



27 April 2017

Market Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney, NSW 2000

### **MYOB AGM Addresses by the Chairman and CEO**

In accordance with Listing Rule 3.13.3, attached is a copy of the addresses to be given today by the Chairman and the CEO at the Annual General Meeting of MYOB Group Limited.

Ian Boylan  
Company Secretary  
MYOB Group Limited

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### **Supporting Resources**

For more information on MYOB, please visit:

Investor Centre: <http://investors.myob.com.au/Investors/>  
Website: <https://www.myob.com/au>

A woman with glasses and a colorful geometric dress is smiling and holding a smartphone. She is standing in a clothing store with a rack of clothes behind her and a white counter with a tablet and folded clothes in front of her.

ANNUAL  
GENERAL MEETING

# FY16

PRESENTERS

**JUSTIN MILNE**  
NON-EXECUTIVE CHAIRMAN

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**TIM REED**  
CHIEF EXECUTIVE OFFICER

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27 APRIL 2017

**myob** simplify  
success

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# MYOB Board of Directors

- The MYOB Board is structured so that its membership provides the mix of qualifications, skills and experience to enable it to discharge its responsibilities, and so that its size facilitates effective discussion and efficient decision making.
- The Board currently comprises seven directors, with six non-executive directors (four of which are independent).
- As described in Item 3 of the AGM Notice of Meeting, Paul Edgerley will resign from the Board with effect from the close of the AGM. Edward Han has offered himself for election as a Non-Executive Director to fill the office vacated by Mr Edgerley.



**Justin Milne**  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR, CHAIRMAN



**Anne Ward**  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR



**Andrew Stevens**  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR



**Tim Reed**  
EXECUTIVE DIRECTOR,  
CHIEF EXECUTIVE OFFICER



**Craig Boyce**  
NON-EXECUTIVE  
DIRECTOR



**Paul Edgerley**  
NON-EXECUTIVE  
DIRECTOR



**Fiona Pak-Poy**  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR



# Agenda

- |   |                    |    |
|---|--------------------|----|
| 1 | Chairman's Address | 5  |
| 2 | CEO's Address      | 11 |
| 3 | Formal Business    | 20 |



Chairman's  
Address  
Justin Milne



# Business Overview



MYOB's operations are divided into three segments



# FY16 Highlights

## Solid Financial Performance



### Revenue

**\$370** M

**UP 13%** YEAR ON YEAR

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

### Pro forma EBITDA

**\$ 171** M

**UP 12%** YEAR ON YEAR

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

### Pro forma NPATA

**\$97** M

**UP 13%** YEAR ON YEAR

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

### Paying SME subscribers

**585** K

**UP 7%** YEAR ON YEAR

### Online subscribers

**249** K

**UP 47%** YEAR ON YEAR

### % of new clients online (Q4)

**92** %

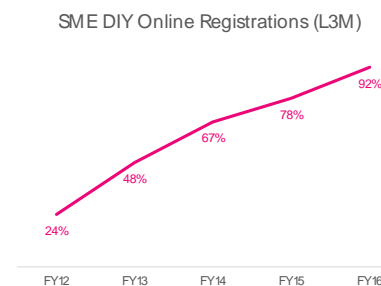
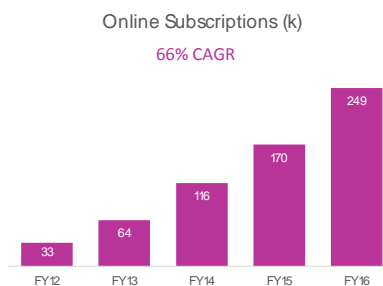
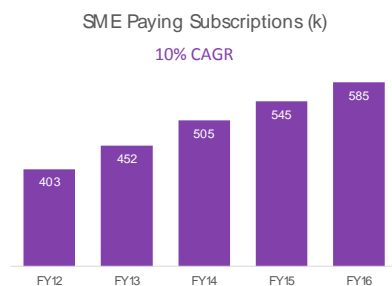
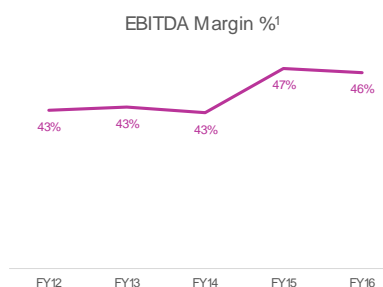
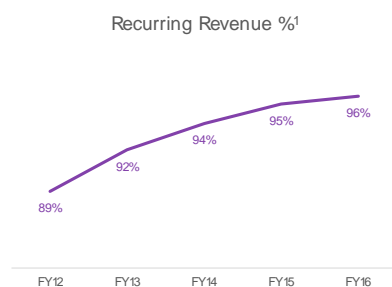
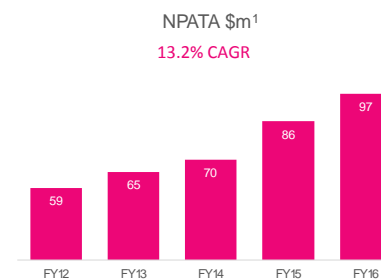
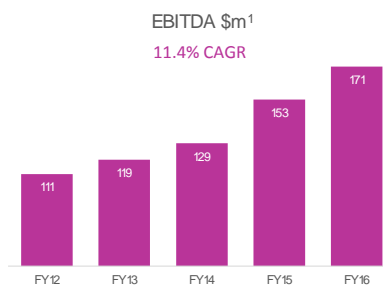
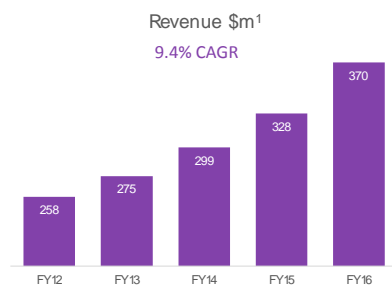
**UP 14 %** YEAR ON YEAR





