

# Results Presentation FY20

**Mark Samlal**  
Managing Director

[WWW.PAYGROUPLIMITED.COM](http://WWW.PAYGROUPLIMITED.COM)

PAYGROUP LIMITED PROPRIETARY AND CONFIDENTIAL - ACN 620 435 038



# PAYGROUP IS A LEADING PROVIDER OF PAYROLL AND HUMAN CAPITAL MANAGEMENT (HCM) SOFTWARE AND SERVICES

PayGroup (ASX: PYG) performs the most critical of outsourced HCM software and services for our client's employees and contractors including payroll, pay to bill, human resources, social benefits and treasury services

We service SME to enterprise customers in 33 countries primarily across Asia Pacific and the Middle East so that they can pay, lodge and invoice in complex regulatory, multi-currency and multi-lingual environments

## Snapshot



4.7m payslips processed per annum



875 Clients



Scalable SaaS platform



Global Partner Program



Local geography expertise in servicing 33 countries



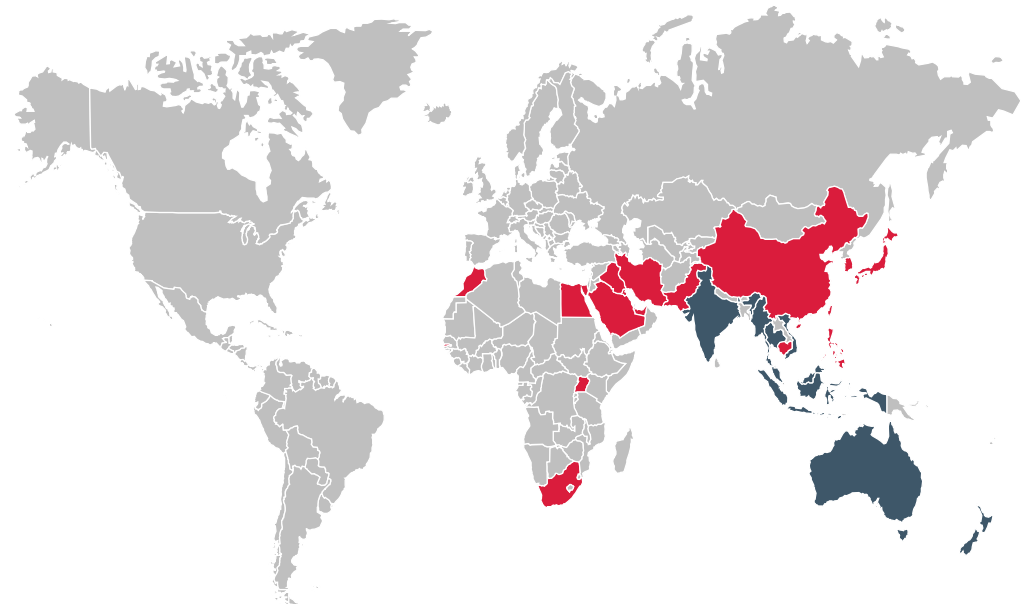
183 employees



Offices in 11 countries



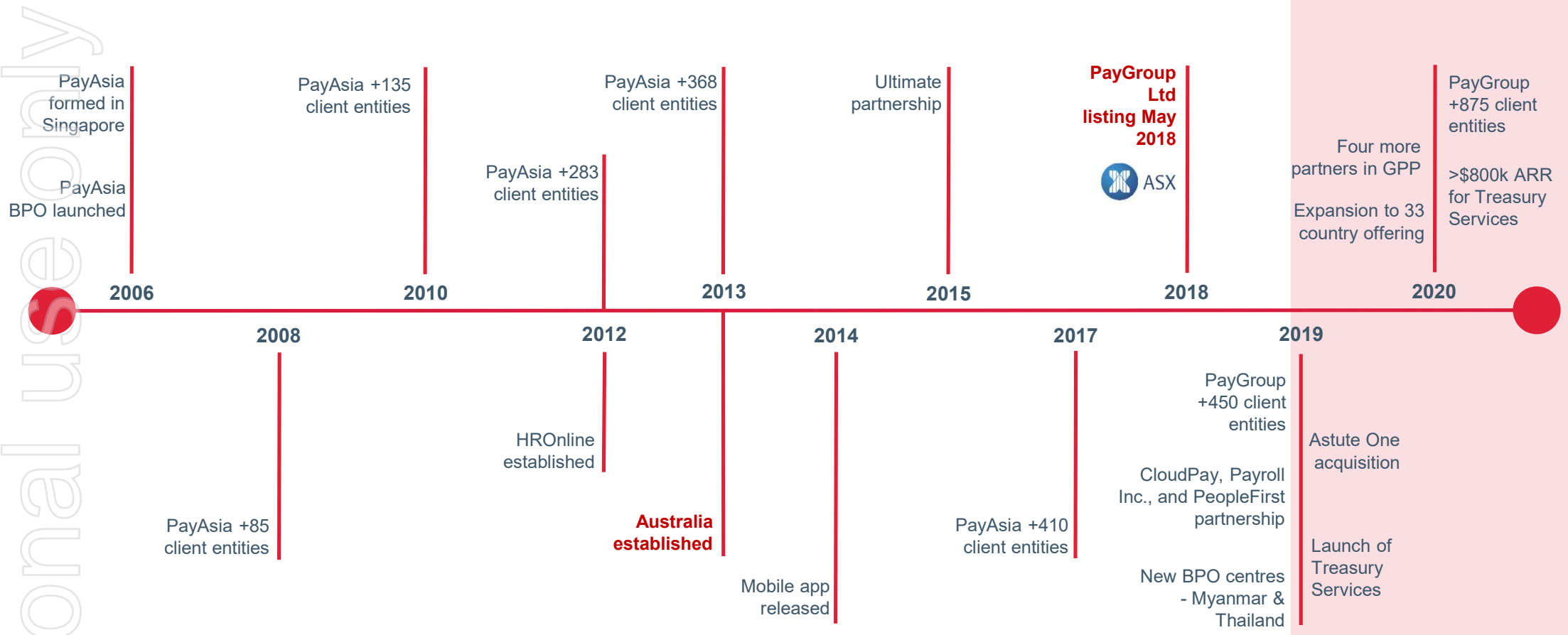
Included in Gartner Guides



Office Locations and Coverage

Service Coverage

# FY20 – GROWTH YEAR FOR PAYGROUP



## FY20 HIGHLIGHTS

Exceeded guidance  
**ARR<sup>1</sup>**

**\$17.8M**

vs \$17.5M guidance

Astute  
**ARR<sup>1</sup>**

**\$8.8M**

*Profitable & cash flow  
positive in first 5 months*

Operating Activities  
**CASH FLOW**

**\$(0.1)M**

**+\$4.7M improvement**

*Vs \$(4.8)M in FY19*

Pro Forma  
**NPAT**

**\$3.9M**

*FY19 Pro Forma NPAT \$2.3M  
FY20 Statutory NPAT \$(1.9)M*

