

Operating cash flow surplus of \$1.0M, new contract sales up 114%

PayGroup Q1 FY21 Appendix 4C – Quarterly Cash Flow Report

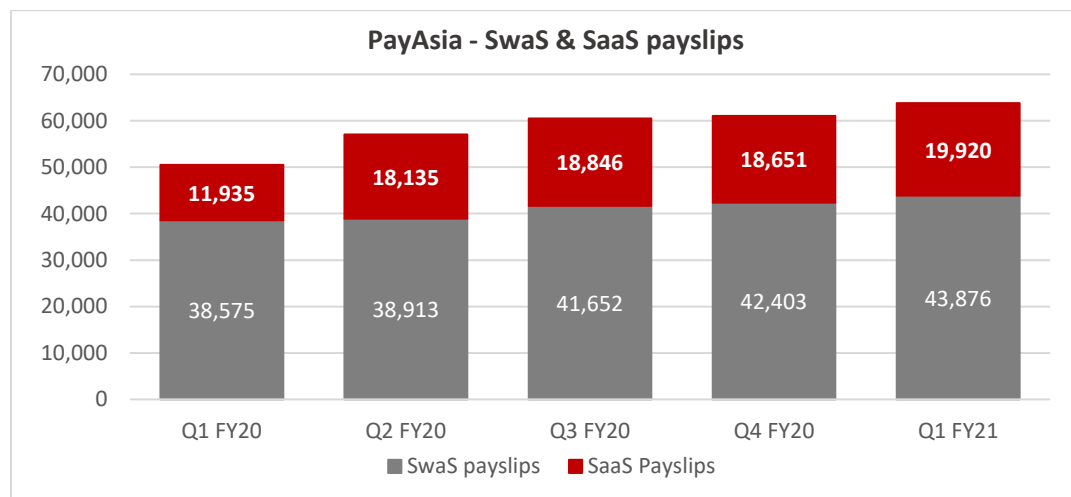
- Operating cash flow surplus of \$1.0M - third consecutive quarter of positive operating cash flow generation
- Cash receipts of \$4.5M, up from \$4.4M in Q4 FY20 and +109% on Q1 FY20
- \$3.0M in new contract wins, up +114% on Q4 FY20 and more than 50% of total TCV in FY20 (\$5.5M)
- Acquired TalentOz on 14 July – enhanced full-service HCM SaaS module suite to drive additional market opportunities and technology cost savings
- Outlook for FY21 remains strong with clients looking for increased HR and payroll outsourcing services despite broader COVID-19 economic challenges

Melbourne, 23 July 2020: Human Capital Management 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 June 2020 (Q1 FY21).

Operational highlights

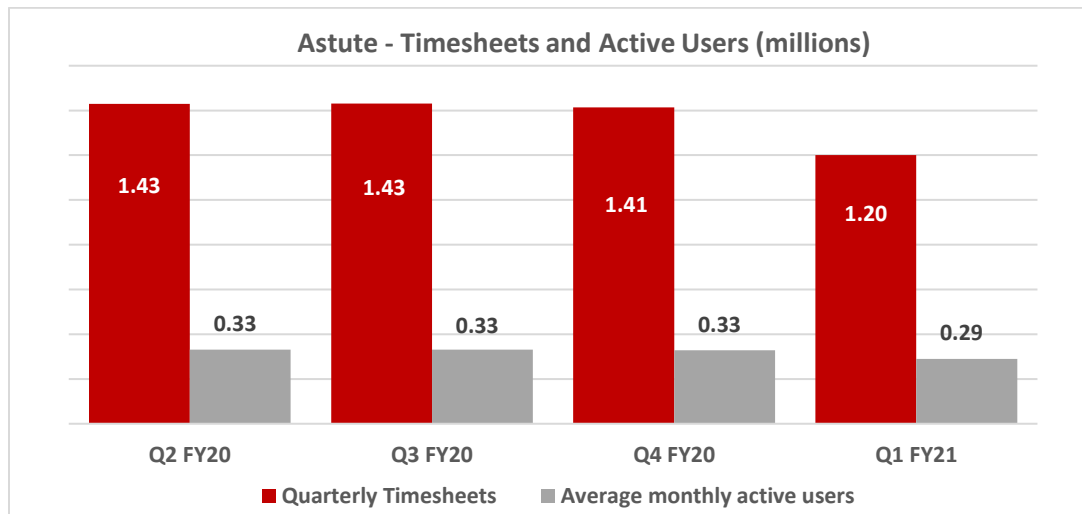
PayAsia

Over Q1 FY21 PayAsia delivered continued growth in both SaaS & SwaS payslips, increasing by 6.8% and 3.5% respectively (vs Q4 FY20).



