NEW ZEALAND EQUITY RESEARCH | TECHNOLOGY | PAYROLL SOFTWARE
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PaySauce
4Q25: Crossing the Ditch, Slowly

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PaySauce's (PYS) 4Q26 trading update came in broadly in line with expectations. Recurring revenue met our forecast, with processing revenue in line and interest income modestly ahead. FY26 year-end customer numbers remained broadly in line with expectations, reflecting the already modest contribution expected from the quarter. We do, however, view the softer additions as pointing to a further slowdown in NZ customer momentum, albeit consistent with trends flagged in 3Q26 as resources shifted toward Australian expansion. Importantly, management confirmed onboarding of its first commercial customers in Australia following the February 2026 soft launch at the Australian Dairy Conference, with full commercial launch still targeted for the end of April 2026. The update provided little detail on early uptake or rollout pace. Overall, the update does not materially change the investment thesis but reinforces that FY27 performance will be increasingly dependent on successful execution in Australia. Our blended spot valuation falls -6% to NZ$0.33, primarily reflecting weaker peer comparables.

NZX code	PYS
Share price	NZ$0.26
Spot Valuation	NZ$0.33 (from 0.35)
Risk rating	High
Issued shares	164.2m
Market cap	NZ$42.7m
Avg daily turnover	31.0k (NZ$7k)

Financials: Mar/	25A	26E	27E	28E
Rev (NZ$m)	9.0	9.3	10.4	12.8
NPAT* (NZ$m)	0.8	0.2	-1.4	-0.7
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	72.3	n/a	n/a	n/a
EV/EBITDA	30.0	29.1	n/a	53.9
Price / NTA	20.1	6.8	8.4	8.8
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:** FY26 NPAT remains broadly flat, while FY27/FY28 lift +NZ$0.2m/+NZ$0.1m, respectively.
- **Blended spot valuation:** Falls -6% to NZ$0.33, with weaker comparables and modest dilution from the NZ$1.5m SPP more than offsetting an uplift to near-term earnings primarily driven by updated interest rate assumptions.

New Zealand momentum remains subdued

PYS reported 4Q26 ARR of NZ$8.9m, up +6% year-on-year but down -4% quarter-on-quarter. Recurring revenue increased +4% year-on-year to NZ$2.2m (or -3% quarter-on-quarter), reflecting: (1) processing fee revenue up +12% year-on-year to NZ$1.8m, broadly in line with expectations; and (2) interest income down -23% year-on-year to ~NZ$0.4m, modestly ahead of our ~NZ$0.3m forecast. Processing ARPU was broadly flat at ~NZ$70. Net customer additions were just +18 (FBe: +36) in the quarter, taking total customers at year-end FY26 to 8,600 (FBe: 8,618) and reinforcing that NZ growth remains subdued. We note, however, that customer additions are typically seasonally weak in 4Q.

Australia moves to execution in FY27

Management confirmed the first commercial customers have now been onboarded to the Global Payroll Platform following the February 2026 soft launch. Full commercial launch remains scheduled for the end of April 2026. The release provided limited detail on cadence or early demand, with the next proof point expected at FY26 results in May. We view continued softening in NZ customer momentum as reducing the margin for error in FY27.

Revenue mix remains positive

Positively, the revenue mix continues to improve, with processing fees offsetting lower interest income on the customer float. Interest income fell to 18% of recurring revenue in the period, -6 percentage points below 4Q25.

Paysauce Limited (PYS)

Market Data (NZ$)	
Priced as at 10 Apr 2026	**0.26**
52 week high / low	0.34 / 0.14
Market capitalisation (NZ$m)	42.7

