

ASX ANNOUNCEMENT
19 December 2018



ELMO Software Limited
(ASX:ELO)

Acquisition of HROnboard

Transaction highlights:

- Acquisition of HROnboard, one of Australia's leading providers of cloud-based employee onboarding software
- Total revenue of \$2.6m over the last twelve months to 30 November 2018
- Rapid growth of recurring SaaS revenue, averaging over 40% annually over the last three years
- High quality revenue stream with SaaS revenues accounting for ~97% of total revenues and revenue retention rates of ~97%
- Strong and loyal customer base of 131 organisations operating across a wide range of industries, who have demonstrated retention rates of ~93%
- HROnboard's customer base has minimal cross over with ELMO's existing customer base and therefore provides significant scope to cross-sell ELMO's extensive HR & Payroll SaaS offering
- Acquisition of HROnboard is aligned with ELMO's growth strategy and acquisition mandate. HROnboard accelerates ELMO's growth and scale within the Human Capital Management (**HCM**) space and contributes towards ELMO's industry leading position
- Respected industry leader Peter Forbes, who is HROnboard's founder and CEO will be joining ELMO to drive the rapid growth of the onboarding product as well as leading the module cross-sell strategy across the HROnboard customer base
- Initial cash consideration of \$7m to be paid on completion with a deferred cash payment of \$3m. The vendor is eligible for an additional conditional cash payment (estimated to be around \$5m) which will be subject to achieving a range of high growth performance targets

ELMO announces the execution of a binding sale agreement to purchase 100% of the shares in HROnboard, which is one of Australia's leading specialist providers of cloud-based employee onboarding software.

The onboarding process is an essential function of an employee's lifecycle within an organisation and the acquisition of HROnboard strategically strengthens ELMO's position as the leading provider of SaaS onboarding solutions in the Australian and New Zealand market.

HROnboard, over the past three years, has consistently delivered strong SaaS recurring revenue growth of over 40% annually. SaaS recurring revenue consisted of 97% of HROnboard's total revenue of \$2.6m over the last twelve months to 30 November 2018. HROnboard also has high customer and revenue retention metrics, with a ~93% customer retention rate and a ~97% revenue retention rate.

HROnboard has 25 employees and has an established foundation to continue delivering sustained, long term revenue growth. The business is expected to report a small EBITDA loss in FY19, however is expected to be breakeven during FY20.

HROnboard has successfully built a high quality and loyal customer base of 131 organisations. HROnboard's customers range from small to large sized organisations and operates across a wide range of different industries. HROnboard and ELMO's customer base have minimal cross over and therefore provides an attractive cross-sell opportunity for ELMO's extended product suite.

Peter Forbes, the founder and CEO of HROnboard is a respected industry leader in the specialist field of onboarding software. Peter will be joining ELMO to continue driving the high growth of the onboarding product as well as managing ELMO's cross-sell strategy.

The acquisition of HROnboard is consistent with ELMO's growth strategy of delivering strong organic growth and supplementing this with disciplined and selective complementary acquisitions.

ELMO CEO Danny Lessem noted, "We are delighted to welcome HROnboard into the ELMO group. I have known Peter Forbes for some time and have been greatly impressed by the high quality business he and his team have built. HROnboard is growing strongly with an enviable customer base. As well as enhancing our scale and industry leading position, HROnboard provides significant scope for us to offer our extensive HR & Payroll product suite across an enlarged customer base."

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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.