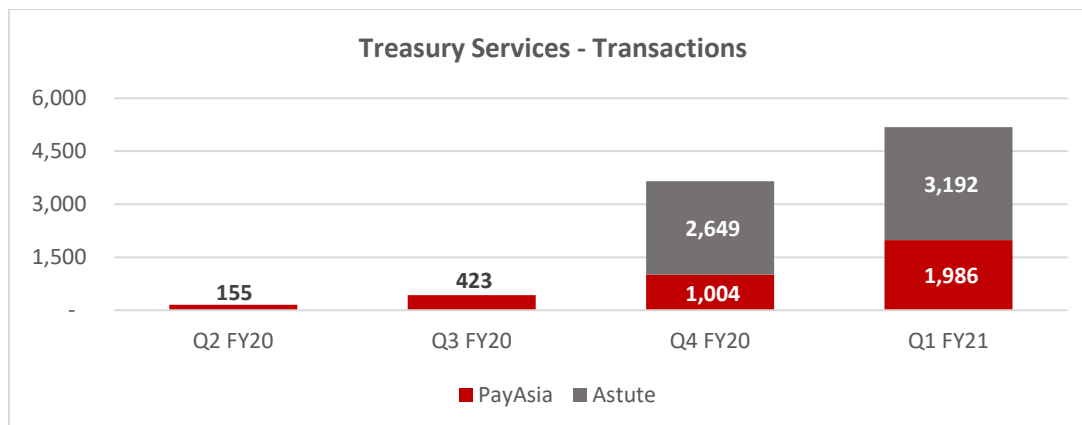
Astute

Despite a COVID-19 related drop in Astute SaaS timesheets, strong growth momentum in Treasury Services, SwaS implementations and contracted subscription pricing offset this impact. Timesheets are expected to recover in Q2 FY21 and Q3 FY21 as the extension to stimulus packages is expected to be beneficial for the Astute client base.



Treasury Services

Treasury services continued the strong growth trajectory seen since the product was first launched in Q2 FY20. In Q1 FY21, total Treasury Services transactions increased by 41.7% across the Group (vs Q4 FY20).



New contracts won during Q1 FY21 of \$3.0M in Total Contract Value (TCV), increased 114% vs Q4 FY20 (\$1.4M TCV), and were equivalent to more than half of all contracts won during FY20 (\$5.5M TCV).

Acquisition of TalentOz

On 14 July 2020, PayGroup announced the acquisition of the TalentOz Group of Companies (“TalentOz”). TalentOz is a leading SaaS HCM, analytics and payroll provider headquartered in Malaysia with a leading end-user functionality that enables businesses to unlock the full value of their workforce and that is accessible across all devices.

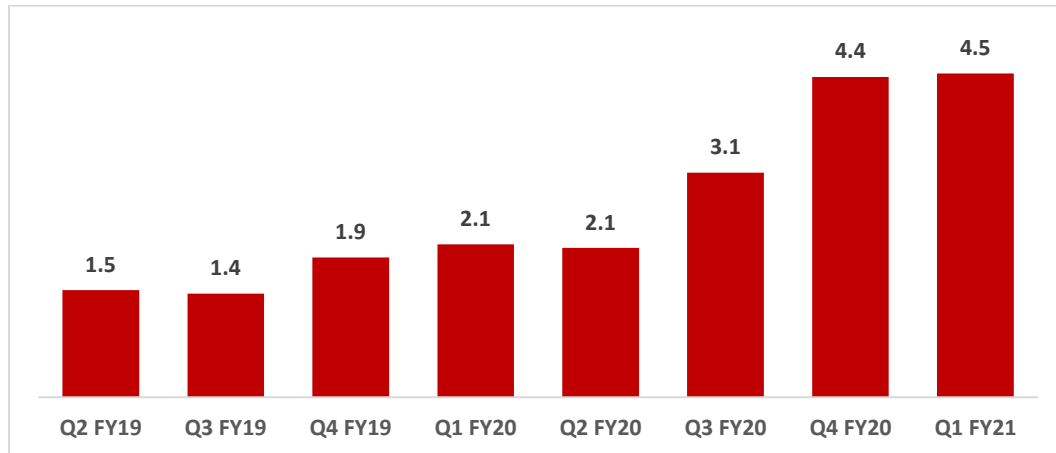
The acquisition of TalentOz forms part of PayGroup’s expansion strategy to create a full service HCM product suite that covers the entire “Hire to Retire” employee lifecycle, across its 33 operating regions. TalentOz will add 11 new complementary HCM modules to PayGroup’s current offering, taking the total offering to 27 HCM modules.

