2022 Annual Meeting Addresses

Lower Hutt, New Zealand - 23 September 2022

Chair's Address

It's been my privilege to join the PaySauce board this year, a landmark year for the business. A huge thank you to Mike O'Donnell for his insights and energy as interim chair which made it easy to step into the role. I'm really excited to be part of the PaySauce journey. The opportunity to join a local fintech delivering world-leading solutions was an easy one to accept. For me, PaySauce's obsession with obtaining a deep understanding of their customers has really resonated. That focus, combined with leveraging win-win partnerships, has ensured that almost half of all dairy farmers in Aotearoa who employ staff now use the PaySauce solution. Assuming Resolution A goes my way, I'm really excited about helping to drive the strategy that takes that local success global.

The focus on building for scale has been top of mind since I joined. Our accelerated quarter-on-quarter revenue has powered the necessary reinvestment to deliver further organic and scalable growth. It also puts us in a position to make strategic decisions toward ensuring we become the first choice people platform for SMEs in Oceania.

On that note, the SmoothPay acquisition has been a notable success, with the customer base and the exceptional talent we acquired in this transaction giving us an entry point to leverage as we plan for new geographic markets. We will continue to actively seek acquisition targets where we see a good fit and path to accelerated long term growth. We will continue to consider options for financing growth opportunities, including going back to the market for capital if we believe the opportunity could significantly lift our growth rate, be it acquisition, or growth from other means.

Awesome people remain a key foundation of our strategy, with our culture enabling us to attract and retain talent in a competitive market. PaySauce has a fun, fresh and diverse workforce who live our values. This creates an environment where the PayForce can grow with the business.

I look forward to supporting Asantha and the team as we continue our journey toward industry leadership. The determination and hard work of the last year, despite a background of COVID in the community and other economic uncertainties, saw us tackle many of the foundational challenges facing a company moving from startup to scale up.

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

Thank you, Shelley.

As Shelley has said, this year has been a landmark year for PaySauce. We've taken decisive steps to move from start-up to scale-up and, while the resulting 83% YoY growth in ARR is definitely something we're proud of, it's ending the financial year with a cash flow positive quarter that's the landmark moment I want to underline. We said we would - and we did. We've essentially proved that our pathway to success is not dependent on further capital injections - the reward for the execution of our strategy is the privileged position of being in charge of our own destiny. The intention remains to reinvest profits back into the business to further accelerate the growth. We see this as adding the greatest value back to the shareholders.

Talking of landmarks, for the year ended 31 March 2022, we passed the $1 billion milestone. That's one billion dollars of payroll processed in one year, taking us to over $3.5 billion since we started.

The employees earning those wages and salaries are also our customers. We provide them a service to make their lives easier. Almost $3m of earned wages has now been accessed through our flagship feature PayNow since inception. That's $3m that didn't end up being provided by third tier or predatory lenders to our people. This partnership with BNZ continues to inspire our team and impress our partners. Much more importantly though, we're doing our part to make life easier for both employers and employees. A lot easier actually - we estimate we've saved over $2.5m in payday lending fees.

We've continued to expand in the dairy sector and find ourselves, as we speak, providing payroll service for around half of employing dairy farms in New Zealand. Market penetration of this magnitude is earlier than we'd planned. Four key drivers of this success include:

- Customer led product evolution to solve real problems;
- Passionate customer service expertise;
- Enhanced brand awareness; and
- Strategic industry and channel partnerships.

These drivers form the playbook which we will roll out to new verticals and geographies to replicate the success at scale.

Partnerships are vital to our continued growth, and we've made some deliberate investments this year. An alliance with the Chartered Accountants Australia & New Zealand broadens our audience and gives weight to our newly launched partner programme, designed to certify, recognise and reward advisors.

The successful completion of the SmoothPay acquisition at the end of May last year added over 1,300 customers to our portfolio and expanded our customer footprint into the Pacific territories and Australia. Nine percent of our customer base is now international and 8% of recurring revenue comes from processing fees from this product line. This was achieved for a consideration of $0.375m of PaySauce ordinary shares, being a 1.5 x revenue multiplier.

