

2023 Annual Meeting Addresses

Lower Hutt, New Zealand - 14 September 2023

Chair's Address

It's been another great year at PaySauce. I'm delighted with the progress we've made towards delivering our strategic objectives, particularly as we progress towards our vision to provide payroll to one million customers globally, with our next step expansion into Australia. As we continue our evolution from start-up to scale-up, it is essential that we have the right team providing direction and insights and ensuring the business remains forward focused. To that end, we welcomed Mark Samlal as an additional Board member. Mark's international payroll expertise has already proven invaluable to the directors, and to our CEO and co-founder, Asantha, as we build our business and ultimately create greater shareholder value.

We also have another imminent change to our Board, with Jacqueline Cheyne electing to retire at the end of her term. Jackie was appointed to the Board in July 2020 and elected by you, the shareholders, in September 2020. As many of you will know, Jackie is at the forefront of climate-change related activities and is looking to create capacity to add even more value in that space. We'd like to take the opportunity to thank Jackie for her contribution as an independent director of PaySauce. As shareholders, you can rest assured that the financial and risk reporting frameworks are in excellent shape as a result of her term on our Board. As Chair of PaySauce's Audit and Risk Committee, Jackie has performed a critical function, and the Board has held discussions with potential successors. We will announce an appointment as soon as the advanced stage process to replace has been completed.

Whether at a governance, executive or operational level, people are a critical component of PaySauce's evolution. People are our most valuable asset and **Awesome People** is one of our strategic objectives. In the year to March 2023, we hired a Chief People Officer to ensure we attract and grow key talent at PaySauce. As the business has continued its journey to serve 1 million businesses globally, the additional investment into people has been focused around strengthening the Sales, Marketing and Product/Tech. Increasing capability in these functions will continue to ensure that we **reinvest for long-term growth**. This is the best value-creation opportunity for our shareholders.

We have homed in on our target market and strengthened industry and channel partnerships to reach and support that market in a way that works for our customers. That strategy has ensured a great outcome for PaySauce, for our partners and most importantly for our customers. Those **win-win-win** partnerships are formed because we **obsess over customers**, to ensure the outcome is optimised for them, by working with people they already trust, such as their Accountant or industry body.

That market approach has served us well in New Zealand, and we'll apply the lessons in our domestic market as we launch our overseas pilot in Australia. I look forward to supporting

Asantha and the team as we continue to navigate the multitude of opportunities to expand PaySauce further.

To our shareholders, on behalf of the entire board of directors I would like to thank you for your trust during the year and look forward to your continued support.

CEO's Address

Cash remains king in terms of how we manage our business, and I am delighted that PaySauce generated positive operating cash flows this financial year. Being in control of our own destiny is important and careful management of cash enables us to make good investment choices. We appreciate that that's not a privilege held by many in the current economic climate.

As well as turning a net operating cash loss last year into positive territory this year, there were several highlights in FY23. We increased recurring revenue by 68% year on year to \$5.7m in the year to March 2023. That top line growth has come from both new and existing customers through processing fees and interest earned. The revenue uplift and the improved margin that resulted from scaling were the key contributors to the 77% year on year increase in the total Customer Lifetime value. We also introduced the Rule of 40 this year as a key investor measure to balance profitability with growth. At 67, I'm very pleased with the outcome.

As Shelley has said, we've reinvested for long-term growth, and that starts with our people in the Product & Development team where we increased the headcount by 67%. By attracting and retaining key product and development talent, we'll evolve our product to enable expansion to Australia.

That talent, along with many other key roles were identified and brought on by Jessica McLean, our first Chief People Officer. I'm delighted Jess has created a People Experience function, building efficiency into our Talent Acquisition and enabling improvement in capability across the organisation. Over the year to March 2023, we increased total headcount by 31%, and retained our focus on diversity and values.