TalentOz also has an in-house development team as well as a proprietary payroll solution for use in Malaysia and India, which is expected to generate significant savings for PayGroup in these markets.

Cashflow update

Cash receipts increased to \$4.5M in Q1 FY21, up from \$4.4M in Q4 FY20. Increased contract wins and employee onboarding performance was offset by adverse currency movements as the AUD appreciated during the quarter.

Quarterly Cash Receipts (A\$M)



Note: Reported operating cash flow in Q4 FY19 was re-stated due to impact of change in cashflow reporting under Australian Accounting Standards associated with Indian resource management acquisition

PayGroup delivered net positive operating cash flow of \$1.0M in Q1 FY21, compared to \$1.8M in Q4 FY20. Q4 FY20 cash flow benefited from a number of one-off items related to accounting for the Astute One acquisition.

The Company ended Q1 FY21 with a cash balance of \$2.1M, up from \$2.0M in the previous quarter.

Outlook

PayGroup expects to deliver increasing cash flow in FY21 as contract win momentum continues and employee implementations increase.

PayGroup Managing Director, Mr Mark Samlal said, "The outlook for FY21 continues to remain strong, despite the challenges posed by COVID-19. We are well positioned to weather the current business environment and are increasingly seeing clients seeking to outsource HR and payroll functions to drive greater business efficiencies. The new contract wins that have been achieved this quarter (being a significant increase on the previous quarter) reflects this strong underlying demand and the strength of our SaaS and SwaS products.

"The acquisition of TalentOz will further expand our offering, giving us a full service HCM product suite. We are already seeing early signs of success with this enhanced offering and expect this to be an important driver of growth in FY21."

-ENDS-

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

About PayGroup

Headquartered in Melbourne, Australia, PayGroup is the holding company for PayAsia and Astute One , a specialist provider of payroll and human capital management solutions.

PayAsia is addressing the needs of multinational companies of any size by delivering Software-with-a-Service (SaaS) HCM and Payroll solutions and leveraging a Cloud (SaaS) based Human Capital Management platform, HROnline. Clients are typically Multi-National Companies within multiple countries across Asia Pacific and the Middle East.

The Group is also a leader in workforce management solutions for complex businesses especially for Workforce Management Companies in Australia and New Zealand with its acquisition of Astute One Ltd.

PayGroup has now 229 employees located in 11 countries are servicing over 915 client entities representing more than 4.7 million payslips per annum.

More information on PayGroup can be found at www.paygrouplimited.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PAYGROUP LIMITED

ABN

90 620 435 038

Quarter ended ("current quarter")

30 JUNE 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,471	4,471
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(1,995)	(1,995)
(f) administration and corporate costs	(1,707)	(1,707)
1.3 Dividends received (see note 3)		
1.4 Interest received	13	13
1.5 Interest and other costs of finance paid	(27)	(27)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	425	425
1.8 Other (provide details if material)		
- Temp staffing cash timing	(132)	(132)
1.9 Net cash from / (used in) operating activities	1,048	1,048
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(6)	(6)
(d) investments		
(e) intellectual property	(704)	(704)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	(f) other non-current assets		
	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
2.3	(e) intellectual property		
	(f) 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	(710)	(710)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
	- Repayments of principal on lease liabilities	(90)	(90)
3.10	Net cash from / (used in) financing activities	(90)	(90)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,968	1,968
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,048	1,048

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(710)	(710)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(90)	(90)
4.5	Effect of movement in exchange rates on cash held	(94)	(94)
4.6	Cash and cash equivalents at end of period	2,122	2,122

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	2,122	1,968
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)	2,122	1,968

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	254
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	260	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	260	-
7.5	Unused financing facilities available at quarter end		260
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	DBS Bank Singapore; interest rate 10.3% and cost of funds plus 2.5%.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,048
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,122
8.3	Unused finance facilities available at quarter end (item 7.5)	260
8.4	Total available funding (item 8.2 + item 8.3)	2,382
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date:23 July 2020.....

Authorised by:The Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.