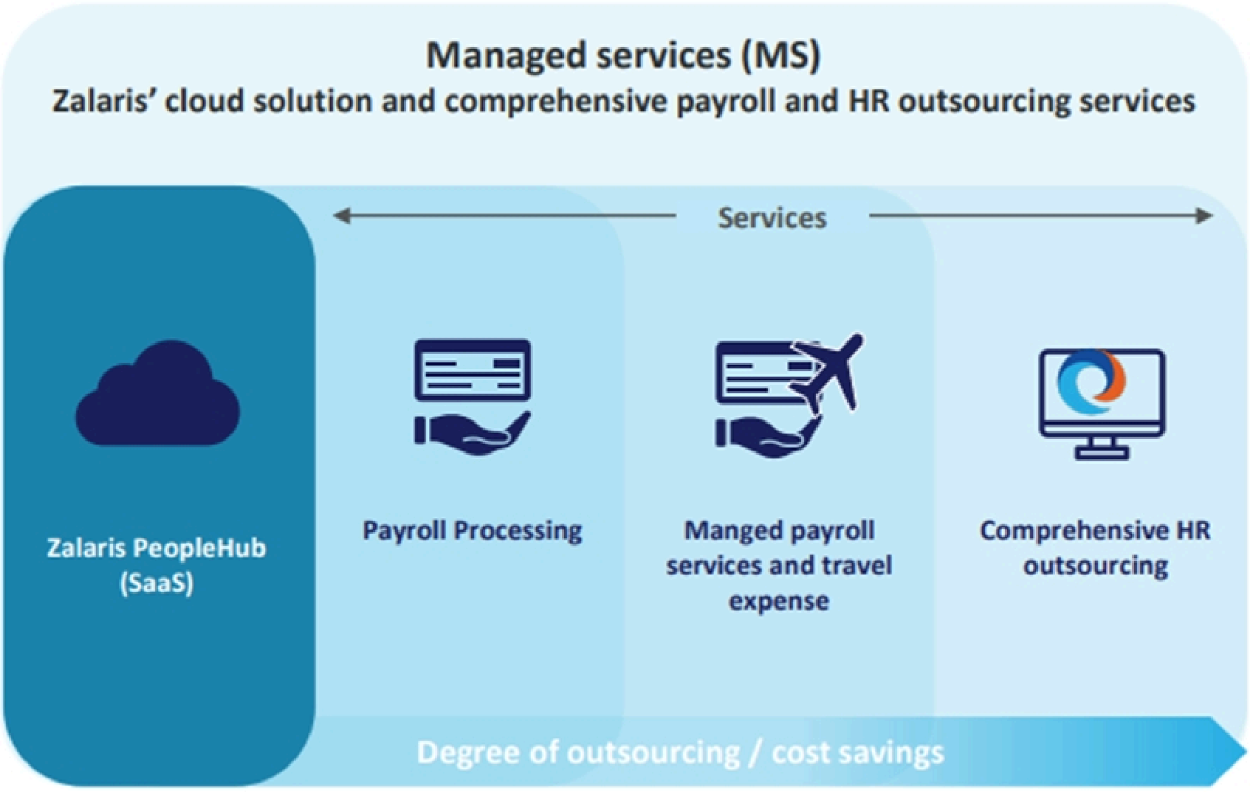
Full suite across HCM solutions and services

In this section we will delve deeper into the business segments, examining the product solutions, services, use cases and financial profile. It should be noted that although the two segments are separate from a financial reporting perspective, there is a broad level of integration between the two.

Managed Services

The Managed Services business is Zalaris's SaaS and outsourcing business, centred around its proprietary PeopleHub single platform. It provides customers with range of HR and payroll services that can be flexed to the client's requirements and needs. Exhibit 3 provides an overview of the Managed Services offering, ordered by the degree of outsourcing from the client and the subsequent cost savings achieved.

Exhibit 3: Managed Services overview



Source: Zalaris

In addition to the direct cost benefits (20–30% saving), Zalaris believes its Managed Services offering supports clients in scaling by enabling them to focus on core business functions. The PeopleHub solution presents a simplified, single-platform global solution that covers the entire employee lifespan, across HR systems, payroll, workforce management, talent management and travel and expenses. Exhibit 4 demonstrates PeopleHub's capabilities across these verticals. PeopleHub is Zalaris's proprietary platform and is the result of integrating SAP's HCM software with its own advanced solutions, all seamlessly hosted on a combination of Zalaris private cloud, SAP cloud and the Azure cloud. The core payroll engine, powered by SAP HCM, operates on servers owned and managed by Zalaris, ensuring a smooth integration with various HCM systems like SAP SuccessFactors, Workday and Oracle HCM. Additionally, Zalaris offers SAP SuccessFactors on servers directly maintained by SAP. The solid partnership between Zalaris and SAP provides confidence in the reliability and long-term stability of the PeopleHub hosting arrangement.

Exhibit 4: PeopleHub capabilities

Source: Zalaris

In the Managed Services business, Zalaris has c 200 clients. The business has an attractive financial profile due to its BPO/SaaS model and an opportunity for operational leverage through process standardisation and right-shoring of service centres.

The business has c 800 professionals working across 17 service locations with three shared services locations in Riga (Latvia), Gdynia (Poland) and Chennai (India). These service locations are categorised as:

