

PaySauce

Less Aussie Sauce Added in 2Q27

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PaySauce (PYS) surpassed NZ\$10m in annualised recurring revenue (ARR) for the first time in 2Q27, growing 11% over the year. Processing fee growth in NZ remains solid, supported by higher NZ revenue per customer despite little NZ customer growth. However, Australian customer acquisition, the key value driver, disappointed in the quarter, and hopes of gaining early success there have not yet been realised. Management acknowledges that Australian momentum has been slower than anticipated and has redirected marketing investment into different channels. PYS also announced that it has run its first NZ payroll on the new Global Payroll Platform, after it was first used for the Australian launch, and the company appointed KeyPay co-founder Richard McLean to the board. We cut our customer growth forecasts, partially offset by increasing our average revenue per user (ARPU) assumptions modestly. Post the equity raising, we estimate that PYS has c.NZ\$2.8m in net cash as at 1H27. The 1H27 result will be announced in mid-to-late November 2026. Our blended spot valuation falls -17% to NZ\$0.24 on slower customer count expectations.

NZX code	PYS	Financials: Mar/	26A	27E	28E	29E	Valuation (x)	26A	27E	28E	29E
Share price	NZ\$0.210	Revenue (NZ\$m)	9.2	10.3	11.8	13.6	PE	n/a	n/a	n/a	n/a
Spot Valuation	NZ\$0.24 (from 0.29)	From		10.4	12.7	16.0	EV/EBIT	n/a	n/a	n/a	n/a
Risk rating	High	Change		-1%	-7%	-15%	EV/EBITDA	22.3	n/a	n/a	n/a
Shares on issue	166.5m	Consensus*		10.4	12.7	16.0	Price / NTA	7.4	17.2	n/a	n/a
Market cap	NZ\$35m	FB vs cons		-1%	-7%	-15%	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	15.4k (NZ\$4k)	*Visible Alpha, Bloomberg & LSEG					Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Earnings:** EBTDA estimates fall -NZ\$0.1m/-NZ\$0.6m/-NZ\$1.4m across FY27/FY28/FY29.
- **Spot valuation:** Our blended spot valuation falls -NZ5c to NZ\$0.24, predominantly on lower Australian customer forecasts.

Australian customer additions

Customer numbers were up +3.5% year-on-year, but growth was behind our expectations for the quarter with a +0.5% quarter-on-quarter uplift. Group active customers rose from 8,756 as of June 2026 to 8,800 on 30 September 2026, only a net +44 quarterly increase. Australia accounted for +37 of that quarterly growth, behind our expectations of c.200, moving from 80 to 117 active customers. NZ quarterly customer growth was limited, at a net +7 to 8,683, showing the likely impacts of the distraction around the Australian launch and a weak local economy.

Fee growth maintains growth in revenues

Processing fees rose +11% year-on-year (+4% quarter-on-quarter) to NZ\$2.0m in 2Q27, helped by +7% annual growth in average processing fee revenue per customer. Quarterly recurring revenue increased +8% year-on-year to NZ\$2.4m, while interest revenue fell by -3%. A strong September lifted ARR to NZ\$10.1m. First-half processing fees of c.NZ\$3.9m leave c.NZ\$4.3m needed in 2H27 to meet our revised NZ\$8.2m FY27 forecast.

Estimates lowered on more conservative Aussie growth assumptions

We revise our FY27 year-end assumption to 500 Australian customers, down from 1,082, but leave our NZ year-end estimate at 8,700. We also put through reductions in Australian growth expectations over the medium term. This leads us to cut our recurring revenue forecasts by -1%/-7%/-15% across FY27/FY28/FY29 respectively.

PaySauce Limited (PYS)

Market Data (NZ\$)

Priced as at 11 Oct 2026	0.210
52-week high / low	0.340 / 0.200
Market capitalisation (NZ\$m)	35.0

Key WACC assumptions

Risk-free rate	5.50%
Equity beta	1.25
WACC	14.2%
Terminal growth	2.5%

Profit and Loss Account (NZ\$m)	2025A	2026A	2027E	2028E	2029E
Revenue	9.0	9.2	10.3	11.8	13.6
Normalised EBITDA	1.4	1.2	(1.0)	(0.7)	0.0
Depreciation and amortisation	0.8	1.0	1.3	1.5	1.6
Normalised EBIT	0.6	0.2	(2.3)	(2.2)	(1.6)
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	(2.3)	(2.2)	(1.6)
Abnormals/other	(0.1)	(0.0)	-	-	-
Reported NPAT	0.7	0.3	(2.3)	(2.2)	(1.6)
Normalised EPS (cps)	0.5	0.2	(1.4)	(1.3)	(1.0)
DPS (cps)	-	-	-	-	-