There have been challenges of course. As a small team we're vulnerable to absence and we felt this keenly when many of our front line support team were ill with Covid during our most busy time - May and June. During this period, the 'year end' for dairy farmers, we typically have call volumes three times the normal level. So, despite building out the team to a larger headcount than last year to ensure seamless service, we ended up with fewer crew which was stressful for everyone. I'm proud to say that the team really pulled together. Alongside making sure we live our values to 'do good' by celebrating success and nurturing our people we continue to make investments into software and systems to build resilience in the team and increase efficiency.

In summary, yes, a landmark year that ticked off two of the goals I've been so passionate about. Achieving positive cashflow has been our north star for some time. The other, to lead a resilient and scalable business well positioned to exploit new opportunities is also a reality. Thank you to the PayForce, our executive team, my Board and to all our shareholders for your support in making this our biggest year ever.

Financials

FY22 was a strong year, capped off by achieving operational break-even[1] and positive cash flow for the last quarter of the year.

Recurring revenue growth played a significant part in this, growing 62% YoY. Processing fees were up 66% YoY, resulting from:

- 2,675 new customers onboarded during the year (up 79% YoY);
- The impact of tactical pricing changes, implemented in November 2021; and
- The acquisition of SmoothPay and the goPayroll product - included in the customer numbers above.

We delivered this level of growth despite keeping the same full time equivalent (FTE) headcount - growing our revenue per FTE to $110k per FTE (up 60% YoY). People costs grew to $3.3m (up 16% YoY), and we invested $0.43m (13% of people costs, and 13% of recurring revenue) of this into improving our existing product and developing our internal systems. Since then, we've increased the investment into our people, systems

[1] Excludes FY22 Employee Share Scheme cost ($200k)

and processes as we scale our operations to ensure that we're able to keep up with continued growth whilst operating efficiently and delighting our customers.

We grew revenue and kept expenses flat over the four quarters, to achieve a breakeven final quarter. In terms of relativities to the previous year, the rate of revenue growth is significantly higher than the rate of expense growth. Operating costs increased 24% YoY compared to a 60% increase in operating revenue - improving our bottom line by $0.41m relative to last year, and reducing our net loss to $1.28m as a result.

We manage every step of the SaaS customer journey. The cost of acquiring each new customer paid for itself within 6 months. We incurred a service cost to maintain those customers. Historically, customers have churned at just 8% per year, meaning each customer should deliver $5k over their lifetime.

The total customer lifetime value multiplies that $5k value per customer to the total customer number, being an estimate of the value of the total customer base.
The lifetime value per customer increased 9% compared to last year as a result of the improvements across Churn, ARPU and Gross margin. When coupled with the 79% growth in customer numbers this year, the total customer lifetime value has doubled.

As Asantha mentioned, our accelerated growth led to an 83% increase in ARR, driven by revenue from our existing processing fees, newly acquired processing fees through the SmoothPay acquisition, and interest income being up across the board.

As a PAYE intermediary, PaySauce earns interest on the funds held on behalf of customers - in simple terms the customer float. Whilst the float has grown consistently, the rate of interest rate rises has been far more aggressive with interest rates more than doubling over the financial year, and increasing further still into the F23 financial year.

The growing interest rate environment is having a positive impact on top line revenue, with interest revenue making up 12% of our recurring revenue for the quarter ended 30 June 2022 (compared to 7% in the quarter or year to March 2022). Interest revenue was up 348% YoY as rates returned to their pre-COVID levels, and the float of funds held on behalf of customers increased to $5.2m at the end of June (up 42% YoY). These factors have all contributed to increasing our annualised recurring revenue (ARR) to $4.94m at the end of June this year.

I'll now pass you back to Shelley to run through the remainder of the meeting.

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.

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CONTACT

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