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PaySauce
FY26: Pending Progress in Australia

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PaySauce (PYS) reported a broadly in-line FY26 result, albeit one that was largely pre-released. FY26 marked a transition year, with the April 2026 launch of Australian operations signalling a shift from platform development to commercial execution through FY27. Elevated customer acquisition costs and R&D investment reflected a redirection of resources from NZ customer acquisition towards Australian market entry, with NZ customer growth slowing. With the platform build largely complete, Australian operations now live, and the balance sheet strengthened following the NZ$5m January 2026 capital raise, FY27 now needs to demonstrate that Australia can reaccelerate customer growth sufficiently to justify its higher cost base. We revise our forecasts accordingly, with our blended spot valuation declining -1cps to NZ$0.32 as softer near-term profitability is mostly offset by us lifting medium-term Australian customer growth assumptions.

NZX code	PYS
Share price	NZ$0.235
Spot Valuation	NZ$0.32 (from 0.33)
Risk rating	High
Issued shares	164.7m
Market cap	NZ$38.7m
Avg daily turnover	28.0k (NZ$7k)

Financials: Mar/	26A	27E	28E	29E
Rev (NZ$m)	9.2	10.6	13.2	16.9
NPAT* (NZ$m)	0.3	-2.1	-1.2	0.4
EPS* (NZc)	0.2	-1.3	-0.7	0.2
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	97.8
EV/EBIT	n/a	n/a	n/a	64.0
EV/EBITDA	25.3	n/a	n/a	14.4
Price / NTA	6.5	10.9	17.4	15.1
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:** EBTDA declines -NZ$0.4m/-NZ$0.5m/-NZ$0.3m across FY27/FY28/FY29 respectively.
- **Spot valuation:** Our blended spot valuation declines -1cps to NZ$0.32.

FY26 broadly in line with expectations

With key top-line figures largely pre-released, costs were the key new information at PYS's FY26 result. Cost to serve (CTS) growth was broadly inflationary, with gross margin holding at 78%. EBTDA declined -10% year on year to NZ$1.2m (FB estimate: NZ$1.3m), primarily reflecting higher customer acquisition costs (up +31% to NZ$1.3m) on Australian market entry spend. R&D investment increased +16% to NZ$3.3m in FY26 (NZ$1.2m expensed and NZ$2.1m capitalised) to support development of its 'Global Payroll Platform' (GPP). NPAT remained positive at NZ$0.3m. A decline in NZ customer momentum reflected a shift in focus and resources towards Australia, with gross new customer additions in FY26 down -19% against the prior year to 1,422. At the same time, churn lifted marginally, leaving +396 net adds for the period and taking the base to 8,600 (+5% against the prior year).

Australia execution now in focus

The formal launch of Australian operations on 20 April 2026 marked a transition from platform development to execution. By 1 May 2026, PYS had signed up 40 Australian customers, with customers onboarded across the dairy, retail, and hospitality industries, which we view as early product validation. Australia represents a significant opportunity, with a micro-SME market almost seven times as large as NZ. We forecast ~1.1k Australian customer additions in FY27, implying <0.2% market share. Management expects customer additions to be 2H27-weighted, with Australian Payday Superannuation reforms (effective 1 July 2026) identified as a key catalyst. Award coverage beyond dairy, into retail and hospitality, has already progressed faster than our initial expectations. Advertised pricing suggests Australian monthly ARPU is ~20% below our initial A$90 launch expectations; however, this should support higher penetration than our prior estimates. Execution on customer acquisition will be the key focus through FY27, with the recent capital raise giving PYS ample room to invest (FY26 cash ex. customer funds: NZ$4.5m).

PaySauce Limited (PYS)

Market Data (NZ$)	
Priced as at 27 May 2026	**0.235**
52 week high / low	0.340 / 0.158
Market capitalisation (NZ$m)	38.7

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	10.6	13.2	16.9
Normalised EBITDA	**1.4**	**1.2**	**(0.9)**	**0.1**	**1.8**
Depreciation and amortisation	0.8	1.0	1.2	1.3	1.4
Normalised EBIT	**0.6**	**0.2**	**(2.1)**	**(1.2)**	**0.4**
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**	**(2.1)**	**(1.2)**	**0.4**
Abnormals/other	(0.1)	(0.0)	-	-	-
Reported NPAT	**0.7**	**0.3**	**(2.1)**	**(1.2)**	**0.4**
Normalised EPS (cps)	0.5	0.2	(1.3)	(0.7)	0.2
DPS (cps)	-	-	-	-	-

