



# FY22 Half Year Results Presentation

November 2021

# Agenda

## Executive Summary & Investment Highlights

1

1H FY22 Financial Results

2

Commercial Update

3

Strategy and Outlook

# Investment highlights

---



## **FY22 ARR of at least \$37m and revenue guidance of \$26m**

Underpinned by growing core payroll business



## **Long term contracted revenues**

Growing revenue base underpinned by 3-year contracts, 98% customer retention and autorenewal



## **Significant investment upside potential**

Market capitalisation of ~\$50m, with FY22 ARR guidance of at least \$37m and FY22 revenue guidance of \$26m



## **Board and Management alignment**

Strong equity alignment, with Founders, PayGroup Board and Management owning ~47% of shares on issue







---

## Experience Pays

---

# PayGroup is at a major inflection point

Well positioned to accelerate revenue growth and drive margin expansion

Opportunity	Outlook	Revenue opportunities	Margin opportunities
 <b>SaaS and Services</b>		<ul style="list-style-type: none"><li>• Continued organic growth in APAC</li><li>• Customer account expansions</li><li>• New customers from GPP</li></ul>	<ul style="list-style-type: none"><li>• Automation of core payroll services and smart shoring</li><li>• Growing scale across APAC driving growing operating leverage</li></ul>
 <b>Enterprise Monetisation</b>		<ul style="list-style-type: none"><li>• Increased adoption of payment solutions</li><li>• Greater up-selling of HCM modules</li></ul>	<ul style="list-style-type: none"><li>• Increased adoption of high margin and scalable solutions with low implementation costs</li></ul>
 <b>Payee Monetisation</b>		<ul style="list-style-type: none"><li>• Increase adoption across user base</li><li>• Implementation of new products to increase payslip monetisation</li></ul>	<ul style="list-style-type: none"><li>• Increased adoption of high margin 'plug and play' solution embedded into existing software</li></ul>