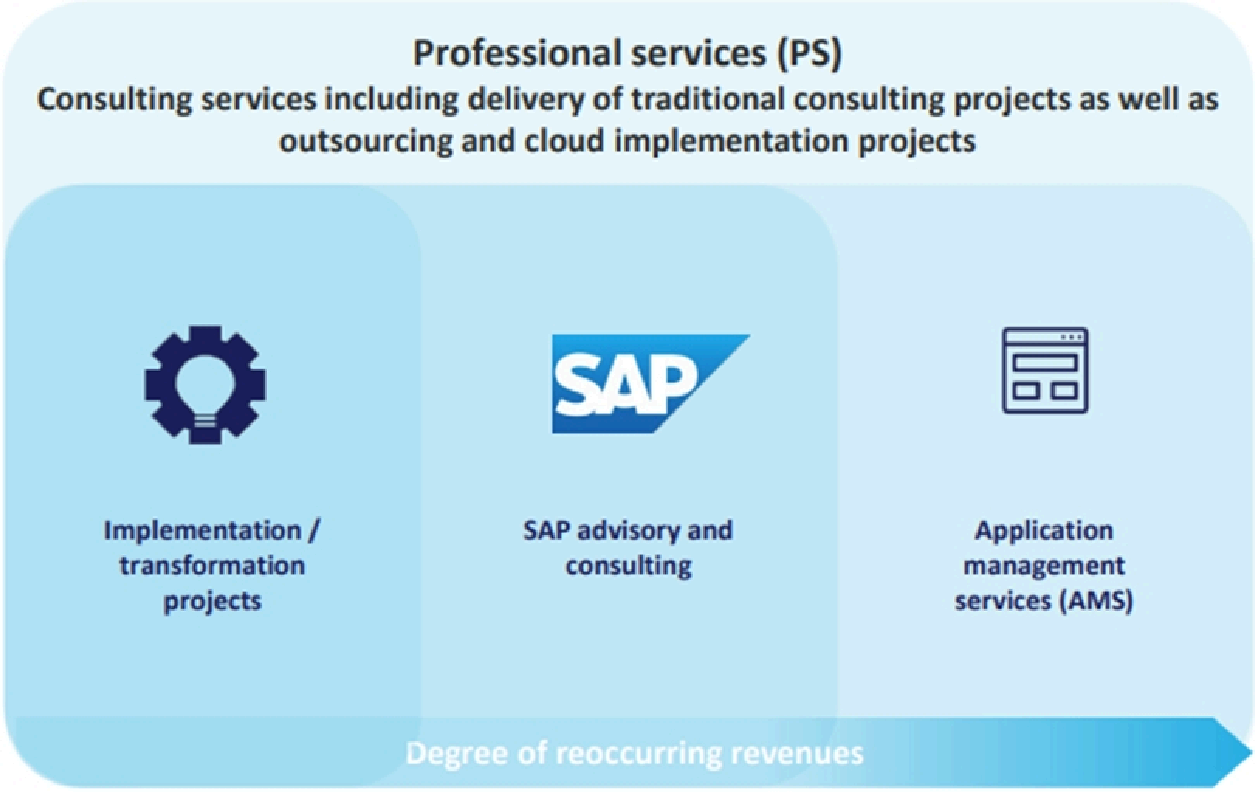
- **Onshore:** local service locations that provide regional expertise. These locations are dependent on the teams being flexible and pragmatic. These services are delivered in local languages. Locations include Norway, Sweden, Denmark, the UK, Ireland, France, Switzerland, Germany, Australia and Finland. From a margin perspective, these are the costliest service centres for Zalaris due to the relatively higher cost of labour.
- **Nearshore:** nearshore locations are the two shared service centres in Riga, Latvia and Gdynia, Poland. The work at these two locations is more repeatable in nature, with teams more reliant on formal processes to streamline workflow. Services at these nearshore locations are also delivered in local languages. In Q323, management established a German delivery team at the Riga location. Nearshore locations are expected to deliver at a lower cost than onshore locations.
- **Offshore:** offshore locations represent the service locations in Chennai, India and the Philippines. The work functions undertaken in India are routine and reliant on formal processes with a high degree of automation. Operating through this service centre provides a greater cost saving relative to nearshore locations. The Philippines service centre, which currently uses third party resource, is used to support Zalaris Consulting projects globally and will also be used to support Managed Services customers with employees in the Philippines. The company is planning to establish an in-house service centre there which could be expanded to provide offshore resources more widely.

Zalaris recently launched its hybrid service offering: Managed Global Capability Centre Service. This offers flexible engagement options, combining offshore delivery benefits with retained control and governance. The variety of service centres enables Zalaris to ‘right-shore’ its services, delivering robust local competence where necessary combined with the use of lower-cost centres to maximise cost efficiency.

Zalaris Consulting: SAP specialists

Zalaris Consulting provides consulting, implementation and AMS. The segment offers a broad range of services for clients, from one-off projects to AMS, which offer a higher degree of recurring revenue. Exhibit 5 demonstrates the range of Zalaris’s Professional Services for clients, with the relative degree of recurring revenue increasing from left to right.

Exhibit 5: Zalaris Consulting overview



Source: Zalaris

The segment's advisory and consulting services are focused on, although not exclusively, SAP solutions. The commercial partnership with SAP is beneficial to Zalaris given the size and growth opportunity of SAP software and services. This is explored further in the 'Market opportunity' section.

Zalaris Consulting serves a total of c 150 clients. Although some of the projects Zalaris undertakes are one-off in nature, c 50% of its revenues are recurring in nature due to the AMS business function.

Zalaris's professional services expertise is focused on SAP solutions, whether SAP HCM or SAP SuccessFactors. This is exemplified through its certification as an SAP Gold Partner. Other SAP Gold Partners include many of the leading global consultancy firms such as Accenture, PwC, Deloitte and Capgemini. Zalaris also holds an SAP Expert Level certificate in HCM, the highest level for SAP providers.

Zalaris Consulting has c 230 full-time staff and supplements this with external consultants as required. Reflecting this, the adjusted EBIT margin for Zalaris Consulting in FY24 was 6.9% versus the 16.8% margin in Managed Services.

Management believes that Zalaris Consulting is vital in providing a solid platform for the Managed Services business and showcasing SAP expertise, as it can act as a pathway to cross-sell to existing clients and can add additional value for customers. Although to date cross-selling has not been a predominant feature of the Zalaris strategy, management is assessing how this could be improved in the future.

Strategy

Core focus to drive growth

To date, the strategy has been simple: to win multi-country or large single-country contracts, targeting large and medium-sized businesses. Broadly, Zalaris has greater success with projects that are first-generation in nature (ie the business has not worked with an outsourcing partner previously). This is typically because second-generation projects (ie taking over from an existing outsourcing project) are more competitive when pitching for business.

Zalaris is relatively sector agnostic and operates across a number of industries. As Exhibit 6 highlights, many of its customers are recognisable names within their respective industries, for example Ryanair, Porsche or Total. Although disclosure is varied due to some confidentiality agreements, examples of recent wins that highlight Zalaris's breadth of clients and delivery include:

- August 2025: Zalaris entered a strategic partnership with Eurowings, a subsidiary of Deutsche Lufthansa, to implement a centralised payroll system for Eurowings' operations across Europe. This will lay the foundations for the future integration of a new HCM system. The rollout is expected to take 18 months and the system will ultimately manage payroll for c 5,500 Eurowings employees.
- July 2025: Zalaris expanded its service agreement with a Nordic financial institution customer to take its existing payroll services to operations in Finland, covering more than 1,600 employees. The expanded scope covers end-to-end payroll, time and attendance and travel expense management.
- Q225: Zalaris entered into an agreement with a Nordic waste management company to deliver payroll services for more than 3,000 employees throughout the Nordic region.

Exhibit 6: Select customers by sector

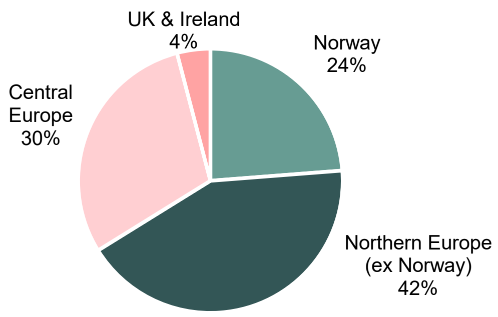
Sector	Selected customers
Banking, insurance & financial services	Bank Pekao, BDO, Codan, Danske Bank, DNB, eika, Fremtind, intrum, Nordea, Storebrand, Tryg
Health & life sciences	Aspen Healthcare, Boehringer Ingelheim, Draeger, GE Healthcare, GlaxoSmithKline, Novartis, Roche
Infrastructure & transportation	entra, Eurowings, Finnair, Hent, Ryanair, SAS, VY
IT, technology & telecom	allente, OneCo, Telefonica, Telenor, Yunex Traffic
Offshore & energy	AkerBP, BiLFINGER, EAM, eew, Gassco, slb, Statkraft, SWK, Total, Westfalen Weser Energie
Manufacturing	Borregaard, brose, Claas, Continental, Mettler Toledo, outokumpu, Pilkington, Porsche, Sika, Yara
Public sector	caritas, Goethe Institut, Hessen, Kent Police, Rheinland Pfalz, Southward Council, University of Westminster
Retail	Carlsberg, Circle K, Elkjop, Felleskjopet, Mueller, Ringnes, Sealord, The Kadewe Group, Unilever
Service sector	Compass Group, entercard, go1, hendercare, ISS, Kaefer

Source: Zalaris

Geographic expansion and acquisitions

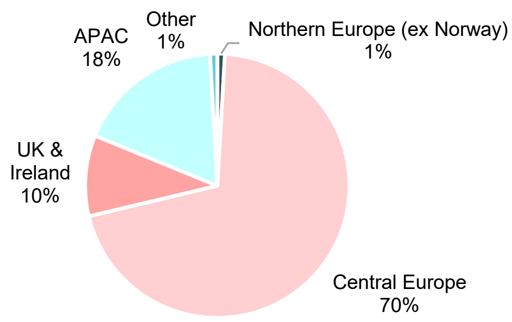
Historically, Zalaris has focused on its core geographies of Northern Europe (Norway, Denmark, Sweden and Finland) and Central Europe (Germany, Poland, etc). These geographies are where Zalaris has the strongest brand recognition as well as the most robust client relationships, having operated in the area since 2000. Exhibit 7 and Exhibit 8 show the geographical split of revenue by division.

