ELMO Software

HR | Payroll | Expense Management

FY22 Results
Investor Presentation

ASX:ELO
24 August 2022

Agenda

- Company overview and business highlights
- Financial results and outlook
- Q&A

FY22 Results
(ASX:ELO)

FY22 ELMO Group results

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

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 overview

A leading provider of cloud HR, payroll and expense management solutions across ANZ & UK

Convergent solution

- Multiple modules/revenue streams
- Integrated solution
- Competitive advantage: width of solution
- Two fit-for-purpose platforms

Robust SaaS business model

- High recurrent subscription revenue
- High customer retention
- High level of organic growth
- Land and expand strategy

ELMO — **Mid-market solution**

breathe — **Small business solution**

Providing customers with an all-in-one platform to manage people, process and pay

Executing on the growth strategy

Three pillar strategy driving expansion

Key pillars of our growth strategy:

1. Segment Expansion	2. Module Expansion	3. Geographic Expansion
• Small businesses are still early in their adoption in HR technology • Continue high growth in small business segment	• Both mid and small business segments have significant cross-sell opportunity • Continue to grow module penetration in both mid and small business segments	• UK market opportunity is c2.8x the size of ANZ • Continue to grow customer base in the UK

Multiple levers to continue high growth through FY23 and beyond

Segment expansion

Growth opportunities across two key market segments

ELMO

Mid-market solution
(50 - 2,000 employees)

- >3,400 customers
- Market penetration: <5%

Update:

- New modules **Hybrid Work** and **Wellbeing** brought to market in 2H FY22
- Launched ELMO HCM in the UK

breathe

Small business solution
(<50 employees)

- >11,100 customers
- Market penetration: <1%

Update:

- Added additional modules to Breathe platform
- Successful cross-sell of new modules

Fit for purpose solution for each market segment

1. Frost & Sullivan independent market report 2019/2020

Overview of ELMO Group platform

One-stop-shop to manage people, process and pay for mid-market and small business

ELMO — Mid-market

PAY
- Payroll
- Self-Service
- Rostering / Time and Attendance
- Expenses

ENGAGE
- HR Core
- Survey
- Connect
- Experiences
- COVIDsecure
- Hybrid Work
- Wellbeing

HIRE
- Recruitment
- Onboarding

RETAIN
- Performance Management
- Rewards & Recognition
- Remunereation
- Succession Management

DEVELOP
- Learning Management
- Course Builder
- Course Library
- Video Library

PREDICT
- Predictive People Analytics

breathe — Small business

HR **ROSTER** **LEARN** **ADD-ONS**

Leveraging partners to deliver additional functionality

Breadth of solution is our key competitive advantage

1. Add-ons include expenses, recruitment and payroll. Add-ons not available in all regions.

Geographic expansion

Continue to grow market share in the UK

Mid market UK update

- Transitioning larger Breathe customers to ELMO platform
- ELMO HCM modules available to Webexpenses customer base

Small Business update

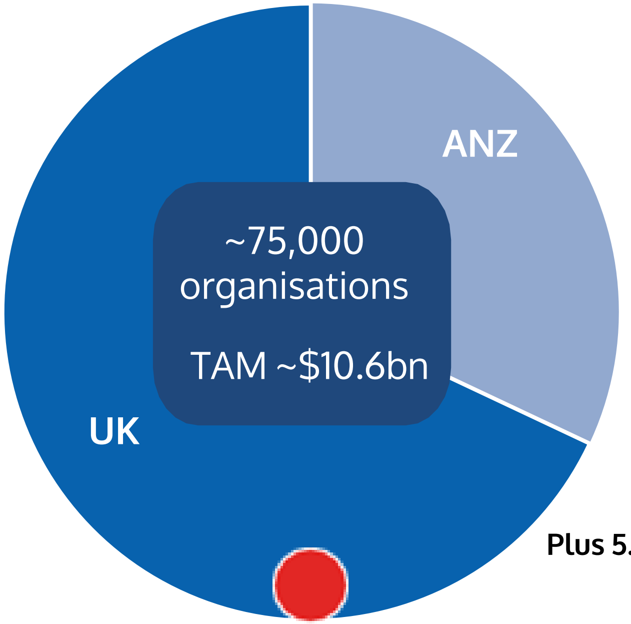
- Launched new modules in small business platform
- Good uptake from new and existing customers of new modules

Harnessing growth opportunities in the UK

ELMO Group Total Addressable Market (TAM)

Large market opportunity and headroom for growth

Mid-market TAM[1,2]
(50+ employees)

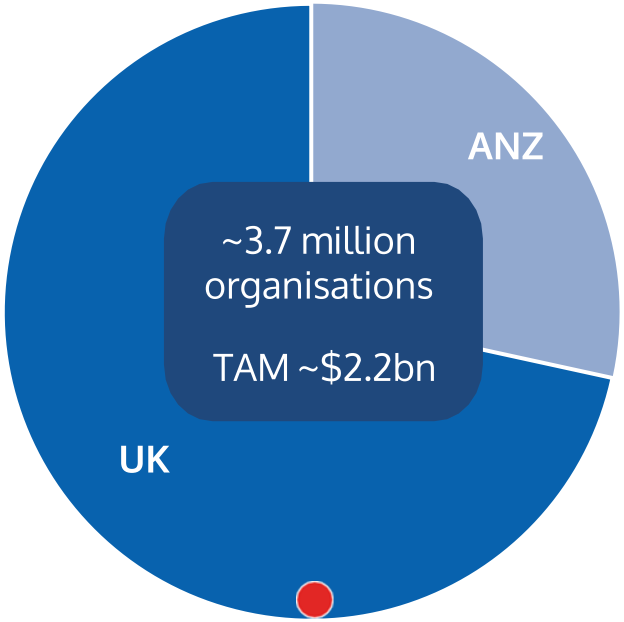


Plus 5.4 million UK public employees

ELMO

Market penetration
<5% organisations

Small business TAM[1,2]
(<50 employees)



