



ELMO Software

HR | Payroll | Time & attendance



Annual General Meeting of Shareholders

ASX:ELO

8 October 2020



Danny Lessem
CEO & Co-founder

Founded ELMO in 2002

Danny is responsible for leading the development and execution of ELMO's long term strategy and delivering on growth objectives for the business

Company overview

A leading provider of cloud HR, payroll, rostering / time & attendance software in Australia & New Zealand (ANZ)

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

ONE vendor
ONE dashboard
ONE user-experience

Snapshot



400+ employees



Offices in Australia, New Zealand and the UK



Customer base of 1,682 organisations¹



Scalable SaaS cloud-based platform



Total Addressable Market \$11.4bn^{2,3}

1. As at 30 June 2020

2. Frost & Sullivan independent market report 2019/2020

3. Also includes organisation <50 employees

FY20 dashboard

Continuing to deliver on growth strategy, annualised recurring revenue up 19.7% from FY19

Revenue

\$55.1 million

Annualised recurring revenue (ARR)



19.7% growth from FY19

\$50.1 million

FY20 statutory revenue



25.0% growth from FY19

\$32.7k

Average ARR per customer



Down \$1.5k from 30 June 2019

Operational

85.3%

Gross profit margin



High gross profit margin, down 1.3% from FY19

90.2%

Customer retention rate



Net customer dollar retention 102.0%

\$602 million

Lifetime value (LTV) of customer base at 30 June 2020



Down \$19m from 30 June 2019

Customer

1,682

Customer base



25.4% growth from 30 June 2019

2.7

Average modules per customer



Up from 2.4 at 30 June 2019

<2% ARR

Contribution of largest customer

<7% ARR

Contribution from top 10 customers

Low customer concentration

Strong organic growth strategy

Accelerated with selective acquisitions

Organic strategy



New customers in existing markets

Investment in sales and marketing to drive additional customer wins across ANZ

Strong growth and continued penetration of mid-market and lower mid-market organisations



Greater usage from existing customers

Increased cross-sell opportunity from ELMO's broadened suite of 15 modules

Continued strong revenue growth from existing customer base

39% of gross incremental ARR in FY20 came from existing customers



Expand and enhance product line

Increased R&D investment to:

- develop new modules
- enhance functionality and interoperability of existing modules

R&D investment ensures ELMO maintains competitive advantage to ensure long term sustainable growth

Inorganic strategy



Growth through acquisitions

Disciplined approach, with strong track record of M&A execution (8 acquisitions since 2016)

Scaled M&A team to complete and successfully integrate acquisitions to deliver synergy benefits

Active pipeline of strategic investments that provide;

- Complementary technology
- Customer lists that have module cross-sell opportunity
- UK operational footprint to leverage

Well placed to capitalise on anticipated tailwinds in the adoption of cloud-based software

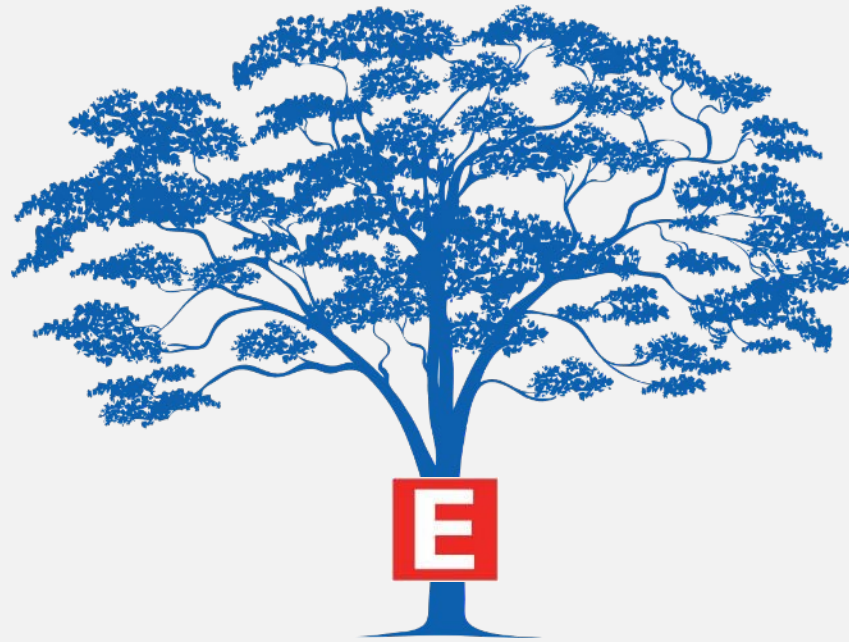


Monica Watt
Chief Human Resources Officer

Joined ELMO in 2015

Monica is responsible for optimising the business, people engagement and elevating team performance through innovative leadership

