



# ELMO Software

HR | Payroll | Time & attendance

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UBS Australasia Virtual Conference

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ASX:ELO

November 2020



# Company overview

A leading provider of cloud HR, payroll, rostering / time & attendance software



## Convergent solution

- ✓ 15 modules/revenue streams
- ✓ Integrated solutions
- ✓ Competitive advantage: width of solution

## Mid-market

- ✓ ~74,000 organisations<sup>1</sup> in ANZ/UK
- ✓ \$9.2bn<sup>1</sup> opportunity
- ✓ Market penetration: ANZ ~7%, UK <1%

## Robust SaaS business model

- ✓ Recurrent subscription revenue
- ✓ High customer retention
- ✓ Land and expand strategy



## Small business market



- ✓ ~3.7 million organisations<sup>1</sup> in ANZ/UK
- ✓ \$2.2bn<sup>1</sup> opportunity
- ✓ Market penetration: <1%

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

1. Frost & Sullivan independent market report 2019/2020

# Two fit-for-purpose platforms

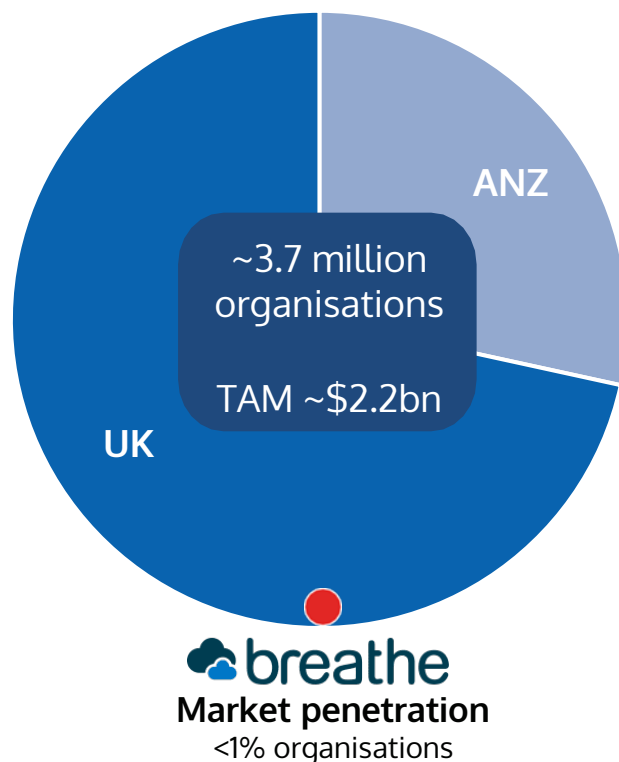
Breathe designed for small business and ELMO for the mid-market

			
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"><li>Business owner</li></ul>	<ul style="list-style-type: none"><li>Business owner, General Manager, Operations, or HR Manager</li></ul>	<ul style="list-style-type: none"><li>HR Manager, HR Director, Finance Manager</li></ul>
Sales model	<ul style="list-style-type: none"><li>Self-service</li></ul>	<ul style="list-style-type: none"><li>Direct sales, remote based</li></ul>	<ul style="list-style-type: none"><li>Direct Sales, relationship based</li></ul>
Implementation	<ul style="list-style-type: none"><li>Self implementation</li></ul>	<ul style="list-style-type: none"><li>Implementation support required</li></ul>	<ul style="list-style-type: none"><li>Higher level of implementation support required</li></ul>
Price point	<ul style="list-style-type: none"><li>Highly price sensitive</li></ul>	<ul style="list-style-type: none"><li>Less price sensitive</li></ul>	<ul style="list-style-type: none"><li>Customer focused on value over price</li></ul>