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)	2024A	2025A	2026E	2027E	2028E
Revenue	7.7	9.0	9.3	10.4	12.8
Normalised EBITDA	**1.1**	**1.4**	**1.3**	**(0.5)**	**0.7**
Depreciation and amortisation	0.6	0.8	1.0	1.4	1.6
Normalised EBIT	**0.5**	**0.6**	**0.3**	**(1.9)**	**(0.9)**
Net interest	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Associate income	-	-	-	-	-
Tax	1.0	0.2	(0.1)	0.5	0.3
Minority interests	-	-	-	-	-
Normalised NPAT	**1.5**	**0.8**	**0.2**	**(1.4)**	**(0.7)**
Abnormals/other	(0.2)	(0.1)	-	-	-
Reported NPAT	**1.2**	**0.7**	**0.2**	**(1.4)**	**(0.7)**
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	3.7	11.7	22.9
EBITDA (%)	n/a	21.7	-4.8	n/a	n/a
EBIT (%)	n/a	15.8	-48.4	n/a	n/a
Normalised NPAT (%)	n/a	-48.2	-73.5	n/a	n/a
Normalised EPS (%)	n/a	-45.5	-74.4	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**	**(0.5)**	**0.7**
Working capital change	(1.1)	0.1	(0.0)	0.1	0.1
Interest & tax paid	(1.1)	(0.3)	0.1	(0.6)	(0.3)
Other	2.0	4.9	2.5	2.5	3.5
Operating cash flow	**0.9**	**6.1**	**3.9**	**1.6**	**4.0**
Capital expenditure	(1.2)	(1.7)	(2.0)	(1.7)	(1.7)
(Acquisitions)/divestments	-	-	-	-	-
Other	(0.7)	(1.3)	(1.4)	(1.4)	(2.0)
Funding available/(required)	**(1.0)**	**3.1**	**0.5**	**(1.5)**	**0.2**
Dividends paid	-	-	-	-	-
Equity raised/(returned)	-	-	4.7	-	-
(Increase)/decrease in net debt	**(1.0)**	**3.1**	**5.1**	**(1.5)**	**0.2**

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	0.8
Intangibles	2.4	3.4	4.3	4.8	5.1
Right of use asset	-	-	-	-	-
Other assets	36.1	40.7	42.5	44.3	46.9
Total funds employed	**38.6**	**44.0**	**47.1**	**49.3**	**52.3**
Net debt/(cash)	0.0	(0.3)	(4.7)	(3.7)	(3.7)
Lease liability	0.1	0.1	0.2	0.2	0.3
Other liabilities	34.5	38.9	40.7	42.5	45.1
Shareholder's funds	4.0	5.4	10.9	10.3	10.6
Minority interests	-	-	-	-	-
Total funding sources	**38.6**	**44.0**	**47.1**	**49.3**	**52.3**

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

Spot valuation (NZ$)	**0.33**
SaaS peers comparable	0.18
DCF	0.35
12-month forward total LTV	0.45

DCF valuation summary (NZ$m)	
Total firm value	55
(Net debt)/cash	5
Less: Capitalised operating leases	(2)
Value of equity	58

Valuation Ratios	2024A	2025A	2026E	2027E	2028E
EV/Sales (x)	5.1	4.8	4.3	3.6	2.9
EV/EBITDA (x)	33.9	30.0	29.1	n/a	53.9
EV/EBIT (x)	77.8	72.3	>100x	n/a	n/a
PE (x)	>100x	>100x	>100x	n/a	n/a
Price/NTA (x)	26.0	20.1	6.8	8.4	8.8
Free cash flow yield (%)	-1.0	10.1	4.0	-0.7	4.7
Adj. free cash flow yield (%)	-1.0	10.1	4.0	-0.7	4.7
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	14.5	n/a	n/a
Interest cover EBITDA (x)	14.0	32.4	64.6	n/a	22.0
Net debt/ND+E (%)	1.2	-6.3	-80.5	-60.1	-56.9
Net debt/EBITDA (x)	0.0	n/a	n/a	8.0	n/a

Key Ratios	2024A	2025A	2026E	2027E	2028E
Return on assets (%)	1.3	1.3	0.6	-3.5	-1.6
Return on equity (%)	38.3	14.5	1.9	-13.9	-6.7
Return on funds employed (%)	28.5	13.0	1.7	-12.3	-5.8
EBITDA margin (%)	14.9	15.5	14.2	-4.5	5.3
EBIT margin (%)	6.5	6.4	3.2	-18.1	-7.1
Capex to sales (%)	15.3	18.5	21.5	16.3	13.6
Capex to depreciation (%)	-592	-750	-1,082	-539	-479
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	7.1	8.3	10.6
Interest on customer funds	2.2	2.3	1.9	1.7	1.8
SaaS recurring revenue	**7.6**	**8.7**	**9.0**	**10.1**	**12.5**
Beginning customers (#)	6,875	7,368	8,204	8,600	10,067
New customers (#)	1,502	1,755	1,419	2,540	3,333
Customers churned (#)	(1,009)	(919)	(1,023)	(1,073)	(1,255)
Ending customers (#)	**7,368**	**8,204**	**8,600**	**10,067**	**12,145**
Net customer growth (%)	7.2%	11.3%	4.8%	17.1%	20.6%
Average monthly churn (%)	1.2%	1.0%	1.0%	1.0%	1.0%
Per customer metrics:					
ARPU (NZ$ p/m)	88.6	92.6	89.1	90.5	94.1
Cost to serve (NZ$ p/m)	(21.0)	(19.0)	(18.4)	(18.6)	(18.9)
Lifetime years	7.1	8.4	8.4	8.4	8.4
Lifetime value (NZ$)	5,890	6,747	7,138	7,265	7,595
Lifetime value: CAC	11.5	11.6	8.1	5.7	7.4