# 1H FY22 financial highlights

## Statutory revenue<sup>1</sup>

**\$12.8m**

+83% on pcip



## New contracts (TCV)

**\$9.6m**

+78% on pcip



## Gross margin

**56%**

+12% on FY21



## Cash receipts

**\$13.8m**

+59% on pcip



## Cash

**\$7.7m**

+45% on pcip



## Sales pipeline

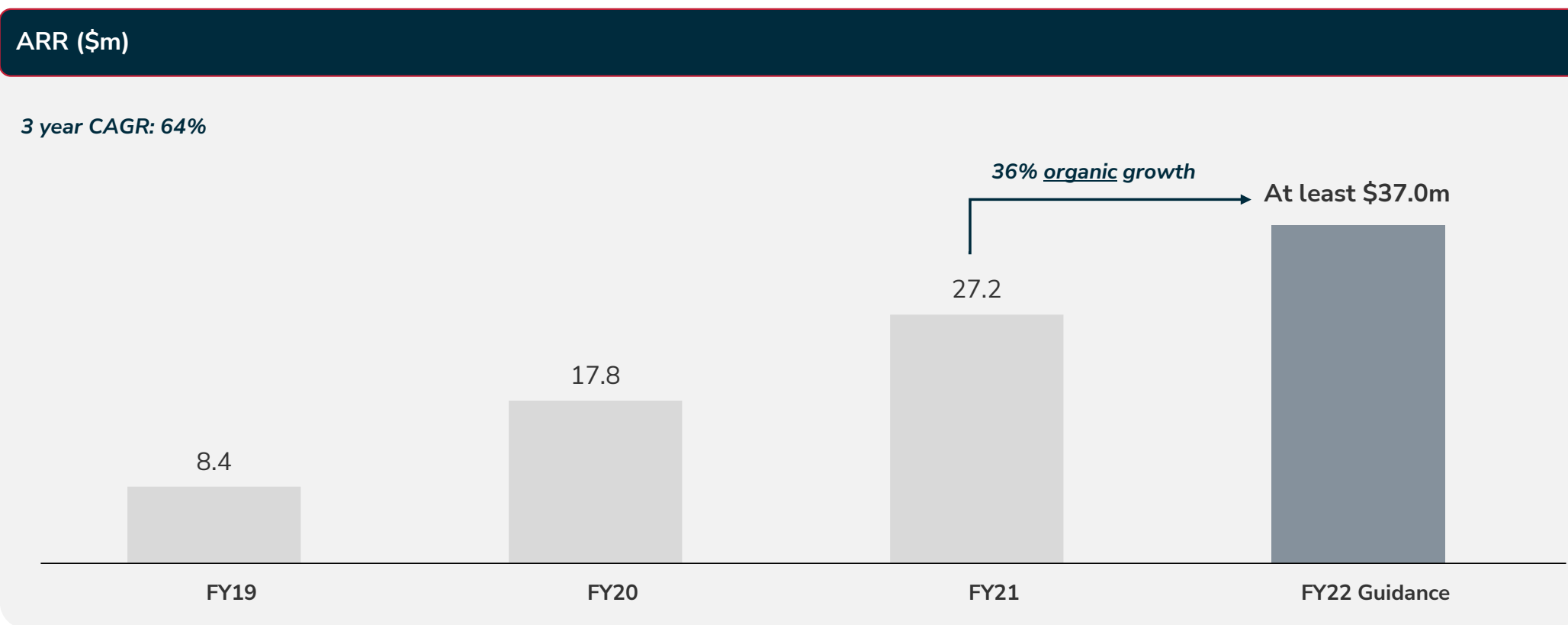
**6x increase**

pcip 1HFY21



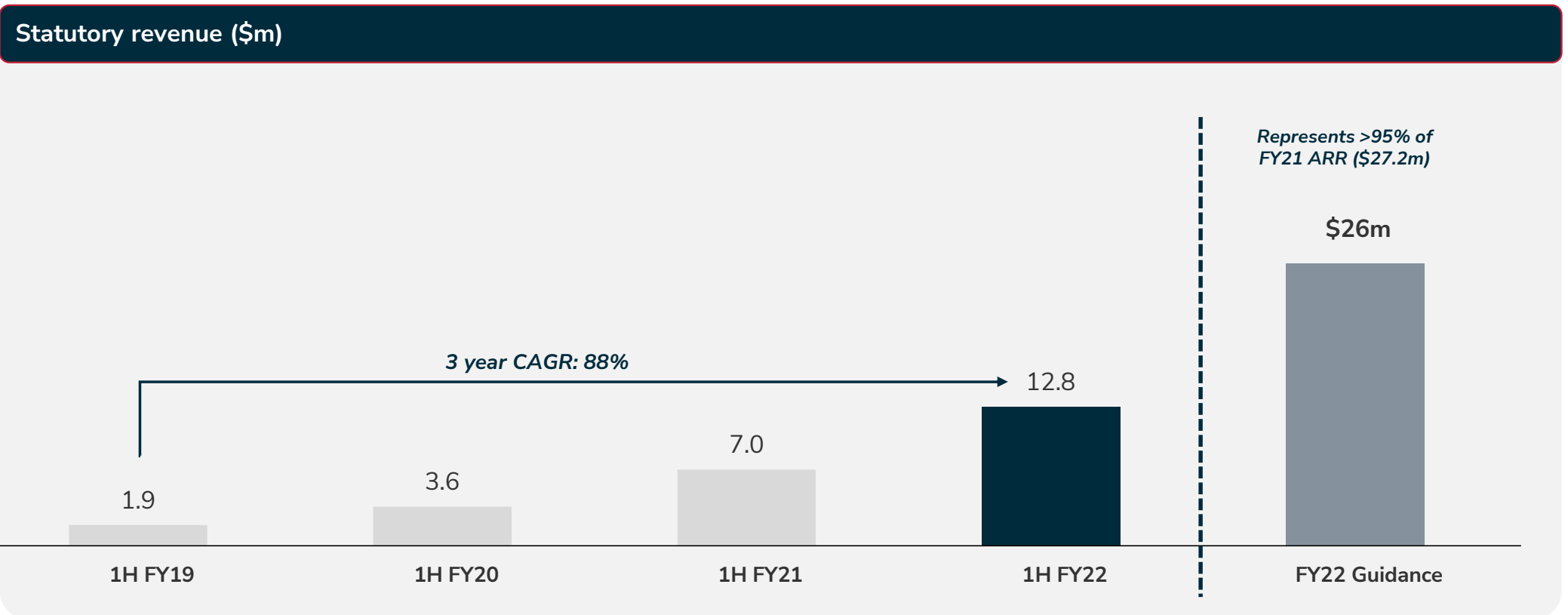
# Affirmed FY22 ARR guidance of at least \$37m

