

26 April 2022

Quarterly Business Update

- Increased record FY22 statutory revenue¹ guidance to at least \$26.6m, up 66% on previous corresponding period (pcp), and ARR guidance to at least \$38.0m up 40% on pcp, highlighting continued focus on delivering organic growth
- Achieved record FY22 new contracts signed of \$22.5m increasing 64% on pcp, with quarterly contracts signed of \$7.1m, representing the fourth consecutive quarter of record growth and providing strong momentum into FY23
- Expansion of core payroll business with payslips processed in 4Q FY22 annualising at 8.1m up 35% on pcp, enhancing platform for monetisation opportunities
- New partner added to the Global Partner Program channel significantly expanding PayGroup's pipeline of high margin payslips at low acquisition costs
- Rapid expansion in Payments and Superannuation monetisation streams which are annualising at over \$2.5m (4Q FY21: \$1.4m), demonstrating strategic execution of high margin monetisation opportunities
- Strong cash position of \$6.0m, supported by enhanced focus on realising long-term cost efficiencies, with net cash outflows decreasing significantly from \$1.4m in 3Q FY22 to \$0.2m in 4Q FY22 as the Company progresses towards cash flow breakeven

Melbourne, 26 April 2022: PayGroup Limited ("PayGroup" or the "Company"), a leading provider of enterprise payroll solutions is pleased to release its quarterly business update for the quarter ended 31 March 2022.

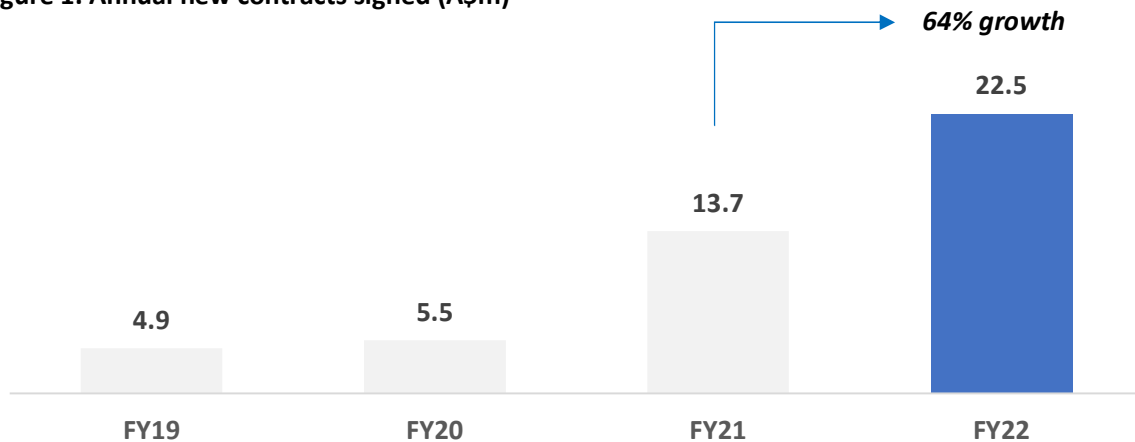
REVENUE GUIDANCE

PayGroup is pleased to increase its FY22 statutory revenue¹ guidance to at least \$26.6m, representing expected organic growth of 66% on pcp (FY21: \$16.0m). The record revenue achieved during the year demonstrates PayGroup's focus on accelerating organic growth, enabled by the investment in sales and marketing capabilities, as well as the Global Partnership Program ("GPP") providing an increased funnel of sales opportunity. Accordingly, the Company upgraded its annualised recurring revenue ("ARR") for FY22 to at least \$38.0m, up 40% on the exit ARR of \$27.2m in FY21.

PayGroup experienced significant revenue momentum with a record \$22.5m in new contracts signed in FY22, a 64% increase on pcp (FY21: \$13.7m), illustrated in Figure 1. Notably, the Company achieved a record sales result in 4Q FY22, with \$7.1m new contracts signed, up 29% on pcp (4Q FY21: \$5.5m). All new contracts signed are for 3-years with automatic renewals providing a long-term "sticky" base of revenue. The new contracts signed, which have all been won via organic sales channels, include a number of publicly listed multinational enterprise customers such as Nippon Paint (TYO:4612), Bombardier (TSE:BBD-B), Kotak Mahindra Bank (NSE:KOTAKBANK) and Ampol (ASX:ALD), illustrating PayGroup's trusted position as a global mission critical payroll solution provider.

Note 1: FY22 Statutory revenue guidance includes other income of \$0.5m

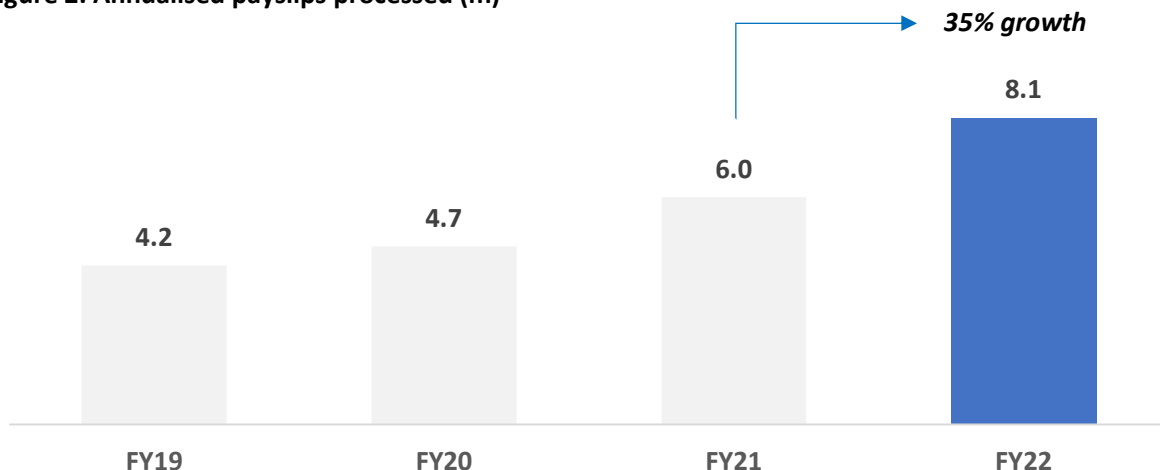
Figure 1. Annual new contracts signed (A\$m)



