PaySauce
Transition Quarter as Its Australian Pilot Starts

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PaySauce (PYS) delivered a modestly softer-than-expected 2Q26 update but demonstrated many of the drivers (slowing growth in New Zealand, growth in ARPU, and a focus on the Australian pilot launch) we outlined in our 2 October 2025 initiation note. While New Zealand growth was just below expectations, customer numbers and ARR continued to lift quarter on quarter, and the company's focus has firmly shifted towards executing its Australian rollout and introducing its new Gen 2.0 platform in that market. Revenue mix continues to tilt towards processing fees as interest on the float normalises with lower rates. The initial pilot under the Australian Pastoral Award has successfully made several live pays for a handful of test customers. At the same time, it is working towards finalising the user experience (UX) and product–market fit of Gen 2.0. Its broader commercial launch is planned for next year at the Australian Dairy Conference, to be held in Melbourne from 11 to 13 February 2026. We leave our forecasts and valuation unchanged. While 2Q26 saw marginally weaker net adds than expected, 2H26 could be lifted by a better New Zealand sales focus and its Australian market launch. We expect PYS's interim result in mid-November 2025.

NZX code	PYS
Share price	NZ$0.28
Spot Valuation	NZ$0.39
Risk rating	High
Issued shares	144.2m
Market cap	NZ$40.4m
Avg daily turnover	30.5k (NZ$6k)

Financials: Mar/	25A	26E	27E	28E
Rev (NZ$m)	9.0	9.4	11.0	13.8
NPAT* (NZ$m)	0.8	0.1	-1.3	-0.5
EPS* (NZc)	0.0	0.0	0.0	0.0
DPS (NZc)	0.0	0.0	0.0	0.0
Imputation (%)	0	0	0	0

*Based on normalised profits

Valuation (x)	25A	26E	27E	28E
PE	n/a	n/a	n/a	n/a
EV/EBIT	68.3	n/a	n/a	n/a
EV/EBITDA	28.3	29.8	n/a	29.3
Price / NTA	21.6	26.7	n/a	n/a
Cash div yld (%)	0.0	0.0	0.0	0.0
Gross div yld (%)	0.0	0.0	0.0	0.0

New Zealand engine still doing the work, albeit growth has slowed

ARR reached NZ$9.2m in 2Q26, up +4% quarter-on-quarter and +6% year-on-year. Processing fee revenue grew to NZ$1.8m, +4% qoq and +14% yoy, and now represents ~78% of total recurring revenues. Interest on customer funds fell -23% yoy to NZ$0.5m, with lower wholesale interest rates more than offsetting higher float balances. Active customers ended the quarter at 8,506, up +1% (+124 net additions) qoq, and +9% (+685) yoy. We forecast ~8.9k customers by FY26 year-end, up from ~8.2k at FY25. After growing +302 in 1H26, versus +453 in 1H25, we assume +430 growth in customer numbers in 2H26. Management noted that a shift in focus to the upcoming Australian launch 'has temporarily diverted sales resources in the quarter', taking priority over some NZ customer acquisition opportunities. Processing ARPU lifted ~+4% qoq to ~NZ$71/month while interest ARPU fell ~-2% qoq to ~NZ$20/month. This is in line with our FY26 forecast for processing ARPU of NZ$71/month average (up +5% yoy) and further declines in interest ARPU to finish the year at an average NZ$17.5/month (down -30% yoy).

Australia pilot moves from concept to live payments

PYS's Australian Gen 2.0 payroll solution processed several live pays for a handful of pilot customers, validating the core workflows and two years of platform development. Management is preparing for market entry early next year, sensibly ensuring award compliance and service readiness with a small number of pilot customers. Key risks remain around onboarding velocity and costs, but live processing and the utilisation of its existing NZ team for initial sales and service functions materially reduce execution uncertainty. PYS is continuing to develop the UX based on feedback from pilot customers prior to full commercial launch, expected in mid-February 2026. With the launch being only six weeks before the end of PYS's FY26, we conservatively assume no Australian customer additions in our FY26 base-case forecasts. We model Australian customers reaching ~1,100 by year-end FY27, representing 2.5% agri market share, fourteen months after public launch.

