



ELMO Software

HR | Payroll | Time & attendance



ELMO acquires Webexpenses

A leading expense management solution

ASX:ELO

16 December 2020

Transaction highlights

Webexpenses provides complementary technology, customer list and UK operations

ELMO has acquired 100% of the shares in Webexpenses, a high growth cloud-based expense management solution

Based in the United Kingdom (UK) with a footprint in Australia

Market opportunities:

- Webexpenses' leading expense management platform will be integrated into the ELMO suite and sold to new and existing ELMO customers
- Leveraging ELMO's wide product suite to cross-sell additional HR modules into Webexpenses' 1,000+ UK-based customers
- Significantly expands UK operational and customer footprint
- **Accelerates ELMO expansion into the UK**

Financial highlights:

- ARR of £4.5m (A\$7.9m)^{1,2} and has been growing over 30% annually
- EBITDA of £0.6m (A\$1.0m)^{2,3}
- Over 1,000 customers in the UK¹
- 96% subscription revenue
- High gross profit margin of over 90%
- Customer retention of 90%

Purchase consideration:

- Initial payment - £20.0m (A\$35.3m) using a combination of cash (51%) and ELMO scrip (49%)
- Earnout consideration – est. £13.0m (A\$23.0m), subject to the achievement of financial targets using a combination of cash (51%) and ELMO scrip (49%)

Transaction completed simultaneously with execution of the Sale and Purchase Agreement on 16 December 2020

Owner and Chairman Michael Richards to continue on as a significant shareholder of ELMO and strategic advisor. Webexpenses CEO Adam Reynolds to continue in his current capacity.

1. As at 30 November 2020

2. FX rate GBP/AUD = 1.77

3. 12 months ending 30 November 2020

Snapshot

A leading UK-based cloud expense management platform for the mid-market

webexpenses

ARR A\$7.9 million¹

EBITDA A\$1.0 million

1,000+ customers

90%+
Gross profit margin

90%
Customer retention

96%
Subscription revenue

\$75 million
Lifetime value of customer
base

c\$7,900
Average ARR per
customer

72
Employees



Founded in 2000



Industry agnostic

Attractive financial profile with strong SaaS metrics

1. Metrics provided are as at 30 November 2020

ELMO's acquisition mandate

ELMO has a 3-fold acquisition mandate and has undertaken 9 acquisitions since 2016

ELMO's 3-fold acquisition mandate

1. Customer base

Facilitating growth through module cross-sell

2. Complementary technology

Enhancing ELMO's competitive advantage and providing new revenue streams

3. UK Footprint

Enabling global expansion by opening new geographic markets

ELMO's historical transaction timeline

Oct-16



Nov-17



Dec-17



Feb-18



Dec-18



Jan-19



Feb-20



Oct-20



Dec-20



- ✓ Customer base (1,000+)
- ✓ Complementary Technology
 - Expense management platform
- ✓ UK Footprint

Expense management software

Automating a cumbersome manual process



What is expense management?

- Online solution to submit, track, process, and reimburse employee expenses



Why use an expense management solution?

- Increased efficiency
- Improved governance
- Streamlined tax compliance



Who uses expense management solutions?