Growth Rates	2025A	2026A	2027E	2028E	2029E
Revenue (%)	16.7	2.6	14.8	24.5	28.0
EBITDA (%)	21.7	-13.6	n/a	n/a	>100
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**	**(0.9)**	**0.1**	**1.8**
Working capital change	0.1	0.2	0.1	0.1	0.2
Interest & tax paid	(0.3)	(0.1)	0.0	(0.0)	(0.0)
Other	4.9	7.7	2.6	3.5	4.3
Operating cash flow	**6.1**	**9.0**	**1.9**	**3.8**	**6.3**
Capital expenditure	(1.7)	(2.2)	(2.1)	(2.2)	(2.6)
(Acquisitions)/divestments	-	-	-	-	-
Other	(1.3)	(1.2)	(1.3)	(1.8)	(2.2)
Funding available/(required)	**3.1**	**5.6**	**(1.5)**	**(0.2)**	**1.5**
Dividends paid	-	-	-	-	-
Equity raised/(returned)	-	4.6	-	-	-
(Increase)/decrease in net debt	**3.1**	**10.2**	**(1.5)**	**(0.2)**	**1.5**

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	6.2	7.0
Right of use asset	-	-	-	-	-
Other assets	40.7	48.1	50.2	53.0	56.5
Total funds employed	**44.0**	**52.5**	**55.6**	**59.4**	**64.1**
Net debt/(cash)	(0.3)	(4.5)	(2.1)	(0.7)	(0.9)
Lease liability	0.1	0.0	0.1	0.2	0.2
Other liabilities	38.9	46.2	48.3	51.2	54.8
Shareholder's funds	5.4	10.8	9.3	8.8	10.0
Minority interests	-	-	-	-	-
Total funding sources	**44.0**	**52.5**	**55.6**	**59.4**	**64.1**

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

Spot valuation (NZ$)	**0.32**
SaaS peers comparable	0.23
DCF	0.31
12-month forward total LTV	0.46

DCF valuation summary (NZ$m)	
Total firm value	50
(Net debt)/cash	2
Less: Capitalised operating leases	(1)
Value of equity	51

Valuation Ratios	2025A	2026A	2027E	2028E	2029E
EV/Sales (x)	4.4	3.4	2.4	2.0	1.6
EV/EBITDA (x)	27.1	25.3	n/a	>100x	14.4
EV/EBIT (x)	65.4	>100x	n/a	n/a	64.0
PE (x)	49.4	>100x	n/a	n/a	97.8
Price/NTA (x)	18.1	6.5	10.9	17.4	15.1
Free cash flow yield (%)	11.2	17.2	-0.7	3.8	9.3
Adj. free cash flow yield (%)	11.2	17.2	-0.7	3.8	9.3
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	2025A	2026A	2027E	2028E	2029E
Interest cover EBIT (x)	13.4	n/a	n/a	n/a	37.5
Interest cover EBITDA (x)	32.4	n/a	n/a	18.7	>100x
Net debt/ND+E (%)	-6.3	-74.6	-31.0	-9.6	-9.8
Net debt/EBITDA (x)	n/a	n/a	2.4	n/a	n/a

Key Ratios	2025A	2026A	2027E	2028E	2029E
Return on assets (%)	1.3	0.3	-3.5	-1.9	0.6
Return on equity (%)	14.5	2.9	-23.1	-14.2	4.2
Return on funds employed (%)	13.0	2.8	-21.1	-12.3	3.5
EBITDA margin (%)	15.5	13.1	-8.4	1.1	10.8
EBIT margin (%)	6.4	1.9	-19.4	-8.9	2.4
Capex to sales (%)	18.5	24.0	19.8	17.1	15.2
Capex to depreciation (%)	-750	-1,208	-3,829	-11,526	3,488
Imputation (%)	0	0	0	0	0
Pay-out ratio (%)	0	0	0	0	0