Exhibit 7: Managed services H125 revenue by geography



Source: Zalaris

Exhibit 8: Zalaris Consulting H125 revenues by geography



Source: Zalaris

Zalaris has previously entered new geographies in one of two ways: through an expansion into new countries with existing clients or through acquisitions. When expanding to new geographies, local service centres provide expertise in local and regional regulation, all of which is General Data Protection Regulation (GDPR) compliant and delivered in the local language.

Up to 2017, Zalaris focused exclusively on the Nordics and Baltics, which included Norway, Sweden, Denmark, Finland, Poland, Estonia, Latvia and Lithuania. In 2017, the company entered the DACH region and the UK through two relatively large acquisitions, sumarum (DACH, total consideration of €18.7m) and ROC Global Solutions (UK and Ireland, total consideration of £8.5m). These acquisitions provided Zalaris with a significantly enlarged total addressable market. The German region in particular offered a market size three times that of Zalaris at the time. Those acquisitions have proved largely successful, with revenues from the UK accounting for 6% of FY24 revenue and Central Europe, the lion's share of which is Germany, 41%.

The company then made two relatively small acquisitions, ba.se. in Germany in 2021 for an undisclosed fee and German SaaS business vyble (start-up focused on the SME market) in Q122 for €1.1m. In Q222 management announced that it was looking to divest the vyble business, but with no suitable buyer found, by the end of 2024 it decided to retain the business. It has reduced vyble's operating losses from NOK20.6m in FY22 to NOK2.6m in FY24.

In Q122, management announced its entry into APAC with the establishment of local operations in Singapore and Australia, and reported APAC progress separately from Managed Services and Zalaris Consulting. Revenues have grown rapidly to NOK48.2m in FY24 and the region delivered its first quarter of positive EBIT in Q424. Since Q125, it has been incorporated into Zalaris Consulting although, in time, we expect that Managed Services contracts will be signed in the region.

Growth opportunities exist in core markets

As discussed above, Zalaris's strategy focuses on the core markets of the Nordics, Central Europe and the UK, and the more recently entered APAC region. While the company has the ability to cover more than 150 countries, it would like to sell more in the 'white spaces' in Europe, including Benelux, France and Italy. The company already services customers in these regions, although it is typically for small numbers of employees for customers with larger operations elsewhere. Accessing larger companies in those countries may require operations to be set up in those countries. This could be achieved organically or via acquisition of suitable BPO businesses.

Europe is the second-largest region for BPO services by market size behind the Americas and is expected to deliver a six-year CAGR of 3.5% from 2024 to 2030 to $146bn. Asia is expected to deliver slightly stronger growth of 4.3% from 2024 to 2030, with more modest growth in Australia (source: Statista). By country, the UK and Germany represent the second and fifth-largest nations by BPO market size and are forecast to deliver six-year CAGRs of 4.6% and 2.8%, respectively. Despite the relative maturity of these geographies, the growth forecast in these markets presents a good opportunity for Zalaris. The German HR and payroll market is three times the size of the Nordics combined and deal values are typically two-and-a-half times higher. Zalaris currently has a relatively small presence in the UK and Ireland, with just 6% of its revenue derived from the region. Given the size of the UK and Ireland we believe there is significant market opportunity for Zalaris to tap into if it starts to win multinational deals with large brands.

Good progress made to date; ambitious targets set for FY28

Recent profit improvement programme laid the foundations for better margins

At the time of the Q322 results management announced an updated EBIT improvement programme (Zalaris 4.0), targeting an increase in adjusted EBIT by end-FY23 of NOK40–50m, while maintaining its stated FY23 adjusted EBIT (before APAC) margin target of 10%, using Q222 as the base. In addition to incremental EBIT from new client wins and customers going live, management targeted a number of changes to the operating model and cost efficiencies including:

- **Right-shoring:** reallocation of costs towards the nearshore and offshore service location centres. Management sought to reduce the percentage of headcount accounted for by onshore service centres to 50%, having historically been more than 65% of Zalaris's headcount. It had already achieved a good mix of on-shore/near-shore/offshore staffing in the Nordics and rolled out this methodology to Germany, which included setting up a German delivery team in Latvia.
- **Better utilisation:** given that c 60–65% of Zalaris's operating expenses excluding depreciation and amortisation sit within personnel expenses, management aimed to leverage its workforce and utilise existing capacity for new customer projects.
- **Reduced use of external consultants:** within Zalaris Consulting, management initially sought to reduce the number of external consultants by 50%, replacing them with internal employees. Since this stated goal, management has updated its targeted reduction in external consultants to two-thirds of the previous level.

The targets were reached, with FY23 adjusted EBIT NOK49.6m higher than in FY22 and the adjusted EBIT margin reaching 10.7% in Q423.

Medium-term plan highlights ambitious growth targets

In 2023, the company set out its medium-term plan for FY26. This anticipated delivering an 11% CAGR between 2023 and 2026 to deliver revenue of NOK1.5bn. This would be driven by an increase in the contribution from Managed Services from 73% of revenue in FY23 to a targeted 77% in FY26, while Zalaris Consulting would decline from 26% in FY23 to 23% in FY26. Management targeted adjusted EBIT margins of 12–15%, adjusted EBITDA margins of 18–24% and 70% conversion of operational cash flow. It narrowed the margin range to 13–15% after the FY24 results. By H125, Managed Services made up 76.1% of group revenue and the group adjusted EBIT margin was 13.1%.

By the end of Q125, the company anticipated meeting the NOK1.5bn revenue target (on an annualised basis) before its original end-FY26 deadline. It therefore raised its outlook, targeting revenue of NOK2bn by the end of FY28 (on an annualised basis) which equates to a revenue CAGR of 10% from FY24 to FY28e. It maintains a conservative view on EBIT profitability, sticking to the 13–15% range, and wants to consistently hit this before raising the margin target.

Improving performance in Germany is helping group profitability

The company's ambition is that each region will have a local EBIT margin of 15–20% before group charges. To achieve this, the region needs a high level of standardisation, automation and delivery of customer contracts based on the PeopleHub platform, as well as making use of near and offshore resources to provide services. This target has already been achieved in the Nordic region, mainly through right-shoring to maximise the capacity of local resources. Germany has historically achieved significantly lower margins than other countries, and in Q224, the company formalised its DACH improvement plan. This targeted an increase in EBIT of NOK40m over the following 12–18 months, with approximately NOK30m to be achieved in the first 12 months and a further NOK10m to come from new customer contracts. To achieve this, the company planned to do the following:

- Integrate ba.se. (now renamed Zalaris Retail Solutions) into the German Managed Services operations;
- renegotiate terms in existing customer agreements, including migrating customers on legacy platforms to PeopleHub;
- implement the Zalaris 4.0 operating model to right-shore the business; and
- streamline the organisation, reducing administrative overhead through digitalisation.

