

16 December 2020

ELMO Software Limited

(ASX:ELO)



ELMO acquires expense management platform Webexpenses
*Provides complementary technology, customer list
and accelerates ELMO's UK expansion*

Key Highlights

- Webexpenses is a high growth, cloud-based expense management solution, headquartered in the UK
- The transaction provides complementary technology, customer list and accelerates expansion of ELMO's mid-market business in the UK
- FY21 guidance upgraded

Transaction highlights

- ARR of £4.5 million (A\$7.9 million)^{1,2}, growing at over 30% annually
- Over 1,000 customers in the UK with high retention of 90%
- High gross profit margin of over 90%
- Revenue 96% subscription based
- EBITDA of £0.6 million (A\$1.0 million)
- Provides two-way cross-sell opportunity; expense management to be sold to ELMO customers in ANZ and ELMO's HR modules to be sold to Webexpenses' customers in the UK

Sydney, Australia 16 December 2020: ELMO Software Limited ('ELMO') today announces the acquisition of Webexpenses, a high growth, cloud-based expense management solution, based in the United Kingdom (UK). The acquisition provides ELMO with highly complementary technology, as well as a large customer base, accelerating ELMO's mid-market expansion in the UK.

The transaction adds to ELMO's revenue, customer base and market opportunity. Webexpenses' annualised recurring revenue ('ARR') as at 30 November 2020 was £4.5 million (A\$7.9 million), which has been growing at over 30 per cent annually. Revenue is 96 per cent subscription-based. Webexpenses has a large and growing customer base in the UK, with over 1,000 customers with high customer retention of 90 per cent. The business has a gross profit margin of over 90 per cent and EBITDA of £0.6 million (A\$1.0 million). Owner and Chairman Michael Richards will continue on as a strategic advisor to the UK business and CEO Adam Reynolds will continue on in his current role.

¹ As at 30 November 2020

² FX rate GBP/AUD = 1.77

As a result of the acquisition, ELMO's Total Addressable Market (TAM) increases by A\$1.4 billion, to A\$12.8 billion, across Australia, New Zealand and the United Kingdom. The transaction opens up a significant two-way cross-sell opportunity for ELMO. The expense management solution will be sold to new and existing ELMO customers in Australia and New Zealand (ANZ). Additionally, ELMO's existing product suite will be sold to Webexpenses's UK customers.

The purchase consideration consists of an initial payment of £20.0 million (A\$35.3 million) using a combination of cash (51%) and scrip (49%). In addition, an earnout consideration, estimated to be £13.0 million (A\$23.0 million), is payable in cash (51%) and scrip (49%) subject to the achievement of financial targets.

ELMO remains well capitalised with over A\$70 million in cash on the balance sheet after completion of the acquisition.

ELMO CEO and Co-founder Danny Lessem said: "The acquisition of Webexpenses is an exciting and significant step in ELMO's growth journey. The Webexpenses platform is highly complementary to ELMO's existing offering. Customers will have the ability to manage employee expenses effectively and efficiently as part of our convergent HR and payroll solution. The cross-sell opportunity for ELMO's comprehensive product suite into Webexpenses' large customer base is substantial. ELMO's market opportunity has increased markedly, and our strategic positioning is further strengthened."

As a result of the acquisition, ELMO provides the following upgraded guidance for FY21:

A\$m	Upgraded	Previous
ARR	81.5 - 88.5	72.5 - 78.5
Revenue	65.0 - 71.0	61.0 - 66.0
EBITDA	(2.4) - (7.4)	(3.5) - (7.5)

Webcast

ELMO management will host a webcast to discuss the transaction at **9.30am** (Sydney AEDT), 17 December 2020.

Webcast link:

<https://bit.ly/elmo-webexpenses>

Participants are encouraged to pre-register for the webcast. A replay of the webcast will be available shortly after the event on the ELMO investor website:

<https://investors.elmosoftware.com.au/Investors>

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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.