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ASX Announcement

20 October 2020

ELMO Software Limited

(ASX:ELO)

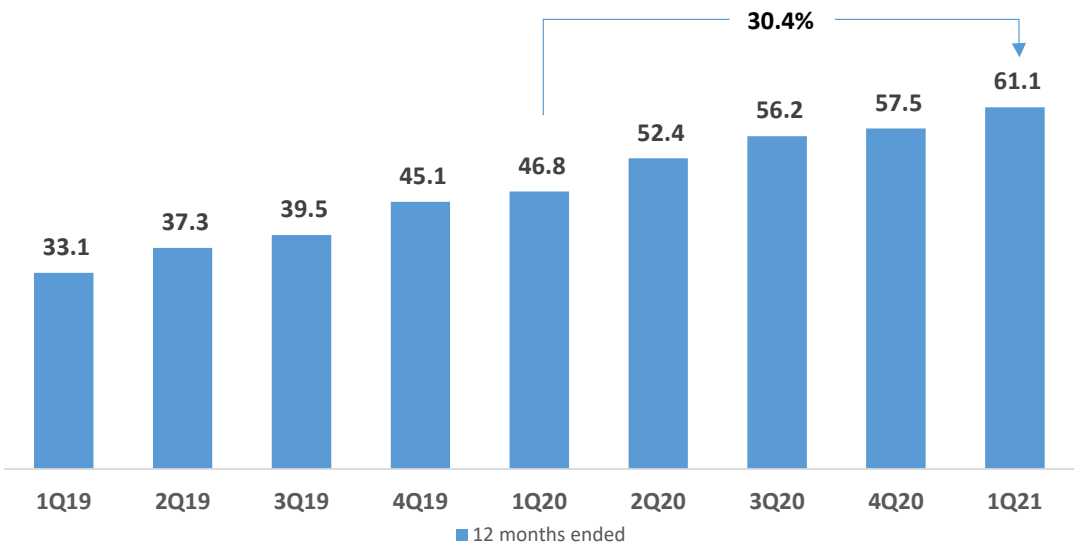
First Quarter Cash Report FY21

Record cash receipts for a first quarter

Key Highlights

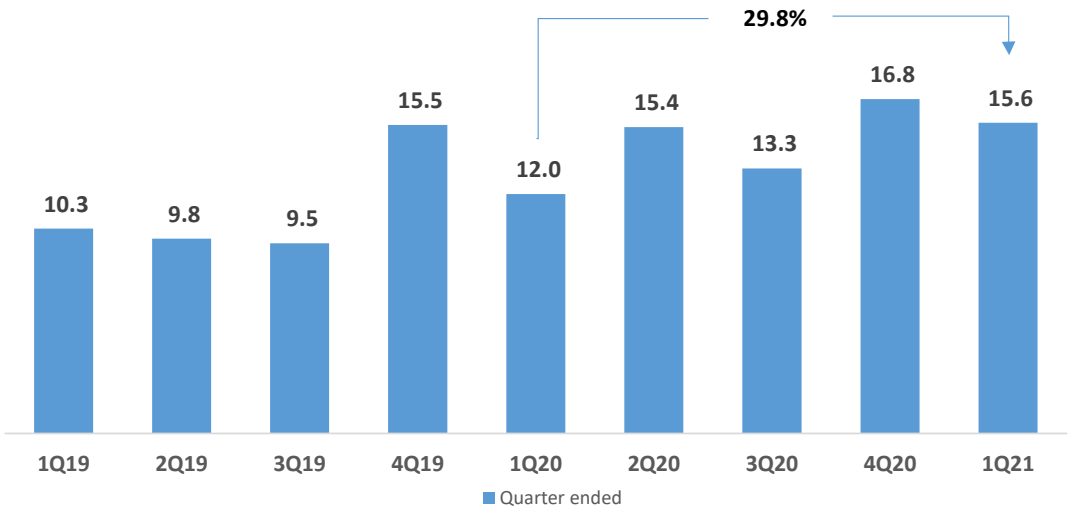
- Record cash receipts over a 12-month period of **$61.1 million**, up **30.4%** compared to the prior comparative period
- Record 1Q cash receipts of **$15.6 million**, up **29.8%** on 1Q20
- Closing cash balance at 30 September 2020, of **$130.4 million** with no debt
- Acquisition of Breathe in October 2020, expanding ELMO's market opportunity in Australia, New Zealand and the UK
- Guidance provided on 7 October 2020 is re-affirmed

