



2016 RESULTS PRESENTATION



PRESENTERS
23 FEBRUARY 2017

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CHIEF EXECUTIVE OFFICER

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myob simplify
success

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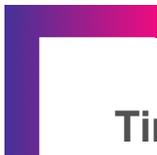
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Presenters



Tim Reed

CHIEF EXECUTIVE OFFICER

Appointed Chief Executive Officer in 2008



Richard Moore

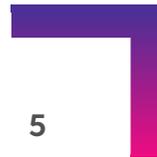
CHIEF FINANCIAL OFFICER

Appointed Chief Financial Officer in 2012



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FY16 Highlights and Business Strategy



FY16 Highlights

Solid Financial Performance

Revenue

\$370M

UP 13% YEAR ON YEAR

Recurring revenue up 14% to \$354 million, now 96% of total revenue

Pro forma EBITDA

\$171M

UP 12% YEAR ON YEAR

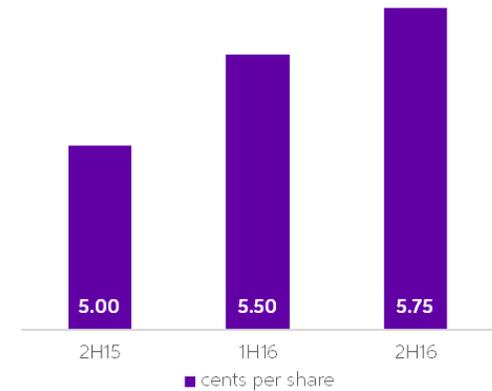
Statutory EBITDA of \$164 million, NPAT of \$54 million and NPATA of \$94 million

Pro forma NPATA

\$97M

UP 13% YEAR ON YEAR

Pro forma NPATA EPS of 16.5 cents, up 12% yoy



Paying SME subscribers

585K

UP 7% YEAR ON YEAR

Online subscribers

249K

UP 47% YEAR ON YEAR

% of new clients online (Q4)

92%

UP 14% YEAR ON YEAR

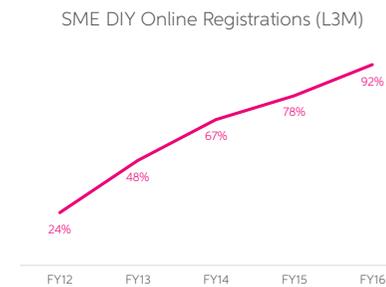
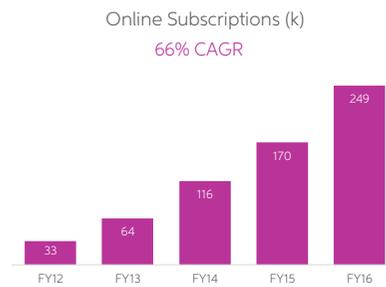
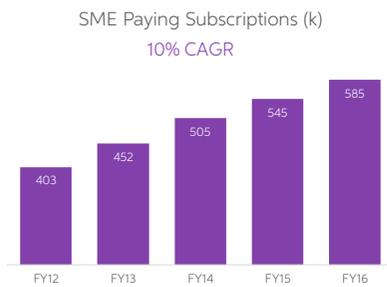
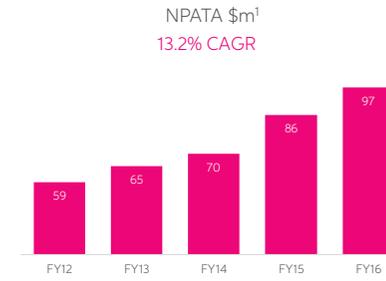
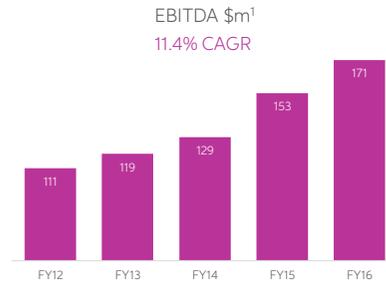
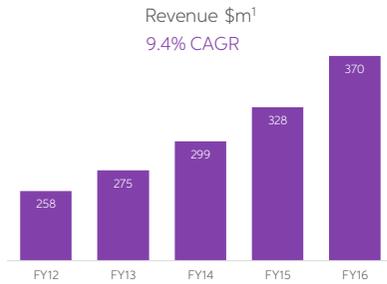
Final dividend declared of

5.75c PER SHARE

UP 15% YEAR ON YEAR

FY16 Highlights

Continuing to deliver at record levels



Note: 1. Financial measures noted on a pro forma, like-for-like basis

FY16 Highlights

Delivering on our Connected Practice strategy



And driving online growth from new and existing clients

Successful uptake of connected practice strategy



- Connected Practice Strategy well received by Accountants, who are pivotal to strategic success
- Strong uptake of MYOB Practice Ledger, Portal and Dashboard
- Considerable progress in developing MYOB Connected Ledger

MYOB platform development well underway



- 15.1% of revenue invested in R&D
- Investment in existing products held steady, all incremental investment in the MYOB Platform
- A suite of MYOB Platform Modules delivered to the market, with more to come

Continued growth from new and existing clients



- 47% growth in online subscribers with launch of MYOB Practice Ledger
- 7% growth in SME paying users and 32% growth in online SME users
- Rapid uptake of online connected services, including PayDirect Online
- Expansion in TAM and payments capability through the acquisition of Paycorp

Brand and team evolution



- Continued evolution of brand and experience, with launch of new brand in 2H16
- Brand values and employee engagement at high levels
- Award-winning team, with new Executive and Board members bringing industry expertise

Continuing to grow enterprise share



- Enterprise Solutions revenues growing quickly, becoming a more material part of the business
- Strong uptake of MYOB Advanced
- Seamless integration of Greentree
- Opportunities for further inorganic growth

MYOB Strategy



Helping businesses succeed by developing intelligent, intuitive, online tools that make business life easier

Connected Practice



Lead our industry through a period of intense change by painting an inspiring view of the industry's future

MYOB Platform



Deliver an online platform which leverages network effects and brings to life the Connected Practice vision for accountants and SMEs

Clients



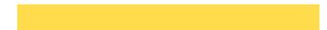
Attract new clients and upsell and retain existing clients by moving them online and making their business life easier through the adoption of connected services

Brand



Align everything we do to deliver an inspired, authentic and in the know experience

Bigger Business



Expand our Enterprise business by driving growth through our first-to-market cloud position, combined with inorganic growth opportunities

Connected Practice

Aligning with global tech trends



We are building the MYOB Platform to power our vision of the future of accounting



We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction.