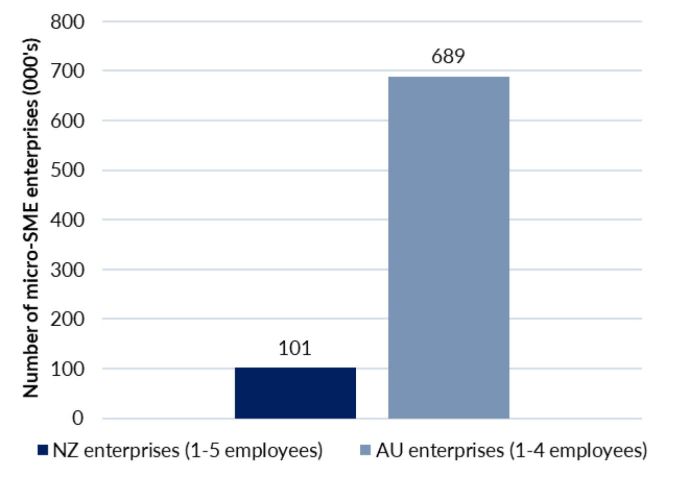
Operating Performance	2025A	2026A	2027E	2028E	2029E
Processing fees	6.3	7.2	8.4	10.8	14.4
Interest on customer funds	2.3	1.8	1.9	2.1	2.2
SaaS recurring revenue	**8.7**	**9.0**	**10.3**	**12.9**	**16.6**
Beginning customers (#)	7,368	8,204	8,600	10,077	12,761
New customers (#)	1,755	1,422	2,553	3,944	4,987
Customers churned (#)	(919)	(1,026)	(1,076)	(1,260)	(1,596)
Ending customers (#)	**8,204**	**8,600**	**10,077**	**12,761**	**16,152**
Net customer growth (%)	11.3%	4.8%	17.2%	26.6%	26.6%
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	93.9	95.4
Cost to serve (NZ$ p/m)	(19.2)	(19.1)	(19.1)	(18.6)	(18.3)
Lifetime years	8.4	8.2	8.2	8.2	8.2
Lifetime value (NZ$)	6,747	6,656	7,136	7,375	7,562
Lifetime value: CAC	11.6	7.1	5.3	7.8	9.0

Australian launch—focus shifts to execution

PYS provided several additional details surrounding its Australian commercial rollout strategy through FY27:

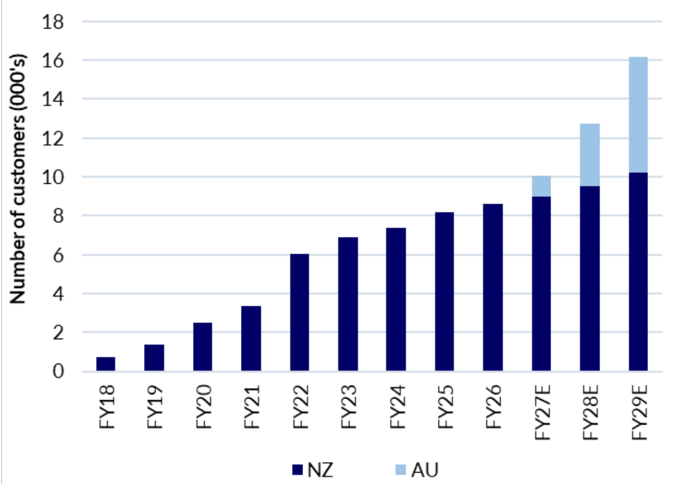
- **Go-to-market strategy**—PYS outlined a three-channel Australian growth strategy comprising: (1) accountant and bookkeeper referral partnerships, which management views as the primary growth driver representing ~60% of PYS's Australian growth plan; (2) direct digital acquisition through search, content, and digital advertising targeting award compliance and Payday Super-related demand; and (3) strategic relationships with franchise groups and industry associations. Management highlighted ~85k Australian franchise outlets with fewer than 20 employees as a potential opportunity. PYS expects Australian customer additions to be weighted towards 2H27, with the largest volume of new customer activity expected in 4Q27.
- **Superannuation change as a key catalyst**—Management highlighted Australian Payday Superannuation reforms effective 1 July 2026 as a catalyst for driving payroll software adoption. The reforms will require employers to make superannuation payments concurrently with payroll (previously quarterly), similar to the NZ payday filing transition that historically acted as a tailwind for PYS, with Australian employers on manual or non-integrated systems expected to migrate to software.
- **Management capability**—Australian expansion is being led by former Xero Australia MD Chris Ridd and former Xero Global Head of Partner Community Mel Shortland-Power. Management reiterated a disciplined scaling approach, with the Australian launch initially structured around contractors until customer traction is further proven.
- **Pricing appears softer than initially expected**—Advertised pricing on PYS's Australian website suggests that FY27 ARPU will likely fall materially below our initial expectations. Initial pricing—A$50 base monthly charge plus A$5 per employee (first employee included in base charge)—sits meaningfully lower than our previously assumed A$90 monthly ARPU. We note, however, that a lower starting price should accelerate initial penetration along with already developing award coverage beyond dairy, into retail, and hospitality, much faster than our initial expectations.

