



# 1H21 Results

HR | Payroll | Expense Management



Investor Presentation

ASX:ELO

16 February 2021



# Agenda

- Company overview and business highlights
- Financial results and outlook
- Q&A

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Results 1H21  
(ASX:ELO)

# 1H21 ELMO group results snapshot

Delivering on our growth strategy

**\$74.2 million**

Annualised recurring revenue (ARR)

▲ 42.8% growth from 1H20

**\$30.6 million**

Statutory revenue

▲ 29.3% growth from 1H20

**\$(0.8) million**

EBITDA

▲ Up \$1.8 million from 1H20



**\$34.4 million**

Cash Receipts

▲ Up 25.5% on 1H20



**\$71.3 million**

Cash on hand

Plus new **\$34.5 million**  
debt facility<sup>1</sup>



**Guidance**

Reaffirmed

**Well capitalised to pursue growth initiatives**

1. Credit approved term sheet with Commonwealth Bank of Australia. 3 year term, 2.6% interest rate

# Company overview

A leading provider of cloud HR, payroll and expense management solutions

## Convergent solution

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

## Robust SaaS business model

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



**524**  
Employees



### Offices

In Australia,  
New Zealand and  
United Kingdom



**97.4%**  
Subscription revenue

**Convergent solution providing customers with an all-in-one platform  
to manage people, process and pay**

# Expanding our market opportunity

Driving ELMO's growth

Key pillars of our expansion strategy:



**1. Segment Expansion**



**2. Module Expansion**



**3. Geographic Expansion**



**Multiple new levers to sustain growth into FY22 and beyond**

# Segment expansion

Growth opportunities across two key market segments



**Small business solution**  
(<50 employees)

- ✓ ~3.7 million organisations<sup>1</sup> in ANZ/UK
- ✓ \$2.2bn<sup>1</sup> opportunity
- ✓ 7,146 customers
- ✓ Market penetration: <1%



**Mid-market solution**  
(50 - 2,000 employees)

- ✓ ~75,000 organisations<sup>1</sup> in ANZ/UK
- ✓ \$10.6bn<sup>1</sup> opportunity
- ✓ 2,892 customers
- ✓ Market penetration: ANZ <8%, UK <2%

**Fit for purpose solution for each market segment**

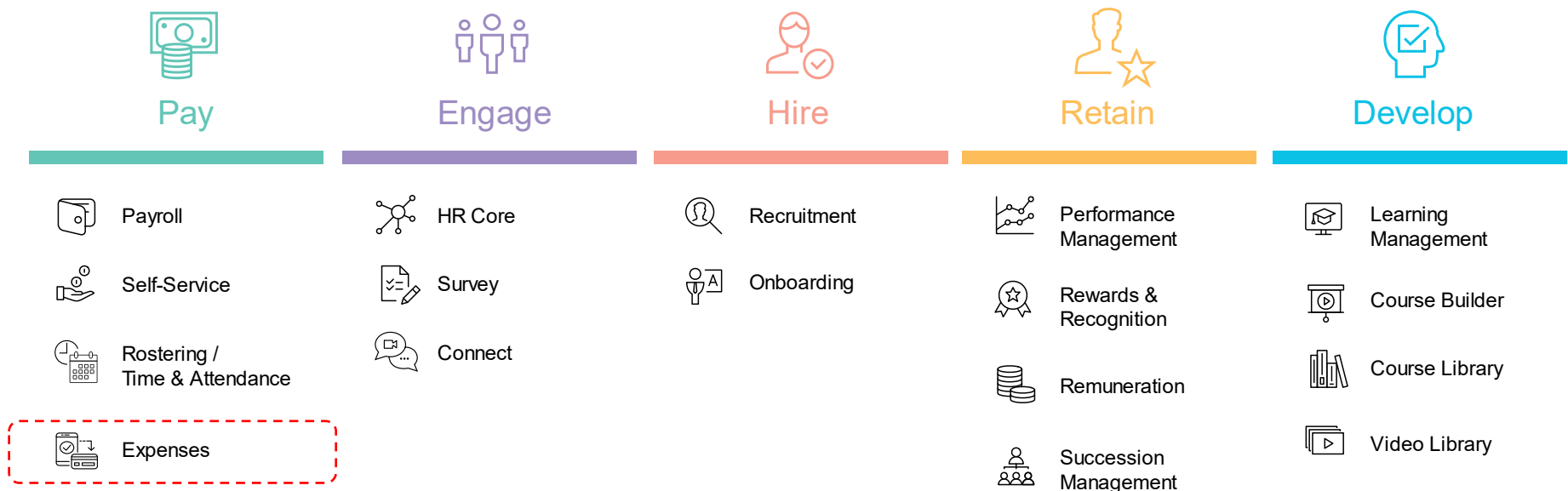
1. Frost & Sullivan independent market report 2019/2020

# Module expansion

Continuing to broaden our customer offering



Module expansion driving **convergence**:



✓ Land and expand

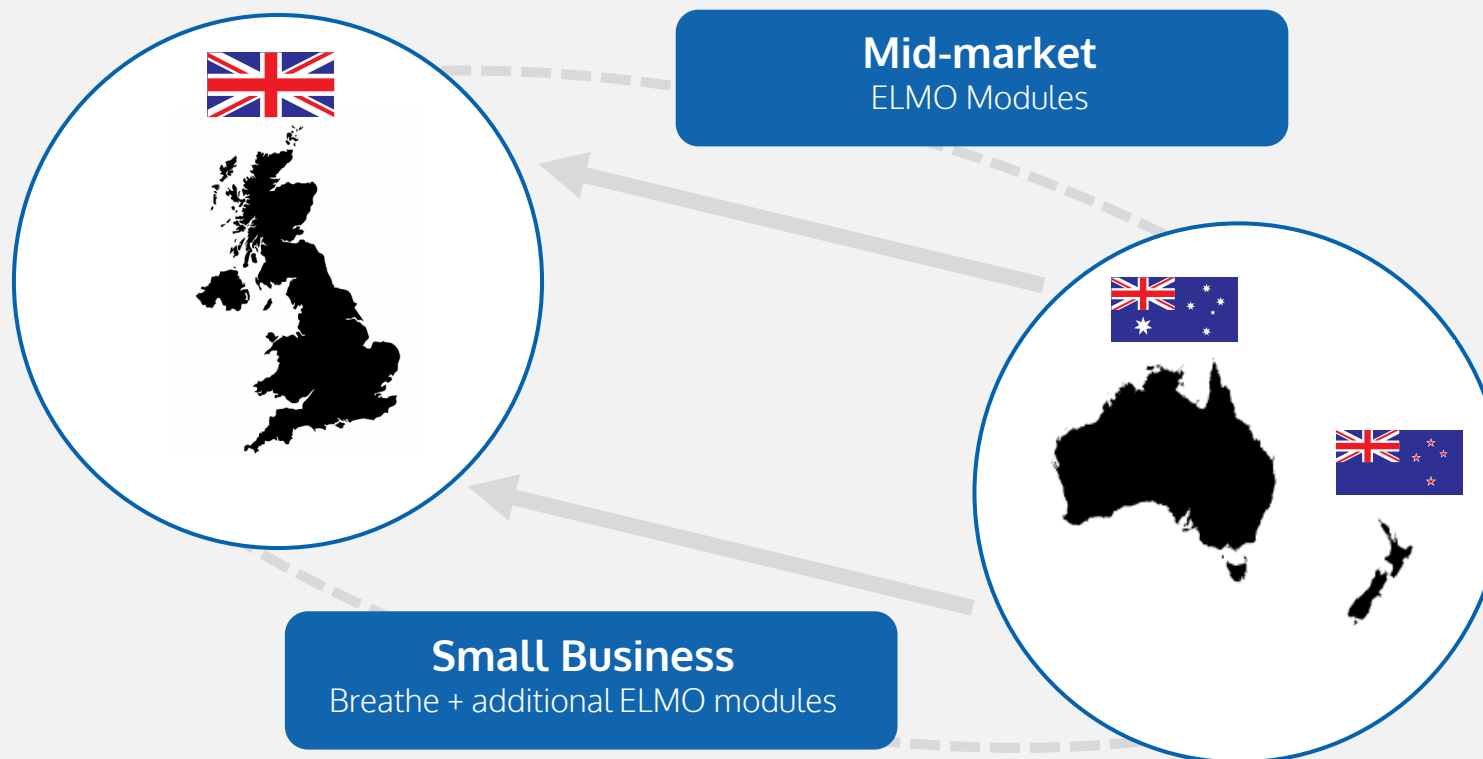
✓ Point of difference

✓ Interoperability

**Breadth of solution is our key competitive advantage**

# Geographic expansion

Leveraging our technology into the UK

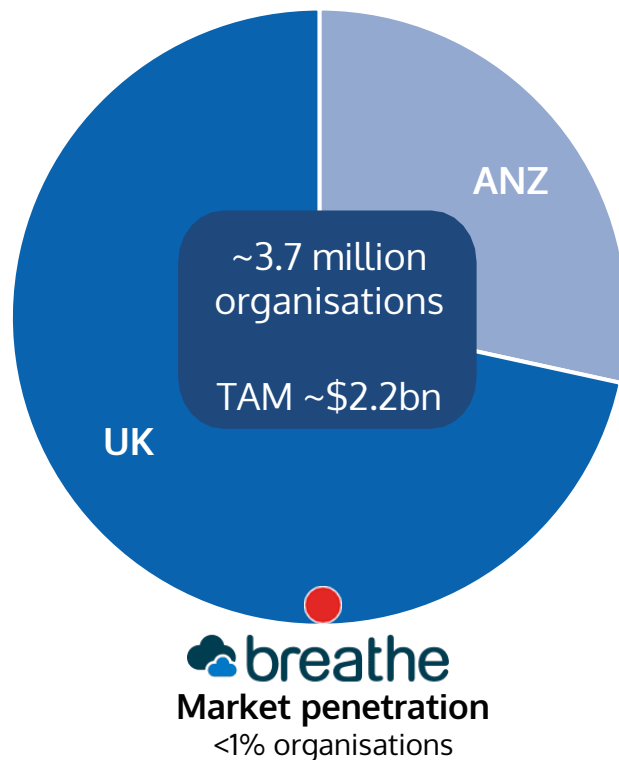


Significant new revenue opportunities in the UK

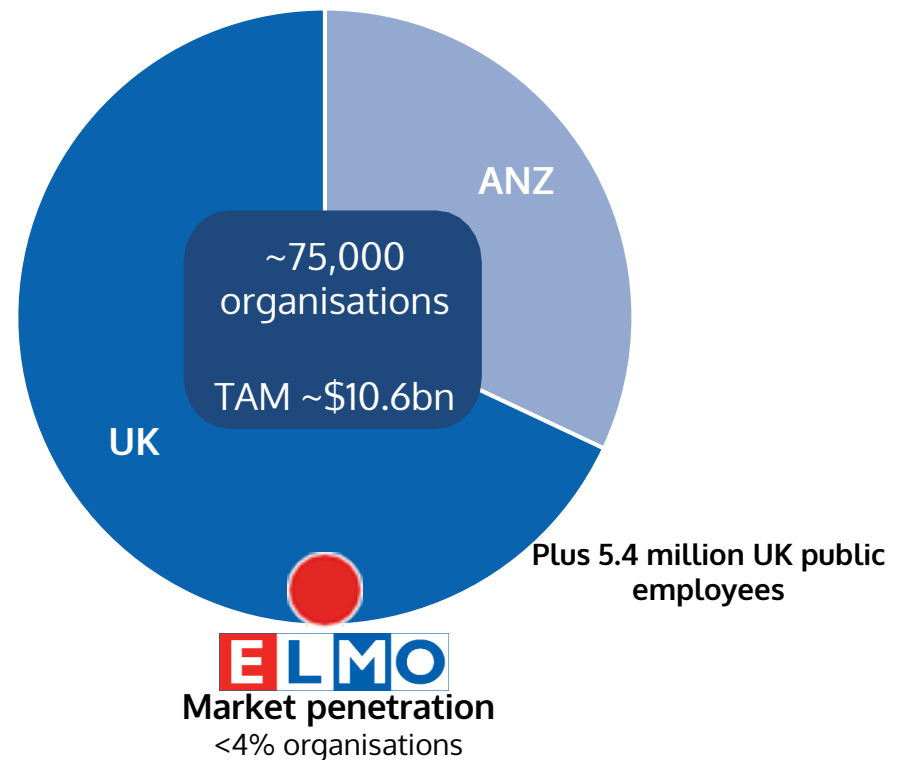
# ELMO Group Total Addressable Market (TAM)

Large market opportunity and headroom for growth

