



ELMO Software Limited  
ABN 13 102 455 087

## **ASX ANNOUNCEMENT**

2 November 2017

### **Acquisition of PeoplePulse and LiveSalary HR Software Solutions**

#### **Transaction Highlights**

- Acquisition of two complementary HR software solutions, PeoplePulse and LiveSalary in one transaction, to broaden ELMO's integrated product suite from 7 to 9 modules
- PeoplePulse and LiveSalary have over 300 customers across mid-market and enterprise sized organisations with minimal overlap to ELMO's customer base
- Significant scope to sell these new modules into ELMO's existing customer base and cross-sell ELMO's existing modules into the acquired customer base
- Purchase price of \$10m equates to EV / FY17 revenue multiple of 2.4x and is expected to be materially EPS accretive in FY18 and beyond
- PeoplePulse and LiveSalary have annual subscription based revenue models with high levels of recurring revenue, strong EBITDA margins and cash flow generation
- 14 employees including CEO Paul Quinn to join the ELMO team following the acquisition

ELMO Software Limited (ASX:ELO) today announced the acquisition of two specialised, SaaS based, HR management software solutions in one transaction:

- PeoplePulse, an online employee and customer feedback survey platform that includes specialised HR surveys such as staff pulse surveys, onboarding surveys, training evaluations, net promoter scores and exit surveys; and
- LiveSalary, an online salary database and benchmarking platform to assist customers better recruit, reward and retain employees.

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.

PeoplePulse and LiveSalary's highly scalable modules accelerate ELMO's product development program. In addition, the acquisition represents a logical and complementary fit into ELMO's integrated HR Administration and Talent Management product suite.

The acquisition will be purchased for a total cash consideration of \$10m, of which \$8m is payable on completion of the transaction and \$2m to be paid on the first year anniversary from completion. An additional \$2m performance payment will be made should financial stretch targets be achieved in the first 12 months from completion. The acquisition will be funded with existing cash on the balance sheet.



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Danny Lessem, ELMO CEO said, "We are delighted to welcome Paul Quinn and his team to ELMO during this exciting period of growth as we continue to execute on our strategy. I have been monitoring this business and admiring the products for a long time. PeoplePulse and LiveSalary are well established and successful HR software tools with a large subscription customer base. Specialised HR surveys and salary benchmarking tools are essential products for HR professionals because it enables them to have a deeper insight into their business to make strategic business decisions at an executive level. These new modules accelerate our growth, broaden our integrated product suite and enhance our competitive position. They complement ELMO's own proprietary modules well. We look forward to providing our extended, seamless and unified product suite of "hire to retire" HR software solutions across our enlarged customer base."

This acquisition is consistent with the rationale for the IPO in June and in line with ELMO's accelerated growth strategy. The Company is well placed to develop new modules organically and supplement these with selective and accretive acquisitions. The acquisition mandate is clear. ELMO looks for complementary SaaS based technologies and / or new high quality customer bases to take advantage of cross-sell opportunities. Pleasingly, the acquisition of PeoplePulse and LiveSalary satisfies both these criteria.

In FY17, PeoplePulse and LiveSalary generated combined revenues of \$4.1m with EBITDA margins higher than ELMO's current group level. The Company expects to be able to grow these revenues over time and to cross-sell our existing seven modules into this new customer base which has little overlap with our own.

Post completion, ELMO is expected to have net cash of \$16.1m and excluding the contribution from the acquisition and associated transaction costs ELMO reaffirms FY18 prospectus guidance at \$22.4m in total revenue and \$2.7m in EBITDA.

The acquisition is expected to be completed on or around 15 November 2017.

#### **Investor Conference Call – Today @ 11.15am**

Danny Lessem, Chief Executive Officer will host an investor conference call to discuss this transaction. The details of the call are as follows:

##### **Dial-in Details:**

Australia:	1800 123 296 or +61 2 8038 5221
New Zealand:	0800 452 782
Hong Kong:	800 908 865
Singapore:	800 616 2288
United States:	1855 293 1544
United Kingdom:	0808 234 0757

**Conference ID:** 4894069

**Webcast:** <http://www.openbriefing.com/OB/2692.aspx>



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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-retire'. 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](http://www.elmotalent.com.au)