

# Results Presentation First Half FY21

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**Mark Samlal**  
Managing Director



## H1 FY21 PERFORMANCE SNAPSHOT – GROWTH IN ALL AREAS

### REVENUE

**\$6.8M**

vs H1 FY20:  
**\$3.4M**

### EBITDA

**\$1.6M**

vs H1 FY20:  
**\$(1.0)M**

### NPAT (reported)

**\$0.44M**

vs H1 FY20:  
**\$(1.4)M**

### OPERATING CASH FLOW

**\$2.1M**

vs H1 FY20 :  
**\$(0.6)M**

### ANNUALISED PAYSLIPS/ TREASURY<sup>1</sup>

**>5.2M**

+15.6% vs H1 FY20: 4.5M

### NEW CONTRACTS SIGNED<sup>2</sup>

**\$5.4M**

+92.9% vs H1 FY20: \$2.8M

#### Notes:

1 Payslips and treasury transactions processed in last month of period (September 2020)

2 Measured in Total Contract Value (TCV) terms

# H1 FY21 PERFORMANCE – KEY HIGHLIGHTS

## CREATION OF FULL SERVICE “HIRE-TO-RETIRE” OFFERING

- Acquisition of TalentOz in July added 11 new HCM modules (A\$1.7m)
- Positioned to capitalise on fast-growth HCM SaaS outsourcing market
- First full service HCM & payroll contract with Volvo Group Singapore
- Acquisition of Payroll HQ announced 4 Nov 2020 (A\$3.8m)

## DELIVERING ON STRATEGIC SCORECARD

- Expansion strategy delivering growth
- Acquisitions, new product extensions & customer up-sells
- Record new contract growth \$5.4M in H1 FY21 (98% of total FY20 new contract TCV)
- On-track to meet operating cost efficiencies FY21 target (\$1.5M annualised basis)
- Global Channel Program & Treasury Services making strong financial contribution

## SUSTAINED OPERATING PERFORMANCE DESPITE COVID-19

- Revenue growth in the face of COVID-19 & economic challenges
- H1 FY21 NPAT of \$0.44M, +\$1.9M from H1 FY20 \$(1.4M net loss)
- Consistent positive operating cash flow generation – 4<sup>th</sup> quarter in a row since H2 FY20

