

PaySauce

Shifting Focus Shows in 3Q26

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PaySauce's (PYS) 3Q26 trading update came in softer than expected, reflecting a continuation of themes seen at its 1H26 result. The release was characterised by: (1) an ongoing deceleration in New Zealand customer growth, partially reflecting PYS shifting focus to preparation for the upcoming Australian launch (expected at the Australian Dairy Conference, 11-13 February 2026); and (2) reduced interest rates continuing to drive lower interest revenue. While net customer additions came in meaningfully below expectations at just +76 for the quarter, processing ARPU remained robust, bolstered by the discontinuation of PYS's lowest tier 'Simple' subscription offering to new customers. On balance, ARR rose +2% quarter-on-quarter (+2% year-on-year) in 3Q26. Following the update, we make downward adjustments to our New Zealand customer addition assumptions and incorporate the recently completed NZ\$3.5m placement into our numbers. Our Australian growth forecasts remain unchanged, with the upcoming launch remaining the key point of interest at FY26. Our blended spot valuation falls -11% to NZ\$0.35, partially reflecting dilution from the equity raise.

NZX code	PYS	Financials: Mar/	25A	26E	27E	28E	Valuation (x)	25A	26E	27E	28E
Share price	NZ\$0.28	Rev (NZ\$m)	9.0	9.3	10.3	12.8	PE	n/a	n/a	n/a	n/a
Spot Valuation	NZ\$0.35 (from 0.39)	NPAT* (NZ\$m)	0.8	0.2	-1.6	-0.8	EV/EBIT	75.0	n/a	n/a	n/a
Risk rating	High	EPS* (NZc)	0.0	0.0	0.0	0.0	EV/EBITDA	31.1	32.1	n/a	74.1
Issued shares	158.1m	DPS (NZc)	0.0	0.0	0.0	0.0	Price / NTA	21.6	9.4	12.9	14.4
Market cap	NZ\$44.3m	Imputation (%)	0	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	36.3k (NZ\$8k)	*Based on normalised profits						Gross div yld (%)	0.0	0.0	0.0

What's changed?

- Earnings:** FY26 NPAT remains effectively flat, while FY27/FY28 decrease -NZ\$0.1m/-NZ\$0.2m respectively.
- Spot valuation:** Our blended spot valuation falls -11% to NZ\$0.35 due to: (1) earnings changes; and (2) dilution from inclusion of the recent NZ\$3.5m placement at NZ\$0.26.

New Zealand momentum slows as focus shifts

PYS reported 3Q26 recurring revenue of NZ\$2.3m, up +1% year-on-year. Growth in processing fee revenue (+11% year-on-year to NZ\$1.8m) more than offset ongoing declines in interest revenue (-25% year-on-year to NZ\$0.5m) due to lower wholesale interest rates. Net customer additions were materially below expectations, with just +76 net adds in the quarter, compared to +302 in 1H26 and our prior forecast of +430 for 2H26. Management attributed the slowdown to a refocusing of customer acquisition resources, now split between both NZ growth and preparations for the upcoming Australian market entry. Processing ARPU remained robust at ~NZ\$70/month, supported by a shift in customer mix toward higher-tier subscriptions following the discontinuation of the company's lowest-priced 'Simple' plan for new customers. This supported ARR growth of +2% year-on-year to NZ\$9.4m.

Capital raise provides support for expansion

Following the successful completion of PYS's off-market placement (announced December 2025), we incorporate the NZ\$3.5m proceeds into our forecasts. The placement saw strong demand, upsized to NZ\$3.5m from the initial NZ\$3.0m, corroborating our positive view of the raise. We believe the capital raise: (1) establishes a stronger balance sheet; (2) reduces reliance on bank debt for expansion; (3) preserves flexibility for opportunistic small bolt-on opportunities; and (4) allows an acceleration of the company's Australian launch via expanded local sales and service capability and the bringing forward of enhancements to the Global Payroll platform (previously referred to by the company as its Gen 2.0 platform). The company's NZ\$1m share purchase plan (SPP) closes on 23 January 2026.