Paysauce Limited (PYS)

Market Data (NZ$)	
Priced as at 08 Oct 2025	**0.28**
52 week high / low	0.31 / 0.14
Market capitalisation (NZ$m)	40.4

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)	2024A	2025A	2026E	2027E	2028E
Revenue	7.7	9.0	9.4	11.0	13.8
Normalised EBITDA	**1.1**	**1.4**	**1.3**	**(0.2)**	**1.3**
Depreciation and amortisation	0.6	0.8	1.0	1.4	1.6
Normalised EBIT	**0.5**	**0.6**	**0.3**	**(1.6)**	**(0.3)**
Net interest	(0.1)	(0.0)	(0.1)	(0.2)	(0.3)
Associate income	-	-	-	-	-
Tax	1.0	0.2	(0.1)	0.5	0.2
Minority interests	-	-	-	-	-
Normalised NPAT	**1.5**	**0.8**	**0.1**	**(1.3)**	**(0.5)**
Abnormals/other	(0.2)	(0.1)	-	-	-
Reported NPAT	**1.2**	**0.7**	**0.1**	**(1.3)**	**(0.5)**
Normalised EPS (cps)	0.0	0.0	0.0	(0.0)	(0.0)
DPS (cps)	-	-	-	-	-

Growth Rates	2024A	2025A	2026E	2027E	2028E
Revenue (%)	32.8	16.7	5.1	16.1	25.5
EBITDA (%)	n/a	21.7	-7.2	n/a	n/a
EBIT (%)	n/a	15.8	-54.0	n/a	n/a
Normalised NPAT (%)	n/a	-48.2	-80.6	n/a	n/a
Normalised EPS (%)	n/a	-45.5	-78.9	n/a	n/a
Ordinary DPS (%)	n/a	n/a	n/a	n/a	n/a

Cash Flow (NZ$m)	2024A	2025A	2026E	2027E	2028E
EBITDA	**1.1**	**1.4**	**1.3**	**(0.2)**	**1.3**
Working capital change	(1.1)	0.1	0.0	0.1	0.1
Interest & tax paid	(1.1)	(0.3)	(0.0)	(0.7)	(0.5)
Other	2.0	4.9	4.1	4.6	4.7
Operating cash flow	**0.9**	**6.1**	**5.4**	**3.8**	**5.6**
Capital expenditure	(1.2)	(1.7)	(2.0)	(1.9)	(2.0)
(Acquisitions)/divestments	-	-	-	-	-
Other	(0.7)	(1.3)	(2.5)	(2.8)	(2.9)
Funding available/(required)	**(1.0)**	**3.1**	**0.9**	**(1.0)**	**0.7**
Dividends paid	-	-	-	-	-
Equity raised/(returned)	-	-	-	-	-
(Increase)/decrease in net debt	**(1.0)**	**3.1**	**0.9**	**(1.0)**	**0.7**

Balance Sheet (NZ$m)	2024A	2025A	2026E	2027E	2028E
Working capital	(0.2)	(0.3)	(0.3)	(0.4)	(0.5)
Fixed assets	0.4	0.4	0.6	0.7	0.9
Intangibles	2.4	3.4	4.3	5.0	5.5
Right of use asset	-	-	-	-	-
Other assets	36.1	40.7	44.1	47.9	51.7
Total funds employed	**38.6**	**44.0**	**48.6**	**53.2**	**57.6**
Net debt/(cash)	0.0	(0.3)	(0.0)	1.1	1.2
Lease liability	0.1	0.1	0.2	0.2	0.3
Other liabilities	34.5	38.9	42.3	46.2	50.0
Shareholder's funds	4.0	5.4	6.2	5.6	6.1
Minority interests	-	-	-	-	-
Total funding sources	**38.6**	**44.0**	**48.6**	**53.2**	**57.6**

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

Spot valuation (NZ$)	**0.39**
SaaS peers comparable	0.30
DCF	0.39
12-month forward total LTV	0.49

DCF valuation summary (NZ$m)	
Total firm value	58
(Net debt)/cash	1
Less: Capitalised operating leases	#N/A
Value of equity	#N/A