While the company does not disclose EBIT margins by country, it has confirmed that German profitability has improved over the last four quarters and cost savings of NOK60m have been achieved, ahead of target. This is evident in the expansion of the Managed Services EBIT margin from 13.8% in Q224 to 17.1% in Q225. The company estimates that there is still scope for further margin expansion in Germany, by as much as another 10 percentage points over the longer-term.

Using AI and data

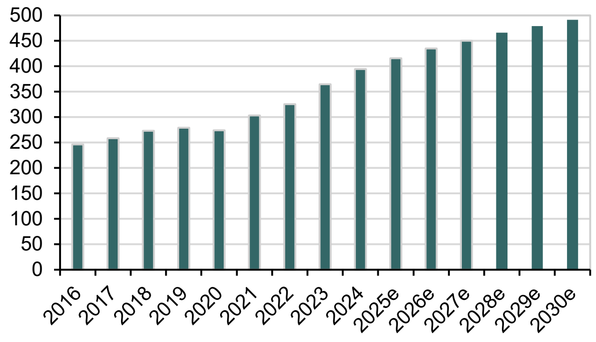
As with many technology-enabled businesses, Zalaris has had AI embedded into its workflow and offering for a number of years, predominantly within data insights and improvements. However, the company is expanding its use cases of AI, improving security functions as well as user experience. In Q123, a new help desk app was introduced, which includes a conversational AI chatbot named Zally.

The implementation and enhancement of AI capabilities within Zalaris's service offering will be executed by way of a continuous integration and continuous delivery model (ie incremental changes to software made frequently). As Zalaris continues to integrate AI into its processes and service offering, this should provide scope for a greater degree of automation and subsequent cost efficiencies.

Market opportunity

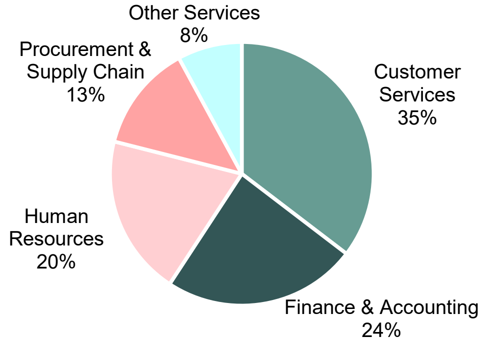
Since Zalaris's inception in 2000, the business outsourcing market has grown significantly from $45.6bn to $394.5bn in 2024 and is expected by Statista to continue growing to $491.2bn by 2030, a six-year CAGR of 2.8%. Our forecasts within the DCF reflect a 7.9% CAGR over the same period, ahead of the market but achievable given Zalaris's momentum and track record. The HR and payroll segment represents a significant portion of this market, as shown in Exhibit 10.

Exhibit 9: BPO revenue ($bn)



Source: Statista

Exhibit 10: BPO revenue by function



Source: Statista

The historical and prospective growth of the business outsourcing market has been and continues to be driven by a number of important structural trends:

- An increasing drive from company management teams to streamline and simplify back office and non-core processes, to drive growth and productivity in core operations.
- Increasing globalisation has meant companies require flexible cross-border services that deliver solutions in a variety of languages that fulfil the needs of all employees. These systems often need to be able to operate across a variety of laws and regulations depending on the country of operations, with local expertise often required.
- The outsourcing of non-core functions enables companies to reduce overhead costs while maintaining a high level of service. The increasing importance and focus of business data and analytics to management teams in decision-making processes and reporting.

SAP partnership

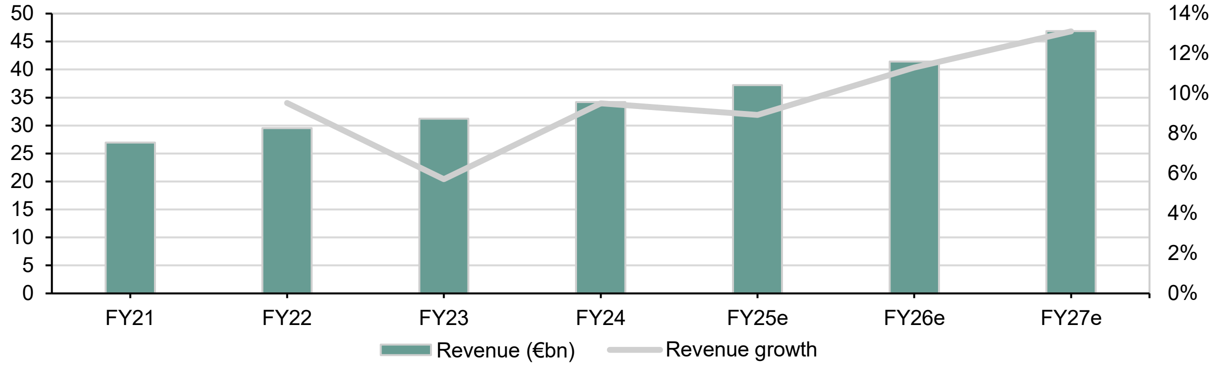
Zalaris has had a strong commercial relationship with SAP since its inception and is integrated within SAP's ecosystem. The company resells SAP SuccessFactors (HR) cloud software, which is delivered by SAP. The company also has a long-term agreement with SAP to relicense SAP HCM (payroll software). Zalaris typically hosts this software in its data centres (which are leased from a third-party). Zalaris renewed its licensing agreement in December 2023 for five years and SAP has committed to support SAP HCM until at least 2040.

SAP's position as the global leader in enterprise resource planning (ERP) software and other business applications benefits companies that work within its ecosystem due to its scale. Its software and services cover the full suite of business processes, including ERP, financial management, planning and reporting, customer relationship management, HCM and supply chain and procurement. SAP's total addressable market is expected to grow from $420bn in 2021 to $670bn by 2025 (source: Equitec), as it continues to enter new markets and offer clients additional services and updates. Of the 100 largest global companies, 99 are SAP customers.

There are over 25,000 companies globally that operate within the SAP Professional Services ecosystem. Recent research shows that companies that operate within this ecosystem in aggregate generate 5x as much revenue as SAP.

Exhibit 11 shows SAP's revenue performance since FY21 and forecast revenues for FY25–27. Reported revenue growth of 5.7% in FY23 was affected by currency (constant currency growth was 9%) and an acceleration in the transition to the cloud. FY24 revenue growth improved to 9.5% (10% constant currency) and from FY25, revenue growth is forecast to accelerate as the company generates an increasing proportion of revenue from the cloud. We note that SAP recently acquired SmartRecruiters, emphasising its commitment to HCM.

Exhibit 11: SAP revenue and revenue growth, FY21–27e



Source: SAP, LSEG Data & Analytics (as at 29 September)

ESG opportunity

One area of particular focus for BPO service businesses is the development of ESG regulation. In December 2022, the European Union finalised the Corporate Sustainability Reporting Directive (CSRD), formalising and standardising detailed sustainability reporting requirements for companies, to increase transparency and accountability of sustainability reporting. These requirements are being phased in for companies operating in the EU from January 2024 that meet two of the following requirements:

- €50m in net turnover,
- €25m in assets, or
- 250 or more employees.

