



16 December 2022

ELMO Software Limited (ASX:ELO)

Scheme Booklet registered with ASIC

ELMO Software Limited ("**ELMO**") refers to the announcement made earlier today in relation to the proposed acquisition of all of the issued shares in ELMO by Cookie Monster AcquireCo Pty Ltd (the "**Bidder**") (an entity controlled by investment funds advised or managed by K1 Investment Management, LLC) by way of a scheme of arrangement ("**Scheme**"), and the orders made by the Supreme Court of New South Wales approving the convening of the Scheme Meetings (as defined below) to consider and vote on the proposed Scheme and approving the dispatch of an explanatory statement providing information about the Scheme and notice of each Scheme Meeting ("**Scheme Booklet**") to ELMO shareholders.

Scheme Booklet

ELMO confirms that the Scheme Booklet has today been registered with the Australian Securities and Investment Commission ("**ASIC**").

A copy of the Scheme Booklet is attached to this announcement and will be made available electronically for viewing and downloading at <https://investors.elmosoftware.com.au/investors/>.

Further details on where the Scheme Booklet can be viewed and downloaded, as well as the proxy forms, are expected to be dispatched to ELMO shareholders shortly.

The Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme.

Independent Expert's report

The Scheme Booklet includes a copy of the independent expert's report prepared by Leadenhall Corporate Advisory Pty Ltd ("**Independent Expert**").

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of ELMO shareholders, in the absence of a superior proposal. The Independent Expert has assessed the underlying value of each ELMO share at between \$4.39 to \$4.98 per ELMO share on a fully diluted basis. The 'cash consideration' amount of \$4.85 per ELMO share is above the valuation mid-point of \$4.69 per ELMO share.

In addition, the Independent Expert is of the view that the fair market value of the 'scrip consideration' to be issued to the Rollover Shareholders (as defined below) is likely less than the cash consideration of \$4.85 per ELMO share (on an equivalent basis). The Independent Expert has not made any assessment, based on the scrip consideration, on whether the Scheme is fair and reasonable and therefore in the best interests of the Rollover Shareholders.

The Independent Expert's conclusions should be read in context with the full Independent Expert's report and the Scheme Booklet.

Recommendation of the IBC and Danny Lessem

The ELMO Independent Board Committee, comprised of non-executive directors Barry Lewin,

Kate Hill and Leah Graeve (“**IBC**”), continues to unanimously recommend that ELMO shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO shareholders.¹ Subject to those same qualifications, each member of the IBC intends to vote (or procure the voting of) all ELMO shares held or controlled by them at the time of the General Scheme Meeting in favour of the Scheme resolutions at the General Scheme Meeting.

Danny Lessem, ELMO’s CEO and Co-Founder also recommends that ELMO shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO shareholders. As previously announced, Danny Lessem entered into a voting a rollover agreement with Manhattan Bondi HoldCo, Inc. (an entity controlled by investment funds advised or managed by K1 Investment Management, LLC), and others, pursuant to which he has agreed (among other things) to vote all of the ELMO shares held or controlled by him in favour of the Scheme as long as that agreement remains operative (and subject to the terms of that agreement).

Scheme Meetings

A meeting of general ELMO shareholders, being all ELMO shareholders other than the Rollover Shareholders (as defined below) (“**General Scheme Meeting**”), is expected to be held on Monday, 30 January 2023 at 10:00 am (Sydney time) in person at Level 27, 580 George Street, Sydney, 2000 and virtually through the online meeting platform at <https://meetings.linkgroup.com/ELOScheme>.

A separate meeting comprising ELMO shareholders who are select members of the ELMO senior executive management team or their controlled entities (“**Rollover Shareholders**”) (“**Rollover Shareholder Scheme Meeting**”, together with the General Scheme Meeting, the “**Scheme Meetings**”)² is expected to be held immediately after the General Scheme Meeting on Monday, 30 January 2023 at 11:00 am (Sydney time), in person at Level 27, 580 George Street, Sydney, 2000.

Assuming the Scheme Meetings are held on 30 January 2023, all registered ELMO shareholders as at 7:00 pm (Sydney time) on Saturday, 28 January 2023 will be eligible to vote at the relevant Scheme Meeting.

All ELMO shareholders are encouraged to vote either by completing and returning the proxy form or alternatively by attending the relevant Scheme Meeting in person or virtually, or by proxy, attorney or corporate representative. The notices of Scheme Meeting provide ELMO shareholders with information on how to vote at the relevant Scheme Meeting.

ELMO shareholders should carefully read the Scheme Booklet in full before deciding how to vote. ELMO shareholders should also seek professional advice on their individual circumstances, as appropriate.

Conditions precedent – FIRB approval

ELMO is also pleased to announce that the Bidder has received a written notice under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) by or on behalf of the Treasurer of the Commonwealth of Australia, stating that the Commonwealth Government does not object to the acquisition by the Bidder of all the issued shares in ELMO pursuant to the Scheme either unconditionally or

¹ Note that the IBC makes this recommendation only in respect of the ‘cash consideration’ and not in respect of the ‘scrip consideration’, and the IBC also does not make any recommendation in relation to whether the Rollover Shareholders should make an election to receive ‘scrip consideration’.

² The Rollover Shareholders comprise select members of the senior executive management team of ELMO, namely Danny Lessem (CEO and Co-Founder), James Haslam (Chief Financial Officer), Xin (Samuel) Sun (Global Chief Technology Officer) and Gordon Starkey (Chief Revenue Officer), and certain applicable ELMO shareholders controlled by them.

subject only to standard tax conditions and / or any other conditions that are acceptable to the Bidder acting reasonably. Accordingly, the 'Foreign Investment Review Board' condition precedent to the Scheme as set out in clause 3.1(g)(ii) of the Scheme Implementation Deed (as that term is defined in the Scheme Booklet) has been satisfied.

Further details regarding the conditions precedent to the Scheme can be found in clause 3.1 of the Scheme Implementation Deed. Implementation of the Scheme remains subject to the satisfaction or waiver of the other remaining conditions precedent, including approval by ELMO shareholders at the Scheme Meetings and approval of the Scheme by the Supreme Court of New South Wales.

Further information

ELMO shareholders can obtain further information in relation to the Scheme or the Scheme Booklet by visiting <https://investors.elmosoftware.com.au/investors/> or calling the ELMO Shareholder Information Line on 1300 255 218 (within Australia) or +61 2 9066 4084 (outside Australia), Monday to Friday (excluding public holidays) between 9:00 am and 5:00pm (Sydney time).

This announcement is authorised for release by the Board of ELMO.

- ENDS

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ELMO Software Limited
ACN 102 455 087

SCHEME BOOKLET

In relation to the proposed acquisition by Cookie Monster AcquireCo Pty Ltd (the **Bidder**) (which is controlled by investment funds advised or managed by K1 Investment Management) of ELMO Software Limited (**ELMO**) by way of a scheme of arrangement.



VOTE IN FAVOUR

The Independent Board Committee (IBC) unanimously recommends that you vote in favour of the scheme in the absence of a superior proposal, and subject to the independent expert continuing to conclude that the scheme is in the best interests of ELMO shareholders.¹

1. Note that the IBC makes this recommendation only in respect of the Cash Consideration and not in respect of the Scrip Consideration, and the IBC also does not make any recommendation in relation to whether the Rollover Shareholders should make an Election to receive Scrip Consideration (see section 2.5 for further details).

This is an important document and requires your immediate attention.

You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Scheme. If you are in any doubt about how to deal with this document, you should contact your broker or financial, taxation, legal or other professional adviser immediately.

If you have any questions in relation to this Scheme Booklet or the Scheme, please contact ELMO on 1300 255 218 (within Australia) or +61 2 9066 4084 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

This Scheme Booklet is prepared for persons shown in the ELMO Register as holding ELMO Shares. If you have recently sold all of your ELMO Shares, please disregard this Scheme Booklet.

Financial Adviser



UBS

Legal Adviser

Arnold Bloch Leibler

Lawyers and Advisers



IMPORTANT NOTICES

General

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet in full before making any decision as to how to vote at the relevant Scheme Meeting. You should also consult your legal, financial, tax or other professional adviser.

Nature of this Scheme Booklet

This Scheme Booklet provides ELMO Shareholders with information about the proposed acquisition of ELMO Shares by Cookie Monster AcquireCo Pty Ltd ACN 664 005 270 (the **Bidder**), which is controlled by investment funds advised or managed by K1 Investment Management incorporated for the purposes of the Scheme.

Section 2.2 sets out the reasons why you should vote in favour of the Scheme and section 2.3 sets out the reasons why you may wish to vote against the Scheme.

This Scheme Booklet includes the explanatory statement for the Scheme required by subsection 412(1) of the Corporations Act.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in section 11.1 of this Scheme Booklet. Section 11.2 also sets out some rules of interpretation which apply to this Scheme Booklet.

ASIC and ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of subsection 412(6) of the Corporations Act before being sent to ELMO Shareholders. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. Neither ASIC, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with subsection 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. ASIC's policy in relation to such statements is that it will not provide such a statement until the Second Court Hearing. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire Scheme process. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that meetings be convened and has approved the explanatory statement required to accompany the Notices of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how ELMO Shareholders should vote (ELMO Shareholders must reach their own conclusion); or
- has prepared, or is responsible for the content of, the explanatory statement.

The order of the Court that the Scheme Meetings be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Notices of Scheme Meeting

The Notice of General Scheme Meeting is set out in Annexure D and the Notice of Rollover Shareholder Scheme Meeting is set out in Annexure E.

ELMO Shareholders who have elected to receive communications electronically will receive an email that contains instructions about how to view or download a copy of the Scheme Booklet, and to lodge their proxy online. The Scheme Booklet will also be available for viewing and downloading on ELMO's investor website at <https://investors.elmosoftware.com.au/investors/>.

A reference to the "Scheme Booklet" in each of the Notice of General Scheme Meeting and the Notice of Rollover Shareholder Scheme Meeting will be taken to include any supplementary scheme booklet released in relation to the Scheme.

ELMO Shareholders' right to appear at the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the votes at the Scheme Meetings.

Any ELMO Shareholder may appear at the Second Court Hearing, expected to be held at 9:15am on Wednesday, 8 February 2023 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney.

Any ELMO Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on ELMO a notice of appearance in the prescribed form together with any affidavit that the ELMO Shareholder proposes to rely on.

No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any ELMO

Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. The ELMO Board encourages you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of each relevant Scheme Resolution.

This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of each relevant Scheme Resolution. In particular, it is important that you consider the potential risks if the Scheme does not proceed, as set out in section 5.9, the risks associated with remaining an ELMO Shareholder including but not limited to those contained in section 8, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure A.

If you are in any doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser immediately.

Not an offer

This Scheme Booklet does not constitute or contain an offer to ELMO Shareholders, or a solicitation of an offer from ELMO Shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act as the HoldCo Securities are being issued without such a disclosure document in accordance with section 708(8) of the Corporations Act.

Forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements (including in the Independent Expert's Report). Forward-looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward-looking statements generally may be identified by the use of forward-looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of ELMO, the Bidder or their Affiliates are or may be forward-looking statements.

Any statements contained in this Scheme Booklet about the impact that the Scheme may have on ELMO's operations and its results, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties which may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by those statements.

Those risks and uncertainties include factors and risks specific to ELMO, the Bidder and their respective Affiliates and/or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement and deviations are both normal and to be expected.

No assurance can be given that the views reflected in any forward-looking statements included in the ELMO Information and the Bidder Information (respectively) will prove to have been correct.

None of ELMO, the Bidder or their respective Affiliates, nor any of their respective Subsidiaries, respective Officers, directors, employees or advisers or any person named in this Scheme Booklet or involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

All subsequent written and oral forward-looking statements attributable to ELMO Group Member or any Bidder Group Member or any person acting on their behalf are qualified by this cautionary statement.

Any forward-looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, ELMO, the Bidder, their respective Affiliates, their respective Subsidiaries and their respective Officers, directors, employees and advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward-looking statements to reflect:

- any change in expectations in relation to such statements; or
- any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

ELMO has prepared, and is solely responsible for, the ELMO Information. None of the Bidder Group Members nor any of their respective Officers, employees or advisers have verified any of the ELMO Information, and none of them assume any responsibility for the accuracy or completeness of such information.

The Bidder has prepared, and is solely responsible for, the Bidder Information. None of the ELMO Group Members nor any of their respective Officers, directors, employees or advisers have verified any of the Bidder Information, and none of them assume any responsibility for the accuracy or completeness of such information.

Important Notices *continued*

Deloitte Tax Services Pty Ltd has prepared, and is responsible for, section 9. None of the ELMO Group Members, the Bidder Group Members, nor any of their respective Officers, directors, employees or advisers assume any responsibility for the accuracy or completeness of such information.

Leadenhall Corporate Advisory Pty Ltd has prepared, and is responsible for, the Independent Expert's Report (as set out in Annexure A). None of the ELMO Group Members, the Bidder Group Members, nor any of their respective Officers, directors, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of ELMO and the Bidder in relation to the information given by them respectively to the Independent Expert for the purpose of preparing the Independent Expert's Report.

No consenting party has withdrawn their consent to be named before the date of this Scheme Booklet.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. ELMO disclaims all liabilities to such persons who contravene these laws.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

ELMO Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

Risks

The operations and financial performance of ELMO are subject to various risks, including those summarised in this Scheme Booklet (refer to section 8), which may be beyond the control of ELMO and/or the Bidder. Those risks and uncertainties include factors and risks specific to the industry in which ELMO operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of ELMO whether or not the Scheme is implemented, as well as the actual advantages or disadvantages of the Scheme, may differ significantly from those which are set out in this Scheme Booklet in respect of timing, amount or nature and anticipated results may never be achieved. ELMO Shareholders should note that the historical

financial performance of ELMO is no assurance of future financial performance of ELMO (whether the Scheme is implemented or not).

Financial amounts and effect of rounding

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated.

A number of figures, amounts, percentages, estimates, calculations of value and fractions in the Scheme Booklet are subject to the effect of rounding. Accordingly, any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

All financial and operational information set out in this Scheme Booklet is current as at the date of this Scheme Booklet, unless otherwise stated.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date.

Timetable and dates

All times and dates referred to in this Scheme Booklet are references to times and dates in Sydney, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from Government Agencies.

Privacy

ELMO and the Bidder may collect personal information in the process of implementing the Scheme. The type of information that they may collect about you includes your name, contact details and information on your shareholding in ELMO and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the relevant Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist ELMO and the Bidder to conduct the Scheme Meetings and implement the Scheme. Without this information, ELMO and the Bidder may be hindered in their ability to issue this Scheme Booklet and implement the Scheme. Personal information of the type described above may be disclosed to the ELMO Share Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meetings), authorised securities brokers, professional advisers, and Related Bodies Corporate of ELMO regulatory authorities, and also where disclosure is otherwise required or allowed by law.

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ELMO Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of the information about you held by the ELMO Share Registry in connection with ELMO Shares, please contact the ELMO Share Registry on 1300 554 474 between 8.00am to 8.00pm.

ELMO Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the relevant Scheme Meeting should ensure that they inform such an individual of the matters outlined above.

Further information about how ELMO collects, uses and discloses personal information is contained in ELMO's Privacy Policy located at https://elmosoftware.com.au/wp-content/uploads/2021/09/ELMO_DataPrivacyProtectionPolicy_v1.1_210713.pdf.

External websites

Unless expressly stated otherwise, the content of the website of any ELMO Group Member or Bidder Group Member does not form part of this Scheme Booklet and ELMO Shareholders should not rely on any such content.

Date of Scheme Booklet

This Scheme Booklet is dated 16 December 2022.

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LETTER FROM THE CHAIRMAN OF ELMO



16 December 2022

Dear ELMO Shareholder,

On behalf of the ELMO Board, I am pleased to provide you with this Scheme Booklet, which contains important information about the proposed acquisition of ELMO Software Limited (**ELMO**) by Cookie Monster AcquireCo Pty Ltd (**Bidder**), which is controlled by K5 Private Investors, L.P. (**K5 Fund**), a fund advised and managed by K1 Investment Management.

Background

As previously announced to the ASX on Thursday 13 October 2022, prior to entering into the Scheme Implementation Deed, ELMO had received a number of approaches expressing interest in acquiring ELMO (with a number of these interested parties approaching the company following ELMO's announcement to the ASX on Tuesday, 14 June 2022 that the Company was previously in exploratory discussions with a party in relation to a change-of-control proposal). ELMO held discussions with select parties in the context of maximising shareholder value and provided limited due diligence access to certain of these parties. The ELMO Board established the Independent Board Committee (**IBC**), comprising all of the ELMO Directors other than Danny Lessem, to consider these acquisition proposals in respect of ELMO and engage with counterparties as required.

Following the receipt of other non-binding expressions of interest since July 2022 (all of which were at a value lower than the Scheme Consideration), on 26 October 2022, ELMO announced to the ASX that it had entered into the Scheme Implementation Deed under which Manhattan Bondi HoldCo has agreed to acquire (or nominate an affiliate to acquire) 100% of the issued ELMO Shares by way of a Scheme of Arrangement under Part 5.1 of the Corporations Act (**Scheme**). Full details of the Scheme are set out in this Scheme Booklet.

Prior to entering into the Scheme Implementation Deed, the IBC considered a number of alternative offers to maximise value, and also an assessment of standalone value. The various alternatives were evaluated across a number of criteria. The Scheme was selected on the basis of it delivering the highest and most certain value to ELMO Shareholders.

On 22 November 2022, pursuant to clause 4.2(a) of the Scheme Implementation Deed, Manhattan Bondi HoldCo nominated the Bidder to acquire all of the ELMO Shares under the Scheme.

The purpose of this Scheme Booklet is to provide you with information about the Scheme to assist you in voting on the Scheme at the Scheme Meetings.

Overview of the Scheme Consideration

If the Scheme is approved and implemented, ELMO Shareholders (other than Rollover Shareholders who have made a valid election to receive Scrip Consideration described below)¹ will be entitled to receive **\$4.85 cash per ELMO Share** held as at the Scheme Record Date (**Cash Consideration**).

The Cash Consideration implies a fully diluted equity valuation of ELMO of \$486 million² and an enterprise value of approximately \$483 million,³ and represents:

- a 100.4% premium to the last trading price of ELMO Shares on the ASX on 12 October 2022, being the final trading day prior to ELMO's ASX announcement that it had received approaches expressing interest in acquiring ELMO (**Undisturbed Date**)⁴
- a 94.6% premium to the 1-month VWAP⁵ of ELMO Shares on the ASX to the Undisturbed Date
- an 84.4% premium to the 3-month VWAP⁶ of ELMO Shares on the ASX to the Undisturbed Date.

1. Under the Scheme Implementation Deed, the Rollover Shareholders, being certain ELMO Shareholders either directly, or through their controlled entities, who are part of ELMO's executive management team, are eligible to receive some or all of their Scheme Consideration as Scrip Consideration (rather than Cash Consideration), being Series A units in HoldCo, the indirect holding company of the Bidder.

2. Based on fully diluted shares outstanding of 100.2 million.

3. Based on a net cash position of \$2.9 million as at 30 September 2022. This includes \$40.5 million in drawn debt, \$43.4 million in cash and cash equivalents.

4. Based on ELMO's closing share price on the ASX on 12 October 2022 of \$2.42 per share.

5. Based on the 1-month VWAP of ELMO's Shares on the ASX to 12 October 2022 of \$2.49 per share.

6. Based on the 3-month VWAP of ELMO's Shares on the ASX to 12 October 2022 of \$2.63 per share.

IBC Directors unanimous recommendation and voting intention

The IBC unanimously recommends that ELMO Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO Shareholders.⁷

Subject to those same qualifications, each IBC Director intends to vote (or procure the voting of) any ELMO Shares held or controlled by them at the time of the General Scheme Meeting in favour of the General Scheme Resolution.

In reaching their recommendation, the IBC Directors carefully considered the expected advantages and potential disadvantages of the Scheme and the outcome of the alternatives considered by the IBC, together with the IBC's financial and legal advisers, as described above. The IBC unanimously believe the reasons for you to vote in favour of the Scheme outweigh the reasons for you to vote against the Scheme. The IBC considers the Scheme to be in the best interests of ELMO Shareholders having regard to the significant premium to pre-announcement trading, the certainty of value delivered by the Cash Consideration, and the support of ELMO's CEO and Co-Founder, Danny Lessem, and ELMO's major shareholders (as described below), together with the other reasons why the IBC Directors consider that you should vote in favour of the Scheme are set out in section 2.2.

The interests of each IBC Director in securities in ELMO, including ELMO Equity Incentives, is set out in sections 1, 10.2 and 10.4. ELMO Shareholders should have regard to these interests when considering how to vote on the Scheme. Reasons why you may consider voting against the Scheme are set out in section 2.3, and include that you may wish to maintain your current investment profile, you may consider that the Scheme does not capture ELMO's long term potential, and you may prefer to participate in the future financial performance of the ELMO business.

Further information to assist you in determining whether to vote in favour of, or against, the Scheme is set out in section 2.

ELMO's CEO and Co-Founder, Danny Lessem, recommends voting in favour of the Scheme

Danny Lessem, ELMO's CEO and Co-Founder also recommends you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the

Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO Shareholders.

As previously announced, ELMO's CEO and Co-Founder, Mr Danny Lessem, has also agreed to work exclusively with K1 Investment Management to seek to implement the Scheme (subject to his directors' duties and employment agreement with ELMO) in accordance with the terms of the Voting and Rollover Agreement entered into by him with Manhattan Bondi HoldCo (and others). As part of the Voting and Rollover Agreement, Mr Danny Lessem has also agreed to vote all of the ELMO Shares held or controlled by him, being approximately 11.04% of all ELMO Shares on issue as at the Last Practicable Date, in favour of the Scheme as long as that agreement remains operative (and subject to the terms of the Voting and Rollover Agreement).⁸

Mr Danny Lessem, together with an entity he controls, are Rollover Shareholders and will be eligible to receive some or all of their Scheme Consideration as Scrip Consideration (rather than Cash Consideration), and therefore will vote on the Scheme in a separate class, at a separate Scheme Meeting, to other ELMO Shareholders who are not Rollover Shareholders. Under the Voting and Rollover Agreement, Mr Danny Lessem has agreed to elect to receive Scrip Consideration in respect of approximately 70% of the ELMO Shares held or controlled by him (representing Scrip Consideration of \$37 million in value), and would therefore receive Cash Consideration (of \$4.85 cash per ELMO Share) in respect of the remaining approximately 30% of the ELMO Shares held or controlled by him (representing Cash Consideration of approximately \$16 million).

The interests of Mr Danny Lessem in securities in ELMO, including ELMO Equity Incentives, are set out in sections 1.1, 10.2 and 10.4. ELMO Shareholders should have regard to these interests when considering the recommendation of Danny Lessem.

Major Shareholder Support

As at the Last Practicable Date, JLAB Investments (No. 2) Pty Ltd, which has a Relevant Interest in approximately 13.7% of ELMO Shares and the Garber Family Trust⁹ which has a Relevant Interest in approximately 9.7% of ELMO Shares, in each case on issue at the Last Practicable Date, have both confirmed that they intend to vote, or recommend the voting of, all ELMO Shares held or controlled by them in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of ELMO Shareholders.

7. Note that the IBC makes this recommendation only in respect of the Cash Consideration and not in respect of the Scrip Consideration, and the IBC also does not make any recommendation in relation to whether the Rollover Shareholders should make an Election to receive Scrip Consideration (see section 2.5 for further details).

8. The IBC was not involved in the negotiation of the Voting and Rollover Agreement.

9. Regiton Group Pty Ltd as trustee of the Garber Family Trust.

Letter from the Chairman of ELMO *continued*

Independent Expert

The IBC Directors' unanimous recommendation of the Scheme is supported by the conclusion of, Leadenhall Corporate Advisory Pty Ltd ACN 114 534 619, the Independent Expert engaged by the IBC to prepare an Independent Expert's Report in relation to the Scheme.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of ELMO Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the underlying value of each ELMO Share at between \$4.39 to \$4.98 per ELMO Share on a fully diluted basis. The Cash Consideration amount of \$4.85 per ELMO Share is above the valuation mid-point of \$4.69 per ELMO Share.

In addition, the Independent Expert is of the view that the fair market value of the HoldCo Securities to be issued to the Rollover Shareholders as Scrip Consideration is likely less than the Cash Consideration of \$4.85 per ELMO Share (on an equivalent basis) due to the lack of control and lack of marketability that will attach to the HoldCo Securities to be issued to the Rollover Shareholders. The Independent Expert has not made any assessment, based on the Scrip Consideration, on whether the Scheme is fair and reasonable and therefore in the best interests of the Rollover Shareholders.

A copy of the Independent Expert's Report is included at Annexure A. The IBC Directors encourage you to read the Independent Expert's Report in its entirety.

Implementation of the Scheme

Implementation of the Scheme is subject to Foreign Investment Review Board (**FIRB**) approval and other customary conditions, including the requisite shareholder and Court approval, which must be satisfied before the Scheme is implemented. The Scheme is not subject to conditions relating to financing or due diligence. Further information about the Conditions is set out in section 5.3(b).

How to vote

Your vote is important and I encourage you to vote, as soon as possible, in favour of the Scheme by completing and returning the Proxy Form accompanying this Scheme Booklet or alternatively attending the applicable Scheme Meeting.

Because the Rollover Shareholders are each entitled to receive a portion of Scheme Consideration in the form of Scrip Consideration, they will vote on the Scheme in a separate class, at a separate Scheme Meeting (being the Rollover Shareholder Scheme Meeting), to all other ELMO Shareholders (who will vote at the General Scheme Meeting).

The ELMO Board has decided to hold the General Scheme Meeting as a hybrid meeting which can either be attended virtually or in person, while the Rollover Shareholder Scheme Meeting will be held in person. The General Scheme Meeting is scheduled to be held at 10.00am (Sydney time) on 30 January 2023, with the Rollover Shareholder Scheme Meeting to be held immediately following the General Scheme Meeting on Monday, 30 January 2023 at 11.00am. Please refer to section 4 for information setting out how to participate in and vote at the Scheme Meetings. The Scheme Meetings are being arranged to ensure all ELMO Shareholders can participate, question the ELMO Board and have their voices heard on this important decision for ELMO Shareholders.

I encourage you to carefully consider all the information set out in this Scheme Booklet when deciding whether to vote in favour of the Scheme.

Further information

If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

If you require any further information in relation to the Scheme, please call the ELMO Shareholder Information Line on 1300 255 218 (within Australia) or +61 2 9066 4084 (outside Australia), Monday to Friday between 9.00am to 5.00pm (Sydney time).

On behalf of the IBC, I would like to take this opportunity to thank you in advance for your ongoing support of ELMO. The IBC believes that the proposed Scheme makes strong commercial and strategic sense and is in the best interests of ELMO Shareholders. The IBC encourages you to vote in favour of the Scheme and look forward to your participation in this important decision.

Yours sincerely,



Barry Lewin
Chairman of the IBC
ELMO Software Limited

KEY DATES

Event	Time and Date
Date of this Scheme Booklet	Friday, 16 December 2022
First Court Date The Court hearing to approve dispatch of this Scheme Booklet and convening of the Scheme Meetings.	Friday, 16 December 2022 at 9.15am
Election Time (for Rollover Shareholders only) The latest date and time for receipt of an Election Form from Rollover Shareholders Electing to receive Scrip Consideration.	Tuesday, 24 January 2023 at 5.00pm
Scheme Meeting Proxy Forms The latest date and time for receipt of proxy forms or powers of attorney by ELMO Share Registry for the Scheme Meetings.	Saturday, 28 January 2023 at 10.00am
Scheme Meeting Record Date The latest date and time for determining eligibility to vote at the relevant Scheme Meeting.	Saturday, 28 January 2023 at 7.00pm
General Scheme Meeting Further details relating to the General Scheme Meeting are set out in section 4 and in the Notice of General Scheme Meeting in Annexure D.	Monday, 30 January 2023 at 10.00am
Rollover Shareholder Scheme Meeting To be held immediately following the General Scheme Meeting at 11.00am in person at Level 27, 580 George Street, Sydney, 2000. Further details relating to the Rollover Shareholder Scheme Meeting are set out in section 4 and in the Notice of Rollover Shareholder Scheme Meeting in Annexure E.	Monday, 30 January 2023 at 11.00am
If the Scheme Resolutions are approved by the Requisite Majorities of ELMO Shareholders	
Second Court Date To seek Court orders approving the Scheme.	Wednesday, 8 February 2023 at 9.15am
Effective Date The date on which the Scheme becomes Effective and is binding on ELMO Shareholders. The Court order lodged with ASIC and announcement to ASX. Last day of trading of ELMO Shares – ELMO Shares suspended from trading on ASX from close of trading.	Thursday, 9 February 2023
Scheme Record Date Time and date for determining entitlements to Scheme Consideration.	Thursday, 16 February 2023 at 7.00pm
Implementation Date The date on which the Scheme will be implemented and Scheme Consideration will be paid.	Thursday, 23 February 2023

All dates in the above timetable are indicative only and, among other things, are subject to change and the receipt of all necessary approvals from the Court and any other regulatory authority. Any changes to the above timetable (which may include an earlier or later date for a Scheme Meeting or the Second Court Date) will be announced by ELMO through the ASX and notified on ELMO's investor website at <https://investors.elmosoftware.com.au/investors/>.

All references to time in this Scheme Booklet are references to Sydney, Australia time, unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.



IMPORTANT INFORMATION REGARDING IBC DIRECTORS' RECOMMENDATIONS

1.1. Interests of IBC Directors in ELMO Shares

As at the Last Practicable Date, each IBC Director holds ELMO Shares, the details of which are set out in section 10.2. ELMO Shareholders should have regard to the ELMO Shares held by the IBC Directors when considering their recommendation on the Scheme in respect of the Cash Consideration, which appears throughout this Scheme Booklet. The IBC considers that, notwithstanding their interests in ELMO Shares (which will have no impact on the Scheme Consideration paid to ELMO Shareholders), it is appropriate for the IBC to make such a recommendation, given the importance of the Scheme and their role as directors of ELMO.

1.2. Interests of IBC Directors in ELMO Equity Incentives and ELMO Restricted Shares

As at the Last Practicable Date, the only ELMO Director who holds any ELMO Equity Incentives is Kate Hill, who holds 6,037 ELMO NED Share Rights. As described in section 10.4(a)(iii), Kate Hill's ELMO NED Share Rights will vest on or around 1 January 2023 in accordance with their terms, and upon vesting, she will receive one ELMO Restricted Share for each ELMO NED Share Right held. Given that Kate Hill's ELMO NED Share Rights will vest prior to the Implementation Date in accordance with their terms, she will not receive a separate benefit as a result of the proposed treatment of ELMO Equity Incentives, as discussed in section 10.4.

Additionally, as at the Last Practicable Date, 27,934 of the ELMO Shares held by Kate Hill are ELMO Restricted Shares. ELMO Restricted Shares are ordinary ELMO Shares that are subject to 'disposal restrictions'.¹ The ELMO Board intends to take such actions as are necessary to remove the disposal restrictions that apply to ELMO Restricted Shares, with effect on the Effective Date. Accordingly, Kate Hill may receive a benefit if the Scheme proceeds, in the sense that if the Scheme becomes Effective, the disposal restrictions applying to her ELMO Restricted Shares will be removed.

None of the ELMO Shares held by the other IBC Directors are ELMO Restricted Shares.

1. For completeness, as described in this section 1.2 and in section 10.4(a)(iii) below, Kate Hill will receive an additional 6,037 ELMO Restricted Shares on vesting and settlement of her 6,037 ELMO NED Share Rights.

2.

KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

2.1. Introduction

The Scheme has a number of advantages and disadvantages which may affect ELMO Shareholders in different ways depending on their individual circumstances. ELMO Shareholders should seek professional advice on their particular circumstances, as appropriate. ELMO Shareholders should also read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the relevant Scheme Meeting.

Section 2.2 provides a summary of some of the reasons why the IBC Directors unanimously recommend that ELMO Shareholders should vote in favour of the Scheme. This should be read in conjunction with section 2.3, which sets out other reasons why ELMO Shareholders may wish to vote against the Scheme. While the IBC Directors acknowledge the reasons to vote against the Scheme, they believe the advantages of the Scheme outweigh the disadvantages.

Summary of reasons why you might vote for and against the Scheme:

Reasons to vote in favour of the Scheme

- 1** The IBC Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO Shareholders. Subject to those same qualifications, the IBC Directors will be voting their own ELMO Shares, whether held or controlled by them, in favour of the Scheme.
- 2** The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of ELMO Shareholders.
- 3** The value of the Cash Consideration represents a significant premium for your ELMO Shares compared to the last undisturbed trading share price.
- 4** The Scheme provides the opportunity to receive certain cash value for your investment in ELMO and will avoid ongoing risks and uncertainties involved in executing ELMO's growth strategy, operations and future developments and share market volatility.
- 5** As at the date of this Scheme Booklet, no Superior Proposal has emerged since the announcement of the Scheme. The IBC Directors received other non-binding expressions of interest since July 2022, though note that these were all at a value lower than the Scheme Consideration.
- 6** If the Scheme does not proceed, you will continue to be subject to the risks associated with ELMO's business and general market risks.
- 7** The ELMO Share price is likely to fall, perhaps materially, if the Scheme does not proceed and no Superior Proposal emerges.
- 8** No brokerage or stamp duty will be payable by you on the transfer of your ELMO Shares if the Scheme proceeds.

Reasons to vote against the Scheme

- 1** You may disagree with the IBC Directors' unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests.
- 2** You may prefer to participate in the future financial performance of the ELMO business.
- 3** You may consider that the Scheme does not capture ELMO's long-term potential.
- 4** You may wish to maintain your current investment profile.
- 5** You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future.
- 6** The tax consequences of the Scheme may not suit your financial position.

2.

Key considerations relevant to your vote *continued*

2.2. Why you should vote in favour of the Scheme

This section sets out the reasons why the IBC Directors consider that you should vote in favour of the Scheme.

a) The IBC Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO Shareholders. Subject to those same qualifications, the IBC Directors will be voting their own ELMO Shares, whether held or controlled by them, in favour of the Scheme

The IBC unanimously recommends that ELMO Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO Shareholders.¹

ELMO's IBC Directors have reached this recommendation having had regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet. The IBC Directors have considered the macroeconomic conditions and execution risks in achieving ELMO's future plans when determining whether to recommend the Scheme.

The IBC has undertaken an extensive process to reach this outcome, with the assistance of financial and legal advisers. This included an evaluation of ELMO's strategic plan as an independent company and the various operational and execution risks inherent in achieving this strategic plan. The IBC also considered a number of other non-binding expressions of interests for ELMO received since July 2022, noting that these were all at a value lower than the Scheme Consideration.

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO Shareholders, each IBC Director intends to vote all their ELMO Shares, whether held or controlled by them, in favour of the Scheme. The interests of each IBC Director in securities in ELMO, including ELMO Equity Incentives, are set out in sections 1, 10.2 and 10.4.

b) The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of ELMO Shareholders

The IBC appointed Leadenhall Corporate Advisory Pty Ltd as the Independent Expert to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is fair and reasonable and in the best interests of ELMO Shareholders.

The Independent Expert concluded that the Scheme is fair and reasonable and in the best interests of ELMO Shareholders.

The basis for this conclusion is that the Scheme Consideration of \$4.85 per ELMO Share is within the valuation range (as concluded by the Independent Expert) of \$4.39 to \$4.98 per ELMO Share.

In addition, the Independent Expert is of the view that the market value of the HoldCo Securities to be issued to the Rollover Shareholders as Scrip Consideration is likely less than \$4.85 per ELMO Share (on an equivalent basis). The Independent Expert has not made any assessment, based on the Scrip Consideration, on whether the Scheme is fair and reasonable and therefore in the best interests of the Rollover Shareholders.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Attachment A. ELMO Shareholders should carefully review the Independent Expert's Report in its entirety.

As at the date of this Scheme Booklet, the Independent Expert has not changed or qualified its conclusion, and no Superior Proposal has emerged.

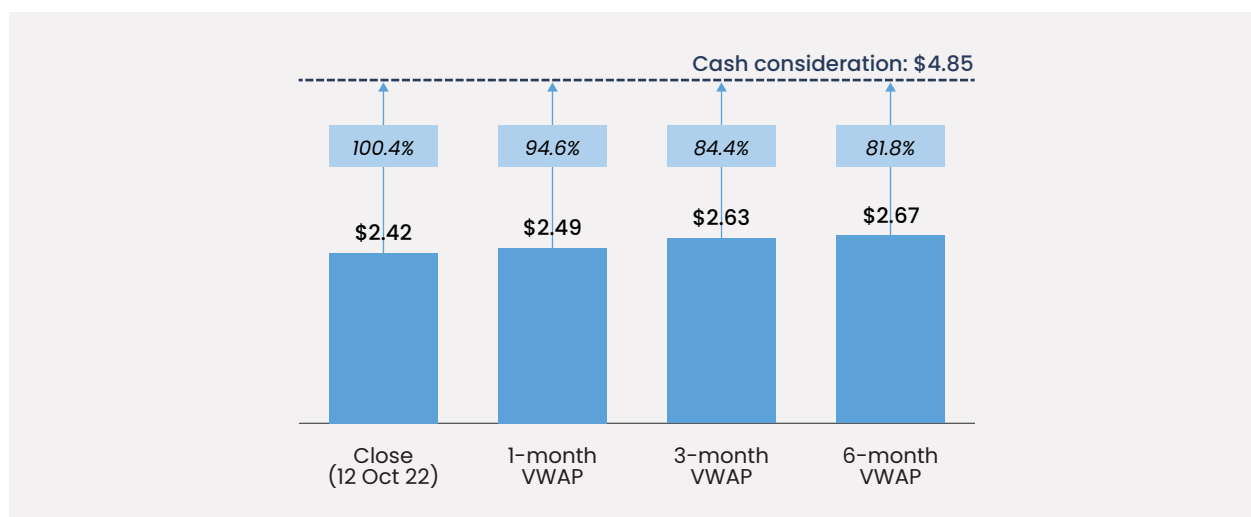
¹ You should note when considering this recommendation the interests of each IBC Director in securities in ELMO, including ELMO Equity Incentives, as set out in sections 1, 10.2 and 10.4 of this Scheme Booklet. Also note that the IBC makes this recommendation only in respect of the Cash Consideration and not in respect of the Scrip Consideration, and the IBC also does not make any recommendation in relation to whether the Rollover Shareholders should make an Election to receive Scrip Consideration (see section 2.5 for further details).

c) The value of the Cash Consideration represents a significant premium for your ELMO Shares

If the Scheme is implemented, General Shareholders will receive \$4.85 in cash for each ELMO Share held on the Scheme Record Date. The cash price equalling \$4.85 per ELMO Share represents an attractive premium to the last undisturbed trading share price as per the below:

- a 100.4% premium to the last trading price of ELMO Shares on the ASX on 12 October 2022, being the final trading day prior to ELMO's ASX announcement that it had received approaches expressing interest in acquiring the Company (**Undisturbed Date**)²;
- a 94.6% premium to the 1-month VWAP³ of ELMO Shares on the ASX to the Undisturbed Date; and
- an 84.4% premium to the 3-month VWAP⁴ of ELMO Shares on the ASX to the Undisturbed Date.

Figure 1: Premium of Cash Consideration over historical trading prices



Source: IRESS

d) The Scheme provides the opportunity to receive certain cash value for your investment in ELMO and will avoid ongoing risks and uncertainties involved in executing ELMO's growth strategy, operations and future developments and share market volatility

The offer is a 100% cash offer to General Shareholders. If implemented, the Scheme provides a high degree of certainty of value, in cash, at a significant premium to ELMO's recent share price trading benchmarks as set out in section 6.3.

More specifically, if the Scheme is implemented, General Shareholders will receive \$4.85 in cash for each ELMO Share held by them at the Scheme Record Date (currently expected to be 7.00pm (Sydney time) on Thursday, 16 February 2023), to be paid on or about the Implementation Date, which is currently expected to be Thursday, 23 February 2023.

For General Shareholders, the certainty of the Cash Consideration should be compared with the risks and uncertainties associated with remaining a shareholder in ELMO. Some of these risks are explained in more detail in section 8.

e) As at the date of this Scheme Booklet, no Superior Proposal has emerged since the announcement of the Scheme

Since the announcement of the execution of the Scheme Implementation Deed on 26 October 2022 and up to the date of this Scheme Booklet, no Superior Proposal has emerged. The IBC Directors are not currently aware of any Superior Proposal, and have no basis to believe that any Superior Proposal is likely to emerge.

2. Based on ELMO closing price on 12 October 2022 of \$2.42 per share.

3. Based on ELMO 1-month VWAP to 12 October 2022 of \$2.49 per share.

4. Based on ELMO 3-month VWAP to 12 October 2022 of \$2.63 per share.

2.

Key considerations relevant to your vote *continued*

As previously announced to the ASX on Thursday 13 October 2022, prior to entering into the Scheme Implementation Deed, ELMO had received a number of approaches expressing interest in acquiring ELMO (with a number of these interested parties approaching the company following ELMO's announcement to the ASX on Tuesday 14 June 2022 that the Company was previously in exploratory discussions with a party in relation to a change-of-control proposal). ELMO held discussions with select parties in the context of maximising shareholder value and provided limited due diligence access to certain of these parties. The ELMO Board established the IBC, comprising all of the ELMO Directors other than Danny Lessem, to consider these acquisition proposals in respect of ELMO and engage with counterparties as required.

On 26 October 2022, ELMO announced to the ASX that it had entered into the Scheme Implementation Deed under which Manhattan Bondi HoldCo has agreed to acquire (or nominate an affiliate to acquire) 100% of the issued ELMO Shares by way of a Scheme.

In reaching its unanimous decision to recommend the Scheme to ELMO Shareholders subject to the qualifications described above, the IBC Directors considered a number of alternatives to maximise value, including assessment of standalone value creation opportunities. The various alternatives including the Scheme were evaluated across a number of criteria. The Scheme was selected on the basis of it delivering the highest and most certain value to ELMO Shareholders. None of the other proposals received since July 2022 (after the original exploratory discussions referred to in the June 2022 announcement) was at a higher value than the Scheme Consideration.

f) If the Scheme does not proceed, you will continue to be subject to the risks associated with ELMO's business and general market risks

The IBC Board considers that ELMO has a number of growth opportunities as an independent listed company on the ASX, especially with respect to the continued growth in its core ANZ mid-market business; as well as new growth initiatives in the UK market and small-business segment. Nevertheless, these initiatives will take time to fully implement and carry execution risk.

Furthermore, ELMO continues to face competition from rivals, which may disrupt ELMO's strong market position. Additionally, as a business that has been historically unprofitable and in its investment phase, there are inherent risks that exist, similar to those risks to which any company in the scale-up phase would be exposed, in order for ELMO to achieve sustained profitability. If the Scheme does not proceed, ELMO Shareholders will continue to be subject to these risks, as well as other specific risks inherent in ELMO's business, including those summarised in more detail in section 8.3.

In addition, if the Scheme does not proceed, ELMO Shares will continue to remain quoted on ASX and will continue to be subject to market volatility and liquidity factors, including general stock market movements, the impact of general economic conditions and the demand for listed securities. The price that ELMO Shareholders will be able to realise for their ELMO Shares will necessarily be uncertain and subject to a number of other risks outlined in section 8. There is no guarantee that, in the foreseeable future (or otherwise), ELMO Shareholders will be able to realise a price equal to, or greater than, the Cash Consideration of \$4.85 per ELMO Share.

The Scheme removes these risks for ELMO Shareholders and allows ELMO Shareholders to exit their investment in ELMO at a price that the IBC Directors consider to be fair and reasonable.

g) The ELMO Share price is likely to fall, perhaps materially, if the Scheme does not proceed and no Superior Proposal emerges

If the Scheme is not implemented, ELMO Shares will remain quoted on the ASX and will continue to be subject to market volatility and liquidity factors, including general stock market movements, the impact of general economic conditions and the demand for listed securities.

The proposal from Manhattan Bondi HoldCo to acquire (or to nominate an affiliate to acquire) ELMO was announced on 26 October 2022, however the true undisturbed last trading price of ELMO Shares was on the 12 October 2022, being the final trading day prior to ELMO's ASX announcement that it had received approaches expressing interest in acquiring ELMO (being the Undisturbed Date). In relation to the Undisturbed Date:

- ELMO Shares on the ASX closed at \$2.42 as at the Undisturbed Date;
- ELMO Shares on the ASX had a 6-month VWAP of \$2.67 to the Undisturbed Date; and
- Prior to the Undisturbed Date, ELMO Shares on the ASX closed as low as \$2.05 (on 3 October 2022).

Since share price highs in November 2021, valuations of technology stocks have faced broad-based declines, largely as a result of the increased expectation of higher interest rates in the near future and global geopolitical and macroeconomic uncertainty. Over this period, the ASX All Tech Index has declined by c.35%.

Whilst ELMO cannot predict the price at which ELMO Shares will trade in the future, based on the above, if the Scheme is not implemented and in the absence of a Superior Proposal, the ELMO Share price is likely to fall, perhaps materially, to below the Scheme Consideration of \$4.85 per Scheme Share being offered by the Bidder.

h) No brokerage or stamp duty will be payable by you on the transfer of your ELMO Shares if the Scheme proceeds

You will not incur any brokerage or stamp duty on the transfer of your ELMO Shares to the Bidder under the Scheme.

If you sell your ELMO Shares on the ASX rather than disposing of them via the Scheme, you may incur brokerage charges and potentially GST on those charges.

2.3. Why you may wish to vote against the Scheme

This section summarises the reasons identified by the IBC Directors as to why you may want to vote against the Scheme. The IBC Directors believe that the reasons to vote in favour of the Scheme outweigh the reasons you may want to vote against the Scheme and the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of the ELMO Shareholders in the absence of a Superior Proposal.⁵ However, the IBC Directors believe that ELMO Shareholders should take into consideration these factors when deciding whether or not to vote in favour of the Scheme.

a) You may disagree with the IBC Directors' unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests

Notwithstanding the unanimous recommendation of the IBC Directors and the conclusions of the Independent Expert, you may believe that the Scheme is not in your best interests.

There is no obligation to follow the recommendation of the IBC Directors or to agree with the opinion of the Independent Expert.

b) You may prefer to participate in the future financial performance of the ELMO business

If the Scheme is approved and implemented, you will cease to be an ELMO Shareholder. As such, you will no longer be able to participate in the future financial performance or future prospects of ELMO's ongoing business, including any benefits of ELMO potentially reaching cashflow breakeven in FY23 (in accordance with ELMO's guidance previously announced on the ASX) and other benefits that may result from being an ELMO Shareholder.

c) You may consider that the Scheme does not capture ELMO's long-term potential

If the Scheme is approved and implemented, you will cease to be an ELMO Shareholder. However, you may consider that ELMO has stronger long-term growth potential, including after having regard to ELMO potentially reaching cashflow breakeven in FY23 (in accordance with ELMO's guidance previously announced to the ASX), and that the Cash Consideration of \$4.85 per ELMO Share does not fully reflect your views on long-term value. You may therefore prefer to retain your ELMO Shares and realise the value of them over the longer term. However, there is no guarantee as to ELMO's future performance or value, as with all investments in listed securities.

d) You may wish to maintain your current investment profile

You may wish to maintain an interest in ELMO because you are seeking an investment in a publicly listed company with the specific characteristics of ELMO, including it being an Australian based software company, its strategy, and potential growth profile.

Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. ELMO Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of ELMO and they may incur transaction costs in undertaking any new investment.

5. The Independent Expert has not made any assessment, based on the Scrip Consideration, on whether the Scheme is fair and reasonable and therefore in the best interests of the Rollover Shareholders.

2.

Key considerations relevant to your vote *continued*

e) You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future

It is possible that, if ELMO were to continue as an independent listed entity, a corporate control proposal for ELMO could materialise in the future, such as a takeover bid with a higher price.

Implementation of the Scheme will mean that ELMO Shareholders will not receive the benefit of any such proposal. Since the announcement of the Scheme to the ASX by ELMO on 26 October 2022 and up to the date of this Scheme Booklet, no Superior Proposal has emerged, and the IBC Directors are not currently aware of any Superior Proposal, and have no basis to believe that a Superior Proposal is likely to emerge, particularly after the assessment of other non-binding and indicative expressions of interest received since July 2022, which were at a lower value than the Scheme Consideration (see section 2.3(e) for further details).

f) The tax consequences of the Scheme may not suit your financial position

Implementation of the Scheme may trigger taxation consequences for ELMO Shareholders. A general guide to the taxation implications of the Scheme is set out in section 9. This guide is expressed in general terms only and ELMO Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

2.4. Other considerations

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Scheme.

a) The Scheme may be implemented even if you vote against the Scheme, or you do not vote at all

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of ELMO Shareholders and the Court. If this occurs, your ELMO Shares will be transferred to the Bidder and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

b) Break Fee

If the Scheme does not become Effective, the Break Fee may be payable to the Bidder. The circumstances in which the Break Fee would be payable are set out in section 5.3.

2.5. No recommendation made in respect of the Scrip Consideration

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Scheme.

The IBC makes no recommendation in relation to the Scrip Consideration or whether the Rollover Shareholders should make an Election to receive Scrip Consideration, for reasons including the following:

- a) the Scrip Consideration is only offered to six Rollover Shareholders,⁶ each of whom is a sophisticated or professional investor (as contemplated by the corresponding definitions in the Corporations Act); and
- b) the value of the HoldCo Securities will depend on how the Bidder chooses to conduct the ELMO business following implementation of the Scheme. Although section 7 includes some information about the Bidder's intentions following implementation of the Scheme, that information is general in nature and does not provide a sufficient basis for the IBC to assess the value of the HoldCo Securities (and, therefore, the Scrip Consideration).

However, in electing to receive the Scrip Consideration, the IBC would encourage the Rollover Shareholders to:

- a) carefully consider the information about the Bidder and HoldCo set out in section 7 and the risks to which they would be exposed as holders of HoldCo Securities under section 7.9; and
- b) consult their independent securities or other adviser about whether an investment in HoldCo Securities meets their individual investment objectives (if they have not already done so).

6. The Rollover Shareholders comprise select members of the senior executive management team of ELMO, namely Danny Lessem (CEO and Co-Founder), James Haslam (Chief Financial Officer), Xin (Samuel) Sun (Global Chief Technology Officer) and Gordon Starkey (Chief Revenue Officer), and certain applicable ELMO Shareholders controlled by them.

3.

FREQUENTLY ASKED QUESTIONS

This section 3 answers some frequently asked questions about the Scheme. It is not intended to address all relevant issues for ELMO Shareholders. This section 3 should be read together with all other parts of this Scheme Booklet.

QUESTION	ANSWER	MORE INFORMATION
Overview of the Scheme		
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are an ELMO Shareholder, and you are being asked to vote on the relevant Scheme Resolution.</p> <p>This Scheme Booklet is intended to provide ELMO Shareholders with relevant information in relation to the Scheme in order to assist them in deciding how to vote on the Scheme at each Scheme Meeting.</p>	N/A
What is the Scheme?	<p>The Scheme is a scheme of arrangement between ELMO and the Scheme Shareholders, being those ELMO Shareholders who hold ELMO Shares as at the Scheme Record Date.</p> <p>A “scheme of arrangement” is a way of implementing an acquisition of shares under the Corporations Act and is commonly used in transactions in Australia that may result in a change of ownership or control of a public company. It requires a vote in favour of the Scheme by the Requisite Majorities of ELMO Shareholders at each of the Scheme Meetings, as well as approval of the Court.</p>	Section 5 and Annexure B
Are there any conditions to the Scheme?	<p>The Scheme is subject to various conditions precedent that must be satisfied or waived (if capable of waiver) in order for the Scheme to be implemented. The conditions of the Scheme are summarised in section 5.3(b) and set out in full in clause 3.1 of the Scheme Implementation Deed.</p> <p>As at the date of this Scheme Booklet, the ELMO Directors are not aware of any circumstances which would cause any condition to the Scheme to not be satisfied or waived (if capable of waiver).</p>	Section 5.3(b)
What is required for the Scheme to become Effective?	<p>The Scheme will become Effective if:</p> <ul style="list-style-type: none"> the Scheme is approved by the Requisite Majorities of the ELMO Shareholders at each Scheme Meeting to be held on Monday, 30 January 2023; the Court approves the Scheme at the Second Court Hearing; and all of the other Conditions to the Scheme are satisfied or waived (if capable of waiver). 	Section 5.8
What is the IBC?	<p>Prior to entry into the Scheme Implementation Deed, the ELMO Board established an independent board committee to consider acquisition proposals in respect of ELMO and engage with counterparties as required (the IBC). The IBC continues to play a role in considering the Transaction on behalf of ELMO. The members of the IBC comprise the non-executive ELMO Directors, being Barry Lewin, Kate Hill and Leah Graeve.</p>	N/A

3. Frequently asked questions *continued*

QUESTION	ANSWER	MORE INFORMATION
What does the IBC recommend?	<p>The IBC unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of the ELMO Shareholders.¹</p> <p>The reasons for the IBC's unanimous recommendation to vote in favour of the Scheme and other matters that you may wish to consider are outlined in section 5.</p>	Letter from the Chairman of ELMO and section 5
How do the IBC Directors intend to vote?	<p>As at the date of this Scheme Booklet, the IBC Directors hold, in aggregate, approximately 0.060% of all ELMO Shares on issue.</p> <p>Each IBC Director intends to vote the IBC Shares they hold or control in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of ELMO Shareholders.</p>	Section 5.6
How does Danny Lessem intend to vote?	<p>Under the Voting and Rollover Agreement, ELMO's CEO and Co-Founder Mr Danny Lessem has agreed to vote all of the ELMO Shares held or controlled by him in favour of the Scheme as long as that agreement remains operative (and subject to the terms of the Voting and Rollover Agreement).</p> <p>Pursuant to the Voting and Rollover Agreement, Mr Danny Lessem has agreed to elect to receive Scrip Consideration in respect of approximately 70% of the ELMO Shares held or controlled by him (representing Scrip Consideration of \$37 million in value) and would therefore receive Cash Consideration (of \$4.85 cash per ELMO Share) in respect of the remaining approximately 30% of the ELMO Shares held or controlled by him (representing Cash Consideration of approximately \$16 million).</p>	Section 7.8
What are the ELMO Directors' current interests in ELMO Shares?	<p>As at the date of this Scheme Booklet, the ELMO Directors hold the following ELMO Shares:</p> <ul style="list-style-type: none"> • 11.04% of ELMO Shares held or controlled by ELMO's CEO and Co-Founder Danny Lessem; • 0.0151% of ELMO Shares held or controlled by Independent Non-Executive Chairman Barry Lewin; • 0.0430% of ELMO Shares held or controlled by Independent Non-Executive Director Kate Hill; and • 0.0015% of ELMO Shares held or controlled by Independent Non-Executive Leah Graeve. <p>Details of the ELMO Equity Incentives held by the ELMO Directors is set out in section 1.1, and the proposed treatment of these ELMO Equity Incentives is set out in sections 1.1 and 10.4.</p>	Sections 1.1, 10.2 and 10.4

1. You should note when considering this recommendation the interests of each IBC Director in securities in ELMO, including ELMO Equity Incentives, as set out in sections 1, 10.2 and 10.4 of this Scheme Booklet. Also note that the IBC makes this recommendation only in respect of the Cash Consideration and not in respect of the Scrip Consideration, and the IBC also does not make any recommendation in relation to whether the Rollover Shareholders should make an Election to receive Scrip Consideration (see section 2.5 for further details).