### Investment in growth

- Global Partnership Program (GPP) – delivering material ARR & payslip volume
- Treasury Services – launched Q2 FY20 with growth exceeding expectations

Notes:

1 ARR = Annual Recurring Revenue normalised to a single financial year (ie. assumes Astute owned as at 1 April 2019 vs actual acquisition date of 1 November 2019)



## FY20 OPERATING HIGHLIGHTS

PayGroup monthly payslips processed<sup>1</sup>

**395k** (March 2020)  
(up from 48k in March 2019)

Implementation Backlog<sup>2</sup>  
At 31 March 2020

**12,068**  
(up from 7,877 in March 2019)

Customer Base  
At 31 March 2020

**875**  
(up from 450 at 31 March 2019)

Geographies  
Served

**33** (March 2020)  
(up from 25 at March 2019)

Customer Retention  
Rate

**95%**  
(In line with March 2019)

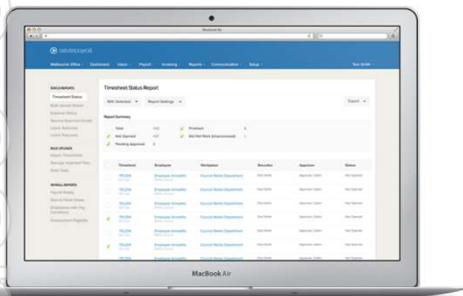
Notes:

- 1 Includes Astute payslips and those associated with new Treasury Services offering
- 2 Employees contracted to be implemented but not yet on-boarded and includes SwaS, SaaS and Treasury Services

# ASTUTE – STRATEGIC & FINANCIAL BENEFITS

**PayGroup acquired Astute One Ltd on 1 November 2019**

Acquisition price of \$11M funded by PYG scrip issued @\$0.85/share



astutepayroll

## Overview of Astute

- Founded in 2006 and track record of sustainable growth
- Specialists in SaaS for workforce management companies & the corporate sector
- +330 clients across AU & NZ
- Revenue model = implementation fees & recurring subscription revenues with contract terms of 3 years

