ELMO Software

HR | Payroll | Expense Management

FY22 Business Update

ASX:ELO
28 July 2022

FY22 ELMO group business update

Continuing to deliver on our growth strategy

$108.2 million
Annualised recurring revenue (ARR)
29% organic growth compared to 30 June 2021

$91.4 million
Revenue
32% growth from FY21

$7.1 million
Underlying EBITDA[2]
$6.5 million growth from FY21

$116.9 million
Cash Receipts
growth of 46% on FY21

$47.9 million
Cash on hand
as at 30 June 2022

Record result through FY22 setting the platform for reaching operating cash flow breakeven in FY23

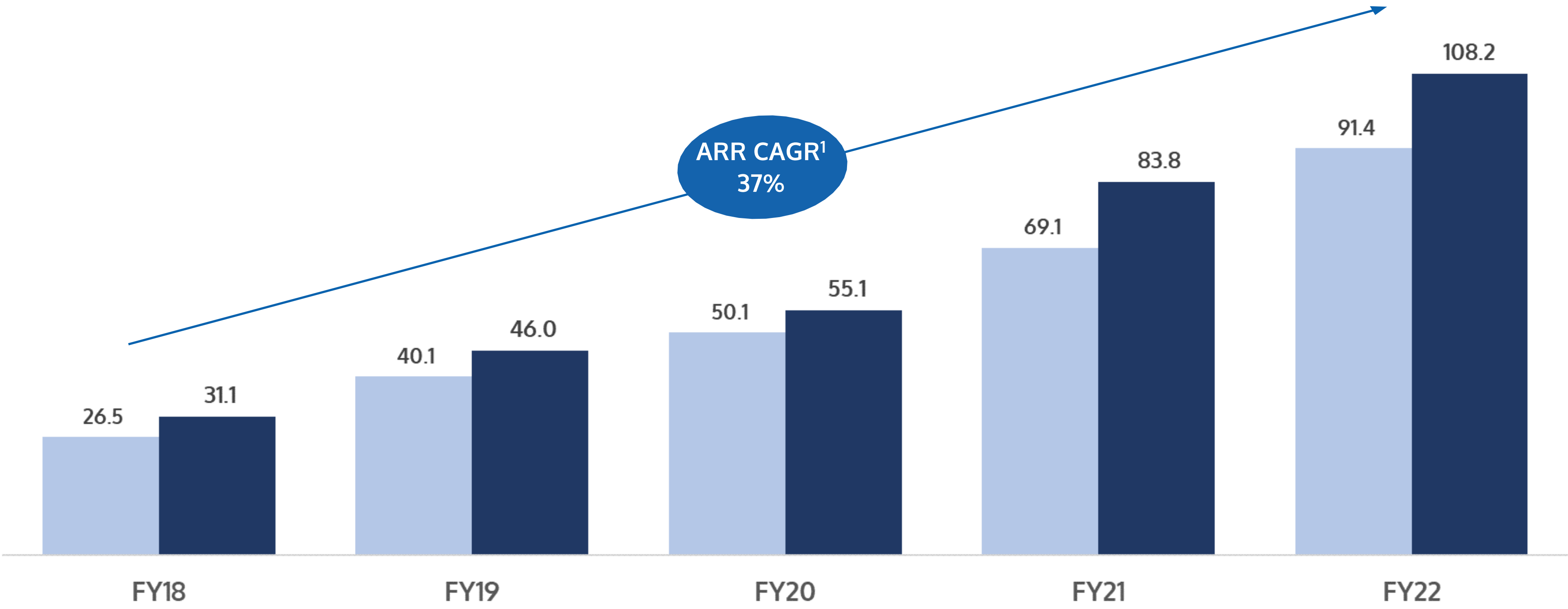
1. Unaudited headline results
2. FY22 and FY21 comparative underlying EBITDA excludes non-recurring items and non-cash share based payments

Group Annualised Recurring Revenue growth

ARR CAGR of 37% since FY18

- ARR **$108.2** million at June 2022
- Organic ARR CAGR growth **36%** from FY18
- Revenue CAGR growth **36%** from FY18