Paysauce Limited (PYS)

Market Data (NZ\$)		Spot valuation (NZ\$)			
Priced as at 15 Jan 2026	0.28				0.35
52 week high / low	0.34 / 0.14				0.27
Market capitalisation (NZ\$m)	44.3				0.34
Key WACC assumptions		DCF valuation summary (NZ\$m)			
Risk free rate	5.00%	Total firm value	53		
Equity beta	1.25	(Net debt)/cash	3		
WACC	13.2%	Less: Capitalised operating leases	(2)		
Terminal growth	2.5%	Value of equity	54		
Profit and Loss Account (NZ\$m)		Valuation Ratios		2024A 2025A 2026E 2027E 2028E	
Revenue	7.7	EV/Sales (x)	5.3	2024A	2025A
Normalised EBITDA	1.1	EV/EBITDA (x)	35.2	2026E	2027E
Depreciation and amortisation	0.6	EV/EBIT (x)	80.9	2028E	
Normalised EBIT	0.5	PE (x)	>100x		
Net interest	(0.1)	Price/NTA (x)	28.0		
Associate income	-	Free cash flow yield (%)	-1.0		
Tax	1.0	Adj. free cash flow yield (%)	-1.0		
Minority interests	-	Net dividend yield (%)	0.0		
Normalised NPAT	1.5	Gross dividend yield (%)	0.0		
Abnormals/other	(0.2)				
Reported NPAT	1.2				
Normalised EPS (cps)	0.0				
DPS (cps)	-				
Growth Rates		Capital Structure		2024A 2025A 2026E 2027E 2028E	
Revenue (%)	32.8	Interest cover EBIT (x)	6.1	2024A	2025A
EBITDA (%)	n/a	Interest cover EBITDA (x)	14.0	2026E	2027E
EBIT (%)	n/a	Net debt/ND+E (%)	1.2	2028E	
Normalised NPAT (%)	n/a	Net debt/EBITDA (x)	0.0		
Normalised EPS (%)	n/a				
Ordinary DPS (%)	n/a				
Cash Flow (NZ\$m)		Key Ratios		2024A 2025A 2026E 2027E 2028E	
EBITDA	1.1	Return on assets (%)	1.3	2024A	2025A
Working capital change	(1.1)	Return on equity (%)	38.3	2026E	2027E
Interest & tax paid	(1.1)	Return on funds employed (%)	28.5	2028E	
Other	2.0	EBITDA margin (%)	14.9		
Operating cash flow	0.9	EBIT margin (%)	6.5		
Capital expenditure	(1.2)	Capex to sales (%)	15.3		
(Acquisitions)/divestments	-	Capex to depreciation (%)	-592		
Other	(0.7)	Imputation (%)	0		
Funding available/(required)	(1.0)	Pay-out ratio (%)	0		
Dividends paid	-				
Equity raised/(returned)	-				
(Increase)/decrease in net debt	(1.0)				
Balance Sheet (NZ\$m)		Operating Performance		2024A 2025A 2026E 2027E 2028E	
Working capital	(0.2)	Processing fees	5.4	2024A	2025A
Fixed assets	0.4	Interest on customer funds	2.2	2026E	2027E
Intangibles	2.4	SaaS recurring revenue	7.6	2028E	
Right of use asset	-	Beginning customers (#)	6,875		
Other assets	36.1	New customers (#)	1,502		
Total funds employed	38.6	Customers churned (#)	(1,009)		
Net debt/(cash)	0.0	Ending customers (#)	7,368		
Lease liability	0.1		8,204		
Other liabilities	34.5		8,618		
Shareholder's funds	4.0		10,213		
Minority interests	-		12,371		
Total funding sources	38.6				

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

Earnings revisions

We make a number of revisions to our forecasts following PYS's 3Q26 trading update:

- We materially reduce our near-term New Zealand net customer additions forecast, reflecting a shift in customer acquisition resources toward the upcoming Australia launch. Our net customer additions fall -43%/-39%/-23% to +414/+509/+638 across FY26/FY27/FY28 respectively. Our revised forecast implies 4Q26 net additions of just +36, in line with historical seasonality and reflecting increasing diversion of resources as the Australian launch nears.
- We make a minor upward revision to our interest spread assumptions pertaining to FY26 customer funds, lifting FY26 interest income +3% to NZ\$1.8m.
- We incorporate the recently completed NZ\$3.5m capital raise, reducing FY26 interest expense modestly.

