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Strategic Acquisition and Capital Raising

March 2021



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Table of contents

- 1 Executive summary
- 2 IWS overview
- 3 Acquisition highlights
- 4 PayGroup update
- 5 Capital raising details
- 6 Appendix

Executive summary

Summary of acquisition

- **PayGroup Limited ('PayGroup' or 'PYG') is acquiring 100% of the issued capital of Integrated Workforce Solutions (IWS)**
- Total consideration is estimated to be up to \$15.3m, comprising an Initial Consideration and a Performance Earn-out
 - **Initial Consideration** of \$12.75m will be payable partially in cash (\$8.4m) and the balance in PayGroup shares¹ (\$4.35m) – based on the 5-day Volume Weighted Average Price (VWAP) prior to the execution of the binding Sale and Purchase Agreement
 - **Performance Earn-out** is based on the achievement of key performance metrics² in FY22 and FY23 and paid in PayGroup shares¹ (calculated at 10% of the Initial Consideration for each earn-out period) at the 5-day VWAP prior to 30 June

Acquisition Highlights

- **New payroll vertical:** Expands PayGroup's offering into the large and high margin franchise vertical
- **Expands cross-sell opportunities:** Increases PayGroup's customer base and provides substantial revenue opportunities
- **Strengthens the core business:** IWS enhances PayGroup's core competencies while growing the core payroll business
- **Material financial contribution:** Acquisition of IWS increases FY21 pro forma annualised recurring revenue (ARR) by 26%

PayGroup update

- **FY21 ARR guidance upgraded to at least \$21.5m³** (excluding benefit of IWS acquisition)
- Focused on delivering strong growth underpinned by payroll and HCM solutions and valuable customer base
- Continue to scale core payroll business, while leveraging position to cross-sell high margin modules

Capital raising and timing

- **Institutional Placement (Placement) and Share Purchase Plan (SPP) to raise approximately \$16m**
 - Approximately \$15m non-underwritten Placement at an offer price of \$0.56 per share
 - Approximately \$1m non-underwritten SPP to existing shareholders at an offer price of \$0.56 per share
- Offer price of \$0.56 per share represents a 11.1% discount to the last close of \$0.63 per share and a 14.9% discount to the 5-day VWAP of \$0.658 per share

1. All shares issued in consideration for IWS will be subject to a 24-month escrow period from the date of issue
2. Performance earn out requires IWS to achieve minimum revenue targets (95% of \$6.2m in FY22 and \$7.4m in FY23 to June year-end) and minimum gross margin targets (70%) for each earn out period
3. PayGroup's financial year end March

IWS overview



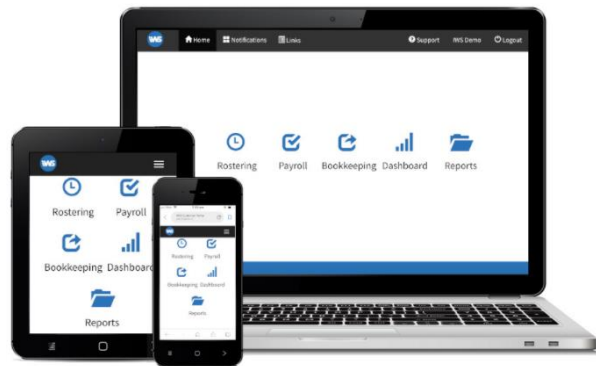
IWS snapshot



\$5.5m FY21 ARR¹

\$1.1m FY21 EBITDA²

Positive Free cash flow



IWS Overview

- **Leading provider of rostering and payroll** solutions to some of the best-known franchises in Australia and New Zealand
- **Proprietary modular technology platform** that simplifies the uniquely complex payroll process in the franchise market
- **Large captive client base** as the mandated solution for new franchise locations and preferred supplier to existing sites
- **Well positioned to drive increased sales**, leveraging the accelerating shift to digital compliance solutions

IWS Operating Metrics



94% customer retention



>400k annualised payslips



>1,000 customers

Franchise-focused workforce solution

High margin modular software with significant customer base



Payroll

End to end payroll solution with one-click employee payments



Rostering

Build and manage rosters and communicate with employees via SMS, email or mobile app



Time & Attendance

Accurate rostering data and analytical tools to track operational performance



Awards

Automated award interpretation and calculation to ensure compliant employee payments



