



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

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

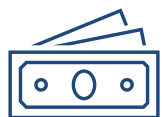
Statutory revenue

▲ 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 facility¹



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 organisations¹ in ANZ/UK
- ✓ \$2.2bn¹ opportunity
- ✓ 7,146 customers
- ✓ Market penetration: <1%



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

- ✓ ~75,000 organisations¹ in ANZ/UK
- ✓ \$10.6bn¹ opportunity
- ✓ 2,892 customers
- ✓ Market penetration: ANZ <8%, UK <2%

Fit for purpose solution for each market segment

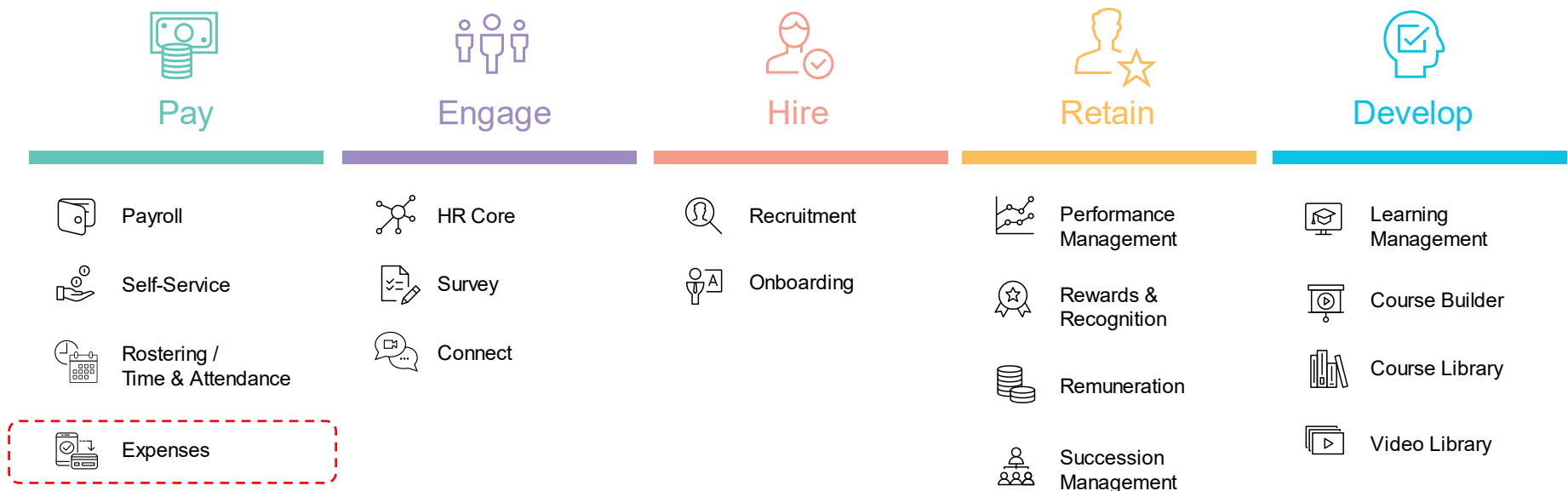
1. Frost & Sullivan independent market report 2019/2020

Module expansion

Continuing to broaden our customer offering



Module expansion driving **convergence**:



✓ Land and expand

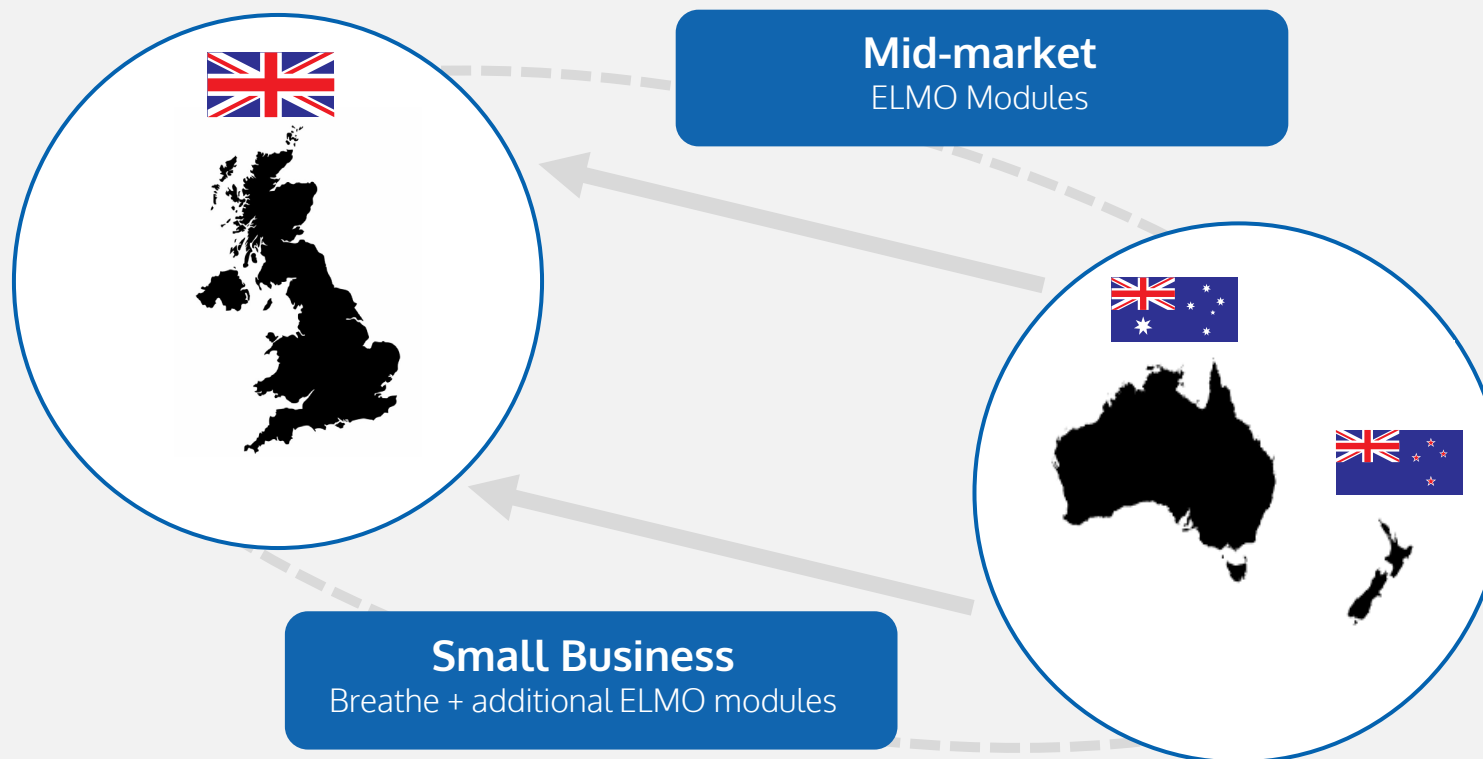
✓ Point of difference

✓ Interoperability

Breadth of solution is our key competitive advantage

Geographic expansion

Leveraging our technology into the UK

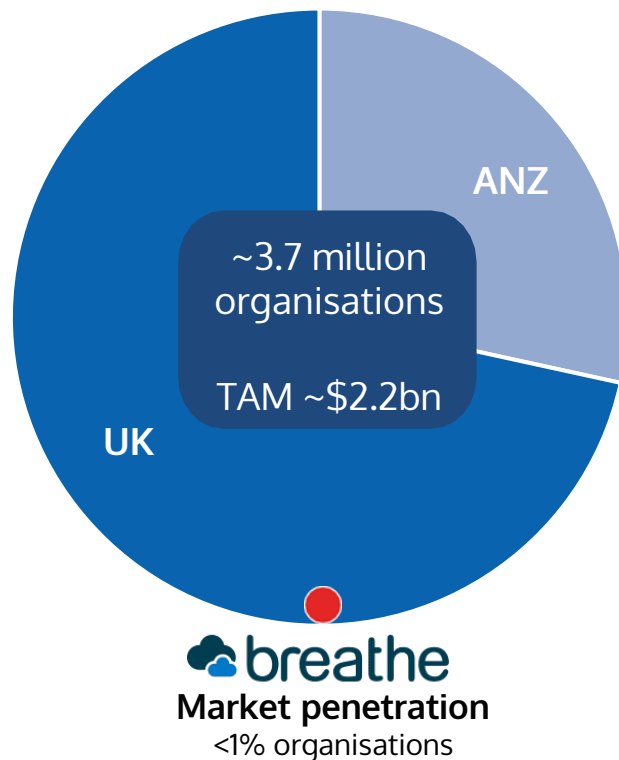