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



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



**\$12.8 billion opportunity across small business and mid-market**

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

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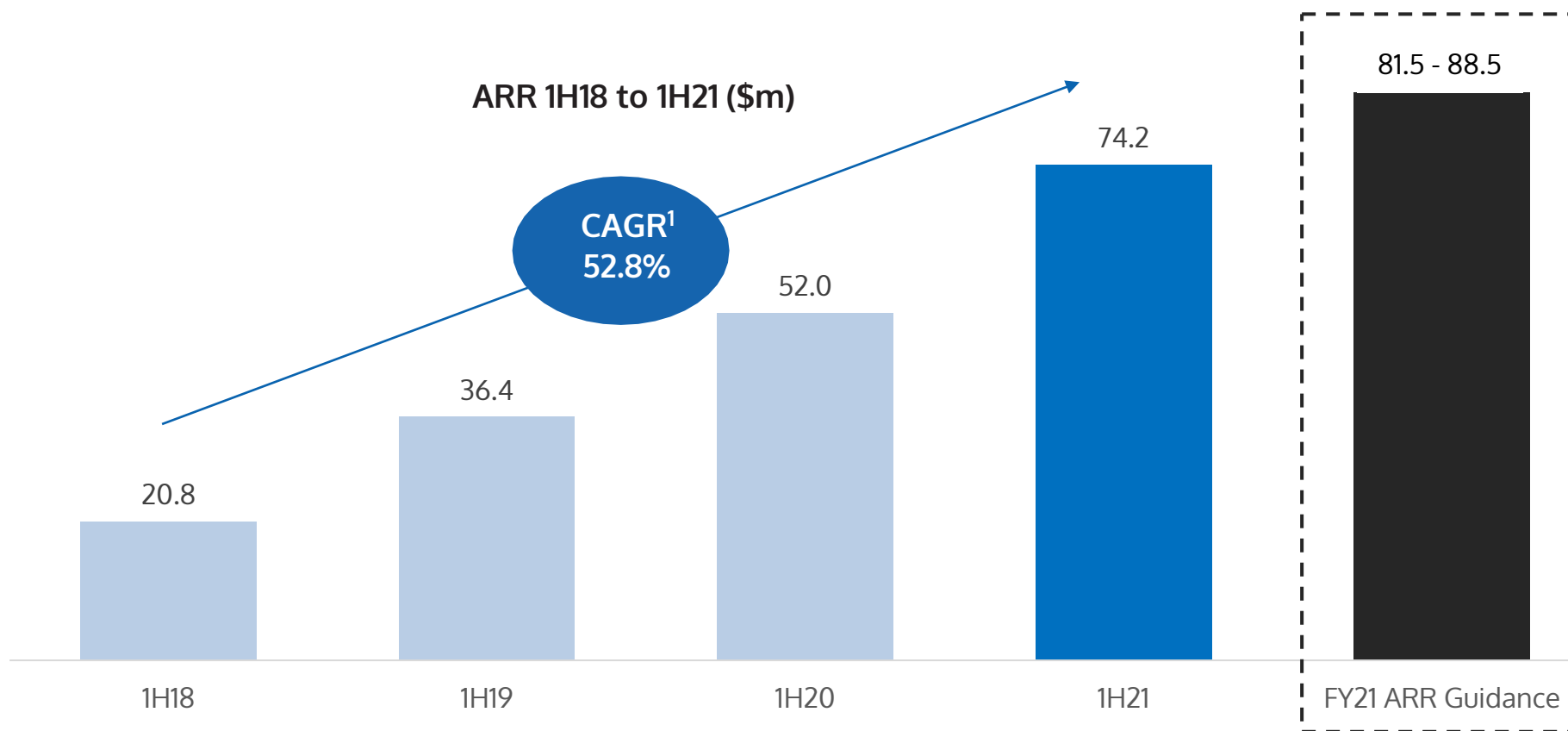
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Results 1H21  
(ASX:ELO)

