



ELMO Software Limited  
ABN 13 102 455 087

## ASX ANNOUNCEMENT

27 February 2018

### Acquisition of Pivot Software

#### Transaction highlights

- Acquisition of Pivot Remesys Group (**Pivot Software**), Australia and New Zealand's leading SaaS, cloud-based remuneration software providers
- Pivot Software generated total revenues of \$4.5m over the last 12 months to 31 December 2017, with 30% pro-forma EBITDA margins
- Pivot Software has recurring SaaS revenues of 86% of total revenue and has a revenue retention rate of 93%
- Customer base of 120 organisations supported by 22 employees
- Acquisition materially expands ELMO's position in the growing and profitable NZ market and is expected to be EPS accretive
- Initial consideration of \$8.8m to be funded by a mixture of cash and scrip subject to voluntary escrow, with an additional \$2.4m conditional deferred payment should performance targets be met, which is to be settled with a combination of cash and scrip subject to voluntary escrow. Cash consideration is to be funded from ELMO's existing cash reserves
- Acquisition consideration reflects an EV/LTM<sup>1</sup> multiple of 2.0x, before synergies
- Philippa Youngman, Pivot Software CEO and new ELMO shareholder, will join ELMO to lead the growth of the product offering

ELMO Software Limited (ELMO) today announced the execution of a binding sale agreement to acquire the shares of Pivot Software, one of the leading providers of remuneration software in Australia and New Zealand for an initial consideration of \$8.8m.

Remuneration management which includes salaries, bonuses and complex short-term incentives (STI) and long-term incentives (LTI) are a key function in Human Resource (HR) administration. Today, approximately 80% of remuneration processes across the HR industry is managed with the use of outdated methods such as desktop spreadsheets. ELMO and Pivot Software believes this presents inefficiencies and therefore provides a significant opportunity within the remuneration management market for ELMO's software platform to address. Remuneration management provides an important new module to ELMO's integrated product suite and contributes to ELMO's market leading position. The module provides a complementary fit with ELMO's existing Performance and Rewards modules. The acquisition of Pivot Software aligns with ELMO's accelerated growth strategy which is to supplement strong organic growth with the disciplined addition of selective and complementary technology which enables ELMO to cross-sell a broader suite of integrated products to their enlarged customer base.

The acquisition will be funded by a mixture of cash and scrip. New shares will be issued at a price of \$5.05 per share, representing the average daily volume weighted average price of ELMO shares for the 10 trading days immediately prior to, but not including the date of the sale agreement, 26 February 2018. The consideration shares to be issued will be subject to voluntary escrow by the holder from their respective date of issue to 1 July 2019. The acquisition is expected to be complete before 31 March 2018.

Pivot Software has been in operation since 2001 and is based in New Zealand. In 2016, Pivot Software completed a merger with Remesys, an Australian based remuneration management software provider.

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<sup>1</sup> Last 12 months to 31 December 2017



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Pivot Software has a high quality customer base of 120 organisations which includes Westpac NZ, Newscorp, Allianz and IAG (N.Z.), amongst others. Pivot Software generated annual revenues of \$4.5m over the last 12 months to 31 December 2017 with a pro forma EBITDA margin of 30%.

Pivot Software CEO, Philippa Youngman, is a recognised and well respected leader in the specialist field of remuneration management software. Following the acquisition, Philippa will be joining the team at ELMO and will be responsible for leading the growth of the product offering and will bring with her significant specialised domain expertise and extensive customer relationship networks.

ELMO aims to accelerate the growth in the remuneration management SaaS software sector through its strong brand and advanced distribution network. Today, approximately 80% of companies across Australia and New Zealand use inefficient spreadsheets and antiquated methods to manage remuneration management processes. Following the acquisition of Pivot Software, ELMO will now be able to provide its customers with a solution to manage salary increases, bonuses and complex LTI / STI issues. ELMO plans to offer its 859 customer base a dedicated remuneration module which offers high quality reporting as part of a single integrated platform to automate HR and payroll functions.

ELMO CEO Danny Lessem said, "We are delighted to welcome Pivot Software into ELMO. Remuneration is an important new module and provides a significant growth opportunity for us. Pivot Software has developed a market leading remuneration software solution in the region and has a high-quality customer base. As well as being financially accretive, the acquisition broadens our competitive advantage over single point product vendors and expands our integrated product suite, which we continue to cross-sell across our enlarged 859 customer base.

The acquisition is firmly in line with our accelerated growth strategy for delivering strong organic growth and supplementing this with disciplined and selective acquisitions to add complementary technologies, new customers or new markets. Pivot Software achieves all these targets and also extends our presence in the growing and profitable NZ market.

Having successfully integrated Sky Payroll and recently launched the in-house developed Rewards & Recognition module, we are now ready and well placed to maximise Pivot Software's strengths and potential as part of the wider ELMO group and deliver the expected benefits for shareholders".

**For further information please contact:**

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**About ELMO**

Established in 2002, ELMO is a cloud-based software provider that automates HR processes in the employee lifecycle from 'hire-to-retain'. The company offers customers a unified platform to streamline processes for employee administration, recruitment, onboarding, learning, performance and compliance training. ELMO operates on a Software as a Service (SaaS) business model based on recurrent subscription revenues.

For more information please visit [www.elmotalent.com.au](http://www.elmotalent.com.au)