Growth Rates	2025A	2026A	2027E	2028E	2029E
Revenue (%)	16.7	2.6	11.4	14.9	15.5
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)	(0.7)	0.0
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	1.4	1.8
Operating cash flow	6.1	9.0	0.2	0.7	2.0
Capital expenditure	(1.7)	(2.2)	(2.0)	(1.9)	(2.0)
(Acquisitions)/divestments	-	-	-	-	-
Other	(1.3)	(1.2)	(0.4)	(0.5)	(0.7)
Funding available/(required)	3.1	5.6	(2.2)	(1.7)	(0.7)
Dividends paid	-	-	-	-	-
Equity raised/(returned)	-	4.6	-	-	-
(Increase)/decrease in net debt	3.1	10.2	(2.2)	(1.7)	(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	0.3	0.4	0.4
Intangibles	3.4	4.6	5.4	5.9	6.3
Right-of-use asset	-	-	-	-	-
Other assets	39.5	46.8	47.3	48.0	49.0
Total funds employed	42.8	51.2	52.5	53.7	55.1
Net debt/(cash)	(0.3)	(4.5)	(2.1)	(0.1)	1.1
Lease liability	0.3	0.1	0.2	0.2	0.3
Other liabilities	38.7	46.2	46.7	47.4	48.5
Shareholders' funds	4.2	9.5	7.7	6.1	5.2
Minority interests	-	-	-	-	-
Total funding sources	42.8	51.2	52.5	53.7	55.1

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

Spot valuation (NZ\$)

SaaS peers comparable	0.19
DCF	0.19
12-month forward total LTV	0.43

DCF valuation summary (NZ\$m)

Total firm value	27
(Net debt)/cash	5
Less: Capitalised operating leases	(1)
Value of equity	31

Valuation Ratios	2025A	2026A	2027E	2028E	2029E
EV/Sales (x)	4.0	3.0	2.2	2.1	1.9
EV/EBITDA (x)	24.5	22.3	n/a	n/a	>100x
EV/EBIT (x)	59.2	>100x	n/a	n/a	n/a
PE (x)	44.1	>100x	n/a	n/a	n/a
Price/NTA (x)	46.0	7.4	17.2	n/a	n/a
Free cash flow yield (%)	12.4	19.0	-5.3	-3.7	-0.2
Adj. free cash flow yield (%)	12.4	19.0	-5.3	-3.7	-0.2
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	n/a
Interest cover EBITDA (x)	32.4	n/a	n/a	n/a	1.2
Net debt/ND+E (%)	-8.3	-95.3	-39.5	-1.4	18.3
Net debt/EBITDA (x)	n/a	n/a	2.0	0.1	28.3

Key Ratios	2025A	2026A	2027E	2028E	2029E
Return on assets (%)	1.3	0.3	-4.2	-4.0	-2.9
Return on equity (%)	18.8	3.4	-31.7	-38.7	-33.9
Return on funds employed (%)	16.3	3.2	-29.1	-34.1	-28.5
EBITDA margin (%)	15.5	13.1	-10.1	-6.1	0.3
EBIT margin (%)	6.4	1.9	-22.4	-18.6	-11.7
Capex to sales (%)	18.5	24.0	19.1	16.5	14.5
Capex to depreciation (%)	750	1,208	1,291	1,060	907
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	8.2	9.3	11.1
Interest on customer funds	2.3	1.8	1.8	2.3	2.3
SaaS recurring revenue	8.7	9.0	10.0	11.6	13.4
Beginning customers (#)	7,368	8,204	8,600	9,200	10,228
New customers (#)	1,755	1,422	1,676	2,179	3,056
Customers churned (#)	(919)	(1,026)	(1,076)	(1,151)	(1,280)
Ending customers (#)	8,204	8,600	9,200	10,228	12,004

Net customer growth (%)	11.3%	4.8%	7.0%	11.2%	17.4%
Average monthly churn (%)	1.0%	1.0%	1.0%	1.0%	1.0%

Per customer metrics:

ARPU (NZ\$ p/m)	92.6	89.0	93.7	98.7	99.7
Cost to serve (NZ\$ p/m)	(19.2)	(19.1)	(20.7)	(21.9)	(22.8)
Lifetime years	8.4	8.2	8.2	8.2	8.2
Lifetime value (NZ\$)	6,747	6,656	7,153	7,526	7,539
Lifetime value: CAC	11.6	7.1	3.7	4.4	6.2

