EDISON

Zalaris

FY25 results

Managed Services drive record performance

Software and comp services

9 March 2026

Zalaris reported record FY25 revenue, with growth of 11.7% and an adjusted EBIT increase of 31.5% y-o-y (margin 12.9%). Managed Services (MS) continues to be the driver of growth and the business saw a pick-up in new business in Q425. Zalaris Consulting (ZC) performance was disappointing, with cost overruns in the APAC region contributing to a second loss-making quarter. Management continues to target double-digit revenue growth and margins of 13–15% and is increasingly embedding AI in its operations to improve productivity. Due to the weaker performance in ZC, we have taken a more conservative approach to our FY26 forecasts.

Year end	Revenue (NOKm)	PBT (NOKm)	EPS (NOK)	DPS (NOK)	P/E (x)	Yield (%)
12/24	1,346.3	80.7	2.70	0.90	27.9	1.2
12/25	1,503.2	123.5	3.90	2.50	19.3	3.3
12/26e	1,616.2	190.1	6.50	3.64	11.6	4.8
12/27e	1,747.5	217.4	7.38	4.30	10.2	5.7

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

Strong cash generation supports higher dividend

Zalaris reported Q425 revenue growth of 8.7% y-o-y, resulting in FY25 growth of 11.7% (MS +16.0%, ZC -0.7%). FY25 adjusted EBIT increased 31.5% y-o-y to generate a margin of 12.9% (MS 19.5%, ZC 3.2%). Year-end net debt excluding leases (which was refinanced in Q425) declined 12.5% to NOK217m with gearing at 0.8x. The company proposed a NOK2.5 dividend.

Medium-term goals intact; AI to drive efficiency

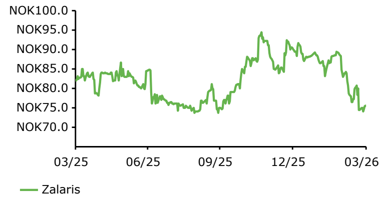
Management maintained its targets of annualised revenue of NOK2bn and EBIT margins of 13–15% by the end of FY28. After a slower period in H125, MS new business momentum is improving and the sales pipeline is strong. In ZC, measures have been taken to return the business to profitability. In conjunction with targeting average annual revenue growth of 10%, the company is using AI throughout the business to drive productivity improvements of 10% per year. Mainly reflecting weakness in ZC in H225, we trim our FY26 revenue by 0.5% and our adjusted operating profit by 4% (adjusted operating margin 13.4%). We introduce forecasts for FY27 for revenue growth of 8.1% and an adjusted EBIT margin of 13.7%.

Valuation: Medium-term goals support upside

On EV/sales multiples, Zalaris trades in line with IT services peers and, reflecting their higher structural profitability, at a discount to payroll software peers. On EV/EBIT and EV/EBITDA multiples it trades at a discount to both groups. We have rolled forward our discounted cash flow analysis by one year. Based on average revenue growth of 8.2% from FY25 to FY28 (and 4% thereafter) with a 13.7% adjusted operating margin, our discounted cash flow (DCF) analysis values the company at NOK108.1/share (down from NOK110.2/share), 43% above the current share price. Maintaining churn at 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	**NOK75.40**
Market cap	**NOK1,665m**
Net cash/(debt) at end FY25	NOK(216.7)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	(10.3)	(16.6)	(10.5)
52-week high/low		NOK95.4	NOK64.5

Business description

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

Next events

Q126 results	28 April

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Edison profile page

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Review of FY25 results

Zalaris reported FY25 revenue growth 11.7% y-o-y (10.8% constant currency, cc). Growth was somewhat slower in Q425 at 8.7% (8.6% cc), mainly due to weakness in ZC (more detail in the divisional sections below). Revenue was marginally ahead of our forecast, with upside in MS more than offsetting downside in ZC.

FY25 adjusted EBIT, which was in line with our forecast, increased 31.5% resulting in an adjusted EBIT margin of 12.9%, up 1.9pp y-o-y. In Q425, adjusted EBIT increased 6.8% y-o-y generating a 12.8% margin, down 0.3pp y-o-y. Reported EBIT includes share-based payments of NOK13.4m, acquired intangibles amortisation of NOK14.9m and costs relating to the strategic review of NOK2.8m.

