# ELMO Software

## HR | Payroll | Expense Management

FY22 Business Update

ASX:ELO

28 July 2022

# FY22 ELMO group business update

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

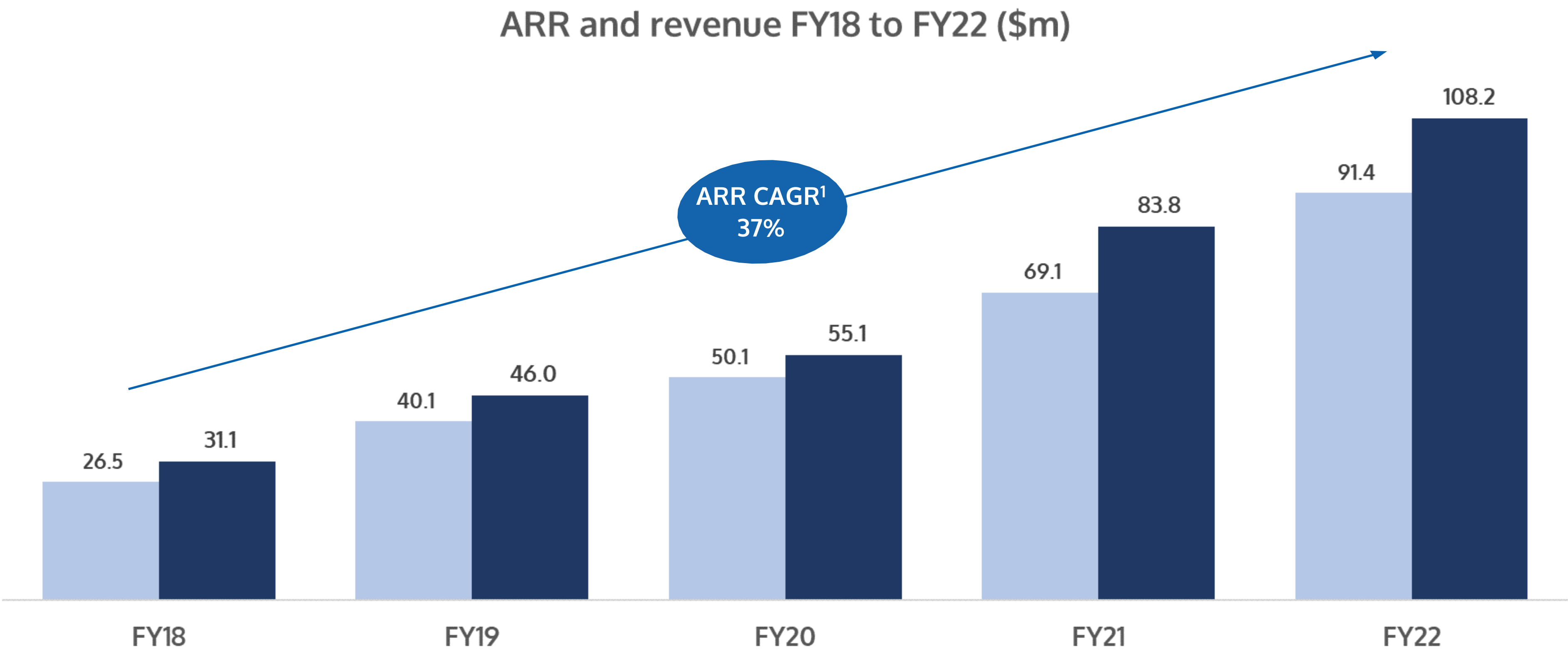
**Record result through FY22 setting the platform for reaching operating cash flow breakeven in FY23**

1. Unaudited headline results
2. FY22 and FY21 comparative underlying EBITDA excludes non-recurring items and non-cash share based payments