ELMO VISION



“CREATING BEST-IN-CLASS TECHNOLOGY
ACCESSIBLE TO ALL WORKPLACES”

ELMO VALUES

INTEGRITY

We are committed to being open, respectful and accountable to each other

COLLABORATION

We have fun and work shoulder to shoulder with each other to achieve our common goals



INNOVATION

We approach challenges with agility, flexibility and inspiration to explore and trial better ways of working

RESULTS

We are determined and measured, we achieve and meet our commitments; no excuses



Darryl Garber
Chief Commercial Officer

Joined ELMO in 2011

Darryl is responsible for developing, evaluating and executing ELMO's growth strategy. This includes investor relations and pursuing merger and acquisition opportunities

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

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

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

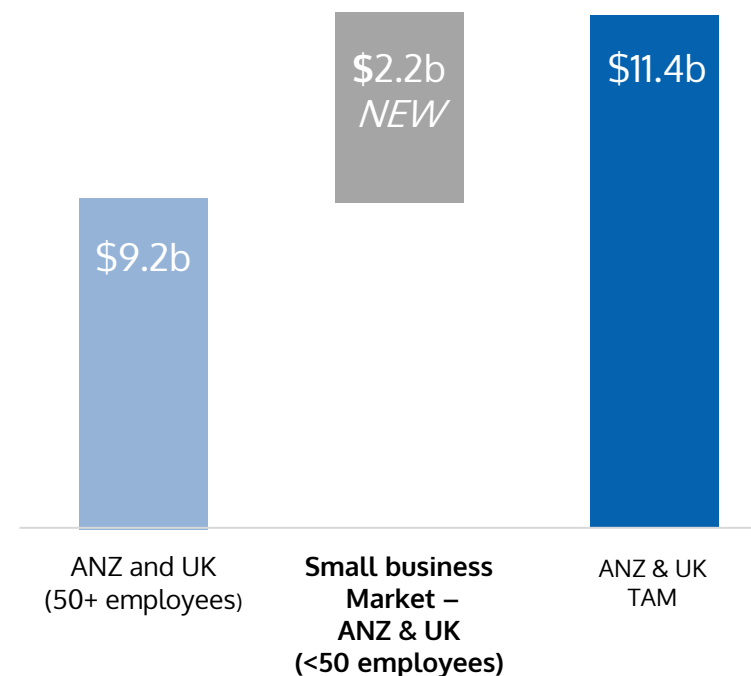
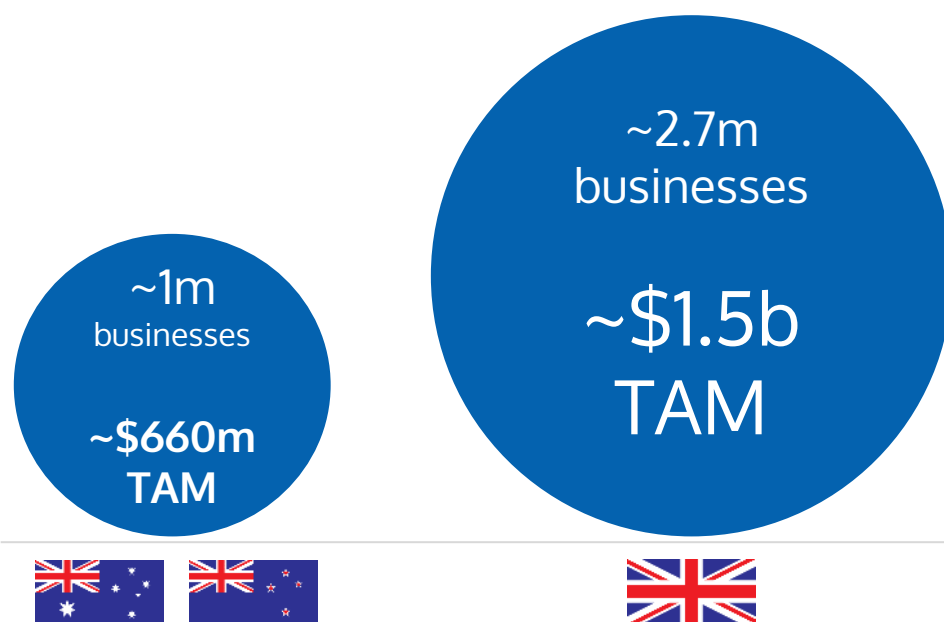
1. Metrics provided are as at 31 August 2020

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\$)



