

FY24

Zellis Group mid-year statement.

May–October 2023



Zellis Group mid-year statement FY24

Zellis Group (“the Group”), the market leader in enterprise payroll, HR, and benefits solutions for the UK and Ireland, here announces highlights for the first six months of its 2024 financial year, ending 31st October 2023.

Overall financial performance

The Group continued to show strong growth in the first half of the year, building on previously robust performance. These results reflect the enduring success of its business model and the value of the solutions it offers, especially as more customers are onboarded to more advanced and capable solutions.

The Group has continued to grow EBITDAC and revenue in the first half of FY24, in both cases exceeding the growth reported in the same period last year. The Group completed the first half of the year with revenue of £110.4 million, which is £12.0 million (12%) higher than the same period last year. This revenue growth has been achieved across all core revenue streams but mainly driven by software revenues, with Zellis contributing the most to overall growth. The fastest growing part of the group remains Benefex, whose sales to international customers continue to hold strong. In the first half of the year, Moorepay also enjoyed strong sales performance. Group half-year EBITDAC of £29.4 million is £4.5m (18%) ahead of the same period last year.

In addition to growing EBITDAC, the Group has been able to increase free cashflow generation, achieving close to 100% free cashflow conversion, as a percentage of EBITDAC, for the twelve months ending 31st Oct 2023.

In late December, the group was successful in securing an amend and extend (A&E) agreement, which increased the current senior facility to a £365 million TLB maturing in January 2028 and a £40 million RCF maturing in Feb 2026, allowing the existing second lien and current RCF to be fully settled. This agreement, which followed an upgrade in the Group’s Moody’s rating to B3 (stable outlook) and a positive response from S&P Global (holding at “B-” with a ‘3’ recovery rating), is another positive reflection of the Group’s strategy and commitment to long-term development of its market-leading solutions.

Zellis HCM Cloud

Zellis continued to grow its flagship cloud-based human capital management (HCM) solution with two new releases. Zellis HCM Cloud 6.0 introduced better data analytics, enhanced data integration, and upgraded connectors. Zellis HCM Cloud 7.0 brought further improvements to features and functionality, including refinements to calculations, reporting, and self-service modules.

The Zellis HCM Cloud suite, which offers payroll and financial wellbeing, core HR, and broader HR applications, has now been sold to 54% of Zellis customers as of the end of October. The product development team is working on the next generation of advanced Zellis HCM Cloud solutions. April 2023 saw the company launch Zellis AI Labs, a new initiative to develop and deploy artificial intelligence solutions.

Moorepay

One of the highlights of the year has been the successful integration of the cloud-based HR software provider Natural HR, acquired in March 2023, with Moorepay’s flagship payroll software. The first phase of integration was completed on schedule in September and the company has already successfully processed payroll payments for several customers through the new integrated platform, receiving extremely positive feedback. Moorepay’s sales performance has mirrored the success of its integration

efforts. The market response to its integrated product has been very positive, resulting in several key new customer wins for the new business sales team, plus increased cross-selling to existing payroll and HCM customers. Natural HR, formerly loss-making, has become profitable.

In response to customer feedback, the company recently launched a pilot of its new customer support portal, designed to improve the customer experience. The portal provides customers with an intuitive, user-friendly interface that delivers quick and effective ways to interact with payroll and HCM support teams and to find answers to their queries efficiently.

During Q4 FY24, Moorepay will launch phase 2 of its product integration with Natural HR, which will further align the UI and UX of its payroll and HR products and deliver additional HCM functionality into the mobile app. Following testing and refinement, the pilot of the new customer support portal will expand across Moorepay's payroll customer base.

Benefex

Benefex continued to perform strongly, through growth in customer accounts and new business. The company's global footprint has extended with a new Employee Experience Centre opened in Cebu, The Philippines, and it has expanded its product reach to seven new countries (bringing the total to over ninety). The company has successfully generated a strong global pipeline of sales opportunities to pursue.

Product development has continued apace with new product launches for OneHub Wellbeing, a refreshed Recognition app, and an Analytics platform within OneHub Benefits. The reconfigured OneHub Home app acts as a central, customisable platform providing access to workplace wellbeing benefits, tools, and resources.

Benefex also acquired software company Cloud8, known for its intuitive, cloud-based employee benefits platform for SMEs. The company is now perfectly placed to provide online benefits management for a broad range of organisations, from SMEs to global enterprises.