Valuation Ratios	2024A	2025A	2026E	2027E	2028E
EV/Sales (x)	4.8	4.6	4.2	3.6	2.9
EV/EBITDA (x)	31.8	28.3	29.8	n/a	29.3
EV/EBIT (x)	73.1	68.3	>100x	n/a	n/a
PE (x)	>100x	>100x	>100x	n/a	n/a
Price/NTA (x)	28.0	21.6	26.7	>100x	>100x
Free cash flow yield (%)	-1.1	10.7	8.0	4.2	8.3
Adj. free cash flow yield (%)	-1.1	10.7	8.0	4.2	8.3
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

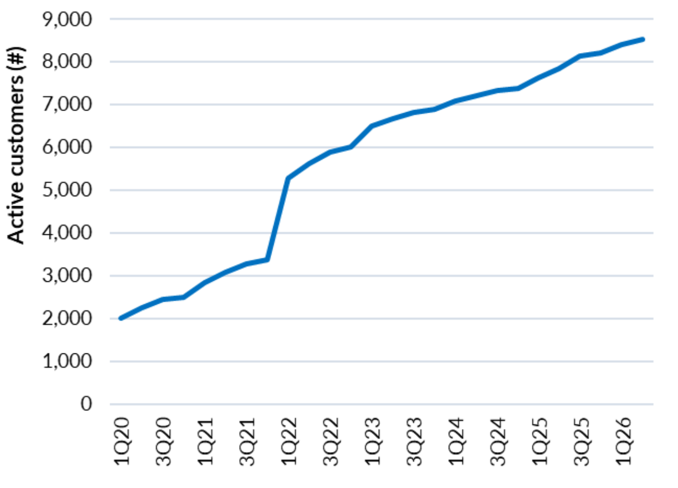
Capital Structure	2024A	2025A	2026E	2027E	2028E
Interest cover EBIT (x)	6.1	13.4	4.3	n/a	n/a
Interest cover EBITDA (x)	14.0	32.4	20.8	n/a	3.8
Net debt/ND+E (%)	1.2	-6.3	-0.3	17.6	17.6
Net debt/EBITDA (x)	0.0	n/a	n/a	n/a	0.9

Key Ratios	2024A	2025A	2026E	2027E	2028E
Return on assets (%)	1.3	1.3	0.5	-2.9	-0.5
Return on equity (%)	38.3	14.5	2.5	-25.3	-8.6
Return on funds employed (%)	28.5	13.0	1.8	-12.6	-4.3
EBITDA margin (%)	14.9	15.5	13.7	-1.9	9.6
EBIT margin (%)	6.5	6.4	2.8	-14.8	-2.4
Capex to sales (%)	15.3	18.5	21.1	17.4	14.6
Capex to depreciation (%)	-592	-750	-1,078	-601	-533
Imputation (%)	0	0	0	0	0
Pay-out ratio (%)	0	0	0	0	0

Operating Performance	2024A	2025A	2026E	2027E	2028E
Processing fees	5.4	6.3	7.3	8.9	11.5
Interest on customer funds	2.2	2.3	1.8	1.8	1.9
SaaS recurring revenue	**7.6**	**8.7**	**9.1**	**10.6**	**13.4**
Beginning customers (#)	6,875	7,368	8,204	8,936	10,857
New customers (#)	1,502	1,755	1,755	3,036	3,698
Customers churned (#)	(1,009)	(919)	(1,023)	(1,115)	(1,354)
Ending customers (#)	**7,368**	**8,204**	**8,936**	**10,857**	**13,201**
Net customer growth (%)	7.2%	11.3%	8.9%	21.5%	21.6%
Average monthly churn (%)	1.2%	1.0%	1.0%	1.0%	1.0%
Per customer metrics:					
ARPU (NZ$ p/m)	88.6	92.6	88.6	90.1	93.6
Cost to serve (NZ$ p/m)	(21.0)	(19.0)	(18.4)	(18.6)	(18.8)
Lifetime years	7.1	8.4	8.4	8.4	8.4
Lifetime value (NZ$)	5,890	6,747	7,087	7,227	7,556
Lifetime value: CAC	11.5	11.6	9.7	6.4	7.9

