

## **Continued growth in new client contract wins and implementations**

### **Appendix 4C – Quarterly Cash Flow Report**

#### **Highlights**

- **Customer receipts of \$4.3m in Q4 FY19 (unaudited)**
- **Completed \$0.41m in new contracts signings in Q4 with average 3yr term, taking total new contracts signed to \$4.93m in FY19 (up 197% on pcg)**
- **No client losses recorded in Q4**
- **Peak period of activity on implementing FY19 new contracts wins**
  - **1,735 new client employees added for BPO Payroll services;**
  - **581 new client employees for SaaS modules**
- **Continued to build momentum in global partnership program including signing of new UK referral partnership**
- **Completion of the Workforce Management acquisition in India and first contribution**
- **Strong visibility on business in FY20 through contracted new client implementation schedule – 7,877 new client employees contracted to be implemented**

**Singapore, 30 April, 2019:** 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), today released its Appendix 4C – Quarterly Cash Flow report for the quarter ended 31 March 2019 (Q4).

PayGroup operates through its wholly owned subsidiary Pay Asia Pte Ltd (“PayAsia”), and the year to date figures in the Appendix 4C represent the period 29 May 2018 to 31 March 2019 (the period since PayGroup listed on the Australian Securities Exchange).

It is important to note that new contract wins reported are expressed as total contract value (TCV) and are based on average 3-year contract terms. PayAsia recognises revenue firstly through an upfront client implementation fee, and then through recurring monthly fees over the term of the contract following client implementation and onboarding the client’s employees. Accordingly, the monthly revenues generated are recurring in nature.

PayAsia experienced 5.7% growth in new contract wins (versus previous corresponding period (pcg)) for the quarter, taking TCV on new client wins in FY19 to \$4.93 million. The quarter also represented a peak period of activity on new client implementations, with 2,316 client employees added, and a similar level scheduled to be implemented in the current quarter. Both new client wins and implementations are key operating metrics and lead indicators on future financial performance, with the Group commencing the current financial period with a higher monthly recurring revenue base.

PayAsia continues to demonstrate success in timely and well managed global implementations and sales.

Client employees under contract as at 31 March 2019 totaled 37,053 for BPO Payroll services and 11,226 for SaaS modules.

#### **Q4 Implementation**

PayAsia remained focused during the quarter on the implementation of record new contracts awarded across the region during the FY19 period.

Implementation activity during the quarter represented new client implementations and onboarding client employees to provide BPO Payroll services and cloud-based SaaS module, “HROnline”:

- BPO Payroll services - 1,735 new client employees added, compared to 847 in Q3 and 194 in Q2
- SaaS module - 581 new client employees added, compared to 379 in Q3 and 56 in Q2.

The Group’s new client implementation schedule for FY20 based on contracted new clients remains strong at 7,877 client employees.

#### **Record sales momentum with success in Global Referral partner program**

The Group completed a record financial year in new client growth represented as TCV and based on average 3-year contract terms. PayAsia added \$4.9 million in new contract wins for the FY19 period, up from \$2.5 million on the pcg.

Client churn remains low, at less than 10% for the year, with no client losses recorded during the quarter. PayAsia added \$0.41 million in new client contracts wins (new customers and extension business) during the quarter (up 5.7% on pcg), in what is traditionally a slower period of sales activity in the APAC region given the holiday and Chinese new-year period.

PayAsia’s Global Partnership Program achieved a further milestone in March 2019 with the signing of a new contract to be an Asian Payroll Partner to UK based Cloudpay, [www.cloudpay.net](http://www.cloudpay.net). Subsequent to the end of the quarter, PayAsia was awarded a new client contract under this referral partnership agreement valued at \$0.45 million (TCV), with implementations for Cloudpay’s client in the APAC region to commence in the current quarter (Q1 FY20).

In addition, and subsequent to the end of the quarter, the Group was also awarded its first contract revenues for Japan through its recently announced Japan Partner.

The Group continued to experience solid momentum and an increase in qualified leads coming from its US-based referral partner, which was supported through attendance at their client conference held in March 2019.

#### **Workforce Management acquisition completion**

During the quarter PayAsia completed the acquisition of Workforce Management in India, with the effective date of acquisition being 28 February 2019. Accordingly, results for Q4 will reflect one month contribution from Workforce Management, and detailed results on both a statutory and proforma basis will be provided in the FY19 financial results to be released in May 2019.

### **Treasury Solution**

The Group formally released its Treasury solution during the quarter, which provides customers with access to an efficient platform for cross-border payments. PayAsia was successful in onboarding four clients during the period and expects an accelerated take-up from existing and new customers in FY20.

### **Technology Advancements**

The Company spent \$0.65m in FY19 as part of its technology enhancement and advancement progress.

