

1H17 Results Presentation

myob

Presenters

Tim Reed
Chief Executive Officer

Richard Moore
Chief Financial Officer

Date
24 August 2017

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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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1H17 Business Highlights

1H17 Highlights

Record online subscriber growth and strong financial performance

Revenue

\$204M

UP 14% YEAR ON YEAR

Recurring revenue up 15% to \$196 million, or 96% of total revenue

Underlying EBITDA

\$90M

UP 9% YEAR ON YEAR

Statutory EBITDA up 10% to \$87 million

NPATA

\$48M

UP 9% YEAR ON YEAR

NPATA EPS up 6% to 8.1 cents

Interim dividend declared of

5.75c PER SHARE

72% NPATA
UP 5% YEAR ON YEAR

Paying SME subscribers

601K

UP 5% YEAR ON YEAR

Online subscribers

306K

UP 53% YEAR ON YEAR

% of new SME clients online

90%

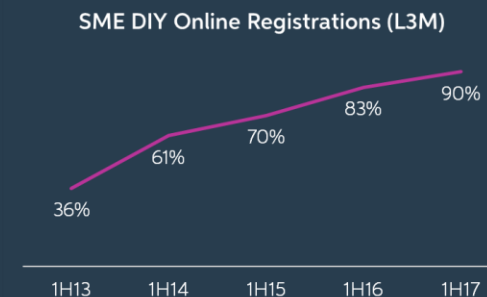
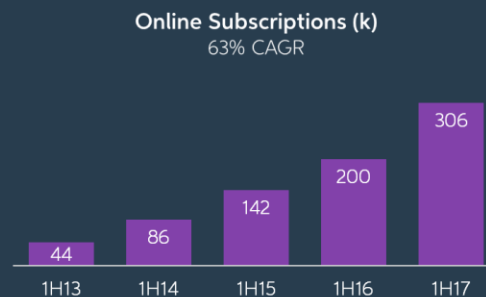
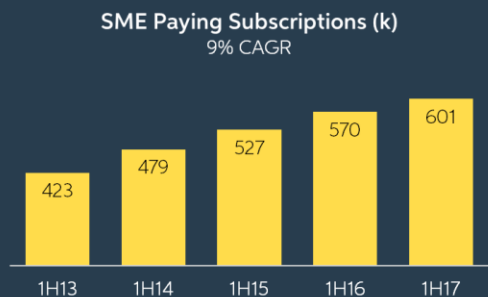
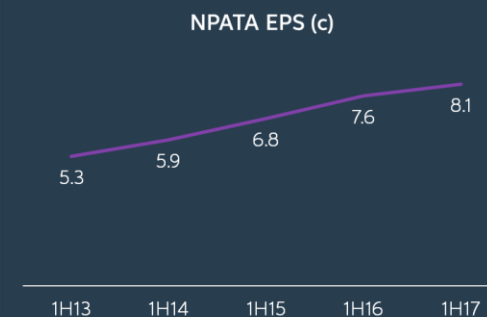
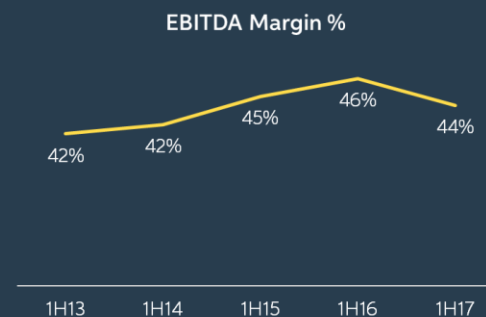
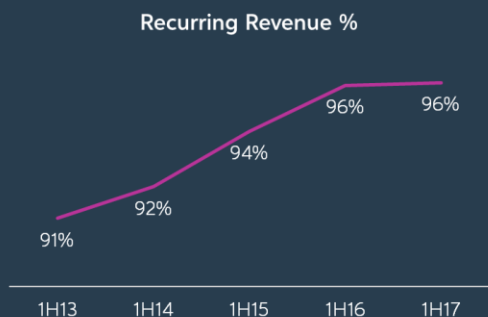
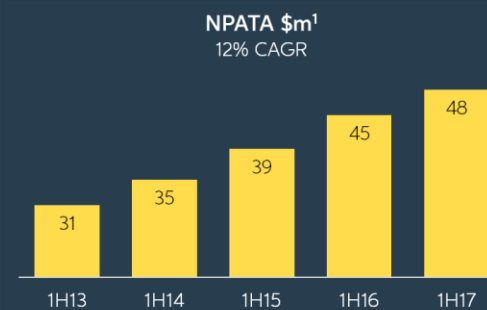
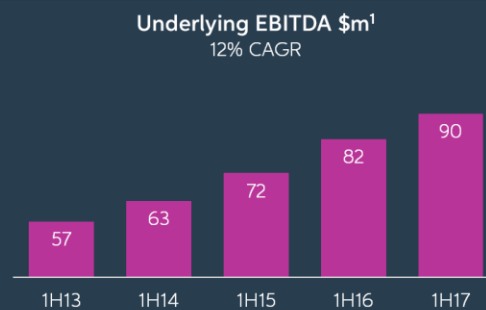
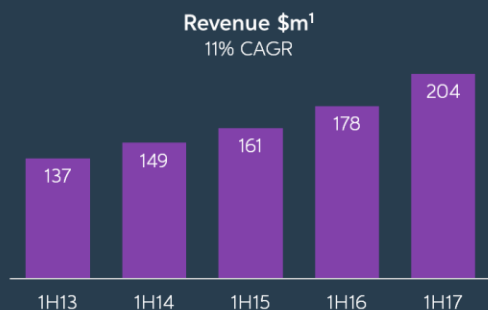
UP 7 pts YEAR ON YEAR

Strong ANZ market position and financial performance driven by:

- Accelerating online subscriber growth
- Improved customer lifetime value, with ARPU growth and higher retention rates
- Increasing uptake of connected services, with AI & machine learning automation
- Expanded TAM, now >\$3 billion
- Investment in R&D and brand
- Well integrated strategic acquisitions
- Enhanced management team

1H17 Highlights

Market leading SaaS business with proven track record of profitability and growth



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

Long term strategy and growth drivers

Delivering value today. Significant upside potential.