Significant new revenue opportunities in the UK

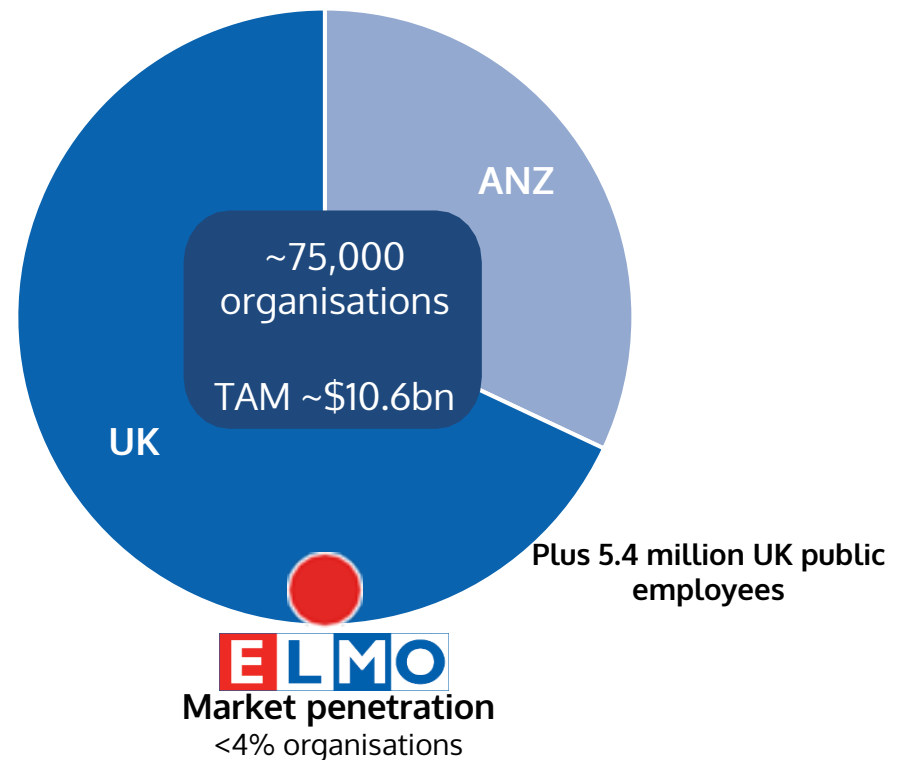
ELMO Group Total Addressable Market (TAM)

Large market opportunity and headroom for growth

Small business TAM^{1,2}
(<50 employees)