Driven solely by organic growth in FY22



# Statutory revenue guidance of \$26m

Over 95% of signed FY21 ARR is set to be realised in FY22



# 1H FY22 Results



**Elise Nguyen**  
Chief Financial Officer



# Strong financial performance

## Revenue Growth & Positive EBITDA

### Income Statement

\$m	1H FY22	1H FY21	Change
<b>1 Revenue<sup>1</sup></b>	<b>12.8</b>	<b>7.0</b>	<b>+83%</b>
COGS	-5.7	-3.3	-73%
<b>2 Gross profit</b>	<b>7.1</b>	<b>3.7</b>	<b>+92%</b>
GM%	56%	53%	
<b>3 Normalised operating expenses</b>	<b>-5.6</b>	<b>-1.9</b>	<b>-195%</b>
<b>4 Normalised EBITDA<sup>2</sup></b>	<b>1.5</b>	<b>1.8</b>	<b>-16%</b>
<u>Legal fees</u>	<u>-0.1</u>	<u>-0.1</u>	=
<u>Accounting, advisory and consulting fees</u>	<u>-0.1</u>	<u>-0.1</u>	=
<b>Statutory EBITDA</b>	<b>1.3</b>	<b>1.6</b>	<b>-19%</b>

- Achieved operating revenue growth of 83%, driven by increased organic growth, monetisation streams and acquisition of IWS – *note: 1H FY22 includes 5 months contribution from IWS only.*
- Represents a 1H FY22 gross margin improvement of 12% from FY21, driven by operational cost efficiencies achieved during the period – *refer to slide 11 for additional details.*
- Driven by investment in growth, strategic hires in sales and operation capabilities to execute on strategic priorities and sales pipeline.
- Positive EBITDA whilst management focusing on hiring the best talent for our direct sales, partnerships and direct marketing expansion, globalising our platforms to accelerate growth, and investing to create cost efficiencies as we integrate IWS & PHQ.

# Significant investments made

Investing for growth to drive long term operating leverage

## Cash flows

	\$m	1H FY22	1H FY21	Change
1	Cash receipts	13.8	8.7	5.1
2	Cash payments	(13.9)	(7.4)	(6.5)
	Other	0.2	0.8	(0.6)
	Operating cash flow	<u>0.1</u>	<u>2.1</u>	<u>(2.0)</u>
3	Investing cash flow	(10.1)	(1.8)	(8.3)
4	Financing cash flow	14.6	<u>3.0</u>	<u>11.6</u>
	Net cash flow	<u>4.6</u>	<u>3.3</u>	<u>1.3</u>
	Cash at beginning	3.1	2.0	1.1
5	Cash at end	<u>7.7</u>	<u>5.3</u>	<u>2.4</u>

1 Achieved record cash receipts driven by superior customer relationship and trade debtor management. Our client retention is at best in class at 98% reflecting the stickiness of our client base. Increased monetisation revenue and acquisition of IWS. Low bad debt despite Covid-19.

2 Operating cash payments include investment in growth, strategic hires and capabilities to execute on key priorities and sales pipeline.