Additionally, non-EU companies with revenues greater than €150m within the EU must comply with CSRD. The implementation of CSRD has increased the catchment of companies required to report these metrics from 11,000 under the previous Non-Financial Reporting Directive (NFRD) to 50,000. Key dates for the phasing in of this legislation, which in some cases have been delayed, are:

- 1 January 2025: first report for companies already subject to NFRD.
- 1 January 2028: first report for large companies not subject to NFRD.
- 1 January 2029: first report for listed SMEs, small and non-complex credit institutions and captive insurance undertakings.

By outsourcing back-office functions to BPO providers such as Zalaris, companies receive independent third-party authentication of ESG data. Furthermore, Zalaris can assist with or directly provide reports in compliance with new regulations, streamlining ESG reporting processes. Metrics such as workforce composition, supply chain tracing and emissions reporting are all becoming features of regulatory requirements.

Management believes it is too early to quantify the potential revenue uplift from the changing regulation, but we see it as a beneficial tailwind. Much of the employee-related reporting requirements are available in SAP SuccessFactors; however, Zalaris may be able to charge clients extra for analytics.

Management

Zalaris's board of directors consists of Non-executive Chair Adele Norman Pran and three independent non-executive directors: Liselotte Hägertz Engstam, Jan M Koivurinta and Kenth Eriksson.

The senior management team includes:

- **Hans-Petter Mellerud, CEO:** Hans-Petter was previously a partner at consultancy firm Accenture, responsible for business development in the company's Nordic Outsourcing Unit. He founded Zalaris in 2000 after spotting an opportunity to establish a digital payroll and HR services business in the Nordics. He holds an MBA from IMD Lausanne, Switzerland, a bachelor of science, magna cum laude, and a master of science, cum laude, in computer science from the University of Tulsa, US. Hans-Petter is Zalaris's majority shareholder through a 100% owned subsidiary named Norwegian Retail AS, which holds c 13% of Zalaris.

- **Gunnar Manum, CFO:** Gunnar joined Zalaris in 2020 and was previously the CFO of Norwegian pharmaceuticals business Vistin Pharma. He has significant experience as a CFO for public companies, having held that position at Clavis Pharma and Weifa/Karo Pharma. Prior to that, he worked for eight years as a senior advisor in corporate finance at Handelsbanken Capital Markets and earlier in his career was an auditor at PwC. His educational background includes an MCom in finance and accounting from the University of New South Wales in Sydney.

Sensitivities

Zalaris operates across multiple geographies with a number of long-term contracts. The company has a good opportunity to continue growing its customer base by servicing multinational corporations or large single-country projects. We see the main risks that face the company as:

- **Retaining and winning new contracts:** Zalaris is dependent on winning new contracts and the renewal of existing contracts to build its revenue. Zalaris typically has long-term relationships with its customers. However, if the company is not able to implement a project within an agreed timescale or poorly implements a project, this may have a negative impact on its relationship with the client. This could lead to a negative impact on revenue and profitability.
- **Revenue concentration:** although Zalaris has a broad range of customers, a relatively high proportion of revenues comes from a small number of contracts that are significant in value. Its largest customer accounted for 7% of FY24 revenue, while its five largest customers make up 22%. A loss of one of these contracts would have a material impact on the group's financial performance.
- **SAP relationship:** Zalaris is reliant on SAP for the software for its PeopleHub solution as well as much of its Professional Services business. Although Zalaris has historically had a strong corporate relationship with SAP and SAP is committed to supporting the solution used by Zalaris until a minimum of 2040, a deterioration in the commercial relationship or vendor agreements would affect Zalaris's operations.
- **Customer data protection:** Zalaris has a large customer database and handles significant amounts of personal and commercial data as well as sensitive payment details of employers and employees. Consequently, Zalaris is subject to the EU GDPR data regulations given its inclusion in the European Economic Area and the potential penalty breaches of these codes. A breach of these regulations could have a material impact on the business as the penalty can be up to the higher of €20m or 4% of global revenue. Less severe violations can result in a fine of the higher of €10m or 2% of global revenue. Furthermore, any changes to the regulatory environment surrounding the handling of customer data could result in further costs.
- **Cybersecurity:** due to the company's business model, it is heavily reliant on IT systems and software. The potential impact of any cyberattacks on the business could pose a major risk given the sensitivity of the data Zalaris is handling, as mentioned above. To combat these potential risks, Zalaris has a dedicated Cyber Security Operations Centre, which constantly monitors systems and activities for any potential cyberattacks or exploitation of data. If a cyberattack were to materialise, this could significantly damage Zalaris's reputation in addition to any potential financial penalties.
- **Competition:** many of Zalaris's multinational competitors have much larger market capitalisations and therefore have potentially more capital to deploy. We would observe however that Zalaris has been successful with its one solution offering, with a low historical customer churn rate of 1.5–3%. Furthermore, many of Zalaris's larger peers offer solutions across a broad suite of business services, while Zalaris focuses specifically on HR payroll solutions and services. This provides it with particular expertise in this field. When compared to smaller peers, the company's ability to take on multi-country or more complex, large single-country contracts puts it at a greater advantage.
- **Foreign exchange exposure:** Zalaris's international footprint exposes it to movements in foreign exchange rates, particularly in the euro given the large weighting to Central Europe, of which the majority is Germany. At the end of FY24 the company had exposure to the euro, Danish krone, Indian rupee, Swedish krona, sterling, Swiss franc and Polish zloty. As well as revenue exposure, Zalaris's €40m euro-denominated bond loan results in a greater impact from the movement in the euro.

Financials

Income statement

Exhibit 12 summarises divisional and group performance and our forecasts for FY25 and FY26.

Exhibit 12: Financial performance and forecasts, FY20-26e

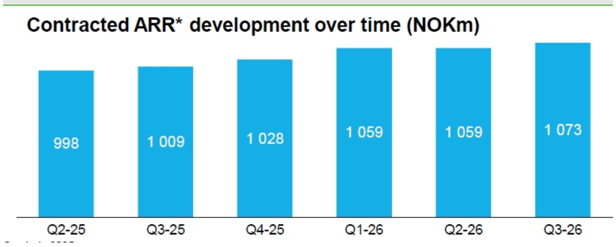
NOKm	FY20	FY21	FY22	FY23	FY24	FY25e	FY26e
Revenue							
Managed Services	544.3	529.7	644.8	819.6	1,002.7	1,133.0	1,246.3
Zalaris Consulting	248.0	245.6	247.9	311.6	339.0	356.4	374.6
vyble	N/A	N/A	N/A	2.8	4.6	5.0	5.0
Total	792.3	775.3	892.7	1,134.0	1,346.3	1,494.5	1,626.0
Adjusted operating profit							
Managed Services	N/A	66.4	69.5	114.4	168.1	N/A	N/A
Zalaris Consulting	N/A	18.8	14.9	24.2	23.2	N/A	N/A
Other and central costs	N/A	(35.7)	(38.1)	(42.9)	(43.8)	N/A	N/A
Total	55.2	49.6	46.2	95.8	147.5	189.4	226.7
Adjusted operating margin							
Managed Services	N/A	12.5%	10.8%	14.0%	16.8%	N/A	N/A
Zalaris Consulting	N/A	7.7%	6.0%	7.8%	6.8%	N/A	N/A
Group	7.0%	6.4%	5.2%	8.4%	11.0%	12.7%	13.9%
Revenue growth							
Managed Services	-1.7%	-2.7%	21.7%	27.1%	22.3%	13.0%	10.0%
Zalaris Consulting	11.2%	-1.0%	1.0%	25.7%	8.8%	5.1%	5.1%
vyble	N/A	N/A	N/A	N/A	66.1%	10.0%	0.0%
Group	2.0%	-2.2%	15.2%	27.0%	18.7%	11.0%	8.8%
Normalised diluted EPS (NOK)	0.22	1.32	0.07	0.95	2.70	5.06	6.38
Net debt	275.1	213.9	439.1	362.1	317.4	277.6	190.8
Net debt (excluding leases)	252.2	183.0	387.3	314.8	247.5	207.6	120.8
Net debt excluding leases/adjusted EBITDA	2.3	1.8	3.9	2.1	1.1	0.8	0.4

Source: Zalaris, Edison Investment Research

After the COVID-19-affected years of FY20 and FY21, revenue growth accelerated from FY22. Benefiting from the Zalaris 4.0 programme in FY23 and DACH improvement programme from mid-FY24, the adjusted operating margin has increased from 7.0% in FY20 to 11.0% in FY24. We note that building the APAC operations from FY22 held back Zalaris Consulting margins but, with APAC now above break-even, there is scope for margin expansion from this region.

