NEW ZEALAND EQUITY RESEARCH | TECHNOLOGY | PAYROLL SOFTWARE
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PaySauce
1Q27: Waiting for Super

JAMES LINDSAY
james.lindsay@forsythbarr.co.nz
+64 9 368 0145

GEORGIO TOULIS
georgio.toulis@forsythbarr.co.nz
+64 9 918 9293

GORDON SIMS
gordon.sims@forsythbarr.co.nz
+64 9 918 9248

PaySauce (PYS) reported a mixed 1Q27 update, with continued processing fee growth underpinned by ARPU gains but New Zealand customer additions well below expectations. That said, our focus remains primarily on whether PYS can convert its April 2026 Australian launch into meaningful customer growth, which we see as the key near-term value driver. The company's Australian customer count—close to 100—suggests the customer ramp has begun modestly, albeit broadly in line with our expectations. Australian Payday Super legislation took effect on 1 July 2026, requiring employers to pay super each payday rather than quarterly. We view this as a potential demand catalyst for PYS as Australian SMEs look for simpler ways to manage the additional compliance burden. Management has drawn parallels with New Zealand's 2019 payday filing reforms, a contributor to >80% year-on-year customer growth in both FY19 and FY20. We see Payday Super applying similar compliance pressure to a market around seven times larger. While we reduce our New Zealand customer growth forecasts, lowering our blended spot valuation -6% to NZ$0.30, Australian execution remains the key value driver.

NZX code	PYS
Share price	NZ$0.280
Spot Valuation	NZ$0.30 (from 0.32)
Risk rating	High
Issued shares	165.9m
Market cap	NZ$46.5m
Avg daily turnover	25.2k (NZ$6k)

Financials: Mar/	26A	27E	28E	29E
Rev (NZ$m)	9.2	10.4	12.7	16.0
NPAT* (NZ$m)	0.3	-2.2	-1.5	0.0
EPS* (NZc)	0.2	-1.3	-0.9	0.0
DPS (NZc)	0.0	0.0	0.0	0.0
Imputation (%)	0	0	0	0

*Based on normalised profits

Valuation (x)	26A	27E	28E	29E
PE	n/a	n/a	n/a	n/a
EV/EBIT	n/a	n/a	n/a	n/a
EV/EBITDA	31.8	n/a	n/a	24.4
Price / NTA	7.7	13.2	22.6	21.7
Cash div yld (%)	0.0	0.0	0.0	0.0
Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Earnings:** Our EBTDA forecasts decline -NZ$0.1m/-NZ$0.2m/-NZ$0.4m over FY27/FY28/FY29 respectively.
- **Spot valuation:** Declines -NZ2cps to NZ$0.30, reflecting lower revenues on reset NZ customer growth assumptions.

Processing fees drive the quarter—NZ customer growth more subdued than expected

Recurring revenue reached NZ$2.3m in 1Q27, up +5% year on year (+4% quarter on quarter), driven by +11% year-on-year growth in processing fee revenue to NZ$1.9m, more than offsetting a -17% decline in interest income. ARR increased to NZ$9.5m (+8% year on year), while PYS added +156 net customers to 8,756 (+2% quarter on quarter). Monthly ARPU rose +4% year-on-year to NZ$91, reflecting higher processing fee ARPU following the retirement of PYS's entry-level 'Simple' plan. With c.100 Australian customers following the formal April 2026 Australia launch, headline customer additions imply NZ customer growth was broadly flat quarter on quarter. Given 1Q has historically accounted for ~40% of annual NZ net additions, this was well below our FY27 expectation for +395.

Early Australia signs appear positive but the real test lies ahead

PYS's release highlighted several early indicators of Australian progress. We view the first fully self-service customer onboardings as an encouraging proof point for scalability. While the disclosed c.100 customers show a modest start, this was before the 1 July implementation of Payday Super. The next near-term proof point will be whether Payday Super-driven demand materialises.