Mid-market TAM^{1,3}
(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

Agenda

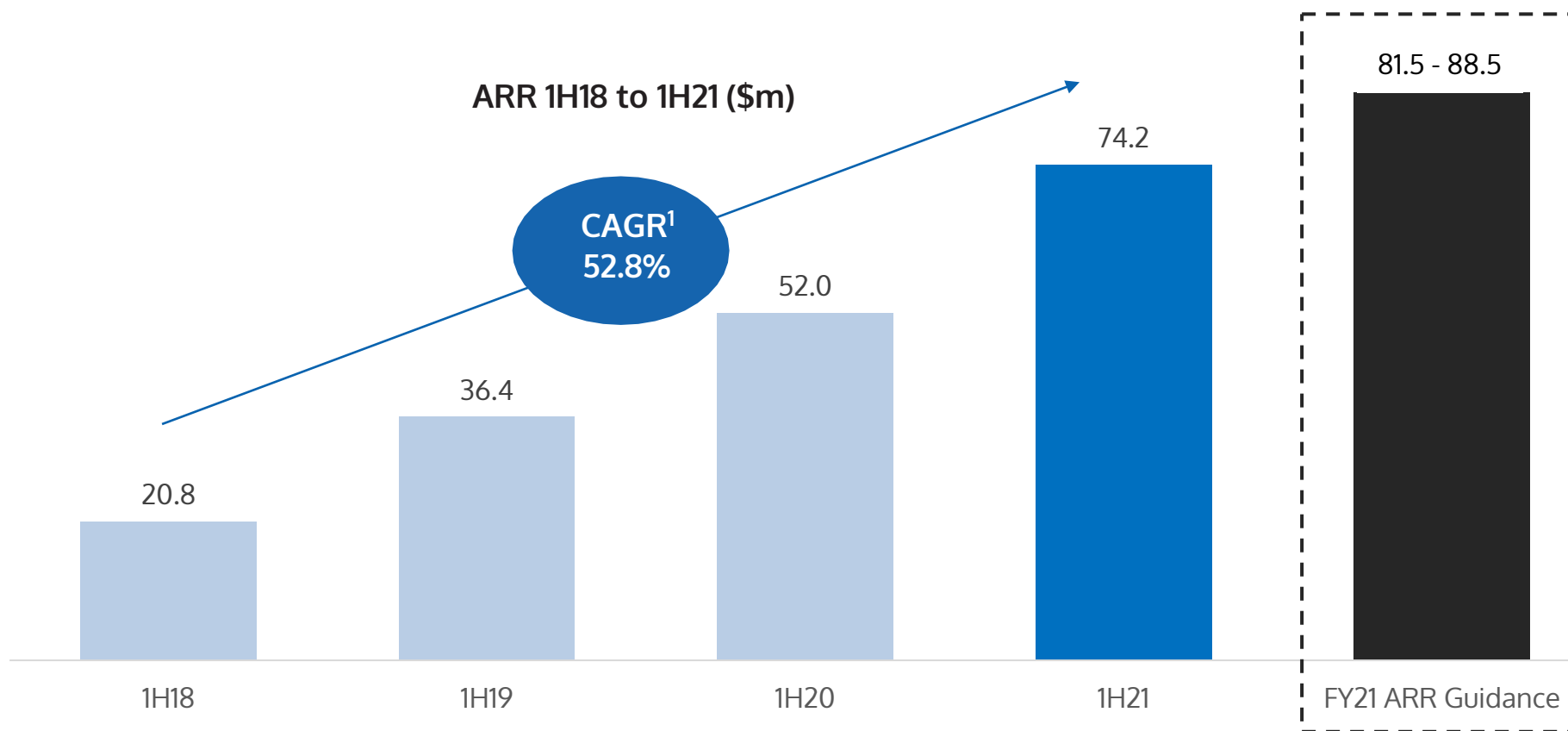
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Results 1H21
(ASX:ELO)