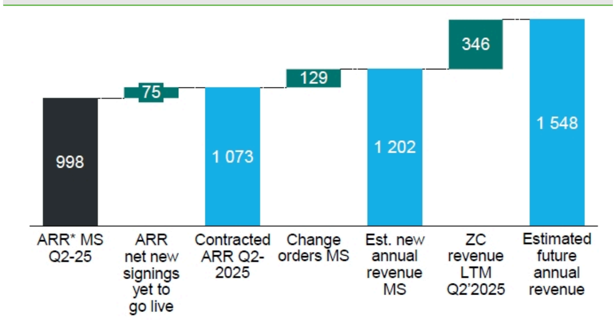
The company reports the following data on a quarterly basis, which helps to track the development of revenue.

Exhibit 13: Managed Services contracted ARR development



Source: Zalaris. Note: ARR, annual recurring revenue.

Exhibit 14: Bridge to future annual revenue



Source: Zalaris

Exhibit 13 shows how at the end of Q225, Managed Services had implemented contracts that generate annual recurring revenue (ARR) of NOK998m. Based on the expected timings of project rollouts for contracts that have already been signed, Zalaris expects ARR to increase to NOK1,073m by the end of Q326.

Exhibit 14 shows how it is possible to forecast future group annual revenue. This takes the Managed Services ARR at the end of the most recent quarter, adds the ARR for net new contracts that have not yet gone live, assumes that Managed Services receives change orders worth around 12% of contracted ARR every year and adds an estimate for Zalaris Consulting revenue by using the trailing 12-month revenue.

We forecast double-digit revenue growth for Managed Services in FY25 and FY26, based on a combination of new business, change orders and churn. We forecast mid-single-digit revenue growth for Zalaris Consulting over the same period. We note that Managed Services has been making use of Zalaris Consulting consultants to implement various projects in Germany. Due to consolidation accounting, this reduces the amount of revenue disclosed by Zalaris Consulting.

We forecast a gradual increase in the group adjusted EBIT margin over FY25 and FY26, noting that the H125 margin was 13.1%. Net finance costs should reduce over the next two years as net debt reduces. We use a tax rate of 22%, which is the Norwegian corporate rate. This results in normalised diluted EPS growth of 87% to NOK5.06 in FY25e and 26% to NOK6.38 in FY26e.

Zalaris's stated dividend policy is to pay out 50% of pre-tax profit. In FY23, the company did not pay a dividend due to covenants on its bond loan as it made a net loss in the year. It resumed paying a divided for FY24 at NOK0.90 per share. Based on our PBT estimates, we forecast a dividend of NOK0.96 for FY25 and NOK1.36 for FY26.

Cash flow and balance sheet: Gearing falling rapidly

Capex is low, at 2% of revenue in FY25 and FY26. The majority is capitalised development costs with a small amount for IT equipment and premises.

In March 2023, the company issued a €40m senior secured bond with a five-year term and quarterly coupon payments of three-month Euribor plus 5.25% per year (currently c 7.25% per year). The first call date for the bond was at the end of September, which gives the company the opportunity to refinance and reduce funding costs.

At the end of Q225, the company had cash of NOK255.4m, interest-bearing debt of NOK472.4m (of which NOK467.1m is the Eurobond), and leases worth NOK69.3m, resulting in net debt of NOK286.3m or NOK217.0m excluding leases. Gearing based on net debt excluding leases was 0.8x at the end of Q225, down from 1.6x a year before. With continued strong operating cash generation, we forecast that net debt excluding leases will fall to NOK207.6m by the end of FY25 and NOK120.8m at the end of FY26.

Valuation

DCF-based valuation

Our 10-year DCF uses a weighted average cost of capital of 8.4%, reflecting a cost of equity of 8.8% (Norwegian base rate of 4.0%, beta of 1.14 and an equity risk premium of 4.2%) and an after-tax cost of debt of 6.2%. We use our forecasts for FY25 and FY26, revenue growth of 10% in FY27 and FY28 and then assume annual revenue growth of 4% from FY29 to FY34. We assume EBIT margins of 14% from FY27. This results in a value per share of NOK110.2, reflecting upside of 34% to the current share price. In our view, Zalaris's current share price does not fully reflect the revenue momentum to date nor expected EBIT improvements, particularly with a strong existing annual recurring revenue contract base notwithstanding expected contracts to be signed.

Exhibit 15: Sensitivity to WACC and long-term growth rate

	Value per share (NOK)	Terminal growth rate				
	110.2	1%	2%	2%	3%	3%
WACC	10%	78.6	81.4	84.5	88.0	92.0
	10%	84.4	87.7	91.3	95.5	100.4
	9%	91.0	94.8	99.2	104.2	110.1
	9%	98.4	103.0	108.2	114.4	121.6
	8%	106.9	112.4	118.8	126.4	135.4
	8%	116.8	123.5	131.3	140.8	152.4
	7%	128.3	136.5	146.4	158.4	173.5
	7%	141.9	152.2	164.8	180.5	200.7
	6%	158.3	171.5	187.9	209.0	237.1
	6%	178.4	195.5	217.5	246.9	288.0

Source: Edison Investment Research

Discount to payroll software and IT services peers

Due to its broad product offering covering the full HCM and payroll suite, Zalaris has a range of peers that operate in both payroll software and IT services. The company considers its peers to be SAP, Strada (privately-owned), SDWorx (privately-owned), ADP, Tietoevry and Accenture.

All the payroll software peers in the table below are US-listed and much bigger than Zalaris and may not necessarily represent the best comparison due to their provision of the underlying proprietary software compared with Zalaris's reliance on SAP software. We have not included SAP as a peer as its software offering covers a much wider range of functionality than just HCM. More broadly we show peers across the IT services sector to give an idea of ratings within the wider BPO environment.