Contextualising the Payday Super tailwind—NZ's 2019 reform the precedent

Management cited NZ's 2019 payday filing reforms (effective 1 April 2019) as a precedent to frame Australia's 1 July 2026 Payday Super rollout. PYS reported +86% (c.+0.6k) and +80% (c.+1.1k) year-on-year customer growth in FY19 and FY20, respectively. We expect Payday Super to drive similar compliance-driven demand in Australia over the next ~12–18 months.

Market Data (NZ$)	
Priced as at 07 Jul 2026	**0.280**
52 week high / low	0.340 / 0.175
Market capitalisation (NZ$m)	46.5

Key WACC assumptions	
Risk free rate	5.00%
Equity beta	1.25
WACC	13.2%
Terminal growth	2.5%

Profit and Loss Account (NZ$m)	2025A	2026A	2027E	2028E	2029E
Revenue	9.0	9.2	10.4	12.7	16.0
Normalised EBITDA	**1.4**	**1.2**	**(1.0)**	**(0.1)**	**1.4**
Depreciation and amortisation	0.8	1.0	1.2	1.3	1.4
Normalised EBIT	**0.6**	**0.2**	**(2.1)**	**(1.4)**	**0.0**
Net interest	(0.0)	0.0	(0.0)	(0.0)	(0.0)
Associate income	-	-	-	-	-
Tax	0.2	0.1	(0.0)	(0.0)	0.0
Minority interests	-	-	-	-	-
Normalised NPAT	**0.8**	**0.3**	**(2.2)**	**(1.5)**	**0.0**
Abnormals/other	(0.1)	(0.0)	-	-	-
Reported NPAT	**0.7**	**0.3**	**(2.2)**	**(1.5)**	**0.0**
Normalised EPS (cps)	0.5	0.2	(1.3)	(0.9)	0.0
DPS (cps)	-	-	-	-	-

Growth Rates	2025A	2026A	2027E	2028E	2029E
Revenue (%)	16.7	2.6	13.0	21.6	26.4
EBITDA (%)	21.7	-13.6	n/a	n/a	n/a
EBIT (%)	15.8	-69.0	n/a	n/a	n/a
Normalised NPAT (%)	-48.2	-58.9	n/a	n/a	n/a
Normalised EPS (%)	-45.5	-62.9	n/a	n/a	n/a
Ordinary DPS (%)	n/a	n/a	n/a	n/a	n/a

Cash Flow (NZ$m)	2025A	2026A	2027E	2028E	2029E
EBITDA	**1.4**	**1.2**	**(1.0)**	**(0.1)**	**1.4**
Working capital change	0.1	0.2	0.1	0.1	0.1
Interest & tax paid	(0.3)	(0.1)	0.0	(0.0)	(0.0)
Other	4.9	7.7	1.1	2.0	2.8
Operating cash flow	**6.1**	**9.0**	**0.2**	**2.0**	**4.4**
Capital expenditure	(1.7)	(2.2)	(2.0)	(2.1)	(2.3)
(Acquisitions)/divestments	-	-	-	-	-
Other	(1.3)	(1.2)	(0.4)	(0.9)	(1.3)
Funding available/(required)	**3.1**	**5.6**	**(2.2)**	**(1.0)**	**0.7**
Dividends paid	-	-	-	-	-
Equity raised/(returned)	-	4.6	-	-	-
(Increase)/decrease in net debt	**3.1**	**10.2**	**(2.2)**	**(1.0)**	**0.7**