# Proven track record of delivering strong growth

Continuing to deliver at record levels



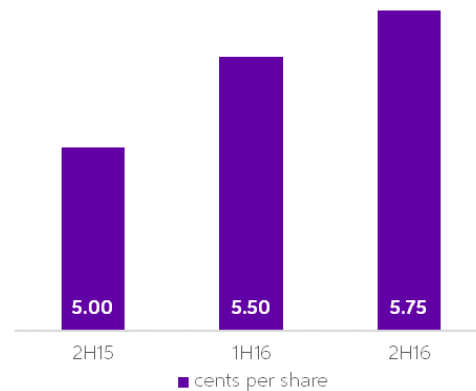
Note: 1. Financial measures noted on a pro forma, like-for-like basis

# FY16 Final Dividend

Final dividend paid of

**5.75c** PER SHARE

UP 15% YEAR ON YEAR



5.75 cent final unfranked dividend per share paid on 5 April 2017

Represents a dividend payout ratio of 72% of Statutory NPATA

In line with Dividend Policy of between 60%-80% of Statutory NPATA stated in the IPO Prospectus.

It is expected that dividends will be franked from 2H18 onwards

# MYOB Share Price Performance against ASX200Tech and ASX200 Indices





CEO's Address  
Tim Reed



# 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

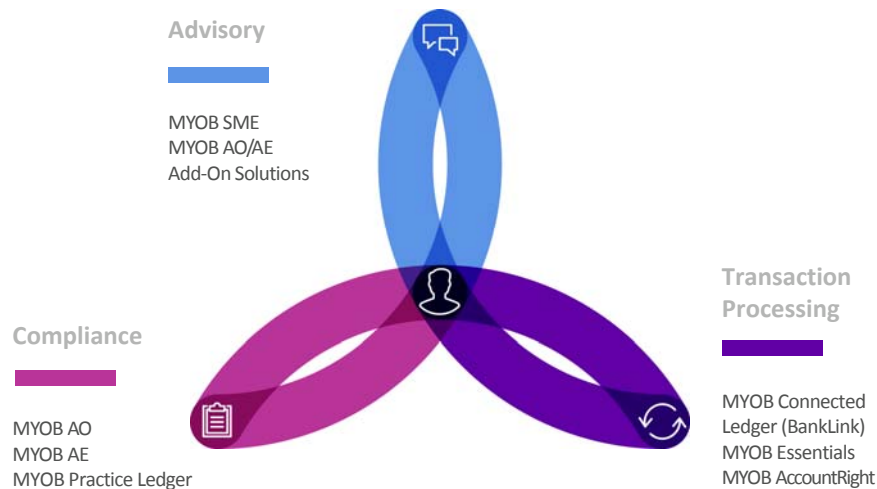
Aligning with global tech trends



## 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

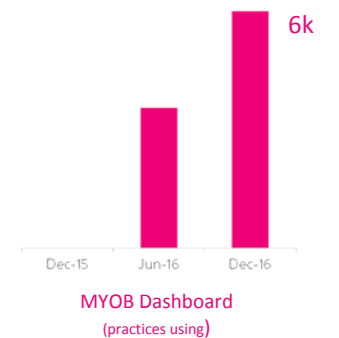
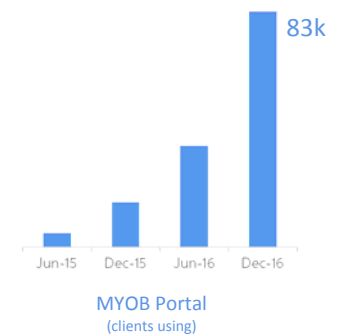
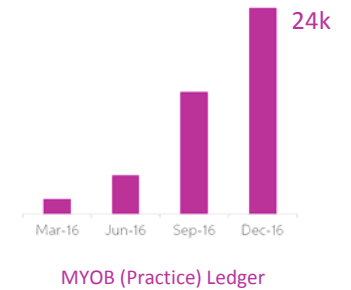
- Transactions captured electronically, in real time
- Transactions processed automatically
- MYOB uses service to augment technology and work “done”
- Connected Practices transformed:
  - Efficiency in Compliance
  - Ownership of Transaction Processing
  - Increased Advisory role

