



# ELMO Software

HR | Payroll | Time & attendance

---



Equity raising – investor presentation

---

ASX:ELO

11 May 2020



# Important notice and disclaimer

This investor presentation (**Presentation**) is dated 11 May 2020 and has been prepared by, and is the sole responsibility of, ELMO Software Limited (ACN 102 455 087) (**ELMO** or the **Company**).

This presentation has been prepared in relation to:

- an institutional placement of fully paid ordinary shares in the Company (**New Shares**) to eligible institutional investors under section 708A of the Corporations Act 2001 (Cth) (**Corporations Act**) as modified by ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73 (**Placement**); and
- a proposed offer of New Shares to eligible shareholders in Australia and New Zealand under a share purchase plan offer (**SPP**) to be made under a prospectus which will be lodged with Australian Securities and Investments Commission (**ASIC**) and sent to eligible shareholders in due course,

(collectively referred to as **the Equity Raising**).

## Summary information

The information in this Presentation is of a general background nature, is in summary form and does not purport to be complete. It does not contain all information relevant or necessary for an investment decision or that would be required to be included in a prospectus or other disclosure document under the Corporations Act for an offer of securities in Australia. It should be read in conjunction with ELMO's most recent financial report and other periodic and continuous disclosure announcements lodged by ELMO with the Australian Securities Exchange (**ASX**) available at [www.asx.com.au](http://www.asx.com.au) under the Company's ticker code (ASX:ELO). The content of this Presentation is provided as at the date of this Presentation (unless otherwise stated). The information in this Presentation is subject to change without notice and, subject only to any legal obligation to do so, ELMO does not have any obligation to correct or update the contents of this Presentation.

## Not a prospectus or an offer of securities

This Presentation is not a prospectus or any other offering document under Australian law (and will not be lodged with the ASIC) or under the law of any other jurisdiction in which an offer of New Shares may be received. This Presentation is not, and does not constitute, an invitation, offer or recommendation of securities for subscription, purchase or sale in any jurisdiction and must not be relied upon as such, and does not and will not form any part of any contract or commitment for the acquisition of New Shares. This Presentation also does not form the basis of any contract or commitment to sell or apply for securities in ELMO or any of its subsidiaries. It is for general information purposes only.

ELMO intends to prepare and lodge a prospectus with ASIC in relation to the SPP (**SPP Prospectus**). Eligible shareholders must read the SPP Prospectus carefully before making any decision as to whether they should participate in the SPP.

## Forward-looking statements

This Presentation may include forward-looking statements, including about the plans, strategies and objectives of ELMO's management, the industry and the markets in which ELMO operates, ELMO's expectations in relation to the financial and operating performance of its businesses, the potential impact and duration of the COVID-19 pandemic, the timetable and outcome of the Equity Raising and the proceeds therefrom. Such statements can generally be identified by the use of words such as 'may', 'will', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'believe', 'continue', 'objectives', 'outlook', 'guidance', 'forecast' and similar expressions. Indications of, and guidance on, plans, strategies, management objectives, sales and financial performance are also forward-looking statements.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

Such statements are provided as a general guide only, are not guarantees of future performance, and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are outside the control of ELMO and may involve significant elements of subjective judgement and assumptions as to future events that may or may not be correct. Refer to risk factors section of this Presentation for some of the key known risks. No representation is made or will be made that any forward-looking statement will be achieved or will prove to be correct. Actual results, performance, operations or achievements may vary materially from any forward-looking statements. Several important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions and other risk factors set out in this Presentation. The forward-looking statements are based on information available to the Company as at the date of this Presentation. Circumstances may change and the contents of this Presentation may become out-dated as a result. Readers are cautioned not to place undue reliance on forward-looking statements and, subject only to any legal obligation to do so, ELMO does not have and assumes no obligation to update such statements.

## Past performance

Past performance information in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The historical information in this Presentation is, or is based upon, information contained in previous announcements made by ELMO to the market, which are available at [www.asx.com.au](http://www.asx.com.au). Past performance of ELMO cannot be relied upon as an indicator of (and provides no guidance as to) the future performance of ELMO.

## Restriction on distribution

The distribution of this Presentation (including an electronic copy) outside Australia may be restricted by law. Any recipient of this Presentation who is outside Australia must seek advice on and observe any such restrictions. Recipients of this Presentation in the United Kingdom, Hong Kong, New Zealand, Singapore, and Ireland should carefully read the "International selling restrictions" section in this Presentation. This Presentation may not be reproduced or published, in whole or in part, for any purpose without the prior written permission of ELMO.

## Not for release or distribution in the United States of America

This Presentation may not be distributed or released (including in electronic format) in the United States of America. This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States of America or any other jurisdiction in which such an offer would be illegal. The New Shares referred to in this Presentation have not been, and will not be, registered under the U.S. Securities Act of 1933 (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States of America. Accordingly, the New Shares under the Placement may not be offered or sold, directly or indirectly, in the United States of America, unless they have been registered under the Securities Act (which ELMO has no obligation to do or procure) or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and any other applicable securities laws, of any state or other jurisdiction in the United States of America. The New Shares under the SPP may not be offered or sold, directly or indirectly, in the United States.

## Information is not financial or product advice

This Presentation is not, and is not intended to constitute, financial advice, or an offer invitation, solicitation or recommendation to acquire or sell ELMO shares or any other financial products in any jurisdiction.

# Important notice and disclaimer

## Information is not financial or product advice (cont.)

The information contained in this Presentation has been prepared without taking account of any person's investment objectives, financial situation or particular needs and nothing contained in this Presentation constitutes investment, legal, tax or other advice. The information provided in this Presentation may not be suitable for your specific needs and should not be relied upon by you in substitution of you obtaining independent advice. You are solely responsible for forming your own opinions and conclusions on such matters and the market and for making your own independent assessment of the information provided. Any investment decision should be made solely on the basis of your own enquiries and you should consider whether such an investment is appropriate to your particular investment objectives, financial situation and needs. No reliance may be placed for any purpose whatsoever on the information included in this Presentation or on its accuracy or completeness. ELMO is not licensed to provide financial product advice in respect of the New Shares.

An investment in securities is subject to known and unknown risks, some of which are beyond the control of ELMO and its directors, including, possible loss of income and principal invested. ELMO does not warrant or represent that the information in this Presentation is free from errors, omissions or misrepresentations or is suitable for your intended use. Subject to any terms implied by law and which cannot be excluded, ELMO accepts no responsibility for any loss, damage, cost or expense (whether direct, or indirect, consequential, exceptional or special damages including but not limited to loss of revenue, profits, time, goodwill, data, anticipated savings, opportunity, business reputation, future reputation, production or profit, any delay costs, economic loss or damage) incurred by you as a result of any error, omission or misrepresentation in this Presentation.

ELMO does not guarantee any particular rate of return or the performance of ELMO, nor does it guarantee any particular tax treatment. Prospective investors should have regard to the "Key risks" section in this Presentation when making their investment decision. Cooling off rights do not apply to the acquisition of securities.

## Presentation of information

- **Financial** Except where explicitly stated, the financial data in this presentation is provided on a statutory basis
- **Currency** All amounts in this presentation are in Australian dollars unless otherwise stated.
- **1H** refers to the half year to 31 December.
- **3Q** refers to the YTD period for the 9 months ended 31 March
- **FY** refers to financial year ending 30 June.
- **LTM** refers to last twelve months
- Rounding Amounts in this document have been rounded to the nearest \$0.1m. Any differences between this presentation and the accompanying financial statements are due to rounding.

## Financial data

Recipients of this Presentation should be aware that certain financial data included in this Presentation, including EBITDA, ARR and measures described as pro forma is "non-IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" and "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934. The disclosure of such non-GAAP financial measures in the manner included in this Presentation may not be permissible in a registration statement under the Securities Act. ELMO believes the non-IFRS financial information and non-GAAP financial measures provide useful information to users in measuring the financial performance and conditions of ELMO. The non-IFRS financial information and non-GAAP financial measures do not have a standardized meaning prescribed by Australian Accounting Standards (AAS) or International Financial Reporting Standards (IFRS), and therefore, may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative or replacement to other financial measures determined in accordance with AAS or IFRS. Recipients of this Presentation are cautioned to not place undue reliance on any non-IFRS financial information or non-GAAP financial measures included in this Presentation.

This Presentation also includes pro forma financial information. The pro-forma financial information included in this Presentation is for illustrative purposes and does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.

## Third party information and market data

The views expressed in this Presentation contain information that has been derived from independent third party reports, research or surveys or publicly available sources that have not been independently verified by ELMO or its Advisers. No representation or warranty is made as to the accuracy, completeness or reliability of the information. This Presentation should not be relied upon as a recommendation or forecast by ELMO.

## No liability or responsibility

None of ELMO's advisers, including the Underwriters (defined below) and their respective affiliates, directors, employees, officers, partners, agents (**Advisers**) has authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Presentation and there is no statement in this Presentation which is based on any statement made by any of them or by any of their affiliates, officers or employees. To the maximum extent permitted by law, each Adviser and each of their respective affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Presentation and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Presentation.