- First phase of HROnline Interface Refresh has been completed with plans to implement new customers and commence conversion of existing in Q1 FY20. The interface has enhanced usability and modern design that will assist in new Sales and focus on uptake of additional modules to existing customers.
- The Group's new strategic payroll technology partner is now operational with the first clients going live in Thailand and Indonesia and under implementation with Philippines. During FY20 the Group will implement this technology for use in further countries.
- Completing a key integration phase of HROnline with a key global Human Resource Management Solution, allowing the Group's global partnership program to be fully inter-operable within its propriety technology platform.

### **Cash Flow and Cash Position**

Customer receipts were \$4.34 million for the March quarter (Q4 FY19) and net cash outflows from operating activities were \$0.39 million. While the improvement in operating cash flows over Q3 FY19 is reflective of recent sales performance the underlying result reflects continued investment in geographic spread and development of the global partnership referral program.

The acquisition of the Workforce Management in India has enabled the Group to expand its resource management business which is a growing segment within the APAC market. The results of this segment are required to be shown gross with the cash impacts reflected within the operating activities section. Further analysis of the Workforce Management business will be provided as part of the Group's FY19 financial results.

The Group's cash balance as of 31 March 2019 was \$6.3 million of which \$3.4million related to balances held on behalf of our clients for settlement of their payroll obligations. As outlined previously invoicing for Q4 is always strong as it includes the "Period 13" reporting for our clients, which results in an additional month of billing supported by the same resource cost base. The cash flow impact of this additional billing will be realised in Q1 FY20.

Staff costs for the quarter included one month's impact of the Workforce Management acquisition along with the impact of recent staff additions supporting the underlying business growth. Management of the

internal resource base remains a key focus of the executive team with expectations of an increase within the implementation team expected due to the sales growth. Administrative and corporate costs are largely impacted by the Workforce Management acquisition along with costs associated in aligning the business with that of the Group. As noted previously, further analysis of the Workforce Management business will be provided within an investor pack accompanying the 4E.

PayGroup's Managing Director and CEO, Mark Samlal, said: *"The signed partnership with CloudPay is a further endorsement of the strong growth in our Global Partnership Program. As expected, Q4 was indeed a peak period for new client implementation which ensures that we start FY2020 on a higher run-rate of monthly recurring revenue."*

Mr Samlal reiterated that technology advancements and the growth of the Group's treasury solution will be a further major area of focus in FY20.

-ENDS-

**For further information, please contact:**

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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).

[paygrouplimited.com](http://paygrouplimited.com)

## 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")**

31 MARCH 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,336	8,461
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(12)	(12)
(d) leased assets	-	-
(e) staff costs	(1,187)	(3,346)
(f) administration and corporate costs	(1,069)	(4,376)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	13
1.5 Interest and other costs of finance paid	(3)	(24)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) Resource Management Employment costs	(2,462)	(2,462)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(393)</b>	<b>(1,746)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(23)	(37)
	(b) businesses (see item 10)	-	-
	(c) investments	(646)	(646)
	(d) intellectual property	(406)	(647)
	(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	187	(24)
2.4	Dividends received (see note 3)	-	-
2.5	(a) Other – Indian transaction restructure relating to payroll business	478	-
	(b) Cash acquired in Business acquisition	487	1,331
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>77</b>	<b>(23)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(75)	(1,017)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(1,215)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	(1,000)
3.9	Other (provide details if material)		
	(a) Funds received from Clients for payroll obligations	609	2,800
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>534</b>	<b>8,068</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	6,081	-
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(393)	(1,746)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	77	(23)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	534	8,068
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>6,299</b>	<b>6,299</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	6,299	6,081
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,299</b>	<b>6,081</b>

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	185
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	
<ul style="list-style-type: none"><li>Executive Director salaries</li><li>Non-executive Director fees</li></ul>		
Includes amounts paid to entities associated with the Directors		

**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**

*Add notes as necessary for an understanding of the position*

**Total facility amount  
at quarter end  
\$A'000**

**Amount drawn at  
quarter end  
\$A'000**

8.1 Loan facilities

250

117

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

-

9.4 Leased assets

-

9.5 Staff costs

(1,683)

9.6 Administration and corporate costs

(1,466)

9.7 Resource Management Costs in Workforce Management Business (These costs are matched by an equivalent amount of gross revenue classified as HR Outsourcing Revenue for Workforce Management Business)

(5,935)

**9.8 Total estimated cash outflows**

**(9,084)**



<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Acquisitions</b>
10.1 Name of entity	Pay Asia Pte Ltd	Pay Asia Management Private Ltd
10.2 Place of incorporation or registration	Singapore	India
10.3 Consideration for acquisition or disposal	The issue of 62,947,350 PYG shares	\$0.646m
10.4 Total net assets	\$1.5m	\$0.636m
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.	Provider of BPO Payroll Services and Resource Management Solutions throughout India

### 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.



30 April 2019

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.