

PayGroup Q3 FY21 Appendix 4C – Quarterly Cash Flow Report

Record cash receipts, continued operating positive operating cash flow as PYG delivers record year of sales growth

- Record cash receipts of \$4.6M, 48% growth on the previous corresponding period
- Continued positive operating cashflow
- TCV for year now at \$8.2M – 100% growth on the previous corresponding period and on track to deliver record year of sales
- Increase in Astute One timesheets, driven by improved trading conditions
- Acquisition of Payroll HQ strengthening direct sales capability and SwaS offerings in Australia and New Zealand

Melbourne, 28 January 2021: Human Capital Management Software as a Service (“SaaS”) and Software with a Service (“SwaaS”) provider PayGroup Limited (“PayGroup”, “the Group”; ASX: PYG), today released its Appendix 4C & Quarterly Cash Flow Report for the quarter ended 31 December 2020 (“Q3 FY21” or “Quarter”).

Operational highlights

PayGroup continued to see growth in Q3 FY21, as the Group delivered record sales growth across all business divisions and geographic locations. Organic growth contributed 92% of total sales in the first three quarters of FY21, demonstrating the strength of the team across all regions. The recently acquired TalentOz and Payroll HQ businesses contributed 8% of total sales, noting the Payroll HQ acquisition was only completed on 14 December 2020.

Strong organic sales growth was driven by direct sales and the Global Partner Program (“GPP”), with both contributing significantly to the first three quarters of FY21. This is expected to continue as the Group strengthens its direct sales team as well as the expansion of its GPP.

During the Quarter, the Group signed a Total Contract Value (“TCV”) of \$2.8M, a 115% increase on the previous corresponding period (\$1.3M in Q3 FY20) and brings TCV for the year to \$8.2M. The Group is on track to deliver record sales in FY21, with growth reflective of success across all business divisions of the Group and set to provide a foundation for recurring revenue to support continued growth in FY22.

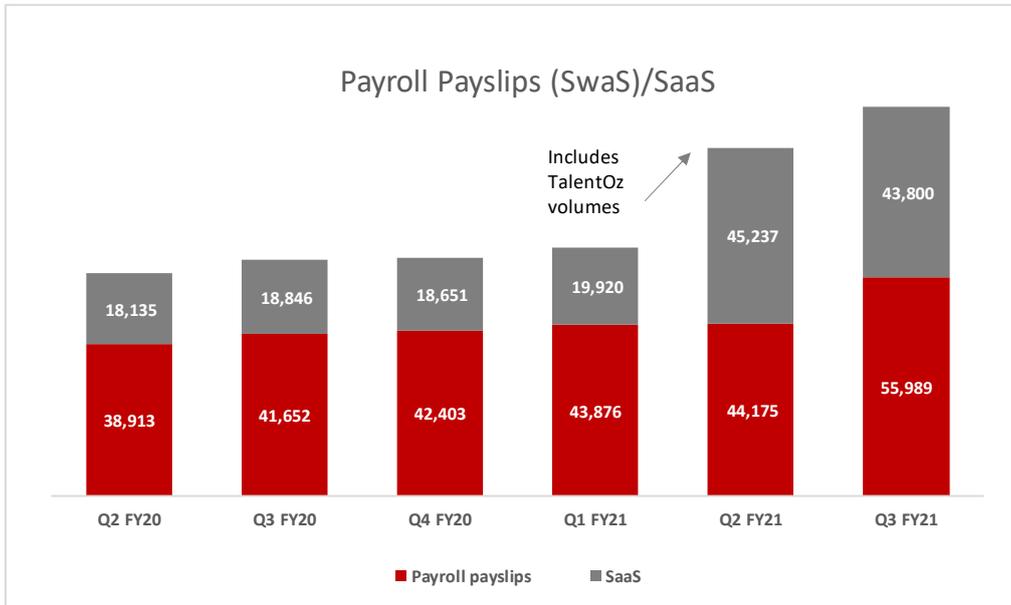
During the quarter 115 new client entities were added to the Group’s growing list of clients. 37 clients came from PYG’s subsidiary Astute One (“Astute”) as trading conditions improved and employment rebounded, demonstrating the potential growth opportunity as Australia’s economy recovers from the impacts of COVID-19 in 2020. 71 clients were added across the Asia Pacific and Middle East regions, highlighting the strong foothold of the Group matched with the resilience of those economies. Payroll HQ added seven new clients.