3 Investing cashflow related to acquisition of subsidiaries (\$8M) and investment in R&D, software and technology (\$2M), supporting our growth in ARR – R&D investment will foster greater *innovation*, leading to enhanced margin and driving greater efficiencies as the company continue to scale.

4 Financing cash flows primarily relate to the capital raising in March 2021 majority was to acquire IWS.

5 Well positioned to execute on strategic priorities and deliver organic growth with \$7.7m cash on hand (as at 30 Sep 21) – CAPEX spend on technology for rest of FY22 is expected to be in line with this first half run rate.

Expects to be operating cash flow positive for FY22

# Focused on gross margin expansion

Management focused on selling higher margin solutions and operational cost efficiencies

## Gross margin (%)

**50%**  **56%**  
FY21 1HFY22

**Trending positively with continued focus**

- ✓ Key strategic priority as the company continues to grow and realise operating leverage potential
- ✓ Management focus to enhance gross margin driven by the following key initiatives:
  - Focused on selling of higher margin customer managed solutions
  - Increased automation activities and back office efficiencies
  - Increased deployment and increased uptake of both enterprise and employee monetisation opportunities across greater addressable market which are high gross margin revenue.

# Commercial update



**Sachin Goklaney**  
Chief Commercial Officer

# Growth Metrics – Monetisation , new customers and upsells

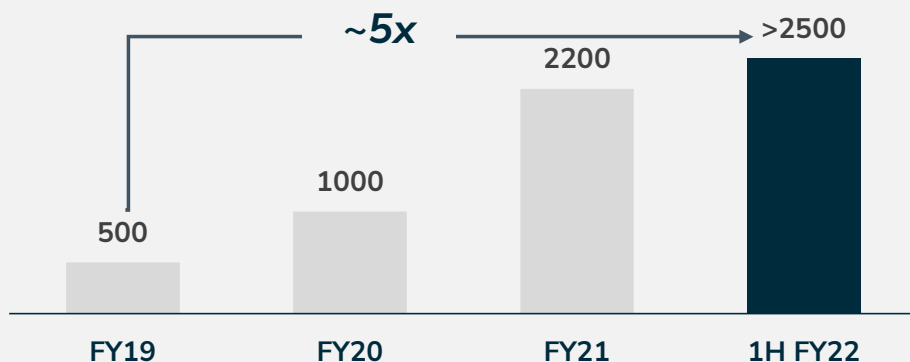


Experience  
Pays

# Rapidly scaling operating metrics

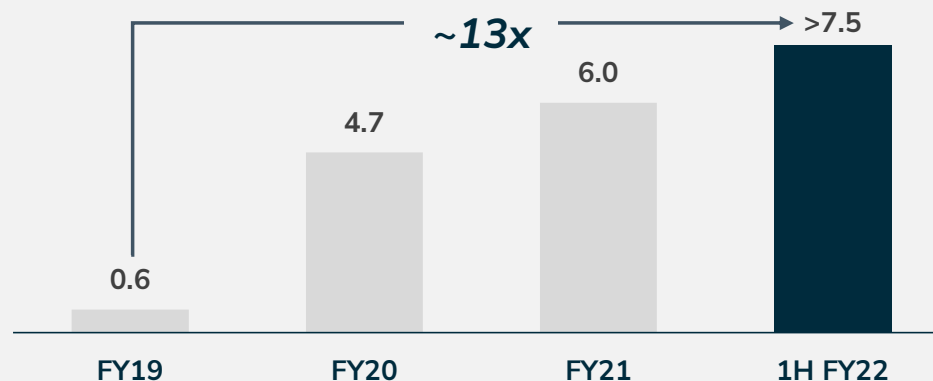
Growing across key operating metrics which provide additional opportunities to increase share of wallet

## Enterprise customers



- Growing enterprise customers provides increased monetisation opportunities to a larger audience
- PayGroup helps enterprise customers reduce payroll complexity and improve employee productivity through an enhanced offering
- Introduction of payments platform and HCM modules to drive increased share of wallet