# Group ARR growth

ARR CAGR of 52.8% pa from 1H18 to 1H21

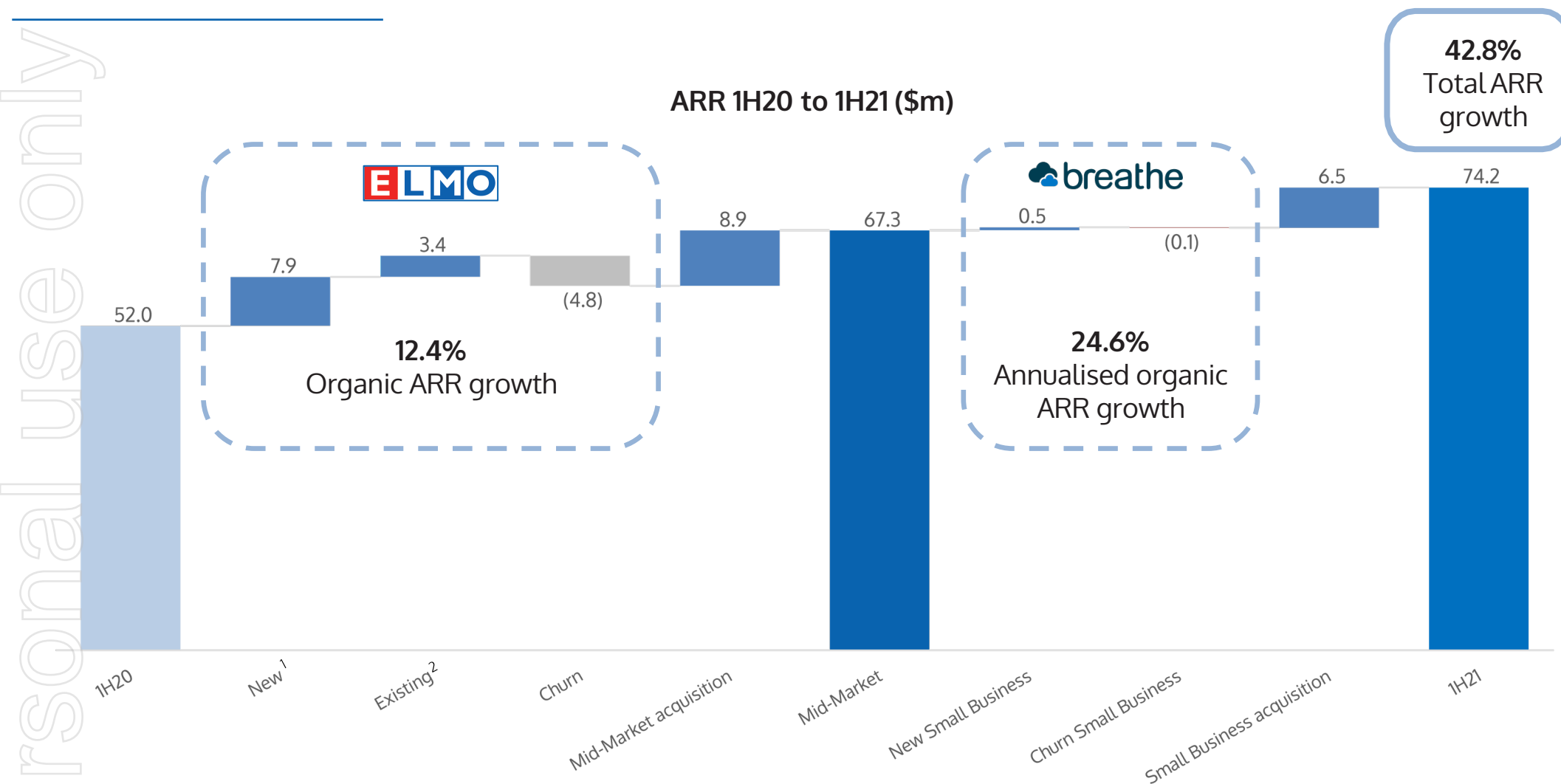
- ARR \$74.2 million at December 2020, up 42.8% from 1H20
- High level of subscription revenue at 97.4%