1

Growing online subscribers

- Winning advisers through **Connected Practice** vision
- Increased **referrals** through **MYOB Platform** (Dashboard)
- Investment in **brand** to attract **new SMEs**
- Migrate non-paying, desktop SMEs to the **MYOB Platform**

2

Increasing lifetime value

- **Price uplift** reflecting value of new functionality including **AI** and **Machine Learning**
- Increased usage of **connected services**
- **ARPU benefit** from mix shift online
- Improved **retention**

3

Increasing TAM through Payments

- Growth in clients using **MYOB PayDirect**
- **Increased per client usage** of PayDirect through new payment types
- Expand **Paycorp** client base

4

Increasing share & TAM in Enterprise

- Increased **share in Tier 3** with **MYOB Advanced**
- **Migrate** existing Tier 3 desktop clients online
- **Increased TAM** by providing solutions for larger (Tier 2) Enterprises

5

Strategic acquisition opportunities

- Targeted acquisitions within our **core business**
- New investment opportunities which leverage our core business and **increase TAM**

Accelerate growth in existing core markets

Penetrate new markets already opened

Strengthen core and new TAM

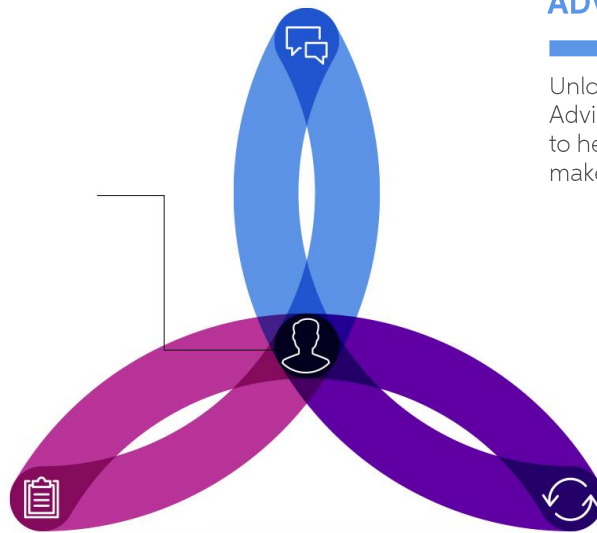
MYOB's vision of the **Connected Practice** is leading the industry through a period of digital transformation

RUN THE PRACTICE

Providing visibility and control over the practice; driving efficiency and client experience through effortless collaboration

COMPLIANCE

Enabling accountants to efficiently produce year end compliance



ADVISORY

Unlocking the expertise of Advisers, and empowering them to help SMEs and individuals make intelligent decisions

TRANSACTION PROCESSING

Enabling SMEs and their Advisers to produce the data that drives business success

THE MYOB PLATFORM

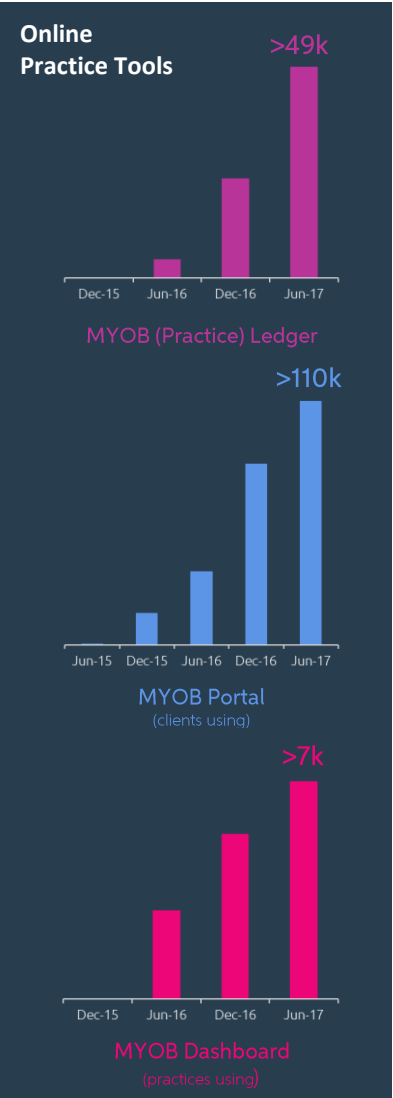
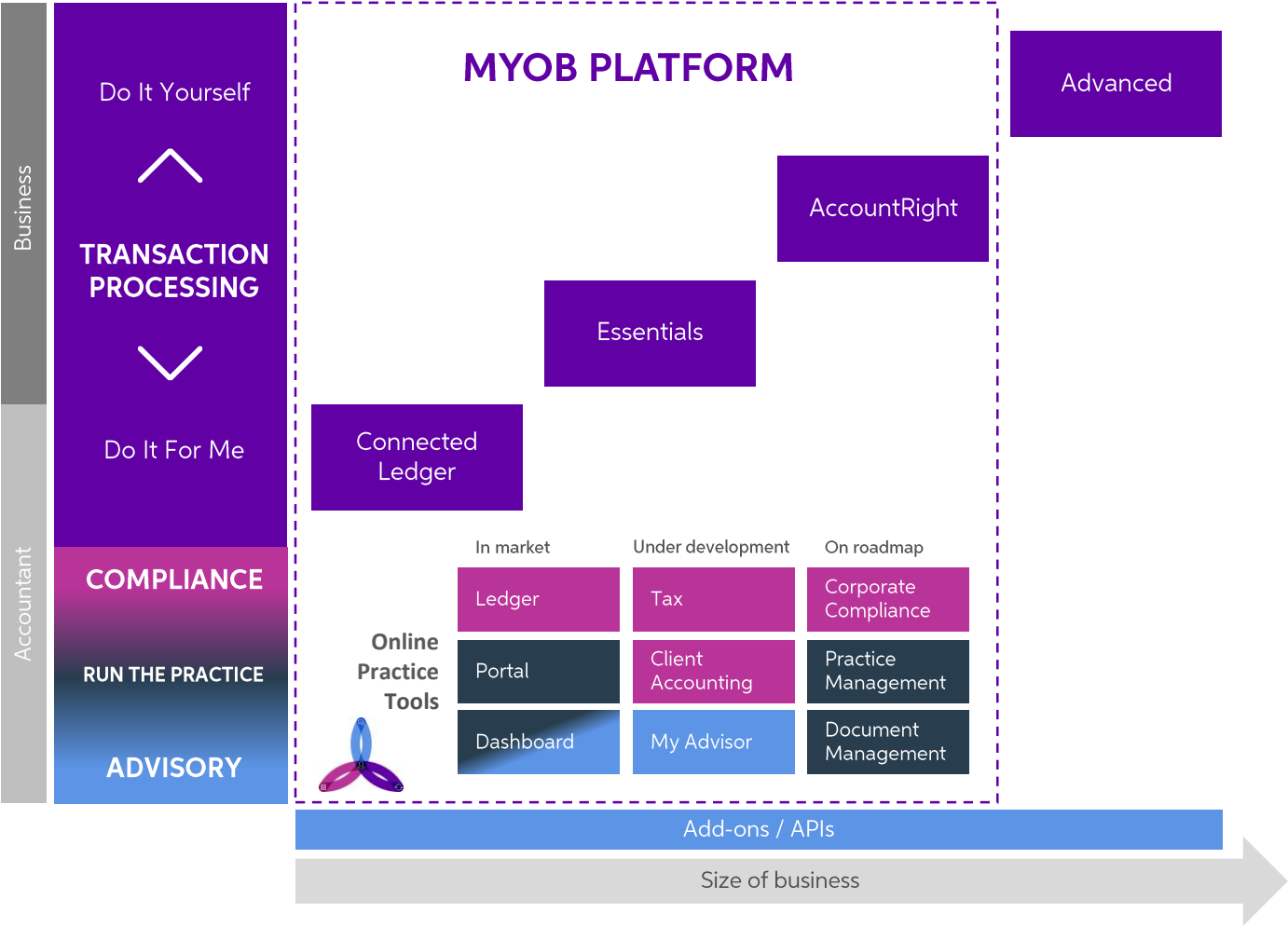
We believe AI, data, mobility and service augmentation will bring large changes to accounting.