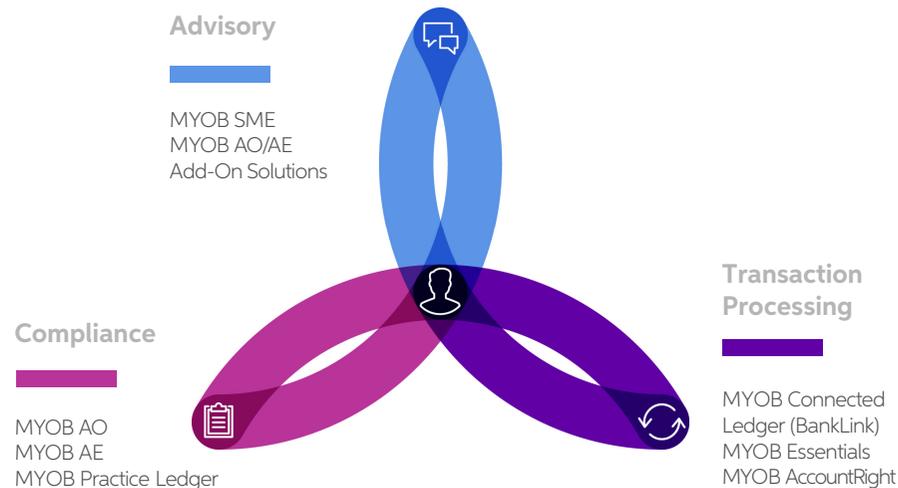
Bill Gates



Global tech trends will change accounting

- Internet of Things
- AI and Machine Learning
- Humans augment technology
- Nature of work is changing

Driving the evolution of The Connected Practice

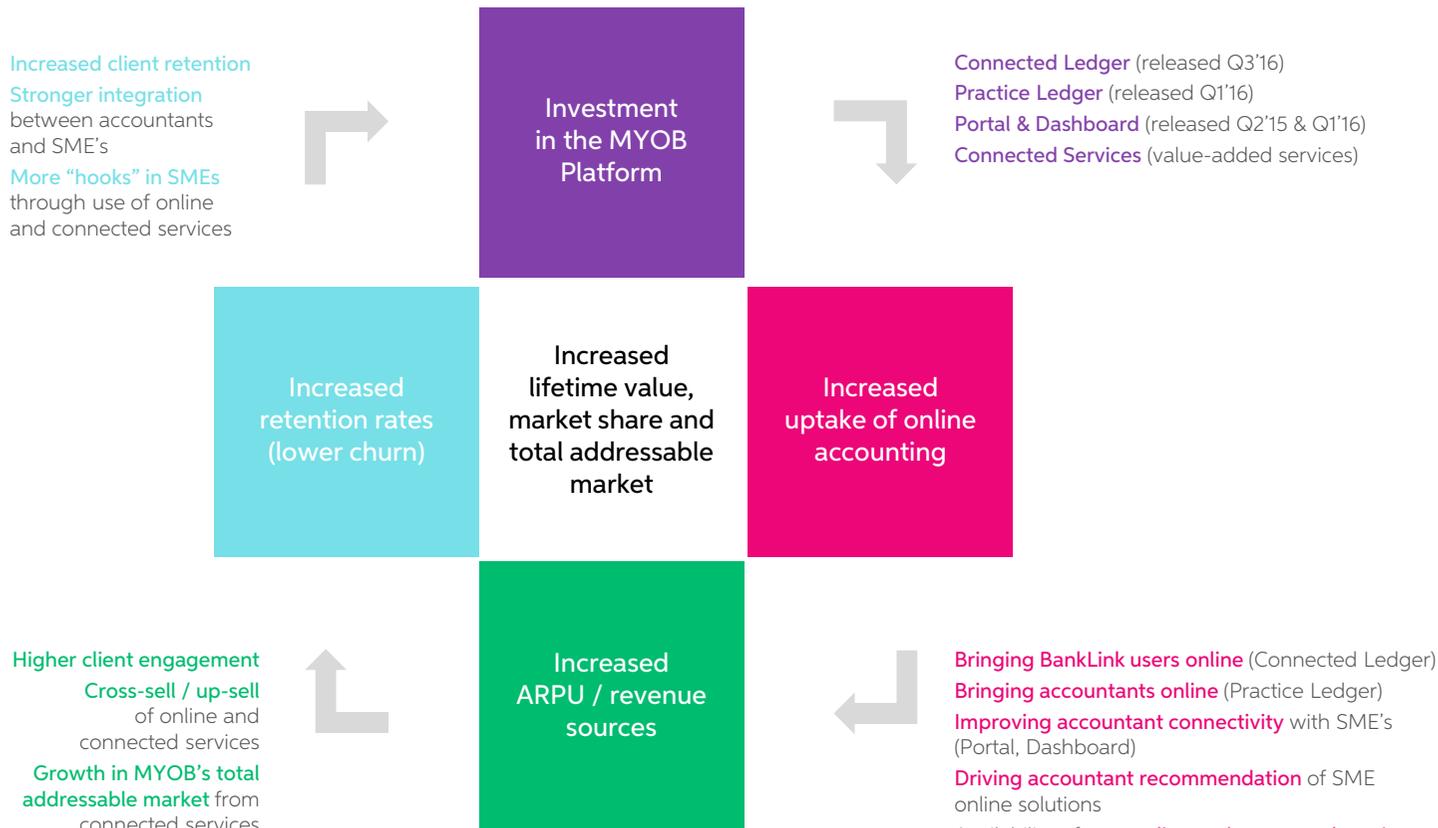


Enabled by the MYOB Platform

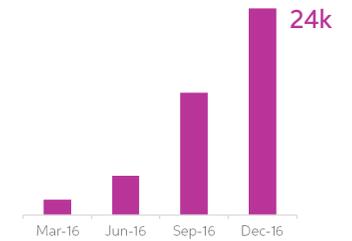
- Transactions captured **electronically, in real time**
- **Transactions** processed automatically
- **MYOB uses service** to augment technology and work so "done"
- Connected Practices **transformed**:
 - Efficiency in Compliance
 - Ownership of Transaction Processing
 - Increased Advisory role

MYOB Platform

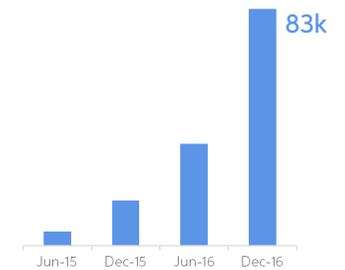
Investment is increasing customer lifetime value and expanding MYOB's total addressable market



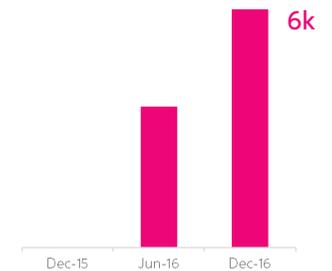
Rapid uptake by accountants



MYOB (Practice) Ledger



MYOB Portal
(clients using)



MYOB Dashboard
(practices using)