Balance Sheet (NZ$m)	2025A	2026A	2027E	2028E	2029E
Working capital	(0.3)	(0.4)	(0.5)	(0.6)	(0.7)
Fixed assets	0.4	0.2	0.5	0.8	1.3
Intangibles	3.4	4.6	5.4	6.0	6.6
Right of use asset	-	-	-	-	-
Other assets	40.7	48.1	48.6	50.0	52.0
Total funds employed	**44.0**	**52.5**	**54.0**	**56.2**	**59.3**
Net debt/(cash)	(0.3)	(4.5)	(2.1)	(0.5)	(0.4)
Lease liability	0.1	0.0	0.1	0.2	0.2
Other liabilities	38.9	46.2	46.8	48.2	50.3
Shareholder's funds	5.4	10.8	9.2	8.4	9.2
Minority interests	-	-	-	-	-
Total funding sources	**44.0**	**52.5**	**54.0**	**56.2**	**59.3**

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Spot valuation (NZ$)	**0.30**
SaaS peers comparable	0.23
DCF	0.29
12-month forward total LTV	0.45

DCF valuation summary (NZ$m)	
Total firm value	46
(Net debt)/cash	2
Less: Capitalised operating leases	(1)
Value of equity	47

Valuation Ratios	2025A	2026A	2027E	2028E	2029E
EV/Sales (x)	5.3	4.3	3.3	2.8	2.2
EV/EBITDA (x)	32.7	31.8	n/a	n/a	24.4
EV/EBIT (x)	78.8	>100x	n/a	n/a	>100x
PE (x)	58.9	>100x	n/a	n/a	>100x
Price/NTA (x)	21.6	7.7	13.2	22.6	21.7
Free cash flow yield (%)	9.3	14.3	-4.0	-0.3	4.1
Adj. free cash flow yield (%)	9.3	14.3	-4.0	-0.3	4.1
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Gross dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Capital Structure	2025A	2026A	2027E	2028E	2029E
Interest cover EBIT (x)	13.4	n/a	n/a	n/a	4.7
Interest cover EBITDA (x)	32.4	n/a	n/a	n/a	>100x
Net debt/ND+E (%)	-6.3	-74.6	-30.6	-7.2	-4.6
Net debt/EBITDA (x)	n/a	n/a	2.1	4.6	n/a

Key Ratios	2025A	2026A	2027E	2028E	2029E
Return on assets (%)	1.3	0.3	-3.8	-2.5	0.1
Return on equity (%)	14.5	2.9	-24.3	-18.0	0.4
Return on funds employed (%)	13.0	2.8	-22.2	-15.6	0.4
EBITDA margin (%)	15.5	13.1	-9.3	-0.9	8.8
EBIT margin (%)	6.4	1.9	-20.5	-11.3	0.3
Capex to sales (%)	18.5	24.0	19.7	16.6	14.7
Capex to depreciation (%)	-750	-1,208	-3,740	-11,330	3,109
Imputation (%)	0	0	0	0	0
Pay-out ratio (%)	0	0	0	0	0

Operating Performance	2025A	2026A	2027E	2028E	2029E
Processing fees	6.3	7.2	8.3	10.4	13.7
Interest on customer funds	2.3	1.8	1.9	2.0	2.1
SaaS recurring revenue	**8.7**	**9.0**	**10.2**	**12.4**	**15.8**
Beginning customers (#)	7,368	8,204	8,600	9,782	12,183
New customers (#)	1,755	1,422	2,258	3,624	4,640
Customers churned (#)	(919)	(1,026)	(1,076)	(1,223)	(1,524)
Ending customers (#)	**8,204**	**8,600**	**9,782**	**12,183**	**15,299**
Net customer growth (%)	11.3%	4.8%	13.7%	24.5%	25.6%
Average monthly churn (%)	1.0%	1.0%	1.0%	1.0%	1.0%
Per customer metrics:					
ARPU (NZ$ p/m)	92.6	89.0	91.9	93.8	95.2
Cost to serve (NZ$ p/m)	(19.2)	(19.1)	(19.5)	(18.8)	(18.3)
Lifetime years	8.4	8.2	8.2	8.2	8.2
Lifetime value (NZ$)	6,747	6,656	7,101	7,348	7,543
Lifetime value: CAC	11.6	7.1	4.8	7.3	8.6