Financial dashboard

Powerful KPI and benchmarking visibility across entire store network



Bookkeeping

Encompassing bank reconciliation and P&L preparation through to tax lodgement

Select customers



Acquisition highlights



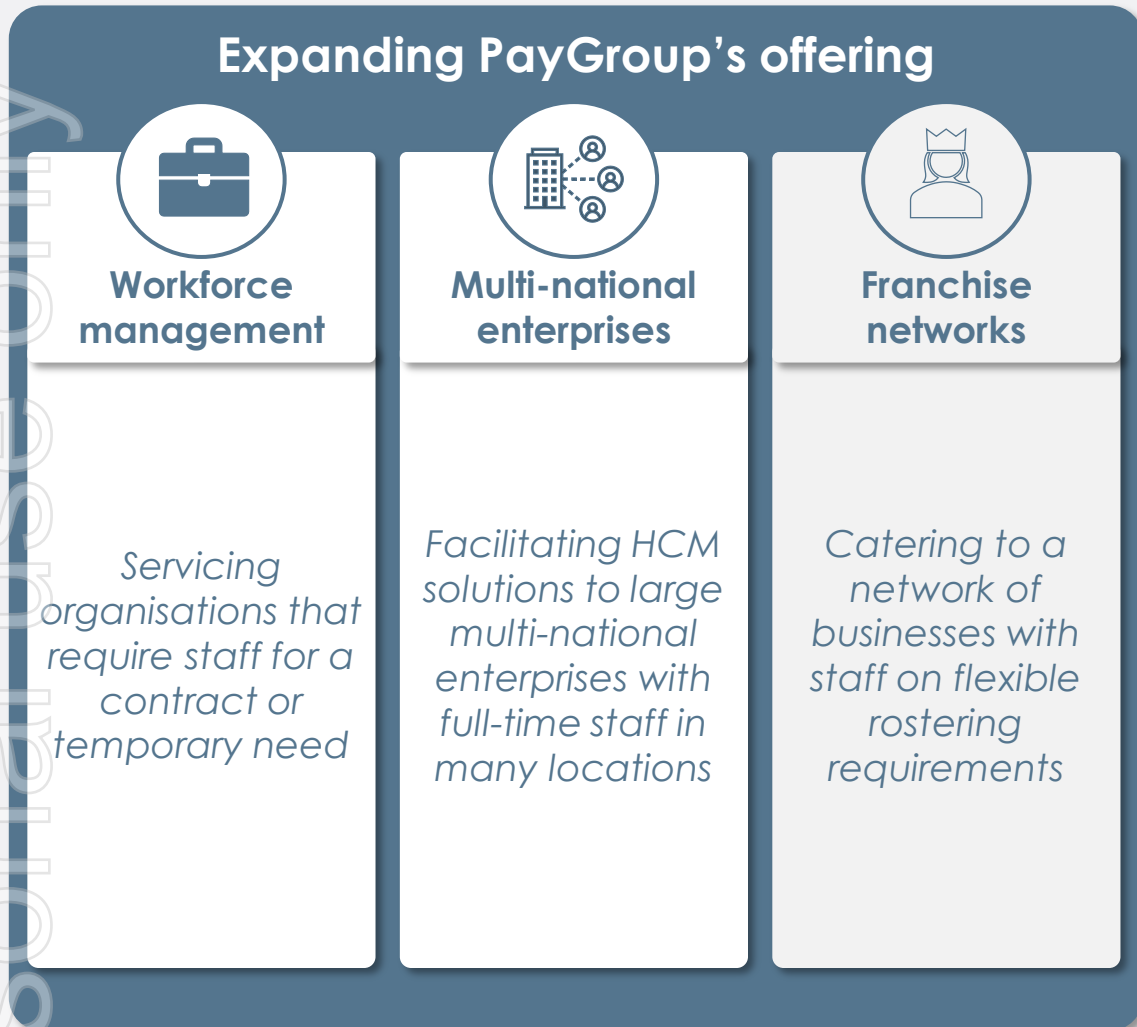
Acquisition highlights



- 1 New payroll vertical**
Expands PayGroup's offering into the large and high margin franchise vertical
- 2 Expands cross-sell opportunities**
Increases PayGroup's customer base and provides substantial revenue opportunities
- 3 Strengthens the core business**
IWS enhances PayGroup's core competencies while growing the core payroll business
- 4 Material financial contribution**
Acquisition of IWS increases FY21 pro forma annualised recurring revenue (ARR) by 26%

1. New payroll vertical

Expands PayGroup's offering into the large and high margin franchise vertical

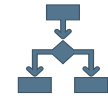


Compelling attributes of the franchise market



Higher margin vertical

Increases PayGroup's overall margins underpinned by attractive unit economics



Low cost customer acquisition

Signing a master agreement with franchise Head Office allows PayGroup to access many outlets within the franchise network



Significant organic market opportunity

Currently servicing an addressable market in Australia worth over \$700m^{1,2}



Private equity ownership of franchisors

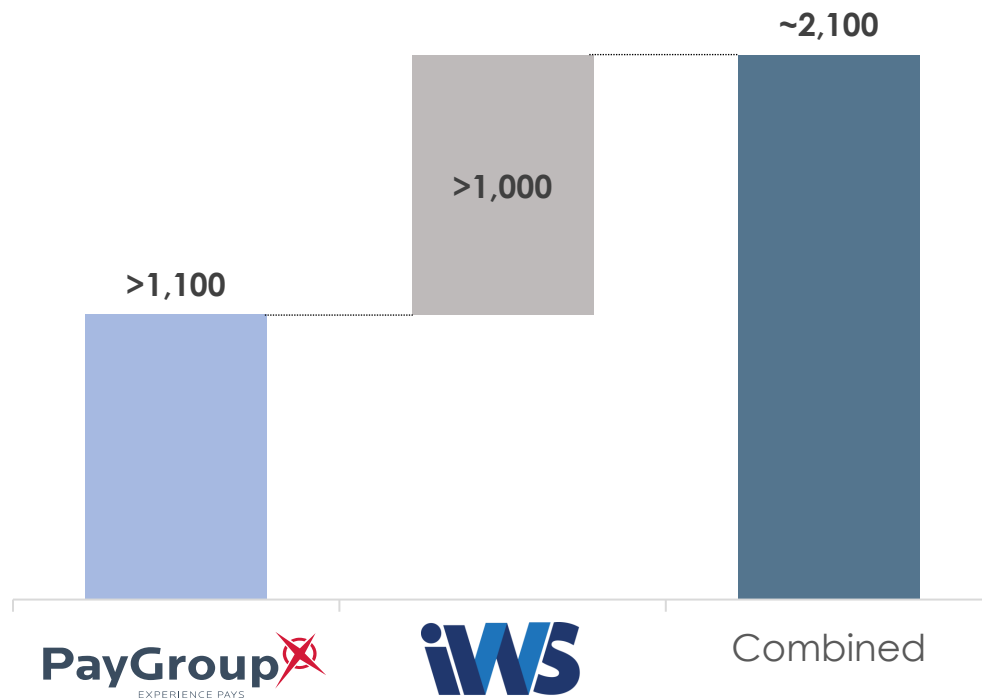
Contract negotiation with private equity owners provides opportunities across other franchise networks in their portfolio