Group ARR growth

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

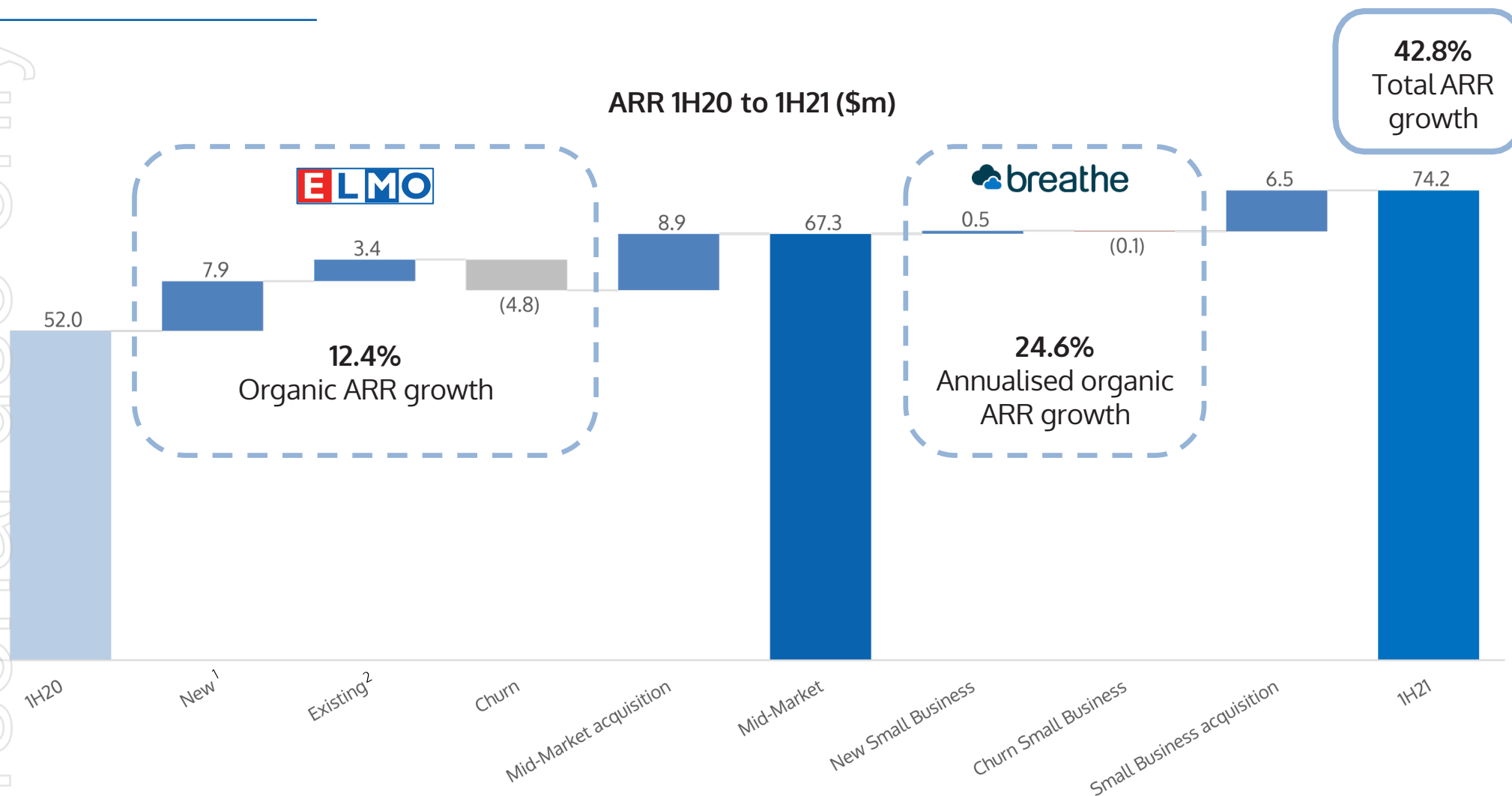
- ARR \$74.2 million at December 2020, up 42.8% from 1H20
- High level of subscription revenue at 97.4%



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 2020¹



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%
Total revenue	30.6	23.6	7.0	29.3%
Gross profit ¹	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%
EBITDA	(0.8)	(2.6)	1.8	69.5%

Financial and Operational Metrics	1H21	1H20
Annualised recurring revenue (\$m)	74.2	52.0
Subscription revenue %	97.4%	97.3%
Gross margin ¹ %	88.6%	84.6%
S&M spend as a % of revenue	43.7%	47.5%
R&D ² 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)¹



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

Small Business LTV¹



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

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) ³	47.1	39.0
LTV / CAC Ratio	9.3	8.0