# MYOB Platform

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

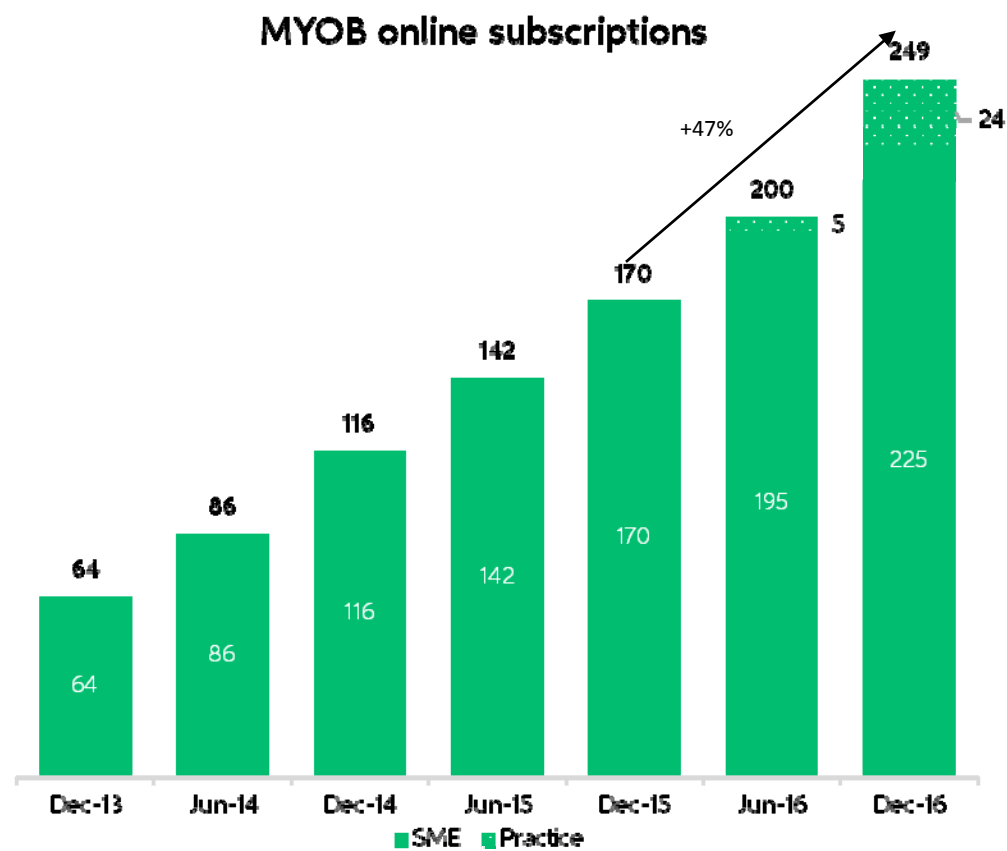


Rapid uptake by accountants



# Clients

Growth driven by investment in MYOB Platform



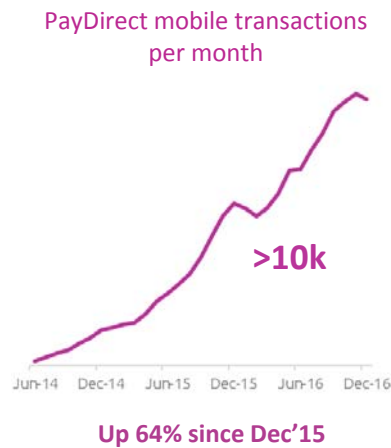
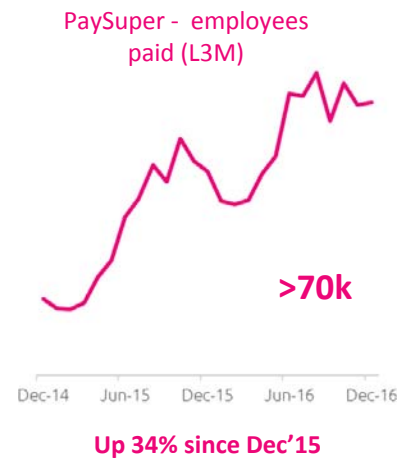
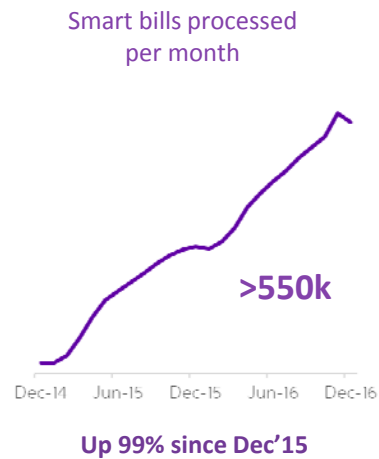
% SME DIY Registrations Online (L3M)

48% 61% 67% 70% 78% 83% 92%



# Clients

High engagement driving rapid uptake of online connected services



**Paycorp**

The acquisition of Paycorp was completed on 1 April 2017.

