

PayGroup delivers strong growth in payslips processed in Q2 FY20 – supporting FY20 Annual Recurring Revenue target

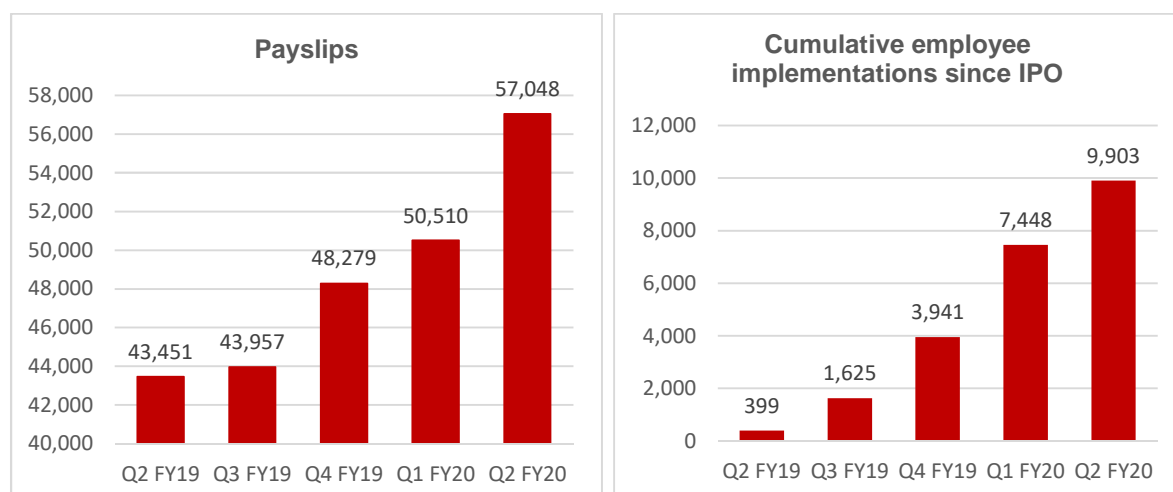
Appendix 4C – Quarterly Cash Flow Report

Highlights

- Payslips processed, a key driver of ARR, grew 12.9% vs Q1 FY20 and 31.3% vs PCP (Q2 FY19)
- New contract wins of \$1.5M (in Total Contract Value) in Q2 FY20
- Operating cash flow of \$(818)k due to timing impact of temporary Workforce Management payments & planned increase in administration & staff costs in Q2 FY20 to support business growth
- Executed a binding purchase agreement to acquire Astute One Limited
- On-track to deliver pro-forma Annual Recurring Revenue (ARR) for FY20 in excess of \$17.5M (vs \$8.4M on a PayGroup standalone basis in FY19)

Singapore, 31 October, 2019: Human Resources SaaS and Software with a Service (SaaS) provider PayGroup Limited (“PayGroup”, “the Group”; ASX: PYG), today released its Appendix 4C – Quarterly Cash Flow report for the quarter ended 30 September 2019 (Q2 FY20).

PayGroup delivered strong growth in payslips processed with 57,048 payslips processed as at Q2 FY20, compared to 43,451 as at Q2 FY19, representing a 31.3% increase on PCP. New client employee implementations were 2,455 in Q2 FY20 and are reflective of the continued strong sales momentum PayGroup has achieved in FY20 YTD.



New contract wins during Q2 FY20, expressed as total contract value (TCV), were \$1.5m. Client churn was low with no material losses in the quarter.

PayGroup’s client implementation schedule for FY20 based on contracted new clients remains strong with an additional 3,338 client employees to be implemented across SaaS, SaaS and Treasury.

PayGroup's Managing Director and CEO, Mark Samlal, said: *"We are pleased to have delivered another quarter of strong business growth – with continued uplift in payslips processed, a strong number of new employee implementations and important contract wins. While our cash flow this quarter has been temporarily impacted by investment in the business, this is important to lay the foundation for achieving strong growth in ARR in H2 FY20 as well as to support the completion of the Astute acquisition."*

Acquisition of Astute One Limited

PayGroup announced on 24 October 2019 that it had executed a binding purchase agreement to acquire Astute One Limited and its wholly owned subsidiaries (Astute) for total consideration of \$11M (to be funded via the issue of PayGroup shares at \$0.85 per share). This acquisition is consistent with PayGroup's long term strategy of expanding its product offering and market position within its core payroll and HR markets and will deliver significant growth in both ARR and payslips processed.