## Payslips (m)



- PayGroup benefits from higher payslip numbers and high turnover job industries, as each new payslip is a revenue generation event
- Introduction of new services such as superannuation, provides every employee onboarded onto the PayGroup platform the opportunity to choose a new provider
- Amplified by the 'great resignation', the Company anticipates further job turnover globally and greater usage of the platform

# Unlocking value of customer base

Early traction of new monetisation products providing significant upside

## Enterprises – reducing complexity and improving productivity

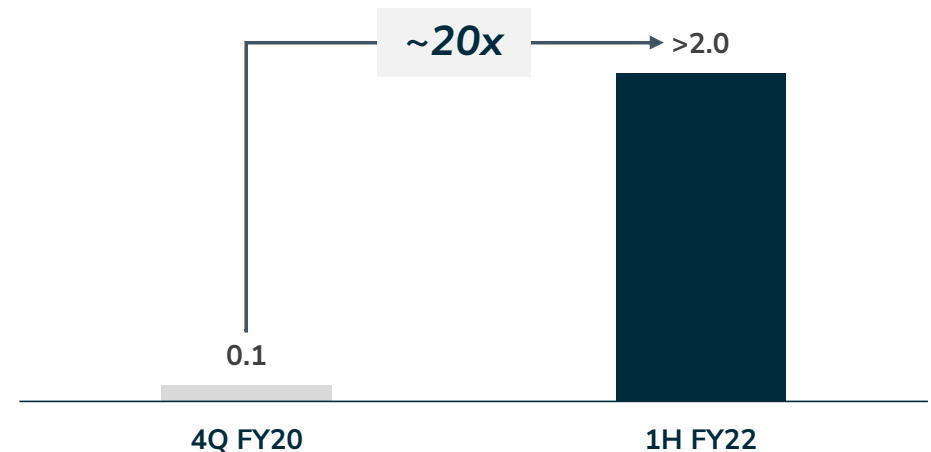
- **Payments:** Enabling customers to pay staff in regions where they do not have a presence
- **HCM Modules:** Providing customers with a full-suite of HR related modules to better manage staff and optimise productivity

## Payees – promoting financial well-being

- **Superannuation choice:** Allowing customer's employees the option of choosing a superannuation fund while onboarding to new employer
- **Accessing wages earned (scheduled 3Q FY22 launch):** Allowing payees' to access wages earned – i.e. not in advance. Paid by enterprises to promote financial well-being – i.e. no debt leverage or predatory loans involved

## ARR Monetisation (\$m)

Rapid growth



Further monetisation products planned

# Loyalty business with long-term customers

Strong loyalty economics drive significant long-term value creation

## Customers stay ...

Long lifetime value and low churn

Average lifetime:

**9 years**

Customer retention<sup>1</sup>:

**98%**

## ... spend more ...

Increasing customer share of wallet

Recent up-sells:

laserclinics  
AUSTRALIA

Weatherford®

TEMENOS  
The banking software company

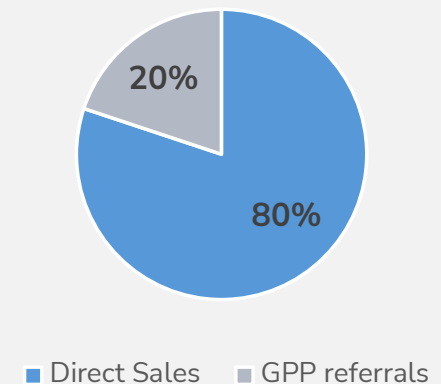
HUDSON RPO

**29% of \$9.6M sales  
are upsells**

## ... and drive referrals

Accelerating growth through referrals

New sales by source<sup>2</sup>:





# Leading global organisations partner with PayGroup

Growing pipeline of new core payroll and monetisation customers

## Global Partner Program (GPP)

**Delivering 20% of sales**

Partners provide new customers from all over the world, for large multi-nationals needing APAC expertise

