

ASX ANNOUNCEMENT

26 November 2019

**ELMO Software Limited**
(ASX:ELO)**AGM Chair and CEO address****Chair Address**

I would like to welcome you all to ELMO Software Limited's 2019 Annual General Meeting.

My name is Barry Lewin and this is my second Annual General Meeting as your Chair. This meeting will be webcast and I welcome all those who are joining online too. I'm also very pleased to welcome and introduce my fellow directors, Kate Hill, Leah Graeve and our Managing Director and Co-Founder, Danny Lessem. Welcome also to our Company Secretary Anna Sandham.

We have a quorum and I am pleased to declare the meeting open. All the materials that will be presented today are also available for download on the ASX and ELMO's website.

The order of the day will involve a presentation from Danny, followed by brief presentations from each of the Executive Team which will assist shareholders in gaining a deeper insight into the ELMO business.

Before the presentations, I'd like to reflect on ELMO's record FY19.

ELMO develops, sells and implements software solutions that enable organisations to manage efficiently and automate the stages in an employee's life cycle from "hire to retire". Our market leading convergent platform solution now consists of 13 modules spanning across people, process and pay.

In FY19 we delivered record financial results, achieving record annualised recurring revenue (ARR) of \$46.0 million, up 47.8% on FY18 and revenue of \$40.1 million, up 51.2% on FY18. Over 95% of our revenue is subscription-based, recurring in nature.

We continued to deliver on our growth strategy, and we are strengthening our position as the leading cloud, software-as-a-service (SaaS), human resource (HR), payroll and rostering / time & attendance provider in Australia and New Zealand.

To support our rapid growth strategy, in September/October we successfully completed a \$70 million capital raise including a heavily oversubscribed Share Purchase Plan. We thank our shareholders for their strong endorsement of the Company's achievements to date and growth plans, and we welcome our new investors to ELMO.

In summary, in FY19 we continued to lay the foundations for long term, sustainable growth and we are seeing the benefits of putting in place these building blocks over past years, in the significant growth momentum we are achieving. ELMO is indeed a very exciting company to be associated with.

I'd like to thank management and all ELMOians for their contributions during a very successful year. I would like to thank my fellow directors for their valued contributions and of course thanks to Danny, our CEO for his vision, passion, stewardship and strong leadership!

I encourage all of our shareholders and guests to stay after the meeting and share some light refreshments. It's a good chance for you to meet the ELMO team.

I'll now hand over to Danny.

Co-founder and CEO Address

Thank you, Barry.

I would like to add my welcome to you all and thank you for attending today's AGM and thank you to our international investors watching from abroad.

As you can see today is a different style of meeting – it's an "open-house". We designed our 2019 AGM to be more informative and give you a deeper insight into ELMO. We are an open and transparent company and we want to showcase those traits with you today.

I am delighted to share this platform with the senior management team at ELMO. Each of them will be providing short updates on their respective areas of focus.

Let me begin this address by saying ELMO performed well during FY19.

We made good progress delivering on our growth strategy and we strengthened our position as one of the leading cloud-based HR and payroll solution providers in Australia and New Zealand. The key point I would make is that our convergent solution is clearly gaining market traction and broader take up by customers.

Sustained sales momentum has grown our customer base by 30% to 1,341 with an estimated lifetime value of \$621 million, adding \$156 million of incremental value in 12 months. Customer retention remains consistently high at 92% and the module penetration per customer has steadily grown to 2.4.

Over 95% of our revenue is subscription-based, which is recurring in nature. Our net customer retention in dollar terms was over 110% in FY19, highlighting the successful cross-selling of our enlarged suite of solutions into our sticky customer base.

We supplemented this growth with two selective and strategic acquisitions to broaden our offering with complementary technology and / or a high-quality customer base, all of which enhance our cross-sell potential and value proposition.

Other FY19 highlights include:

- Grew our lead metric ARR to **\$46.0** million, up **47.8%** on FY18
- Achieved updated pro forma revenue guidance
- Statutory revenue was **\$40.1** million, up **51.2%** on FY18
- Record annual cash receipts of **\$45.1** million
- High gross profit margin of **86.6%**
- **265** organic, new customers added
- Finally, we've grown our company from 193 ELMOians in FY18 to **349** at 30 September 2019

We continue to lay the foundations for long term, sustainable growth. Our total addressable market is large and has grown substantially from ~\$1.7 billion to ~\$2.4 billion. This is due to the widening of our product suite and also increasing our engagement with the lower mid-market (50 to 200 employees). We are organising and allocating our resources purposefully to optimise our results in these new markets.

With roughly 5.6% market penetration based on customer numbers and scope to increase the number of modules per customer (currently 2.4 out of a potential 13), there is substantial scope to add new customers and also cross-sell to our existing customer base.

The outlook for FY20 is exciting and builds on our FY19 investments and success. We will continue to target further investment to deliver long-term, sustainable growth. We expect to increase headcount and capabilities across research and development, sales and marketing and client services while also actively seeking strategic investment opportunities for complementary, adjacent technology or customer lists that provide cross-sell opportunities. We are confident

these investments will generate strong, long-term returns for shareholders as we take full advantage of the expanded view we now have of the market.

To support our growth strategy, in September/October, we successfully completed an institutional placement and Share Purchase Plan to raise new capital. We will invest these new funds diligently to build our position and drive long term sustainable growth.

For FY20 we expect strong ARR growth to \$61-63 million, revenue growth to \$53-\$55 million and EBITDA expected to be negative \$1 to negative \$3 million. That is unchanged from our FY19 results announcement in August.

ELMO is fortunate to have a deeply experienced management team that continues to successfully execute our accelerated growth strategy and deliver on expectations. I thank all our ELMOians for their outstanding contributions to this special company.

We would also like to thank our customers for their much appreciated and continuing support, and all our shareholders for their loyalty. We look forward to sharing our successes and exciting future with you.

END

Authorised by:

By order of Danny Lessem, Co-Founder & Chief Executive Officer

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About ELMO

Established in 2002, ELMO is a cloud-based HR & Payroll software provider. The company offers customers a unified platform to streamline processes for HR, and also manage payroll and rostering / time & attendance. ELMO operates on a Software as a Service ("SaaS") business model based on recurrent subscription revenues.

For more information, please visit www.elmosoftware.com.au.