To the maximum extent permitted by law, ELMO and each of its affiliates, directors, employees, officers, partners, agents and Advisers and any other person involved in the preparation of this Presentation disclaim all liability and responsibility (including without limitation, any liability arising from fault or negligence) for any direct or indirect loss or damage which may arise or be suffered through use or reliance on anything contained in, or omitted from, this Presentation. ELMO accepts no responsibility or obligation to inform you of any matter arising or coming to their notice after the date of this Presentation which may affect any matter referred to in this Presentation.

UBS AG, Australia Branch and Canaccord Genuity (Australia) Limited (**Underwriters**) are acting as joint lead managers and underwriters to the Placement. To the maximum extent permitted by law, each Underwriter, its affiliates and related entities, and its and their respective affiliates, directors, employees, officers, partners, agents and advisers (**Underwriter Group**) does not accept any fiduciary obligations to or relationship with you, any investor or potential investor in connection with the Placement or otherwise. The Underwriter Group have not authorised, permitted or caused the issue, submission, dispatch or provision of this Presentation and, for the avoidance of doubt, and except for references to their name, none of the Underwriter Group makes or purports to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by any of them.

You acknowledge and agree that determination of eligibility of investors for the purposes of the Placement and the SPP is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of the Company and the Underwriter Group disclaim any duty or liability (including for negligence) in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

The Underwriters may have interests in the shares of ELMO, including by providing investment banking services to ELMO. Further, each Underwriter may act as market maker or buy or sell those securities or associated derivatives as principal or agent. The Underwriters will receive fees for acting in its capacity as joint lead managers and underwriters to the Placement.

## Acceptance

By attending an investor presentation or briefing, or accepting, accessing or reviewing this Presentation you acknowledge and agree to the terms set out in this section of the Presentation titled 'Important notice and disclaimer'.

# Contents

- Executive summary
- Company overview and business update
- Equity raising overview
- Key risks and international selling restrictions
- Appendix

---

Equity Raising  
(ASX:ELO)



# Executive Summary

Equity raising positions ELMO to capitalise on M&A opportunities and take advantage of tailwinds in the adoption of cloud-based software

## Equity raising

- ELMO undertaking a **\$70 million fully underwritten institutional placement** comprising the issue of 10 million shares at an issue price of \$7.00 per share in conjunction with a Share Purchase Plan<sup>1</sup> to raise up to an additional \$20m

## Growth Strategy

- ELMO well positioned to take advantage of current market conditions:
  - **Tailwinds for cloud-based software adoption** – in response to mass remote based working
  - **Increased M&A opportunities** - ANZ and the UK
- ELMO has a proven track record of executing on M&A opportunities - completed 7 acquisitions since 2016

## Financial

- **Re-affirm updated FY20 guidance:** forecast revenue of \$50-\$52 million, forecast EBITDA of (\$4-\$6 million)
- **Pro-forma cash post equity raising of approx. \$137 million** (as at 31 March 2020 giving effect to the Placement and transaction costs associated with the equity raising) provides strengthened balance sheet and enhanced flexibility to fast-track and execute organic and inorganic growth strategy

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.

# Company overview

A leading provider of cloud HR, payroll, rostering / time & attendance software in Australia & New Zealand (ANZ)

## Convergent solution

- ✓ 15 modules/revenue streams
- ✓ Integrated solution
- ✓ Competitive advantage = width of solution

## Robust SaaS business model

- ✓ Recurrent subscription revenue
- ✓ Long-term contracts with high retention
- ✓ Land & expand strategy

## Large and growing addressable market in ANZ

- ✓ 23,800+ organisations<sup>1</sup> in ANZ
- ✓ \$2.4bn<sup>1</sup> opportunity
- ✓ Current market penetration 6.2%

## Broad and diversified customer base

- ✓ Industry agnostic
- ✓ Largest customer <1% of ARR
- ✓ Top 10 customers ~6% of ARR

**Strong organic growth supplemented by M&A**

1. 50+ employee organisations across ELMO's full suite of modules - Frost & Sullivan independent market report 2019



# Operational update

Uninterrupted service for ELMO customers

---

## Uninterrupted service for ELMO customers

- ELMO's platform is cloud-based; developed and maintained remotely
- ELMO's business tools are also cloud-based
- ELMO has successfully shifted to 100% remote based working since March 2020

## Increased reliance on the ELMO platform

- Increased usage of the platform
- Mission critical software to manage and pay employees remotely

# Financial update

Updated guidance re-affirmed and cash update

## Updated Guidance – March 2020

### FY20 Revenue<sup>1</sup>

**\$50 - 52 million**

### FY20 Pro forma EBITDA<sup>1,2</sup>

**(\$4 - 6 million)**

## Cash update

### Pro forma cash position

**~\$137 million**

post institutional placement

### Cash receipts

**\$56.2 million**

LTM<sup>3</sup> cash receipts to 31 March 2020

**ELMO re-affirms FY20 updated guidance**

1. Forward-looking statements remain subject to the risk factors set out in the "Key risks" section of this presentation and investors are cautioned not to place undue reliance on such statements

2. Pro forma EBITDA is exclusive of transaction and non-recurring costs

3. LTM = Last twelve months



# Growth opportunities

ELMO is well positioned to take advantage of current market opportunities

## Tailwinds in the adoption of cloud-based software

- Accelerated transition from manual process to the cloud
- Accelerated transition from legacy on-premise software

**Enhanced organic growth via increased investment**

## Shift in competitor landscape

- *On-premise solution vendors*
  - Migration to cloud-based software
- *SaaS solution vendors*
  - Cash constrained
  - Reduced investment in R&D, Sales and Marketing and Client Services

**Increased M&A opportunities**

# Strategic acquisitions

ELMO's organic growth strategy is supplemented by M&A, with geographic expansion in the UK identified as a new pillar to the existing strategy

## Existing M&A Strategy

### Complementary technology to enhance ELMO's suite of modules

- Increases cross-sell ability to existing customers
- Additional adjacent products increases "hooks" for new business acquisition

### Attractive customer base

- Gain market share and increase market penetration
- Leverage operational efficiencies to extract synergies
- Sell ELMO's multiple modules to target client base
- Cross-sell target modules to ELMO customer base

## Expansion M&A Strategy

### Geographic expansion United Kingdom

- Existing operational footprint (via Vocam acquisition)
- Gain market share and increase market penetration
- Leverage local expertise
- Similar market dynamics to ANZ

**ELMO has a disciplined approach and proven track record of executing on M&A opportunities**

# ELMO geographical market size

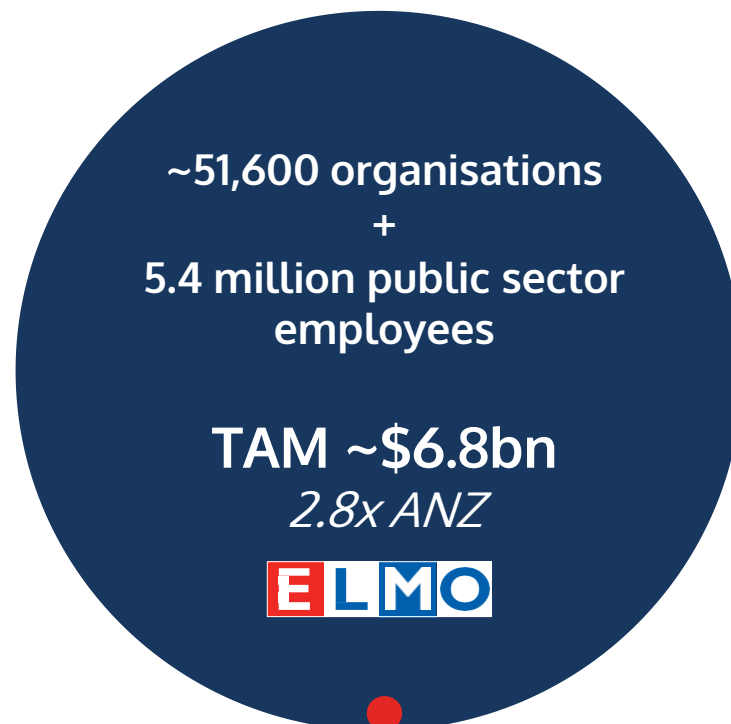
ELMO's total addressable market (TAM) has expanded to \$9.2bn with the inclusion of UK opportunities

## ANZ Total Addressable Market<sup>1,2,3</sup>



**Market penetration**  
~6.2% organisations with  
average of 2.6 out of 15 modules

## UK Total Addressable Market<sup>1,2,3</sup>



**Market penetration**  
<1% organisations

**ELMO's acquisition of Vocam in February 2020 provided a strategic entry into the UK market**

1. Frost & Sullivan independent market report 2019

2. 50+ employee organisations across ELMO's full suite of modules - Frost & Sullivan independent market reports 2019 "HRM Software Market" (ANZ) and "Assessment of the UK Market for HRM, Payroll and Time & Attendance Software"