Clients

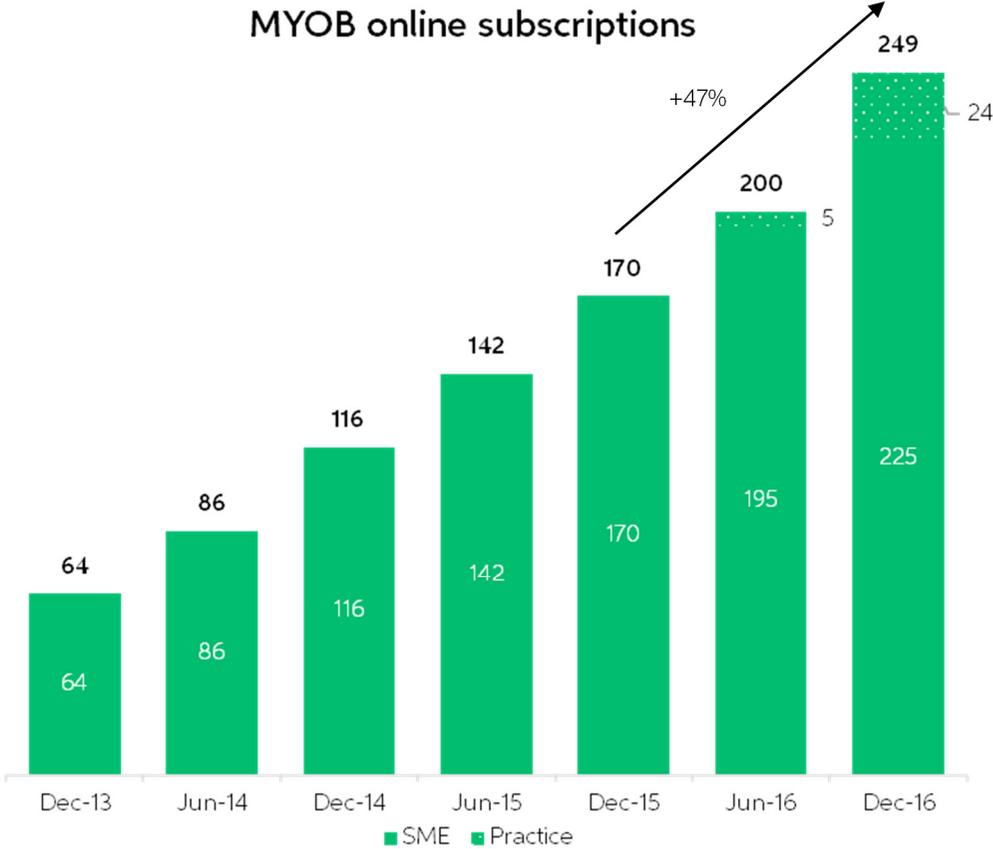
Growth driven by investment in MYOB Platform

- **249,000** online subscriptions, up **47%** year on year, including 24,000 online Practice Ledgers, launched in Q2
- Online subscriptions growth expected to further accelerate in 2017 with momentum building for Practice Ledger and Connected Ledger (online BankLink replacement)
- **92%** of new MYOB SME clients in Q4'16 chose online subscriptions, up from **78%** in Q4'15



% SME DIY Registrations Online (L3M)

MYOB online subscriptions



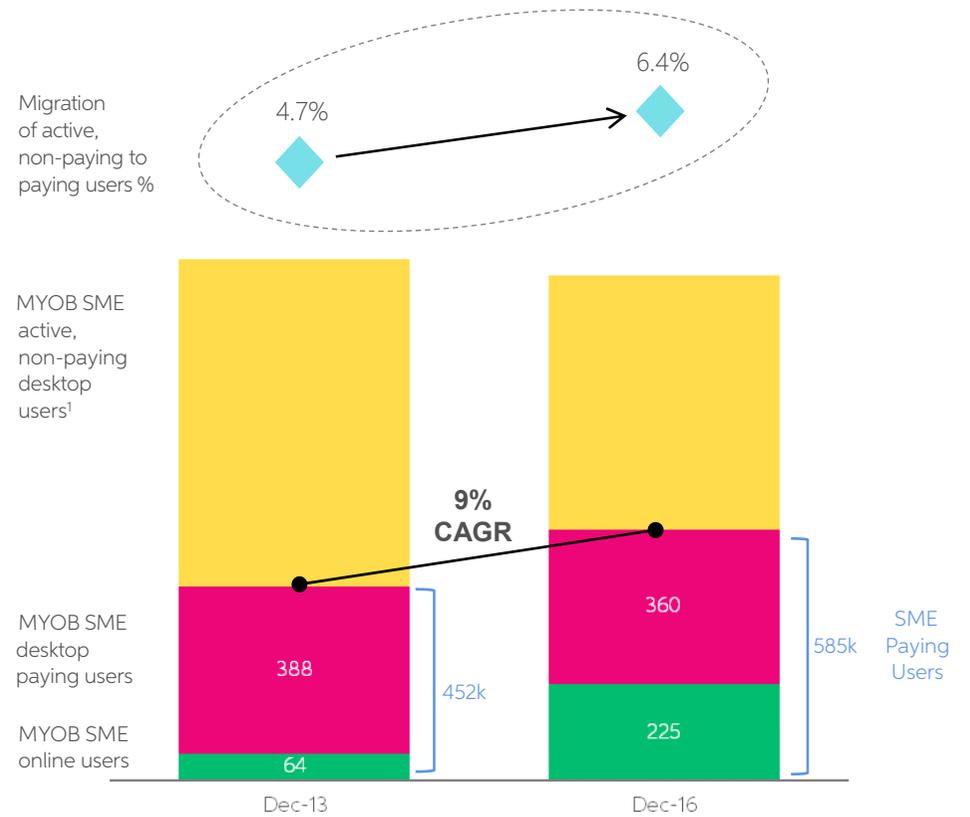
Clients

Growth supported by new SME formations and conversion of existing user base

In Australia, new registrations of MYOB's SME solutions remains at over



Migration of active non-paying base continues, penetration up >35% since December 2013



Note: 1. Active desktop non-paying users confirmed via anti-piracy "pinging" mechanism.

Clients

Resulting in continued growth in SME paying users

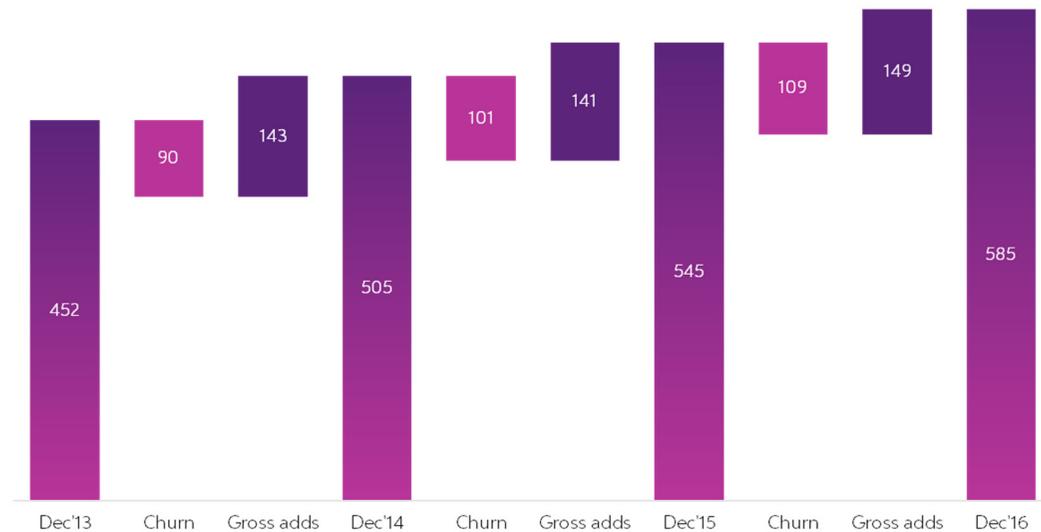
- 585k SME **paying** users, up **7%** year on year, including 225k SME **online** users, up **32%** year on year
- SME online users represent **38%** of paying users as at December 2016, up from **34%** in December 2015

When looking at SME paying user additions, gross is more meaningful than net.

