



ELMO Software Limited
ABN 13 102 455 087

ASX ANNOUNCEMENT

28 November 2017

AGM Chair and CEO Addresses

Chair Address

I am pleased to welcome you to Elmo Software Limited's 2017 Annual General Meeting. This is our first AGM as a public listed company and is a special day in our growth and development.

My name is Jim McKerlie and I am your Chair.

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

I would like to start by introducing my fellow directors Trevor Lonstein and David Hancock.

Also attending here today are representatives of our auditors, Josh Tanchel from Deloitte, and also in attendance from our lawyers is Iain Laughland from Norton Rose Fulbright.

The Notice of Meeting was distributed to all shareholders and copies are also available at the back of the room. I will take the Notice of Meeting as read.

We will begin the meeting with a short presentation from me, followed by a presentation by our CEO Danny Lessem. This will be followed by the formal business of the meeting.

Key Achievements

Let me start by briefly explaining the ELMO business. ELMO is a leading provider of Software as-a-Service (SaaS), cloud-based talent management, software solutions in Australia and New Zealand.

We were founded by CEO Danny Lessem, sat on my [right / left] and Manuel Garber, [who I am delighted to see is here with us today, welcome Manuel] in 2002 here in Sydney. ELMO was SaaS from day one, this differentiates ELMO from other software organisations and is a contributing reason why the solution is dynamic and scaleable.

The Company develops, sells and implements talent management software solutions that enable organisations to automate many of the HCM processes and functions to efficiently manage the various stages of an employee's lifecycle from "hire to retire".

Put simply, if a general ledger system (financial software) is an accountants' tool of trade, and customer relationship management system (i.e Salesforce) is the salesperson's tool of trade, then ELMO is the equivalent for HR practitioners and is typically used by every employee in the organisation. We are the fundamental software tool that enables HR practitioners do their critical work efficiently and assists with strategic decision making through enhanced transparency and reporting.

2017 was a transformative year for your company in many ways.



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For example, we are now a publically listed company and we are a larger and more profitable business. That's exciting.

We listed on ASX on June 29th this year, a special day that many of you will remember clearly. We listed at \$2.00 per share. As of last night our share price closed at \$3.15. I am pleased to see our shareholders are being rewarded.

When we listed, ELMO offered customers seven different modules covering recruitment, on boarding, performance management, learning and development, pre-built courses, succession planning and employee administration.

During FY17 we launched new product offerings as part of this integrated suite including HR Core and Succession.

The IPO raised \$25m of new funds to accelerate our growth including via acquisitions. Consistent with our strategy and the IPO mandate, on November 2nd we announced the accretive acquisitions of two more modules, PeoplePulse and Live Salary. These modules are well established and bring 300 attractive clients for potential cross-sell. They complement and fit well with our existing integrated product suite, which is our clear competitive advantage. I am pleased to see the integration of these modules is underway and that the market liked the deal as well.

FY17 Results Summary

Another highlight was reporting our first full year financial result to ASX and delivering on prospectus forecasts. In the time leading up to the float, and in the period since, we have put in place strong foundations for future growth.

The highlights of the 2017 results include:

- Reporting pro forma EBITDA of \$1.2m, 42% ahead of prospectus forecast
- We grew pro forma SaaS based subscription revenues by 31% year on year, 4% ahead of prospectus forecasts
- We increased our customer base to 524 organisations, up 46% since 30 June 2016
- We improved the average module purchased per customer to 2.29, up from 2.22 since 30 June 2016

During the financial year ELMO acquired and integrated Techni Works Pty Limited into its business, acquiring 82 new customers. We delivered the identified acquisition synergies through operational efficiencies and cross selling into the acquired customer base. That demonstrated our capabilities to integrate and leverage the latest acquisition well.

New Zealand continued to make a positive contribution to the Group with the Company's New Zealand customer base increasing 41% since 31 Dec 2016 while revenues increased by 264% compared to the full year 2016.



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ELMO's market opportunity

Let me now turn to why we are confident of delivering on FY18 prospectus forecasts and continuing our strong growth.

ELMO is a highly focussed and effective company. We know our customers, our markets and our opportunities well. This expertise and discipline underpins our growth strategy.

