



ELMO Software

HR | Payroll | Time & attendance



ELMO acquires Breathe

HR platform for Small Business

ASX:ELO

7 October 2020

Transaction Highlights

Increases ELMO's market opportunity

ELMO has acquired 100% of the shares in Breathe

Breathe is a high growth UK based HR platform designed for **Small Business (<50 employees)**

Market opportunities:

- Breathe's scalable platform opens lucrative A\$2.2bn new market segment (small business) for ELMO in Australia, New Zealand and the UK
- Leveraging ELMO's product suite to cross-sell additional modules into Breathe's 6,700+ customers
- Expands UK footprint

Highlights

- ARR of £3.6m (A\$6.5m)^{1,2} and has been growing over 30% annually
- 100% subscription revenue
- 6,700+ small business customers
- Over 85% customer retention

Purchase consideration

- Initial payment - £18.0m (A\$32.4m) using a combination of cash and scrip
- Earnout consideration – est. £4.0m (A\$7.2), subject to financial targets

Transaction completed simultaneously with execution of the sale and purchase agreement on 7 October 2020

Founder Jonathan Richards to continue on as CEO of Breathe UK

1. As at 31 August 2020
2. FX rate GBP/AUD = 1.80

Expanding market opportunity

Both market segment and geographical expansion

✓ **Segment expansion** to the 'small business' market segment (<50 employees)

✓ **Fit for purpose self-service solution** for small businesses to automate critical HR processes

- ✓ Self-try
- ✓ Self-buy
- ✓ Self-implement

} Highly scalable
All done online by customer

✓ **Increases Total Addressable Market (TAM) by A\$2.2bn** (3.7 million businesses)^{1,2} by including new small business market segment in UK, Australia & New Zealand

✓ **Expands UK footprint:** Breathe is the leading UK based HR platform for small business with 6,700+ customers

Breathe is a high growth UK based HR platform for small business (<50 employees)

1. Frost & Sullivan independent market report 2019/2020

2. Assumes full penetration of ELMO modules across all organisations with < 50 employees

ELMO's acquisition mandate

ELMO has a 3-fold acquisition mandate and has undertaken 8 acquisitions since 2016