2. Expands cross-selling opportunities

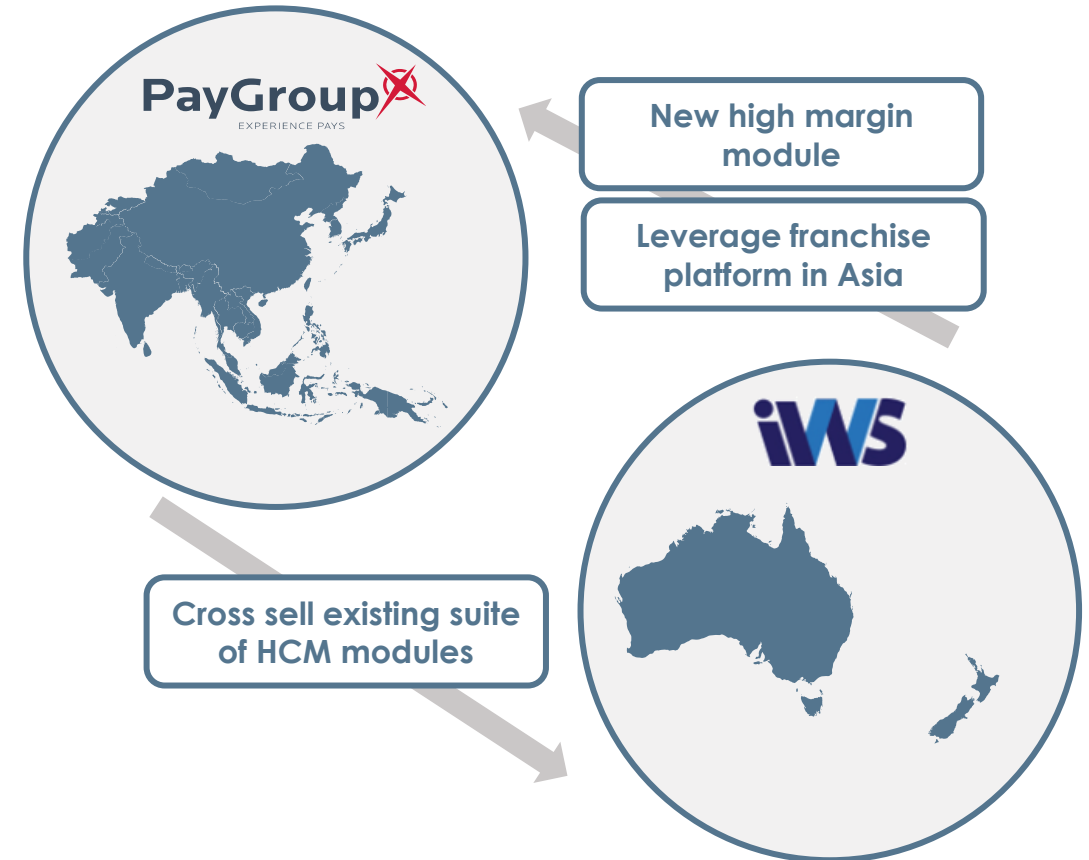
Increases PayGroup's customer base and provides substantial revenue opportunities

Significant increase in customers

No. of customers



Significant APAC revenue pipeline



3. Strengthens the core business

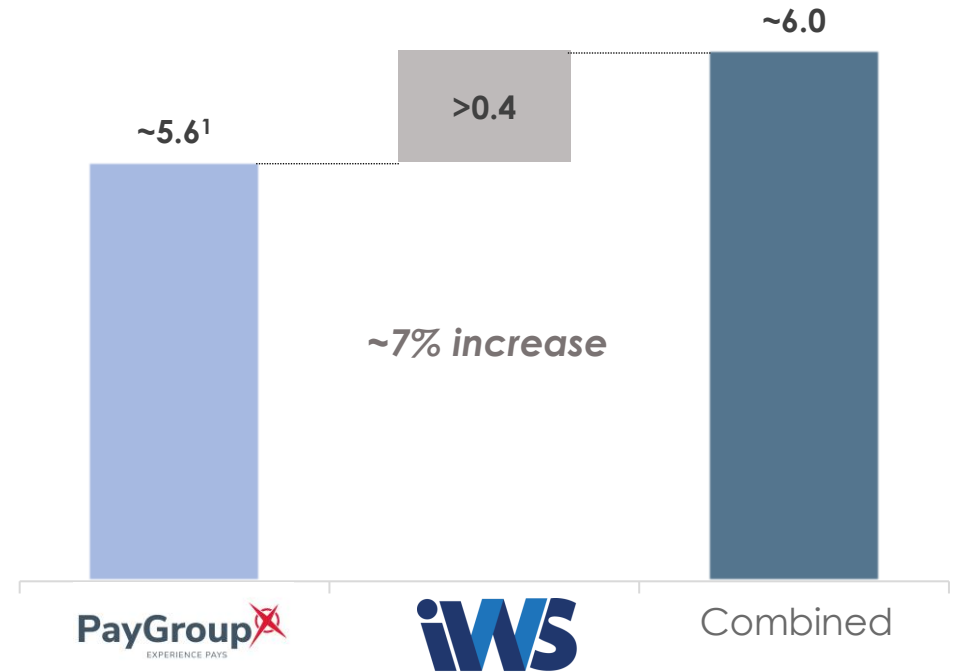
IWS enhances PayGroup's core competencies while growing the core payroll business