With stable SME paying user retention rates (~80%), more gross adds required every period to maintain overall growth rate, i.e.

- 2015 **+141k gross adds** delivered +40k net;
- 2016 **+149k gross adds** delivered +40k net (up 6%)

SME Paying Users - Gross Adds & Churn



Note:

The majority of the 20% reported churn is SME's closing their businesses, with the next largest contributor those reverting to a perpetual licence. Churn to competitors is very small.

Clients

High engagement driving rapid uptake of online connected services

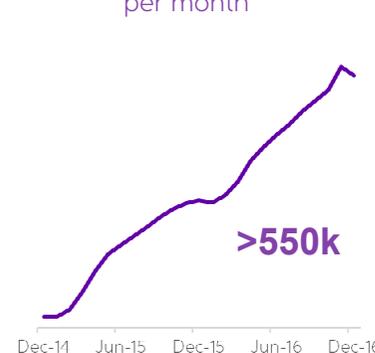
- New features are being adopted more quickly, showing **higher client engagement** which allows continued opportunity to **increase prices** in line with functionality
- Uptake of online services continues to accelerate, growing **total addressable market (TAM)** and **Lifetime Value (LTV)**
- Growth underpinned by compliance drivers **supporting the transition online** (e.g. SuperStream in Australia and eGST in NZ)

Monthly bank transactions fed to online solutions



Up 49% since Dec'15

Smart bills processed per month



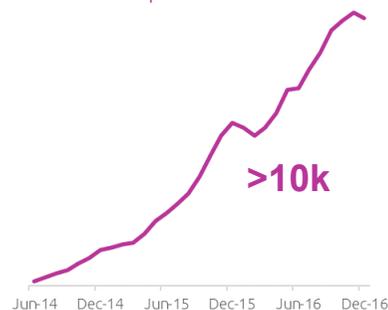
Up 99% since Dec'15

PaySuper - employees paid (L3M)



Up 34% since Dec'15

PayDirect mobile transactions per month



Up 64% since Dec'15

PayDirect online transactions per month



Launched May'16

Clients

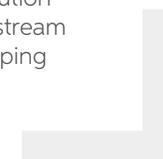
Opportunity to significantly increase MYOB's total addressable market via the acquisition of Paycorp

- **Paycorp** is a market leading provider of **payment processing solutions** to over 6,500 clients (banks and businesses of all sizes across Australasia)
- The acquisition of Paycorp reinforces MYOB's strategy of increasing TAM (estimated by Deutsche Bank to be >\$700 million¹) through connected services, by enabling MYOB to play a larger role in the invoice payments market
- The acquisition positions MYOB as a market leader to **bridge the gap** between accounting and payment solutions through adding integrated and seamless payment acceptance into accounting software flows
- It will enable MYOB clients to reduce administration time and costs and **improve cash flow** through the automation of payment services
- The acquisition is expected to complete on 1 April 2017 and will be immediately EPS accretive



Through this acquisition, we will be the first to market with an integrated payment and accounting solution to our clients, which will create a new revenue stream for MYOB while staying true to our vision of helping businesses succeed.

Tim Reed



Note 1: Deutsche Bank research report 19 August 2016 – Australasian TAM for fees from payments through accounting software platforms

Brand

Evolving our brand and the MYOB experience



As the market leader in digital solutions, we help businesses succeed. Our experience is inspired, authentic and in-the-know



Sales



Online



Promotion



Support



Partnership

Team

New Executive and Board members join the team, bringing top tier industry expertise to the business



Fiona Pak-Poy
INDEPENDENT NON-EXEC DIRECTOR

Fiona joined MYOB in January 2017 as an independent, non-executive director.

Fiona is a non-executive Director of several leading companies, all with a focus on technology and innovation.

She has an MBA from Harvard Business School and an Honours Degree in Engineering from the University of Adelaide.



Carolyn Luey
GM ENTERPRISE AND NEW ZEALAND

Carolyn joined MYOB in January 2017 as General Manager, Enterprise and New Zealand.

Carolyn has previously held senior management roles at NZME, the Radio Network and Telecom New Zealand.

Carolyn has an Honours Degree in Commerce from the University of Auckland.



David Weickhardt
GM PRODUCT

David joined MYOB in November 2016 as General Manager, Product.

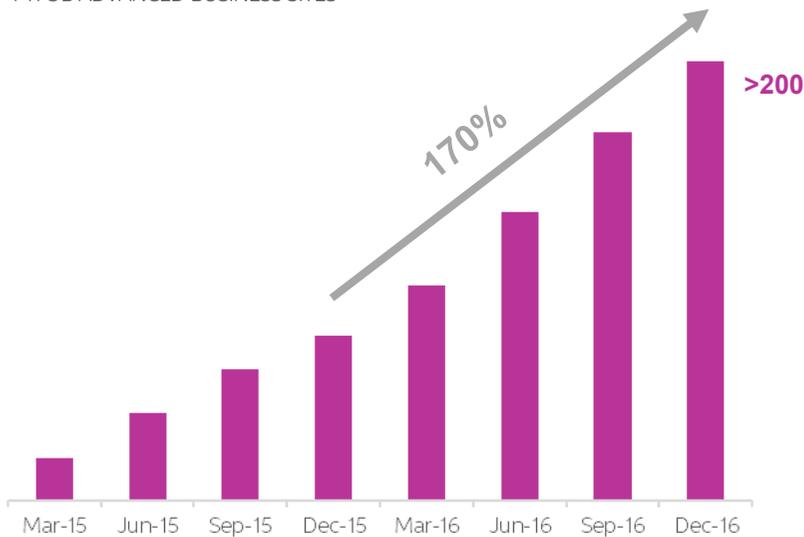
David brings more than 15 years senior management experience, having worked with BHP Billiton and McKinsey & Co.

David has an MBA from Stanford University and a BSc, B Eng from the University of Melbourne, including winning a university award for his work on artificial intelligence.

