



ELMO Software Limited

Acquisition of HR Software Solutions - People Pulse and Live Salary

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ELMO

2 November 2017



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ELMO at a glance

ELMO is one of Australia and New Zealand's leading providers of integrated talent management software solutions

ELMO's SaaS, cloud-based platform provides organisations with a centralised approach to managing an employee's lifecycle from 'hire to retire'



ELMO employs 106 people with 4 offices in Australia and New Zealand¹



Integrated Human Capital Management (HCM) software providing 'hire to retire' software solutions across 7 modules



Platform, technology, software solutions and learning content is developed and maintained in-house by ELMO's Australian based team



Over 400 eLearning course content library covering a broad range of topics which has been developed for over 15 years



Customer base of 524¹ organisations and deployed across 13² different industries



Primarily targets mid-market organisations (100 - 1,000 employees)



Scalable SaaS, cloud-based platform, multi tenant infrastructure, single source code

1. As at 30 June 2017

2. Includes construction and mining, education, finance, government, healthcare and pharmaceuticals, hospitality, industrials, IT, telecommunications and media, not for profit organisations, professional services, property, retail and transport.



Accelerated Growth Strategy

Why we acquire

- Accelerate organic growth through targeted acquisitions
- Attractive client lists provide significant revenue growth opportunities through cross-sell and upsell
- Favorable valuations as point solutions face headwinds from unified solutions such as ELMO who can unlock the commercial opportunity available
- Sticky products with high customer retention and recurrent SaaS revenues mitigate integration risk

What we target

1. Complimentary technology to enhance ELMO's suite of modules
 - Increases cross-sell ability to existing clients
 - Additional adjacent products increases "hooks" for new business acquisition
2. Accretive Bolt-ons
 - Acquire point solutions i.e usually only have one to two modules
 - Leverage operational efficiencies to extract synergies
 - Sell ELMO's multiple modules to target client base and/or;
 - Cross-sell target modules to ELMO client base



Transaction Summary and Highlights

Transaction Summary:

ELMO today announced the acquisition of two specialised, SaaS based, HR management software solutions, in one transaction:

- PeoplePulse, an online employee and customer feedback survey platform that includes specialised HR surveys such as staff pulse surveys, onboarding surveys, training evaluations, net promoter scores and exit surveys; and
- LiveSalary, an online salary database and benchmarking platform to assist customers better recruit, reward and retain employees.

PeoplePulse and LiveSalary's highly scalable modules accelerate ELMO's product development program. In addition, the acquisitions represent a logical and complimentary fit into ELMO's integrated HR Administration and Talent Management product suite.

Transaction Highlights:

- **Materially accretive**
 - On a pro forma basis, assuming the acquisition was completed on 1 July 2017, and hence includes a full 12 month contribution, ELMO's prospectus EBITDA guidance of \$2.7m would be \$4.4m an increase of \$1.7m. This excludes acquisition costs, synergies and integration costs.
- **Purchase price \$10m**
 - \$ 8m payable in cash upfront
 - \$ 2m cash earn out payable on anniversary of completion
 - \$ 2m cash payable on the first anniversary of completion should stretch targets be met
- **Over 300 customer licenses**
- **FY17 Revenue \$4.1m**
 - Over 90% recurring revenue
- **EV/FY17 Revenue multiple 2.4x**
- **EPS accretive in FY18 and beyond**
- **Net cash post transaction \$16.1m**



