

Zalaris

Solid progress in Q225

Zalaris made solid progress in Q225, with revenue up 12% y-o-y and the adjusted EBIT margin expanding 3.3pp to 12.1%. Managed Services continues to win new customers and expand work with existing customers, with a net revenue retention of 103%. Zalaris Consulting growth was more modest, as some staff were diverted to working on Managed Services deployment projects, but profitability improved due to better utilisation. With a steady flow of new business in Managed Services and improved EBIT margins in both businesses, we view the company as on track to meet its FY28 targets, and we maintain our forecasts.

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	81.0	N/A
12/24	1,346.3	80.7	2.70	0.90	28.4	1.2
12/25e	1,494.5	145.4	5.06	0.96	15.2	1.3
12/26e	1,626.0	186.7	6.38	1.36	12.0	1.8

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

Q225 revenue +12% y-o-y, adjusted EBIT +54%

Zalaris achieved another solid quarter of growth, reporting the strongest Q2 on record. Revenue was 12.0% higher y-o-y or 9.9% in constant currency (cc) and adjusted EBIT was 54% higher, with a group adjusted EBIT margin of 12.1% (+3.3pp y-o-y). Managed Services revenue of NOK279.6m was 15.4% higher y-o-y (12.7% cc) with an adjusted EBIT margin of 17.1% (+3.3pp y-o-y). Zalaris Consulting revenue of NOK81.7m was 1.6% higher y-o-y (2.0% cc) with an adjusted EBIT margin of 5.6% (+2.2pp y-o-y). Strong operating cash flow helped generate a net cash inflow of NOK28.8m, reducing net debt (excluding leases) to NOK217.1m.

Annual recurring revenue +17% y-o-y

Managed Services reported annual recurring revenue (ARR) of NOK998m at the end of Q225, up 16.9% y-o-y and 1.4% q-o-q. A further NOK75m of contracts have been signed and are expected to be deployed over the next year. Based on the progress of ARR and the H125 results, we maintain our forecasts. Management continues to target revenue of NOK2bn and an adjusted EBIT margin of 13–15% by FY28. We note that management is considering refinancing debt (the majority of which is at a rate of c 6.8%) and the first call for the €40m Euro bond falls due in late September.

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 FY24–28 and 4% thereafter with a 14% margin, a discounted cash flow analysis values the company at NOK110.2 per share.

H125 results

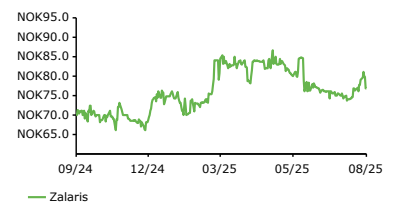
Software and comp services

1 September 2025

Price **NOK76.80**
Market cap **NOK1,766m**

Net cash/(debt) at end H125 (excluding leases) 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	6.4	(0.5)	13.0
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

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Review of H125 results

Exhibit 1 summarises performance in Q225 and H125.

Exhibit 1: Q225/H125 results highlights

NOKm	Q225	Q224	y-o-y	H125	H124	y-o-y
Revenue						
Managed Services	279.6	242.3	15.4%	557.3	475.0	17.3%
Zalaris Consulting	81.7	80.4	1.6%	173.2	166.1	4.3%
vyble	0.6	0.4	40.5%	1.5	0.7	135.8%
Total revenue	361.9	323.2	12.0%	732.0	641.7	14.1%
Adjusted EBIT						
Managed Services	47.7	33.5	42.6%	102.4	65.9	55.4%
Zalaris Consulting	4.6	2.7	71.0%	13.2	12.0	10.3%
HQ (unallocated costs)	(8.5)	(7.8)	9.5%	(19.6)	(14.7)	33.8%
Total adjusted EBIT	43.9	28.4	54.3%	96.0	63.3	51.8%
Adjusted EBIT margin						
Managed Services	17.1%	13.8%	3.3pp	18.4%	13.9%	4.5pp
Zalaris Consulting	5.7%	3.4%	2.3pp	7.6%	7.2%	0.4pp
Total adjusted EBIT margin	12.1%	8.8%	3.3pp	13.1%	9.9%	3.3pp
Reported EBIT	36.6	12.3	196.4%	78.3	44.9	74.5%
PBT	15.2	6.1	148.4%	58.1	14.8	293.8%
PAT	10.8	5.3	103.0%	43.3	11.8	268.1%
Net income after minority interest	10.9	5.4	100.8%	43.3	11.9	263.4%
Basic EPS (NOK)	0.50	0.25	100.0%	1.98	0.55	260.0%
Diluted EPS (NOK)	0.46	0.21	119.0%	1.83	0.47	289.4%