3. Assumes full penetration of ELMO modules across all organisations

# Competitive landscape – ANZ and UK

ANZ and UK have similar competitive landscapes and market opportunities

## Market opportunity





# Equity raising summary

Fully underwritten Institutional Placement to raise \$70m

Offer structure and size	<ul style="list-style-type: none"> <li>Fully underwritten Institutional Placement to raise \$70m via the issue of 10 million New Shares (equivalent to 13.3% of total shares outstanding)</li> <li>It is intended that eligible institutional shareholders who bid for up to their 'pro-rata' share of New Shares under the Placement will be allocated their full bid, on a best endeavours basis<sup>1,2</sup></li> </ul>
Offer price	<ul style="list-style-type: none"> <li>Institutional Placement price will be \$7.00 per share representing: <ul style="list-style-type: none"> <li>11.5% discount to closing price of \$7.91 per share on 8 May 2020</li> <li>8.8% discount to 5-day Volume Weighted Average Price (<b>VWAP</b>) of \$7.68 per share</li> </ul> </li> </ul>
Ranking	<ul style="list-style-type: none"> <li>New Shares issued via the Institutional Placement will rank equally with existing ordinary shares from the date of issue</li> </ul>
Share Purchase Plan "SPP" <sup>3</sup>	<ul style="list-style-type: none"> <li>ELMO will offer eligible Australian and New Zealand shareholders the opportunity to acquire up to \$30,000 in New Shares via a SPP</li> <li>The issue price for New Shares issued under the SPP will be at the lower of the Institutional Placement price and the price that is a 2% discount to the volume weighted average price of ordinary shares in ELMO traded on the ASX over the five trading days up to, and including, the day on which the SPP closes</li> <li>The SPP will raise up to \$20m, may be increased or subject to scale back and is not underwritten</li> <li>No brokerage or transaction costs are payable for New Shares issued under the SPP</li> <li>New Shares issued via the SPP will rank equally with existing ordinary shares from the date of issue</li> <li>An SPP prospectus containing further details of the SPP offer will be sent to eligible shareholders in due course</li> </ul>
Use of Funds	<ul style="list-style-type: none"> <li>ELMO expects to use the proceeds of the Placement to fund: <div> <div> <b>Organic growth</b> <ul style="list-style-type: none"> <li>Research &amp; development</li> <li>Sales &amp; marketing</li> <li>Geographic expansion</li> </ul> </div> <div> <b>Inorganic growth</b> <ul style="list-style-type: none"> <li>M&amp;A activities</li> <li>Integration associated with M&amp;A</li> </ul> </div> </div> </li> </ul>

1. For this purpose, an eligible institutional shareholder's 'pro-rata' share will be estimated by ELMO's beneficial register on 7 May 2020, but without undertaking any reconciliation and ignoring shares that may be issued under the SPP. Accordingly unlike in a rights issue, this may not truly reflect the participating shareholder's actual pro-rata share. Nothing in the presentation gives a shareholder a right or entitlement to participate in the Placement and ELMO has no obligation to reconcile assumed holdings (e.g. for recent trading or swap positions when determining a shareholder's 'pro-rata' share. Institutional shareholders who do not reside in Australia or other eligible jurisdictions will not be able to participate in the Placement. See international selling restrictions for eligible jurisdictions and selling restrictions relevant to these jurisdictions. ELMO and the underwriters disclaim any duty or liability (including for negligence) in respect of the determination of a shareholder's 'pro-rata' share.

2. Eligible institutional shareholders who bid in excess of their 'pro-rata' share as determined by ELMO and the underwriter are expected to be allocated a minimum of their 'pro-rata' share on a best endeavours basis as set out in footnote 1 above, and any excess may be subject to scale back.

3. 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.

# Use of proceeds

Sources and uses	\$m
<b>Sources</b>	
Institutional placement proceeds <sup>1,2</sup>	70
<b>Total sources</b>	<b>70</b>
<b>Uses</b>	
<b>Organic growth</b>	
Research & development	7.5
Sales & marketing	3
Geographic expansion	3
<b>Inorganic growth</b>	
M&A activities	50
Integration associated with M&A	4
Equity raising costs	2.5
<b>Total uses</b>	<b>70</b>
<b>Pro forma cash balance</b>	
Cash (as at 31 March 2020)	69.8
Add: Net proceeds from Institutional Placement	67.5
<b>Pro forma cash balance (as at 31 March 2020)</b>	<b>137.3</b>



Fast-track and/or de-risk future growth initiatives



Provide flexibility to execute M&A strategies



Deliver significant balance sheet strength

1. The use of proceeds above excludes any proceeds raised under the SPP

2. Proceeds from the Share Purchase Plan, which will raise up to \$20m, will be used for the same purpose on an "as needs" basis

# Equity raising timetable<sup>1</sup>

## Institutional Placement

EVENT	DATE
Trading halt and announcement of Institutional Placement and SPP	11 May 2020
Institutional Placement bookbuild	11 May 2020
Trading halt lifted and ELMO shares recommence trading on ASX	12 May 2020
Settlement of institutional placement	15 May 2020
Allotment of New Shares issued under the Institutional Placement	18 May 2020

## Share Purchase Plan

EVENT	DATE
Record date for determining eligible participation to subscribe for New Shares via the SPP	8 May 2020 (7:00pm Sydney)
SPP Prospectus dispatched to eligible shareholders	on or about 19 May 2020
SPP open	19 May 2020
SPP closes	1 June 2020
Announce SPP results	4 June 2020
Allotment of New Shares issued under the SPP	9 June 2020
Dispatch of holding statements in respect of New Shares issued under SPP	10 June 2020

1. 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.

# Key risks

Risk Factor	Summary
<b>COVID-19 business risk</b>	Events related to the Coronavirus pandemic (COVID-19) have resulted in significant market falls and volatility. There is continued uncertainty as to the government response (and future responses if there are further developments in the spread of COVID-19) and the likelihood of an Australian economic recession of uncertain duration and severity. While ELMO has been monitoring the ongoing impact of COVID-19 on its operations, the full impact is not currently ascertainable due to the unknown length of time that the economy, businesses and people will be required to adhere to certain government responses and regulatory requirements related to COVID-19. COVID-19 could potentially continue to impact suppliers, customers, employees and the Company's ability to sell its products. ELMO has to date experienced a small amount of customer churn which has been reflected in the revised FY20 guidance. There is a risk that customer churn and other impacts could continue or increase if the COVID-19 pandemic continues for a prolonged period. The impact of these factors, if they eventuate, could have a detrimental effect on the Company's financial performance, and depending on the extent of the disruption, any effect could be material.
<b>Failure to Retain Existing Customers and Attract New Customers</b>	The success of ELMO's business relies on its ability to attract new customers and to retain and increase revenue from existing customers. ELMO primarily generates revenue through customers utilising modules on their platform by which customers typically pay annual subscription fees in advance. The majority of ELMO's contracts with customers run for three years. ELMO's customers have no obligation to renew their service offering when their contract term ends and ELMO cannot guarantee that all or any of its customers will renew their current service offering after the completion of their contract term. Accordingly, there is a risk that customers reduce or cease usage of ELMO's platform which would result in a reduction in the level of payments they make to ELMO including revenue characterised as recurring subscription revenue.
<b>Acquisition risks</b>	<p>ELMO has recently completed a number of acquisitions and is likely to seek further acquisitions in the future, including in overseas jurisdictions such as the United Kingdom. There can be no assurance that suitable future acquisition opportunities will arise or if they do arise that they will be able to be made on acceptable terms.</p> <p>While ELMO will take every effort to ensure that any acquisition is successfully integrated and the benefits realised, there is a risk that the acquisitions may fail to meet ELMO's strategic and financial objectives including, if applicable, the transition of customers from one business to ELMO's business, generate the synergies and benefits that ELMO expected or provide an adequate return on the purchase price. There are also regulatory, cultural and control risks that arise when making acquisitions in overseas jurisdictions and as ELMO's business expands</p> <p>While ELMO will undertake reasonable and appropriate due diligence in respect of additional acquisition opportunities, there is a risk that ELMO's due diligence and analysis may be incomplete or inaccurate. An unforeseen liability that arises after the acquisition, and for which ELMO has no warranty or indemnity protection under the sale and purchase agreement, may impact on the investment and ultimately ELMO's financial performance.</p>
<b>Competition Risks</b>	<p>There are a number of organisations which compete both directly and indirectly with ELMO in the paper-based and business technology solutions sectors. While ELMO is a leading provider of human resource and payroll software solutions in Australia and New Zealand, some of ELMO's competitors may have or may develop competitive advantages over ELMO and may be larger on an international or regional basis and have greater access to capital or other resources. The market share of ELMO's competitors may increase or decrease as a result of various factors such as securing large new customers, developing new technologies and adopting pricing strategies specifically designed to gain market share.</p> <p>These competitive actions may reduce the prices that ELMO is able to charge for its products and services or reduce ELMO's activity levels, both of which would negatively impact the financial performance of ELMO.</p>
<b>Ability to Attract and Retain Key Personnel</b>	A perceived critical component of the success of the Company is the ongoing retention of key personnel, specifically, founder and CEO, Danny Lessem, and members of the management and product research and development teams. There is a risk ELMO may not be able to attract and retain key personnel or be able to find effective replacements for those key personnel in a timely manner. The loss of such personnel, or any delay in their replacement, could have a significant negative impact on management's ability to operate the business and achieve financial performance targets and strategic growth objectives.
<b>Pricing Risk</b>	ELMO primarily generates revenue by charging annual subscription fees to its customers for the length of the contract which are based on both the type of module as well as the number of users per module. Upon completion of their contract, ELMO's customers may try to renegotiate contract terms for more favourable price discounts which, if capped, would result in a direct reduction in the payments they make to ELMO and have a negative impact on ELMO's financial performance. While ELMO may resist such attempts to renegotiate prices, business economics, market conditions or competitive forces may dictate such terms need to be accepted. In addition, ELMO does not currently incorporate any annual price increase clauses into their contracts such as a price increase based on the level of consumer price index. As a result, ELMO is currently unable to pass on any potential cost increases it may face onto its customers. Consequently, any significant increase in costs that ELMO incurs could have a material adverse effect on ELMO's financial performance.