1. ARR CAGR 1H18 to 1H21

# Group ARR growth

Organic growth supplemented by acquisitions



1. New business represents sales to new clients

2. Existing new business represents cross sell modules and/or additional usage from existing clients

# 1H21 mid-market dashboard

Continuing to scale



## Revenue

**\$67.3 million**

Annualised recurring revenue (ARR)



29.5% growth from 31 Dec 2019

**\$28.9 million**

1H21 statutory revenue



22.5% growth from 1H20

**\$23.3k**

Average ARR per customer



Down \$11.9k from 1H20

## Operational

**88.5%**

Gross Profit Margin



Up 3.9% from 1H20

**90.0%**

Customer retention rate



Net customer dollar retention 97.2%

**\$628 million**

Lifetime value (LTV) of customer base at 31 Dec 2020



Up \$26m from 30 June 2020

## Customer

**2,892**

Customer base



95.7% growth from 31 Dec 2019

**4.0**

Modules per new customer at 31 Dec 2020<sup>1</sup>



Compared to 3.9 at 31 Dec 2019

**<1% ARR**

Contribution of largest customer

**<6% ARR**

Contribution of top 10 customers

1. Average modules per customer of 2.2, post Webexpenses acquisition

# 1H21 small business dashboard

New segment opportunity



## Revenue

**\$6.9 million**

Annualised recurring revenue (ARR)

**\$1.7 million**

1H21 statutory revenue



22.5% growth from 1H20

**~\$950**

Average ARR per customer

## Operational

**90.1%**

Gross Profit Margin

**~87.5%**

Annualised customer retention rate

**\$50.0 million**

Lifetime value (LTV) of customer base at 31 Dec 2020

## Customer

**7,146**

Customer base

**1.0**

Modules per new customer at 31 Dec 2020

**<1% ARR**

Contribution of top 10 customers

Low customer concentration

# 1H21 summary financial results

Income statement (\$m)	1H21	1H20	Movement \$	Movement %
Subscription revenue	29.8	23.0	6.8	29.4%
Professional fees and other revenue	0.8	0.6	0.2	25.5%
<b>Total revenue</b>	<b>30.6</b>	<b>23.6</b>	<b>7.0</b>	<b>29.3%</b>
Gross profit <sup>1</sup>	27.1	20.0	7.1	35.5%
Other income	1.8	-	1.8	n/a
Sales and marketing expenses	(13.4)	(11.2)	2.1	(18.8%)
Research and development expenses	(5.2)	(2.9)	2.3	(80.9%)
General and administrative expenses	(11.1)	(8.5)	2.6	30.7%
Total operating expenses	(29.7)	(22.6)	7.1	31.2%
<b>EBITDA</b>	<b>(0.8)</b>	<b>(2.6)</b>	<b>1.8</b>	<b>69.5%</b>

Financial and Operational Metrics	1H21	1H20
Annualised recurring revenue (\$m)	74.2	52.0
Subscription revenue %	97.4%	97.3%
Gross margin <sup>1</sup> %	88.6%	84.6%
S&M spend as a % of revenue	43.7%	47.5%
R&D <sup>2</sup> spend as a % of revenue	46.5%	44.9%
G&A spend as a % of revenue	36.4%	36.0%
Headcount	524	368

1. Gross profit excludes \$1.0m of amortisation (1H20: nil) of capitalised commission included in the statutory accounts

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

# Increasing LTV

Strong payback on customer acquisition investment

## Mid-market Lifetime Value (LTV)<sup>1</sup>



	1H20	1H21
Average ARR per customer (\$000s)	35.2	32.8
ARR churn (%)	6.9%	9.3%
Gross profit margin (%) <sup>2</sup>	85.8%	88.5%
LTV per customer (\$000s)	436	311
LTV for the customer cohort (\$000s)	645,000	553,000 <sup>1</sup>
Estimated LTV of Webexpenses	n/a	75,000
<b>Total mid-market LTV</b>	<b>645,000</b>	<b>628,000</b>

## Small Business LTV<sup>1</sup>



	1H21
Average ARR per customer (\$)	950
ARR churn (%)	12.5%
Gross profit margin (%)	90.1%
LTV per customer (\$000s)	7,000
<b>LTV for the customer cohort (\$000s)</b>	<b>50,000</b>