QUESTION	ANSWER	MORE INFORMATION
Have any major ELMO Shareholders indicated their intentions with respect to the Scheme?	<p>JLAB Investments (No. 2) Pty Ltd and Regiton Group Pty Ltd as trustee for the Garber Family Trust which, in aggregate, hold or control 23.4% of ELMO's Shares as at this date of this Scheme Booklet, have confirmed that they intend to vote all of the ELMO Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO Shareholders.</p> <p>As JLAB Investments (No. 2) Pty Ltd and Regiton Group Pty Ltd as trustee for the Garber Family Trust are General Shareholders, they are eligible to receive Cash Consideration in respect of the ELMO Shares held or controlled by them and are permitted to vote at the General Scheme Meeting.</p>	N/A
What is the opinion of the Independent Expert?	<p>The Independent Expert has concluded that the Scheme Consideration is fair and reasonable and in the best interests of ELMO Shareholders in the absence of a Superior Proposal. The Independent Expert has not made any assessment, based on the Scrip Consideration, on whether the Scheme is fair and reasonable and therefore in the best interests of the Rollover Shareholders.</p> <p>A complete copy of the Independent Expert's Report is included in Annexure A. You are encouraged to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.</p>	Annexure A
Can I sell my ELMO Shares now?	<p>Yes, you can sell your ELMO Shares on the market at any time and, if the Scheme becomes Effective, before the close of trading on the ASX on the Effective Date at the then prevailing market price (which may vary from the Cash Consideration). You will not be able to sell your ELMO Shares on market after the Effective Date, as this will be the last day of trading in ELMO Shares on the ASX before suspension.</p> <p>If you transfer your ELMO Shares before the relevant Scheme Meeting, you will not be entitled to vote at that Scheme Meeting.</p> <p>If you transfer your ELMO Shares before the Scheme Record Date, you will not receive the Scheme Consideration.</p>	Key Dates
Benefits, potential disadvantages and risks		
Why should I vote in favour of the Scheme?	Section 2.2 sets out the reasons why the IBC Directors consider that you should vote in favour of the Scheme.	Section 2.2
Why may I consider voting against the Scheme?	Section 2.3 sets out some of the reasons which may lead you to consider voting against the Scheme.	Section 2.3
What are the key risks associated with the Scheme?	<p>The risks associated with the Scheme are set out in section 8.</p> <p>You should also review the tax implications of the Scheme which are set out in section 9.</p>	Sections 8 and 9

3. Frequently asked questions *continued*

QUESTION	ANSWER	MORE INFORMATION
Scheme consideration		
What will I receive if the Scheme becomes Effective?	<p>If the Scheme becomes Effective and is implemented, ELMO Shareholders will receive the Cash Consideration.</p> <p>Rollover Shareholders will receive the Scheme Consideration in accordance with their valid Election or, in the absence of a valid Election, the Rollover Shareholder will be deemed to have elected to receive the Cash Consideration.</p>	Section 5.2
When will I receive the Scheme Consideration?	<p>If the Scheme becomes Effective, the Scheme Consideration will be provided to the Scheme Shareholders on the Implementation Date.</p> <p>If the Scheme is not approved by the Requisite Majorities of the ELMO Shareholders at each Scheme Meeting and the Court, the Scheme Consideration will not be provided.</p>	Section 5.8(g)
How will I be paid the Scheme Consideration?	<p>Payment of the Cash Consideration will be made either:</p> <ul style="list-style-type: none"> to the nominated bank account advised to the ELMO Share Registry as at the Scheme Record Date; or if no account is nominated, by a cheque in Australian currency, sent by pre-paid post to your registered address as shown on the ELMO Share Register. <p>Any Scrip Consideration component of the Scheme Consideration will be issued to the Rollover Shareholders by HoldCo.</p>	Sections 5.2 and 5.8(g)
Rollover Shareholders		
Who are the Rollover Shareholders and what is the Election?	<p>Prior to the date of this Scheme Booklet, ELMO and the Bidder agreed that certain select members of the senior executive management team of ELMO, namely Danny Lessem (CEO and Co-Founder), James Haslam (Chief Financial Officer), Xin (Samuel) Sun (Global Chief Technology Officer) and Gordon Starkey (Chief Revenue Officer), and certain applicable ELMO Shareholders controlled by them, are the Rollover Shareholders for the purposes of the Scheme Implementation Deed. See the definition of Rollover Shareholders in section 11.1 for the full list of Rollover Shareholders.</p> <p>The Rollover Shareholders are the only ELMO Shareholders entitled to elect to receive some or all of their Scheme Consideration as Scrip Consideration, being HoldCo Securities.</p> <p>All Rollover Shareholders are required to make their Election by the Election Time, being Tuesday, 24 January 2023 at 5.00pm.</p> <p>Under the Voting and Rollover Agreement, ELMO's CEO and Co-Founder Mr Danny Lessem has agreed to elect to receive the Scrip Consideration in respect of approximately 70% of the ELMO Shares held or controlled by him, representing Scrip Consideration of \$37 million in value in aggregate and would therefore receive Cash Consideration (of \$4.85 cash per ELMO Share) in respect of the remaining approximately 30% of the ELMO Shares held or controlled by him (representing Cash Consideration of approximately \$16 million).</p>	Sections 5.2, 7.5(b) and 11.1

QUESTION	ANSWER	MORE INFORMATION
What is Scrip Consideration?	The Scrip Consideration is 1 HoldCo Security (being a Series A Unit in the capital of HoldCo) per Scheme Share. This means that a Rollover Shareholder will receive 0.2062 Series A Units in HoldCo for each dollar of Cash Consideration that it would have otherwise received for each Scheme Share in respect of which the Rollover Shareholder has Elected to receive Scrip Consideration.	Sections 5.2, 7.3 and 7.5(b)
Why do the Rollover Shareholders vote separately from the other ELMO Shareholders?	As the Rollover Shareholders may elect to (and, in the case of Danny Lessem and his Affiliate, Lessem Trading Pty Ltd as trustee for the Lessem Trading Trust, have already agreed to elect to) receive a different form of consideration under the Scheme to the General Shareholders (being the other ELMO Shareholders), their rights under the Scheme are sufficiently different from those of the General Shareholders such that they constitute a separate class of members for the purpose of voting on the Scheme. This means that the Rollover Shareholders will not be permitted to vote at the General Scheme Meeting and will instead vote at the Rollover Shareholder Scheme Meeting.	Sections 4.1, 5.8(c), 7.3 and 7.5(b)
If I am a Rollover Shareholder, how do I make an Election?	If you are a Rollover Shareholder, you need to complete an Election Form in accordance with the instructions set out in the form, and return to it the ELMO Share Registry by no later than the Election Time, being 5.00 pm on Tuesday, 24 January 2023.	Key Dates, definition of "Election Form" and clause 6.2 of the Scheme in Annexure B
What happens if a Rollover Shareholder does not make a valid Election?	If you are a Rollover Shareholder and your Election is not received before the Election Time (which is 5.00 pm (Sydney time) on Tuesday, 24 January 2023) or you have not made a valid Election, you will receive the Cash Consideration for all of your Scheme Shares.	Key Dates, definition of "Election Form", section 5 and clause 6.3 of the Scheme in Annexure B

ELMO Equity Incentives

Will ELMO Equity Incentive holders participate in the Scheme?	<p>ELMO has three types of ELMO Equity Incentives on issue as at the Last Practicable Date – namely, ELMO Options, ELMO Performance Rights and ELMO NED Share Rights.</p> <p>If the ELMO Options are exercised before the Effective Date, the holders of those ELMO Options will receive ELMO Shares before the Scheme Record Date, meaning that they will participate in the Scheme and receive the Scheme Consideration for them. If any ELMO Options have not been exercised by the Effective Date, those ELMO Options will be cancelled for consideration.</p> <p>The ELMO Performance Rights will automatically be converted into ELMO Shares on the Effective Date, meaning that the holders of those ELMO Shares will participate in the Scheme and receive the Scheme Consideration for them.</p> <p>All ELMO NED Share Rights currently on issue are due to vest on or around 1 January 2023. The holder of those ELMO NED Share Rights will, therefore, receive ELMO Shares on settlement of those NED Share Rights, and will participate in the Scheme and receive the Scheme Consideration for them.</p>	Section 10.4(a)
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3.

Frequently asked questions *continued*

QUESTION	ANSWER	MORE INFORMATION
The Bidder and HoldCo		
Who are the Bidder and HoldCo?	<p>The Bidder is Cookie Monster AcquireCo Pty Ltd ACN 664 005 270, an Australian special purpose vehicle controlled by the K5 Fund.</p> <p>HoldCo is a special purpose limited partnership controlled by the K5 Fund under the laws of Delaware, being the indirect holding company of the Bidder, incorporated for the purposes of indirectly holding all of the shares in the Bidder and issuing Scrip Consideration to the Rollover Shareholders.</p>	Section 7
What are the Bidder's intentions for ELMO?	<p>If the Scheme is implemented, the Bidder intends to work with ELMO's management team to optimise the prospects and operating performance, including new potential growth opportunities. In order to achieve these outcomes, the Bidder intends to undertake a detailed review of ELMO's assets and operations covering strategic, financial and commercial operating matters. The Bidder will only make final decisions about the future operating plan and management organisation for ELMO following the completion of such review and based on the facts and circumstances at the relevant time.</p>	Section 7.6
How will the Bidder fund the Cash Consideration?	<p>The Bidder intends to fully fund payment of the aggregate Scheme Consideration using equity. The K5 Fund has entered into a legally binding Equity Commitment Letter, under which it agrees to provide the Bidder (either directly or indirectly) an aggregate amount of up to A\$488,107,850.90 if the Scheme becomes Effective. The proceeds available to the Bidder under the Equity Commitment Letter are in excess of the maximum aggregate amount of cash payable on implementation of the Scheme.</p> <p>The amount of the aggregate Scheme Consideration which is funded as Equity Funding may be reduced in the event that Bidder does not require all of the Equity Funding to pay the Scheme Consideration by reason of the Bidder having obtained funds from other sources (including debt financing and equity co-invest sources).</p>	Section 7.5
Scheme Meetings and voting at the Scheme Meetings		
What will ELMO Shareholders be asked to vote on at the relevant Scheme Meeting?	<p>You are being asked to vote on whether or not to approve the Scheme by voting on the relevant Scheme Resolution.</p> <p>The text of the General Scheme Resolution (on which the General Shareholders are asked to vote) is set out in the Notice of General Scheme Meeting in Annexure D.</p> <p>The text of the Rollover Shareholders Scheme Resolution (on which the Rollover Shareholder are asked to vote) is set out in the Notice of Rollover Shareholder Scheme Meeting in Annexure E.</p>	Section 4, Annexure D and Annexure E

QUESTION	ANSWER	MORE INFORMATION
Why are there two meetings in relation to the Scheme?	<p>There are two meetings in relation to the Scheme because the Rollover Shareholders are offered, and may elect to receive, a different form of consideration to the General Shareholders. Therefore, the Rollover Shareholders' rights under the Scheme are sufficiently different from those of the General Shareholders such that they constitute a separate class of members for the purposes of voting on the Scheme.</p> <p>This means that the Rollover Shareholders will not be permitted to vote at the General Scheme Meeting and will instead vote at the Rollover Shareholder Scheme Meeting.</p> <p>Equally, the other ELMO Shareholders will not be permitted to vote at the Rollover Shareholder Scheme Meeting.</p>	Section 4
Who is entitled to vote at the General Scheme Meeting?	All General Shareholders on the ELMO Register as at the Scheme Meeting Record Date (being 7.00pm (Sydney time) on Saturday, 28 January 2023) are entitled to attend and vote at the General Scheme Meeting.	Annexure D
Who is entitled to vote at the Rollover Shareholder Scheme Meeting?	The Rollover Shareholders on the ELMO Register as at the Scheme Meeting Record Date (being 7.00pm (Sydney time) on Saturday, 28 January 2023) are entitled to attend and vote at the Rollover Shareholder Scheme Meeting.	Annexure E
What voting majority is required to approve the Scheme?	<p>The Scheme needs to be approved by the requisite majorities of ELMO Shareholders at each of the relevant Scheme Meetings as set out in section 411(4)(a)(ii) of the Corporations Act, which is:</p> <ul style="list-style-type: none"> in relation to the General Scheme Meeting to be proposed at the General Scheme Meeting: <ul style="list-style-type: none"> at least 75% of the total number of votes cast on the General Scheme Resolution by the General Shareholders present and voting at the General Scheme Meeting (in person or virtually (as applicable), or by proxy, corporate representative or attorney); and a majority in number (more than 50%) of the General Shareholders present and voting at the General Scheme Meeting (in person or virtually (as applicable), or by proxy, corporate representative or attorney); and in relation to the Rollover Shareholder Scheme Resolution to be proposed at the Rollover Shareholder Scheme Meeting: <ul style="list-style-type: none"> at least 75% of the total number of votes cast on the Rollover Shareholder Scheme Resolution by the Rollover Shareholders present and voting at the Rollover Shareholder Scheme Meeting (in person, or by proxy, corporate representative or attorney); and a majority in number (more than 50%) of the Rollover Shareholders present and voting at the Rollover Shareholder Scheme Meeting (in person, or by proxy, corporate representative or attorney). 	Sections 4.2, 5.3(b)(i) and 5.8(a)

3.

Frequently asked questions *continued*

QUESTION	ANSWER	MORE INFORMATION
How do I vote?	<p>You can vote on the relevant Scheme Resolution:</p> <ul style="list-style-type: none"> • if you are a General Shareholder, at the General Scheme Meeting in person or virtually (as applicable), or by proxy, corporate representative or attorney; or • if you are a Rollover Shareholder, at the Rollover Shareholder Scheme Meeting, in person or by proxy, corporate representative or attorney. <p>Section 4.5 contains further details on how you can vote.</p>	Section 4.5
When and where will the Scheme Meetings be held?	<p>The General Scheme Meeting is expected to be held on Monday, 30 January 2023 at 10.00am in person at Level 27, 580 George Street, Sydney, 2000 and virtually through the online meeting platform at https://meetings.linkgroup.com/ELOScheme.</p> <p>The Rollover Shareholder Scheme Meeting is expected to be held immediately after the General Scheme Meeting on Monday, 30 January 2023 at 11.00am, in person at Level 27, 580 George Street, Sydney, 2000.</p>	Section 4.1
When will the results of the Scheme Meetings be known?	The result of each Scheme Meeting will be available shortly after the conclusion of the Scheme Meetings and will be announced to ASX as soon as practicable.	Section 5.8(c)
What happens to my ELMO Shares if I do not vote, or if I vote against the relevant Scheme Resolution, and the Scheme becomes Effective?	If the Scheme becomes Effective and you are an ELMO Shareholder as at the Scheme Record Date, your ELMO Shares will be transferred pursuant to the Scheme, and you will be entitled to receive the Scheme Consideration for your ELMO Shares. This is even if you did not vote or voted against the Scheme.	Section 5.8(c)
What can I do if I oppose the Scheme?	<p>If you, as an ELMO Shareholder, oppose the Scheme, you may:</p> <ul style="list-style-type: none"> • obtain further information by contacting 1300 255 218 (within Australia) or +61 2 9066 4084 (outside Australia); • attend the relevant Scheme Meeting virtually or in person or by proxy, representative or attorney and vote against the relevant Scheme Resolution; and/or • if the ELMO Shareholders approve the Scheme Resolutions at the Scheme Meetings by the Requisite Majorities and you wish to appear and be heard at the hearing on the Second Court Date, you must lodge a notice of intention to appear at such hearing and indicate opposition to the Scheme. You should seek professional advice as to how to do this. 	Section 2.3

Implementation of the Scheme

What will happen to ELMO if the Scheme becomes Effective and is implemented?	<p>If the Scheme becomes Effective and is implemented, ELMO will pay the Cash Consideration received from the Bidder to the Scheme Shareholders, HoldCo will issue the Scrip Consideration to the Rollover Shareholders, and all of the Scheme Shares will be acquired by the Bidder. It is intended that ELMO will be removed from ASX's official list.</p>	Section 5
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QUESTION	ANSWER	MORE INFORMATION
When will ELMO Shares cease trading on the ASX if the Scheme becomes Effective?	If the Scheme becomes Effective and is implemented, ELMO Shares are expected to cease trading from the close of trading on the ASX on the Effective Date.	Section 5.8(e)
What happens if the Scheme is not approved?	<p>If the Scheme is not approved by the Requisite Majorities of the ELMO Shareholders at each Scheme Meeting and the Court, the Scheme will not proceed.</p> <p>If the Scheme does not proceed:</p> <ul style="list-style-type: none"> • ELMO will remain listed on the ASX; • the expected benefits of the Scheme will not be realised and the potential disadvantages and risks associated with the Scheme will not arise; • unless ELMO Shareholders choose to sell their ELMO Shares on the ASX, ELMO Shareholders will continue to hold ELMO Shares and will be exposed to a number of risks (including those set out in section 8) as well as potential future benefits in retaining exposure to ELMO's business and assets; • the Break Fee may be payable by ELMO to the Bidder under certain circumstances, which circumstances do not include the failure by ELMO Shareholders to approve the Scheme at the Scheme Meetings; • ELMO Shareholders will not receive the Scheme Consideration; and • the trading price of the ELMO Shares on the ASX is likely to fall. <p>If the Scheme does not proceed, and no Superior Proposal emerges, ELMO Shareholders will continue to be exposed to the general market risks set out in section 8.2 and the risk factors relating to the business and operations of ELMO set out in section 8.3, including the risk that the price of ELMO Shares is likely to fall.</p>	Sections 5.9 and 8

Other questions

What happens if a Competing Proposal for ELMO emerges?	<p>If a bona fide actual, proposed or potential Competing Proposal emerges, the IBC Directors, having regard to their obligations under the Scheme Implementation Deed, will consider the merits of that proposal in good faith.</p> <p>If the IBC Directors, acting in good faith and in order to satisfy what the IBC Directors consider to be their statutory or fiduciary duties, determine that the Competing Proposal would be, or would likely be, a Superior Proposal, then:</p> <ul style="list-style-type: none"> • ELMO Shareholders will be informed through an announcement on ASX; and • the IBC Directors will carefully consider the Superior Proposal and will provide you with a detailed recommendation in relation to it, <p>provided that the IBC Directors must comply with the matching right obligations described in section 5.3(c)(v).</p> <p>If the IBC Directors withdraw or adversely modify their recommendation or voting statement, ELMO may be required to pay to the Bidder the Break Fee (in accordance with the terms of the Scheme Implementation Deed).</p>	Section 5.3
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Frequently asked questions *continued*

QUESTION	ANSWER	MORE INFORMATION
Do I have to give any warranties in relation to the Scheme Shares?	Yes. Each Scheme Shareholder will be deemed to have warranted to ELMO and to the Bidder that all of their ELMO Shares will, at the Implementation Date, be fully paid and free from various encumbrances and interests of third parties of any kind, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their ELMO Shares to the Bidder (together with all rights and entitlements attaching to such shares) and that they have no existing right to be issued any ELMO Shares, or any other ELMO securities.	Section 5.5
Will I have to pay brokerage or stamp duty?	No brokerage or stamp duty will be payable by the Scheme Shareholders on the transfer of their ELMO Shares to the Bidder under the Scheme or the receipt by Scheme Shareholders of the Scheme Consideration.	Section 10.6
What are the tax implications of the Scheme?	The tax implications of the Scheme will depend on your personal circumstances. A general outline of the main Australian tax implications of the Scheme for certain ELMO Shareholders is set out in section 9. However, as this outline is general in nature, you should consult with your own tax advisers for detailed tax advice regarding the Australian and, if applicable, foreign tax implications for participating in the Scheme in light of the particular circumstances which apply to you.	Section 9
Where can I get further information?	<p>If you have any questions or require further information in relation to the Scheme Booklet or the Scheme, you can contact 1300 255 218 (within Australia) or +61 2 9066 4084 (outside Australia).</p> <p>If you are in any doubt as to what you should do, please consult the appropriate legal, financial, tax or other professional advisers.</p>	N/A

4.

SCHEME MEETINGS AND VOTING INFORMATION

4.1. Details of Scheme Meetings

The notice convening the General Scheme Meeting is attached as Annexure D and the notice convening the Rollover Shareholder Scheme Meeting is attached as Annexure E.

The General Scheme Meeting is expected to be held on Monday, 30 January 2023 at 10.00am in person at Level 27, 580 George Street, Sydney, 2000 and virtually through the online meeting platform at <https://meetings.linkgroup.com/ELOScheme>.

The Rollover Shareholder Scheme Meeting is expected to be held immediately after the General Scheme Meeting on Monday, 30 January 2023 at 11.00am, in person at Level 27, 580 George Street, Sydney, 2000.

Instructions on how to ask questions during the relevant Scheme Meeting are outlined in the Notice of General Scheme Meeting in Annexure D and Notice of Rollover Shareholder Scheme Meeting in Annexure E (as applicable). Please note, only ELMO Shareholders may ask questions online and only once they have been verified. It may not be possible to respond to all questions raised during the relevant Scheme Meeting. ELMO Shareholders are therefore encouraged to lodge questions prior to the Scheme Meetings on <https://investorcentre.linkgroup.com> by no later than 10.00am (Sydney time), Monday, 23 January 2023.

4.2. Voting majorities required

The Scheme needs to be approved by the requisite majorities of ELMO Shareholders at each of the Scheme Meetings as set out in section 411(4)(a)(ii) of the Corporations Act, which is:

- a) in relation to the General Scheme Resolution to be proposed at the General Scheme Meeting:
 - i) at least 75% of the total number of votes cast on the General Scheme Resolution by the General Shareholders present and voting at the General Scheme Meeting (in person or virtually (as applicable), or by proxy, corporate representative or attorney); and
 - ii) a majority in number (more than 50%) of the General Shareholders present and voting at the General Scheme Meeting (in person or virtually (as applicable), or by proxy, corporate representative or attorney); and
- b) in relation to the Rollover Shareholder Scheme Resolution to be proposed at the Rollover Shareholder Scheme Meeting:
 - i) at least 75% of the total number of votes cast on the Rollover Shareholder Scheme Resolution by the Rollover Shareholders present and voting at the Rollover Shareholder Scheme Meeting (in person, or by proxy, corporate representative or attorney); and
 - ii) a majority in number (more than 50%) of the Rollover Shareholders present and voting at the Rollover Shareholder Scheme Meeting (in person, or by proxy, corporate representative or attorney),

(Requisite Majorities).

The Court has the discretion to waive the second of these two requirements if it considers it appropriate to do so.

If the Scheme is not approved by the Requisite Majorities of ELMO Shareholders and approved by the Court, the Scheme will not proceed.

4.3. Your vote is important

The IBC Directors urge ELMO Shareholders to vote on the relevant Scheme Resolution. The Scheme affects the ELMO Shares you hold and your vote on the relevant Scheme Resolution is important in determining whether the Scheme becomes Effective.

4.4. Who is entitled to vote

ELMO Shareholders registered on the ELMO Share Register on the Scheme Meeting Record Date (being 7.00pm (Sydney time) on Saturday, 28 January 2023) will be entitled to vote at the relevant Scheme Meeting.

4.

Scheme meetings and voting information *continued*

4.5. How to vote

a) General Shareholders

General Shareholders entitled to vote at the General Scheme Meeting will be able to vote:

- i) **In Person:** by attending the General Scheme Meeting in person – a General Shareholder will be admitted to the General Scheme Meeting upon providing evidence of their name and address at the point of entry to the General Scheme Meeting; or
- ii) **Online:** by participating at the General Scheme Meeting and voting via the online platform at <https://meetings.linkgroup.com/ELOScheme>.

b) Rollover Shareholders

Rollover Shareholders entitled to vote at the Rollover Shareholder Scheme Meeting will be able to vote by attending the Rollover Shareholder Scheme Meeting in person – a Rollover Shareholder will be admitted to the Rollover Shareholder Scheme Meeting upon providing evidence of their name and address at the point of entry to the Rollover Shareholder Scheme Meeting.

If you are a Rollover Shareholder, you will not be able to vote online during the Rollover Shareholder Scheme Meeting.

c) Voting by proxy

A Proxy Form is enclosed with this Scheme Booklet.

ELMO Shareholders wishing to appoint a proxy to attend and vote at the relevant Scheme Meeting must complete and return the Proxy Form in accordance with the instructions on the Proxy Form.

To be valid, your Proxy Form must be received by the ELMO Share Registry by 10.00 am (Sydney time) on Saturday, 28 January 2023 by one of the following methods:

- i) **Online (preferred):** <https://investorcentre.linkgroup.com/> or
- ii) **By post:**

ELMO Software Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
- iii) **By facsimile:**

02 9287 0309 (within Australia)
+61 2 9287 0309 (from outside Australia)
- iv) **By hand:**

Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

** during business hours Monday to Friday (9.00am – 5.00pm) and subject to public health orders and restrictions*

d) Power of attorney

ELMO Shareholders who wish to appoint an attorney to participate in the relevant Scheme Meeting on their behalf must provide an original duly executed power of attorney (or a certified copy of that power of attorney) to the ELMO Share Registry by 10.00 am (Sydney time) on Saturday, 28 January 2023.

e) Corporate representatives

A body corporate which is an ELMO Shareholder, or which has been appointed as a proxy, is entitled to appoint a corporate representative to vote at the relevant Scheme Meeting on its behalf and must provide a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the Scheme Meeting.

4.6. Further information

Please refer to the Notice of General Scheme Meeting set out in Annexure D and the Notice of Rollover Shareholder Scheme Meeting set out in Annexure E for further information on voting procedures and details of the relevant Scheme Resolution to be voted on at the relevant Scheme Meeting (including who is entitled to vote on the respective Scheme Resolutions).

4.7. Alternative arrangements

In the lead up to the Scheme Meetings, ELMO will be closely monitoring the COVID-19 situation in Sydney. If it becomes necessary or appropriate to make alternative or supplementary arrangements to hold the Scheme Meetings, ELMO Shareholders will be given as much notice as possible. Any changes to the Scheme Meetings will be announced by ELMO through the ASX and notified on ELMO's investor website at <https://investors.elmosoftware.com.au/investors/>.

5.

OVERVIEW OF
THE SCHEME**5.1. Background to the Scheme**

On 26 October 2022, ELMO and Manhattan Bondi HoldCo entered into the Scheme Implementation Deed under which it is proposed that Manhattan Bondi HoldCo will acquire (or nominate a Bidder Affiliate to acquire) 100% of the ELMO Shares, subject to approval from ELMO Shareholders by the Requisite Majorities, Court approval and the satisfaction or waiver of certain Conditions. A full copy of the Scheme Implementation Deed was attached to ELMO's announcement to the ASX relating to the Scheme on 26 October 2022.

On 22 November 2022, pursuant to clause 4.2(a) of the Scheme Implementation Deed, Manhattan Bondi HoldCo nominated the Bidder to acquire all of the ELMO Shares under the Scheme.

Having carefully considered the Bidder's proposal, the IBC unanimously recommends that ELMO Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of the ELMO Shareholders (the **Recommendation**).

Subject to these same qualifications, each IBC Director intends to vote, or cause to be voted, the ELMO Shares that they hold or control in favour of the Scheme (**Voting Intention**).

Under the Voting and Rollover Agreement, ELMO's CEO and Co-Founder Mr Danny Lessem has agreed to vote all of the ELMO Shares held or controlled by him in favour of the Scheme as long as that agreement remains operative (and subject to the terms of the Voting and Rollover Agreement).

The IBC has also carefully considered the expected advantages of the Scheme, potential reasons to vote against the Scheme and the key risks of the Scheme. These considerations are set out in sections 1 and 8.

The key terms of the Scheme Implementation Deed are summarised in section 5.3. A full copy of the Scheme Implementation Deed can be obtained from the ASX website, www.asx.com.au, or ELMO's webpage for investors at <https://investors.elmosoftware.com.au/investors/>.

5.2. Overview of the Scheme Consideration

If the Scheme becomes Effective and is implemented, the Scheme Shareholders will be entitled to receive:

- a) in the case of the General Shareholders, the Cash Consideration of \$4.85 per Scheme Share held by them on the Scheme Record Date; and
- b) in the case of the Rollover Shareholders:
 - i) if the Rollover Shareholder has made a valid Election, then the Scheme Consideration applicable for that Rollover Shareholder for the Scheme Shares held by the Scheme Shareholder is:
 - A) the Scrip Consideration per Scheme Share in respect of the Scheme Shares held by the Rollover Shareholder for which the Rollover Shareholder has elected (in the Election Form) to receive Scrip Consideration; plus
 - B) the Cash Consideration per Scheme Share in respect of the Scheme Shares held by the Rollover Shareholder for which the Rollover Shareholder has elected (in the Election Form) to receive the Cash Consideration; or
 - ii) if the Rollover Shareholder does not make a valid Election, then the Scheme Consideration applicable for that Rollover Shareholder is the Cash Consideration per Scheme Share in respect of 100% of the Scheme Shares held by that Rollover Shareholder on the Scheme Record Date.

It is important to note that, if an ELMO Shareholder sells their ELMO Shares before the Scheme Record Date, they will not receive the Scheme Consideration.

a) Cash Consideration

The Cash Consideration will be paid to the General Shareholders and the Rollover Shareholders (to the extent that the Rollover Shareholder has provided a valid Election to receive their Scheme Consideration as Cash Consideration or has not made a valid Election) on the Implementation Date.

Scheme Shareholders who have validly registered their bank account details with the ELMO Share Registry before the Scheme Record Date may have their Cash Consideration sent directly to their bank account. Otherwise, the Scheme Shareholders will have their Cash Consideration sent by cheque in Australian currency, sent by pre-paid post, to their address as shown on the ELMO Share Register.

For the avoidance of doubt, you will only receive Cash Consideration if you are a Scheme Shareholder. You will be a 'Scheme Shareholder' if you hold ELMO Shares on the Scheme Record Date, which is estimated to be Thursday, 16 February 2023 at 7.00pm (or such other time and date as agreed between ELMO and the Bidder).

If you are an ELMO Shareholder, you should ensure that your personal contact and bank account details are up to date in the records held by the ELMO Share Registry or in your trading account before the Scheme Record Date.

b) Scrip Consideration

The Rollover Shareholders are entitled to elect to receive a portion of their Scheme Consideration as Scrip Consideration instead of Cash Consideration. To the extent of their valid Election, the Rollover Shareholders will receive 0.2062 Series A Units in HoldCo for each dollar of Cash Consideration that they would have otherwise received for each Scheme Share that they hold at the Scheme Record Date.

In the absence of a valid Election, the Rollover Shareholder will be deemed to have elected to receive the Cash Consideration.

Under the Voting and Rollover Agreement, ELMO's CEO and Co-Founder Mr Danny Lessem has agreed to elect to receive the Scrip Consideration in respect of such percentage of the ELMO Shares held or controlled by him as represents \$37 million in value in aggregate and would therefore receive Cash Consideration (of \$4.85 cash per ELMO Share) in respect of the remaining approximately 30% of the ELMO Shares held or controlled by him (representing Cash Consideration of approximately \$16 million).

5.3. Key terms of the Scheme Implementation Deed

A summary of the key terms of the Scheme Implementation Deed are set out in this section 5.3.

a) Nominated Bidder Affiliate

The Scheme Implementation Deed provided Manhattan Bondi HoldCo with a right to nominate a Bidder Affiliate to acquire all the Scheme Shares under the Scheme. On 22 November 2022, Manhattan Bondi HoldCo nominated Cookie Monster AcquireCo Pty Ltd as the Bidder. This had the effect that all previous references in the Scheme Implementation Deed to Manhattan Bondi HoldCo acquiring the Scheme Shares under the Scheme or taking any other action under or in respect of the Scheme, are to be read as references to Cookie Monster AcquireCo Pty Ltd doing so. However, Manhattan Bondi HoldCo still has an obligation under the Scheme Implementation Deed to procure that the Bidder complies with Manhattan Bondi HoldCo's obligations under, and completes the acquisition, in accordance with the terms of, the Scheme Implementation Deed, the Scheme and the Deed Poll (**Bidder Obligations**).

In addition, Manhattan Bondi HoldCo will continue to be bound by all of the Bidder Obligations and will not be released from any Bidder Obligations or liabilities under the Scheme Implementation Deed, the Scheme or the Deed Poll. Manhattan Bondi HoldCo has also agreed to unconditionally and irrevocably guarantee to ELMO the due and punctual performance by Cookie Monster AcquireCo Pty Ltd of the Bidder Obligations.

b) Conditions

Implementation of the Scheme is subject to satisfaction or waiver (if capable of waiver) of the following Conditions:

- i) **(Shareholder approval)** The ELMO Shareholders approve the Scheme at each Scheme Meeting by the Requisite Majorities under section 411(4)(a)(ii) of the Corporations Act.
- ii) **(Court approval)** The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
- iii) **(No restraints)** No law, rule, regulation, restraining order, preliminary or permanent injunction or other preliminary or final decision, order or decree issued by any Court of competent jurisdiction or by any Government Agency, or other legal restraint or prohibition preventing, prohibiting or impeding the implementation of the Transaction, and no steps have been taken by any court of competent jurisdiction or Government Agency to dispose of to the reasonable satisfaction of ELMO and the Bidder the effect of any of the above, in each case as at the Delivery Time.
- iv) **(Independent Expert)** The Independent Expert issues the Independent Expert's Report which concludes that in its opinion the Scheme is in the best interests of the ELMO Shareholders and the Independent Expert maintains that formal opinion (including by not withdrawing, qualifying or changing that opinion) at all times up to the Delivery Time.
- v) **(No ELMO Prescribed Occurrence)** No ELMO Prescribed Occurrence occurs between the date of the Scheme Implementation Deed (26 October 2022) and the Delivery Time.
- vi) **(No Material Adverse Change)** No Material Adverse Change occurs between the date of the Scheme Implementation Deed (26 October 2022) and the Delivery Time.
- vii) **(Regulatory Approvals)**
 - A) **(ASIC and ASX)** Before the Delivery Time, ASIC and ASX have issued or provided such consents or approvals or have done such other acts which the Bidder and ELMO agree in writing are necessary or desirable to implement the Transaction and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time.

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Overview of the Scheme *continued*

B) **(Foreign Investment Review Board)** Before the Delivery Time, either:

- 1) the Treasurer (or their delegate) has provided a notice in writing stating, or to the effect that, there are no objections under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) to the Bidder acquiring the Scheme Shares under the Scheme, either not subject to any conditions or subject only to certain conditions;
- 2) the Treasurer becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the acquisition of the Scheme Shares by the Bidder; or
- 3) if an interim order is made under FATA in respect of the acquisition by the Bidder of the Scheme Shares, the subsequent period for making a final order prohibiting the acquisition of the Scheme Shares by the Bidder elapses without a final order being made.

C) **(HSR)** Any waiting period applicable to the Scheme under the *United States Hart-Scott-Rodino Antitrust Improvements Act of 1976* (as amended, and the rules and regulations promulgated thereunder) shall have expired or been terminated. On 7 November 2022, the Bidder confirmed that no waiting period is applicable to the Scheme under the *United States Hart-Scott-Rodino Antitrust Improvements Act of 1976* and, therefore, this Condition has been satisfied.

D) **(Government Agency)** All other approvals or consents of a Government Agency which the Bidder and ELMO agree in writing are necessary or desirable to implement the Transaction are obtained.

viii) **(ELMO Representations and Warranties)** The ELMO Representations and Warranties (as set out in Schedule 2 of the Scheme Implementation Deed) being true and correct in all material respects (subject to the qualifications in clause 7.5 of the Scheme Implementation Deed) on the date of the Scheme Implementation Deed (26 October 2022) and at the Delivery Time.

ix) **(Bidder Representations and Warranties)** The Bidder Representations and Warranties being true and correct in all material respects on the date of the Scheme Implementation Deed (26 October 2022) and at the Delivery Time.

x) **(No change of Recommendation)** Between the date of the Scheme Implementation Deed (26 October 2022) and the date of the Scheme Meetings, no IBC Director having changed, qualified or withdrawn their Recommendation.

As far as the ELMO Board is aware, as at the date of this Scheme Booklet, no circumstances have occurred which are likely to cause any of the Conditions not to be satisfied or to become incapable of satisfaction. These matters will continue to be assessed until the Delivery Time. In the event of any material change in status, ELMO will inform ELMO Shareholders of the status of the Conditions through an announcement to the ASX.

Details regarding the Conditions are set out in full in clause 3 of the Scheme Implementation Deed.

c) Exclusivity

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of the Bidder which are set out in full under clause 11 of the Scheme Implementation Deed.

The exclusivity provisions end on the earlier of the date of termination of the Scheme Implementation Deed, the date that is 9 months after the date of the Scheme Implementation Deed, and the Effective Date (**Exclusivity Period**).

These exclusivity arrangements are in line with market practice and are summarised as follows:

- i) **(Cease discussions)** ELMO was required to cease any discussions or negotiations existing as at the date of the Scheme Implementation Deed relating to a Competing Proposal.
- ii) **(No shop)** During the Exclusivity Period (as defined below), except with the prior written consent of the Bidder, ELMO must not (and must ensure that its Relevant Persons acting on its behalf do not) directly or indirectly solicit, invite, encourage or initiate any Competing Proposal or any inquiries, indications or expressions of interest, proposals, offers, discussions or negotiations with any third party in connection with, with a view to obtaining, in relation to, or that may be reasonably expected to encourage or lead to, a Competing Proposal, or communicate any intention to do any of these things.
- iii) **(No due diligence and no talk)** Except in limited circumstances (as described below), during the Exclusivity Period, ELMO must not, and must ensure that each of its Relevant Persons acting on its behalf do not, except with the prior written consent of the Bidder, directly or indirectly:
 - A) solicit, initiate, facilitate, encourage or invite any person other than a third party to undertake due diligence investigations in respect of the ELMO Group or its businesses and operations, in connection with an actual, proposed, or potential Competing Proposal;
 - B) enter into, participate in, or continue any negotiations or discussions that would reasonably be expected to lead to the making of, an actual, proposed or potential Competing Proposal;

- C) negotiate, accept, or enter into any agreement, arrangement or understanding regarding, or which would reasonably be expected to lead to the making of, an actual, proposed, or potential Competing Proposal;
- D) furnish or otherwise make available any non-public information about the business, assets or affairs of the ELMO Group or provide access to any ELMO Officers or employees to any third party in relation to or connection with, with a view to obtaining, or which would reasonably be expected to encourage or lead to the receipt, formulation, development, finalisation or announcement of, an actual, proposed, or potential Competing Proposal (including providing such information for the purposes of conducting due diligence investigations); or
- E) communicate to any person an intention to do anything referred above,

even if the relevant Competing Proposal was not directly or indirectly solicited, invited, encouraged, facilitated, or initiated by ELMO, any other ELMO Group Member, or a Relevant Person of an ELMO Group Member or the relevant person has publicly announced the Competing Proposal.

The 'no due diligence' and 'no talk' restrictions do not prohibit any action or inaction by ELMO, any ELMO Group Member or any of their Representatives in relation to a bona fide actual, proposed or potential Competing Proposal if the IBC, acting in good faith, has determined after:

- A) having obtained written advice from ELMO's reputable external financial and legal advisers, that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal; and
- B) receiving written advice from ELMO's reputable external Australian legal advisers practising in the area of corporate law, that compliance with the 'no due diligence' and 'no talk' restrictions would, or would be reasonably likely to constitute, a breach of any of the fiduciary or statutory duties owed by any ELMO Director,

provided that the actual, proposed or potential Competing Proposal was not brought about by, or facilitated by, a breach of the 'no shop' restriction.

- iv) **(Notification)** During the Exclusivity Period, ELMO must as soon as reasonably practicable (and in any event within 24 hours) notify the Bidder in writing if it, or any of its Representatives, become aware of any:
 - A) receipt of, negotiations, discussions or other communications, or approach or inquiry, in relation to or which could reasonably be expected to lead to, a Competing Proposal;
 - B) approach or proposal made to ELMO or any of its Representatives, in connection with, in respect of any exploration or completion of, or which could reasonably be expected to lead to, a Competing Proposal; or
 - C) request made by a third party for, or provision by ELMO or any of its Representatives of, any material non-public information concerning the business or operations of ELMO or the ELMO Group by or to any third party (other than a Government Agency) in connection with a Competing Proposal,

in each case, whether direct or indirect, solicited or unsolicited, and in writing or otherwise.

If a Competing Proposal is put to ELMO during the Exclusivity Period and the IBC has determined that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal or that compliance with the 'no due diligence' and 'no talk' restrictions would, or would be reasonably likely to constitute, a breach of any of the fiduciary or statutory duties owed by any ELMO Director (in accordance with section 5.3(c)(iii) above), then ELMO must as soon as reasonably practicable notify the Bidder of that fact.

- v) **(Matching right)** Without limiting the 'no shop' restriction, during the Exclusivity Period, ELMO must, and must procure that each of the ELMO Group Members:
 - A) do not enter into any legally binding agreement, arrangement or understanding to undertake, implement or otherwise give effect to any actual, proposed or potential Competing Proposal with a third party; and
 - B) use its best endeavours to procure that none of the IBC Directors withdraws, adversely changes, adversely modifies, or adversely qualifies their Recommendation or Voting Intention in favour of the Scheme, publicly recommend or support any actual, proposed or potential Competing Proposal,

unless:

- C) the IBC, acting in good faith and in order to satisfy what the IBC Directors consider to be their statutory or fiduciary duties determines that the Competing Proposal would be, or would be likely to be, a Superior Proposal; and
- D) the Bidder has been provided with the right to provide a proposal that is matching or superior to the Competing Proposal (taken as a whole), and the Bidder has not announced or otherwise formally provided such a proposal, in each case within the applicable timeframes, and otherwise in accordance with the process, set out in clause 11.6(a)(iii)-(vi) of the Scheme Implementation Deed.

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Overview of the Scheme *continued*

d) IBC Recommendation

ELMO must use its best endeavours to procure that the IBC Directors collectively, and the IBC Directors individually, do not adversely change, withdraw, adversely modify or adversely qualify (including by making any public statement supporting, endorsing or recommending a Competing Proposal and/or to the effect that they no longer support the Scheme), its or their Recommendation or Voting Intention unless:

- i) a Superior Proposal is made;
- ii) the Independent Expert concludes that the Scheme is not in the best interests of ELMO Shareholders;
- iii) a Court, ASIC or the Takeovers Panel requires that the relevant IBC Director changes, withdraws, qualifies or modifies, or abstains from making, their Recommendation or Voting Intention (as applicable); or
- iv) the IBC Director has determined, after receiving written legal advice from independent senior counsel, that the IBC Director, by virtue of their relevant directors' duties, is required to change, withdraw, qualify or modify, or abstain from making their Recommendation or Voting Intention (as applicable); or
- v) the IBC Director reasonably considers, after first obtaining advice from independent senior counsel, that he or she should not continue to maintain their Recommendation or Voting Intention (as applicable) because that IBC Director has an interest in the Scheme that is so materially different from other ELMO Shareholders which would properly preclude or render it inappropriate for them to provide any such recommendation (**Scheme Interest**), and the Court would be unlikely to grant an order directing ELMO to convene the Scheme Meetings or an order approving the Scheme, in each case solely as a result of the Scheme Interest.

e) Break fee in favour of the Bidder

Subject to certain limitations set out in clauses 12.2(b) and 12.4 of the Scheme Implementation Deed, and provided that the Bidder is not in material breach of a material obligation under the Scheme Implementation Deed, ELMO must pay the Break Fee to the Bidder if:

- i) (**Recommendation**) at any time during the Exclusivity Period, any IBC Director:
 - A) fails to recommend that ELMO Shareholders vote in favour of the Scheme;
 - B) withdraws, adversely changes, adversely modifies or adversely qualifies their Recommendation or indicates they no longer recommend the Transaction; or
 - C) indicates they no longer recommend the Transaction or recommends, supports or endorses a Competing Proposal, and:
 - D) the Bidder has terminated the Scheme Implementation Deed in connection with a failure to satisfy or waive the 'No change of Recommendation' Condition; or
 - E) ELMO has terminated the Scheme Implementation Deed due such number of IBC Directors as constitutes a majority of the IBC changing or withdrawing its Recommendation in the manner permitted in clause 5.5(c) of the Scheme Implementation Deed (as set out in section 5.3(c)(i) to (v) above),
 other than in circumstances where an IBC Director fails to make the Recommendation contemplated by the Scheme Implementation Deed or withdraws their Recommendation where permitted;
- ii) (**Competing Proposal**) at any time before the End Date (or, if earlier, the date the Scheme Implementation Deed is terminated by the Bidder), a Competing Proposal is announced and within 12 months of such announcement a third party (either alone or together with any Associate):
 - A) completes the Competing Proposal; or
 - B) otherwise acquires a Relevant Interest in, or becomes the holder of, or otherwise acquires 50% or more of ELMO Shares and that acquisition is unconditional; or
- iii) (**material breach**) the Bidder terminates the Scheme Implementation Deed on the basis of a material breach of the Scheme Implementation Deed by ELMO, and the relevant material breach by ELMO is material in the context of the Scheme taken as a whole, and the Transaction does not complete.

For full details of the Break Fee, see clause 12 of the Scheme Implementation Deed.

f) Break fee in favour of ELMO

Subject to certain limitations set out in clauses 12.3(b) and 12.4 of the Scheme Implementation Deed, and provided that ELMO is not in material breach of a material obligation under the Scheme Implementation Deed, the Bidder must pay the Break Fee to ELMO if ELMO terminates the Scheme Implementation Deed on the basis of a material breach of the Scheme Implementation Deed by the Bidder, and the relevant material breach by the Bidder is material in the context of the Scheme taken as a whole and the Transaction does not complete.

g) Maximum Liability of ELMO

The maximum aggregate amount which ELMO is required to pay in relation to a breach of the Scheme Implementation Deed (including in respect of a breach of a representation and warranty) is an amount equal to the Break Fee and in no event will the aggregate liability of ELMO under or in connection with a breach of the Scheme Implementation Deed exceed an amount equal to the Break Fee, which will be the sole remedy in respect of any damages claim by the Bidder.

h) Maximum Liability of the Bidder

Subject to provisions described below, the maximum aggregate amount which the Bidder or any Bidder Affiliate (in aggregate) is required to pay in relation to a breach of the Scheme Implementation Deed (including in respect of a breach of a representation and warranty) is an amount equal to the Break Fee and in no event will the aggregate liability of the Bidder under or in connection with a breach of the Scheme Implementation Deed exceed an amount equal to the Break Fee, which will be the sole remedy in respect of any damages claim by ELMO.

However, in the event that:

- i) a Break Fee becomes payable to ELMO under the Scheme Implementation Deed in relation to a wilful or intentional breach by the Bidder of the Scheme Implementation Deed; and
- ii) ELMO suffers loss or damage arising directly from that breach which exceeds the Break Fee,

then, ELMO is entitled to seek to recover from the Bidder in relation to the that breach, in addition to the Break Fee, an amount equal to the lesser of:

- iii) the loss referred to in section 5.3(h)(ii) above; and
- iv) \$4,859,760 (the **Reimbursement Amount**),

and, for the avoidance of doubt, in this case, the maximum aggregate amount which the Bidder or any Bidder Affiliate (in aggregate) is required to pay in relation to a breach of the Scheme Implementation Deed is an amount equal to the sum of the Break Fee and the Reimbursement Amount.

Subject to the Scheme becoming Effective, nothing in clause 12.9 of the Scheme Implementation Deed (as described in this section) will limit the Bidder's liability or ELMO's ability to take action under or in connection with a breach of clause 4.3(a) of the Scheme Implementation Deed (relating to the Bidder's obligation to pay the Scheme Consideration), the Deed Poll or the Equity Commitment Letter.

i) Representations and warranties

The Scheme Implementation Deed contains customary representations and warranties given by each of ELMO and the Bidder to each other.

These representations and warranties are set out in Schedule 1 (in the case of the Bidder) and Schedule 2 (in the case of ELMO) of the Scheme Implementation Deed.

j) Termination

Either ELMO or the Bidder may terminate the Scheme Implementation Deed by written notice to the other party if, within the specified time periods under the Scheme Implementation Deed:

- i) **(material breach)** the other is in material breach of a material obligation under the Scheme Implementation Deed (including a material breach of any representation and warranty that is material in the context of the Scheme taken as a whole) and is not remedied by the earlier of the Delivery Time and 5 Business Days after receipt of the notice to remedy;

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Overview of the Scheme *continued*

- ii) (**Insolvency**) the other is, or becomes, Insolvent;
- iii) (**Conditions**) in certain circumstances where:
 - A) any event occurs which would, does or will prevent any of the Conditions to the Scheme outlined in section 5.3(a) being satisfied in accordance with the Scheme Implementation Deed;
 - B) such Condition is otherwise not satisfied or waived (if capable of waiver) in accordance with the Scheme Implementation Deed; or
 - C) the Scheme has not otherwise become Effective by the End Date,
 and ELMO and the Bidder are unable, after consulting in good faith, to reach an agreement to implement the Scheme by alternative means, extent the relevant time for satisfaction of the Condition or to change the date of the Second Court Hearing or to extend the End Date;
- iv) (**restraint**) the Court or another Government Agency has taken any action permanently restraining or otherwise prohibiting or preventing the Transaction, or has refused to do anything necessary to permit the Transaction, and the action or refusal has become final and cannot be appealed or reviewed or the terminating party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review succeeding by the End Date; or
- v) (**End Date**) the Effective Date for the Scheme has not occurred, or will not occur, on or before the End Date.

The Bidder may terminate the Scheme Implementation Deed if, within the specified time periods under the Scheme Implementation Deed:

- i) (**no Recommendation**) any IBC Director fails to recommend the Scheme in the manner described in clause 5.5 of the Scheme Implementation Deed, or withdraws, adversely changes, adversely modifies or adversely qualifies their Recommendation;
- ii) (**Competing Proposal**) any IBC Director makes a public statement to the effect that they no longer support the Scheme or indicating that they no longer recommend the Transaction or recommend, support or endorse a Competing Proposal; or
- iii) (**ELMO Prescribed Occurrence**) an ELMO Prescribed Occurrence occurs.

ELMO may terminate the Scheme Implementation Deed at any time before the Delivery Time, if a majority of the IBC changes or withdraws its Recommendation in the manner permitted under clause 5.5(c) of the Scheme Implementation Deed (as set out in section 5.3(d) above), provided that, if required to do so under the Scheme Implementation Deed, ELMO must pay the Break Fee.

The parties' termination rights are set out in clause 13 of the Scheme Implementation Deed.

5.4. Deed Poll

As at the date of this Scheme Booklet, Manhattan Bondi HoldCo, the Bidder and HoldCo have executed the Deed Poll, pursuant to which Manhattan Bondi HoldCo, the Bidder and HoldCo have agreed to comply with their respective obligations under the Scheme.

A copy of the Deed Poll is contained in Annexure B.

5.5. Warranties by Scheme Shareholders

Under the terms of the Scheme, each Scheme Shareholder is taken to have warranted to the Bidder, and, to the extent enforceable, appointed and authorised ELMO as its attorney and agent to warrant to the Bidder, that:

- a) all their Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- b) they have full power and capacity to transfer their Scheme Shares to the Bidder (together with any rights and entitlements attaching to those shares) pursuant to the Scheme.

5.6. IBC's unanimous recommendation

The IBC unanimously recommends that you **vote in favour of the Scheme**, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of the ELMO Shareholders.¹ See section 2 for further details in this regard.

As at the date of this Scheme Booklet, the IBC Directors hold or control, in aggregate, approximately 0.060% of all ELMO Shares on issue as at the Last Practicable Date. Each IBC Director intends to vote the ELMO Shares that they hold or control in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of ELMO Shareholders.

Under the Voting and Rollover Agreement, ELMO's CEO and Co-Founder Mr Danny Lessem has agreed to vote all of the ELMO Shares held or controlled by him, being approximately 11.04% of all ELMO Shares on issue as at the Last Practicable Date, in favour of the Scheme as long as that agreement remains operative (and subject to the terms of the Voting and Rollover Agreement).

5.7. Independent Expert's Report

The IBC's unanimous recommendation to vote in favour of the Scheme is supported by the conclusion of the Independent Expert, Leadenhall Corporate Advisory Pty Ltd.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of the ELMO Shareholders in the absence of a Superior Proposal. The Independent Expert has not made any assessment, based on the Scrip Consideration, on whether the Scheme is fair and reasonable and therefore in the best interests of the Rollover Shareholders.

The Independent Expert's Report is attached as Annexure A.

5.8. Timetable and key steps in the Scheme

a) Overview of approval requirements

The Scheme will only become Effective and implemented if:

- it is approved by the Requisite Majorities of the ELMO Shareholders at each Scheme Meeting to be held on Monday, 30 January 2023;
- it is approved by the Court at the Second Court Hearing; and
- the other Conditions to the Scheme outlined in section 5.3(a) are satisfied or waived (if capable of waiver).

b) First Court Date

At the First Court Date, the Court made an order directing ELMO to convene the Scheme Meetings under section 411(1) of the Corporations Act.

c) Scheme Meetings

The Court has ordered ELMO to convene each Scheme Meeting at which the General Shareholders and the Rollover Shareholders will be asked to approve the Scheme. The Scheme Resolution to be considered at the General Scheme Meeting is contained in Annexure D. The Scheme Resolution to be considered at the Rollover Shareholder Scheme Meeting is contained in Annexure E.

The Scheme needs to be approved by the Requisite Majorities of ELMO Shareholders at each of the Scheme Meetings as set out in section 411(4)(a)(ii) of the Corporations Act, which is:

- i) in relation to the General Scheme Resolution to be proposed at the General Scheme Meeting:
 - A) at least 75% of the total number of votes cast on the General Scheme Resolution by the General Shareholders present and voting at the General Scheme Meeting (in person or virtually (as applicable), or by proxy, corporate representative or attorney); and
 - B) a majority in number (more than 50%) of the General Shareholders present and voting at the General Scheme Meeting (in person or virtually (as applicable), or by proxy, corporate representative or attorney); and

1. You should note when considering this recommendation the interests of each IBC Director in securities in ELMO, including ELMO Equity Incentives, as set out in sections 1, 10.2 and 10.4 of this Scheme Booklet. Also note that the IBC makes this recommendation only in respect of the Cash Consideration and not in respect of the Scrip Consideration, and the IBC also does not make any recommendation in relation to whether the Rollover Shareholders should make an Election to receive Scrip Consideration (see section 2.5 for further details).

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Overview of the Scheme *continued*

- ii) in relation to the Rollover Shareholder Scheme Resolution to be proposed at the Rollover Shareholder Scheme Meeting:
 - A) at least 75% of the total number of votes cast on the Rollover Shareholder Scheme Resolution by the Rollover Shareholders present and voting at the Rollover Shareholder Scheme Meeting (in person, or by proxy, corporate representative or attorney); and
 - B) a majority in number (more than 50%) of the Rollover Shareholders present and voting at the Rollover Shareholder Scheme Meeting (in person, or by proxy, corporate representative or attorney).