# Key risks (cont'd)

Risk Factor	Summary
<b>Reliance on ELMO's cloud HR &amp; payroll solutions and Failure to Adequately Maintain and Develop It</b>	ELMO's business model depends on ELMO's ability to continue to ensure that ELMO's customers are satisfied with the functionality of ELMO's HR & payroll software solutions. The market for HR & payroll solutions is subject to evolving industry standards, changing regulations as well as ever changing customer needs and preferences. ELMO's success will depend on its ability to adapt and respond effectively to these changes on a timely basis. There is a risk that ELMO may fail to maintain its software platform adequately or that future updates may introduce errors and performance issues causing customer satisfaction to fall.
<b>Reliance on up-take of SaaS-based HR &amp; Payroll Solutions</b>	ELMO's future revenue and growth depends on the increasing adoption of SaaS, cloud-based HR & payroll solutions. It may be difficult for ELMO to persuade potential customers to change their existing legacy on-premise, manual paper-based or point solution and adopt SaaS, cloud-based HR & Payroll solutions like ELMO's. If ELMO's solutions are not accepted and used by more mid-market and lower mid-market organisations or if the market for HR & payroll solutions fails to grow as expected, ELMO's platform could be adversely affected and revenue growth may slow, which could negatively impact ELMO's operating and financial performance.
<b>Failure to Realise Benefits from Product Research and Development</b>	Developing software and technology is expensive and often involves an extended period of time to achieve a return on investment. An important aspect of ELMO's business is to continue to invest in innovation and related product development opportunities. ELMO believes that it must continue to dedicate resources to ELMO's innovation efforts to develop ELMO's software and technology product offering and maintain the Company's competitive position. ELMO may not however, receive benefits from these investments for several years or may not receive benefits from these investments at all.
<b>Failure to effectively manage growth</b>	Based on ELMO's projections, ELMO expects further organic and inorganic growth in the future, including by way of acquisitions in overseas jurisdictions, which could place significant strain on current management, operational and finance resources as well as the infrastructure supporting ELMO's platform. ELMO's future success, depends, to a certain extent, on ELMO's ability to effectively manage this growth.
<b>Disruption or Failure of Technology and Software Systems</b>	ELMO and its customers are dependent on the performance, reliability and availability of ELMO's platform, data centres and communications systems (including servers, the internet, hosting services and the cloud environment in which ELMO provides its solutions). There is a risk that these systems may be adversely affected by disruption, failure, service outages or data corruption that could occur as a result of computer viruses, "bugs" or "worms", malware, internal or external misuse by websites, cyber-attacks or other disruptions including natural disasters, power outages or other similar events.
<b>Reliance on Third Party Service Providers</b>	ELMO relies on certain contracts with third party service providers to facilitate the use of ELMO's solutions. In particular, ELMO relies on a third party service provider for the Company's cloud hosting services. ELMO also relies on the use of third party service providers for system documentation, software layers and code management and monitoring and auditing the Company's IT infrastructure and network. Any failure or disruption to the service provided from the third party service providers that ELMO's business relies on to efficiently operate could negatively impact ELMO's operating and financial performance.
<b>Loss or Theft of Data and Failure of Data Security Systems</b>	ELMO's products involve the storage of customers' confidential and proprietary information including information regarding their employees. ELMO's business could be materially impacted by security breaches of ELMO's customers' data either by unauthorised access, theft, destruction, loss of information or misappropriation or release of confidential customer data. There is a risk that any measures taken may not be sufficient to prevent or detect unauthorised access to, or disclosure of, such confidential or proprietary information, and any of these events may cause significant disruption to ELMO's business and operations. This may also expose ELMO to reputational damage, regulatory scrutiny and fines, any of which could materially impact ELMO's operating and financial performance.
<b>Protection of Intellectual Property</b>	The value of ELMO's products is dependent on ELMO's ability to protect its intellectual property, including trademarks, copyright and moral rights. There is a risk that ELMO may be unable to detect the unauthorised use of intellectual property rights in all instances. Further, actions that ELMO takes to protect its intellectual property may not be adequate or enforceable and thus may not prevent the misappropriation of, or copying or circumvention of, ELMO's intellectual property and proprietary information.

# Key risks (cont'd)

Risk Factor	Summary
<b>Underwriting risk</b>	<p>ELMO has entered into an underwriting agreement with the Underwriters in respect of the Placement, pursuant to which the Underwriters are acting as joint lead managers and underwriters to the Placement (<b>Underwriting Agreement</b>).</p> <p>The Underwriters' obligation to manage and fully underwrite the Placement is conditional on certain customary matters. Further, if certain events occur, some of which are beyond the control of ELMO, either Underwriter may terminate the Underwriting Agreement. The ability of an Underwriter to terminate the Underwriting Agreement in respect of some events will depend on certain factors such as whether the event has or is likely to have a material adverse effect on the financial position or prospects of ELMO, the success or settlement of the Placement, the value of the New Shares offered under the Placement or where they may give rise to liability for the Underwriter. Termination of the Placement Agreement could adversely affect ELMO's business, financial performance, financial conditions and share price.</p> <p>A summary of the key terms of the Underwriting Agreement can be found at pages 23-24.</p>
<b>Success of Sales and Marketing Strategy</b>	<p>ELMO's future success is partly dependent on the realisation of benefits from investment spent on sales and marketing campaigns and initiatives. Promoting awareness of ELMO's brand and reputation is critical to ELMO's success as a SaaS, cloud-based HR &amp; payroll software solutions provider. ELMO expects that sales and marketing investment will continue to increase as the business grows. ELMO may not, however receive benefits from these investments for several years or may not receive benefits from these investments at all. Failure to realise intended benefits from sales and marketing investment could negatively impact ELMO's ability to attract new customers and adversely impact ELMO's operating and financial performance.</p>
<b>Breach of Third Party IP Rights</b>	<p>There is a risk that third parties may allege that ELMO's solutions use IP derived by them or from their products without their consent or permission. ELMO may be the subject of claims which could result in disputes or litigation, which could result in the payment of monetary damages, cause delays and increase costs, which in turn could have an adverse impact on ELMO's operations, reputation and financial performance.</p>
<b>Failure to Consider Changes in Compliance and Regulatory Environment</b>	<p>ELMO's customers rely on having accurate and up to date information available on their platform including ELMO's eLearning course content library. ELMO constantly monitors changes to the relevant regulatory and compliance legislation that affects its platform, eLearning course content library and the training programs the Company offers. There is a risk that ELMO fails to keep abreast of these changes and subsequently fails to make the necessary updates to ELMO's platform or fails to make the necessary updates in a timely manner which could have an adverse impact on ELMO's customer satisfaction, operations and financial performance.</p>
<b>Revenue Recognised Throughout Term of Customer Contracts</b>	<p>ELMO recognises revenue over the term of the contract with its customers which are typically three years in length. ELMO invoices customers annually, in advance and recognises revenue monthly on a pro-rated basis throughout the term of the contract. As a result, most of the revenue realised in any given period relates to contracts entered into during previous periods. Consequently, a shortfall in demand for ELMO's solutions or losses in the existing customer base may not be reflected in the revenue results of that period but are likely to negatively impact revenue in subsequent periods.</p>
<b>Country / Region Specific Risks in New and/or Unfamiliar Markets</b>	<p>ELMO has operations in overseas jurisdictions and is exposed to a range of different legal and regulatory regimes (such as New Zealand, the UK, Philippines and Singapore). As ELMO expands its presence into new international jurisdictions, ELMO is subject to the risks associated with doing business in the relevant jurisdictions, which may have political, legal and economic instability or less sophisticated legal and regulatory systems and frameworks. In acquiring entities based in overseas jurisdictions, it may take some time for ELMO to become accustomed to the local legal and regulatory systems and frameworks that are relevant to the business.</p>
<b>General Economic Conditions</b>	<p>Adverse changes in economic conditions (eg. as a result of COVID-19) including economic growth rates, interest rates, employment levels, consumer demand, consumer and business sentiment, market volatility, exchange rates, inflation rates, government policies, international economic conditions and employment rates amongst others are outside of ELMO's control, and have the potential to have an adverse impact on the future operational and financial performance of ELMO.</p>

