

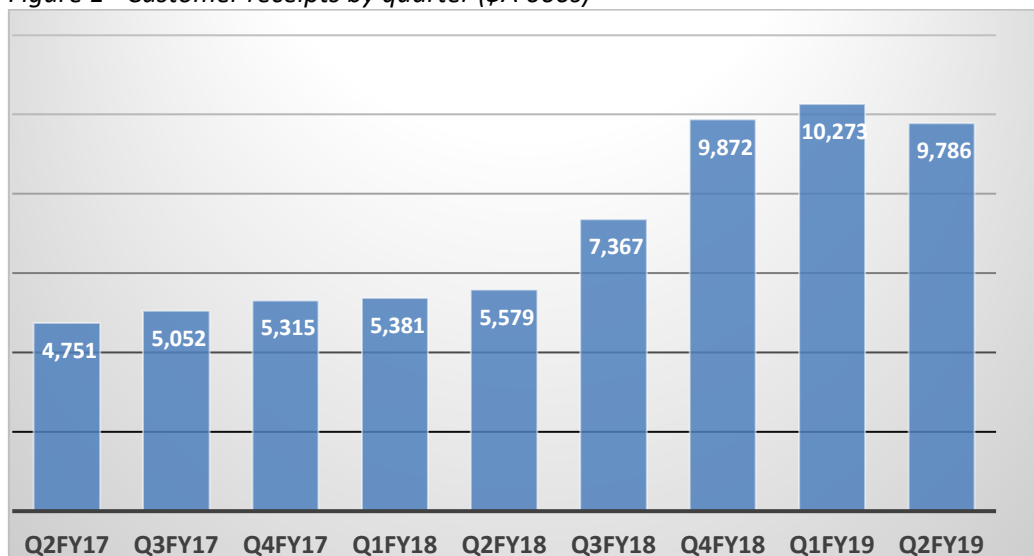
**ELMO Software Limited**  
(ASX:ELO)

## Second Quarter Cash Report and Company Update

### Highlights

- ELMO delivers positive net operating cash flow of \$50k in Q2FY19, compared to a cash outflow of \$924k in Q1FY19
- Strong growth in cash receipts of \$9.8M, up 75% on the prior corresponding period, slightly lower than last quarter due to the seasonality of collections
- Closing cash balance of \$39.0m, as at 31 December 2018. ELMO remains well capitalised to fund the Company's multi-pillar growth strategy
- Announced acquisition of HROnboard on 19<sup>th</sup> December 2018, one of Australia's leading providers of cloud-based employee onboarding software
- Announced acquisition of BoxSuite on 24<sup>th</sup> January 2019, a SaaS, cloud-based specialist in workplace rostering and time and attendance software for managing casual and shift based employees
- Appointment of James Haslam as ELMO's new Chief Financial Officer, commencing on the 4<sup>th</sup> February 2019
- ELMO continues to build for sustainable, long term growth with 2019 representing an important year of investment into further developing the Company's capabilities, headcount, sales and marketing resources, technology and product leadership
- 2018 acquisitions are performing well, and ELMO has a continued focus on actualising the full commercial benefits of these transactions
- Pipeline of acquisition opportunities, presenting a mixture of complementary technology and a source of new customers

Figure 1 - Customer receipts by quarter (\$A'000s)



## **Sustainable, long term growth**

- Consistent with ELMO's accelerated growth strategy and commitment to deliver sustainable, long term growth for shareholders, the Company is continuing to invest in product development and additional sales and marketing resources. \$1.2m invested in various advertising and marketing campaigns in the quarter
- Continued expansion of ELMO's addressable market within the lower mid-market (less than 200 employees) and upper mid-market (more than 1,000 employees) across Australian and New Zealand
- HRonboard acquisition is aligned with ELMO's growth mandate and accelerates the Company's scale within the Human Capital Management space. HRonboard has delivered rapid growth in SaaS revenues, averaging over 40% annually over the last three years. Similar to ELMO, HRonboard has a high quality revenue stream with 97% derived from SaaS. HRonboard adds 131 organisations with minimal cross over to ELMO's customer base, who have demonstrated 93% retention rates and provide significant cross-sell opportunities
- Acquisition of BoxSuite provides ELMO with a new market opportunity. There are approximately 5.2 million casual or shift based employees in Australia and New Zealand which represents a total market size of \$426 million<sup>1</sup>. BoxSuite's rostering module enables organisations to schedule shifts and monitor staff costs while time and attendance enables organisations to easily track employee hours, calculate pay rates and seamlessly export to payroll. The solution is a logical extension of ELMO's product suite and increases the breadth of the integrated offering
- Appointment of James Haslam as new Chief Financial Officer. James is a Chartered Accountant and has been a senior consultant to ELMO since early 2017. James' extensive skill set and deep understanding of ELMO's business and growth strategy are an excellent fit as the Company progresses to the next stage of growth and development
- To ensure a seamless transition, retiring CFO Trevor Lonstein will provide ongoing consulting support and assistance
- ELMO continues to build foundations to support the next stage of growth across the business into 2019 and beyond