ELMO Group LTV

678,000

**Lifetime value of ELMO group \$678 million**

## Mid-market CAC (excluding Webexpenses)

	1H20	1H21
Total customer base CAC (\$000s)	14,044	13,351
Number of customers won	298	342
Average CAC (\$000s) <sup>3</sup>	47.1	39.0
<b>LTV / CAC Ratio</b>	<b>9.3</b>	<b>8.0</b>

1. Calculations based on customer number as at 31 December in the financial period. Calculations exclude Webexpenses acquisition

2. Gross profit excludes \$1.0m of amortisation (1H20: nil) of capitalised commission included in the statutory accounts

3. Average CAC reflects total sales and marketing expenses associated with securing new customers divided by the total number of new customers added in the period

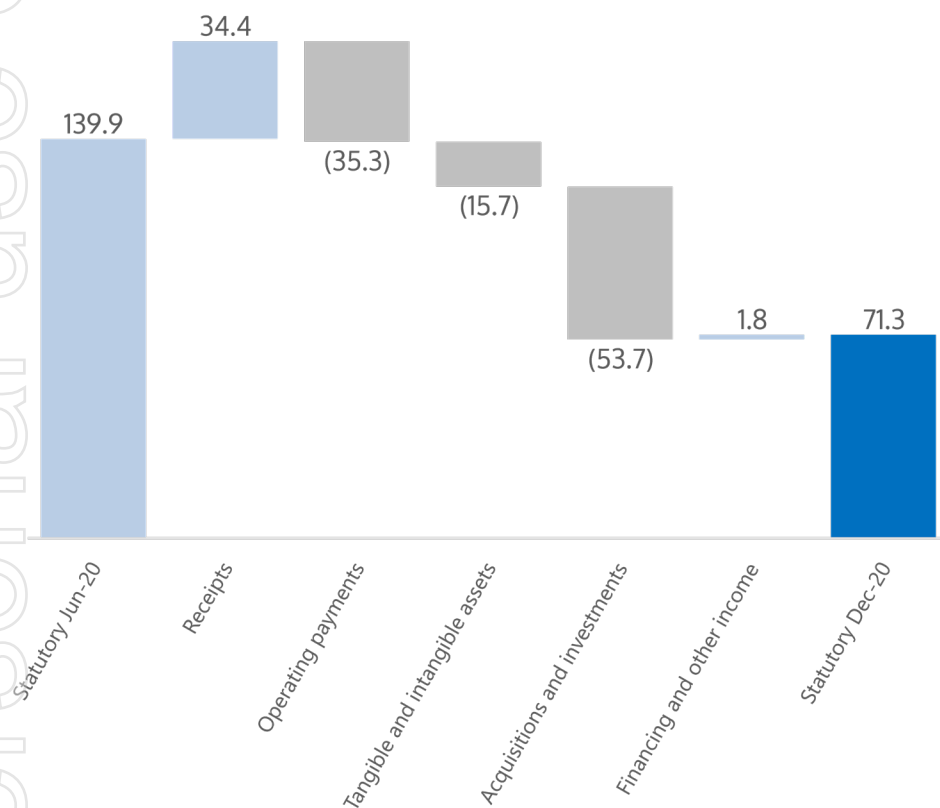
# Group cash flow

## Record cash receipts

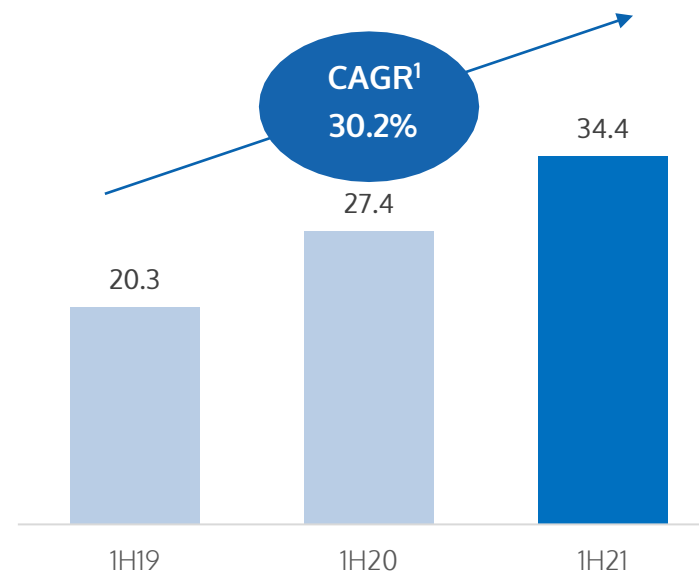
- Total cash receipts in 1H21 of \$34.4m, up 25.5% on 1H20
- Bank balance of \$71.3 million as at 31 December 2020

- New \$34.5 million debt facility
- Well capitalised to fund ongoing investment for growth

Statutory cash flow bridge (\$m)



Cash receipts (\$m)