Background on Vendor Business

Background

Established in 2001
14 employees



Deloitte. Awards and Recognition
Technology Fast 50

Deloitte.
Technology Fast 500™



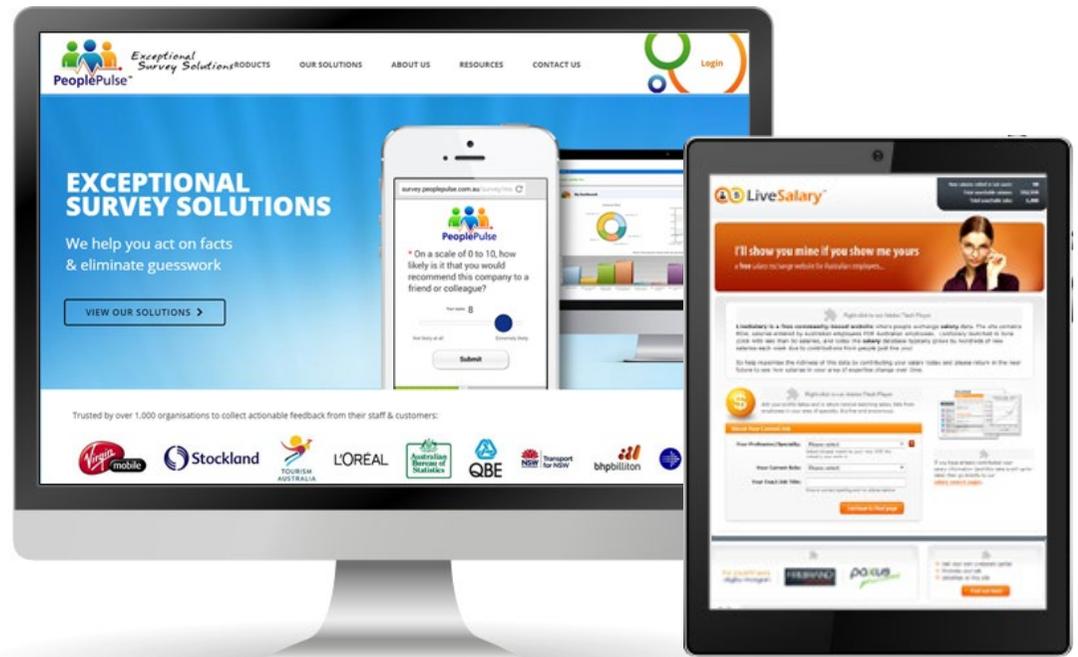
Modules

People Pulse - HR Survey Module

- Staff pulse surveys
- Onboarding surveys
- Training evaluation
- Net promoter score
- Exit surveys

LiveSalary - Salary Benchmarking Module

- Benchmark salary data to assist
- recruitment
 - reward
 - retention





Strategic Rationale

Strategic Rationale

- Accretive Bolt-On and Complimentary Technology
- Attractive Financials
- Growth lower than ELMO attributes to favourable valuation
- Over 300 mid market and enterprise customer licenses
- Over 90% recurring revenue
- Cross sell ELMO modules into acquired customer base
- Cross Sell HR survey and Live Salary modules into ELMO customer base





Integration Strategy

1. Integrate Target: Assimilation

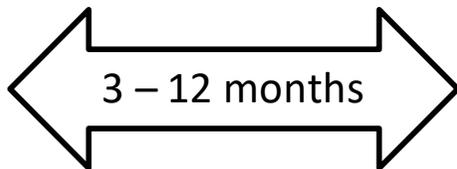
- Management control of operations
- Leverage operational efficiencies
- Tailor commercial standards to be consistent with ELMO business

2. Develop Product: Build out

- Integrate acquired product with ELMO Talent Management Suite
- Innovate and expand platform
- Upgrade functionality of acquired product
- Optimise user experience

3. Grow Revenue: Roll Out

- Conversion of acquired customer base
- Onboard and transition customers
- Expand module usage over time through cross-sell of additional modules in the ELMO suite





