

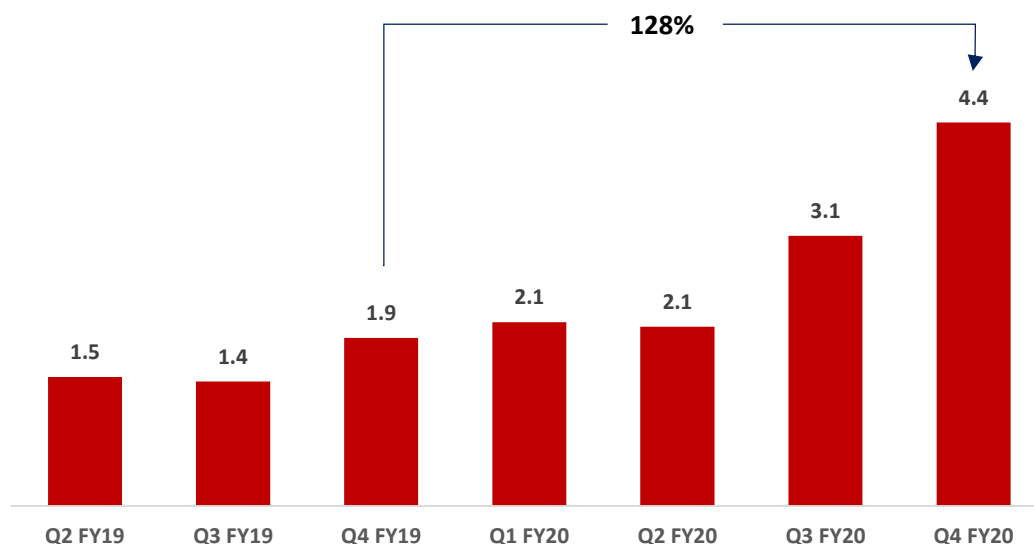
PayGroup delivers record cash flow in Q4 FY20 and record growth in new contract wins to drive FY21 recurring revenue base

Appendix 4C – Quarterly Cash Flow Report

Highlights

- Operating cashflow surplus of **\$1.8m** in Q4 FY20 (vs **\$44K** in Q3 FY20 prior to one-off costs)
- FY20 Annualised Recurring Revenue¹ guidance of **\$17.5m reconfirmed**, representing growth of **108%** on FY19 (**\$8.4m**)
- Cash receipts of **\$4.4m**, representing growth of **+143%** on Q3 FY20 and **+128%**² on Q4 FY19
- Record **\$5.5m** of Total Contract Value (TCV) won in FY20 (+**12%** from FY19 of **\$4.9m**) with **\$1.4m** of TCV won in Q4 FY20
- Recent contract wins highlight significant tailwinds as PayGroup benefits from acceleration in outsourcing, adoption of HR technology and online workflow
- Closing cash and cash equivalent balance **\$2.0m**, up from **\$1.5m** at end of Q3 FY20, and debt free
- Strong contributions from Astute, Global Partnership Program & Treasury Services. Expected to deliver further growth in FY21
- **\$1.5m** of cost synergies and savings identified, expected to enhance PayGroup's growing cash balance, with benefits set to materialise with immediate effect from Q1 FY21

Figure 1 – Quarterly Cash Receipts (A\$m)



¹ Annualised Recurring Revenue represents contracted recurring revenues of term subscriptions normalised to a single calendar year.

² Reported operating cash flow in Q4 FY19 reflected the results of an Indian resource management business acquisition that for cashflow reporting purposes have subsequently changed under Australian Accounting Standards.

Melbourne, 30 April 2020: Human Resources SaaS and Software with a Service (SaaS) provider PayGroup Limited ("PayGroup", "the Group"; ASX: PYG), today released its Appendix 4C and Quarterly Cash Flow report for the quarter ended 31 March 2020 (Q4 FY20).

During Q4 FY20, PayGroup delivered a strong performance across its business with growth in all core segments. This result also included a strong first full quarter contribution from Astute One Limited ("Astute"), acquired by PayGroup in November 2019.

PayGroup achieved its ARR guidance of \$17.5M with more detail to be reported at the time of the FY20 full year result release in late May 2020.

Payslips processed for PayAsia - a key driver of ARR - were 61,054 as at Q4 FY20, 26.5% higher than Q4 FY19. Astute client employees shown as active users subscribed on the platform were on average 327k per month in Q4 FY20, 3% higher than Q4 FY19. The breakdown of the Group's key ARR drivers are summarised in Figure 2 & 3 below.

