

18 October 2021

Guidance upgrade and quarterly business update

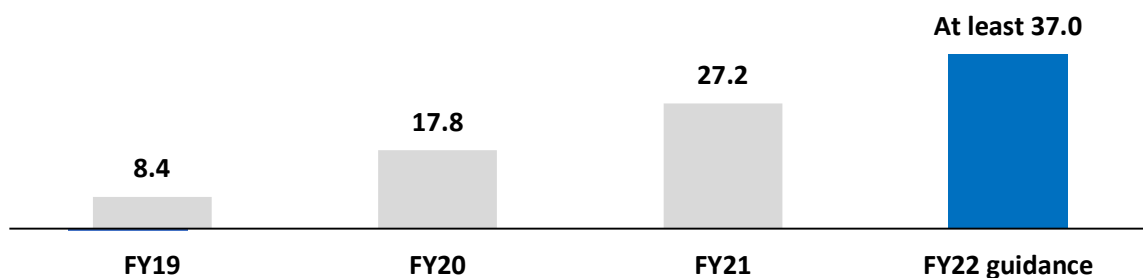
- FY22 ARR guidance of at least \$37.0m for the year ending March 2022 following strong organic growth in 1H FY22 as a result of increasing demand for PayGroup's core payroll solutions
- \$9.6m new contracts signed in 1H FY22 increasing 78% on the prior corresponding period, with a record \$5m in new contracts signed in Q2 FY22
- Record 7.5m annualised payslips and transactions processed, increasing 25% from the close of FY21, providing a growing pool of customers to enhance monetisation opportunities
- Expansion of the GPP network increasing PayGroup's reach from 41 to 75 countries, delivering existing customers enhanced capabilities and introducing new customers in previously unserved regions
- Strong balance sheet, with cash of \$7.6m as at 30 September 2021, to execute on key initiatives to drive growth and margin expansion

Melbourne, 18 October 2021: PayGroup Limited ("PayGroup" or the "Company"), a leading provider of enterprise payroll solutions is pleased to release upgraded revenue guidance and its quarterly business update for the quarter ended 30 September 2021.

FY22 GUIDANCE UPGRADE

PayGroup continues to experience increasing demand for its mission-critical core payroll solutions. Accordingly, the Company is pleased to confirm expected annualised recurring revenue ("ARR") for FY22 of at least \$37m, representing expected organic growth of 36% on FY21 ARR of \$27.2m illustrated in Figure 1.

Figure 1. ARR since IPO (A\$m, unaudited)

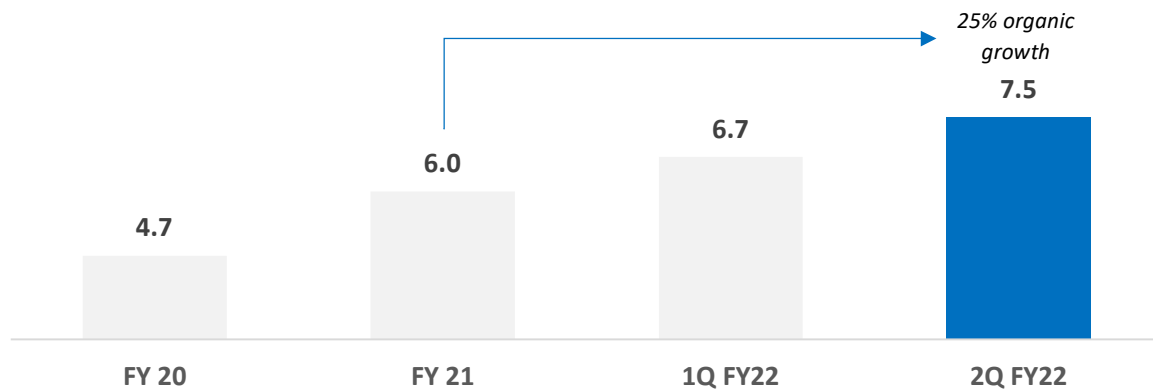


RECORD SALES

During 1H FY22, PayGroup signed \$9.6m in new contracts, an increase of 78% on the prior corresponding period. Notably, the Company achieved a record sales result in Q2 FY22, with \$5.0m new contracts signed, up 7% on the previous quarter's record. All new contracts signed are for 3 years with automatic renewals. The new contracts include a number of well-known companies such as Hudson RPO, Dexu and Canaccord Genuity. Further, the Company has helped drive significant expansion of the Laser Clinics International franchise network, with PayGroup now providing payroll solutions for the franchise company in North America, while supporting the company in Australia, New Zealand, Asia and Europe.

PayGroup continues to see significant momentum in the number of payslips processed from 6.0m at the end of FY21 to 7.5m at the end of 1H FY22, an increase of 25%, illustrated in Figure 2. Growing momentum of PayGroup's core payroll solutions is underpinned by its unique and differentiated capabilities across regional payroll in APAC.

Figure 2. Annualised payslips processed (m)



Mark Samlal, Founder and Managing Director of PayGroup, said:

"We are delighted to report the strong growth of the core payroll business across 1H FY22, and provide upgraded guidance underpinned by the significant sales momentum we are experiencing. PayGroup continues to benefit from the investment in our sales team, with our pipeline of opportunities now 5x bigger than this time last year. We remain focused on scaling our core payroll business, which provides a large and growing number of end users to drive ongoing monetisation opportunities."

EXPANDING GLOBAL PARTNERSHIP PROGRAM (GPP)

The Global Partner Program ("GPP") sales channel continues to deliver PayGroup a significant stream of referrals and new contracts. In 1H FY22, sales from the GPP accounted for \$1.9m of new contracts signed in the period, an increase of 27% on the prior corresponding period.

During 2Q FY22, PayGroup significantly expanded its geographic reach and sales opportunities with new GPP agreements covering Canada and Africa bringing the total number of countries PayGroup can service from 41 to 75. The GPP program continues to be a key sales channel for the Company, providing high-quality sales leads with no direct customer acquisition costs, while also increasing the internal addressable market. In addition, the new GPP agreements further validate PayGroup's unique payroll capabilities underpinned by its on-the-ground and country-specific expertise to deliver mission-critical payroll solutions in APAC.

MONETISATION UPDATE - ENTERPRISE AND PAYEES

The growing scale of PayGroup's core payroll solutions continues to provide expanding monetisation opportunities. PayGroup has engaged in a partnership with a leading Australian software company to implement a superannuation choice product to monetise payees across existing Australian payroll clients.

PayGroup has observed significant early demand for the product, with the revenues now annualising at over \$600k after launching in February 2020 with further implementation across the Australian market to commence in 2H FY22.

In addition, PayGroup continues to see rapid growth across enterprise monetisation initiatives through its cross-border and domestic payments offering for corporate clients. Payments is now annualising at over \$1m, with further growth expected as PayGroup's direct sales teams introduce the offering to both existing and new customers. PayGroup has identified further high value, high margin opportunities with a number of new enterprise and payee opportunities planned.

CORPORATE UPDATE

At the end of the quarter, the Company's cash balance was \$7.6m, with PayGroup remaining debt-free and well positioned to capitalise on growth initiatives. During the half, \$3.5m consideration was paid to complete the acquisition of IWS.

-ENDS-

For further information, please contact:

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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 75 countries, representing more than 7.5m 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.