## SUCCESSFUL CAPITAL RAISING

- New investors & broadened register
- Strengthened balance sheet



## FACTORS OF GROWTH

### CONTINUED ORGANIC GROWTH

- ↑ Payslips
- ↑ Monthly users
- ↑ Direct sales

### NEW ACQUISITIONS

astutepayroll

**TALENT0Z**  
The Comprehensive HCM Suite On-Cloud

Accretive impact  
to PayGroup  
financials

### NEW GLOBAL PARTNERSHIPS

immedis

**ENSAAN**  
TECHNOLOGIES

flare

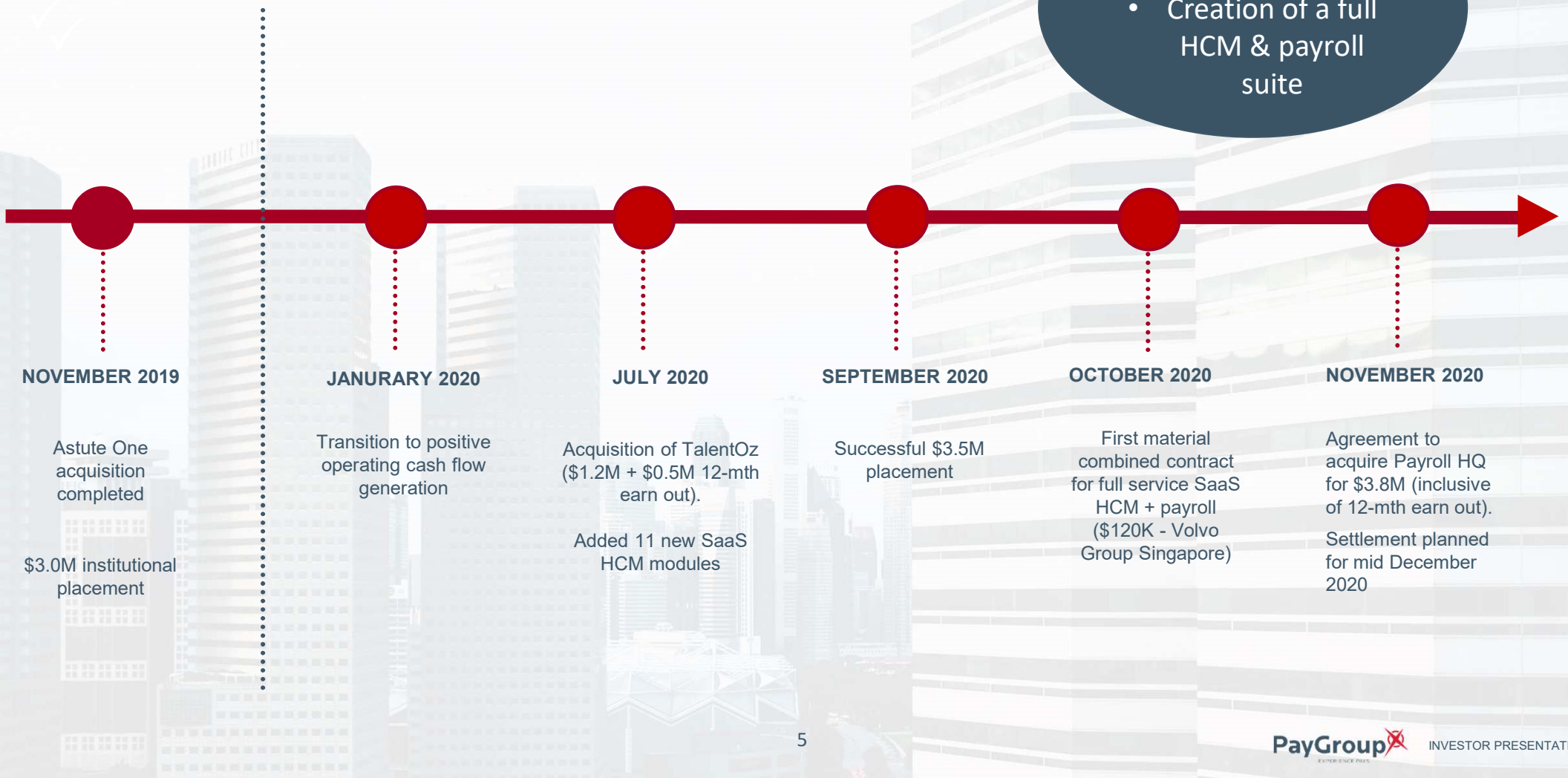
**TS** Trans Skills

**payroll** HQ

Over 120K annual payslips • More than 100 clients • Effective mid-Dec 2020



# A TRANSFORMATIVE 12 MONTHS



# PAYGROUP - THE BUSINESS TODAY

Performs the most critical of outsourced business services for corporate customers



Leading provider of Human Capital Management (HCM) and payroll software and services – included in Gartner Guides, 3<sup>rd</sup> year running



Scalable SaaS platform offering full-service “hire-to-rehire” suite (27 modules)



Full payroll outsourcing, processing over 5.2m payslips/treasury transactions (annualised)



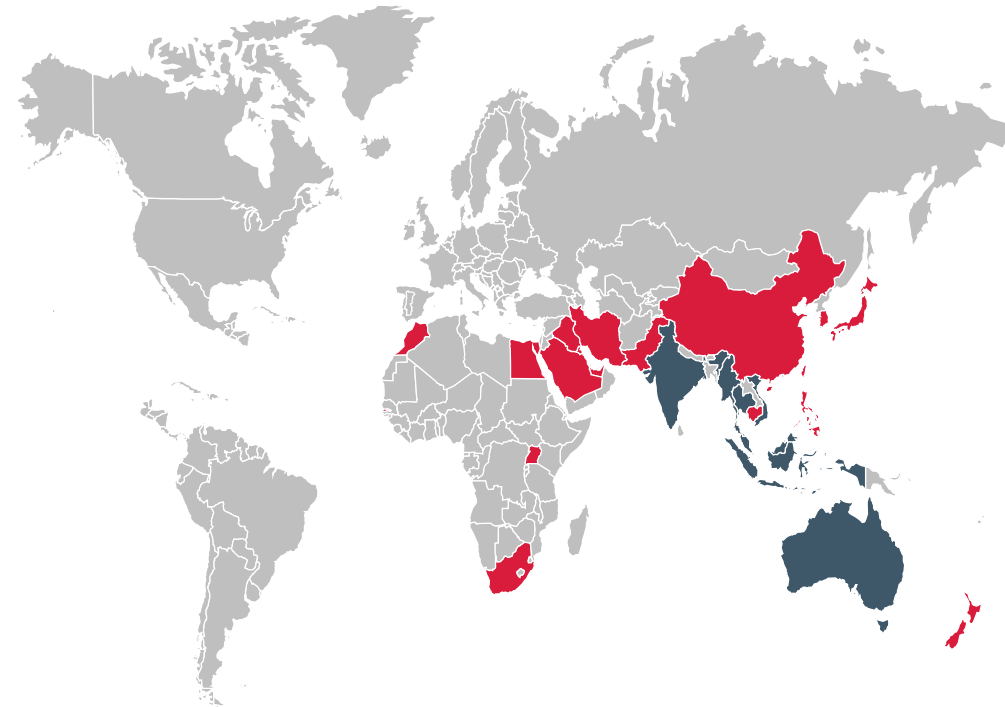
Cash generative and profitable (in H1 FY21) supported by strong base of repetitive, 3-year contracted revenues, with >95% client retention