## **Acquisitions**

- 2018 acquisitions are performing well, and ELMO has a continued focus on actualising the full commercial benefits of these transactions
- Pipeline of acquisition opportunities, presenting a mixture of complementary technology and a source of new customers

## **CEO comments**

Given the competitive strength of our market leading customer solutions, coupled with our large and growing market opportunities, we are focused on investing to strengthen our sales and marketing resources and product offering. With a strong pipeline of organic growth opportunities and scope for complementary acquisitions, we are well placed to accelerate our

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<sup>1</sup> Frost & Sullivan 2018

growth. We are committed towards building sustainable, long term returns for our shareholders.

We are now in a unique position to be able to offer our customers the market leading, integrated SaaS based software solution that solves so many pain points within HR, payroll and now also rostering and time & attendance. We are well capitalised and are in a good position to take advantage of the increasing number of strategic opportunities in our large and growing addressable market.

I would like to welcome our new colleagues to ELMO from HROnboard and BoxSuite. HROnboard and BoxSuite represent disciplined, logical and selective acquisitions that are closely aligned to our growth mandate. They bring to ELMO, complementary technologies and valuable new customers. We look forward to working with our new colleagues as we grow and develop further.

Finally, I would like to thank Trevor Lonstein, our retiring CFO, for his tremendous contribution to ELMO. Trevor has been instrumental, since the very early days, in helping ELMO to grow and scale. He has guided us well and will continue to assist us as we transition to our new CFO, James Haslam. We know James well and have the highest regard for his capabilities. We look forward to his ongoing contribution in helping us to achieve our ambitious growth targets.”

ELMO's 1H FY19 results will be released to ASX on 28<sup>th</sup> February 2019.

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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 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](http://www.elmosoftware.com.au).

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Elmo Software Limited

**ABN**

13 102 455 087

**Quarter ended ("current quarter")**

31 December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,786	20,059
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(156)	(317)
(c) advertising and marketing	(1,169)	(2,350)
(d) leased assets	(40)	(66)
(e) staff costs	(5,186)	(11,770)
(f) administration and corporate costs	(3,101)	(6,502)
1.3 Dividends received (see note 3)		
1.4 Interest received	228	464
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(3)	(13)
1.7 Government grants and tax incentives		
1.8 Other – GST (provide details if material)	(310)	(380)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>49</b>	<b>(875)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	1,273	(18)
(b) businesses (see item 10)	(2,297)	(2,792)
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	(1,730)	(3,380)
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material) – Bank Balance Acquired from Business Acquisition		
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(2,754)</b>	<b>(6,190)</b>

**Note:** Included in Property Plant and Equipment is the reimbursement to ELMO of the lease fitout costs as part of the lease incentive agreement for the Sydney office property.

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(10)	(27)
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 (provide details if material)		
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(10)</b>	<b>(27)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	41,729	46,106
4.2	Net cash from / (used in) operating activities (item 1.9 above)	49	(875)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,754)	(6,190)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	(27)
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>39,014</b>	<b>39,014</b>

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	39,014	41,729
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>39,014</b>	<b>41,729</b>

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	282
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	(170)
9.3 Advertising and marketing	(1,200)
9.4 Leased assets	(75)
9.5 Staff costs	(5,900)
9.6 Administration and corporate costs	(3,200)
9.7 Other (provide details if material)	
Consideration for recent Business Acquisitions:	(11,500)

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1a Name of entity	Quinntessential Marketing Consulting	
10.2a Place of incorporation or registration	New South Wales Australia	
10.3a Consideration for acquisition or disposal (This Quarter) - Cash	A\$2,000,000	
10.4a Total net assets	A\$553,000	
10.5a Nature of business	SaaS Cloud based on-line Survey and Salary Benchmarking provider	

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.b Other expenses of acquisition in relation to future target acquisitions	\$297,000	

### 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.

Sign here:   
(Director/Company secretary)

Date: 30 January 2019

Print name: Anna Sandham, Company Secretary

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.