Earnings revisions

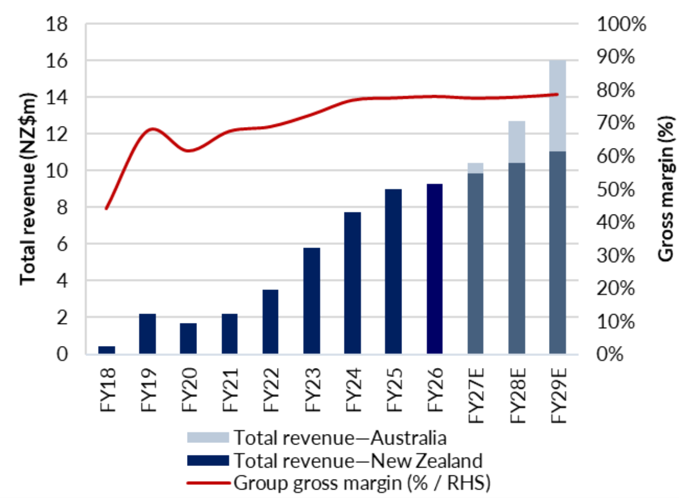
We reduce our NZ customer addition assumptions materially, now forecasting a modest +100 net customer additions through FY27 (versus +395 previously) and a slower NZ customer addition ramp across our forecast horizon. Our total customer count (NZ and Australia combined) declines -3%/-2%/-2% across FY27/FY28/FY29 respectively, to ~9.8k/~12.2k/~15.3k. We maintain our ~+1.1k Australian customer additions assumption for FY27, albeit expecting these to be second-half weighted. As a result, our recurring revenue forecasts decline -2%/-4%/-5% across FY27/FY28/FY29 respectively, with EBTDA declining -NZ$0.1m/-NZ$0.2m/-NZ$0.4m.

Figure 1. Earnings revisions (NZ$m)

	FY26	FY27E			FY28E			FY29E		
	Reported	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Processing fees	7.2	8.4	8.3	-2%	10.8	10.4	-4%	14.4	13.7	-5%
Interest income	1.8	1.9	1.9	-2%	2.1	2.0	-5%	2.2	2.1	-7%
Recurring revenue	**9.0**	**10.3**	**10.2**	**-2%**	**12.9**	**12.4**	**-4%**	**16.6**	**15.8**	**-5%**
Cost to serve	(2.0)	(2.3)	(2.3)	-1%	(2.9)	(2.8)	-4%	(3.5)	(3.4)	-5%
Gross margin	**7.0**	**8.0**	**7.9**	**-2%**	**10.1**	**9.7**	**-4%**	**13.1**	**12.4**	**-5%**
Gross margin (%)	*78.1%*	*77.6%*	*77.6%*	*n/a*	*77.9%*	*77.9%*	*n/a*	*78.7%*	*78.7%*	*n/a*
Customer acquisition costs	(1.3)	(3.4)	(3.3)	-2%	(3.7)	(3.6)	-3%	(4.2)	(4.1)	-3%
Research and development costs	(1.2)	(1.5)	(1.5)	n/a	(1.9)	(1.9)	n/a	(2.4)	(2.4)	n/a
G&A costs	(3.5)	(4.2)	(4.3)	+1%	(4.6)	(4.5)	-0%	(4.9)	(4.8)	-2%
EBTDA	**1.2**	**(0.9)**	**(1.0)**	**-10%**	**0.1**	**(0.1)**	**n/a**	**1.8**	**1.4**	**-22%**
EBTDA margin (%)	*14%*	*-9%*	*-10%*	*n/a*	*1%*	*-1%*	*n/a*	*11%*	*9%*	*n/a*
D&A	(1.0)	(1.2)	(1.2)	+0%	(1.3)	(1.3)	-1%	(1.4)	(1.4)	-3%
NPBT	**0.2**	**(2.1)**	**(2.1)**	**-4%**	**(1.2)**	**(1.4)**	**-21%**	**0.4**	**0.0**	**-91%**
Tax benefit/(expense)	0.1	(0.0)	(0.0)	n/a	(0.0)	(0.0)	n/a	0.0	0.0	n/a
NPAT	**0.3**	**(2.1)**	**(2.2)**	**-4%**	**(1.2)**	**(1.5)**	**-21%**	**0.4**	**0.0**	**-91%**