Source: Zalaris

Group revenue in Q225 was 12% higher y-o-y (10% cc), resulting in 54% growth in adjusted EBIT and an adjusted EBIT margin of 12.1%, up 3.3pp y-o-y. Basic EPS doubled year-on-year. Q2 is typically the lowest revenue and margin quarter for the year. End-Q225 net debt excluding leases of NOK217.1m was down 12% versus end-FY24, bringing gearing (net debt/EBITDA) down to 0.8x.

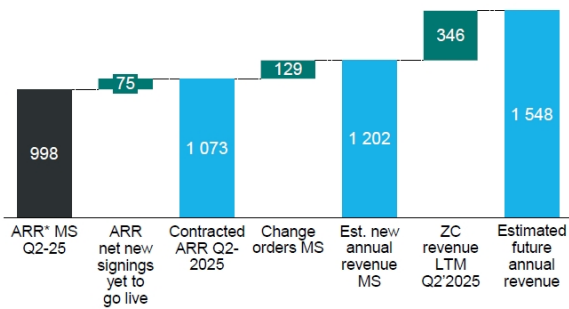
Managed Services maintains strong growth

Managed Services revenue was 15.4% higher y-o-y (12.7% cc) with an adjusted EBIT margin of 17.1%, up 3.3pp y-o-y. Net revenue retention (NRR) was 103% in constant currency.

Zalaris signed new long-term agreements in the Nordic region for HR and payroll services with an annual contract value in excess of NOK30m. One contract is with a Nordic waste management company to deliver payroll services for more than 3,000 employees throughout the Nordic region. Another is with a Nordic financial institution customer to extend Zalaris's existing payroll services to include operations in Finland, adding 1,600 employees. Post period-end, the company signed an expansion agreement with Eurowings to centralise its payroll systems across Europe. The roll-out is expected to take 18 months and will manage payroll for c 5,500 Eurowings employees.

Exhibit 2 and 3 show the development of ARR and revenue. At the end of H125, ARR for live projects totalled NOK998m, up from NOK984m at the end of Q125. The company has a further NOK75m of contracts signed but not yet live, taking contracted ARR to NOK1,073m at the end of H125, up from NOK1,065m at the end of Q125. The company expects all contracts to be deployed by the end of Q226 and fully revenue generating by the end of Q326.

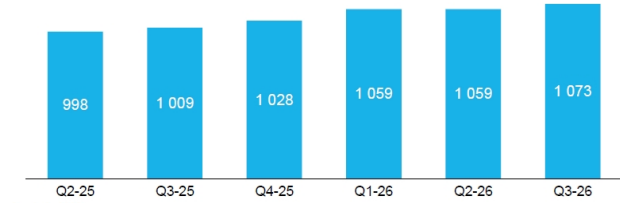
Exhibit 2: Revenue development based on signed contracts (NOKm)



Source: Zalaris

Exhibit 3: Development of contracted ARR

Contracted ARR* development over time (NOKm)



Source: Zalaris

Zalaris Consulting generated modest growth

Zalaris Consulting (ZC) revenue for Q225 was 1.6% higher y-o-y (2.0% cc). Sales were up in APAC and Poland, and partially offset by lower sales in the DACH region and the UK. As has previously been noted, a significant amount of ZC capacity is being used within Managed Services to deliver transformation projects for new customers and change orders for existing customers, particularly in Germany. ZC adjusted EBIT increased 71% y-o-y and the margin expanded 2.3pp to 5.7%. Profitability was helped by better utilisation of employees, reducing the need for external consultants.

Outlook and forecasts

Management noted that the capital structure and debt financing alternatives are under review to minimise finance costs, secure funding for growth and to enable dividends or share buybacks when appropriate. The first call date for Zalaris's Euro-based debt of €40m/NOK467m is at the end of September, which gives the company the opportunity to refinance.

Management confirmed its target to reach revenue of NOK2bn with an adjusted EBIT margin of 13–15% by FY28. We maintain our forecasts.

Exhibit 4: 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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