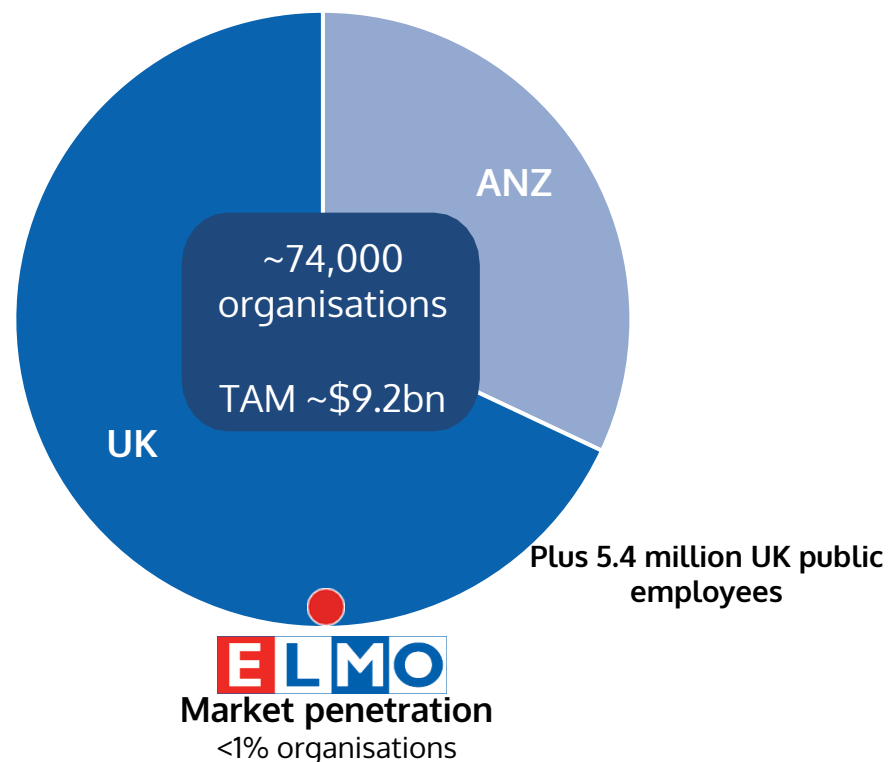
# ELMO Group Total Addressable Market (TAM)

\$2.2 billion incremental market opportunity with the inclusion of Small Business

