

PayGroup delivers positive operating cash flow of \$44K in Q3 FY20 (before one-off Astute acquisition & advisory costs)

Appendix 4C – Quarterly Cash Flow Report

Highlights

- **Positive underlying operating cash flow of \$44K before one-off Astute acquisition costs and transition to positive operating cash flow in H2 FY20 guidance reaffirmed**
- **Cash receipts from customers of \$3.1m, an increase of +48% on Q2 FY20 and 120% on Last Twelve Months (LTM)**
- **Pro-forma FY20 Annual Recurring Revenue (ARR) guidance of \$17.5M is re-affirmed, growth of 110% on the LTM**
- **Integration and performance of Astute One acquisition, completed on 14 November 2019, tracking to plan**
- **Total payslips, new contract wins and Global Partnership Program continue to provide strong growth in ARR**
- **Well funded to accelerate growth following a successful \$3.0M placement in November 2019**

Singapore, 30 January 2020: Human Resources SaaS and Software with a Service (SaaS) provider PayGroup Limited ("PayGroup", "the Group"; ASX: PYG), today released its Appendix 4C – Quarterly Cash Flow report for the quarter ended 31 December 2019 (Q3 FY20).

New contract wins in Q3 FY20 were \$1.3m with client churn at less than 5% for the quarter.

The Global Partnership Program has also continued its growth momentum in Q3 FY20 following the Company's successful partnerships with a number of global payroll providers such as CloudPay (UK-based). This Program now accounts for more than 10% of payslips processed for PayAsia and its successful growth follows the investment in technology, infrastructure and staff that PayGroup has made in this business channel over the past 18 months.

PayGroup's Managing Director and CEO, Mark Samlal, said: *"Completing the Astute acquisition in November has significantly increased PayGroup's addressable markets and provided greater scale to our business. We are making solid progress in completing the integration of the Astute acquisition and are encouraged by the early stage business opportunities that have already arisen following the inclusion of Astute into PayGroup. We remain firmly on-track to meet our pro-forma Annual Recurring Revenue target of \$17.5M in FY2020 and see a number of important cross-selling opportunities as we move into FY2021."*

Acquisition of Astute One Limited

PayGroup completed the acquisition of Astute One Limited ("Astute") on 14 November 2019. Astute is a leading SaaS platform provider to workforce management companies and the corporate sector, with over 330 clients in Australia and New Zealand.

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The Astute acquisition was funded by the issue of 12.8m PayGroup shares at \$0.85 and additional earn-out consideration of up to \$1.5m is payable (in shares) subject to the revenue and earnings performance of Astute in the period to 30 September 2020.

Cash Flow and Cash Position

On an underlying basis PayGroup delivered positive operating cash flow of \$44k in Q3 FY20. Statutory operating cash outflow for Q3 FY20 was \$677k which included a \$721k of one-off professional, legal and consulting fees directly related to the completion of the Astute acquisition. The Group reaffirms its expectation to transition to positive operating cash flow in H2 FY20.

Cash receipts from customers in Q3 FY20 were \$3.1m, an increase from \$2.1m in Q2 FY20 and up from \$1.4M in Q3 FY19, indicative of the growing scale of the underlying PayGroup business over the past twelve months, as well as the Astute acquisition.

PayGroup successfully raised \$3.0m via an institutional placement in November 2019, bringing on several new institutional investors to its share register. This placement provided funds to accelerate the Company's growth strategy and fund the Astute acquisition costs.

The Group's cash balance as at 31 December 2019 was \$14.8m of which \$13.2m related to balances held on behalf of PayGroup's clients for settlement of their payroll obligations.

-ENDS-

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About PayGroup

Headquartered in Melbourne, Australia, PayGroup Limited (ASX: PYG) is a provider of Software-with-a-Service (SwaS) payroll solutions and APP enabled Cloud (Software-as-a-Service or SaaS) Human Capital Management (HCM) platform for multinational companies. Clients are typically medium to large employers in multiple countries across Asia Pacific.

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 recent acquisition of Astute One Ltd.

Servicing over 780 client entities, the Group has 183 employees.

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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

ABN

90 620 435 038

Quarter ended ("current quarter")

31 DECEMBER 2019

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	3,081	7,254
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(1,829)	(4,168)
(f) administration and corporate costs	(1,824)	(4,399)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	11
1.5 Interest and other costs of finance paid	(12)	(61)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 (a) Other (provide details if material) Temp staffing cash timing	623	719
(b) Other (provide details if material) Costs of acquiring the business - expenses of consultants and advisers	(721)	(721)
1.9 Net cash from / (used in) operating activities	(677)	(1,365)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(5)	(90)
	(b) businesses (see item 10)	(150)	(150)
	(c) investments		
	(d) intellectual property	(450)	(969)
	(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	-	-
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
	(a) Cash acquired in Business acquisition	684	684
2.6	Net cash from / (used in) investing activities	79	(525)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,000	3,000
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	(145)	(145)
3.5	Proceeds from borrowings	-	571
3.6	Repayment of borrowings	(499)	(540)
3.7	Repayment of internal borrowings	-	(2)
3.8	Transaction costs related to loans and borrowings		
3.9	Dividends paid		
3.10	Other (provide details if material)	8,361	7,409
	(a) Net funds (paid)/received from Clients for payroll obligations		
3.11	Net cash from / (used in) financing activities	10,717	10,293

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 quarter/year to date	4,799	6,347
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(677)	(1,365)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	79	(525)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,717	10,293
4.5	Effect of movement in exchange rates on cash held	(94)	74
4.6	Cash and cash equivalents at end of quarter	14,824	14,824

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	1,606	864
5.2	Call deposits		
5.3	Bank overdrafts	-	(475)
5.4	Other (provide details) <i>Client monies - restricted for the purpose of payment of salaries to their employees, as part of payroll processing services and are therefore not available for general use by the Entity.</i>	13,218	3,935
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	14,824	4,324

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

198

-

On 1 November 2019, Mark Samlal provided an unsecured loan of \$500,000 to the Group, at an interest rate of 6.69% per annum and the loan was repaid in full on the 29 November 2019.

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

6

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) and Mark Samlal each own 50% of the premises leased by the Company for its registered office. Note: vacated on 17th November 2019.

8. Financing facilities available

Add notes as necessary for an understanding of the position

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

8.1 Loan facilities

265

-

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; 10.3% and cost of funds plus 2.5%,

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

9.4 Leased assets

9.5 Staff costs

(1,990)

9.6 Administration and corporate costs

(2,036)

9.7 Other (provide details if material)


9.8 Total estimated cash outflows

(4,026)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	Astute One Limited	
10.2	Place of incorporation or registration	Australia	
10.3	Consideration for acquisition or disposal	\$11m, with a \$150k paid in cash, and the balance payable in PayGroup (PYG) shares, issued at \$0.85 per share.	
10.4	Total net assets/(liabilities)	(\$490,000) Included within the net liabilities acquired, was cash balances of \$684k.	
10.5	Nature of business	Human Resource SaaS platform provider	

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.

Sign here: 
(Director/Company secretary)

Date: 31 January 2020

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.