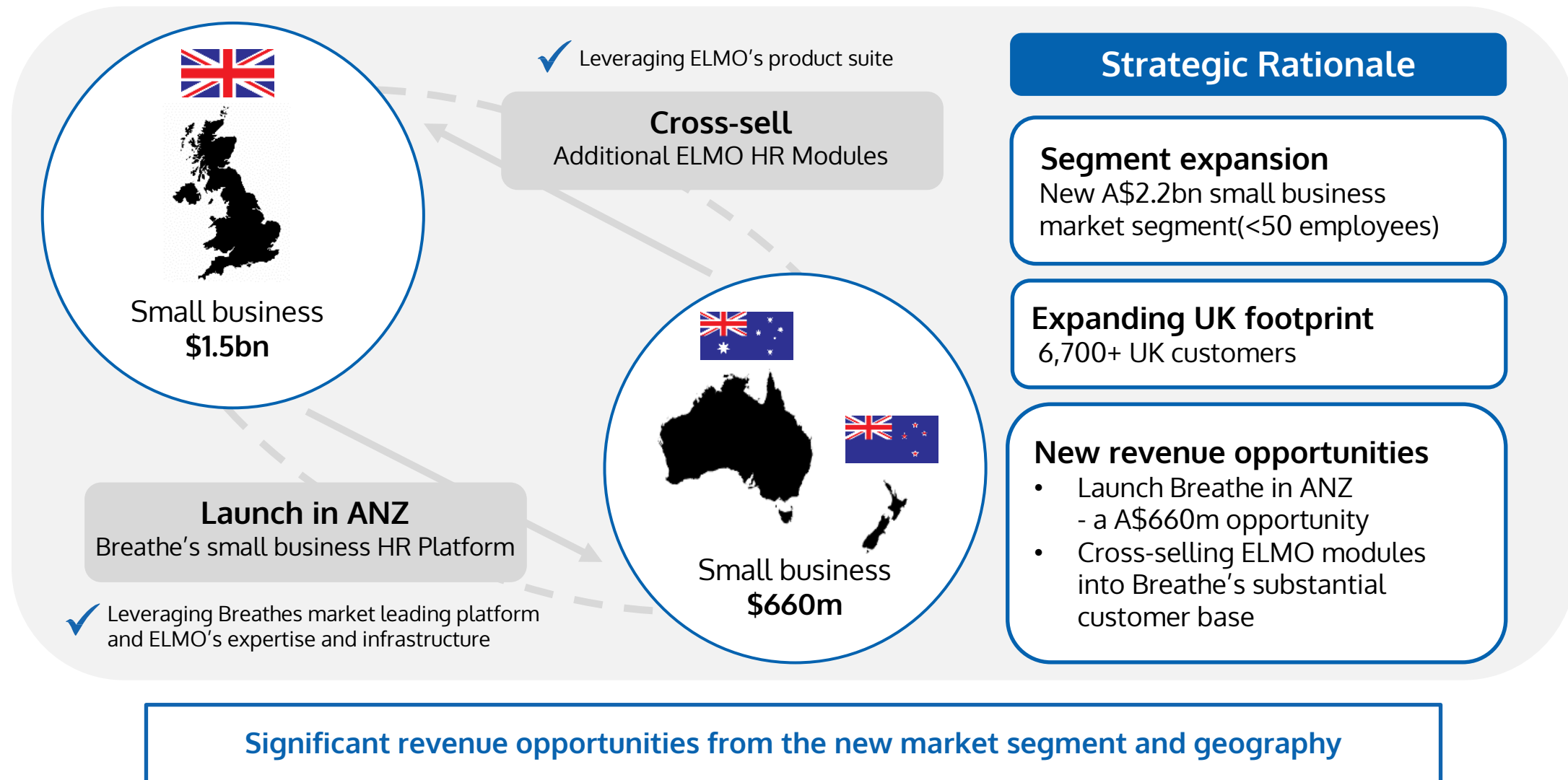
Increases ELMO's TAM by \$2.2b to \$11.4b^{1,2}

1. Frost & Sullivan independent market report 2019/2020

2. Assumes full penetration of ELMO modules across all organisations

Strategic rationale

Breathe is a high quality and rapidly scaling business







Gordon Starkey
Chief Operating Officer

Joined ELMO in 2007

Gordon is responsible for overseeing ELMO's business development, sales and marketing, product and client services. Gordon is instrumental in driving the strategic direction of ELMO

Entry to Small Business segment

Breathe significantly expands our market opportunity

			
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, GM, Ops, 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

Launching Breathe in Australia and New Zealand

Go-to-market strategy



1. Digital Marketing

- Website
- Search engine optimisation (SEO)
- Pay-per-click (PPC)
- Social Media Marketing
- Content Marketing
- Email Marketing



