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ASX ANNOUNCEMENT

11 May 2020

**ELMO launches A\$70 million Placement and Share Purchase Plan
to accelerate growth initiatives**

Key Highlights

- ELMO to undertake a fully underwritten placement of A\$70 million at an offer price of A\$7.00 per share (**Placement**)
- Following completion of the Placement, ELMO will also conduct a non-underwritten share purchase plan offer to existing eligible shareholders to raise up to A\$20 million (**SPP Offer**)¹
- ELMO intends to use the proceeds from the Placement and SPP Offer (together, the **Capital Raising**) to capitalise on an increased pipeline of acquisition opportunities and take advantage of tailwinds in the adoption of cloud-based software due to mass remote-based working
- ELMO reaffirms updated FY20 guidance: \$50-\$52 million revenue, (\$4-\$6 million) EBITDA

Background

Proceeds from the Capital Raising will be used to accelerate organic growth initiatives and to fund acquisition opportunities. ELMO has a disciplined approach to capital deployment and a proven track record of executing and delivering growth from acquisitions.

Upon completion of the Placement, ELMO will have pro forma cash as at 31 March of A\$137.3 million and no debt. Funds raised under the SPP Offer will increase cash resources further.

ELMO Co-founder and CEO, Danny Lessem said, *"During these unprecedented times, the rapid adoption of remote working has led to increased reliance on the ELMO platform. We are able to deliver an uninterrupted service to our customers as the ELMO platform and tools used to power it are all cloud-based."*

We are also seeing increased M&A opportunities in the market as cloud-technology has become mission-critical, migration from on-premise software is accelerating and SaaS point solution providers are facing increased cash-flow pressure. We see an opportunity to accelerate the implementation of our growth strategy through strategic investment and targeted acquisitions for complementary technology, market share and/or operations for further UK expansion. The capital raising will provide enhanced financial flexibility to leverage these opportunities and emerge from the current environment in a position of significant strength."

¹ The Company is seeking certain waivers from ASX with respect to the conduct of the SPP. ASX has indicated that it is minded to grant those waivers, however, ELMO is awaiting formal confirmation of those waivers.

Placement

ELMO is seeking to raise approximately A\$70 million from the fully underwritten Placement and will issue approximately 10.0 million new fully paid ordinary shares (**New Shares**), representing approximately 13.3% of ELMO's existing issued capital.

The Placement will be conducted at A\$7.00 per share, which represents:

- (i) an 11.5% discount to the last closing price of ELMO shares on the ASX on 8 May 2020, being A\$7.91 per share; and
- (ii) an 8.8% 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. It is intended that eligible institutional shareholders who bid for an amount less than or equal to their 'pro rata' share of New Shares under the Institutional Placement will be allocated their full bid on a best endeavour's basis. 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 UBS AG, Australia Branch (**UBS**) and Canaccord Genuity (Australia) Limited (**Canaccord Genuity**).

Settlement of the New Shares issued under the Placement is expected to occur on Friday, 15 May 2020, with allotment of the New Shares issued under the Placement scheduled for Monday, 18 May 2020.

Share Purchase Plan

Following completion of the Placement, subject to obtaining certain waivers from ASX, 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 Friday, 8 May 2020; 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\$7.00); 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).

ELMO is aiming to raise up to A\$20 million under the SPP Offer but ELMO reserves the right to increase the size of the SPP Offer should there be strong demand from investors. The SPP Offer may also be subject to a scale back of applications at the absolute discretion of the Company.

The New Shares issued under the SPP Offer will rank equally with existing ELMO fully paid ordinary shares on issue.

The SPP offer document (**SPP Prospectus**) 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 Tuesday, 19 May 2020, being the date on which the SPP Offer will open.

For further information regarding the SPP Offer you should contact the ELMO Offer Information Line on 1800 218 694 (from within Australia) or +61 1800 218 694 (from outside Australia) between 8.30am and 5.30pm (Sydney time) from the date the SPP Offer opens, being Tuesday, 19 May 2020.

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 (2020)
Record date for eligible shareholders to subscribe for New Shares via the SPP Offer	7.00pm (Sydney time) Friday, 8 May
Announcement of the Equity Raising	Monday, 11 May
Conduct of Placement	Monday, 11 May
Announcement of results of Placement	Before market open on Tuesday, 12 May
Settlement of Placement	Friday, 15 May
Allotment of New Shares issued under the Placement	Monday, 18 May
Trading of New Shares issued under the Placement commences on ASX	Monday, 18 May
SPP Prospectus despatched to shareholders	on or about Tuesday, 19 May
SPP Offer opens	Tuesday, 19 May
SPP Offer closes	5:00pm (Sydney time) Monday, 1 June, unless extended
Announcement of result of SPP Offer	Thursday, 4 June
Allotment of New Shares issued under the SPP Offer	Tuesday, 9 June
Despatch of holding statements and normal trading of New Shares issued under SPP Offer	Wednesday, 10 June

**** 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's business, the Placement 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 and an investment in ELMO shares. 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.

UBS and Canaccord Genuity are acting as joint lead managers and joint bookrunners and underwriter to the Placement. Mills Oakley is acting as legal adviser and KPMG Corporate Finance is acting as financial 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.