## ACQUISITION SCORECARD



- ✓ **Strong financial contribution**
  - Exceeded FY20 forecasts at time of acquisition
  - FY20 pro-forma revenue contribution \$8.8M
  - FY20 statutory revenue contribution \$2.9M
  - Profitable & cash flow generative in FY20
- ✓ **Compelling strategic benefits**
  - Enhanced Australian presence
  - Significantly increased PYG's SaaS revenues with complementary modules
  - Entry into high-growth "contractor" market segment
  - Cross-selling opportunities using PYG's extended service offering
- ✓ **Cost efficiencies**
  - Identified across sales, marketing, technology, development and head office



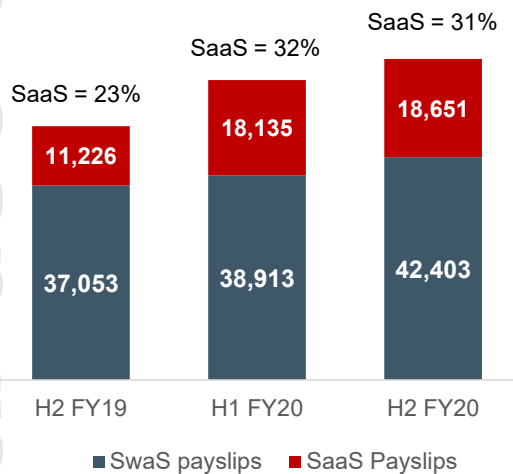
**SACHIN GOKLANEY**  
**Chief Commercial Officer**



# FY20 SEGMENT PERFORMANCE

**Growth across all segments, with particularly strong uplift in SwaS payslips and Treasury Services**

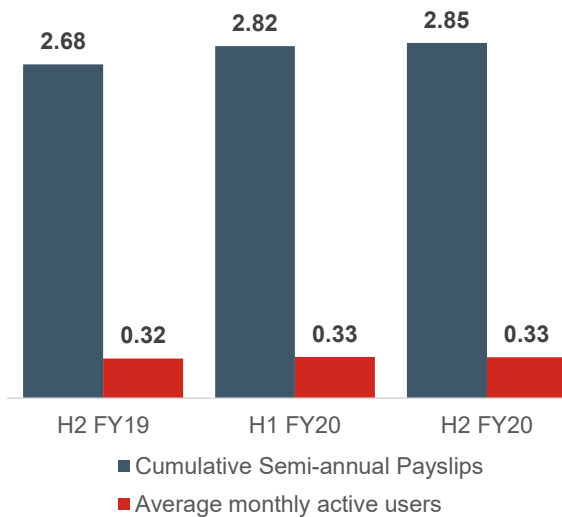
PayAsia – payslips processed  
(at month end)



## PayAsia

**50% of FY20 pro-forma revenue**  
**+4,722 contracted in FY20 – to be onboarded in FY21**

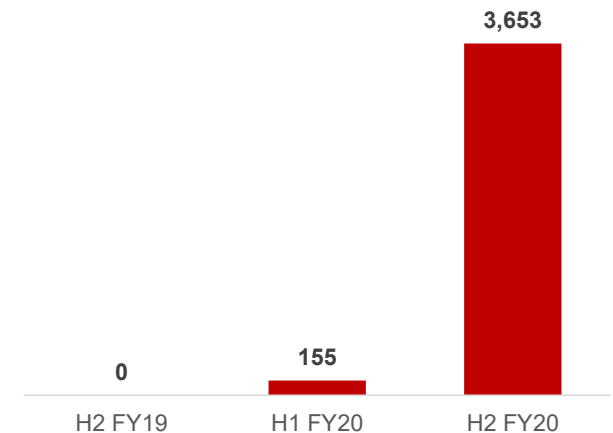
Astute –SaaS payslips & Active Client  
Employee volume (millions)



## Astute

**45 % of FY20 pro-forma revenue**  
**+3,424 contracted in FY20 – to be onboarded in FY21**

Treasury Services – transactions  
(at month end)