Geographical reach – Local expertise in **41** countries serviced by offices in 11 countries



Highly experienced Board + Mgt team - Newly Appointed Director, Mr Shane Gild



Office Locations and Coverage



Service Coverage



INVESTOR PRESENTATION

# HIGHLY DIVERSIFIED AND LOYAL CUSTOMER BASE

## Financial Services



## Professional Services



## Industrial



## Healthcare / Pharmaceutical



## Construction / Manufacturing



## Other





# H1 FY21 FINANCIAL PERFORMANCE





# H1 FY21 FINANCIAL SUMMARY

**PayGroup's H1 FY21 financials include contributions from the Astute & Talent Oz acquisitions**

A\$M				
Full year ending 31 Mar	H1 FY21	H1 FY20	Growth	Commentary
Revenue	6.8	3.4	100%	<ul style="list-style-type: none"> <li>H1 FY21 includes:                             <ul style="list-style-type: none"> <li>6 month contribution from Astute One</li> <li>3 month contribution from TalentOz</li> </ul> </li> </ul>
Operating Expenses	(5.2)	(4.4)	18.2%	<ul style="list-style-type: none"> <li>Focus on G&amp;A cost containment in accordance with cost efficiency program</li> <li>Includes benefit from COVID-19 related Government wage subsidy programs in Australia &amp; Asia</li> </ul>
EBITDA	1.6	(1.0)	+\$2.6M	<ul style="list-style-type: none"> <li>Strong revenue growth and continued cost efficient delivery</li> </ul>
NPAT	0.44	(1.4)	+\$1.9M	<ul style="list-style-type: none"> <li>Transition to profitability</li> </ul>
Operating cash flow	2.1	(0.6)	+\$2.7M	<ul style="list-style-type: none"> <li>Transition to cash flow generation since Q3 FY20</li> </ul>
Net cash (excluding cash held on behalf of clients)	5.3	0.9		<ul style="list-style-type: none"> <li>Capital raisings and lower cash burn</li> </ul>