Figure 1 – Customer receipts – trailing last 12 months (A$m)



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Figure 2 – Customer receipts – quarterly (A$m)



Sydney, Australia 20 October 2020: ELMO Software Limited ('ELMO') today released its cash report for the quarter ending 30 September 2020.

Chief Financial Officer James Haslam said, "ELMO continues its growth journey. Cash receipts for the 12-months to 30 September 2020 totalled $61.1 million, representing growth of 30.4% on the 12-month period to 30 September 2019. This is a new 12-month record for ELMO.

First quarter cash collection was $15.6 million, an increase of 29.8% when compared to 1Q20, which is a record for a first quarter.

ELMO remains well capitalised and at 30 September 2020 held a cash balance of $130.4 million.

On 7 October 2020, we announced the acquisition of Breathe. Breathe is a fast growing, scalable, self-service HR platform, based in the UK. The acquisition provides entry to the small business market (less than 50 employees) in Australia, New Zealand and the UK. It also meaningfully expands ELMO's UK footprint, with more than 6,700 customers in that market.

Breathe's annual recurring revenue ('ARR') as of 31 August 2020 was £3.6 million (A$6.5 million) and has been growing over 30% annually. Revenue is 100% subscription-based and recurring in nature. Breathe will be launched into the Australian and New Zealand markets, and will cross-sell existing ELMO HR modules into its large customer base.

ELMO's focus remains on delivering organic growth supplemented with strategic acquisitions. We remain well positioned to capitalise on tailwinds in the adoption of cloud-based business tools, including HR technology.

The upgraded FY21 guidance provided on 7 October 2020 is re-affirmed."

Annual Recurring Revenue	$72.5 million to $78.5 million
Revenue	$61.0 million to $66.0 million
EBITDA	($3.5 million) to ($7.5 million)

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About ELMO

Established in 2002, ELMO is a cloud-based HR & Payroll software provider. The Company offers customers a unified platform to streamline processes for HR, and also manage payroll and rostering / time & attendance. ELMO operates on a Software as a Service ('SaaS') business model based on recurrent subscription revenues. Fees paid to directors totalled $795,000 for the period.

For more information, please visit www.elmosoftware.com.au.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity

ELMO SOFTWARE LIMITED

ABN	**Quarter ended ("current quarter")**
13 102 455 087	30 SEPTEMBER 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (three months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	15,601	15,601
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(729)	(729)
	(c) advertising and marketing	(1,035)	(1,035)
	(d) leased assets	(52)	(52)
	(e) staff costs	(10,718)	(10,718)
	(f) administration and corporate costs	(3,260)	(3,260)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	350	350
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	65	65
1.7	Government grants and tax incentives	2,985	2,985
1.8	Other (GST)	(1,195)	(1,195)
1.9	**Net cash from / (used in) operating activities**	**2,012**	**2,012**

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2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	(3,368)	(3,368)
	(c) property, plant and equipment	(253)	(253)
	(d) investments	-	-
	(e) intellectual property	(6,638)	(6,638)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (leases)	(1,120)	(1,120)
2.6	**Net cash from / (used in) investing activities**	**(11,379)**	**(11,379)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	10	10
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(184)	(184)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(174)**	**(174)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	139,924	139,924
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,012	2,012
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11,379)	(11,379)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(174)	(174)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**130,383**	**130,383**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	130,383	139,924
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**130,383**	**139,924**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	795
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9, 2.1e, 2.5 less 1.7)	(8,731)
8.2	Cash and cash equivalents at quarter end (item 4.6)	130,383
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	130,383
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	15

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 20 October 2020

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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