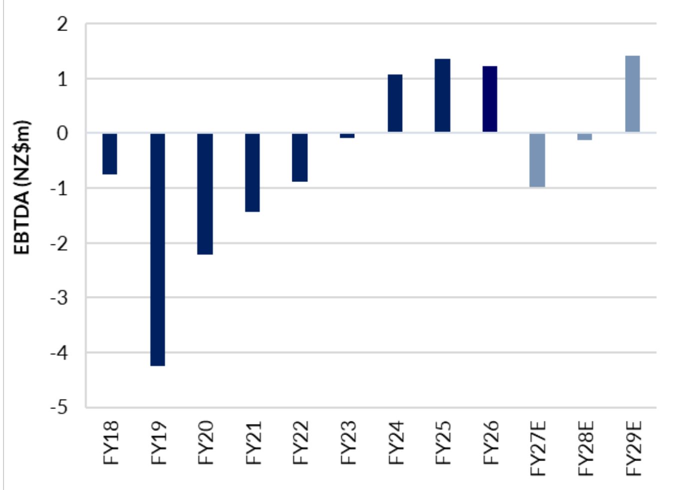
Source: Company, Forsyth Barr analysis

Figure 2. PYS—Total revenue (NZ$m) and gross margin (%)



Source: Company, Forsyth Barr analysis

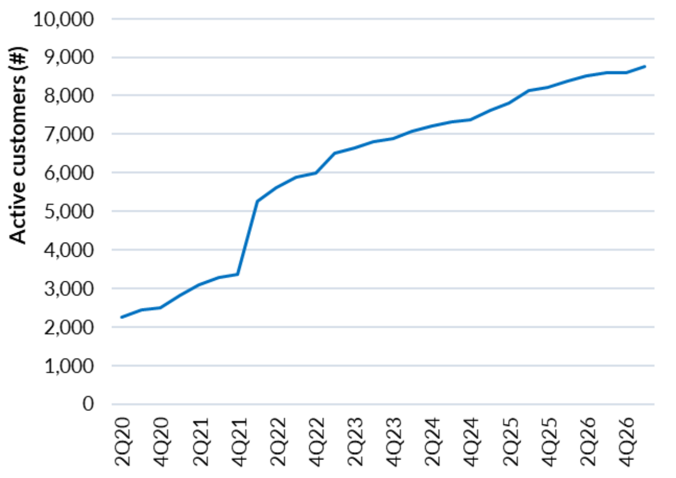
Figure 3. PYS—EBTDA (NZ$m)



Source: Company, Forsyth Barr analysis

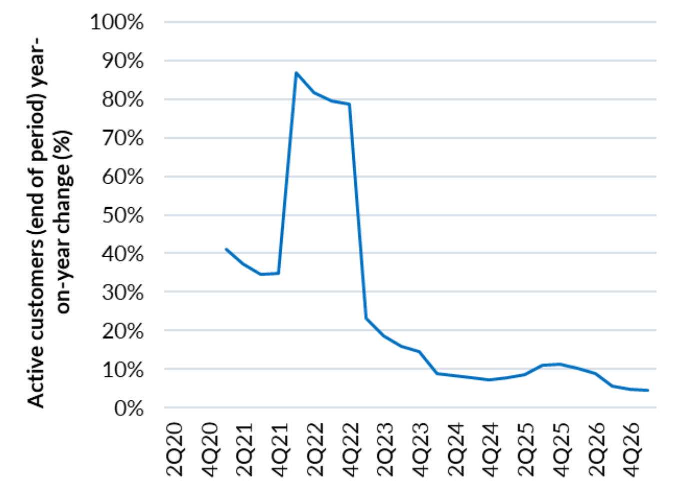
Charts of interest

Figure 4. Australia was the key driver of 1Q27 customer adds ...