ELMO's 3-fold acquisition mandate

1. Customer base

Facilitating growth through module cross-sell

2. Complementary technology

Enhancing ELMO's competitive advantage and providing new revenue streams

3. UK Footprint

Enabling global expansion by opening new geographic markets

ELMO's historical transaction timeline

Oct-16



Nov-17



Dec-17



Feb-18



Dec-18



Jan-19



Feb-20



Oct-20



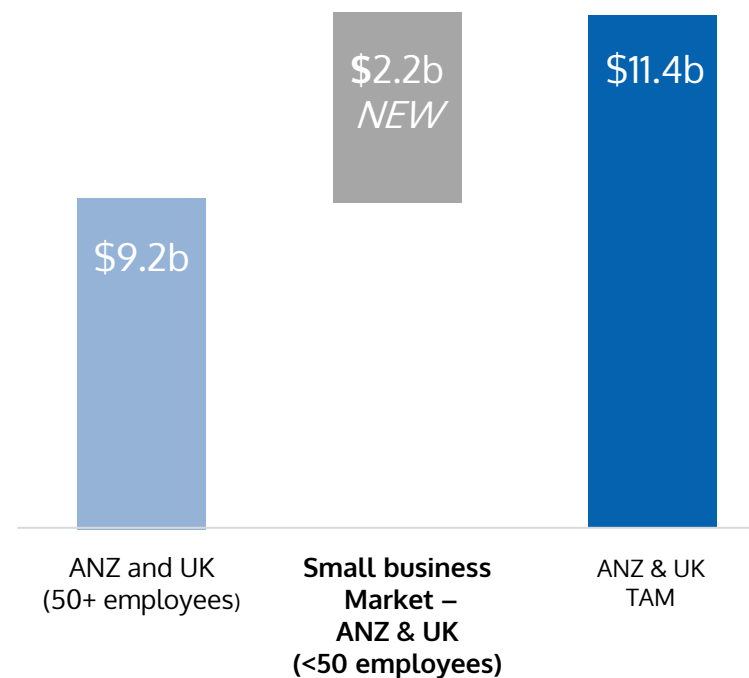
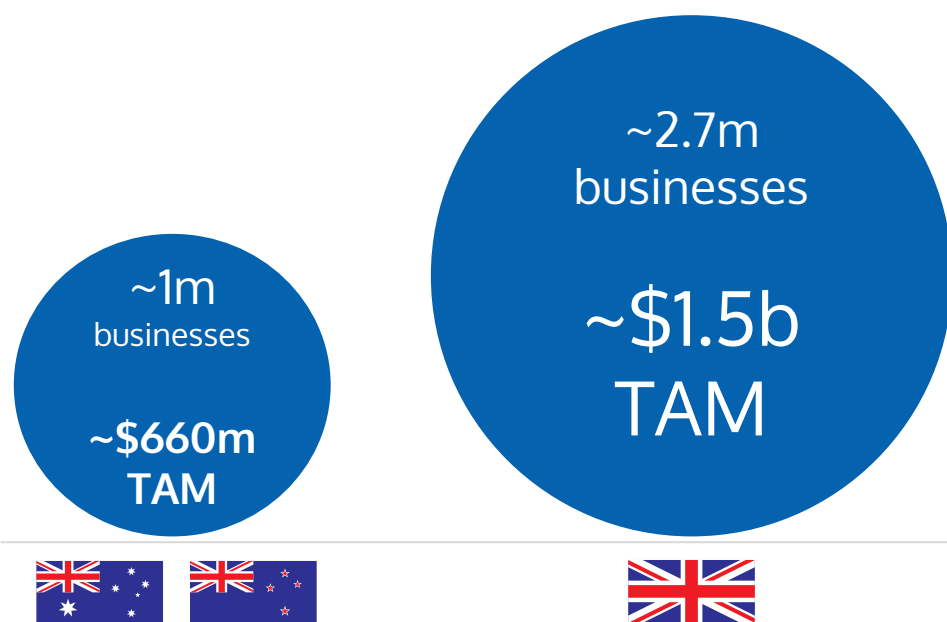
- ✓ **Customer base**
 - New market segment (<50 employees)
- ✓ **Complementary Tech**
 - New small bus. platform
- ✓ **UK Footprint**

New market opportunity increases ELMO's TAM

By expanding into small business market segment and increasing ELMO's UK footprint

Total addressable market <50 employees (A\$)

Total addressable market ANZ & UK (A\$)



