

PayGroup delivers uplift in sales as US partner referrals commence

Appendix 4C – Quarterly Cash Flow Report

Highlights

- **Customer receipts of \$1.48m in Q2 FY19 (unaudited)**
- **Completed \$1.53m in new contracts signings with average 3yr term (up 18% on Q1 FY19 (\$1.30m))**
- **No material client losses in Q2 FY19**
- **Signed first contract from US based referral partnership, adding 1,085 payslips (to be implemented Q3 FY19)**
- **2H FY19 revenue bias driven by implementation of Q1-Q2 new contract signings and seasonally stronger Q4**

Singapore, 31 October 2018: Multi-Country BPO (Business Process Outsourcing) Payroll and cloud-based Software as a Service (SaaS) Human Resource Outsourcing Solutions provider PayGroup Limited (“PayGroup”, “the Group”; ASX: PYG), has today released its Appendix 4C – Quarterly Cash Flow report for the quarter ended 30 September 2018 (Q2 FY19).

PayGroup operates as Payasia Pte Ltd (“PayAsia”), which it formally acquired on 29 May 2018, in conjunction with its listing on the ASX.

Strong sales momentum continues

PayAsia continued to experience solid customer growth in its BPO Payroll and cloud-based SaaS module (HROnline). The Company added \$1.53 million in new contracts wins (new customers and extension business) during the quarter, expressed as total contract value (TCV), and based on average 3-year contract terms.

In addition to the Company’s direct sales channel, the Company recorded the first contract win during the quarter from its Partner Channel program. This contract comes from its US based referral partner, a leading cloud provider of comprehensive human capital management (HCM) solutions, which has partnered with PayAsia to provide multi-country BPO payroll in Asia. This contract is with the largest marketer and distributor of specialty chemicals and ingredients in the Asia-Pacific region and provides regional BPO Payroll and HROnline SaaS e-leave across 14 countries and 1,085 client employee payslips per month.

Consistent with previous years, client churn remains low at <10%, with no material client losses during the quarter.

Cash Flow and Cash Position

Customer receipts were \$1.48 million for the September quarter (Q2 FY19) and net cash flows from

operating activities were \$0.23 million.

The Company's cash balance as of 30 September 2018 was \$3.94 million. During the quarter the company incurred one off costs of \$1.46 million related to the IPO and debt repayment.

As previously reported PayAsia India Pte Ltd (Indian based payroll processing and staffing business) was divested prior to the PYG listing with the acknowledgement PYG would acquire the underlying Payroll business and BPO centre. This business segment provides group wide payroll services to the PayAsia client base. A payment of \$0.51 million was made to PayAsia India Pte Ltd, representing the value of the Payroll and BPO segment, recorded as an advance payment for the Indian Payroll and BPO centre. This payment is on the balance sheet as an asset representing an advance payment for the yet to be completed acquisition of the Indian Payroll business and BPO centre. Completion of the transaction is a priority of all parties however completion is outstanding due to delays with the Indian regulators.

Staff costs for the quarter were \$0.74 million with only eight new employees added. Administrative and corporate costs were \$0.49 million and reflect the investment in our sales enablement strategies and establishment of partnerships.

The company is focused on ongoing process improvements and scalability, to deliver increased efficiency in its next phase of growth.

The year to date figures in the Appendix 4C represents 29 May 2018 to 30 September 2018 and covers the period since PayGroup has been listed on the ASX (listing date 29 May 2018), and accordingly does not reflect a full six months of operations. Furthermore, an additional payslip processing cycle occurs in the final quarter of the financial year, for year end tax processing carried out for client entity employees, that coincides with the 31 March year end, contributing to a seasonally strong Q4.

PayGroup's Managing Director and CEO, Mark Samlal, commented on the Appendix 4C saying:

"We've had a quarter of excellent sales momentum, with new contracts signed of \$1.53M total contract value building on the \$1.30M signed in the previous quarter. Our existing and new clients are enthusiastically receiving our HROnline module – which improves efficiencies for our clients and their employees, and is a precursor to our upcoming user experience upgrade."

"As reported in Q1 we have no implementation backlog as we enter the peak periods for implementation in Asia, ensuring there is no delay in revenue recognition from our newly signed contracts and that we can continue to offer the level of service that PayAsia is known for."

"We've also seen the impact of our inaugural international referral partner which delivered its first major contract. This partnership is opening access to additional well qualified leads, and we are actively working together to build this pipeline. Building on the success of this partnership – and adding new referral partners in other international markets – is a key part of PayAsia's growth strategy and management focus."

-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

ACN

620 435 038

Quarter ended ("current quarter")

30 SEPTEMBER 2018

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	1,476	1,966
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(743)	(1,061)
(f) administration and corporate costs	(491)	(1,509)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	(20)	(25)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	227	(624)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(7)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) investments	-	-
	(d) intellectual property	(172)	(190)
	(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 – Indian transaction restructure relating to payroll business	(512)	(512)
2.6	Net cash from / (used in) investing activities	(691)	(709)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	8,500
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	(452)	(1,093)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(1,008)	(1,203)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(756)	(1,003)
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(2,216)	5,201

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	6,629	81
4.2	Net cash from / (used in) operating activities (item 1.9 above)	227	(624)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(691)	(709)

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)	(2,216)	5,201
4.5	Effect of movement in exchange rates on cash held	(6)	(6)
4.6	Cash and cash equivalents at end of quarter	3,943	3,943

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	3,943	2,629
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	-	4,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,943	6,629

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

185

-

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	12
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	

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

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	250	104
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
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; 6.7% and cost of funds plus 2.5%, 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	(25)
9.4 Leased assets	-
9.5 Staff costs	(972)
9.6 Administration and corporate costs	(538)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,535)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	Pay Asia Pte Ltd	-
10.2	Place of incorporation or registration	Singapore	-
10.3	Consideration for acquisition or disposal	The issue of 62,947,350 PYG shares	-
10.4	Total net assets	\$1.5m	-
10.5	Nature of business	Provider of BPO Payroll Services and cloud based Software-as-a-service Human Capital Management services operating in 18 countries across the Asia Pacific Region.	-

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.



31 October 2018

Sign here:
(Director/Company secretary)

Date:

Print name: Oliver Carton

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.