

23 November 2021



ELMO Software Limited

(ASX:ELO)

Annual General Meeting

Chair and CEO Addresses

Chair Address

Good afternoon and welcome to ELMO Software Limited's 2021 Annual General Meeting.

My name is Barry Lewin. I am an Independent, Non-Executive Director and Chair of ELMO.

On behalf of ELMO, I would like to acknowledge the Gadigal People of the Eora Nation, the traditional custodians of the land and pay my respects to elders both past and present.

This meeting is being webcast and I welcome those joining online.

We have a quorum and I am pleased to declare the meeting open.

I'd like to welcome and introduce my fellow directors. Kate Hill and Leah Graeve and ELMO's CEO and Co-founder, Danny Lessem, who joins us here in Sydney. Welcome also to our Company Secretary, Anna Sandham.

The order of the day will involve a presentation from Danny, followed by brief presentations from the operational leaders of the Group, which will assist shareholders in gaining a deeper insight into the ELMO business. The materials presented today are available on the ASX and ELMO websites.

ELMO develops, sells and implements cloud-based Software-as-a-Service solutions that enable organisations to efficiently manage and automate the stages in an employee's life cycle, from 'hire to retire'. The company has grown to more than 500 employees primarily across Australia, New Zealand and the United Kingdom.

ELMO's market leading convergent platform continues to grow and we are now able to address the needs of two market segments with ELMO servicing the mid-market and the Breathe platform servicing the small business segment.

ELMO is transforming the way people are managed in organisations by improving productivity, performance and the wellbeing of employees across Australia, New Zealand and now the United Kingdom.

Throughout FY21 growth was delivered across ELMO's three-pillar strategy which focuses on segment expansion, module expansion and geographic expansion. Danny will take you through each pillar of this strategy in more detail shortly.

ELMO is in a prime position to benefit from the tailwinds in the broad adoption of cloud-based technology driven by an increase in remote based and hybrid working.

The execution of the growth strategy is reflected in our financial performance as we posted 61% growth in annualised recurring revenue (ARR) at the end of Q1 FY22. Pleasingly, 35% of this growth was organic.

FY22 promises to be an exciting year for ELMO as we build on our prior investments and gain greater momentum with a helpful macroeconomic backdrop. The Group is approaching an exciting financial milestone expecting to break through \$100 million in ARR during the second half of FY22.

I would like to take this opportunity to thank my board colleagues for their continued oversight and our CEO Danny and his committed and talented management team for successfully executing on the growth strategy. Special thanks also to all our employees for their tremendous contributions through these exciting, but sometimes challenging, times.

Finally, I would also like to extend my thanks to our customers and all our shareholders for their ongoing support of ELMO.

I'll now hand over to Danny.

Co-founder and CEO Address

Slide 2 - Introduction

Thank you, Barry.

I would like to add my welcome to you all and thank you for participating in today's AGM.

Today, I will give you an overview of our strategy, I will then hand over to James Haslam our Chief Financial Officer to take you through our most recent financials. Finally, I will introduce some of the operational leaders in the Group who will provide updates on the business.

Slide 3: Group overview

ELMO is a leading provider of cloud HR, payroll and expense management solutions across Australia, New Zealand and the United Kingdom.

Our value proposition relies on having a multi-module and integrated solution which allows our customers to manage their HR and related processes from an all-in-one platform. Our competitive advantage in the marketplace is the width and convergent nature of our solutions.

The Group primarily caters to two market segments. The mid-market segment through the ELMO brand and small business via the Breathe brand.

Slide 4: Financial Snapshot

ELMO continues to grow as we execute on our growth strategy and benefit from the tailwinds behind the adoption of cloud-based solutions to manage a flexible workforce.

At the end of Q1 FY22, our Annualised Recurring Revenue (ARR) closed at \$88.5 million which was up 61% on the prior comparable period (pcp). 35% of this growth was organic. Revenue for the quarter was \$20.7 million which was up 52% pcp and cash receipts came in at \$27.7 million for the quarter which is up 78% pcp.

We are well capitalised with just under \$76 million of cash on the balance sheet.

I am also pleased to re-affirm our FY22 guidance.

Slide 5: Group ARR growth

ELMO is continuing to scale with ARR growth from \$19.1 million at IPO in FY17 to \$88.5 million at the end of Q1 FY22, of this growth 32% per annum has been generated organically.