2. Partnerships

- Referral partners
- Managed Service Providers (MSP) – HR consultants

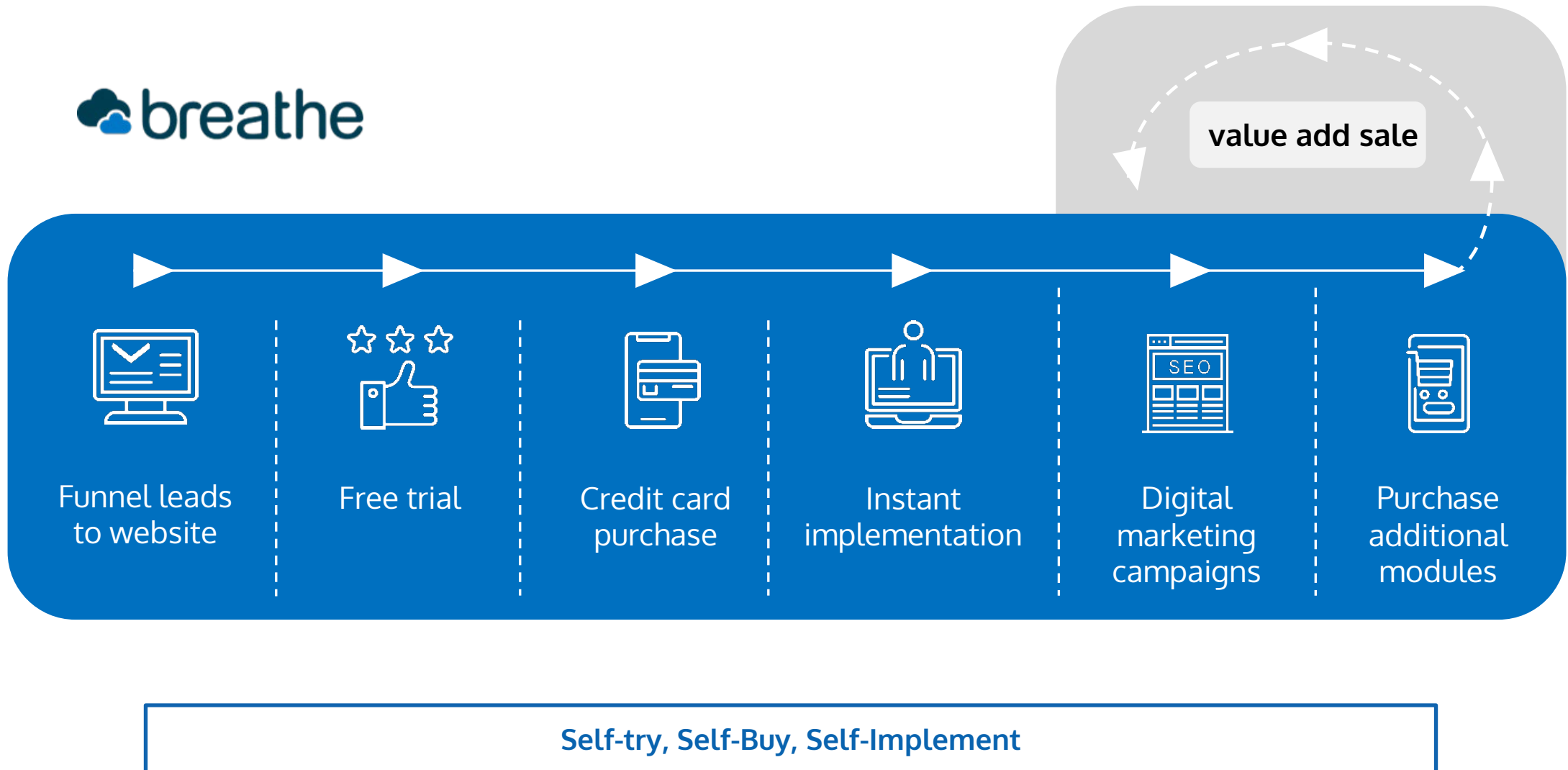


3. Direct Sales

- Outbound lead generation
- Phone based sales
- Conversion of free trial customers
- Upsell of additional modules

