

ASX Announcement

28 January 2021

ELMO Software Limited

(ASX:ELO)



Quarterly activities report - Second Quarter FY21
Record cash receipts and 1H21 unaudited headline results

Sydney, Australia 28 January 2021: ELMO Software Limited ('ELMO') today released its cash and activity report for the quarter ending 31 December 2020.

Key Highlights

- Record cash receipts over a 12-month period of **\$64.5m**, up **23.0%** compared to the prior comparative period
- Record quarter of cash receipts of **\$18.8m**, up **22.1%** on 2Q20
- Acquisition of Breathe in October 2020, expanding ELMO's market opportunity with entry into the small business market in Australia, New Zealand and the UK
- Acquisition of Webexpenses in December 2020, with entry into expense management and accelerating ELMO's mid-market expansion into the UK market
- Guidance provided on 16 December 2020 is re-affirmed

Unaudited headline results – 1H21

- Annualised Recurring Revenue (ARR) of **\$74.2m** for 1H21, an increase of **42.8%** compared to 1H20
- Statutory revenue of **\$30.6m** for 1H21, an increase of **29.3%** compared to 1H20
- Cash receipts for 1H21 of **\$34.4m** reflects the largest half year in ELMO's history
- Closing cash balance of **\$71.4m** at 31 December 2020

	31 December 2020	31 December 2019	Growth
ARR (\$m)	74.2	52.0	42.8%
Statutory revenue (\$m)	30.6	23.6	29.3%
Cash receipts (\$m)	34.4	27.4	25.5%

ARR and revenue growth

ARR grew to \$74.2m as of 31 December 2020, up 42.8% on pcp. This has been driven by new customer growth, the cross-sell to ELMO's existing customer base and complemented by the acquisition of both Breathe and Webexpenses.

Statutory revenue through 1H21 totaled \$30.6m, up 29.3% on pcp.

Figure 1 – Annual Recurring Revenue (A\$m)

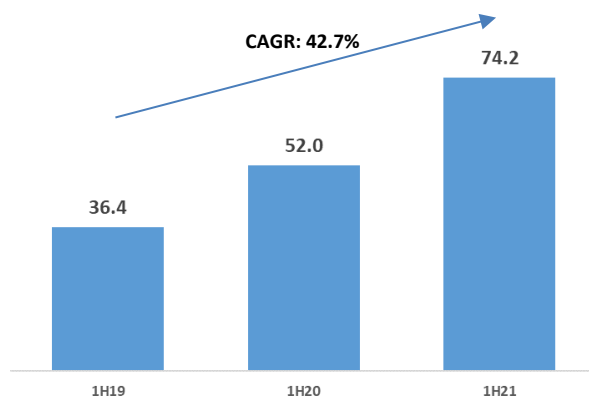
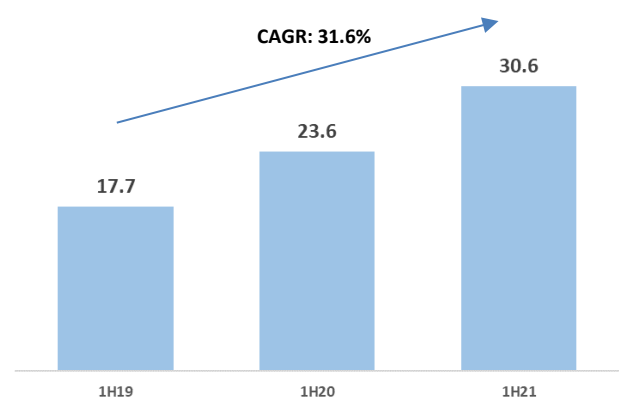


Figure 2 – Statutory Revenue (A\$m)



Cash receipts

Cash receipts for the 12 months to 31 December 2020 grew to \$64.5m, an increase of 23.0% when compared to the 12 months ended 31 December 2019.

Cash receipts for 2Q21 totaled \$18.8m, up 22.1% on pcp and 20.4% on the previous quarter, representing a quarterly record.

ELMO remains well capitalised and at 31 December 2020 held a cash balance of \$71.4m.

Figure 3 – Customer receipts – trailing last 12 months (A\$m)

