

PAYGROUP MARKET UPDATE Q1 FY19

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PAYGROUP OVERVIEW

- Specialist **multi-country** BPO (Business Process Outsourcing) and Cloud (Software-as-a-Service or SaaS) based HCM (Human Capital Management) services and solutions provider
- +11 years performance track-record in managing employee payroll and benefits for multi-national corporates across the Asia Pacific region
- High visibility on earnings with **average three year BPO client contract period, >90% customer retention rate** and a diverse client base
- Addressing Asia Pacific BPO Services market valued at US\$20.177 billion; Emerging Asia Pacific segment **growing at 10.3% per annum** (Source: Gartner)
- Well positioned to achieve growth through multi-country service approach supported by combining **proprietary HCM software** (HROnline) with BPO payroll and HR services
- Sales Partnerships with Ultimate Software
- **Highly credentialed** and fully aligned Board/Management team
- PayGroup – the Australian holding company for the Pay Asia Pte Ltd – listed on the ASX on May 29th 2018



SUMMARY OF FY18 PERFORMANCE

- Aggregated group financial results (PayGroup and PayAsia) released to the market
- **Performance in line with pro forma forecasts** outlined in the prospectus
- Pro forma Revenue A\$ 7.3 million
- Pro forma EBITDA A\$ 2.8 million
- Pro forma NPAT A\$ 2.6 million
- Dividend 1.45 cents per share, unfranked (Record date – 10 July; Payable – 30 July)
- Results demonstrate **strong year on year growth**, and the highest performing year in the company's 11 year history
- **Organic growth** being driven by clear focus on customers and on-time implementation post contract signing + clear differentiation as an Asian, multi-country specialist
- **Solid base of recurring revenue**, with average BPO client contract of three years
- Enters FY19 with **strong base of contracted revenue** from existing clients + new contracts signed in Q1



BUSINESS SEGMENTS

The Group's BPO and Cloud product suite complements the delivery of its BPO solutions to our clients. Businesses of all sizes can use the Group to recruit, staff, pay, manage, and retain employees (hire to retire).



HR/Payroll Outsourcing Services

Regional coverage for Asia Pacific

- Managed Service offered
- Range of modularised service options to allow customers to choose most appropriate service
- Service range scales to clients with 1-10,000+ employees
- Regional lodgment of in-country statutory reports for pension funds, social insurance, taxes etc.
- Regional statutory compliances updates
- Regional consolidation of monthly payroll reports



HROnline Cloud based Workflow Solutions

Leave Solution

- Paperless & workflow enabled leave solution
- On-line employee application & manager approval
- Leave rules & balances automatically catered for

Expense Solution

- Workflow enabled expense claim solution
- On-line employee application & manager approval
- Multi-currency & configurable for each expense item
- Integrates with payroll services

Medical Outpatient Administration

- On-line medical claims
- E-TMS/E-OT/Timesheet
- On-line Time Management System



Other Services

- Remote hosting
- Regional solution
- ESS/MSS options available
- Incorporates basic HR communication tools e.g. Employee Handbook
- Ancillary HR administration services

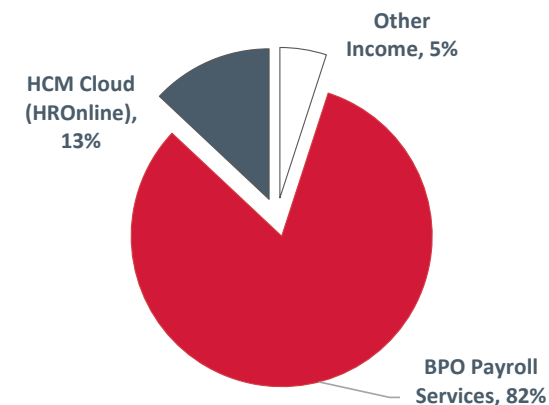
HR Lifecycle

- Full spectrum of HR administration from on-boarding to off-boarding
- Employee Helpdesk Support

Treasury Services

- Payroll Debit Card
- Client Payroll Foreign Exchange and Payments

Revenue Segmentation



FY18 FINANCIAL RESULTS

	Prospectus		FY18	
Year end 31 March	Pro Forma Actual	Pro Forma Forecast	Pro Forma Actual	Statutory Actual
	FY17	FY18	FY18	FY18
	A\$M	A\$M	A\$M	A\$M
Revenue	5.9	7.3	7.3	5.8
Operating Expenses	(5.3)	(4.5)	(4.4)	(7.2)
EBITDA	0.7	2.8	2.9	(1.4)
EBIT	0.5	2.7	2.6	(1.7)
NPAT	0.5	2.6	2.6	(1.7)
PayGroup Dividend	n/a	n/a	0.75	0.75