First, we focus in the mid-market space. We define this as organisations with between 100 -1000 people. ELMO currently only has approximately 4% of the total addressable market, indicating that there is tremendous headroom for growth.

The mid-market continues to trend towards HR automation with the majority of midmarket businesses not yet taking advantage of a single integrated platform solution. This gives rise to new customer opportunities for ELMO. The HCM market is fragmented with many single solution vendors with inherent competitive disadvantages. Customers are structurally shifting towards a single integrated platform such as ELMO. We are purposefully designed and well placed to benefit from this thematic.

This trend provides the opportunity for your Company to gain further market share through both organic and inorganic growth.

To share the next level of detail, the Company has a multi pillar growth strategy based on:

1. The upsell of further modules to existing customers
2. Ongoing growth in new customers
3. New product development to expand the existing platform
4. Additional targeted acquisitions
5. And geographic expansion.

Each of these pillars has its own execution strategy and the board and management are monitoring closely the value of the opportunity that arises in each area.

Given this strong opportunity set and our execution capability, we are pleased to reaffirm our FY18 prospectus forecasts. Based on the run rate of recurring SaaS revenue in June 2017 we have already locked in 89% of forecast revenue for FY18.

ELMO in the community

As well as delivering strong returns for shareholders, at ELMO we also firmly believe in our "social license", that is the importance of contributing to our communities.



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This year, ELMO has contributed to Vinnies CEO Sleepout with executive team member and GM of HR Monica Watt braving the cold for awareness of homelessness in Australia. ELMO also participated in various other events including RUOK day, Cancer Council, RSPCA and Randwick Childrens Hospital.

We have also formed an ELMO led Toastmasters Chapter in Sydney and Melbourne to improve public speaking and leadership within the ELMO staff and wider community. Pleasingly, the ELMO chapter won both divisions of their first district Toastmasters Competition.

Acknowledgements

Finally, I would like to acknowledge all the people that make ELMO so special and thank them for their contributions.

First, we are led by a highly regarded and experienced management team that has a track record of achieving significant revenue growth and delivering on targets. I would like to thank Danny Lessem, Co-Founder and CEO for his talented and dedicated leadership, Trever Lonstein, CFO and executive director; and my fellow Non-Executive board member David Hancock for his expertise, skill and support.

I would also like to thank all of the people at ELMO for their dedicated efforts in delivering these results. I know you are extremely capable and deeply committed to delivering the best outcomes for customers.

On behalf of the Board, I thank you for your support as a shareholder and look forward to sharing ELMO's future success with you.

I would now like to hand over to Danny Lessem, our CEO for his address.

Co-founder CEO Address

FY17 Results summary

Thank you, Jim. I appreciate your kind words and support.

I would like to add my welcome to you all and thank you for attending today's AGM. It's good to see so many familiar faces in the room and lots of new ones too.

You are all invited to stay around after the end of the formal meeting. It's a good chance for you to meet the ELMO management team and the directors and share some light refreshments.

Let me begin this address by saying FY17 was a strong and productive year for ELMO.

We delivered on our prospectus forecasts and we executed on our growth strategies. We did what we said we will do. That's important.

We strengthened our business and laid the foundations for ongoing strong growth. We are building a larger, stronger and more diversified ELMO and we look forward to



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another year of significant revenue and profit growth in FY18 as we again deliver on prospectus forecasts.

Turning to the results for the year; In FY17, ELMO delivered;

- \$17.0 million of pro forma revenues with SaaS revenue growth of 31%, excluding Techni Works.
- 93% recurring revenue and a 92% customer retention rate.
- \$1.2m pro forma EBITDA while increasing investment by 32% to drive further growth

We successfully integrated the Techni Works acquisition and achieved the full synergies.

Pro forma cash receipts were over 112% of pro forma revenues which demonstrates our capital light, cash generative business model.

As Jim said, we listed on ASX on 29 June 2017, with an issue price at \$2.00 per share.

Leading integrated talent management platform

These outcomes are a result of all the strategic design, careful planning and hard work that went before them. The team has laid strong foundations at ELMO.

It began in 2002 when Manuel and I established ELMO as a point solution to automate the Learning function within HR process.

Since then, driven by client feedback and demand, ELMO has expanded its platform to address the evolving requirements of the HCM industry by offering a broader suite of modular applications to cover a wider range of HR needs.