breathe

Market penetration
<1% organisations

$12.8 billion opportunity across mid-market and small business

1. Frost & Sullivan independent market report 2019/2020
2. Assumes full penetration of ELMO & Breathe platform

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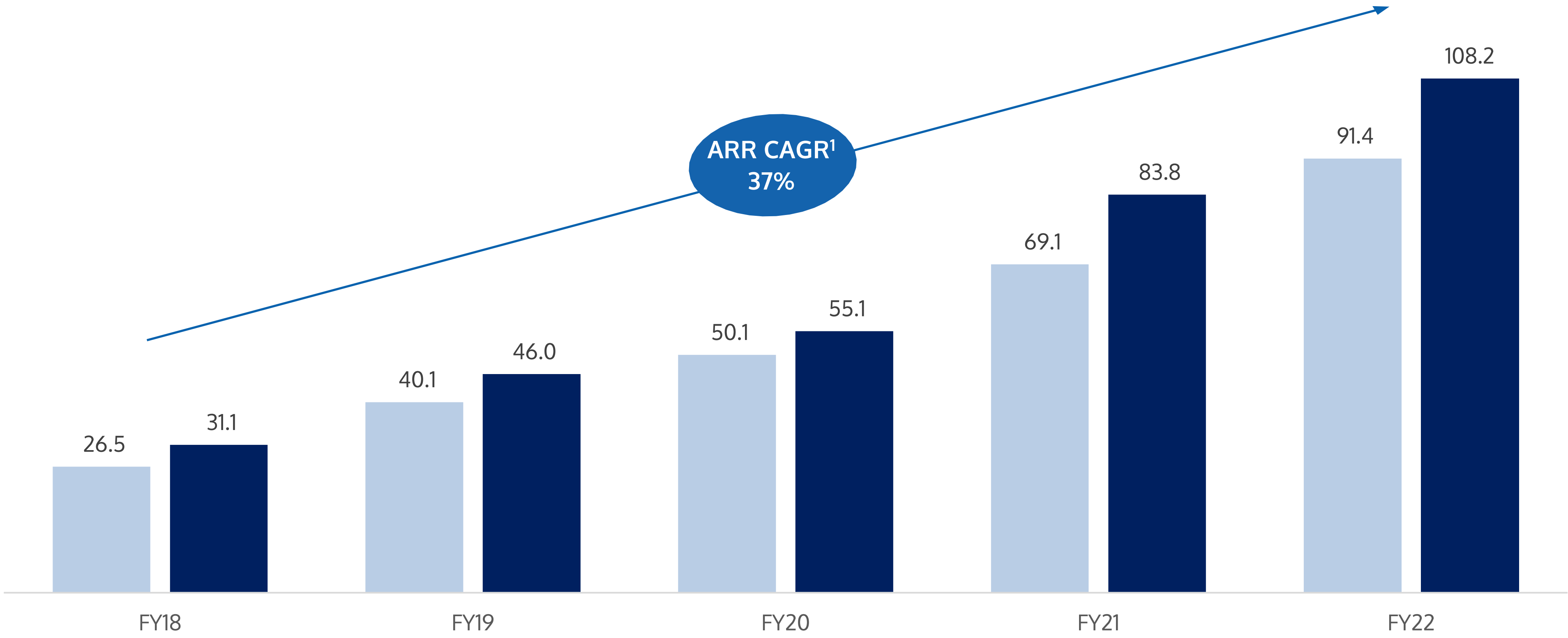
Results FY22
(ASX:ELO)

Group Annualised Recurring Revenue growth

ARR CAGR of 37% since FY18

- ARR **$108.2** million at June 2022
- Organic ARR CAGR growth **38%** from FY18
- Revenue CAGR growth **36%** from FY18

ARR and revenue FY18 to FY22 ($m)

