

ELMO Software Limited
(ASX:ELO)

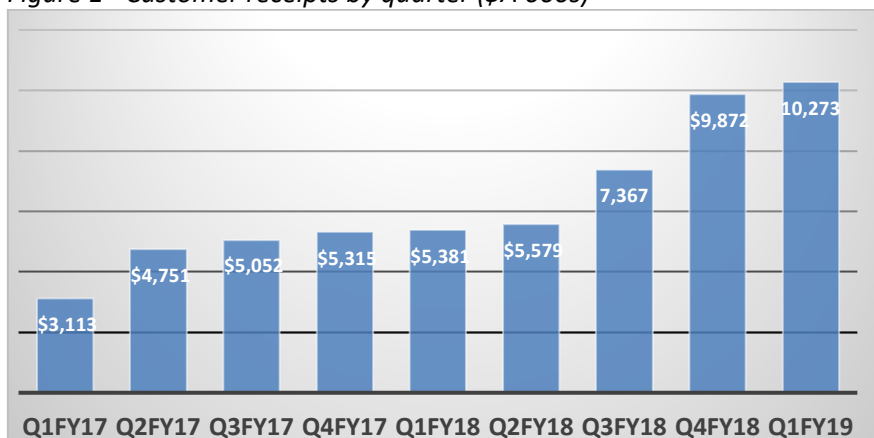
Strong Start to FY19 - Positive First Quarter Performance

Quarterly Cash Report and Company Update

Highlights

- Strong growth in cash receipts during Q1FY19 of \$10.3m, up 91% on prior comparable period ("pcp") and 4% ahead of Q4FY18, representing a positive leading indicator given the seasonal peak typically experienced in Q4
- Closing cash balance of \$41.7m, as at 30 September 2018 - ELMO remains well capitalised to fund the Company's multi-pillar growth strategy
- Continuing to deliver on ELMO's growth objectives and further strengthening the Company's position as a leading cloud-based, SaaS solutions provider in HR and payroll
- Focused on delivering organic growth across the business, particularly with ELMO's expanded portfolio of modules and larger customer base
- Appointment of Barry Lewin as ELMO's Non-Executive Director and Independent Chair, who brings to ELMO a wealth of financial, legal and governance experience from both public and private companies
- ELMO continues to lay the foundations for long term, sustainable growth with 2019 representing an important year of investment into further developing the Company's capabilities, headcount, sales and marketing resources, technology and product leadership
- Strong pipeline of acquisition opportunities remain which present a mixture of complementary technology and new customers
- Operating cash flow remains on target, taking into consideration the impact of one-off seasonal cost outflows for Q1FY19 such as head office relocation, FY18 short term incentives ("STI") and bonus payments, annual insurance premiums and FY18 audit and accounting fees
- Net operating cash flow is expected to be positive in Q2FY19

Figure 1 - Customer receipts by quarter (\$A'000s)



Sustainable, long term growth

- Consistent with ELMO's accelerated growth strategy and commitment to deliver sustainable, long term growth for shareholders, the company has invested in further product development and additional sales and marketing resources during the quarter
- Sales and marketing focused towards targeting ELMO's growing addressable market within the lower mid-market (less than 200 employees) and upper mid-market (more than 1,000 employees) across Australian and New Zealand
- Opened new Brisbane office to support a growing team and an increasing customer base across Queensland
- Appointed Non-Executive Director and Independent Chair, Barry Lewin to complement the skills of the existing Board and Management Team and support management in executing ELMO's growth strategy
- Continue to build foundations to support the next stage of growth across the business into 2019 and beyond

Gold Stevie® Award

ELMO is pleased to have been named as the winner of the prestigious Gold Stevie® award in the Company of the Year for Computer Software under the medium-sized organisation category in the 15th Annual International Business Awards in London.

More than 3,900 nominations from organisations of all sizes and industries were submitted this year for consideration across a wide range of categories.

Some of the comments from judges on ELMO's Gold Stevie® Awards nomination include:

- "Good solution. Utilising innovative cloud technology to bring together HR and payroll solution."
- "More than 100% growth and people's trust in this company has got them this high score."
- "Great revenue growth in the year and recognition for its solutions."
- "Great progress within a short period of time, products also look promising. Good work."