**Small business TAM<sup>1,2</sup>**  
(<50 employees)



**Mid-market TAM<sup>1,3</sup>**  
(50+ employees)

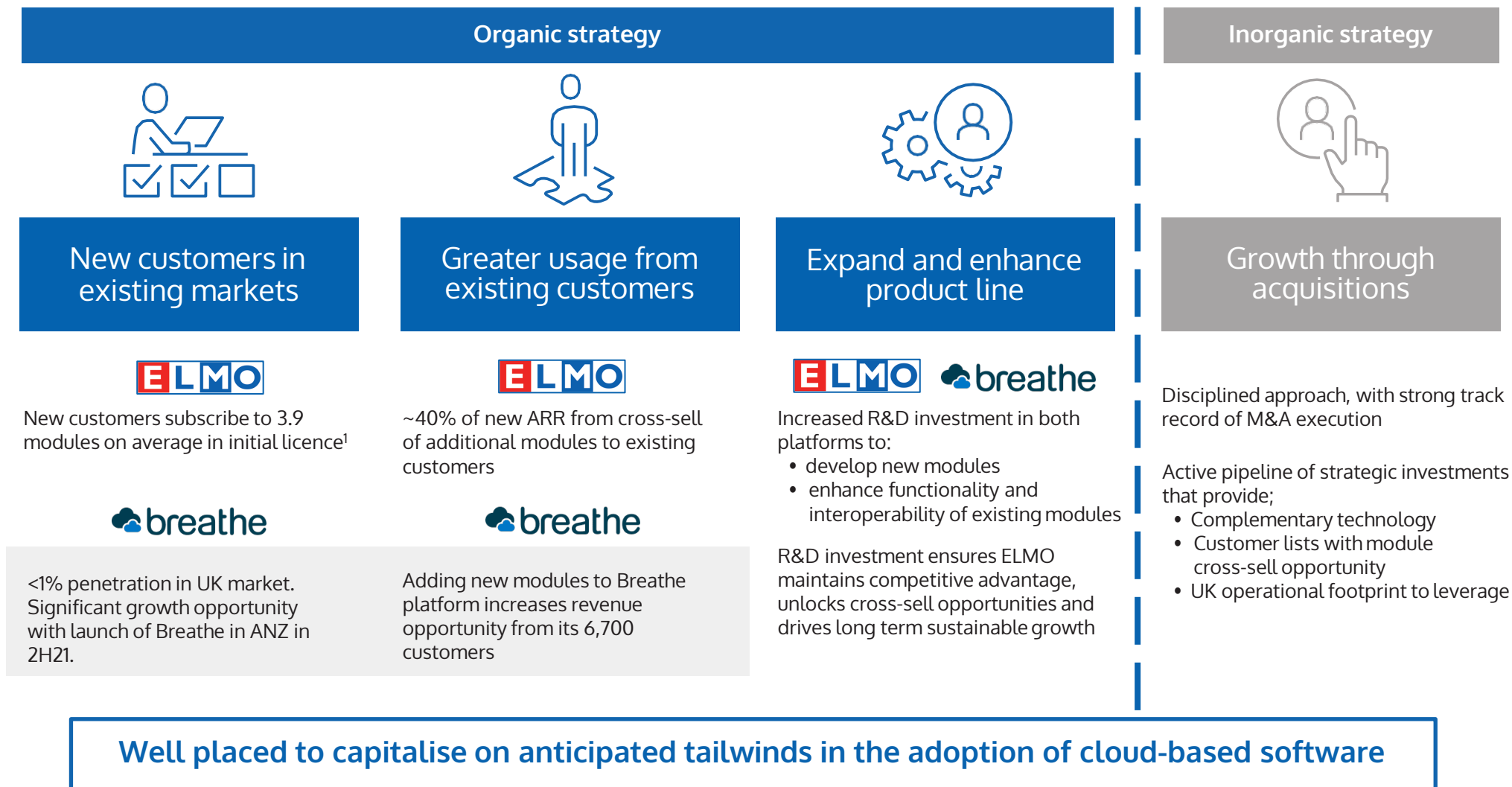


**ELMO's Group TAM has increased to \$11.4bn with inclusion of small business**

1. Frost & Sullivan independent market report 2019/2020  
2. Assumes full penetration of Breathe platform  
3. Assumes full penetration of ELMO platform