Earnings revisions

We trim our FY26 ending customer count to 8,600 (previously 8,618), while reducing our medium-term NZ net customer additions to +381/+558 across FY27/FY28 (previously +509/+638), reflecting a more gradual recovery in NZ customer acquisitions as the Australian launch ramps through FY27. We now forecast ~9.5k NZ customers by year-end FY28 (previously ~9.8k). We update our FY26 interest rate spread assumption to reflect modestly higher-than-expected 4Q26 interest income, and lift our medium-term interest rate curve assumptions in line with market expectations. Our Australian customer acquisition forecasts remain unchanged as we await further detail at FY26 results, with expectations for ~+1.1k net customer additions in FY27 (representing ~2.5% of the Australian agri market).

Additionally, we incorporate the NZ$1.5m SPP completed in January 2026, reducing our near-term interest expense forecast.

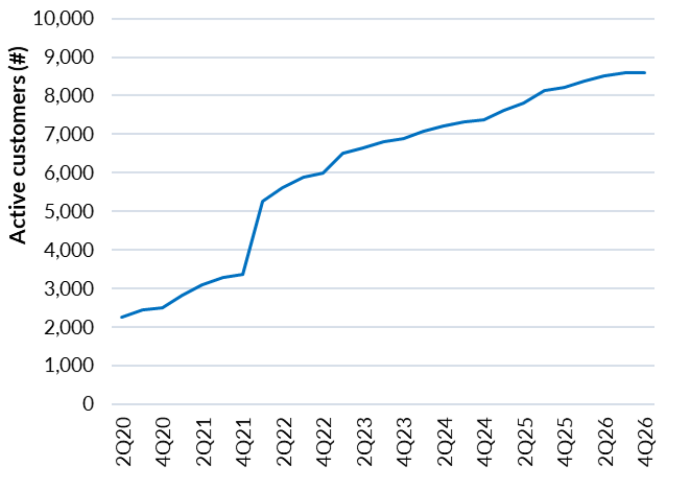
Figure 1. Earnings revisions

	FY26E			FY27E			FY28E		
	Old	**New**	**Change (%)**	**Old**	**New**	**Change (%)**	**Old**	**New**	**Change (%)**
Processing fees	7.2	7.1	-1%	8.5	8.3	-1%	10.8	10.6	-2%
Interest income	1.8	1.9	+5%	1.5	1.7	+16%	1.6	1.8	+15%
Recurring revenue	**8.9**	**9.0**	**+0%**	**9.9**	**10.1**	**+1%**	**12.4**	**12.5**	**+0%**
Cost to serve	(1.9)	(1.9)	-0%	(2.3)	(2.2)	-1%	(2.8)	(2.8)	-2%
Gross margin	**7.0**	**7.1**	**+1%**	**7.7**	**7.8**	**+2%**	**9.6**	**9.7**	**+1%**
Total other revenue	0.3	0.3	+0%	0.3	0.3	+0%	0.3	0.3	+0%
Customer acquisition costs	(1.3)	(1.2)	-1%	(3.4)	(3.3)	-3%	(3.5)	(3.4)	-2%
Research and development costs	(1.2)	(1.2)	+0%	(1.5)	(1.5)	+1%	(1.8)	(1.8)	+0%
G&A costs	(3.7)	(3.7)	+0%	(3.9)	(3.9)	+0%	(4.1)	(4.1)	+0%
Interest expense	(0.0)	(0.0)	+0%	(0.1)	(0.0)	-52%	(0.1)	(0.0)	-65%
EBTDA	**1.3**	**1.3**	**+4%**	**(0.8)**	**(0.5)**	**+36%**	**0.4**	**0.6**	**+51%**
EBTDA Margin %	14%	15%	+4%	-8%	-5%	+37%	3%	5%	+51%
D&A	(1.0)	(1.0)	+0%	(1.4)	(1.4)	+0%	(1.6)	(1.6)	+1%
NPBT	**0.2**	**0.3**	**+24%**	**(2.2)**	**(1.9)**	**+12%**	**(1.1)**	**(0.9)**	**+18%**
Tax	(0.1)	(0.1)	+24%	0.6	0.5	-12%	0.3	0.3	-18%
NPAT	**0.2**	**0.2**	**+24%**	**(1.6)**	**(1.4)**	**+12%**	**(0.8)**	**(0.7)**	**+18%**
EPS (cps)	0.1	0.1	+21%	(1.0)	(0.8)	n/a	(0.5)	(0.4)	n/a