Figure 2 – PayAsia payslip volume – Continued growth in payslips

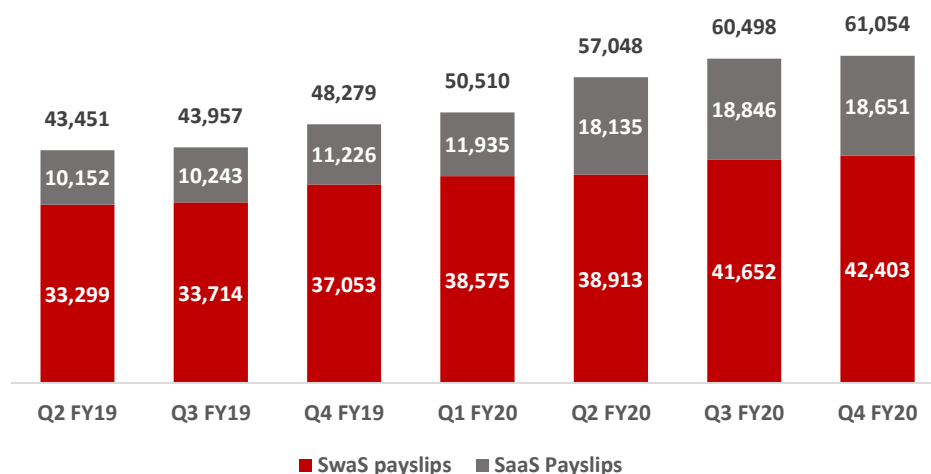
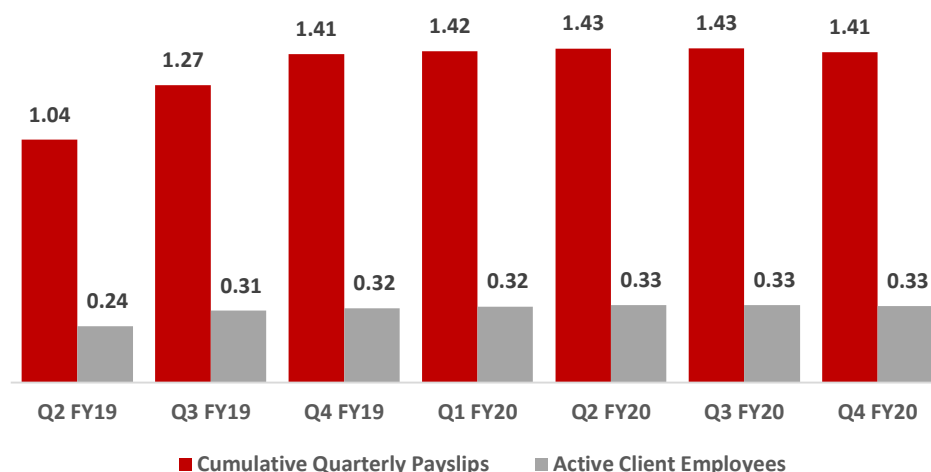


Figure 3 – Astute SaaS payslips and Active Client Employee (active user) volume (millions)



PayGroup's Global Partnership Program (GPP) and Treasury Services, both launched post the Company's IPO, continue to make stronger financial contributions quarter on quarter and are expected to be significant contributors of profit to the Group in FY21.

PayGroup's new contract wins in Q4 FY20 were \$1.4m in TCV representing a very significant increase of 341% on Q4 FY19. This takes new contract signings for FY20 to a record \$5.5M in TCV (up 12% from FY19 TCV of \$4.9M with 4 months of contribution from Astute). All contracts sold continue to have an average 3-year term and there were no material client losses during Q4 FY20. PayGroup has clients across 31 countries and its client portfolio contains a broad mix of sectors with limited exposure to retail, hospitality and tourism.

Cash Flow update

PayGroup reported positive operating cash flow of \$1.8m in Q4 FY20, up from \$44k in Q3 FY20 (once normalised for one-off acquisition and advisory costs associated with the acquisition of Astute).

Cash receipts from customers in Q4 FY20 were \$4.4m, an increase of 143% from Q3FY20 (\$3.1m). PayAsia's year-end billing was undertaken in Q4 FY20 with cash collections expected to occur in Q1 FY21, traditionally a strong quarter for the Group. This is annually recurring for the business and is undertaken as part of year end payroll for our PayAsia clients.

The Group's cash balance as at 31 March 2020 was \$2.0M, up from \$1.5M as at 31 December 2019. This reflects management's strong focus on cost control and cash management over the period, and a balanced approach to reinvestment in business growth. PayGroup has no debt obligations.

For the purpose of 31 March 2020 Appendix 4C submission, client money has been excluded with a corresponding financial YTD adjustment of \$4,919k in cash and cash equivalent balance as we have done an assessment of whether client monies meets the definition of an asset under IFRS. It was concluded that client monies does not fit the definition of an asset and should be removed from disclosure as a cash asset given PYG do not have control over client money nor does PYG have the right to use it for other purpose, other than client payroll obligations.