Robust response to external cyber-incident

In May and June, a vulnerability in the external MOVEit file transfer software affected a number of organisations globally. At that time, Zellis deployed MOVEit Transfer software to support bespoke processes with a small number of customers. Its swift response included disconnecting the relevant server, engaging a specialist cyber-forensics firm to aid the investigation, communicating transparently with customers, and supporting them with a dedicated helpdesk and identity protection cover.

While the rapid notification made Zellis one of the first companies to be publicly associated with the incident, all Zellis-developed software was completely unaffected and there was no interruption to service for customers. Customers and stakeholders have expressed their continued confidence in Zellis, and their appreciation of its swift and transparent response.

[Zellis' full statement on the incident can be found here.](#)

Financial wellbeing integrated into core payroll offering

Recognising the growing importance of financial wellbeing programmes amid the difficult economic climate, Zellis developed and released MyView PayNow in partnership with Wagestream. The financial wellbeing app makes it easy for organisations across the UK and Ireland to offer their employees budgeting tools, flexible pay (earned wage access), payroll-linked savings, and financial education for better money health.

Customer and industry events

CIPD Festival of Work was the launchpad for Zellis HCM Cloud 6.0. Company representatives led presentations and product demonstrations at the annual industry conference, attended by 10,000 HR and people professionals.

The annual customer conference, Zellis User Summit 2023, received a record number of registrations. Hundreds of payroll and HR professionals attended for insights, thought leadership, knowledge sharing, and networking. Delegates enjoyed a glimpse into the future of Zellis' payroll and HR technology, including AI-enabled features, as well as talks from internal and external industry experts.

Awards and accolades

The Group has also celebrated a particularly strong year for awards, with all parts of the business receiving commendations.

Zellis HCM Cloud was nominated and shortlisted for 'Best Payroll and HR Software Product' in The Rewards 2023, later going on to win the accolade. Industry judges recognised the product's 'innovation, customer cost savings, and customer satisfaction'.

Zellis was also shortlisted for Product of the Year (HCM Cloud) and Provider of the Year (Zellis Managed Services) at the CIPP Annual Excellence Awards, as well as Payroll Software Supplier of the Year at the Global Payroll Awards 2023. Meanwhile, Moorepay celebrated winning Payroll Service Provider of the Year at the CIPP Awards.

Zellis' Chief Operating Officer Abigail Vaughan was named 'Business Leader of the Year – HR' at The Rewards Leadership Awards in June, while Director of Software Development Martin Mann won 'Business Leader of the Year – Software'.

Benefex's reputation in the global reward technology market was cemented with a win at the Stevie Awards for HR Technology Solution Provider of the Year and a place in the Top 10 Best Places to Work, Big Employers in the Sunday Times. The company also received Best Group Risk Adviser at the Corporate Advisers Awards and the Technology Award at The Rewards.

Research and thought leadership

Zellis continued its commitment to add to the payroll and HR knowledge base, publishing new research into pressing employee issues.

Turn DEI Talk into Action (Jun 2023) explored how to collect and harness data for more diverse and inclusive workplaces. Under Pressure (Sep 2023) revealed how financial stress impacts employee wellbeing and productivity, with a large-scale, cross-sector survey investigating the financial wellbeing of people across the UK and Ireland. What Matters to Manufacturing Employees (Aug 2023) uncovered key employee engagement and retention insights for the industry.

ESG progresses via new policies and initiatives

Zellis Group made progress on many of its ESG priorities, including achieving 2023 EcoVadis Silver medal status, placing the company in the top 20% of firms. The Group also set out its Science-based Targets Initiative (SBTi)-aligned annual targets in order to become operationally net carbon zero by 2027, and net zero across all scopes by 2050 or sooner. In addition to this, a continued focus on improving colleague wellbeing saw Zellis Group becoming a signatory of the Employers' Initiative on Domestic Abuse (EIDA) and the Miscarriage Association's Pregnancy Loss Pledge. ESG continues to be a priority for the business and has been incorporated into mandatory company-wide training, supporting all colleagues to engage with, and help to further, the Group's progress.

John Petter, CEO, Zellis, commented:

"The Group is again presenting a strong set of results, which we see as encouraging indications of the strength of our strategy and proposition to our customers. Every part of the Group has contributed to this performance, as we strive to provide our customers with the most effective and powerful solutions for their needs."