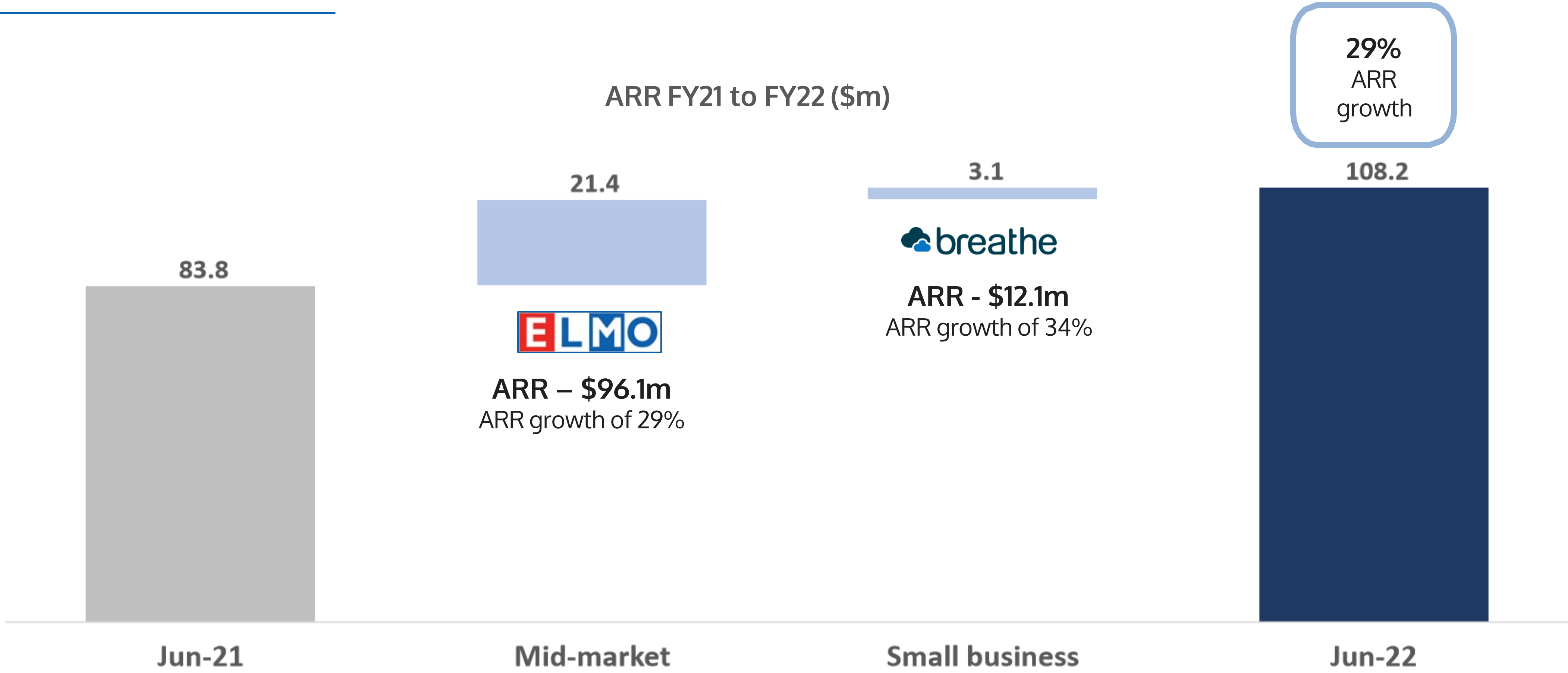
ARR and revenue FY18 to FY22 ($m)