1. CAGR from 1H19 to 1H21

# FY21 guidance

Guidance reaffirmed



**ARR**  
\$74.0 – 80.0 m

**Revenue**  
\$61.0 – 66.0m

**EBITDA**  
(\$2.9 - 6.9m)

+

**ARR**  
\$7.5-8.5m

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

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

=

## FY21 Group Guidance

**ARR**  
\$81.5 – 88.5m

**Revenue<sup>1</sup>**  
\$65.0 – 71.0m

**EBITDA<sup>2</sup>**  
\$(2.4 – 7.4m)

*As provided to market on 7 October 2020*

*As provided to market on 28 January 2021*

**ELMO remains well capitalised to fund growth initiatives**

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

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

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# Appendix

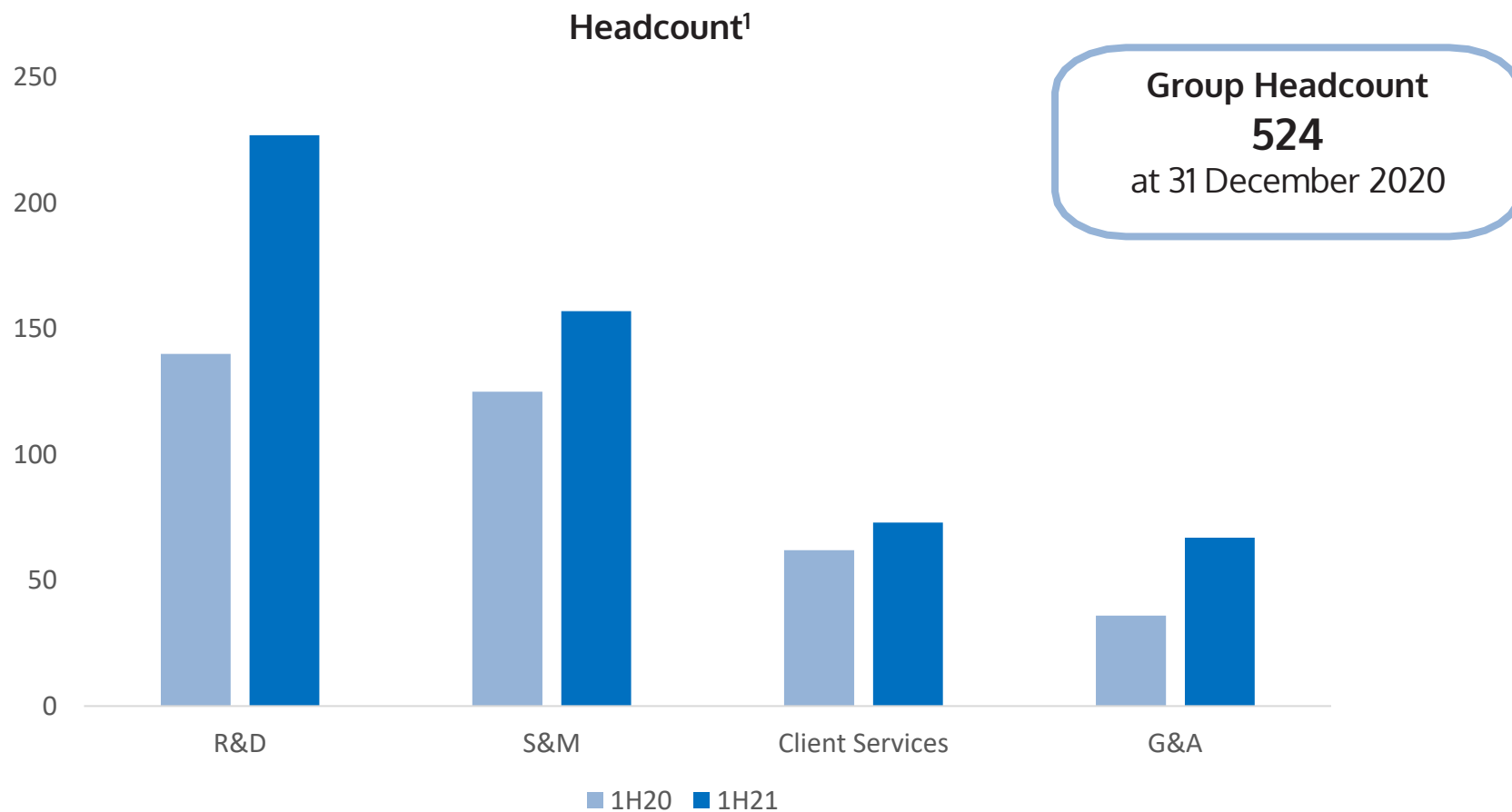
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# Glossary

Term	Definition
Annualised recurring revenue (ARR)	<i>Annualised recurring revenue at December 2020</i>
Customer retention rate	<i>Customer retention is calculated by dividing the number of customers in the current period who were active customers at the end of the prior period by the number of customers at the end of the prior period</i>
Lifetime value (LTV)	<i>LTV is calculated by multiplying the average ARR per customer over the past 12 months by gross profit margin (%) divided by ARR churn</i>
TAM	<i>Total Addressable Market</i>
Net customer dollar retention	<i>Customer dollar retention is calculated by dividing the ARR at December 2020 by the ARR at December 2019 of the same customer cohort</i>
CAGR	<i>Compound annual growth rate</i>
EBITDA	<i>Earnings before interest, taxation, depreciation and amortisation</i>
CAC	<i>Customer acquisition cost: includes the allocation of sales and marketing costs associated with acquiring new customers</i>

