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Operating cash flow surplus of $1.1M
Full service solution delivering new contract wins

PayGroup Q2 FY21 Appendix 4C – Quarterly Cash Flow Report

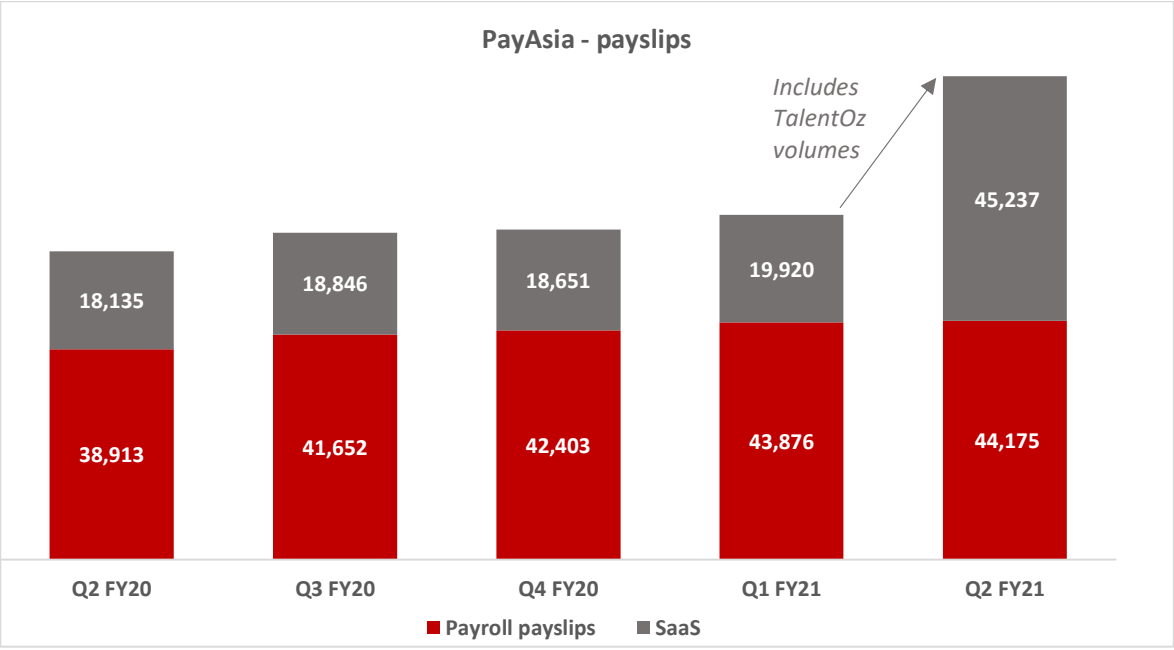
- **Operating cash flow surplus of $1.1M, above prior period (Q1 FY21 $1.0M);**
- **$5.4M in new contract wins in H1 FY21, equivalent to 98% of total TCV in FY20 ($5.5M);**
- **Creation of full module HCM suite following TalentOz acquisition leading to increased customer opportunities; first full service contract win with Volvo Group Singapore;**
- **~70% of new sales in H1 FY21 occurring in strongly rebounding Asian region;**
- **On track to deliver FY21 annualised cost efficiency target of $1.5M;**
- **Closing cash balance of $5.3M, following successful $3.5M capital raising; and**
- **Strong outlook for H2 FY21 with enhanced offering expected to deliver continued sales momentum.**

Melbourne, 22 October 2020: Human Capital Management and payroll provider PayGroup Limited ("PayGroup", "the Group"; ASX: PYG), today released its Appendix 4C & Quarterly Cash Flow Report for the quarter ended 30 September 2020 (Q2 FY21).