Figure 1. The Australian market represents a large opportunity, nearly seven times the size of NZ



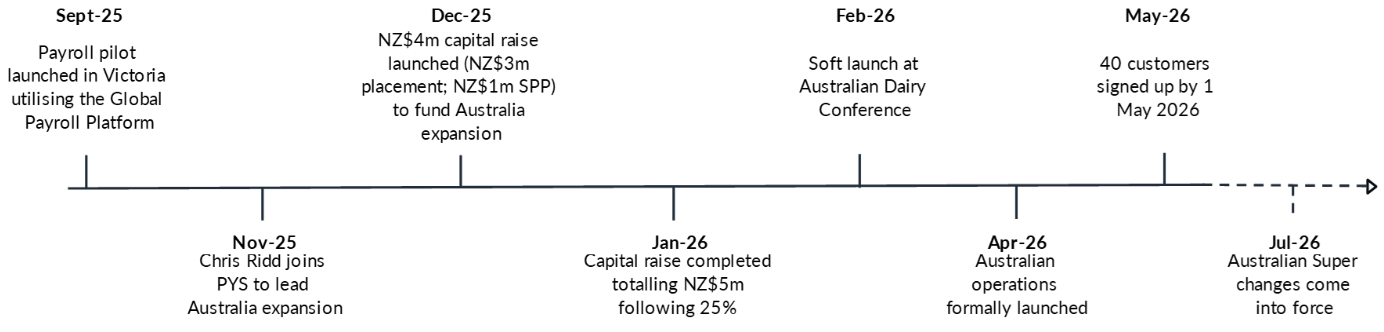
Source: Stats NZ, ABS, Forsyth Barr analysis

Figure 2. We expect Australian customer adds to be meaningful, returning PYS to >20% total customer growth in FY27/FY28



Source: Company, Forsyth Barr analysis

Figure 3. Australian launch timeline



Source: Company, Forsyth Barr analysis

Result review

PYS delivered a broadly in-line FY26 result, with much of the top line already known from the 4Q26 update. Recurring revenue rose +4% against the prior year to NZ$9.0m, with processing-fee growth of +13% to NZ$7.2m more than offsetting a -22% decline in interest income to NZ$1.8m. Gross margin was 78.1%, with gross profit up +4% to NZ$7.0m. Australian launch preparation was evident in the cost base, with customer-acquisition costs rising +31%, EBTDA falling -10% to NZ$1.2m, and NPAT dropping to NZ$0.3m.

PYS formally launched in Australia on 20 April 2026 and had signed 40 customers by 1 May 2026. Management highlighted that it expects the near-term contributions from Australia to build through FY27, with new customer additions likely weighted more heavily to 2H27.

Key points:

- **Revenue.** ARR ended FY26 at NZ$9.0m (+6%), and reported monthly ARPU rose +1% to NZ$87. Revenue per FTE increased +3% to NZ$193k, with headcount flat at 48. Processing-fee growth remained the cleanest line in the result, while weaker interest contribution was driven by rates rather than operations. That mix shift is favourable, even if it leaves less buffer in reported growth.
- **Growth efficiency weakened in a transition year.** Gross new customer additions fell to 1,422 (-19% against the prior year), and customer acquisition cost (CAC) per new customer rose to NZ$944 (+62%), taking CAC to 15% of recurring revenue from 12% in FY25. On reported ARPU and gross margin, our implied CAC payback stretched to roughly 14 months from about nine months a year ago, as PYS absorbed Australian costs without near-term customer additions. Higher CAC primarily reflected increased Australian market-entry spend. LTV:CAC fell to seven times from 12x.
- **Retention softened slightly.** Churn moved to 1.02% from 0.99%, pulling LTV per customer down -1% to NZ$6,656. Total LTV still rose +3% to NZ$57.2m on a larger customer base.
- **The spend is now in the base.** Total R&D investment rose +16% to NZ$3.3m, equal to 37% of recurring revenue, with the capitalisation rate on salaries lifting to 66% from 61%.