Although voting is not compulsory, the IBC unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of the ELMO Shareholders.

Even if you vote against the Scheme, or do not vote on the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of ELMO Shareholders and the Court. If this occurs, your ELMO Shares will be transferred to the Bidder and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

The results of each Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meetings and will be announced to the ASX (www.asx.com.au) once available.

d) Second Court Date

In the event that:

- the Scheme is approved by the Requisite Majorities of ELMO Shareholders at each Scheme Meeting; and
- it can reasonably be expected that all other conditions precedent to the Scheme (except Court approval of the Scheme) will be satisfied or waived (if capable of waiver),

then ELMO will apply to the Court for orders approving the Scheme on the Second Court Date.

Any ELMO Shareholder has the right to appear at the Second Court Hearing.

e) Effective Date

If the Court approves the Scheme, ELMO will, subject to the ASX Listing Rules, lodge with ASIC an office copy of the orders approving the Scheme by no later than 5.00 pm on the first Business Day after the Court approves the Scheme.

ELMO intends to apply to the ASX to suspend trading in ELMO Shares with effect from the close of trading on the Effective Date.

f) Scheme Record Date

ELMO Shareholders who are recorded on the ELMO Share Register on the Scheme Record Date will be entitled to receive the Scheme Consideration in respect of the ELMO Shares that they hold at that time.

On the Effective Date, ELMO will finalise and close the ELMO Share Register as at the Scheme Record Date.

i) Dealings on or prior to the Scheme Record Date

For the purposes of determining which ELMO Shareholders are eligible to participate in the Scheme, dealings in ELMO Shares will be recognised only if:

- in the case of dealings of the type to be effected using Clearing House Electronic Subregister System, the transferee is registered on the ELMO Share Register as the holder of the relevant ELMO Shares before the Scheme Record Date; and
- in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received by the ELMO Share Registry before the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, ELMO will not accept for registration or recognise any transfer or transmission applications in respect of ELMO Shares received after the Scheme Record Date.

ii) Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, ELMO will maintain the ELMO Share Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The ELMO Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for ELMO Shares (other than statements of holding in favour of the Bidder) will cease to have effect as documents relating to title in respect of such ELMO Shares; and
- each entry on the ELMO Share Register (other than entries on the ELMO Share Register in respect of the Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the ELMO Shares relating to that entry.

g) Implementation Date

By no later than one Business Day before the Implementation Date, the Bidder will deposit (or procure the deposit) into an Australian dollar denominated trust account with an authorised deposit-taking institution in Australia operated by ELMO as trustee for the Scheme Shareholders (**Trust Account**), an amount equal to the aggregate Cash Consideration payable to the Scheme Shareholders.

On the Implementation Date:

- subject to funds having been deposited by the Bidder in the manner described above, ELMO will pay, or procure payment of, from the Trust Account, to each Scheme Shareholder an amount equal to the applicable amount of Cash Consideration that the Scheme Shareholder is entitled to under the Scheme, by way of electronic means to the bank account nominated by the Scheme Shareholder or by dispatching a cheque by prepaid post to the registered address of the Scheme Shareholder; and
- by no later than 12.00pm, HoldCo will issue the number of HoldCo Securities to each Rollover Shareholder to the extent that the Rollover Shareholder elected for the Scheme Consideration to be Scrip Consideration.

h) Delisting of ELMO

ELMO will apply for the termination of the official quotation of the ELMO Shares on the ASX and for ELMO to be removed from the official list of the ASX, each to occur on a date after the Implementation Date.

5.9. Implications if Scheme is not implemented

If the Scheme is not implemented:

- ELMO will remain listed on the ASX;
- the expected benefits of the Scheme will not be realised and the potential disadvantages and risks associated with the Scheme will not arise;
- unless ELMO Shareholders choose to sell their ELMO Shares on the ASX, ELMO Shareholders will continue to hold ELMO Shares and will be exposed to a number of risks (including those set out in section 8) as well as potential future benefits in retaining exposure to ELMO's business and assets;
- the Break Fee may be payable by ELMO to the Bidder under certain circumstances, which circumstances do not include the failure by ELMO Shareholders to approve the Scheme at the Scheme Meetings;
- ELMO Shareholders will not receive the Scheme Consideration; and
- the trading price of the ELMO Shares on the ASX is likely to fall.

If the Scheme does not proceed, and no Superior Proposal emerges, ELMO Shareholders will continue to be exposed to the general market risks set out in section 8.2 and the risk factors relating to the business and operations of ELMO set out in section 8.3, including the risk that the price of ELMO Shares is likely to fall.

6. INFORMATION ABOUT ELMO

6.1. Introduction

ELMO provides human capital management (**HCM**) solutions to small business and mid-market organisations primarily across Australia, New Zealand and the United Kingdom.

Customers benefit by automating fragmented people management processes with an all-in-one platform to manage the employee lifecycle from hire-to-retire.

With a wide variety of modules available to manage critical HR processes, customers can rely on one provider to automate their people, process and pay functions.

These solutions assist businesses to operate efficiently by automating manual processes while providing insightful analytics to make strategic business decisions. The ELMO Group has a customer centric focus, and continually invests in enhancing and growing the solution to meet businesses' evolving HR needs.

As at 30 June 2022, the ELMO Group employed 579 staff in offices primarily across Australia, New Zealand and the United Kingdom.






6.2. Overview of ELMO's business, operations and strategy

a) Overview of the ELMO business

ELMO generates revenue through its two key business segments: ELMO Mid-Market and Breathe (small business solution).

ELMO Mid-Market product offering

Leading integrated cloud-based people management solution that has more than 3,000 customers and targets organisations with 50 to 2,000 employees.




	 Hire	 Engage	 Develop	 Retain	 Pay
Key module	Recruitment Onboarding	HR core	Learning Management	Performance Management	Payroll
Description and core module	<ul style="list-style-type: none"> ELMO Recruitment is a highly configurable system that helps streamline the hiring process from job requisition approval through to offer acceptance ELMO Onboarding helps organisations create great remote or on-site pre-boarding & employee onboarding experiences that eliminates paperwork 	<ul style="list-style-type: none"> Allows staff to find information anywhere, anytime. It enables employees to apply for leave and check their leave balances, and for managers to oversee absentees and manage critical employee information 	<ul style="list-style-type: none"> Manage employee training requirements, course completion rates and compliance requirements. Automatic prompts to renew training at regular intervals. Ensure high compliance rates of key employee training 	<ul style="list-style-type: none"> Optimise organisational performance. Leverage a range of pre-built goals and development objectives, which can be utilised to create a library of performance management content for use across the business 	<ul style="list-style-type: none"> Cloud-based, fit-for-purpose connected payroll system ensures that your data is always up to date, in real time and you can access it anywhere, anytime on any device
Technology	<ul style="list-style-type: none"> Organically developed by ELMO 	<ul style="list-style-type: none"> Organically developed by ELMO 	<ul style="list-style-type: none"> Organically developed by ELMO 	<ul style="list-style-type: none"> Organically developed by ELMO 	<ul style="list-style-type: none"> Payroll is delivered through partners, embedded through the ELMO platform
Complementary modules		<ul style="list-style-type: none"> Survey Connect Experiences COVIDsecure Hybrid Work Wellbeing 	<ul style="list-style-type: none"> Course Builder Course Library Video Library 	<ul style="list-style-type: none"> Rewards and Recognition Remuneration 	<ul style="list-style-type: none"> Rostering/Time & Attendance Expenses

6.

Information about ELMO *continued*

Breathe (small business) product offering

Breathe is an intuitive, easy-to-use cloud-based software for small businesses. The Breathe small business platform has more than 11,000 customers and focuses on organisations with fewer than 50 employees.

	Description	Key features
 HR – People Management	<ul style="list-style-type: none"> Allows businesses to manage critical HR administration with an easy-to-use online HR system, which includes the ability to manage holiday requests, employee leave, store documents safely in the cloud, plan appraisals, recognise achievements and run insightful HR reports 	<ul style="list-style-type: none"> Centralised employee database Secure cloud document storage Holiday/sick day workflows with automated entitlement handling Manage performance Employee self-service
 Recruitment	<ul style="list-style-type: none"> Recruitment supports the business in managing end to end staff hiring 	<ul style="list-style-type: none"> Track applicants Create and share new vacancies, assign applicants to recruiters Effortlessly collect important candidate details
 Expenses	<ul style="list-style-type: none"> The expense management module allows businesses to seamlessly manage and have visibility of their employee expenses. This includes automated claims, uploading of receipts, and approvals 	<ul style="list-style-type: none"> Input expense claims, upload receipts, and submit for approval Instantly view expenses history Greater expense visibility, control and efficiency
 Rostering	<ul style="list-style-type: none"> Breathe's cloud-based Rostering (RTA) software makes creating and accessing a schedule quick and easy. Businesses can manage their roster to budget, share it with employees instantly, record start and finish times and allow teams to manage shift swaps 	<ul style="list-style-type: none"> Time tracking – store time sheets electronically Timeclock – Effortlessly record start/finish times Receive weekly scheduling updates Centralised shift swap and reporting
 Learn	<ul style="list-style-type: none"> The Learn add-on provides a number of courses designed to build on people's soft skills with courses covering topics such as business ethics, workplace mental health, information security and much more 	<ul style="list-style-type: none"> Streamline onboarding process with ready-made courses Secure centralised courses Track progress and achievements

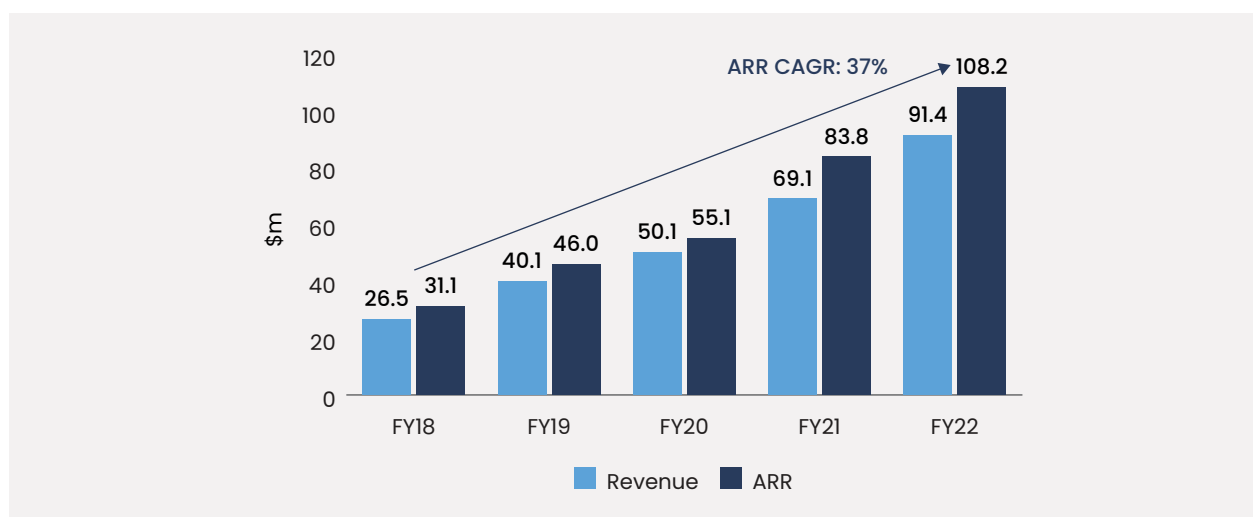
b) Overview of operations

ELMO's key revenue streams are derived from its two key business segments: ELMO Mid-Market and Breathe (Small business). The ELMO Mid-Market segment contributed 88% to total ELMO Group revenue and total Annual Recurring Revenue (ARR) during FY22.

ELMO generates revenue through both licence fees and professional services relating to its people management solutions. Revenue is categorised as recurring and non-recurring. Through FY22 over 97.8% of revenue related to recurring revenue streams, with the balance being non-recurring.

An overview of ELMO's historical revenue and ARR is provided below:

Figure 2: ARR and revenue FY18 to FY22 (\$m)



Source: 2022 ELMO Annual Report to Shareholders

c) Customer and contract overview

Mid-Market

Typically, a new ELMO customer will enter into a three-year licence agreement for access to its solutions. It is customary for ELMO to be paid license fees annually in advance by the customer. The amount of the annual license is dependent on the number of modules subscribed to by the customer and the number of users on the platform.

Following the initial contract period, customers who continue using the Mid-Market platform typically move to an annual recurring contract.

In addition to license fees, ELMO also generates revenue from charging professional service fees for providing non-standard implementation, configuration, consultancy, training and integration services.

Small Business

Typically, a small business Breathe customer will enter into a monthly licence agreement for access to its solutions. It is customary for Breathe to be paid licence fees monthly in advance by the customer. The amount of the licence fee is dependent on the number of modules subscribed to by the customer and the number of users on the platform.

d) Overview of ELMO's strategy

ELMO has a 3 Pillar growth strategy focused on:

- 1) Segment expansion
- 2) Module expansion
- 3) Geographic expansion

6.

Information about ELMO *continued*

Segment expansion

ELMO has two distinct market segments that ELMO addresses with two fit-for-purpose platforms. The growth opportunities across each of these two segments are large.

ELMO has over 3,000 mid-market customers and focuses on organisations with 50 to 2,000 employees.

Breathe has over 11,000 customers and focuses on customers with fewer than 50 employees.

Module expansion

ELMO operates on a land and expand model. The breadth of ELMO's integrated solution provides a competitive advantage in attracting new customers. It also enables value add cross-sell of additional modules to their existing customer base.

Geographic expansion

ELMO expanded into the United Kingdom in late 2020 and will continue to focus on further penetrating the market in the mid-market and small business segments.

6.3. Share price performance

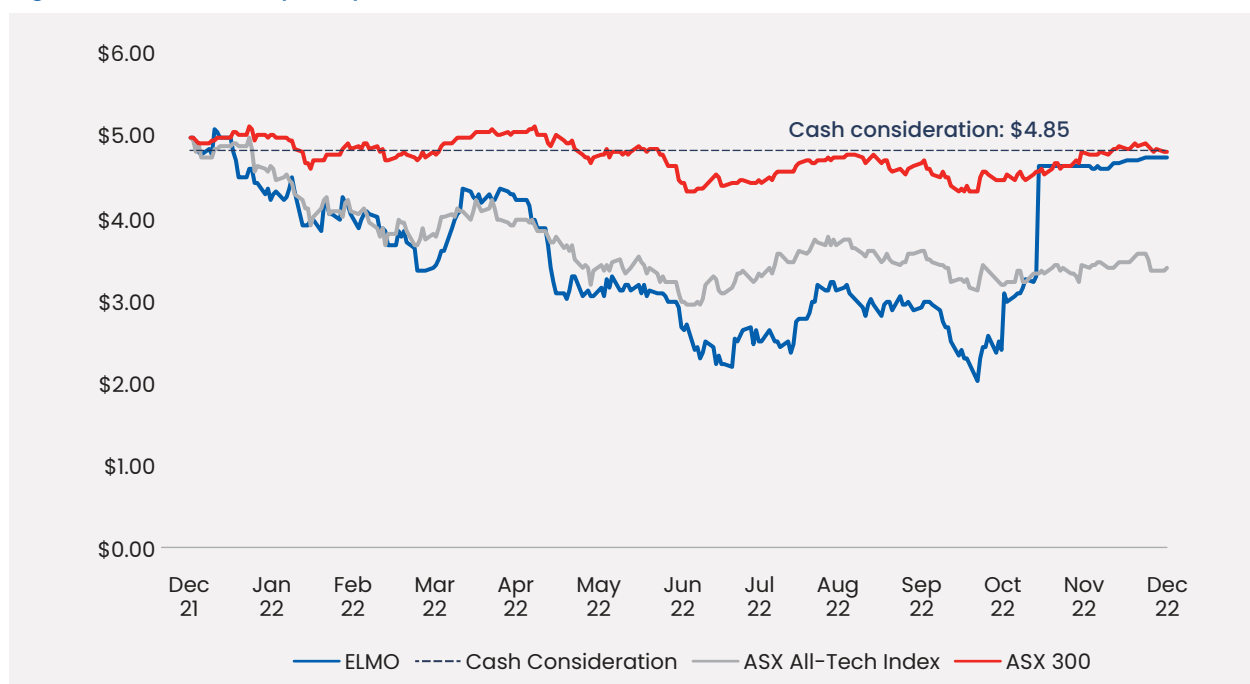
ELMO Shares are listed on the ASX under the trading symbol 'ELO'.

On 26 October 2022, ELMO announced it had entered into a Scheme Implementation Deed with Manhattan Bondi HoldCo under which it has nominated the Bidder to acquire 100% of the issued share capital in ELMO by way of a scheme of arrangement. The closing price for ELMO Shares on the ASX on the Undisturbed Date on 12 October 2022 was \$2.42.

The Cash Consideration of \$4.85 per ELMO Share represents:

- a 100.4% premium to the closing price of ELMO Shares on the ASX on the Undisturbed Date¹;
- a 94.6% premium to the 1-month VWAP² of ELMO Shares on the ASX to the Undisturbed Date; and
- an 84.4% premium to the 3-month VWAP³ of ELMO Shares on the ASX to the Undisturbed Date.

Figure 3: ELMO share price performance for the last 12 months to the Last Practicable Date



Source: IRESS as at 13 December 2022

1. Based on ELMO's closing price on the ASX on 12 October 2022 of \$2.42 per share.
2. Based on the 1-month VWAP of ELMO's Shares on the ASX to 12 October 2022 of \$2.49 per share.
3. Based on the 3-month VWAP of ELMO's Shares on the ASX to 12 October 2022 of \$2.63 per share.

6.4. ELMO Board, IBC and Key Management Personnel

a) ELMO Board

The directors of ELMO (as at the Last Practicable Date) are listed below:

Name	Current position
Danny Lessem	Chief Executive Officer (CEO), Executive Director and Co-Founder
Barry Lewin	Independent Non-Executive Chairman
Kate Hill	Independent Non-Executive Director
Leah Graeve	Independent Non-Executive Director

Further detail in relation to each director of ELMO can be found on ELMO's website at <https://elmosoftware.com.au/about/meet-the-team/>.

The IBC, chaired by Independent Non-Executive Chairman Mr Barry Lewin and including the other Independent Non-Executive ELMO Directors, Kate Hill, and Leah Graeve, was established prior to entry into the Scheme Implementation Deed to consider acquisition proposals in respect of ELMO and engage with counterparties as required. The IBC continues to play a role in considering the Transaction on behalf of ELMO. The IBC Directors unanimously recommend that ELMO Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO Shareholders.⁴

b) Key management personnel⁵

Name	Current position
Danny Lessem	CEO, Executive Director and Co-Founder
James Haslam	Chief Financial Officer (CFO)
Xin (Samuel) Sun	Global Chief Technology Officer (CTO)
Gordon Starkey	Chief Revenue Officer (CRO)

6.5. Capital structure

a) Capital structure and market capitalisation

As of the Last Practicable Date, the issued securities of ELMO were as follows:

Type of security	Number on issue
Total ELMO Shares on issue ⁶	99,613,998
Total ELMO Options	514,840
Total ELMO Performance Rights	511,956
Total ELMO NED Share Rights ⁷	6,037

4. You should note when considering this recommendation the interests of each IBC Director in securities in ELMO, including ELMO Equity Incentives, as set out in sections 1, 10.2 and 10.4 of this Scheme Booklet. Also note that the IBC makes this recommendation only in respect of the Cash Consideration and not in respect of the Scrip Consideration, and the IBC also does not make any recommendation in relation to whether the Rollover Shareholders should make an Election to receive Scrip Consideration (see section 2.5 for further details).

5. Of ELMO's key management personnel, the Rollover Shareholders comprise Danny Lessem (CEO and Co-Founder), James Haslam (Chief Financial Officer), Xin (Samuel) Sun (Global Chief Technology Officer) and Gordon Starkey (Chief Revenue Officer), as well as certain applicable ELMO Shareholders controlled by them. See the definition of Rollover Shareholders in section 11.1 for the full list of Rollover Shareholders.

6. Of the 99,613,998 ELMO Shares on issue as at the Last Practicable Date, 27,934 of those ELMO Shares are ELMO Restricted Shares.

7. These NED Share Rights are due to vest and be settled on or around 1 January 2023. The ELMO Board proposes to settle the ELMO NED Share Rights by way of an allocation and/or transfer of ELMO Shares from the ELMO Employee Share Trust, meaning that ELMO will not issue any new ELMO Shares to settle the ELMO NED Share Rights. Refer to section 10.4(a)(iii) for more information regarding the proposed treatment of the NED Share Rights.

6.

Information about ELMO

continued

Capital structure and market capitalisation

Total fully diluted share capital	100,163,047
Cash Consideration per ELMO Share	\$4.85
Implied transaction market capitalisation	\$485,790,778

ELMO does not anticipate that it will be required to issue any ELMO Shares before the Implementation Date, other than in respect of the ELMO Equity Incentives existing as at the date of this Scheme Booklet.

As at 30 September 2022, ELMO had borrowings of \$40.5 million, equity accounted associates of \$0.8 million and cash and cash equivalents of \$43.4 million, implying a net cash position of \$2.9 million.

b) Substantial shareholders

As extracted from filings released on the ASX, in each case prior to the Last Practicable Date, the following persons were substantial holders with Relevant Interests of 5% or more of ELMO Shares:

Substantial Holder	Number of ELMO Shares	Voting power
JLAB Investments (No.2) Pty Limited	13,655,865	13.71%
Lessem Trading Pty Ltd	10,998,146	11.04%
Manhattan Bondi HoldCo, Inc ⁸	10,998,146	11.04%
Regiton Group Pty Ltd as trustee of the Garber Family Trust	9,656,482	9.69%
Michael Richards	9,099,190	9.13%
Cooper Investors Pty Ltd	7,572,910	7.60%
AusSuper Pty Ltd	6,590,839	6.62%
ELMO Software Limited ⁹	5,835,455	5.86%

6.6. Historical financial information

a) Basis of preparation

This section 6.6 presents summary statutory financial information in relation to ELMO for the purpose of this Scheme Booklet, as extracted from ELMO's audited financial statements for the years ended 30 June 2020, 30 June 2021 and 30 June 2022.

The statutory financial information contained in this section is presented in an abbreviated form and may not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. A full description of ELMO's accounting policies can be found in its annual financial report for the year ended 30 June 2022.

ELMO's full financial accounts, including all notes to those accounts, can be found in:

- the 2022 Annual Financial Report to shareholders (released to the ASX on 21 October 2022); and
- the 2021 Annual Financial Report to shareholders (released to the ASX on 22 October 2021).

Copies of these reports can be found on ASX's website at www2.asx.com.au and the ELMO investor site at <https://investors.elmosoftware.com.au/investors/>.

8. Manhattan Bondi HoldCo has a Relevant Interest in 11.04% of ELMO Shares pursuant to the Voting and Rollover Agreement which gave rise to the Relevant Interest in the ELMO Shares held by Danny Lessem (both in his personal capacity and through his Affiliate vehicle, Lessem Trading Pty Ltd as trustee for the Lessem Trading Trust).

9. ELMO has a technical 'Relevant Interest' in 5.86% of its own voting shares by virtue of various voluntary escrow arrangements and other restrictions on disposal of ELMO Shares. A portion of those ELMO Shares are expected to be released from voluntary escrow on 17 December 2022, the day after the First Court Date, after which ELMO will cease being a 'substantial shareholder' of its own voting shares.

b) Historical consolidated statement of profit or loss and other comprehensive income or loss

The consolidated statement of profit and loss for ELMO for FY2020, FY2021 and FY2022 are presented below:

	Consolidated		
	2020 \$'000	2021 \$'000	2022 \$'000
Revenue from contracts with customers	50,051	69,106	91,385
Cost of sales	(7,980)	(11,693)	(17,828)
Gross profit	42,071	57,413	73,557
Other income	2,006	1,826	23
Sales and marketing expenses	(22,589)	(32,813)	(42,307)
Research and development expenses	(6,102)	(29,379)	(45,361)
General and administrative expenses	(18,100)	(28,814)	(33,121)
Depreciation and amortisation expense ¹⁰	(15,041)	–	–
Impairment loss on trade receivables	(2,109)	(2,010)	(620)
Impairment on right-of-use asset	–	–	(625)
Net gain on derecognition of right-of-use asset measured at cost	17	134	–
Changes to fair value of contingent consideration	–	(3,866)	(23,808)
Finance income	770	452	51
Finance costs	(1,006)	(744)	(5,339)
Share of loss from joint venture	(182)	(461)	(234)
Loss before income tax benefit	(20,265)	(38,262)	(77,784)
Income tax benefit	1,649	636	950
Loss after income tax benefit for the year attributable to the owners of ELMO Software Limited	(18,616)	(37,626)	(76,834)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences	94	767	44
Total comprehensive loss for the year attributable to the owners of ELMO Software Limited	(18,522)	(36,859)	(76,790)
Loss per share	Cents	Cents	Cents
From continuing operations			
Basic earnings	(25.42)	(42.89)	(85.48)
Diluted earnings	(25.42)	(42.89)	(85.48)

10. Change in reporting disclosure between FY2020 and FY2021 and FY2022. Depreciation and amortisation included in the operating expense line items for FY2021 and FY2022.

6.

Information about ELMO *continued*

c) Historical consolidated statement of financial position

Below is a summary of ELMO's consolidated statement of financial position as at FY2020, FY2021 and FY2022:

	Consolidated		
	2020 \$'000	2021 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	139,887	66,944	27,605
Term deposit	–	15,000	20,250
Trade and other receivables	10,386	13,724	18,934
Derivative financial instruments	–	400	–
Contract cost assets	–	6,192	10,737
Other current assets	1,717	3,567	2,479
Finance lease receivable	206	82	–
Total current assets	152,196	105,909	80,005
Non-current assets			
Investment in jointly controlled entity	1,498	1,037	803
Property, plant and equipment	4,589	8,422	7,778
Intangible assets	72,961	177,217	167,166
Contract cost assets	–	5,186	7,863
Right-of-use assets	14,991	18,774	21,665
Finance lease receivable	83	–	–
Total non-current assets	94,122	210,636	205,275
Total assets	246,318	316,545	285,280
Liabilities			
Current liabilities			
Trade and other payables	10,842	14,644	14,452
Deferred and contingent consideration	6,208	35,234	36,967
Lease liabilities	2,741	4,041	5,825
Employee benefits	3,273	4,494	4,812
Current tax liabilities	–	441	369
Contract liabilities	26,098	32,545	47,366
Total current liabilities	49,162	91,399	109,791
Non-current liabilities			
Loans and borrowings	–	30,000	40,500
Deferred and contingent consideration	500	313	313
Lease liabilities	16,006	20,155	22,540
Employee benefits	436	799	1,126
Deferred tax	450	5,002	4,138
Contract liabilities	516	2,031	5,013
Total non-current liabilities	17,908	58,300	73,630
Total liabilities	67,070	149,699	183,421
Net assets	179,248	166,846	101,859
Equity			
Share capital	214,156	235,695	239,317
Reserves	1,880	5,565	13,790
Accumulated losses	(36,788)	(74,414)	(151,248)
Total equity	179,248	166,846	101,859

d) Consolidated cash flow statement

Below is a summary of ELMO's consolidated statement of cashflow FY2020, FY2021 and FY2022:

	Consolidated		
	2020 \$'000	2021 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	57,498	79,819	116,878
Payments to suppliers and employees (inclusive of GST)	(53,200)	(77,673)	(111,675)
Other income received	1,736	3,898	74
Income taxes refunded	35	59	139
Net cash from operating activities	6,069	6,103	5,416
Cash flows from investing activities			
Interest received	746	467	56
Payment for investment in jointly controlled entity	(1,180)	-	-
Payment of deferred consideration from acquisitions in the prior period	(3,770)	(5,839)	(21,273)
Payment for acquisition of businesses, net of cash acquired	(2,255)	(46,216)	-
Payments for property, plant and equipment	(1,785)	(5,875)	(2,931)
Payments for intangibles	(21,423)	(30,554)	(18,454)
Net cash used in investing activities	(29,667)	(88,017)	(42,602)
Cash flows from financing activities			
Proceeds from issue of shares	142,801	-	-
Proceeds from exercise of share options	511	60	419
Share issue transaction costs	(4,356)	(328)	(97)
Proceeds from borrowings	-	30,000	10,500
Transfer to term deposit	-	(15,000)	(5,250)
Loan interest and transaction costs	-	-	(886)
Shares purchased by trust	-	(2,000)	-
Receipt for lease incentives	-	1,338	37
Interest on lease liabilities	-	(1,177)	(1,326)
Repayment of lease liabilities	(3,259)	(3,939)	(5,322)
Net cash generated (used in)/from financing activities	135,697	8,954	(1,925)
Net decrease in cash and cash equivalents	112,099	(72,960)	(39,111)
Cash and cash equivalents at the beginning of the year	27,698	139,887	66,944
Effect of exchange differences on cash balances	90	17	(228)
Cash and cash equivalents	139,887	66,944	27,605
Term deposits	-	15,000	20,250
Cash and term deposits	139,887	81,944	47,855

6.

Information about ELMO *continued*

e) Material changes to ELMO's financial position since 30 June 2022

On 16 December 2020, ELMO announced that it had agreed to acquire 'Webexpenses', a UK cloud-based expense management platform, through a combination of an initial payment and deferred earn-out consideration, subject to the achievement of financial targets. The relevant financial targets were achieved, and, on 12 September 2022, ELMO issued 6,820,829 ELMO Shares, in order to complete the payment of the earn-out consideration. The issue of the ELMO Shares finalised the earn-out consideration at \$37.0 million, resulting in an 'adjusting subsequent event' in ELMO's 2022 Annual Report to Shareholders (see the line item 'deferred and contingent consideration' in ELMO's consolidated statement of financial position above).

Other than as set out above, and as otherwise disclosed in this Scheme Booklet, as at the date of this Scheme Booklet, to the knowledge of the ELMO Directors, the financial position of ELMO has not materially changed since 30 June 2022, as reported in the ELMO 2022 Annual Report to Shareholders for the year ended 30 June 2022, other than:

- the accumulation of profits or losses in the ordinary course of trading; or
- as disclosed to ASX by ELMO.

A copy of the ELMO 2022 Annual Report to Shareholders for the year ended 30 June 2022 (released to the ASX on 21 October 2022) is available on ELMO's investor site at <https://investors.elmosoftware.com.au/investors/>.

f) ELMO Directors' intentions for the business

The Corporations Act requires a statement by the ELMO Directors of their intentions regarding ELMO's business. If the Scheme is implemented, the current ELMO Directors (other than Danny Lessem) will resign from the ELMO Board and an alternate board will be reconstituted by the Bidder after the Implementation Date. Accordingly, it is not possible for the ELMO Directors (other than Danny Lessem) to provide a statement of their intentions after the Scheme is implemented regarding as to:

- The continuation of the business of ELMO;
- Any major changes, if any, to be made to the business of ELMO; and
- The future employment of the present employees of ELMO.

If the Scheme is implemented, the Bidder will have 100% control of ELMO. The ELMO Directors have been advised that the current intentions of the Bidder are as set out in section 7.6.

If the Scheme is not implemented, the ELMO Directors intend to continue to operate the business of ELMO in the ordinary course of the business.

g) Publicly available information about ELMO

As an ASX listed company and a 'disclosing entity' for the purposes of section 111AC(1) of the Corporations Act, ELMO is subject to regular reporting and disclosure obligations. Broadly, these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Copies of these announcements can be obtained free of charge from ELMO's investor website at <https://investors.elmosoftware.com.au/investors/> or by visiting the ASX website at www2.asx.com.au.

Additionally, copies of documents lodged with ASIC in relation to ELMO may be obtained using services provided by ASIC, information in respect of which can be found on the ASIC website at www.asic.gov.au. Please note, ASIC may charge a fee in respect of such services.

ELMO Shareholders may obtain a copy of ELMO's 2022 Annual Report free of charge from ASX's website at www2.asx.com.au or from ELMO's investor website at <https://investors.elmosoftware.com.au/investors/>.

A list of announcements made by ELMO to the ASX from the date of release of ELMO's 2022 Annual Report on 21 October 2022 to the Last Practicable Date is included below:

Date	Description of Announcement
21/10/2022	2022 Annual Report to shareholders
21/10/2022	2022 Corporate Governance Statement and Appendix 4G
21/10/2022	2022 Notice of Meeting, Proxy Form and Meeting Guide
26/10/2022	Recommended proposal for the acquisition of ELMO by K1
26/10/2022	Becoming a Substantial Holder
3/11/2022	ELMO Software Q1 Business Update
22/11/2022	AGM Chair and CEO Addresses
22/11/2022	Results of Meeting
22/11/2022	Amended Constitution
25/11/2022	Becoming a Substantial Holder
06/12/2022	Application for quotation of securities – ELO
09/12/2022	Release of Shares from Voluntary Escrow

7. INFORMATION ABOUT THE BIDDER AND HOLDCO

7.1. Introduction

This section 7 forms part of the Bidder Information and has been prepared by, and is the responsibility of, the Bidder. This section 7 contains information concerning K1 Investment Management, the Bidder, HoldCo and the Rollover Shareholders, and outlines how the Bidder is funding the Scheme Consideration and its intentions, views and opinions in relation to ELMO. ELMO and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

7.2. Overview of K1 Investment Management

K1 Investment Management is a Los Angeles-based private investment firm focused exclusively on partnering with enterprise software companies, managing and advising more than US\$13 billion assets under management. K1 Investment Management has invested in over 200 enterprise software companies since inception, working with management to create global category leaders through a combination of inorganic and organic growth initiatives. Notable past investments in other high growth Australian-based software companies include simPRO, Cyara, AroFlo and RosterLive. K1 Investment Management is intending to invest in ELMO through K5 Private Investors, L.P. (**K5 Fund**). The limited partners in the K5 Fund are passive investors, and the K5 Fund is and will be managed by K1 Investment Management.

7.3. Overview of the Bidder and HoldCo

a) Introduction

As at the date of this Scheme Booklet, each of the Bidder and HoldCo (and the intermediate subsidiaries) are wholly owned and controlled by the K5 Fund as set out in this section 7.

If the Scheme becomes Effective, and subject to the Bidder having paid the Scheme Consideration, the Bidder will acquire all of the Scheme Shares on the Implementation Date. On and from the Implementation Date, the ownership of HoldCo will change, and the Rollover Shareholders will also own a portion of HoldCo, as set out in section 7.3(b).

i) The Bidder

The Bidder is a special purpose company controlled by the K5 Fund that was incorporated in New South Wales on 22 November 2022 for the purpose of acquiring (under the Scheme) and holding (following Implementation of the Scheme) all of the shares in ELMO. The Bidder is an unlisted Australian proprietary company limited by shares that has not conducted any business and does not own any assets or liabilities, other than in connection with its incorporation, the entry into transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the implementation of the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme).

If the Scheme becomes Effective and is implemented, the Bidder will acquire all of the Scheme Shares on the Implementation Date.

ii) HoldCo

HoldCo is a special purpose limited partnership controlled by the K5 Fund that was established on 17 November 2022 under the laws of Delaware for the purpose of indirectly holding all of the shares in the Bidder and issuing securities in HoldCo to the Rollover Shareholders pursuant to the Elections made under the Scheme. HoldCo indirectly holds all of the shares in the Bidder and will issue (following implementation of the Scheme) securities in HoldCo to the Rollover Shareholders, to the extent that the Rollover Shareholders have provided a valid Election to receive their Scheme Consideration as Scrip Consideration.

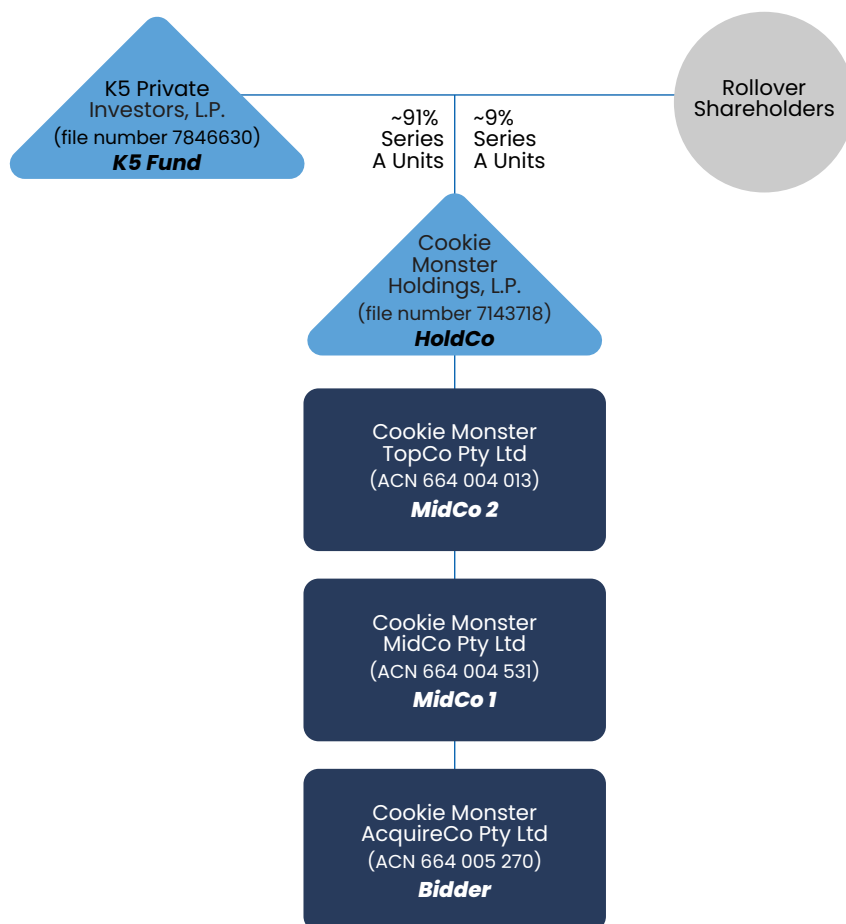
HoldCo is a Delaware limited partnership that has not conducted business and does not own any assets or have any liabilities other than in connection with its incorporation, the entry into transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the Implementation of the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme). As at the date of this Scheme Booklet, all of the securities in HoldCo are owned by the K5 Fund.

b) Ownership structure

As at the date of this Scheme Booklet:

- the Bidder is a wholly owned subsidiary of Cookie Monster MidCo Pty Ltd ACN 664 004 531 (**MidCo 1**);
- MidCo 1 is a wholly owned subsidiary of Cookie Monster TopCo Pty Ltd ACN 664 004 013 (**MidCo 2**);
- MidCo 2 is a wholly owned subsidiary of HoldCo; and
- HoldCo is a wholly owned subsidiary of the K5 Fund.

On or prior to implementation of the Scheme, it is intended that the ownership of HoldCo will change such that HoldCo will be owned as illustrated below:



7.

Information about the Bidder and Holdco *continued*

7.4. Director profiles

As at the date of this Scheme Booklet, the directors of the Bidder and HoldCo are:

Roy Liao	As at the date of this Scheme Booklet, Roy Liao is a director of the Bidder and HoldCo. Mr Liao is a Principal at K1 Investment Management, having joined in 2015. Prior to joining K1, Mr Liao was an Analyst at Goudy Park Capital and a Senior Associate at PricewaterhouseCoopers. Mr Liao completed his undergraduate degree at the University of California, Berkeley and his Master of Business Administration at Northwestern University.
James Fearis	As at the date of this Scheme Booklet, James Fearis is a director of the Bidder and HoldCo. Mr Fearis is a Vice President at K1 Investment Management, having joined in 2016. Mr Fearis completed his undergraduate degree at the University of Western Australia and his Master of Business Administration at Columbia University.
Tony Kearney	Tony Kearney is a finance professional, with over 25 years' experience working at CFO level with multinationals in Sydney and in Dublin. Tony Kearney is the owner of Lansdowne Financial, a financial services business, focused on providing resident/nominee director services together with local support to overseas-based businesses looking to develop and grow their subsidiary in Australia.

7.5. Funding arrangements for the Scheme Consideration

This section 7.5 outlines how the Bidder intends to fund the Scheme Consideration. The Scheme is not subject to any financing condition precedent. If the Scheme is implemented, the Scheme Shareholders will receive the Scheme Consideration for each ELMO Share they hold as at the Scheme Record Date.

a) Cash Consideration

The terms of the Scheme provide that Scheme Shareholders, other than the Rollover Shareholders (to the extent that they have provided a valid Election to receive Scrip Consideration), will receive the Cash Consideration of \$4.85 for each Scheme Share that they hold. Based on the number of ELMO Shares on issue as at the date of this Scheme Booklet, and given Danny Lessem has agreed to receive HoldCo Securities as Scheme Consideration for some of his Scheme Shares in accordance with his contractual commitments under the Voting and Rollover Agreement (see section 7.8), the maximum aggregate amount of cash payable on implementation of the Scheme by the Bidder to the Scheme Shareholders will be approximately \$450 million.

The Bidder intends to fully fund payment of the aggregate Scheme Consideration using equity as and to the extent required. These funding arrangements are described below. The proceeds available to the Bidder under the Equity Commitment Letter (detailed below) are in excess of the maximum aggregate amount of cash payable on implementation of the Scheme.

Equity Funding

The Bidder has entered into a legally binding Equity Commitment Letter with the K5 Fund, under which the K5 Fund agrees to provide the Bidder (either directly or indirectly) an aggregate amount of up to A\$488,107,850.90 if the Scheme becomes Effective (**Equity Funding**). The K5 Fund has uncalled capital commitments significantly in excess of A\$488,107,850.90, and can therefore fund 100% of the Cash Consideration through an equity call.

The Equity Funding is to be provided for the sole purpose of funding the aggregate Scheme Consideration payable by the Bidder to Scheme Shareholders under the Scheme and associated transaction costs. Any costs in addition to this will require further funding. The Equity Funding will be paid to the Bidder on or before the Implementation Date by way of equity contribution.

The provision of the Equity Funding by the K5 Fund is subject to certain limited conditions precedent that are customary for equity commitments of this kind and include (but are not limited to) the satisfaction or waiver (as applicable) of the conditions precedent under the Scheme Implementation Deed and the Scheme becoming Effective.

Notwithstanding the Equity Funding and the funding arrangements described above, the Bidder, HoldCo and the K5 Fund reserve the right to seek additional equity investors and/or debt financing in the period between the date of this Scheme Booklet and the Implementation Date. The amount of the aggregate Scheme Consideration which is funded as Equity Funding may be reduced in the event that Bidder does not require all of the Equity Funding to pay the Scheme Consideration by reason of the Bidder having obtained funds from other sources (including debt financing and equity co-invest sources).

b) Scrip Consideration

Based on information provided by ELMO to the Bidder as at the Last Practicable Date that Rollover Shareholders entitled to make an Election collectively hold 12,391,852 ELMO Shares, and assuming no change to those holdings, the Bidder expects that the maximum number of HoldCo Securities that may be issued to the Rollover Shareholders as part of the Scheme Consideration will be 9,022,571 HoldCo Securities.¹ HoldCo and the Bidder have each entered into the Deed Poll to covenant in favour of the Scheme Shareholders to perform their respective obligations in relation to the Scheme. One of those obligations is to provide the Scheme Consideration to the Scheme Shareholders in accordance with the Scheme, including (in the case of HoldCo) to issue all HoldCo Securities required to be issued in respect of valid Elections by the Rollover Shareholders.

c) Provision of Scheme Consideration

On the basis of the funding arrangements described above, the Bidder is of the opinion that it has a reasonable basis for holding the view, and holds the view, that it will be able to satisfy its obligations to provide the Scheme Consideration as and when they are due under the terms of the Scheme.

7.6. Intentions of the Bidder if the Scheme is implemented

a) Introduction

If the Scheme is implemented, the Bidder will acquire and hold all of the ELMO Shares on issue and, accordingly, ELMO will become a wholly owned subsidiary of the Bidder. This section 7.6 sets out the Bidder's present intention with respect to the ELMO Group if the Scheme is implemented.

The statements of intention made in this section 7.5 are statements of present intention only. These intentions are based on the facts and information concerning ELMO Group and the general business environment that is known to the Bidder at the time of preparation of this Scheme Booklet. The Bidder does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess all of the operational, regulatory, commercial, taxation and financial implications of its present intentions. Final decisions on these matters will only be made by the Bidder after having conducted a detailed review of ELMO's business after implementation of the Scheme. Accordingly, the statements set out in this section 7.5 are statements of present intention and may change as new information becomes available or as circumstances change.

The intentions of HoldCo are the same as the intentions of the Bidder.

b) General review

If the Scheme is implemented, the Bidder intends to work with ELMO's management team to optimise the prospects and operating performance, including new potential growth opportunities. In order to achieve these outcomes, the Bidder intends to undertake a detailed review of ELMO's assets and operations covering strategic, financial and commercial operating matters. The Bidder will only make final decisions about the future operating plan and management organisation for ELMO following the completion of such review and based on the facts and circumstances at the relevant time.

Subject to the findings of the post-implementation review referred to above, the Bidder's current intention is to continue the current strategic direction of ELMO. In addition, if the Scheme is implemented, the Bidder will seek to grow ELMO's business in the human capital management software solutions sector organically and through other opportunities that may become available to it from time to time. The Bidder intends to consider and actively pursue growth opportunities, which may involve the strategic acquisition of other businesses in this sector.

c) Delisting from the ASX

If the Scheme is implemented, it is intended that the quotation of ELMO Shares on the ASX will be terminated, and ELMO will be removed from the official list of the ASX on or after the Business Day immediately following the Implementation Date. It is also intended that the Bidder will apply to convert ELMO from a public to a proprietary company limited by shares.

1. This figure assumes that the Rollover Shareholders, other than the Lessem Rollover Shareholders, validly elect to receive all of their Scheme Consideration as Scrip Consideration, and the Lessem Rollover Shareholders elect to receive Scrip Consideration in respect of such percentage of the ELMO Shares held or controlled by them as represents \$37 million in value in aggregate (as agreed under the Voting and Rollover Agreement).

7.

Information about the Bidder and Holdco *continued*

d) Head office

If the Scheme is implemented, it is the intention of the Bidder that ELMO's head office remains located in Sydney, New South Wales.

e) ELMO Directors

As at the date of this Scheme Booklet, if the Scheme is implemented, the Bidder's intention is to reconstitute the ELMO Board, such that all of the ELMO Directors (excluding Danny Lessem) will be replaced, with effect on and from the Implementation Date. At the date of this Scheme Booklet, the final composition of the ELMO Board has not been confirmed.

For completeness, the Bidder notes that Danny Lessem will be appointed as a director of HoldCo following implementation of the Scheme pursuant to the terms of the HoldCo Limited Partnership Agreement.

f) Changes to ELMO's constitution

The Bidder intends to replace ELMO's constitution following implementation of the Scheme with a constitution on terms which are typical for a proprietary company limited by shares. This is consistent with the intention that ELMO Shares will no longer be publicly-listed and ELMO will be converted into a proprietary company limited by shares following implementation of the Scheme.

g) Employees

Following implementation of the Scheme, the Bidder will review ELMO's business operations and organisational structure to ensure ELMO has the relevant mix and level of employees and skills that is appropriate for an unlisted entity to enhance the business going forward and to enable the business to pursue growth opportunities.

7.7. Additional information about the Bidder, K1 Investment Management and the Rollover Shareholders

a) Interests in ELMO Shares

As at the Last Practicable Date, neither the Bidder, HoldCo nor any Bidder Affiliate have any Relevant Interest or voting power in any ELMO Shares, other than pursuant to the Voting and Rollover Agreement discussed in section 7.8 which gave rise to a Relevant Interest in 10,998,146 ELMO Shares held by Danny Lessem in aggregate (both in his personal capacity and through his Affiliate vehicle, Lessem Trading Pty Ltd as trustee for the Lessem Trading Trust) (**Lessem Rollover Shareholders**).

b) Dealings in ELMO Shares in the previous four months

Neither the Bidder, nor to its knowledge, its Associates have provided or agreed to provide any consideration for any ELMO Shares under any transaction or agreement during the period of four months before the date of this Scheme Booklet, except for the Scheme Consideration that the Bidder has agreed to provide under the Scheme.

c) Inducing benefits given during previous four months

During the four months before the date of this Scheme Booklet, neither the Bidder nor its Associates have given, or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to vote in favour of the Scheme or dispose of ELMO Shares, where the benefit was not offered to all Scheme Shareholders.

d) Benefits to current ELMO Directors

Neither the Bidder nor any of its Associates has given or agreed to give any payment or benefit to any current Officers of ELMO or any of its Related Bodies Corporate as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices dependent on the Scheme being implemented.

e) HoldCo Securities sold in previous three months

No HoldCo Securities were sold during the three months before the date of this Scheme Booklet.

7.8. Voting and Rollover Agreement

Manhattan Bondi HoldCo, and the Lessem Rollover Shareholders entered into the Voting and Rollover Agreement on 26 October 2022. The IBC was not involved in the negotiation of the Voting and Rollover Agreement.

The Voting and Rollover Agreement sets out, amongst other matters, the framework and terms governing the relationship between Manhattan Bondi HoldCo, and the Lessem Rollover Shareholders in connection with the Scheme. The Voting and Rollover Agreement contains provisions pursuant to which Lessem agreed not to become involved in, vote in favour of, accept or otherwise support a Competing Proposal.

The Voting and Rollover Agreement also sets out the Elections that the Lessem Rollover Shareholders have contractually committed to make, being an election to receive Scrip Consideration in respect of approximately 70% of the ELMO Shares held or controlled by them, representing Scrip Consideration of \$37 million in value (in aggregate between the Lessem Rollover Shareholders) and the Cash Consideration in respect of the remainder of the ELMO Shares held or controlled by them.

A full copy of the Voting and Rollover Agreement was annexed to a substantial shareholding notice lodged with the ASX by K1 Investment Management on 26 October 2022 and can be obtained from www.asx.com.au or from <https://investors.elmosoftware.com.au/investors/>.

7.9. HoldCo Securities to be issued to Rollover Shareholders

HoldCo Securities are subject to the HoldCo Limited Partnership Agreement, a full copy of which has been or will be delivered to the Rollover Shareholders (who are the only ELMO Shareholders entitled to make an Election to receive Scrip Consideration). The HoldCo Limited Partnership Agreement will set out the rights and liabilities attaching to HoldCo Securities.

The Rollover Shareholders should seek professional advice from a solicitor, an accountant, a tax adviser or other independent and qualified professional advisers in relation to the nature of the HoldCo Securities, the risk factors relating to holding HoldCo Securities in light of their own personal circumstances, and the rights and obligations that will be set out under the HoldCo Limited Partnership Agreement.

Risk factors that apply to an investment in HoldCo post implementation of the Scheme are materially different from those factors that apply to the Rollover Shareholders' existing investment in ELMO. For instance, certain risk factors applying to an investment in HoldCo post implementation of the Scheme will include:

- a) HoldCo is an unlisted Delaware limited partnership and there will be no public market for the trading of HoldCo Securities, nor is there expected to be any such market in the near future. The ability to dispose of HoldCo Securities is significantly restricted under the HoldCo Limited Partnership Agreement, which will result in HoldCo Securities being substantially illiquid and may also affect the value of the HoldCo Securities;
- b) as the ASX Listing Rules will not apply to HoldCo, investor protections currently available to ELMO Shareholders in respect of their ELMO Shares under the ASX Listing Rules will not apply to the Rollover Shareholders who elect to receive Scrip Consideration. For example, HoldCo is not subject to any requirement to disclose material price sensitive information to its securityholders or ensure classes of security are appropriate and equitable (including with respect to voting rights of holders of HoldCo Securities). Similarly, except as required under the HoldCo Limited Partnership Agreement, there are no restrictions on HoldCo issuing new securities (which could result in Rollover Shareholders being more easily diluted) or making significant changes to the nature or scale of HoldCo activities may be undertaken without securityholder approval;
- c) if, for example, the Rollover Shareholders, other the Lessem Rollover Shareholders, validly elect to receive all of their Scheme Consideration as Scrip Consideration and the Lessem Rollover Shareholders elect to receive Scrip Consideration in respect of such percentage of the ELMO Shares held or controlled by them as represents \$37 million in value in aggregate (as agreed under the Voting and Rollover Agreement), the Rollover Shareholders will collectively own approximately 9% of HoldCo. The Rollover Shareholders would, therefore, be subject to risks that are inherent in minority shareholdings with no substantial influence over a majority of decisions affecting HoldCo, both at the board of HoldCo or at a general meeting of HoldCo. Similarly, HoldCo is not required to hold an annual general meeting of members post implementation of the scheme and Rollover Shareholders may receive significantly less information and reports about HoldCo and/or ELMO than Rollover Shareholders currently receive;
- d) subject to the terms of the HoldCo Limited Partnership Agreement, future distributions will be determined by the HoldCo board. There is no guarantee that future distributions will be paid or, if they are paid, the amount of such distributions;

7.

Information about the Bidder and Holdco *continued*

- e) Rollover Shareholders may be compelled to transfer HoldCo Securities under various provisions in the HoldCo Limited Partnership Agreement;
- f) except as required under the HoldCo Limited Partnership Agreement, there are no restrictions on persons in a position of influence such as related parties or substantial holders from entering into “related party” transactions with HoldCo. Such transactions may not require securityholder approval;
- g) there is no guarantee that either the Bidder or HoldCo will achieve their stated objectives or any of their statements of current or future intent as described in section 7.6, or that any dividends or distributions will be paid to HoldCo securityholders post implementation of the Scheme; and
- h) consistent with usual private equity practice, K1 Investment Management may seek to exit their investment in HoldCo at some time in the future subject to then prevailing market conditions, the business’ performance and other factors that may be considered relevant at the time. There is no guarantee that the Rollover Shareholders will be able to achieve an exit in respect of their HoldCo Securities if a decision for exit is not made by K1 Investment Management. Conversely, there is no guarantee that Rollover Shareholders will want to exit their investment in HoldCo Securities at the same time as the decision for exit is made by K1 Investment Management. HoldCo securityholders may not agree with the exit strategy adopted by K1 Investment Management or receive the price and return on investment they expect.

This is a summary of certain risks associated with an investment in HoldCo post implementation of the Scheme, but is not intended to be, and is not, an exhaustive list of the risks associated with such an investment. Rollover Shareholders entitled to make an Election to receive Scrip Consideration should read the Scheme Booklet in its entirety and seek professional guidance from a solicitor, accountant, tax adviser or other independent and qualified professional advisor before deciding whether to receive the Scrip Consideration.

7.10. No other material information

Except as otherwise disclosed in this section 7, there is no other Bidder Information that is material to the making of a decision in relation to the Scheme, being the Bidder Information that is within the knowledge of the directors of the Bidder, at the date of this Scheme Booklet, which has not previously been disclosed to ELMO Shareholders.

8.

RISK FACTORS

8.1. Introduction

The Scheme presents a number of potential risks that ELMO Shareholders should consider when deciding how to vote on the Scheme.

In making your decision, you should carefully read this Scheme Booklet in its entirety. You should also carefully consider the risk factors outlined in this section and your personal circumstances. This section is general in nature only and does not take into account your individual objectives, financial situation, tax position or particular needs.