# Key risks (cont'd)

Risk Factor	Summary
<b>Foreign Exchange Risk</b>	ELMO's financial statements are presented in Australian Dollars. Although only a small portion of current sales revenue is denominated in currencies other than the Australian Dollar, this portion may increase over time as ELMO continues to grow and to expand into overseas jurisdictions. Future changes in the exchange rates in the jurisdictions in which ELMO operates may adversely impact ELMO's operating and financial performance.
<b>Risk of unforeseen increased costs</b>	ELMO's future financial performance is dependent, to a certain extent, on the level of capital expenditure that is required to maintain its assets. Any significant unforeseen increase in the capital and operating costs associated with ELMO's operations would impact its future cash flow and profitability.
<b>Regulatory and Tax Risks</b>	ELMO is exposed to any changes in regulatory conditions under which it operates in Australia and New Zealand. Such regulatory changes can include, but are not limited to, changes in tax laws and policies, accounting laws, policies, standards and practices, laws and regulations that may impact upon the operations and business practices of ELMO and its management; and employment laws and regulations including laws and regulations related to occupational health and safety. Any change in the current rate of company income tax in Australia and New Zealand may impact upon the financial performance and cash flows, ability to pay dividends and ELMO's share price which in turn could impact shareholder returns.
<b>Litigation Risk</b>	In the ordinary course of business, ELMO may be involved in litigation disputes from time to time. Litigation disputes brought by third parties including, but not limited to, customers, suppliers, business partners and employees may adversely impact the financial performance and industry standing of the business, in the case where the impact of legal proceedings is greater than or outside the scope of the Company's insurance.
<b>Force Majeure Events</b>	Events may occur within or outside Australia that could impact upon the Australian economy, the Company and the price of ELMO shares. These events are outside ELMO's control and include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease (including pandemics) or other natural or man-made events or occurrences that can have an adverse effect on the demand for ELMO's products and its ability to conduct business. ELMO has only a limited ability to insure against some of these risks.
<b>Major Shareholder Risk</b>	ELMO currently has a number of substantial shareholders on its registers. There is a risk that these shareholders or other larger shareholders may sell their shares at a future date. This could cause the price of ELMO shares to decline.
<b>Share Price Movements</b>	There are risks associated with any investment in a listed company on the ASX. The value of ELMO shares may rise above or below the current share price, depending on the operational and financial performance of ELMO and a number of external factors over which ELMO, its Directors and its employees do not have any control. Those external factors include economic conditions in Australia, New Zealand and overseas which may impact equity capital markets; changing investor sentiment in Australia, New Zealand and overseas share markets; changes in fiscal, monetary, regulatory or other government policies; and developments and general conditions in the markets in which ELMO proposes to operate and which may impact on the future value and pricing of ELMO shares.
<b>Risk of shareholder dilution</b>	In the future ELMO may wish to elect to issue shares or engage in capital raisings to help fund acquisitions or other strategic investments. While ELMO is subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period without shareholder approval (subject to certain exceptions), shareholders at the time may be diluted as a result of the issue of ELMO shares.
<b>Other risks</b>	The above risks should not be taken as a complete list of the risks associated with an investment in ELMO or in ELMO shares. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect the value of ELMO shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by ELMO in respect of ELMO shares.

# International selling restrictions

Jurisdiction	Restrictions
Australia	The offer of New Shares under the institutional placement is being made in Australia only to persons who meet the requirements of section 708(8) or section 708(11) of the Corporations Act 2001 (Cth) as either a professional investor or sophisticated investor, or the requirements of section 761G of the Corporations Act 2001 (Cth) as a wholesale client.
United States	This presentation and the information contained herein does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares to be offered and sold in the equity raising have not been, and will not be, registered under the U.S. Securities Act of 1933 (the Securities Act) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the New Shares have been registered under the Securities Act (which the Company has no obligation to do or procure) or are offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable securities laws of any state or other jurisdiction of the United States.
United Kingdom	<p>Neither this document nor any other document relating to the Placement has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.</p> <p>This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.</p> <p>Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.</p> <p>In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.</p>



# International selling restrictions (cont'd)

Jurisdiction	Restrictions
Hong Kong	<p>WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).</p> <p>No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors.</p> <p>No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.</p> <p>The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Placement. If you are in doubt about any contents of this document, you should obtain independent professional advice.</p>
Singapore	<p>This document and any other materials relating to the New Shares has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (“MAS”). Accordingly, the New Shares may not be offered or sold or made the subject of an invitation for subscription or purchase, nor may this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.</p> <p>Where the New Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:</p> <ol style="list-style-type: none"> <li>a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or</li> <li>a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Shares pursuant to an offer made under Section 275 of the SFA except: <ol style="list-style-type: none"> <li>to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;</li> <li>where no consideration is or will be given for the transfer;</li> <li>where the transfer is by operation of law;</li> <li>as specified in Section 276(7) of the SFA; or</li> <li>as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.</li> </ol> </li> </ol> <p>Notification under Section 309B(1)(c) of the SFA – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Company has determined the classification of the New Shares as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).</p>

# International selling restrictions (cont'd)

Jurisdiction	Restrictions
New Zealand	<p>This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the “FMC Act”). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:</p> <ul style="list-style-type: none"><li>- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;</li><li>- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;</li><li>- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;</li><li>- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or</li><li>- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act</li></ul>
Ireland	<p>The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland or in connection with admission to trading on a regulated market in Ireland of the New Shares within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the “Prospectus Regulation”). The New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to “qualified investors” as defined in Article 2(e) of the Prospectus Regulation.</p>

# Overview of Underwriting Agreement

## Overview of Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement, including to manage and underwrite the Placement, are conditional on certain matters, including ELMO delivering certain certificates and opinions. The Underwriting Agreement also contains representations, warranties and indemnities in favour of the Underwriters.

Each Underwriter may in their sole discretion, terminate the Underwriting Agreement on the occurrence of one or more of the following events before 4.00pm on the settlement date of the Placement (**Settlement Date**):

- i. ASX announces that ELMO will be removed from the official list or that its shares will be delisted or suspended from quotation by ASX;
- ii. the S&P/ASX 200 Index or Small Ordinaries Index is, at the close of trading on the ASX on any day between the date of Underwriting Agreement and the Settlement Date (inclusive), at a level that is 90% or more below its level as at the close of business on the last trading day immediately prior to the date of the Underwriting Agreement;
- iii. certain documentation and materials in relation to the Placement contains content that is misleading or deceptive in a material respect or is likely to mislead or deceive in a material respect;
- iv. there is an application to a governmental authority (including any court and the Takeovers Panel but excluding ASIC) for an order, declaration or other remedy, or a governmental authority commences any investigation or hearing or announces its intention to do so, in each case in connection with the Placement which, in the terminating Underwriter's reasonable opinion, has reasonable prospects of success and is likely to have a material adverse effect on the ELMO or the Placement or on the market price of ELMO's shares;
- v. in relation to the Placement, ASIC makes an application for an order under Part 9.5 of the Corporations Act, commences or conveys its intention to commence any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) or holds, or threatens to hold, proceedings or an inquiry or investigation, and in each case, which is public, or is not public and is not withdrawn within 2 business days of commencement or within 2 business day of the Settlement Date of New Shares under the Placement;
- vi. ASX does not, or states that it will not, grant official quotation of all the New Shares issued under the Placement on an unconditional basis (or on a conditional basis provided such condition would not, in the opinion of the terminating Underwriter, have a material adverse effect on the Placement) by the Settlement Date;
- vii. a director or senior manager of ELMO is charged with an indictable offence, any regulatory body commences any public action against an ELMO director in his or her capacity as such or announces that it intends to take any such action, or any ELMO director is disqualified from managing a corporation under the Corporations Act;
- viii. any event specified in the Placement timetable is delayed by ELMO for more than 1 business day without the prior written consent of the Underwriters;
- ix. ELMO withdraws the Placement;
- x. any certificate required to be provided by ELMO under the Underwriting Agreement is not provided when required or contains an untrue or incorrect statement;
- xi. any member of the ELMO group becomes insolvent or there is an act or omission which is likely to result in an ELMO group member becoming insolvent.