Highly targeted strategy to generate small business leads/customers

Buyer's journey for small businesses





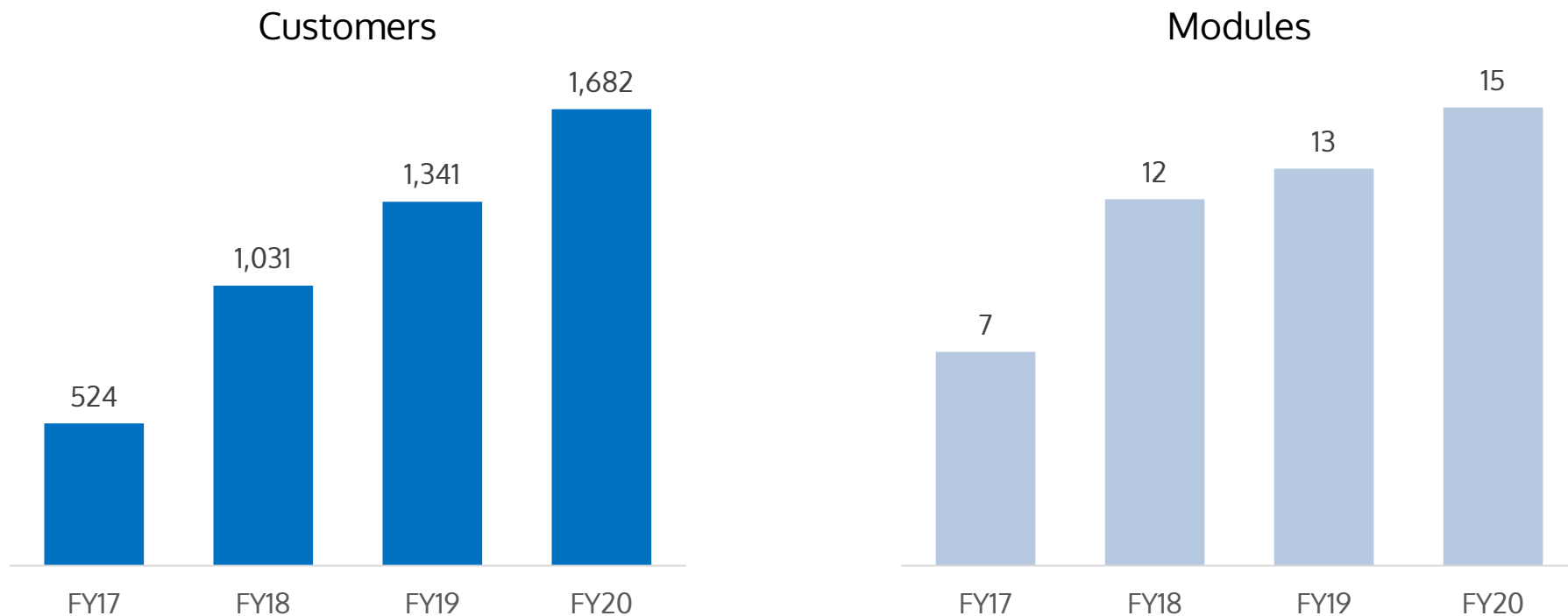
Samuel Sun
Chief Technology Officer

Joined ELMO in 2010

Samuel is responsible for setting the overall direction for the organisation's software and technology, and manages the strategy, architecture, engineering, design, governance and information security functions of ELMO's solutions.

