

24 January 2022

Quarterly business update

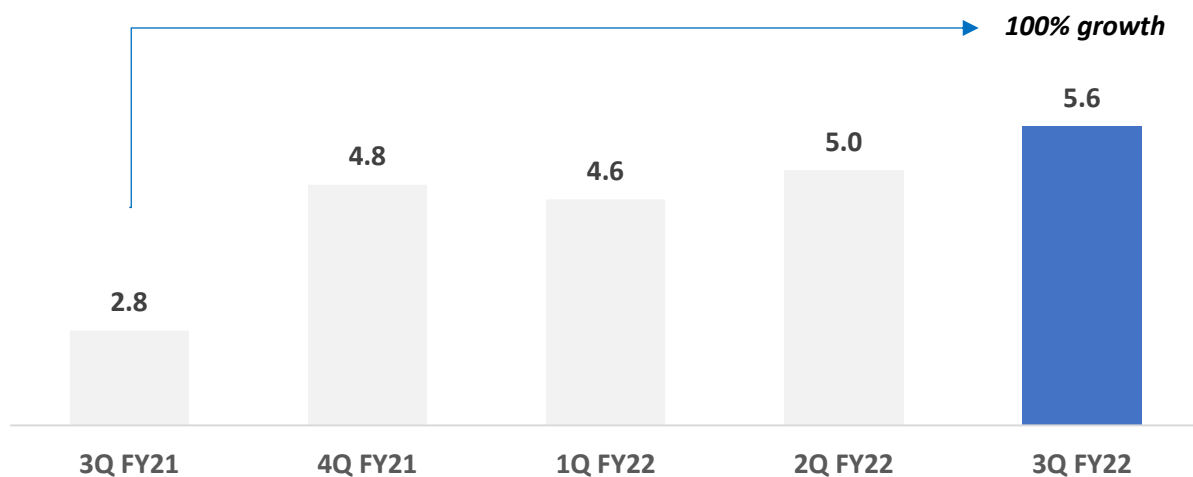
- Record \$5.6m new contracts signed in 3Q FY22, up 100% on previous corresponding period. 38% of all Q3 sales are from upsells, led by the services business
- Record 7.9m annualised payslips and transactions processed, a 46% increase on 5.4m reported in 3Q FY21
- Affirms FY22 ARR guidance of at least \$37.0m and FY22 statutory revenue guidance of \$26m for the year ending March 2022 backed by the strong new sales momentum
- Momentum continues to build across enterprise and payee monetisation initiatives, with Superannuation choice and Payments annualising at \$0.65m (3Q FY21: \$0.48m) and \$1.6m (3Q FY21: \$0.4m), respectively
- Strong balance sheet underpinned by positive operating cash flow, with cash balance of \$6.2m as at 31 December 2021

Melbourne, 24 January 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 December 2021.

RECORD SALES

PayGroup reported record quarterly sales with \$5.6m new contracts signed, a 100% increase on the previous corresponding period (pcp) (3Q FY21: \$2.8m), illustrated in Figure 1. In addition, customer upsells contributed \$2.1m, accounting for 38% of the new contracts signed. Together with the strong revenue momentum across PayGroup’s monetisation initiatives, the Company is pleased to affirm FY22 ARR guidance of at least \$37m and FY22 statutory revenue guidance of \$26m for the year end March 2022.

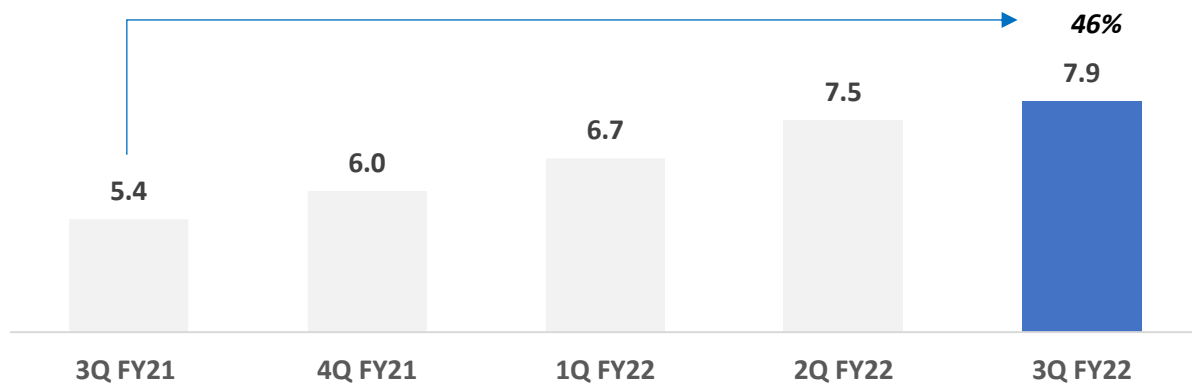
Figure 1. Quarterly new contracts signed (A\$m)