Earnings revisions

We have generally lowered our New Zealand and Australian customer growth assumptions across our forecast horizon following PYS's 2Q27 update. For FY27 estimates, our forecasts remain at 8,700 for New Zealand and are revised down to 500 Australian customers (from 1,082), rising to 8,832 and 1,396 in FY28 and 9,032 and 2,972 in FY29 respectively. Although ARR reached NZ\$10.1m at 30 September 2026, up +11% year-on-year, ARR is an annualised exit run rate rather than recognised revenue. We therefore trim FY27 recurring revenue by 1% to NZ\$10.0m, representing +11% year-on-year growth, and reduce our FY28 and FY29 forecasts by -7% and -15% to NZ\$11.6m and NZ\$13.4m respectively. Processing-fee revenue is revised down by -1%, -11%, and -19% across FY27-FY29, primarily reflecting the slower Australian rollout. Gross profit is reduced by -2%, -8%, and -19% to NZ\$7.7m, NZ\$8.9m, and NZ\$10.1m respectively, with gross margins declining to 77.2%, 76.8%, and 75.4%. EBTDA is broadly unchanged in FY27, with the forecast loss narrowing but remaining at NZ\$1.0m. The FY28 EBTDA loss widens from NZ\$0.1m to NZ\$0.7m, while FY29 EBTDA profit is reduced from NZ\$1.4m to approximately breakeven. Forecast NPAT losses widen from NZ\$2.2m to NZ\$2.3m in FY27 and from NZ\$1.5m to NZ\$2.2m in FY28. Despite cutting some cost assumptions, FY29 NPAT moves from approximately breakeven to a NZ\$1.6m loss.

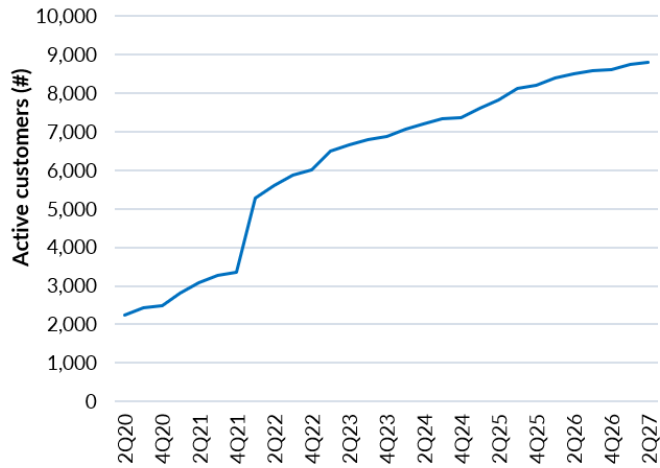
Figure 1. Earnings revisions

	FY26 Reported	FY27E			FY28E			FY29E		
		Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Processing fees	7.2	8.3	8.2	-1%	10.4	9.3	-11%	13.7	11.1	-19%
Interest income	1.8	1.9	1.8	-2%	2.0	2.3	+13%	2.1	2.3	+11%
IRD subsidy	0.0	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Recurring revenue	9.0	10.2	10.0	-1%	12.4	11.6	-7%	15.8	13.4	-15%
Cost to serve	(2.0)	(2.3)	(2.3)	+0%	(2.8)	(2.7)	-2%	(3.4)	(3.3)	-2%
Gross margin	7.0	7.9	7.7	-2%	9.7	8.9	-8%	12.4	10.1	-19%
Gross margin (%)	78.1%	77.6%	77.2%	n/a	77.9%	76.8%	n/a	78.7%	75.4%	n/a
Other revenue	0.2	0.2	0.2	+0%	0.2	0.2	+0%	0.2	0.2	+0%
Total other revenue	0.2	0.2	0.2	-3%	0.3	0.2	-4%	0.3	0.2	-5%
Customer acquisition costs	(1.3)	(3.3)	(3.3)	-2%	(3.6)	(3.7)	+2%	(4.1)	(3.7)	-8%
Research and development costs	(1.2)	(1.5)	(1.5)	-1%	(1.9)	(1.7)	-10%	(2.4)	(1.9)	-18%
G&A costs	(3.5)	(4.3)	(4.3)	+0%	(4.5)	(4.4)	-2%	(4.8)	(4.6)	-4%
Other expenses	0.0	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Interest expense	(0.0)	(0.0)	(0.0)	n/a	(0.0)	(0.0)	n/a	(0.0)	(0.0)	n/a
EBTDA	1.2	(1.0)	(1.0)	-7%	(0.1)	(0.7)	n/a	1.4	0.0	-99%
EBTDA margin (%)	13%	-10%	-10%	n/a	-1%	-6%	n/a	9%	0%	n/a
D&A	(1.0)	(1.2)	(1.3)	+8%	(1.3)	(1.5)	+12%	(1.4)	(1.6)	+20%
Impairments	(0.0)	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
NPBT	0.1	(2.1)	(2.3)	-8%	(1.4)	(2.2)	-53%	0.0	(1.6)	n/a
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	(2.2)	(2.3)	-8%	(1.5)	(2.2)	-53%	0.0	(1.6)	n/a