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

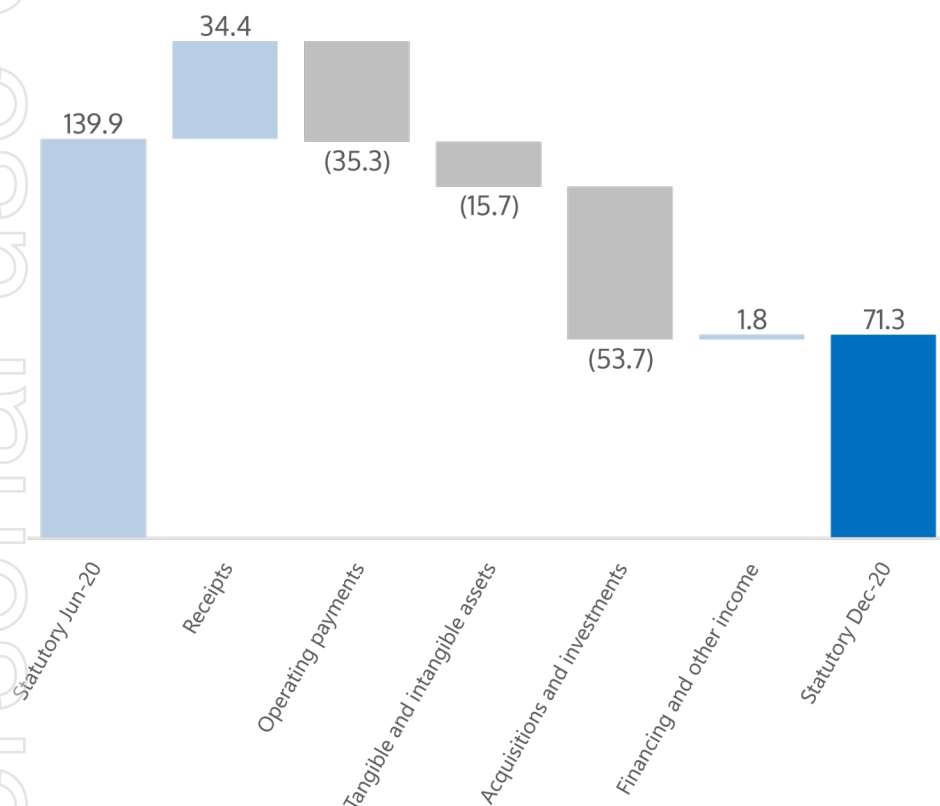
Group cash flow

Record cash receipts

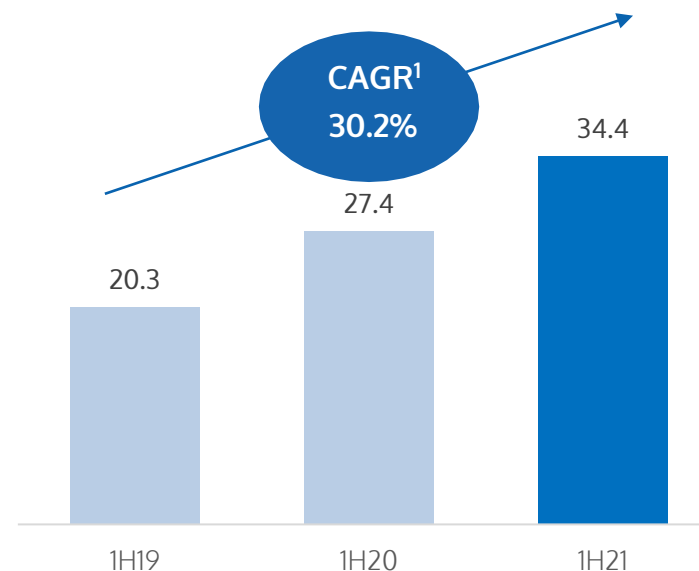
- Total cash receipts in 1H21 of \$34.4m, up 25.5% on 1H20
- Bank balance of \$71.3 million as at 31 December 2020