IWS compliments PayGroup's core offering

- ✓ **Optimises payroll solution**
Complete end-to-end payroll processing
- ✓ **Seamless client integration**
Full integration into franchise network and outlets, resulting in a 'sticky' solution
- ✓ **Streamlines reporting**
Single view of operations via a unified cloud based platform
- ✓ **Compliance expertise**
Assured compliance in light of high-profile underpayment cases and shifting regulatory landscape

Total payslips processed

No. of payslips processed (millions)



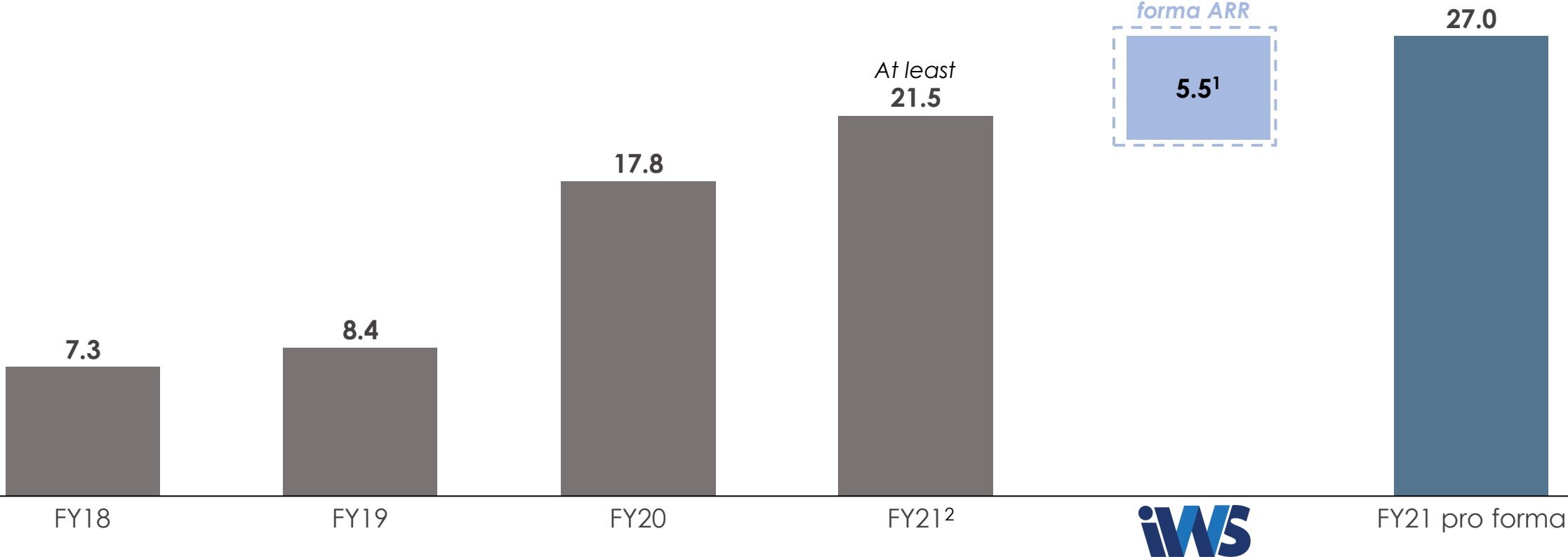
Each payslip processed is a revenue generating event

4. Material financial contribution

Acquisition of IWS increases FY21 pro forma annualised recurring revenue (ARR) by 26%

Annualised recurring revenue (\$m)

Since IPO



“ PayGroup’s acquisition of IWS is a highly strategic expansion into the franchise vertical, broadening our capabilities across APAC and significantly increasing our cross-selling opportunities. The acquisition further strengthens our core payroll business while adding a new high margin offering to our HCM suite. We expect IWS to make a material contribution to our growth in ARR into FY22. PayGroup’s scale across APAC continues to grow as we continue to execute on our long-term growth strategy. ”

Mark Samlal, Founder and CEO

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PayGroup update



Investment highlights



FY21 guidance upgrade

Significant increase in new contracts and ARR in FY21 providing strong momentum into FY22



Leading provider of payroll and human capital management (HCM) solutions

PayGroup delivers mission-critical payroll solutions and scalable HCM software



Trusted payroll solutions platform

Established scale by leveraging PayGroup's deep regulatory and compliance expertise



Valuable customer base

>1,100 enterprise customers, primarily in Asia-Pacific, underpins organic growth potential