This section outlines some of the:

- risk factors relating to the business and operations of ELMO, including your current investment in ELMO Shares (see sections 8.2 and 8.3);
- risks relating to HoldCo Securities (see section 7.9); and
- risks factors in relation to the Scheme (see section 8.4).

If the Scheme is implemented, the risks in sections 8.2 and 8.3 will not apply post-implementation. If the Scheme is not implemented, ELMO Shares will remain quoted on ASX and all ELMO Shareholders will continue to be subject to the risks in sections 8.2 and 8.3.

The outline of risks in this section 8 is a summary only and should not be considered exhaustive. This section 8 does not purport to list every risk that may be associated with an investment in ELMO now or in the future or that may be associated with the Scheme being implemented. The occurrence or consequences of some of the risks described in section 8 may be partially or completely outside the control of ELMO or the Bidder or their respective directors and senior management teams. There also may be additional risks and uncertainties not currently known to ELMO which may have a material adverse effect on ELMO's operating and financial performance and the value of ELMO Shares.

Whilst the IBC unanimously recommend that ELMO Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude, that the Scheme is fair and reasonable and in the best interests of ELMO Shareholders, ELMO Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme.

8.2. General investment risk

If the Scheme does not become Effective, ELMO Shares and future distributions made to ELMO Shareholders will be influenced by a number of macroeconomic factors including:

- changes in general business, industry cycles and economic conditions including growth rates, inflation rates, interest rates, employment rates, business sentiment, market volatility, exchange rates, international economic conditions commodity prices and consumer demand and preferences;
- regulatory risks and changes to government policy (including fiscal, monetary, taxation, employment and environmental policies), legislation or regulation (including accounting and reporting standards);
- the nature of competition in the markets in which ELMO operates;
- force majeure events, including, but not limited to, natural disasters, catastrophes, pandemics generally, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars and other general operational and business risks;
- the ongoing global impact of the COVID-19 pandemic, and the continuously developing advice and responses from health and regulatory authorities;
- variations in ELMO's operating results;
- accounting standards which affect the financial performance and position reported by ELMO; and
- the overall performance of the Australian and international stock markets, changes in investor sentiment, recommendations by securities analysts, the operating and trading price performance of other comparable listed entities or inclusion or removal from major market indices.

While there is a possibility of future benefits to ELMO Shareholders that arise from some of these risks, equally, some of these factors could affect ELMO's share price regardless of ELMO's underlying operating performance.

Risk Factors *continued*

8.3. Risks relating to the business and operations of ELMO

In considering the Scheme, you should be aware that there are a number of general risk factors, as well as risks specific to the industries in which ELMO operates, which could materially and adversely affect the future operating and financial performance of ELMO.

Many of these risks are currently relevant to ELMO Shareholders and will continue to be relevant to ELMO Shareholders if the Scheme does not become Effective and you retain your current investment in ELMO.

a) Failure to retain existing customers and attract new customers

The success of ELMO's business relies on its ability to attract new customers and to retain and increase revenue from existing customers. ELMO primarily generates revenue through customers utilising modules on their platform by which customers typically pay subscription fees in advance. ELMO's customers have no obligation to renew their service offering when their contract term ends, and ELMO cannot guarantee that all or any of its customers will renew their current service offering after the completion of their contract term. Accordingly, there is a risk that customers reduce or cease usage of ELMO's platform which would result in a reduction in the level of payments they make to ELMO including revenue characterised as recurring subscription revenue.

In addition, a macroeconomic downturn may result in reduced business spending on people management software or business software generally which may have a negative impact on ELMO's ability to attract new customers, and the occurrence of any unforeseen issue or event which impacts the performance of ELMO may result in a diminution of customer satisfaction and retention and place the reputation of ELMO at risk.

These implications bear a risk of adversely impacting the financial performance of ELMO's business and ability to retain and attract customers, shareholders and employees, which may have material adverse impact on ELMO's financial performance and operating performance.

b) Acquisition risks

ELMO has completed a number of acquisitions and may seek further acquisitions in the future, including in overseas jurisdictions such as the United Kingdom. There can be no assurance that suitable future acquisition opportunities will arise or if they do arise that they will be able to be made on acceptable terms.

While ELMO will take every effort to ensure that any acquisition is successfully integrated and the benefits realised, there is a risk that the acquisitions may fail to meet ELMO's strategic and financial objectives including, if applicable, the transition of customers from one business to ELMO's business, generate the synergies and benefits that ELMO expected or provide an adequate return on the purchase price. There are also regulatory, cultural and control risks that arise when making acquisitions in overseas jurisdictions and as ELMO's business expands. There is a risk that ELMO's acquisition due diligence and analysis may be incomplete or inaccurate. An unforeseen liability that arises after each acquisition, and for which ELMO may have no warranty or indemnity protection under the sale and purchase agreement, may have a material adverse impact on the investment and, ultimately, ELMO's financial performance and operating performance.

c) Competition risks

There are a number of organisations which compete both directly and indirectly with ELMO in the people management solutions sector. While ELMO has a presence in the people management software solutions sector primarily in Australia, New Zealand and the United Kingdom, some of ELMO's competitors may have or may develop competitive advantages over ELMO and may be larger on an international or regional basis and have greater access to capital or other resources. The market share of ELMO's competitors may increase or decrease as a result of various factors such as securing large new customers, developing new technologies and adopting pricing strategies specifically designed to gain market share.

These competitive actions may reduce the prices that ELMO is able to charge for its products and services or reduce ELMO's activity levels, both of which would have a material negative impact on the financial performance and operating performance of ELMO.

d) Ability to attract and retain key personnel

A perceived critical component of the success of ELMO is the ongoing retention of key personnel, specifically, ELMO's CEO and Co-Founder, Mr Danny Lessem, and members of the management, technology and product research and development teams. There is a risk ELMO may not be able to attract and retain key personnel or be able to find effective replacements for those key personnel in a timely manner. The loss of such personnel, or any delay in their replacement, could have a significant negative impact on management's ability to operate the business and achieve financial performance targets and strategic growth objectives which may ultimately have a material adverse effect on ELMO's financial performance and operating performance.

e) Pricing risk

ELMO primarily generates revenue by charging subscription fees to its customers for the length of the contract which are based on both the type of module as well as the number of users per module. Upon completion of their contract, ELMO's customers may try to renegotiate contract terms for more favourable price discounts which, if capped, would result in a direct reduction in the payments they make to ELMO and have a material negative impact on ELMO's financial performance and operating performance.

While ELMO may resist such attempts to renegotiate prices, business economics, macroeconomic conditions or competitive forces may dictate such terms need to be accepted. Consequently, if ELMO is unable to pass on cost increases, any significant increase in costs that ELMO incurs could have a material adverse effect on ELMO's financial performance and operating performance.

f) Loss or theft of data and failure of data security systems

ELMO's products involve the storage of customers' confidential and proprietary information including information regarding their employees. Escalation of the current cyber-security threat landscape is well documented, including the recently highly publicised data breaches and increases in number and sophistication of cyber-attacks on businesses. ELMO's business may be materially impacted by security breaches of ELMO's customers' data either by unauthorised access, theft, destruction, loss of information or misappropriation or release of confidential customer data. There is a risk that any measures taken may not be sufficient to prevent or detect unauthorised access to, or disclosure of, such confidential or proprietary information, and any of these events will likely cause significant disruption to ELMO's business and operations. This will also expose ELMO to reputational damage, regulatory scrutiny and fines, any of which could have a material adverse impact on ELMO's operating performance and financial performance.

g) Reliance on ELMO's HCM solutions and failure to adequately maintain and develop it

ELMO's business model depends on ELMO's ability to continue to ensure that ELMO's customers are satisfied with the functionality of ELMO's HCM software solutions. The market for HCM solutions is subject to evolving industry standards, changing regulations as well as ever changing customer needs and preferences. ELMO's success will depend on its ability to adapt and respond effectively to these changes on a timely basis. There is a risk that ELMO may fail to maintain its software platform adequately or that future updates may introduce errors and performance issues causing customer satisfaction to fall which may ultimately have a material adverse effect on ELMO's financial performance and operating performance.

h) Reliance on uptake of SaaS-based HCM solutions

ELMO's future revenue and growth depends on the increasing adoption of 'Software as a Service' (SaaS), cloud-based HCM solutions. It may be difficult for ELMO to persuade potential customers to change their existing legacy on-premise, manual paper-based or point solution and adopt SaaS, cloud-based HCM solutions like ELMO's. If ELMO's solutions are not accepted and used by more mid-market and small businesses or if the market for HCM solutions fails to grow as expected, ELMO's platform could be adversely affected and revenue growth may slow, which could have a material negative impact on ELMO's operating performance and financial performance.

i) Failure to realise benefits from product research and development

Developing software and technology is expensive and often involves an extended period of time to achieve a return on investment. An important aspect of ELMO's business is to continue to invest in innovation and related product development opportunities. ELMO believes that it must continue to dedicate resources to ELMO's innovation efforts to develop ELMO's software and technology product offering and maintain its competitive position. ELMO may not however, receive benefits from these investments for several years or may not receive benefits from these investments at all and, in this case, ELMO's financial performance and operating performance may be materially adversely impacted.

j) Failure to effectively manage growth

ELMO expects further growth in the future, which may involve acquisitions in overseas jurisdictions, that could place significant strain on current management, operational and finance resources as well as the infrastructure supporting ELMO's platform. ELMO's future success, depends, to a certain extent, on ELMO's ability to effectively manage this growth. A failure in effectively managing ELMO's growth may result in a material adverse effect on ELMO's financial performance and operating performance.

Risk Factors *continued*

k) Disruption or failure of technology and software systems

ELMO and its customers are dependent on the performance, reliability and availability of ELMO's platform, data centres and communications systems (including servers, the internet, hosting services and the cloud environment in which ELMO provides its solutions). There is a risk that these systems may be adversely affected by disruption, failure, service outages or data corruption that could occur as a result of computer viruses, "bugs" or "worms", malware, internal or external misuse by websites, cyber-attacks or other disruptions including natural disasters, power outages or other similar events. Any such disruption, failure, service outage or data corruption may ultimately have a material adverse effect on ELMO's financial performance and operating performance.

l) Reliance on third party service providers

ELMO relies on certain contracts with third party service providers to facilitate the use of ELMO's solutions. In particular, ELMO relies on a third party service provider for its cloud hosting services. ELMO also relies on the use of third party service providers for system documentation, its payroll module, software layers and code management and monitoring and auditing its IT infrastructure and network. Any failure or disruption to the service provided from the third party service providers that ELMO's business relies on to efficiently operate could have a material negative impact on ELMO's operating performance and financial performance.

m) Protection of intellectual property

ELMO's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it. Intellectual property that is important to ELMO includes, but is not limited to, trademarks, copyright and moral rights. ELMO has sought to register its intellectual property where appropriate, however such intellectual property may not be capable of being legally protected.

There is a risk that ELMO may be unable to detect the unauthorised use of intellectual property rights in all instances. Unauthorised use or copying of any of ELMO's software, data, specialised technology or platforms may occur and the validity, ownership or authorised use of intellectual property relevant to ELMO's business may be successfully challenged by third parties. This could result in significant expense and the inability to use the intellectual property in question, which may materially and adversely impact ELMO's financial performance and operating performance.

Any intellectual property disputes (whether or not successful) may also temporarily and adversely impact ELMO's ability to integrate new systems or develop new services, and could involve significant costs of litigation and diversion of management attention, all of which may adversely impact ELMO's financial performance and operating performance.

Further, actions that ELMO takes to protect its intellectual property may not be adequate or enforceable and thus may not prevent the misappropriation of, or copying or circumvention of, ELMO's intellectual property and proprietary information. If ELMO is unable to adequately protect or enforce its intellectual property rights, this may have a material adverse effect on ELMO's financial performance and operating performance.

n) Breach of third party intellectual property rights

There is a risk that third parties may allege that ELMO's solutions use intellectual property derived by them or from their products, including the white labelling arrangements in connection with ELMO's payroll solutions, without their consent or permission. ELMO may be the subject of claims which could result in disputes or litigation, which could result in the payment of monetary damages, cause delays and increase costs, which in turn could have a material adverse impact on ELMO's financial performance and operating performance.

o) Success of sales and marketing strategy

ELMO's future success is partly dependent on the realisation of benefits from investment spent on sales and marketing campaigns and initiatives. Promoting awareness of ELMO's brand and reputation is critical to ELMO's success as a SaaS, cloud-based HCM software solutions provider. ELMO expects that sales and marketing investment will continue to increase as the business grows. ELMO may not, however receive benefits from these investments for several years or may not receive benefits from these investments at all. Failure to realise intended benefits from sales and marketing investment could materially and negatively impact ELMO's ability to attract new customers and have a material adverse impact on ELMO's financial performance and operating performance.

p) Failure to consider changes in compliance and regulatory environment

ELMO's customers rely on having accurate and up to date information available on their platform including ELMO's eLearning course content library. There is a risk that ELMO fails to keep abreast of changes to the relevant regulatory and compliance legislation that affects its platform, eLearning course content library and the training programs it offers and subsequently fails to make the necessary updates to ELMO's platform or fails to make the necessary updates in a timely manner which could have a material adverse impact on ELMO's operating performance and financial performance.

q) Revenue recognised throughout term of customer contracts

ELMO recognises revenue over the term of the contract with its customers. ELMO invoices customers, in advance and recognises revenue monthly on a pro-rated basis throughout the term of the contract. As a result, most of the revenue realised in any given period relates to contracts entered into during previous periods. Consequently, a shortfall in demand for ELMO's solutions or losses in the existing customer base may not be reflected in the revenue results of that period but are likely to negatively impact revenue in subsequent periods which may ultimately have a material adverse impact on ELMO's financial performance and operating performance.

r) Country/region specific risks in new and/or unfamiliar markets

ELMO has operations in overseas jurisdictions and is exposed to a range of different legal and regulatory regimes (such as New Zealand and the United Kingdom). As ELMO expands its presence into new international jurisdictions, ELMO is subject to the risks associated with doing business in the relevant jurisdictions, which may have political, legal and economic instability or less sophisticated legal and regulatory systems and frameworks. In acquiring entities based in overseas jurisdictions, it may take some time for ELMO to become accustomed to the local legal and regulatory systems and frameworks that are relevant to the business. The implications of the risks arising from conducting business in foreign jurisdictions may result in a material adverse effect on ELMO's financial performance and operating performance.

s) Foreign exchange risk

ELMO's financial statements are presented in Australian dollars. A portion of current sales revenue is denominated in currencies other than the Australian Dollar. This portion may increase over time as ELMO continues to grow and to expand into overseas jurisdictions. Future changes in the exchange rates in the jurisdictions in which ELMO operates may have a material adverse impact on ELMO's financial performance and operating performance.

t) Risk of unforeseen increased costs and employee retention

ELMO's future financial performance is dependent, to a certain extent, on the level of capital expenditure that is required to maintain its assets and the cost of labour. Any significant unforeseen increase in the capital and operating costs associated with ELMO's operations may have a material adverse impact on its future cash flow and profitability and ultimately its financial performance and operating performance.

Staff turnover levels may increase as a result of various factors, including salary pressure, management decisions, the financial position and performance of ELMO, factors affecting the technology industry as a whole, and the availability of other opportunities outside ELMO. Staff turnover may adversely affect ELMO if it is unable to attract new suitably qualified personnel, or by increased recruitment and training costs and increased compensation costs associated with attracting and retaining personnel which may have a material adverse impact on ELMO's financial performance and operating performance.

u) Regulatory and tax risks

ELMO is exposed to any changes in regulatory conditions under which it operates primarily in Australia, New Zealand and the United Kingdom. Such regulatory changes can include, but are not limited to, changes in tax laws and policies, accounting laws, policies, standards and practices, laws and regulations that may impact upon the operations and business practices of ELMO and its management, and employment laws and regulations including laws and regulations related to occupational health and safety. Any regulatory changes, including the current rate of company income tax in Australia, New Zealand and the United Kingdom, may have a material adverse impact upon ELMO's operating performance, financial performance and cash flows, ability to pay dividends and ELMO's share price which in turn could impact shareholder returns.

8.

Risk Factors *continued*

v) Litigation risk

In the ordinary course of business, ELMO may be involved in litigation disputes from time to time. Litigation disputes brought by third parties including, but not limited to, customers, suppliers, business partners and employees may have a material adverse impact on ELMO's financial performance, operating performance and industry standing of the business, in the case where the impact of legal proceedings is greater than or outside the scope of the ELMO's insurance.

w) Share price movements

The value of ELMO Shares may rise above or fall below the current share price, depending on the operational and financial performance of ELMO and a number of external factors over which ELMO, the ELMO Directors and its employees do not have any control. Those external factors include economic conditions in Australia, New Zealand, the United Kingdom and other overseas jurisdictions which may impact equity capital markets, changing investor sentiment in Australia, New Zealand, the United Kingdom and other overseas share markets, changes in fiscal, monetary, regulatory or other government policies, and developments and general conditions in the markets in which ELMO proposes to operate and which may have a material adverse impact on ELMO's financial performance, operating performance and the future value and pricing of ELMO Shares.

Additionally, ELMO currently has a number of substantial shareholders on its share register. There is a risk that these shareholders or other larger shareholders may sell their ELMO Shares. This could also cause the price of ELMO Shares to decline.

x) Funding risk and ELMO Shareholder dilution

If the Scheme is not implemented, in the future, ELMO may require further funding, whether by way of debt or equity, to help fund acquisitions, other strategic investments and its operations. ELMO's ability to raise funds, or obtain such funding on favourable terms, may be subject to factors beyond the control of ELMO, including economic and global financial market factors. If ELMO is unable to raise necessary funds to fund its investments and operations, this may ultimately have a material adverse impact on ELMO's financial performance and operating performance.

In addition, if ELMO determines to raise funds by issuing new ELMO Shares, while ELMO is subject to the constraints of the Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period without ELMO Shareholder approval (subject to certain exceptions), ELMO Shareholders at the time may be diluted as a result of the issue of the new ELMO Shares.

y) Compliance with debt covenants

ELMO has various obligations to its financiers, including covenants in relation to its debt facilities. ELMO is required to comply with, and regularly report on, its compliance with these covenants.

A failure to comply with a covenant in connection with ELMO's debt facilities may require ELMO to seek amendments, waivers of covenant compliance or alternative borrowing arrangements. There is no assurance that ELMO's financiers would consent to such an amendment or waiver in the event of non-compliance, or that such consent would not be conditioned upon the receipt of a cash payment, revised payout terms, increased interest rates, or restrictions in the expansion of debt facilities in the foreseeable future, or that its financiers would not exercise rights that would be available to them, including, among other things, demanding payment of outstanding borrowings. If ELMO's financiers demand payment and ELMO has insufficient capital to repay the debt facility, this may result in a material adverse impact on ELMO's financial performance and operating performance.

z) Other risks

The above risks should not be taken as a complete list of the risks associated with the business and operations of ELMO. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect the value of ELMO Shares, and its financial performance and operating performance. Accordingly, no assurance or guarantee of future performance or profitability is given by ELMO in respect of the Scheme.

8.4. Risks in relation to the Scheme

a) Implications for ELMO and ELMO Shareholders if the Scheme is not implemented

If the Scheme does not become Effective and is not implemented, ELMO Shareholders will not receive the Scheme Consideration and ELMO will continue, in the absence of a Superior Proposal, to operate as an ASX-listed entity.

Unless ELMO Shareholders choose to sell their ELMO Shares on the ASX, ELMO Shareholders will continue to hold ELMO Shares and will be exposed to the risks set out in this section 8.2 and 8.3 and potential future benefits in retaining exposure to ELMO's business and assets.

The ELMO Share price will also remain subject to market volatility and will likely fall in the absence of a Superior Proposal. See section 5.9 for further detail.

b) The Scheme Implementation Deed may be terminated by ELMO or the Bidder in certain circumstances and the Scheme is also subject to various Conditions

Each of ELMO and the Bidder has the right to terminate the Scheme Implementation Deed in certain circumstances, in which case the Scheme will not proceed. These termination rights are summarised in section 5.3(j).

The Scheme is also subject to various Conditions that must be satisfied or waived (if capable of waiver) for the Scheme to be implemented. These Conditions are outlined in section 5.3(a) and set out in full in clause 3.1 of the Scheme Implementation Deed. The failure of a Condition to be satisfied or waived (if capable of waiver) may also give rise to a right for either ELMO or the Bidder to terminate the Scheme Implementation Deed.

As at the date of this Scheme Booklet, the ELMO Board is not aware of any circumstances which would cause any outstanding Condition not to be satisfied or waived (if capable of waiver). Despite this, there is a possibility that one or more of the Conditions will not be satisfied or waived (if capable of waiver) and that the Scheme will not proceed. There are a number of Conditions which are outside the control of ELMO, including, but not limited to, approval of the Scheme by the Requisite Majorities of ELMO Shareholders, the Court and FIRB. In this regard, there is also a risk that some or all of the aspects of the ELMO Shareholders, Court and FIRB approval required for the Scheme to proceed, may be delayed.

If, for any reason, all of the Conditions are not satisfied or waived (if capable of waiver) and the Scheme does not proceed, or otherwise if the Scheme Implementation Deed is terminated, the ELMO Share price will continue to be subject to market volatility and is likely to fall in the absence of a Superior Proposal.

c) Tax consequences for Scheme Shareholders

If the Scheme becomes Effective, there may be tax consequences for Scheme Shareholders which may include tax being payable. For further detail regarding general Australian tax consequences of the Scheme, refer to section 9. The tax consequences may vary depending on the nature and characteristics of Scheme Shareholders and their specific circumstances. Accordingly, you should seek professional tax advice in relation to your circumstances.

d) Risks relating to implementing the Scheme

If the Scheme is implemented, you will no longer be an ELMO Shareholder and will forgo any future benefits that may result from being an ELMO Shareholder. In particular, if the Scheme is implemented (unless you are a Rollover Shareholder who elects to receive Scrip Consideration), you will not be able to participate in the future financial and share price performance of ELMO, retain any exposure to ELMO's business or assets or have the opportunity to share in any value that could be generated by ELMO in the future. However, there is no guarantee as to ELMO's future performance, or its future share price and financial performance.

ELMO Shareholders may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of ELMO, or may incur transaction costs in undertaking any new investment.

9.

TAX IMPLICATIONS

9.1. Introduction

This section 9 sets out a general summary of the key Australian income tax, goods and services tax (**GST**) and stamp duty consequences of the Scheme for ELMO Shareholders. The purpose of the summary is to assist ELMO Shareholders understand the potential Australian tax consequences of being an ELMO Shareholder.

The summary is intended as a general guide and is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this Scheme Booklet. ELMO Shareholders should be aware that any changes (with either prospective or retrospective effect) to the Australian tax laws, regulations or administrative practices may affect the taxation treatment to the ELMO Shareholders as described in this summary.

This summary is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every ELMO Shareholder, and is not intended to be advice and should not be relied on as such. The tax consequences arising to ELMO Shareholders will vary depending on their specific profile, characteristics and circumstances. Accordingly, ELMO Shareholders should obtain independent professional advice in relation to their own particular circumstances and should not rely upon the comments contained in this summary.

The Australian tax consequences outlined below are relevant to ELMO Shareholders who are individuals, companies (other than life insurance companies), trusts and complying superannuation funds that hold their ELMO Shares on capital account for Australian income tax purposes. This summary does not cover ELMO Shareholders who:

- dispose of their shares prior to the Scheme Record Date such that they are not entitled to receive the Scheme Consideration;
- hold their ELMO Shares as trading stock, as part of a profit-making undertaking or scheme, under an arrangement which qualifies as an employee share or rights plan for Australian tax purposes, or otherwise on revenue account;
- may be subject to special rules, such as banks, insurance companies, tax exempt organisations, certain trusts, superannuation funds (unless otherwise stated) or dealers in securities;
- are partnerships or individuals who are partners of such partnerships;
- acquired their ELMO Shares pursuant to an employee share scheme under Division 83A of the *Income Tax Assessment Act 1997* (Cth) applied;
- acquired their ELMO Shares as a result of a transaction where roll-over relief under the *Income Tax Assessment Act 1997* (Cth) applied;
- are 'temporary residents' as that term is defined in section 995-1(1) of the *Income Tax Assessment Act 1997* (Cth);
- change their tax residence whilst holding ELMO Shares;
- are non-residents for Australian income tax purposes and who hold their ELMO Shares as an asset of a permanent establishment in Australia;
- are non-residents for Australian income tax purposes who, together with their associates, hold or are entitled to acquire 10% or more of the shares in ELMO;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their ELMO Shares; or
- are subject to the Investment Manager Regime under Subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth) in relation to their ELMO Shares.

Any persons who may be subject to tax in any jurisdiction outside Australia should obtain independent professional advice on their particular circumstances.

9.2. ELMO Shareholders that are Australian tax residents

This section 9.2 summarises the Australian income tax consequences arising on disposal of ELMO Shares.

a) Capital gains tax

A capital gains tax (CGT) event should happen to ELMO Shareholders when they dispose of their ELMO Shares to the Bidder under the Scheme.

b) Calculation of capital gain or capital loss

ELMO Shareholders should make a capital gain from the disposal of their ELMO Shares to the extent that the capital proceeds received exceed the cost base of their ELMO Shares. Conversely, ELMO Shareholders should make a capital loss to the extent that the reduced cost base of their ELMO Shares exceeds the capital proceeds received.

However, to the extent the Rollover Shareholders have made a valid Election to receive Scrip Consideration for their ELMO Shares and would have otherwise made a capital gain as a result of their disposal, these Rollover Shareholders may be able to access CGT roll-over relief on the HoldCo Securities they receive as Scheme Consideration.

i) Capital proceeds

Capital proceeds broadly include the money received and the market value of any other property received. As such, the capital proceeds from the disposal of the ELMO Shares should be the Scheme Consideration (irrespective of whether Cash Consideration or Scrip Consideration is received by the ELMO Shareholder).

ii) Cost base

The cost base or reduced cost base of an ELMO Shareholder's ELMO Shares should generally include the amount paid to acquire the ELMO Shares and the market value of any property given to acquire the ELMO Shares, plus any incidental costs incurred in acquiring or disposing of the ELMO Shares. The cost base of each ELMO Shareholder will depend on the individual circumstances of each ELMO Shareholder.

ELMO Shares acquired in different transactions may have different cost bases and therefore capital gains may arise in respect of some ELMO Shares while capital losses may arise in respect of other ELMO Shares.

iii) CGT discount

Generally, Australia resident ELMO Shareholders may be able to obtain discount capital gains treatment to reduce any capital gain made in respect of the disposal of the ELMO Shares if those ELMO Shares have been held for at least 12 months before the Implementation Date.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain. The CGT discount is 50% in the case of an individual or trust, or 33% in the case of a complying superannuation entity. No CGT discount is available for companies.

As the rules relating to discount capital gains are complex, ELMO Shareholders should seek their own independent advice on how the CGT discount provisions will apply.

c) Scrip for scrip roll-over relief

Rollover Shareholders who would otherwise make a capital gain on the disposal of their ELMO Shares under the Scheme may choose scrip for scrip roll-over relief to the extent that the capital gain made on the disposal of an ELMO Share is attributable to the receipt of a HoldCo Security.

ELMO Shareholders cannot choose to apply roll-over relief if they receive all Cash Consideration, or they made a capital loss on the disposal of their ELMO Shares.

If a capital gain arises on disposal for Rollover Shareholders that dispose of their ELMO Shares and have chosen to receive Scrip Consideration, they should consider whether the other requirements of these rollover provisions are satisfied and seek independent professional advice in this respect.

i) Consequences of choosing scrip for scrip roll-over relief

In the event that CGT scrip for scrip roll-over relief is available and has been chosen by a Rollover Shareholder electing to receive Scrip Consideration, the part of the capital gain that relates to the Scheme Consideration in the form of HoldCo Securities may be disregarded. Any part of the capital gain that relates to the Scheme Consideration that is non-Scrip Consideration (e.g. Cash Consideration) cannot be disregarded.

Tax Implications *continued*

Where a Rollover Shareholder has applied CGT scrip for scrip roll-over relief, the cost base of the HoldCo Securities received as part of the Scheme Consideration should be equal to the cost base of their original ELMO Shares, reduced by an amount of the cost base that is reasonably attributable to Cash Consideration.

Where CGT scrip for scrip roll-over relief has been chosen by a Rollover Shareholder, the HoldCo Securities should be deemed to have been acquired at the time the ELMO Shares were originally acquired. This will be relevant for the purposes of determining eligibility for the CGT discount for a subsequent disposal of HoldCo Securities.

The benefit of choosing CGT scrip for scrip roll-over relief will depend upon the individual circumstances of each Rollover Shareholder.

ii) Choosing roll-over relief

Generally, a choice to adopt scrip for scrip roll-over relief must be made by a Rollover Shareholder before lodgement of that Rollover Shareholder's income tax return for the income year in which the CGT event occurs. No formal election notice to choose scrip for scrip roll-over relief is required to be lodged with the ATO. The Rollover Shareholder's income tax return should, however, be prepared in a manner consistent with electing for scrip for scrip roll-over relief.

iii) Consequences of not choosing CGT scrip for scrip roll-over relief

Rollover Shareholders who are ineligible to choose CGT scrip for scrip roll-over relief, or elect not to choose it, should include the market value of the HoldCo Securities (in addition to any Cash Consideration) as part of their capital proceeds.

The first element of the cost base of the HoldCo Securities should be equal to the market value of the ELMO Shares on the issue date of the HoldCo Securities, to the extent they are reasonably attributable to the acquisition of the HoldCo Securities. The acquisition date of the new HoldCo Securities should be the issue date. This will be relevant for the purposes of determining whether a Rollover Shareholder is eligible for the CGT discount in relation to a subsequent disposal of HoldCo Securities.

d) Net capital gain or net capital loss

Any capital gain or capital loss made in respect of the disposal of the ELMO Shares should be aggregated with any other capital gains or capital losses that the ELMO Shareholder may have in that income year. Any resulting net capital loss may be carried forward and reduce future taxable capital gains (subject to satisfying any applicable loss recoupment rules). Any resulting capital gain (after offsetting any available carried forward capital losses) should be reduced by any applicable CGT discount and the remaining net capital gain (if any) should be included in the ELMO Shareholder's assessable income.

ELMO Shareholders should seek independent professional advice on the Australian tax consequences arising from the disposal of their ELMO Shares having regard to their particular circumstances.

9.3. ELMO Shareholders that are non-Australian tax residents

This section 9.3 applies to ELMO Shareholders that are non-residents of Australian income tax purposes and that hold their ELMO Shares on capital account and have not held their ELMO Shares at any time in carrying on a business at or through a permanent establishment in Australia.

ELMO Shareholders who hold their ELMO Shares on capital account should not be subject to the CGT rules in Australia on the disposal of their ELMO shares on the basis that they and their associates hold, or are entitled to acquire, less than 10% of the ELMO Shares.

ELMO Shareholders who are non-Australian tax residents should seek independent professional advice as to the tax implications of the Scheme, including the tax implications in their country of residence.

9.4. Foreign resident capital gains withholding tax

Australia's foreign resident capital gains withholding tax regime applies to transactions involving the acquisition of certain indirect interests in Australian real property from relevant foreign residents. If applicable, the regime can impose an obligation on the purchaser of shares to withhold an amount equal to 12.5% of the purchase price of the shares and remit that amount to the ATO where an Australian tax resident does not make a declaration of their Australian tax residency.

On the basis that the ELMO Shares should not be considered "taxable Australian real property" (as defined in Australian income tax legislation), the foreign resident capital gains withholding tax regime should not apply.

Accordingly, the Bidder is working to agree to a process with the ATO to confirm that no withholding is required for any ELMO Shareholder even where no declaration is provided.

9.5. GST

GST should not be payable on the disposal of the ELMO Shares under the Scheme.

ELMO Shareholders may be charged GST on costs incurred in relation to the Scheme (e.g. tax, legal or other advisory fees). Certain ELMO Shareholders that are registered (or required to be registered) for GST may be entitled to claim input tax credits (or reduced input tax credits) in relation to GST incurred on these costs.

ELMO Shareholders should seek their independent professional advice on the impact of GST having regard to their own particular circumstances.

9.6. Stamp Duty

ELMO Shareholders should not be liable for any stamp duty on the disposal of their ELMO Shares.

10. ADDITIONAL INFORMATION

10.1. Introduction

This section sets out the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the *Corporations Regulations 2001* (Cth) to be included in this Scheme Booklet, but only to the extent that this information is not otherwise disclosed in other sections. This section also includes additional information that the ELMO Directors consider material to a decision on how to vote on the resolution in respect of the Scheme.

10.2. Interests of ELMO Directors in ELMO Shares

As at the Last Practicable Date, the ELMO Directors have the following interests in securities of ELMO:¹

Director	Position	ELMO Shares held by or on behalf of the ELMO Director (including ELMO Restricted Shares)	ELMO Equity Incentives held by or on behalf of the ELMO Director
Danny Lessem	CEO and Co-Founder	10,998,146 ELMO Shares	Nil
Barry Lewin	Independent Non-Executive Chairman	15,000 ELMO Shares	Nil
Kate Hill	Independent Non-Executive Director	42,804 ELMO Shares (including 27,934 ELMO Restricted Shares)	6,037 ELMO NED Share Rights ²
Leah Graeve	Independent Non-Executive Director	1,531 ELMO Shares	Nil

As noted in the table above, as at the Last Practicable Date, 27,934 of the ELMO Shares held by Kate Hill are ELMO Restricted Shares. ELMO Restricted Shares are ordinary ELMO Shares that are subject to 'disposal restrictions'. As noted in section 10.4(b), the ELMO Board intends to take such actions as are necessary to remove the 'disposal restrictions' that apply to ELMO Restricted Shares, with effect on the Effective Date.

IBC Directors or entities controlled by them who hold ELMO Shares will be entitled to vote at the General Scheme Meeting and receive the Scheme Consideration along with the other Scheme Shareholders. However, as ELMO's CEO and Co-Founder Mr Danny Lessem as a Rollover Shareholder is entitled to Scrip Consideration which is not being offered to other Scheme Shareholders, he is required to vote in a separate class at the Rollover Shareholder Scheme Meeting.

Each IBC Director intends to vote the ELMO Shares that they hold or control in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of ELMO Shareholders.

Under the Voting and Rollover Agreement, Mr Danny Lessem has agreed to vote all of the ELMO Shares held or controlled by him, being approximately 11.04% of all ELMO Shares on issue as at the Last Practicable Date, in favour of the Scheme as long as that agreement remains operative (and subject to the terms of the Voting and Rollover Agreement).

Please refer to section 10.4 for details regarding the treatment of ELMO Equity Incentives if the Scheme becomes Effective.

ELMO Shareholders should have regard to the ELMO Shares held by the IBC Directors as set out above when considering their recommendation on the Scheme in respect of the Cash Consideration, which appears throughout this Scheme Booklet. The IBC considers that, notwithstanding these arrangements (which will have no impact on the Scheme Consideration paid to ELMO Shareholders), it is appropriate for the IBC Directors to make such a recommendation, given the importance of the Scheme and their role as directors of ELMO.

1. This table includes the ELMO Equity Incentives referred to in section 10.4.

2. These NED Share Rights are due to vest and be settled on or around 1 January 2023. Refer to section 10.4(a)(iii) for more information regarding the NED Share Rights.

10.3. Retirement benefits

a) Retirement benefits of IBC Directors

No payment or other benefit is proposed to be made or given in connection with the Scheme to any IBC Director as compensation for loss of, or as consideration for, or in connection with, their retirement from office in ELMO or any Related Bodies Corporate of ELMO.

b) Retirement benefits of other Directors, Secretaries or Executive Officers of ELMO or any of its Related Bodies Corporate

Except as otherwise disclosed in this Scheme Booklet, no payment or other benefit is proposed to be made or given in connection with the Scheme to any other director, secretary or executive officers of ELMO or any of its Related Bodies Corporate as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in ELMO or any Related Bodies Corporate of ELMO, other than any payments or benefits arising from any applicable redundancy entitlements. Redundancy entitlements may arise under the terms of the relevant officer's contract of employment, applicable statutory entitlements, ELMO policies or a combination of these.

10.4. ELMO Equity Incentives

a) Overview of ELMO Equity Incentives and intended treatment

ELMO operates two equity incentive plans – the ELMO Equity Plan and the ELMO NED Equity Plan. ELMO Equity Incentives are offered to ELMO Directors, senior executives and key employees under these two equity incentive plans as an incentive to align their interests with those of ELMO Shareholders.

Accordingly, ELMO Directors, senior executives and key employees have previously received, and have on foot, a number of existing incentive arrangements which may be impacted by the Scheme.

In particular, as at the Last Practicable Date, ELMO had the following ELMO Equity Incentives on issue:

- 514,840 vested (but unexercised) ELMO Options;
- 511,956 unvested ELMO Performance Rights; and
- 6,037 unvested ELMO NED Share Rights.

Section 10.2 sets out the number and type of ELMO Equity Incentives held by ELMO Directors as at the Last Practicable Date. Having regard to a range of considerations, and that ELMO will no longer be an ASX-listed company following implementation of the Scheme, the ELMO Board intends to treat the ELMO Equity Incentives as detailed in this section 10.

i) ELMO Options

As noted above, there are 514,840 ELMO Options on issue as at the Last Practicable Date. All such ELMO Options were granted under the ELMO Equity Plan and have vested in accordance with their terms.

363,857 of the ELMO Options are “out-of-the-money” given the value of the Cash Consideration (meaning that their exercise price is greater than the value of the Cash Consideration), while 150,983 of the ELMO Options are “in-the-money” (meaning that their exercise price is less than the value of the Cash Consideration).

The ELMO Board intends to take such actions as are necessary (including to pass a board resolution) to facilitate and allow the holders of ELMO Options to exercise their options on or before the Effective Date.

To the extent that ELMO Options have been exercised by the Effective Date, ELMO intends to settle such ELMO Options in accordance with, and subject to, the ELMO Equity Plan.

Any ELMO Shares issued on exercise of ELMO Options will form part of the Scheme Shares, and the holders of them will be entitled to receive the Scheme Consideration under the Scheme for them (provided they are held by them as at the Scheme Record Date).

Assuming that the holders of the “in-the-money” ELMO Options exercise all their ELMO Options, and assuming that the holders of “out-of-the-money” ELMO Options do not exercise any of their ELMO Options, ELMO expects to issue an additional 72,952 ELMO Shares prior to the Scheme Record Date.³

3. Assuming that any settlement of ELMO Options occurs on a “cashless exercise”/“net-settlement” basis.

Additional Information *continued*

Any ELMO Options which have not been exercised by 5.00pm (Sydney time) on the Effective Date will be cancelled, with the holders of such cancelled ELMO Options being paid a cash amount equivalent to the value of such cancelled ELMO Options. The ELMO Board intends to take such actions as are necessary (including to pass a board resolution and making amendments to the ELMO Equity Plan) to effect the cancellation and permit the payment of a cash amount equivalent to the value of such cancelled ELMO Options.

Assuming that the holders of the “in-the-money” ELMO Options exercise their ELMO Options, and assuming that the holders of “out-of-the-money” ELMO Options do not exercise their ELMO Options, the aggregate cash payment for all cancelled ELMO Options is expected to be \$105,927.

ii) ELMO Performance Rights

As noted above, there are 511,956 ELMO Performance Rights on issue as at the Last Practicable Date.⁴ Each ELMO Performance Right granted under the ELMO Equity Plan has a nil exercise price and is subject to various vesting conditions (including time-based and/or performance-based vesting conditions).

The ELMO Board intends to take such actions as are necessary (including to pass a board resolution) to waive the vesting conditions attaching to all unvested ELMO Performance Rights which are held by current ELMO personnel, with effect on and from the Effective Date, and to automatically convert all such ELMO Performance Rights into ELMO Shares (on a one-for-one basis) prior to the Scheme Record Date, each in accordance with the terms of the ELMO Equity Plan.

Any ELMO Shares issued on conversion of ELMO Performance Rights will form part of the Scheme Shares, and the holders of them will be entitled to receive the Scheme Consideration under the Scheme for them (provided they are held by them as at the Scheme Record Date).

The maximum number of ELMO Shares that will be issued in accordance with the conversion of ELMO Performance Rights is 476,095 ELMO Shares.⁵

iii) ELMO NED Share Rights

As noted above, there are 6,037 ELMO NED Shares Rights on issue as at the Last Practicable Date. The 6,037 ELMO NED Share Rights were granted under the ELMO NED Equity Plan and will vest on or around 1 January 2023 in accordance with their terms. Upon vesting, the holder of the ELMO NED Share Rights will receive one ELMO Restricted Share for each ELMO NED Share Right held. The ELMO Board proposes to settle the ELMO NED Share Rights by way of an allocation and/or transfer of ELMO Shares from the ELMO Employee Share Trust, meaning that ELMO will not issue any new ELMO Shares to settle the ELMO NED Share Rights.

Given that the vesting and settlement of the 6,037 ELMO NED Share Rights is due to occur on or around 1 January 2023, the holder of those ELMO NED Share Rights (namely, Kate Hill, an ELMO Director) will receive the Scheme Consideration for their ELMO NED Share Rights (which will have become ELMO Shares on a one-for-one basis) on the Implementation Date.

b) Treatment of ELMO Restricted Shares

As noted above, ELMO has 27,934 ELMO Restricted Shares on issue as at the Last Practicable Date, which are all held by Kate Hill, an ELMO Director, as at the Last Practicable Date.⁶ For completeness, as described in section 10.4(a)(iii) above, Kate Hill will receive an additional 6,037 ELMO Restricted Shares on vesting and settlement of her 6,037 ELMO NED Share Rights.

ELMO Restricted Shares are ordinary ELMO Shares that are subject to ‘disposal restrictions’, meaning that they cannot be transferred other than once the ‘disposal restrictions’ cease to apply or otherwise in accordance with the terms of the ‘disposal restrictions’.

The ELMO Board intends to take such actions as are necessary (including to pass a board resolution) to remove the ‘disposal restrictions’ that apply to ELMO Restricted Shares, with effect on the Effective Date.

4. 35,861 ELMO Performance Rights are held by persons who have ceased, or will cease, to be employed by the ELMO Group, and which will lapse in accordance with their terms prior to the Effective Date.

5. Being 511,956 ELMO Performance Rights less 35,861 ELMO Performance Rights.

6. ELMO's notices of meeting in respect of its annual general meetings held on 22 November 2018 and 22 October 2021 state that ELMO Restricted Shares granted under the ELMO NED Equity Plan will be held by the trustee of the ELMO Employee Share Trust on behalf of the relevant ‘participant’ during the relevant ‘restriction period’. Kate Hill's 27,934 ELMO Restricted Shares were inadvertently issued to her in her personal capacity (rather than being held via the ELMO Employee Share Trust), noting that the disposal restrictions on these ELMO Restricted Shares still apply. If the Scheme does not become Effective, ELMO will re-assess the arrangements in respect of Kate Hill's ELMO Restricted Shares.

10.5. Other benefits and agreements

a) Deeds of indemnity, insurance and access

ELMO Group has entered into deeds of indemnity, insurance and access with the directors and various executive officers of the ELMO Group, on customary terms (**D&O Deeds**). The D&O Deeds include terms that provide for each ELMO Group Member to indemnify each of its directors and executive officers against any liability incurred by such persons in their capacity as a director or executive officer of the company to any person other than an ELMO Group Member. ELMO Group also pays a premium in respect of a directors and officers insurance policy for the benefit of the directors and executive officers of the ELMO Group.

Prior to the Effective Date, ELMO will arrange for the cover provided under the directors' and officers' insurance policy for ELMO and all other ELMO Group Members (**Policy**) to be amended so as to provide run off cover in accordance with the terms of the Policy for a 7 year period from the end of the term of the Policy (**D&O Run-off Policy**), and pay all premiums required so as to ensure that insurance cover is provided under the D&O Run-off Policy on those terms until that date, subject to certain requirements. As at the Last Practicable Date, ELMO Group expects that the premium for entry into such run-off arrangement will be in the range of approximately \$500,000 to \$700,000. The entry into such arrangements by ELMO is permitted by clause 8.4 of the Scheme Implementation Deed.

b) Agreements and arrangements entered into by ELMO Directors in connection with or conditional upon the Scheme

None of the ELMO Directors, nor any of their Associates, except for ELMO's CEO and Co-Founder Mr Danny Lessem, have entered into, or otherwise have any interest in, any agreement, arrangement or contract with any other person, including any one or more of the Bidder, HoldCo or any of their respective Related Bodies Corporate, in connection with, or conditional upon, the outcome of the Scheme.

ELMO's CEO and Co-Founder Mr Danny Lessem (and Lessem Trading Pty Ltd as trustee for The Lessem Trading Trust, being an entity controlled by Mr Danny Lessem) are party to a Voting and Rollover Agreement with Manhattan Bondi HoldCo, dated 26 October 2022. Further details of the Voting and Rollover Agreements entered into by ELMO's CEO and Co-Founder Mr Danny Lessem are set in section 7.8.

c) Interests of ELMO Directors in contracts with the Bidder

Other than as described in this Scheme Booklet with respect to the Voting and Rollover Agreement, none of the ELMO Directors have:

- i) any Relevant Interest in any securities in the Bidder or any Bidder Group Member; or
- ii) entered into, or otherwise have any interest in any agreement, arrangement or contract with any one or more of the Bidder (or an Associate of the Bidder) or HoldCo.

10.6. No brokerage or stamp duty

No brokerage or stamp duty will be payable by the Scheme Shareholders on the transfer of their ELMO Shares to the Bidder under the Scheme or the receipt by the ELMO Shareholders of the Scheme Consideration.

10.7. Regulatory relief

On 9 December 2022, the ASX granted a waiver of ASX Listing Rules 6.23.2, 6.23.3 and 6.23.4 to the extent necessary to permit the treatment of the ELMO Equity Incentives as set out in section 10.4.

10.8. Consents and disclosures

a) Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- the Bidder in respect of the Bidder Information only;
- Deloitte Tax Services Pty Ltd in respect of section 9;
- Leadenhall Corporate Advisory Pty Ltd as the Independent Expert; and
- JLAB Investments (No. 2) Pty Ltd and Regiton Group Pty Ltd as trustee for the Garber Family Trust in respect of the Major Shareholder Intention Information only.

10.

Additional Information *continued*

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- UBS Securities Australia Limited as financial adviser to ELMO;
- Arnold Bloch Leibler as legal adviser to ELMO;
- Deloitte Tax Services Pty Ltd as tax adviser to ELMO; and
- Link Market Services Limited as the ELMO Share Registry.

b) Disclosures

Each person named in section 10.8(a):

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
 - the Bidder in respect of the Bidder Information only;
 - Deloitte Tax Services Pty Ltd in respect of section 9; and
 - Leadenhall Corporate Advisory Pty Ltd in relation to its Independent Expert's Report; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 10.8(b).

c) Fees

Each of the persons named in 10.8(a) as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging.

If the Scheme is implemented, ELMO expects to pay an aggregate amount of approximately \$9.6 million (exclusive of GST) in transaction costs in connection with the Scheme. This includes advisory fees, the Independent Expert fees, registry fees, Scheme Booklet design, printing and distribution costs and expenses associated with convening and holding the Scheme Meetings. Of this amount approximately \$1.2 million (exclusive of GST) is expected to be payable by ELMO irrespective of whether or not the Scheme is implemented (excluding any Break Fee that may be payable). These amounts do not include the transaction costs that may be incurred by the Bidder in relation to the Scheme.

10.9. No unacceptable circumstances

The ELMO Directors believe that the Scheme does not involve any circumstances in relation to the affairs of ELMO that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

10.10. No other material information

Otherwise than as contained or referred to in this Scheme Booklet, so far as the ELMO Directors are aware, there is no other information that is:

- material to the making of a decision by an ELMO Shareholder whether or not to vote in favour of the Scheme; and
- known to any ELMO Director as at the date of lodging this Scheme Booklet with ASIC for registration,

which has not been previously disclosed to ELMO Shareholders. ELMO is not aware of any material information about ELMO that is material to a decision of an ELMO Shareholder on how to vote in relation to the relevant Scheme Resolutions and which:

- a) has not been made available to the Independent Expert for the purpose of preparing the Independent Expert's Report;
- b) is not set out in this Scheme Booklet (including in the Independent Expert's Report and the information that is contained in the attachments and appendices to this Scheme Booklet); or
- c) has not otherwise been made publicly available by ELMO or disclosed to ELMO Shareholders.

10.11. Supplementary disclosure

ELMO will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Second Court Date:

- a) a material statement in this Scheme Booklet is false or misleading in a material respect;
- b) a material omission from this Scheme Booklet;
- c) a significant change affecting a matter included in this Scheme Booklet; or
- d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, ELMO may circulate and publish any supplementary document by:

- a) making an announcement to the ASX;
- b) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- c) posting the supplementary document to ELMO Shareholders at their address shown on the ELMO Share Register; and/or
- d) posting a statement on ELMO's website at <https://elmosoftware.com.au>,

as ELMO, in its absolute discretion, considers appropriate.



DEFINITIONS AND INTERPRETATION

11.1. Definitions

In this Scheme Booklet unless the context otherwise appears, the following terms have the meanings shown below:

TERM	MEANING
Adviser	means, in relation to an entity, its financiers, and any legal adviser, financial adviser, corporate adviser or other expert adviser or consultant who provides advisory services in a professional capacity to third parties and who has been engaged by that entity in connection with the Transaction by the entity.
Affiliate	means, in respect of a person (Primary Person), a person: <ol style="list-style-type: none"> Controlled directly or indirectly by a Primary Person; Controlling directly or indirectly the Primary Person; who is Controlled, directly or indirectly, by a person or persons who Control the Primary Person; or directly or indirectly under the common Control of the Primary Person and another person or persons.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given in section 12 of the Corporations Act, but so that section 12(1) of the Corporations Act will be treated to include a reference to the Scheme Implementation Deed and deem that ELMO is the 'designated body'.
ASX	means, as the context requires, ASX Limited (ABN 98 008 624 691) or the securities market conducted by it.
Bank	means a corporation authorised by law to carry on the general business of banking in Australia.
Bidder	means Cookie Monster AcquireCo Pty Ltd ACN 664 005 270.
Bidder Affiliate	means any Affiliate of any investment fund, vehicle or managed account advised or managed by K1 Investment Management or any of its Affiliates.
Bidder Group Member	means either the Bidder or any Affiliate of the Bidder.
Bidder Information	means information regarding the Bidder, HoldCo and any other Bidder Group Member provided by or on behalf of the Bidder to ELMO in writing for inclusion in this Scheme Booklet (including for use in preparation of the Independent Expert's Report), being the information in the sections or parts of those sections described below: <ol style="list-style-type: none"> statements under the Important Notices section to the extent that they relate to the Bidder, HoldCo or any other Bidder Group Member; the answers to the questions 'What is Scrip Consideration?', 'Who are the Bidder and HoldCo?', 'What are the Bidder's intentions for ELMO?' and 'How will the Bidder fund the Cash Consideration?' in section 3; the first paragraph of section 5.2(b) under the heading 'Scrip Consideration'; the entire content of section 7; the third paragraph in section 9.4;

TERM	MEANING
Bidder Information <i>continued</i>	<p>f) statements in relation to the ownership structure of the Bidder, HoldCo or any other Bidder Group Member; and</p> <p>g) this definition and the definitions of “Bidder”, “Bidder Affiliate”, “Bidder Group Member”, “Equity Commitment Letter”, “HoldCo”, “HoldCo Limited Partnership Agreement”, “HoldCo Securities”, “K1 Investment Management”, “K5 Fund”, “Manhattan Bondi HoldCo”, “MidCo 1”, “MidCo 2”, “Scrip Consideration” and “Voting and Rollover Agreement” in this section 11.1.</p>
Bidder Obligations	has the meaning given to that term in section 5.3(a).
Break Fee	means \$4,859,760.
Business Day	means a day on which Banks are open for general banking business in Sydney, excluding Saturdays, Sundays and public holidays.
Cash Consideration	means \$4.85 for each Scheme Share.
Competing Proposal	<p>means any offer, proposal, expression of interest, transaction, agreement or arrangement (other than the Transaction), which, if entered into or ultimately completed substantially in accordance with its terms, would result in a person (either alone or together with any Associate):</p> <p>a) directly or indirectly acquiring a legal, beneficial or economic interest (including by way of an equity swap, contract for difference or similar transaction or arrangement) or a Relevant Interest in, or control of, or becoming the holder of, more than 20% of the Securities (other than as custodian, nominee or bare trust);</p> <p>b) directly or indirectly acquiring, becoming the holder of, or otherwise having a right to acquire, a legal, beneficial or economic interest (including by way of an equity swap, contract for difference or similar transaction or arrangement) in, or control of, the whole or substantially all of the businesses and assets of ELMO or the businesses and assets of the ELMO Group;</p> <p>c) otherwise acquiring Control of ELMO;</p> <p>d) otherwise directly or indirectly acquiring or merging, or being involved in an amalgamation or reconstruction (as those terms are used in section 413(1) of the Corporations Act), with ELMO or a material Subsidiary of ELMO; or</p> <p>e) requiring ELMO to abandon, or otherwise fail to proceed with, the Transaction, whether by way of takeover bid, members’ or creditors’ scheme of arrangement, shareholder approved acquisition, reverse takeover, capital reduction, buy-back, sale or purchase of shares, other Securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company structure (or other synthetic merger), deed of company arrangement, any debt for equity arrangement recapitalisation, refinancing or other transaction or arrangement.</p> <p>For the avoidance of doubt, each successive material modification or variation of any offer, proposal, expression of interest, transaction, agreement or arrangement in relation to the Competing Proposal will constitute a new Competing Proposal.</p>
Conditions	means the conditions set out in clause 3.1 of the Scheme Implementation Deed and “ Condition ” means any one of them.
Control	has the meaning given in section 50AA of the Corporations Act, and the terms “ Controlled ” and “ Controlling ” will have corresponding meanings.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).

Definitions and Interpretation

continued

TERM	MEANING
Court	means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act as may be agreed to in writing by ELMO and the Bidder.
Deed Poll	a deed poll in the form of Attachment C under which the Bidder, Manhattan Bondi HoldCo and HoldCo each covenants in favour of the Scheme Shareholders to perform the obligations attributed to them under the Scheme.
Delivery Time	means 8.00am on the Second Court Date.
Disclosure Materials	means the documents and written information contained in the online data room made available to the Bidder and their Representatives prior to 11.00 am on 25 October 2022.
Effective	means, when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	means the date on which the Scheme becomes Effective, which is proposed to be Thursday, 9 February 2023.
Election	means an election by a Rollover Shareholder to receive their Scheme Consideration partly in the form of Scrip Consideration and partly in the form of Cash Consideration, made in accordance with the Scheme Implementation Deed, and “ Electing ” has a corresponding meaning.
Election Form	means a form issued by or on behalf of ELMO for the purposes of a Rollover Shareholder making an Election in a form agreed to by ELMO and the Bidder.
Election Time	means 5.00 pm on the third Business Day before the date of the Rollover Shareholder Scheme Meeting, or such other date as is agreed in writing between ELMO and the Bidder.
ELMO	means ELMO Software Limited ACN 102 455 087.
ELMO Board or Board	means the board of directors of ELMO.
ELMO Director	means a director of ELMO from time to time.
ELMO Employee Share Trust	means the trust established for the purpose of obtaining ELMO Shares for the benefit of participants under ELMO’s equity incentive plans, established pursuant to a deed of trust dated 11 November 2019.
ELMO Equity Incentive	means an ELMO Performance Right, an ELMO Option and/or an ELMO NED Share Right.
ELMO Equity Plan	means the ELMO equity plan, which was adopted by the ELMO Board prior to ELMO’s initial public offering, and approved by ELMO Shareholders on 8 October 2020 for the purpose of an exception to Listing Rule 7.1.
ELMO Group	means ELMO and each of its Related Bodies Corporate and a reference to “ ELMO Group Member ” is to ELMO or any of its Related Bodies Corporate.
ELMO Information	means the information contained in this Scheme Booklet other than: <ul style="list-style-type: none"> a) the Bidder Information; b) section 9; and c) the Independent Expert’s Report (and references to the Independent Expert’s analysis or conclusions).