We note that while our earnings changes result in relatively small changes in absolute terms, the law of large numbers results in meaningful moves in percentage terms.

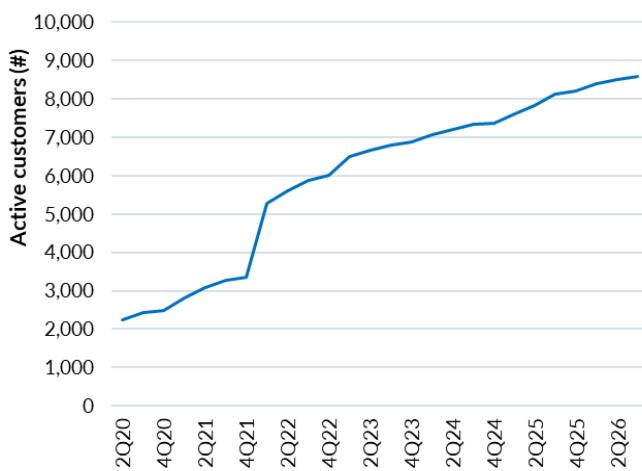
Figure 1. Earnings revisions

	FY26E			FY27E			FY28E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Processing fees	7.3	7.2	-2%	8.9	8.5	-5%	11.5	10.8	-6%
Interest income	1.7	1.8	+3%	1.6	1.5	-5%	1.7	1.6	-7%
IRD subsidy	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Recurring revenue	9.0	8.9	-1%	10.4	9.9	-5%	13.2	12.4	-6%
Cost to serve	(2.0)	(1.9)	-4%	(2.4)	(2.3)	-6%	(3.0)	(2.8)	-6%
Gross margin	7.0	7.0	-0%	8.0	7.7	-5%	10.2	9.6	-6%
Gross margin %	78%	79%	+1%	77%	77%	+0%	78%	77%	-0%
Other interest income	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Other revenue	0.3	0.3	n/a	0.3	0.3	n/a	0.3	0.3	n/a
Total other revenue	0.3	0.3	+0%	0.3	0.3	+0%	0.3	0.3	+0%
Customer acquisition costs	(1.3)	(1.3)	-1%	(3.4)	(3.4)	-2%	(3.5)	(3.5)	-1%
Research and development costs	(1.2)	(1.2)	-0%	(1.5)	(1.5)	-1%	(1.9)	(1.8)	-3%
G&A costs	(3.7)	(3.7)	+0%	(3.9)	(3.9)	+0%	(4.1)	(4.1)	+0%
Other expenses	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Interest expense	(0.1)	(0.0)	-62%	(0.2)	(0.1)	-68%	(0.3)	(0.1)	-66%
EBTDA	1.2	1.3	+5%	(0.6)	(0.8)	-22%	0.8	0.4	-43%
EBTDA Margin %	13%	14%	+5%	-6%	-8%	-28%	6%	3%	-40%
D&A	(1.0)	(1.0)	+0%	(1.4)	(1.4)	-1%	(1.6)	(1.6)	-3%
impairments	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
NPBT	0.2	0.2	+32%	(2.1)	(2.2)	-6%	(0.9)	(1.1)	-31%
Tax	(0.0)	(0.1)	+32%	0.6	0.6	+6%	0.2	0.3	+31%
NPAT	0.1	0.2	+32%	(1.5)	(1.6)	-6%	(0.6)	(0.8)	-31%
EPS (cps)	0.1	0.1	+21%	(1.0)	(1.0)	n/a	(0.4)	(0.5)	n/a