Our values-driven approach also helps us identify winning partnerships. By truly understanding our customers' needs we partner with people that our customers already trust. New partnerships in the year to March 2023 include Master Plumbers, Master Builders and Hospitality NZ. By working closely with industry experts we can better understand the specific industry problems to be solved.

Customer advocacy is key for us, and that's reflected in our NPS of 48. One industry-agnostic problem to be solved relates to employees. By listening to our customers, we know that many of their staff require some support with financial

literacy and wellbeing. This can make them vulnerable to exploitative practices to access emergency funds. I'm proud that we estimate that PayNow has saved employees over \$4m in interest and fees that they would have incurred had they gone to a payday lender.

Financials

The year ending March 2023 was another breakthrough year for PaySauce, with top line revenue growth being the key driver of the improvement as we scale up. We introduced the rule of 40 as a key benchmark for PaySauce, being a measure that recognises that both profitability and top line revenue growth are key factors contributing to overall shareholder value for SaaS companies. We've improved that measure and increased our rule of 40 score to 67, up from 36 last year. The 67 score this year is derived from 68% recurring revenue growth, less a 1% loss in Earnings Before Tax Depreciation and Amortisation. The equivalent numbers last year were 62% and a loss of 26% (62 minus 26 equals a score of 36).

Total recurring revenue grew 68% from \$3.4m to \$5.7m and that helped drive up the gross margin by 4 percentage points to 73% as the cost to serve those customers was restrained due to the economies of scale. Those efficiency improvements directly impacted the net cash generation and added \$930k to the net cash from operating activities, turning the \$666k cash utilisation in FY22 into \$264k of cash generation in the year to March 2023. **Having reached the milestone of generating positive cashflows in the quarter to March 2022**, we signalled the intent to reinvest the surplus cash back into the business.

Consequently, expenses have increased at a rate more in line with revenue growth, resulting in the revenue and expense lines converging in the graph in the second half of FY23. The trend remains favourable overall towards value creation for you, our shareholders, with the rate of expenditure growth being half of the rate of revenue growth. This has delivered a \$0.7m improvement in the bottom line to a loss of \$0.56m.

The 68% year on year increase in recurring revenue came from both new and existing customers. We drove that additional revenue both directly from customers through collection of processing fees and indirectly through earning interest on the funds held on behalf of those customers (the float). As at the end of March 2023, the Annualised Recurring Revenue (ARR) has increased to \$6.7m (up 50% YoY).

Recurring revenue is a key component in driving up our Customer Lifetime Value (CLTV), and in the year to March 2023, the CLTV increased 77% year on year to almost \$54m. The slide shows the SaaS metrics that we continually monitor to ensure we're maximising the customer lifetime value by managing each step of the SaaS customer

journey. The Customer Acquisition Cost (CAC) was \$500 per customer in the year to March 2023. On average, we earned revenue of \$81 per month from each of those customers, and it cost us an average of \$22 per month to serve them. When we extrapolate the average monthly churn of just 0.75%, it means on average, customers stay with us for 11 years and therefore each customer has a lifetime value of \$7,817. When multiplied by our customer numbers, the total customer lifetime value is \$53.7m.

In terms of expenses, investment was made predominantly into people, with 10 new Full Time Equivalent staff added to the PayForce in the year to March 2023. This accounted for over half of the increase in expenses. The additional investment into long-term growth was channelled into infrastructure and security costs and marketing costs.

Since the full year results were published, we've also released the quarterly update to the market for the quarter ended June 2023. The June quarter continued the growth trend with recurring revenue up 48% year on year. The higher interest rate environment is having a positive impact on the interest earned on the customer float.

ENDS

ABOUT PAYSAUCE

PaySauce is a SaaS fintech platform providing solutions for people at work in 14 jurisdictions across the Asia-Pacific region. We give employers the technology to digitally onboard, pay and manage employees from any device. Our platform includes rosters, mobile timesheets, payroll calculations, banking integration, automated payments, PAYE filing, labour costing, automated general ledger entries and digital employment contracts.

www.paysauce.com

CONTACT

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