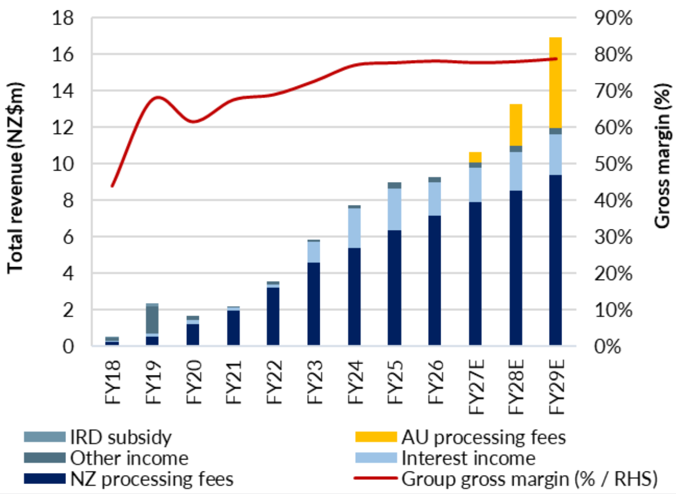
Figure 4. FY26 result comparison (NZ$m)

	FY25	FY26	Change (%)	FY26E	Deviation (%)
Processing fees	6.3	7.2	+13%	7.1	+0%
Interest income	2.3	1.8	-22%	1.9	-2%
Recurring revenue	**8.7**	**9.0**	**+4%**	**9.0**	**-0%**
Cost to serve	(1.9)	(2.0)	+2%	(1.9)	+3%
Gross margin	**6.7**	**7.0**	**+4%**	**7.1**	**-1%**
Gross margin (%)	*77.6%*	*78.1%*	*+47bp*	*78.8%*	*-76bp*
Total other revenue	**0.3**	**0.3**	**-21%**	**0.3**	**-20%**
Customer acquisition costs	(1.0)	(1.3)	+31%	(1.2)	+8%
Research and development costs	(1.2)	(1.2)	+3%	(1.2)	+2%
G&A costs	(3.5)	(3.5)	+1%	(3.7)	-5%
Interest expense	(0.1)	(0.0)	n/a	(0.0)	n/a
EBTDA	**1.4**	**1.2**	**-10%**	**1.3**	**-7%**
EBTDA margin (%)	*16%*	*14%*	*-206bp*	*15%*	*-98bp*
D&A	(0.8)	(1.0)	+26%	(1.0)	-0%
Impairments	(0.1)	(0.0)	n/a	0.0	n/a
NPBT	**0.5**	**0.2**	**-63%**	**0.3**	**-38%**
Tax benefit/(expense)	0.2	0.1	-46%	(0.1)	n/a
NPAT	**0.7**	**0.3**	**-57%**	**0.2**	**+45%**

Source: Company, Forsyth Barr analysis

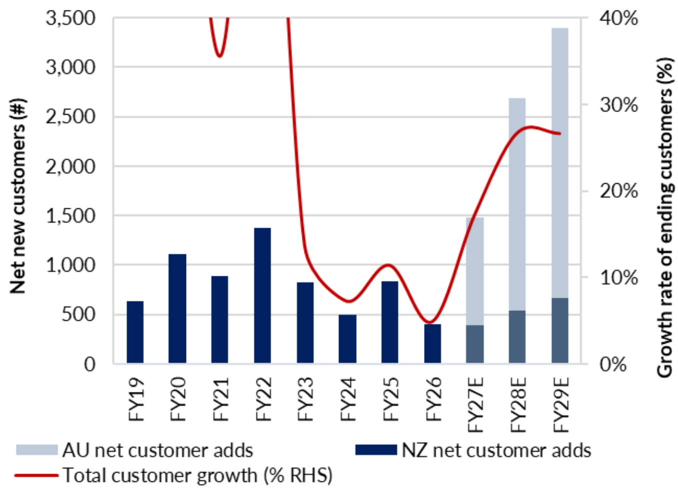
Key charts

Figure 5. Revenue growth stalled as expected in FY26 ...