Scaling for growth

Customer growth supported by investment



Investing in R&D as the business scales

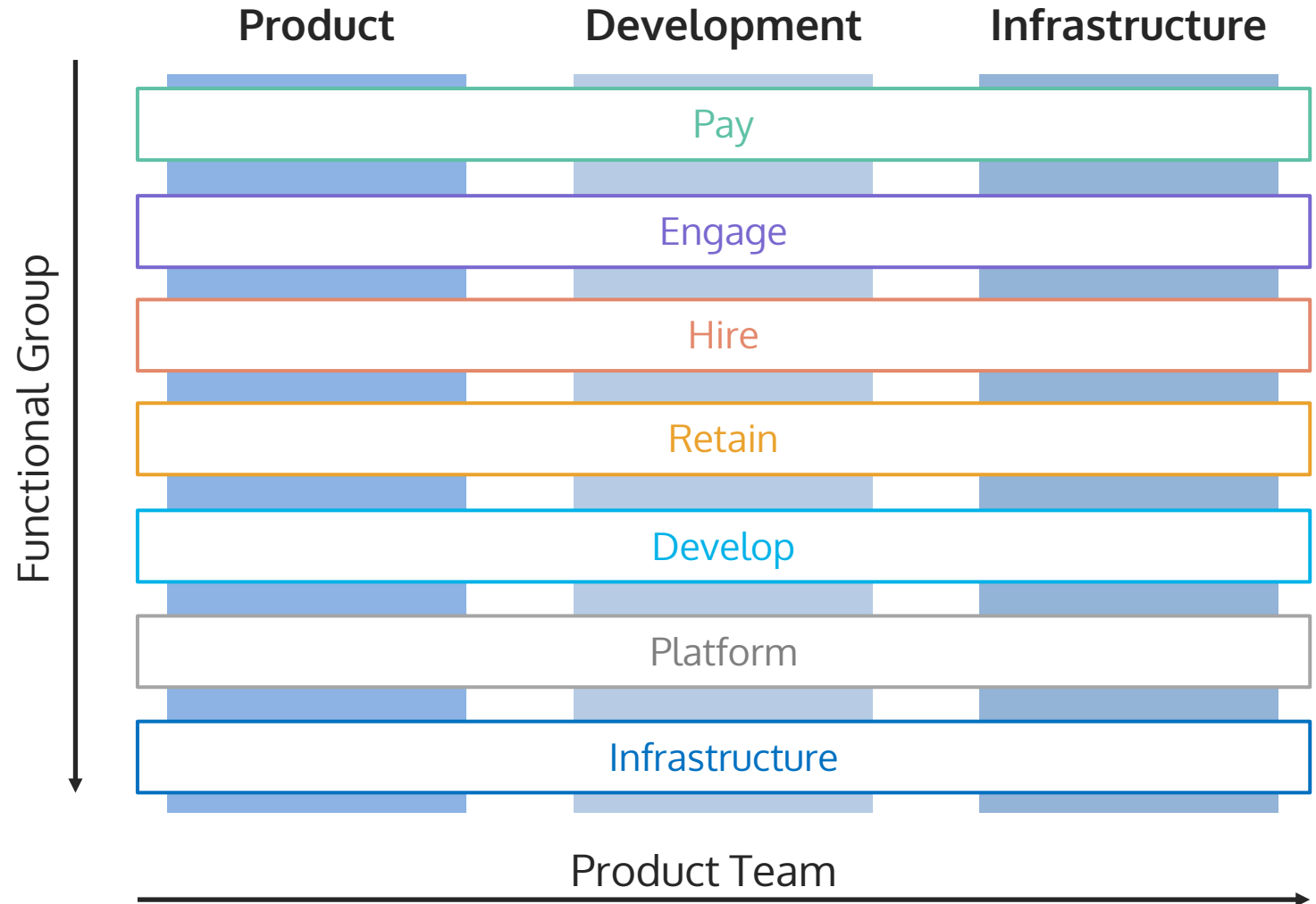
Capacity and Capability

A scalable structure to support sustainable, rapid growth

Three functional groups:

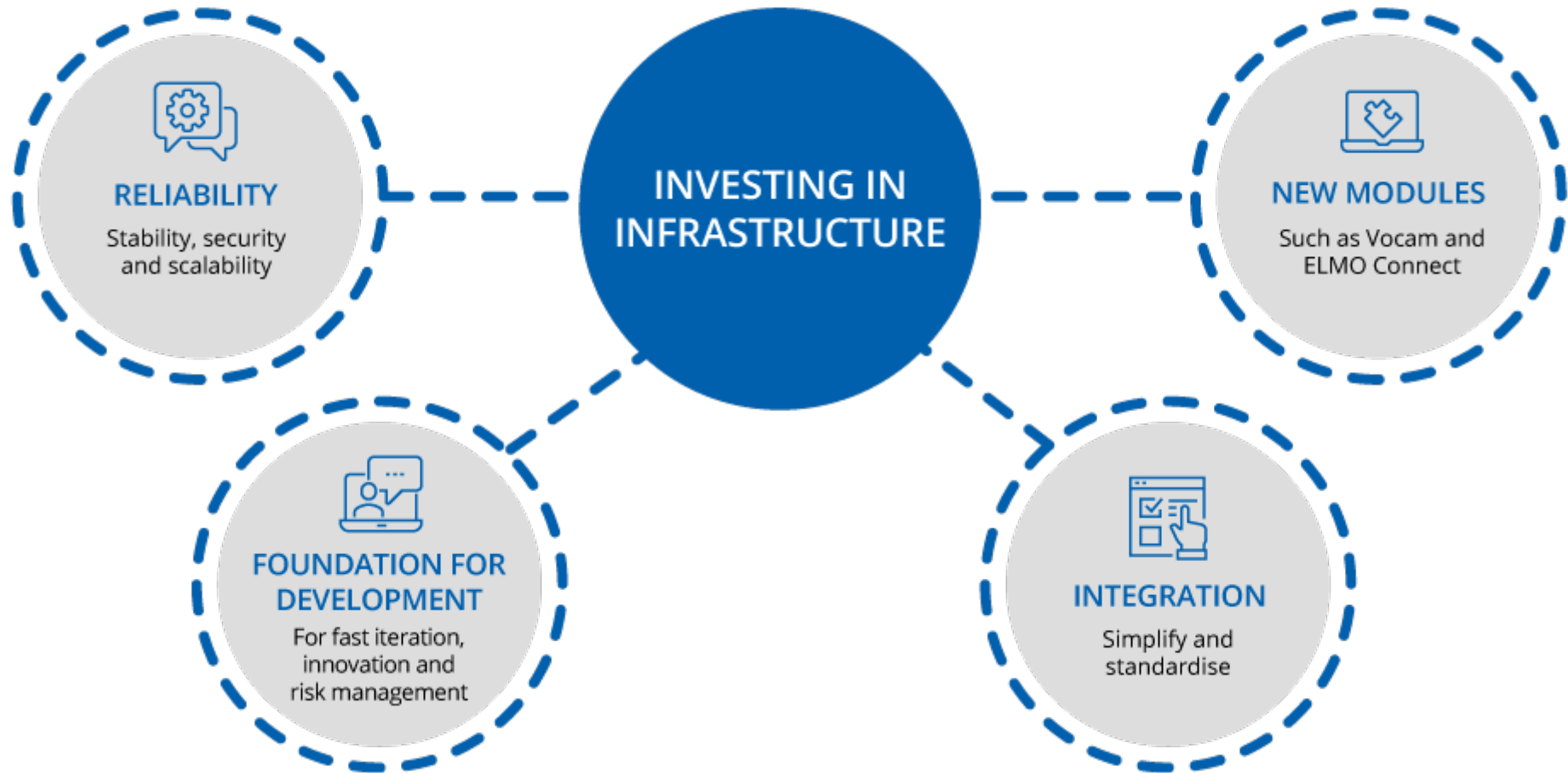
- Product
- Development
- Infrastructure

