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ASX ANNOUNCEMENT

18 September 2019

ELMO launches A\$55 million Placement and Share Purchase Plan

Key Highlights

- ELMO Software Limited (**ELMO** or **Company**) to undertake a fully underwritten placement of A\$55 million at an offer price of A\$6.00 per share (**Placement**).
- Following completion of the Placement, ELMO will also conduct a non-underwritten share purchase plan offer to existing eligible shareholders capped at A\$5 million (**SPP Offer**).
- ELMO intends to use the proceeds from the Placement and SPP Offer to invest in sales and marketing, research and development as well as client services to take advantage of the large market opportunity and expansion in its addressable market.
- In addition, ELMO remains committed to continuing to execute strategic acquisition opportunities to either expand the product offering or to acquire customer lists that provide module cross-sell opportunities.
- Concurrent with the Placement, the Company's founders and largest pre-IPO seed capital investor have agreed to sell an aggregate of approximately 3.3 million shares to investors worth approximately A\$20 million at the same price as the Placement.

Background

During FY19, ELMO experienced strong growth with Annual Recurring Revenue (ARR) and statutory revenue, increasing 48% and 51% respectively. This can be attributed partly to ELMO's execution of its convergent platform strategy to automate HR, payroll and rostering / time & attendance in a single integrated platform.

The Company also continues to execute its publicly stated accelerated growth strategy to supplement its strong organic growth with acquisitions of adjacent complementary technologies that enhance ELMO's value proposition and/or provide ELMO access to an extended customer base, which provide an HR module cross-sell opportunity.

With an estimated 23,813 organisations, and a broader product set, the value of ELMO's total addressable market in Australia and New Zealand is approximately A\$2.4bn¹. ELMO currently has an approximate 5.6% market share in Australia and New Zealand with an average penetration of 2.4 out of 13 modules. Hence, there is significant opportunity to increase revenue by adding new customers and increasing HR module penetration of existing customers.

With a broader product set and now targeting a sizable opportunity amongst smaller organisations (lower mid-market), the Company believes there is a significant scope to continue its strong growth.

ELMO Co-founder and CEO, Danny Lessem said, "ELMO is experiencing an exciting stage of growth. We have filled key product gaps over the last couple of years, to deliver Australia's most comprehensive HR, payroll and rostering / time & attendance platform. In doing so, we have increased our market opportunity by adding valuable new revenue opportunities from a broadened product set and a new market segment. Our strong FY19 results reflect the success of our strategy. In addition, there are significant opportunities for ELMO to accelerate its strong organic growth with targeted strategic acquisitions.

¹ Frost & Sullivan independent market report 2019

With a large market opportunity and a comprehensive product suite, we are focussed on delivering long term sustainable growth.”

Placement

ELMO will issue approximately 9.2 million new fully paid ordinary shares (**New Shares**) under the underwritten Placement and is seeking to raise approximately A\$55 million. The pricing for the Placement will be A\$6.00 per New Share. The price represents:

- (i) a 8% discount to last closing price of ELMO shares on the ASX on 18 September 2019, being A\$6.52; and
- (ii) a 10.5% discount to the five day VWAP as at the same date.

The New Shares issued under the Placement will rank equally with existing ELMO fully paid ordinary shares on issue. ELMO will issue the New Shares without shareholder approval in accordance with its existing placement capacity under ASX Listing Rule 7.1.

The Placement is fully underwritten by Morgan Stanley Australia Limited and Goldman Sachs Australia Pty Ltd.

Settlement of the New Shares issued under the Placement is expected to occur on Monday, 23 September 2019, with allotment of the New Shares scheduled for Tuesday, 24 September 2019.

Secondary sell-down

The Company is aware of limited liquidity in the shares since IPO with approximately 63% of the current issued capital held by three original pre-IPO shareholders. The three major shareholders, JLAB Investments (No. 2) Pty Ltd (**JLAB**), the Garber Family Trust (an entity associated with ELMO retired co-founder Manuel Garber) (**Garber Trust**) and Lessem Trading Pty Ltd (an entity associated with ELMO co-founder and current CEO Danny Lessem) (**Lessem Trading**), have identified the equity raising as an opportunity to undertake a small concurrent sell-down to increase the free-float and liquidity of ELMO shares generally.

In conjunction with the Placement, JLAB, Garber Trust and Lessem Trading have agreed to sell approximately 1.3 million, 1.3 million and 0.7 million shares respectively (**Secondary Sell-down**). The Secondary Sell-down represents approximately 5.3% of current total shares outstanding in ELMO. The pricing of the Secondary Sell-down will be the same price as the Placement. The Secondary Sell-down is not underwritten.

Following the Secondary Sell-down, JLAB, the Garber Trust and Lessem Trading will each remain ELMO's largest non-institutional shareholders with a relevant interest in approximately 14.7 million, 10.7 million and 11.3 million shares respectively, representing in aggregate approximately 50.6% of issued share capital following the Secondary Sell-down and Placement (but not taking into account the SPP Offer outlined below). JLAB, Garber Trust and Lessem Trading have each confirmed that they will not sell any further ELMO shares until at least 120 days from today's date.

Share Purchase Plan

Following completion of the Placement, ELMO will conduct an offer of New Shares under a non-underwritten share purchase plan (**SPP Offer**) to existing shareholders of the Company:

- (i) who have a registered address in Australia and New Zealand as at 7.00pm (Sydney time) on Tuesday, 17 September 2019; and
- (ii) who are not in the United States or acting for the account or benefit of a person in the United States.