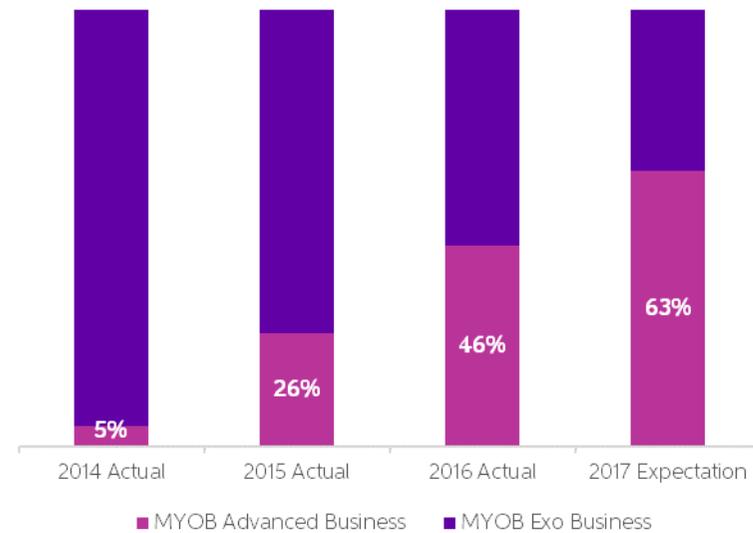
Enterprise

A significant opportunity with bigger business

MYOB ADVANCED BUSINESS SITES



MYOB ENTERPRISE ERP SALES MIX



MYOB Advanced growing rapidly and becoming the majority of new ERP registrations in Enterprise segment

PayGlobal continues to go from strength to strength, delivering robust growth across all markets

Greentree has been seamlessly integrated into MYOB, and has provided new channels to market for our market-leading online Enterprise ERP systems



Financial Summary



Strong financial results driven by organic SME subscription revenue growth

MYOB PRO FORMA¹ FINANCIAL PERFORMANCE

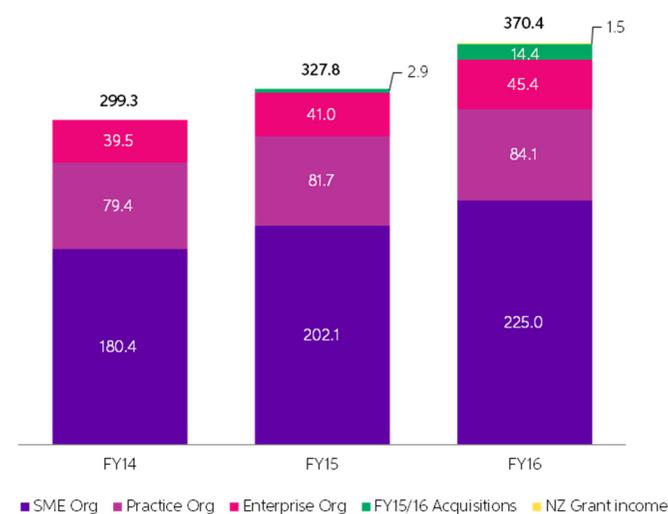
A\$m; 12 months ended 31 December	FY15	FY16	v%
Revenue	327.8	370.4	13%
Operating Expenses	(174.9)	(198.9)	14%
EBITDA	152.9	171.5	12%
NPATA	85.9	96.8	13%
Recurring Revenue %	95.1%	95.6%	0.5%
EBIDTA Margin %	46.6%	46.3%	-0.3%

Note:

1. Pro forma adjustments have been made to statutory revenue and NPAT results to reflect the impact of the operating and capital structure now in place following completion of the IPO, as if it was in place as at 1 January 2015. In addition, certain other adjustments have been made to eliminate non-recurring items and to reflect standalone public company costs.

2. MYOB considers NPATA (net profit after tax and after adding back the tax effected amortisation expense related to acquired intangibles), rather than NPAT, to be a more meaningful measure of after tax profit due to the large amount of non-cash amortisation of acquired intangibles that is reflected in NPAT.

REVENUE (\$ MILLIONS)

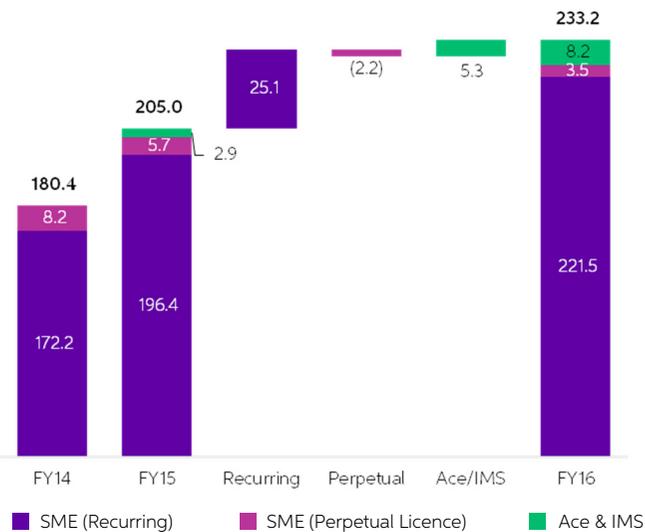


	Growth	
	2015	2016
SME Organic	12.1 %	11.3 %
Practice Organic	2.9 %	2.9 %
Enterprise Organic	3.8 %	10.6 %
Total Organic	8.5 %	9.1 %
Total	9.5 %	13.0 %

SME Solutions delivered 63% of total group revenue with continued robust recurring revenue growth

SME SOLUTIONS REVENUE (\$ MILLIONS)

	Growth	
	2015	2016
SME (Recurring)	14.1 %	12.8 %
SME (Perpetual Licence)	(30.0)%	(38.6)%
Total Organic	12.1 %	11.3 %
SME (Ace/IMS)	-	182.9 %
Total	13.7 %	13.7 %



KEY SME METRICS

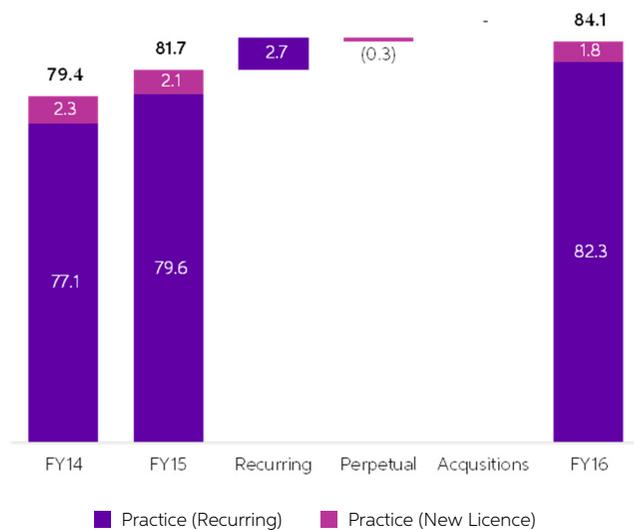
	FY14	FY15	FY16
Number of paying users ('000s)	505	545	585
Recurring revenue as a % of SME Solutions revenue	95%	97%	98%
Average revenue per paying user (ARPU) (\$)	360	379	405
SME cloud registrations as a % of total new SME registrations (FY)	62%	72%	87%