Exhibit 16: Peer group financial metrics

	Year-end	Quoted Currency	Market cap (m)	EV in reporting currency (m)	Rev growth CY	Rev growth NY	EBITDA margin CY	EBITDA margin NY	EBIT margin CY	EBIT margin NY
Zalaris	**31 Dec**	**NOK**	**1,783**	**2,101**	**11.0%**	**8.8%**	**18.1%**	**20.2%**	**12.7%**	**13.9%**
Payroll software & services										
Automatic Data Proce	30 Jun	USD	118,100	118,998	5.8%	5.7%	29.2%	29.6%	26.6%	27.0%
Paychex	31 May	USD	46,105	49,409	17.3%	6.4%	47.8%	48.5%	41.5%	42.4%
Paycom Software	31 Dec	USD	12,236	11,704	8.8%	9.2%	42.7%	42.8%	33.7%	34.0%
Paylocity	30 Jun	USD	9,029	8,794	7.6%	9.0%	35.9%	36.1%	30.1%	30.5%
Workday	31 Jan	USD	65,861	60,660	12.7%	12.7%	32.4%	34.0%	29.0%	31.1%
Dayforce	31 Dec	USD	10,866	11,455	10.5%	11.6%	32.0%	33.1%	26.2%	27.1%
TriNet Group	31 Dec	USD	3,284	3,861	0.5%	2.9%	7.8%	8.2%	5.0%	5.6%
Insperity	31 Dec	USD	1,863	1,776	4.0%	5.4%	2.7%	3.2%	0.9%	1.8%
Average					**8.4%**	**7.8%**	**28.8%**	**29.4%**	**24.1%**	**24.9%**
IT services										
Accenture	31 Aug	USD	148,843	143,553	5.6%	5.7%	19.2%	19.4%	15.7%	16.0%
Capgemini	31 Dec	EUR	20,353	24,076	-0.7%	3.3%	15.7%	16.0%	11.8%	12.4%
Sopra Steria Group	31 Dec	EUR	3,280	4,089	-1.5%	2.5%	12.1%	12.3%	8.5%	8.9%
Tietoevry	31 Dec	EUR	1,785	2,688	-31.0%	2.9%	11.9%	16.4%	11.1%	11.6%
Addnode Group	31 Dec	SEK	13,783	14,834	-26.0%	6.8%	17.1%	17.9%	10.5%	11.6%
Knowit AB	31 Dec	SEK	2,794	3,437	-7.3%	3.0%	7.9%	9.2%	2.3%	4.0%
Netcompany Group	31 Dec	DKK	11,421	13,744	11.6%	12.2%	17.3%	18.2%	12.6%	13.6%
Webstep	31 Dec	NOK	621	634	-0.4%	6.3%	10.5%	10.8%	8.3%	8.9%
Itera	31 Dec	NOK	693	718	-1.2%	5.7%	9.7%	11.0%	5.7%	7.4%
Bouvet	31 Dec	NOK	6,717	6,696	1.6%	6.9%	15.0%	15.1%	12.5%	12.6%
Average					**-4.9%**	**5.5%**	**13.6%**	**14.6%**	**9.9%**	**10.7%**

Source: Edison Investment Research, LSEG Data & Analytics (as at 29 September)

Exhibit 17: Peer group valuation metrics

	EV/sales CY	EV/sales NY	EV/EBITDA CY	EV/EBITDA NY	EV/EBIT CY	EV/EBIT NY	P/E CY	P/E NY
Zalaris	**1.4**	**1.3**	**7.8**	**6.4**	**11.1**	**9.3**	**16.2**	**12.9**
Payroll software & services								
Automatic Data Processing	5.5	5.2	18.7	17.5	20.6	19.1	26.7	24.4
Paychex	7.6	7.1	15.8	14.7	18.2	16.8	23.5	21.7
Paycom Software	5.7	5.2	13.4	12.2	17.0	15.4	23.4	21.5
Paylocity	5.1	4.7	14.3	13.0	17.0	15.4	22.4	20.5
Workday	6.4	5.7	19.7	16.6	22.0	18.2	27.8	23.4
Dayforce	5.9	5.3	18.4	15.9	22.5	19.5	28.4	25.3
TriNet Group	0.8	0.7	9.9	9.1	15.5	13.3	15.9	13.9
Insperity	0.3	0.2	9.6	7.7	29.4	13.8	23.5	16.6
Average	**4.6**	**4.3**	**15.0**	**13.3**	**20.3**	**16.4**	**24.0**	**20.9**
IT services								
Accenture	2.0	1.8	10.2	9.5	12.4	11.6	17.3	16.1
Capgemini	1.1	1.1	7.0	6.6	9.3	8.6	10.4	9.7
Sopra Steria Group	0.7	0.7	6.6	6.3	8.4	7.9	126.1	148.2
Tietoevry	1.4	1.4	11.1	7.8	12.5	11.6	11.9	14.0
Addnode Group	2.6	2.4	15.3	13.7	24.6	20.8	82.4	96.9
Knowit AB	0.6	0.6	7.3	6.1	24.8	14.0	32.9	17.0
Netcompany Group	1.9	1.7	10.9	9.2	14.9	12.3	18.3	13.9
Webstep	0.7	0.7	7.0	6.3	8.7	7.7	10.9	9.5
Itera	0.9	0.8	8.9	7.3	15.0	10.9	19.3	13.7
Bouvet	1.7	1.6	11.2	10.4	13.5	12.4	17.8	16.5
Average	**1.3**	**1.3**	**9.5**	**8.3**	**14.4**	**11.8**	**34.7**	**35.5**

Source: LSEG Data & Analytics (as at 29 September)

On our estimates, Zalaris trades on FY25e and FY26e multiples of 1.4x and 1.3x for EV/sales and 11.1x and 9.3x for EV/EBIT. The payroll software peers typically trade at higher multiples due to higher levels of profitability, with EBIT margins typically c 24% and above. When excluding TriNet Group and Insperity, average EBIT margins head above 30%. Zalaris trades at closer EV/sales and EV/EBIT multiples with relation to its IT services peers, which typically have lower levels of profitability. Despite trading at a discount to the average of IT services peers on EV/EBIT multiples, our forecasts for Zalaris's revenue growth and EBIT margins are ahead of the peer group for both forecast years. As the EBIT margin progresses and the business executes on its strategy, this could result in a narrowing in the valuation gap.

Active M&A in the HCM market

Over the last two years, there has been significant M&A activity in the HCM market. The majority have been acquisitions of software businesses, but in our view, the spin-off of the Alight business (now called Strada) is the most relevant for Zalaris.

- July 2024: Alight sold its payroll and professional services business to HIG Capital, which subsequently renamed it Strada. HIG Capital paid $1bn upfront with contingent consideration of $200m. At the maximum price, this values Strada on a multiple of 10x FY23 adjusted EBITDA.
- October 2024: ADP acquired WorkForce Software. ADP paid $1.15bn and industry commentary suggests WorkForce had revenue of c $250m, which implies a 4.6x sales multiple.
- February 2025: Zellis acquired Benify – financial details are not available.
- April 2025: Paychex acquired Paycor HCM for an enterprise value of $4.1bn. Just prior to the deal being announced in January, Paycor was forecast to generate revenue of $730.7m and EBIT of $129.3m in FY25 (year end 30 June 2025). This implies an FY25 EV/sales multiple of 5.6x and an EV/EBIT multiple of 31.7x.
- May 2025: Intuit acquired GoCo, a provider of HR and benefits solutions. No deal terms are available.
- August 2025: Thoma Bravo announced it was buying Dayforce; the deal is expected to close in early 2026. In Exhibit 17, the multiples are available. The bid price is $70 and the stock is currently trading at $68.86.