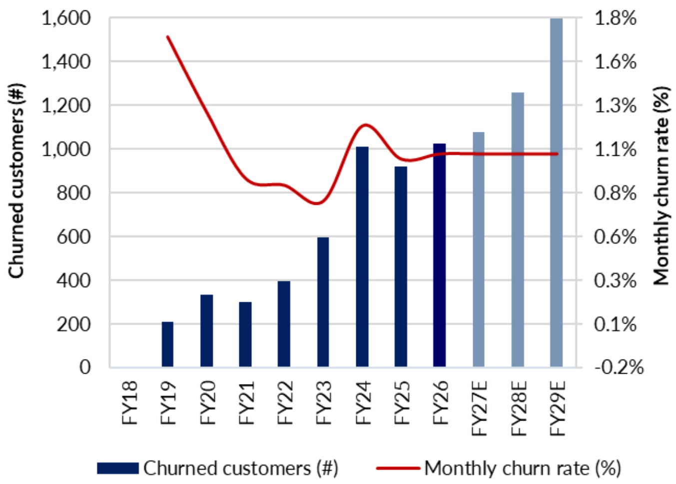
Source: Company, Forsyth Barr analysis

Figure 6. ... with new customer adds reflecting a shift in focus



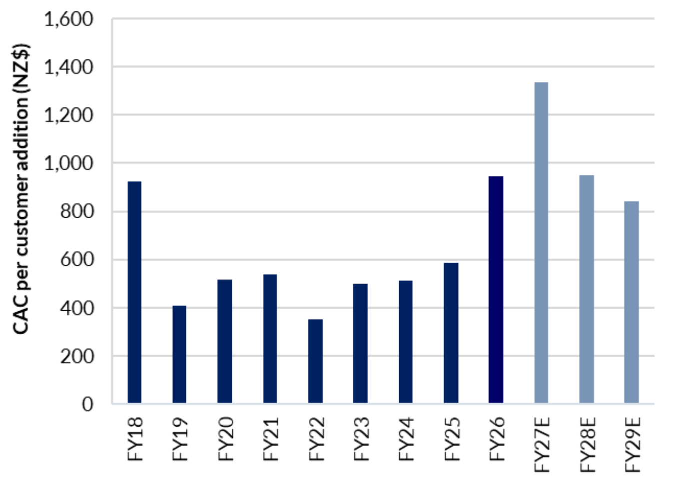
Source: Company, Forsyth Barr analysis

Figure 7. Monthly churn ticked up modestly in FY26



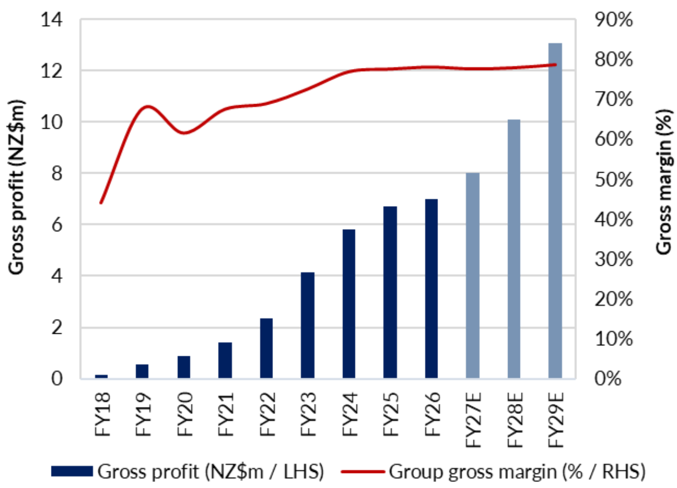
Source: Company, Forsyth Barr analysis

Figure 8. Customer acquisition costs lifted on Australian spend



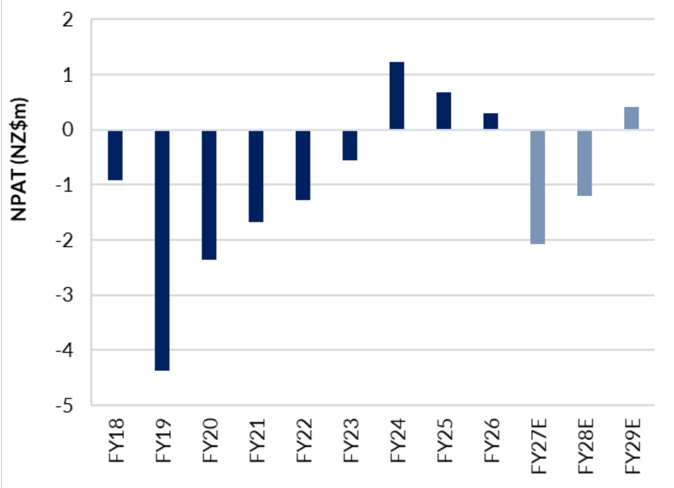
Source: Company, Forsyth Barr analysis

Figure 9. PYS—Gross profit and margin lifted modestly



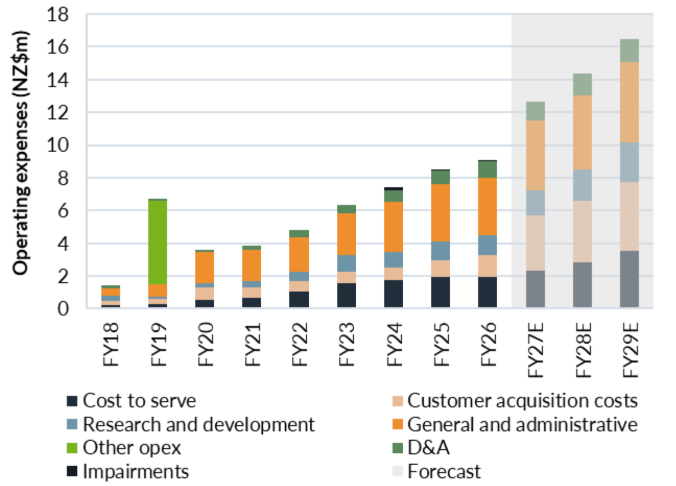
Source: Company, Forsyth Barr analysis

Figure 10. NPAT remained positive in FY26



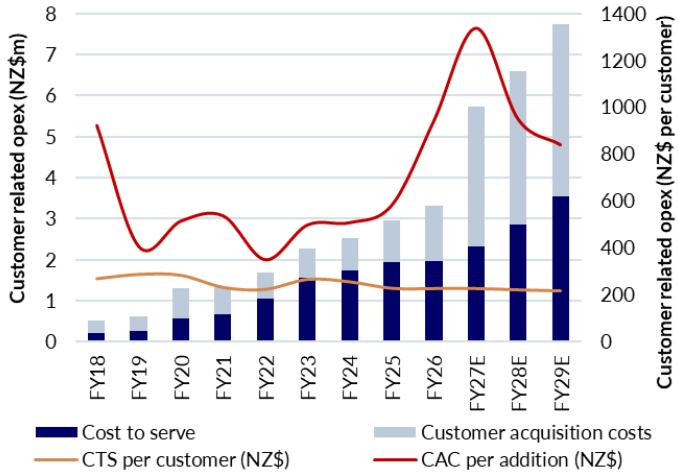
Source: Company, Forsyth Barr analysis

Figure 11. PYS—Opex stack lifts as Australian market activity kicks off



Source: Company, Forsyth Barr analysis

Figure 12. PYS—Customer related opex (per customer) reflects high initial Australian customer acquisition costs on entry



Source: Company, Forsyth Barr analysis

Earnings revisions

We make several forecast revisions following PYS's FY26 result:

- **New Zealand:** Our NZ customer forecasts remain broadly unchanged, with ~+400 net additions through FY27 to ~9k customers, reflecting continued focus on Australia and the GPP rollout. We lift our FY27 processing ARPU growth assumption by +2ppt to +5% following recent pricing changes. Our interest income forecasts are revised to reflect: (1) updated market interest rates; and (2) re-based customer float assumptions following a higher-than-expected FY26 reported float. NZ-only recurring revenue increases by +4%/+5%/+5% to NZ$9.8m/NZ$10.7m/NZ$11.6m across FY27/FY28/FY29 respectively.
- **Australia:** We reduce our Australian FY27 ARPU assumption to ~NZ$85.60, or A$70 (previously NZ$100 or A$90), due to lower-than-expected advertised pricing. This is mostly offset by higher medium-term customer growth assumptions reflecting: (1) improved penetration on lower pricing; and (2) faster-than-expected award rollout thus far. Our terminal market share now reaches ~2.9% (previously ~2.4%). Our FY27 CAC per customer assumption remains broadly unchanged, while FY28/FY29 decline modestly on higher customer growth, albeit CAC increases in absolute terms. We forecast a ~NZ$555k revenue contribution from Australia in FY27, expected to be 2H27-weighted.

Additionally, we: (1) lift near-term G&A assumptions to reflect annualised Australian employee/leadership costs; and (2) remodel our depreciation assumptions and tax forecasts.