Execution on cross-sell opportunities has contributed strongly to the record sales in 4Q FY22, accounting for 40% of new contracts signed in the period. Pleasingly, cross-sells and up-sells have contributed 24% to all new contracts signed in FY22. The improvement was largely driven by the uptake of Human Capital Management (HCM) modules throughout Asia, demonstrating the significant value derived from PayGroup's diverse product suite. This drives further opportunity to increase share of customer wallet and solidifies the foundation for continued growth momentum in FY23.

During the quarter, PayGroup accelerated the expansion of its core payroll business, as the Company recorded 8.1m in annualised payslips processed, up 35% on pcp (4Q FY21: 6.0m), illustrated in Figure 2. The growing momentum in payslips processed provides a significant pool of enterprise customers and payees to drive monetisation opportunities and further cross-selling, enabling PayGroup to realise additional value from its customer base through high margin offerings.

Figure 2. Annualised payslips processed (m)



Mark Samlal, Founder and Managing Director of PayGroup, said:

“We are extremely proud of yet another record quarter and the landmark results achieved in FY22. We have observed consecutive record growth over the last four quarters which highlights the significant strength of PayGroup’s platform, and our trusted reputation as a global payroll solution provider.

PayGroup is in an enviable position, with a healthy cash balance and net cash outflows significantly reduced to \$0.2m. This was enabled by focus on improving operating leverage in the interest of long-term shareholder value creation.

Building on the remarkable momentum of FY22, PayGroup is focused on executing on our key strategic priorities – growing margin, expanding our GPP, increasing operating leverage and expanding our monetisation opportunities, as we progress towards cash flow breakeven and profitability. Achieving these major value inflection points continues to be a core focus for us and we are incredibly excited about FY23 and beyond.”

STRATEGIC ADDITION TO THE GPP

PayGroup expanded its growing pipeline of sales opportunities with a new GPP partner, SD Worx, signed during the quarter. SD Worx is a leading European provider of payroll and HCM solutions, processing over 5 million payslips per month across 76,000 companies. The partnership is expected to contribute significantly to growing the core payroll business as PayGroup will utilise its existing infrastructure to undertake the processing of payslips for SD Worx’s European clients with operations in APAC. This validates the Company’s trusted local regulatory and compliance expertise in the region. PayGroup now supports its growing customer base across 82 geographies, highlighting the Company’s reputation as a leader in multi country payroll solutions.

During the quarter, the GPP sales channel delivered a significant stream of referrals and new contracts for PayGroup accounting for 23% of the new contracts signed in 4Q FY22. The GPP continues to be a highly attractive organic growth channel, and now accounts for 31% of all new contracts signed in FY22, providing high margin opportunities free of direct customer acquisition costs and discounted rates.

MONETISATION UPDATE

The growing number of enterprise customers and payees present a significant opportunity to increase share of wallet through monetisation streams. PayGroup experienced strong growth through its cross-border and domestic payments offering for corporate clients, as well as its superannuation choice product, with monetisation revenue now annualising at \$2.5m, up 79% on pcp (4Q FY21: \$1.4m). This monetisation pathway provides a strong foundation for organic growth as the Company increasingly supports its customers in their multi-country expansions. Industry tailwinds are anticipated to present further opportunities for growth with labour market conditions and the reduction in unemployment driving an uptick in the number of payees.

Access Wages Earned is now live in India after a successful trial. The solution enables payees to access their already accrued wages, increasing financial flexibility and enhancing employee wellbeing. Consistent with PayGroup's values, the solution does not offer predatory loans, nor does it provide debt leverage. Access Wages Earned is expected to go live in Australia as part of next stage of planned implementation across core APAC markets. Supported by industry tailwinds, the traction in monetisation products validate the Company's key strategic priorities to deliver organic growth, margin expansion and increase uptake of monetisation opportunities.

CORPORATE UPDATE

During the quarter, PayGroup reported net cash outflows of \$0.2m, down 86% on last quarter (3Q FY22: \$1.4m). The significant reduction in net cash outflows demonstrates PayGroup's focus on prudent cash management while delivering long-term sustainable growth. PayGroup remains focused on delivering on further cost efficiencies as it trends towards cash flow breakeven in FY23. At the end of the quarter, the Company reported a cash balance of \$6.0m with PayGroup remaining debt free and well positioned to capitalise on growth opportunities.

-ENDS-

For further information, please contact:

Company

Mark Samlal
Managing Director
PayGroup Limited
Email: mark.samlal@paygrouplimited.com

Investors

Dean Dribbin
Vesparum Capital
Phone: +61 3 8582 4800
Email: paygroup@vesparum.com

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

About PayGroup

PayGroup is a leading provider of payroll and human capital management (HCM) solutions, delivering mission-critical services. Leveraging PayGroup's deep regulatory and compliance expertise, PayGroup now proudly services enterprise clients in 82 countries, representing more than 8.1m payslips and over \$10 billion in transactions per annum. PayGroup's core business provides a great foundation for sustainable long-term growth, allowing it to further unlock monetisation opportunities. More information on PayGroup can be found at www.paygrouplimited.com.