# Group Annualised Recurring Revenue growth

ARR CAGR of 37% since FY18

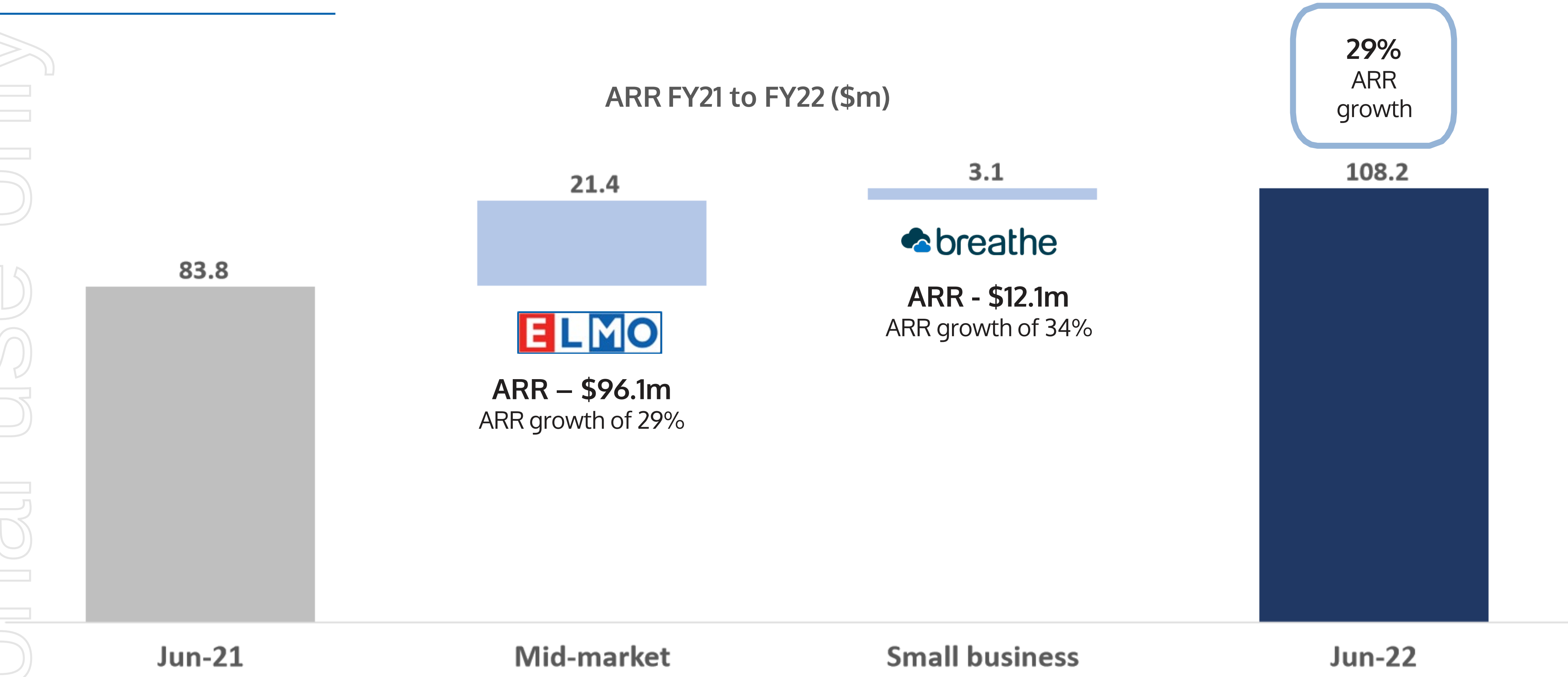
- ARR **$108.2** million at June 2022
- Organic ARR CAGR growth **36%** from FY18
- Revenue CAGR growth **36%** from FY18