Settlement of Astute One Limited is expected to occur during November 2019.

Cash Flow and Cash Position

PayGroup has recorded a cash outflow from operations of \$818k for Q2 FY20. This result is due to several factors including:

- the negative cash flow impact associated with the timing of Workforce Management cash receipts and payments (\$216k),
- the planned growth in staff and administration costs associated with the geographic expansion for both multi country delivery and sales capability along with our sales channel partner development, and
- advisory expenses incurred as a result of the Astute One Limited acquisition process.

Cash receipts from customers is up quarter on quarter on a comparative basis as first quarter receipts included the impact of 13th month invoicing raised in FY19 and collected Q1 FY20.

Investment in technology has continued during Q2 FY20, ensuring the user experience continually exceeds expectations. Investment for the quarter was \$322k and has been capitalised in line with the groups accounting policies.

The Group's cash balance as at 30 September 2019 was \$4.8m of which \$3.9m related to balances held on behalf of PayGroup's clients for settlement of their payroll obligations.

The Group will be providing a further investor update to the market when H1 FY20 results are released in November.

-ENDS-

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About PayGroup

Headquartered in Melbourne, Australia, PayGroup Limited (ASX: PYG) was recently incorporated as the holding company for PayAsia (collectively PayGroup or Group). The Group is a provider of BPO solutions and Cloud (Software-as-a-Service or SaaS) based Human Capital Management (HCM) software, operating in the Asia Pacific region for multinational companies. Clients are typically medium to large multinational companies with employees in multiple countries in the Asia Pacific region. The Group operates as a trusted partner to perform the outsourced payroll process for the client employees including banking, treasury, lodgement of statutory submissions including taxation, superannuation, pension, provident funds, and other social benefits. Beyond its BPO Payroll Services, the Group's SaaS HCM software product suite supports clients in managing aspects of their employees' life cycle, plus regional and mobile-enabled workflows for critical processes (such as employee and manager self-service, leave management and expense management).

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

PAYGROUP LIMITED

ABN

90 620 435 038

Quarter ended ("current quarter")

30 SEPTEMBER 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,059	4,173
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(1,255)	(2,339)
(f) administration and corporate costs	(1,363)	(2,575)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	(46)	(49)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material) Temp staffing cash timing	(216)	96
1.9 Net cash from / (used in) operating activities	(818)	(688)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(44)	(85)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	(322)	(519)
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property	-	-
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(366)	(604)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings	475	570
3.6	Repayment of borrowings	(24)	(41)
3.7	Repayment of internal borrowings	-	(2)
3.8	Transaction costs related to loans and borrowings		
3.9	Dividends paid		
3.10	Other (provide details if material)		
	(a) Net funds (paid)/received from Clients for payroll obligations	214	(952)
3.11	Net cash from / (used in) financing activities	665	(425)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,188	6,347
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(818)	(688)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(366)	(604)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	665	(425)
4.5	Effect of movement in exchange rates on cash held	130	169
4.6	Cash and cash equivalents at end of quarter	4,799	4,799

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,799	5,188
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,799	5,188

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

- Executive Director salaries
- Non-executive Director fees

Includes amounts paid to entities associated with the Directors

Current quarter \$A'000
198

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

12

Michelle Samantha Samlal (related party of Mark Samlal and substantial shareholder of the Company) and Mark Samlal each own 50% of the premises leased by the Company for its registered office.

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

269

-

500

475

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

DBS Bank Singapore, interest rate; 10.3% and cost of funds plus 2.5%, secured
Westpac Bank Australia, interest rate; 6.84%, secured

9. Estimated cash outflows for next quarter

\$A'000

- 9.1 Research and development
- 9.2 Product manufacturing and operating costs
- 9.3 Advertising and marketing
- 9.4 Leased assets
- 9.5 Staff costs
- 9.6 Administration and corporate costs
- 9.7 Other (provide details if material)

(1,250)

(1,325)


9.8 Total estimated cash outflows

(2,575)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

 (Company secretary)

Date: 31 October 2019

Print name: Justin Owen

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.