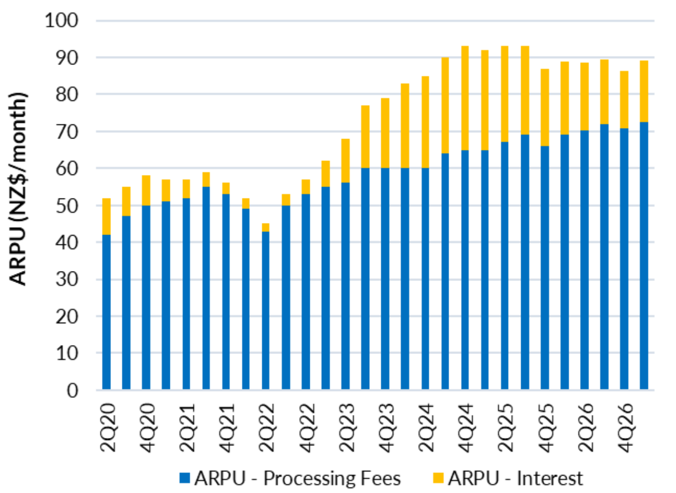
Source: Company, Forsyth Barr analysis

Figure 5. ... however, overall customer growth remains subdued



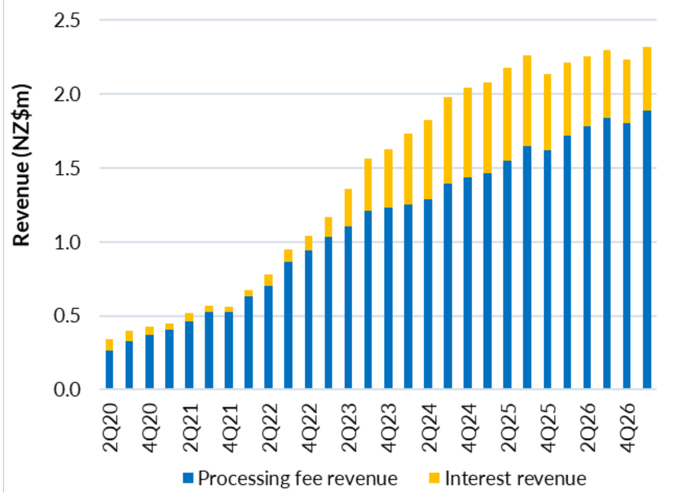
Source: Company, Forsyth Barr analysis

Figure 6. PYS's 'Simple' plan retirement has bolstered ARPU ...