# H1 FY21 SEGMENT PERFORMANCE

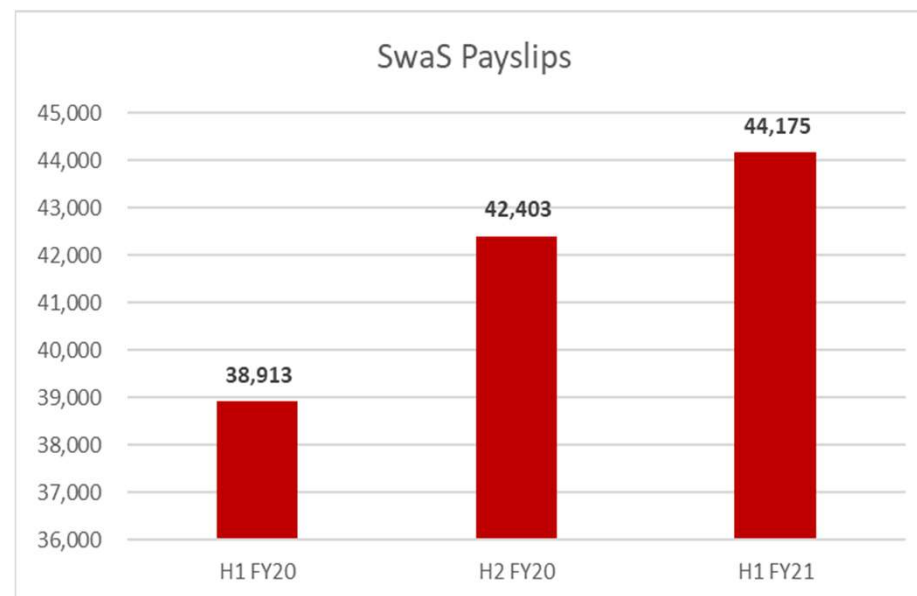


# SwaS - H1 FY21 PERFORMANCE

## Payroll SwaS (Asia Pacific & Middle East)

- Continued growth in payslips (+13.5% vs H1 FY20)
- Strong business confidence rebound in Asia in H1 FY21 following initial COVID-19 lockdowns
- First full service HCM & payroll contract with Volvo Group Singapore (\$120K TCV, 3 year term)
- Payroll HQ acquisition will further strengthen growth in SwaS payslips from H2 FY21 onwards (settlement scheduled for mid Dec 2020)

## SwaS – payslips processed (at month end)



**New Contracts Signed**

~ 65% of H1 FY21 TCV - \$3.5m

**SwaS / Payroll**

~ 50% of H1 FY21 revenue

# SaaS - H1 FY21 PERFORMANCE

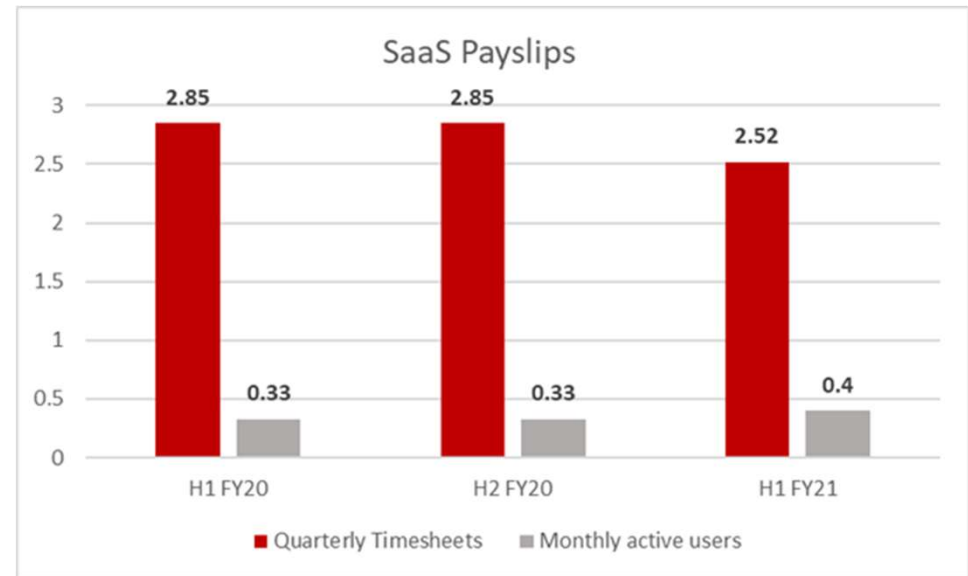
**Human Capital Management suite of modules**  
**Digitising pay and bill for Workforce Management Companies**

- Includes Astute, TalentOz and PayAsia SaaS active users
- Astute Timesheet volumes affected by Q1 COVID-19 challenges
  - Volumes started to recover in Q2 FY21 as business confidence improved and strict lock-down restrictions removed in most Australian states
  - VIC performance starting to recover in Q3 FY21
  - Federal Government initiatives expected to provide further support into Q3 & Q4 FY21
- TalentOz users continue to grow with strong contracted pipeline being onboarded in H2 FY21 following integration in H1 FY21