Operational highlights

PayAsia –Human Capital Management SaaS modules & Payroll SwaS and SaaS (Asia Pacific & Middle East)

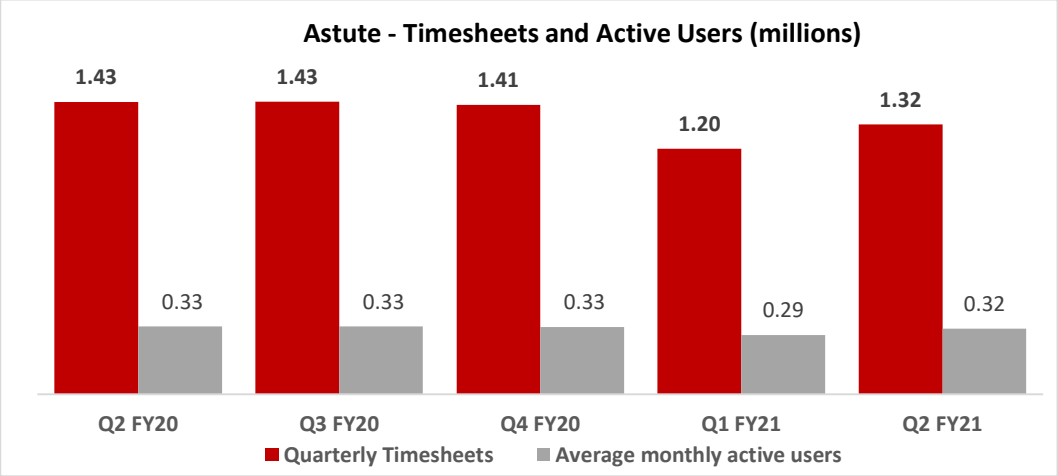
PayGroup's acquisition of the TalentOz Group of Companies ("TalentOz") in July 2020 has delivered substantial growth in PayAsia's SaaS volumes over Q2 FY21. Refer to "Acquisition of TalentOz" section below for further detail.



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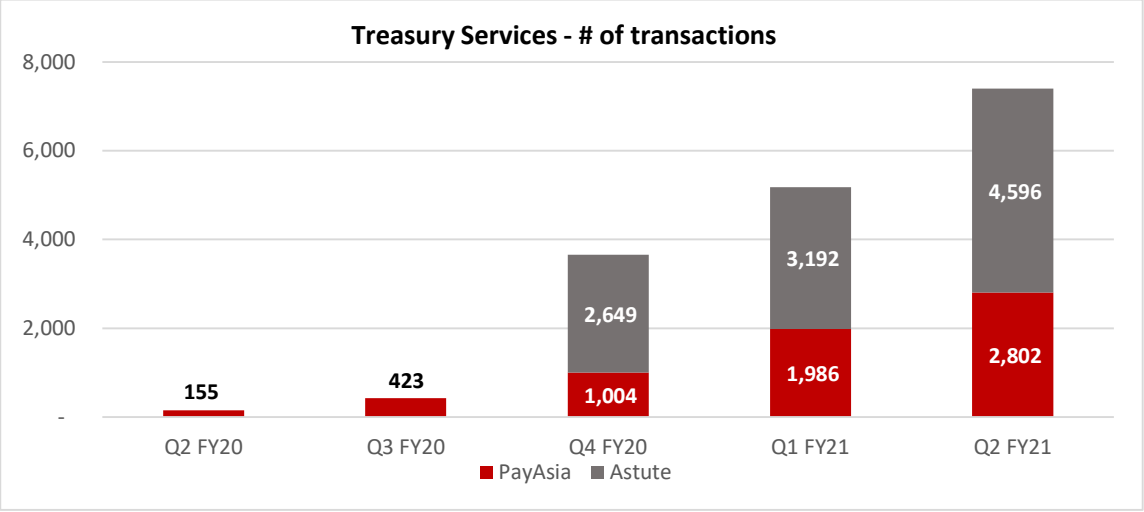
Astute (SaaS) – Digitising pay and bill for Workforce Management Companies

Astute's SaaS timesheet volumes have recovered in Q2 FY21, primarily as a result of improved business confidence and reduced COVID-19 restrictions throughout most Australian states during the period. Timesheet volumes are back to January 2020 levels and are expected to continue their recovery in Q3 FY21 as restrictions in Victoria ease. Further support for growth in this segment is expected as a result of the Federal Government budget initiatives, particularly the $1.2B apprentice wages support & *Job Keeper* stimulus packages which will support increased business investment. In H1 FY21 Astue sold services to 27 new clients representing $724K TCV.