# Brand

Evolving our brand and the MYOB experience



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



Sales



Online



Promotion



Support



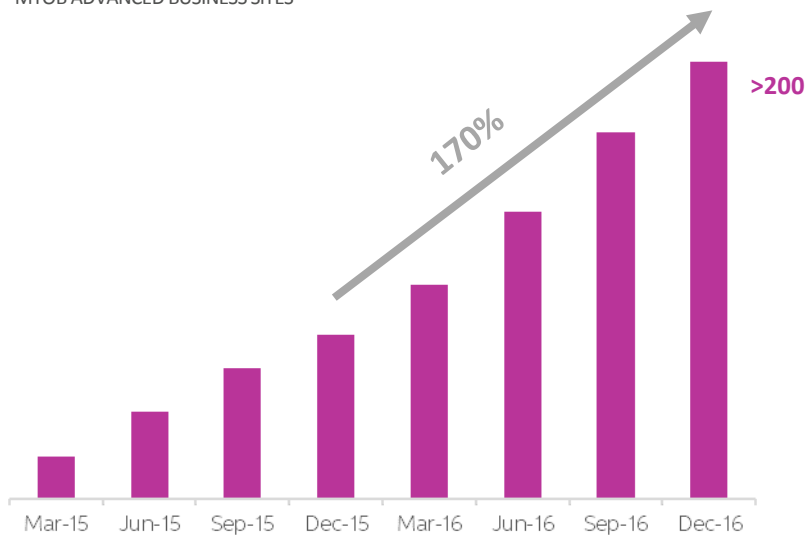
Partnership

# Enterprise

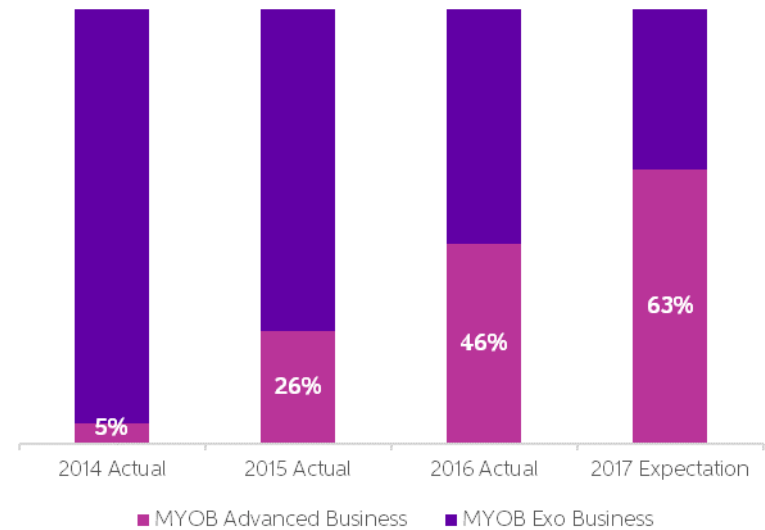
A significant opportunity with bigger business



MYOB ADVANCED BUSINESS SITES



MYOB ENTERPRISE ERP SALES MIX





## 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 core business



Formal  
Business





## Item 1

### Consideration of MYOB Financial Reports

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the year ended 31 December 2016.

The Financial Report, Directors' Report and Auditor's Report (the 'Reports') for the year ended 31 December 2016 will be laid before the AGM. There is no requirement for a formal resolution on this item. However, the Chairman will allow reasonable opportunity for shareholders to ask questions and make comments on the operations and management with regard to the Reports. Shareholders will also be given a reasonable amount of time to ask the appointed Auditor representative questions about the content and conduct of the audit.



## Item 2

### Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*"That the Remuneration Report, which forms part of the Directors' Report for the year ended 31 December 2016, be adopted."*

#### PROXY VOTES RECEIVED

FOR	AGAINST	OPEN*	ABSTAIN
451,994,493	21,690,221	286,144	16,559,717
95.36%	4.58%	0.06%	

\* Open votes totaling 267,311 (0.056%) in favour of the Chairman (whether by election or default) will be voted in favour of Item 2.



## Item 3

### Election of Edward Han

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*“That Edward Han, being eligible and offering himself for election as a Non-Executive Director, be elected as a Director of the Company.”*

#### PROXY VOTES RECEIVED

FOR	AGAINST	OPEN*	ABSTAIN
471,295,508	4,040,300	303,573	16,531,897
99.09%	0.85%	0.06%	

\* Open votes totaling 284,740 (0.0599%) in favour of the Chairman (whether by election or default) will be voted in favour of Item 3.





## Item 4

### Re-election of Fiona Pak-Poy

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*"That Fiona Pak-Poy, a Non-Executive Director of the Company, and being eligible and offering herself for election, be re-elected as a Director of the Company."*

#### PROXY VOTES RECEIVED

FOR	AGAINST	OPEN*	ABSTAIN
491,363,385	476,021	303,373	29,047
99.84%	0.10%	0.06%	

\* Open votes totaling 284,540 (0.058%) in favour of the Chairman (whether by election or default) will be voted in favour of Item 4.



## Item 5

### Re-election of Anne Ward

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*"That Anne Ward, a Non-Executive Director of the Company, and being eligible and offering herself for election, be re-elected as a Director of the Company."*

#### PROXY VOTES RECEIVED

FOR	AGAINST	OPEN*	ABSTAIN
489,068,420	2,770,986	303,373	29,047
99.38%	0.56%	0.06%	

\* Open votes totaling 284,540 (0.058%) in favour of the Chairman (whether by election or default) will be voted in favour of Item 5.