**New Contracts Signed**

~ 18% of H1 FY21 TCV - \$1.0m

**SaaS - Active Users & Timesheets (millions)**



**SaaS**

~ 45% of H1 FY21 revenue

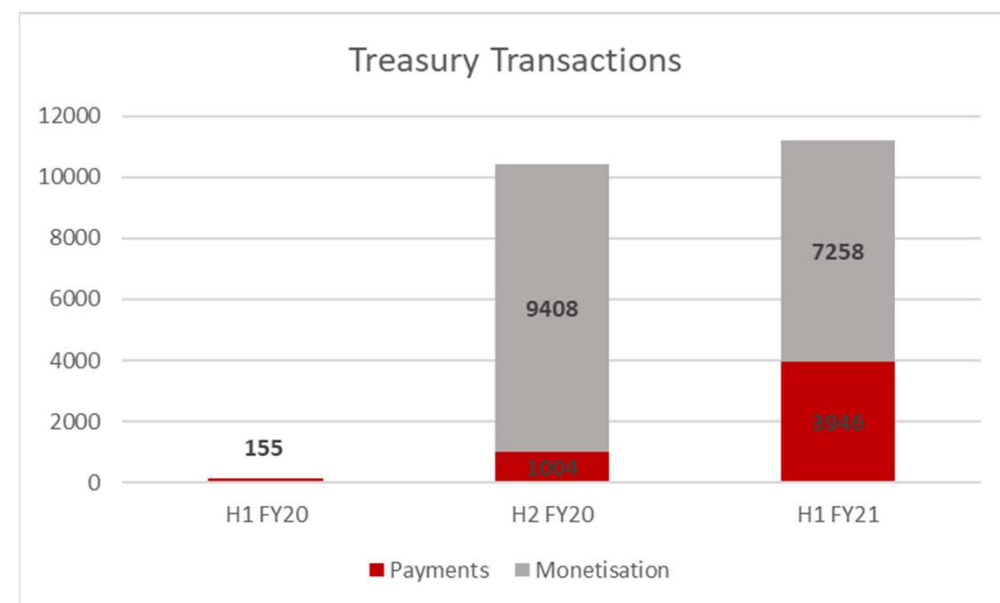


# TREASURY SERVICES - H1 FY21 PERFORMANCE

## Payroll and statutory payments, financial wellness monetisation

- Payments
  - Continued exponential growth, with >2,500% increase in monthly transactions from pcp
  - A further 3,892 monthly transactions to be onboarded from signed contracts
- Monetisation
  - Continued activity despite COVID-19 challenges
  - With the core focus in Australia, volumes impacted due to Covid-19 have started to recover and strong growth is expected in H2 FY21
- Accessing Wages Earned launched in November 2020 in Singapore, with expansion planned over the next 2 quarters

Treasury Services – transactions (at month end)



**New Contracts Signed**

~ 17% of H1 FY21 TCV - \$914K

**Treasury services**

~ 5% of H1 FY21 revenue

Notes:

- 1 Monetisation refers to revenue generated from Astute's partnership with Flare, providing a choice of superannuation funds to onboarding contractors



# STRATEGY & OUTLOOK



# GLOBAL PARTNERSHIP PROGRAM H1 FY21 UPDATE

- Strong momentum with GPP now accounting for more than 7% of group revenue
- PYG now have 8 partners (up from 4 at end of H1 FY20)
- GPP now expands to all business divisions, being SwaS, SaaS and Treasury Services
- Contributed to the expansion of geographic capability from 25 in H1 FY20 to 41 in H1 FY21, allowing PayGroup to increase share of client wallet