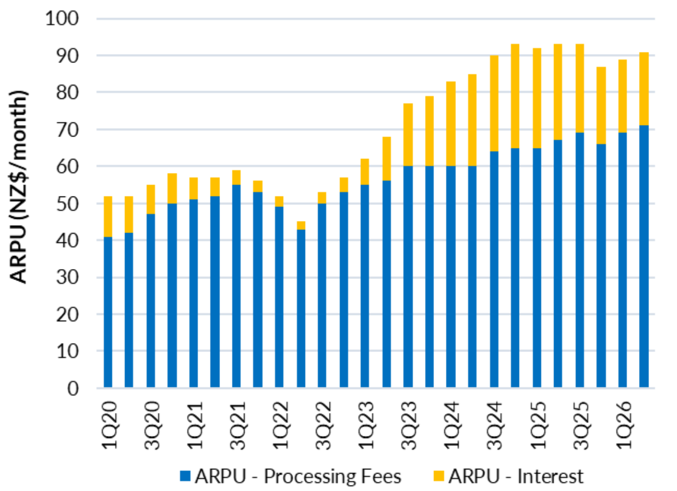
Key charts

Figure 1. PYS—Active customers (at end of period)



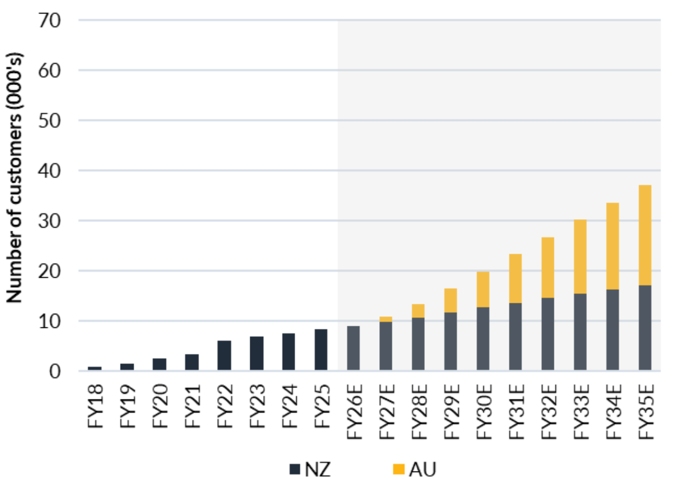
Source: Company, Forsyth Barr analysis

Figure 2. PYS—Average monthly revenue per user stack (ARPU)