## Item 6

### Re-election of Craig Boyce

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*"That Craig Boyce, a Non-Executive Director of the Company, and being eligible and offering himself for election, be re-elected as a Director of the Company."*

#### PROXY VOTES RECEIVED

FOR	AGAINST	OPEN*	ABSTAIN
468,805,812	6,528,677	308,290	16,529,047
98.56%	1.37%	0.06%	

\* Open votes totaling 289,457 (0.06%) in favour of the Chairman (whether by election or default) will be voted in favour of Item 6.



## Item 7

### Approval of issue of shares and associated loan to Tim Reed under the Executive Share Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for:*

- a) the issue and allotment to Tim Reed of ordinary shares under the Executive Share Plan as described in the Explanatory Memorandum; and*
- b) the provision of a loan to Tim Reed to assist him in acquiring the shares issued under the Executive Share Plan, as described in the Explanatory Memorandum."*

#### PROXY VOTES RECEIVED

FOR	AGAINST	OPEN*	ABSTAIN
455,812,732	19,522,472	290,180	16,546,442
95.83%	4.10%	0.06%	

\* Open votes totaling 271,347 (0.057%) in favour of the Chairman (whether by election or default) will be voted in favour of Item 7.

Thank you





## **MYOB Annual General Meeting**

**Addresses by:**

**Justin Milne, Chairman**

**Tim Reed, CEO**

27 April 2017

### **QUORUM - SLIDE 1**

Good morning, Ladies and Gentlemen. My name is Justin Milne, Chairman of the Board of Directors of MYOB Group Limited ("MYOB").

It is now 10.00am, the appointed time for holding MYOB's Annual General Meeting. I am advised that a quorum of members is present and call the meeting to order.

I thank you for attending and it is my pleasure to declare the Annual General Meeting for FY2016, now open.

I would appreciate if all mobile phones can be switched to silent.

### **IMPORTANT NOTICE – SLIDE 2**

### **INTRODUCTION OF BOARD, CFO AND COMPANY SECRETARY – SLIDE 3**

Before proceeding with my address, I would like to introduce my fellow Directors, as well as the Company Secretary and Chief Financial Officer.

Starting on my left, I introduce:

- Tim Reed, Executive Director, Chief Executive Officer;
- Anne Ward, Independent Non-Executive Director;
- Andrew Stevens, Independent Non-Executive Director;
- Fiona Pak- Poy, Independent Non-Executive Director;
- Craig Boyce, Non-Executive Director;
- Richard Moore, Chief Financial Officer
- Ian Boylan, General Counsel and Company Secretary

I would also like to welcome Edward Han in attendance at the AGM today. Ed has offered himself for election as a Non Executive Director to fill the position which becomes vacant as a result of Paul Edgerley stepping down from the Board effective today. Unfortunately Paul is not able to attend the meeting today and sends his apologies.

As a collective board, we have a strong group of leaders who are committed and proactive directors of MYOB. The MYOB Board is structured so that its membership provides the optimal mix of

qualifications, skills and experience to facilitate effective discussions and decision making and to enable it to effectively discharge its responsibilities.

As a Board we meet on a regular basis and issues are debated constructively, with robust systems in place for managing any potential conflicts of interest.

I would like to take the opportunity to thank my fellow MYOB Board members for their enthusiasm, commitment and contribution during 2016. I would also like to formally welcome Fiona to the MYOB Board. Following a detailed review of the skills and experience mix of the Board, we undertook a rigorous recruitment process to find our new Board member, and met a number of excellent candidates through that process. In the end, Fiona's experience with innovative technology companies and history of entrepreneurship shone through and we are very excited to have her join us on the MYOB Board.

I would also like to reference my own portfolio of directorships, which has increased recently with my appointment as Chairman of the ABC. I am currently reviewing my portfolio with the aim to step down from 2 of my Board positions in the near future. I do not intend to step down from the MYOB board. Let me reassure shareholders that I have, and will continue to, allocate an appropriate amount of time to each of my directorships and will at no point overstretch myself. It is my experience that the most valuable NEDs on boards are generally those with a significant and busy portfolio because they bring a greater wealth of current governance experience.

Also present this morning are Nadia Carlin, partner with the Company's Auditor, PwC and Niro Ananda, partner with the Company's legal adviser, Clayton Utz. Nadia will be available to answer questions on the audit process at the appropriate time. I thank them both for attending today.

#### **AGENDA – SLIDE 4**

The agenda for today's meeting will commence with my address, followed by our CEO, Tim Reed who will present his review of the business.

We will then proceed with the formal business of the meeting.

At the conclusion of the meeting, we invite you to join the Board for light refreshments.

#### **CHAIRMAN'S ADDRESS - SLIDE 5**

Since listing in May 2015, the business has continued to consistently deliver strong results, ahead of or in-line with prospectus forecasts.

2016 has been the first full year of public ownership and we are pleased with the results we have achieved to date both operationally and financially.

As a listed company, we continue to have wide interest from investors from all around the world. We are encouraged by our existing shareholder support and loyalty.