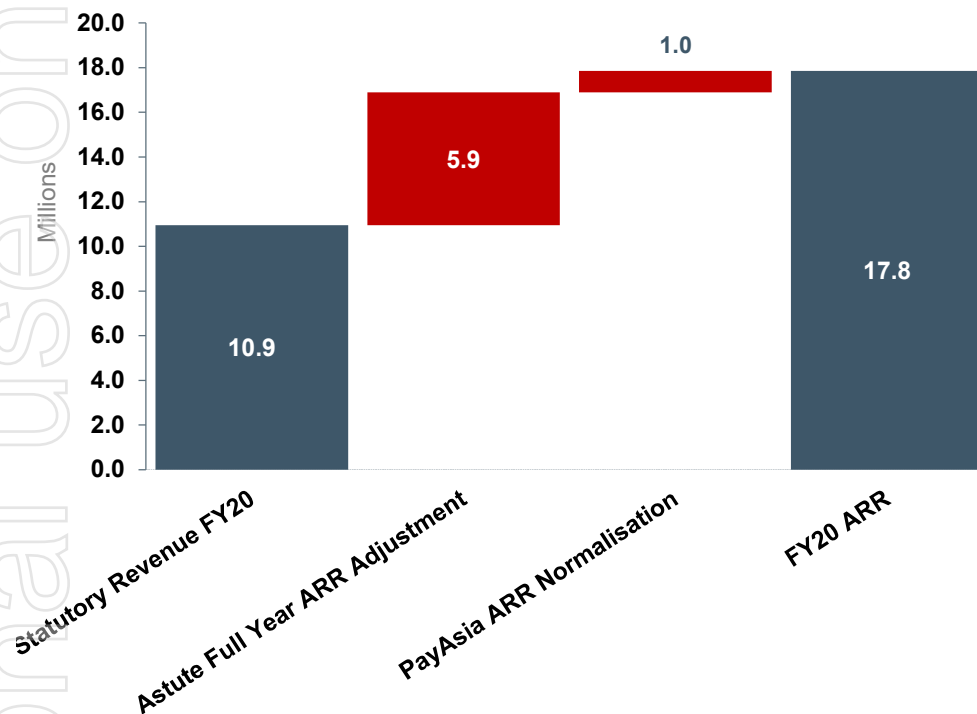
## Treasury Services

**5.0% of FY20 pro-forma revenue**  
**+3,872 contracted in FY20 – to be onboarded in FY21**

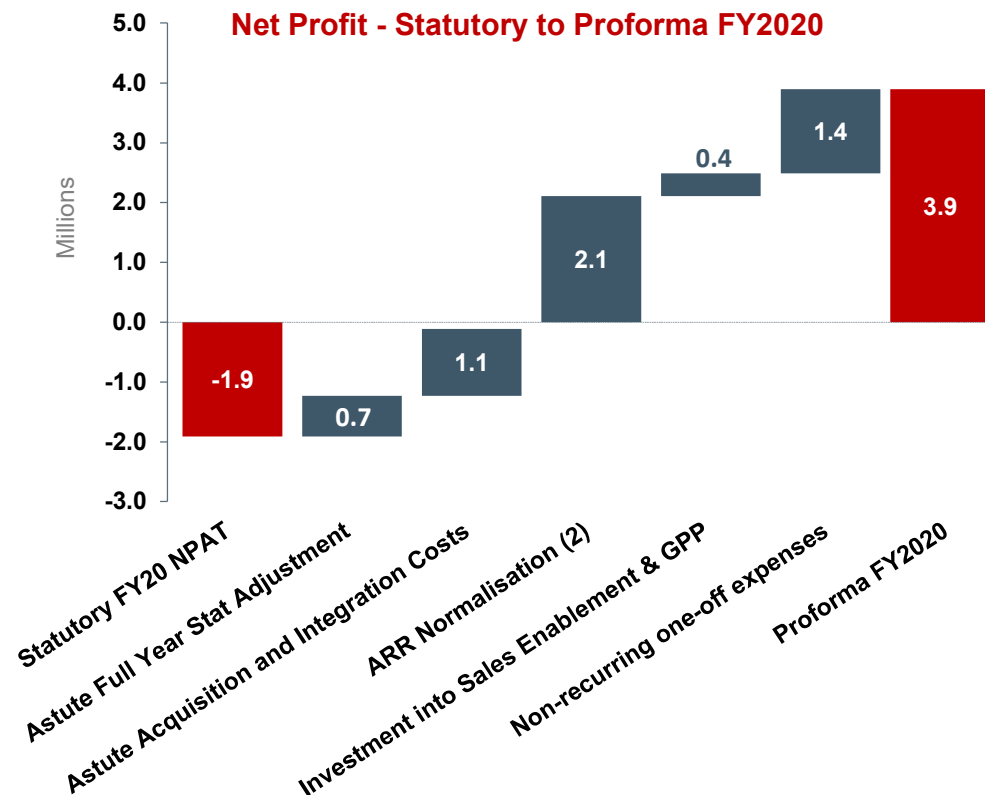


# FY20 PRO FORMA ADJUSTMENTS

Revenue<sup>1</sup> - Statutory to Proforma FY2020



Net Profit - Statutory to Proforma FY2020



## Notes

1 Including other income

2 ARR = Annual Recurring Revenue normalised to a single financial year

# FY20 STATUTORY FINANCIAL SUMMARY

**PayGroup's FY20 statutory financials include a 5-month contribution from the Astute acquisition**

A\$M				
Full year ending 31 Mar	FY20 Statutory	FY19 Statutory	Growth	FY20 growth commentary
Revenue <sup>1</sup>	10.9	5.2	+110%	<ul style="list-style-type: none"> <li>Astute acquisition contribution of \$2.9M &amp; organic growth</li> <li>FY19 Statutory includes 10 month contribution from PayAsia</li> </ul>
Operating Expenses	(11.4)	(6.4)	-78%	<ul style="list-style-type: none"> <li>Includes full year of PayAsia</li> <li>Includes one-off Astute acquisition &amp; advisory costs of \$0.9M</li> </ul>
EBITDA	(0.5)	(1.2)	+58%	
PBT	(2.0)	(1.5)	-33%	
NPAT	(1.9)	(1.6)	-19%	
Operating cash flow	(0.1)	(4.8)	+\$4.7M	<ul style="list-style-type: none"> <li>Sustainable positive operating cash flow achieved in H2 FY20</li> <li>Significant improvement from FY19</li> </ul>
Net cash (excluding cash held on behalf of clients)	2.0	1.4	+43%	<ul style="list-style-type: none"> <li>No debt obligations as at 31 March 2020</li> <li>\$3M capital raising in November 2019</li> </ul>

**Notes:**

<sup>1</sup> Includes other income and gain on bargain purchase on acquisition



# STRATEGY & OUTLOOK



# GROWTH OPPORTUNITIES & STRUCTURAL TAILWINDS

**PayGroup is well positioned to take advantage of the current market opportunities , the accelerated shift to online workflow, and demonstrable success in expanding service offerings**



## Accelerated adoption of cloud-based software

- Accelerated transition from manual process and on-premise software to the cloud