Strong organic growth potential

Leverage unique position and customer base to cross-sell HCM solutions



Well positioned to execute on next phase of growth

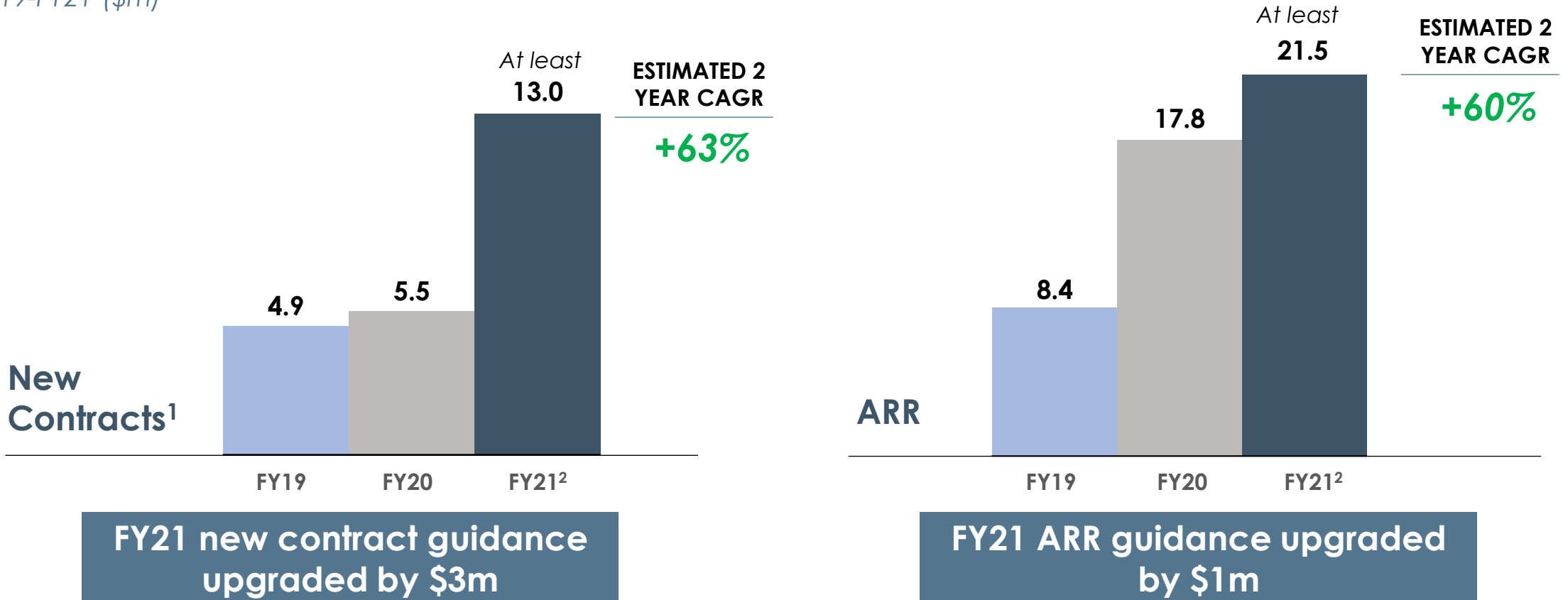
Poised to deliver and monetise high-value growth initiatives and opportunities

FY21 guidance upgrade

Significant increase in new contracts and ARR in FY21 providing strong momentum into FY22

PayGroup snapshot

FY19-FY21 (\$m)



Leading provider of payroll and HCM solutions

PayGroup delivers mission-critical payroll solutions and scalable HCM software



Fully compliant payroll solution processing >5m payslip transactions¹



Scalable software platform providing full life-cycle HCM modules



Local regulatory and compliance expertise **in more than 40 countries**



>1,100 customers across a growing number of market segments



Recognised by Gartner in market guides for Multicountry Payroll Solutions²

Trusted payroll solutions platform

Established scale by leveraging PayGroup's deep regulatory and compliance expertise

'Sticky' payroll solution



Local compliance expertise in APAC **reduces regulatory burden**, mitigating reputational risks (e.g. underpayments)



Streamlined reporting **enhances board and management's oversight** across entire work force