- 11% organic revenue growth driven by 13% uplift in recurring revenue, now 98% of total SME revenue
- 13% organic recurring revenue growth coming from:
 - 7% growth in paying users (driven by 32% increase in online SME subscribers)
 - 7% growth in ARPU, with pricing increases supported by growth in connected services and increased product functionality
- Ace Payroll & IMS contributed \$8.2m of revenue in FY16 (of which \$7.7m was recurring)

Practice Solutions delivered 23% of total group revenue with Connected Practice strategy received positively by partners

PRACTICE SOLUTIONS REVENUE (\$ MILLIONS)

	Growth	
	2015	2016
Practice (Recurring)	3.2 %	3.4 %
Practice (New Licence)	(8.1)%	(16.2)%
Total	2.9 %	2.9 %

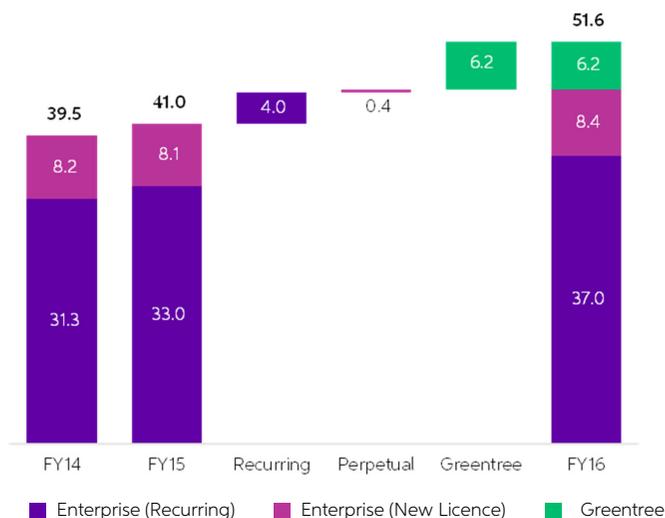


- Practice Solutions recurring revenue growth in line with historical growth rates
- Connected Practice story delivering strong outcomes from initial module releases of the MYOB Platform
 - 24,000 online **practice ledgers** taken up in first 8 months of release
 - **Dashboard** adoption within partners and practices progressing well
 - MYOB **Portal** continues go from strength to strength, being used by 1,600 practices and more than 80,000 clients

Enterprise Solutions delivered 14% of total group revenue, driven by strong performance from all products

ENTERPRISE SOLUTIONS REVENUE (\$ MILLIONS)

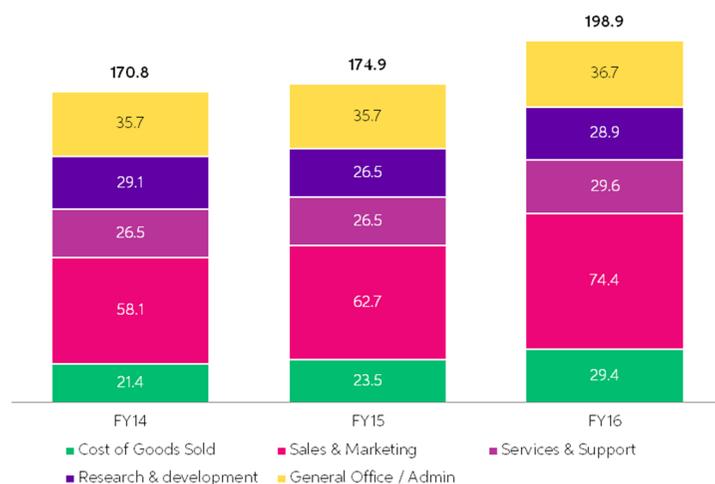
	Growth	
	2015	2016
Enterprise (Recurring)	5.2 %	12.1 %
Enterprise (New Licence)	(1.6)%	4.6 %
Total Organic	3.8 %	10.6 %
Enterprise (Greentree)	-	-
Total	3.8 %	25.8 %



- Enterprise revenue growth continues to exceed management expectations, even with the headwind of shifting from up-front desktop (Exo) to online subscription (Advanced) licenses
- As reported in 1H16, all 3 Enterprise solutions continue to deliver ahead of expectations:
 - **MYOB Advanced Business** sales continue to exceed expectations, making up almost one half of MYOB ERP sales in FY16.
 - The launch of **MYOB Advanced People** in FY17 will deliver further opportunities for organic growth
 - Recent acquisitions performing well, with strong revenues from **PayGlobal** driven by higher than expected sales conversion rates and services revenues, and rapid integration of **Greentree**
- Enterprise is the fastest growing segment in the MYOB portfolio, with significant opportunities to continue that growth through organic and inorganic means

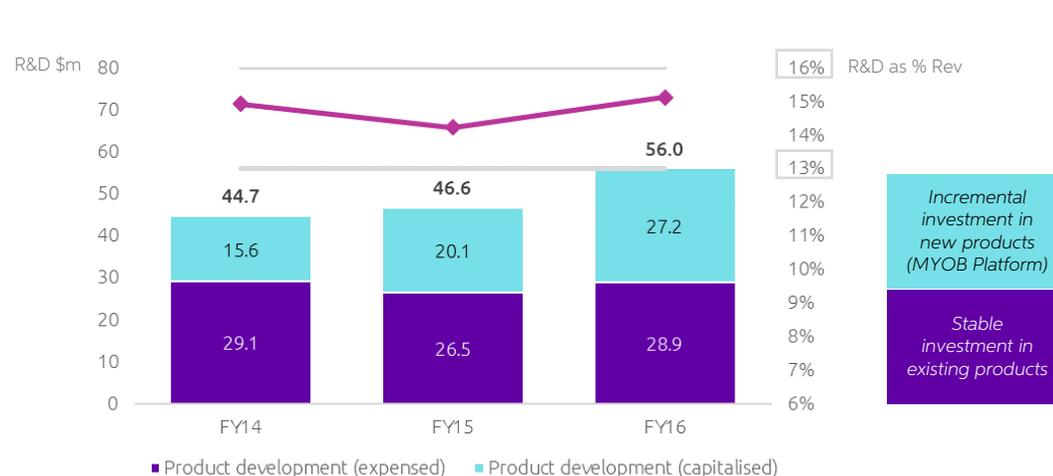
Growth strategy is supported by continued investment in sales, marketing, R&D and services

PRO FORMA OPERATING EXPENSES (\$ MILLIONS)



- Total expenses up 14% year on year, driven by:
 - continued investment in digital sales and marketing (20% of revenue) to support investment in brand and experience
 - higher hosting costs of online solutions in all segments
 - continued investment in services, support and product
 - ongoing costs from Ace, IMS and Greentree acquisitions (across all categories); and
 - controlled cost management in general office

PRODUCT RESEARCH & DEVELOPMENT COSTS (\$ MILLIONS)