- Shift to online workflow and remote workplace
- Increased usage and reliance on PayGroup's software and services from clients



## Mission Critical Software and Services

- Evolving regulatory and legislative environment
- Mission critical software and services to pay and manage employees remotely
- Heightened awareness on risks around underpayment of employees
- Increasing focus on data security and privacy



## Strategic Acquisitions & Partnerships

- "Bolt-on" acquisitions of customer bases (payslips)
- Complementary SaaS technology to enhance product offering
- Leverage operational efficiencies to extract synergies ("lift and shift")
- Cross-sell and upsell opportunities



## Growth in SwaS, SaaS and Treasury

- Increases multi-country payroll demand across APAC – increased complexity
- Post Covid-19 expectation of increases in contractors vs full-time employees - Astute
- Increasing suite of SaaS modules
- Treasury Services launched in Q2 FY20

# TOTAL ADDRESSABLE MARKET

The APAC HCM market grew 11.85% in 2019 and modest growth is expected in 2020 despite recessionary conditions<sup>1</sup>

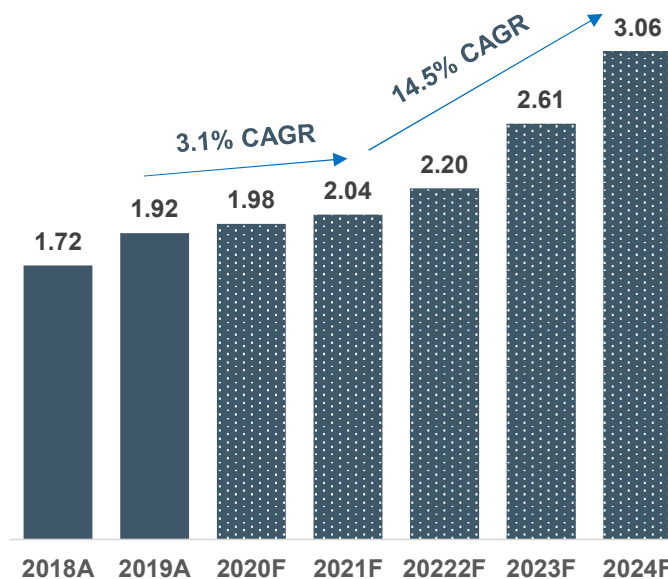
APAC BPO Market Size<sup>2</sup>

US\$26.2b

APAC HCM Software Market Size<sup>1</sup>

US\$1.9b

APAC HCM Software Market<sup>1</sup>



- PayGroup's addressable market is comprised of both BPO and HCM Software. PayGroup introduced its cloud HCM product HR Online in 2012
- The APAC HCM market grew 11.85% in 2019<sup>1</sup>
- APAC HCM Software is forecast to grow at 3.1% CAGR (19A'-21F') and 14.5% CAGR (21F'-24F')<sup>1</sup>
- Growth is driven by payroll and legislative complexity and increased adoption of cloud-based software
- HCM Software Market forecasts based on an April 2020 update to account for the most likely impacts of COVID-19 on the Enterprise Application Software Market<sup>1</sup>.