## BENEFITS OF PROGRAM

**Partnerships with  
multinational  
payroll partners**

**Accelerating  
growth with low  
customer  
acquisition cost**

**Treasury Services  
partners delivering  
increased  
payments and  
monetization  
opportunities**

**Delivered using  
Asia based  
infrastructure**



# GROWTH STRATEGIES

## Four key pillars



Organic growth



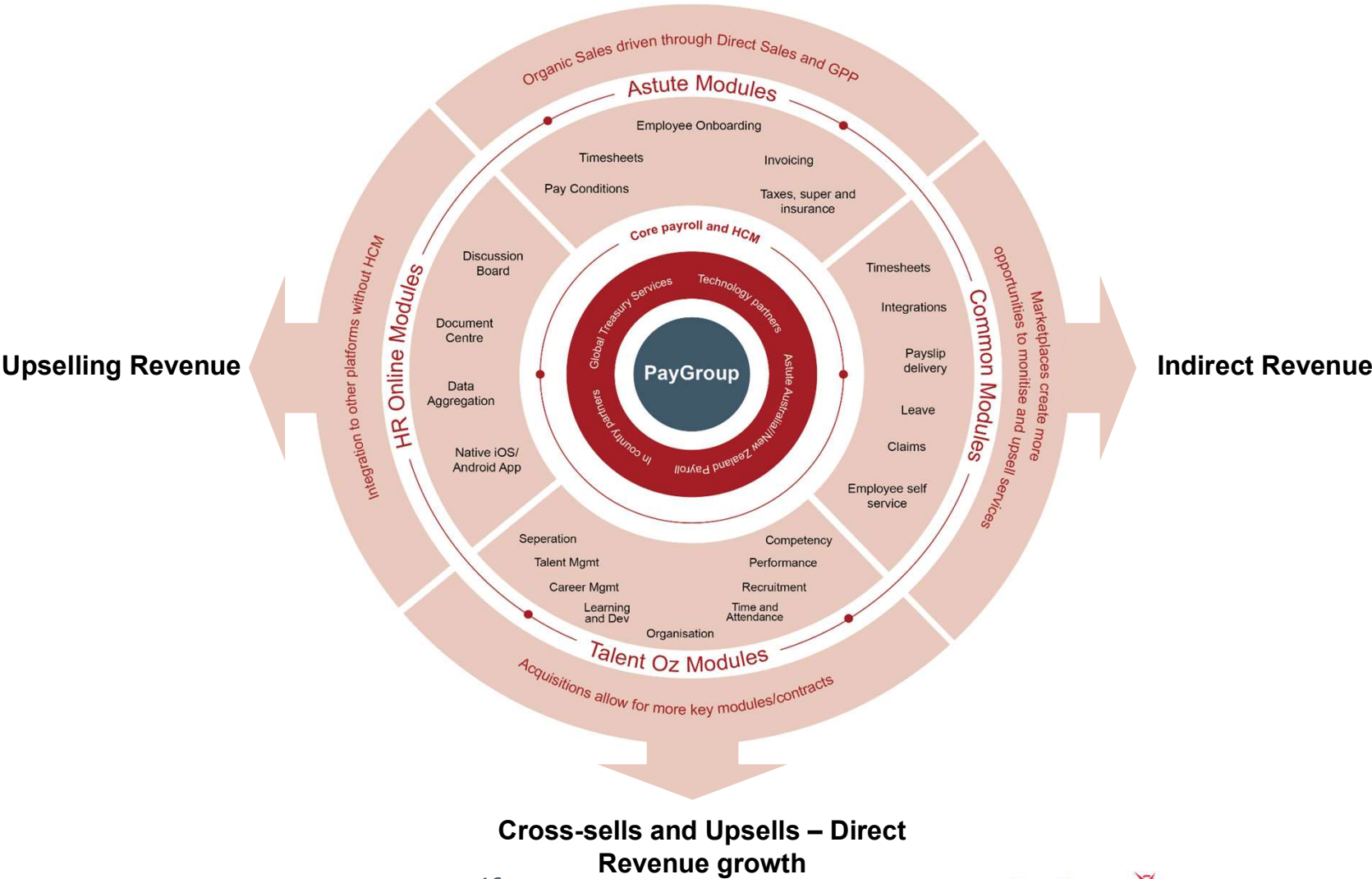
Acquisition pipeline



Global Channel Partner Program



Efficient Service delivery model enhancing Margins





# PLAN FOR CONTINUED REVENUE GROWTH



## **Direct Sales and Global Partner Program**

- Organic sales generate new customers across more geographies
- GPP continuing to provide increasing revenue with a low cost of acquisition
- Targeting a growing EBITDA margin by leveraging existing efficient infrastructure



## **Focus on Service Delivery and Margins**

- Delivering using our existing infrastructure
- Upsells and cross-sells creating additional revenue with a lower incremental cost of delivery



## **Acquisition Strategy – clear vision**

- New opportunities leveraging all our 27 modules for upsells
- Further strengthening SwaS, SaaS and Treasury revenues, using service delivery models
- Key growth studies underway

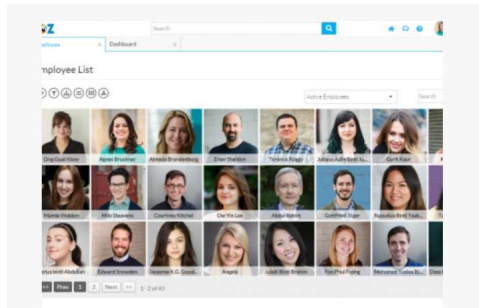
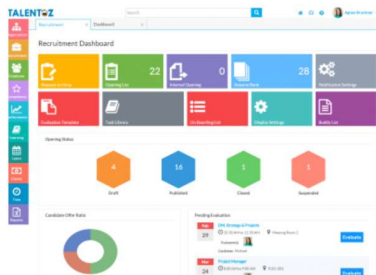
# ACQUISITION STRATEGY – TALENT OZ

