

31 May 2021

Record FY21 results deliver positive EBITDA

- Maiden full year positive EBITDA of \$1.6m, improving \$2.2m on pcp, driven by revenue growth, increased cost efficiencies, and enhanced operating leverage
- Normalised EBITDA of \$2.8m excluding one-off expenses and acquisition costs, highlighting strength of underlying business
- Record Annualised Recurring Revenue of \$27.2m, increasing 53% on pcp, driven by organic growth and strategic acquisitions
- Record statutory revenue of \$16.0m, increasing 47% on pcp, despite COVID-19 headwinds and strong appreciation of the Australian Dollar
- Record new contracts signed of \$13.7m, increasing 149% on pcp, demonstrating the strong demand for PayGroup's unique payroll solutions and high value HCM modules
- Continued revenue momentum, strategic acquisitions, growth initiatives, and strong cash balance of \$12.2m, underpin PayGroup's positive outlook for FY22

Melbourne, 31 May 2021: PayGroup Limited ("PayGroup" or the "Company"), a leading provider of payroll and human capital management (HCM) solutions is pleased to release its Annual Report for the year ended 31 March 2021 ("FY21").

RECORD FINANCIAL RESULT

PayGroup achieved its first full year of positive EBITDA of \$1.6m, an improvement of \$2.2m compared to a \$0.6m loss in FY20. The positive EBITDA FY21 result was driven by improved operating leverage attributable to ongoing revenue growth, strong sales momentum, and disciplined management of operating costs. Excluding one-off expenses and acquisition costs of approximately \$1.2m, the Company's normalised FY21 EBITDA was \$2.8m.

PayGroup's growing reputation as a leading provider of mission-critical complex payroll solutions, combined with the Company's expanded service offering (including HCM modules), continues to deliver strong revenue growth. In FY21, PayGroup achieved record exit annualised recurring revenue ("ARR") of \$27.2m, a 53% increase on FY20 ARR, and statutory revenue of \$16.0m, representing 47% growth on FY20, despite a \$0.6m loss due foreign currency translation. Strong FY21 revenue growth was driven by increases in payslips processed, combined with organic growth across the HCM modules, both propelled by the growing demand for digitisation of payroll and HCM, and strategic acquisitions.

Mark Samlal, Founder and Managing Director of PayGroup, said: *"We are extremely proud of the record results we have achieved in FY21. Despite the significant disruption to economies and markets as result of the global pandemic, PayGroup has delivered its first full year of positive EBITDA alongside strong ARR and statutory revenue growth. We are pleased with the progress made against our strategic priorities, having grown volume of payslips processed, expanded offering of HCM modules and entered new geographies and verticals."*

"We are excited by the opportunities ahead in FY22 underpinned by the strong momentum of FY21 and the significant digitisation tailwinds we have observed over the past year. The scale we continued to achieve across the business provides a strong foundation for sustainable long-term growth."

PayGroup achieved record new contract wins during FY21 of \$13.7m, representing 149% growth on FY20 contract wins. The strong growth in new contract wins reflects the growing demand for PayGroup's solutions and strong industry tailwinds, the ability of PayGroup's sales team to execute on the Company's strong pipeline, and the benefit of highly experienced senior sales executives joining PayGroup following several acquisitions during FY21. The success of FY21 is expected to provide a strong foundation for recurring revenue growth into FY22 and enhanced cross-sell opportunities for the HCM modules across the Group.

PayGroup observed a material increase in inbound contracts and referrals through the Global Partner Program ("GPP") channel in FY21. During FY21, the GPP delivered ARR of \$3.5m, an increase of over 300% on FY20. PayGroup's growing reputation as a leader in multi-country payroll solutions is highlighted by the growth in the GPP channels, where customers are typically large global corporations.

OPERATIONAL HIGHLIGHTS

Significant progress has been made throughout FY21 against the Company's strategic priorities to expand its leading position in multi-country payroll services and to broaden its customer offering. In FY21, PayGroup recorded a 28% increase in the number of payslips processed. This is significant given the deterioration in employment markets throughout the past year and underscores the importance of PayGroup's mission-critical payroll solutions to customers.

Strategic acquisitions successfully completed during FY21 have significantly expanded PayGroup's market opportunity and capabilities, resulting in an expanded HCM offering with 11 new high margin modules, and the addition of the highly specialised franchise payroll vertical. Pleasingly, following the acquisition of IWS (announced 31 March 2021), PayGroup has enabled franchise clients to leverage its infrastructure to expand internationally. This is highlighted by Laser Clinics, a longstanding franchise customer, expansion into Asia and Europe adding 15 new franchises in May 2021, with PayGroup continuing to support all new locations as they grow globally.

PayGroup has expanded the geographic reach of its payroll expertise to a network across 41 countries, with 8 new countries added in FY21. Customers in any geography can access PayGroup's wide suite of human capital solutions. These positive operating developments strengthens PayGroup's competitive position and underpins the exciting revenue growth trajectory.

OUTLOOK

PayGroup's record results and significant operational progress across FY21 provide strong momentum heading into FY22. Industry tailwinds are anticipated to present further opportunities for growth as businesses increasingly digitise their human resources functions, and as hybrid and remote working environments become normal. PayGroup expects the investment in sales teams in FY21 to continue to provide growth in leads and new contracts. There are plans for further improvements in operational leverage including continued monetisation activities which is expected to enhance margins. Investment into product innovation led by Jerome Gouvernel, who was recently appointed Chief Product Officer, will further strengthen PayGroup's offering and operational leverage through automation.

PayGroup remains well capitalised with \$12.2m of cash at 28 May 2021. This includes proceeds raised as part of the Placement and Share Purchase Plan (announced 31 March 2021).

RESULTS WEBINAR

A results briefing will be hosted by the PayGroup management team at 11:00am (AEST) on Tuesday, 1 June 2021 to discuss the FY21 results, operational progress and outlook. Zoom details:

Date: Tuesday, 1 June 2021

Time: 11:00am (AEST)

Participants can pre-register to watch the webinar presentation through the link below. Once registered, participants will receive dial-in details for the event.

https://us02web.zoom.us/webinar/register/WN_klYtzZTyT8SW_uof2_yJpg

-ENDS-

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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 over 40 countries, representing more than 6m payslips and 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.