# Overview of Underwriting Agreement (cont'd)

## Overview of Underwriting Agreement

In addition, each Underwriter may, in their sole discretion, terminate the Underwriting Agreement on the occurrence of any or more of the following events before 4.00pm on the Settlement Date, if the event has or is likely to have a material adverse effect on the financial position or prospects of the ELMO group or the success of the Placement or the market price of, or ability to settle the Placement of, the Placement Shares, or leads (or is, in the terminating Underwriter's bona fide opinion, likely to lead) to a contravention by that terminating Underwriter (or one of its affiliates) of (or the involvement of that terminating Underwriter in a contravention of) or liability of the terminating Underwriter (or one of its affiliates) under the Corporations Act or any other applicable law:

- i. ELMO breaches any term or condition under the Underwriting Agreement, or any representation or warranty given by it is or becomes incorrect, untrue or misleading;
- ii. there is an omission or misstatement by ELMO in its due diligence responses or in any other information supplied by or on behalf of ELMO to the Underwriters;
- iii. a new law is introduced or proposed to be introduced in Australia (including in its states and territories), or the Reserve Bank of Australia or any Commonwealth or state or territory authority adopts or announces a proposal to adopt a new policy (other than laws or policies announced prior to the date of the Underwriting Agreement);
- iv. a change to the chief executive officer, chief financial officer or the board of directors of ELMO occurs, or the resignation or termination of certain key ELMO staff;
- v. ELMO or any of its directors or officers engage in any fraudulent conduct or activity whether or not in connection with the Placement;
- vi. ELMO contravenes the Corporations Act, its constitution, any of the ASX Listing Rules or any other applicable law or regulation;
- vii. any aspect of the Placement does not comply with the Corporations Act or the ASX Listing Rules;
- viii. any certificate which is required to be provided by ELMO under the Underwriting Agreement is untrue or incorrect;
- ix. there is an adverse change, or an event occurs which is likely to give rise to an adverse change, in the financial position, results, condition, operations or prospects of the ELMO group other than as disclosed by ELMO to the ASX before the date of the Underwriting Agreement;
- x. there is a suspension or material limitation in trading in securities generally on ASX, NYSE (including the occurrence of a Level 3 cross-market trading halt) or LSE;
- xi. there is, in Australia, New Zealand, the People's Republic of China, the United States, Hong Kong, Singapore or the United Kingdom: (a) a material disruption in commercial banking or securities settlement or clearance services; (b) any adverse change or disruption to the existing financial markets, political or economic conditions in those countries or the international financial markets or any change in national or international political, financial or economic conditions (except those already existing or announced at the date of this Underwriting Agreement); or (c) a general moratorium on commercial banking activities declared by the relevant central banking authority in any of those countries, or a material disruption in commercial banking or security settlement or clearance services in any of those countries;
- xii. hostilities commence or escalate in, or a national emergency is declared by, or a significant terrorist act is perpetrated on certain countries;
- xiii. information provided by ELMO to ASX and certain information made publicly available by ELMO includes a statement which is or becomes misleading or deceptive or likely to mislead or deceive; or
- xiv. a scheme of arrangement or reconstruction is announced by ELMO, or there is an offer to existing ELMO shareholders which may result in a change of 50% or more of the interests in ELMO.



# Appendix

# 1H20 dashboard

Continuing to deliver on growth strategy, annualised recurring revenue<sup>1</sup> up 42.8% from 1H19

## Revenue

**\$52.0 million**

Annualised recurring revenue (ARR)<sup>1</sup>



42.8% growth in ARR from 1H19

**\$23.6 million**

1H20 statutory revenue



33.9% growth from 1H19

**\$35.2k**

Average ARR per customer



Up \$2.8k per customer from 31 December 2018

## Operational

**84.6%**

Gross profit margin



High gross profit margin, down 0.5% from 1H19

**110.7%**

Customer dollar retention<sup>2</sup> net of churn



92.9% customer retention down 0.7% from 1H19

**\$645 million**

Lifetime value (LTV)<sup>3</sup> of customer base at 31 December 2019



Up \$137m from 31 December 2018 on an ARR basis

## Customer

**1,478**

Customer base



30.9% growth in customers from 31 December 2018

**2.6**

Average modules per customer



Up from 2.2 at 31 December 2018

**<1% ARR**

Contribution of largest customer

**<6% ARR**

Contribution from top 10 customers

Low customer concentration

1. December 2019 subscription revenue annualised

2. Customer dollar retention is calculated by dividing the incremental ARR in 1H20 by the existing ARR spend in 1H19 of the same customer cohort

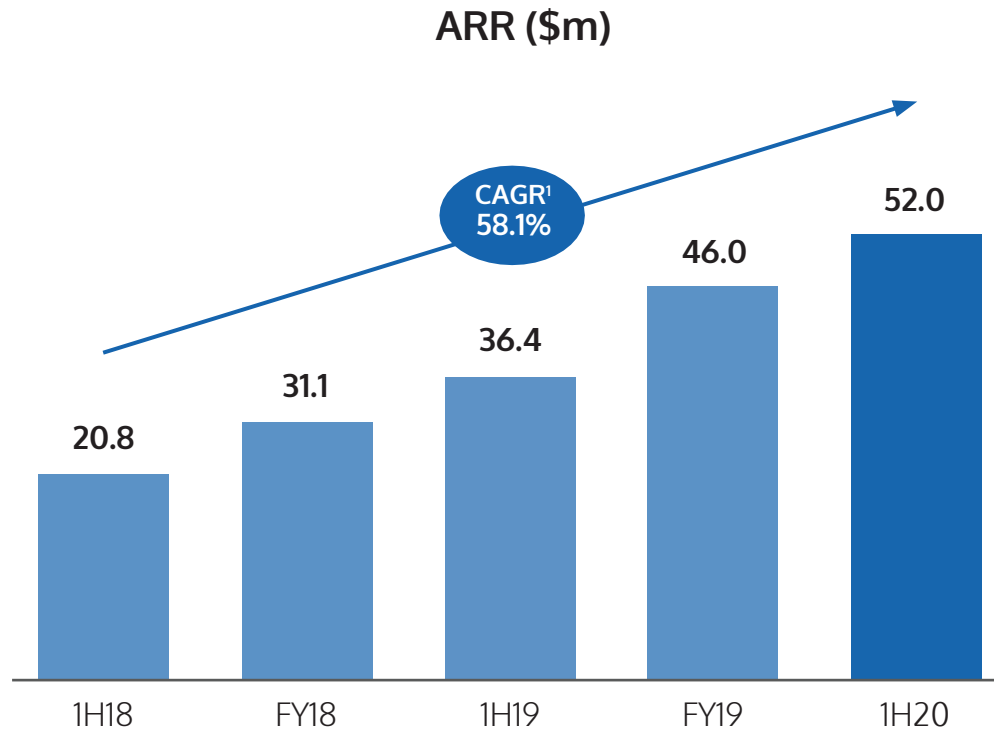
3. LTV is calculated by multiplying the average ARR per customer over the past 12 months by gross profit margin (%) divided by ARR churn



# Financial summary

ARR growth of ~43% in 1H20 and a high proportion of subscription-based revenue

- ARR growth of **42.8%** in 1H20
- ARR is a lead indicator of forecast revenue
- Customers pay annual license fees in advance and typical contract length of 3 years