- Employees
- Administrators
- Finance team

Key features in expense management software



Receipt Scanning



Mileage Tracking



Employee Expense Reimbursement



Multi-Currency



Policy Rules



Approval Workflows



Reporting Insights

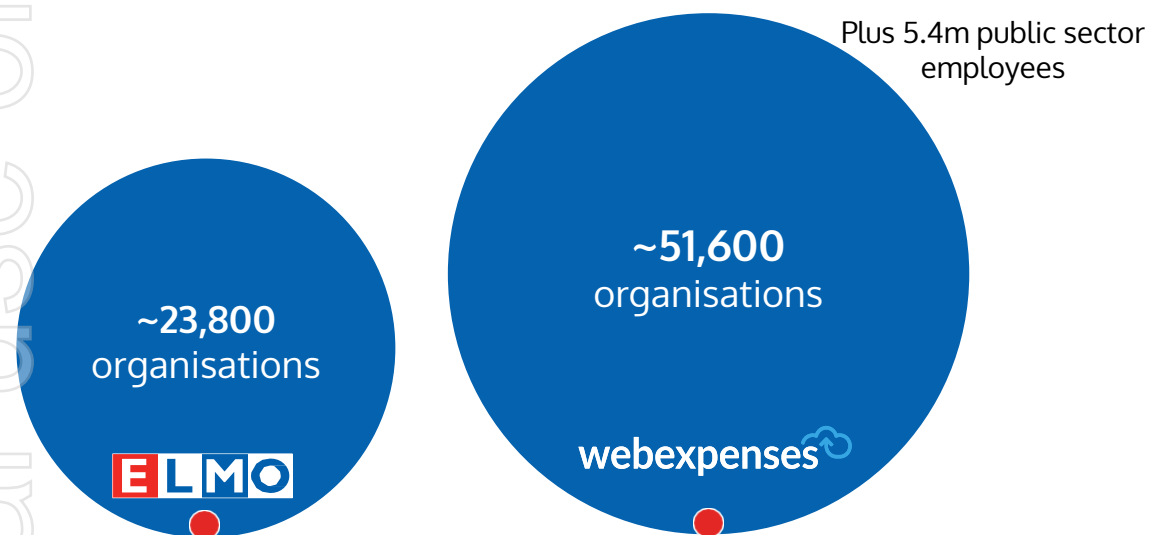


Mobile App

New expense management module increases ELMO's TAM

Increases ELMO's UK footprint and provides substantial two-way cross-sell opportunity

Mid-market Total Addressable Market (50+ employees)¹



Market penetration
~7% organisations

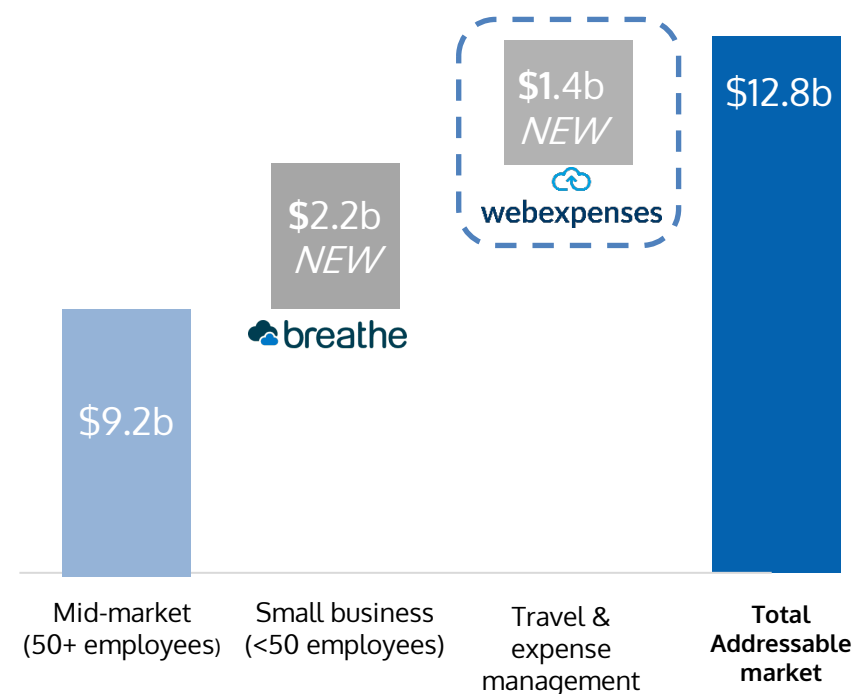
Cross-sell opportunity for Expense Management



Market penetration
~2% organisations

Cross-sell opportunity for HR modules

Total addressable market ANZ & UK (A\$)^{1,2}



Expense management increases ELMO's TAM by \$1.4b to \$12.8b^{1,2}

1. Frost & Sullivan independent market report 2020

2. Assumes full penetration of ELMO modules across all organisations

Strategic rationale

Webexpenses provides complementary technology, customer list and UK Operations



Complementary Technology

- New market-leading expense management system
- Scalable solution
- Caters for mid-market organisations in UK and ANZ



Customer base (cross-sell)

- **ELMO:** cross-sell expense management to ELMO's 1,600+ customer base
- **Webexpenses:** Cross-sell ELMO modules to Webexpenses' 1,000+ customers



Expands UK footprint

- 72 employees in the UK across sales and marketing, client services and R&D
- Provides foundation for ELMO mid-market expansion in the UK
- HQ located in Witney, Oxfordshire



Increased market opportunity

- Expense management is a new \$1.4 billion opportunity across ANZ and the UK



Attractive financial profile

- \$7.9 million ARR
- High growth 30%+
- \$1.0 million EBITDA
- 1,000+ customers

Strong multi-fold strategic rationale

Upgraded FY21 Guidance

Organic guidance reaffirmed, Webexpenses adds to ARR, revenue and EBITDA



ARR
A\$72.5-78.5m

Revenue
A\$61.0-66.0m

EBITDA
(A\$3.5-7.5m)

ARR
A\$9.0-10.0m

Revenue¹
A\$4.0-5.0m

EBITDA
A\$0.1m-1.1m

+

=

Upgraded FY21 Guidance

ARR
A\$81.5-88.5m

Revenue
A\$65.0-71.0m

EBITDA²
(\$A2.4m-7.4m)

As provided to market on 7 Oct 2020

ELMO remains well capitalised with over \$70 million in cash on balance sheet post completion

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

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

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