Danny Lessem, CEO of ELMO, said, "It's truly an honour to accept this Gold Stevie® Award and be recognised globally with this prestigious accolade. Winning this award is a huge privilege. The HR industry is constantly changing, and industry leading innovation is key in ensuring positive staff engagement, development and performance. We are proud to be able to offer a software solution that resonates with a wide range of businesses, helping to motivate and foster a healthy workplace culture and environment through the use of innovative cloud technology."

Acquisitions

- Strong pipeline of opportunities to make further selective and strategic acquisitions remain
- Continue to apply a disciplined acquisition criterion and focus on approaching opportunities which offer ELMO complementary technology and/or provide access to a high-quality customer base

CEO Comments

Co-founder and CEO, Danny Lessem said “We are pleased to start FY19 with a positive first quarter. It is encouraging to deliver further growth in cash receipts in Q1, both compared to the prior comparable period and against the typical seasonal peak of Q4 in FY18. ELMO’s growth in cash receipts highlights the Company’s favourable working capital position, strong recurring revenue base and high customer retention rates. In addition, ELMO remains on track to meet its previously provided FY19 guidance.

Given our products’ competitive advantages and large and growing market opportunity, we are focused towards continuing to invest in strengthening our sales and marketing resources and product offering. We are committed towards building sustainable, long term returns for our shareholders. With a strong pipeline of organic growth opportunities and scope for complementary acquisitions, we are well placed to accelerate our growth.

It is also encouraging to see our staff settle so well into our new head office in Sydney and our new office in Brisbane, which will support our strong growth in Queensland. These facilities provide us with an excellent platform for growth, while also assisting our people with improved process management as well as creating an attractive company culture to optimise our recruitment, retention and performance.

Finally, I would like to welcome our new Chairman Barry Lewin to the board. Barry is currently the Non-Executive Chairman of ASX-listed Praemium Limited (ASX:PPS) and the Managing Director of corporate advisory firm SLM Corporate Pty Ltd, where he advises public and private companies on mergers and acquisitions, transaction structuring, debt and equity issuances, business sales, as well as on all aspects related to corporate governance. Barry’s skills complement the existing ELMO Board and Management Team, and will no doubt assist in helping ELMO achieve our ambitious growth targets.”

ELMO’s AGM will be held at 22nd November 2018.

For further information please contact:

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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.

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")

30 September 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	10,273	10,273
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(161)	(161)
(c) advertising and marketing	(1,181)	(1,181)
(d) leased assets	(26)	(26)
(e) staff costs	(6,584)	(6,584)
(f) administration and corporate costs	(3,401)	(3,401)
1.3 Dividends received (see note 3)		
1.4 Interest received	236	236
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(10)	(10)
1.7 Government grants and tax incentives	0	0
1.8 Other – GST (provide details if material)	(70)	(70)
1.9 Net cash from / (used in) operating activities	(924)	(924)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,291)	(1,291)
(b) businesses (see item 10)	(495)	(495)
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	(1,650)	(1,650)
	(e) other non-current assets		
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		
2.6	Net cash from / (used in) investing activities	(3,436)	(3,436)

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	(17)	(17)
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	(17)	(17)

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	46,106	46,106
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(924)	(924)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,436)	(3,436)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(17)	(17)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	41,729	41,729

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	41,729	46,106
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)	41,729	46,106

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**

923

Aggregate amount of payments to Directors include the following one off payments:

- Short Term Incentive payments to the Executive Directors as per the 2018 Statutory Financial Statements Remuneration Report
- Consultancy Fee Payment to the outgoing Chairman

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

Add notes as necessary for an understanding of the position

**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.

9. Estimated cash outflows for next quarter

\$A'000

9.1 Research and development

9.2 Product manufacturing and operating costs

(170)

9.3 Advertising and marketing

(932)

9.4 Leased assets

(16)

9.5 Staff costs

(6,557)

9.6 Administration and corporate costs

(1,507)

9.7 Other (provide details if material)

**10. Acquisitions and disposals of
business entities
(items 2.1(b) and 2.2(b) above)**

Acquisitions

Disposals

10.1a Name of entity

Pivot Remesys Group
Holdings Limited

10.2a Place of incorporation or
registration

New Zealand

10.3a Consideration for acquisition or
disposal (This Quarter)

- Cash

A\$382,540

- Scrip

A\$227,300

10.4a Total net assets

A\$900,000


10.5a Nature of business

Saas Cloud based on-
line Remuneration
Software provider

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.b Other expenses of acquisition in relation to future target acquisitions	\$112,460	

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: 
(Director/Company secretary)

Date: 30 October 2018

Print name: Anna Sandham

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.