

CASE STUDY



COMPANY SPOTLIGHT



Market capitalisation at time of purchase \$108.3m	Market capitalisation at time of sale \$485m	Industry Sector Software & Technology Services
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ELMO SOFTWARE LTD (ASX: ELO)

Elmo Software is a provider of cloud-based human capital management (HCM), payroll, and employee learning management solutions across Australia, New Zealand, and the UK. The company offers an integrated SaaS platform enabling mid-market organisations to manage their people, automate workflows, and ensure compliance across HR functions.

The platform includes 15+ modules spanning recruitment, onboarding, performance management, learning, payroll, and rostering. Elmo's strategy focused on cross-selling into an expanding customer base and product innovation via acquisition.

WHY DID WE INVEST?

- Mission-critical platform embedded within HR and payroll operations.
- Recurring revenue model with high gross margins and low churn.
- Cross-sell opportunity across a modular suite, increasing ARPU.
- Industry tailwinds from digital transformation and remote workforce trends.
- Clear consolidation strategy in a fragmented HR tech landscape.

ENTRY PRICE

- Participated in the IPO of June 2017 at \$2.00 and continued to purchase shares over time with an average purchase price of \$2.58.

*Past performance is not indicative of future performance. This is general information only and should not be construed or relied upon as legal, financial or professional advice. Accordingly, the recipient should seek independent professional advice as to the risk, financial, taxation and other implications of investing.

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ELMO Software Limited (ASX:ELO) - Share Pricing



Source: S&P Capital IQ

WHY DID WE SELL – Acquisition by K1 Investment Management

- Initially in 2018 due to an exuberant valuation of the shares rose to an Enterprise Value / Total Revenue multiple of circa 25 times. We sold at an average price of \$5.92.
- In late 2022, US-based private equity firm K1 Investment Management submitted a proposal to acquire Elmo at **\$4.85 a share**, a significant **48% premium** to its 1 month VWAP.

INVESTMENT OUTCOME

- Began purchasing in June 2017 via the IPO at \$2.00 and average entry price was \$2.58.
- The share price rose aggressively during 2018, and we believed the valuation to be exuberant, selling all of our position for an average price of \$5.92.
- Keeping an eye on the business during 2021 and 2022 we re-entered at an average price of \$3.58
- Sold at an average sale price of \$4.76 with the last sale in January 2023 prior to the scheme completing.
- Overall achieved an average purchase price of \$3.03 and an exit price of \$5.40
- Gain of 78.2% on our investment over the period, equating to a money weighted IRR of approximately 180.8%.

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