

## **PayGroup grows contract wins and implementations in Q3**

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

#### **Highlights**

- **Customer receipts of \$1.43m in Q3 FY19 (unaudited)**
- **Completed \$1.68m in new contracts signings with average 3yr term -up 29% on Q1 FY19 (\$1.30m) and 9.8% on Q2 (\$1.53m)**
- **No material client losses in Q3 FY19**
- **Referral partners generate strong growth in qualified leads**
- **Partnership with Frontierpay for advanced treasury functions**
- **Positive outlook with a strong sales pipeline and scheduled implementations for Q4**

**Singapore, 31 January, 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), has today released its Appendix 4C – Quarterly Cash Flow report for the quarter ended 31 December 2018 (Q3 FY19).

PayGroup expects a strong Q4 and is targeting a solid start for FY20.

#### **Strong sales momentum continues and pipeline builds**

PayGroup operates through its wholly owned subsidiary Pay Asia Pte Ltd (“PayAsia”). PayAsia continued to experience solid customer growth in its BPO Payroll and cloud-based SaaS module (HROnline). The Company added \$1.68 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. This revenue will be recognised with an upfront implementation fee and then monthly over the term of the contract.

PayAsia’s Global Partnership Program continued its momentum, with an increase in qualified leads coming from our US-based referral partner, further strengthening our new-business pipeline.

Further progress has also been made with our referral partners from UK and Japan, with on-boarding during the quarter. These partnerships are now contributing to PayAsia’s qualified leads pipeline.

Client churn remains low, at less than 10%, with no material client losses during the quarter.

#### **Technology Advancements**

A notable advancement in the Company’s technology strategy includes the “go-live” of the Single Sign On (SSO) feature of HROnline. This feature went live for our beta customer in Q3, and the roll-out to other customers will occur in the coming quarter. This represents a further revenue-generating opportunity for the HROnline product suite.

HROnline is currently undergoing a significant revamp of its user Interface / user Experience (UI/UX). This is a key component of the use of IPO funds as set out in the Company's IPO prospectus. The renewed HROnline product suite is scheduled for release in Q4 FY19.

A strategic technology partnership with a new payroll technology partner has reached the final stages of testing and will go live for Thailand in February 2019.

### **Treasury Function**

During the quarter PayAsia partnered with Frontierpay, a specialist in foreign exchange and payment services to facilitate PayAsia's treasury functions. The partnership provides PayAsia's customers with access to an efficient platform for cross-border payments resulting in operational efficiencies for our clients. This will provide additional revenue stream for the Group.

Following early successes, PayAsia will accelerate the implementation of this solution across other customers over coming months.

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

Customer receipts were \$1.43 million for the December quarter (Q3 FY19) and net cash outflows from operating activities were \$0.73 million. This reflects the investment being made in the Company's sales and marketing programs, which is growing our partner referral program and enabling expansion into other geographies.

The Company's cash balance as of 31 December 2018 was \$6.08 million of which \$3.87million related to balances held on behalf of our clients for settlement of their payroll obligations.

Staff costs for the quarter were \$1.10 million with only four new employees added. Administrative and corporate costs were \$1.05 million and reflect the ongoing investment in the Company's sales and partnership growth.

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

PayGroup's Managing Director and CEO, Mark Samlal, said: "We have had another quarter of excellent organic sales momentum, and our Global Partnership Program continues to expand and contribute new qualified leads to our sales pipeline".

Mr Samlal said key technology advancements and the introduction of the Company's treasury solution have been a major area of focus operationally. It further enhanced the Company's SaaS modules and services available to clients, creating additional revenue streams.

Implementation of new contracts signed in the previous quarter added 847 new client employees in Q3

(compared to 194 in Q2), signaling the commencement of revenue recognition from these new contracts.

“Q4 will be a peak period of implementation. We expect to add about 1,500 new client employees, which will add to our recurring revenue stream for FY20. Q4 is also seasonally strong, with an additional month of billing due to financial year-end tax processing,” Mr Samlal said.

“I am looking forward to a strong Q4 as we set our sights on starting FY20 with a solid foundation.”

-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 DECEMBER 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,429	4,125
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(1,104)	(2,159)
(f) administration and corporate costs	(1,049)	(3,307)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	9
1.5 Interest and other costs of finance paid	(6)	(21)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(727)</b>	<b>(1,353)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(14)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(c) investments	-	-
	(d) intellectual property	(70)	(241)
	(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	-	(211)
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	-	844
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(70)</b>	<b>(100)</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	-	(942)
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	2,191	2,191
3.10	<b>Net cash from / (used in) financing activities</b>	<b>2,191</b>	<b>7,534</b>

<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	4,687	-
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(727)	(1,353)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(70)	(100)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,191	7,534
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>6,081</b>	<b>6,081</b>

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	6,081	4,687
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,081</b>	<b>4,687</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 <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	69
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	(26)
9.4 Leased assets	-
9.5 Staff costs	(937)
9.6 Administration and corporate costs	(638)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(1,601)</b>

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 January 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.