

29 November 2021

PayGroup delivers strong 1H FY22 financial performance

- Record 1H FY22 statutory revenue of \$12.8m, increasing 83% on pcp, with record new contracts signed (TCV) during the half year of \$9.6m, increasing 78% on pcp
- Normalised EBITDA of \$1.5m, excluding one-off expenses and acquisition costs, and incorporates continued investment in platform capabilities to support future growth
- Continued focus on enhancing operating leverage and realising cost efficiencies, reflected in 1H FY22 gross margin of 56% (FY21: 50%) – with further margin expansion potential
- Rapid expansion of monetisation streams, with continued momentum in the Global Partner Program
- Positive outlook driven by FY22 ARR guidance of at least \$37m and FY22 statutory revenue guidance of \$26m

Melbourne, 29 November 2021: PayGroup Limited (“PayGroup” or the “Company”), a leading provider of payroll and human capital management (HCM) solutions is pleased to release its half year results for the six months ended 30 September 2021 (“1H FY22”).

Mark Samlal, Founder and Managing Director of PayGroup, said: “We are extremely proud of our 1H FY22 financial and operational performance. Pleasingly, we have affirmed FY22 ARR guidance of at least \$37m and provided FY22 statutory revenue guidance of \$26m, which represents more than 95% of the exit ARR announced at FY21. Our strong operational performance and continued investment in our platform underpins our ability to scale the payroll business, expand margins and execute on key monetisation opportunities going forward.”

“We have made significant progress to date and are excited by the organic opportunities in FY22 and beyond. This is reflected in the growth of our current pipeline, which is 6 times larger than 12 months ago. We are highly confident that we have the right foundations in place and remain focused on delivering on key organic opportunities to drive sustainable long-term growth.”

1H FY22 FINANCIAL SUMMARY

PayGroup’s reputation as a leading provider of mission-critical payroll solutions, combined with the Company’s expanded service offering, continues to deliver strong revenue growth. 1H FY22 revenue was \$12.8m, which represents an increase of 83% on pcp (1H FY21: \$7.0m). 1H FY22 revenue growth was driven by continued demand for digitisation of payroll and HCM solutions, resulting in new enterprise customers and an increase in payslips processed. Pleasingly, there was a growing sales contribution from our Global Partner Program, which accounted for 20% of 1H FY22 sales.

PayGroup achieved record contract wins during 1H FY22 of \$9.6m TCV, representing 78% growth on pcp (1H FY21: \$5.4m) and already generating 70% of total contract wins last year (FY21: \$13.7m). The performance highlights the strong customer demand and industry tailwinds for PayGroup’s solutions and the Company’s ability to execute on its strong pipeline, complimented by the strategic investment in sales and marketing. The investment in direct sales and marketing talent has set the foundation for significant organic growth and cross-sell opportunities (29% of 1H FY22 sales were from upsells), underpinned by the



accelerated growth in PayGroup’s pipeline – which is 6 times larger than at the same point in time 12 months ago.

1H FY22 normalised EBITDA was \$1.5m (1H FY21: \$1.8m) and reflected the significant investment in talent, technology and research and development during the period. These investments support PayGroup’s execution of its key strategic priorities to deliver organic growth and margin expansion.

1H FY22 gross margins improved to 56% (FY21: 50%). This performance reflects PayGroup’s continued focus on enhancing gross margins by selling higher margin solutions, proactively managing its cost base (through automation and back office efficiencies) and increased uptake of monetisation opportunities. PayGroup anticipates further cost efficiencies in 2HFY22, with costs expected to align closely to normalised 1H FY22 costs.

1H FY22 OPERATIONAL HIGHLIGHTS

Significant progress has been made throughout the period against the Company’s strategic priorities. As at 1H FY22, PayGroup is processing 7.5m payslips (annualised basis), which represents a 25% increase in the number of payslips processed at FY21. This is significant given the deterioration in employment markets in key local markets during the period and underscores both the importance of PayGroup’s mission-critical payroll solutions to customers, and the deeply embedded nature of the solution.

PayGroup is currently servicing more than 2,500 enterprise customers. This presents a significant organic opportunity to increase share of wallet through the company’s monetisation streams. Since inception, monetisation ARR has grown rapidly to over \$2m, experiencing a 20-fold rise from 4Q FY20. The company aims to release further financial wellness solutions in the future, with the expected launch of Access Wages Earned in 3Q FY22. The solution is a way to promote financial well-being as enterprises pay a fee to ensure their staff have more financial flexibility and can access their accrued wages earlier than normal. Consistent with PayGroup’s values, Access Wages Earned will not offer predatory loans, nor will it provide debt leverage.

Despite challenging trading environments across multiple markets during the period, PayGroup demonstrated customer retention rates of ~98%, with an average lifetime of ~9 years. This has afforded PayGroup the unique opportunity to upsell valuable solutions and execute on customer referrals to drive significant long-term value.

This is further evidenced by the growing momentum of the Global Partner Program (“GPP”), as PayGroup’s reputation as a leader in multi-country payroll solutions grows – Bullhorn and JobAdder added as a result of expanding the workforce management SaaS solution outside of Australia, furthering the company’s reach and expanding into new geographies.

OUTLOOK

PayGroup’s financial and operational progress during the period provide strong momentum heading into 2H FY22. PayGroup remains focused on delivering organic growth by scaling core payroll business, expanding margins and increasing share of customer wallet through monetisation streams. In addition, industry tailwinds are anticipated to present further opportunities for growth as businesses increasingly



digitise their human resources functions, and as hybrid and remote working environments become normal.

As such, PayGroup is pleased to affirm FY22 ARR guidance of at least \$37m, representing ~36% organic growth from FY21 (ARR: \$27.2m). In addition, PayGroup is pleased to provide FY22 statutory revenue guidance of \$26m, which represents >95% of FY21 ARR.

RESULTS WEBINAR

A results briefing will be hosted by the Mark Samlal, Founder and Managing Director, Sachin Goklaney, Chief Commercial Officer, and Elise Nguyen, Chief Financial Officer, at 11:00am (AEDT) on Monday, 29 November 2021.

Zoom details:

Date: Monday, 29 November 2021

Time: 11:00am (AEDT)

Participants can pre-register to watch the webinar presentation through the link below. Once registered, participants will receive dial-in details for the event.

https://us02web.zoom.us/webinar/register/WN_PLT7mPMxQH-m8Xkm8T5gvQ

-ENDS-

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This announcement was authorised by the Board of Directors of PayGroup Ltd.

About PayGroup

PayGroup is a leading provider of payroll and human capital management (HCM) solutions, delivering mission-critical services. Leveraging PayGroup's deep regulatory and compliance expertise, PayGroup now proudly services enterprise clients in over 75 countries, representing more than 7.5m payslips and over \$10 billion in transactions per annum. PayGroup's core business provides a great foundation for sustainable long-term growth, allowing it to further unlock monetisation opportunities. More information on PayGroup can be found at www.paygrouplimited.com.