To enable this change, MYOB is building digital tools to complete transaction processes, compliance and advisory within a single, open platform.

This platform will use AI to understand who each user is, and present them with the tools and information they need to do their work efficiently and effectively.

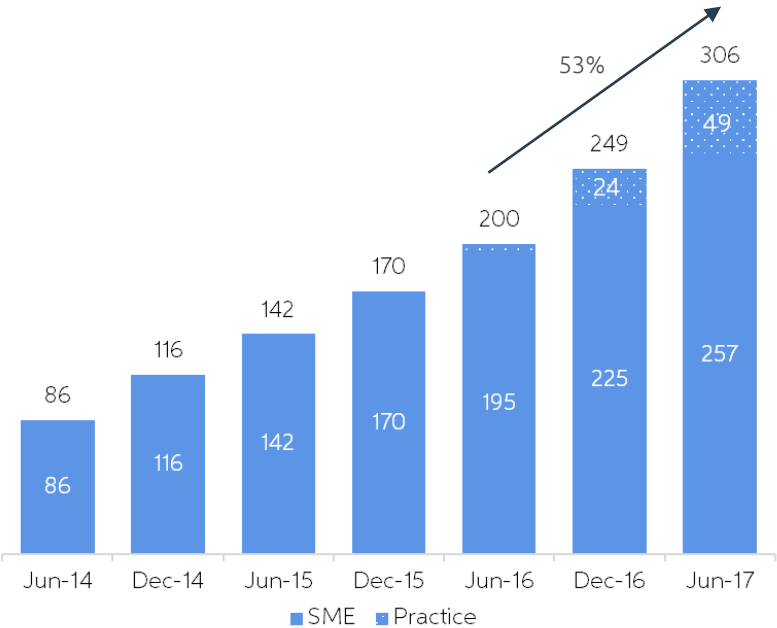
A new, better way is emerging for SMEs and their Advisers (Accountants, Bookkeepers and Certified Consultants).

The **MYOB Platform** delivers the tools for Advisers and SMEs that make the *Connected Practice* a reality

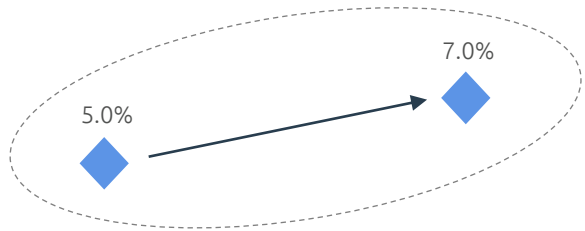


Record 53% growth in online subscribers, driven by new SME clients and increased migrations

MYOB ONLINE SUBSCRIPTIONS¹ ('000)



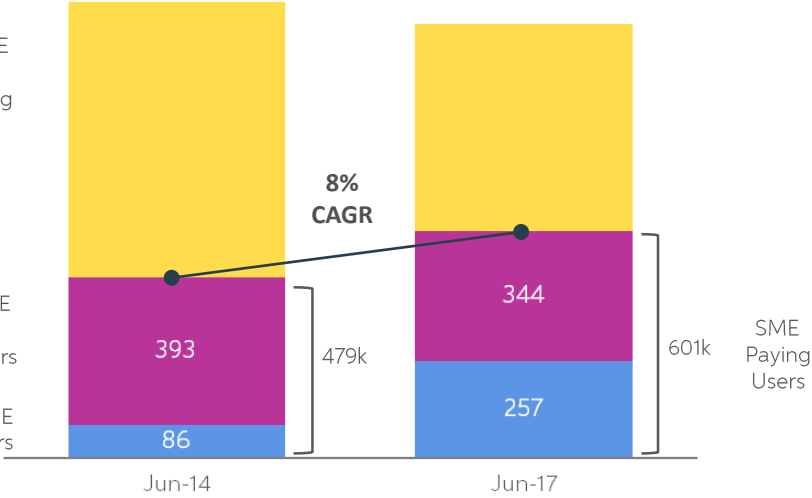
Migration of active, non-paying to paying users %



MYOB SME active, non-paying desktop users²

MYOB SME desktop paying users

MYOB SME online users



Accelerating growth in online subscriptions

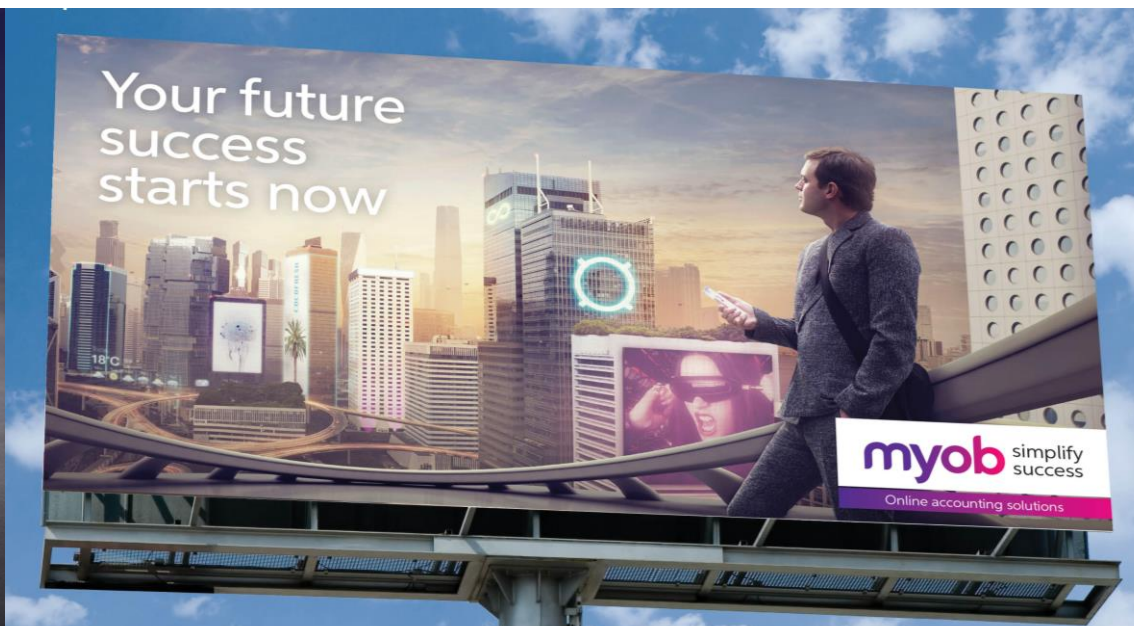
Migration rate **up 40%** since June 2014

Note 1: The chart above includes practice ledgers to show total online ledger growth.

Note 2: Active desktop non-paying users confirmed via anti-piracy "pinging" mechanism.

