

ASX ANNOUNCEMENT
22 November 2018



ELMO Software Limited
(ASX:ELO)

AGM Chair and CEO addresses

Chair Address

I would like to extend a warm welcome to all shareholders, management, advisors and other visitors to the ELMO Software Limited's 2018 Annual General Meeting.

My name is Barry Lewin and I am the new Chair of your company.

We have a quorum and I am pleased to declare the meeting open.

I would like to start by introducing my fellow directors.

Danny Lessem, Joint Founder and CEO
Kate Hill
Trevor Lonstein, CFO and Finance Director

Anna Sandham, Company Secretary

(Introductions)

Also attending here today is a representative from our auditors, Josh Tanchel from Deloitte.

The Minutes of the 2018 Annual General Meeting are available for inspection by any shareholder by contacting the Company Secretary.

The Notice of Meeting was distributed to all shareholders and copies are also available at the back of the room. I will take the Notice of Meeting as read.

I'd like to make some brief opening comments, which will be followed by a presentation by Danny. We will then move to the formal part of the meeting.

Having been appointed to the Board on the 10th October 2018, I thought it might be useful to share my observations on why I was attracted to ELMO, and why I agreed to take on the role of Chairman.

In 2017 ELMO completed a very successful IPO and joined the ASX.

In the year following its listing, the Company has grown SaaS revenues by 37%, and in the process, exceeded pro forma prospectus forecasts and the guidance upgrade provided in March this year.

During 2018, ELMO completed three acquisitions. These additions broadened the Company's technology suite and customer base and enhanced our market opportunity. These acquisitions have all been integrated successfully and are performing well.

During the past year the Company also expanded its integrated product suite from seven to twelve modules. These expansions enlarge our market opportunity and increase our competitive advantage. With these additional products and customers, we are creating new long-term growth opportunities.

With the recent additions of HR Core and Payroll, we now operate in a \$1.7bn market that is growing strongly.

The customer base has effectively doubled over the year to more than 1,000, and with penetration rates still very low, we have significant room for long-term growth from upselling and cross-selling.

These compelling attributes and a 9% market share have created a platform that should ensure we have scope to grow the business for many years to come.

And to fund this growth, and leverage our first mover advantage, ELMO successfully raised \$45m of new equity capital in March 2018 at a very significant premium to the IPO share price. Those funds are being purposely invested to drive accelerated growth.

This is an exciting time for your Company and with an impressive and disciplined management team led by Danny, intent on executing the significant growth opportunity, it was impossible for me to ignore the offer to take on the Chair role.

I'd like to congratulate management on a very successful year and I thank my Board colleagues Kate, Trevor and Danny for their support.

Whilst I am very new to the Company and still have much to learn, I look forward to leading a Board committed to supporting management in executing its growth strategy and delivering enhanced value for all shareholders.

I'll now hand over to Danny to give his presentation.

Co-founder CEO Address

Thank you, Barry. I appreciate your kind words and on behalf of all shareholders and ELMOrians, I am delighted to see you share our passion for this business.

I would like to add my welcome to you all and thank you for attending today's AGM. Firstly, I'd like to say you are all invited to stay around after the end of the formal meeting. It's a good chance for you to meet the ELMO management team and the directors and to share some light refreshments.

Let me begin this address by saying ELMO performed well during FY18.

We made good progress delivering on our growth strategy and we strengthened our position as the leading cloud, Software-as-a-Service (SaaS), HR and payroll solutions provider in Australia and New Zealand.

In FY18, as Barry said, we expanded our market leading product suite from seven to twelve modules. We now provide a more comprehensive, unified, user-friendly, single dashboard solution for recruitment, onboarding, performance management, learning and development, pre-built courses, succession planning, remuneration, HR surveys and employee administration (HR core). Payroll was added in February 2018 with the acquisition of Sky Payroll, unlocking a new and complementary \$657 million market¹.

We continue to deliver strong results financially, achieving our upgraded guidance, with pro forma SaaS revenue of \$29.8 million for the year. The underlying ELMO business performed well with organic SaaS revenues growing in FY18 by 37% compared to FY17. Over 93% of our revenues are subscription-based, which are recurring in nature. Our customer retention in dollar terms was 119% in FY18², highlighting the successful cross-selling of our enlarged suite of solutions into our growing sticky customer base. We have supplemented this growth with three selective acquisitions to broaden our offering with complementary technology and/or a high-quality customer base, which enhances our cross-sell potential.

Other highlights include:

- Total pro forma revenue including acquisitions of \$31.9 million
- Annual cash receipts of \$28.2 million
- 145 product enhancements
- Successful completion of a \$45 million equity placement to accelerate growth
- Acquiring PeoplePulse, Live Salary, Sky Payroll and Pivot Software
- Receiving numerous accolades including Deloitte Fast 500, SmartCompany – Smart50, and the Anthill Cool Company award

With the continuation of strong sales momentum, ELMO's customer base increased by 97% to 1,031 organisations. The organic average SaaS revenue per customer increased to \$34,500. Customer retention remains consistently high at 92%² and the module penetration per customer has steadily grown to 2.56².

¹ Frost and Sullivan independent report

² Excludes PeoplePulse, LiveSalary, SkyPayroll and Pivot Software

Importantly, we continue to lay the foundations for long-term, sustainable growth. Our total addressable market opportunity across Australia and New Zealand has grown substantially to \$1.7 billion, which now includes HR admin, talent management and payroll.

With only 9% market share, ELMO has significant headroom for attracting new customers. In addition, our enlarged customer base provides substantial cross-sell opportunity. Encouragingly, the modules we recently acquired and integrated with ELMO's platform, are gaining traction through our new and existing customers.

Furthermore, we have increased visibility of the opportunities in the lower mid-market and upper mid-market tiers, the former covering organisations with less than 200 employees and the latter more than 1,000 employees. With this wider view of the market, and a larger suite of solutions, we are organising and allocating our resources purposefully to optimise and take full advantage of the commercial opportunity within these markets.

Looking ahead, 2019 will be a year of investment in the long-term and sustainable growth of ELMO. We expect to increase our capabilities, headcount, sales and marketing resources, and continue our commitment towards developing industry leading cloud software.

Our guidance for FY19 assumes strong revenue growth to \$39.5 million and an increase in investment with EBITDA expected to be \$1.1 million. We are confident these investments will generate strong, long-term returns for shareholders as we take full advantage of the wider view we now have of the market.

Our FY18 SaaS revenue run rate alone reflects 88% of forecast FY19 SaaS revenue³, and our investment is to ensure long-term sustainable growth in FY20 and beyond.

ELMO is fortunate to have a deeply experienced and committed management team who I have been working with for many years and they play a key role in continuing to successfully execute our accelerated multi-pillar growth strategy and deliver on expectations. I would like to thank all our ELMOonians for delivering these strong results, creating a great culture across the entire organisation and laying the foundations for sustained long-term growth.

I would also like to extend a warm welcome to Barry as our new, independent Chair and thank him and my fellow directors for their wise counsel and support.

Importantly, I would also like to thank our customers and all our shareholders for their loyalty and much appreciated continued support of ELMO. We look forward to sharing further successes with you in FY19 and beyond.

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³ June 2018 SaaS revenue annualised

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 employee administration, recruitment, onboarding, learning, performance, remuneration, compliance training and payroll. ELMO operates on a Software as a Service ("SaaS") business model based on recurrent subscription revenues.

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