Research and development is at ELMO's core with continual investment in the development of new HCM modules and the enhancement of its existing platform.

ELMO is a leading provider of integrated talent management software. As at June 2017 ELMO employed over 120 people in 4 offices across Australia and New Zealand. ELMO's SaaS cloud based platform provides organisations with a centralised approach to managing an employee's life cycle.

We have invested in and developed a scalable SaaS cloud based platform with multi-tenant architecture and single source code.

Our platform technology, software solutions and learning content are developed and maintained in-house by ELMO's Australian based team. Developed over fifteen years, we have over 400 eLearning courses in our content library covering a broad range of topics.



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Customer focus

Let me turn to the positive features of our business, our customer endorsements.

ELMO enjoys the trust of a broad and diverse customer base with scope for ongoing organic growth.

As at June 30 we had 524 active customers across multiple industries and sectors.

Live Salary and PeoplePulse add a further 300 customer licenses. Part of the appeal of these acquisitions is the scope to sell our products to these new customers and of course cross sell the new products to our customer base. We are good at cross selling. That will drive growth.

Our largest customer accounts for less than 3% of total revenue. Our top 10 customers account for less than 16% of total revenue. Customer contracts are typically for three years with subscriptions paid annually in advance.

Growth Strategies

ELMO has clear strategies to deliver ongoing growth and value for shareholders. That's the key theme in today's presentations. We have multiple growth drivers that should drive sustained growth.

1. Greater usage from existing customers –growing penetration amongst the existing customer base with average modules per customer of 2.29, up from 2.22 as at June 30th 2016
2. New customers in existing markets –166 new customers were added in FY17 including Techni Works. There is a significant opportunity to further penetrate existing markets and increase overall market share from the current level of 4%
3. Expand product line – Succession and HR Core modules were launched in FY17. Revenue from these will grow as they gain market traction. Continuous development and deployment of new features with 128 enhancements launched in FY17. Four organic modules that are being built in house are slated to be released in the next two to three years
4. Growth through acquisitions – Having fully integrated Techni Works, and now integrating LiveSalary and PeoplePulse, we continue to seek acquisitions or complimentary technology to augment ELMO's value proposition. Thankfully we know our competitor products very well and we will remain disciplined in the application of shareholders' funds.

As we announced in early November, the last acquisition is very accretive. On a pro forma basis, assuming the acquisition was completed on 1 July 2017, and hence includes a full 12 month contribution, ELMO's FY18 prospectus EBITDA guidance of \$2.7m would be \$4.4m, representing an increase of \$1.7m. This excludes acquisition costs, synergies and integration costs.



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5. New Zealand – NZ customer base of 31, up 41% since 31 December 2016, 264% increase in revenue from FY16.

Outlook

Given our positive momentum we have a confident outlook for FY18. The first four months of the year have started well for us and we have good visibility on the outlook for the remainder of the year. That's the benefit of our subscription based model.

We affirm our FY18 prospectus forecasts including:

- Pro forma SaaS revenue of \$21.5m (+39% SaaS revenue growth ex Techni Works)
- Pro forma EBITDA of \$2.7m (12% margin versus 5.26% in FY17)
- 96% recurring revenue reflecting the quality of our income streams
- 650 customers¹ (compared to 524 at end of FY17) and 2.55 modules per customer (2.29 at end FY17)

The June 2017 revenue run rate represents \$19.1 million of SaaS revenue, reflecting 89% of forecast FY18 pro forma SaaS revenue.

2018 promises to be, like 2017 was, an exciting, productive and hopefully very successful year for ELMO.

Acknowledgements

In delivering on these growth strategies I must thank all the ELMO staff who have worked so diligently in building this special business. I appreciate your extraordinary efforts.

We are proud of ELMO's culture of innovation and delivering exceptional service to our customers. We look forward to making further progress in the year ahead and thank you once again for your support as a shareholder.

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About ELMO

Established in 2002, ELMO is a cloud-based software provider that automates HR processes in the employee lifecycle from 'hire-to-retain'. The company offers customers a unified platform to streamline processes for employee administration, recruitment, onboarding, learning, performance and compliance training. ELMO operates on a Software as a Service (SaaS) business model based on recurrent subscription revenues.

For more information please visit www.elmotalent.com.au

¹ Excluding acquisitions