1. Total ARR CAGR from FY18 to FY22

# Group ARR growth

High organic growth through both market segments

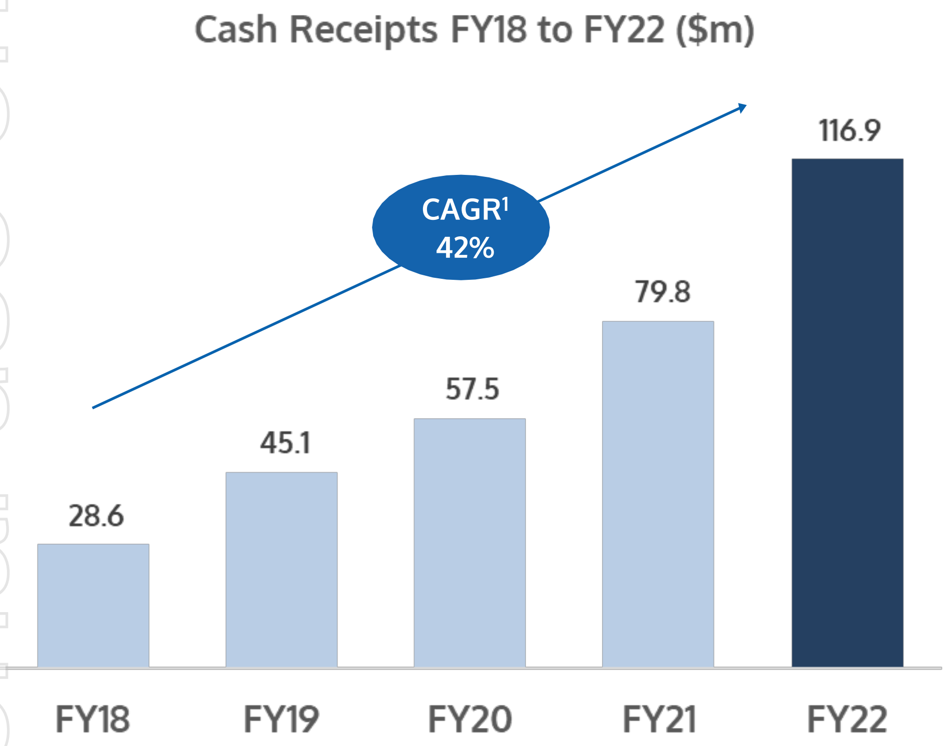


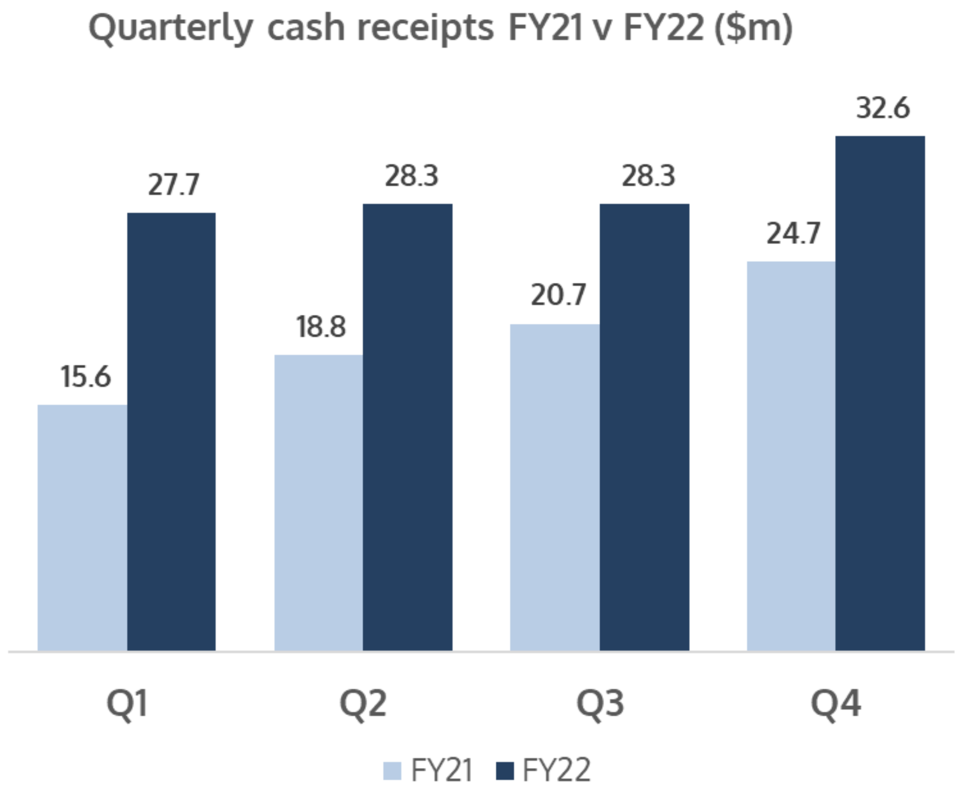

**ELMO Group organic growth of 29% since June 2021**