- 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

Revenue¹
\$4.0-5.0m

EBITDA
\$(0.5m) - 0.5m

=

FY21 Group Guidance

ARR
\$81.5 – 88.5m

Revenue¹
\$65.0 – 71.0m

EBITDA²
\$(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

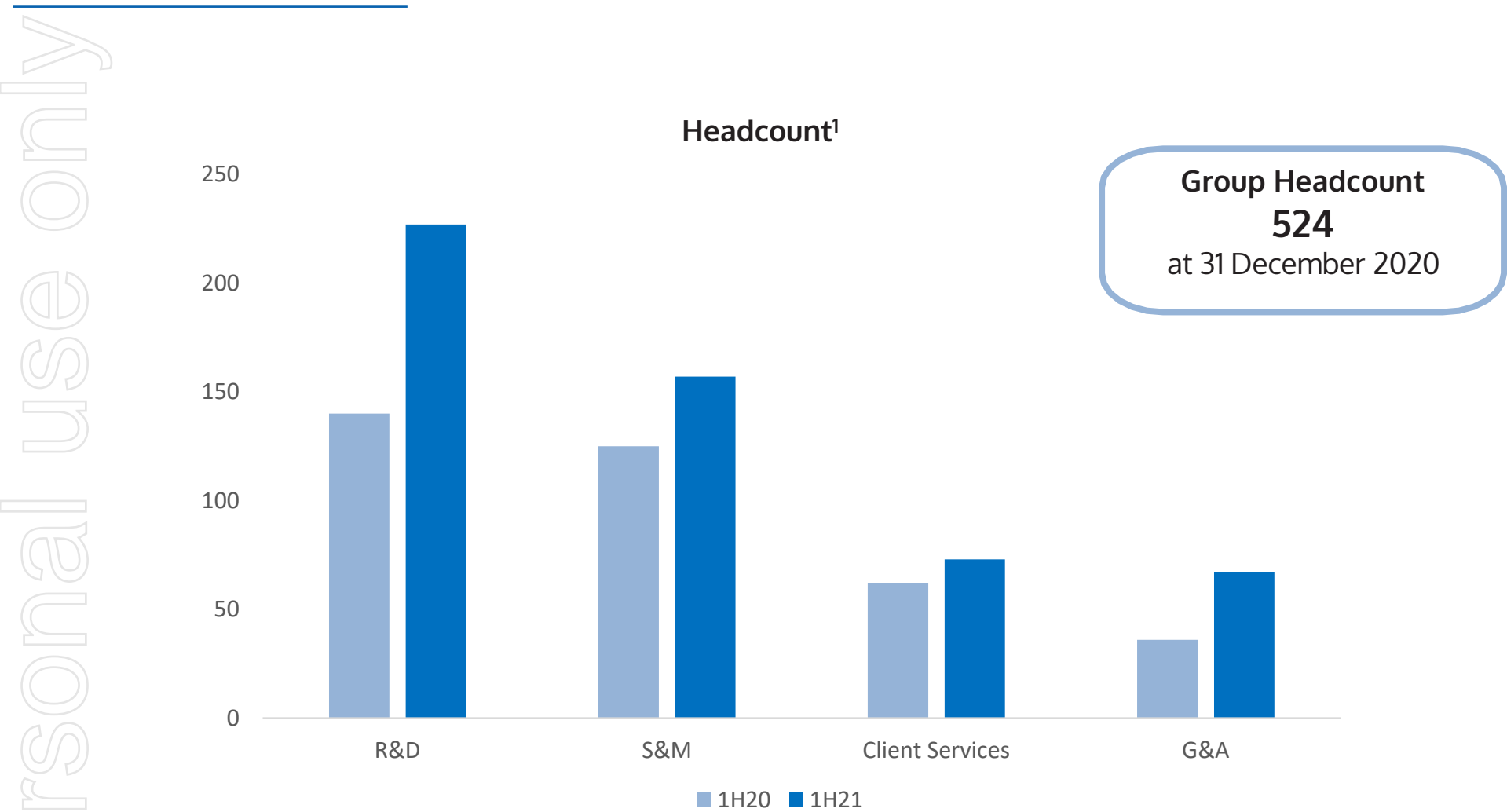
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Glossary