The SPP Offer will provide each eligible shareholder with the opportunity to apply for up to A\$30,000 worth of New Shares at the lower of:

- (iii) the issue price under the Placement (being A\$6.00); and
- (iv) the price that is a 2% discount to the VWAP of ELMO shares on the ASX over the five trading days up to, and including, the closing date of the SPP Offer (rounded down to the nearest cent).

The SPP Offer will raise a maximum of A\$5 million. ELMO may undertake, in its absolute discretion, a scale back of applications that exceed that amount.

The New Shares issued under the SPP Offer will rank equally with existing shares of ELMO.

The SPP offer booklet (**SPP Offer Booklet**) containing further details of the SPP Offer will be released on the ASX separately and is expected to be mailed to all eligible shareholders in Australia and New Zealand on or about Thursday, 26 September 2019.

For further information regarding the SPP Offer you should contact the ELMO Offer Information Line on 1300 222 378 (from within Australia) or +61 1300 222 378 (from outside Australia) between 8.30am and 7.30pm (Sydney time) from the date the SPP Offer opens being Thursday, 26 September 2019.

ELMO will seek quotation of the New Shares issued under the Placement and the SPP Offer on the ASX.

Equity Raising Indicative Timetable**

Event	Date (2019)
Record date for eligible shareholders to subscribe for New Shares via the SPP Offer	7.00pm (Sydney time) Tuesday, 17 September
Announcement of the Equity Raising	Wednesday, 18 September
Conduct of Placement	Wednesday, 18 September
Announcement of results of Placement	Before market open on Thursday, 19 September
Settlement of Placement	Monday, 23 September
Allotment of New Shares issued under the Placement and transfer of shares under the Secondary Sell-down	Tuesday, 24 September
Trading of New Shares issued under the Placement commences on ASX	Wednesday, 25 September
SPP Offer Booklet despatched to shareholders	on or about Thursday, 26 September
SPP Offer opens	Thursday, 26 September
SPP Offer closes	5:00pm (Sydney time) Friday, 11 October, unless extended
Allotment of New Shares issued under the SPP Offer	Friday, 18 October
Despatch of holding statements and normal trading of New Shares issued under SPP Offer	Monday, 21 October

** These dates are indicative only and are subject to change. ELMO, reserves the right, subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules, to amend this indicative timetable. In particular, ELMO reserves the right to extend the Closing Date, accept late applications under the SPP Offer (either generally or in particular cases), and to withdraw or vary the Placement or SPP Offer without prior notice. Any extension of the closing date will have a consequential effect on the date for the allotment and issue of New Shares. ELMO will consult with the underwriter in relation to any proposed change to this indicative timetable and any such change will require the consent of the underwriter.



Additional Information

Further details on ELMO, the Placement, Secondary Sell-down and the SPP Offer are set out in the investor presentation provided to the ASX today and are also available to eligible persons not in the United States at the Company's website at www.elmosoftware.com.au. The investor presentation contains important information including key risks relating to ELMO. Any person considering an investment in ELMO shares should read the investor presentation and seek their own independent advice before making any decision in this regard.

Morgan Stanley Australia Limited and Goldman Sachs Australia Pty Ltd are acting as joint lead managers and joint bookrunners to the Placement and the Secondary Sell-down and as underwriter to the Placement. Mills Oakley is acting as legal adviser to ELMO.

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About ELMO Software Limited

Founded in 2002, ELMO is a cloud-based HR & Payroll software provider. The Company offers customers a unified platform to streamline processes for HR, and also manage payroll and rostering / time & attendance. ELMO operates on a Software as a Service ("SaaS") business model based on recurrent subscription revenues.

Further information about ELMO can be found at www.elmosoftware.com.au.

IMPORTANT NOTICE

This announcement may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be unlawful. The New Shares have not been, and will not be registered under the US Securities Act of 1933, as amended (US Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, in the United States unless they have been registered under the US Securities Act (which ELMO has no obligation or intention to do or procure), or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable US state securities laws.

The information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with ELMO's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at www.asx.com.au.

This announcement contains certain "forward-looking statements". Forward-looking statements can generally be identified by the use of forward looking words such as "forecast", "estimate", "likely", "anticipate", "believe", "expect", "future", "project", "opinion", "opportunity", "predict", "outlook", "guidance", "intend", "should", "could", "may", "target", "plan", "propose", "to be", "foresee", "aim", "will" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements, and include statements in this announcement regarding the conduct and outcome of the Placement and SPP and the use of the proceeds. Forward-looking statements, opinion and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections and guidance on future earnings and estimates are provided as a general guide only and should not be relied on as an indication or guarantee of future performance and may involve significant elements of subjective judgement, assumptions as to future events that may not be correct, known and unknown risks, uncertainties and other factors, many of which are outside the control of ELMO. A number of factors could cause actual results, performance or achievements to vary materially from any forward-looking statements and the assumptions on which statements are based, including but not limited to the risk factors set out in the investor presentation released by ELMO to ASX today. Except as required by applicable law or regulation (including the ASX Listing Rules), ELMO undertakes no obligation to provide any additional or updated information or update any forward-looking statements, whether as a result of new information, future events or results, or otherwise.