The recent sell down from our major shareholder, Bain Capital has opened up further interest in our stock and widened the free float opportunity for investors. Bain Capital currently hold 39.1% of shares in MYOB and continues to be a strong supporter of our business. I would like to thank the Bain directors on our Board for their continued support, valuable input and ongoing confidence in our business.

I am also pleased to report that we have recently completed our bi-annual international roadshow in March this year, which has reinforced the positive support and feedback on our vision and strategy

for the business. Investors recognise the robust adoption and growth in our online solutions and acknowledge our strong market positioning across small to medium business in Australia and New Zealand.

## **BUSINESS OVERVIEW - SLIDE 6**

Moving on to discuss more about our business.

MYOB continues to be a leading provider of business management solutions to around 1.2 million accountants, book-keepers and enterprises in Australia and New Zealand. Through our innovation in technology and our trusted brand we have maintained our leadership position across the region.

Our business operations are divided into three segments. The **SME Solutions** segment which provides accounting software to SMEs across Australia and New Zealand. This segment has delivered 63% of the Group's revenue in 2016. Our second largest contributor in terms of revenue for the business is our **Practice Solutions** segment, which provides practice management software to more than 40,000 accountants. Together, the SME and Practice Solution segments generate over 85% revenue for the Group.

Our third segment, **Enterprise Solutions**, is tailored for medium to larger businesses, and services more than 7,000 businesses in Australia and New Zealand.

This segment has seen strong growth over the past year, contributing 14% revenue to MYOB's top line results. Enterprise Solutions remains a strong segment of growth for our business and we expect this to continue in future years.

## **FY16 FINANCIAL RESULTS – SLIDE 7**

For full details of MYOB's FY16 results - please refer to our investor presentation and Annual Report, released on 23<sup>rd</sup> February 2017.

Today I will provide you with a few of the key FY16 highlights.

2016 delivered another year of strong, double digit growth.

Revenue continued to grow in 2016, reaching \$370 million, up 13 per cent on the prior year. Pro Forma EBITDA and NPATA increased 12 per cent and 13 per cent respectively, underpinned by revenue growth in all segments. This, combined with prudent expense management has allowed increased investment in product and marketing year on year.

Revenue in FY16 grew in all segments, with the primary growth driver being the SME Solutions segment. This was underpinned by 13 per cent growth in organic SME recurring revenue from subscribers – this makes up more than 60 per cent of MYOB's total revenues and is the engine room of MYOB's growth.

The number of SME paying subscribers grew to 585,000, up 7 per cent on prior year. Online adoption has seen strong growth with our online subscribers reaching 249,000, up a very pleasing 47 per cent compared to FY15. I am also pleased to report that in Q4 of 2016, 92 % of new small business that purchased a MYOB product purchased the online subscription.

## **PROVEN TRACK RECORD - MYOB'S FIVE YEAR GROWTH – SLIDE 8**

This slide shows our performance over the past five years – pre and post listing, using MYOB's key performance measures.



As you can see, the business has continued to generate strong levels of growth year on year - achieving high single digit Cumulative Annual Growth Rates in revenues, and double digit CAGR growth in EBITDA and NPATA.

Recurring revenue increased to 96% demonstrating the strength of our brand and loyalty of our customers. Our 1.2 million clients underpin the growth in our business and provide us with the feedback we need to continue to deliver best in class accounting software and business solutions to our clients.

EBITDA margin has remained strong at 46% with Earnings Per Share increasing to 16.5 cents in FY16.

The shift in the accounting industry to online accounting has been extremely well received by clients. As you can see in the Online Subscriptions graph, we have seen high adoption rates over the past 5 years, resulting in 66 per cent CAGR over the five year period and 46% growth in 2016.

The number of SME Paying Subscribers has been growing by 10% CAGR over the five year period reflecting the transition to date from desktop to online and the growth in direct online business. With our 1.2 million customer base, we see further opportunity to transition existing desktop users onto our online solutions and increase our direct online new business.

#### **FINAL DIVIDEND – SLIDE 9**

On the back of strong financial results, the Board was pleased to declare a final dividend of 5.75c per share for the year, representing a total of \$68 million returned to shareholders through the interim and final dividends for 2016. The final dividend was paid on April 5, 2017.

The final dividend of 5.75c represents a dividend payout ratio of 72% of Statutory NPATA, which sits well within the parameters of our Dividend Policy of between 60% to 80% of Statutory NPATA set out in the IPO Prospectus.

Up until now, dividends paid have been unfranked due to large tax losses that the business is carrying. We expect, however, dividends paid from 2H18 onwards to be franked.

#### **SHARE PRICE PERFORMANCE – SLIDE 10**

Before I conclude my address, I would like to highlight the performance of our shares against the ASX200Tech and ASX200 Indices. We have performed well above our peers in the ASX 200 Tech Index and we continue to track well, and in line with the broader ASX 200 index.

Whilst the Company has delivered strong growth and financial performance since listing, the Board strongly believes there is further value to be factored into our share price. We are also pleased to see many of the analysts who report on our Company have updated their forecasts and guidance more positively post our FY16 results.