- **Pro forma Revenue**

- India core revenue retained from divestment
- Malaysian revenue recognised through the acquisition
- Grant revenue – “booked” on receipt

- **Pro forma Operating Expenses**

- Legal and professional costs of non completed acquisition
- Cost associated with prior IPO transactions
- IPO costs not related to capital raise
- Conservative approach taken on trade receivables – confident significant proportion will be written back
- Resource restructure: Increased processing and implementations performed in Malaysia and India (versus higher cost base of Singapore)
- Strict management of resource requirements



KEY OPERATING METRICS AS OF 31 MARCH 2018



413 client entities

- Net 25 new client entities added in FY18
- Average BPO contract term - three years



33,314 client employees

- BPO Payroll Services revenue generated from the number of employees of each client entity (subject to minimum fee per client) and calculated per employee per month basis.
- 3,512 net new employees paid



111 group employees

- PayAsia employee headcount / cost base stable
- Further ability to leverage current resources to drive additional growth






Q1 UPDATE

New contracts and extensions in Q1 deliver positive impact on key revenue and operating metrics

- Total value of new contracts signed in Q1: A\$ 1.297 million
 - Builds on existing base of contracted revenue
 - All new contracts on three year term
 - Implementation to occur in FY19, ie revenue recognition typically commences within three to four months on new contracts
- 1 x Top 10 client re-signed for a further three years (in addition to other contract renewals)
- No client losses in Q1
- Strong sales pipeline entering Q2
- 38 new client entities added, total 451 client entities as of June 30
- 961 new client employees (employees paid), total 34,275 client employees as of June 30
- No implementation backlog, ensuring new revenue recognition continues in line with expectations



Q1 FY19 – SIGNIFICANT NEW CLIENTS

Company	Countries	Employees	Total Contract Value (AUD)	Solution
Leading global management consulting firm	5	421	264K	Payroll BPO powered by HROnline SaaS
	9	38	350K	Payroll BPO powered by HROnline SaaS
	7	13	150K	Payroll BPO powered HROnline SaaS
	2	100	180K	Contract extension - HR Transaction Outsourcing powered by HROnline SaaS



PAYASIA INCLUDE IN LATEST GARTNER MARKET GUIDE FOR MULTICOUNTRY PAYROLL SOLUTIONS

PayAsia included in Gartner's Market Guide for Multicountry Payroll Solutions

- PayAsia named as a Representative Vendor in the most recent market guide, published in May 2018
- PayAsia's inclusion in the report for the first time – an essential validation in the eyes of client prospects
- Gartner regarded as the world's leading research and advisory company – research widely used to guide business decisions
- Report recommends organisations modernize payroll by incorporating payroll as a part of wider HR transformation initiatives
- Report predicts by 2022, 40% of global mid-market and large enterprises will have invested in a strategy to unify multicountry payroll using no more than three separate vendors

Source : Gartner, Market Guide for Multicountry Payroll Solutions, 21 May 2018

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GROWTH STRATEGY

Early, yet solid progress against growth strategy outlined in prospectus

Accelerated revenue growth by leveraging clients and adding services, countries and additional HCM modules

Add sales and marketing resources in key selling markets, including Australia, Singapore and Hong Kong

Increase adoption of Cloud solutions and improve operational efficiencies as a result of the planned investment

Enhance leadership in multi-country BPO market via North American and European BPO providers

Facilitate faster processing and reduce FX fees for clients via rollout of treasury functions and payroll debit card

- **New module – HR Lifecycle – added to existing Payroll customer Shire, increasing contract by A\$ 180K annually**
- **UK based industry leader, Martin Stockton, appointed to as Business Development Director for Europe**
- **Rapid deployment of resources underway via our technology partner to improve HROnline functionality and user experience**
- **Three significant leads from our US partner**
- **European meetings occurring in late July 2018**
- **One material proposal given to a Top 10 client based in Australia for payroll debit cards for its Philippine based employees**

THANK YOU

QUESTION AND ANSWERS

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