Human Capital Management (SaaS) and Payroll (SaaS and SwaaS) – Asia, Australia and Middle East (includes PayAsia, Payroll HQ and TalentOz)

PayAsia delivered solid organic growth in payslips, this combined with the addition of 10,004 payslips from the Payroll HQ business boosted the Group’s SwaaS ARR.

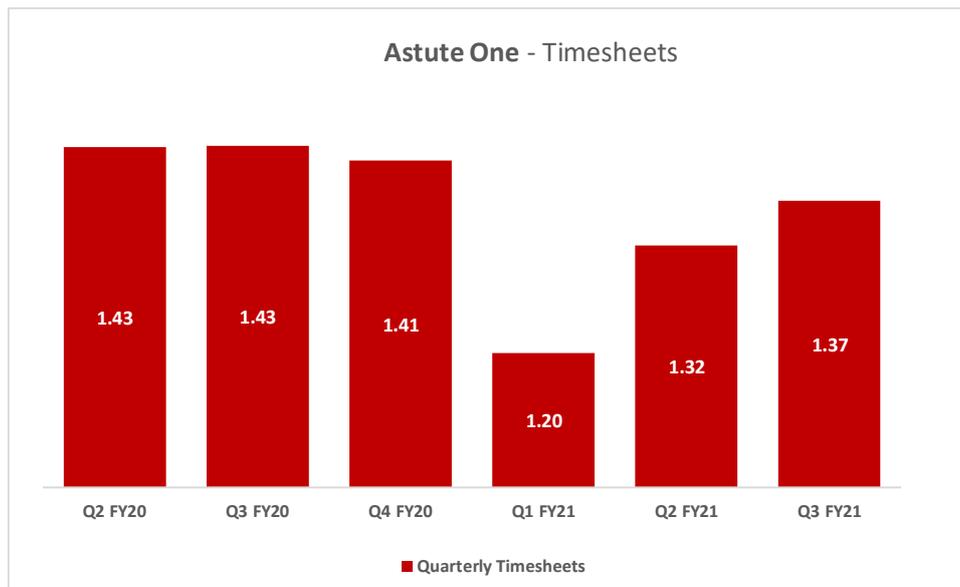
The strong pipeline of projects over the coming few months is expected to result in continued growth in payslips, positively impacting ARR into FY22.

The TalentOz business has delivered a strong increase in SaaS users quarter on quarter.



Astute timesheets and active users

As previously reported in December 2020, the timesheets reported by Astute rose during the Quarter, reflecting the increased activity amongst workforce management activities as employment activity rebounded following the initial impact of COVID-19.