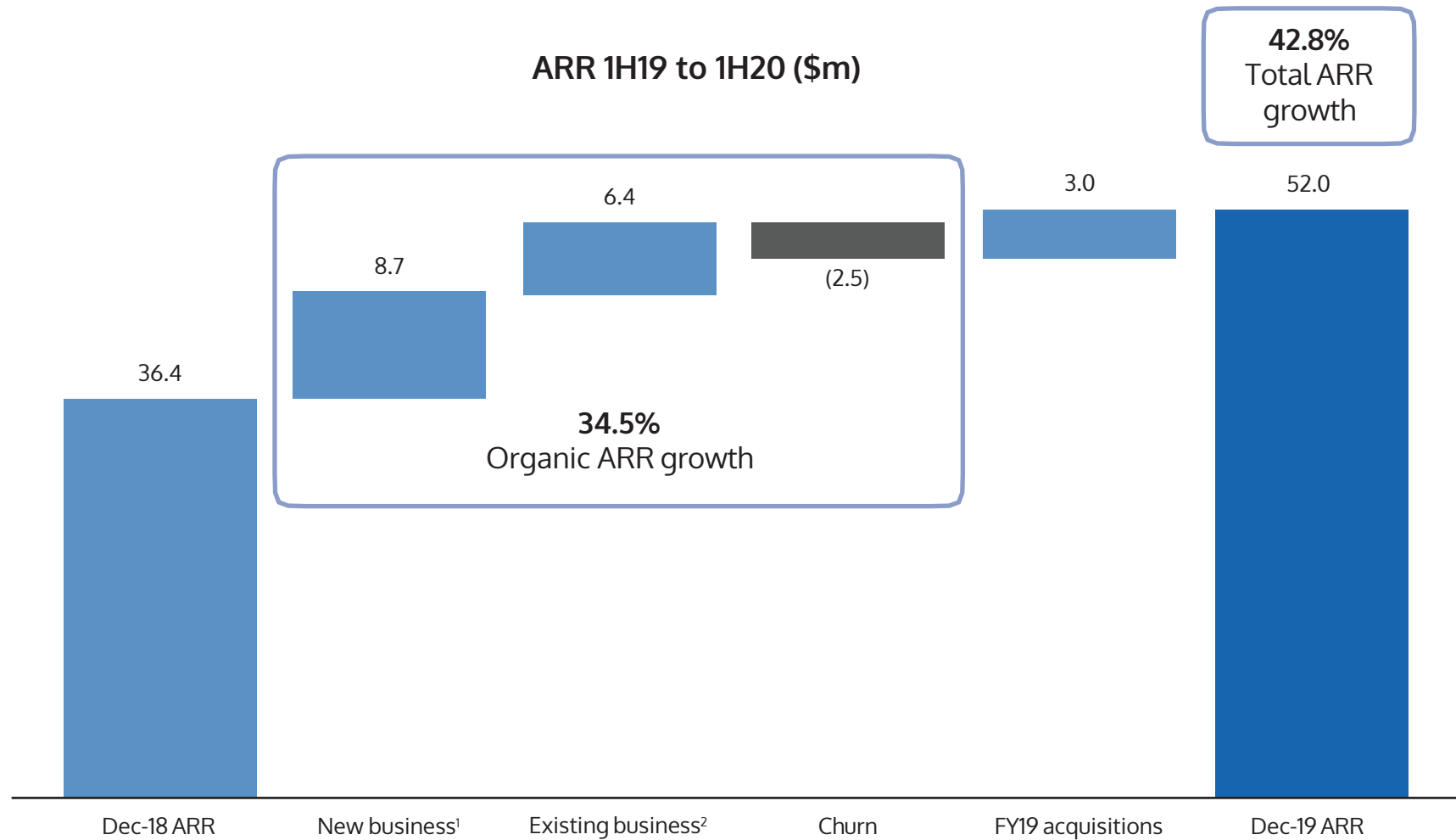


1. CAGR from 1H18 to 1H20

2. Organic ARR guidance excluding any acquisitions

# ARR growth

Continued focus on strong ARR growth, both organically and from acquisitions



1. New business represents sales to new clients

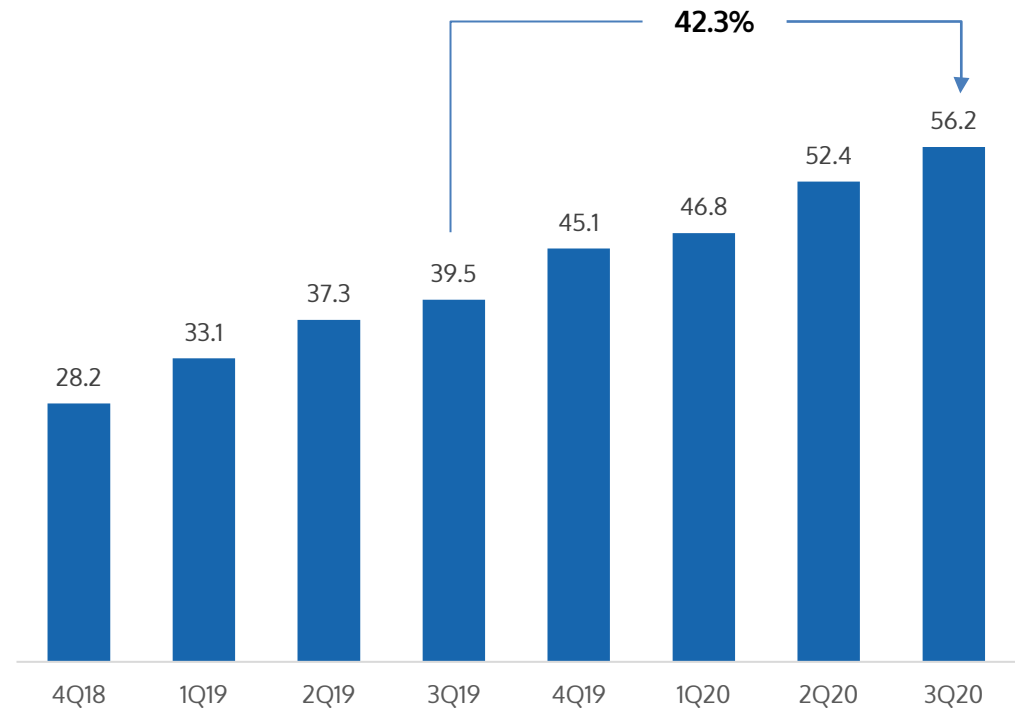
2. Existing new business represents cross sell modules and/or additional usage from existing clients

# Cash flow update

ELMO is well capitalised

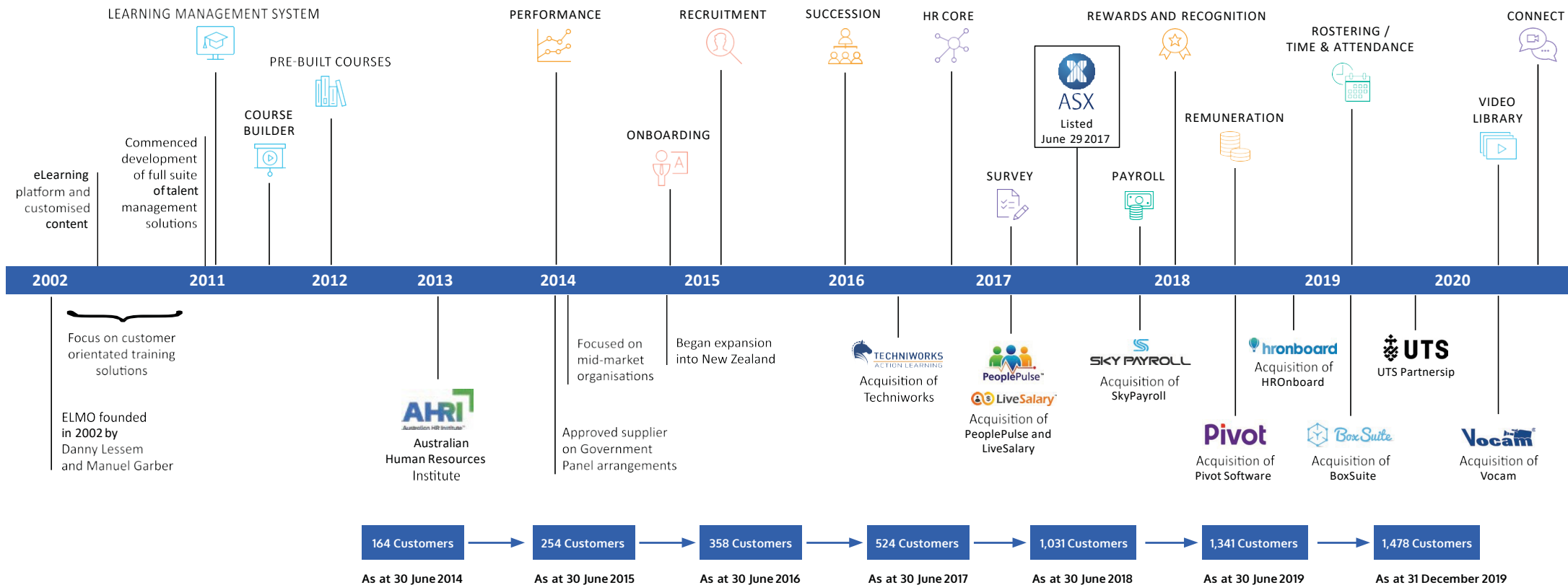
- Well capitalised with **\$69.8 million** of cash reserves as at 31 March 2020
- LTM cash receipts of \$56.2m, up 42.3% on the previous LTM (12 months to 31 March 2019)
- Strong cash receipts in Q3 FY20 of \$13.3 million, up 39.4% on Q3 FY19

Customer receipts – trailing LTM (A\$m)



# History

ANZ's leading unified cloud HR, payroll, rostering / time & attendance solution



# ELMO's product suite

We have built a leading integrated cloud HR, payroll, rostering / time & attendance solution



Pay



Engage



Hire



Retain



Develop



Payroll



Core HR



Recruitment



Performance Management



Learning Management



Self-Service



Survey



Onboarding



Rewards & Recognition



Course Builder



Rostering /  
Time & Attendance



Connect



Remuneration



Course Library



Succession Management



Video Library

Modules added during:

FY17

FY18

FY19

FY20

Enhanced competitive  
advantage from a  
broader suite

Increased potential  
of sales to  
new customers

Additional cross-sell  
opportunity from  
enlarged customer base

# Broad and diversified customer base<sup>1</sup>

Our solution is industry agnostic and can be used by organisations of varying sizes



1,478 organisations primarily across Australia and New Zealand



Average ARR per customer of ~\$35.2k



Average modules per customer of 2.6



Average modules per new customer of 3.9

## Industry agnostic

	Government
	Education
	Construction and mining
	Professional services
	Healthcare and pharmaceuticals
	Transport
	Retail
	Financial services
	Utilities
	Other