1. Total ARR CAGR from FY18 to FY22

Group ARR growth

High organic growth through both market segments

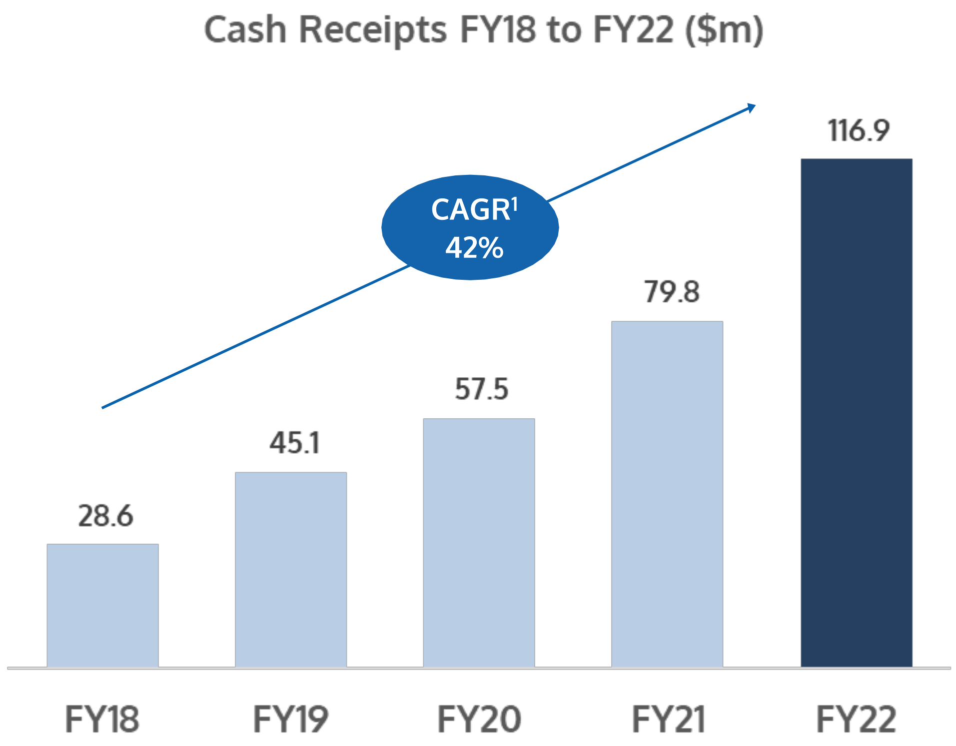


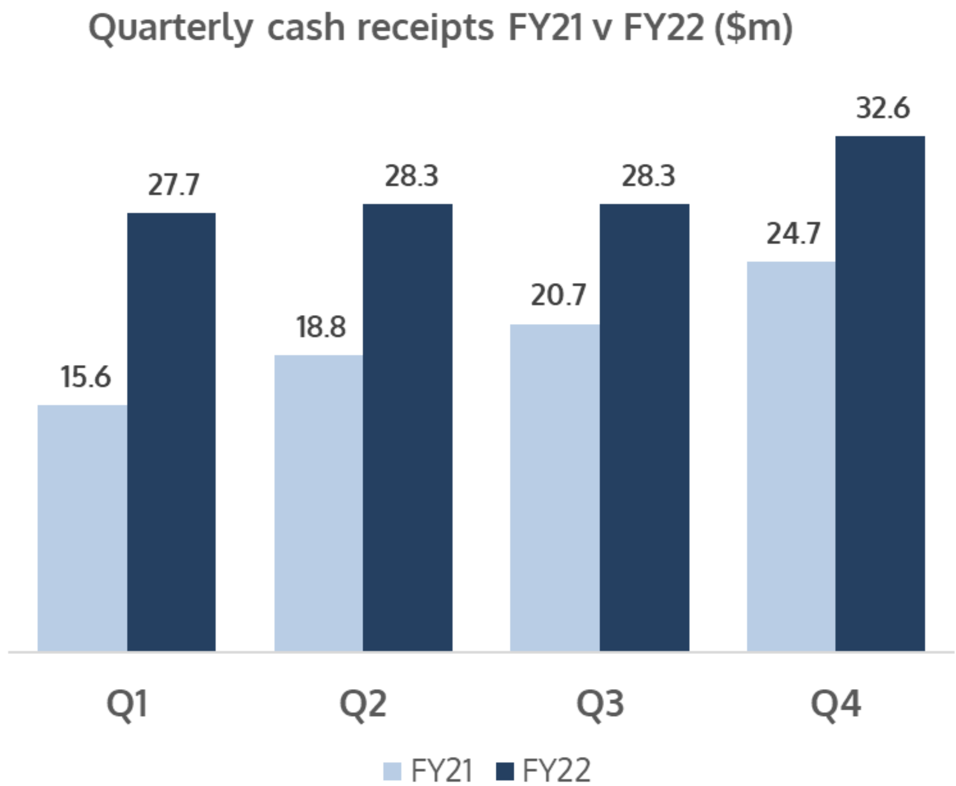
ELMO Group organic growth of 29% since June 2021