TERM	MEANING
ELMO NED Equity Plan	means the ELMO non-executive director equity plan, which was adopted by the ELMO Board after ELMO's initial public offering, and approved by ELMO Shareholders on 23 November 2021 for the purpose of Listing Rule 10.14.
ELMO NED Share Right	means a right to receive an ELMO Share subject to certain terms and conditions granted under the ELMO NED Equity Plan.
ELMO Option	means an option to acquire an ELMO Share subject to certain terms and conditions granted under the ELMO Equity Plan.
ELMO Performance Right	means a performance right entitling the holder to receive an ELMO Share subject to certain terms and conditions granted under the ELMO Equity Plan.
ELMO Prescribed Occurrence	<p>means the occurrence of any of the following on or after the date of the Scheme Implementation Deed:</p> <ul style="list-style-type: none"> a) ELMO converting all or any of its shares into a larger or smaller number of shares (as contemplated under section 254H of the Corporations Act or otherwise); b) any ELMO Group Member resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming any of its shares; c) ELMO commencing, continuing or implementing a buy-back (on-market or otherwise) of any of its shares, irrespective of whether such buy-back has been announced on the ASX, Fairly Disclosed (as defined in the Scheme Implementation Deed) in the Disclosure Materials or within the actual knowledge of the Bidder prior to or as at the date of the Scheme Implementation Deed; d) any ELMO Group Member: <ul style="list-style-type: none"> i) entering into a buy-back agreement; or ii) resolving to approve the terms of a buy-back agreement under the Corporations Act; e) any ELMO Group Member agreeing to pay, declaring, determining as payable, paying or distributing, or incurring a liability to pay or make, any distribution, special dividend, bonus or other form of distribution of its profits or assets or returning any capital to its members (whether in cash or in specie); f) an ELMO Group Member issuing securities (including without limitation shares), or granting an option, performance right, phantom performance right or shadow performance right over its securities, or agreeing to make such an issue or grant such an option or right; g) an ELMO Group Member issuing or agreeing to issue securities convertible into shares or any debt securities (including any hybrid securities); h) an ELMO Group Member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares, other than in connection with any action that is undertaken or that otherwise occurs in accordance with clause 5.1 of the Scheme Implementation Deed; i) an ELMO Group Member disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property, whether by any single transaction or series of related or similar transactions; j) an ELMO Group Member granting or otherwise creating, or agreeing to grant or otherwise create, an Encumbrance (as defined in the Scheme Implementation Deed) over the whole, or a substantial or material part, of its business, assets or property of the ELMO Group Member;

Definitions and Interpretation

continued

TERM	MEANING
ELMO Prescribed Occurrence <i>continued</i>	<p>k) an ELMO Group Member being, or becoming, Insolvent;</p> <p>l) an ELMO Group Member ceasing, or threatening to cease, the whole, or a substantial part, of its business;</p> <p>m) any ELMO Group Member making any change to its constitution or constituent documents, other than where an ELMO Group Member that is not material in the context of the ELMO Group (taken as a whole) makes a change to its constitution that does not materially affect the Transaction or the ELMO Group (or its business); or</p> <p>n) any ELMO Group Member agreeing or otherwise committing to do any of the things set out in paragraphs (a) to (m) of this definition,</p> <p>excluding, in the case of each paragraph above of this definition, any such occurrence that:</p> <p>o) is required by law or an order of a court or Government Agency, including the Listing Rules;</p> <p>p) is required or expressly permitted to be done pursuant to the Scheme Implementation Deed or to implement the Scheme;</p> <p>q) took place with the prior written consent of the Bidder;</p> <p>r) was Fairly Disclosed (as defined in the Scheme Implementation Deed) by ELMO in an announcement made to the ASX or a document lodged with ASIC before the date of the Scheme Implementation Deed;</p> <p>s) was Fairly Disclosed (as defined in the Scheme Implementation Deed) in the Disclosure Materials; or</p> <p>in connection with any action that is undertaken or that otherwise occurs in accordance with clause 5.10 of the Scheme Implementation Deed.</p>
ELMO Representations and Warranties	means the representations and warranties of ELMO as set out in Schedule 2 of the Scheme Implementation Deed.
ELMO Restricted Share	means an ELMO Share issued or allotted and/or transferred under the ELMO NED Equity Plan.
ELMO Share	means a fully paid ordinary share in the capital of ELMO, and for the avoidance of doubt, includes an ELMO Restricted Share.
ELMO Shareholder	means each person who is registered in the ELMO Share Register as the holder of ELMO Shares from time to time.
ELMO Share Register	means the register of members of ELMO maintained in accordance with the Corporations Act.
ELMO Share Registry	Link Market Services Limited ABN 54 083 214 537.
End Date	means 26 July 2023, or such other date as is agreed in writing between the Bidder and ELMO.
Equity Commitment Letter	the binding, executed commitment letter dated on or around 30 November 2022 and addressed to the Bidder from K5 Private Investors, L.P. pursuant to which K5 Private Investors, L.P. has committed to provide an aggregate maximum amount equal to \$488,107,850.90 to be used by the Bidder for the purpose of funding, to the extent necessary, the Scheme Consideration, subject to and in accordance with its terms.
Equity Funding	has the meaning given to that term in section 7.5.
Exclusivity Period	has the meaning given to that term in section 5.3(c).

TERM	MEANING
First Court Date	means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act directing ELMO to convene the Scheme Meetings to consider the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard).
General Scheme Meeting	means the meeting of General Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme at 10.00am on Monday, 30 January 2023 and includes any meeting convened following any adjournment or postponement of that meeting.
General Scheme Resolution	means the resolution to approve the Scheme to be voted on at the General Scheme Meeting, the form of which is set out in the Notice of General Scheme Meeting in Annexure D.
General Shareholder	means the ELMO Shareholders other than the Rollover Shareholders.
Government Agency	means any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia, or elsewhere, including the United Kingdom, the United States or New Zealand, including any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and the ASX or any other stock exchange.
GST	has the meaning given to that term in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Hero Brands SHD	means the securityholder's deed in relation to Hero Brands Pty Ltd ACN 605 200 020 in its personal capacity and as trustee of the Hero Brands Trust between ELMO and Hero Brands Group Pty Ltd ACN 168 033 029 as trustee of Hero Brands Group Unit Trust.
HoldCo	means Cookie Monster Holdings, L.P. (file number 7143718), a special purpose Bidder Affiliate incorporated for the purposes of issuing Scrip Consideration to the Rollover Shareholders, and which indirectly wholly owns the Bidder.
HoldCo Limited Partnership Agreement	means the limited partnership agreement with respect to HoldCo.
HoldCo Securities	means Series A Units in the capital of HoldCo.
IBC	means the independent board committee, established by the ELMO Board, to consider acquisition proposals in respect of ELMO and engage with counterparties as required.
IBC Directors	means each of Barry Lewin, Kate Hill and Leah Graeve.
Implementation Date	means the fifth Business Day after the Scheme Record Date or such other date as agreed in writing between the Bidder and ELMO.
Independent Expert	means the independent expert in respect of the Scheme appointed in good faith by ELMO to opine on whether the Scheme is in the best interests of ELMO Shareholders and to prepare the Independent Expert's Report, being Leadenhall Corporate Advisory Pty Ltd.
Independent Expert's Report	means the report to be issued by the Independent Expert in connection with the Scheme for inclusion in the Scheme Booklet which includes a statement by the Independent Expert on whether, in its opinion, the Scheme is in the best interests of ELMO Shareholders, and includes any update of that report by the Independent Expert, and which is contained in Annexure A.

Definitions and Interpretation *continued*

TERM	MEANING
Insolvent	<p>means in relation to a person:</p> <ul style="list-style-type: none"> a) it is subject to any arrangement, compromise, assignment, moratorium or composition with its creditors generally or is otherwise protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved in writing by the other parties to the Scheme Implementation Deed); b) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days) in connection with that person, which could reasonably result in any of the events described in paragraphs (a) to (d) of this definition; c) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days; d) it is deregistered as a company or otherwise dissolved; e) it suspends or threatens to suspend payment of its debts as and when they become due; f) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; g) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to the Scheme Implementation Deed reasonably deduces it is so subject); h) it executes a deed of company arrangement; i) it is otherwise unable to pay its debts when they fall due; or j) something analogous to anything set out in paragraphs to (a) to (i) (inclusive) of this definition happens in connection with that person under the law of any jurisdiction.
K1 Investment Management	means K1 Investment Management, LLC.
K5 Fund	means K5 Private Investors, L.P. (file number 7846630).
Last Practicable Date	means Tuesday, 13 December 2022.
Lessem Rollover Shareholders	has the meaning given to that term in section 7.7.
Listing Rules	means the official listing rules and requirements from time to time of the ASX.
Major Shareholder Intention Information	means information regarding the intention of each of JLAB Investments (No. 2) Pty Ltd and Regiton Group Pty Ltd as trustee for the Garber Family Trust to vote all of the ELMO Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of ELMO Shareholders, as included in this booklet in the Letter from the Chairman of ELMO and in the answer to the question 'Have any major ELMO Shareholders indicated their intentions with respect to the Scheme?' in section 3.
Manhattan Bondi HoldCo	means Manhattan Bondi HoldCo, Inc. (file number 7097622).

TERM	MEANING
Material Adverse Change	<p>means any event, circumstance, occurrence, or matter occurring after the date of the Scheme Implementation Deed, or occurring before the date of the Scheme Implementation Deed but only announced, publicly disclosed, or becoming known to the Bidder after the date of the Scheme Implementation Deed, that has resulted in, or is reasonably likely to result in, either individually or when aggregated with all such events, circumstances, occurrences, or matters:</p> <ul style="list-style-type: none"> a) a reduction of the consolidated annual recurring revenue of the ELMO Group to a level that is less than 95% of \$111 million (being the consolidated annual recurring revenue at 30 September 2022), calculated using a consistent methodology and where Great British Pounds are converted into Australian dollars using a GBP:AUD exchange rate of 1.7138 and New Zealand Dollars are converted into Australian dollars using a NZD:AUD exchange rate of 0.88, where applicable, to remove the impact of exchange rate movements and facilitate comparability of the ELMO Group's consolidated annual recurring revenue; or b) a reduction in Net Cash of the ELMO Group after the date of the Scheme Implementation Deed and before the Delivery Time to an amount that is less than \$27.5 million, calculated using a consistent methodology and where Great British Pounds are converted into Australian dollars using a GBP:AUD exchange rate of 1.7138 and New Zealand Dollars are converted into Australian dollars using a NZD:AUD exchange rate of 0.88, where applicable, to remove the impact of exchange rate movements, <p>in each case, other than an event, circumstance, occurrence, or matter:</p> <ul style="list-style-type: none"> c) that was Fairly Disclosed (as defined in the Scheme Implementation Deed) in the Disclosure Materials; d) expressly required to be done or procured by ELMO pursuant to the Scheme Implementation Deed or the Scheme; e) that was (including its impact) within the actual knowledge of the Bidder Deal Team (as defined in the Scheme Implementation Deed) prior to the date of the Scheme Implementation Deed (which does not include mere knowledge of the risk of an event, circumstance, occurrence, or matter happening); f) which the Bidder has previously approved or requested in writing; g) which was, or the impact of which was, Fairly Disclosed (as defined in the Scheme Implementation Deed) by ELMO in an announcement made to the ASX or a public document lodged with ASIC before the date of the Scheme Implementation Deed; h) which relates to the costs and expenses incurred by the ELMO Group associated with the Scheme including all fees payable to external advisors of the ELMO Group and the funding of same, to the extent such amounts are Fairly Disclosed (as defined in the Scheme Implementation Deed) in the Disclosure Materials;

Definitions and Interpretation *continued*

TERM	MEANING
Material Adverse Change <i>continued</i>	<ul style="list-style-type: none"> i) which is or arises from changes in general economic or business conditions applicable to the industry in which the ELMO Group operates (including interest rates and currency exchange rates), other than where such matters have a materially disproportionate effect on the ELMO Group as compared to other participants in the industry in which the ELMO Group operates; j) arising from the Coronavirus or Covid-19 pandemic (or any mutation, variation or derivative thereof) after the date of the Scheme Implementation Deed, including the outbreak, escalation or any impact of, or recovery from, the Coronavirus or Covid-19 pandemic (or any mutation, variation or derivative thereof), and including in connection with lockdowns, travel restrictions, quarantining, closures, social distancing and restrictions of and on activities, venues or gatherings, having regard to any applicable recommendations, guidance or directions of a Government Agency; k) arising out of any option being exercised (or not being exercised) under the Hero Brands SHD (other than as a result of a breach of clauses 6.1(f)(xxi) or 6.6 of the Scheme Implementation Deed); l) arising as a result of any generally applicable change in law (including subordinate legislation), regulation, directions, orders, accounting standards or principles or governmental policy, or the interpretation of any of them; and m) arising from any act of terrorism, outbreak, or escalation of war (whether or not declared), major hostilities, an act of God, natural disaster, lightning, storm, flood, bushfire, earthquake, explosion, cyclone, tidal wave or landslide, on or after the date of the Scheme Implementation Deed.
MidCo 1	means Cookie Monster MidCo Pty Ltd ACN 664 004 531.
MidCo 2	means Cookie Monster TopCo Pty Ltd ACN 664 004 013.
Net Cash	means the amount of cash, cash equivalents and short term interest bearing deposits (where the terms "cash" and "cash equivalents" are as defined in the Australian Accounting Standards) of the ELMO Group as at the relevant date, but excluding the aggregate proceeds received by the ELMO Group in connection with the vesting and exercise of the ELMO Equity Incentives (if any) in accordance with clause 5.10 of the Scheme Implementation Deed.
Notice of General Scheme Meeting	means the notices of meeting relating to the General Scheme Meeting on Monday, 30 January 2023, which is contained in Annexure D.
Notice of Rollover Shareholder Scheme Meeting	means the notices of meeting relating to the Rollover Shareholder Scheme Meeting on Monday, 30 January 2023, which is contained in Annexure E.
Officer	means, in relation to any entity, any of its directors or officers.
Proxy Form	means the proxy form for the Scheme Meetings, a sample of which accompanies this Scheme Booklet or as the context requires, any replacement or substitute proxy form provided by or on behalf of ELMO.
Recommendation	has the meaning given to that term in section 5.1.
Related Body Corporate	has the meaning given in section 9 of the Corporations Act and includes any body corporate that would be a related body corporate for the purposes of the Corporations Act if section 48(2) of the Corporations Act was omitted.

TERM	MEANING
Related Entity	of a party means another entity which: a) is a Related Body Corporate of the first entity; b) is in any consolidated entity (as defined in section 9 of the Corporations Act) which contains the party; or c) the party Controls.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Relevant Person	means in relation to a person, their Related Entities, Associates, Affiliates and Representatives.
Representative	means, in relation to a party: a) each of the party's Related Entities; and b) each of the members Officers, employees, Advisers and agents of the party or of its Related Entities.
Requisite Majorities	has the meaning given to that term in section 4.2.
RG 60	means Regulatory Guide 60 issued by ASIC in September 2020.
Rollover Shareholder	means: a) Danny Isaac Lessem; b) Lessem Trading Pty Ltd as trustee for the Lessem Trading Trust; c) James Richard Haslam; d) James Richard Haslam as trustee for the James Haslam Family Trust; e) Xin (Samuel) Sun; and f) Gordon Starkey.
Rollover Shareholder Scheme Meeting	means the meeting of Rollover Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme at 11.00am on Monday, 30 January 2023 and includes any meeting convened following any adjournment or postponement of that meeting.
Rollover Shareholder Scheme Resolution	means the resolution to approve the Scheme to be voted on at the General Scheme Meeting, the form of which is set out in the Notice of General Scheme Meeting in Annexure E.
Scheme	means the scheme of arrangement under Part 5.1 of the Corporations Act between ELMO and the Scheme Shareholders in respect of all Scheme Shares, the form of which is attached as Annexure B or in such other form as ELMO and the Bidder agree in writing, subject to any alterations or conditions that are: a) agreed to in writing by ELMO and the Bidder and approved by the Court; or b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by ELMO and the Bidder.
Scheme Booklet	means this scheme booklet, including the attachments to it.
Scheme Consideration	means the Cash Consideration and, if applicable, Scrip Consideration, to be provided to each Scheme Shareholder for the transfer to the Bidder of each Scheme Share in accordance with the Scheme Implementation Deed.
Scheme Implementation Deed	means the scheme implementation deed dated 26 October 2022 between ELMO and Manhattan Bondi HoldCo.

Definitions and Interpretation *continued*

TERM	MEANING
Scheme Meetings	means the General Scheme Meeting and/or the Rollover Shareholder Scheme Meeting (as applicable).
Scheme Meeting Record Date	means Saturday, 28 January 2023.
Scheme Record Date	means 7.00pm on the fifth Business Day after the Effective Date or such other date as agreed in writing between ELMO and the Bidder.
Scheme Resolution	means each of the General Scheme Resolution as set out in the Notice of General Scheme Meeting and the Rollover Shareholder Scheme Resolution as set out in the Notice of Rollover Shareholder Scheme Meeting.
Scheme Shareholder	means a person registered as an ELMO Shareholder at the Scheme Record Date.
Scheme Shares	means all ELMO Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scrip Consideration	means 1 HoldCo Security per Scheme Share.
Second Court Date	means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned application is heard).
Second Court Hearing	means the hearing of the application made to the Court for the order under section 411(4)(b) of the Corporations Act approving the Scheme.
Securities	means shares, debentures, stocks, bonds, notes, interests in a managed investment scheme, units, warrants, options, derivative instruments and any other securities which are convertible into shares in any ELMO Group Member.
Subsidiary	has the meaning given to that term by section 9 of the Corporations Act.
Superior Proposal	<p>means a bona fide Competing Proposal received after the date of the Scheme Implementation Deed (26 October 2022) which the IBC determines, acting in good faith and after receiving advice from its legal and financial advisers:</p> <ul style="list-style-type: none"> a) is reasonably capable of being valued and completed in a reasonably timely fashion, taking into account all aspects of the Competing Proposal; and b) would, if completed substantially in accordance with its terms, be more favourable to ELMO Shareholders (other than the Rollover Shareholders) as a whole, than the Transaction (as the Transaction may be amended or varied following application of the matching right set out in clause 11.6 of the Scheme Implementation Deed), <p>taking into account all terms and conditions (including the executability) of the Competing Proposal, the identity, reputation and financial condition of the person making the proposal, and all relevant legal, regulatory and financial matters (including the value and type of consideration, funding, any timing considerations, any conditions precedent, whether the person making the proposal holds an interest in a competitor or a potential competitor of ELMO, or other matters affecting the probability of the proposal being completed).</p>
Takeovers Panel	means the Takeovers Panel constituted under the <i>Australian Securities and Investments Commission Act 2001</i> (Cth).
Transaction	means the acquisition by the Bidder of the Scheme Shares by implementation of the Scheme.

TERM	MEANING
Voting and Rollover Agreement	means the voting and rollover agreement entered into between Manhattan Bondi HoldCo, ELMO's CEO and Co-Founder Danny Lessem, and Lessem Trading Pty Ltd as trustee for the Lessem Trading Trust on 26 October 2022.
Voting Intention	has the meaning given to that term in section 5.1.

11.2. Interpretation

In this Scheme Booklet, unless expressly stated or the context otherwise appears:

- a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- b) words importing a gender include any gender;
- c) words importing the singular include the plural and vice versa;
- d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- e) a reference to a section or annexure is a reference to a section of and an annexure to this Scheme Booklet as relevant;
- f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- g) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- h) a reference to time is a reference to time in Sydney, Australia;
- i) the words "including", "for example", "such as" or other similar expressions (in any form) are not words of limitation;
- j) a reference to writing includes facsimile transmissions; and
- k) a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

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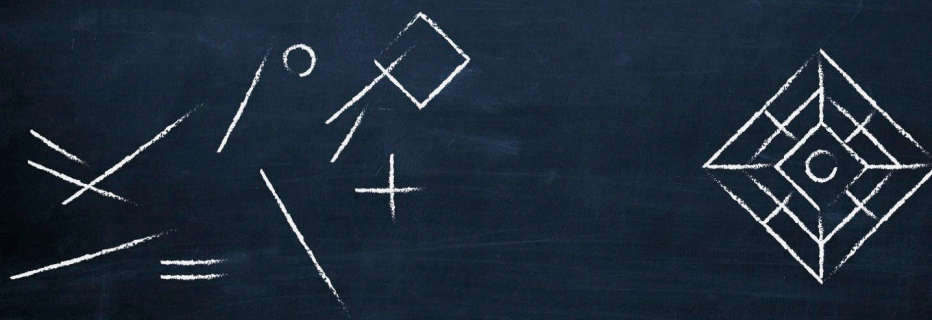
ANNEXURE A: INDEPENDENT EXPERT'S REPORT



ELMO SOFTWARE LIMITED

PROPOSED ACQUISITION BY SCHEME OF ARRANGEMENT

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
16 DECEMBER 2022





16 December 2022

The Independent Directors
ELMO Software Limited
Level 27, 580 George Street
Sydney, NSW 2000

Dear Directors,

Independent Expert's Report for ELMO Software Limited

1. Introduction

ELMO Software Limited ("**ELMO**") is a public company listed on the Australian Securities Exchange ("**ASX**") that provides Human Capital Management ("**HCM**") software-as-a-service ("**SaaS**") solutions to businesses across Australia, New Zealand and the United Kingdom.

K1 Investment Management, LLC ("**K1**") is a private investment firm focusing on partnering with enterprise software companies. K1 has invested in over 200 software companies since inception including other high growth Australian-based software companies such as simPRO, Cyara, AroFlo and RosterLive.

On 14 June 2022, ELMO confirmed via an ASX announcement that it was in exploratory discussions with a party in relation to a change of control proposal. As a consequence of the ASX announcement and the subsequent inbound interest by potential acquirers, in September 2022, the board of ELMO and their advisers held discussions with select parties in the context of maximising shareholder value, which resulted in the receipt of a number of non-binding expressions of interest. As part of this process, the board established an independent committee, comprising all of the ELMO directors other than Danny Lessem ("**IBC**"), to consider these proposals and engage with counterparties as required.

Following receipt of other non-binding expressions of interest since July 2022 (all of which were at a value lower than the Consideration), on 26 October 2022, ELMO and Manhattan Bondi HoldCo, Inc ("**MBH**"), a wholly-owned subsidiary of funds advised by K1, entered into an agreement for MBH to acquire (or nominate an affiliate to acquire) all of the issued share capital in ELMO for \$4.85 per ELMO share in cash ("**Consideration**"), via a scheme of arrangement ("**Proposed Transaction**"). Subsequently, MBH nominated Cookie Monster AcquireCo Pty Ltd ("**K1 BidCo**"), an indirect wholly owned subsidiary of K5 Private Investors, L.P., a fund advised and managed by K1, as the bidder for the Proposed Transaction.

ELMO's CEO and Co-Founder, Mr Danny Lessem has elected, and certain other members of the senior management team of ELMO may elect, to receive consideration for a portion of their existing ELMO shares owned or controlled by them ("**Rollover Shares**") in the form of scrip consideration in the ultimate holding company of the acquiring entity, Cookie Monster Holdings, L.P ("**K1 HoldCo**"). For the purpose of the Proposed Transaction, these shareholders will be treated as a separate class of shareholder ("**Rollover Shareholders**").

Further details of the Proposed Transaction are set out in Section 1 of our detailed report.

2. Purpose of the report

In order to assist ELMO's shareholders evaluate the Proposed Transaction, the IBC have engaged Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report assessing whether the Proposed Transaction is in the best interests of ELMO's shareholders excluding Rollover Shareholders ("**Shareholders**"). This report is to be included in the scheme booklet regarding the Proposed Transaction. We have not been engaged to provide an opinion on the Proposed Transaction from the perspective of Rollover Shareholders.

Further information regarding our scope and purpose is set out in Section 2 of our detailed report.

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Annexure A: Independent Expert's Report *continued*

ELMO Software Limited
Independent Expert's Report and Financial Services Guide
16 December 2022



3. Basis of evaluation

In order to assess whether the Proposed Transaction is in the best interests of Shareholders, we have:

- ◆ Assessed the fairness and reasonableness of the Proposed Transaction
- ◆ Assessed it as fair if the value of the Consideration is greater than or equal to the value of an ELMO share on a control basis
- ◆ Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Shareholders outweigh the disadvantages
- ◆ Assessed the Proposed Transaction as in the best interests of Shareholders if it is either fair and reasonable or not fair but reasonable.

Further details of the basis of evaluation are provided in Section 2 of this report.

4. The Proposed Transaction is fair

Assessed value of ELMO

We have applied a discounted cash flow ("DCF") approach as the primary method to determine the fair market value of ELMO. As part of the DCF analysis we have prepared a five year cash flow forecast from FY23 to FY27 ("**Leadenhall Model**") having regard to a detailed five year cash flow model that was prepared by ELMO management as part of the process of engaging with interested parties, the board approved budget for FY23, a five year impairment model prepared for financial reporting purposes as at 30 June 2022 and our own independent analysis including consideration of available broker forecasts for ELMO.

In preparing the analysis we have considered two scenarios as follows:

- ◆ **High case:** The high case assumes substantial near-term revenue growth (CAGR of 31% to FY27) driven by a combination of growth in new customer acquisition and net customer retention, declining in the medium term as the target market (mid-market businesses using manual HR processes) in Australia is increasingly penetrated. Declining new sales growth is expected to be somewhat offset by sustained growth from existing customers from an ongoing focus on increasing core module penetration in existing customers. Churn of existing customers is forecast to slightly decline as customers become stickier as core module penetration per customer increases. Expenses are forecast to decline as a percentage of revenue as the benefits of scale are realised primarily due to relatively lower customer acquisition costs as new customer growth slows.
- ◆ **Low case:** The low case assumes lower revenue growth, higher customer churn and lower upsell than the high case. Operating expenses as a percentage of revenue are consistent with the high case.

Further details of the key assumptions applied are set out in detail in Section 6.2 of our detailed report.

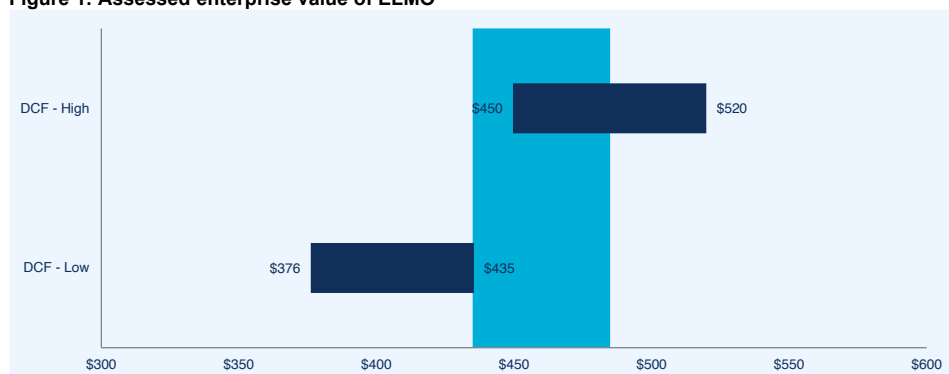
In applying the DCF analysis for both scenarios we have adopted a discount rate of 12.0% to 13.0% and a terminal growth rate of 5.0%. In determining the terminal growth rate, we also considered a gradual reduction in growth over a ten year period, towards a long-term rate of inflation, which resulted in a similar valuation outcome.

ELMO Software Limited
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Based on the analysis above, we have assessed the enterprise value of ELMO to be in the range of \$435 million to \$485 million as summarised in the chart below:

Figure 1: Assessed enterprise value of ELMO



Source: Leadenhall analysis

In selecting our assessed enterprise value range for ELMO, we have considered the following factors:

- ◆ The high case assumes significant new customer acquisition and ongoing levels of net customer retention rates above historical averages but broadly in line with historical trends.
- ◆ The low case is towards the higher end of forecasts from research analysts, although we note that these forecasts may not fully reflect the longer-term strategic plans for ELMO.
- ◆ The implied revenue multiples of comparable companies, as discussed in Section 6.3 of our detailed report, are consistent with the high end of the low case and towards the middle of the high case.

Based on the above considerations, our selected range is in line with the high end of the low case and the mid-point of the high case. Our assessed range equates to an approximate weighting of 60% for the high case and 40% for the low case.

As a cross-check to our DCF approach, we have compared the revenue multiples implied by the outputs of our DCF analysis to the revenue multiples observed in the share trading and transactions involving broadly comparable companies. This provided further support for the outcomes from our DCF analysis. Further details of this cross-check are set out in detail in Section 6.3 of our detailed report.

Based on the above analysis, we have assessed the value of an ELMO share to be \$4.39 to \$4.98 per share, with a mid-point of \$4.69 per share, on a control basis as set out below:

Table 1: Assessed equity value of ELMO

Equity Value (Control Basis)		
	Low	High
Calculated enterprise value on a control basis	435.0	485.0
Surplus assets	5.1	13.8
Non-operating liabilities	(1.0)	(1.0)
Net surplus cash	0.5	0.5
Assessed equity value on a control basis	439.7	498.3
Fully diluted ordinary shares on issue ('m)	100.2	100.2
Assessed value per ordinary share on a control basis (\$)	4.39	4.98

Source: Leadenhall analysis

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Annexure A: Independent Expert’s Report
continued

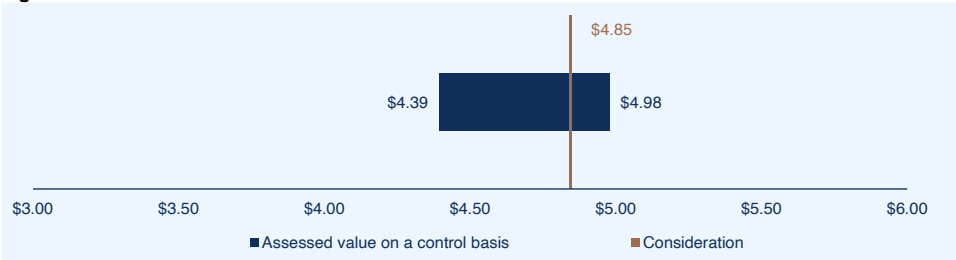
ELMO Software Limited
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16 December 2022



Comparison to consideration

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of an ELMO share (on a control basis) with the Consideration. This comparison is set out in the table below.

Figure 2: Assessment of fairness



Source: Leadenhall analysis

Since the Consideration is within our assessed range of values of an ELMO share, and towards the high-end, we have concluded that the Proposed Transaction is fair.

5. The Proposed Transaction is reasonable

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, the advantages to the Shareholders outweigh the disadvantages. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

The main advantages of the Proposed Transaction are:

- ◆ **Significant premium to recent trading in ELMO shares:** the Consideration represents a premium of 102% to the volume weighted average price (“VWAP”) of ELMO shares on 12 October 2022, being the last trading day prior to the announcement that approaches had been received expressing interest in acquiring ELMO. It also represents premiums of between 84% and 95% to the three month and one month VWAP of trading in ELMO shares.
- ◆ **Share price likely to fall in the absence of the Proposed Transaction:** since the announcement of the Proposed Transaction, ELMO shares have traded at a slight discount to the Consideration. This is considerably higher than trading prices prior to 12 October 2022. If the Proposed Transaction is not approved, it is likely the trading price will fall, at least in the short-term, to trade more in line with share trading before the announcement of approaches being received for the acquisitions of ELMO. If the Proposed Transaction does not proceed, we consider that ELMO shares are unlikely to trade in line with the Consideration in at least the near term in the absence of an alternate control transaction.
- ◆ **Certainty of exit proceeds:** if the Proposed Transaction proceeds, Shareholders will receive cash consideration (with no brokerage costs) at a significant premium to recent trading in ELMO shares and will no longer be exposed to any variability in their investment in ELMO. This may be desirable for some Shareholders, particularly in light of the current economic uncertainty and share market volatility.
- ◆ **No superior offers to date:** based on our discussions with the chair of the IBC, we are not aware of any competing proposals to acquire ELMO by any third party. We are also advised that the Proposed Transaction represented the highest value offer received from potential acquirers of ELMO since July 2022. We also note that the approach in June 2022, and the more recent discussions in relation to various control proposals that were undertaken by ELMO and its advisers with interested parties, have been announced to the market by ELMO and no superior offers have emerged. On this basis, we consider it to be unlikely that a superior alternate offer will emerge before Shareholders vote on the Proposed Transaction.

ELMO Software Limited
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- ◆ **Support from the IBC and major investors:** the Proposed Transaction has the support of the IBC and the three largest shareholders; Mr Lessem, JLAB Investments (No. 2) Pty Ltd ("**JLAB**") and Regiton Pty Ltd as trustee for the Garber Family Trust ("**Garber Family Trust**"). Collectively these shareholders hold or control approximately 34.4% of ELMO shares on issue, which indicates broad support for the Proposed Transaction by existing institutional and executive shareholders.

Disadvantages

The main disadvantages of the Proposed Transaction are:

- ◆ **Inability to participate in potential growth and re-rating of ELMO:** if the Proposed Transaction proceeds, Shareholders will no longer hold an interest in ELMO and will therefore not participate in any future value created by the company over and above that reflected in the Consideration. This value creation could be generated from executing the near-term growth initiatives of the company (as discussed in Section 4.12) and/or any general re-rating of the technology sector (which has experienced a general decline in the last 12 months). Furthermore, ELMO is expected to become cash flow positive in the near-term, which may increase investor interest and positively impact the share price. Our assessed value of an ELMO share explicitly considers some of these factors.
- ◆ **Limited alternative investment opportunities:** in recent years there have been a number of takeover offers for Australian SaaS and software companies (some of which have been completed and some have not). Whilst there remain a number of SaaS and other software companies with similar growth prospects on the ASX, there may be constraints for Shareholders reinvesting the net proceeds in similar investment opportunities in Australia. This would be a disadvantage to any Shareholders wishing to retain their exposure to the sector.
- ◆ **There may be additional synergies available to K1:** if the Proposed Transaction is approved and implemented, it is possible that K1 may be able to realise back office-cost savings and other synergies with its other portfolio companies in excess of other market participants. Whilst it is not possible to determine the extent to which the Consideration includes synergy benefits, since the Consideration is higher than the mid-point of our assessed valuation range of an ELMO share, we consider it likely that a proportion of the synergy benefits expected to be realised by K1 are reflected in the Consideration.
- ◆ **Only certain shareholders will have access to scrip consideration:** Rollover Shareholders will receive consideration in the form of K1 HoldCo shares, which will allow these shareholders to participate in any potential future growth of ELMO in excess of that contemplated by our valuation, as well as any further synergies achieved by K1 but not reflected in the Consideration. However, the value of Rollover Shareholders interest in K1 HoldCo would reflect discounts for lack of control and lack of marketability. Since Rollover Shareholders will not be increasing their economic interest in K1 HoldCo relative to their existing interest in ELMO represented by the Rollover Shares, and the only asset of K1 HoldCo will be a 100% interest in ELMO, it is likely that the fair market value of the K1 HoldCo shares to be received by Rollover Shareholders would be less than the Consideration.
- ◆ **Tax leakage:** if Shareholders approve the Proposed Transaction this may accelerate tax leakage on their ELMO investment that would otherwise be deferred in the absence of the Proposed Transaction. The tax implications may vary for individual shareholders. Shareholders should seek their own independent advice as to any potential tax implications of the Proposed Transaction.

Conclusion on reasonableness

As the Proposed Transaction is fair, it is also reasonable. Further details of our considerations of the reasonableness of the Proposed Transaction are set out in Section 7.2 of our detailed report.

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Annexure A: Independent Expert's Report *continued*

ELMO Software Limited
Independent Expert's Report and Financial Services Guide
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6. Opinion

As we have concluded that the Proposed Transaction is fair and reasonable to Shareholders, it is also in their best interests, in the absence of a superior offer.

Yours faithfully

Dave Pearson
Director

Nathan Timosevski
Director

*Note: All amounts stated in this report are in Australian dollars (\$'000) unless otherwise stated.
Tables in this report may not add due to rounding.*

ELMO Software Limited
Independent Expert's Report and Financial Services Guide
16 December 2022



LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("Leadenhall" or "we" or "us" or "our" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("FSG") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$95,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

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Annexure A: Independent Expert's Report *continued*

ELMO Software Limited
Independent Expert's Report and Financial Services Guide
16 December 2022



Independence

In the previous two years we have provided financial reporting related valuations for ELMO. This work did not involve Leadenhall participating in setting the terms of, or any negotiations leading to, the Proposed Transaction. We therefore consider ourselves to be independent for the purpose of this engagement, in accordance with *Regulatory Guide 112: Independence of Experts*.

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you may lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution services that are free to consumers and can be contacted as follows:

Website: www.afca.org.au

By post: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

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1 THE PROPOSED TRANSACTION

1.1 Background

ELMO is an ASX listed company and a leading cloud-based HCM SaaS provider. Further details of ELMO's operations are provided in Section 4 of this report.

K1 is a Los Angeles-based private investment firm focused exclusively on partnering with enterprise software companies and has invested in over 200 software companies since inception including other high growth Australian-based software companies such as simPRO, Cyara, AroFlo and RosterLive.

On 14 June 2022, ELMO confirmed via an ASX announcement that it was in exploratory discussions with a party in relation to a change of control proposal. As a consequence of the ASX announcement and the subsequent inbound interest by potential acquirers, in September 2022, the board of ELMO and their advisers held discussions with select parties in the context of maximising shareholder value, which resulted in the receipt of a number of non-binding expressions of interest.

Following receipt of other non-binding expressions of interest since July 2022 (all of which were at a value lower than the Consideration), the MBH proposal was selected as it represented the highest price and most certainty in terms of execution risks. Subsequently, on 26 October 2022, ELMO and MBH entered into a binding scheme implementation deed, under which MBH proposed to acquire (or nominate an affiliate to acquire) all of the issued share capital in ELMO by way of a scheme of arrangement. MBH subsequently nominated K1 BidCo as the bidder for the Proposed Transaction.

1.2 Terms

Under the Proposed Transaction, Shareholders will be entitled to receive \$4.85 in cash for each share held.

For the Proposed Transaction to become effective, the following conditions need to be met:

- ◆ The independent expert concluding that the Proposed Transaction is in the best interests of the Shareholders
- ◆ ELMO Shareholder approval
- ◆ Foreign Investment Review Board ("FIRB") approval
- ◆ Court approval
- ◆ Various other customary conditions precedent (other regulatory approvals, no material adverse changes etc, no prescribed occurrences).

1.3 Other considerations

ELMO's CEO and Co-Founder, Mr Danny Lessem, currently holds an 11.04% interest in ELMO. Mr Lessem and Lessem Trading Pty Ltd (as trustee for the Lessem trading trust) have entered into an agreement with MBH whereby those shareholders agree that they will elect to receive scrip consideration in K1 HoldCo in respect of \$37 million (or approximately 70%) of the ELMO shares that they own or control. The remaining shares will be acquired for the Consideration.

Mr Lessem has also agreed to vote in favour of the Proposed Transaction, subject to certain conditions. In addition, Mr Lessem has agreed not to accept or vote in favour of any competing proposal for the duration of his agreement with MBH (subject to his fiduciary duties as a director and employment agreement with ELMO).

Certain key management personnel of ELMO, may elect to roll a portion of their respective shares owned or controlled in ELMO into K1 HoldCo in lieu of cash consideration. These shareholders will also be classified as Rollover Shareholders with respect to the Proposed Transaction.

In addition to Mr Lessem, two of ELMO's largest shareholders, JLAB and the Garber Family Trust, who in aggregate hold or control 23.4% of ELMO's ordinary shares outstanding, have confirmed that, in the absence of a superior proposal and subject to the independent expert concluding (and continuing to conclude) that the scheme is in the best interests of Shareholders, they intend to vote all ELMO shares held or controlled by them in favour of the Proposed Transaction.

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2 SCOPE

2.1 Purpose of the report

The Proposed Transaction is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act 2001 ("s411"). Under s411 the scheme must be approved by shareholders.

Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth) ("Part 3") prescribes the information to be provided to shareholders in relation to schemes of arrangement. Part 3 requires an independent expert's report stating whether a proposed scheme is in the best interests of shareholders of the company subject to the scheme if either:

- ◆ The other party to the scheme is entitled to more than 30% of the voting shares in the company which is subject to the scheme.
- ◆ A director of the corporation that is the other party to the scheme is also a director of the company that is the subject of the scheme.

As ELMO and K1 BidCo do not have any directors in common and K1 BidCo does not currently hold shares in ELMO, there is no formal requirement for an independent expert's report in relation to the Proposed Transaction. However, the IBC have engaged Leadenhall to prepare an independent expert's report to assist Shareholders evaluate the Proposed Transaction.

Mr Lessem has elected, and certain members of senior management may elect, to roll over a portion of their ELMO shares into K1 HoldCo. These Rollover Shareholders are considered to be a separate class of shareholder for the purpose of voting on the Proposed Transaction. We have not been engaged to provide an opinion on the Proposed Transaction from the perspective of Rollover Shareholders for the reasons described in Section 2.5 of the Scheme Booklet.

2.2 Basis of evaluation

Introduction

There is no legal definition of the expression 'in the best interests'. However, *Regulatory Guide 111: Content of Expert Reports* ("RG111") issued by ASIC provides guidance on its meaning. RG111.19 requires an expert to assess whether a scheme of arrangement involving a change of control is 'fair and reasonable'. A transaction would be 'in the best interests' of shareholders if it is either 'fair and reasonable' or 'not fair but reasonable'. As the Proposed Transaction is a control transaction, we have adopted this approach.

RG111 requires a separate assessment of whether a control transaction is 'fair' and whether it is 'reasonable'. We have therefore considered the concepts of 'fairness' and 'reasonableness' separately. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

In accordance with RG111.11, we have assessed the Proposed Transaction as fair if the consideration offered to Shareholders is equal to, or greater than, the value of an ELMO share. The value of an ELMO share has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

We have assessed the value of an ELMO share and the consideration offered at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with the basis of value described at RG111.11 and common market practice.

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Annexure A: Independent Expert's Report *continued*

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Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Special value is typically not considered in forming an opinion on the fair market value of an asset. Our valuation of ELMO does not include any special value.

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote for the Proposed Transaction. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.13:

- ◆ The size of existing shareholding blocks in ELMO
- ◆ The liquidity of the market in ELMO's shares
- ◆ Taxation losses, cash flow or other benefits through achieving 100% ownership of ELMO
- ◆ Any special value of ELMO to K1 BidCo
- ◆ The likely market price of ELMO or shares if the Proposed Transaction is rejected
- ◆ The value of ELMO to an alternative bidder and the likelihood of an alternative offer.

We have also considered other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individual investors may reach a different conclusion to ours on whether the Proposed Transaction is in their best interests. If in doubt, investors should consult an independent financial adviser about the impact of the Proposed Transaction on their specific financial circumstances.

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3 HCM SOFTWARE INDUSTRY

3.1 Introduction

ELMO focuses on providing software solutions to the mid-market and more recently, through the acquisition of Breathe, small businesses. The HCM software industry provides technology solutions to optimise the management of various human resources ("HR") functions such as sourcing and hiring, payroll, expense management, performance monitoring, staff scheduling, leave requests, time tracking and employee engagement. The use of HCM software services is becoming more common as businesses strive to manage their people more efficiently.

HCM software applications provide a range of services and capabilities for clients including:

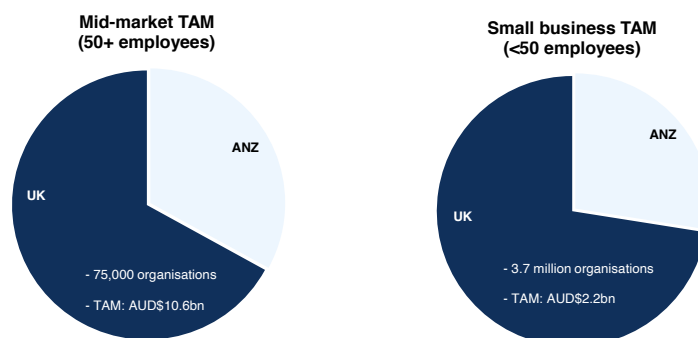
- ◆ **Administrative HR:** includes organisational and employee data, employee and manager self-service, benefits and payroll administration. It may also include occupational health and safety, grievance tracking, travel expense management, or other areas
- ◆ **Talent management applications:** are composed of recruiting, on-boarding, performance management, compensation planning, career and succession planning, learning and development, and workforce planning
- ◆ **Workforce management:** includes absence management, time and attendance management, task management, budgeting and forecasting, and scheduling
- ◆ **HR service delivery:** includes direct access to policy and procedure guidance for employees and managers. It may also include case management, knowledge base and digital document management.

3.2 HCM software market growth drivers

Growth in the HCM software market has recently outperformed growth in both the overall software market and the enterprise resource planning ("ERP") market, particularly in the APAC region, due to a range of factors including improved economics of HCM solutions relative to labour-focused solutions, expanded product offerings providing better insights to businesses and changing workforce dynamics as a consequence of the COVID pandemic.

Due to the broad application of HCM solutions in small and large businesses, there is a significant market opportunity for providers in the sector. For example, the total addressable market across Australia and the UK, split between mid-market and small business, is significant as set out in the figures below.

Figure 3: Total addressable market



Source: Frost and Sullivan

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Annexure A: Independent Expert's Report *continued*

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3.3 Competitive landscape

There are relatively few fully-integrated payroll and HCM solutions and those that do exist are primarily focused on niche components or enterprise level solutions for large businesses with limited (if any) dedicated products for the mid-market. A summary of the competitive landscape is set out in the table below.

Figure 4: Competitive landscape

	ELMO	Domestic small	Domestic large	Global Payroll	Global HCM
Key participants		<ul style="list-style-type: none"> Employment Hero Bamboo HR 	<ul style="list-style-type: none"> Page Up 	<ul style="list-style-type: none"> SAP ADP 	<ul style="list-style-type: none"> Workday Cornerstone Access Ceridian
Focus segment ¹	Mid-market / small business	Small business	Enterprise	Enterprise	Enterprise
Scale in ANZ					
Scale International					

Source: Company announcements, ASIC filings, Refinitiv and ELMO estimates

Notes:

1. Mid-market is 50 – 2,000 employees; small business is < 50 employees, Enterprise is >2,000.

3.4 Key success factors

Some of the key success factors for HCM software businesses are outlined below:

Breadth of solution and/or integration

Customers are looking for a 'one-stop-shop' that addresses all of their HR needs in one solution. However, the needs of individual businesses may differ. Providers who offer modular solutions therefore tend to have an advantage by enabling customers to select the functions that will have the greatest impact on their business.

Continuous improvement

When investing in SaaS solutions, customers expect continuous improvement and development that keeps up with, or sets, the market standard. Product upgrades should require no additional cost or requirements from customers and need to be seamless to implement and easy-to-use when rolled out in cloud-based solutions. Functionality, usability and interoperability of modules and other core integrations to accounting software systems are key customer requirements. Continuous improvement through customer feedback also makes customers more sticky to their current product, making it more difficult for new entrants to gain traction in the market.

Brand recognition

Brand recognition and positive brand association helps drive low-cost new sales. Therefore, promoting and maintaining brand awareness is an important business function. Brand awareness can be driven through marketing as well as cultivating relationships with industry professionals and industry bodies.

Local focus

Each country and region has differing HR requirements and regulations. HCM software providers must ensure that their products are compliant with the requirements of each of the regions in which they operate.

Scale

Most software providers benefit from scale. Once the initial software design and implementation phase is complete there are significant benefits from economies of scale as the software platform can support a large number of users with minimal additional capital expenditure.

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3.5 Outlook

The HCM software industry has a strong profile for growth, with most analysts predicting the global market will grow by more than 9%¹ per annum over the next eight to ten years. Some of the key factors driving this growth are set out below.

Changing workforce dynamics

The COVID-19 pandemic has resulted in a widespread shift to hybrid/flexible working arrangements which has accelerated the adoption of HCM solutions to manage disparate workforces. The proportion of people working from home was approximately 8% in 2019. This increased to around 40% in 2020 and 38% in 2021.² It is widely expected that this trend is structural and will not go back to pre-COVID 19 levels.

Large market with limited HCM penetration

A number of mid-sized companies are still using either manual HR processes to manage their workforce or disparate solutions within their HR functions rather than a comprehensive HCM platform. Small businesses are only just beginning to look towards adoption of HCM solutions and are predominantly still using manual processes.

Cost effectiveness

Technology-based SaaS HCM solutions can reduce HR and administration costs. The average salary for an HR manager in Australia is over \$120,000. HR efficiencies can be derived from incorporating technology to automate HR functions and provide insights to existing HR managers.

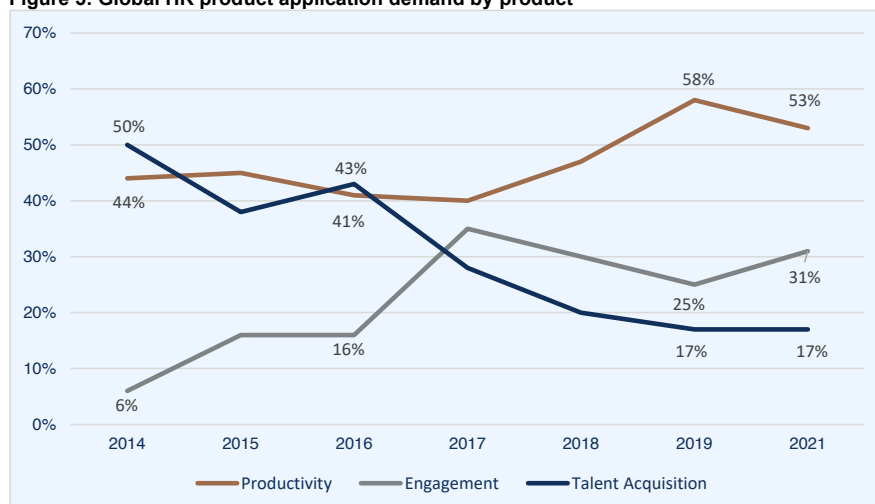
HCM software is becoming an essential tool for business

HR professionals are increasingly expecting to have custom software solutions available in order to do their jobs effectively and efficiently. HCM software can provide sophisticated reporting and analytics for actionable insights that inform strategic decision making.

Product and engagement technologies dominate

Workforce optimisation, engagement and predictive technologies, which are common features of HCM software, have been shown to boost employee satisfaction and increase their skills and have therefore become increasingly important for businesses as evidenced in the figure below.

Figure 5: Global HR product application demand by product



Source: ELMO, Oppenheimer & Co Equity Research survey

¹ Fortune Business Insights, Market Research Future, Allied Market Research and Verified Market Research

² Australian Government Productivity Commission

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Annexure A: Independent Expert's Report *continued*

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4 ELMO COMPANY PROFILE

4.1 Background

ELMO offers cloud-based solutions for small businesses and mid-market organisations to manage people, process and payroll within an HR context. It has customers across Australia, New Zealand, and the United Kingdom. ELMO operates a SaaS business model, based on recurring subscription revenues.

ELMO was established in 2002 and listed on the ASX in June 2017. In 2020, ELMO made the following strategic acquisitions:

- ◆ **Breathe:** a high growth UK-based HR platform designed for small businesses was acquired in October 2020 for up-front consideration of \$32.4 million and an earn-out. The acquisition provided ELMO access to a new market segment, small business, and an increased footprint in the UK.
- ◆ **Webexpenses:** a cloud-based expense management solution was acquired in December 2020 for up-front consideration of \$35.3 million and an earn-out. The acquisition provided ELMO access to complementary technology and an established mid-market customer base in the UK.

4.2 History

A brief history of ELMO is set out in the table below:

Table 2: History of ELMO

Year	Event
2002	◆ ELMO founded as an eLearning platform with customised content
2013	◆ Became a member of Australian Human Resources Institute ◆ Commenced development of full suite of HCM solutions
2014	◆ Began expansion into New Zealand ◆ Launch of Performance and Onboarding modules
2015	◆ Launch of Recruitment module
2016	◆ Launch of HR Core module
2017	◆ ELMO listed on the ASX ◆ Acquisition of SkyPayroll ◆ Acquisition of People Pulse and LiveSalary
2018	◆ Acquisition of HROnboard ◆ Acquisition of Pivot Remseys
2019	◆ Partnered with The University of Technology, Sydney for development of the analytics module. ◆ Acquisition of BoxSuite
2020	◆ Acquisition of Breathe and Webexpenses
2021	◆ Focus on integrating recent acquisitions and further development of the product offering
2022	◆ ELMO confirmed talks had ended with an interested party ◆ ELMO confirmed receipt of multiple expressions of interest ◆ Scheme Implementation Agreement entered into with MBH

Source: ELMO

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4.3 Overview of operating segments

ELMO has two key operating segments as summarised in the table below:

Table 3: Overview of key operating segments

	Mid-Market	Small Business
Approximate customers¹	3,500	11,200
Market penetration	ANZ <10%, UK <3%	ANZ <1%, UK <3%
FY22 ARR²	\$96.1 million	\$12.1 million
FY21-22 ARR growth	29%	35%
FY22 gross margin	89.4%	94.3%
Avg. modules per customer³	2.9	1.3
Sales model	Direct sales, relationship based	Self-service, digital led
Implementation	Implementation support required	Self-implementation

Source: ELMO

Notes:

1. Customers estimated at 30 June 2022.
2. Annual recurring revenue at financial year end.
3. Average modules per customer at financial year end.

Licensing model

Revenue is generated through both licence fees and professional services relating to ELMO's HR and payroll solutions. Licence fee payments are generally paid annually in advance for mid-market products and paid monthly in advance small business products, whereas professional fees are paid upfront. Professional fees predominantly relate to initial configurations, training and other implementation requirements for mid-market customers. The standard contract tenure for mid-market is typically an initial three-year licence agreement in ANZ and one year in the UK, whereas the small business segment involves rolling monthly licence agreements.

Customer profile

The ELMO mid-market business has approximately 3,500 customers and targets organisations with 50 to 2,000 employees which require configurable multi-module solutions to meet complex HR requirements. The small business platform has approximately 11,200 customers and focuses on organisations with fewer than 50 employees that generally require relatively simple and self-service platforms.

Customers benefit by automating fragmented people management processes with ELMO's all-in-one platform to manage their employee lifecycle from hire-to-retire. The operations of each segment are described in further detail below.