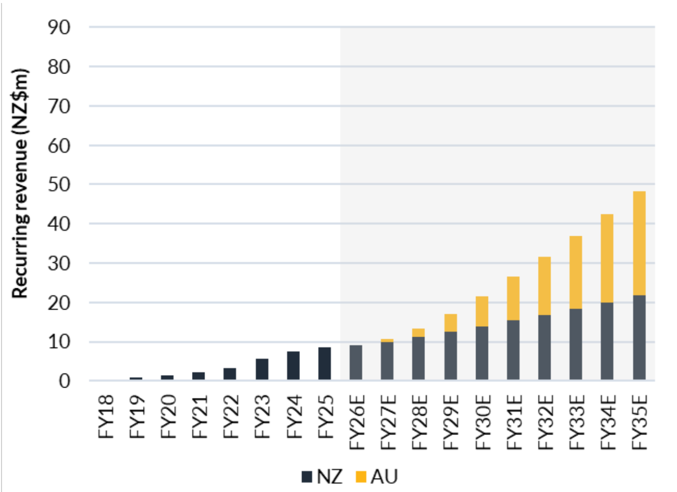
Source: Company, Forsyth Barr analysis

Figure 3. Base case—stacked customer count



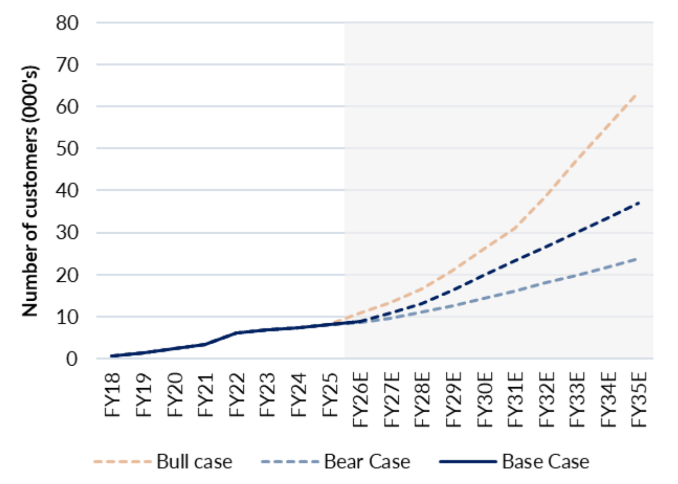
Source: Company, Forsyth Barr analysis

Figure 4. Base case—stacked recurring revenue outcome



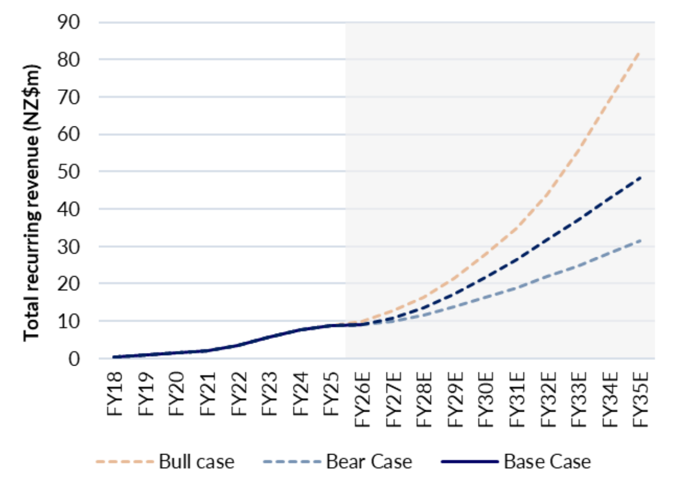
Source: Company, Forsyth Barr analysis

Figure 5. Scenario Analysis—Total customer count



Source: Company, Forsyth Barr analysis

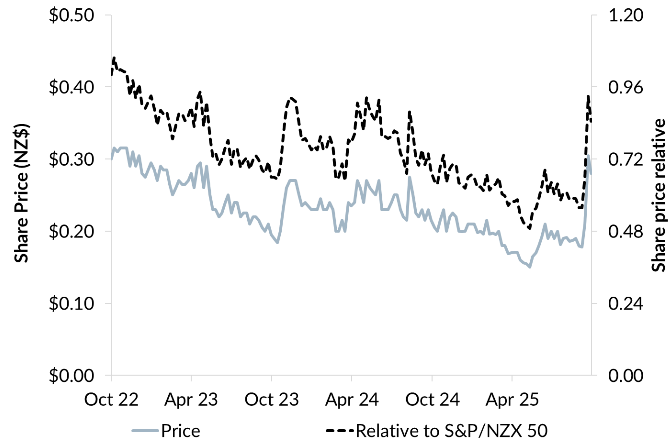
Figure 6. Scenario Analysis—Total recurring revenue



Source: Company, Forsyth Barr analysis

Additional data

Figure 7. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 8. Substantial shareholders

Shareholder	Latest Holding
Asantha Wijeyeratne	24.8%
Perpetual Trust Barnes Family	14.9%
Troy Tarrant	11.3%

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

Figure 9. 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	**PYS NZ**	**NZ$0.28**	**NZ$40**	**n/a**	**n/a**	**54.8x**	**48.0x**	**<0x**	**<0x**	**0.0%**
Xero	XRO AT	A$156.65	A$25,918	>75x	59.6x	31.8x	24.2x	57.9x	40.4x	0.0%
Automatic Data Processing Inc	ADP US	US$290.55	US$117,699	26.0x	23.7x	17.3x	15.8x	18.9x	17.2x	2.2%
Paychex Inc	PAYX US	US$124.37	US$44,760	22.2x	20.8x	15.4x	14.3x	17.3x	16.1x	3.6%
Paylocity Holding	PCTY US	US$156.42	US$8,628	21.0x	18.9x	13.5x	12.1x	16.0x	14.3x	0.0%
Dayforce Inc	DAY US	US$69.01	US$10,904	26.9x	23.2x	16.6x	14.2x	20.0x	16.6x	0.0%
Paycom Software	PAYC US	US$200.22	US$11,588	20.2x	18.2x	12.0x	10.8x	15.3x	13.8x	0.8%

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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