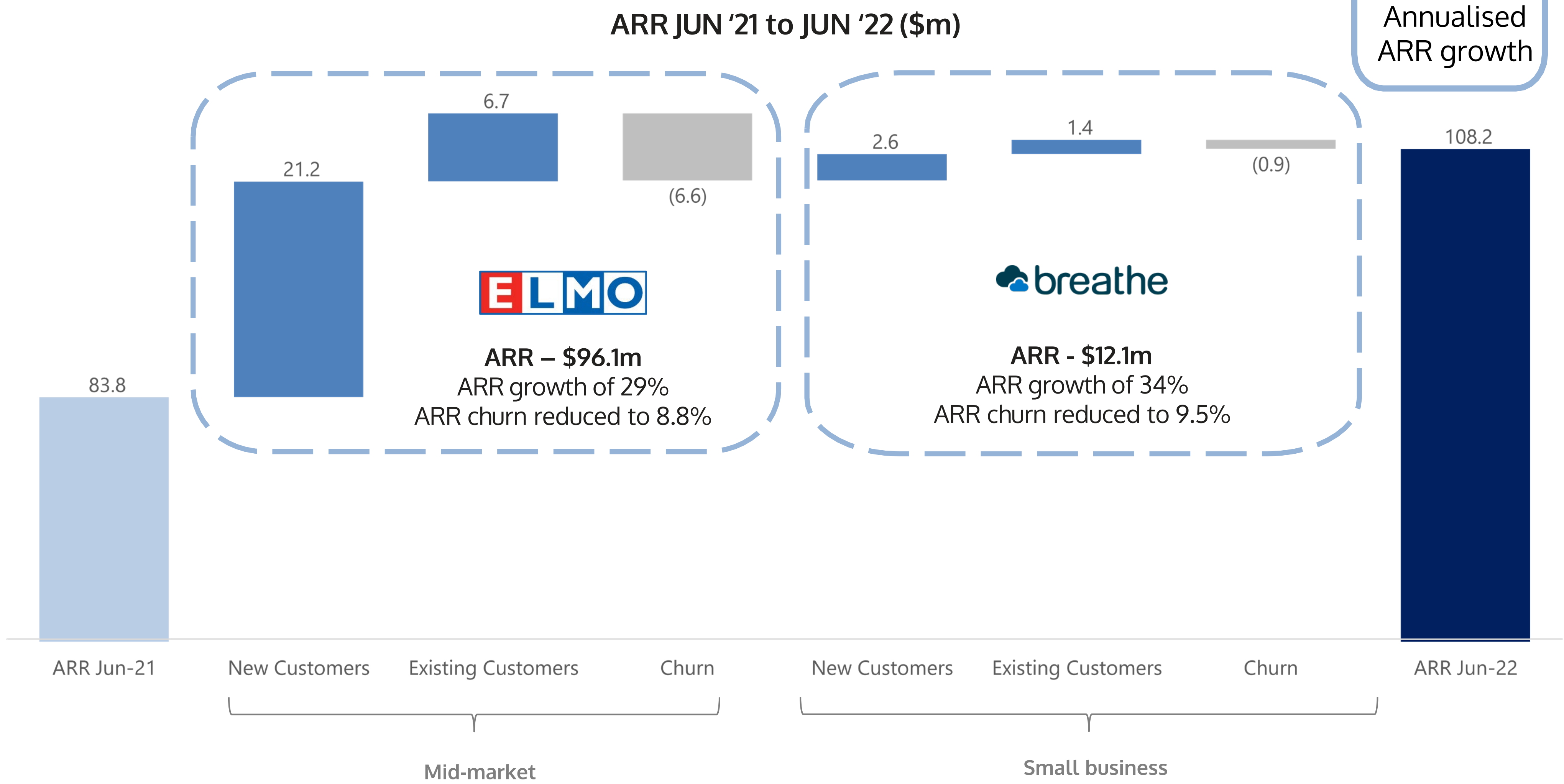


1. Total ARR CAGR from FY18 to FY22

Group ARR growth

Organic growth accelerating through FY22 coupled with reducing churn

29%
Annualised
ARR growth



FY22 mid-market dashboard

Annualised ARR growth of 29% and reduced churn

Financial

$96.1 million
Annualised recurring revenue (ARR)
29% growth from 30 June 2021

$80.5 million
FY22 revenue
27% growth from FY21

$8.1 million
Underlying EBITDA
up $6.3m from FY21

Operational

89.4%
Gross Profit Margin
Up 60 bps from FY21

100.1%
Net customer dollar retention
Customer retention rate 86.8%

$980 million
Lifetime value (LTV) of customer base at 30 June 2022
up $410m from 30 June 2021

Customer

3,472
Customer base
Includes 788 new customers from 30 June 2021

2.9
Modules per customer at 30 June 2022
up from 2.3 at 30 June 2021

$27.7k
Average ARR per customer at 30 June 2022
up $3.7k from 30 June 2021

FY22 small business dashboard

Annualised ARR growth of 34% and reduced churn

breathe

Financial

$12.1 million
Annualised recurring revenue (ARR)
34% growth from 30 June 2021

$10.9 million
FY22 revenue
98.4% growth from FY21

$(1.0) million
Underlying EBITDA
up $0.2m from FY21

Operational

94.3%
Gross Profit Margin
Up 480 bps from FY21

106.1%
Net customer dollar retention
Customer retention rate 87.8%

$120 million
Lifetime value (LTV) of customer base at 30 June 2022
Up $60m from 30 June 2021

Customer

11,198
Customer base
Includes 3,241 new customers from 30 June 2021

1.3
Modules per customer at 30 June 2022
up from 1.2 at 30 June 2021

$1.1k
Average ARR per customer at 30 June 2022
Up 8.7% from 30 June 2021

FY22 summary financial results

Income statement ($m)[1]	FY22	FY21	Movement	Movement %
Subscription revenue	89.4	66.8	22.6	33.8%
Professional fees and other revenue	2.0	2.3	(0.3)	(12.7%)
Total revenue	**91.4**	**69.1**	**22.3**	**32.2%**
Gross profit[2]	82.2	61.4	20.8	33.8%
Sales and marketing expenses	(36.0)	(27.4)	(8.6)	31.5%
Research and development expenses	(20.2)	(11.2)	(9.0)	80.1%
General and administrative expenses	(18.9)	(22.2)	3.3	(15.2%)
Total operating expenses	**(75.1)**	**(60.8)**	**(14.3)**	**23.4%**
Underlying EBITDA	**7.1**	**0.6**	**6.5**	**1,091%**

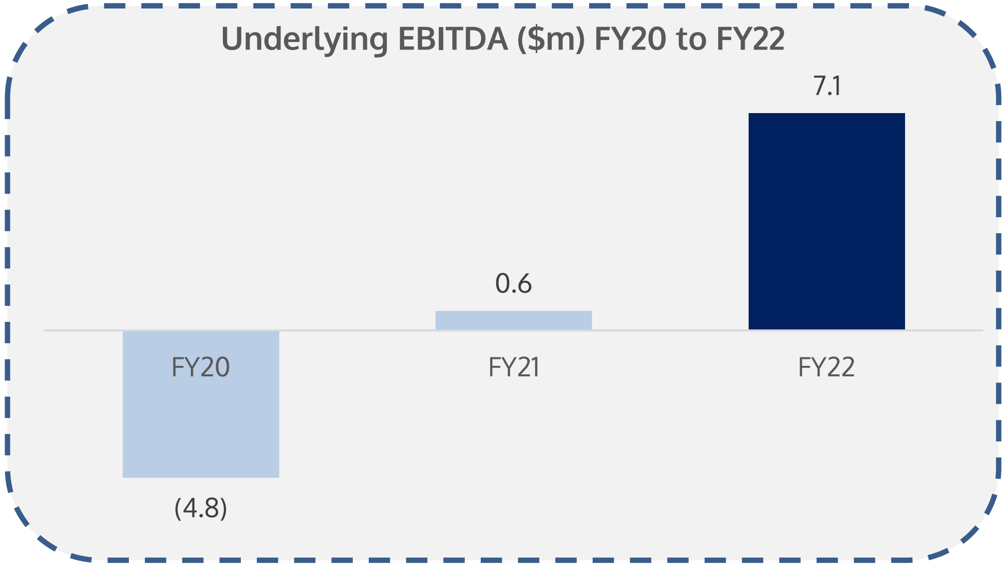
Financial and Operational Metrics	FY22	FY21	Movement %	Movement %
Annualised recurring revenue	108.2	83.8	24.4	29.2%
Subscription revenue %	97.8%	96.7%	110 bps	*n/a*
Gross margin %	90.0%	88.9%	110 bps	*n/a*
Underlying EBITDA %	7.8%	0.9%	690 bps	*n/a*
S&M spend as a % of revenue	39.4%	39.7%	30 bps	*n/a*
R&D spend as a % of revenue[3]	41.5%	44.6%	310 bps	*n/a*
G&A spend as a % of revenue	20.6%	32.8%	1220 bps	*n/a*
Headcount	579	556	23	4.1%