4.4 Mid-market

ELMO's mid-market product offering is comprised of five core products. In addition to its core product offerings, ELMO seeks to further monetise its existing client ecosystem through ancillary products which complement the core products.

The mid-market sales methodology is based on a 'land and expand' approach, by continuously engaging with customers to upgrade their current packages. In order to do this, ELMO:

- ◆ Leverages digital marketing, traditional marketing, referral partners and a leading regional brand to generate new leads.
- ◆ Operates two sales teams, one dedicated to winning new customers and another to grow wallet-share from existing customers.
- ◆ Converts new sales by focusing on landing core modules that automate critical HR processes.
- ◆ Increases its share of wallet of existing customers through sales of add-on modules that provide additional people management automation, efficiency and transparency.

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Annexure A: Independent Expert's Report *continued*

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The five core mid-market, complimentary and ancillary modules are presented in the figure below.

Figure 6: Overview of mid-market products

Engage			Develop
Key module	HR Core		Learning Management
Complementary modules	◆ Connect	◆ Hybrid Work	◆ Courses Builder
	◆ Experiences	◆ Wellbeing	
	◆ COVIDsecure		
Ancillary modules	◆ Survey		◆ Course Library

Hire		
Key module	Recruitment	Onboarding
	n/a	n/a
Complementary modules		

Retain		Pay
Key module	Performance Management	Payroll (Partner)
Complementary modules	◆ Rewards and recognition	◆ Rostering / Time & Attendance
	◆ Succession Management	◆ Expenses
Ancillary modules	◆ Remuneration	◆ RTA ◆ Invoice processing

Source: ELMO

The majority of revenue is generated from the five 'core' modules with residual revenues generated from ancillary services and implementation and other services. ELMO's experience indicates that as customers increase the number of core products purchased customer churn declines.

Each of the five core product offerings are described briefly below.

Recruitment

ELMO Recruitment helps streamline the hiring process from job requisition approval through to offer acceptance. The recruitment module enables organisations to build candidate sourcing capability and helps refine recruitment workflows.

Onboarding

ELMO Onboarding helps organisations to create remote or on-site pre-boarding and employee onboarding experiences that eliminate paperwork. The onboarding module improves employee experience, thereby improving productivity and minimising risk of an expensive regrettable loss.

HR Core

ELMO HR Core enables employees to apply for leave, check their leave balances and for managers to oversee critical employee information. The HR Core module improves HR insights through reporting, analytics, and surveys to better understand employee engagement. HR Core has a number of complementary modules including; survey, connect, experiences, COVIDsecure, hybrid work and wellbeing.

Payroll

ELMO Payroll is delivered through partners embedded in the ELMO platform. It is a cloud-based, fit-for-purpose connect payroll system, ensuring that data is always up to date, in real time and can be accessed anywhere, on any device. The payroll module manages compliance for employee payroll.

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Performance management

ELMO Performance Management leverages a range of pre-built goals and development objectives which can be used to create a library of performance management content for use across the business. Performance management has three complementary modules, rewards and recognition, remuneration and succession management.

Learning management

ELMO Learning Management helps manage employee training requirements, course completion rates and compliance requirements. The learning management module leverages ELMO's course builder, eLearning library and manages in-person training. Learning management can be sold in conjunction with ELMO's learning Course Library,

Small business

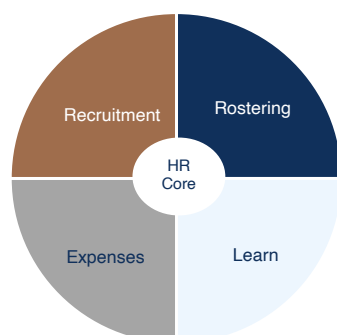
In October 2020, ELMO acquired Breathe, a provider of HCM solutions to small businesses in the UK. The Breathe HCM platform has become the basis for ELMO's small business product. ELMO's small-business platform is focussed on businesses with less than 50 employees and has one core product and four ancillary products. The core product was launched in FY12 and provides a centralised employee database and secure cloud document storage for small businesses.

The small business solution is a self-service digital-led strategy focusing on the HR core module, automating critical employee administration and leave. Key aspects of the small business sales functions include:

- ◆ Focus on digital marketing to funnel people to the website which generates traffic and utilisation of free trials. Digital marketing efforts utilise search engine optimisation, paid search functions, social media advertising and content and email marketing.
- ◆ A self-service sales model which converts users from a free trial to a paying customer.
- ◆ Successful partner strategy with HR consultants and advisers, including dedicated partner platform functionality.

The small business product has four complementary modules as presented in the figure below:

Figure 7: Overview of small-business products



Source: ELMO

Each of the modules are described in more detail below. The rostering and learning modules were introduced by ELMO post acquisition of Breathe.

HR

The core HR model allows businesses to manage critical HR administration with an easy-to-use online HR system. The system includes the ability to manage leave requests, store documents safely in the cloud, plan appraisals, recognise achievements and run insightful HR reports.

Recruitment

The recruitment module supports the business to manage end to end hiring of staff hiring.

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Annexure A: Independent Expert's Report *continued*

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Expenses

The expense management module allows businesses to seamlessly manage and have visibility over employee expenses. This includes uploading of receipts and expense approvals.

Rostering

The rostering module allows businesses to manage their roster to budget, share it with employees instantly, record start and finish times and allow teams to manage shift swaps.

Learn

The learning module provides a number of courses designed to develop employee skills and manage compliance requirements. The module covers a range of topics including business ethics, workplace mental health and information security.

4.5 Technology and product roadmap

ELMO's technology is highly configurable, supporting a broad depth of modules and users. ELMO has a detailed product roadmap for the rollout of new modules and upgrades to existing modules. Some of the short term (less than one year time horizon) product goals are summarised below:

- ◆ **Payroll:** in the short term the payroll module will be upgraded to support the expansion of the single touch payroll system in Australia. In the medium term there are plans to upgrade the payroll offering in New Zealand, introducing the ability to distinguish between an employee's preferred name and legal name and enhance reporting functionality.
- ◆ **Engage:** planned upgrades are focussed on improving and expanding the survey functions.
- ◆ **Hire:** planned upgrades are focused on improving the flow from recruitment to onboarding and the job advertising and new employee contracting processes.
- ◆ **Retain:** planned upgrades are focused on reducing administration time for remuneration setup, improving efficiency in importing from the goal library, enhanced rewards and recognition reporting.
- ◆ **Develop:** planned upgrades are focussed on improvements in e-learning functionality.
- ◆ **General systems:** planned upgrades are focussed on the introduction of multifactor authentication, webhook integration, improvements in third party integrations and administration efficiencies.

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4.6 Key Personnel

The Board of Directors and executive management team of ELMO comprises:

Table 4: Directors of ELMO

Directors	Experience
Barry Lewin Non-executive Chairman	Barry joined ELMO in 2018 and is the founder and Managing Director of Melbourne-based corporate advisory firm SLM Corporate Pty Limited, where he advises public and private companies on mergers, acquisitions, transaction structuring, debt and equity issues, business sales and all aspects of corporate governance. Prior to establishing SLM Corporate in 1999, Barry spent 12 years as an in-house counsel to a number of ASX-listed companies.
Danny Lessem Co-founder and Chief Executive Officer	Danny joined ELMO in 2002 and is responsible for leading the development and execution of the Group's long-term strategy and delivering on growth objectives for the business. Danny also plays a key part in the day-to-day management of the Group's operations and has been critical to the success of ELMO, including the strategy underpinning the development of the Group's full suite of software solutions.
Kate Hill Non-executive Director	Kate joined ELMO in 2018 and has over 20 years' experience as a former audit partner with Deloitte Touche Tohmatsu, advising privately owned and small cap ASX-listed clients. She has worked extensively in regulated environments including assisting with Initial Public Offerings, capital raising and general compliance, as well as operating in an audit environment.
Leah Graeve Non-executive Director	Leah joined ELMO in 2019 and is currently Global Lead Strategic Sourcing & Procurement at Afterpay Ltd and is also a Board Member of Rare Cancers Australia (not-for-profit). Leah has over 16 years' experience as a successful commercial and contracts negotiator in a range of organisations and industries. She has held roles as Head of Procurement, IT & Digital at Qantas Airways, Senior Manager at Jetstar Airways, Legal Counsel at Engonet, IT Commercial Manager at BHP Limited and was a former Policy Advisor to the Animal Law Institute, a not-for-profit community legal centre.

Source: ELMO

A.

Annexure A: Independent Expert's Report *continued*

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Table 5: Other executive management team of ELMO

Executives	Experience
James Haslam Chief Financial Officer	James Haslam is the Chief Financial Officer of ELMO and joined the Company in February 2019. James is a Chartered Accountant and has over 20 years experience in accounting and finance, including 15 years in professional services for KPMG and Deloitte. James is responsible for the financial strategy of ELMO, including financial reporting, corporate development, treasury, transformation, legal and mergers and acquisitions.
Gordon Starkey Chief Revenue Officer	Gordon is the Group Chief Revenue Officer ("CRO") of ELMO. He is an executive with extensive experience across enterprise SaaS solutions including general management, business development, product design, financial management, and strategy. As CRO, he is responsible for the day-to-day leadership and general management of sales, marketing and client strategy to drive continued growth for the Group.
Samuel Sun Chief Technology Officer	Samuel Sun is the Chief Technology officer ("CTO") of ELMO. He joined the company in 2010. As CTO, Samuel is responsible for setting the overall direction of the software and technology, and manages the strategy, architecture, engineering, design, governance and information security functions of ELMO's solutions and platforms. Prior to joining ELMO as a Research and Technical Development Manager, Samuel was a Lead Developer at Scholani Education College and a Software Developer at IBM.

Source: ELMO

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4.7 Financial performance

The audited statements of financial performance for the financial years ("FY") ended 30 June 2020, 30 June 2021 and 30 June 2022 are set out in the table below.

Table 6: ELMO financial performance

\$'m	FY20	FY21	FY22
Subscription revenue	50.1	66.8	89.4
Professional services	-	2.3	2.0
Revenue	50.1	69.1	91.4
Total cost of sales	(7.3)	(7.8)	(9.9)
Gross profit	42.7	61.3	81.4
Operating expenses			
Sales and marketing expenses	(22.6)	(30.9)	(40.1)
R&D expenses	(6.1)	(12.3)	(23.7)
General and administrative expenses	(18.1)	(22.7)	(24.6)
Other income	2.0	1.8	0.0
Changes to contingent consideration and other gains	0.0	(3.7)	(23.8)
Share of loss from joint venture	(0.2)	(0.5)	(0.2)
Total operating expenses	(47.1)	(70.2)	(113.6)
EBITDA	(4.4)	(9.0)	(32.2)
Depreciation	(4.0)	(6.1)	(8.6)
Amortisation	(11.7)	(22.8)	(31.7)
EBIT	(20.0)	(38.0)	(72.5)
Interest income	0.8	0.5	0.1
Interest expenses	(1.0)	(0.7)	(5.3)
Loss before tax	(20.3)	(38.3)	(77.8)
Income tax benefit / (expense)	1.6	0.6	1.0
Loss after tax	(18.6)	(37.6)	(76.8)
Underlying EBITDA¹			
Statutory EBITDA	(4.4)	(9.0)	(32.2)
Non-recurring transactions	0.3	2.3	3.5
Amortised distribution costs	(0.6)	(3.8)	(7.9)
Implementation costs	-	1.6	3.7
Sales commission	0.6	2.3	4.2
Long term incentive	1.1	5.2	11.2
Other revenue	(2.0)	(1.8)	-
Gain/loss	(0.0)	3.7	24.4
Reconciliation differences	-	(0.2)	-
Share of profit - investment	0.2	0.5	0.2
Underlying EBITDA	(4.7)	0.6	7.2
Other Metrics			
Mid-market revenue	49.8	63.6	80.5
Small business revenue ²	0.2	5.5	10.9
ARR	55.1	83.7	108.2
Revenue growth %	25%	34%	34%
Gross margin %	85%	89%	89%
Underlying EBITDA Margin %	-9%	1%	8%
Sales & marketing / revenue	45%	45%	44%
R&D / revenue	12%	18%	26%
Mid-market net dollar retention ³	98.9%	89.5%	100.1%
Small-business net dollar retention ³	-	108%	106%

Source: ELMO

Notes:

1. Underlying EBITDA is as disclosed in the annual reports of ELMO and is calculated by management
2. Small business revenue in FY20 refers to the United Kingdom operating segment.
3. Net dollar retention is based on growth in existing customers and is calculated by dividing the ARR by the ARR in the previous financial year of the same customer cohort.

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Annexure A: Independent Expert's Report *continued*

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In relation to the historical financial performance of ELMO, we note the following:

- ◆ Subscription revenue includes platform subscriptions revenue recognised over time as well as professional services revenue recognised over time.
- ◆ Professional services revenue relates to both point in time revenue and over time revenue from providing implementation support for the ELMO software to customers.
- ◆ The growth in ELMO's revenue since FY20 has been underpinned by organic growth in the mid-market product as well as the acquisitions and integration of Webexpenses, Breathe (small business product) and, to a lesser extent, Vocam.
- ◆ Gross margin has increased over the period primarily due to the growth in the higher margin (due to lower implementation costs) small business product.
- ◆ Sales and marketing expenses have remained relatively steady as a percentage of revenue, indicating stable customer acquisition costs across the period.
- ◆ R&D expenses as a percentage of revenue have steadily increased due to investment in the development of the lead modules.
- ◆ General and administrative expenses have not increased at the same rate as revenue as ELMO leverages the benefits of scale in these functions.
- ◆ Other income in FY20 and FY21 related to government COVID-19 stimulus payments received.
- ◆ Changes to fair value of contingent consideration include a net adjustment for the Breathe and Webexpenses acquisition in FY21 (Breathe \$12.4 million uplift and Webexpenses \$8.3 million reduction) and a significant increase in the contingent consideration expected to be paid in respect of the Webexpenses acquisition in FY22 as a result of better than expected performance in the final quarter of FY22. As at 30 June 2022, all consideration had been settled in final in relation to the Breathe acquisition. Final consideration was settled for the Webexpenses acquisition in October 2022.
- ◆ ELMO's underlying EBITDA increased over the historical period, with revenue growth more than offsetting the continued investment in the cost base. The largest adjustment, gain/loss of \$24.4 million in FY22, predominantly relates to the increase in contingent consideration related to the Webexpenses acquisition.
- ◆ Depreciation relates to property plant and equipment and right of use assets. The increase in FY21 and FY22 was largely due to the impact of acquisitions.
- ◆ Amortisation predominantly relates to software and customer relationships. In FY21 and FY22, \$3.8 million and \$7.9 million respectively of amortisation associated with customer relationships was allocated to cost of sales. We have reallocated these amounts to amortisation in the table above, thereby reducing cost of sales.
- ◆ Finance costs relate to interest on borrowings and lease liabilities recognised under AASB 16.

In addition to the historical information set out above, ELMO management have provided the following guidance for FY23:

- ◆ ARR of \$134 million to \$140 million which represents growth of 24% to 29% from FY22
- ◆ Revenue of \$114 million to \$120 million which represents growth of 25% to 31% from FY22
- ◆ EBITDA (excluding significant non-recurring transactions, finance costs and non-cash share-based payments) of \$20 million to \$25 million.
- ◆ Operating cash flow of between negative \$2.0 million to \$2.0 million and overall cash flow break even position.

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4.8 Financial position

The audited statements of financial position as at 30 June 2020, 30 June 2021 and 30 June 2022 are set out in the table below.

Table 7: ELMO's financial position

\$'m	30-Jun-20	30-Jun-21	30-Jun-22
Current assets			
Cash	139.9	66.9	27.6
Term deposit	-	15.0	20.3
Receivables	10.4	13.7	18.9
Other current assets	2.0	10.2	13.2
Total current assets	152.3	105.9	80.0
Non-current assets			
Property, plant and equipment	4.6	8.4	7.8
Intangible assets	73.0	177.2	167.2
Right-of-use assets	15.0	18.8	21.7
Other non-current assets	1.5	6.2	8.7
Total non-current assets	94.0	210.6	205.3
Total assets	246.3	316.5	285.3
Current liabilities			
Payables	(10.8)	(14.6)	(14.5)
Deferred and contingent liabilities	(6.2)	(35.2)	(37.0)
Contract liabilities	(26.1)	(32.5)	(47.4)
Other current liabilities	(6.0)	(9.0)	(11.0)
Total current liabilities	(49.2)	(91.4)	(109.8)
Non-current liabilities			
Non-current borrowings	-	(30.0)	(40.5)
Lease liabilities	(16.0)	(20.2)	(22.5)
Other non-current liabilities	(1.9)	(8.1)	(10.6)
Total non-current liabilities	(17.9)	(58.3)	(73.6)
Total liabilities	(67.1)	(149.7)	(183.4)
Net assets	179.2	166.8	101.9

Source: ELMO

In relation to the historical financial position of ELMO set out above, we note the following:

- ◆ Cash declined as ELMO and the cash component of the acquisitions continued to record negative operating cash flows (despite improving underlying EBITDA).
- ◆ The increase in trade receivables and trade payables is consistent with the expansion of the business.
- ◆ Other current assets include capitalisation of implementation, sales commissions, and prepayments.
- ◆ Property, plant and equipment mainly includes leasehold improvements and computer equipment.
- ◆ Intangible assets mainly includes goodwill recognised on acquisitions and software development costs.
- ◆ Right of use assets and lease liabilities relate to ELMO's interest in leased premises in accordance with AASB16.
- ◆ Other non-current assets are predominantly contract cost assets.
- ◆ Deferred and contingent liabilities predominantly relate to contingent consideration payable in respect of historical acquisitions. In FY22 a final payment of \$21.3 million was made for the Breathe acquisition. This was offset by an increase of \$23.8 million in the contingent consideration recognised for the Webexpenses acquisition which has subsequently been settled.
- ◆ Contract liabilities represents deferred income, generated by the upfront payment of licences and professional fees.
- ◆ Other current liabilities relate to employee benefits and current tax liabilities.

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- ◆ ELMO has increased the draw down on debt facilities over the period to fund acquisitions.
- ◆ Other non-current liabilities include employee benefits, deferred tax and contract liabilities.
- ◆ As at 30 June 2022 ELMO had not recognised the deferred tax impact from tax losses of \$61.7 million, which may be available to be utilised in future periods.
- ◆ Net assets have decreased over the historical period which is reflective of the losses incurred by the business through its ongoing expansion.

4.9 Cash flows

The audited statements of cash flows for the financial years ended 30 June 2020, 30 June 2021 and 30 June 2022 are set out in the table below.

Table 8: ELMO's cash flows

\$'m	FY20	FY21	FY22
Receipts from customers (inclusive of GST)	57.5	79.8	116.9
Payments to suppliers and employees (inclusive of GST)	(53.2)	(77.7)	(111.7)
Other revenue	1.7	3.9	0.1
Income taxes paid	0.0	0.1	0.1
Net cash from operating activities	6.1	6.1	5.4
Interest received	0.7	0.5	0.1
Payment for investment in jointly controlled entity	(1.2)	-	-
Payment of deferred consideration from acquisitions	(3.8)	(5.8)	(21.3)
Payments for business acquisitions (net of cash acquired)	(2.3)	(46.2)	-
Payments for property, plant and equipment	(1.8)	(5.9)	(2.9)
Payments for intangibles	(21.4)	(30.6)	(18.5)
Net cash used in investing activities	(29.7)	(88.0)	(42.6)
Proceeds from issue of shares	142.8	-	-
Proceeds from exercise of share options	0.5	0.1	0.4
Share issue transaction costs	(4.4)	(0.3)	(0.1)
Proceeds from borrowings	-	30.0	10.5
Transfer to term deposit	-	(15.0)	(5.3)
Loan interest and transaction costs	-	-	(0.9)
Shares purchased by trust	-	(2.0)	-
Receipt for lease incentives	-	1.3	0.0
Interest on lease liabilities	-	(1.2)	(1.3)
Repayment of lease liabilities	(3.3)	(3.9)	(5.3)
Net cash from financing activities	135.7	9.0	(1.9)
Net decrease in cash and cash equivalents	112.1	(73.0)	(39.1)
Cash and cash equivalents at the beginning of the financial year	27.7	139.9	66.9
Effect of exchange differences on cash balances	0.1	0.02	(0.2)
Term deposits at end of year	-	15.0	20.3
Cash and cash equivalents at the end of year	139.9	81.9	47.8

Source: ELMO

In relation to the historical cash flows of ELMO set out above, we note the following:

- ◆ ELMO has generated positive operating cash flows over the past three financial years with recent growth (excluding government stimulus) attributable to its completed acquisitions.
- ◆ The acquisitions have also resulted in a significant increase in cash utilised for investing activities offset in part by proceeds from borrowings.
- ◆ Payments for intangibles is comprised almost entirely of the capitalised component of software development expenditure.
- ◆ ELMO's cash position has declined over the past three financial years due to the combination of acquisitions and the investment in operations.

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4.10 Capital structure and shareholders

As at 24 November 2022, ELMO had a total of 99,613,998 ordinary shares on issue. The following table sets out details of ELMO's substantial shareholders as at that date:

Table 9: ELMO substantial shareholders

Shareholder	No. of shares held	% substantial ownership
JLAB Investments (No. 2) Pty Ltd	13,655,865	13.7%
Lessem Trading Pty Ltd	10,998,146	11.0%
Regiton Pty Ltd as trustee for the Garber Family Trust	9,656,482	9.7%
Michael Richards	9,099,190	9.1%
Cooper Investors Pty Limited	7,572,910	7.6%
AustralianSuper Pty Ltd	6,590,839	6.6%
Substantial shareholders	57,573,432	57.8%
Other shareholders	42,040,566	42.2%
Total	99,613,998	100.0%

Source: S&P CapIQ, ELMO

As at 24 November 2022, in addition to the ordinary shares above, ELMO also had the following securities on issue:

- ◆ 6,037 NED share rights issued to directors which will vest in January 2023. It is proposed that the NED shares rights will be settled by way of an allocation and/or transfer of ELMO shares from the ELMO Employee Share Trust, meaning that ELMO will not issue any new ELMO shares to settle the NED share rights. Holders of these securities will receive the Consideration if the Proposed Transaction is implemented.
- ◆ 511,956 unquoted performance rights ("**Performance Rights**"), 476,095 which pertain to current employees which will receive the Consideration if the Proposed Transaction is implemented.
- ◆ 514,840 unquoted options, of which 150,983 have an exercise price above the Consideration (i.e. 'out of the money') and 363,857 have an exercise price below the Consideration (i.e. 'in the money'). Holders of options that are 'in the money' will be issued shares equivalent to the net value of these options (expected to be equivalent to 0.1 million shares). Holders of options which are 'out of the money' will have their options cancelled (expected to be settled by ELMO for cash consideration of \$0.1 million).

Based on the above, if the Proposed Transaction is implemented at the Consideration, the fully diluted number of ordinary shares on issue would be 100.2 million.

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4.11 Share trading

The following chart shows the market trading of ELMO's shares, for the 12 months to the announcement of the Proposed Transaction:

Figure 8: ELMO's share trading over the last 12 months



Source: S&P Capital IQ

In relation to the trading of ELMO shares over the above 12 month period, we note the following:

- ◆ ELMO's shares were somewhat liquid, with an average daily traded value of approximately \$0.34 million at a volume weighted average price ("VWAP") of \$3.26 over the period (excluding post transaction announcement trading). The average daily traded volume represents approximately 0.1% of ordinary shares on issue.
- ◆ The ELMO share price dropped from around \$5.00 in November 2021 to \$3.40 by mid-March 2022 before increasing back over \$4.00 in late March and early April. Subsequently shares generally traded between \$2.00 and \$3.00 per share until 12 October 2022, when ELMO announced that they had received approaches in respect of a control transaction for ELMO. ELMO responded to media speculation on 13 October 2022, confirming it had received approaches.
- ◆ The general decline in ELMO's share price is consistent with the technology sector in general (as measured by the ASX All Technology Index ("ASX Technology Index") which has experienced a sustained decline in value globally over the period.
- ◆ There was an increase in trading activity in late July and August 2022 following the announcement of the potential acquisition of ELMO, the FY22 business update and the release of FY22 results which included FY23 guidance, including the potential to become cash flow positive in FY23.
- ◆ Since the announcement of the Proposed Transaction, there have been 11.8 million ELMO shares traded (11.8% of ordinary shares on issue) at a VWAP of \$4.65 compared to the offer price of \$4.85.

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4.12 Outlook

ELMO is well placed to take advantage of the increasing adoption of HCM software solutions. Priority opportunities include:

- ◆ Increasing market share for ELMO from existing and new HCM software users
- ◆ Establishing sales for the small-business product in Australia and New Zealand and the mid-market product in the United Kingdom stemming from recent acquisitions of Breathe and Webexpenses
- ◆ Increasing revenues and reducing churn from existing customers by expanding modules per customer, in particular the core modules for mid-market customers and increasing ancillary module uptake
- ◆ Longer-term benefits from the recent launch of complementary modules and potential for further cross-sell to existing small business customers
- ◆ Streamlining the process of moving customers between the small business and mid-market products as they require more complex solutions to increase new customer growth in the higher value mid-market segment.

Risks to growth include:

- ◆ Worsening macro-economic conditions in key markets which may result in reduced spending on HCM solutions and/or failure of customers businesses
- ◆ Customers re-evaluating service providers and other competitive risks
- ◆ Risks associated with managing a high growth business including cash flow management, accessing capital markets (if required), employee retention and maintenance of service levels.

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Annexure A: Independent Expert's Report *continued*

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5 VALUATION METHODOLOGY

5.1 Available valuation methodologies

To estimate the fair market value of ELMO, we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow method
- ◆ The capitalisation of future maintainable earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

5.2 Selected methodology

In selecting an appropriate valuation methodology for ELMO we have considered the following:

Table 10: Consideration of methodologies

Method	Considerations	Approach
Discounted cash flow	<ul style="list-style-type: none"> ◆ The earnings and cashflows from the business are expected to vary significantly over the medium term due to the impact of various investment initiatives and expected earnings growth. The discounted cash flow method can explicitly allow for these factors in the forecast cash flows. 	Selected
Capitalisation of earnings	<ul style="list-style-type: none"> ◆ Earnings multiples cannot reliably capture growth and investment cash flows for early stage or high growth companies, unless there are a sufficient number of very close comparable companies with similar earnings/investment trajectories, which there are not for ELMO. This is compounded by a number of comparable companies either recording losses or being close to break even, thus only revenue multiples are available. ◆ Notwithstanding these drawbacks, we consider a capitalisation of revenue analysis to be a relevant cross-check. 	Cross-check
Asset based methods	<ul style="list-style-type: none"> ◆ ELMO is neither an asset-based business nor an investment holding company. Asset based methods are generally not appropriate for operating businesses as they ignore the value of most internally generated intangible assets. 	Not used
Share trading	<ul style="list-style-type: none"> ◆ Share market trading in ELMO shares has been moderately liquid and informed. ◆ Whilst an analysis of share market trading is not as reliable as the discounted cash flow method as a primary valuation methodology, we have considered an analysis of share market trading as a broad cross-check in assessing the value of an ELMO share. 	Cross-check
Industry specific rules of thumb	<ul style="list-style-type: none"> ◆ We are not aware of any industry specific rules of thumb that are relevant to the valuation of ELMO. 	Not used

6 VALUATION OF ELMO

6.1 Introduction

We have assessed the fair market value of ELMO using the discounted cash flow method with cross-checks by reference to capitalisation of revenues and share market trading. These are discussed below.

6.2 Discounted cash flow analysis

6.2.1 Approach

In order to determine the value of ELMO (on a control basis) using the discounted cash flow method, we considered the following:

- ◆ Projected cash flows for the business
- ◆ An appropriate discount rate
- ◆ Terminal value beyond the projected cash flow period.

These are discussed below.

6.2.2 Projected cash flows

Introduction

ELMO management prepared a five-year cash flow forecast model as part of the process of engaging with interested parties. ELMO management have also prepared a detailed board approved budget for FY23 and a five-year impairment model, which we have reviewed. Having regard to these projections, broker consensus projections and our own independent analysis, we have prepared a five-year cash flow forecast from FY23 to FY27 as set out in the Leadenhall Model.

In preparing the Leadenhall Model, we have discussed the key assumptions with ELMO management. We have considered supporting information, available market data and other relevant information. The detailed projections are not included in this report due to commercial sensitivity. However, the key assumptions underpinning the projections and the information considered in assessing the reasonableness of these assumptions are discussed below.

Assumptions

ELMO has experienced strong revenue growth over the past three years and has invested in product development to build a strong core to leverage the benefits of scale over the medium term. The Leadenhall Model reflects management's expectation of that trend continuing from FY23 until FY27 (the "**Projection Period**"), predominantly driven by continuing penetration of the Australian mid-market, increasing the number of modules per customer and continued strong growth in the large and relatively underserved small business markets in the UK and Australia. Towards the middle of the Projection Period, it is expected that meaningful revenue growth will be derived from the investment in the of marketing of the middle market product in the UK.

In preparing the analysis we have considered two scenarios as follows:

- ◆ **High case:** The high case assumes substantial near-term revenue growth (CAGR of 31% to FY27) driven by a combination of growth in new customer acquisition and net customer retention, declining in the medium term as the target market (mid-market businesses using manual HR processes) in Australia is increasingly penetrated. Declining new sales growth is expected to be somewhat offset by sustained growth from existing customers from an ongoing focus on increasing core module penetration in existing customers. Churn of existing customers is forecast to slightly decline as customers become more sticky as core module penetration per customer increases. Expenses are forecast to decline as a percentage of revenue as the benefits of scale are realised primarily due to relatively lower customer acquisition costs as new customer growth slows.
- ◆ **Low case:** The low case assumes lower revenue growth, higher customer churn and lower upsell than the high case. Operating expenses as a percentage of revenue are consistent with the high case.

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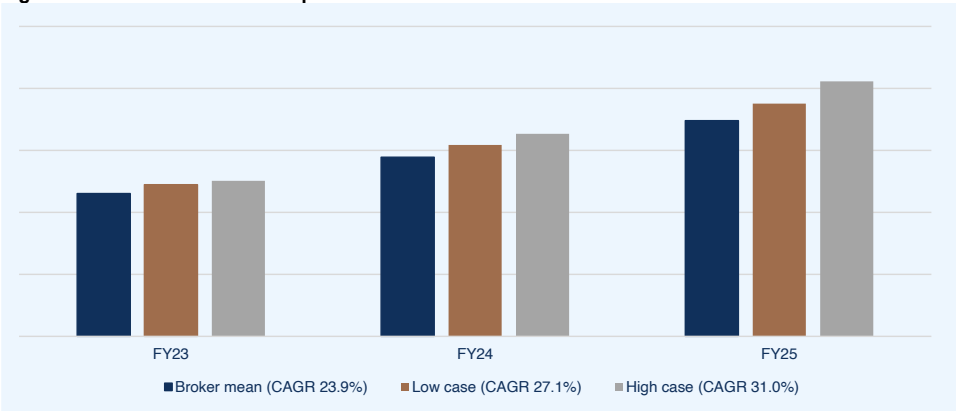


Other detailed model assumptions are summarised below:

Revenue

A comparison of the forecast revenue in the high case and low case to the average forecast revenue of nine brokers is set out in the table below.

Figure 9: Revenue forecast comparison



Source: relevant broker reports, S&P CapIQ and Leadenhall analysis

As set out above:

- ◆ In the near-term, our scenarios and broker consensus are broadly in line with our low case.
- ◆ Over the longer-term average broker revenue forecasts were slightly lower than our low case, although the low case is at the high-end of the observed broker range.

Key revenue assumptions for our scenarios are set out in the table below:

Table 11: Leadenhall Model revenue assumptions

Item	High case	Low case
Revenue	<div>Mid-market<ul style="list-style-type: none">◆ New business growth declining from 28% in FY22 to 3% by FY27 consistent with ELMO’s higher penetration in the market and therefore a declining number of new customers.◆ Churn rates declining from approximately 8% in FY23 to 7% in FY27 reflecting the increased penetration of stickier core modules. This is also in line with pre-COVID churn rates.◆ Net upsell increasing to approximately 14% of opening ARR between FY23 and FY25, reflecting the focus on increasing module penetration with existing customers and the movement to consumer price index inclusive contracts over the last two years.</div>	<ul style="list-style-type: none">◆ Mid-market and small business growth 2% and 3% lower per annum respectively than the high case.◆ Increase of 1% per annum on mid-market and small business churn rates.◆ Decrease of 1% per annum on mid-market and small business net upsell percentages.

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Item	High case	Low case
	Small Business <ul style="list-style-type: none"> ◆ New customer growth increasing from approximately 30% in FY22 to approximately 40% in FY23 before gradually declining to 20% in FY27. Higher growth is driven by continued penetration of the large underserved small business market in the UK and the rebranding of Breathe ANZ to ELMO Small Business, leveraging the ELMO brand name to expand the small business product in Australia. ◆ Churn of 11% per annum in line with historical churn rates (excluding COVID impacted FY21). ◆ Net upsell of approximately 16% in the near term, which represents a slight increase from FY22%. 	

Other key assumptions

Other key assumptions are set out in the table below:

Table 12: Leadenhall Model other assumptions

Item	High case	Low case
Gross margin	<ul style="list-style-type: none"> ◆ Blended gross margin trending up from 90% in FY22 to approximately 91% in FY27 reflecting an increasing contribution of the small business product which has higher gross margins. 	<ul style="list-style-type: none"> ◆ Gross margin 0.5% lower than high case.
Operating expenses	<ul style="list-style-type: none"> ◆ These expenses predominantly reflect headcount costs for sales and marketing, research and development and administrative support. Operating expenses include lease costs which are considered separately. ◆ Operating expenses are forecast to decline as a percentage of revenue from 80% in FY22 to 49% in FY27 as the benefits of scale are realised. There is a provision for an increase in sales and marketing and administration expenses in FY26 to support the growth of the mid-market product in the UK. ◆ Declining research and development expenses, as a percentage of revenue, reflect the minimal need to invest in new product development and an increase in the use of offshore development teams. ◆ Declining sales and marketing expenses, as a percentage of revenue reflect lower new customer growth rates in the mid-market sector and the trend towards lower cost upsell initiatives to existing customers. ◆ It is assumed that no new office space is required. 	<ul style="list-style-type: none"> ◆ Operating expenses as per high case as a percentage of revenue (as the majority of expenses are variable). ◆ Lease expenses as per high case.
Capitalised costs	<ul style="list-style-type: none"> ◆ Capitalised costs include capitalised R&D wages, sales commission and implementation costs. Capitalised costs are forecast to decline as a percentage of sales predominantly due to reduced investment in product development and an increase in the use of offshore development teams. 	<ul style="list-style-type: none"> ◆ As per high case as a percentage of revenue (as the majority of capitalised costs are variable).

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Annexure A: Independent Expert's Report *continued*

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Other general assumptions applied in Leadenhall Model include:

- ◆ A blended effective tax rate of 28% reflecting Australian and UK corporate tax rates.
- ◆ Historically, ELMO have generated a net working capital benefit broadly in line with the difference between annual recurring revenue (best proxy for cash receipts) and reported revenue (lags behind annual recurring revenue due to revenue recognition policies in relation to payments in advance for services). We have assumed a working capital benefit (as a % of revenue) in line with historical cash benefits and declining over time (as a % of revenue) as revenue growth moderates.
- ◆ Historically, ELMO have made share-based payments for staff bonuses, long-term incentive payments for key management personnel and one supplier. For the purpose of our analysis, we have assumed that these amounts are settled in cash (which is the intention if the Proposed Transaction proceeds) and grow at a lower rate than revenue reflecting current incentive schemes in place and limited expected growth in supplier payments.
- ◆ Post tax synergies of \$0.9 million which relate to listed company costs.

Reasonableness of assumptions

While we have not undertaken a review of the management forecasts in accordance with AUS 804 – The Audit of Prospective Financial Information, we have discussed the key assumptions with management and have also considered the following reasonableness factors:

- ◆ ELMO's historical revenue growth and operating metrics and near-term trends for the business
- ◆ ELMO's revenue CAGR for FY19 to FY22 was 31.6% which reflects the significant organic growth in the business over this period as well as the impact of the Breathe and Webexpenses acquisitions. The forecast revenue CAGR to FY27 is 27% to 30% for the low case and high case respectively. We consider this reasonable as this reflects a moderately declining growth profile as new customer acquisition tapers as the business scales up.
- ◆ Forecast revenue in FY27 represents between 1.7% and 2.0% of the combined small business market in Australia and the UK.
- ◆ Forecast revenue in FY27 represents between 1.7% and 1.9% of the combined mid-market market in Australia and the UK.
- ◆ Forecast FY27 EBITDA margins of between 37% and 42% (depending on whether share-based payments are included as EBITDA) are at the higher end of the current margins of comparable HCM software and Australian SaaS companies, but not unreasonably so.

Based on this analysis we consider the underlying assumptions to be reasonable for the purposes of our analysis.

Projections are inherently uncertain, particularly for a company in a high growth phase such as ELMO. Actual results in the future may therefore be significantly more or less favourable than those set out in Leadenhall Model. We do not warrant or otherwise guarantee the achievability of these projections.

6.2.3 Discount rate

We have applied a discount rate of 12.0% to 13.0% (nominal, post-tax, weighted average cost of capital ("WACC")) to the projected cash flows. We calculated the cost of equity component using the capital asset pricing model ("CAPM"), based on the assumptions set out in Appendix 4.

6.2.4 Terminal value

The terminal value represents the value of the cash flows beyond the projection period. Terminal values are calculated based on the expected long-term growth rate of future cash flows. We have selected a terminal growth rate of 5.0%, after considering the following factors:

- ◆ Central bank target inflation bands of 2% to 3% in Australia and 2% in the UK.
- ◆ Potential for real growth beyond the Projection Period from continued growth primarily in the small business market (in the UK and Australia) and the rollout of the mid-market product in the UK which is not expected to peak until after FY27. In determining the terminal growth rate we also considered a gradual reduction in the growth rate in revenue/cash flows over a longer discrete period of 10 years towards long-term inflation which resulted in a similar outcome.

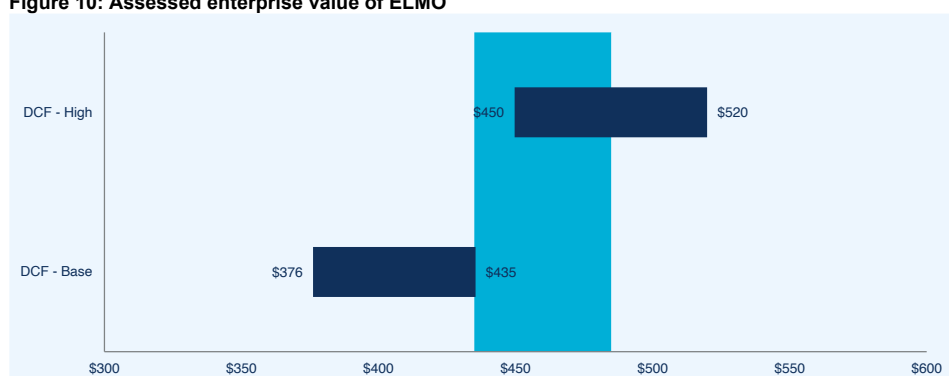
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6.2.5 Discounted cash flow summary and conclusion

Based on the analysis above, we have assessed the enterprise value of ELMO to be in the range of \$435 million to \$485 million as summarised in the chart below:

Figure 10: Assessed enterprise value of ELMO



Source: Leadenhall analysis

In selecting our assessed enterprise value range for ELMO, we have considered the following factors:

- ◆ The high case explicitly assumes significant new customer acquisition and ongoing levels of net customer retention rates above historical averages but broadly in line with historical trends.
- ◆ The low case is towards the higher end of forecasts from research analysts, although we note that these forecasts may not fully reflect the longer-term strategic plans for ELMO as reflected in our low case and high case.
- ◆ The analysis of implied revenue multiples as discussed below, which is consistent with the high end of the low case and towards the middle of the high case.

Based on the above considerations, our selected range is broadly in line with the high end of the low case and the mid-point of the high case. Our assessed range equates to an approximate weighting of 60% for the high case and 40% for the low case.

6.3 Revenue multiple cross-check

6.3.1 Introduction

We have selected revenue as an appropriate measure for cross-checking our DCF analysis of ELMO since:

- ◆ A number of the comparable companies identified recorded losses at the EBITDA and EBIT level, thus multiples of EBITDA and EBIT are not relevant for these companies.
- ◆ For a number of the other comparable companies, due to significant operating leverage and growth expectations, the implied multiples of EBITDA and EBIT are very high, which limits the ability to select an appropriate multiple within a reasonable range.
- ◆ Significant publicly available data exists in respect of revenue multiples for listed companies and comparable transactions.

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Annexure A: Independent Expert's Report *continued*

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6.3.2 Implied ELMO revenue multiple

The revenue multiples implied by our ELMO DCF analysis are set out in the table below:

Table 13: ELMO implied revenue multiples

	Low	High
Selected enterprise value	435.0	485.0
Historical revenue	91.4	91.4
Forecast revenue	117.0	117.0
Historical revenue multiple	4.8x	5.3x
Forecast revenue multiple	3.7x	4.1x

Source: Leadenhall analysis

Note: Forecast revenue represents the mid-point of ELMO's FY23 revenue guidance of \$114 million to \$120 million.

6.3.3 Multiples

Overview

The multiples selected to apply to maintainable earnings implicitly reflect expectations about future growth, risk and the time value of money all compensated for in a single number. Multiples can be derived from three main sources:

- ◆ Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX.
- ◆ Transactions involving companies engaged in the same or similar lines of business.
- ◆ It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations. This approach is generally used when the first two are not possible.

We have considered the first two approaches as there is sufficient publicly available data to conduct this analysis.

Trading multiples

The following table sets out the historical and forecast revenue multiples, for publicly listed companies that operate businesses with similar business models to ELMO. We have separated the comparable companies into two categories:

- ◆ **HCM software companies:** businesses that provide human capital management software solutions.
- ◆ **Australian SaaS companies:** Australian-based software companies that predominantly operate under a SaaS business model.

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Table 14: Trading multiples of comparable companies

Company	Country	Market Cap (A\$m)	Revenue multiple		Revenue growth		EBITDA margin	
			Current	Forecast	Current	Forecast	Current	Forecast
ELMO Software Limited ¹		329	3.2x	2.5x	28%	24%	18%	22%
HCM Software Comparable Companies								
Automatic Data Processing, Inc.	United States	158,828	6.1x	5.7x	14%	7%	28%	28%
Workday, Inc.	United States	56,183	5.6x	4.7x	30%	19%	25%	26%
Paycom Software, Inc.	United States	27,380	13.1x	10.6x	43%	23%	41%	41%
Paylocity Holding Corporation	United States	17,265	10.2x	8.4x	38%	22%	30%	31%
Ceridian HCM Holding Inc.	United States	14,995	8.6x	7.4x	33%	17%	19%	20%
The Sage Group plc	United Kingdom	14,679	4.2x	3.9x	14%	8%	24%	24%
Paycor HCM, Inc.	United States	7,027	8.8x	7.4x	29%	18%	26%	27%
Asure Software, Inc.	United States	211	2.0x	1.8x	31%	10%	12%	15%
LiveHire Limited	Australia	71	4.7x	2.8x	94%	70%	-33%	13%
Average			7.0x	5.8x	36%	22%	19%	25%
Median			6.1x	5.7x	31%	18%	25%	26%
Average (excluding outliers)			5.7x	5.2x				
Median (excluding outliers)			5.6x	5.2x				
ANZ SaaS Comparable Companies								
WiseTech Global Limited	Australia	18,659	23.5x	19.4x	23%	22%	52%	54%
Xero Limited	Australia	9,957	7.9x	6.6x	28%	20%	20%	23%
Pro Medicus Limited	Australia	6,045	50.7x	41.6x	24%	22%	76%	78%
PEXA Group Limited	Australia	2,438	9.9x	9.0x	-3%	10%	41%	39%
Life360, Inc.	Australia	1,258	3.2x	2.3x	128%	42%	-17%	-2%
Infomedia Ltd	Australia	417	4.5x	3.9x	8%	9%	41%	42%
Bigtincan Holdings Limited	Australia	378	2.7x	2.5x	17%	13%	6%	9%
ReadyTech Holdings Limited ¹	Australia	370	3.8x	3.3x	33%	15%	34%	35%
Serko Limited	New Zealand	281	2.7x	2.4x	126%	76%	-59%	-8%
Nitro Software Limited ¹	Australia	273	3.3x	2.9x	46%	16%	-22%	-11%
Nuix Limited	Australia	222	4.4x	2.5x	5%	9%	13%	21%
Volpara Health Technologies Limited	Australia	169	1.2x	1.1x	32%	29%	-16%	17%
Janison Education Group Limited	Australia	153	4.8x	3.7x	18%	21%	12%	19%
EROAD Limited	Australia	131	3.4x	2.8x	38%	16%	20%	24%
Task Group Holdings Limited	Australia	110	1.0x	0.9x	71%	24%	7%	22%
Dubber Corporation Limited	Australia	107	2.0x	1.6x	65%	43%	-94%	-39%
MSL Solutions Limited ¹	Australia	61	1.6x	1.4x	11%	11%	16%	17%
Average			7.7x	6.3x	39%	23%	8%	20%
Median			3.4x	2.8x	28%	20%	13%	21%
Average (excluding outliers)			3.9x	4.8x				
Median (excluding outliers)			3.3x	2.8x				

Source: S&P CapIQ as at 21 November 2022

Notes:

1. Share price as at date prior to announcement of potential takeover offer.
2. Current refers to the current incomplete financial year for each comparable company and forecast refers to the next financial year.
3. Outliers highlighted in grey.

It should be noted that these multiples are based on trading of minority positions. In contrast, we are considering the value of ELMO on a control basis. Therefore, consideration must be given to observed control premiums in the Australian market and the impact on the minority trading multiples, of the comparable companies, if applied. Further information on control premiums is provided in Appendix 6.

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Annexure A: Independent Expert's Report continued

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We consider that the above analysis is broadly supportive of the ELMO DCF valuation for the following reasons:

- ◆ The HCM software companies have higher average revenue multiples. This is not unexpected as they are generally much larger than the Australian SaaS companies and the majority have positive EBITDA. All other things being equal, larger companies trade on higher multiples. As such, we expect that a reasonable revenue multiple for ELMO would be at the lower end of the comparable HCM software companies. For example, the average forward multiple for HCM companies with a market capitalisation of \$500 million or less is 3.3x and for similar-sized Australian SaaS businesses is 2.6x.
- ◆ Asure Software Inc. is the closest HCM software company to ELMO in terms of size, with all of the other HCM software companies (excluding LiveHire) being much larger. Asure Software Inc. has slightly lower forecast revenue growth and EBITDA margins than ELMO. Given this, and ELMO's higher market capitalisation, we expect that a reasonable revenue multiple for ELMO would be higher than Asure Software Inc.
- ◆ Although LiveHire Limited is much smaller than ELMO it is trading on relatively high revenue multiples. This is most likely because LiveHire Limited has the highest forecast revenue growth of the comparable companies as it is in an earlier stage of its development than ELMO and most of the other comparable companies. All other things being equal, higher growth companies tend to trade on higher multiples.
- ◆ The most comparable ANZ SaaS companies in terms of size are Nitro Software Limited, ReadyTech Holdings Limited and Infomedia Ltd. Each of these companies trade on similar current and forecast multiples. ReadyTech Holdings is the most similar to ELMO in terms of forecast revenue growth and EBITDA margins. ReadyTech Holdings Limited is currently the subject of an offer to acquire 100% of its issued shares (as discussed below), therefore the multiples set out above are taken prior to the announcement of the potential takeover. In addition, Nitro Software Limited and MSL Solutions Limited are subjects of takeover offers and therefore the multiples presented above are also taken prior to the announcement of the potential takeovers.

Transaction multiples

In addition to our analysis of trading multiples, we have also reviewed relevant transaction multiples. The table below shows the multiples from relevant transactions involving HCM software companies where data is publicly available.

Table 15: Comparable transaction multiples

Target	Acquirer	Target Location	Date	Implied EV (A\$'mil)	Revenue multiple	
					Historical	Forecast
Australian Comparable Companies						
PayGroup	Deal Inc.	Australia	Nov-22	92.8	3.5x	2.9x
Swiss business of Sage Group	Infoniqua Holding	Switzerland	Nov-21	70.3	1.7x	n/a
Australian business of Sage Group	Access UK	Australia	May-21	169.2	2.0x	n/a
Ascender	Ceridian	Australia	Mar-21	586.7	5.9x	n/a
WebExpenses ¹	ELMO	UK	Dec-20	35.3	4.5x	n/a
Breathe ¹	ELMO	UK	Oct-20	32.4	5.0x	n/a

Source: S&P CapIQ, Leadenhall analysis
Note 1: Includes earn-out.

The observed multiples from comparable transactions are control multiples. Therefore, no adjustment for a control premium is required. These multiples also include any value paid for synergies, including any special value.

We consider that the above analysis is broadly supportive of the ELMO DCF valuation for the following reasons:

- ◆ We do not consider that transactions from 2021 or prior to be reflective of the current transaction pricing environment for technology companies, as a result of the general decline in the share prices and multiples for the sector which have declined relatively more significantly than other sectors due to the changing macroenvironment and geopolitical uncertainty.

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- ◆ PayGroup is the most comparable transaction as it closed after the significant decline in the technology sector that occurred since the other comparable transactions completed. We expect that a reasonable revenue multiple for ELMO would be higher than PayGroup because ELMO is significantly larger, and PayGroup generated substantial revenue from outsourced payroll and is therefore not a pure SaaS business. Larger pure SaaS businesses tend to trade on higher multiples.
- ◆ The Breathe and Webexpenses transactions have relatively high historical multiples given their size. This is likely due to a more buoyant market at the time these transactions. Furthermore, both companies were at a relatively early stage anticipating significant growth and therefore the implied forward multiples at the time were considerably lower. As such we do not consider it unreasonable that the implied ELMO multiples are in line with these transactions. Similarly, the Ascender transaction occurred before the technology market slump and was slightly larger than ELMO, therefore we do not consider it unreasonable that the ELMO implied multiples are below the Ascender transaction.
- ◆ The Sage Group has a more diversified product portfolio operating in more competitive and mature markets and lower growth expectations than ELMO. As such we would expect the multiples in these transactions to be lower than the implied ELMO revenue multiples.
- ◆ We also note there is currently a non-binding indicative offer on foot to acquire ReadyTech Holdings Limited, a listed Australian SaaS company, for \$4.50 per share. The indicative offer price implies a historical revenue multiple of 6.0x and a forecast revenue multiple of 5.4x. Whilst this is higher than the implied ELMO multiples, we have placed less weight on this than other transactions as ReadyTech is not a HCM software company and the offer price is non-binding. Since the announcement of the acquisition, ReadyTech share have traded between a high of \$4.15 and a low of \$3.84, which may indicate that the market is pricing in significant execution risk or a reduction in the indicative offer price is expected.

Conclusion

Based on the analysis set out above, we consider that the revenue multiples implied by our DCF analysis provide broad support for our assessed value of ELMO under the DCF approach.

6.4 Conclusion on enterprise value

As our cross-check broadly supports the primary DCF analysis, we have selected an enterprise value for ELMO in the range of \$435 million to \$485 million.

6.5 Non-operating assets and liabilities

In order to assess the equity value of ELMO, it is necessary to identify any non-operating assets and liabilities not used in generating the enterprise value. These can be:

- ◆ **Surplus assets:** assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other assets not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent / dividends) is excluded from the business value.
- ◆ **Non-operating liabilities:** liabilities of a company not directly related to its current business operations, although they may relate to previous business activities, for example claims against the entity.
- ◆ **Surplus cash / net debt:** comprising of surplus cash held by the company, less debt used to fund a business.

Each of these factors are considered below.

6.5.1 Surplus assets

We have identified the following surplus assets:

Table 16: Surplus assets

\$'m	Low	High
Investment	0.8	0.8
Tax losses	4.3	13.0
Total surplus assets	5.1	13.8

Source: ELMO and Leadenhall analysis

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Annexure A: Independent Expert's Report *continued*

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Investment

ELMO entered into a joint venture to establish Hero Brands Pty Ltd ("**Hero**") and currently holds a 50% interest. The current book value of the investment is \$0.8 million which represents the initial investment value less the share of Hero losses attributable to ELMO since then. We consider the current book value of the interest in Hero to be reasonable for the purposes of our analysis.

Tax losses

As at 30 June 2022, ELMO had \$61.7 million of carried forward tax losses. This results in an undiscounted possible future tax benefit of \$17.3 million at our selected effective tax rate of 28% (refer to Appendix 4 for further information on the selected effective tax rate). In order to receive the benefit of carried forward tax losses, an acquirer needs to satisfy a number of tests. If these tests are not satisfied, it could result in no tax benefit being realised or a tax benefit being realised over a substantially longer period of time.

Based on an analysis of future potential tax loss utilisation, we have valued the carried forward tax losses at 25% to 75% of their book value. Our analysis reflects:

- ◆ The uncertainty associated with utilisation by a purchaser
- ◆ The time value of money (tax losses would be utilised over a number of years). In this respect, we have conducted a high-level assessment of the value of the existing tax losses, assuming they are fully recoverable by a purchaser.

6.5.2 Non-operating liabilities

We have identified the following non-operating liabilities:

Table 17: Non-operating liabilities

\$'m	Low	High
Transaction costs	(1.0)	(1.0)
Total non-operating liabilities	(1.0)	(1.0)

Source: ELMO and Leadenhall analysis

Note: the \$37.0 million liability for contingent consideration was settled via the issue of ELMO shares on 12 September 2022.

Transaction costs

Management estimated unpaid unavoidable transaction costs associated with the Proposed Transaction to be approximately \$1 million as at 31 October 2022.

6.5.3 Net cash

The net cash position of ELMO as at 31 October 2022 (latest available balance sheet date) is set out in the table below:

Table 18: Net surplus cash

\$'m	Low	High
Cash on hand	41.7	41.7
Payment for cancelled options	(0.2)	(0.2)
Borrowings	(41.0)	(41.0)
Net cash	0.5	0.5

Source: ELMO and Leadenhall analysis

We understand that there have been no material changes to the net cash position since 31 October 2022.

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6.5.4 Number of shares

The following table sets out the number of ELMO shares on issue on a fully diluted basis as discussed in Section 4.10.

Table 19: Fully diluted number of shares

('000)	
Current ordinary shares on issue	99,614.0
Performance rights	476.1
Net shares to be issued for 'in the money' options	73.0
Fully diluted number of shares	100,163.1

Source: Leadenhall analysis

6.6 Equity value

Based on the preceding analysis, the value of an ELMO share on a control basis is set out in the table below:

Table 20: Value of an ELMO share on a control basis

Equity Value (Control Basis)		
	Low	High
Calculated enterprise value on a control basis	435.0	485.0
Surplus assets	5.1	13.8
Non-operating liabilities	(1.0)	(1.0)
Net surplus cash	0.5	0.5
Assessed equity value on a control basis	439.7	498.3
Fully diluted ordinary shares on issue ('m)	100.2	100.2
Assessed value per ordinary share on a control basis (\$)	4.39	4.98

Source: Leadenhall analysis

6.7 Share trading cross-check

Market trading in ELMO shares prior to the announcement of the Proposed Transaction on 26 October 2022 provides an indication of the market's assessment of the value of ELMO on a minority basis. We have presented an analysis of recent trading in ELMO shares in 4.11 above. When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- ◆ Share trading in ELMO has been moderately liquid over the twelve months to the announcement of the Proposed Transaction, with an average daily value traded of approximately \$0.32 million at VWAP of \$3.23 per share over the period. The average daily volume represents approximately 0.1% of ordinary shares on issue. Whilst this represents modest liquidity, it is below the level at which many institutional investors may wish to trade and may be seen as a deterrent for other significant investors.
- ◆ ELMO is a listed company with continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities.