A change in accounting policy will be disclosed in the 31 March 2020 financial statements of PYG, with appropriate disclosures made under 'key estimates and judgements'.

Integration of Astute

PayGroup's Q4 FY20 results include a full period contribution from Astute, a leader in workforce management solutions. During the quarter, and despite the broader economic conditions as a result of COVID-19, Astute has performed in line with budget expectations making a profitable contribution to the Group and generating positive operating cash flow.

The focus for Q1 FY21 is to execute further cost synergies as Astute becomes fully integrated with the Group as well as to execute on cross-selling opportunities. Management will balance all identified growth opportunities in this business to ensure cash management remains a priority.

COVID-19 Business Continuity Plan

PayGroup reported its Business Continuity Plan in light of COVID-19 to the ASX on 16 March 2020. Given PayGroup's significant operations throughout parts of Asia, the Company's Business Continuity Plan enactment has been gradually phased in since January 2020, with 100% of PayGroup's workforce now working from home.

As the Group fully operates its internal systems on the Cloud, operational delivery and service performance has not been impacted, and no material business issues have arisen to date. Payroll changes, and the payments of many stimulus packages throughout Asia Pacific, have also in many instances increased the complexity of payroll, further supporting demand for many of our outsourced HR and payroll services. Recent contract wins highlight PayGroup's ability to benefit from the anticipated acceleration in outsourcing and adoption of HR technology.

Outlook

The March quarter was a good result across the PayGroup business and we are confident that our strong pipeline will deliver contracted recurring revenues well into FY21.

The Board and Management are aware of the need to carefully balance investment in growth opportunities with strong cash management and this will continue to be a key focus for PayGroup in the current environment.

PayGroup's Managing Director and CEO, Mark Samlal, said: *"We are pleased with our performance in FY20 and our focus on profitability remains for FY21 and beyond. Our positive operating cash flow this quarter combined with another period of record new sales further demonstrates our focus on strategy execution."*

"Being a recurring revenue business model, now with clients spread across 31 countries (up from 18 at the time of our IPO), and increased revenues from our GPP, Treasury Services and the full integration of the Astute business gives us the platform to deliver sustainable growth, in spite of the current economic challenges posed by COVID-19."

-ENDS-

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About PayGroup Limited (ASX:PYG)

Headquartered in Melbourne, Australia, PayGroup is the holding company for PayAsia, 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) payroll solutions and leveraging a Cloud (SaaS) based Human Capital Management platform, HROnline, for data aggregation, reporting and critical workflows. Clients are typically medium to large employers in 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 183 employees located in 10 countries are servicing over 780 client entities representing more than 400,000 payslips per month.

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 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,420	11,674
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(1,619)	(5,786)
(f) administration and corporate costs	(1,017)	(5,236)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	15
1.5 Interest and other costs of finance paid	(67)	(128)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
a) Temp staffing cash timing	123	44
b) Costs of acquiring the business – expenses of consultants and advisors	-	(721)
1.9 Net cash from / (used in) operating activities	1,844	(138)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) Entities		
(b) businesses		(150)
(c) property, plant and equipment	(12)	(99)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) investments		
	(e) intellectual property	(1,189)	(2,162)
	(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)		
	a) Cash acquired in business acquisition		412
2.6	Net cash from / (used in) investing activities	(1,201)	(1,999)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		3,000
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		(145)
3.5	Proceeds from borrowings		571
3.6	Repayment of borrowings	(24)	(564)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
	a) Repayments of principal on lease liabilities	(297)	(297)
	b) Repayment of internal borrowing	-	(2)
3.10	Net cash from / (used in) financing activities	(321)	2,563

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	1,606	1,429
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,844	(138)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,201)	(1,999)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(321)	2,563
4.5	Effect of movement in exchange rates on cash held	40	113
4.6	Cash and cash equivalents at end of period	1,968	1,968

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	1,968	1,606
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)	1,968	1,606

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
198
-

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

7. Financing facilities

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
285	-
-	-
-	-
285	-

7.5 **Unused financing facilities available at quarter end**

285

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.

DBS Bank Singapore; interest rate 10.3% and cost of funds plus 2.5%.

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

1,844

8.2 Cash and cash equivalents at quarter end (Item 4.6)

1,968

8.3 Unused finance facilities available at quarter end (Item 7.5)

285

8.4 Total available funding (Item 8.2 + Item 8.3)

2,253

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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:

- 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:

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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: 30 April 2020

Authorised by: The Board
(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.