Graphs/Charts created by PayGroup based on Gartner Research, Source<sup>(1)</sup> : Gartner Forecast: Enterprise Application Software, Worldwide, 2018-2024, April 2020 Update, Neha Gupta et al., 1 May 2020 APAC/Asia Pacific= Mature Asia/Pacific, Emerging Asia/Pacific, Greater China and Japan(Region). Vendor Revenue basis.

Source<sup>(2)</sup> Gartner, Market Share: IT Services, Worldwide 2019, Dean Blackmore et al., 13 April 2020 APAC = Mature Asia/Pacific, Emerging Asia/Pacific, Greater China and Japan(Region). Vendor Revenue basis.

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# GLOBAL PARTNERSHIP PROGRAM

## KEY STRATEGIC FOCUS

**Partnerships  
with  
multinational  
payroll partners**

**Accelerating  
growth with low  
customer  
acquisition cost**

### **Efficient customer acquisition cost**

- PYG is the “back-end” delivery arm
- Limited marketing costs
- Limited legal fees on customer contracts
- Thin account management responsibilities

### **Leverages PYG extensive Asian infrastructure**

- Increased utilisation in many Asian based locations
- Ability to increase work outside typical peak hours
- Smart-shoring opportunities

**Attractive financial proposition → Standard service fees & delivered using existing infrastructure**

# GLOBAL PARTNERSHIP PROGRAM FY20 UPDATE

- Strong momentum with GPP now accounting for 10% of SwaS and Treasury Services payslips
- PYG now have 7 partners (up from 3 in FY19) under its Global Partnership Program (GPP)
- New Treasury Services partner for Astute
- New exclusive agreement with AU-based partner executed in May
  - Expect to generate 10k payslips across a base of 100 clients in Year 1
  - To be fulfilled by PayAsia India (significantly increasing utilisation outside typical peak business hours)

**GPP to make strong contributions to revenue and profit in FY21**

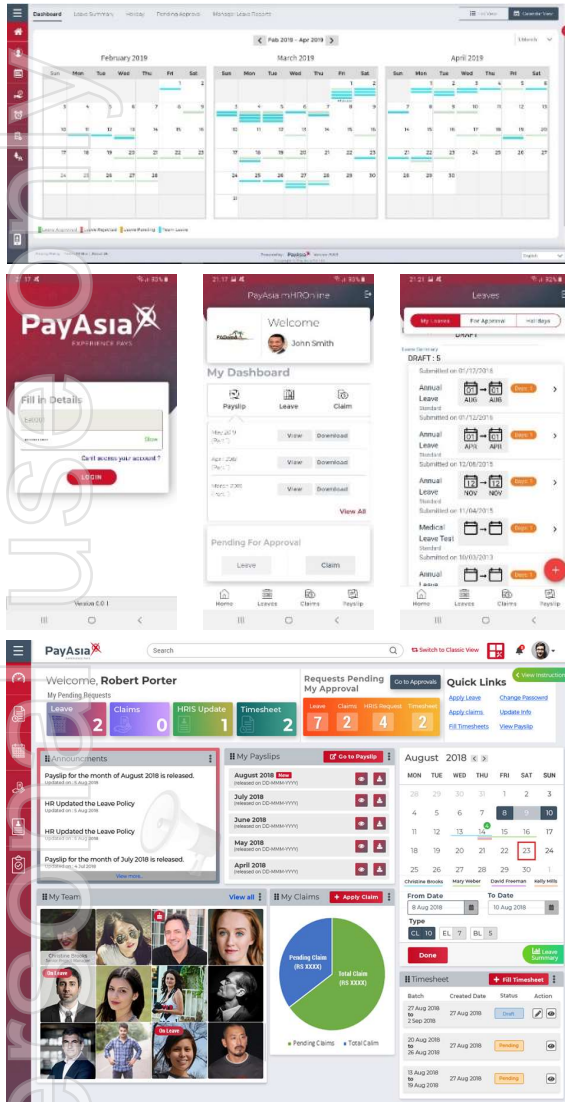


# PRE-IDENTIFIED COST EFFICIENCIES

**Up to \$1.5M of annualised cost savings & efficiencies for FY21**

- Hosting technology savings (identified group wide)
- Revision of outsourced Development Partners
- Global Travel and Conferences
- Smart-shoring of technology teams, leveraging PayGroup infrastructure
- In-housing additional partners to increase gross margin