Treasury Services – Payroll and pension fund payments, financial wellness

Significant growth in Treasury Services transactions continued in Q2 FY21 with 42.9% growth in volumes across the Group (as a whole) compared to Q1 FY21.



New contracts won during Q2 FY21 represent $2.4M in Total Contract Value (TCV), taking total new contracts sold during H1 FY21 to $5.4M. This is equivalent to 98% of all contracts won during FY20 ($5.5M

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TCV) and is reflective of the progress PayGroup's sales and marketing team are making in selling the enhanced suite of products and services to new and existing clients. During H1 FY21, ~70% of PayGroup's new contract sales were to Asian-based customers as a result of the strong business confidence rebound throughout the region.

Strong new contract sales are expected to materially add to the Company's recurring revenue base as employees are onboarded to PayGroup's platform across H2 FY21.

Customer churn in Q2 FY21 remained in line with PayGroup's target at below 5%.

Acquisition of TalentOz

PayGroup acquired TalentOz, a leading SaaS HCM, analytics and payroll provider on 14 July 2020.

Since the acquisition PayGroup has made rapid progress in integrating TalentOz's portfolio of SaaS modules with its core payroll offering. These combination of products are now being provided to customers as a seamless and integrated customer experience and user-interface which is expected to drive significant customer growth and new market opportunities.

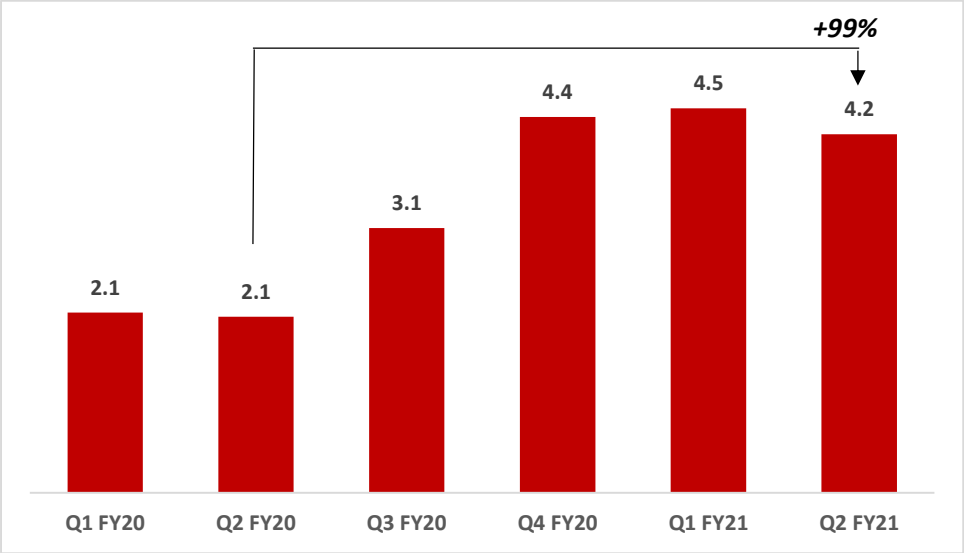
TalentOz has added 11 new complementary HCM modules, taking PayGroup's total HCM offering to 27 modules.

Subsequent to the quarter end, PayGroup executed a 3-year contract with Volvo Group Singapore with a total contract value of $120K. This contract is the first significant contract that combines a number of HCM SaaS modules (Core HR, E Leave, E Claims, E Time) with PayGroup's payroll offering.

Cashflow update

Cash receipts in Q2 FY21 were $4.2M, 99% above the previous corresponding period (Q2 FY20) and is slightly lower than Q1 FY21 ($4.5M). This is consistent with normal quarterly trends for PayGroup as its Q1 results benefit from the customary "13th month" payroll processing that occurs throughout Asia typically in February, with the associated cash flow typically received in Q1.