Net financial expense of NOK66.6m included a redemption premium of NOK19.1m paid when the bond was refinanced and was NOK11.7m higher than our forecast. Overall, normalised diluted EPS was 10.8% below our forecast due to higher net financial expenses and higher effective tax rate of 34.9% (our forecast 30.0%).

The company has proposed a dividend of NOK2.5. This equates to a payout ratio of 90% of basic reported EPS and 60% of PBT (Zalaris's policy is to pay out at least 50% of PBT).

Zalaris generated operating cash flow of NOK162.5m (FY24: NOK131.5m), paid NOK15.1m for capex, NOK31.8m for leases and NOK19.6m for dividends. The bond refinancing in Q425 resulted in net repayment of borrowings and related fees of NOK78.8m. The company closed FY25 with net debt of NOK276.7m (-12.8% y-o-y) or NOK216.7m excluding leases (-12.5% y-o-y) and gearing reduced from 1.12x at the of FY24 and 0.89x at the end of Q325 to 0.76x at year-end.

Exhibit 1: FY25 results highlights

NOKm	FY24	FY25e	FY25	Diff	y-o-y
Revenues	1,346.3	1,492.0	1,503.2	0.8%	11.7%
Normalised EBIT	144.9	189.6	190.0	0.3%	31.2%
Normalised EBIT margin	10.8%	12.7%	12.6%	-0.1pp	1.9pp
Company adjusted EBIT	147.5	193.7	194.0	0.2%	31.5%
Company adjusted EBIT margin	11.0%	13.0%	12.9%	-0.1pp	2.0pp
Reported operating profit	113.7	154.5	158.9	2.9%	39.8%
Reported operating margin	8.4%	10.4%	10.6%	0.2pp	2.1pp
Normalised PBT	80.7	134.7	123.5	-8.4%	53.0%
Normalised basic EPS (NOK)	3.00	4.85	4.22	-12.9%	40.9%
Normalised diluted EPS (NOK)	2.70	4.37	3.90	-10.8%	44.4%
Reported basic EPS (NOK)	1.56	3.23	2.79	-13.7%	79.1%
Net debt/adjusted EBITDA (x)	1.1	0.9	0.8		
Dividend per share (NOK)	0.9	0.81	2.50	209.5%	177.8%
Adjusted EBITDA	220.4	277.5	286.8	3.4%	30.1%
Adjusted EBITDA margin	16.4%	18.6%	19.1%	0.5pp	2.7pp
Net debt (ex leases)	247.5	252.0	216.7	-14.0%	-12.5%

Source: Zalaris, Edison Investment Research

Managed Services orders picking up

The MS business saw Q425 revenue growth of 15.4% y-o-y (14.9% cc), making up 80% of the quarter's revenue. For FY25, revenue was 16.0% higher (14.7% cc). By geography, Germany saw 17% growth, Northern Europe 12% and UK and Ireland 48%. Net revenue retention in constant currency was 110% in Q425, reflecting a higher-than-normal level of change orders, which made up 17% of Q425 revenue versus 12% a year ago.

Adjusted EBIT increased 34.9% in FY25 and 13.7% in Q425, resulting in margins of 19.5% and 20.5%, respectively.

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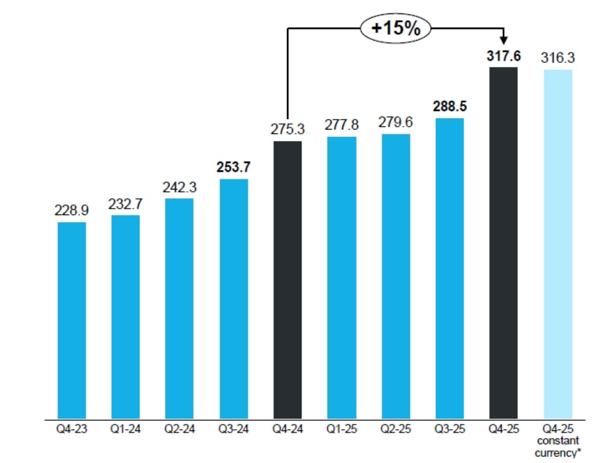
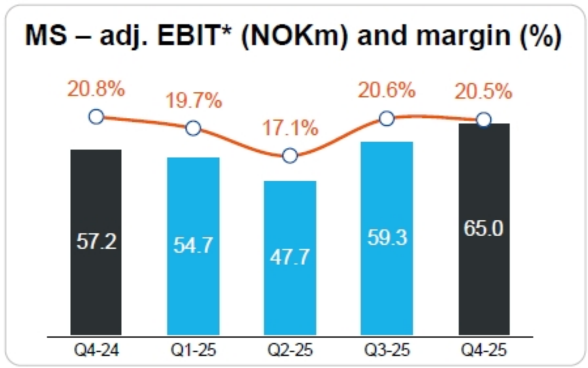
Exhibit 2: MS revenue (NOKm), Q423–Q425