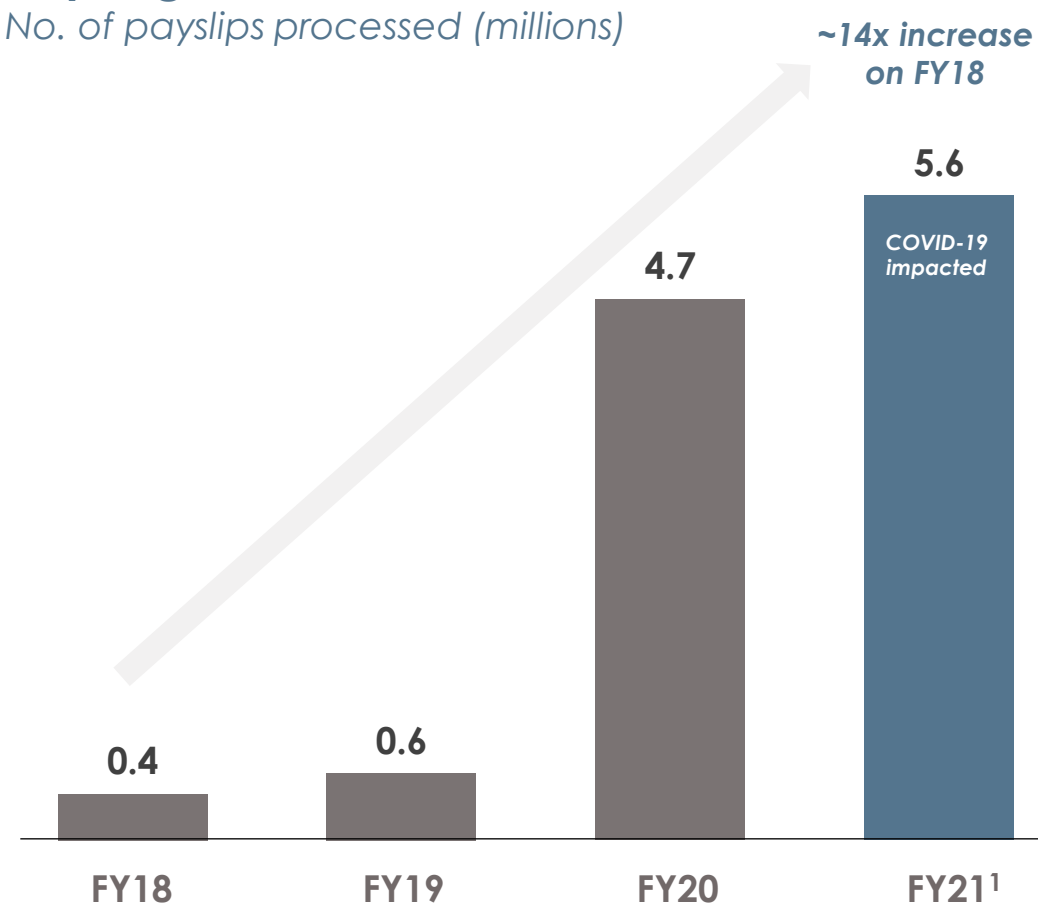
Deep integration into client's infrastructure positions PayGroup to provide additional human capital solutions



Optimise client's in-house and in-country payroll function

Rapid growth achieved

No. of payslips processed (millions)



Valuable customer base

>1,100 enterprise customers, primarily in Asia-Pacific, underpins organic growth potential

Professional Services



Michael Page

Hudson

Financial Services



Healthcare



Baxter

SHEARES

Construction & Industrials



bettabuilt.



...and more



Customers across a variety of market segments utilise PayGroup's industry agnostic solutions

Strong organic growth potential

Leverage position as mission-critical payroll provider and customer base to cross-sell HCM solutions



PayGroup's payroll solution is uniquely positioned to cross-sell high margin software modules, underpinned by deep client understanding and relationship

Examples



Logical partner for HCM modules, given entrenched payroll platform



Complementary modules such as onboarding, pay conditions and timesheet enables optimised pay solution



Enhances organisational efficiency with employee self service, learning & development and performance modules

Core Payroll solution...



...enables cross-selling of HCM modules

Current modules

- | | | |
|-------------------------------------|--------------------------|-------------------------|
| + Time & attendance | + Recruitment | + Invoicing |
| + Timesheets | + Onboarding | + Integrations |
| + Leave | + Learning & Development | + Claims |
| + Pay conditions | + Competency | + Organisation |
| + Document centre | + Performance | + iOS / Android app |
| + Taxes, superannuation & insurance | + Talent management | + Discussion board |
| + Separation | + Career management | + Employee self service |
| + AI chat bot | + Facial recognition | + Data aggregation |
| | | + Temperature check |

Organic growth through international partners

Significant pipeline of opportunities leveraging PayGroup's local expertise

Global Partner Program (GPP)

- ✓ Partners provide referrals from all over the world, for large multi-nationals needing APAC expertise
- ✓ Partners can also use any of PayGroup's diverse HCM modules for their specific region
- ✓ Lower customer acquisitions costs with partners responsible for marketing and legal costs
- ✓ Higher margin channel with increased utilisation of extensive APAC infrastructure

GPP revenue represents ~9% of FY21 ARR, with expected growth of ~140% on FY20¹

Partners provide growing pipeline of new customers



(Select partners shown)

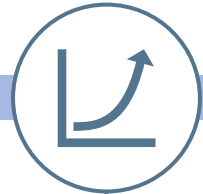
Well positioned to execute next phase of growth

PayGroup is poised to deliver on its growth pillars to drive revenue growth and margin expansion



Grow core payroll solutions

Continue to scale proven strategy to deliver trusted payroll solutions



Organic growth via cross-selling

Unlock embedded value across existing customer base



Global Partnership Program

Expand network of global partners to grow core payroll business



Enhanced payment solutions offering

Monetise high-value payments initiatives (e.g. on demand pay)



Automate core solutions

Optimise core payslip business through automation

Capital raising details



Capital raising overview

PayGroup is seeking to raise up to approximately \$16m via a Placement and SPP

Offer structure and size

- The capital raising will be structured as an institutional placement (Placement) and Share Purchase Plan (SPP) to raise approximately \$16m
- Non-underwritten Placement to raise approximately \$15m in 2 tranches
 - Tranche 1 will raise approximately A\$11.4 million via the issue of approximately 20.3 million New Shares under the Company's existing placement capacity under ASX Listing Rules 7.1 and 7.1A
 - Tranche 2 will raise approximately A\$3.6 million via the issue of approximately 6.5 million New Shares and is subject to shareholders approving resolutions to be proposed at a general meeting of the Company, to be held on or about the 13th May 2021
- Non-underwritten SPP to raise \$1m¹
 - The Company intends to offer a non-underwritten Share Purchase Plan ("SPP") to eligible shareholders aiming to raise A\$1 million on the same terms as the Placement
 - Each eligible shareholder is able to apply to purchase up to \$30,000 worth of New Shares
 - The SPP purchase price will be equal to the Placement price
- New Shares from the Placement and SPP will rank equally with existing PayGroup shares