# Strong organic growth strategy

Accelerated with selective acquisitions



1. Reported FY20 Results

# FY20 ELMO 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**

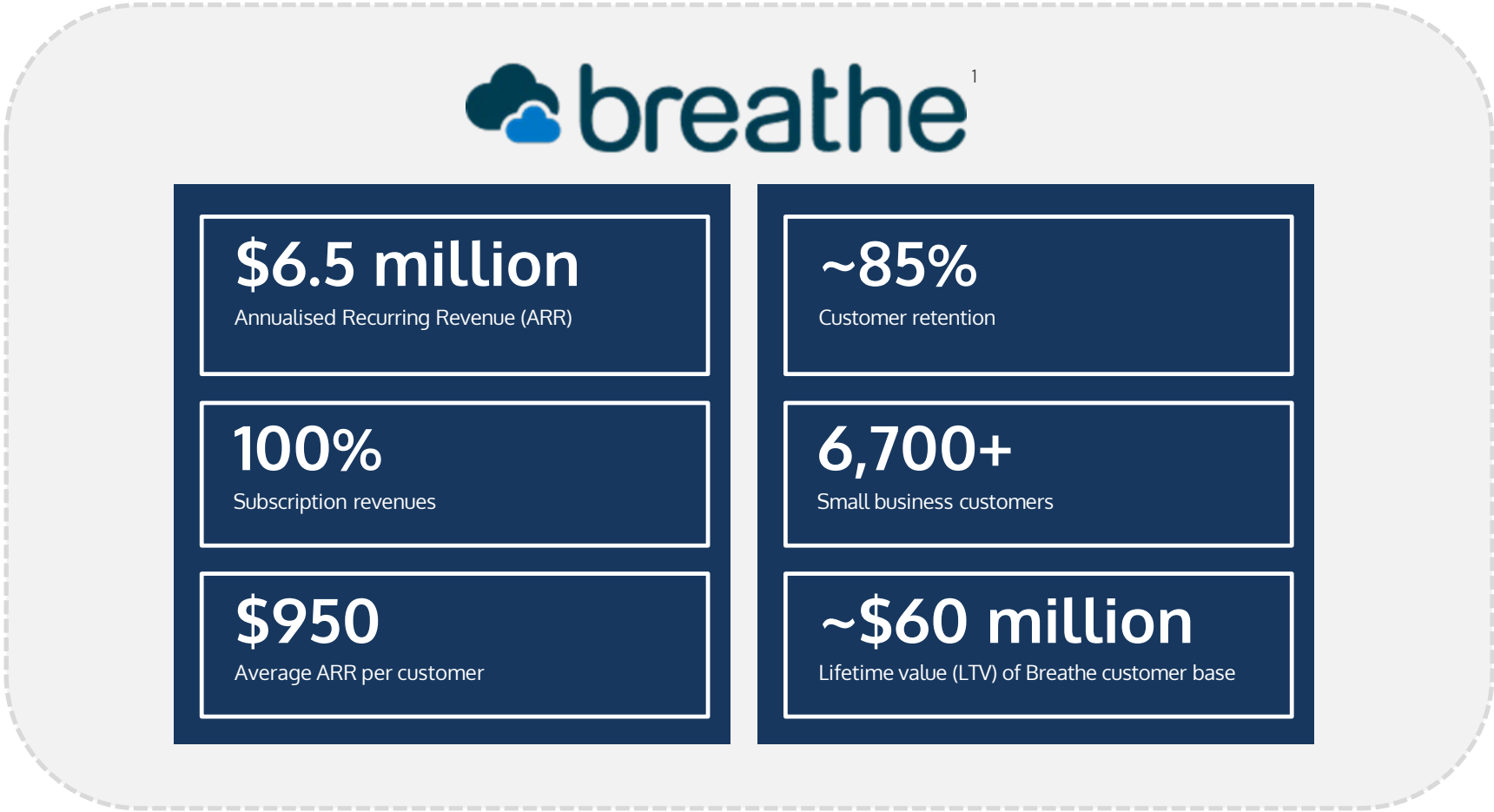
Contribution from top 10 customers

Low customer concentration

**Well capitalised to fund growth initiatives, ~\$100m cash balance**

# Breathe snapshot

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



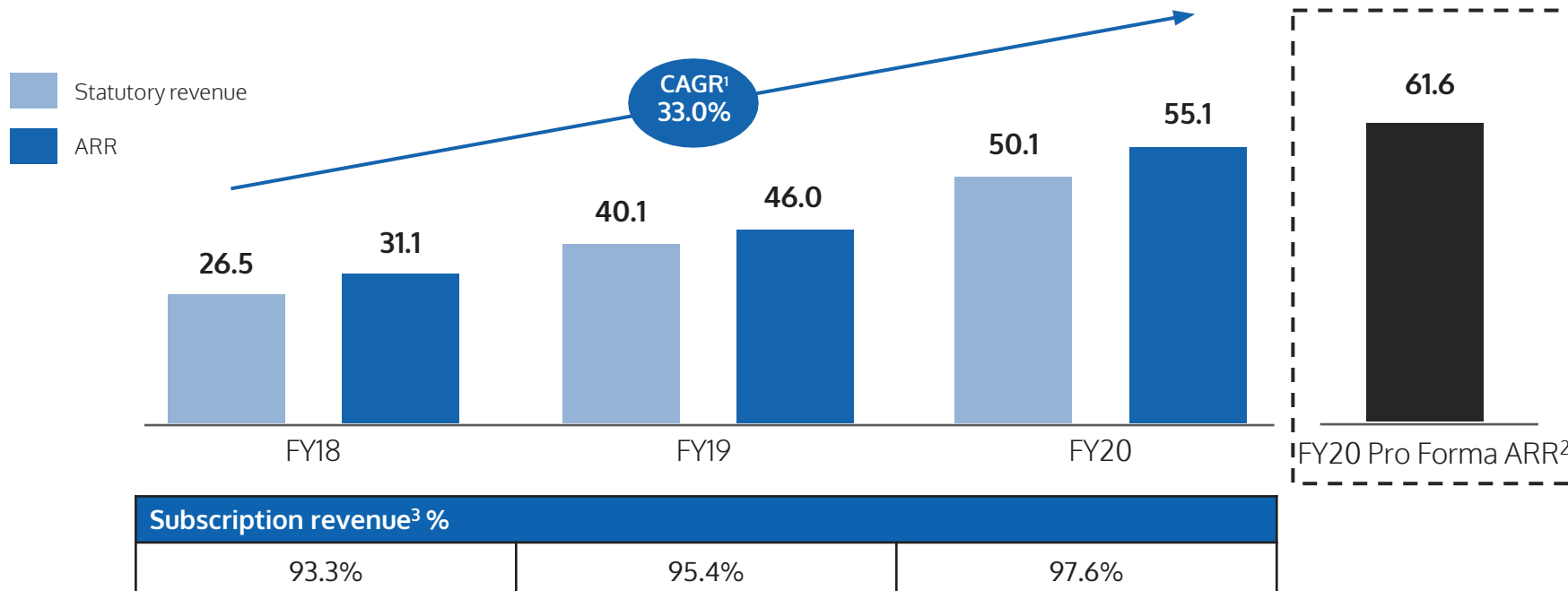
1. August 2020 metrics

# Financial summary

ARR growth of 33.0% pa from FY18 to FY20

- FY20 pro forma ARR \$61.6 million including Breathe
- High level of subscription revenue
- ~60% of ARR growth from new customers
- ~40% of ARR growth from existing customers

## Statutory revenue and ARR (\$m)



1. ARR CAGR between FY18 to FY20

2. ELMO FY20 ARR plus Breathe ARR at 31 August 2020

3. Subscription revenue % is the proportion of subscription revenue of total statutory revenue



# FY21 Guidance

ELMO continues to focus on delivering long term sustainable growth



**ARR**  
\$65.0-70.0m