Group cash receipts

Strong quarterly cash profile heading into FY23

- Cash receipts in FY22 of **$116.9** million, up **46%** on FY21





Approaching $120 million of annual cash receipts

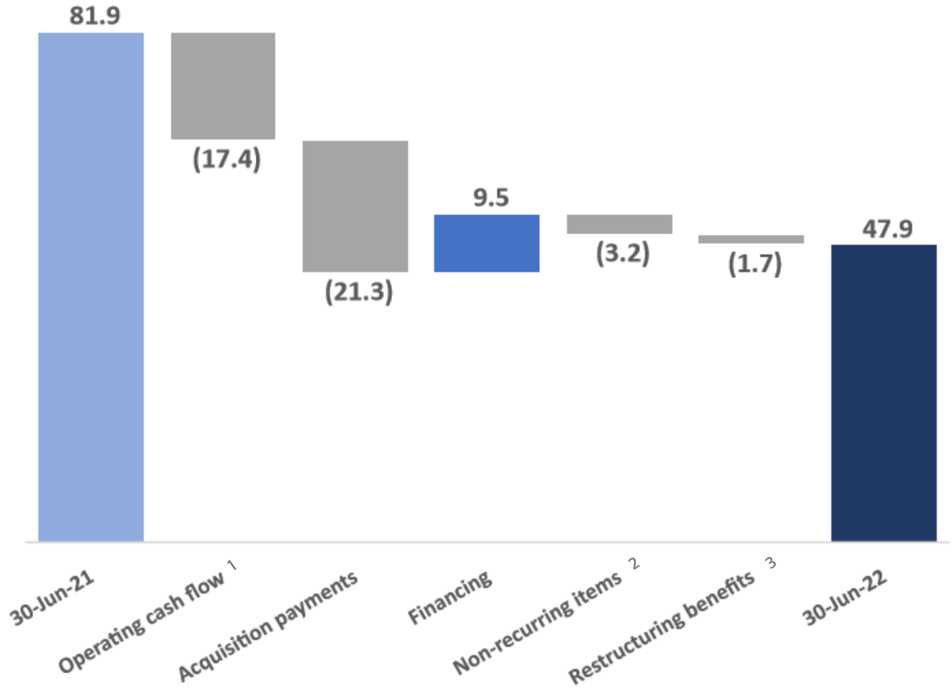
1. CAGR from FY18 to FY22

Group cash balance

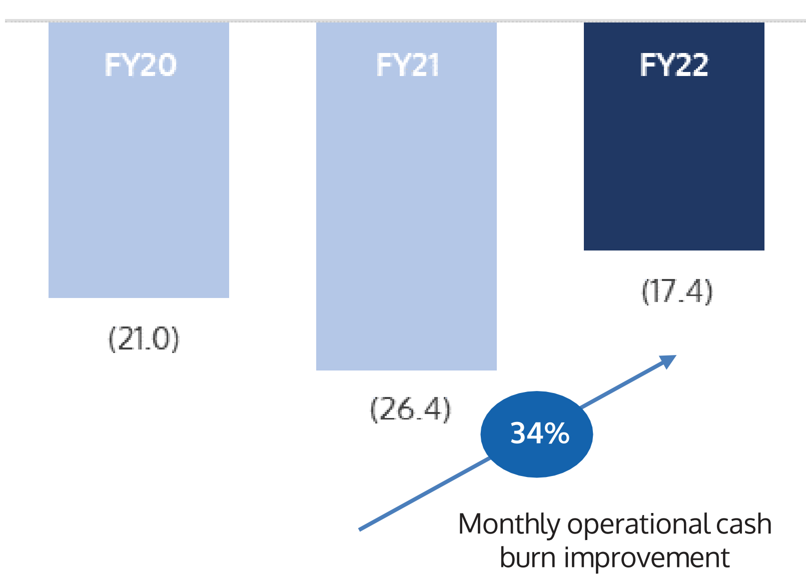
Well capitalised with reducing operating cash burn

- Well capitalised with a cash balance of $47.9 million as at 30 June 2022
- Operating cash burn reduced by 34% compared to FY21

Cash flow 30 June 2021 – 30 June 2022



Operating cash flow[1] FY20 to FY22



Operating cash burn improved significantly through FY22

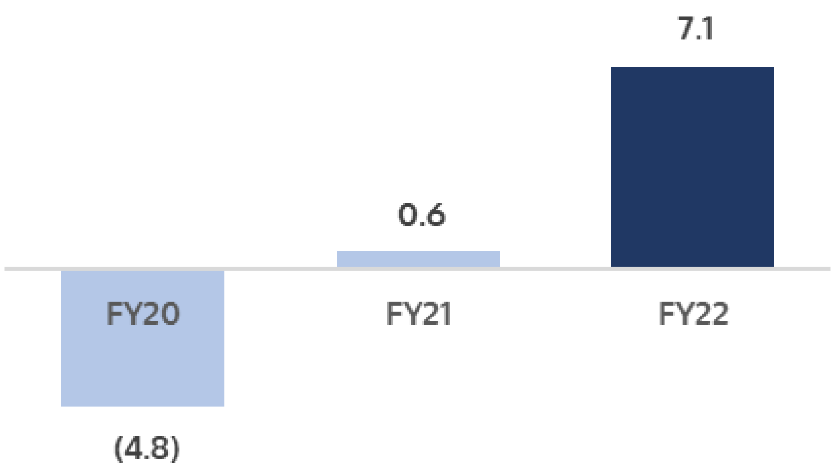
1. Operating cash flow includes capitalised expenses and BAU capex
2. Non-recurring costs primarily relate to fit out costs on new office space in Melbourne and Brisbane
3. Restructuring benefits reflect costs incurred in FY22 that are not expected to re-occur in FY23 as a result of internal restructuring initiatives