Exhibit 18: Financial summary

NOK'm	2021	2022	2023	2024	2025e	2026e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue	775.3	892.7	1,134.0	1,346.3	1,494.5	1,626.0
Costs	(673.3)	(786.6)	(980.1)	(1,120.0)	(1,224.0)	(1,297.3)
EBITDA	101.9	106.2	153.8	226.3	270.4	328.6
Normalised operating profit	39.8	46.2	85.4	144.9	189.4	226.7
Amortisation of acquired intangibles	(11.5)	(11.9)	(13.7)	(14.0)	(14.0)	(14.0)
Exceptionals	0.0	(1.9)	0.0	4.7	(2.7)	0.0
Share-based payments	(5.7)	(8.7)	(11.6)	(21.9)	(21.9)	(21.9)
Reported operating profit	22.6	23.7	60.1	113.7	150.9	190.8
Net Interest	(7.6)	(40.1)	(74.6)	(64.2)	(44.1)	(40.0)
JVS and associates (post tax)	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	32.2	6.1	10.8	80.7	145.4	186.7
Profit Before Tax (reported)	15.0	(16.4)	(14.5)	49.5	106.8	150.9
Reported tax	(2.2)	(6.3)	11.5	(16.0)	(23.5)	(33.2)
Profit After Tax (norm)	30.0	(0.2)	22.3	64.7	121.9	153.5
Profit After Tax (reported)	12.8	(22.7)	(3.0)	33.4	83.3	117.7
Minority interests	0.0	1.6	0.8	0.3	0.0	0.0
Discontinued operations	0.0	(16.0)	0.0	0.0	0.0	0.0
Net income (normalised)	30.0	1.4	23.1	65.0	121.9	153.5
Net income (reported)	12.8	(37.1)	(2.1)	33.8	83.3	117.7
Basic average number of shares outstanding (m)	21.3	21.6	21.2	21.7	21.7	21.7
EPS - normalised (NOK)	1.41	0.07	1.09	3.00	5.62	7.08
EPS - normalised fully diluted (NOK)	1.32	0.07	0.95	2.70	5.06	6.38
EPS - basic reported (NOK)	0.60	(1.72)	(0.10)	1.56	3.84	5.42
Dividend (NOK)	0.35	0.50	0.00	0.90	0.96	1.36
Revenue growth (%)	(2.2)	15.2	27.0	18.7	11.0	8.8
EBITDA Margin (%)	13.2	11.9	13.6	16.8	18.1	20.2
Normalised Operating Margin (%)	5.1	5.2	7.5	10.8	12.7	13.9
BALANCE SHEET						
Fixed Assets	394.6	438.6	469.9	462.7	458.2	452.9
Intangible Assets	308.0	315.0	327.6	341.0	337.6	333.4
Tangible Assets	59.6	81.5	80.0	76.3	75.2	74.0
Investments & other	27.0	42.2	62.3	45.4	45.4	45.4
Current Assets	432.0	467.1	641.6	857.1	1,006.4	1,194.3
Stocks	94.8	135.4	197.1	278.0	349.4	417.7
Debtors	141.4	191.7	262.7	291.9	328.8	357.7
Cash & cash equivalents	176.2	91.8	135.7	221.8	256.6	342.9
Other	19.6	48.2	46.1	65.6	71.7	76.0
Current Liabilities	(213.3)	(669.6)	(407.9)	(531.0)	(590.8)	(655.2)
Creditors	(84.7)	(149.2)	(220.7)	(288.2)	(352.7)	(417.4)
Tax and social security	(38.7)	(41.0)	(49.2)	(66.1)	(66.1)	(66.1)
Short-term borrowings	(1.4)	(369.7)	(10.8)	(5.0)	(0.3)	0.0
Other	(88.6)	(109.8)	(127.3)	(171.7)	(171.7)	(171.7)
Long-Term Liabilities	(404.3)	(72.6)	(500.6)	(528.1)	(527.9)	(527.6)
Long-term borrowings	(374.3)	(43.2)	(468.5)	(505.8)	(505.5)	(505.3)
Other long-term liabilities	(30.0)	(29.3)	(32.1)	(22.4)	(22.4)	(22.4)
Net Assets	209.0	163.6	203.0	260.7	346.0	464.3
Minority interests	0.0	(1.6)	(2.4)	(4.8)	(4.8)	(4.8)
Shareholders' equity	209.0	165.2	205.4	265.5	350.8	469.0
CASH FLOW						
Op Cash Flow before WC and tax	43.0	(22.2)	(11.7)	40.9	99.4	150.5
Working capital	(18.6)	(33.2)	(43.1)	5.8	(36.8)	(30.3)
Exceptional & other	(6.2)	28.9	50.1	38.7	21.9	21.9
Net revenue deferred/(recognised)	19.7	41.3	74.7	53.9	58.3	61.8
Tax	(4.8)	(14.4)	(11.5)	(7.9)	(23.5)	(33.2)
Net operating cash flow	44.9	(19.7)	20.1	105.9	119.2	170.7
Capex	(20.6)	(27.8)	(33.9)	(27.5)	(32.5)	(33.6)
Acquisitions/disposals	(43.3)	(11.3)	0.0	41.9	0.0	0.0
Net interest	(11.9)	20.2	38.5	25.6	0.0	0.0
Equity financing	121.8	(17.8)	0.9	(13.3)	0.0	0.0
Dividends	(19.6)	(7.6)	0.0	0.0	(19.9)	(21.3)
Other	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow	71.2	(64.1)	25.6	132.6	66.8	115.8
Opening net debt/(cash) including leases	275.1	213.9	338.9	362.1	317.4	277.6
FX	(2.2)	(0.1)	(0.8)	(3.3)	0.0	0.0
Other non-cash movements	(7.8)	(60.8)	(47.9)	(84.8)	(27.0)	(29.0)
Closing net debt/(cash) including leases	213.9	338.9	362.1	317.4	277.6	190.8

Source: Zalaris, Edison Investment Research

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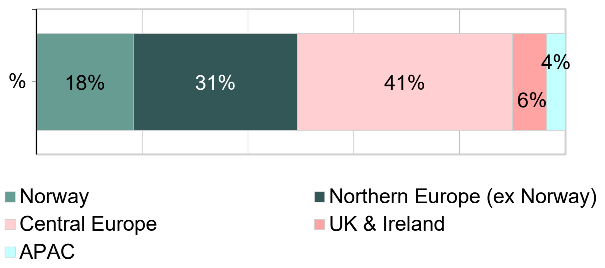
Revenue by geography



Management team

CEO: Hans-Petter Mellerud

Hans-Petter founded Zalaris in 2000. He holds an MBA from IMD Lausanne, Switzerland, a bachelor of science, magna cum laude, and a master of science, cum laude, in computer science from the University of Tulsa, US. Hans-Petter is Zalaris's majority shareholder Norwegian Retail AS.

Chair: Adele Norman Pran

Adele has extensive private equity and finance experience. She worked for 12 years as a partner and CFO at private equity firm Herkules Capital. Prior to that, she worked at PWC Deals advising on M&A. She holds a master of law from the University of Oslo and a master of auditing/accounting from the Norwegian School of Economics.

CFO: Gunnar Manum

Gunnar joined Zalaris four years ago and was previously the CFO of Norwegian pharmaceuticals business Vistin Pharma. He has significant experience as a CFO of public companies. He worked for eight years as a senior advisor in corporate finance at Handelsbanken Capital Markets.

Principal shareholders	%
Norwegian Retail	13.06
Verdipapirfondet Alfred Berg Gambak	9.52
Danske Bank	6.63
JP Morgan	6.61
Verdipapirfondet DNB SMB	6.07
Codee Holding	4.34
JP Morgan	3.49
Verdipapirfondet Norge Selektiv	3.16
Scandinaviska Enskilda Banken	2.42

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