Offer price

- New Shares under the Placement and SPP will be issued at a price of \$0.56 per share, representing a:
 - 11.1% discount to the last close price of \$0.63 per share
 - 14.9% discount to the 5-day Volume Weighted Average Price (VWAP) of \$0.658 per share

Use of funds

- PayGroup expects to use the proceeds of the Placement and SPP as follows:
 - Acquisition of IWS
 - Investment in additional sales capabilities across key markets
 - Investment in automation and artificial intelligence to enhance margins
 - Working capital and transaction costs

Indicative timetable

Enter trading halt	30 March 2021
Record date for SPP eligibility	30 March 2021
Announcement of acquisitions and capital raising, trading halt lifted	31 March 2021
Settlement of Tranche 1 Placement shares	9 April 2021
Expected date of ASX quotation of Tranche 1 Placement shares	12 April 2021
Notice of GM lodged with ASX	12 April 2021
SPP offer documents lodged with ASX and despatched to eligible shareholders	12 April 2021
SPP offer period opens	12 April 2021
SPP offer period closes	27 April 2021
Announcement of SPP results	30 April 2021
Expected date of ASX quotation of SPP shares	5 May 2021
GM to approve the issue of consideration shares for the IWS acquisition and Tranche 2 Placement	13 May 2021
Settlement of Tranche 2 Placement shares	18 May 2021
Expected date of ASX quotation of Tranche 2 Placement shares	19 May 2021

Appendix



Corporate overview

Share price performance (last 6 months)



Financial information

Share price (29-Mar-21) \$0.63

52-week trading range (low / high) \$0.435 / \$0.90

Shares on issue¹ 82.5m

Market capitalisation¹ \$52.0m

Cash (31-Dec-20) \$4.9m

Debt (31-Dec-20) \$0.0

Enterprise value \$47.1m

Substantial shareholders

Mark Samlal (Founder and Managing Director) 26.8%

Lawrence Pushpam (Founding shareholder) 8.5%

Board of directors



Ian Basser
Non-Executive
Chairman

- 30 years' experience in starting, running and building service companies around the world
- Chief Executive Officer and Managing Director of Chandler Macleod Group Limited until August 2012
- Group Managing Director of Harvey Nash
- Global management team of Michael Page International



Mark Samlal
Managing Director

- Co-founded PayAsia in 2006, where he was Non-Executive Chairman until being appointed to the Executive Chairman and Managing Director in 2015. In 2017, he was appointed to the Board of PayGroup and to the role of CEO
- Over 23 years' experience in leadership roles in Asia Pacific including Director and General Manager of ADP in Asia Australia (1999-2003)
- Previous senior roles include Chief Executive Officer VicPlas Ltd a Singapore Stock Exchange listed company in (2008-2014) and Executive Director of Omni Industries in Singapore (2006-2008)



Franck Neron-Bancel
Executive Director &
Chief Strategy Officer

- Joined PayAsia in 2017 as an Executive Director and member of the Board of PayGroup. Later became the Chief Strategy Officer
- Over 22 years' industry experience in global HCM and payroll services with global leader Automatic Data Processing, Inc. (NASDAQ: ADP, Market Cap: ~US\$79 billion¹)
- Senior Vice President Strategic Account Management (2013-2017), with reporting to the ADP Global Enterprise Solutions President



David Fagan
Non-Executive
Director

- 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), and Chair of BDO Group Holding Limited (since July 2020)
- Former Chair of the Board Risk Management Committee, UBS Grocon Real Estate Investment Management (2014 - 2020)



Shane Gild
Non-Executive
Director

- 22 years of equity capital market experience, recently left the Corporate Finance team at Canaccord Genuity
- Worked with a number of ASX emerging growth companies and institutional investors over career with experience in M&A strategy implementation and investor relations
- Previously worked at Deutsche Bank in both Australia and London and was a senior member of the Equities executive team

Key risks

This Section identifies some, but not all, of the major risks associated with an investment in the Company.

Speculative nature of investment

You should be aware that subscribing for Shares involves various risks. The Shares to be issued pursuant to the capital raising carry no guarantee with respect to the payment of dividends, returns of capital or market value of those Shares. An investment in Shares of the Company should therefore be considered very speculative.

Acquisition Specific Risks

Completion Risk

Completion of the investment by PayGroup in IWS is subject to a number of conditions, including successfully completing the capital raising described in this Presentation, PayGroup shareholder approval and no material adverse change occurring in the IWS business. If the conditions take longer than anticipated to satisfy, completion of the IWS investment may be delayed. If completion is delayed, PayGroup may incur additional costs and it may take longer than anticipated for PayGroup to realise the benefits of the investment. If the conditions are not satisfied or waived, the IWS transaction will not proceed.

The Company and the counterparties to the IWS transaction agreement have the right to end that agreement in certain circumstances. This includes where the conditions are not satisfied or waived by the stated end date and where either party is in breach of its completion obligations. Accordingly, there is no certainty that the transaction agreement will not be ended by the Company or a counterparty before completion.