Source: Forsyth Barr analysis

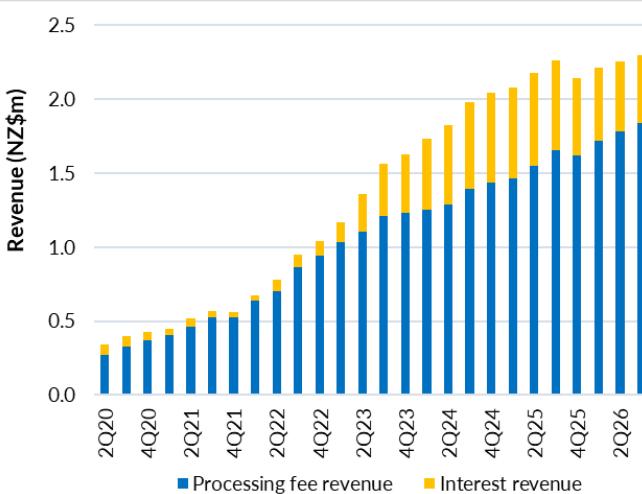
Charts of interest

Figure 2. PYS—Active customers (at end of period)



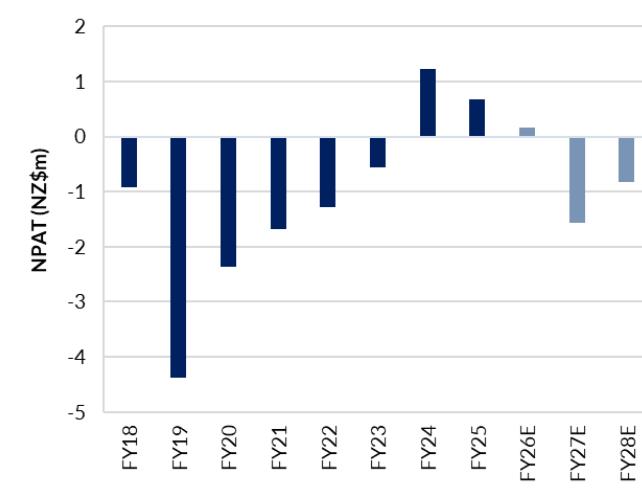
Source: Company, Forsyth Barr analysis

Figure 4. PYS—Gross profit and margin



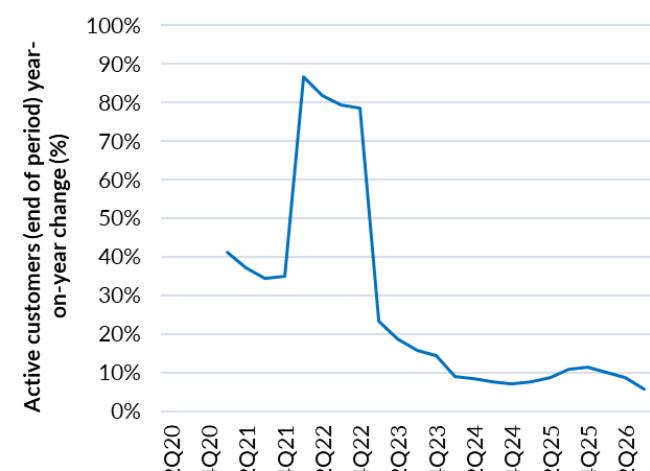
Source: Company, Forsyth Barr analysis

Figure 6. PYS—stacked customer count (base case)