Slide 6: Executing on the growth strategy

As Barry mentioned earlier, ELMO has a 3-pillar growth strategy which includes segment expansion, module expansion and geographic expansion. Let me take you through each pillar in more detail.

Slide 7: Segment expansion

Segment expansion was enabled by our acquisition of Breathe in October 2020. Breathe is a human resource ('HR') solution that caters to small businesses with fewer than 50 employees. This acquisition has opened a \$2.2 billion market opportunity.

Breathe expands ELMO's reach beyond the mid-market where it has historically focused.

Currently, Breathe has more than 9,000 small business customers with plenty of headroom to continue to sustain high growth rates as this segment is still early in its adoption of cloud-based HR technology.

Slide 8: Module expansion

Module expansion continues to be an instrumental element of ELMO's growth.

In the ELMO mid-market segment, over the last 12 months we added four new modules to the platform including Predictive People Analytics, Experiences, COVIDsecure and Expense Management. The first three were developed in-house and Expense Management came via the acquisition of Webexpenses. These additions have increased our available module count to 19, which further differentiates our market leading all-in-one solution and provides additional revenue opportunities.

In the Breathe small-business segment, we recently released three new modules including Learning, Rostering and Payroll, already we are seeing strong cross sell activity.

Slide 9: Geographic expansion

The acquisitions in 2020 of Breathe and Webexpenses have underpinned ELMO's geographic expansion as we have commenced our entry into the UK market.

The Webexpenses operations in the UK, with more than 1,000 customers, has provided a platform and the infrastructure to launch the ELMO mid-market business there. Webexpenses CEO Adam Reynolds will talk in some more depth about this opportunity shortly.

Breathe has a strong foothold on small business in the UK with over 9,000 customers and growing rapidly. We have been able to leverage the platform and have launched Breathe into the Australian and New Zealand markets. The Breathe operations are being ramped up in the ANZ region. I will let Jonathan Richards talk to you in some more depth on Breathe and the opportunity in front of us shortly.

Slide 10: ELMO Group Total Addressable Market

As a result of our expansion into new market segments, module adjacencies and geographies, our total addressable market has expanded considerably to \$12.8 billion. With less than 3% penetration in the small business segment and less than 5% penetration in the mid-market, there is tremendous room for growth across the Group.

I'll now hand over to our CFO James Haslam who will provide some more colour on our financials.

Slide 12 – Group ARR growth

Thank you Danny and good afternoon everyone.

As Danny has outlined ARR closed at \$88.5 million, reflecting a 61% increase from 12 months ago. A key highlight of this growth has been the organic growth which was 35%.

If I break down into the segments, the mid-market ARR grew to \$78.4 million, a 43% increase compared to Q1 FY21 which included organic growth through the last 12 months of 28%, highlighting the continued acceleration in ARR and the return to pre-COVID growth rates.

Growth is being driven through securing new customers coupled with the cross sell to existing customers.

The ARR generated in the small business segment has also continued to grow at an exceptional rate, recording growth of 55% through the past 12 months. The growth in the small business segment is being driven by the onboarding of new customers and also the cross sell of the new modules introduced in the last six months.

Slide 13 – Group cash

Similar to ARR growth cash receipts have also increased significantly with just under \$92 million being collected across the last 12 months, a 50% increase on a year ago. On an annual basis cash receipts have been growing at 46% since IPO in FY17.

From a capital management perspective ELMO continues to remain well capitalised to fund growth initiatives with just under \$76 million cash available at the end of September. The cash position will be further supported by additional liquidity of approximately \$20 million through securing an increased facility limit with CBA, on similar commercial terms to the existing facility, coupled with the conversion of the Webexpenses earnout payment from cash to scrip.

Slide 14 – FY22 guidance

As Danny mentioned earlier we are re-affirming the FY22 guidance which was published in August. FY22 promises to be an exciting year for ELMO as we build on our investments and ramp up activity in both a new segment and market.

We are approaching an exciting financial milestone for a Software-as-a-Service (SaaS) business as we look to break through \$100 million in ARR and at the same time are starting to leverage the cost base which will continue to generate increased positive EBITDA and operational efficiencies.

Thank you, I'll now hand back to Danny.

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About ELMO

Established in 2002, ELMO Software offers cloud-based solutions for small businesses and mid-market organisations to manage people, process, pay and expenses. Spanning across Australia, New Zealand and the United Kingdom, ELMO operates on a software-as-a-service ("SaaS") business model, based on recurrent subscription revenues.

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