Growth underpinned by a **category leading brand**

Growing
subscribers

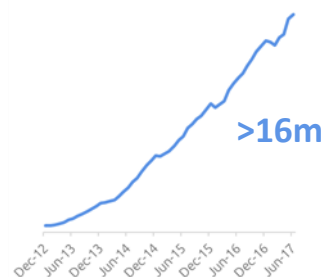


Our investment in brand has increased awareness and preference for MYOB as a leading technology provider

AU brand **awareness 2.3x** nearest competitor
AU brand **preference 3.1x** nearest competitor

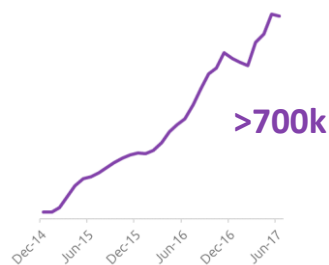
Online Connected Services create efficiencies and savings for our clients

Monthly **bank transactions** fed to online solutions



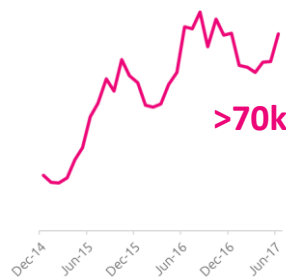
Up >40% since Jun'16

Smart bills processed per month



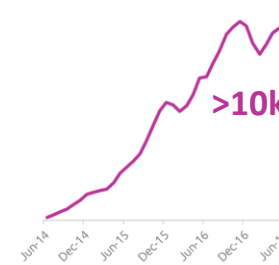
Up >100% since Jun'16

PaySuper – employees paid (L3M)



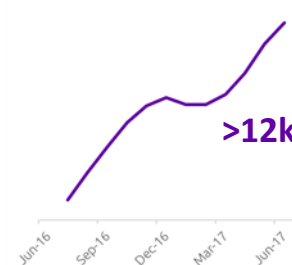
In line with Jun'16

PayDirect mobile transactions per month



Up >30% since Jun'16

PayDirect online transactions per month



Up >40% since Dec'16

10 hours saved per month

Online capture and storage of bills using AI & machine learning

8 hours saved per month

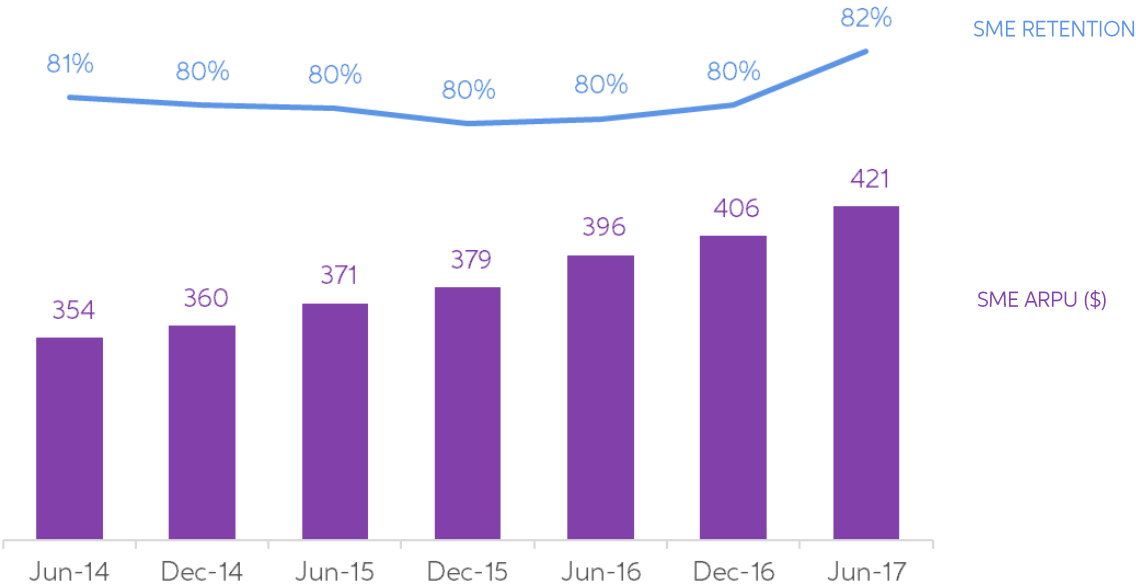
Invoices raised immediately and payment taken on site

Payment days reduced by 33 days (73%)

Driving increased **ARPU** and **retention rates**, and lifting lifetime value

Increasing
lifetime value

SME PAYING USER ARPU AND RETENTION



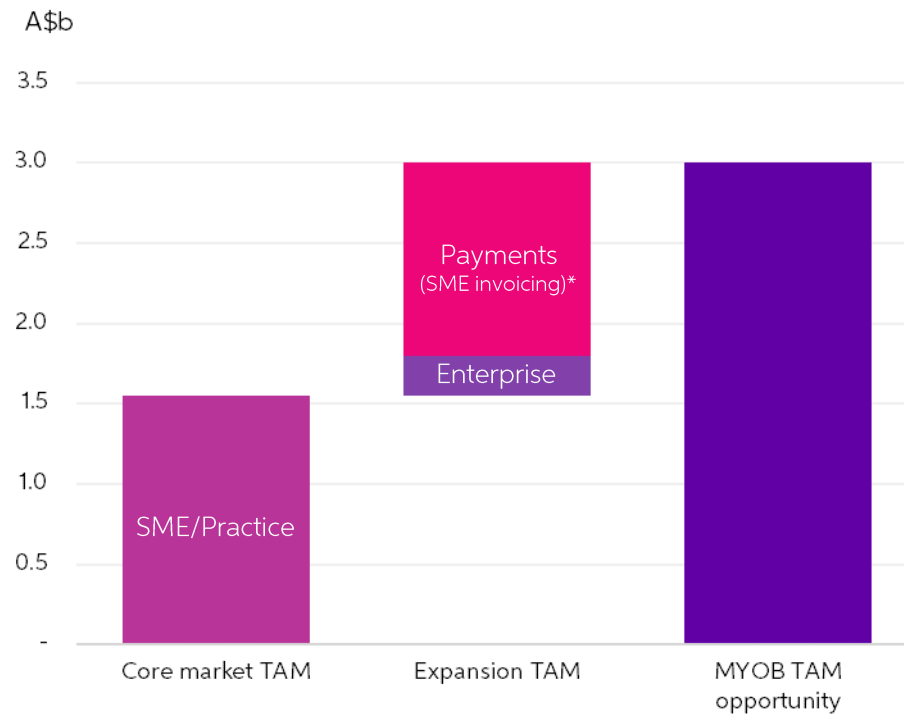
Considerable improvement in subscriber lifetime value from higher ARPU and improved retention rates

Every 1% increase in SME retention rates or ARPU delivers \$2.5 million additional revenue per year

New **Payments segment** unlocks >\$1.2 billion TAM opportunity

Increased TAM
through Payments

ESTIMATED TOTAL ADDRESSABLE MARKET (TAM)



* \$1.2 trillion of invoices raised annually on SME accounting software in Australia, conservatively assuming a 10bp net merchant fee

