

ASX ANNOUNCEMENT
30 April 2018

ELMO Software Limited
(ASX:ELO)



Strong Q3FY18 Performance
Quarterly Cash Report and Company Update

Highlights

Capital Raising

- \$45m institutional placement successfully completed in March 2018
- Share Purchase Plan (**SPP**) raising just over \$1m completed in April 2018 (subsequent event)

Acquisitions

- Sky Payroll acquisition completed in February 2018
- Pivot Software acquisition completed in March 2018
- Entered into a non-binding indicative offer agreement to acquire a complementary business in March 2018

Integration

- Sky Payroll fully integrated into ELMO's operation and module launched to market
- PeoplePulse (HR Surveys) and LiveSalary (Salary Benchmarking) businesses are utilising ELMO shared services
- HR Surveys and Salary Benchmarking modules have been launched
- Pivot Software back office integration commenced
- Pivot Software Remuneration module launched to ELMO customers
- Integration synergies are being achieved and cross selling campaigns successfully underway

Product Releases

- Number of modules increased from 7 to 12 since IPO
- Strengthened the Company's unified cloud HR & Payroll offering
- Expanded product offering and enlarged customer base has led to increased market opportunities

Growth

- Reaffirm upgraded FY18 guidance provided in February 2018
- Growth in pro forma SaaS revenue of 89% and EBITDA of 368% over pro forma FY17 (including acquisitions)
- Strong cash receipts for the quarter of \$7.4m, up 46% on pcip

CEO Comments

Chief Executive Officer, Danny Lessem said, “It is pleasing to see ELMO deliver strong growth in the quarter while also extending our product suite and strengthening our balance sheet to fund ELMO’s accelerated growth strategy. I am particularly pleased with the integration progress of our recent acquisitions. In addition, the acquisitions have brought leaders with deep experience in their respective domains who have taken up senior leadership positions within the ELMO group. This has strengthened our foundation and ability to provide a leading unified cloud HR & Payroll software solution.”

Capital Raising

On March 28, ELMO successfully completed a \$45m institutional placement which was complemented by an SPP offered to existing shareholders which raised just over \$1m and completed on April 26. Due to the strong participation from both existing and new institutional investors, the placement was oversubscribed and subsequently upsized from \$40m to \$45m.

Proceeds from the capital raising will be used to fund future acquisitions, strengthen the balance sheet and to support organic growth through ongoing research and development and sales and marketing as well as other go to market initiatives.

Acquisitions

During the quarter, ELMO completed the acquisition of Pivot Software, which is Australia and New Zealand’s leading SaaS remuneration software provider with 120 customers. Pivot Software’s remuneration offering provides a new complementary module to ELMO’s existing unified cloud HR & Payroll solution. The acquisition increases ELMO’s customer base to 1,002 and enhances the opportunity to cross-sell modules across this enlarged customer base.

In addition to Pivot Software, ELMO also completed the acquisition of Sky Payroll during the quarter. Sky Payroll is a native cloud SaaS payroll software system which represents a logical addition to ELMO’s existing suite of modules.

Furthermore, ELMO has recently entered into a non-binding indicative offer for a potential acquisition of a complementary business, with due diligence currently underway.

Capital expenditure on acquisitions during the quarter was \$8.8m.

Integration

During the quarter, ELMO made significant progress with the integration of the various businesses acquired. The integration approach varies depending on the size of the acquisition and the markets in which it operates. The integration strategy, in each case, is tailored to ensure the full potential is captured during the integration process. The back office functions are

managed by ELMO shared services which assist with synergies being captured early on. Customer facing functions of the acquisitions have been retained for businesses which have developed a significant level of brand value to ensure a high level of customer retention following acquisition.

Sky Payroll has been fully integrated into ELMO and is working seamlessly with the existing ELMO business and software platform. The founder of Sky Payroll, Roger Graham works full time with the ELMO development team and in close association with Mike Smith, the former Managing Director of Sage MicroPay, who is responsible for leading the growth of ELMO's Payroll Business.

The PeoplePulse (HR Surveys) and LiveSalary (Salary Benchmarking) businesses have continued with their client and market facing activities being led by founder Paul Quinn. These businesses are continuing to grow. At the same time, the Company has integrated the HR Surveys and Salary Benchmarking modules into the ELMO product suite and is actively cross-selling to existing customers. The back office functions of PeoplePulse and LiveSalary have now been successfully transitioned onto the ELMO shared services platform.

Pivot Software, with its large New Zealand presence and significant client base in Australia, will retain its existing customer facing team and unique branding. The migration of Pivot Software's back office functions to ELMO shared services has commenced and is targeted for completion by June 2018. Pivot Software's co-founder and CEO, Philippa Youngman has joined the ELMO senior management team and will be responsible for leading the growth of ELMO's Remuneration business.

Product Releases

ELMO continues investment in the evolution and enhancement of existing modules and the development or acquisition of new modules. As a result, ELMO aims to continually deliver and expand its market leading unified cloud HR & Payroll solution platform. With the introduction of Rewards & Recognition (developed in house), HR Surveys, Salary Benchmarking, Payroll and Remuneration, the number of modules offered across ELMO's platform has increased from 7 to 12 since listing on the ASX in June 2017. The continual expansion in functionality is key to the provision of a comprehensive offering in this domain in the form of ELMO's unified cloud HR & Payroll solution.