Source: Zalaris

Exhibit 3: MS adjusted EBIT (NOKm) and adjusted EBIT margin, Q424–Q425



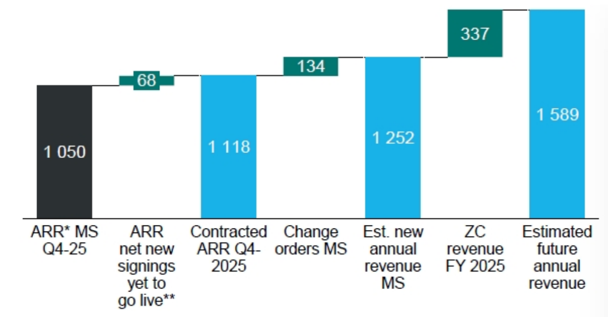
Source: Zalaris

New business win momentum improved through the course of the year, with several multi-country deals signed including the first Irish-headquartered customer requiring EMEA coverage. In Q425, Zalaris won a major public sector deal in Norway, signing up the Norwegian Labour and Welfare Administration to provide payroll and HR solutions for more than 24,000 employees over a five-year period, extendable to up to 10 years. In total, the business signed new contracts worth annual recurring revenue (ARR) of NOK80m in Q425 and noted that it has a strong pipeline of deals that it expects to close in the next three months.

Zalaris is keen to expand its coverage to the entire G20, starting with full coverage of Europe. As part of this strategy, the company recently opened an office in the Netherlands to cover the Benelux region.

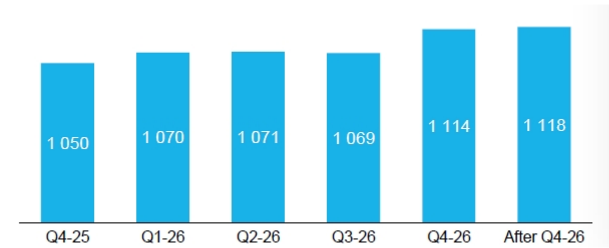
Exhibit 4 shows how Zalaris expects annualised revenue to develop based on MS contracts live and signed, assuming change orders at a rate of 12% of recurring revenue and ZC revenues at the same level as in FY25. Exhibit 5 shows the timing the company expects for signed contracts to go live. We note that this takes into account the churn from a top five customer (originally disclosed in Q324 results) where part of the service will be terminated from Q127.

Exhibit 4: Revenue development based on signed contracts (NOKm)



Source: Zalaris

Exhibit 5: Contracted ARR development over time (NOKm)



Source: Zalaris

Zalaris Consulting working towards break-even

The ZC business saw a Q425 revenue decline of 11.3% y-o-y (9.9% cc) and an FY25 revenue decline of 0.7% (0.5% cc). By geography, Q425 cc revenue was down 11.0% in Germany, 29.5% in Poland and 20.8% in the APAC region. Several factors combined to weigh on revenue, including reduced application management services work for a large customer in Poland and a significant amount of capacity being used to support MS implementation projects and change orders. The business has also found it harder to hire SuccessFactors consultants, particularly in Germany.

Adjusted EBIT declined to a loss of NOK1.3m in Q425 to generate a margin of -1.7%. For FY25, adjusted EBIT declined 48% to NOK10.9m with a margin of 3.2%. As well as the impact of lower revenues, in the APAC region, there were cost overruns on fixed price SuccessFactors projects that hit profitability in Q425. Management has taken corrective actions and expects a gradual normalisation of performance through Q126.