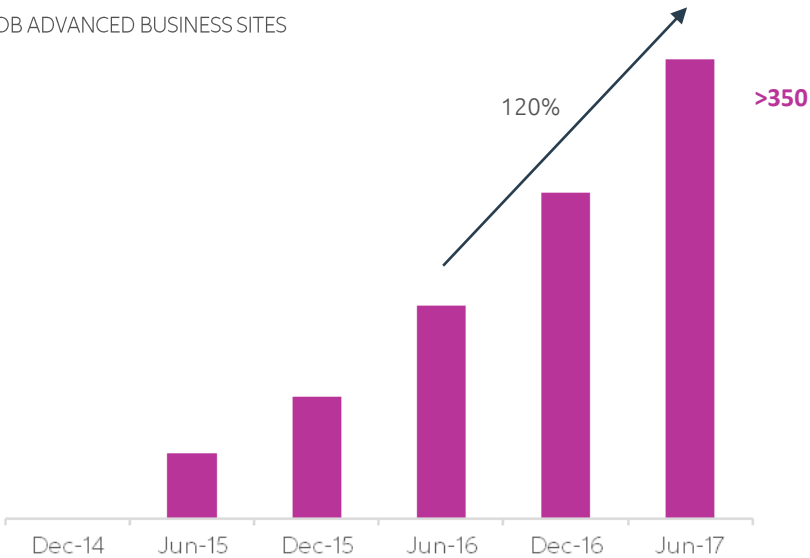
MYOB has a proven track record of successfully acquiring and integrating businesses that add value for our customers and increase TAM

- The acquisition of Paycorp completed on 1 April 2017; now fully integrated into MYOB
- Three months revenue of \$2.3 million included in 1H17 results
- Significant opportunity for growth, taking estimated industry TAM across all segments to at least **\$3 billion**

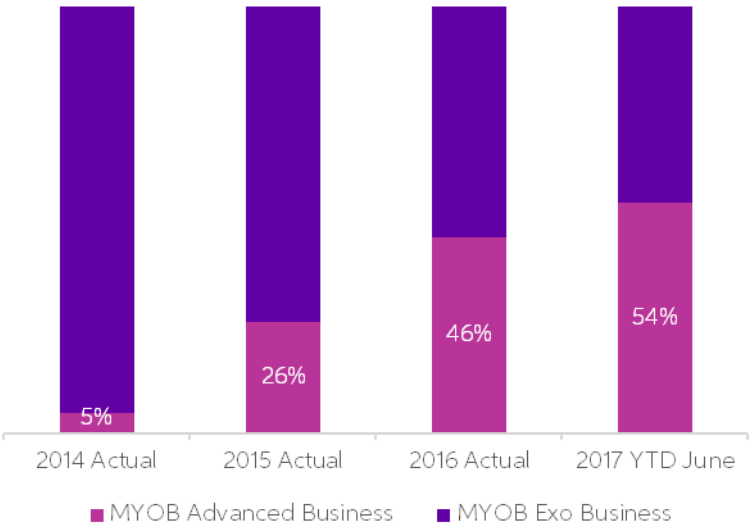
Enterprise creates a significant growth opportunity for MYOB

Increased TAM
through Enterprise

MYOB ADVANCED BUSINESS SITES



MYOB ENTERPRISE ERP SALES MIX



MYOB Advanced growing rapidly with strong uptake in ERP registrations in 1H17

Greentree and **PayGlobal** have delivered solid financial results, as well as opening up new channels to larger Tier 2 markets for our leading online Enterprise ERP and HRM systems

MYOB Executive Team

Experienced team bolstered by new top tier industry expertise

Nick Burkett

GM Service & Operations

David Weickhardt

GM Product

Luke Rattigan

GM Clients & Partners

John Moss

Chief Strategy Officer

Tim Reed

Chief Executive Officer



Richard Moore

Chief Financial Officer

Carolyn Luey

GM Enterprise & New Zealand

Andrew Birch

Chief Operating Officer

Natalie Feehan

GM Marketing

Helen Lea

Chief Employee Experience Officer

Hugh Fahy

GM Engineering

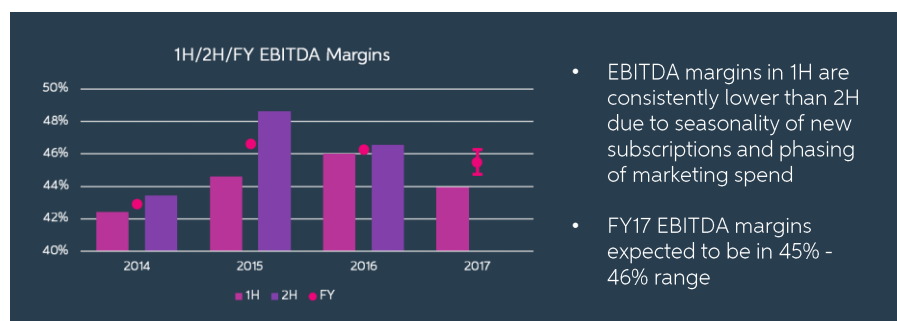


Financial Summary

Strong financial results driven by organic SME subscription revenue growth and accretive acquisitions

MYOB FINANCIAL PERFORMANCE

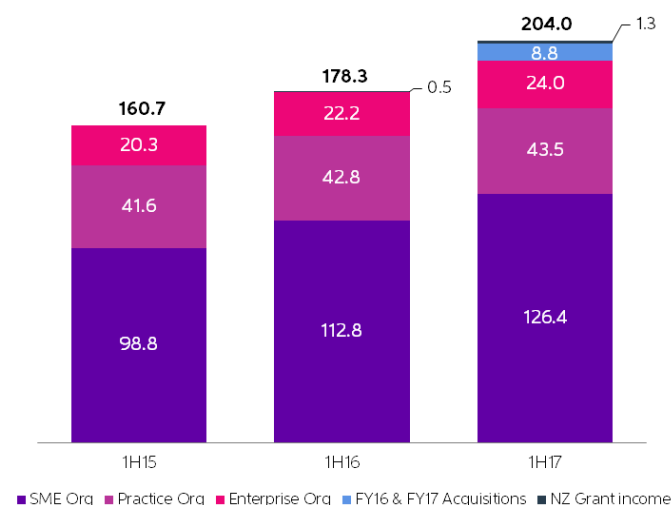
A\$m; 6 months ended 30 June	1H17	1H16	v 1H16
Revenue	204.0	178.3	14%
Operating Expenses	(114.3)	(96.3)	19%
Underlying EBITDA	89.6	82.0	9%
NPATA ¹	48.5	44.6	9%
Recurring Revenue %	96.0%	95.9%	0.1%
EBITDA Margin %	43.9%	46.0%	(2.1%)



Note:

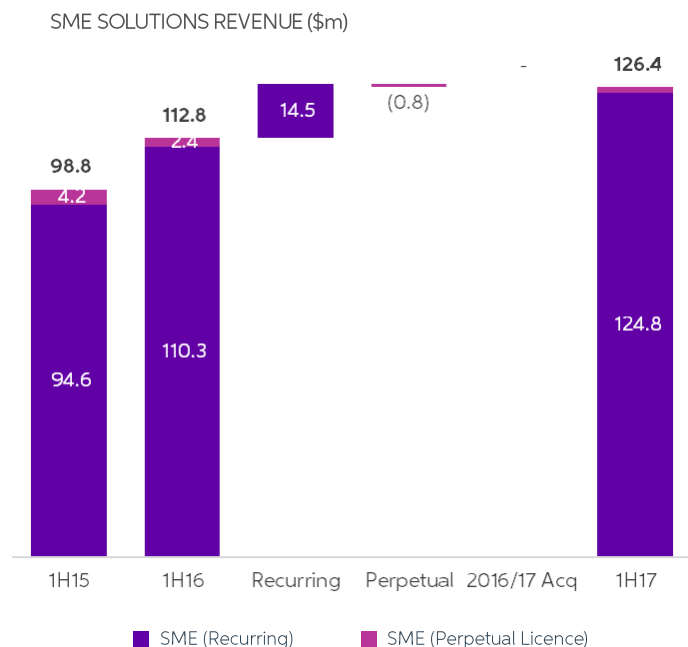
1. MYOB considers NPATA (net profit after tax and after adding back the tax effected amortisation expense related to acquired intangibles), rather than NPAT, to be a more meaningful measure of after tax profit due to the large amount of non-cash amortisation of acquired intangibles that is reflected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

REVENUE BY SEGMENT (\$m)



	Growth	
	1H17	1H16
SME Organic	12.1 %	10.0 %
Practice Organic	1.7 %	2.8 %
Enterprise Organic	8.3 %	9.5 %
Total Organic	9.1 %	8.1 %
Total	14.4 %	10.9 %

SME Solutions grew by 12% and delivered 62% of total group revenue



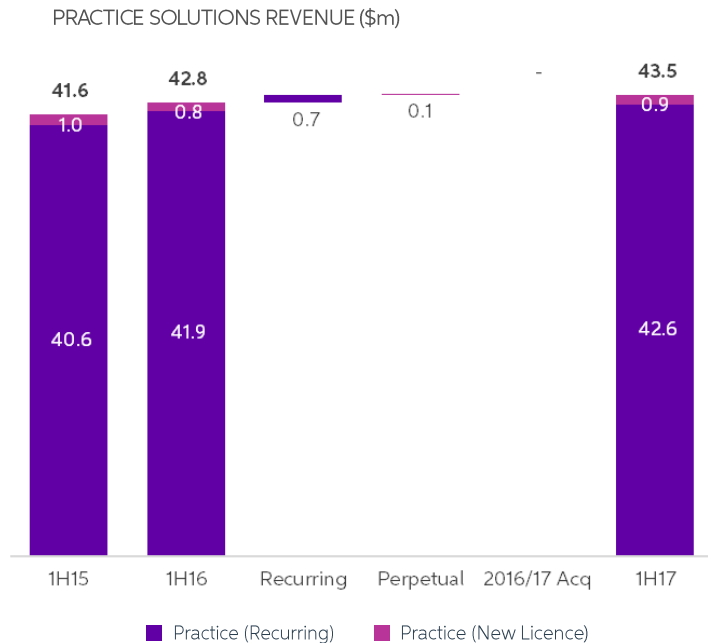
	Growth	
	1H17	1H16
SME (Recurring)	13.1 %	12.6 %
SME (Perpetual Licence)	(34.9)%	(47.8)%
Total Organic	12.1 %	10.0 %
Total	12.1 %	14.1 %

KEY SME METRICS

	1H15	1H16	1H17
Number of paying users ('000s)	527	570	601
Recurring revenue as a % of SME Solutions revenue	96%	98%	99%
Average revenue per paying user (ARPU) (\$)	371	396	421
SME DIY cloud regos as a % of total SME DIY regos	70%	83%	90%

- 12% organic revenue growth driven by 13% uplift in recurring revenue, now 99% of total SME revenue
- 13% organic recurring revenue growth coming from:
 - 6% growth in average paying users (driven by 32% increase in online SME subscribers)
 - 6% growth in ARPU, made up of
 - ~5% pricing increases supported by growth in connected services and increased product functionality
 - ~1% mix shift, with faster user growth in higher-ARPU DIY segment

Practice Solutions delivered 21% of total group revenue, with new client wins in 1H17



	Growth	
	1H17	1H16
Practice (Recurring)	1.6 %	3.3 %
Practice (New Licence)	6.9 %	(17.1)%
Total	1.7 %	2.8 %

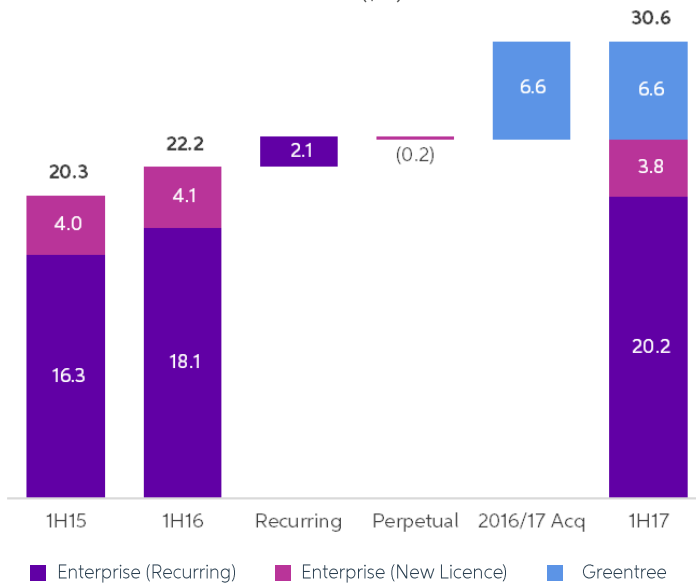
Practice Solutions revenue growth of 1.7%, slightly below 1H16

- New licence growth positive, driven by new client wins
- Recurring revenue growth lower due to lower services revenue YoY driven by a lower number of consulting opportunities in 1H17
- Underlying subscription revenue growth in line with prior years (up 3.5%)

Enterprise Solutions delivered 15% of total group revenue, with Greentree contributing strongly to 1H17 result



ENTERPRISE SOLUTIONS REVENUE (\$m)



Enterprise revenue continues to grow strongly, with double digit underlying recurring revenue supplemented by the contribution from the Greentree acquisition.