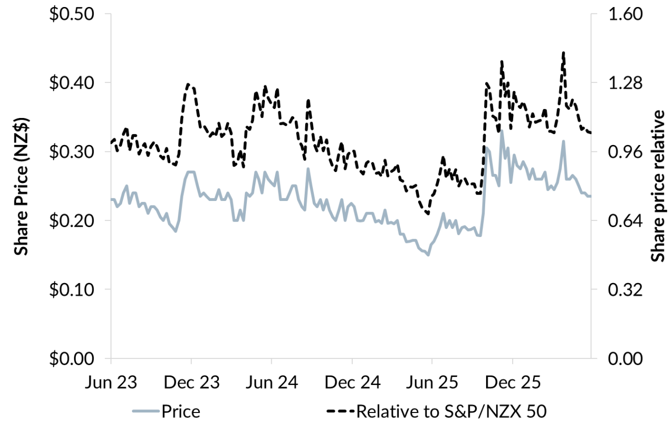
Figure 13. Earnings revisions (NZ$m)

	FY26A	FY27E			FY28E			FY29E		
	Reported	Old	New	Change	Old	New	Change	Old	New	Change
Processing fees	7.2	8.3	8.4	+1%	10.6	10.8	+2%	13.8	14.4	+4%
Interest income	1.8	1.7	1.9	+11%	1.8	2.1	+16%	1.9	2.2	+16%
Recurring revenue	**9.0**	**10.1**	**10.3**	**+3%**	**12.5**	**12.9**	**+4%**	**15.8**	**16.6**	**+5%**
Cost to serve	(2.0)	(2.2)	(2.3)	+3%	(2.8)	(2.9)	+4%	(3.4)	(3.5)	+3%
Gross margin	**7.0**	**7.8**	**8.0**	**+3%**	**9.7**	**10.1**	**+4%**	**12.3**	**13.1**	**+6%**
Gross margin (%)	*78.1%*	*77.7%*	*77.6%*	*-2bp*	*77.9%*	*77.9%*	*+1bp*	*78.2%*	*78.7%*	*+50bp*
Total other revenue	**0.3**	**0.3**	**0.2**	**-27%**	**0.3**	**0.3**	**-27%**	**0.3**	**0.3**	**-27%**
Customer acquisition costs	(1.3)	(3.3)	(3.4)	+5%	(3.4)	(3.7)	+9%	(3.9)	(4.2)	+9%
Research and development costs	(1.2)	(1.5)	(1.5)	+3%	(1.8)	(1.9)	+4%	(2.3)	(2.4)	+5%
G&A costs	(3.5)	(3.9)	(4.2)	+9%	(4.1)	(4.6)	+10%	(4.4)	(4.9)	+12%
EBTDA	**1.2**	**(0.5)**	**(0.9)**	**-81%**	**0.6**	**0.1**	**-78%**	**2.1**	**1.8**	**-15%**
D&A	(1.0)	(1.4)	(1.2)	-18%	(1.6)	(1.3)	-16%	(1.7)	(1.4)	-19%
NPBT	**0.2**	**(1.9)**	**(2.1)**	**-7%**	**(0.9)**	**(1.2)**	**-26%**	**0.4**	**0.4**	**+7%**
Tax benefit/(expense)	0.1	0.5	(0.0)	-104%	0.3	(0.0)	-105%	(0.1)	0.0	-104%
NPAT	**0.3**	**(1.4)**	**(2.1)**	**-51%**	**(0.7)**	**(1.2)**	**-77%**	**0.3**	**0.4**	**+50%**

Source: Company, Forsyth Barr analysis

Additional data

Figure 14. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 15. Substantial shareholders

Shareholder	Latest Holding
Asantha Wijeyeratne	20.7%
Perpetual Trust Barnes Family	13.0%
Troy Tarrant	9.4%

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

Figure 16. 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$0.24**	**NZ$39**	**<0x**	**<0x**	**<0x**	**29.3x**	**<0x**	**<0x**	**0.0%**
Xero	XRO AT	A$75.23	A$12,834	60.5x	35.3x	13.8x	10.6x	27.6x	18.1x	0.0%
Automatic Data Processing Inc	ADP US	US$218.35	US$87,282	18.1x	16.5x	11.7x	10.8x	12.7x	11.7x	3.2%
Paychex Inc	PAYX US	US$94.80	US$33,966	16x	15.2x	11.6x	10.9x	12.6x	11.9x	4.9%
Paylocity Holding	PCTY US	US$109.64	US$5,871	12.7x	11.4x	8.4x	7.6x	9.8x	8.8x	0.0%
Paycom Software	PAYC US	US$132.82	US$6,326	11.6x	10.3x	6x	5.5x	7.7x	6.9x	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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