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

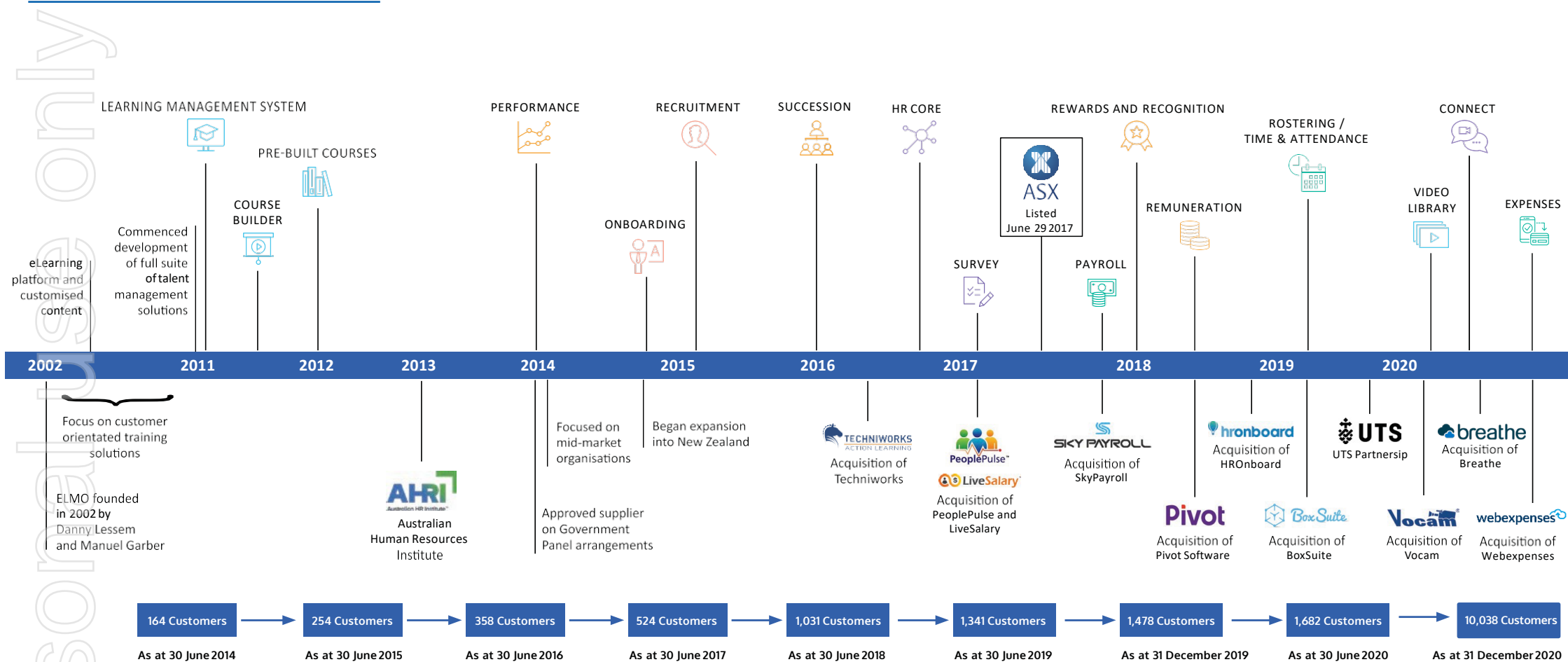
Balance Sheet

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%
Total current assets	83.0	88.0	(5.0)	(5.7%)
Intangibles	178.7	62.9	115.8	184.0%
Other non-current assets	29.1	14.0	15.1	108.4%
Total non-current assets	207.8	76.9	130.9	170.3%
Total assets	290.7	164.9	125.9	76.3%
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%
Total liabilities	103.7	48.6	55.1	91.7%
Net assets	187.0	116.2	70.8	237.6%

History

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



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