# 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**

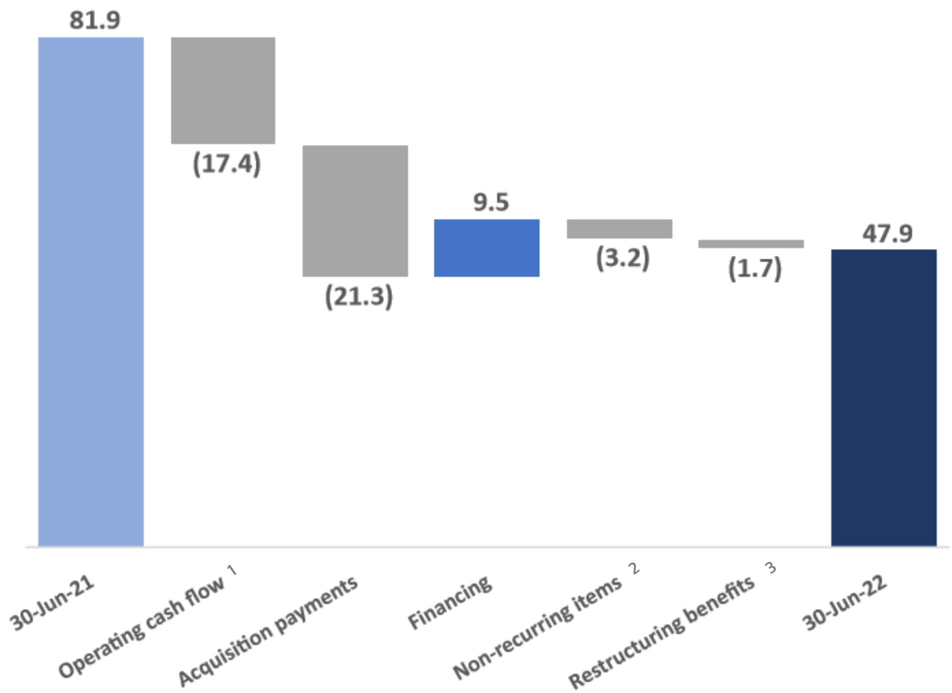
1. CAGR from FY18 to FY22

# Group cash balance

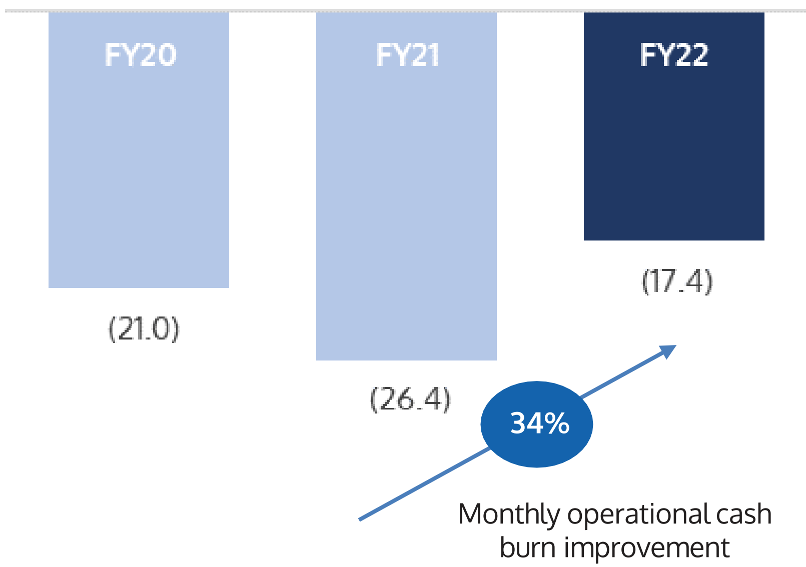
## Well capitalised with reducing operating cash burn