298 organic new customers added during 1H20



Customer retention<sup>2</sup> of 92.9%



Largest customer contributed <1% of 1H20 ARR



Top 10 customers contributed ~6% of 1H20 ARR

1. Metrics reflect last twelve months to 31 December 2019

2. Customer retention is calculated by dividing the number of customers in the current period who were active customers at the end of the prior period by the number of customers at the end of the prior period



# Strong organic growth strategy

Accelerated with selective acquisitions for complementary technology and/or customer lists



## New customers in existing markets and new market segments

298 organic new customers added during LTM to December 2019

Total customer base of 1,478 as at 31 December 2019

Increased multi-module new business sales, average modules per new customer of 3.9 for 1H20

Continue penetration and adoption in lower mid-market

Investment in sales and marketing to drive additional customer wins across ANZ



## Greater usage from existing customers

Consistently high customer retention, 92.9% in LTM to 31 December 2019<sup>1</sup>

Strong gross customer dollar retention<sup>1</sup> of 117.6%

42% of gross incremental ARR in 1H20 came from existing customers



## Expand and enhance product line

Spent 44.9% of 1H20 statutory revenue on R&D<sup>2</sup>

Increased R&D investment in order to develop new modules and enhance functionality and interoperability of 13 existing modules

Expansion of R&D capability through investment in software development house Hero Brands



## Growth through acquisitions

Active pipeline of strategic investments for complementary technology, to augment ELMO's value proposition, or for customer lists that provide module cross-sell opportunity

Disciplined approach, with strong track record of M&A execution

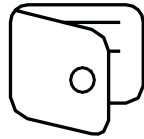
Significant resource and management expertise to complete integrations successfully and deliver synergy benefits

1. Customer dollar retention is calculated by dividing the incremental ARR in 1H20 by the existing ARR spend in 1H19 of the same customer cohort

2. Includes both expensed and capitalised research and development costs

# Product grouping

## Pay

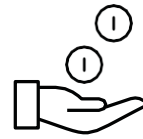


### Payroll

**Enhanced compliance** - Ensure all legislative obligations are met with ELMO Payroll. Role-based permissions help keep your desired controls in place.

**Automated reporting and lodgement** - Automatically lodge Single Touch Payroll (STP) and SuperStream reporting quickly and securely.

**Reporting and analysis** - Access an extensive library of standard reports and work with real-time data and calculations on-demand.



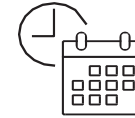
### Self-Service

**Leave management** - Create leave requisition and authorisation workflows

**Organisation charts** - Provide an overview of an organisation's structure and reporting relationships

**Employee self-service** - Empower employees to access and update personal information, request leave and access pay slips and pay summaries from any device, anywhere and at any time

**Manager self-service** - Empower managers to access employee information, approve leave requests and view team analytics from any device, anywhere and at any time



### Rostering / Time & Attendance

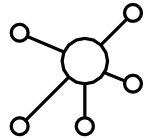
**Roster staff** - Account for staff availability, leave requests or special events to ensure optimal staff coverage. Employees can flag their own availability or have a manager update it on their behalf, all through Self-Service.

**Cost visibility** - Rosters and timesheet costs are calculated in real-time and based on your modern award, for reliability and visibility into your people and associated staffing costs.

**Secure, Reliable and Compliant** - Role-based permissions allows for appropriate access controls as well as safeguards your ability to control costs and data security.

# Product grouping

## Engage



### HR Core

**Leave management** - Create leave requisition and authorisation workflows.

**Organisation charts** - View an organisation's structure including roles, reporting relationships and profile details with tiered access.

**Employee self-service** - Empower employees to access and update personal information, request leave and access pay slips and pay summaries from any device, anywhere and at any time

**Manager self-service** - Empower managers to access employee information, approve leave requests and view team analytics from any device, anywhere and at any time



### HR Survey

**Integrated or standalone solution** - Collect feedback across all ELMO modules directly or from external sources

**Benchmark survey templates** - Access a library of best practice templates including onboarding, engagement, pulse, NPS, etc. Benchmark results against other organisations

**Powerful insights** - Obtain powerful and meaningful insights from collected data by using ELMO Survey reporting



### Connect

**Instantly communicate with colleagues** -

Utilise the chat functionality to strengthen collaboration and share documents in real-time between multiple users or one-on-one. Communicate from the same platform where employees make leave applications, undertake their learning activities, and complete their performance appraisals.

**Initiate and manage Zoom meetings** -

Easily initiate Zoom meetings from ELMO and effectively manage Zoom video conferencing.

**Benefit from rapid implementation** -

Leverage the ELMO database without the need to procure and integrate with third-party applications.

# Product grouping

## Hire



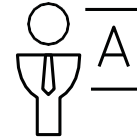
### Recruitment

**Job requisition** - Select the required job position, add specific requirements, alert recruitment managers, track and monitor progress, and customise approval workflows

**Talent pool** - Search existing employees, search the candidate database, match job criteria, and rank candidates

**Job posting** - Integrate with job boards, social media, preset posting rules, and track costs

**Branded careers webpage** - Embed a careers page within a corporate website, customise branding, incorporate company media, and post jobs automatically



### Onboarding

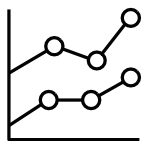
**Personalised onboarding webpage** - Present company information and videos, create guidelines for the onboarding process, provide an onboarding task list, and give team member introductions

**Workflows and approvals** - Configure onboarding processes and select stakeholders, prerequisites, time delays, and conditions

**Electronic forms** - Create configurable forms, utilise the document upload facility, and benefit from integrations with the Australian Taxation Office and other third parties

# Product grouping

## Retain



### Performance Management

**Tailored performance appraisals** -

Configurable to any organisation's requirements, including goal setting capabilities, competency models, development plans, and 360 reviews

**Manager team view** - Access direct and indirect reports to view the status of appraisals, utilise the search facility or collaborate using the export and print functions

**Configurable reports** - Generate reports at the click of a button, enabling users to choose appraisals for comparison, use graphs for visual display, access appraisal status updates, export to Excel and/or PDF, and automate report emails



### Rewards & Recognition

**Employee recognition** - Recognise peers and high performers with recommendations, configurable badges and points. Integrates with ELMO Performance

**Configurable trophies** - Acknowledge employee milestones, significant achievements or celebrations with automated assignment of trophies

**Awards** - Set-up workflows to allow employee nominations and voting for internal awards

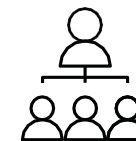


### Remuneration

**Streamline remuneration processes** - Easily manage the end-to-end remuneration allocation and approvals process

**Managers empowered** - Make more informed decisions about the allocation of salary increases, bonuses & equity awards

**Link salary planning with ELMO suite** - Combine performance data with remuneration strategies to align employee performance and remuneration



### Succession Management

**Ensure business continuity** - Determine role criticality, identify high performers and mitigate flight risk

**Employee career progression** - View succession pathways, identify skills gaps and create development plans

**Foster strategic succession** - Match high potential employees to critical roles and compare candidate suitability by skills, performance, potential and aspirations

# Product grouping

## Develop



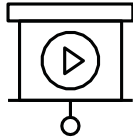
### Learning Management

**Learner's view** - Generate personalised learning plans, including eLearning courses and instructor-led training (ILT), and create policy acknowledgements and assessments. Integrates with ELMO Surveys for learning feedback

**Course catalogue** - Course self-selection, search facility, configurable enrolment rules, access to over 400 pre-built eLearning courses

**Manager team view** - Access direct and indirect reports, view current status of learning, use the search facility, and export and print reports

**Configurable reports** - Generate reports at the click of a button, enabling users to choose courses for comparison, view graphs for visual display of course completion rates, export to Excel and/or PDF, and automate report emails

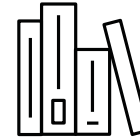


### Course Builder

**Create courses** - Insert images/movies, edit text, record voice-over, and use interactive features (buttons, rollovers, hotspots, etc.)

**Create assessments** - Select question type (multi-choice, true/false, drag and drop), insert images/voice-over, randomise questions, and set pass mark

**Preview, review and publish** - Build courses with real-time editing, send courses to reviewers for feedback, and publish to ELMO Learning or a SCORM compliant LMS

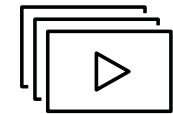


### Course Library

**An ever-expanding library** - Provide access to ELMO's Course Library, which offers over 400 courses with a wide range of content, including compliance, soft skills and productivity training

**Customised course content** - Copy and tailor content to a specific organisation's needs with easy authoring tools built with "what you see is what you get" editing

**Deep integration with ELMO Learning** - Quickly and easily publish courses with detailed response tracking for in-depth reporting



### Video Library

**Pre-built and customisable video courses** - Choose from an extensive library of pre-built, SCORM-compliant live-action video courses, or create your own. Content reflects local legislation, procedures and terminology.

**Comprehensive learner evaluation and analysis** - Test learner comprehension with randomised quizzes and analyse results for individuals or groups. Obtain learner reports showing training history and current progress.

**Thorough documentation and audit trail** - Provide a documented and verifiable trail of evidence to assist with compliance.