Evidence of differentiated position with global payroll companies choosing PayGroup as partner of choice. Deep technology integrations delivering fully compliant solutions, and in some cases, world-first

Lower customer acquisition costs and high margin channel complementing direct sales activities

(Select partners shown)



# Strategy & outlook



**Mark Samlal**

Founder and Managing Director

# Strategic overview



Established core business with exciting monetisation opportunities

## Core business – Payroll SaaS and Services

- ✓ Mission critical and compliant solutions
- ✓ Unique and differentiated offering
- ✓ Diverse and growing enterprise client base
- ✓ Profitable core business, with focus on margin

SaaS and Services

## Monetisation opportunities – Increasing share of wallet through broadened platform offering

-  **Enterprises** – Reduce complexity and improve employee productivity
-  **Payees** – Offering payees greater financial flexibility and opportunity

Payments, full suite of HCM modules, Superannuation choice and Access Wages Early (3Q FY22)





# World class technology trusted by leading companies



>2,500 valuable  
enterprise  
customers  
underpinning  
continued growth

# Core payroll SaaS and Services

Core offerings capture the full payroll opportunity set delivered through PayGroup software

Employer – SaaS	Vs.	PayGroup – Services
✓	 PayGroup proprietary software	✓
-	 PayGroup payroll services	✓
67%	Gross margin <sup>1</sup>	50%
✓	3 year contracts & automated renewals	✓
~33%	 Revenue split <sup>1</sup>	~67%
~6m	 Payslip and transactions split	~1.5m

Every payslip transaction is a revenue generating event and opportunity to increase share of wallet

# Enterprise monetisation: Strategic HR software

Established suite of modules delivering further monetisation opportunities



**PayGroup is uniquely positioned** to identify and understand clients' increasing HR requirements linking to the “great resignation”



**PayGroup's fulsome HR technology solution** is highly complementary to core payroll solution



Currently focused on targeting the **significant and growing APAC markets**, with further potential in other key markets. Asia accounted for over half of the world's foreign direct investment in 2020<sup>1</sup>



Enhanced HR offering ensures PayGroup's continues to innovate solutions and **becomes deeply embedded in enterprise clients**

## Extensive range of HR modules



# Differentiated ability to provide payroll solutions

Unique technology-led platform providing organisations the ability to choose SaaS or Services solution



## Full customer offering

Ability to cater to wide range of customers with fulsome end-to-end technology-led solution and ability to switch between SaaS and Service solution



## Expert knowledge

Deep understanding of local compliance and regulatory environment



## Global presence

PayGroup's global reach now extends to 75 countries and growing









## Rapid implementation

Ability to implement anywhere in the world with market-leading technology and timeframes

# PayGroup is at a major inflection point

Well positioned to accelerate revenue growth and drive margin expansion

Opportunity	Outlook	Revenue opportunities	Margin opportunities
 <b>SaaS and Services</b>		<ul style="list-style-type: none"><li>Continued organic growth in APAC</li><li>Customer account expansions</li><li>New customers from GPP</li></ul>	<ul style="list-style-type: none"><li>Automation of core payroll services and smart shoring</li><li>Growing scale across APAC driving growing operating leverage</li></ul>
 <b>Enterprise Monetisation</b>		<ul style="list-style-type: none"><li>Increased adoption of payment solutions</li><li>Greater up-selling of HCM modules</li></ul>	<ul style="list-style-type: none"><li>Increased adoption of high margin and scalable solutions with low implementation costs</li></ul>
 <b>Payee Monetisation</b>		<ul style="list-style-type: none"><li>Increase adoption across user base</li><li>Implementation of new products to increase payslip monetisation</li></ul>	<ul style="list-style-type: none"><li>Increased adoption of high margin 'plug and play' solution embedded into existing software</li></ul>