Multiple product based teams formed by members from functional groups



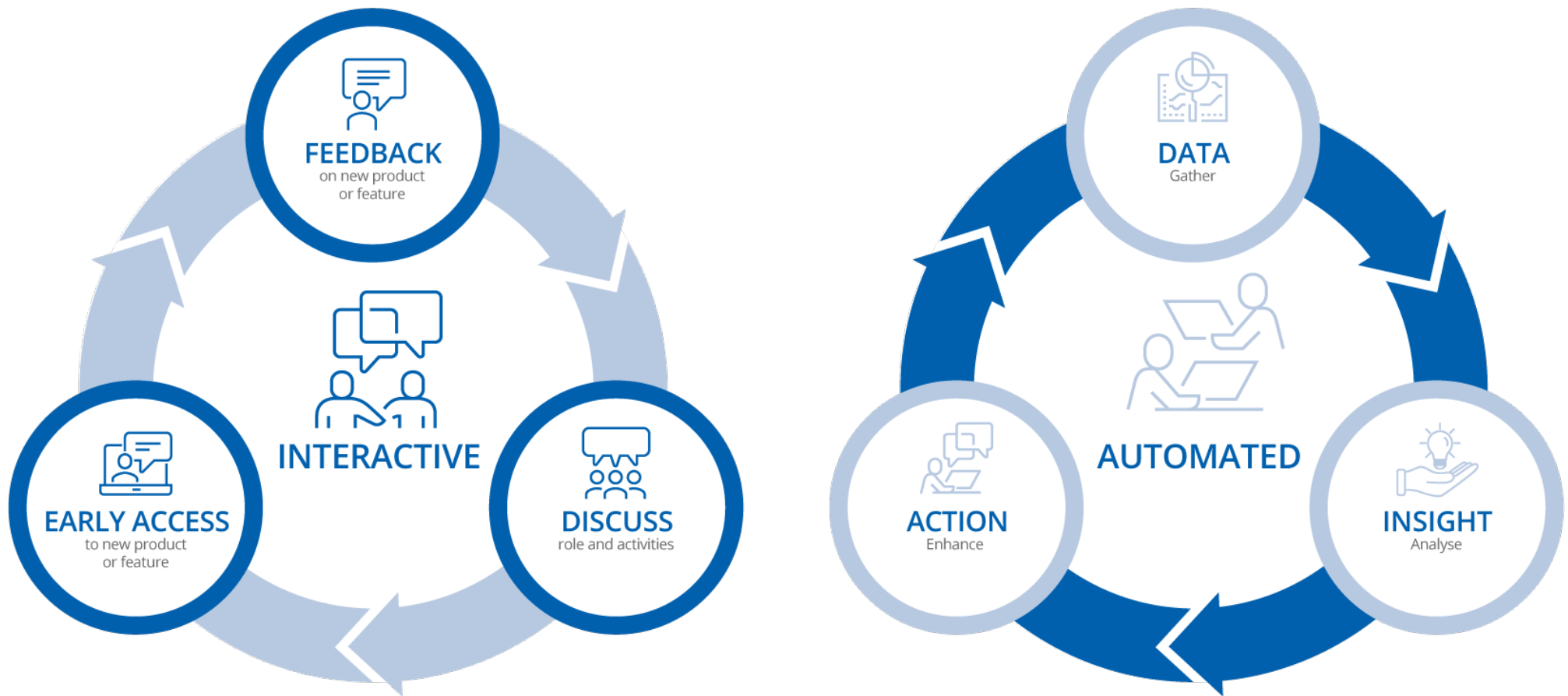
Investing in Infrastructure

Critical for growth and performance



Investing in data-driven decision making

The interactive and automated approaches



Build new modules and improve functionality, interoperability
and the user experience of existing modules