- Product development (R&D) costs were 15.1% of revenue in FY16, up from 14.2% in FY15
- The increased investment in FY16 has been on the MYOB platform (yet to generate revenue), resulting in growth of capitalised spend over expensed¹
- We expect investment levels to remain at the upper end of the 13-16% range for 2017 and the opex/capex ratio to remain close to 50/50

Note: 1. MYOB's accounting policy for R&D is based on Australian / International accounting standards – matching revenue and costs. So we:

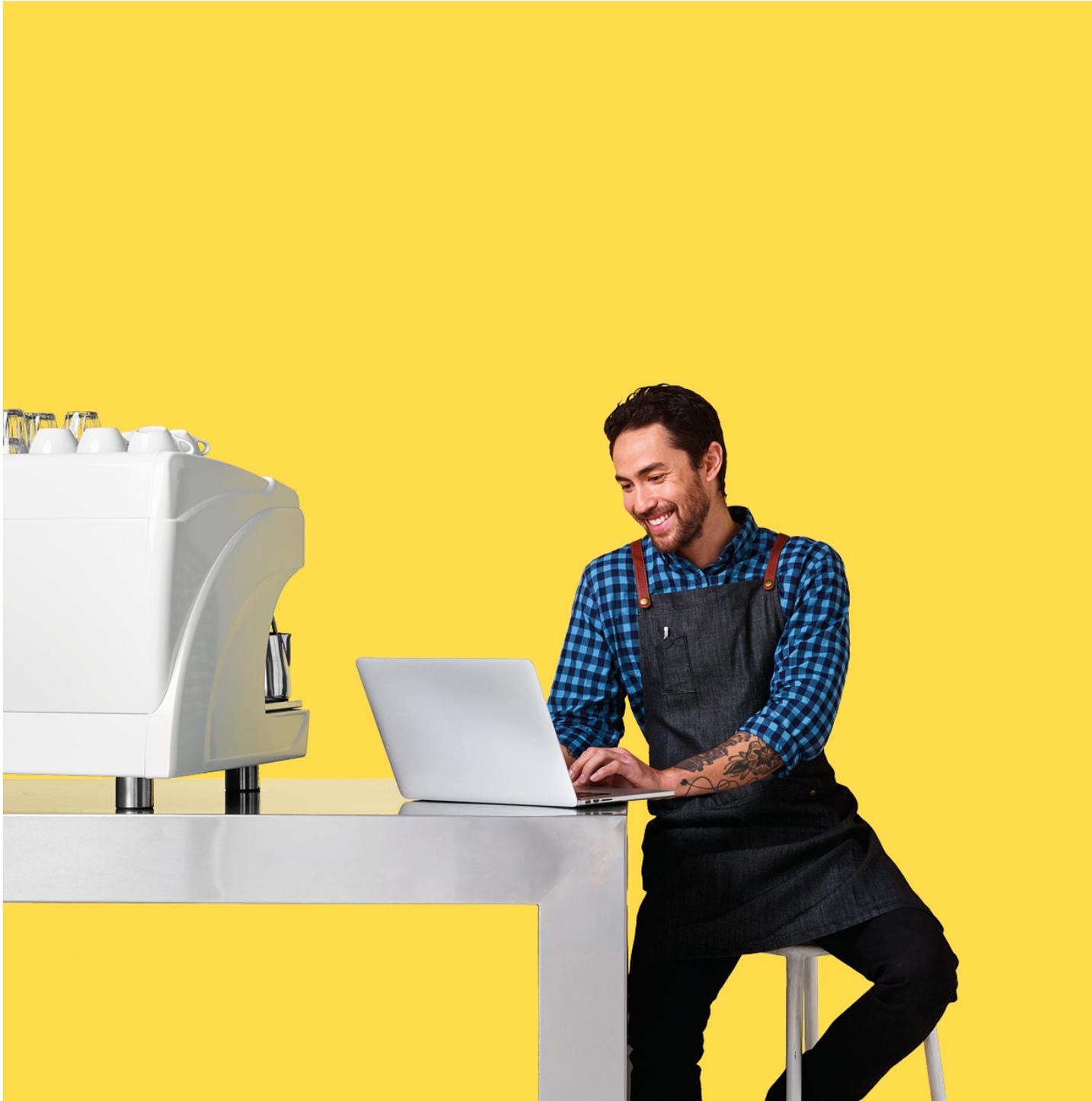
- Expense any development on products already generating revenue, e.g. Essentials, AccountRight, Practice Suite. This spend is on both online and desktop solutions.
- Capitalise any development on products that will create a benefit in future periods (i.e. not yet generating revenue) e.g. the MYOB platform, MYOB Advanced, any internal CRM systems.
- Amortisation of previously capitalised spend starts when the product is released to market and is amortised over 5 years on a straight-line basis.

Strong pro forma free cash flow and high cash flow conversion

PRO FORMA CASH FLOW CONVERSION

\$ in millions	Proforma Cash Flows	
	FY15	FY16
EBITDA	152.9	171.5
Non-cash items in EBITDA	2.0	0.4
Change in net working capital	3.2	(3.1)
Operating free cash flow before capital expenditure	158.1	168.7
<i>Research and development</i>	<i>(20.1)</i>	<i>(26.9)</i>
<i>PPE and other capital expenditure</i>	<i>(5.4)</i>	<i>(9.2)</i>
Capital expenditure	(25.4)	(36.1)
Net free cash flow before financing, tax and dividends	132.6	132.6
Cash conversion %	87%	77%

- Cash conversion strong at 77%, in line with 1H16, but down 10 ppts from FY15 due to:
 - non-cash items in EBITDA (1 ppt)
 - change in net working capital (4 ppts)
 - higher R&D capex (3 ppts); and
 - investment in Richmond tech hub (2 ppts)
- Net free cash flow of \$133 million



 Outlook



MYOB Outlook



The Connected Practice strategy, underpinned by the MYOB Platform, is expected to accelerate online subscriber growth in 2017



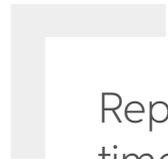
We expect double digit revenue growth for the 2017 year, and EBITDA margins to remain in the 45%-50% range



Investment in the MYOB platform will continue and R&D investment is expected to be at the upper end of the reported 13%-16% of revenue range



We continue to look for and expect to make targeted acquisitions which fit in the core of our business, and investment in new growth opportunities outside of our business