# Corporate overview

Experienced board and key leaders driving a well-funded organisation



**Ian Basser**  
Non-Executive  
Chairman



**Mark Samlal**  
Founder and CEO



**Franck Neron-Bancel**  
Executive Director &  
Chief Strategy Officer



**Sachin Goklaney**  
Chief Commercial  
Officer



**Elise Nguyen**  
Chief Financial Officer



**David Fagan**  
Non-Executive  
Director



**Jerome Gouvernel**  
Chief Product Officer



**Shane Gild**  
Non-Executive  
Director



**Chris Brunton**  
Chief Operating and  
Technology Officer

## Substantial shareholders

Mark Samlal (Founder and Managing Director)	19.2%
Lawrence Pushpam (Founding shareholder)	6.1%
Salter Brothers Emerging Companies	5.2%

## Financial information

Share price (26-Nov-21)	\$0.440
52-week trading range (low / high)	\$0.430 / \$0.810
Shares on issue	115m

## Market capitalisation

Cash (30-Sep-21)	\$7.7m
Debt (30-Sep-21)	\$0.0

## Enterprise value

Research coverage	<a href="https://paygrouplimited.com/analyst-coverage-reports/">https://paygrouplimited.com/analyst-coverage-reports/</a>
-------------------	---

Canaccord Genuity, Sparkplus

# Important Notices and Disclaimer

---

The following material is for general information purposes only and should not be relied upon for the making of any investment decision. Any investment in **PayGroup Limited** ACN 620 435 038 (PayGroup) is subject to a number of investment risks including the possibility of loss of capital invested and no return of income or payment of dividends. Neither PayGroup nor any other entity or person in or associated with the PayGroup group of companies guarantees any return (whether capital or income) or generally the performance of PayGroup or the price at which its securities may trade.

In particular, this presentation is not a recommendation, offer or invitation to subscribe for or purchase PayGroup securities. This presentation is not exhaustive of all of the information a potential investor or their professional advisers would require. This presentation does NOT constitute a "Prospectus" or a "Disclosure Document" (as defined in the Corporations Act 2001 (Cth) (Corporations Act)) and has not been, and will not be, lodged with the Australian Securities and Investments Commission or any other regulatory authority. Accordingly it is not required to contain, and may not necessarily contain, all of the information that a Prospectus or like Disclosure Document would be required to contain pursuant to the Corporations Act.

This presentation does not take into account any specific objectives, financial situation or needs of investors. For these and other reasons, you are strongly recommended to obtain your own up to date independent legal, financial and investment advice – those acting without such advice do so at their own risk.

This presentation may contain "forward-looking statements" which are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. Any forward looking statements in this presentation should be considered "at-risk statements" - not to be relied upon as they are subject to known and unknown risks, uncertainties and other factors that may lead to actual results differing from any forward looking statement. You are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof and PayGroup does not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events. In addition, the past performance of PayGroup cannot be assumed as indicative of the future performance. **There is NO guarantee of future performance - actual results and future outcomes will in all likelihood differ from those outlined herein.**

Neither PayGroup nor any of its advisers, agents or employees make or give any express or implied representation, warranty or guarantee that the information contained in this presentation or otherwise supplied by or on behalf of PayGroup is complete or accurate or that it has been or will be audited or independently verified, or that reasonable care has been or will be taken in compiling, preparing or furnishing the relevant information. PayGroup does not take any responsibility for any inference, interpretation, opinion or conclusion that any person may draw or form from this presentation.

To the maximum extent permitted at law, PayGroup and all of its representatives, directors, partners, employees or professional advisers exclude all direct and indirect liability arising out of or in connection with any use or reliance of the information contained or described within this presentation. Other than to the extent required by law (and only to that extent), the Parties do not make any representation or give any assurance, guarantee or warranty (express or implied) as to, nor assume any responsibility or liability for, the authenticity, origin, validity, accuracy, suitability or completeness of, or any errors in or omissions from, any information, statement or opinion contained in this Presentation or any accompanying, previous or subsequent material or presentation.