Source: Company data, Forsyth Barr analysis

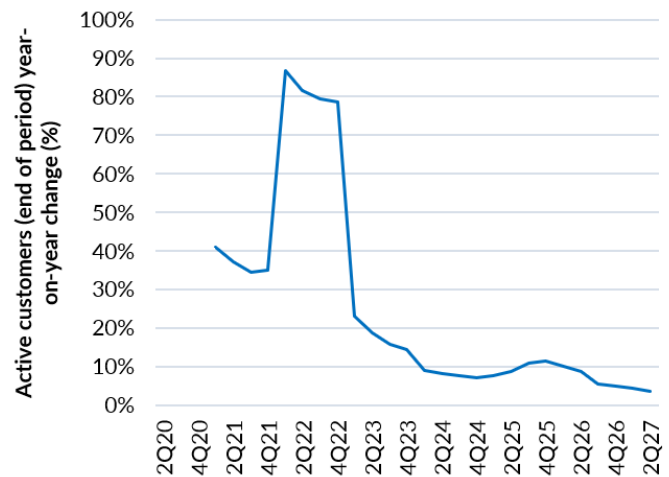
Key charts

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



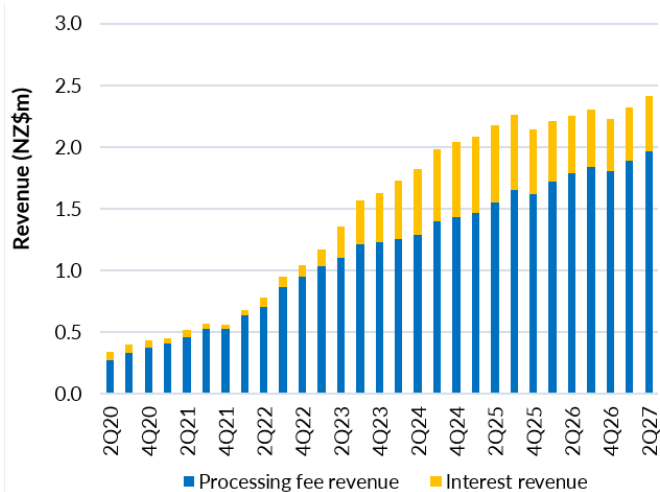
Source: Company data, Forsyth Barr analysis

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



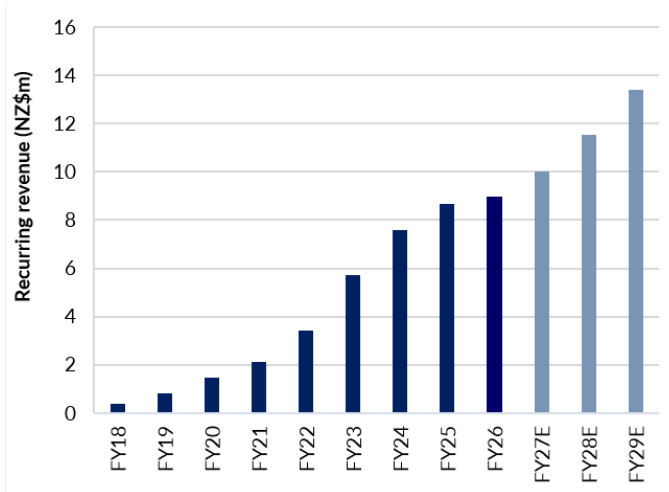
Source: Company data, Forsyth Barr analysis

Figure 4. PYS—Quarterly revenue stack (NZ\$m)