**Revenue**  
\$57.0-61.0m

**EBITDA**  
(\$4.0-7.0m)



**ARR**  
\$7.5-8.5m

**Revenue<sup>1</sup>**  
\$4.0-5.0m

**EBITDA**  
\$(0.5m) - 0.5m

+

=

## FY21 Guidance

**ARR**  
\$72.5-78.5m

**Revenue**  
\$61.0-66.0m

**EBITDA<sup>2</sup>**  
\$(3.5m-7.5m)

*As provided to market on 7 October 2020*

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

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



# Appendix

# Summary financial results FY20

Income statement (\$m)	FY20	FY19	Movement \$	Movement %
Subscription revenue	48.9	38.3	10.6	27.7%
Professional fees and other revenue	1.2	1.8	(0.6)	(34.0%)
<b>Total revenue</b>	<b>50.1</b>	<b>40.1</b>	<b>10.0</b>	<b>25.0%</b>
Gross profit <sup>1</sup>	42.7	34.7	8.0	23.1%
Other income	2.0	n/a	n/a	n/a
Sales and marketing expenses	(22.6)	(17.8)	(4.8)	27.0%
Research and development expenses	(6.1)	(3.2)	(2.9)	87.9%
General and administrative expenses	(20.2)	(16.2)	(4.0)	24.5%
Total operating expenses	(48.9)	(37.2)	(11.6)	31.2%
<b>EBITDA</b>	<b>(4.2)</b>	<b>(2.5)</b>	<b>(1.7)</b>	<b>68.0%</b>