As a result of these factors, we consider the market trading to be reasonably well-informed but only moderately liquid. We have therefore undertaken only a high-level analysis of share market trading by assessing the level of control premium implied by our mid-point valuation range compared to the VWAP of an ELMO share over various periods during the year leading up to the announcement of the Proposed Transaction, as set out in the figure below.

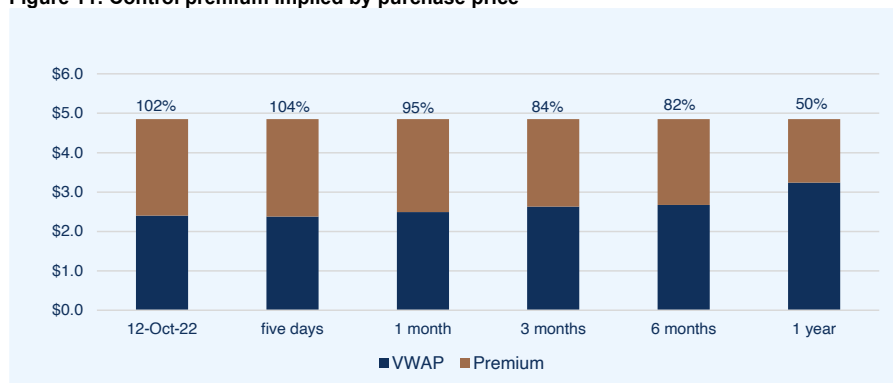
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Figure 11: Control premium implied by purchase price



Source: S&P Capital IQ and Leadenhall analysis.

The generally observed range for control premiums is between 20% and 40%. In addition, the average takeover premium observed for transactions in the information technology sector in Australia between 2012 and 2021 ranged from 1% to 88%. Further information on observed control premiums and takeover premiums is included in Appendix 6.

We consider the implied control premiums to be reasonable since:

- ◆ The software sector generally attracts larger premiums due to the scalability of these businesses and the attractiveness of recurring revenue to potential acquirers.
- ◆ There has been a recent downturn in the share price of listed technology companies that has not necessarily been driven by declining performance.
- ◆ The implied control premiums are within the range of the most comparable recent transactions being PayGroup (172% premium to the one month VWAP) and ReadyTech (51% premium to the one month VWAP).

6.8 Valuation conclusion

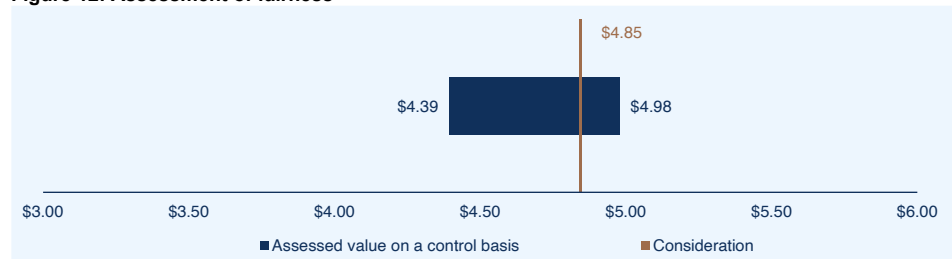
Based on the analysis set out above, we have determined the value of an ELMO share, on a control basis, to be in the range of \$4.39 to \$4.98 per share, with a mid-point of \$4.69 per share.

7 EVALUATION

7.1 Fairness

In order to assess whether the Proposed Transaction is fair, we have compared our assessed fair market value of an ELMO share on a control basis (i.e. including a control premium) with the Consideration to be received by Shareholders. This comparison is shown in the figure below:

Figure 12: Assessment of fairness



Source: Leadenhall analysis

Since the Consideration is within our assessed range of values of an ELMO share, and towards the high-end, we have concluded that the Proposed Transaction is fair.

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Annexure A: Independent Expert's Report *continued*

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7.2 Reasonableness

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for ELMO's Shareholders to vote for the Proposed Transaction. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

7.2.1 Advantages

Consideration represents a significant premium to recent trading in ELMO shares

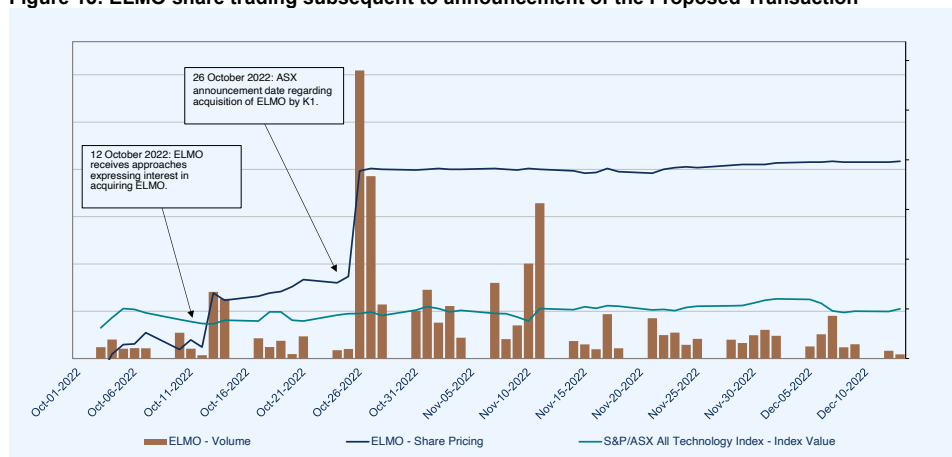
The Consideration represents a premium of 102% to the VWAP of ELMO for 12 October 2022, being the last trading day prior to announcement by ELMO that it had received approaches expressing interest in acquiring the company. It also represents premiums of between 84% to 95% of the three month and one month VWAP of ELMO over this period as set out in Section 6.7.

We therefore consider that Shareholders are being compensated for the fact that 100% control of ELMO will pass to K1 HoldCo if the Proposed Transaction proceeds.

Share price is likely to fall if the Proposed Transaction does not proceed

As discussed in Section 4.11, for the 12 months prior to 12 October 2022, ELMO's share price traded broadly in line with the ASX Technology Index. Since the announcement of the Proposed Transaction, ELMO shares have traded at a slight discount to the Consideration as set out below:

Figure 13: ELMO share trading subsequent to announcement of the Proposed Transaction



Source: S&P CapIQ and Leadenhall analysis

This is considerably higher than trading prices before 12 October 2022. If the Proposed Transaction is not approved, it is likely the trading price will fall, at least in the short-term, to trade more in line with share trading before the announcement of approaches being received for ELMO. If the Proposed Transaction does not proceed, we consider that ELMO shares are unlikely to trade in line with the Consideration in at least the near term in the absence of an alternate control transaction.

Certainty of exit proceeds

If the Proposed Transaction proceeds, Shareholders will receive cash consideration (with no brokerage costs) at a significant premium to recent trading in ELMO shares and will no longer be exposed to any variability in their investment in ELMO. This may be desirable for some Shareholders, particularly in light of the current economic uncertainty and share market volatility.

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No superior offers

Based on our discussions with the chair of the IBC, we are not aware of any competing proposals to acquire ELMO by any third party and that the Proposed Transaction represented the highest value offer received since July 2022 as part of the non-binding expressions of interest received based on recent discussions with potential acquirers of ELMO.

We also note the approach in June 2022 and the more recent discussions with interest parties in relation to control proposals undertaken by ELMO and its advisers have been announced to the market by ELMO and no superior offers have emerged. On this basis, we consider it unlikely that a superior alternate offer will emerge before Shareholders vote on the Proposed Transaction.

Support from the IBC and major investors

The IBC have stated that they unanimously support the Proposed Transaction and have indicated their intention to vote in favour of the Proposed Transaction if no superior offer is received, subject to the independent expert concluding that the Proposed Transaction is in the best interests of Shareholders.

As part of his co-operation agreement with MBH, ELMO director and CEO, Mr Danny Lessem, has agreed to vote in favour of the Proposed Transaction and not accept or vote in favour of any competing proposal for the duration of that agreement (subject to his fiduciary duties as a director and employment agreement with ELMO). Mr Lessem currently owns or controls approximately 11.04% of ELMO's issued shares.

Furthermore, JLAB and the Garber Family Trust collectively own approximately 23.4% of the issued shares of ELMO have confirmed that they intend to vote, or recommend the voting of, all ELMO shares held or controlled by them in favour of the Proposed Transaction if no superior offer is received, subject to the independent expert concluding that the Proposed Transaction is in the best interests of Shareholders.

As a result, of the above intentions and agreements, the holders of approximately 34.4% of ELMO shares on issue intend to vote in favour of the Proposed Transaction, which indicates broad support for the Proposed Transaction by existing shareholders.

7.2.2 Disadvantages

Inability to participate in potential growth and re-rating of ELMO

If the Proposed Transaction proceeds, Shareholders will no longer hold an interest in ELMO and will therefore not participate in any future value created by the company over and above that reflected in the Consideration.

As discussed in Section 4.12, ELMO is pursuing a number of near-term growth initiatives including expanding module penetration for the core ANZ mid-market business as well as pursuing opportunities to grow its presence in the UK market in both the mid-market and small business segments. If successful, these initiatives could result in meaningful growth in ELMO's revenue and profitability which could result in significant share price appreciation. However, these initiatives will take time to fully implement and carry execution risk.

The share price of ELMO may also benefit in the near-term from any general re-rating of the technology sector (which has experienced a general decline in the last 12 months). Furthermore, ELMO is expected to become cash flow positive in the near-term which may increase investor interest and positively impact the share price. Our assessed value of an ELMO share explicitly considers some of these factors.

Limited alternative investment opportunities

In recent years there have been a number of takeover offers for Australian SaaS and software companies (some of which have been completed and some have not). Whilst there remain a number of SaaS and other software companies with similar growth prospects on the ASX, there may be constraints for Shareholders reinvesting the net proceeds in similar investment opportunities in Australia. This would be a disadvantage to any Shareholders wishing to retain their exposure to the sector.

There may be additional synergies available to K1

K1 is focused exclusively on partnering with software companies and has invested in over 200 software companies since inception including other high growth Australian-based software companies such as simPRO, Cyara, AroFlo and RosterLive.

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Annexure A: Independent Expert's Report *continued*

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If the Proposed Transaction is approved and implemented, ELMO will be delisted from the ASX which will result in public company costs (such as director fees, listing fees, etc) being eliminated. We have incorporated these cost savings in our assessed value range for ELMO. In addition, it is possible that K1 may be able to realise other benefits from back office-cost savings and other synergies with its other portfolio companies. As K1 has not provided specific guidance on the level of synergies it expects to realise if the Proposed Transaction proceeds, it is possible that K1 may be able to realise synergy benefits in excess of other market participants.

As discussed above, our assessed valuation range incorporates a premium for control. Whilst it is not possible to determine the extent to which the Consideration includes synergy benefits, since the Consideration is higher than the mid-point of our assessed valuation range for ELMO shares, we consider it likely that a proportion of the synergy benefits expected to be realised by K1 are reflected in the Consideration.

Only certain shareholders will have access to K1 HoldCo consideration

As discussed above, Rollover Shareholders will receive consideration for some of their shares in the form of K1 HoldCo shares. This will allow holders of K1 HoldCo shares to participate in potential future growth of ELMO in excess of that contemplated by our valuation and any synergies achieved by K1.

We understand that Rollover Shareholders will not be increasing their equivalent economic interest represented by the Rollover Shares in ELMO and K1 HoldCo's only asset will be shares in ELMO. As K1 HoldCo will be an unlisted company and there will be no specific redemption facility or other public or other market for these shares, the value of Rollover Shares would be impacted discounts for lack of control and lack of marketability which can typically range between approximately 15% to 30% and 20% to 40% respectively.

Due to the factors above, the value of a K1 HoldCo share to Rollover Shareholders upon implementation of the Proposed Transaction would therefore likely be less than the value of the Consideration.

Tax leakage

If Shareholders approve the Proposed Transaction this may accelerate tax leakage on this investment for some Shareholders that would otherwise be deferred in the absence of the Proposed Transaction. The tax implications may vary for individual shareholders. Shareholders should seek their own independent advice as to any potential tax implications of the Proposed Transaction.

7.3 Opinion

The Proposed Transaction is fair and reasonable to Shareholders. As such, in our opinion the Proposed Transaction is in the best interest of Shareholders in the absence of any superior offer.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt, the shareholder should consult an independent financial adviser.

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APPENDIX 1: GLOSSARY

Term	Meaning
AASB	Australian Accounting Standards Board
AASB 16	AASB 16 Leases
AFCA	Australian Financial Complaints Authority
AIFRS	Australian equivalent to international financial reporting
ANZ	Australian and New Zealand
ARR	Annual Recurring Revenue
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
AUD	Australian Dollar
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
CEO	Chief Executive Officer
CFME	Capitalisation of Future Maintainable Earnings
CFO	Chief Financial Officer
Corporations Act	The Corporations Act 2001
CPI	Consumer Price Index
CRO	Chief Revenue Officer
CTO	Chief Technology Officer
DCF	Discounted Cash Flow
DLOM	Discount for lack of marketability
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ELMO	ELMO Software Limited
EMRP	Equity Market Risk Premium
ERP	Enterprise Resource Planning
EV	Enterprise Value
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FIRB	Foreign Investment Review Board
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial Year
Garber Family Trust	Regiton Pty Ltd as trustee for the Garber Family Trust
GST	Goods and Services Tax
HCM	Human Capital Management
HR	Human Resources
IBC	An independent committee, comprising all of the ELMO directors other than Danny Lessem
JLAB	JLAB Investments (No.2) Pty Ltd
IM Forecast	High level five year forecast model prepared by ELMO
IPO	Initial public offering
K1	K1 Investment Management, LLC
K1 BidCo	Manhattan Bondi Holdco, Inc
K1 HoldCo	Cookie Monster Holdings, L.P , the ultimate holding company of the acquiring entity

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Annexure A: Independent Expert's Report *continued*

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Term	Meaning
Leadenhall Model	Five year forecast model prepared by Leadenhall in conjunction with management
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
MBH	Manhattan Bondi HoldCo, Inc
NDR	Net dollar retention
NPAT	Net profit after tax
OTC	Over the Counter
P / E	Price to Earnings
PBT	Profit before tax
R&D	Research and Development
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
Rollover Shares	Shares to be issued in K1 HoldCo to Rollover Shareholders
s411	Section 411 of the Corporations Act 2001
SaaS	Software as a Service
SEC	Securities and Exchange Commission
Section 606	Section 606 of the Corporations Act 2001
Shareholders	ELMO shareholders
TAM	Total Addressable Market
UK	United Kingdom
US	United States of America
USD	US Dollar
VC	Venture Capital
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted cash flow method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the discounted cash flow method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

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Annexure A: Independent Expert's Report *continued*

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Capitalisation of earnings method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

- ◆ **Revenue** – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.
- ◆ **EBITDA** - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.
- ◆ **EBITA** - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.
- ◆ **EBIT** - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).
- ◆ **NPAT** - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the capitalisation of earnings method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset based methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

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The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of asset based methods

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of share trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry specific rules of thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

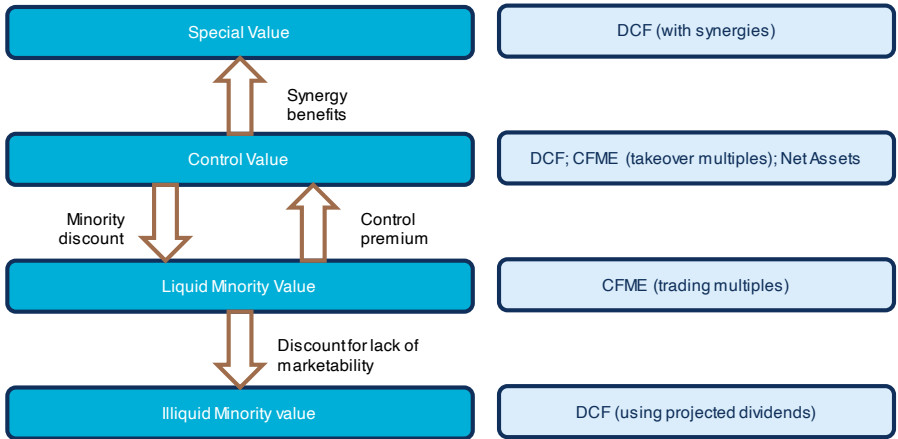
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APPENDIX 3: LEVELS OF VALUE

Background

When valuing a company there are various conceptual levels of value that can be determined depending on the method selected and the assumptions applied. These levels are highlighted in the diagram below. It is important to be aware of the level of value determined by any valuation technique and to ensure that it is consistent with the subject of the valuation.



The key differences between these levels of value are the control premium and the discount for lack of marketability. The opposite of a control premium is a minority discount (also known as a discount for lack of control).

Each of these levels of value and the valuation techniques for deriving them are discussed below. It is also possible to determine the value at any of the levels by starting at a different level of value and then applying the relevant discounts and/or premiums to obtain the required level of value. For example, an illiquid minority value could be determined by using a discounted cash flow method to determine a control value and then deducting an appropriate minority discount and a discount for lack of marketability.

Special value

The highest level of value is referred to as special value. This is the value of a company to a particular purchaser, where that purchaser is able to enjoy benefits of owning the company that are not available to other potential owners. Special value is not typically observed as a buyer would not benefit its own shareholders if it paid the full amount of special value in a transaction. However, in contested takeover situations transactions often take place at a price that is higher than the stand-alone control value, meaning the value of some synergies is paid by the bidder to the target's shareholders. The definitions of Fair Market Value specifically excludes any special value.

Special value can be estimated using a discounted cash flow analysis. This analysis would include the expected synergy benefits in the forecast cash flows.

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Control value

The next level of value is the stand-alone control value. This represents the value of the whole of an entity, without considering any potential synergy benefits. The benefits of controlling an enterprise are discussed further in Appendix 6. A control value can be determined using one of the following approaches:

- ◆ Discounted cash flow (using free cash flow to the business or to equity)
- ◆ Capitalisation of earnings, using multiples for comparable transactions
- ◆ Capitalisation of earnings, using multiples derived from first principles (analogous to a discounted cash flow)
- ◆ A net asset based approach

It is possible that transactions involving comparable entities include some element of payment for synergies. Thus, using multiples determined by this method may provide a valuation that is higher than a stand-alone control value. It is therefore necessary to consider the nature of the buyer and the details of the transaction before accepting a comparable transaction as evidence of a control value.

Liquid minority value

This is the most frequently observed level of value as it is consistent with market trading on public exchanges. It can be determined directly by the application of the capitalisation of maintainable earnings, where the multiple used is determined based on market prices of comparable companies.

Illiquid minority value

This represents a minority holding in a private company. Such a stake can be difficult to sell and often offers little ability to influence the operations of the business. This level of value is mostly commonly estimated by reference to a higher level of value and the application of discounts. However, it can be estimated directly either by considering comparable transactions involving similar assets or the application of a discounted cash flow analysis based on expected cash flows to the minority owner. In some cases the shareholders' agreement can restrict the transfer and sale of shares to third parties which increases the applicable discount.

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APPENDIX 4: COMPARABLE COMPANIES

The following company descriptions are extracted from descriptions provided by S&P Capital IQ.

Company	Description
Asure Software, Inc.	Asure Software, Inc. provides cloud-based HCM solutions the United States.
Automatic Data Processing, Inc.	Automatic Data Processing, Inc. provides cloud-based human capital management solutions worldwide.
Bigtincan Holdings Limited	Bigtincan Holdings Limited operates as a sales enablement automation company.
Ceridian HCM Holding Inc.	Ceridian HCM Holding Inc., together with its subsidiaries, operates as a HCM software company in the United States, Canada, and internationally.
Dubber Corporation Limited	Dubber Corporation Limited provides unified call recording and voice intelligence cloud solutions worldwide.
ELMO Software Limited	ELMO Software Limited provides SaaS, cloud-based HR, payroll, and expense management solutions in Australia, New Zealand, the United Kingdom, and internationally.
EROAD Limited	EROAD Limited provides electronic on-board units and software as a service to the transport industry in New Zealand, Australia, the United States, and internationally.
Infomedia Ltd	Infomedia Ltd, a technology company, develops and supplies electronic parts catalogues, service quoting software, and e-commerce solutions for the automotive industry worldwide.
Janison Education Group Limited	Janison Education Group Limited provides online assessment software, assessment products, and assessment services in Australia and internationally.
Life360, Inc.	Life360, Inc. develops and delivers a mobile application in the United States and internationally.
LiveHire Limited	LiveHire Limited provides online talent acquisition software solutions to enterprises in Australia, New Zealand, and North America.
MSL Solutions Limited	MSL Solutions Limited provides software as a service solution for sports, leisure, and hospitality sectors worldwide.
Nitro Software Limited	Nitro Software Limited operates as a document productivity software company in Australia and internationally.
Nuix Limited	Nuix Limited provides investigative analytics and intelligence software solutions in the Asia Pacific, Europe, the Middle East, Africa, and the Americas.
Paycom Software, Inc.	Paycom Software, Inc. provides cloud-based HCM solutions delivered as SaaS for small to mid-sized companies in the United States.
Paycor HCM, Inc.	Paycor HCM, Inc., through its subsidiaries, provides SaaS HCM solutions for small and medium-sized businesses primarily in the United States.
PayGroup Limited	PayGroup Limited provides payroll and HCM solutions in Australia, New Zealand, and Asia.
Paylocity Holding Corporation	Paylocity Holding Corporation provides cloud-based HCM and payroll software solutions for workforce in the United States.

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Company	Description
PEXA Group Limited	PEXA Group Limited operates a digital property settlements platform in Australia.
Pro Medicus Limited	Pro Medicus Limited engages in the development and supply of healthcare imaging software and services to hospitals, diagnostic imaging groups, and other related health entities in Australia, North America, and Europe.
ReadyTech Holdings Limited	ReadyTech Holdings Limited provides SaaS technology for education and work pathways, workforce solutions, and government and justice markets in Australia.
Serko Limited	Serko Limited, a SaaS technology business, provides online travel booking software solutions and expense management in New Zealand, Australia, North America, Europe, and internationally.
Task Group Holdings	Task Group Holdings Limited develops and deploys cloud-based transactional management and mobile customer engagement solutions primarily for the hospitality sector.
The Sage Group plc	The Sage Group plc, together with its subsidiaries, provides technology solutions and services for small and medium businesses in North America, Northern Europe, and internationally.
Volpara Health Technologies Limited	Volpara Health Technologies Limited provides breast imaging analytics software products in New Zealand.
WiseTech Global Limited	WiseTech Global Limited provides software solutions to the logistics execution industry worldwide.
Workday, Inc.	Workday, Inc. provides enterprise cloud applications in the United States and internationally.
Xero Limited	Xero Limited, together with its subsidiaries, operates as a software as a service company in New Zealand, Australia, the United Kingdom, and internationally.

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APPENDIX 5: DISCOUNT RATE

The selected discount rate applied in our DCF analysis for ELMO is a WACC. We have estimated the cost of equity component with the CAPM.

Post-tax cost of equity (K_e)

The CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk-free investments (such as government bonds). The cost of equity, K_e, is the rate of return that investors require to make an equity investment in a firm.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta \times (R_m - R_f) + \alpha$$

The components of the CAPM formula are:

Table 21: Components of CAPM

Input	Definition
K _e	The required post-tax return on equity
R _f	The risk-free rate of return
R _m	The expected return on the market portfolio
EMRP	The market risk premium (R _m – R _f)
β	The beta, the systematic risk of a stock (this is an equity or levered beta)
α	The specific company risk premium

Each of the components in the above equation is discussed below.

Risk-free rate (R_f)

The relevant risk-free rate of return is the return on a risk-free security, typically over a long-term period. In practice, long dated government bonds are an acceptable benchmark for the risk-free security. We have selected a risk-free rate of 3.59%, being the yield on 10-year Australian Government bonds as at 21 November 2022.

Equity market risk premium (EMRP)

The EMRP (R_m – R_f) represents the additional return that investors expect from an investment in a well-diversified portfolio of assets (such as a market index). It is the excess return above the risk-free rate that investors demand for their increased exposure to risk, when investing in equity securities.

Leadenhall undertakes a review of the EMRP at least every six months, taking account of market trading levels and industry practice at the time. Our most recent analysis of the implied EMRP in Australia was in September 2022. As a result, we are currently recommending an EMRP of 6.25% for Australia.

Beta estimate (β)

Description

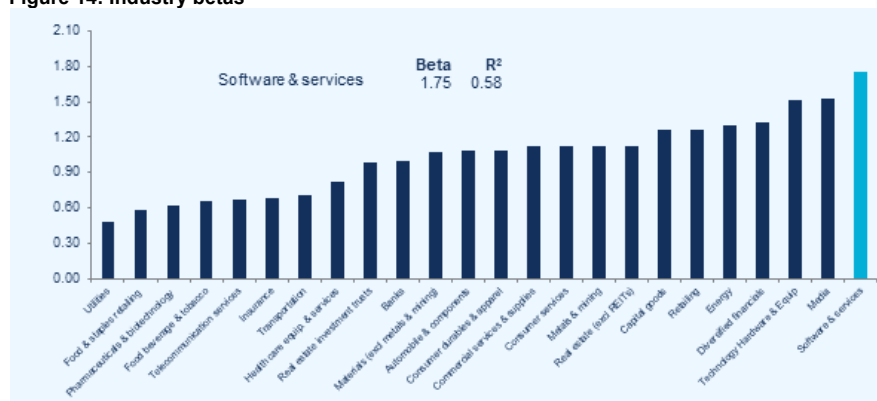
The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of assets. The only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or uninsurable risk.

Beta is a measure of the relative riskiness of an asset in comparison to the market as a whole – by definition, the market portfolio has an equity beta of 1.0. The equity betas of various Australian industries listed on the Australian Stock Exchange are reproduced below.

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Figure 14: Industry betas



Source: SIRCA as at 30 June 2022 (latest available)

Betas derived from share market observations represent equity betas, which reflect the degree of financial gearing of the company. In order to eliminate the impact of differing capital structures, analysts often 'unlever' observed betas to calculate an asset beta. The selected asset beta is then 'relevered' with a target level of debt. The asset betas of companies comparable to ELMO are included in the following table.

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Table 22: Comparable company betas

Company	Country	Market Cap (A\$m)	Gearing D/EV ¹	Asset Beta	R ²
ELMO Software Limited	Australia	458	-8%	2.15	0.27
HCM Software Companies					
Automatic Data Processing, Inc.	United States	158,828	1%	0.81	0.41
Workday, Inc.	United States	56,183	-1%	1.10	0.32
Paycom Software, Inc.	United States	27,380	-1%	1.14	0.25
Paylocity Holding Corporation	United States	17,265	-1%	0.67	0.10
Ceridian HCM Holding Inc.	United States	14,995	5%	1.27	0.37
The Sage Group plc	UK	14,679	5%	0.35	0.05
Paycor HCM, Inc.	United States	7,027	0%	0.39	0.05
Asure Software, Inc.	United States	211	21%	0.44	0.03
PayGroup Limited	Australia	120	-36%	(1.57)	0.09
LiveHire Limited	Australia	71	-22%	(0.29)	0.00
Average (excluding outliers²)			-3%	0.77	
Median (excluding outliers²)			0%	0.74	
Australian SaaS Companies					
WiseTech Global Limited	Australia	18,659	-3%	1.86	0.20
Xero Limited	Australia	9,957	0%	1.54	0.40
Pro Medicus Limited	Australia	6,045	-1%	0.90	0.06
PEXA Group Limited	Australia	2,438	6%	n/a	n/a
Life360, Inc.	Australia	1,258	-11%	2.51	0.27
Nitro Software Limited	Australia	507	-7%	0.28	0.01
ReadyTech Holdings Limited	Australia	441	10%	0.92	0.16
Infomedia Ltd	Australia	417	-11%	0.95	0.10
Bigtincan Holdings Limited	Australia	378	-19%	2.06	0.24
Serko Limited	Australia	281	-17%	1.80	0.28
Nuix Limited	Australia	222	-5%	n/a	n/a
Volpara Health Technologies Limited	Australia	169	-9%	1.69	0.17
Janison Education Group Limited	Australia	153	-11%	1.71	0.22
EROAD Limited	Australia	131	6%	2.74	0.37
Task Group Holdings Limited	Australia	110	-16%	n/a	n/a
Dubber Corporation Limited	Australia	107	-10%	1.56	0.08
MSL Solutions Limited	Australia	103	-1%	1.35	0.07
LiveHire Limited	Australia	71	-22%	(0.29)	0.00
Whispir Limited	Australia	70	-17%	0.12	0.00
LiveTiles Limited	Australia	54	-11%	2.13	0.23
Limeade, Inc.	Australia	44	-6%	1.39	0.14
Average (excluding outliers²)			-7%	1.53	
Median (excluding outliers²)			-9%	1.56	
Average (excluding outliers²) - Overall			-6%	1.24	
Median (excluding outliers²) - Overall			-5%	1.27	

Source: S&P Capital IQ as at 21 November 2022

Notes:

1. Gearing levels represent the five-year average gearing levels.
2. The outliers are highlighted in grey and have been excluded from the average and median calculations. All negative betas are considered to be outliers. For the Australian SaaS companies, we consider betas below 0.9 and above 2.5 to be outliers.

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Selected beta (β)

In selecting an appropriate beta for ELMO, we have considered the following:

- ◆ The average asset beta for comparable HCM software companies is 0.77 excluding outliers.
- ◆ The average asset beta for Australian SaaS companies is 1.53 excluding outliers.
- ◆ We consider the HCM software companies to be more comparable to ELMO than the Australian SaaS companies.
- ◆ The HCM software companies with lower betas tend to have a greater focus on payroll services. Therefore, we consider that an appropriate beta for ELMO would be at the higher end of the comparable HCM software companies and above the average.

As a result of these considerations, we have selected an asset beta between 1.1 and 1.2 for ELMO, which is in line with the most comparable companies. This equates to an equity beta between 1.19 and 1.20 after applying our selected gearing level of 0% to 10%. Our selected gearing level takes into consideration ELMO's long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt in the near term given its current stage of development. The selected gearing level is within the range of the comparable companies' gearing levels.

Specific company risk premium (α)

Size premium

The size premium is the additional return that investors require for the risks of investing in small businesses. To date, whilst it has not been possible to isolate the specific causes of size premiums (other than simply size), many factors have been suggested, including:

- | | |
|---|---|
| ◆ Depth of management | ◆ Reliance on key suppliers |
| ◆ Reliance on key personnel | ◆ Lack of geographic diversification |
| ◆ Weak market position | ◆ Limited access to technology |
| ◆ Reliance on key customers | ◆ Absence of broker analysis |
| ◆ Reduced access to capital | ◆ Supplier concentration |
| ◆ Deeper pool of investors for larger companies | ◆ Investors in large companies often more diversified |

The size premium can be observed in earnings multiples of listed companies, with large companies trading on higher multiples than small companies, all else being equal. Size premiums are observed consistently across time, across different markets and across a very wide range of company values.

A number of studies have been undertaken attempting to measure the size premium, in particular in the US. The Duff & Phelps Cost of Capital Navigator is an online application that provides guidance in estimating cost of capital. It contains calculations of the size premium for each decile of market capitalisation. As the size premium is most significant for very small companies, the tenth decile is then further divided into four equal segments. The following chart summarises the size premium data from the Duff & Phelps Cost of Capital Navigator.

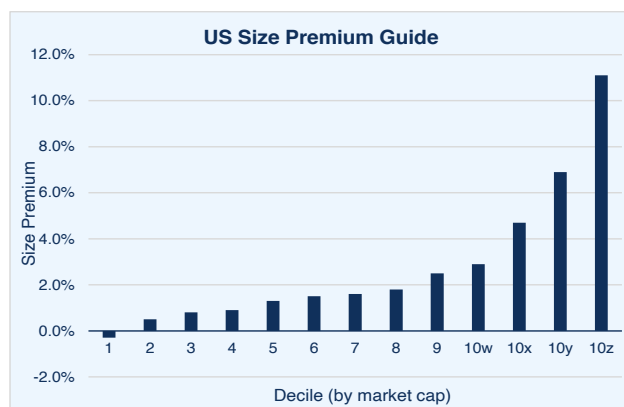
A.

Annexure A: Independent Expert's Report continued

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Table 23: Evidence of size premium



Source: Duff & Phelps Cost of Capital Navigator, data through 31 December 2018

Note: The first decile represents the largest companies while the 10z decile represents the smallest companies by market capitalisation.

As mentioned above, the existence of the size premium has been well documented. However, there are limited studies setting out the appropriate bands of size premium and the quantum of size premium applicable to each band. For this reason, the above table should be taken as broad support for the size effect and not an exact guide to the extent of any particular discount or premium that should be applied.

Although there is considerable evidence from the US, in the Australian context, the relatively small size of the Australian equity market makes it more difficult to observe the existence of this phenomenon.

Leadenhall and others have conducted a number of high-level studies which have confirmed the existence of the size effect in the Australian market. However, we are not aware of any Australian studies that have been performed with the same detail and rigour as the US studies, such as the Duff & Phelps data presented above. Based on the evidence from US studies and our knowledge of prices actually paid in Australian transactions, from which a discount rate can be implied, we believe the size premium ranges in the below table are appropriate. This table should be taken as a guide to the appropriate size premium for a given business and needs to be considered in conjunction with the specific circumstances of a particular business.

Table 24: Leadenhall size premium bandings

Size Premium Guide for Australia				
Size	Mkt Cap Range (AU\$m)		Size Premium	
	Low	High	Low	High
Largest	4,000	Above	-	-
Large	1,000	4,000	-	1.0%
Mid-cap	300	1,000	1.0%	2.0%
Low-cap	100	300	2.0%	3.0%
Small-cap	50	100	3.0%	5.0%
Micro-cap	10	50	5.0%	8.0%
Medium private ¹	5	10	8.0%	11.0%
Small private ¹	2	5	11.0%	15.0%
Smallest ¹	-	2	15.0%	20.0%

Source: Leadenhall analysis

Note 1: We do not generally consider the CAPM model to be reliable for entities of this size as they often do not meet the background assumptions underpinning the CAPM. In particular investors are often not diversified, and it is rarely possible to lend or borrow stock of entities this size (i.e. a market for shorting these stocks). These suggested size premiums are therefore presented as an approximate guide only as alternate models, studies and rules of thumb are commonly utilised for these types of companies.

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Based on the implied value of the Consideration (which is broadly consistent with our assessed equity value), ELMO would be considered a mid-cap public company and as such a size premium of between 1.0% and 2.0% would generally apply. Accordingly, we have selected a size premium in the range of 1.5% to 2.0% as ELMO is closer to the low-end of the mid-cap size range.

Other company specific risks

The specific company risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as reliance on key customers, reliance on key suppliers, existence of contingent liabilities etc that are not already factored into the size premium. We consider that these factors are reflected in either the cash flow forecasts or adjustments to size premium discussed above for ELMO. We have therefore not applied a specific risk premium for the Proposed Transaction valuation.

Dividend Imputation

Since July 1987, Australia has had a dividend imputation system in place, which aims to remove the double taxation effect of dividends paid to investors. Under this system, domestic equity investors receive a taxation credit (franking credit) for any tax paid by a company. The franking credit attaches to any dividends paid out by a company and the franking credit offsets personal tax. To the extent the investor can utilise the franking credit to offset personal tax, then the corporate tax is now not a real impost. It is best considered as a withholding tax for personal taxes. It can therefore be argued that the benefit of dividend imputation should be added to any analysis of value.

However, in our view, the evidence relating to the value that the market ascribes to imputation credits is inconclusive. There are diverse views as to the value of imputation credits and the appropriate method that should be employed to calculate this value. Due to the uncertainty surrounding the extent to which acquirers of assets factor in dividend imputation, we have not factored in dividend imputation.

Conclusion on cost of equity

The following table sets out our cost of equity estimate for ELMO based on the assumptions and inputs discussed above:

Table 25: Estimated cost of equity for ELMO

Cost of equity		
Components	Low	High
Risk free rate (R_f)	3.59%	3.59%
Asset beta (β_A)	1.10	1.20
Equity beta (β_E)	1.19	1.20
Equity market risk premium (EMRP)	6.25%	6.25%
Size premium (α_{size})	1.5%	2.0%
Specific risk premium (α_c)	0.0%	0.0%
Assessed cost of equity (k_e)	12.5%	13.1%

Source: Leadenhall analysis

A.

Annexure A: Independent Expert’s Report
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Post-tax weighted average cost of capital (WACC)

WACC reflects the rate of return expected for an asset, adjusted for its underlying funding structure, such as relative components of debt and equity, calculated as follows:

WACC = (K_e x E/V) + (K_d x D/V + (1- t_c))

The components of the WACC formula are:

Table 26: Components of WACC

Input	Definition
WACC	The post-tax weighted average cost of capital
K _e	The required post-tax return on equity
t _c	The corporate tax rate
K _d	The required pre-tax return on debt
D	The market value of debt
E	The market value of equity
V	The market value of business, where V = D + E

Each of the components in the above equation is discussed below.

Cost of equity (K_e)

The required post-tax return on equity as assessed in the preceding section.

Corporate tax rate (t_c)

The corporate tax rate is 30% in Australia and 19% in the United Kingdom. We have adopted a blended tax rate of 28% reflecting the reflecting the relative contribution of revenue generated in each country to ELMO’s total forecast revenue.

Cost of debt capital (K_d)

The cost of borrowing is the expected future borrowing cost of the relevant project and/or business. We have assessed the cost of debt capital for ELMO to be between 7.0% and 7.25%, based on current indicative lending rates for businesses of a similar size to ELMO.

Debt and equity mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity mix that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity mix assumption should reflect what would be the optimal or target capital structure for the relevant asset. We have selected a debt to enterprise value of 0% to 10% which takes into consideration ELMO’s long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt given its current stage of development. The selected gearing level is within the range of the comparable companies’ gearing levels.

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Calculation of WACC

The table below summarises the post-tax, nominal discount rate we have derived for ELMO, based on the assumptions and inputs discussed above.

Table 27: Estimated WACC for ELMO

WACC		
Components	Low	High
Assessed cost of equity (k_e)	12.5%	13.1%
Cost of debt (K_d)	7.0%	7.25%
Gearing (D/V)	10.0%	0.0%
Tax rate (t)	28.0%	28.0%
Calculated WACC	11.8%	13.1%
Selected WACC	12.0%	13.0%

Source: Leadenhall analysis

A.

Annexure A: Independent Expert’s Report
continued

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APPENDIX 6: CONTROL PREMIUM

The outbreak of COVID-19 and the consequential general decline in share prices is likely to have an impact on implied control premiums in the current environment. Although there is anecdotal evidence from previous economic downturns of control premiums being higher than the long-term average in times of economic distress, it is difficult to quantify the impact of the current environment on long-term estimates based on currently available data. We have therefore presented our analysis of control premiums prior to the outbreak of COVID-19 noting that any reasonable range of control premiums does not impact our conclusion.

Background

As discussed above, the difference between the control value and the liquid minority value of a security is the control premium. The inverse of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including the ability to:

- ◆ Appoint or change operational management
- ◆ Appoint or change members of the board
- ◆ Determine management compensation
- ◆ Determine owner’s remuneration, including remuneration to related party employees
- ◆ Determine the size and timing of dividends
- ◆ Control the dissemination of information about the company
- ◆ Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- ◆ Set the financial structure of the company (debt / equity mix)
- ◆ Block any or all of the above actions

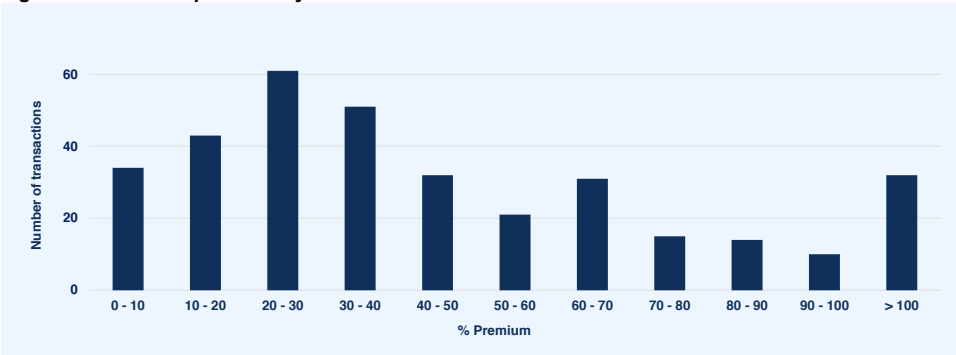
The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Takeover Premiums

Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2012 and 2021. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

Figure 15: Takeover premium by size



Sources: S&P Capital IQ, Leadenhall analysis

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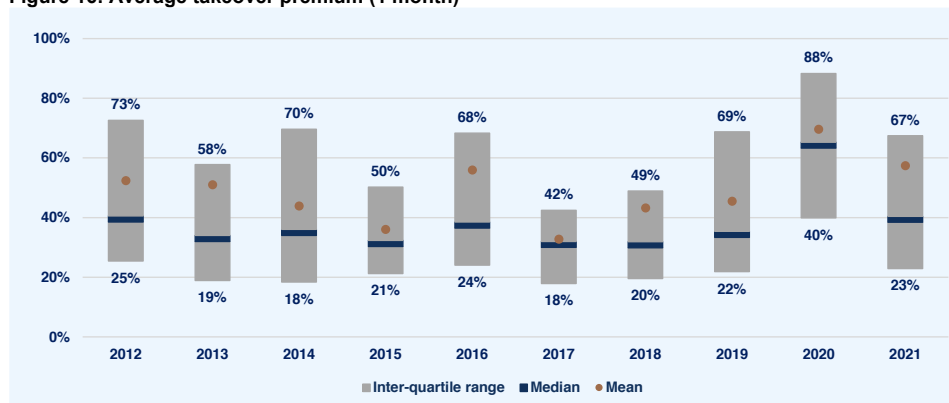


This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premiums are in the range of 20% to 40%, with approximately 65% of all premiums falling in the range of 0% to 50%.

Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

Figure 16: Average takeover premium (1 month)



Sources: S&P Capital IQ, Leadenhall analysis

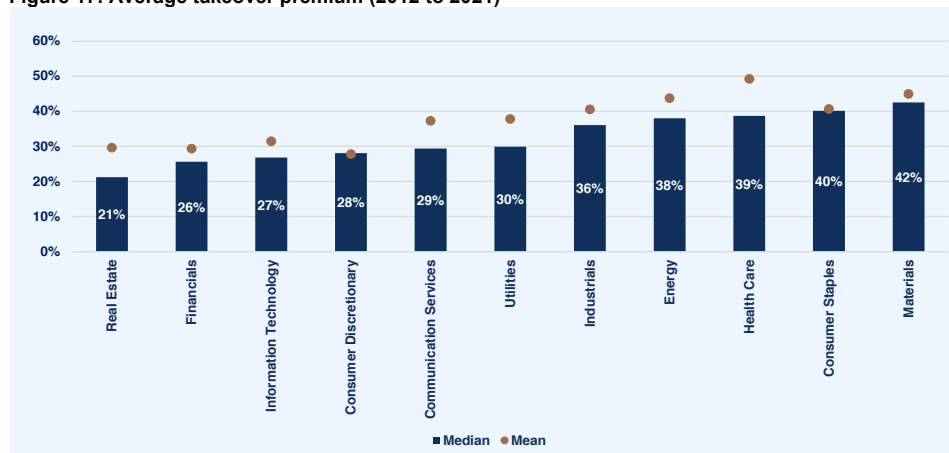
Note: The average premiums presented above exclude transactions with implied control premiums below zero and transactions which we consider to be outliers.

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 40%.

Figure 17: Average takeover premium (2012 to 2021)



Sources: S&P Capital IQ, Leadenhall analysis

Note: The average premiums presented above exclude specific transactions with implied control premiums below zero or over 100% which we consider to be outliers.

A.

Annexure A: Independent Expert's Report *continued*

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Key factors that generally lead to higher premiums being observed include:

- ◆ Competitive tension arising from more than one party presenting a takeover offer.
- ◆ Favourable trading conditions in certain industries (e.g. recent mining and tech booms).
- ◆ Significant synergistic special or strategic value.
- ◆ Scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- ◆ Deloitte - 20% to 40%
- ◆ Ernst & Young - 20% to 40%
- ◆ Grant Samuel - 20% to 35%
- ◆ KPMG - 25% to 35%
- ◆ Loneragan Edwards - 30 to 35%
- ◆ PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature on the topic.

Alternative View

Whilst common practice is to accept the existence of a control premium in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate viewpoint to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. Those practitioners agree that the reason we see some takeovers at a premium is that if a company is not well run, there is a control premium related to the difference in value between a hypothetical well run company and the company being run as it is.

Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

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Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- ◆ 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- ◆ 75% - power to pass special resolutions
- ◆ 50% - gives control depending on the structure of other interests (but not absolute control)
- ◆ 25% - ability to block a special resolution
- ◆ 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- ◆ < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

50%

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares is listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

<20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

A.

Annexure A: Independent Expert's Report *continued*

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Key Factors in Determining a Reasonable Control Premium

Key factors to consider in determining a reasonable control premium include:

- ◆ **Size of holding** – Generally, larger stakes attract a higher control premium
- ◆ **Other holdings** – The dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- ◆ **Industry premiums** – Evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- ◆ **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- ◆ **Dividends** – a high dividend pay-out generally leads to a low premium for control
- ◆ **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- ◆ **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- ◆ **Shareholders' agreement** - the existence and contents of a shareholder's agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium.

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APPENDIX 7: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for ELMO's shareholders for the purpose of assessing whether the Proposed Transaction is in Shareholder's best interests. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by ELMO being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to ELMO's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of ELMO's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for ELMO when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of ELMO referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future circumstances it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report to be reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range.

Indemnities

In recognition that Leadenhall may rely on information provided by ELMO and their officers, employees, agents or advisors, ELMO has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by ELMO and their officers, employees, agents or advisors or the failure by ELMO and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were, Dave Pearson, BCom., CA, CFA, CBV, M.App.Fin, Nathan Timosevski, BBus, GradDipAppFin, CA, BV Specialist, A.FINSIA, Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Katy Lawrence, BCom., CA, GradDipAppFin, CA BV Specialist and Simon Litchfield, Bcom.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board. This report is a Valuation Engagement in accordance with that standard.

Independence

Leadenhall has acted independently of ELMO. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.

B.

ANNEXURE B: SCHEME OF ARRANGEMENT

Arnold Bloch Leibler
Lawyers and Advisers

Scheme of Arrangement

ELMO Software Limited
ACN 102 455 087
Scheme Shareholders

Scheme of Arrangement

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B.

Annexure B: Scheme of Arrangement
continued

Scheme of Arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between

ELMO Software Limited ACN 102 455 087 (**Ernie**) of Level 27, 580 George Street, Sydney NSW 2000

And

Each Scheme Shareholder

Operative provisions

1 Definitions and interpretation

1.1 Definitions

In this Scheme, unless the context requires otherwise:

Affiliate	means, in respect of a person (Primary Person), a person: (a) Controlled directly or indirectly by a Primary Person; (b) Controlling directly or indirectly the Primary Person; (c) who is Controlled, directly or indirectly, by a person or persons who Control the Primary Person; or (d) directly or indirectly under the common Control of the Primary Person and another person or persons.
ASIC	means the Australian Securities and Investments Commission.
ASX	means, as the context requires, ASX Limited (ABN 98 008 624 691) or the securities market conducted by it.
Bidder	means Cookie Monster AcquireCo Pty Ltd (ACN 664 005 270).
Bidder Affiliate	means any Affiliate of any investment fund, vehicle or managed account advised or managed by K1 Investment Management, LLC or any of its Affiliates.
Business Day	means a day on which banks are open for general banking business in Sydney, excluding Saturdays, Sundays and public holidays.
Cash Consideration	means \$4.85 for each Scheme Share.

CHES	means Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).
Control	has the meaning given in section 50AA of the Corporations Act, and, for the avoidance of doubt, a general partner is deemed to Control a limited partnership of which it is the general partner and, solely for the purposes of this deed, a fund advised or managed directly or indirectly by a person will also be deemed to be Controlled by such person, and, in respect of the Bidder, will include any fund, account, client, limited partnership or other collective investment vehicle or other person who is managed or advised by the Bidder and any Affiliate of the Bidder, and the terms " Controlled " and " Controlling " will have corresponding meanings.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Court	means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act as may be agreed to in writing by Ernie and the Bidder.
Deed Poll	means the deed poll executed by the Bidder and HoldCo under which the Bidder and HoldCo covenant in favour of the Scheme Shareholders to perform the obligations attributed to them under this Scheme.
Delivery Time	means 8.00 am on the Second Court Date.
Effective	means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	means the date on which this Scheme becomes Effective.
Election	means an election by a Relevant Shareholder to receive their Scheme Consideration partly in the form of Scrip Consideration and partly in the form of Cash Consideration, made in accordance with clause 6.2.
Election Form	means a form issued by or on behalf of Ernie for the purposes of a Relevant Shareholder making an Election in a form agreed to by Ernie and the Bidder.
Election Time	means 5:00 pm on the third Business Day before the date of the Scheme Meeting, or such other date as is agreed in writing between Ernie and the Bidder.
Encumbrance	means a mortgage, hypothecation, charge (whether fixed or floating), pledge, lien, encumbrance, security interest (including a security interest as defined in section 12 of the <i>Personal Property Securities Act 2009</i> (Cth)), title retention, bill of sale, caveat, pledge, claim, trust arrangement, preferential right, trust arrangement, contractual right of set-off or any other form of encumbrance, security agreement or arrangement in favour of any person, whether registered or unregistered.

B.

Annexure B: Scheme of Arrangement *continued*

End Date	means the date that is 6 months after the date of this Scheme, or such other date as is agreed in writing between the Bidder and Ernie.
Equity Commitment Letter	means the binding, executed commitment letter dated on or around 30 November 2022 and addressed to the Bidder from K5 Private Investors, L.P.
Ernie Group	means Ernie and each of its Related Bodies Corporate.
Ernie Register	means the register of members of Ernie maintained by or on behalf of Ernie in accordance with section 168(1) of the Corporations Act.
Ernie Registry	means Link Market Services Limited ABN 54 083 214 537 or any replacement provider of share registry services to Ernie.
Ernie Share	means a fully paid ordinary share in the capital of Ernie.
Ernie Shareholder	means a holder of Ernie Shares.
HoldCo	means Cookie Monster Holdings, L.P. (file number 7143718), a special purpose Bidder Affiliate incorporated for the purposes of issuing Scrip Consideration to the Relevant Shareholders, and which indirectly wholly owns the Bidder.
HoldCo Securities	means voting securities in the capital of HoldCo.
Implementation Date	means the fifth Business Day after the Scheme Record Date or such other date as agreed in writing between the Bidder and Ernie.
Listing Rules	means the official listing rules of the ASX.
Original Bidder	means Manhattan Bondi HoldCo, Inc. (file number 7097622).
Registered Address	means, in relation to a Scheme Shareholder, the address of that Scheme Shareholder shown in the Ernie Registry as at the Scheme Record Date.
Related Bodies Corporate	has the meaning given in section 9 of the Corporations Act and includes any body corporate that would be a related body corporate for the purposes of the Corporations Act if section 48(2) of the Corporations Act was omitted.
Related Entity	of a party means another entity which: <ul style="list-style-type: none"> (a) is a Related Body Corporate of the first entity; (b) is in any consolidated entity (as defined in section 9 of the Corporations Act) which contains the party; or (c) the party Controls.
Relevant Shareholder	means an Ernie Shareholder that is, or an Affiliate or Related Entity of, an executive management team member of the Ernie Group agreed in writing to be a Relevant Shareholder for the purposes of this definition between Ernie and the Bidder on or

	prior to, or as soon as practicable following, the date of the Scheme Implementation Deed.
Scheme	means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by the Bidder and Ernie.
Scheme Booklet	means the explanatory statement in respect of the Scheme prepared by Ernie pursuant to section 412 of the Corporations Act and in accordance with the Scheme Implementation Deed, and despatched to Ernie Shareholders.
Scheme Consideration	means the Cash Consideration and, if applicable, Scrip Consideration, to be provided to each Scheme Shareholder for the transfer to the Bidder of each Scheme Share.
Scheme Implementation Deed	has the meaning given to that term in clause 2(c).
Scheme Meeting	means the meetings of Ernie Shareholders, ordered by the Court to be convened under section 411(1) of the Corporations Act, at which Ernie Shareholders will vote on this Scheme and includes any meeting held following any adjournment or postponement of that meeting.
Scheme Record Date	means 7.00 pm on the fifth Business Day after the Effective Date or such other date as agreed in writing between the Bidder and Ernie.
Scheme Share	means an Ernie Share held by a Scheme Shareholder at the Scheme Record Date.
Scheme Shareholder	means a person who is an Ernie Shareholder as at the Scheme Record Date.
Scheme Transfer	means one or more proper instruments of transfer in respect of the Scheme Shares for the purpose of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.
Scrip Consideration	means 1 HoldCo Security per Scheme Share.
Second Court Date	means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned application is heard).
Trust Account	means an Australian dollar denominated trust account held with an Australian bank operated by Ernie (or by the Ernie Registry on behalf of Ernie) as trustee for the Scheme Shareholders.

1.2 Interpretation

In this Scheme, except where the context otherwise requires:



B.

Annexure B: Scheme of Arrangement *continued*

- (a) the singular includes the plural and vice versa;
- (b) words denoting any gender include all genders;
- (c) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) a reference to a party, clause, paragraph, schedule or annexure is a reference to a party, clause, paragraph, schedule or annexure to or of this Scheme;
- (e) a reference to this Scheme includes any schedules or annexures;
- (f) headings and sub-headings are for convenience and do not affect interpretation;
- (g) the background or recitals to this Scheme are adopted as and form part of this Scheme;
- (h) a reference to any document or agreement includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to "\$", "A\$" or "dollar" is a reference to Australian currency;
- (j) a reference to a time is a reference to the time in Sydney, Australia;
- (k) a reference to a party includes its executors, administrators, successors, substitutes (including persons taking by novation) and permitted assigns;
- (l) a reference to writing includes any method of representing words, figures or symbols in a permanent and visible form;
- (m) words and expressions denoting natural persons include bodies corporate, partnerships, associations, firms, governments and governmental authorities and agencies and vice versa;
- (n) a reference to any legislation or to any provision of any legislation includes:
 - (i) any modification or re-enactment of the legislation;
 - (ii) any legislative provision substituted for, and all legislation, statutory instruments and regulations issued under, the legislation or provision; and
 - (iii) where relevant, corresponding legislation in any Australian State or Territory;
- (o) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this Scheme or any part of it; and
- (p) the words "including", "for example", "such as" or other similar expressions (in any form) are not words of limitation.

