

31 May 2022

## **FY22 results deliver milestone maiden profit**

- **Maiden full year profit, with FY22 NPAT of \$0.1m increasing \$0.6m on FY21, with management focused on unlocking the earnings potential of PayGroup in FY23**
- **Normalised FY22 EBITDA of \$3.0m, highlights underlying strength of core business**
- **Record FY22 Annualised Recurring Revenue (“ARR”) of \$39.1m, up 44% on FY21, with 81% of ARR live and generating revenue**
- **Record statutory revenue of \$27.2m, up 68% on FY21, driven by increased upselling, executing on monetisation opportunities and the Global Partnership Program (“GPP”)**
- **Record new contracts signed of \$22.5m, increasing 64% on FY21, including \$5.4m in cross-sells highlighting PayGroup’s ability to leverage its trusted position to provide customers value across its ecosystem of payroll and HCM solutions**
- **Well capitalised with a cash balance of \$6.2m, highlighting the significant evolution in the Company’s financial profile towards self-sustainability**

**Melbourne, 31 May 2022:** PayGroup Limited (“PayGroup” or the “Company”), a leading provider of enterprise payroll and human capital management (HCM) solutions is pleased to release its unaudited Appendix 4E for the year ended 31 March 2022.

### **MILESTONE FIRST PROFIT AND FINANCIAL RESULTS**

PayGroup has achieved its first full year profit result, with FY22 NPAT of \$0.1m, increasing \$0.6m on FY21. This strong performance is attributed to the record revenue growth across PayGroup’s product and services suite and the Company’s increasing operating leverage as PayGroup focuses on driving profitable growth. In addition, the Company reported a normalised FY22 EBITDA of \$3.0m accounting for one-off expenses, achieving a second consecutive year of positive EBITDA.

PayGroup’s reputation as a leading provider of payroll and HCM solutions continues to be demonstrated by the record revenue generated over the last year along with record sales. Pleasingly, the Company has delivered record ARR of \$39.1m, a 44% increase on FY21 ARR (FY21: \$27.2m). Additionally, 81% of ARR is already live (\$31.5m), highlighting the speed of PayGroup’s leading implementation processes and ability to quickly convert contracts to revenue. PayGroup’s record ARR provides a strong foundation for statutory revenue growth heading into FY23 in addition to the expanding pipeline of opportunities PayGroup is observing through its sales channels.

The Company achieved FY22 statutory revenue of \$27.2m, up 68% on FY21 (FY21: \$16.2m). This represents 100% of the FY21 exit ARR, reflecting PayGroup’s ability to effectively convert its ARR into statutory revenue. The record revenue growth was driven by the combination of new clients, greater upselling and cross-selling, growing contribution from the Global Partner Program (“GPP”) and greater adoption of high margin monetisation and HCM products.

### **RECORD YEAR OF SALES**

The Company achieved a standout \$22.5m in new contracts signed in FY22, up 64% on FY21 (FY21: \$13.7m), following four consecutive quarters of record sales momentum. During the year, PayGroup



signed a number of new enterprise customers, including Coty Inc (NYSE: COTY), Hudson RPO (NASDAQ: HSON), Dexus (ASX:DXS), Canaccord Genuity (TSE:CF) and Bombardier (TSE:BBD-B), demonstrating PayGroup's position as a leader in HCM and payroll solutions to large multinational organisations.

The GPP continues to generate highly attractive sales free of direct customer acquisition costs, accounting for 31% of the new contracts signed in FY22. During the year, another major partner, SD Worx, has been added to the network. SD Worx is a leading European payroll and HCM solutions provider with over 76,000 customers. The Company will utilise its existing infrastructure to service SD Worx's customers with operations in APAC, providing PayGroup with compelling opportunities to further scale its position in the region.

The Company continued to increase its share of customer wallet, with cross-sell and up-sell opportunities contributing to 24% of new contracts signed, highlighting the significant value derived from PayGroup's diverse product suite, and customer centric focus. Additionally, the Company experienced significant momentum in its enterprise and payee monetisation solutions with payments now annualising at \$2.5m, up 2.5x on FY21, providing a strong foundation for further organic growth.

**Mark Samlal, Founder and Managing Director of PayGroup, said:**

*"We are extremely proud of the results achieved in FY22, in particular our first full year profit, despite the impacts of COVID early in the year. Importantly, we continue to demonstrate our ability to effectively convert ARR to statutory revenue, with statutory revenue in FY22 representing 100% of the exit FY21 ARR. We finished the year with live ARR of \$31.5m with a further \$7.6m to be implemented in the near-term, providing a strong platform for statutory revenue growth in FY23.*

*We are very encouraged by the strong sales momentum we have seen this year and are excited by the significant growth in our sales pipeline. In the year ahead, we are focused on unlocking the earnings potential of PayGroup in line with our long-term value creation strategy for shareholders."*

**OPERATIONAL UPDATE**

The core payroll business grew strongly as the Company recorded 8.1m annualised payslips processed in FY22, up 35% on FY21 (FY21: 6.0m). Coming out of the Covid impacted year, the Company has experienced a significant uptick in the number of payees across its customer base, and expects this trend to continue in FY23.

PayGroup has significantly expanded the scale of its core business, now servicing approximately 2,800+ enterprise customers, up 27% on FY21 (FY21: 2,200), presenting significant opportunity to increase adoption of its monetisation solutions. During Q4 FY22, PayGroup released its latest monetisation product, Accessing Wages Earned (AWE). AWE provides payees more financial flexibility with the ability to access their already accrued earnings. The product went live in India initially, where it has experienced strong early traction, and the Company intends to go live in Australia as part of the next stage of planned implementation across core APAC markets. Consistent with its values, the Company will never offer



predatory loans nor debt leverage, and is proud to expand its product offering to increase employee well-being.

PayGroup has expanded the geographic reach of its payroll expertise to a network across 82 countries, with 41 new countries added in FY22. Customers in any geography can access PayGroup's wide suite of payroll and human capital solutions. These positive operating developments strengthen PayGroup's competitive position and underpins the exciting revenue growth profile.

## **OUTLOOK**

The record results and the significant operational progress achieved over the year sets a strong foundation for growth heading into FY23. The Company anticipates FY23 to be a transformative year, as management focuses on growing revenue, optimising implementation to drive contracts to cash, generating operating leverage and increasing margin to unlock the earnings potential of the PayGroup. The Company also aims to increase value generated from the GPP, with the foundational investment in establishing new geographies and in-country partners largely complete. This early investment to establish a global footprint will lead to increased contribution margins from the GPP.

The Company expects to continue the strong cash flow momentum into FY23 which is improved significantly throughout FY22, with net cash outflows reducing from \$(6.2m) in 1Q FY22 to just \$(0.2m) in the final quarter of the year. This improvement in cash from Q1 FY22 to Q4 FY22 highlights the significant evolution in the Company's financial profile towards self-sustainability. PayGroup is well positioned to achieve its strategic objectives, with a cash balance of \$6.2m.

## **RESULTS WEBINAR**

A results briefing will be hosted by the PayGroup management team at 11:00am (AEST) on Tuesday, 31 May 2022 to discuss the FY22 results, operational progress and outlook. Zoom details:

Date: Tuesday, 31 May 2022

Time: 11:00am (AEST)

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\\_6bWhiL-ISBe7V\\_GMoxTuow](https://us02web.zoom.us/webinar/register/WN_6bWhiL-ISBe7V_GMoxTuow)

**-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 enterprise 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 82 countries, representing more than 8.1m payslips and over \$11 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](http://www.paygrouplimited.com).