James Haslam
Chief Financial Officer

Joined ELMO in 2019

James is responsible for all aspects of the accounting and finance function and also assists to drive the strategic direction of ELMO

Measuring success

Continued focus on Annual Recurring Revenue (ARR), Gross Profit (GP) and Lifetime Value (LTV)

ARR

\$55.1 million

- Leading indicator of revenue
- New business, cross-sell and renewals

GP MARGIN

85.3%

- Cost of delivery includes:
 - Implementation, training, support
 - Hosting costs

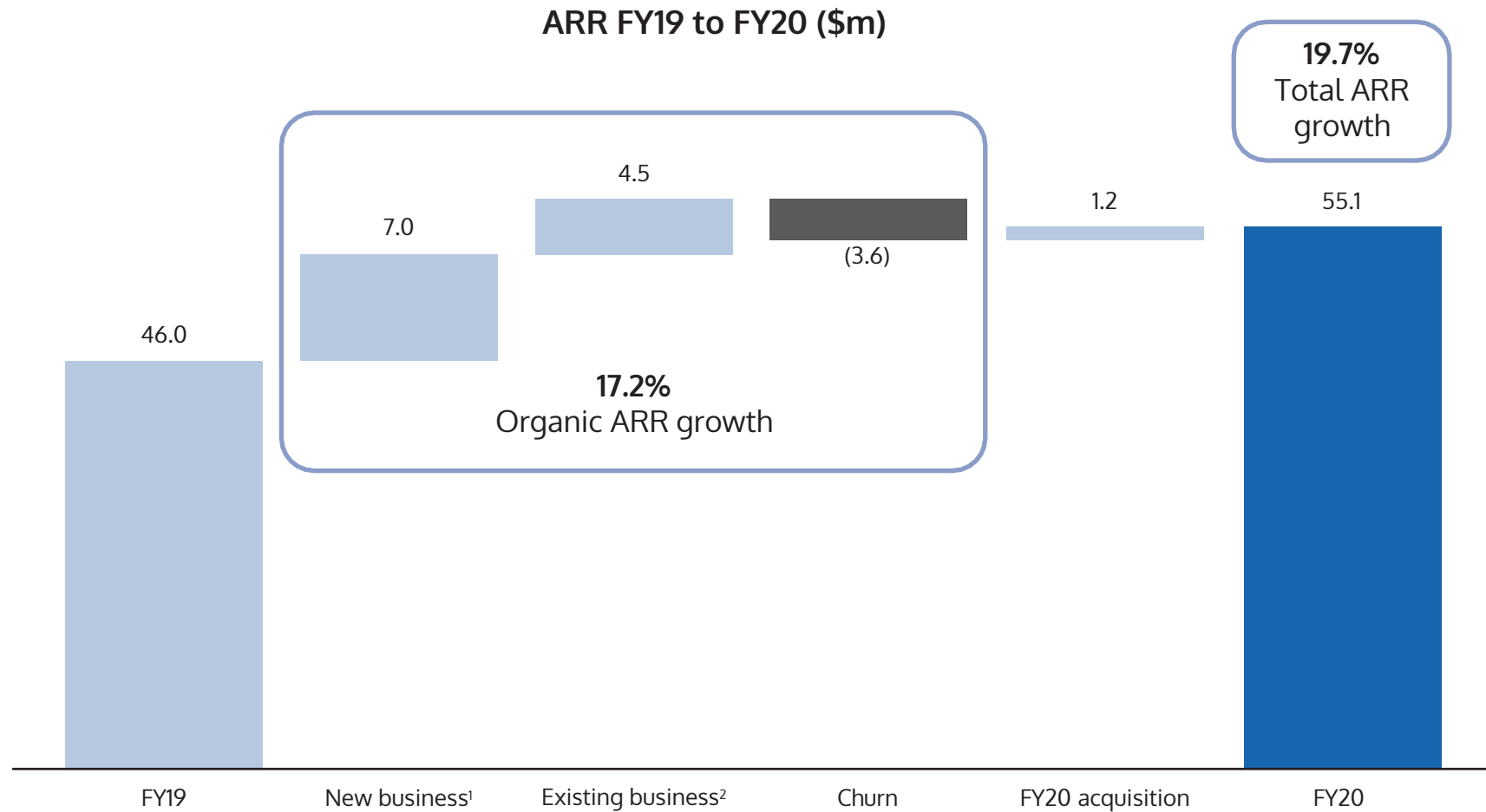
LTV

\$602 million

- Combination of ARR growth, GP margin and customer retention
- LTV to cost of customer acquisition ratio 8.1x

ARR growth

Continued focus on strong ARR growth



1. New business represents sales to new clients

2. Existing new business represents cross sell modules and/or additional usage from existing clients

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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investors.elmosoftware.com.au

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