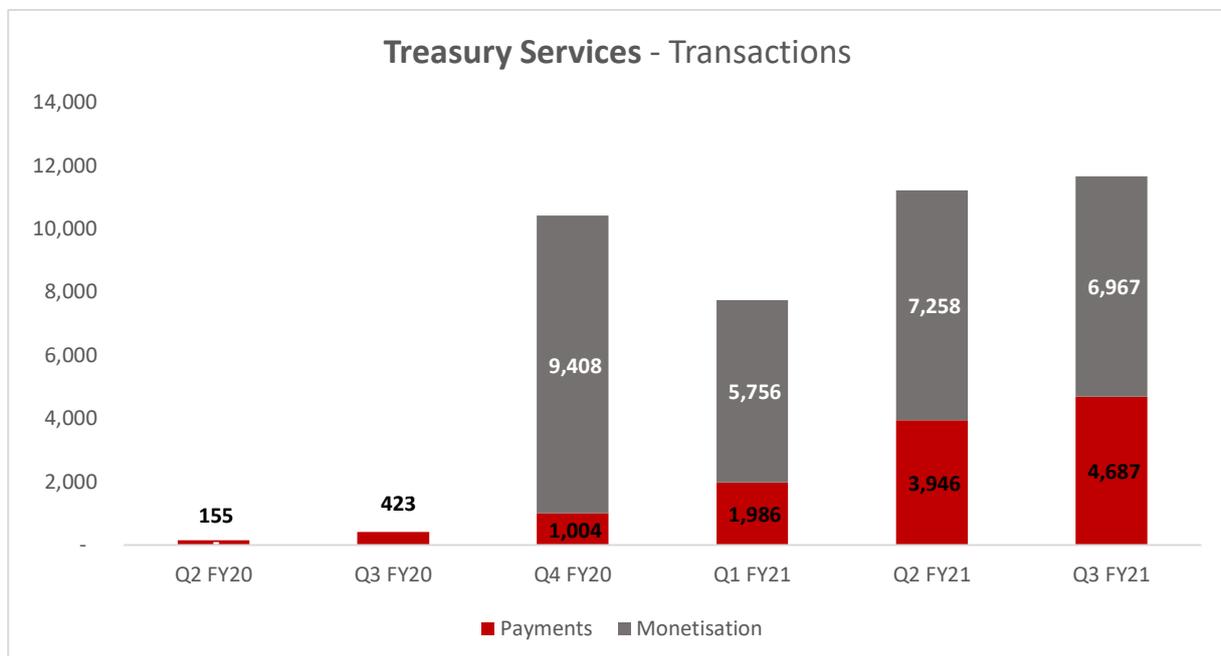
Treasury transactions

Payments

The number of payment transactions continue to grow, with a direct positive impact on ARR. A number of projects in the pipeline is expected to underpin continued growth quarter on quarter.

Monetisation

The fluctuation in monetisation transactions is a result of the onboarding of new contractors within the Astute One platform. The recovery of trading conditions for Astute has brought a higher number of contractors onto the platform since the start of FY21. The slight reduction in Q3 FY21 is due to the end of year holiday season, and onboarding is expected to continue to increase in Q4 FY21 and beyond.



Acquisition update

The acquisition of Payroll HQ was completed on 14 December 2020 and strengthened the Group's Human Capital Management (HCM) platform and payroll capabilities across the Australian, Malaysian, and New Zealand markets. The acquisition is integral to PayGroup's growth strategy in expanding its high performing sales team and driving further sales of TalentOz in Australia and New Zealand.

The Payroll HQ business has contributed sales growth to the Group and as integration continues, the Group expects to capitalise on further sustained growth.