Increases ELMO's TAM by \$2.2b to \$11.4b^{1,2}

1. Frost & Sullivan independent market report 2019/2020

2. Assumes full penetration of ELMO modules across all organisations

Breathe snapshot

A UK-based fast-growing scalable HR platform for small business



Founded 2012 in the UK

ARR A\$6.5m¹
30%+ growth

6,700+ small business
customers

100% Subscription revenue

~85%
Customer retention

46 Employees



Self-try



Self-buy



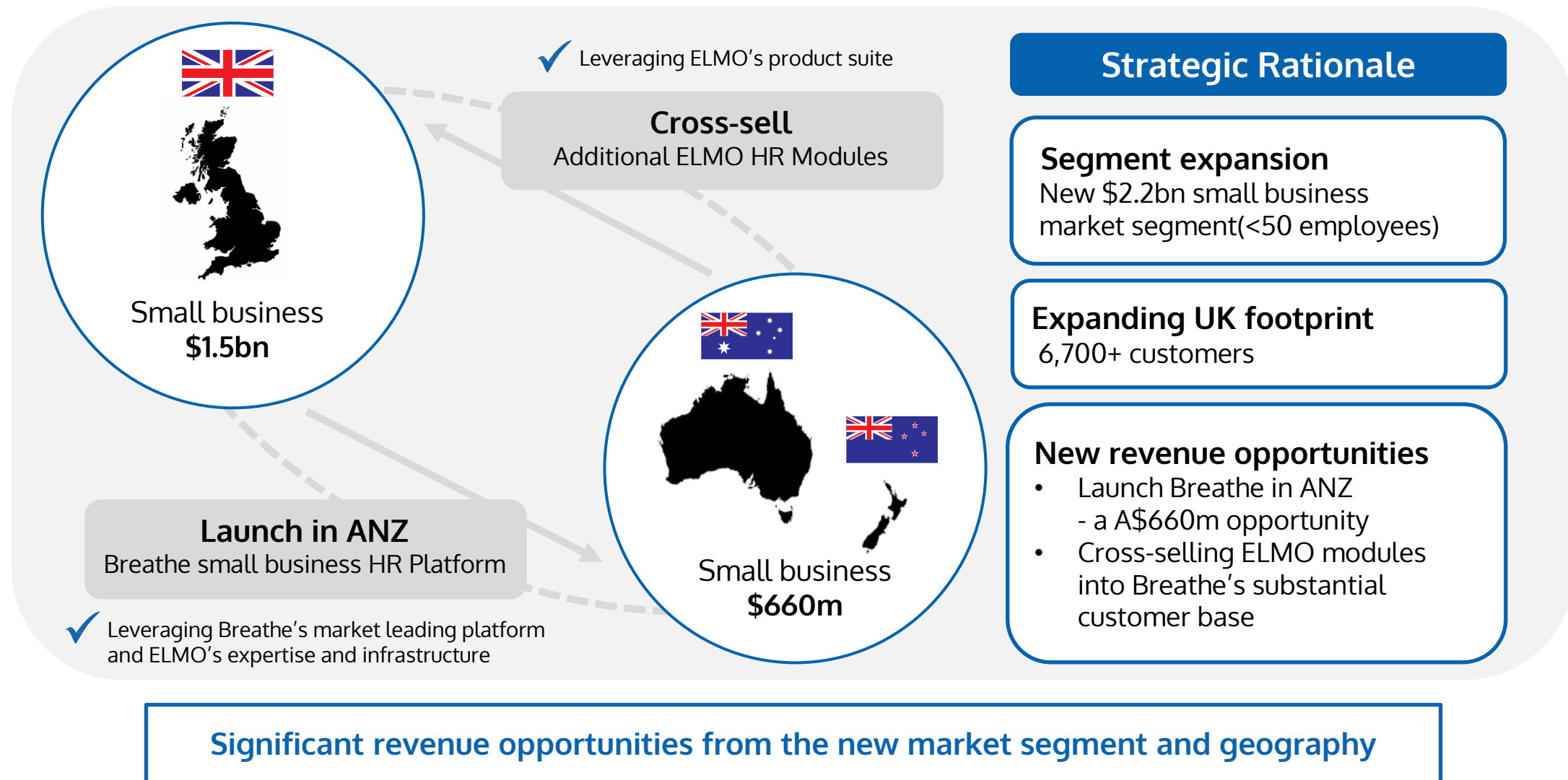
Self-implement

Leading HR platform for small business in the UK

1. Metrics provided are as at 31 August 2020



Strategic rationale

Breathe is a high quality and rapidly scaling business



Entry to Small Business segment

A fit-for-purpose solution for small business

			
Product	Self-service solution model with a focus on simplicity	Configurable multi-module solution suitable for organisations with more complex requirements	
Market focus	Small businesses with <50 employees	Lower, mid-market businesses with 50-200 employees	Mid-market and large organisations with 200+ employees
Buyer	<ul style="list-style-type: none">Business owner	<ul style="list-style-type: none">Business owner, General Manager, Operations, or HR Manager	<ul style="list-style-type: none">HR Manager, HR Director, Finance Manager
Sales model	<ul style="list-style-type: none">Self-service	<ul style="list-style-type: none">Direct sales, remote based	<ul style="list-style-type: none">Direct Sales, relationship based
Implementation	<ul style="list-style-type: none">Self implementation	<ul style="list-style-type: none">Implementation support required	<ul style="list-style-type: none">Higher level of implementation support required
Price point	<ul style="list-style-type: none">Highly price sensitive	<ul style="list-style-type: none">Less price sensitive	<ul style="list-style-type: none">Customer focused on value over price

Updated FY21 Guidance

ELMO continues to focus on delivering long term sustainable growth



ARR
A\$65.0-70.0m

Revenue
A\$57.0-61.0m

EBITDA
(A\$4.0-7.0m)



ARR
A\$7.5-8.5m

Revenue¹
A\$4.0-5.0m

EBITDA
A\$(0.5m) - 0.5m

+

=

Upgraded FY21 Guidance

ARR
A\$72.5-78.5m

Revenue
A\$61.0-66.0m

EBITDA²
\$(3.5m-7.5m)

As provided to market on 6 August 2020

1. Reflects the estimated revenue from completion to 30 June 2021

2. EBITDA excludes transaction, integration and non-cash share based payments

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