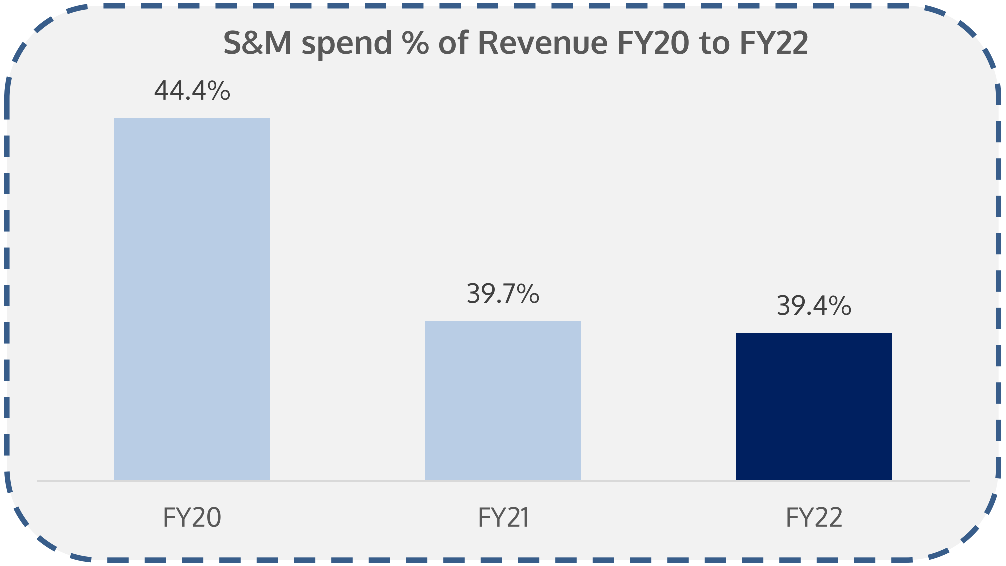
Growth is being complemented by enhanced operating leverage

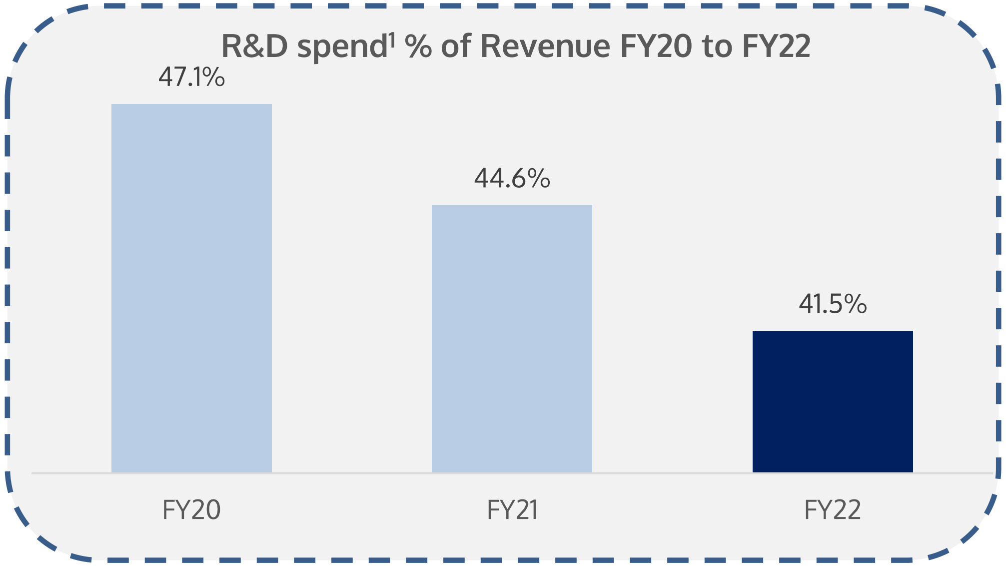
1. Financials information excludes other income, non-cash share-based payments and non-recurring items
2. Gross profit excludes non-cash amortisation relating to capitalsied sales commissions of $4.2m (FY21: $2.3m) and capitalised implementation costs of $3.7m (FY21: $1.6m)
3. R&D spend includes the income statement expense and capitalised costs in the period