- 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**

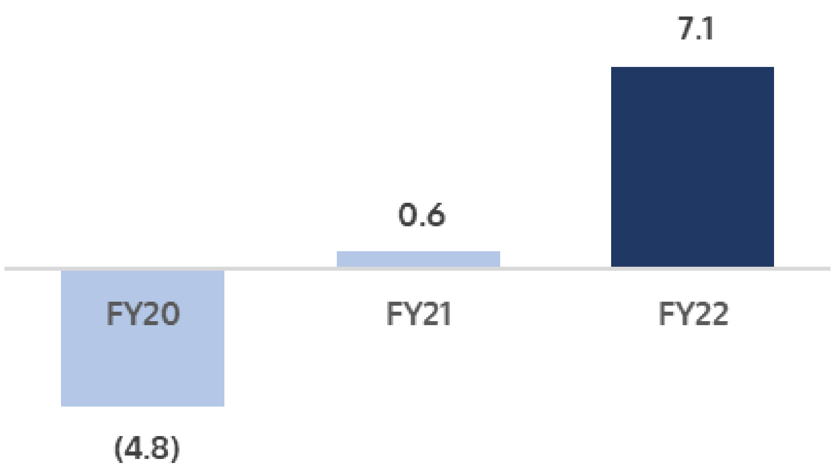
1. Operating cash flow includes capitalised expenses and BAU capex
2. Non-recurring costs primarily relate to fit out costs on new office space in Melbourne and Brisbane
3. Restructuring benefits reflect costs incurred in FY22 that are not expected to re-occur in FY23 as a result of internal restructuring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

# Pathway to operational cash flow breakeven

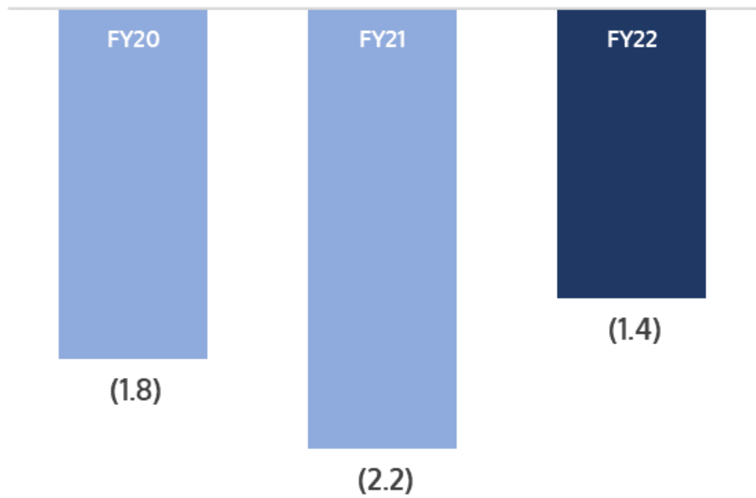
## ARR scale and growth complemented by key restructuring initiatives

- Accelerating underlying EBITDA which has increased **11.1**x since FY21
- **34**% reduction in operating cash burn

### Underlying EBITDA[1] FY20 to FY22




### Monthly operating cash flow[2] FY20 to FY22




**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.<br>• 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.<br>• 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.<br>• 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.<br>• Focus through FY23 on maintenance and building out increased functionality on existing modules.<br>• 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.<br>• 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<br>24% to 29% YoY growth |
| **Revenue** $100 – 105m | + | **Revenue** $14 – 15m | = | **Revenue** $114 – 120m<br>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

# Appendix

# Glossary

| Term | Definition |
|---|---|
| Annualised recurring revenue (ARR) | *Annualised recurring revenue at June 2022* |
| TAM | *Total Addressable Market* |
| CAGR | *Compound annual growth rate* |
| EBITDA | *Earnings before interest, taxation, depreciation and amortization* |

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