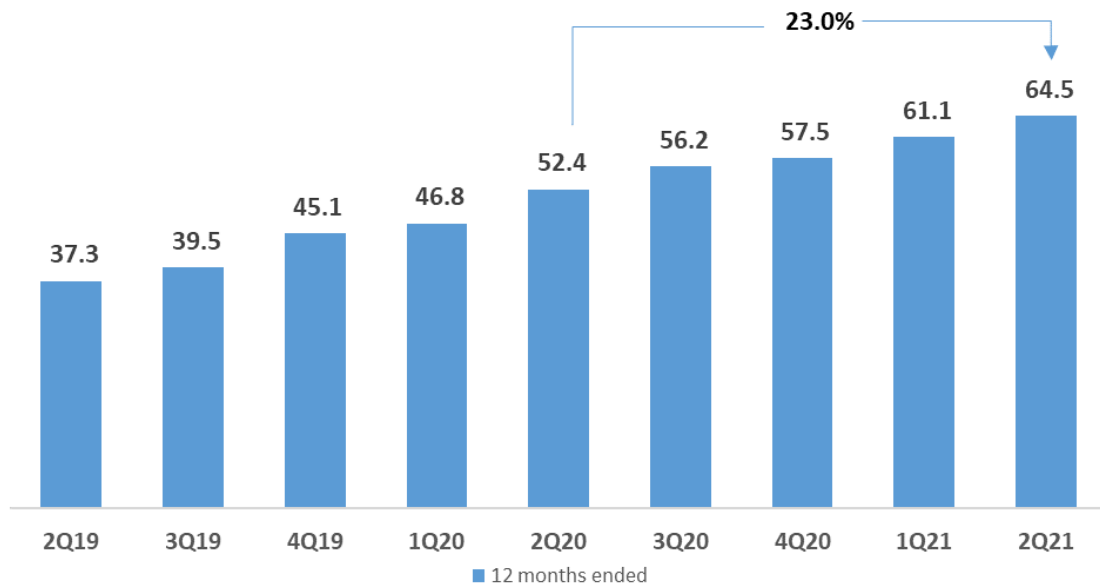
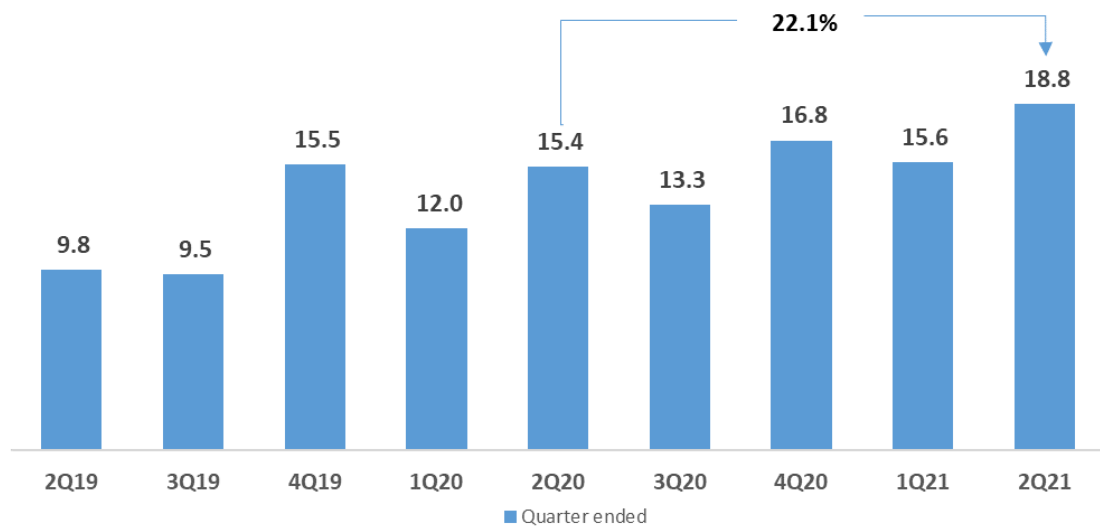


Figure 4 – Customer receipts – quarterly (A\$m)



Chief Executive Officer, Danny Lessem highlighted, “We have had a strong first half in FY21 with the highest half year cash collection in ELMO’s history.

The first half of FY21 was an important investment period for the business as we laid the foundation for high levels of organic growth with entry into the small business market segment and expansion into expense management.

The acquisition of Breathe, a UK-based scalable self-service HR platform, has provided entry to the small business market in Australia, New Zealand and the UK and typically services customers with less than 50 employees. This segment represents an addressable market of c\$2.2bn and pleasingly we have already seen the UK customer base grow in the past few months.

The acquisition of WebExpenses, a UK based expense management platform, in late December has not only expended ELMO's wide convergent solution, it also accelerates ELMO's UK mid-market expansion by facilitating the cross sell of ELMO modules to existing Webexpenses customers. The expense management segment represents a new addressable market of c\$1.4bn.

Finally, we remain well capitalised with a closing cash balance of \$71.4m at 31 December 2020."

FY21 guidance

We are pleased to re-affirm the guidance provided on 16 December 2021.

\$m	Low	High
<i>Annual recurring revenue</i>	81.5	88.5
<i>Revenue</i>	65.0	71.0
<i>EBITDA</i>	(7.4)	(2.4)

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About ELMO

Established in 2002, ELMO is a cloud-based HR & Payroll software provider. The Company offers customers a unified platform to streamline processes for 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. Fees paid to directors totalled \$347,000 for the period.

For more information, please visit www.elmosoftware.com.au.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ELMO SOFTWARE LIMITED

ABN

13 102 455 087

Quarter ended ("current quarter")

31 DECEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (six months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	18,783	34,384
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(793)	(1,522)
(c) advertising and marketing	(1,578)	(2,613)
(d) leased assets	(73)	(125)
(e) staff costs	(11,552)	(22,270)
(f) administration and corporate costs	(3,218)	(6,478)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	80	430
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	65
1.7 Government grants and tax incentives	903	3,888
1.8 Other – GST (provide details if material)	(1,033)	(2,228)
1.9 Net cash from / (used in) operating activities	1,519	3,531

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (six months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	(48,317)	(51,685)
	(c) property, plant and equipment	(1,728)	(1,981)
	(d) investments	-	-
	(e) intellectual property	(8,175)	(14,813)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Leases (provide details if material)	(177)	(1,297)
2.6	Net cash from / (used in) investing activities	(58,397)	(69,776)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	10
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(58)	(242)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – ESS (Purchase of Shares)	(2,000)	(2,000)
3.10	Net cash from / (used in) financing activities	(2,058)	(2,232)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (six months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	130,383	139,924
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,519	3,531
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(58,397)	(69,776)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,058)	(2,232)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	71,447	71,447

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	71,447	130,383
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	71,447	130,383

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1 - Directors
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

347

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 **Unused financing facilities available at quarter end**

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9, 2.1e, 2.5 less Item 1.7)

(7,736)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

71,447

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

71,447

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

9.2

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Compliance statement

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

Date: 28 January 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.