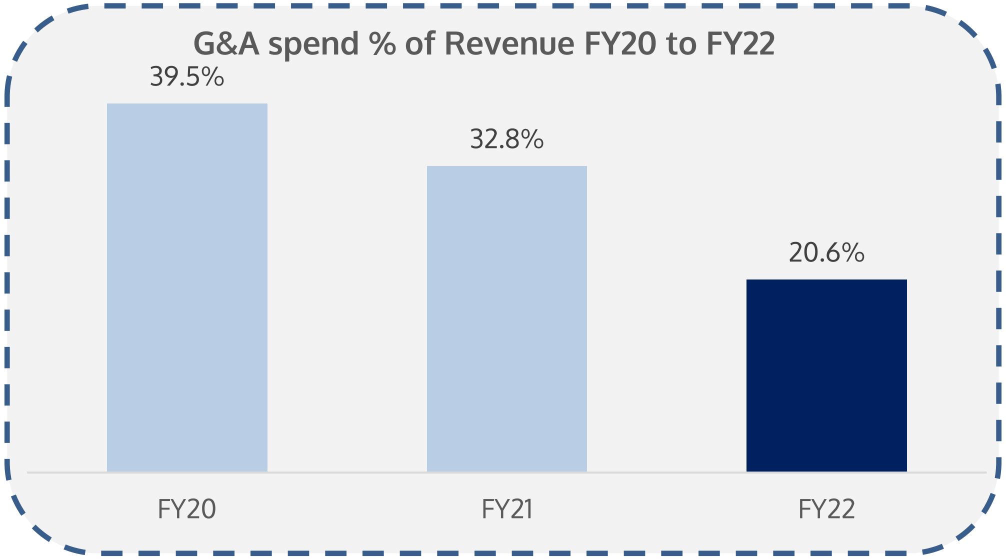
Underlying EBITDA drivers

Operating cost leverage accelerating driving increased EBITDA





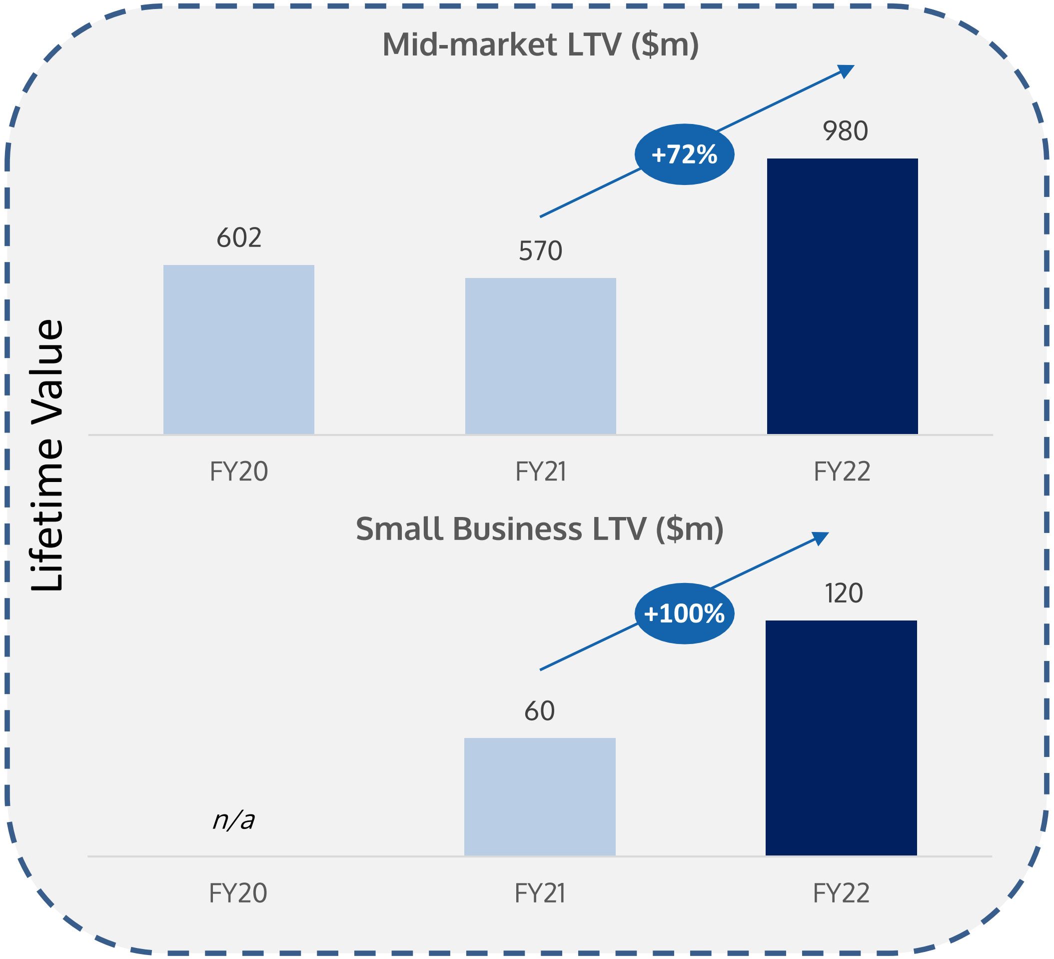


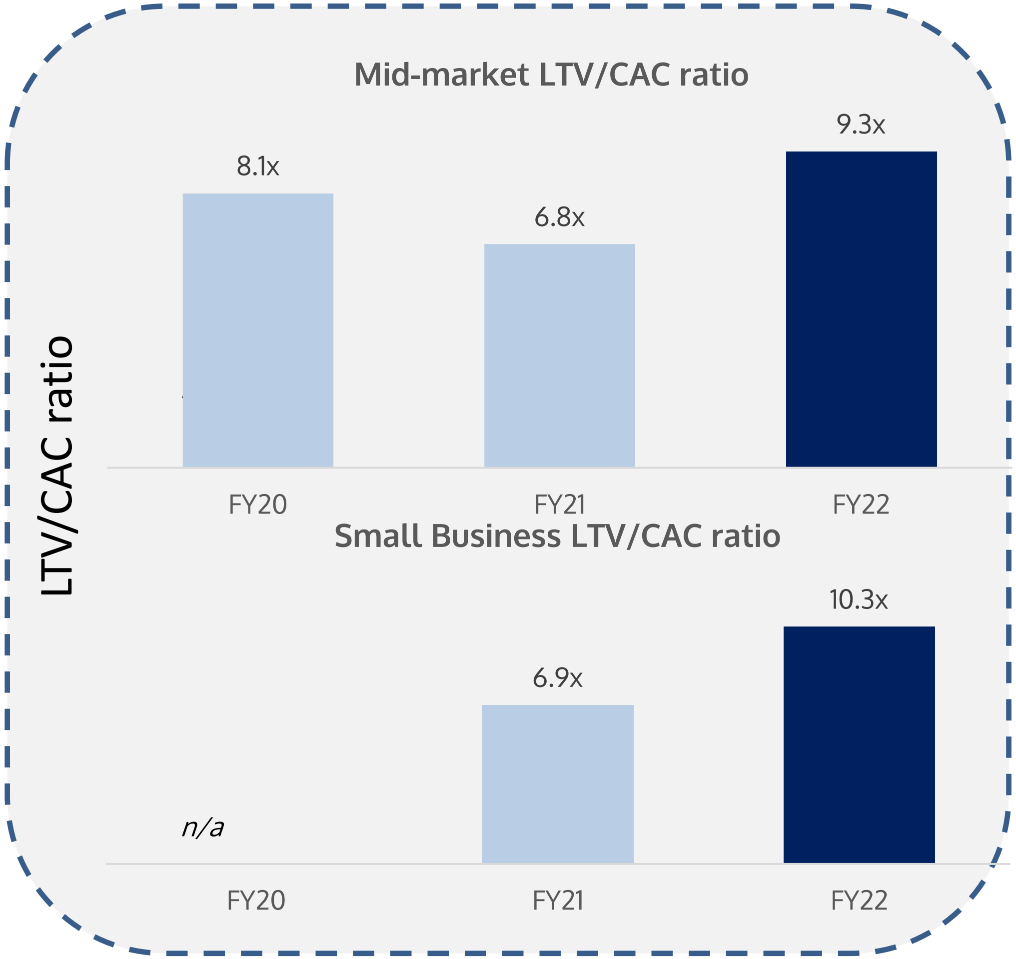


1. R&D spend includes the income statement expense and capitalised costs in the reference period

High LTV/CAC ratio

LTV/CAC ratio has expanded across both the mid-market and small business segments