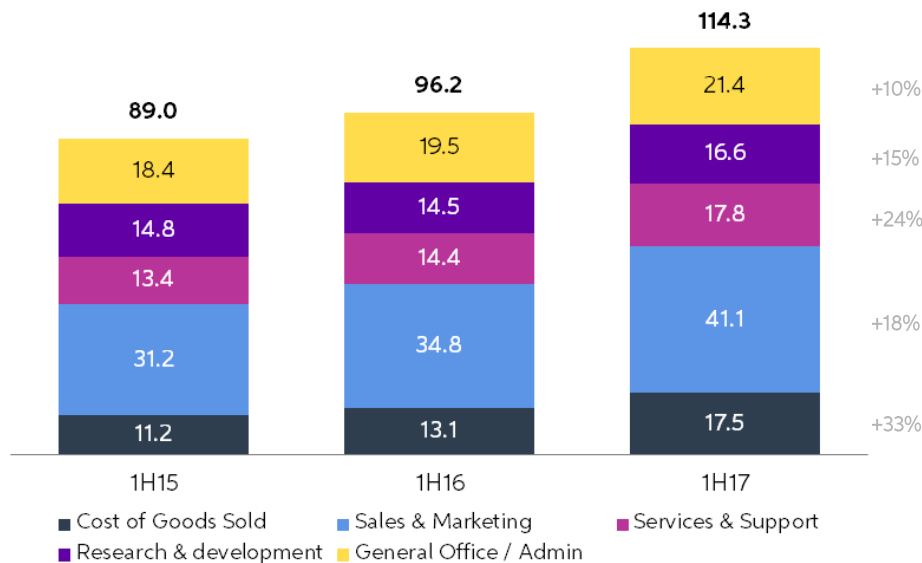
- Organic recurring revenue growth of 11% driven by continued strong uptake of MYOB Advanced, with Advanced Business sales making up more than half of MYOB ERP sales in 1H17
- Contraction in new software sales in line with expectations, with the shift from selling perpetual licences to subscriptions as new sales shift from Exo to Advanced
- Greentree delivered \$6.6 million revenue in 1H17 and is now fully integrated into the MYOB Enterprise business

	Growth	
	1H17	1H16
Enterprise (Recurring)	11.3 %	11.3 %
Enterprise (New Licence)	(5.3)%	2.4 %
Total Organic	8.3 %	9.5 %
Total	37.9 %	9.5 %

Investment in Sales, Marketing and R&D continues to drive online subscribers and revenue growth



OPERATING EXPENSES (\$m)



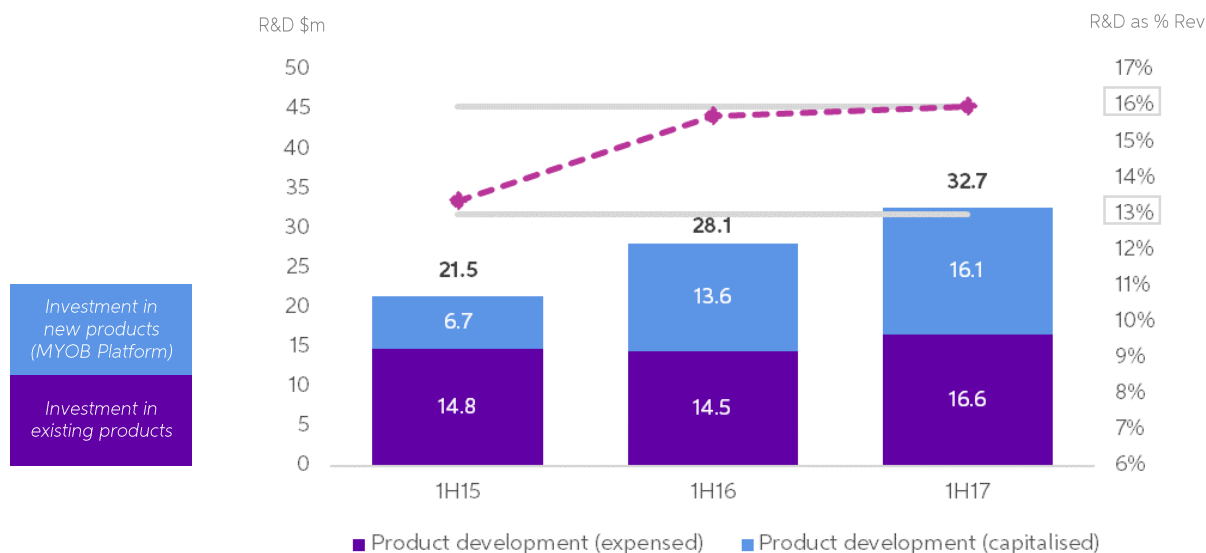
Total expenses up 19% year on year, driven by impact of acquisitions and investment in product and brand. Specifically:

- ongoing costs from Greentree and Paycorp acquisitions (across all categories)
- continued investment in digital sales, marketing and brand (overall 20% of revenue) to support investment in the MYOB platform and growth in subscribers
- COGS increases due to hosting costs of the increased penetration of online solutions in all segments
- continued investment in services, support and product; and
- controlled cost management in general office (mid-single digit before acquisitions)

R&D investment focused on Platform delivery to support our **Connected Practice** vision for the industry



PRODUCT RESEARCH & DEVELOPMENT COSTS



Product development (R&D) costs were 16.0% of revenue in 1H17, up from 15.7% in 1H16

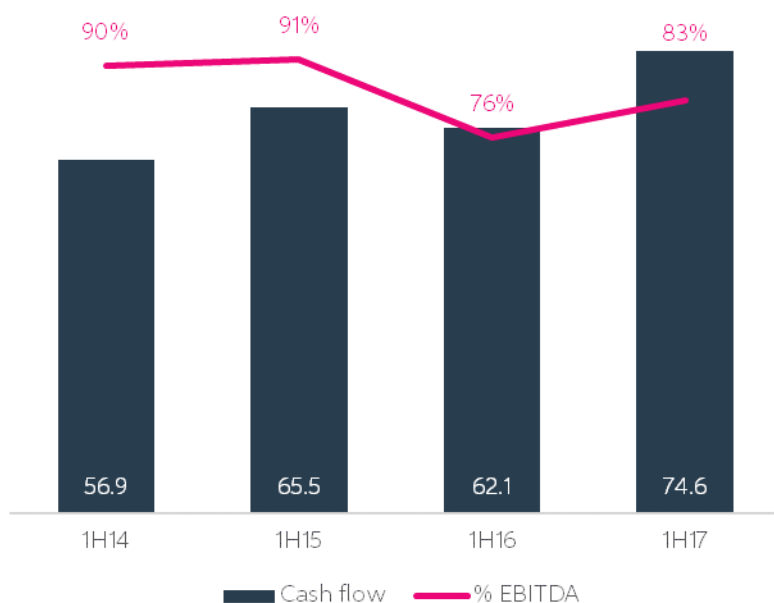
- The majority of the increased investment in 1H17 has been on the MYOB platform (yet to generate revenue), resulting in faster growth of capitalised spend over expensed¹
- For FY17 we expect investment levels to remain at the top end of the 13%-16% range and the opex/capex ratio to remain close to 50/50

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

- Any development on products already generating revenue is expensed. This spend is on both online and desktop solutions.
- Any development on products that will create a benefit in future periods is capitalised. e.g. the MYOB platform, internal CRM systems.
- Previously capitalised spend starts amortising once the product is released to market, over 5 years on a straight-line basis.