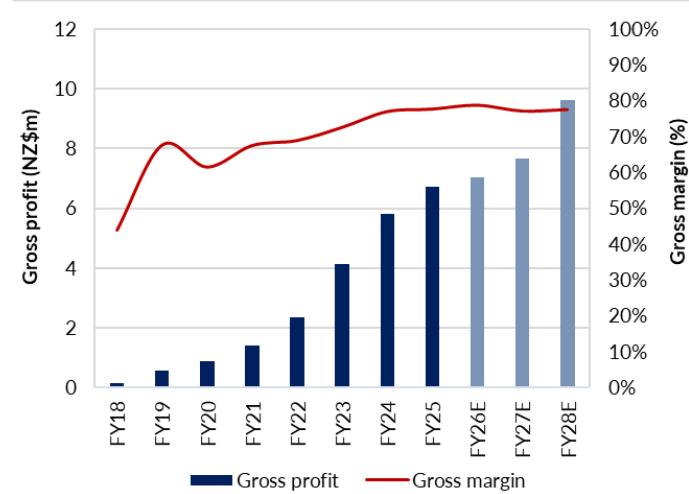
Source: Company, Forsyth Barr analysis

Figure 3. PYS—Active customers year-on-year change



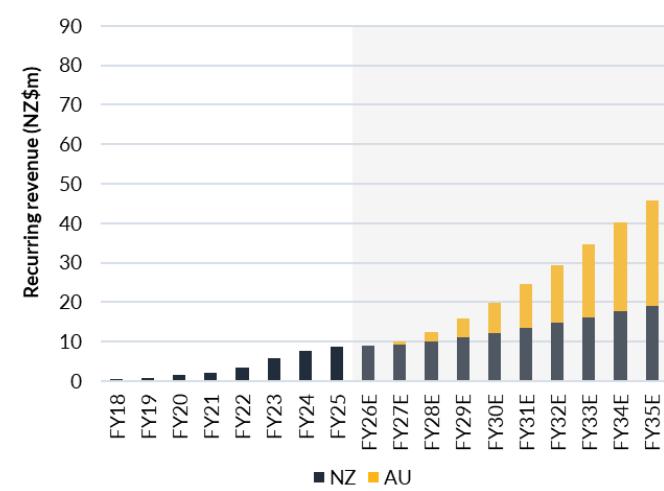
Source: Company, Forsyth Barr analysis

Figure 5. PYS—NPAT



Source: Company, Forsyth Barr analysis

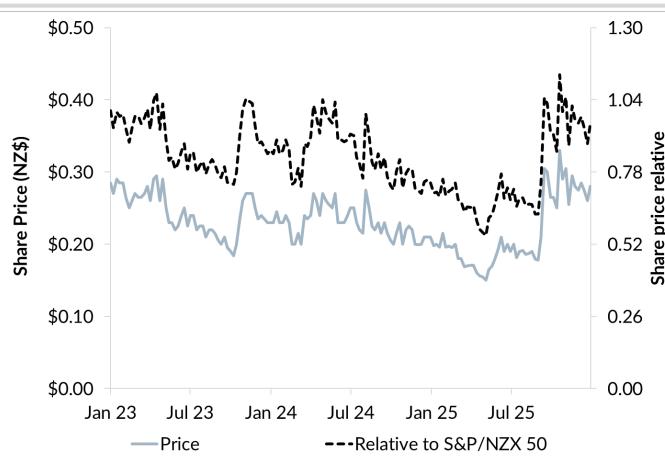
Figure 7. PYS—stacked recurring revenue (base case)



Source: Company, Forsyth Barr analysis

Additional data

Figure 8. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 9. Substantial shareholders

Shareholder	Latest Holding
Asantha Wijeyeratne	22.8%
Perpetual Trust Barnes Family	13.6%
Troy Tarrant	10.3%

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

Figure 10. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld
				1yr	2yr	1yr	2yr	1yr	2yr	
Paysauce	PYS NZ	NZ\$0.26	NZ\$41	n/a	n/a	<0x	39.0x	<0x	<0x	0.0%
Xero	XRO AT	A\$107.32	A\$18,235	>75x	56.5x	23.4x	17.8x	49.2x	33.2x	0.0%
Automatic Data Processing Inc	ADP US	US\$265.67	US\$107,450	23.2x	21.2x	15.7x	14.7x	17.3x	16.1x	2.5%
Paychex Inc	PAYX US	US\$114.25	US\$41,012	19.9x	18.7x	13.9x	13.1x	15.5x	14.5x	4.0%
Paylocity Holding	PCTY US	US\$153.73	US\$8,360	19.6x	17.4x	12.6x	11.3x	15.1x	13.3x	0.0%
Dayforce Inc	DAY US	US\$69.43	US\$11,111	26.8x	23.2x	16.9x	14.6x	19.9x	16.4x	0.0%
Paycom Software	PAYC US	US\$157.80	US\$8,879	15.6x	14.0x	9.0x	8.1x	11.4x	10.2x	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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