Due Diligence Risk

PayGroup has undertaken a due diligence process in respect of IWS, which relied in part on the review of financial and other information provided by IWS. Whilst PayGroup considers the due diligence process undertaken to be appropriate in the circumstances, PayGroup is not able to verify the accuracy, reliability or completeness of all of the information which was provided to it against independent data. Similarly, PayGroup has prepared (and made assumptions in the preparation of) the financial information included in this Presentation in reliance on information provided by IWS. If any of the data or information provided to it and relied upon by PayGroup in its due diligence process and its preparation of this Presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial proposition and performance of PayGroup and IWS may be materially different to that expected by PayGroup and reflected in this Presentation. Investors should also note that there is no assurance that the due diligence process conducted was conclusive and that all material issues and risks in respect of the IWS investment have been identified and avoided or managed appropriately. Therefore, there is a risk that unforeseen issues and risks may arise, which might also have a material impact on PayGroup.

Key Person Risk

The successful operation of IWS's business relies on its ability to retain a number of its experienced key management personnel. The unexpected loss of any key members of management may have a material adverse effect on the financial performance of IWS and PayGroup after the completion of the investment in IWS.

Future Earnings

PayGroup has undertaken financial and commercial diligence on IWS in order to determine whether to pursue an investment in IWS. To the extent that the actual results achieved by IWS are weaker than those anticipated, or any unforeseen difficulties emerge in the operations of IWS, there is a risk that the revenue achieved by IWS, or the financial performance of IWS or PayGroup may differ from PayGroup's analysis in a material adverse manner.

Business risks associated with the Company

A number of factors may affect the future operating and financial performance of PayGroup and the value of an investment in PayGroup. These include, but are not limited to:

Failure to retain existing clients and attract new clients

The Group's success depends on its ability to continue to retain its current client base, organically grow the service requirements of those existing clients and attract new clients. The Group cannot guarantee that it will continue to increase its revenue from existing or new clients. Failure to retain existing clients or attract new clients will materially impact the Group's ability to generate revenue which will have an adverse effect on the Group's operating and financial performance.

Key risks (cont'd)

Disruption/failure of the software/cloud modules

A disruption in the functionality or operation of the Group's software modules or generally any software failure, information systems failure, external services (network) failure – would have serious consequences in the ability of the Group to deliver its HCM and potentially BPO systems. While the Group undertakes measures to prevent and detect the occurrence of such attempts to compromise the Group's HCM software modules, there is a risk that such measures may not be adequate.

Disruption of business operations

The Group and its clients are exposed to a large range of operational risks relating to both current and future operations. Such operational risks include fraud/dishonesty by its employees or service providers, occupational health & safety (as the Group has a significant number of employees particularly in Singapore and India), industrial action or disputes and natural disasters. A disruption in the Group's operations or those of its clients may have an adverse impact on the Group's growth prospects, operating results and financial performance.

Loss and theft of data/failure to implement secure data controls

The Group's business operations involve the storage of its clients' confidential, personal and sensitive information (including for example information relating to the client's employees, payroll and other financial information). The Group's business could be materially disrupted by privacy/data breaches which may impact the security of a client's information/data. This could occur through theft, unauthorized access (e.g. hacking), unauthorised disclosure of confidential client information (including exploitation of data) or loss of information (e.g. system problems). While the Group undertakes measures to prevent and detect the occurrence of such security breaches, there is a risk that such measures may not be adequate. Any security breach may result in significant disruption to the Group's business or the operations of its clients including rendering such operations unavailable for a period of time until the data is restored. A security breach could also have an adverse impact on the Group's growth prospects, operating results, reputation and financial performance.

Failure or delays in a disaster recovery scenario

The ability to implement disaster recovery is a key risk mitigator for any business which stores data or operates software programs (particularly where large amounts of data is stored in the "Cloud").

Reliance on key software/software development

The Group currently employs a number of key management personnel, and the Group's future depends on retaining and attracting suitably qualified personnel.

Competition

The human resources and talent management industry is highly competitive and includes companies with significantly greater financial, technical/software, human, research and marketing resources than the Group. There is a risk that existing or new competitors could increase their market share through new enhanced product offerings, strategic alliances, discounted pricing or strategic marketing campaigns. As a consequence, the Group's current products may become obsolete or uncompetitive, resulting in loss of clients, adverse effects on revenue, margins and profitability.

Regulatory risk

The Group and its operations/services are subject to various laws and regulations (particularly in Singapore) including but not limited to employment, accounting standards and tax laws in a number of jurisdictions. Changes in these laws and regulations (including interpretation and enforcement) in any of these jurisdictions could adversely affect the Group's financial performance. Laws and regulations are specific to each geographic location. Additionally, if the Group fails to remain compliant with these various regulatory requirements, there is a risk that the Group's financial performance could be adversely affected.

Other risk factors

Before deciding to subscribe for Shares, Applicants should consider whether Shares are a suitable investment. There may be tax implications arising from the application for Shares from the Company, Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation. Investors are strongly advised to regard any investment in the Company as a long-term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. If you are in doubt as to whether you should subscribe for Shares, you should seek advice on the Offer from a stockbroker, solicitor, accountant or other professional adviser.

Unforeseen risk

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. There may be other risks of which the Directors are unaware at the time of the Offer which may impact the Company, its strategy and/or the valuation and performance of Shares.

Offer restrictions

No action has been taken to register the securities or otherwise permit a public offering of securities in any jurisdiction. The distribution of this document outside Australia may be restricted by law. Persons who come into possession of this document should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This document is not a prospectus and shall not constitute, or form part of, an offer to sell or a solicitation of an offer to buy securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities law of any such jurisdiction. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

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This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "**FMC Act**"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Hong Kong

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Offer restrictions

United Kingdom

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