Source: Forsyth Barr analysis

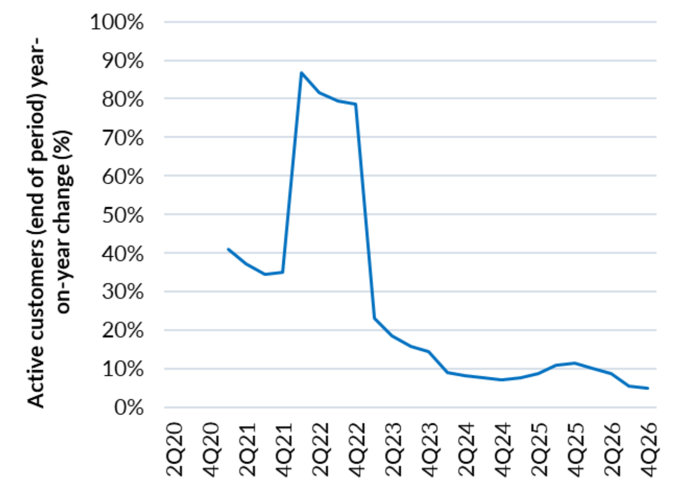
Charts of interest

Figure 2. NZ customer momentum has slowed ...



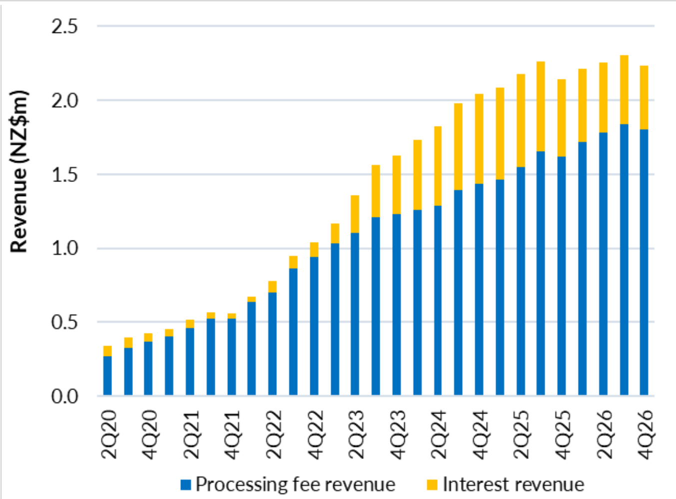
Source: Company, Forsyth Barr analysis

Figure 3. ... customer count grew just +5% year-on-year in 4Q26



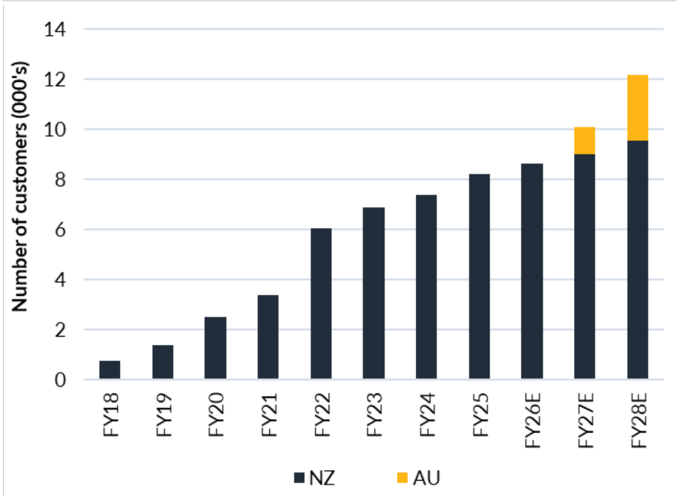
Source: Company, Forsyth Barr analysis

Figure 4. Impacting processing fee momentum, as expected



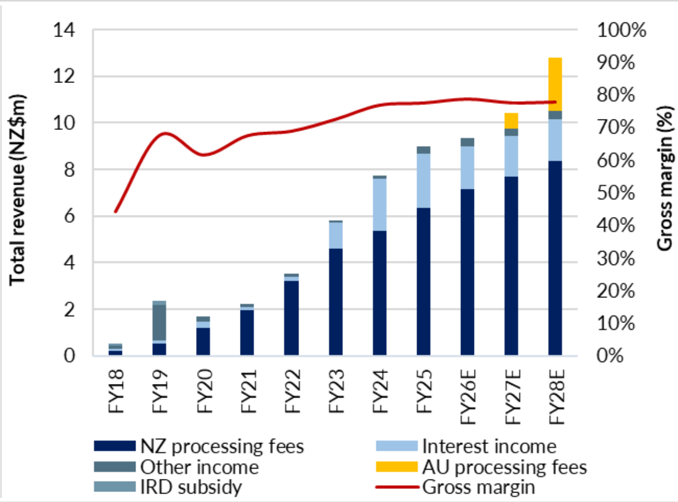
Source: Company, Forsyth Barr analysis

Figure 5. We forecast +1.1k Australian additions in FY27 ...



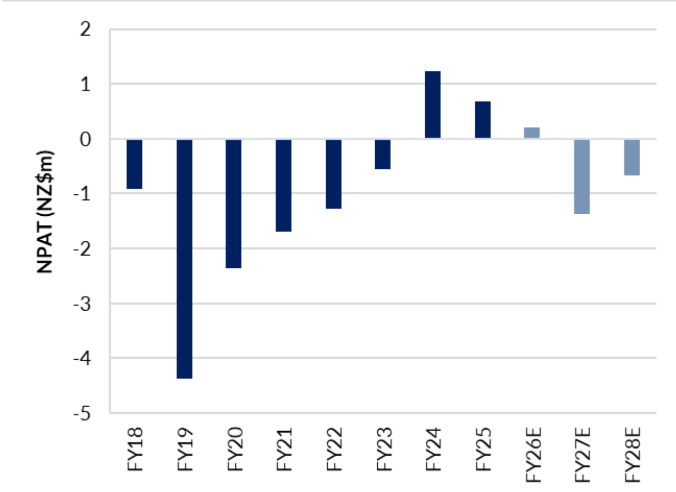
Source: Company, Forsyth Barr analysis

Figure 6. ... with initial revenue contributions modest



Source: Company, Forsyth Barr analysis

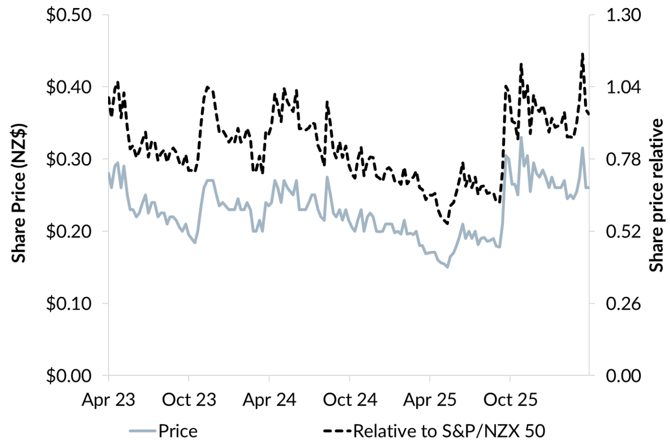
Figure 7. Our NPAT forecasts remain broadly unchanged



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	20.7%
Perpetual Trust Barnes Family	13.1%
Troy Tarrant	9.4%

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	PE		EV/EBITDA		EV/EBIT		Cash Yld
			(m)	1yr	2yr	1yr	2yr	1yr	2yr	1yr
Paysauce	**PYS NZ**	**NZ$0.26**	**NZ$43**	**<0x**	**<0x**	**<0x**	**54x**	**<0x**	**<0x**	**0.0%**
Xero	XRO AT	A$73.61	A$12,557	59.9x	37.3x	14.6x	11.4x	30.3x	20.5x	0.0%
Automatic Data Processing Inc	ADP US	US$200.78	US$80,843	17.1x	15.8x	12.2x	11.4x	13.4x	12.4x	3.4%
Paychex Inc	PAYX US	US$89.89	US$32,207	15.4x	14.5x	11x	10.3x	12.1x	11.3x	5.1%
Paylocity Holding	PCTY US	US$102.42	US$5,518	12.4x	11x	8.1x	7.2x	9.5x	8.5x	0.0%
Paycom Software	PAYC US	US$117.83	US$5,616	11x	9.9x	5.3x	4.9x	6.8x	6.2x	1.3%

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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