To conclude, I would like to thank each of our shareholders for your loyalty and support. I believe the Company today is in a position of strength to lead the industry through future changes in accounting and to continue to deliver best in class solutions to our clients.

I would also like to thank my fellow Directors and the MYOB management team who continue to demonstrate commitment and enthusiasm to deliver maximum return to our shareholders.

I will now hand over to our CEO, Tim Reed, to discuss MYOB's operational highlights and growth strategy in more detail. Thank you.

## CEO'S PRESENTATION – SLIDE 11

Thank you, Chairman

Good morning everyone. I'm delighted to present to each of you today at our **2016 Annual General Meeting**.

As Justin mentioned, we are very pleased with the company's performance during FY2016 both financially and operationally. We are excited by the opportunity that we have as a business to lead our clients through a period of change in the industry that we have been a part of for over two decades.

Today, I would like to use this opportunity to talk to you more about our strategy and how we are building a platform that powers our vision for the future of accounting.

## MYOB STRATEGY – SLIDE 12

We set out here the five components of our strategy.

**We have a clear vision for the future of our industry, that differentiates us from others in our category. Our vision is simple :** at MYOB we help businesses succeed by developing intelligent, intuitive, online tools that make business life easier. This underpins everything we do at MYOB. To do this successfully, over the next three years, we have a plan to deliver on five core changes to our business.

- **Connected Practice:** Artificial Intelligence, Data and the Changing Nature of Work are mega trends that are impacting and changing all aspects of life, and the we believe will reshape the way accounting is done in the future. Many in our industry feel threatened by this change, the first component of our vision is to be a thought leader and provide a clear perspective on what we believe the future will look like, so others can develop a strategy for their business anchored on an informed view of the future industry structure.
- **MYOB Platform:** Closely coupled with the 'Connected Practice Strategy' are our plans to deliver a technology platform that provides seamless connectivity between the SME, advisors and the broader accounting ecosystem through an intelligent, intuitive platform – the MYOB Platform.
- **Clients:** We aim to be present and engage with the business owners of tomorrow, in the places they are today, and thereby win newly formed businesses as clients; while retaining our existing clients by transitioning them to our online platform, and in the processes simplifying their business life through the adoption of connected services.
- **Brand:** We observed that a gap opened up between who we are inside MYOB, and the perception of us outside of MYOB. To close this gap we have disrupted purple, refreshing the way we look, sound and engage, making sure every MYOB experience is **inspired, authentic and in the know**. I will talk more about the work that we are doing in this area a bit later-on.
- Over the past few years our Enterprise division has been very successful. We plan to build on our first to market position with online ERP and HRM for growing enterprises, through organic growth, and compliment this with accretive acquisitions.

## CONNECTED PRACTICE – SLIDE 13

Global trends are already changing the way we do things in life each day through:

- Internet of Things, AI and Machine Learning, Humans augmenting technology
- Nature of work is evolving

This is an exciting time for businesses, especially market leading businesses like ours, to embrace this change and lead the evolution for the industry.

When we think about the services and solutions we provide our clients today and over the past 25 years, there are three main areas/categories that we focus on:

1. Transaction processing – *Recording all the events that occur in a business, such as issuing an invoice and receiving a payment; receiving a bill and making a payment etc.*
2. Compliance – *Validating and verifying the transactions and account balances, and meeting regulatory requirements*
3. Advisory – *Adopting tools that drive more efficient business processes, structuring the family group of entities for optimal outcomes, and using financial data to make more informed decisions.*

In each of these areas, we currently offer independent solutions. The end to end process is then completed in sequence, with transactions processed by SME accounting systems, compliance work undertaken by the accountant using bespoke accounting practice suite of tools, and advice being offering to their clients only after the first two processes are complete.

The aim of the Connected Practice Strategy is to enable all three processes to be complete in real-time. We believe much of what is done manually today will be automated, and the work that is left is likely to be the more challenging, higher value work that is undertaken by a professional, and that therefore the Adviser will, in the future, own the end-to-end process.

## MYOB PLATFORM – SLIDE 14

Investment in R&D is increasing customer lifetime value through the tools that we are offering our clients and accountants, and this in turn is also increasing our total addressable market.

**What we are seeing from the investment in our platform is an:**

- **Increase in the uptake of online accounting.**
  - This will continue in 2017 as we bring BankLink users online through our new Connected Ledger; and as we bring accountants online through our new Practice Ledger;
  - Improve accountant connectivity with SMEs via the MYOB Portal and MYOB Dashboard; and
  - drive accountant recommendation of SME online solutions.

I recently spoke to an Accountant who was a part of the pilot for the new version of the MYOB Dashboard. This tool allows accountants to efficiently complete the transaction processing for many clients at one – in effect to offer a scalable bureau service. She told me the new version is currently saving her 6 hours a week! It is time savings like this that we aim to deliver.