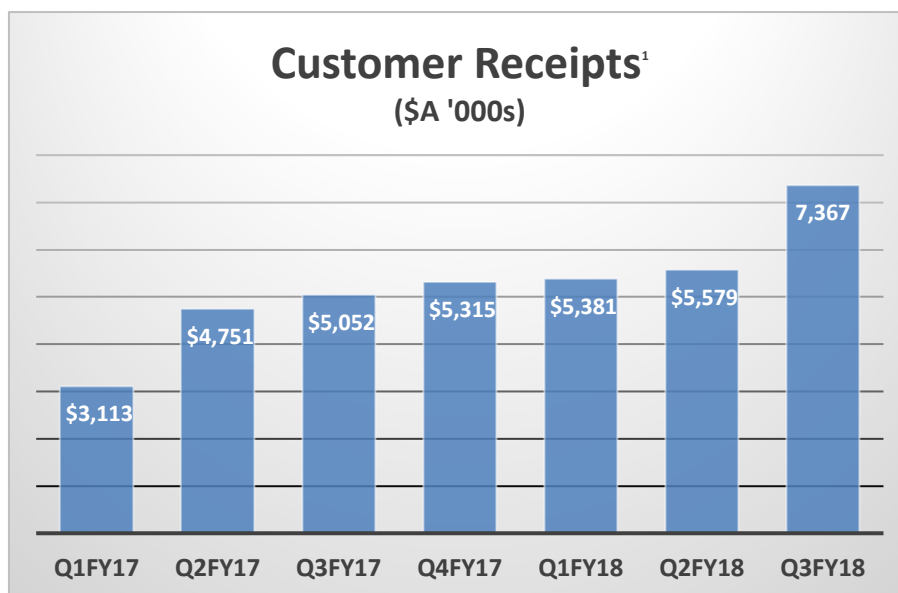
In particular, the addition of cloud payroll has increased ELMO's addressable market opportunity and has also strategically positioned the Company ahead of the ATO's introduction of Single Touch Payroll reporting requirements on the 1st of July 2018.

ELMO recently showcased their enlarged unified cloud HR & Payroll solution at the ELMO Insights Exchange Roadshow which was hosted across major cities in Australia and New Zealand. Customer responses were positive, which confirms the market's demand for **one** vendor, **one** dashboard and **one** user experience.

Growth

Pro forma FY18 upgraded guidance, which was provided in February 2018 is reaffirmed.

Pro forma SaaS revenue for the year is expected to be \$29.7m, with EBITDA of \$5.7m, which represents, respectively, a 89% and 368% increase over pro forma FY17. Customer receipts continue to grow strongly with receipts of \$7.4m for the quarter, up 46% on pcp, as the shown in the chart below¹.



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About ELMO

Established in 2002, ELMO is a cloud-based HR & Payroll software provider. The company offers customers a unified platform to streamline processes for employee administration, recruitment, onboarding, learning, performance, remuneration, compliance training and payroll. 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.

¹ Includes acquisitions

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Elmo Software Limited

ABN

13 102 455 087

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	7,367	18,326
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(55)	(201)
	(c) advertising and marketing	(340)	(1,517)
	(d) leased assets	(4)	(16)
	(e) staff costs	(3,501)	(9,420)
	(f) administration and corporate costs	(1,540)	(4,819)
1.3	Dividends received (see note 3)		
1.4	Interest received	37	178
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	34	93
1.8	Other (provide details if material)	(5)	(291)
1.9	Net cash from / (used in) operating activities	1,993	2,333

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(43)	(129)
	(b) businesses (see item 10)	(8,785)	(17,371)
	(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	(1,000)	(2,524)
	(e) other non-current assets	(117)	(531)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material) – Bank Balance Acquired from Business Acquisition	481	481
2.6	Net cash from / (used in) investing activities	(9,463)	(20,074)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	0	(1,007)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	(1,007)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	15,344	26,621
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,993	2,333
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,463)	(20,074)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	(1,007)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	7,873	7,873

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,873	15,344
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,873	15,344

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
282

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	(131)
9.3 Advertising and marketing	(491)
9.4 Leased assets	(9)
9.5 Staff costs	(4,077)
9.6 Administration and corporate costs	(1,668)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(6,376)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1a Name of entity	Techni Works Pty Ltd and its 100% owned subsidiary	
10.2a Place of incorporation or registration	Queensland Australia	
10.3a Consideration for acquisition or disposal (This Quarter)	A\$101,400	
10.4a Total net assets	A\$22,500	
10.5a Nature of business	SaaS Cloud based on-line training course provider	

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1b	Name of entity	Quinntessential Marketing Consulting	
10.2b	Place of incorporation or registration	New South Wales Australia	
10.3b	Consideration for acquisition or disposal (This Quarter)	A\$0	
10.4b	Total net assets	A\$553,000	
10.5b	Nature of business	SaaS Cloud based on-line Survey and Salary Benchmarking provider	

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1c	Name of entity	Sky Payroll	
10.2c	Place of incorporation or registration	New South Wales Australia	
10.3c	Consideration for acquisition or disposal (This Quarter) – Cash and Scrip	A\$1,000,000	
10.4c	Total net assets	A\$0	
10.5c	Nature of business	SaaS Cloud based on-line Payroll provider	

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1d	Name of entity	Pivot Remesys Group Holdings Limited	
10.2d	Place of incorporation or registration	New Zealand	
10.3d	Consideration for acquisition or disposal (This Quarter) – Cash and Scrip	A\$8,826,152	
10.4d	Total net assets	A\$900,000	
10.5d	Nature of business	SaaS Cloud based on-line Remuneration Software provider	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date:
(Director/Company secretary)

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.