1.3 Other rules of interpretation

In this Scheme, unless expressly provided otherwise:



- (a) (**consents and approvals**) if the doing of any act, matter or thing requires the consent, approval or agreement of any party, that consent, approval or agreement may be given conditionally or unconditionally or withheld in that party's absolute discretion;
- (b) (**Business Days**) if the day on or by which any act, matter or thing is to be done is a day other than a Business Day, the act, matter or thing will be done on the next Business Day; and
- (c) (**Listing Rules**) Listing Rule or business rule of a financial market or securities exchange will be regarded as a law for the purposes of this Scheme.

2 Preliminary matters

- (a) Ernie is an Australian public company limited by shares, registered under the Corporations Act, and has been admitted to the official list of the ASX. Ernie Shares are quoted for trading on the ASX (ASX:ELO).
- (b) Bidder is a company incorporated in Australia.
- (c) Ernie and the Original Bidder entered into a Scheme Implementation Deed dated 26 October 2022 (the **Scheme Implementation Deed**).
- (d) The Original Bidder has nominated the Bidder pursuant to clause 4.2 of the Scheme Implementation Deed.
- (e) Under the Scheme Implementation Deed:
 - (i) Ernie has agreed to propose this Scheme; and
 - (ii) Ernie and the Bidder have agreed to take certain steps to implement this Scheme.
- (f) If this Scheme become Effective, then:
 - (i) all of the Scheme Shares and all of the rights and entitlements attaching to them on the Implementation Date will be transferred to the Bidder;
 - (ii) the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (iii) Ernie will enter the name and address of the Bidder in the Ernie Register as the holder of all of the Scheme Shares.
- (g) By executing the Scheme Implementation Deed, Ernie has agreed to propose and implement this Scheme, and the Bidder has agreed to assist with that proposal and implementation, on and subject to the terms of the Scheme Implementation Deed.
- (h) The Scheme attributes actions to Bidder and HoldCo but does not itself impose an obligation on either or both of them to perform any of those actions. Each of the Bidder and HoldCo has agreed, by executing the Deed Poll, to perform the obligations attributed to it under this Scheme, including the obligation to provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of the Scheme.

B.**Annexure B: Scheme of Arrangement**
*continued***3 Conditions****3.1 Conditions precedent**

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, neither the Scheme Implementation Deed nor the Deed Poll has been terminated in accordance with its terms;
- (b) as at 8.00am on the Second Court Date, each of the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in the Scheme Implementation Deed relating to the approval of the Court set out in clause 3.1(b)) has been satisfied or waived in accordance with the terms of the Scheme Implementation Deed;
- (c) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act and that are agreed to by Ernie and the Bidder (such agreement not to be unreasonably withheld, delayed or qualified);
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and agreed to by Ernie and the bidder have been satisfied or waived;
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date.

3.2 Certificates

- (a) Ernie and the Bidder must provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not, as at 8.00am on the Second Court Date, the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived in accordance with the terms of this Scheme.
- (b) The certificates given by Ernie and the Bidder constitute conclusive evidence that the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived as at the Delivery Time.

3.3 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Ernie and the Bidder otherwise agree in writing.

4 This Scheme becoming effective

Subject to clause 3, this Scheme will take effect on and from the Effective Date.

5 Implementation of this Scheme

5.1 Lodgement of Court Orders with ASIC

Ernie must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court orders approving this Scheme under section 411(4)(b) of the Corporations Act as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later date as Ernie and the Bidder agree in writing.

5.2 Transfer of Scheme Shares

Subject to the Scheme becoming Effective, the following will occur on the Implementation Date in the order set out below:

- (a) the Bidder confirming in writing to Ernie that:
 - (i) the Cash Consideration has been provided in accordance with clause 6.4(a); and
 - (ii) the Scrip Consideration has been provided in accordance with clause 6.5; and
- (b) payment by Ernie of the Cash Consideration in the manner contemplated by clause 6.4(b);
- (c) subject to the Bidder providing or procuring the provision of the Scheme Consideration in accordance with this Scheme and the Deed Poll, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to the Bidder without the need for any further act by any Scheme Shareholders (other than acts performed by Ernie or any of its directors and officers as attorney and agent for Scheme Shareholders under this Scheme), by:
 - (i) Ernie delivering to the Bidder for execution duly completed Scheme Transfers to transfer all of the Scheme Shares to the Bidder, duly executed by Ernie (or any of its directors or officers) as attorney and agent of each Scheme Shareholder as transferor under clause 9.3;
 - (ii) the Bidder duly executing the Scheme Transfers as transferee and delivering the executed ad, if necessary, stamped, Scheme Transfers to Ernie for registration; and
 - (iii) Ernie, immediately after receipt of the Scheme Transfers under clause 5.20(ii), entering, or procuring the entry of, the name and address of the Bidder in the Ernie Register as the holder of all of the Scheme Shares transferred to the Bidder in accordance with this Scheme.

Annexure B: Scheme of Arrangement *continued*

6 Scheme Consideration

6.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, in consideration for the transfer to the Bidder of the Scheme Shares, each Scheme Shareholder will be entitled to the Scheme Consideration for each Scheme Share held by that Scheme Shareholder in accordance with this Scheme.

6.2 Election procedure

- (a) Ernie must provide or procure the provision of an Election Form to each Relevant Shareholder, with the Scheme Booklet that is sent to them.
- (b) Subject to clauses 6.2(c), 6.2(d) and 6.2(e), each of the Relevant Shareholders will be entitled to make an Election. All Elections will take effect in accordance with the Scheme (provided that any Relevant Shareholder who makes an Election is also a Scheme Shareholder).
- (c) For an Election to be valid:
 - (i) the Relevant Shareholder must complete and sign the Election Form in accordance with the terms and conditions of the Election Form, the instructions in the Scheme Booklet, the Scheme, and this clause 6.2; and
 - (ii) the Election Form must be received by the Ernie Registry at the address specified on the Election Form before the Election Time,
 unless the Bidder and Ernie agree otherwise, in their absolute discretion.
- (d) If a Relevant Shareholder makes an Election, that Election will apply in respect of that percentage (as specified in the Election Form) of the Relevant Shareholder's entire registered holding of Ernie Shares at the Scheme Record Date, regardless of whether the Relevant Shareholder's holding at the Scheme Record Date is greater or less than the Relevant Shareholder's holding at the time it made its Election, unless the Bidder and Ernie agree otherwise, in their absolute discretion.
- (e) A Relevant Shareholder who makes a valid Election may vary, withdraw, or revoke that Election by lodging a replacement Election Form so that it is received by the Ernie Registry at the address specified on the Election Form before the Election Time. After the Election Time, a valid Election made by a Relevant Shareholder will be irrevocable unless the Bidder and Ernie agree, in their absolute discretion, to the revocation of the Election.
- (f) The Election Form must include the relevant matters set out in the Scheme and must otherwise be in a form agreed by the Bidder and Ernie in writing.

6.3 Determination of Scheme Consideration

- (a) If a Scheme Shareholder is not a Relevant Shareholder, then the Scheme Consideration applicable for that Scheme Shareholder is the Cash Consideration for each Scheme Share held by the Scheme Shareholder.

- (b) If a Scheme Shareholder is a Relevant Shareholder who has not made a valid Election before the Election Time, then the Scheme Consideration applicable for that Scheme Shareholder is the Cash Consideration per Scheme Share in respect of 100% of the Scheme Shares held by that Relevant Shareholder on the Scheme Record Date.
- (c) If a Scheme Shareholder is a Relevant Shareholder who has made a valid Election before the Election Time, then the Scheme Consideration applicable for that Scheme Shareholder for the Scheme Shares held by the Scheme Shareholder is
 - (i) the Scrip Consideration per Scheme Share in respect of the Scheme Shares held by the Relevant Shareholder for which the Relevant Shareholder has elected (in the Election Form) to receive the Scrip Consideration; *plus*
 - (ii) the Cash Consideration per Scheme Share in respect of the Scheme Shares held by the Relevant Shareholder for which the Relevant Shareholder has elected (in the Election Form) to receive the Cash Consideration.

6.4 Provision of Cash Consideration

- (a) The obligation of Bidder to provide, or procure the provision of, the Cash Consideration to Scheme Shareholders in accordance with this Scheme and the Deed Poll will be satisfied by Bidder by depositing, or procuring the deposit, into the Trust Account, of an amount in cleared funds equal to the aggregate amount of the Cash Consideration payable to all Scheme Shareholders by no later than one Business Day before the Implementation Date to be held by or on behalf of Ernie on trust for the purpose of paying the Cash Consideration to Scheme Shareholders who are entitled to receive it pursuant to clause 6.4(b) (provided that any interest on the amount so deposited, less bank fees and other charges, will accrue for the benefit of Bidder).
- (b) Subject to Bidder complying with its obligations under clause 6.4(a), Ernie must on the Implementation Date pay, or procure the payment, from the Trust Account to each Scheme Shareholder an amount equal to the applicable amount of Cash Consideration that the Scheme Shareholder is entitled to pursuant to clause 6.3 in respect of each Scheme Share held by that Scheme Shareholder as set out in the Ernie Register on the Scheme Record Date.
- (c) Ernie's obligations under clause 6.4(b) will be satisfied by Ernie (in its absolute discretion, and despite any election referred to in clause 6.4(c)(i) or authority referred to in 6.4(c)(ii) made or given by the Scheme Shareholder):
 - (i) where a Scheme Shareholder has, before the Scheme Record Date, made an election in accordance with the requirements of the Ernie Registry to receive dividend payments from Ernie by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount to that Scheme Shareholder in Australian currency by electronic means in accordance with that election;
 - (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the

B.**Annexure B: Scheme of Arrangement**
continued

Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Ernie; or

- (iii) dispatching, or procuring the dispatch of, a cheque in Australian currency for the relevant amount to that Scheme Shareholder by prepaid post to the Registered Address of that Scheme Shareholder (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with clause 6.6).

6.5 Provision of Scrip Consideration

- (a) HoldCo must, by no later than 12:00 noon (or such later time as the Bidder and Ernie may agree in writing) on the Implementation Date:
 - (i) issue the number of HoldCo Securities to each Scheme Shareholder entitled to be issued with HoldCo Securities in accordance with clause 6.3; and
 - (ii) procure that the name and address of such Scheme Shareholder is entered in HoldCo's register of members as the holder of those HoldCo Securities (and in relation to HoldCo Securities issued to such Scheme Shareholder, having the same holding name and address and other details as recorded in the Ernie Register as at the Scheme Record Date).
- (b) A Scheme Shareholder that is a Relevant Shareholder that is entitled to be issued HoldCo Securities under this Scheme may, in the Election Form, direct that the HoldCo Securities to which they are entitled be issued to a Related Body Corporate of the Scheme Shareholder (in which case such Related Body Corporate's name and details will be entered into HoldCo's register of members).
- (c) On or before the date that is three Business Days after the Implementation Date, HoldCo must send or procure the sending of a certificate to each Scheme Shareholder to whom HoldCo Securities are issued under this Scheme, reflecting the issue of such HoldCo Securities.
- (d) HoldCo must ensure that:
 - (i) the HoldCo Securities issued as Scrip Consideration will, on their issue, rank equally in all respects with all other HoldCo Securities in the same class;
 - (ii) the HoldCo Securities issued as Scrip Consideration will be the same securities as are owned by the Bidder Affiliate that also holds securities in HoldCo, at the same per security price; and
 - (iii) on issue, each HoldCo Security will be fully paid and, to the extent within the control of the Bidder, free from any Encumbrance.

6.6 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Ernie, the holder whose

name appears first in the Ernie Register as at the Scheme Record Date or to the joint holders; and

- (a) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Ernie, the holder whose name appears first in the Ernie Register as at the Scheme Record Date or to the joint holders.

6.7 Cancellation and re-issue of cheques

- (a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (b) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of the Bidder.
- (c) Ernie may cancel a cheque issued under this clause 6 if the cheque:
 - (i) is returned to Ernie or the Ernie Registry; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (d) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Ernie or the Ernie Registry (which request may not be made until the date which is 20 Business Days after the Implementation Date), Ernie must reissue a cheque that was previously cancelled under clause 6.7(a).

6.8 Fractional entitlements

- (a) Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent or a fractional entitlement to a HoldCo Security, the fractional entitlement will:
 - (i) in the case of a HoldCo Security, be rounded down to the nearest whole number of HoldCo Security; and
 - (ii) in the case of Cash Consideration, be rounded to the nearest whole cent.
- (b) If Bidder is of the opinion (acting reasonably) that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 6.8(a)) have, before the Scheme Record Date for the Scheme, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding, then:
 - (i) Bidder may give notice of that opinion and relevant details to Ernie; and
 - (ii) within 2 Business Days of receipt of such notice, Ernie must give notice to those Scheme Shareholders:
 - (A) setting out their names and registered addresses as shown in the Ernie share register;
 - (B) stating that opinion;

B.

Annexure B: Scheme of Arrangement *continued*

- (C) attributing to one of them specifically identified in the notice of the Scheme Shares held by all of them; and
- (D) attributing to one of them specifically identified in the notice which Election made by or on behalf of them applies to all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares will, for the purposes of the provisions of the Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and registered addresses are set out in the notice will, for the purposes of the provisions of the Scheme, be taken to hold no Scheme Shares. Bidder and HoldCo, in complying with the provisions of the Scheme relating to them in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged their obligations to the other Scheme Shareholders named in the notice under the terms of the Scheme.

6.9 Remaining monies (if any) in Trust Account

To the extent that, following satisfaction of Ernie's obligations under the other provisions of this clause 6 and provided the Bidder has by that time acquired the Scheme Shares in accordance with this Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of this Scheme, the Deed Poll and the Scheme Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by Ernie (or by the Ernie Registry on Ernie's behalf) to the Bidder.

6.10 Orders of a court

- (a) If written notice is given to Ernie (or the Ernie Registry) of an order or direction made by a court that:
 - (i) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Ernie in accordance with this clause 6, then Ernie will be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
 - (ii) prevents Ernie from providing consideration to any particular Scheme Shareholder in accordance with this clause 6, or the payment or issuance of such consideration is otherwise prohibitive by applicable law, Ernie will be entitled to (as applicable) retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration, until such time as payment in accordance with this clause 6 is permitted by that (or another) court or direction or otherwise by law.
- (b) To the extent that amounts are so deducted or withheld in accordance with clause 6.10(a), such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted as required.

7 Dealings in Shares

7.1 Dealing in Ernie Shares by Scheme Shareholders

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Ernie Shares will be recognised by Ernie provided that:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Ernie Register as the holder of the relevant Ernie Shares by the Scheme Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Ernie Registry by 5.00pm on the day which is the Scheme Record Date at the place where the Ernie Register is located,

and Ernie will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders nor for any other purpose (other than to transfer to the Bidder pursuant to this Scheme and any subsequent transfers by the Bidder and its successors in title), any transfer or transmission application in respect of Ernie Shares received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

7.2 Register

- (a) Ernie must register valid registrable transmission applications or transfers of Ernie Shares in accordance with clause 7.1(a) at or before the Scheme Record Date, provided that nothing in this clause 7.2(a) requires Ernie to register a transfer that would result in a Ernie Shareholder holding a parcel of Ernie Shares that is less than a 'marketable parcel' (as defined in the operating rules of ASX).
- (b) If this Scheme becomes Effective, a Scheme Shareholder (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Ernie will be entitled to disregard any such disposal, purported disposal or agreement.
- (c) Ernie will, until the Scheme Consideration has been provided and the name and address of the Bidder has been entered in the Ernie Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the Ernie Register in accordance with this clause 7, and the Ernie Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.
- (d) As from the Scheme Record Date (and other than for the Bidder following the Implementation Date), each entry in the Ernie Register as at the Scheme Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Scheme Shares.
- (e) As soon as possible on or after the Scheme Record Date, and in any event within two Business Days after the Scheme Record Date, Ernie will ensure that details of the names, Registered Addresses and holdings of Ernie Shares for each Scheme Shareholder as shown in the Ernie Register are available to the Bidder.

B.**Annexure B: Scheme of Arrangement**
continued**7.3 Effect of share certificates and holding statements**

As from the Scheme Record Date (and other than for the Bidder following the Implementation Date), all share certificates and holding statements for Scheme Shares (other than statements of holding in favour of the Bidder) will cease to have effect as documents of title in respect of those Scheme Shares.

7.4 No disposals after Scheme Record Date

If this Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after 5.00pm on the Scheme Record Date (other than to the Bidder in accordance with this Scheme and any subsequent transfers by the Bidder and its successors in title), and any attempt to do so will have no effect and Ernie will be entitled to disregard any such disposal, purported disposal or agreement.

8 Suspension and Termination of quotation of Ernie Shares

- (a) Provided that the Scheme has been fully implemented in accordance with its terms, Ernie must apply to ASX to suspend trading of the Ernie Shares on ASX with effect from the close of business on the Effective Date.
- (b) On a date after the Implementation Date to be determined by the Bidder, Ernie must apply to ASX for termination of official quotation of the Ernie Shares on ASX and the removal of Ernie from the official list of ASX in each case with effect on and from the close of trading on the trading day immediately following, or shortly after, the Implementation Date.
- (c) Ernie must use its best endeavours to ensure that such termination of official quotation and removal from the official list of ASX does not occur before the Implementation Date.

9 General**9.1 Further assurances**

- (a) Each Scheme Shareholder and Ernie will do all things and execute all deeds. Instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it.
- (b) Without limiting Ernie's other powers under this Scheme, Ernie has power to do all things that it considers necessary or desirable to give effect to this Scheme and the transactions contemplated by it.

9.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

- (i) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to the Bidder in accordance with the terms of this Scheme;
- (ii) acknowledges and agrees that this Scheme binds Ernie and all Scheme Shareholders (including those that did not attend the Scheme Meeting or did not vote at the Scheme Meeting or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides Ernie's constitution; and
- (iii) irrevocably consents to Ernie and the Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it, including Ernie doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Ernie or otherwise,

without the need for any further act by that Scheme Shareholder.

9.3 Appointment of Ernie as attorney for implementation of Scheme

Each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints Ernie as that Scheme Shareholder's agent and attorney for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 5.2(c)(i); and
- (b) with effect on and from the Effective Date, enforcing the Deed Poll against the Bidder, the Original Bidder and HoldCo under clause 9.8,

and Ernie accepts such appointment. Ernie, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 9.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

9.4 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to the Bidder, and, to the extent enforceable, to have appointed and authorised Ernie as that Scheme Shareholder's agent and attorney to warrant to the Bidder, that all of their Scheme Shares (including all rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to the Bidder pursuant to this Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to the Bidder pursuant to this Scheme. Ernie undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to the Bidder, the Original Bidder and HoldCo on behalf of that Scheme Shareholder.

B.

Annexure B: Scheme of Arrangement *continued*

9.5 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to the Bidder will, at the time of transfer of them to the Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) Upon the Scheme Consideration being provided to the Scheme Shareholders and until Ernie registers the Bidder as the holder of all Scheme Shares in the Ernie Register, the Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Ernie of the name and address of the Bidder in the Ernie Register as the holder of the Scheme Shares.

9.6 Appointment of the Bidder as attorney and agent for Scheme Shares

- (a) From the time that the Bidder has satisfied its obligations in clause 6 until the Bidder is registered in the Ernie Register as the holder of all Scheme Shares, each Ernie Shareholder:
 - (i) without the need for any further act by that Ernie Shareholder, irrevocably appoints the Bidder as its proxy to (and irrevocably appoints the Bidder as its agent and attorney for the purpose of appointing any director or officer of the Bidder as that Ernie Shareholder's proxy and, where appropriate, its corporate representative to):
 - (A) attend shareholders' meetings of Ernie;
 - (B) exercise the votes attaching to the Ernie Shares registered in the name of the Ernie Shareholder; and
 - (C) sign any Ernie Shareholders' resolution;
 - (ii) must take all other action in the capacity of an Ernie Shareholder as the Bidder reasonably directs; and
 - (iii) acknowledges and agrees that in exercising the powers referred to in this clause 9.6(a), the Bidder and any person nominated by the Bidder under clause 9.6(a) may act in the best interests of the Bidder as the intended registered holder of the Scheme Shares.
- (b) From the time that the Bidder has satisfied its obligations in clause 6.2 until the Bidder is registered in the Ernie Register as the holder of all Scheme Shares, no Ernie Shareholder may attend or vote at any meetings of Ernie Shareholders or sign any Ernie Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 9.6.

9.7 Binding effect of this Scheme

This Scheme binds Ernie and all of the Scheme Shareholders (including those who did not attend the Scheme Meetings and those who did not vote, or voted against this Scheme, at the Scheme Meetings) and, to the extent of any inconsistency, overrides the constitution of Ernie.

9.8 Enforcement of Deed Poll

Ernie undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against the Bidder, the Original Bidder and HoldCo and, in doing so, to the extent necessary, enforce Ernie's rights under the Equity Commitment Letter, on behalf of and as agent and attorney for the Scheme Shareholders.

9.9 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Ernie or the Ernie Registry, it will not be deemed to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Ernie's registered office or at the office of the Ernie Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by an Ernie Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.10 Duty

The Bidder (or the Original Bidder, if clause 3.1(b) of the Deed Poll applies) will

- (a) pay all duty (including stamp duty and any relates fines, penalties and interest) payable on or in connection with this Scheme and any instrument executed under or any transaction evidence by this Scheme (including the transfer by Scheme Shareholders of the Scheme Shares to the Bidder pursuant to this Scheme); and
- (b) indemnify each Scheme Shareholder against any liability arising from the failure to comply with clause 9.10(a).

9.11 Alterations and conditions to Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions, Ernie may, by its counsel or solicitors:

- (a) consent on behalf of all persons concerned, including each Ernie Shareholders, to those conditions or alterations; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions with Ernie has consented to.

9.12 Service of process

- (a) The Bidder irrevocably:
 - (i) nominates as its agent to receive service of process or other documents with respect to any legal action or proceedings arising out of or in connection with or in any way related to this Scheme or its subject matter, in the courts of New South Wales: Gilbert + Tobin at Level 35 Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo, NSW 2000; and
 - (ii) agrees that service on that agent (or any other person appointed under clause 9.12(a)(i)) (each a **Process Agent**) will be sufficient service on it.

B.**Annexure B: Scheme of Arrangement**
continued

- (b) The Bidder must ensure that each Process Agent remains authorised to accept service on its behalf. If any Process Agent ceases to have an office in the place specified, the Bidder must ensure that there is another person in that place acceptable to Ernie to receive process on its behalf, and must promptly notify Ernie of the appointment of that other person.

9.13 Governing law

This Scheme is governed by the laws of New South Wales. The parties irrevocably submit to the non-exclusive jurisdiction of the courts in New South Wales and of the courts competent to determine appeals from those courts.



ANNEXURE C: DEED POLL

Arnold Bloch Leibler
Lawyers and Advisers

Scheme Deed Poll



Arnold Bloch Leibler

Level 21, 333 Collins Street
Melbourne Victoria 3000 Australia

Level 24, Chifley Tower, 2 Chifley Square
Sydney NSW 2000 Australia

www.abl.com.au

Reference ASB: 021917594
Doc Id ABL/42240891v1

Annexure C: Deed Poll *continued*

Scheme Deed Poll

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Scheme Deed Poll

Details

Date	30 November 2022
By	Cookie Monster AcquireCo Pty Ltd (ACN 664 005 270) (Bidder) of C/- Gilbert + Tobin, L35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo, NSW 2000, Australia
and	Manhattan Bondi HoldCo, Inc. (file number 7097622) (Original Bidder) of 1209 Orange Street, City of Wilmington, Delaware 19801, United States of America
and	Cookie Monster Holdings, L.P. (file number 7143718) (HoldCo) of 1209 Orange Street, City of Wilmington, Delaware 19801, United States of America
In favour of	each Scheme Shareholder
Background	<p>A Elmo Software Limited ACN 102 455 087 (Ernie) and the Original Bidder have entered into a Scheme Implementation Deed dated 26 October 2022 (the Scheme Implementation Deed).</p> <p>B The Original Bidder has nominated the Bidder pursuant to clause 4.2 of the Scheme Implementation Deed.</p> <p>C Under the Scheme Implementation Deed, Ernie has agreed to propose the Scheme and Ernie and the Bidder has agreed to take certain steps to implement the Scheme, in each case on the terms of the Scheme Implementation Deed.</p> <p>D In accordance with the Scheme Implementation Deed, each of the Bidder and HoldCo enters into this document to covenant in favour of each Scheme Shareholder that they will observe and perform the obligations attributed to them under the Scheme.</p>

1 Definitions and interpretation

1.1 Definitions

Terms used in this document have the same meaning as in the Scheme Implementation Deed unless otherwise defined in this document or the context requires otherwise.

1.2 Rules for interpreting this document

The rules in clauses 1.2 ('Words and expressions') and 1.3 ('Other rules of interpretation') of the Scheme Implementation Deed apply in interpreting this document, unless the context makes it clear that a rule is not intended to apply.

Annexure C: Deed Poll

continued

1.3 Nature of deed poll

The Bidder acknowledges and agrees that:

- (a) this document may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Ernie and each of its directors and officers, jointly and severally, as its agent and attorney to enforce this document against the Bidder and HoldCo.

2 Condition and termination

2.1 Condition

This document and the obligations of the Original Bidder, Bidder and HoldCo under this document are subject to the Scheme becoming Effective.

2.2 Termination

The respective obligations of the Original Bidder, Bidder and HoldCo under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms before the Effective Date; or
- (b) the Scheme does not become Effective before the End Date,

unless Ernie and the Bidder otherwise agree in writing.

2.3 Consequences of termination

If this document is terminated under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) each of the Original Bidder, Bidder and HoldCo is released from its obligations under this document except those obligations under clause 6.2; and
- (b) each Scheme Shareholder retains any rights, powers or remedies they have against the Original Bidder, Bidder and HoldCo in respect of any breach of this document that occurred before it was terminated.

3 Scheme obligations

3.1 Scheme obligations

- (a) Subject to clause 2, each of the Bidder and HoldCo covenants in favour of each Scheme Shareholder that it will each duly and punctually observe and perform all obligations attributable to it under and in accordance with the Scheme.

- (b) Subject to clause 2, the Original Bidder covenants in favour of each Scheme Shareholder that it will duly and punctually observe and perform all obligations attributable to the Bidder under and in accordance with the Scheme if and to the extent that the Bidder fails to perform those obligations.

3.2 Scheme implementation

The Original Bidder and the Bidder will do all things that it is each required to do under the Scheme Implementation Deed to implement the Scheme.

4 Warranties

Each of the Original Bidder, Bidder and HoldCo represents and warrants in favour of each Scheme Shareholder that:

- (a) **(status)** it is a corporation validly existing under the laws of its place of incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this document and to carry out the transactions contemplated by this document;
- (c) **(corporate authority)** it has taken all necessary corporate action to authorise the execution of this document and has taken or will take all necessary corporate action to authorise the performance of this document;
- (d) **(documents effective)** this document is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(no contravention of law)** the execution and performance by it of this document and each transaction contemplated by it did not and will not violate in any respect a provision of:
 - (i) a law, treaty, judgment, ruling, order or decree binding on it;
 - (ii) its constitution or other constituent documents; or
 - (iii) any other document or agreement that is binding on it;
- (f) **(insolvency)** it is not Insolvent.

5 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) the Bidder (or the Original Bidder, if clause 3.1(b) applies) and HoldCo have each fully performed its obligations under this document; or
- (b) the earlier termination of this document under clause 2.

C.

Annexure C: Deed Poll

continued

6 General

6.1 Notices

- (a) All notices, requests, demands, consents, approvals, offers, agreements or other communications (**notices**) given by a party under or in connection with this document must be:
- (i) in writing;
 - (ii) signed by a person duly authorised by the sender or, where transmitted by email, sent by a person duly authorised by the sender;
 - (iii) directed to the intended recipient's address (as specified in clause 6.1(c) or as varied by any notice); and
 - (iv) hand delivered, sent by prepaid post or transmitted by email to that address.

- (b) A notice given in accordance with this clause 6.1 is taken as having been given and received:

- (i) if hand delivered, on delivery;
- (ii) if sent by prepaid post, either:
 - (A) on the day on which the relevant postal service estimates delivery will occur; or
 - (B) on the first day of the period during which the relevant postal service estimates delivery will occur,

based on the most recent estimate published by the relevant postal service as at the date on which the notice is sent; or

- (iii) if transmitted by email, 2 hours after transmission (unless the sender receives a delivery failure notification indicating that the email has not been delivered to the addressee),

but if the delivery or transmission is not on a Business Day or is after 5.00 pm (recipient's time) on a Business Day, the notice is taken to be received at 9.00 am (recipient's time) on the next Business Day.

- (c) Unless varied by notice in accordance with this clause 6.1, the parties' addresses and other details are:

Attention: Roy Liao (Principal) and Jordan Wappler (Senior Vice President), K1 Investment Management, LLC

Address: 875 Manhattan Beach Blvd., Manhattan Beach, CA 90266, United States of America

Email: rliao@k1im.com and jwappler@k1im.com and legal@k1im.com

With a copy to Gilbert + Tobin



Attention: Peter Cook and Alastair Corrigall

Address: L35, Tower Two, International Towers Sydney, 200
Barangaroo Avenue, Barangaroo, NSW 2000,
Australia

Email: pcook@gtlaw.com.au and acorrigall@gtlaw.com.au

- (d) For the avoidance of doubt, the requirement in clause 6.1(a)(i) applies to all notices unless expressly excluded and no implication to the contrary is to be drawn from the use of the expressions "written" or "in writing" in relation to some but not all notices.

6.2 Stamp duty and costs

The Bidder (or the Original Bidder, if clause 3.1(b) applies) will

- (a) pay all duty (including stamp duty and any related fines, penalties and interest) payable on or in connection with the transfer by Scheme Shareholders of the Scheme Shares to the Bidder pursuant to the Scheme and this document;
- (b) indemnify each Scheme Shareholder against any liability arising from a failure to comply with clause 6.2(a); and
- (c) bear and be responsible for its own costs arising out of the negotiation, preparation and execution of this document.

6.3 Amendment

A provision of this document may not be amended or varied:

- (a) before the First Court Date, unless the amendment is agreed to in writing by Ernie, the Bidder and HoldCo; or
- (b) on or after the First Court Date, unless the amendment is agreed to in writing by Ernie, the Bidder and HoldCo, and the Court indicates that the amendment would not of itself preclude approval of the Scheme,

and each of the Original Bidder, Bidder and HoldCo enters into a further deed poll in favour of each Scheme Shareholder giving effect to that amendment or variation.

6.4 Assignment

The rights and obligations of the Bidder and of each Scheme Shareholder under this document are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior written consent of Ernie, the Bidder and HoldCo.

6.5 Waiver

Waiver of any power or right under this document:

- (a) must be in writing signed by the party entitled to the benefit of that power or right; and

Annexure C: Deed Poll

continued

- (b) is effective only to the extent set out in that written waiver.

6.6 Rights, remedies additional

Any rights and remedies that a person may have under this document are in addition to and do not replace or limit any other rights or remedies that the person may have.

6.7 Further assurances

Each party must, at its own expense, do or cause to be done all things necessary or reasonably desirable to give full effect to this document and the transactions contemplated by it (including, but not limited to, the execution of documents).

6.8 Service of process

- (a) The Bidder irrevocably:
- (i) nominates as its agent to receive service of process or other documents with respect to any legal action or proceedings arising out of or in connection with or in any way related to this document or its subject matter, in the courts of New South Wales: Gilbert + Tobin at Level 35 Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo, NSW 2000; and
 - (ii) agrees that service on that agent (or any other person appointed under clause 6.8(a)(i)) (each a **Process Agent**) will be sufficient service on it.
- (b) The Bidder must ensure that each Process Agent remains authorised to accept service on its behalf. If any Process Agent ceases to have an office in the place specified, the Bidder must ensure that there is another person in that place acceptable to Ernie to receive process on its behalf, and must promptly notify Ernie of the appointment of that other person.

6.9 Counterparts

This document may be executed in any number of counterparts and all counterparts taken together will constitute one document.

6.10 Governing law and jurisdiction

- (a) This document will be governed by and construed in accordance with the laws in force in the State of New South Wales.
- (b) Each of the Original Bidder, Bidder and HoldCo irrevocably:
- (i) submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia the courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this document; and
 - (ii) waive any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 6.10(b)(i).

DocuSign Envelope ID: E9E55A74-F55B-45DC-AB00-84D2C57B9003

Signing Page

EXECUTED as a deed poll.

Bidder

EXECUTED as a deed poll by Cookie)
Monster AcquireCo Pty Ltd (ACN 664 005)
270) in accordance with section 127 of the)
Corporations Act 2001 (Cth):

DocuSigned by:
Roy Liao
2419F6A1C8F5414
Signature of director

ROY JOEL LIAO

Full name of director (print)

DocuSigned by:
James Flavis
C9836AD55AFB4EC
Signature of director

JAMES BARTHOLOMEW RAJAN FEARIS

Full name of director (print)



Annexure C: Deed Poll
continued

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Original Bidder

EXECUTED as a deed poll by **Manhattan**)
Bondi HoldCo, Inc. (file number 7097622))
in the presence of:)



DocuSigned by:
Jordan Wappler
891D6DC3CF84D8
Signature of witness

DocuSigned by:
Roy Liao
2418F649CF8414
Signature of authorised representative

Jordan wappler
Full name of witness (print)

ROY JOEL LIAO
Full name of authorised representative (print)

OFFICER
Title of authorised representative (print)

DocuSign Envelope ID: E9E55A74-F55B-45DC-AB00-84D2C57B9003

HoldCo

EXECUTED as a deed poll by **Cookie Monster Holdings, L.P.**

By: Cookie Monster GP, LLC

Title: General Partner

Seal

By:  _____
2415F849C8F5414

Name: **Roy Joel Liao**

Title: **President**



ANNEXURE D: NOTICE OF GENERAL SCHEME MEETING

ELMO Software Limited ACN 102 455 087 (“ELMO”)

Notice is hereby given that, by an order of the Supreme Court of New South Wales made on 16 December 2022, pursuant to subsection 411(1) of the Corporations Act, a meeting of the General Shareholders (being all ELMO Shareholders other than Rollover Shareholders) will be held on Monday, 30 January 2023, commencing at 10.00am in person at Level 27, 580 George Street, Sydney, 2000, and virtually through the online meeting platform at <https://meetings.linkgroup.com/ELMScheme> (the “General Scheme Meeting”).

Business of the General Scheme Meeting

The purpose of the General Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which ELMO and Cookie Monster AcquireCo Pty Ltd ACN 664 005 270 (“Bidder”) agree in writing) proposed to be made between ELMO and ELMO Shareholders (the “Scheme”), and to consider, and if thought fit, to pass the General Scheme Resolution set out below.

To enable you to make an informed voting decision, further information about the Scheme is set out in the accompanying explanatory statement (for the purposes of section 412(1) of the Corporations Act) which, together with this Notice of General Scheme Meeting, forms part of the Scheme Booklet.

Capitalised terms used in this Notice of General Scheme Meeting but not defined in it have the same meaning as set out in the Definitions in section 11.1 of the Scheme Booklet.

Business of the General Scheme – General Scheme Resolution

The meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution (the “General Scheme Resolution”):

‘That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between ELMO Software Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Supreme Court of New South Wales to which ELMO Software Limited and Cookie Monster AcquireCo Pty Ltd agree in writing.’

Chairperson

The Court has directed that Barry Lewin is to act as chairperson of the meeting (and that, if Barry Lewin is unable or unwilling to attend, Kate Hill is to act as chairperson of the meeting) and has directed the chairperson to report the result of the General Scheme Resolution to the Court.

Dated 16 December 2022

By order of the Court and the Independent Board Committee

EXPLANATORY NOTES

These notes should be read in conjunction with the Notice of General Scheme Meeting and the information in the Scheme Booklet (of which the Notice of General Scheme Meeting forms part). The Scheme Booklet contains important information to assist you to decide how to vote at the General Scheme Meeting. Unless the context requires otherwise, terms used in the Notice of General Scheme Meeting and in these notes have the same meaning as set out in the Definitions in section 11.1 of the Scheme Booklet. A copy of the Scheme is set out in Annexure B to the Scheme Booklet.

1. Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the General Scheme Resolution must be passed by:

- unless the Court orders otherwise, a majority in number (i.e. more than 50%) of General Shareholders present and voting at the General Scheme Meeting (whether virtually or by proxy, attorney or, in the case of a body corporate, corporate representative); and
- at least 75% of the votes cast on the General Scheme Resolution by General Shareholders present and voting at the General Scheme Meeting (whether virtually or by proxy, attorney or, in the case of a body corporate, corporate representative).

2. Court approval

Under section 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or alteration or condition required by the Court) is subject to the approval of the Court.

If the General Scheme Resolution (set out in the Notice of General Scheme Meeting) and the Rollover Shareholder Scheme Resolution (set out in the Notice of Rollover Shareholder Scheme Meeting) are approved at the relevant Scheme Meetings by the Requisite Majorities and the other Conditions to the Scheme are satisfied or waived (if applicable) in accordance with the Scheme, ELMO intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

3. Entitlement to vote

The Court has ordered that, for the purposes of the General Scheme Meeting, the time for determining eligibility to vote at the meeting is 7.00pm (Sydney time) on Saturday, 28 January 2023. This means that only General Shareholders entered on the ELMO Share Register at that time will be entitled to attend and vote at the General Scheme Meeting. Voting will be conducted by poll. Every General Shareholder who is present in person, virtually or by proxy, representative or attorney will have one vote for each ELMO Share held by that General Shareholder.

4. Voting

You may vote by attending the General Scheme Meeting in person, virtually online at the General Scheme Meeting, or appoint a proxy, attorney or, if you are a body corporate, a corporate representative to attend and vote on your behalf.

a) In Person

General Shareholders entitled to vote can attend the General Scheme Meeting in person on the date and place as set out above.

A General Shareholder will be admitted to the General Scheme Meeting upon providing evidence of their name and address at the point of entry to the General Scheme Meeting.

b) Online

General Shareholders entitled to vote at the General Scheme Meeting will be able to vote online by participating at the General Scheme Meeting and voting via the online platform at <https://meetings.linkgroup.com/ELOScheme>.

Online voting will be open between the start of the General Scheme Meeting and the closing of voting as announced by the chairperson during the General Scheme Meeting.

D.

Annexure D: Notice of General Scheme Meeting *continued*

c) Voting by proxy

A Proxy Form is enclosed with this Scheme Booklet.

A General Shareholder entitled to participate in and vote at the General Scheme Meeting may appoint a person to participate in and vote at the General Scheme Meeting as their proxy.

General Shareholders wishing to appoint a proxy to attend and vote at the General Scheme Meeting must complete and return the Proxy Form in accordance with the instructions on the Proxy Form. Please refer to section 5 of this Notice of General Scheme Meeting below for further details in relation to how to submit a Proxy Form.

A proxy need not be another ELMO Shareholder.

A General Shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the General Shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the General Shareholder's votes.

d) Power of attorney

General Shareholders who wish to appoint an attorney to participate in the General Scheme Meeting on their behalf must provide an original duly executed power of attorney (or a certified copy of that power of attorney) to the ELMO Share Registry by 10.00am (Sydney time) on Saturday, 28 January 2023.

e) Corporate representatives

A body corporate which is a General Shareholder, or which has been appointed as a proxy, is entitled to appoint a corporate representative to vote at the General Scheme Meeting on its behalf and must provide a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the General Scheme Meeting.

A form of certificate may be downloaded via www.linkmarketservices.com.au or obtained from the ELMO Share Registry by calling 1300 554 474 between 8.00am to 8.00pm (Sydney time). The certificate of appointment may set out restrictions on the representative's powers. The certificate must be received the ELMO Share Registry prior to the General Scheme Meeting. ELMO Shareholders may submit the certificate:

- via email, by sending it to vote@linkmarketservices.com.au; or
- in any of the ways specified for proxy forms in section 5 of this Notice of General Scheme Meeting, except that a certificate of appointment of corporate representative cannot be lodged online or by mobile device.

5. How to submit a Proxy Form

To be valid, your Proxy Form must be received by the ELMO Share Registry by 10.00am (Sydney time) on Saturday, 28 January 2023 by one of the following methods:

- i) **Online (preferred):** <https://investorcentre.linkgroup.com/> or
- ii) **By post:** ELMO Software Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
- iii) **By facsimile:** 02 9287 0309 (within Australia)
+61 2 9287 0309 (from outside Australia)
- iv) **By hand:** Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

** during business hours Monday to Friday (9.00am – 5.00pm) and subject to public health orders and restrictions*

6. Questions

General Shareholders will have a reasonable opportunity to ask questions during the General Scheme Meeting via the online platform.

General Shareholders who prefer to register questions in advance of the General Scheme Meeting are also invited to do so by submitting questions online at <https://investorcentre.linkgroup.com>.

The chairperson of the General Scheme Meeting will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the General Scheme Meeting. However, there may not be sufficient time available during the General Scheme Meeting to address all of the questions raised.

Please note that individual responses will not be sent to General Shareholders. Questions must be submitted to the ELMO Share Registry by no later than 10.00am (Sydney time) on Monday, 23 January 2023.

7. Technical difficulties

Technical difficulties may arise during the course of the General Scheme Meeting. The chairperson has discretion as to whether and how the General Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the chairperson will have regard to the number of General Shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the chairperson considers it appropriate, the chairperson may continue to hold the General Scheme Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

8. Advertisement

Where this Notice of General Scheme Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone from ASX's website (www.asx.com.au) or from ELMO's investor website at <https://investors.elmosoftware.com.au/investors/> or by contacting the ELMO Share Registry.

D.

Annexure D: Notice of General Scheme Meeting *continued*



Virtual Meeting Online Guide

Before you begin

Ensure your browser is compatible.
Check your current browser by going to
the website: **whatismybrowser.com**

Supported browsers are:

- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer – 11 and up
- Microsoft Edge – 92.0 and after

**To attend and vote you must have your
securityholder number and postcode.**

Appointed Proxy: Your proxy number will
be provided by Link before the meeting.

**Please make sure you have this
information before proceeding.**

Virtual Meeting Online Guide

Step 1

Open your web browser and go to <https://meetings.linkgroup.com/ELOScheme>

Step 2

Log in to the portal using your full name, mobile number, email address, and participant type.

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

- On the left – a live webcast of the Meeting starts automatically once the meeting has commenced. If the webcast does not start automatically please press the play button and ensure the audio on your computer or device is turned on.
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.

If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

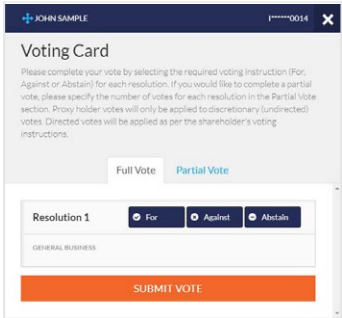
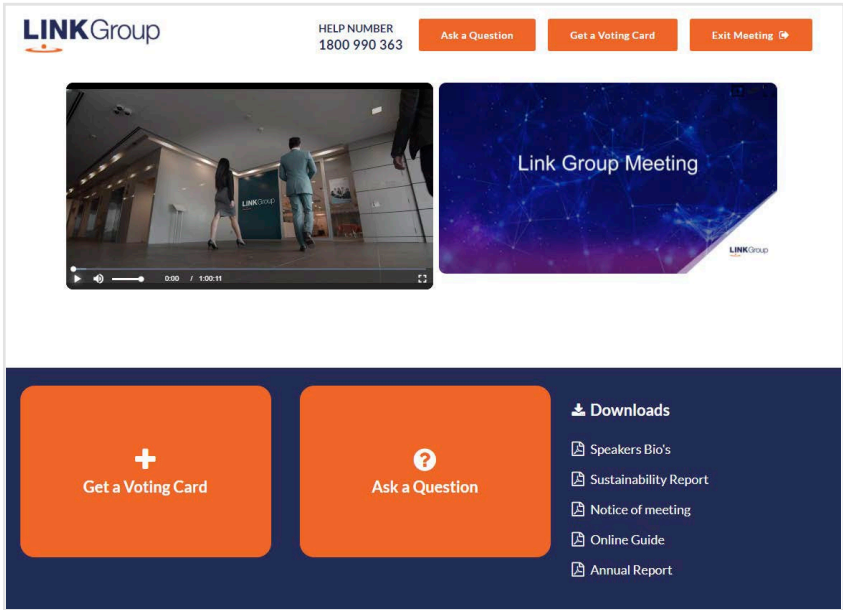
If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.

D.

Annexure D: Notice of General Scheme Meeting
continued



Full Votes

To submit a full vote on a resolution ensure you are in the **‘Full Vote’** tab. Place your vote by clicking on the **‘For’**, **‘Against’**, or **‘Abstain’** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **‘Partial Vote’** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **‘Submit Vote’** or **‘Submit Partial Vote’** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **‘Not yet submitted’** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **‘Edit Card’**. This will reopen the voting card with any previous votes made.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

Once voting has been closed all submitted voting cards cannot be changed.

Virtual Meeting Online Guide *continued*

2. How to ask a question

Note: Only verified Securityholders, Proxyholders and Company Representatives are eligible to ask questions.

If you have yet to obtain a voting card, you will be prompted to enter your securityholder number or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The 'Ask a Question' box will then pop up with two sections for completion.

Ask a Question

We welcome any questions that you may have and will endeavour to answer all questions during the Meeting. To submit a question, please select what the question pertains to and type your question in the provided area. If you have multiple questions please submit each individually.

Regarding: Nothing selected

Question

Type your question here...

Characters left: 532 Characters: 0

Submit Question

In the 'Regarding' section click on the drop down arrow and select the category/resolution for your question.

Click in the 'Question' section and type your question and click on 'Submit'.

A 'View Questions' box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.

View Questions

Your submitted questions can be viewed below. We will endeavour to answer all questions during the Meeting.

When will the next Meeting be held? +

Asked regarding Resolution 1

Asked at: 12:26 PM Updated: 12:26 PM

OPEN COMMENTS

SUBMIT ANOTHER QUESTION

3. Downloads

View relevant documentation in the Downloads section.

4. Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

Contact us

Australia
T +61 1800 990 363
E info@linkmarketservices.com.au



ANNEXURE E: NOTICE OF ROLLOVER SHAREHOLDER SCHEME MEETING

ELMO Software Limited ACN 102 455 087 (“ELMO”)

Notice is hereby given that, by an order of the Supreme Court of New South Wales made on 16 December 2022, pursuant to subsection 411(1) of the Corporations Act, a meeting of the Rollover Shareholders (excluding all other ELMO Shareholders) will commence immediately following the General Scheme Meeting on Monday, 30 January 2023, but not before 11.00am, in person at Level 27, 580 George Street, Sydney, 2000 (the **“Rollover Shareholder Scheme Meeting”**).

Business of the Rollover Shareholder Scheme Meeting

The purpose of the Rollover Shareholder Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which ELMO and Cookie Monster AcquireCo Pty Ltd ACN 664 005 270 (**“Bidder”**) agree in writing) proposed to be made between ELMO and ELMO Shareholders (the **“Scheme”**) and to consider, and if thought fit, to pass the Rollover Shareholder Scheme Resolution set out below.

To enable you to make an informed voting decision, further information about the Scheme is set out in the accompanying explanatory statement (for the purposes of section 412(1) of the Corporations Act) which, together with this Notice of Rollover Shareholder Scheme Meeting, forms part of the Scheme Booklet.

Capitalised terms used in this Notice of Rollover Shareholder Scheme Meeting but not defined in it have the same meaning as set out the Definitions in section 11.1 of the Scheme Booklet.

Business of the Rollover Shareholder Scheme – Rollover Shareholder Scheme Resolution

The meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution (the **“Rollover Shareholder Scheme Resolution”**):

‘That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between ELMO Software Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Supreme Court of New South Wales to which ELMO Software Limited and Cookie Monster AcquireCo Pty Ltd agree in writing.’

Chairperson

The Court has directed that Barry Lewin is to act as chairperson of the meeting (and that, if Barry Lewin is unable or unwilling to attend, Kate Hill is to act as chairperson of the meeting) and has directed the chairperson to report the result of the Rollover Shareholder Scheme Resolution to the Court.

Dated 16 December 2022

By order of the Court and the Independent Board Committee

Explanatory notes

These notes should be read in conjunction with the Notice of Rollover Shareholder Scheme Meeting and the information in the Scheme Booklet (of which the Notice of Rollover Shareholder Scheme Meeting forms part). The Scheme Booklet contains important information to assist you to decide how to vote at the Rollover Shareholder Scheme Meeting. Unless the context requires otherwise, terms used in the Notice of Rollover Shareholder Scheme Meeting and in these notes have the same meaning as set out in the Definitions in section 11.1 of the Scheme Booklet. A copy of the Scheme is set out in Annexure B to the Scheme Booklet.

1. Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Rollover Shareholder Scheme Resolution must be passed by:

- unless the Court orders otherwise, a majority in number (i.e. more than 50%) of Rollover Shareholders present and voting at the Rollover Shareholder Scheme Meeting (whether virtually or by proxy, attorney or, in the case of a body corporate, corporate representative); and
- at least 75% of the votes cast on the Rollover Shareholder Scheme Resolution by Rollover Shareholders present and voting at the Rollover Shareholder Scheme Meeting (whether virtually or by proxy, attorney or, in the case of a body corporate, corporate representative).

2. Court approval

Under section 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or alteration or condition required by the Court) is subject to the approval of the Court.

If the General Scheme Resolution (set out in the Notice of General Scheme Meeting) and the Rollover Shareholder Scheme Resolution (set out in the Notice of Rollover Shareholder Scheme Meeting) are approved at the relevant Scheme Meetings by the Requisite Majorities and the other Conditions to the Scheme are satisfied or waived (if applicable) in accordance with the Scheme, ELMO intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

3. Entitlement to vote

The Court has ordered that, for the purposes of the Rollover Shareholder Scheme Meeting, the time for determining eligibility to vote at the meeting is 7.00pm (Sydney time) on Saturday, 28 January 2023. This means that only Rollover Shareholders entered on the ELMO Share Register at that time will be entitled to attend and vote at the Rollover Shareholder Scheme Meeting. Voting will be conducted by poll. Every Rollover Shareholder who is present in person or by proxy, representative or attorney will have one vote for each ELMO Share held by that Rollover Shareholder.

4. Voting

You may vote by attending the Rollover Shareholder Scheme Meeting in person or appoint a proxy, attorney or, if you are a body corporate, a corporate representative to attend and vote on your behalf.

a) In Person

To vote in person, attend the Rollover Shareholders Scheme Meeting on the date and place as set out above.

A Rollover Shareholder will be admitted to the Rollover Shareholder Scheme Meeting upon providing evidence of their name and address at the point of entry to the Rollover Shareholder Scheme Meeting.

b) Voting by proxy

A Proxy Form is enclosed with this Scheme Booklet.

A Rollover Shareholder entitled to participate in and vote at the Rollover Shareholder Scheme Meeting may appoint a person to participate in and vote at the Rollover Shareholder Scheme Meeting as their proxy.

Rollover Shareholders wishing to appoint a proxy to attend and vote at the Rollover Shareholder Scheme Meeting must complete and return the Proxy Form in accordance with the instructions on the Proxy Form. Please refer to section 5 of this Notice of Rollover Shareholder Scheme Meeting below for further details in relation to how to submit a Proxy Form.

E.

Annexure E: Notice of Rollover Shareholder Scheme Meeting

continued

A proxy need not be another ELMO Shareholder.

A Rollover Shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the Rollover Shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the Rollover Shareholder's votes.

c) Power of attorney

Rollover Shareholders who wish to appoint an attorney to participate in the Rollover Shareholder Scheme Meeting on their behalf must provide an original duly executed power of attorney (or a certified copy of that power of attorney) to the ELMO Share Registry by 11.00am (Sydney time) on Saturday, 28 January 2023.

d) Corporate representatives

A body corporate which is a Rollover Shareholder, or which has been appointed as a proxy, is entitled to appoint a corporate representative to vote at the Rollover Shareholder Scheme Meeting on its behalf and must provide a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the Rollover Shareholder Scheme Meeting.

A form of certificate may be downloaded via www.linkmarketservices.com.au or obtained from the ELMO Share Registry by calling 1300 554 474 between 8.00am to 8.00pm (Sydney time). The certificate of appointment may set out restrictions on the representative's powers. The certificate must be received the ELMO Share Registry prior to the Rollover Shareholder Scheme Meeting. ELMO Shareholders may submit the certificate:

- via email, by sending it to vote@linkmarketservices.com.au; or
- in any of the ways specified for proxy forms in section 5 of this Notice of Rollover Shareholder Scheme Meeting, except that a certificate of appointment of corporate representative cannot be lodged online or by mobile device.

5. How to submit a Proxy Form

To be valid, your Proxy Form must be received by the ELMO Share Registry by 11.00am (Sydney time) on Saturday, 28 January 2023 by one of the following methods:

- i) **Online (preferred):** <https://investorcentre.linkgroup.com/>
- ii) **By post:**

ELMO Software Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
- iii) **By facsimile:**

02 9287 0309 (within Australia)
+61 2 9287 0309 (from outside Australia)
- iv) **By hand:**

Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

** during business hours Monday to Friday (9.00am – 5.00pm) and subject to public health orders and restrictions*

6. Questions

Rollover Shareholder will have a reasonable opportunity to ask questions during the Rollover Shareholder Scheme Meeting via the online platform.

Rollover Shareholder who prefer to register questions in advance of the Rollover Shareholder Scheme Meeting are also invited to do so by submitting questions online at <https://investorcentre.linkgroup.com>.

The chairperson of the Rollover Shareholder Scheme Meeting will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the Rollover Shareholder Scheme Meeting. However, there may not be sufficient time available during the Rollover Shareholder Scheme Meeting to address all of the questions raised.

Please note that individual responses will not be sent to Rollover Shareholders. Questions must be submitted to the ELMO Share Registry by no later than 11.00am (Sydney time) on Monday, 23 January 2023.

7. Technical difficulties

Technical difficulties may arise during the course of the Rollover Shareholder Scheme Meeting. The chairperson has discretion as to whether and how the Rollover Shareholder Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the chairperson will have regard to the number of Rollover Shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the chairperson considers it appropriate, the chairperson may continue to hold the Rollover Shareholder Scheme Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

8. Advertisement

Where this Notice of Rollover Shareholder Scheme Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone from ASX's website (www2.asx.com.au) or from ELMO's investor website at <https://investors.elmosoftware.com.au/investors/> or by contacting the ELMO Share Registry.

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CORPORATE DIRECTORY

ELMO Software Limited

Level 12, 680 George Street
Sydney NSW 2000

Financial adviser

UBS Securities Australia Limited
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Legal adviser

Arnold Bloch Leibler
Level 24, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Tax adviser

Deloitte Tax Services Pty Ltd
Level 9, 225 George Street
Sydney NSW 2000

Independent Expert

Leadenhall Corporate Advisory Pty Ltd
Level 6, 111 Elizabeth Street
Sydney NSW 2000

ELMO Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