- **We are also seeing an increase in Average Revenue Per User and new revenue sources**
  - This is reflective of higher client engagement;
  - An increased ability to use data and online tools in our business to cross-sell/ up-sell connected services; and leads to
  - Growth in MYOB's total addressable market from connected services
- **Finally, our increased investment in R&D is leading to an increase in retention rates (lowering churn)**
  - Increased client retention as they get more value from our solutions;
  - As we strengthen the integration between accountants and SME's and therefore increase lock-in to our tools, and
  - More 'hooks' in SMEs through use of online and connected services

**To date, we have launched three modules under the MYOB Platform:**

- **Practice Ledger** is the online replacement for ledgers within the desktop practice suite.
- **Portal launched in 2015**, allows accountants to securely share documents with their clients and take ATO digitally approved signatures even on mobile devices.
- **Dashboard launched in mid 2016** is a very powerful managing tool which provides accountants with a single screen view of all their clients and a real time status of deliverables they are working on or have outstanding with each client. Out of our 12,000 practices, 50% have embraced this tool in less than 1 year of the Dashboard being released to the market. This is outstanding feedback and uptake from our accountants.

In 2017 we will continue to enhance these solutions, and make progress towards more compliance tools moving from the desktop to the cloud.

#### **CLIENTS - ONLINE GROWTH (SLIDE 15)**

- Investment in the MYOB Platform has driven strong online growth amongst new clients, with total online subscriptions (SME and Practice) up 47 percent from December 2015 to 249,000 by the end of last year (Dec 2016).
- I am also very pleased to report that in Q4'16, 92 percent of new MYOB SME clients chose online subscriptions, up from 78 per cent in Q4'15. I expect it to remain at this level for a few years now.
- Online subscription growth is expected to grow again in 2017 with momentum building for Practice Ledger and Connected Ledger.

#### **CLIENTS - HIGHER ENGAGEMENT (SLIDE 16)**

As well as online growth, which is a key measure for our business, we strongly believe that there is a significant opportunity to drive incremental revenue growth through the connected services that we offer our clients in areas such as payments and small business financing.

We have already seen a strong correlation between the addition of value added services and gaining increased retention and lifetime customer value in our business across our online offering. For example integrating bankfeeds into online accounting dramatically reduces the time it takes to complete the accounts, making our offering more compelling.

New features are being adopted more quickly, showing higher client engagement which allows continued opportunity to increase prices in line with functionality. For example our SmartBills service, which is used to automate the entry to a bill received from a supplier, within 2 years of launch is now used by almost 50% of our MYOB Essentials clients, and our PaySuper service is being used to streamline the payment of super to over 500,000 employees.

Uptake of online services continues to accelerate, growing total addressable market and lifetime value. We're particularly excited about our PayDirect service, which allows an SME to have their client click on an invoice and pay online, or take payment in person via a mobile app. These services dramatically reduce the debtor days of a business – and also drive incremental revenue for MYOB.

**The acquisition of Paycorp** opens up a significant market opportunity in the payment services sectors. We are first-to-market with an integrated payment and accounting solution for our clients, and this acquisition will enable us to keep innovating in this area, and bring incremental returns from that innovation.

## **BRAND - HIGHER ENGAGEMENT (SLIDE 17)**

I would like to take a moment to focus on an important area for our business, which in turns impacts the success of our company.

### **Our BRAND.**

We are an established business with a 25 year history. We are a trusted and highly respected brand across Australia and New Zealand. But a rich history can at times, bring with it a challenge. Many people who like and trust MYOB, also have outdated views of who we are and what offerings we have in the market. In 2016 we reinvigorated our brand, redefining what it means to create an MYOB Experience, to be one that is Inspired, Authentic and In the know. We are a technology company that extends beyond accounting software and offers a range of digital solutions that enable businesses to succeed.

Our brand will continue to evolve, ensuring we remain the vendor of choice for the next generation or business owners.

## **ENTERPRISE (SLIDE 18)**

As I mentioned earlier, Enterprise solutions is an exciting growth opportunity for MYOB. Over the past decade we have continued to invest in and expand this segment, and now stand on the edge of a huge opportunity, as the first-to-market with an integrated ERP and HRM cloud solution.

We launched MYOB Advanced in 2015 and have achieved rapid success in the market already, with Advanced already making up 50% of sales in this area.

In 2017, the recently released HRM module of MYOB Advanced will further increase the opportunity to grow our total addressable market in the Enterprise segment.

In recent years, organic growth has been complemented by two acquisitions, both offering the opportunity for MYOB to expand into larger Enterprise clients. For example we acquired PayGlobal (Aug 2014) and Greentree (Aug 2016) – both of which were accretive to shareholders at the time of

the acquisition, have continued to grow since that point, and have been strategically critical to us increasing our channels to market in this segment.

## **MYOB OUTLOOK– SLIDE 19**

**Let me close by discussing our outlook for the future. We have provided the market with the following guidance to date:**

- Our Connected Practice strategy underpinned by the MYOB Platform, is expected to drive continued growth in our online subscriber growth in 2017
- We expect double digit revenue growth for 2017, 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 core business.

Before handing you back to our Chairman, I would like to take this opportunity to thank the MYOB management team and our talented team members across New Zealand and Australia for their outstanding commitment and contribution during 2016.

I would also like to thank our clients for their continued feedback and loyalty towards us and our shareholders, who continue to support us and have confidence in our strategy to lead MYOB through its next phase of growth.

I will now hand back to our Chairman for the formal section of the meeting.