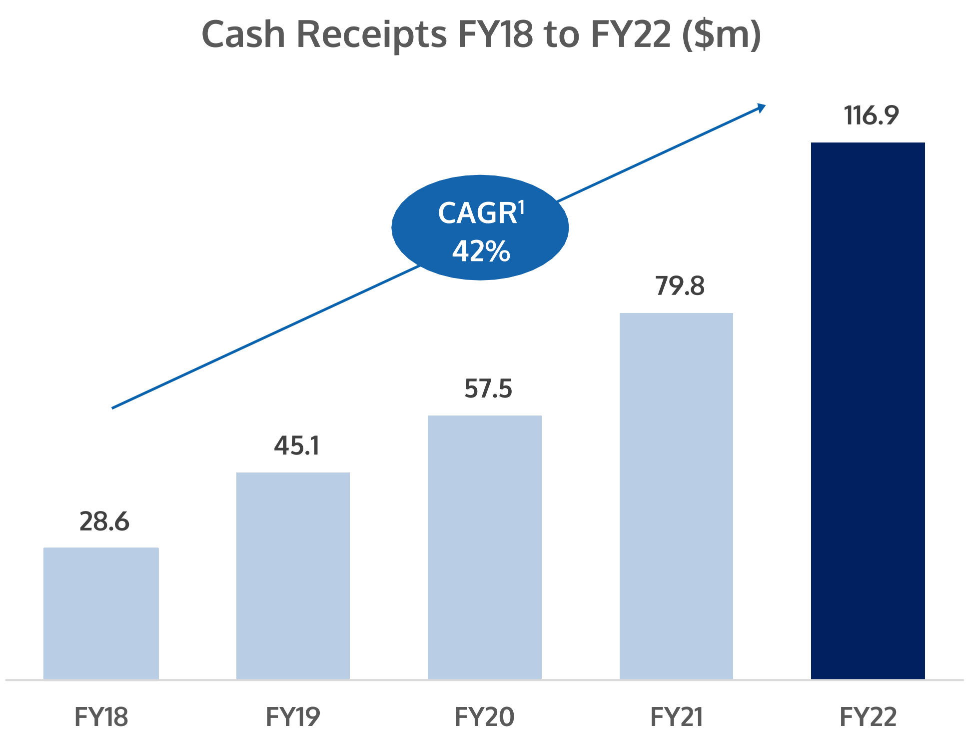
Lifetime value of ELMO group increased to over $1.1 billion

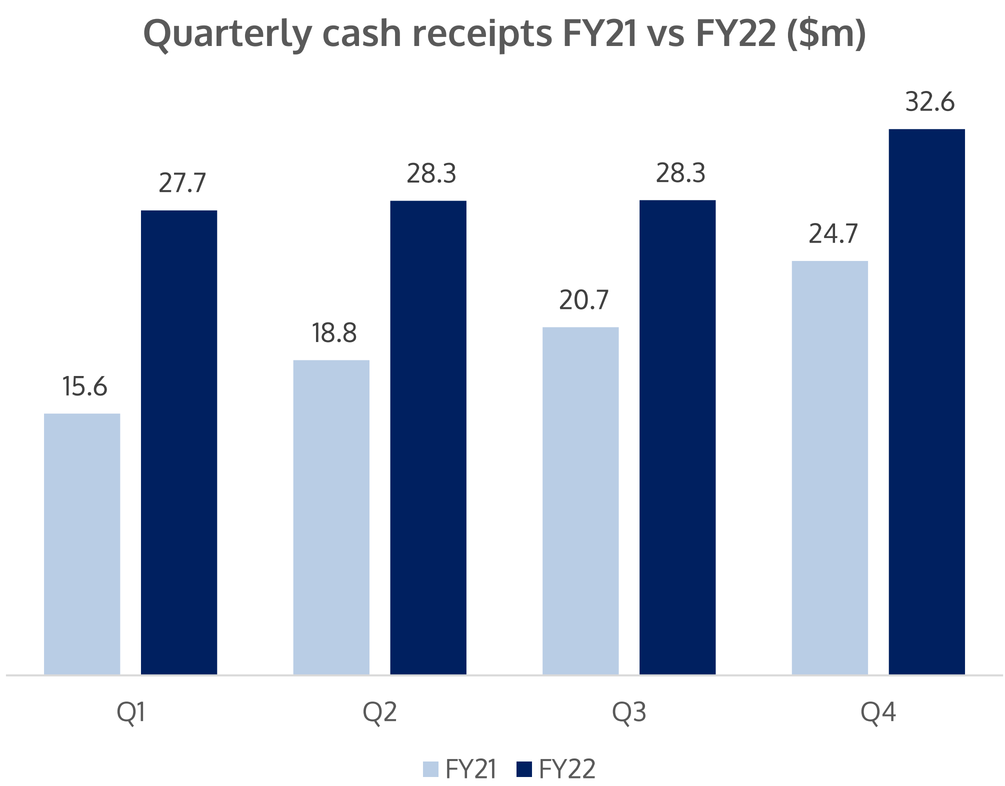
1. Calculations based on customer number as at end of financial period.
2. Gross profit excludes capitalised commissions and implementation
3. Average CAC reflects total sales and marketing expenses associated with securing new customers divided by the total number of new customers added in the period.