PayGroup’s franchise and retail employment vertical has contributed strongly to the sales momentum throughout FY22. Notably, international sales have contributed 18% of the vertical’s sales year to date, up from 0 pre-acquisition. This is a clear demonstration of the successful execution of PayGroup’s strategy to expand the franchise and retail payroll solutions international reach, leveraging PayGroup’s existing global customer base, existing infrastructure, and expertise in complex cross-border payroll.

The scale of the core payroll business continues to grow strongly with record annualised payslips processed increasing to 7.9m, a 46% increase on pc (3Q FY21: 5.4m), illustrated in Figure 2.

Figure 2. Annualised payslips processed (m)



PayGroup increased its enterprise customer base to 2,591, a 136% increase on pc (3Q FY21: 1100). During the quarter, several major listed clients, including Hudson RPO, Weatherford International, Dexu and Proptec Group went live with PayGroup’s platform.

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

“We are extremely proud of the record results we have achieved this quarter and are pleased to affirm our FY22 ARR guidance. Our successful quarter has been supported by our record sales to new customers and our continued ability to upsell to our current customer base, deepening our position as trusted payroll partners. Our monetisation products have continued to perform strongly, and we look forward to implementing these high margin initiatives throughout our customer base. We remain focused on delivering growth, generating further operating leverage and margin expansion. Given the strong results we have seen across recent quarters, we anticipate this momentum to continue into the final quarter of FY22.”

EXPANDING GLOBAL PARTNERSHIP PROGRAM (GPP)

The Global Partnership Program (“GPP”) sales channel continues to deliver PayGroup a significant flow of referrals and new contracts. During the period, the GPP contributed \$1.7m in new contracts signed, accounting for 31% of the new sales in 3Q FY22. The GPP program continues to be a high-quality sales lead generator free of direct customer acquisition costs and discounted rates, increasing the internal

addressable market and supporting margin expansion. Revenue through this channel further highlights the Company's growing global reputation as a trusted provider of mission-critical payroll solutions allowing PayGroup to increase its presence world-wide and deliver value to large multinational organisations. PayGroup has continued to expand its geographic reach, now servicing 80 countries.

MONETISATION UPDATE

PayGroup continues to see rapid growth across its monetisation products. The company has successfully begun to generate material revenues from both enterprise and payee monetisation streams, providing valuable financial well-being tools and reducing payroll complexity for multinational companies.

The enterprise monetisation initiatives have enabled clients to reduce payroll complexity through cross-border and multi-currency payment solutions. The Payments product is highly scalable with low implementation costs and is now annualising over \$1.6m in revenue, increasing 300% on pcp (3Q FY21: \$0.4m), with the growing enterprise client base providing a strong foundation for further expansion.

PayGroup experienced strong demand for its payee monetisation initiatives through the implementation of a Superannuation choice product. The solution provides employees with an option to choose a superannuation fund at the time of onboarding, with PayGroup receiving a fixed fee from the chosen super fund. Superannuation choice now annualises over \$650k, an increase of 35% on pcp (3Q FY21: \$0.48m), and further growth is expected as the company progressively rolls out the solution across its large Australian customer base.

The company continues to progress the development of other monetisation products and has successfully trailed the Access Wages Earned product through the quarter. Access Wages Earned allows payees to access their already accrued wages in between their normal pay cycle to alleviate financial stress. Importantly, the product does not include any debt leverage or loans. PayGroup remains focused on refining the product as it heads into the final stages of trial with a major customer and aims for the product to go live in the near term.

CORPORATE UPDATE

During the quarter PayGroup received cash receipts of \$7.8m, an increase of 68% on previous corresponding period (3Q FY21: \$4.6m), strengthening its cash position. At the end of the quarter, the company reported a robust cash balance of \$6.2m, with a number of budgeted investments in technology made in line with PayGroup's strategy to enhance operating leverage and realise long-term cost efficiencies. The Company remains debt-free and well positioned to capitalise on growth initiatives.

-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 80 countries, representing more than 7.9m 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.