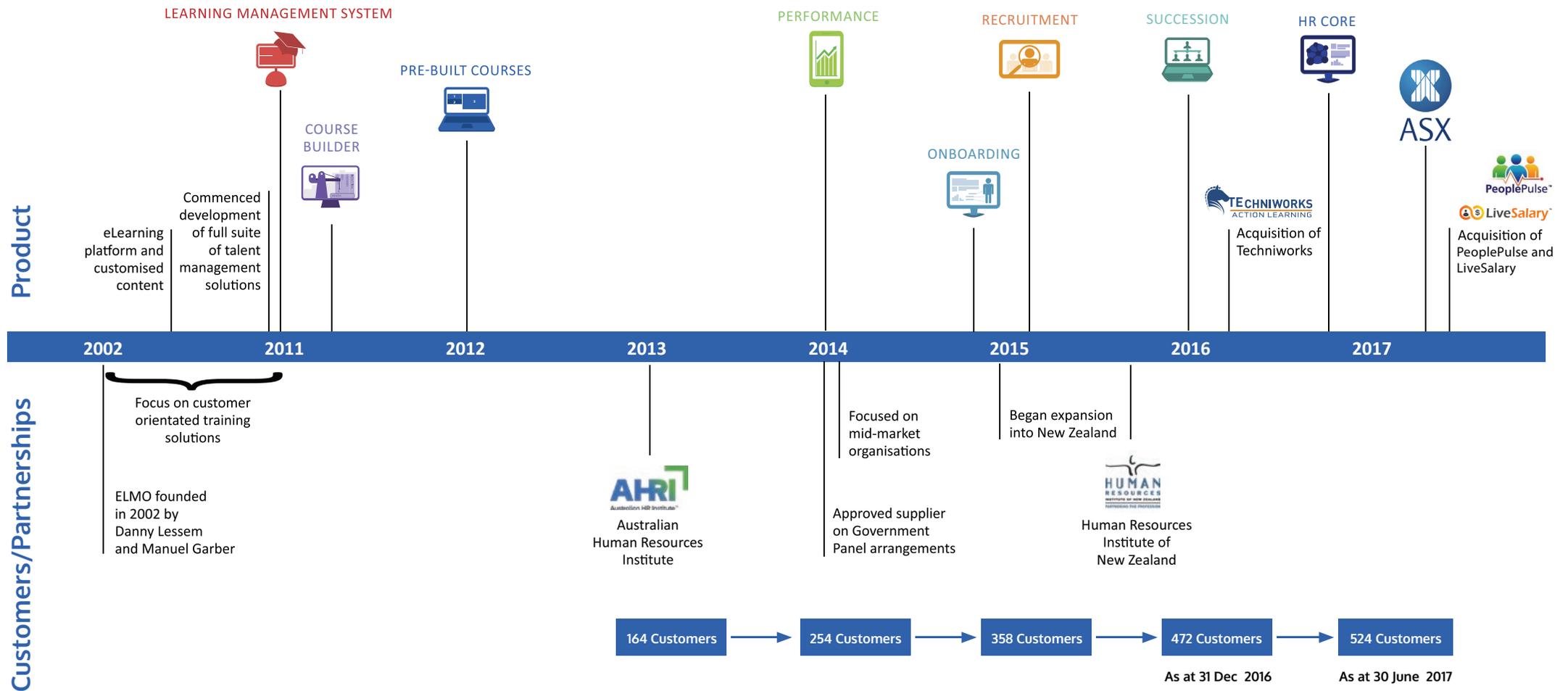
Appendix

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ELMO history





Acquisition Case Study – Techni Works

OVERVIEW

- Techni Works provides off-the-shelf and custom-built eLearning courses specifically developed for the Australian work environment and an internal LMS platform
- Established in 1999
- 83 organisations including all levels of Government, tertiary institutions and large corporations

RATIONALE – Accretive Bolt-On

- 82 new customers added to ELMO's customer base¹
- Upsell and cross-sell opportunity to ELMO's full suite of talent management solutions
- ELMO's infrastructure allowed operating efficiencies to be extracted, resulting in substantial uplift in EBITDA contribution

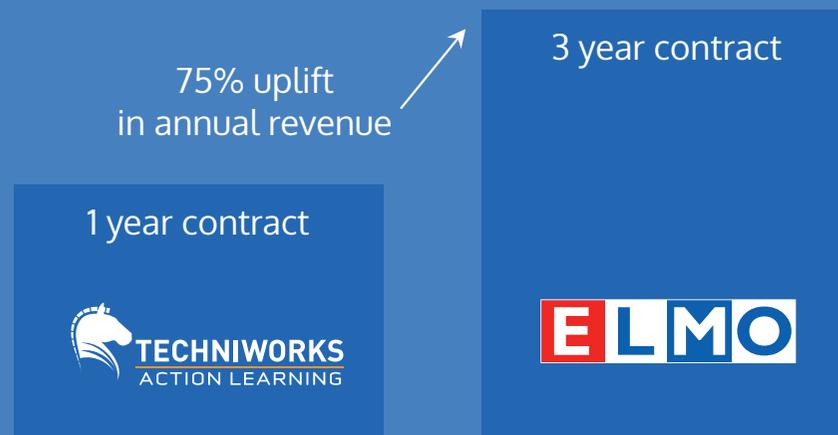
FY17 Summary

- EBITDA margin expansion
- Successful migration of customers onto ELMO platform
- Successful cross-sell of ELMO modules into Techni Works customer base



Customer case study: WA Government Agency

Contract extended to 3 years under ELMO's platform



1. One Techni Works customer was an existing customer of ELMO.
2. 46 additional courses is net of overlapping courses between Techni Works and ELMO