**Laying the foundation for on-going operational efficiencies**





# FY20 SUMMARY

## Strong ARR growth & record new contract wins

- Pro-forma ARR of \$17.8m (+ 112% vs FY19) with \$8.8M ARR contribution from Astute
- New sales of \$5.5m TCV in FY20 (vs \$4.9m in FY19) – organic growth & new customer acquisition

## Global Partnership Program & Treasury Services delivering results

- High growth & attractive margin revenue streams
- GPP represents 10% of SwaS and Treasury Services payslips – accelerated growth since March 2019

## Stronger Financial position

- Positive operating activities cash flow from H2 FY20
- Increasing sales YoY – new customers and up-sells
- Implementations of a further 12,068 payslips (based on FY20 sales) to drive growth

## FY21 OUTLOOK

### Continuing to sign new contracts

- \$2.7m in TCV in FY21 – From 1 April till 25 May 2020. Will be a record quarter of TCV sales
- This represents approximately 50% of the total FY20 signed contract value
- Focusing on new customer acquisition and upsell opportunities

### Global Partnership Program & Treasury Services delivering results

- GPP to make growing financial contribution in FY21 as product suite expanded
- Treasury Services continuing to onboard new customers, and provides the opportunity to sell additional services

### Forecast earnings growth in FY21

- Strategic focus on margins, new markets and cross-sell of service offerings
- Continuing to make considerable investments for growth
- Launch of further Treasury products and services – providing solutions to our clients and our clients' employees

### Pre-identified cost efficiencies

- Identified annualised cost savings and efficiencies of \$1.5M in FY21





# COVID-19 BUSINESS CONTINUITY UPDATE

Uninterrupted service for clients & no adverse financial impact



## OUR BUSINESS

- All employees across 11 global offices working from home
- Carefully following Government protocols for re-opening offices
- Enhanced IT security & training measures to protect critical information in remote environment
- Operational delivery and service has not been impacted



## OUR CLIENTS

- Assisting clients with rapid changes to payroll legislation & stimulus packages
- Leveraging product strengths & knowledge of multiple jurisdictions
- Increased demand for outsourcing to ensure compliance and reduce costs
- Expansion of service offering to leverage opportunities
- Continuing to be a trusted HR Partner



## OUR FINANCIALS

- Strong sales pipeline & contract wins in Q4 FY20
- Demonstrates size and stability of client base
- Balancing investment for growth with cost efficiencies
- Positive operating activities cash flows since H2 FY20 (pre acquisition costs)