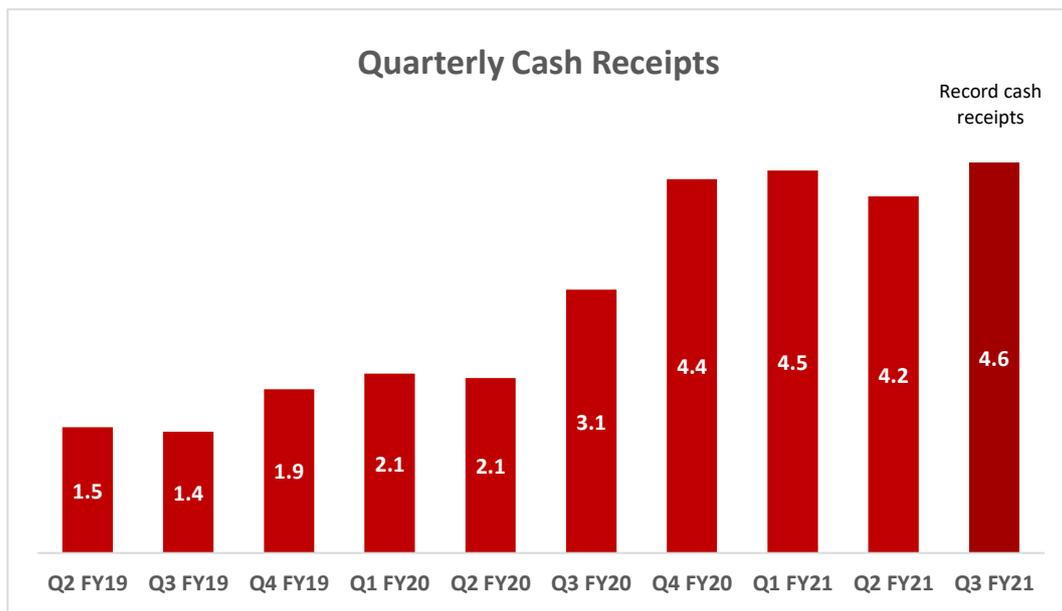
Cashflow update

Cash receipts in Q3 FY21 were \$4.6M, 48% growth on the previous corresponding period (\$3.1M in Q3 FY20) and 10% growth on the previous quarter (\$4.2M in Q2 FY21). This increase in cash receipts reflects the strong growth trajectory of PayGroup and the business’s increasing ARR and organic sales.

The Company delivered a positive operating cash flow of \$632,000. This includes a one-off cost relating to the departure the CEO and founder of Astute One, who left the business following completion of the 12 month integration period. Sally Laycock, who has been the General Manager of Astute One for over two years will lead the business going forward.

Cash balance as at 31 December was \$4.9M.

Cash Receipts



Related Party Payments

Payments to related parties were \$265,000 in total and for Directors’ fees and salary to key management personnel, as detailed in the company’s statutory financial statements.

Outlook

Mr Mark Samlal, PayGroup’s Managing Director said of the last quarter, “As foreshadowed in our recent trading updates the business is delivering strong organic growth across all of our segments across Australia, Asia and New Zealand, contributing to a record performance in terms of new sales and cash receipts, while seeing the business consistently deliver positive operating cash flow.

“The swift integration of our recent acquisitions – Payroll HQ and TalentOz– has provided an additional boost to ARR and the increase in clients is providing us a solid base to grow our ARR in FY22. We continue to maintain a strong focus on managing costs via our cost efficiency program.



“We expect to see growth continue into FY22 as the economic recovery continues and new clients increase hiring and as existing clients increase their volumes as demand increases.”

-ENDS-

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

About PayGroup

Headquartered in Melbourne, Australia, PayGroup, the holding company for PayAsia, TalentOz, Astute One and Payroll HQ, is 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 by leveraging a Cloud (“SaaS”) based Human Capital Management platform TalentOz. 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 247 employees located in 11 countries are servicing over 1,100 client entities representing more than 5.4 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")

31 DECEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,634	13,288
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(2,667)	(6,626)
(f) administration and corporate costs	(1,787)	(5,303)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	21
1.5 Interest and other costs of finance paid	(26)	(97)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	369	1,292
1.8 Other (provide details if material)		
- Temp staffing cash timing	107	160
1.9 Net cash from / (used in) operating activities	632	2,735
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) Entities		
(b) Businesses	52	(119)
(c) property, plant and equipment	(11)	(25)
(d) investments		
(e) intellectual property	(816)	(2,166)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(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)		
- Acquisition-related costs	(60)	(288)
2.6 Net cash from / (used in) investing activities	(835)	(2,598)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		3,308
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	(116)	(356)
3.10 Net cash from / (used in) financing activities	(116)	2,952

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,276	1,968
4.2	Net cash from / (used in) operating activities (item 1.9 above)	632	2,735
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(835)	(2,598)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(116)	2,952
4.5	Effect of movement in exchange rates on cash held	(28)	(128)
4.6	Cash and cash equivalents at end of period	4,929	4,929

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	4,929	5,276
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)	4,929	5,276

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	265
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. 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	245	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	245	-
7.5 Unused financing facilities available at quarter end		245
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.	<div style="border: 1px solid black; padding: 5px; min-height: 40px;"> DBS Bank Singapore; interest rate 10.3% and cost of funds plus 2.5%. </div>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	632
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,929
8.3 Unused finance facilities available at quarter end (item 7.5)	245
8.4 Total available funding (item 8.2 + item 8.3)	5,174
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:

Authorised by:
(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.