Reporting timeline

FY 16 Results 23 February

AGM 27 April 2017

1H17 Results August 2017

Investor/Analyst Day November 2017





Q&A





Appendix

Key operating metrics summary

Summary of key pro forma operating metrics

	Notes	FY2014	FY2015	FY2016
MYOB Group				
Number of online subscribers ('000s)		116	170	249
Revenue growth %		9%	10%	13%
Organic revenue growth %		9%	9%	9%
Recurring revenue as a % of total revenue	1	94%	95%	96%
Pro Forma EBITDA Growth %		8%	19%	12%
Pro forma EBITDA Margin %		43%	47%	46%
Pro forma NPATA Growth %		8%	22%	13%
Pro forma NPATA Margin %		23%	26%	26%
Pro forma product development costs as a % of total revenue	2	15%	14%	15%
SME Solutions				
Number of cloud users				
Number of paying users ('000s)	3	505	545	585
Average user retention rate (%)	4	81%	80%	80%
Average revenue per paying user (ARPU) (\$)		360	379	406
SME cloud registrations as a % of total new SME registrations	5	62%	72%	87%
Revenue growth %		12%	14%	14%
Organic revenue growth %		12%	12%	11%
Recurring revenue as a % of SME Solutions pro forma revenue	1	95%	97%	98%
Contribution margin %		68%	69%	69%
Practice Solutions				
Revenue growth %		3%	3%	3%
Recurring revenue as a % of Practice Solutions revenue	1	97%	97%	98%
Contribution margin %		72%	71%	72%
Enterprise Solutions				
Revenue growth %		7%	4%	26%
Organic revenue growth %		7%	4%	11%
Recurring revenue as a % of Enterprise Solutions pro forma revenue	1	79%	80%	80%
Pro forma contribution margin %		39%	48%	47%

Notes:

1. Recurring Revenue is the revenue received from paying users, as defined in Note 3 below.
2. Product development costs include both costs that are capitalised and costs that are expensed through the income statement.
3. Paying users comprise all online users and those desktop users that make additional maintenance payments (including MYOB BankLink customers).
4. Retention rate refers to the proportion of users that continue to use a given MYOB product in a 12 month period.
5. The number of MYOB SME Solutions online registrations as a percentage of total MYOB SME Solutions registrations in a given period.

Income statement

MYOB pro forma financial performance

\$ in millions	FY 15	FY 16	v FY 15
Revenue			
SME Solutions	205.0	233.2	14%
Practice Solutions	81.7	84.1	3%
Enterprise Solutions	41.0	51.6	26%
Group		1.5	
Total Revenue	327.8	370.4	13%
COGS	(23.5)	(29.4)	25%
Staff related expenses	(113.3)	(124.5)	10%
Marketing	(9.4)	(13.9)	48%
General office / administration	(28.7)	(31.2)	9%
Total operating expenses	(174.9)	(198.9)	14%
EBITDA	152.9	171.5	12%
Depreciation	(4.8)	(5.7)	20%
Amortisation of capitalised inhouse software	(8.2)	(12.7)	55%
EBITA	139.9	153.1	9%
Amortisation of acquired intangibles	(58.1)	(57.4)	-1%
EBIT	81.9	95.7	17%
Proforma net interest expense	(16.8)	(14.8)	-12%
PBT	65.1	80.9	24%
Proforma tax expense	(19.9)	(24.3)	22%
NPAT	45.2	56.6	25%
D&A add back (tax effected)	40.6	40.2	-1%
NPATA	85.9	96.8	13%

Note:

Pro forma adjustments have been made to statutory revenue and NPAT results to reflect the impact of the operating and capital structure now in place following completion of the IPO, as if it was in place as at 1 January 2015. In addition, certain other adjustments have been made to eliminate non-recurring items and to reflect standalone public company costs.

Balance sheet

Balance Sheet (\$ in millions)	31-Dec-15	31-Dec-16
Assets		
Current assets		
Cash and cash equivalents	36.4	61.4
Other current assets	27.8	34.8
Total current assets	64.2	96.2
Non-current assets		
Intangible assets & goodwill	1,219.0	1,210.2
Other non-current assets	96.2	82.7
Total non-current assets	1,315.2	1,292.9
Total assets	1,379.4	1,389.2
Liabilities		
Current liabilities		
Unearned revenue	42.9	49.7
Other current liabilities	35.6	41.7
Total current liabilities	78.5	91.5
Non-current liabilities		
Interest-bearing loans and borrowings	432.7	434.8
Other non-current liabilities	4.9	6.0
Total non-current liabilities	437.6	440.8
Total liabilities	516.2	532.3
Net assets	863.3	856.9
Equity		
Contributed equity	1,138.1	1,141.4
Retained earnings	(415.6)	(353.8)
Reserves	140.8	69.3
Total equity	863.3	856.9

- Most balance sheet measures in line with Dec 2015 actuals
- Cash balance of \$61 million

Forecast Amortisation of Acquired Intangible Assets

Actual / Forecast Amortisation (\$M)	2014	2015	2016	2017F	2018F	2019F	2020F
Brands	4	3	3	3	2	0	0
Customer Relationships	24	22	21	16	14	12	10
Commercialised Software	33	33	34	34	34	25	1
Total	61	58	57	54	49	37	12

Actual / Forecast Year End Balance (\$M)	2014	2015	2016	2017F	2018F	2019F	2020F
Brands	123	120	118	115	113	113	113
Customer Relationships	107	95	87	71	57	45	35
Commercialised Software	154	123	95	61	27	2	0
Goodwill	828	839	854	854	854	854	854
Total	1,211	1,178	1,153	1,100	1,051	1,014	1,002

- This forecast focuses on acquired intangible assets only so excludes “in house software” as it is impacted by additional R&D capex every year.
- Acquired brand s fully amortised by 2019, leaving MYOB brand only (does not amortise)
- Acquired commercialised software fully amortised by 2020
- Note this forecast will be impacted by any future MYOB acquisitions

Reconciliation of statutory to pro forma NPAT and EBITDA

\$ in millions	Note	NPAT		EBITDA	
		FY 15	FY 16	FY 15	FY 16
Statutory Result		(42.3)	54.0	124.2	164.3
Public company costs	1	(0.7)	-	(0.7)	-
Net interest adjustment	2	103.5	-	-	-
Acquisition transaction and integration costs	3	5.0	4.2	5.0	4.2
Offer related adjustments and other transaction costs	4	20.3	0.2	20.3	0.2
Business transformation one-off costs	5	1.7	0.9	1.7	0.9
Other non-recurring adjustments	6	2.3	1.7	2.3	1.7
Tax effect of pro forma adjustments	7	(39.7)	(2.1)	-	-
Difference between statutory and proforma tax rate	8	(5.1)	(2.4)	-	-
Total pro forma adjustments		87.5	2.6	28.7	7.1
Pro forma Result		45.2	56.6	152.9	171.5

- Please see FY15 investor presentation for a detailed explanation of FY15 reconciling items (predominantly IPO-related)
- FY16 one-off, non-recurring items:
 - 3) Transaction and integration costs relating to the acquisitions of Ace Payroll, IMS and Greentree
 - 4) Final IPO-related fees expensed in FY16
 - 5) Business transformation initiatives and restructuring costs, including redundancies
 - 6) One-off MYOB brand transformation
 - 7) The tax impact attributable to adjustments notes 1 to 6, calculated using an effective tax rate of 30%.
 - 8) The statutory tax rate is lower than the 30% pro forma tax rate due to the tax rebate received on eligible Australian R&D

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