Quarterly Cash Receipts (A$M)



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PayGroup delivered net positive operating cash flow of $1.1M in Q2 FY21, up from $1.0M in Q1 FY21. Operating costs during Q2 FY21 were in line with Q1 FY21 and PayGroup continues to execute its cost efficiency plan with early savings being realised in the areas of hosting technology and corporate costs such as office occupancy costs and reduced staff travel costs. PayGroup is on track to realise $1.5M of annualised cost savings and efficiencies for FY21 as outlined in the Group's FY20 results.

Closing cash at 30 September was $5.3M, up from $2.1M at the end of Q1 FY21, following a successful $3.5M capital raise undertaken in September 2020. Funds raised will be used to accelerate PayGroup's expansion strategy and for the roll-out of its full service HCM and payroll offering to a larger customer base.

Outlook

PayGroup has a strong outlook in H2 FY21. The creation of a full "hire-to-retire" HCM module suite, that complements PayGroup's comprehensive payroll solution, is opening up a significant number of new customer opportunities across the large Asian Pacific region.

PayGroup Managing Director, Mr Mark Samlal said, "Our recent contract wins, with high quality customers such as Volvo Group Singapore, are testament to our expansion strategy and goal of offering our customers a full service solution. Not only does this increase our addressable market but gives us significant scope to increase revenue opportunities from existing clients. We are also seeing Asian and Middle Eastern economies rebound strongly and expect continued growth momentum in H2 FY21".

-ENDS-

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

About PayGroup

Headquartered in Melbourne, Australia, PayGroup is the holding company for PayAsia, TalentOz and Astute One , 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 (SwaS) HCM and Payroll solutions and leveraging a Cloud (SaaS) based Human Capital Management platform TalentOz. Clients are typically Multi-National Companies within multiple countries across Asia Pacific and the Middle East.

Astute One is the leader in workforce management solutions for complex businesses especially for Workforce Management Companies in Australia and New Zealand.

PayGroup has now 229 employees located in 11 countries are servicing over 995 client entities representing more than 5 million payslips per annum.

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

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Name of entity	
PAYGROUP LIMITED	
ABN	**Quarter ended ("current quarter")**
90 620 435 038	30 SEPTEMBER 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	4,185	8,656
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs	(1,859)	(3,854)
	(f) administration and corporate costs	(1,914)	(3,621)
1.3	Dividends received (see note 3)		
1.4	Interest received	6	19
1.5	Interest and other costs of finance paid	(45)	(72)
1.6	Income taxes paid		
1.7	Government grants and tax incentives	499	923
1.8	Other (provide details if material)		
	- Temp staffing cash timing	184	52
1.9	**Net cash from / (used in) operating activities**	**1,056**	**2,103**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) Entities		
	(b) Businesses	(171)	(171)
	(c) property, plant and equipment	(4)	(10)
	(d) investments		
	(e) intellectual property	(773)	(1,476)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(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)		
	- Acquisition-related costs	(106)	(106)
2.6	**Net cash from / (used in) investing activities**	**(1,054)**	**(1,763)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,308	3,308
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		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
	- Repayments of principal on lease liabilities	(150)	(240)
3.10	**Net cash from / (used in) financing activities**	**3,158**	**3,068**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 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	2,122	1,968
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,056	2,103
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,054)	(1,763)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,158	3,068
4.5	Effect of movement in exchange rates on cash held	(6)	(100)
4.6	**Cash and cash equivalents at end of period**	**5,276**	**5,276**

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	5,276	2,122
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)**	**5,276**	**2,122**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	254
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	260	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**260**	-

7.5	**Unused financing facilities available at quarter end**	260

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)	1,056
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,276
8.3	Unused finance facilities available at quarter end (item 7.5)	260
8.4	Total available funding (item 8.2 + item 8.3)	6,592
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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:

8.6.2 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:

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

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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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: 22 October 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.

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