# Expense base drivers

Continued investment to capitalise on the market opportunity



1. Headcount relates to ELMO employees and does not include Hero Brands joint venture

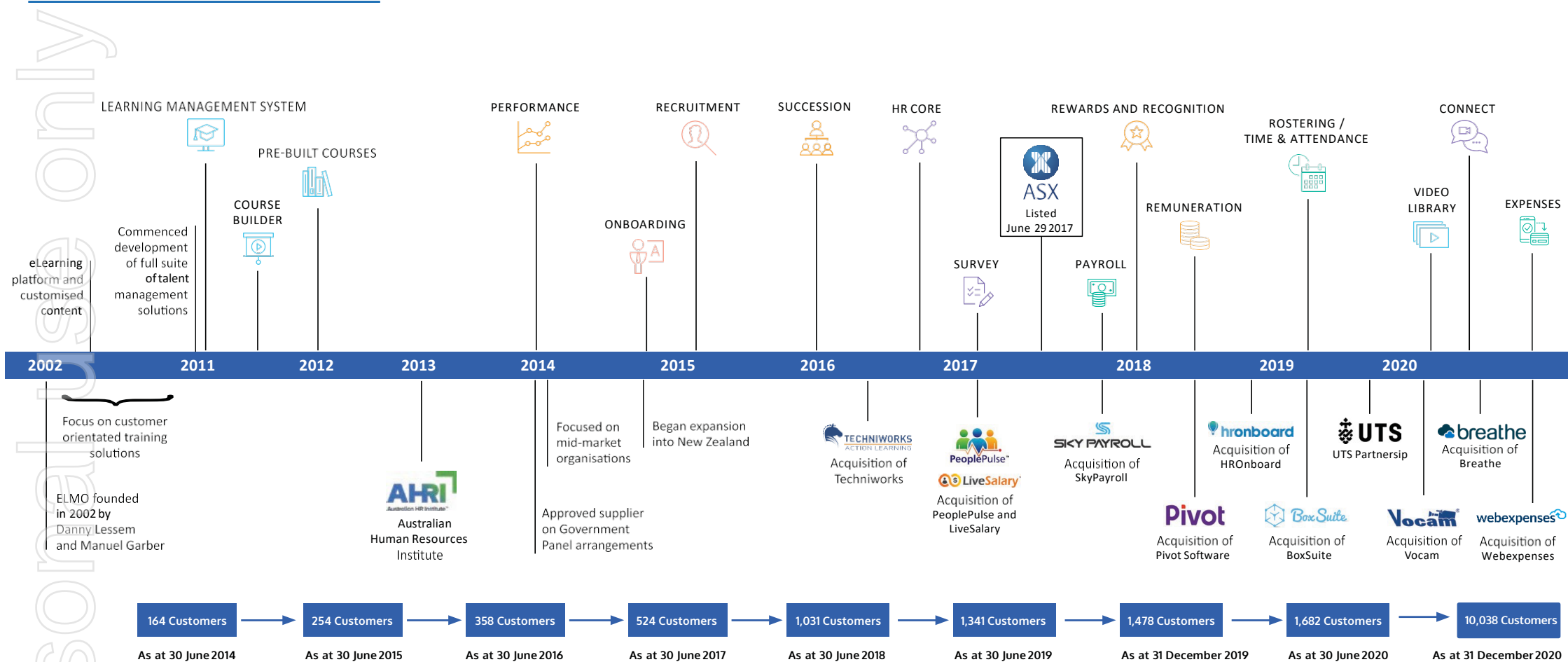
# Balance Sheet

## Statutory Balance Sheet

(\$m)	31 Dec 2020	31 Dec 2019	Movement	% movement
Cash and cash equivalents	71.3	78.1	(6.8)	(8.7%)
Other current assets	11.6	9.9	1.8	17.8%
<b>Total current assets</b>	<b>83.0</b>	<b>88.0</b>	<b>(5.0)</b>	<b>(5.7%)</b>
Intangibles	178.7	62.9	115.8	184.0%
Other non-current assets	29.1	14.0	15.1	108.4%
<b>Total non-current assets</b>	<b>207.8</b>	<b>76.9</b>	<b>130.9</b>	<b>170.3%</b>
<b>Total assets</b>	<b>290.7</b>	<b>164.9</b>	<b>125.9</b>	<b>76.3%</b>
Trade and other payables	12.7	5.9	6.8	114.2%
Contract liabilities	26.1	21.1	5.0	23.7%
Deferred consideration	32.4	6.6	25.7	389%
Other liabilities	32.5	15.0	17.6	117.4%
<b>Total liabilities</b>	<b>103.7</b>	<b>48.6</b>	<b>55.1</b>	<b>91.7%</b>
<b>Net assets</b>	<b>187.0</b>	<b>116.2</b>	<b>70.8</b>	<b>237.6%</b>

# History

ANZ's leading unified cloud HR, payroll, expense management solution



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investors.elmosoftware.com.au

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