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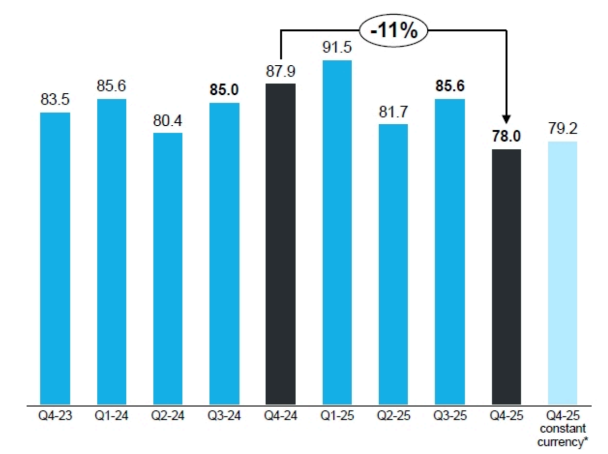
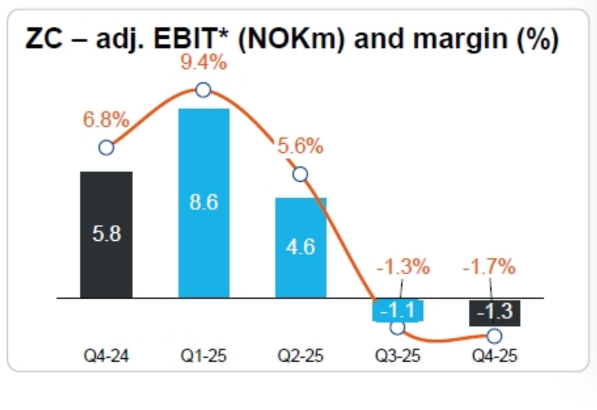
Exhibit 6: ZC revenue (NOKm), Q423–Q425



Source: Zalaris

Exhibit 7: ZC adjusted EBIT (NOKm) and adjusted EBIT margin, Q424–Q425



Source: Zalaris

Moving to structured implementation of AI

Zalaris has moved from experimenting with AI tools to a structured implementation throughout the business. It is increasingly embedding AI within its operating model to improve scalability, enhance quality and support margin expansion. Through 2026–28, the company is targeting 10% annual productivity improvements, aiming to more than offset the costs of migrating to the SAP cloud. This will be achieved through a combination of digitisation, process standardisation and structured AI deployment across the delivery model. Management has also provided employees with access to AI tools and is encouraging daily use to boost productivity, supported by mandatory training and governance.

In MS, 15 key processes, some of which have already been digitised or partially automated, are under review for AI-enabled automation. The business is already using AI in sales support, software development and project execution. As an example of the potential benefits of AI, the business developed and delivered its MediExpense solution for a pharmaceutical client in less than three weeks.

Management sees significant opportunity in combining AI-enabled automation with its deep local payroll expertise. The company notes that, while payroll delivery will always require human oversight due to regulatory complexity and compliance requirements, AI can materially reduce manual processing, improve quality and enhance scalability. As payroll and HR outsourcing services are structured and repeatable, they are well suited to automation. Zalaris operates fully within GDPR and EU AI Act frameworks, and its European presence and regional delivery capabilities make it a good choice for companies concerned about data sovereignty.

As well as developing its own AI-enhanced processes, the company should be able to benefit from SAP's investment in embedded AI within SuccessFactors and S/4HANA. Zalaris' shared-services model means that AI investment is leveraged across its multi-customer base.

Outlook and changes to forecasts

The company reiterated its target to hit annual run-rate revenue of NOK2bn by Q428, with an adjusted EBIT margin of 13–15%. Each local region is targeting a margin of 15–20% before group costs. Management expects to be able to achieve a 10% average annual revenue growth after 1.5–3% annual churn and is targeting annual growth of 15% in MS. Through the use of AI across the business, management believes it is possible that margins could exceed the top end of the range by FY28.

We have revised our FY26 forecasts to temper group revenue growth, mainly due to weaker performance in ZC in H225. We have also trimmed our MS revenue growth rate, factoring in the progression of ARR expected by the company during the course of 2026. Lower revenue results in a 4% reduction in our adjusted operating profit forecast although the margin of 13.4% is still within the company's target range. For FY27, we forecast revenue growth of 8.1% and the margin expanding to 13.7%. If we see sustained improvement from ZC and/or an increase in the number of large multi-country deals in MS, this could prove conservative. Our dividend per share forecasts are now calculated based on Zalaris's

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policy of paying out 50% of PBT.