Pathway to operational cash flow breakeven

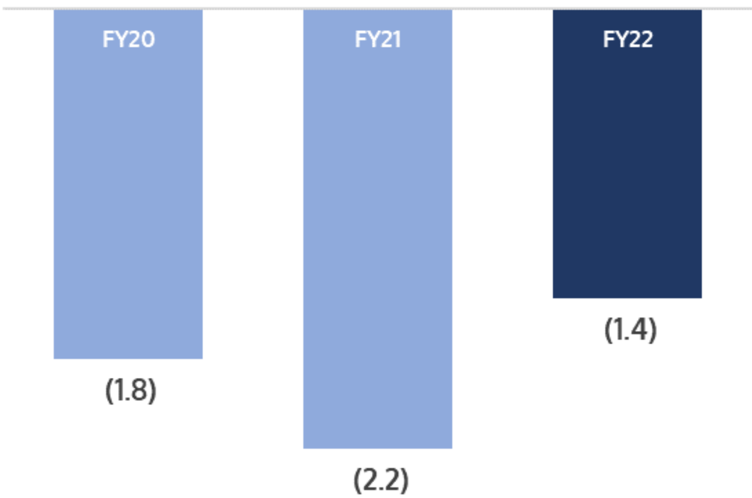
ARR scale and growth complemented by key restructuring initiatives

- Accelerating underlying EBITDA which has increased **11.1**x since FY21
- **34**% reduction in operating cash burn

Underlying EBITDA[1] FY20 to FY22



Monthly operating cash flow[2] FY20 to FY22



Investment phase completed and existing cost base to be leveraged through FY23

1. Underlying EBITDA excludes capitalised expenses, share based payments, non-recurring expenses and restructuring benefits relating to costs which are not expected to be incurred in future years
2. Operating cash flow includes capitalised expenses and BAU capex

FY23 key initiatives

Focus on enhancing unit economics

Area	Driver	Timing
Corporate	• Regional focus with the expansion of the executive team to include two UK based executives. • Expanded team is expected to streamline decision making with a focus on delivery in the UK.	Effective from 1 July
Client services	• Evolving client services to incorporate offshore implementation support in lower cost regions. • Focus on growing SE Asia operations which represents significant savings when compared to like for like ANZ and UK resources.	Gross margin benefits partially realised and expected to increase through FY23
Sales and marketing	• Simplifying Go-To-Market (GTM) strategy to focus on more mature and complementary module packages. • Creation of a Customer Experience Team to enhance customer retention.	Benefits expected to begin to be realised through FY23
Research & development	• Investment phase materially complete with no new module releases planned through FY23. • Focus through FY23 on maintenance and building out increased functionality on existing modules. • Increased use of lower cost, offshore R&D support through the Hero Teams Joint Venture with a focus on SE Asia.	Partially realised with acceleration expected through FY23 leading to a significant reduction in % of revenue spent
General & administration	• Adoption of hybrid work practices which has created surplus office requirements in Sydney and Perth and there are expected savings from reducing this office footprint. • Consolidation of offices in Brisbane (ELMO and Webexpenses).	Savings expected to be realised in FY23
Capital management	• $47.9m of cash held at 30 June 2022. With total drawn debt of $40.5m there is significant headroom to achieve cash flow break even. The repayment of a portion of the facility is under review.	Drawn facility level under review in Q1 FY23

Initiatives expected to support reaching operational cash flow breakeven in FY23

FY23 guidance

Achieving high growth and cash flow break even in FY23

Mid-Market

ELMO

ARR
$119 – 124m

Revenue
$100 – 105m

EBITDA
$17 – 20m

+

Small Business

breathe

ARR
$15 – 16m

Revenue
$14 – 15m

EBITDA
$3 – 5m

=

FY23 Group guidance

ARR
$134 – 140m
24% to 29% YoY growth

Revenue
$114 – 120m
25% to 31% YoY growth

EBITDA[1]
$20 – 25m

Operating cash flow[2]
$(2.0) – 2.0m

Cash flow break even forecast for FY23

1. EBITDA guidance excludes significant non-recurring transactions, finance costs and non-cash share-based payments
2. Operating cash flow excludes significant non-recurring transactions and financing costs

Appendix

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Glossary

Term	Definition
Annualised recurring revenue (ARR)	*Annualised recurring revenue at June 2022*
TAM	*Total Addressable Market*
CAGR	*Compound annual growth rate*
EBITDA	*Earnings before interest, taxation, depreciation and amortization*

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