

8 October 2020

ELMO Software Limited

(ASX:ELO)



## **Annual General Meeting**

### *Chair and CEO Addresses*

#### **Chair Address**

Good afternoon and welcome to ELMO Software Limited's 2020 Annual General Meeting.

My name is Kate Hill. I am an Independent, Non-Executive Director of ELMO, and I will be chairing today's meeting due to the current restrictions that prevent Barry Lewin from attending today's meeting in person. Barry sends his apologies but will be present online.

On behalf of ELMO, I would like to acknowledge the Gadigal of the Eora Nation, the traditional custodians of the land and pay my respects to elders both past and present.

Before we start today's meeting, can I please ask you to ensure your mobile phones are turned off or switched to silent.

I ask you to take the time to familiarise yourself with the exits in the room. If the evacuation alarm sounds, the venue's fire wardens will enter the room and direct you to the emergency evacuation points.

This meeting is being webcast and I also welcome those joining online.

We have a quorum and I am pleased to declare the meeting open.

I'd like to welcome and introduce my fellow directors. Barry Lewin, ELMO's Chairman, joins us online from Melbourne, as does Leah Graeve. ELMO's CEO and Co-founder, Danny Lessem, joins us here in Sydney. Welcome also to our Company Secretary, Anna Sandham.

The order of the day will involve a presentation from Danny, followed by brief presentations from each member of the Senior Leadership Team, which will assist shareholders in gaining a deeper insight into the ELMO business. The materials presented today are available on the ASX and ELMO websites.

ELMO develops, sells and implements cloud-based Software-as-a-Service solutions that enable organisations to efficiently manage and automate the stages in an employee's life cycle, from "hire to retire". Our market leading convergent platform grew over FY20 to now consist of 15 modules, spanning people, process and pay. We are transforming the way people are managed and improving productivity, performance and the overall wellbeing of millions of employees across Australia, New Zealand and now the United Kingdom.

During Financial Year 2020, COVID-19 created unprecedented and unforeseen challenges for our customers, employees, shareholders and the community.

ELMO's platform is cloud-based, developed and maintained remotely. This means that despite the challenges associated with the pandemic, ELMO was able to provide an uninterrupted service to our customers. The shift to remote-based working across our customer base saw increased reliance on our platform, emphasising the mission-critical nature of a cloud-based HR and payroll solution when managing a remote workforce. ELMO's own workforce successfully transitioned to remote-based working during the financial year, responding with typical flexibility and agility which is embedded in our culture.

To support our growth strategy, we strengthened our cash resources during FY20 through two oversubscribed capital raises. In September of last year, we raised \$70 million through an equity placement, and in May of this year we raised an additional \$72.8 million. We thank our shareholders for their support. Our cash reserves are robust and will enable us to accelerate organic growth initiatives and further fund selective acquisition opportunities.

We remain strongly committed to our accelerated growth strategy as we continue to scale. Our focus on research and development is a critical element in building on our position as the leading cloud, Software-as-a-Service, HR, payroll and rostering/time and attendance provider in Australia and New Zealand.

The acquisition of Breathe in the UK is an important milestone in ELMO's development. Breathe provides not only the avenue for further segment expansion, into the small business market, but also a meaningful footprint in the United Kingdom, from which we can continue our growth trajectory in that market.

In summary, in FY20 we further laid the foundations for long term, sustainable growth. Our significant momentum continues, despite some of the macroeconomic challenges in the broader economy.

I would like to take this opportunity to thank my board colleagues for their continued oversight and our CEO Danny and his committed and talented management team for successfully executing the next stage of our accelerated growth strategy. Special thanks also to all our ELMO'ians for their tremendous contributions through these exciting, but sometimes challenging, times.

I would also like to extend my thanks to our customers and all our shareholders for their ongoing support of ELMO.

I encourage all shareholders and guests in ELMO's Sydney office 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, Kate.

I would like to add my welcome to you all and thank you for participating in today's AGM, either in person or online.

Once again this year, we're hosting a different style of meeting – it's an "open house". As you've heard, you will have the opportunity to hear from ELMO's Leadership Team today in order to provide a deeper insight into ELMO as an organisation.

Before I proceed, I'd like to share with you a brief video of what it means to be an ELMOnian.

We continue to make good progress in scaling the company and have further strengthened our position as the leading cloud-based HR and payroll solution provider in Australia, and New Zealand.

ELMO's convergent solution provides customers with an all-in-one platform to manage people, process and pay.

ELMO continues to scale. We now have more than 400 employees across our offices in Australia, New Zealand and the UK. Our customer base continues to grow, at the end of the financial year numbering 1,682. During FY20, we added 337 new customers who subscribed to an average of 3.9 modules.

The FY20 dashboard provides a useful overview of ELMO's financial performance over the year to 30 June.

Annualised Recurring Revenue, our key anchor metric, rose by 19.7 per cent, to \$55.1 million. Statutory revenue rose 25.0 per cent to \$50.1 million.

Average ARR per customer fell slightly, to \$32,700, as we continued to gain market share with smaller businesses.

Our Gross Profit margin came in at 85.3 per cent, down 1.3 per cent on FY19 on further investment in client services to support an enlarged and growing customer base.

Customer retention remains high at 90.2 per cent; a good outcome given COVID-19 impacts. Net customer dollar retention was 102.0 per cent, highlighting the successful cross-sell of additional modules to existing customers.

Our LTV fell \$19 million to \$602 million, mainly on COVID-related churn.

ELMO's customer base continues to grow strongly. During the year our customer base grew by 25.4 per cent to 1,682 organisations. Average modules per customer rose to 2.7, from 2.4 a year ago, providing substantial headroom for cross-sell.

And the customer base remains well diversified: less than 2 per cent of ARR came from a single customer, and our top 10 largest customers combined accounted for less than 7 per cent of ARR.

Yesterday, we announced a very exciting acquisition in the UK - Breathe. The acquisition of Breathe is an important development for ELMO.

To date, ELMO has had a particularly strong presence in the mid and lower mid markets, specifically businesses with around 50 to 2,000 employees.

Breathe opens up a new market for ELMO, the small business segment, comprising businesses with 50 or fewer employees.

The addition of the small business segment means ELMO's Total Addressable Market increases by \$2.2 billion to \$11.4 billion, across Australia, New Zealand and the UK.

Breathe also meaningfully expands ELMO's footprint in the UK market, where there is substantial room for growth through building customer numbers, and cross-selling ELMO modules through the Breathe platform.

I would like to reiterate that our growth strategy remains on track, and we continue to execute on that strategy.

There are three key pillars to our organic growth strategy:

- New customers in existing markets;
- Greater usage from existing customers; and
- Expanding and enhancing our product line.

We take a long term view, and continue to invest to ensure that our high growth rates can be sustained into coming years.

Our organic growth is supplemented by targeted acquisitions, such as Breathe. We've been very clear about requisites for acquisitions. Specifically, targets should provide one or more of the following to ELMO:

- Complementary technology;
- Customer lists with module cross-sell opportunity; and
- Geographic footprint.

We are still early in our growth journey. We have expanded our market opportunity, and will continue to execute on our strategy. We remain committed to investment in people and products, to deliver long-term, sustainable growth.

FY21 promises to be an exciting year for ELMO as we build on our prior investments and momentum. In addition, ELMO is very well placed to capitalise from tailwinds in the adoption of cloud-based software.

ELMO has a deeply experienced management team that continues to successfully execute on our strategy. I thank all our ELMOians for their outstanding contributions to our company.

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

## **Contacts**

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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](http://www.elmosoftware.com.au).