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

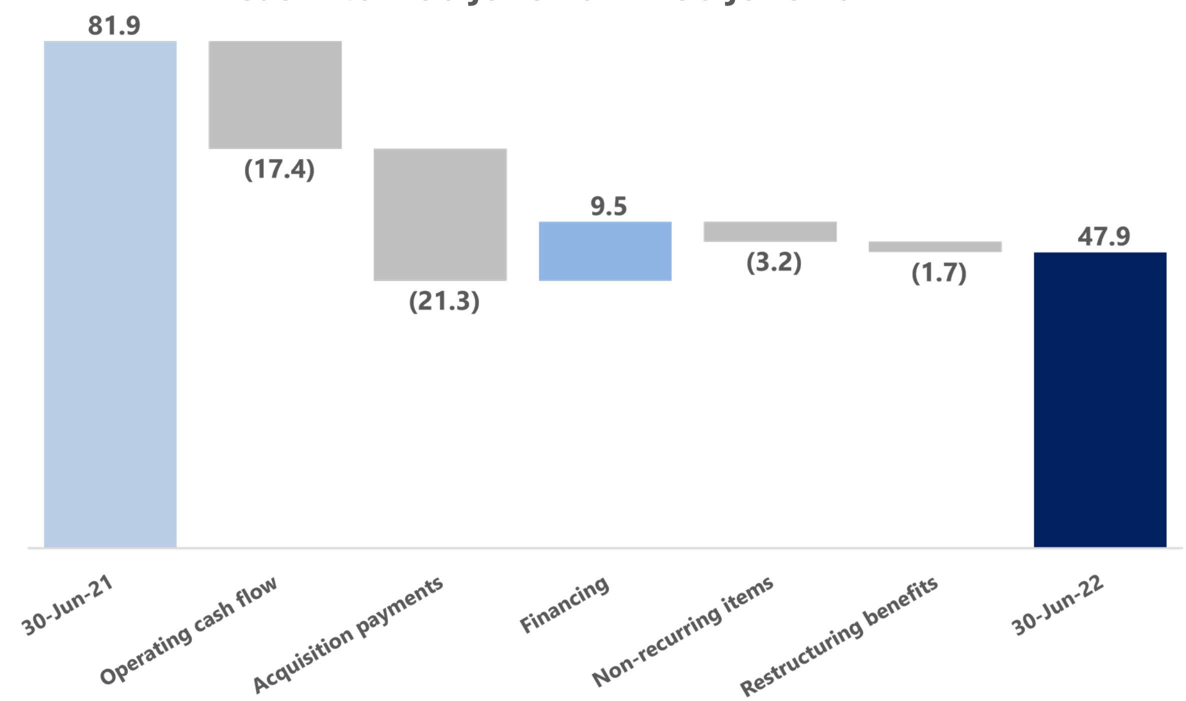
1. CAGR from FY18 to FY22

Group cash balance

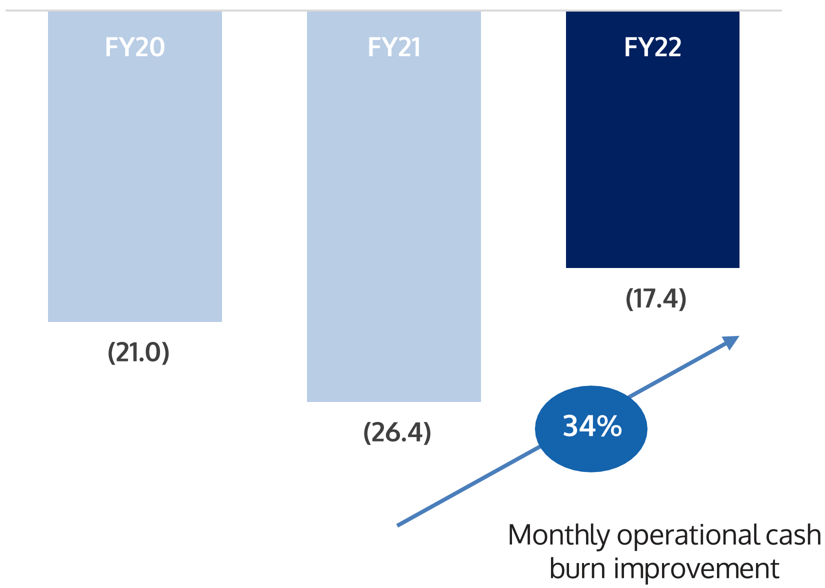
Well capitalised with reducing operating cash burn

- 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



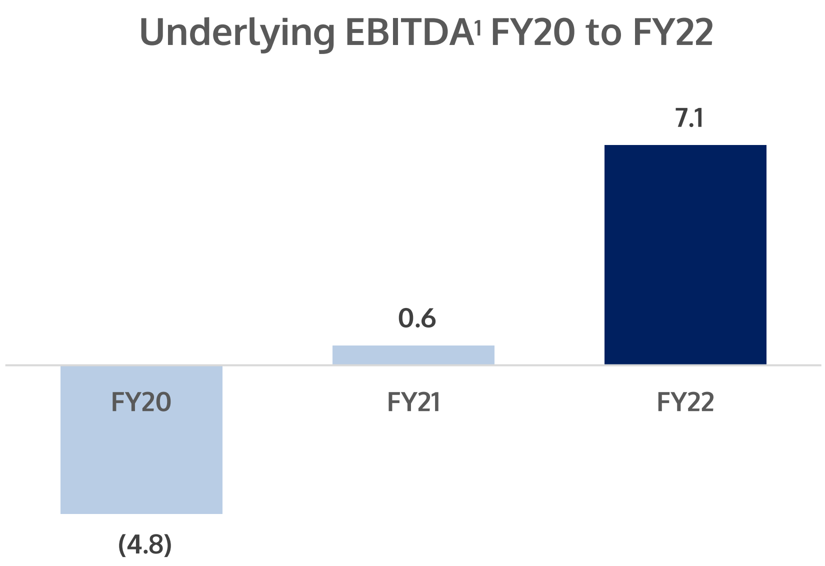
Operating cash burn improved significantly through FY22