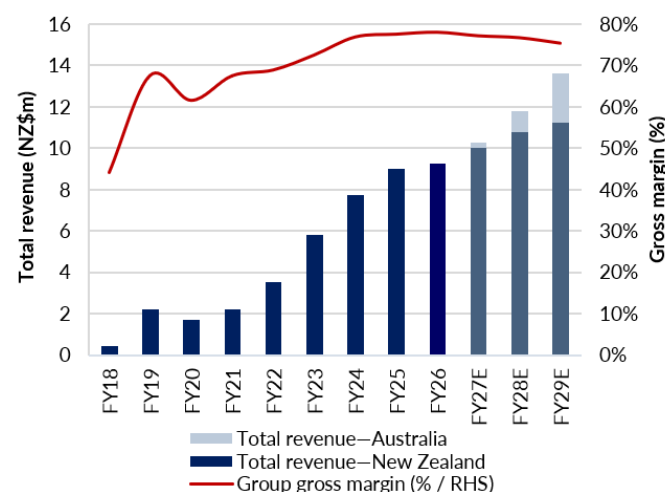
Source: Company data, Forsyth Barr analysis

Figure 5. PYS—Recurring revenue



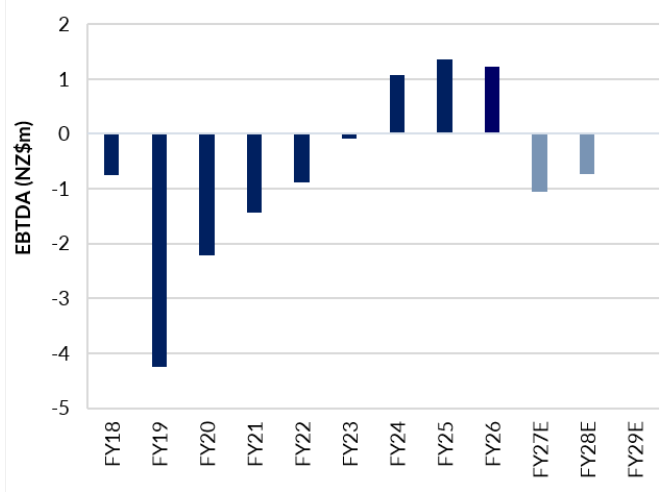
Source: Company data, Forsyth Barr analysis

Figure 6. PYS—Total revenue and gross margin



Source: Company data, Forsyth Barr analysis

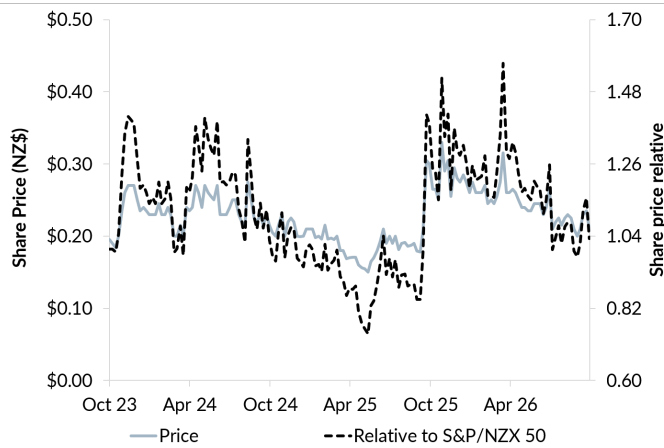
Figure 7. PYS—EBTDA



Source: Company data, Forsyth Barr analysis

Additional data

Figure 8. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 9. Substantial shareholders

Shareholder	Latest Holding
Asantha Wijeyeratne	20.4%
Perpetual Trust Barnes Family	12.9%
Troy Tarrant	9.3%

Source: NZX, Bloomberg, Forsyth Barr analysis; shares outstanding fall back to the analyst model;
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\$0.210	NZ\$35	<0x	<0x	<0x	<0x	<0x	<0x	0.0%
Xero	XRO AT	A\$59.81	A\$10,207	39.5x	24.2x	11.2x	8.8x	21.3x	14.6x	0.1%
Automatic Data Processing Inc	ADP US	US\$270.73	US\$107,277	21.5x	19.7x	15.4x	14.3x	16.7x	15.5x	2.7%
Paychex Inc	PAYX US	US\$104.46	US\$37,186	17.2x	16.0x	12.2x	11.5x	13.4x	12.6x	4.8%
Paylocity Holding	PCTY US	US\$153.02	US\$8,119	16.8x	15.2x	11.4x	11.0x	13.3x	12.6x	0.0%
Paycom Software	PAYC US	US\$229.90	US\$10,362	17.0x	15.1x	9.3x	8.5x	11.7x	10.5x	0.7%

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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