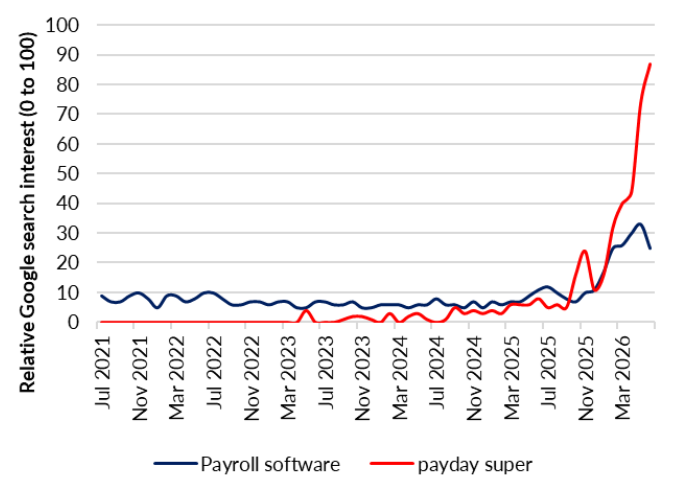
Source: Company, Forsyth Barr analysis

Figure 7. ... offsetting lower customer growth and interest



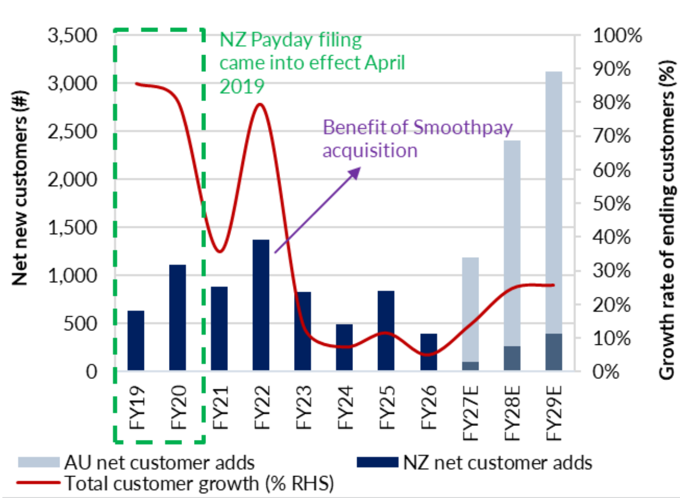
Source: Company, Forsyth Barr analysis

Figure 8. Industry search interest in Australia lifted before Payday Super changes came into effect (1 July 2026) ...



Source: Google Trends, Forsyth Barr analysis

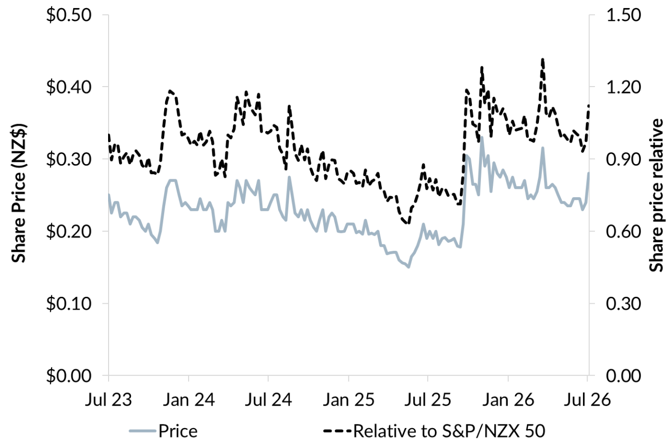
Figure 9. ... NZ's 2019 Payday Filing reforms provide a precedent for Australia's Payday Super changes



Source: Company, Forsyth Barr analysis

Additional data

Figure 10. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 11. Substantial shareholders

Shareholder	Latest Holding
Asantha Wijeyeratne	20.5%
Perpetual Trust Barnes Family	12.9%
Troy Tarrant	9.3%

Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 12. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash Yld
			(m)	1yr	2yr	1yr	2yr	1yr	2yr	1yr
PaySauce Ltd	**PYS NZ**	**NZD0.28**	**NZD43.1**	**<0x**	**<0x**	**<0x**	**>75x**	**<0x**	**<0x**	**0.0%**
Automatic Data Processing Inc	ADP US	USD239.49	USD95,732.4	21.6x	19.6x	13.8x	12.8x	15x	13.9x	2.7%
Paychex Inc	PAYX US	USD105.39	USD37,476.7	17.5x	16.4x	12.6x	11.8x	13.7x	12.9x	4.7%
Paylocity Holding	PCTY US	USD113.77	USD6,091.7	14x	13x	9.3x	8.6x	10.9x	10.1x	0.0%
Paycom Software	PAYC US	USD139.90	USD6,663.6	12x	10.7x	6.4x	5.9x	8.2x	7.4x	1.1%

Source: Forsyth Barr analysis, Bloomberg. NOTE: all multiples based on Bloomberg consensus estimates. EV = market cap + net debt + lease liabilities + min interests - investments

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