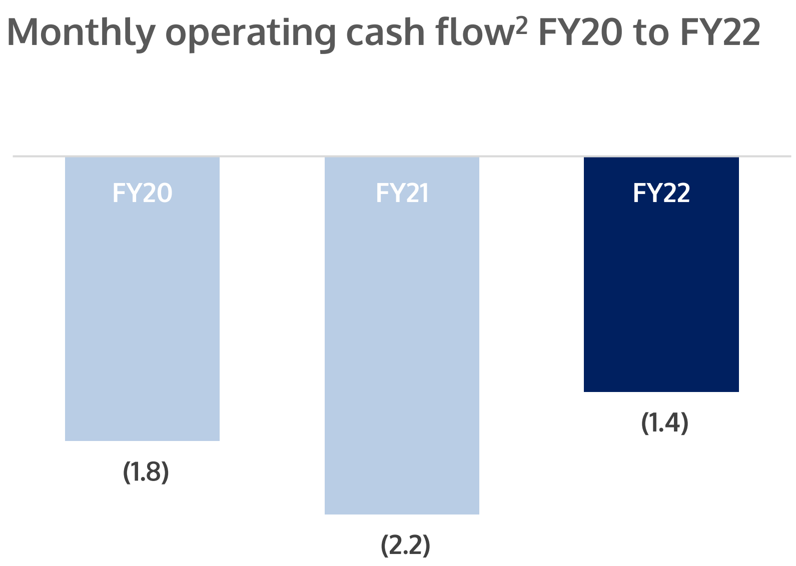
1. Operating cash flow includes capitalised expenses and BAU capex
2. Non-recurring costs primarily relate to fit out costs on new office space in Melbourne and Brisbane
3. Restructuring benefits reflect costs incurred in FY22 that are not expected to re-occur in FY23 as a result of internal restructuring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





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)		Small Business (breathe)		FY23 Group guidance
ARR $119 – 124m		**ARR** $15 – 16m		**ARR** $134 – 140m 24% to 29% YoY growth
Revenue $100 – 105m	+	**Revenue** $14 – 15m	=	**Revenue** $114 – 120m 25% to 31% YoY growth
EBITDA $17 – 20m		**EBITDA** $3 – 5m		**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

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(ASX:ELO)

Appendix

E

Glossary

Term	Definition
Annualised recurring revenue (ARR)	*Annualised recurring revenue at June 2022*
Customer retention rate	*Customer retention is calculated by dividing the number of customers in the current period who were active customers at the end of the prior period by the number of customers at the end of the prior period*
Lifetime value (LTV)	*LTV is calculated by multiplying the average ARR per customer over the past 12 months by gross profit margin (%) divided by ARR churn*
TAM	*Total Addressable Market*
Net customer dollar retention	*Customer dollar retention is calculated by dividing the ARR at June 2022 by the ARR at June 2021 of the same customer cohort*
CAGR	*Compound annual growth rate*
EBITDA	*Earnings before interest, taxation, depreciation and amortisation*
CAC	*Customer acquisition cost: includes the allocation of sales and marketing costs associated with acquiring new customers*

High LTV/CAC ratio

LTV/CAC ratio has expanded across both the mid-market and small business segments

ELMO Mid-market Lifetime Value (LTV)[1]

	LTM Jun-21	LTM Jun-22
Average ARR per customer ($000s)	24.0	27.7
LTM ARR churn (%)	11.6%	8.8%
LTM Gross profit margin (%)[2]	88.8%	89.4%
LTV per customer ($000s)	178	282
Total mid-market LTV ($000s)	**570,000**	**980,000**

Mid-market CAC

	LTM Jun-21	LTM Jun-22
Total customer base CAC ($000s)[3]	17,842	23,836
Number of customers won	660	788
Average CAC ($s)[3]	27.0	30.3
Mid-market LTV / CAC Ratio	**6.8**	**9.3**

breathe Small Business LTV[1]

	LTM Jun-21	LTM Jun-22
Average ARR per customer ($)	995	1,082
LTM ARR churn (%)	13.6%	9.5%
LTM Gross profit margin (%)[2]	89.5%	94.3%
LTV per customer ($)	6,600	10,700
LTV for small business ($000s)	**60,000**	**120,000**
ELMO Group LTV ($000s)	**630,000**	**1,100,000**

Small Business CAC

	LTM Jun-21	LTM Jun-22
Total customer base CAC ($000)[3]	2,479	3,356
Number of customers won	2,590	3,241
Average CAC ($)[3]	960	1,035
Small Business LTV / CAC Ratio	**6.9**	**10.3**

1. Calculations based on customer number as at end of financial period and rounded to the nearest $5 million.
2. Gross profit margin in LTM June -21 and LTM Jun-22 excludes capitalised commissions and implementation costs.
3. Average CAC reflects total sales and marketing expenses associated with securing new customers divided by the total number of new customers added in the period.

Summary Balance Sheet

Balance sheet ($m)	30-Jun-22	30-Jun-21	Movement
Cash and cash equivalents	47.9	81.9	(34.1)
Other current assets	32.2	24.0	8.2
Total current assets	**80.0**	**105.9**	**(25.9)**
Intangibles	175.0	182.4	(7.4)
Other non-current assets	30.2	28.2	2.0
Total non-current assets	**205.3**	**210.6**	**(5.4)**
Total assets	**285.3**	**316.5**	**(31.3)**
Trade and other payables	14.5	14.6	(0.2)
Contract liabilities	52.4	34.6	17.8
Loans and borrowings	40.5	30.0	10.5
Deferred consideration	39.8	35.5	4.2
Other liabilities	38.4	34.9	3.5
Total liabilities	**185.5**	**149.7**	**35.8**
Net assets	**99.7**	**166.8**	**(67.1)**

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