# APPENDICES



# HIGHLY DIVERSIFIED AND LOYAL CUSTOMER BASE

## Financial Services



## Professional Services



## Industrial



## Healthcare / Pharmaceutical



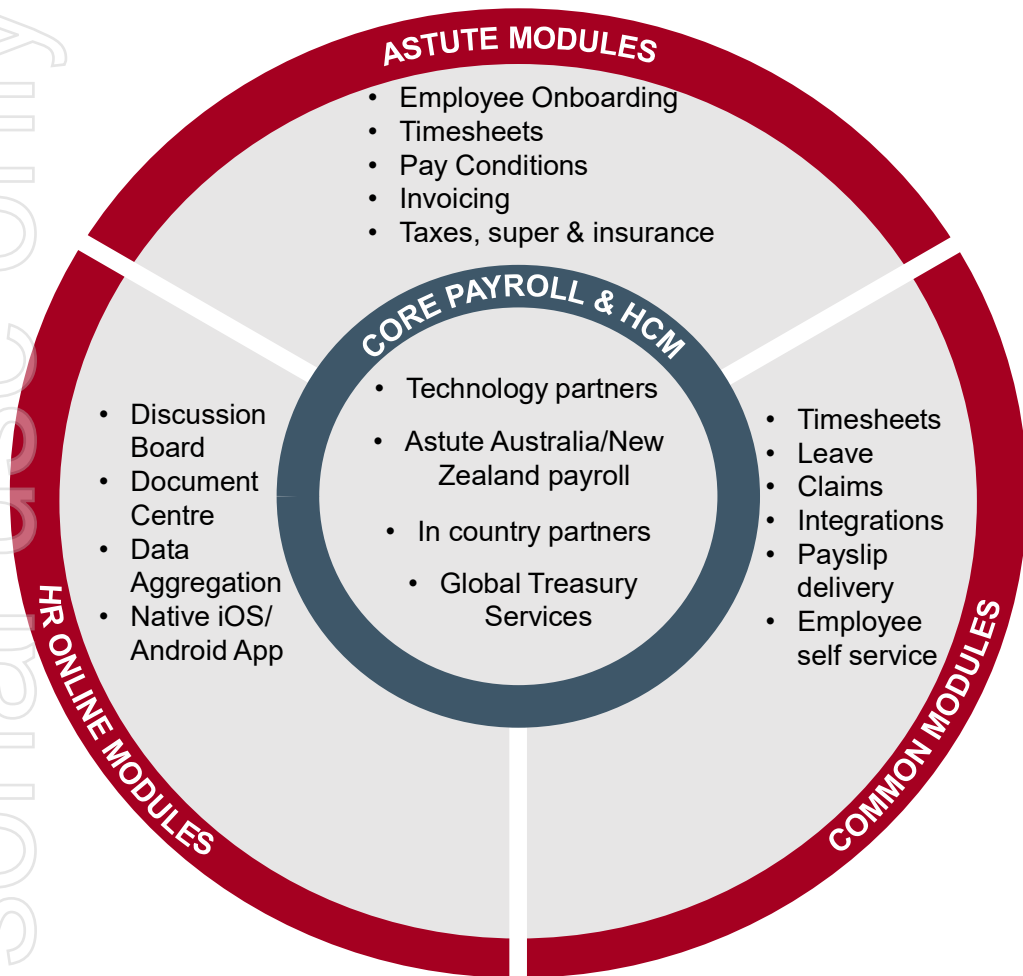
## Construction / Manufacturing



## Other



# PAYASIA + ASTUTE - FULL SUITE OF MODELS



- Technology and R&D investment for FY20 of \$2.2M (\$0.65M in FY19)
- Astute ARR reconfirms growth in SaaS as part of the strategy
- Investment into PayAsia Modules (HROnline):
  - Further APAC Leave compliance
  - Integration with GPP
  - Expansion of offering
- Investment into AstuteOne Modules:
  - Expansion into NZ to increase addressable market
  - Integration with Treasury Services partner



# BOARD OF DIRECTORS



## Ian Basser

### Non-Executive Chairman (independent)

Ian was appointed to the Board in July 2017 as an independent Non-Executive Director and Chairman. Ian has over 32 years' experience in starting, running and building service companies around the world including Australia, Hong Kong, China, Singapore, USA, UK and Europe. He was Chief Executive Officer and Managing Director of Chandler Macleod Group Limited until August 2012. Prior to joining Chandler Macleod, he spent five years establishing and developing the Mettle Group as a strategic leadership and culture consultancy.

Prior to Mettle Group, Ian was Group Managing Director of Harvey Nash running operations in the UK, Europe and Asia. He was on the global management team of Michael Page International building operations in Australia, Asia and North America.



## David Fagan

### Non-Executive Director (independent)

David was appointed to the Board in July 2017 as a Non-Executive Director. He is the Chair the Audit and Risk Committees. David has over 38 years' experience in law practice including 30 years with Clayton Utz culminating in the role of Board Member and National Chief Executive Partner (2001-2010).

Current Non-Executive Director roles include ASX listed Medibank Private Limited (since 2014) including Chair of the Board Risk Management Committee, UBS Grocon Real Estate Investment Management (since March 2014), and Hilco Oz & Hilco Merchant Australia (since 2014). David holds both a Bachelor and Master of Laws from University of Melbourne and is based in Melbourne, Australia.



## Mark Samlal

### Managing Director

Mark co-founded PayAsia in 2006 where he was Non-Executive Chairman until being appointed to the role of Executive Chairman and Managing Director in July 2015. In July 2017, he was appointed to the Board of PayGroup and to the role of Managing Director of the Group. Mark has over 24 years' experience in leadership roles in Asia Pacific including being a Director and General Manager of ADP in Asia Australia (1999-2003).

His previous senior roles included Chief Executive Officer VicPlas Ltd a Singapore Stock Exchange listed company in (2008-2014) and Executive Director of Omni Industries in Singapore (2006-2008). Mark is affiliated with the major shareholder and is based in Singapore.



## Franck Neron-Bancel

### Executive Director & Chief Strategy Officer

Franck joined PayAsia in May 2017 as an Executive Director and was appointed to the Board of PayGroup in July 2017 as the Chief Strategy Officer. Franck has over 21 years' industry experience in global HCM and payroll services with global leader Automatic Data Processing, Inc. (NASDAQ: ADP, Market Cap: US\$63 billion). Franck's tenure at ADP culminated in the role of Senior Vice President Strategic Account Management (2013-2017) a US\$1.5B portfolio.

Franck holds a Bachelor's Degree (General Management, Finance & Marketing) from KEDGE Business School and is based in New York, United States of America.



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