Exhibit 8: Changes to forecasts

NOKm	FY26e Old	FY26e New	Change	y-o-y	FY27e New	y-o-y
Revenues	1,623.9	1,616.2	-0.5%	7.5%	1,747.5	8.1%
Normalised EBIT	226.7	216.8	-4.4%	14.1%	239.9	10.7%
Normalised EBIT margin	14.0%	13.4%	-0.5pp	0.8pp	13.7%	0.3pp
Company adjusted EBIT	226.7	216.8	-4.4%	11.7%	239.9	10.7%
Company adjusted EBIT margin	14.0%	13.4%	-0.5pp	0.5pp	13.7%	0.3pp
Reported operating profit	194.7	187.8	-3.6%	18.2%	212.9	13.4%
Reported operating margin	12.0%	11.6%	-0.4pp	1.0pp	12.2%	0.6pp
Normalised PBT	208.3	190.1	-8.7%	54.0%	217.4	14.4%
Normalised basic EPS (NOK)	7.72	7.04	-8.8%	66.8%	7.99	13.4%
Normalised diluted EPS (NOK)	6.96	6.50	-6.5%	66.8%	7.38	13.4%
Reported basic EPS (NOK)	6.25	5.71	-8.6%	104.8%	6.75	18.2%
Net debt/adjusted EBITDA (x)	0.5	0.6		-20.2%	0.4	-30.2%
Dividend per share (NOK)	1.56	3.64	133.0%	45.6%	4.30	18.2%
Adjusted EBITDA	318.2	307.2	-3.5%	7.1%	346.5	12.8%
Adjusted EBITDA margin	19.6%	19.0%	-0.6pp	-0.1pp	19.8%	0.8pp
Net debt (ex leases)	156.4	185.2	18.4%	-14.5%	145.9	-21.2%

Source: Edison Investment Research

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Exhibit 9: Financial summary