Financial metrics	FY20	FY19
Annualised recurring revenue	55.1	46.0
Subscription revenue	97.6%	95.4%
Gross margin	85.3%	86.6%
R&D spend as a % of revenue <sup>2</sup>	47.1%	28.8%

Operational metrics	FY20 <sup>3</sup>	FY19
Number of customers	1,682	1,341
Modules per customer	2.7	2.4
Number of employees	384	277

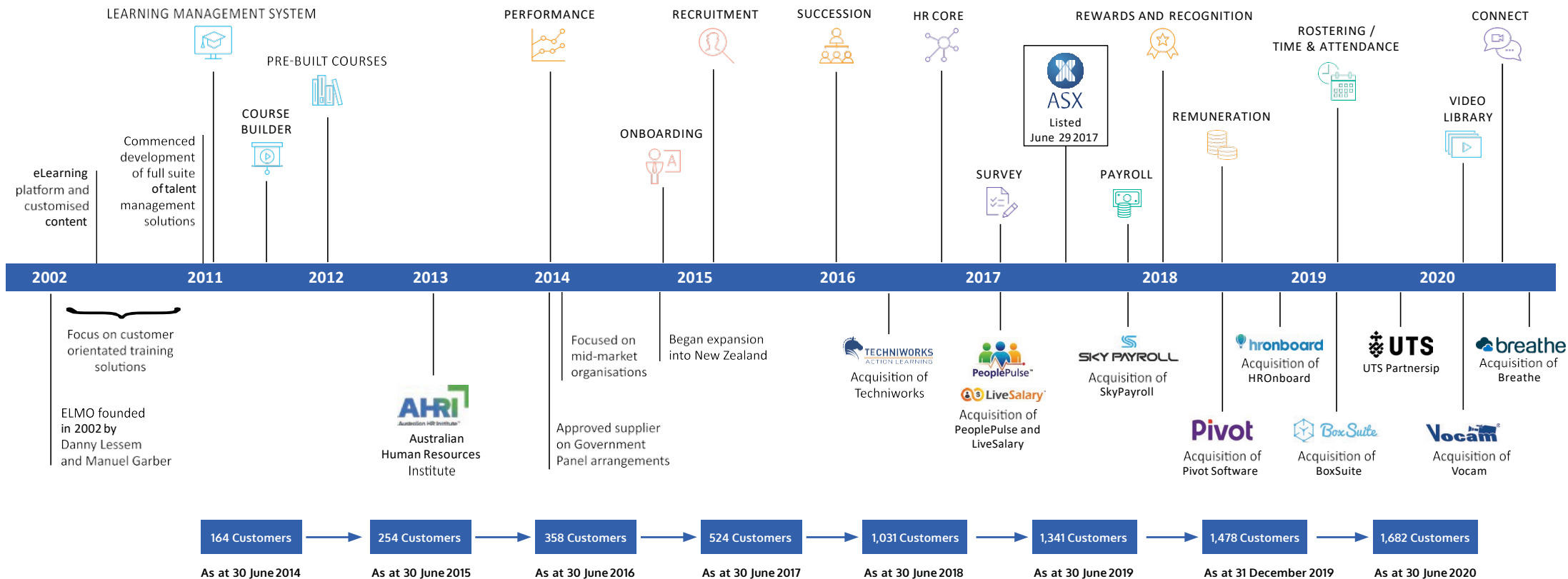
1. Gross profit in the statutory financial statements includes \$0.6m of amortisation (FY19: nil). This has been removed in order to calculate EBITDA

2. R&D spend includes the income statement expense and capitalised costs in the reference period

3. Includes FY20 acquisitions

# History

ANZ's leading unified cloud HR, payroll, rostering / time & attendance solution



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[investors.elmosoftware.com.au](https://investors.elmosoftware.com.au)

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