**PayGroup acquired TalentOz on 14 July 2020**



## Business Overview

- Headquartered in Malaysia, owned by SMRT Holdings (Malaysia) & private shareholder
- Leading SaaS HCM provider with 11 modules
- 40 clients & 30,000 active users
- Highly experienced development team, based in Asia
- Delivered revenue CAGR of 170% p.a over past 3 years



## ACQUISITION BENEFITS

- ✓ Creation of full-service “hire-to-retain” product offering – HCM SaaS modules & payroll
- ✓ Increased addressable markets & cross-sell opportunities
- ✓ Addition of experienced & proven Asian-based sales and development team
- ✓ Attractive financial returns – acquisition multiple of 1.7x SaaS revenue

# ACQUISITION STRATEGY – PAYROLL HQ

**PayGroup entered into a binding agreement to acquire Payroll HQ Pty Ltd on 4 November 2020**

- Acquisition price of \$3.83M (inclusive of earn-out)
- To be funded by PYG scrip issued @ \$0.62/share



- Headquartered in Sydney, privately owned
- Provides full SwaS payroll outsourcing solution for its clients
- Processes over 120K payslips p.a
- Contract terms of 3 years with automated renewals in place
- Over 100 high quality clients – such as Alstom, BBC Studios, ASICS Oceania
- Led by Mr Ross Heron, leading industry expert
- Highly experienced sales team with proven track record

## ACQUISITION RATIONALE

- ✓ Immediately adds 100 new corporate clients
- ✓ Significant cross-sell opportunities for PayGroup's HCM product suite across Australian client base
- ✓ Appointment of highly experienced AU-based management & sales team to drive PayGroup's Australia growth strategy
- ✓ Increased market exposure to Australia's fast growing outsourced HCM & payroll sector in post pandemic economy

## FY21 OUTLOOK

### ✓ Continued growth in new contract sales

- H1 FY21 new contracts sold (in TCV) already significantly above H1 FY20
- Strong sales pipeline, looking to deliver new clients and cross-sells
- GPP to continue to deliver payslips and transactions

### ✓ Acquired growth strategy

- Integrating Payroll HQ high growth revenue into the Group – and leveraging existing infrastructure to increase EBITDA margins
- Growth study underway with PwC to identify acquisition targets which fit into the Group's criteria – creating key upsell opportunities

### ✓ Forecast earnings growth in FY21 (vs pcp)

- Contribution from acquisitions
- Strategic focus on margins, new markets and cross-sell of full suite of service offerings
- On-track to meet cost efficiency target of \$1.5M (annualised)







# Q&A





# APPENDICES



# Glossary of Terms

<b>Active Client Employees:</b>	A key performance indicator to count the number of active (working) unique employees on the Astute platform
<b>Annualised Recurring Revenue (ARR):</b>	Annualised Recurring Revenue represents contracted recurring revenues of term subscriptions normalised to the single calendar year
<b>Customer Retention Rate:</b>	Customer retention rate designates the percentage of customers the company has retained over a given time period
<b>The Cloud:</b>	Refers to software and databases that run over the internet. Cloud servers are located in data centers all over the world
<b>Global Partnership Program (GPP):</b>	PayGroup's partnership and mutual referral agreements with leading global payroll and HCM providers who do not operate in Jurisdictions within Asia Pacific
<b>Human Capital Management (HCM):</b>	HCM is a set of practices related to human resource management and the organisational need to provide specific competencies
<b>Monetisation</b>	Monetisation refers to revenue generated from Astute's partnership with Flare, providing a choice of superannuation funds to onboarding contractors
<b>Software as a Service (SaaS):</b>	SaaS is a method of software delivery in which software is accessed online via a subscription rather than purchased and installed on individual devices
<b>Software with a Service (SwaS):</b>	Managed payroll and outsourcing using software with a range of physical delivery models
<b>Total Addressable Market (TAM):</b>	The annual revenue opportunity or market demand available for a product or service
<b>Total Contract Value (TCV):</b>	TCV measures how much value a contract is worth over the life of that contract. It includes recurring revenues as well as one-off charges like implementation fees
<b>Treasury Services:</b>	Transaction services derived from the handling of client funds as an extension of providing payroll services. Revenue is generated through a per transaction per client employee basis.



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