High cash flow conversion and strong free cash flows

CASH FLOW CONVERSION (\$m)



\$m	Cash Flows	
	1H17	1H16
Underlying EBITDA	89.6	82.0
Non-cash items in EBITDA	0.7	0.4
Change in net working capital	6.4	(0.5)
Operating free cash flow before capital expenditure	96.7	81.9
Research and development	(16.1)	(13.6)
PPE and other capital expenditure	(6.0)	(6.2)
Capital expenditure	(22.1)	(19.8)
Net free cash flow before financing, tax and dividends	74.6	62.1
Cash conversion %	83%	76%

- Cash conversion improves by 7ppts to 83%, driven by positive working capital movement in the first half
- Positive NWC due to seasonal build up of unearned revenue (masked in 1H16 by similarly sized annual prepayments to hosting providers – now paid monthly/quarterly)
- Net free cash flow of \$75 million, up 20% YoY, 9% CAGR from 1H14



Outlook

FY17 Guidance

The Connected Practice strategy, underpinned by the MYOB Platform, is expected to accelerate online subscriber growth in 2H17

On the back of a strong 1H, we are updating our FY17 revenue growth rate to be in the 13% - 15% range, with EBITDA margins to be in the 45% - 46% range

Investment in the MYOB platform will continue with FY17 R&D investment expected to be at the upper end of the reported 13%-16% of revenue range

On-market share buyback of up to 5% of issued capital over a 12 month period. Continue to pursue acquisitions and investments in line with our growth strategy.

Reporting timeline

Investor/Analyst Day
November 2017



Q&A

Appendix

Key operating metrics summary

	1H15	1H16	1H17
MYOB Group			
Number of online subscribers ('000s)	142	200	306
Revenue growth %	8%	11%	14%
Organic revenue growth %	8%	8%	9%
Recurring revenue as a % of total revenue	94%	96%	96%
Underlying EBITDA Growth %	14%	14%	9%
Underlying EBITDA Margin %	45%	46%	44%
NPATA Growth %	14%	16%	9%
NPATA Margin %	25%	26%	24%
Product development costs as a % of total revenue	13%	16%	16%
SME Solutions			
Number of online subscribers ('000s)	142	195	257
Number of paying users ('000s)	527	570	601
Average user retention rate (%)	80%	80%	82%
Average revenue per paying user (ARPU) (\$)	371	396	421
SME DIY cloud regos as a % of total SME DIY regos	70%	83%	90%
Revenue growth %	12%	14%	12%
Organic revenue growth %	12%	10%	12%
Recurring revenue as a % of SME Solutions revenue	96%	98%	99%
Practice Solutions			
Number of online ledgers ('000s)	-	5	49
Revenue growth %	3%	3%	2%
Recurring revenue as a % of Practice Solutions revenue	98%	98%	98%
Enterprise Solutions			
Revenue growth %	-1%	10%	38%
Organic revenue growth %	-1%	10%	8%
Recurring revenue as a % of Enterprise Solutions revenue	80%	82%	81%



Income statement

\$m	1H17	1H16	v 1H16
Revenue			
SME Solutions	126.4	112.8	12%
Practice Solutions	43.5	42.8	2%
Enterprise Solutions	30.6	22.2	38%
Payment Solutions	2.3	-	
Group	1.3	0.5	137%
Total Revenue	204.0	178.3	14%
COGS	(17.5)	(13.1)	33%
Staff related expenses	(69.5)	(62.0)	12%
Marketing	(10.4)	(6.0)	73%
General office / administration	(17.0)	(15.1)	12%
Total operating expenses	(114.3)	(96.3)	19%
Underlying EBITDA	89.6	82.0	9%
One-off non-recurring expenses	(2.5)	(3.0)	(17%)
Statutory EBITDA	87.1	79.0	10%
Depreciation	(3.2)	(2.7)	18%
Amortisation of capitalised inhouse software	(6.9)	(6.1)	13%
EBITA	77.0	70.1	10%
Amortisation of acquired intangibles	(28.8)	(27.9)	3%
EBIT	48.2	42.2	14%
Net interest expense	(6.9)	(7.8)	(12%)
PBT	41.3	34.3	20%
Share of losses from equity accounted investments	(1.3)	(1.4)	(10%)
Tax expense	(11.8)	(7.9)	49%
NPAT	28.3	25.0	13%
D&A add back (tax effected)	20.2	19.6	3%
NPATA	48.5	44.6	9%



Balance sheet

\$m	30-Jun-17	31-Dec-16
Assets		
Current assets		
Cash and cash equivalents	39.0	61.4
Other current assets	82.9	34.8
Total current assets	121.9	96.3
Non-current assets		
Intangible assets & goodwill	1,278.7	1,245.4
Other non-current assets	38.9	45.2
Total non-current assets	1,317.6	1,290.5
Total assets	1,439.4	1,386.8
Liabilities		
Current liabilities		
Unearned revenue	55.5	49.7
Other current liabilities	93.1	41.7
Total current liabilities	148.6	91.5
Non-current liabilities		
Interest-bearing loans and borrowings	434.3	434.8
Other non-current liabilities	8.0	6.0
Total non-current liabilities	442.2	440.8
Total liabilities	590.9	532.3
Net assets	848.6	854.5
Equity		
Contributed equity	1,141.4	1,141.4
Retained earnings	(362.6)	(356.2)
Reserves	69.7	69.3
Total equity	848.6	854.5

- Most balance sheet measures in line with FY16 actuals
- Cash balance of \$39 million, lower than FY16 due to the acquisition of Paycorp in April 2017
- Growth in other current assets / liabilities driven by client funds held in trust for superannuation clearing products over month end (average time held is 2 days)



Forecast amortisation of 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	20	18	15	13
Commercialised Software	33	33	34	35	35	27	3
Total amortisation of acquired intangibles	61	58	57	59	55	42	16
Amortisation of capitalised in-house software	7	8	13	16	17	17	15
Depreciation of PP&E	4	5	5	6	6	5	5

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	85	67	52	39
Commercialised Software	154	123	95	67	32	5	3
Goodwill	828	839	854	915	915	915	915
Total acquired intangibles	1,211	1,178	1,153	1,182	1,127	1,085	1,069
Capitalised in-house software	27	41	57	59	41	24	9
Property, Plant & Equipment	16	15	19	17	11	6	1

- Acquired brands fully amortised by 2019, leaving MYOB brand only (does not amortise)
- Acquired commercialised software virtually fully amortised by 2020
- Forecast will be impacted by any future MYOB acquisitions and other additions
- \$1.0B of the \$1.2B acquired intangible assets at 30 June 2017 relate to Bain Capital's acquisition of MYOB. The balance relates to acquisitions made by MYOB

Reconciliation of statutory to underlying EBITDA

\$m	Note	EBITDA	
		1H17	1H16
Statutory EBITDA		87.1	79.0
Acquisition transaction and integration costs	1	1.2	2.1
Offer related adjustments and other transaction costs	2	-	0.2
Business transformation one-off costs	3	0.3	0.3
Other non-recurring adjustments	4	-	0.5
(Gain)/loss on FX translation of intercompany loans	5	1.0	(0.0)
Total one-off non-recurring adjustments		2.5	3.0
Underlying EBITDA		89.6	82.0

- One-off, non-recurring items:

- 1) Transaction and integration costs relating to the acquisitions of Ace Payroll, IMS, Greentree and Paycorp
- 2) Final IPO-related fees expensed in 1H16
- 3) Business transformation initiatives and restructuring costs, including redundancies
- 4) One-off MYOB brand transformation costs
- 5) FX movement on intercompany loans – larger in 1H17 due to month end movements in intercompany loans coinciding with fluctuations in the AU/NZ exchange rate