NOK'm	2021	2022	2023	2024	2025	2026e	2027e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT							
Revenue	775.3	892.7	1,134.0	1,346.3	1,503.2	1,616.2	1,747.5
Costs	(673.3)	(786.6)	(980.1)	(1,120.0)	(1,203.9)	(1,288.0)	(1,375.7)
EBITDA	101.9	106.2	153.8	226.3	299.4	328.3	371.8
Normalised operating profit	39.8	46.2	85.4	144.9	190.0	216.8	239.9
Amortisation of acquired intangibles	(11.5)	(11.9)	(13.7)	(14.0)	(14.9)	(14.0)	(12.0)
Exceptionals	0.0	(1.9)	0.0	4.7	(2.8)	0.0	0.0
Share-based payments	(5.7)	(8.7)	(11.6)	(21.9)	(13.4)	(15.0)	(15.0)
Reported operating profit	22.6	23.7	60.1	113.7	158.9	187.8	212.9
Net Interest	(7.6)	(40.1)	(74.6)	(64.2)	(66.6)	(26.7)	(22.5)
JVS and associates (post tax)	0.0	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	0.0
Profit Before Tax (norm)	32.2	6.1	10.8	80.7	123.5	190.1	217.4
Profit Before Tax (reported)	15.0	(16.4)	(14.5)	49.5	92.3	161.1	190.4
Reported tax	(2.2)	(6.3)	11.5	(16.0)	(32.2)	(37.1)	(43.8)
Profit After Tax (norm)	30.0	(0.2)	22.3	64.7	91.2	153.1	173.6
Profit After Tax (reported)	12.8	(22.7)	(3.0)	33.4	60.1	124.1	146.6
Minority interests	0.0	1.6	0.8	0.3	0.4	0.0	0.0
Discontinued operations	0.0	(16.0)	0.0	0.0	0.0	0.0	0.0
Net income (normalised)	30.0	1.4	23.1	65.0	91.7	153.1	173.6
Net income (reported)	12.8	(37.1)	(2.1)	33.8	60.5	124.1	146.6
Basic average number of shares outstanding (m)	21.3	21.6	21.2	21.7	21.7	21.7	21.7
EPS - normalised (NOK)	1.41	0.07	1.09	3.00	4.22	7.04	7.99
EPS - normalised fully diluted (NOK)	1.32	0.07	0.95	2.70	3.90	6.50	7.38
EPS - basic reported (NOK)	0.60	(1.72)	(0.10)	1.56	2.79	5.71	6.75
Dividend (NOK)	0.35	0.50	0.00	0.90	2.50	3.64	4.30
Revenue growth (%)	(2.2)	15.2	27.0	18.7	11.7	7.5	8.1
EBITDA Margin (%)	13.2	11.9	13.6	16.8	19.9	20.3	21.3
Normalised Operating Margin (%)	5.1	5.2	7.5	10.8	12.6	13.4	13.7
BALANCE SHEET							
Fixed Assets	394.6	438.6	469.9	462.7	411.4	396.3	380.8
Intangible Assets	308.0	315.0	327.6	341.0	317.7	303.8	289.3
Tangible Assets	59.6	81.5	80.0	76.3	64.7	63.5	62.6
Investments & other	27.0	42.2	62.3	45.4	29.0	29.0	29.0
Current Assets	432.0	467.1	641.6	857.1	874.8	902.3	932.8
Stocks	94.8	135.4	197.1	278.0	303.2	365.8	425.1
Debtors	141.4	191.7	262.7	291.9	290.0	323.2	349.5
Cash & cash equivalents	176.2	91.8	135.7	221.8	201.1	127.1	66.2
Other	19.6	48.2	46.1	65.6	80.5	86.2	92.0
Current Liabilities	(213.3)	(669.6)	(407.9)	(531.0)	(549.3)	(583.1)	(617.3)
Creditors	(84.7)	(149.2)	(220.7)	(288.2)	(313.4)	(347.5)	(381.7)
Tax and social security	(38.7)	(41.0)	(49.2)	(66.1)	(67.4)	(67.4)	(67.4)
Short-term borrowings	(1.4)	(369.7)	(10.8)	(5.0)	(0.3)	0.0	0.0
Other	(88.6)	(109.8)	(127.3)	(171.7)	(168.3)	(168.3)	(168.3)
Long-Term Liabilities	(404.3)	(72.6)	(500.6)	(528.1)	(464.8)	(359.6)	(259.4)
Long-term borrowings	(374.3)	(43.2)	(468.5)	(505.8)	(449.0)	(343.9)	(243.6)
Other long-term liabilities	(30.0)	(29.3)	(32.1)	(22.4)	(15.8)	(15.8)	(15.8)
Net Assets	209.0	163.6	203.0	260.7	272.1	355.9	436.9
Minority interests	0.0	(1.6)	(2.4)	(4.8)	(3.2)	(3.2)	(3.2)
Shareholders' equity	209.0	165.2	205.4	265.5	275.3	359.0	440.1
CASH FLOW							
Op Cash Flow before WC and tax	43.0	(22.2)	(11.7)	40.9	137.4	172.3	209.5
Working capital	(18.6)	(33.2)	(43.1)	5.8	(30.0)	(34.8)	(28.6)
Exceptional & other	(6.2)	28.9	50.1	38.7	46.5	15.0	15.0
Net revenue deferred/(recognised)	19.7	41.3	74.7	53.9	20.9	30.0	30.7
Tax	(4.8)	(14.4)	(11.5)	(7.9)	(12.3)	(37.1)	(43.8)
Net operating cash flow	44.9	(19.7)	20.1	105.9	126.2	145.5	182.7
Capex	(20.6)	(27.8)	(33.9)	(27.5)	(15.1)	(22.6)	(22.6)
Acquisitions/disposals	(43.3)	(11.3)	0.0	41.9	0.0	0.0	0.0
Net interest	(11.9)	20.2	38.5	25.6	36.2	0.0	0.0
Equity financing	121.8	(17.8)	0.9	(13.3)	0.0	0.0	0.0
Dividends	(19.6)	(7.6)	0.0	0.0	(19.6)	(55.3)	(80.6)
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow	71.2	(64.1)	25.6	132.6	127.8	67.5	79.6
Opening net debt/(cash) including leases	275.1	213.9	338.9	362.1	317.4	276.7	245.3
FX	(2.2)	(0.1)	(0.8)	(3.3)	(7.4)	0.0	0.0
Other non-cash movements	(7.8)	(60.8)	(47.9)	(84.8)	(79.6)	(36.1)	(40.3)
Closing net debt/(cash) including leases	213.9	338.9	362.1	317.4	276.7	245.3	206.0

Source: Zalaris, Edison Investment Research

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