



ASX Announcement

23 February 2018

MYOB announces full year results for the period ending 31 December 2017

MYOB Group Limited (MYOB, ASX: MYO), a leading provider of online business management solutions to Australian and New Zealand businesses, is pleased to announce its financial results for the 12 months ended 31 December 2017.

Highlights

- Solid financial results delivering double-digit growth across all key financial measures
- Record online subscriber growth (up 60 per cent), driven by new SME wins, the highest ever online migration rate from active non-paying users and strong growth in online practice ledgers
- Customer lifetime value of subscriber base continues to increase with improvements in ARPU, retention rates and the uptake of Connected Services
- Delivery of the Connected Practice vision and focused investment in the MYOB Platform is generating real efficiencies and savings for SMEs and Advisers and driving rapid uptake in MYOB's online practice tools
- MYOB's new Payments segment opens up a \$1.2 billion market opportunity; with Enterprise Solutions now recognised as the #1 ERP provider¹ in Australia and New Zealand in its segment
- Strong balance sheet and efficient capital management generating \$73 million in capital returned to shareholders in 2017; net debt below 2.0x EBITDA
- Positive trajectory continues, with a regulatory decision on the acquisition of Reckon's Accountant Group assets expected in 2Q18
- On track to reach one million online subscribers in Australia and New Zealand by 2020

Financial Summary

Revenue for the 12 month period increased to \$416 million, up 12 per cent on the prior year (13 per cent on a constant currency basis²), and underlying earnings before interest, tax, depreciation and amortisation (EBITDA) grew to \$190 million, up 11 per cent on prior year. MYOB's preferred measure of after tax profit, NPATA³, was \$102 million, up 10 per cent on prior year, with associated NPATA earnings per share of 16.9 cents, up 8 per cent on prior year.

Key Financial Metrics A\$m; 12 mths ended 31 December	FY17 \$m	FY16 \$m	YoY % change
Revenue	416.5	370.4	12.4%
Underlying EBITDA	189.9	171.4	10.8%
NPAT	60.7	52.2	16.3%
NPATA	101.6	92.4	10.0%
NPATA EPS (cents)	16.9	15.7	7.9%
<i>Recurring Revenue %</i>	<i>96.1%</i>	<i>95.6%</i>	<i>0.5%</i>
<i>EBITDA Margin %</i>	<i>45.6 %</i>	<i>46.3%</i>	<i>(0.7%)</i>
Number of online subscribers ('000)	399	249	60%
Number of Paying SMEs ('000)	618	585	6%
SME ARPU (\$)	424	406	4%



Dividend and Share buyback

The Company's balance sheet remains robust and as a reflection of this, the Board has declared a final dividend of 5.75 cents per share. This represents a payout ratio of 66 per cent of 2H17 NPATA and brings the full year dividend to 11.5 cents.

In August 2017, MYOB announced an on-market share buyback of up to 5 per cent of the Company's issued capital. During 2017 the Company acquired more than \$3 million in shares from existing cash and a further \$3 million was purchased in January and February 2018. The dividend and buyback combined represents a total of \$73 million of capital returned to shareholders in 2017 and a total of \$170 million of capital returned to shareholders from the time of listing to 31 December 2017.

Acquisitions

During the 2017 financial year, MYOB announced two strategic acquisitions, aligning to MYOB's Connected Practice vision and expansion strategy.

In April 2017, MYOB acquired Paycorp, a leading payments solutions provider, for \$48 million. Following the integration into MYOB, the newly created Payment Solutions segment contributed revenue of \$6.3 million in the nine months to December 2017.

In November 2017, MYOB announced its intention to acquire the assets of Reckon's Accountant Group for \$180 million. Review by the competition regulators in Australia and New Zealand is underway, with a decision expected in 2Q18.

Justin Milne, Chairman:

"MYOB continues to generate strong financial results, with 2017 delivering another year of double-digit earnings growth.

Our record online subscriber growth of 60 per cent is an outstanding result and demonstrates that our continued and focused investment in product development, sales, marketing and brand is delivering strong outcomes. It is pleasing to see accelerating migration from our active non-paying base to online solutions, with the rate nearly doubling in three years, as our customers embrace the benefits and efficiencies of online solutions.

Our Enterprise Solutions segment continues to make headway delivering strong growth and I'm delighted that we've been recognised as the number one ERP provider in Australia and New Zealand.

Our balance sheet remains very strong and we continue to have the flexibility to pursue accretive acquisitions that add value to our core business and enhance our addressable market. We've initiated our share buyback and are pleased to declare a final dividend of 5.75 cents per share, returning \$73 million of capital back to shareholders in 2017."



Tim Reed, Chief Executive Officer:

"I am pleased to report a great set of financial results for the 2017 financial year.

We strongly believe in our Connected Practice vision and as we invest to build out the MYOB Platform, it is pleasing to see more and more accountants and advisers embrace this change and using our online tools. The rewards of automation and accurate data feeds are significant and generate greater efficiencies and savings for our SMEs and Advisers.

With the accelerating growth in online subscribers in FY17, we are on track to reach one million online subscribers in Australia and New Zealand by 2020.

The past year has been an exciting one in terms of the growth trajectory and expansion into new markets. In April, we acquired Paycorp and expanded our total addressable market by more than \$1.2 billion. The Paycorp business is now fully integrated within MYOB and enables us to offer a market-first integrated payment and accounting solution to clients.

We announced in November our intention to purchase Reckon's Accountant Group assets. We are excited by the opportunity that this acquisition will bring, and await a decision from the Australian and New Zealand competition regulators, expected in 2Q18."

FY18 Guidance

Tim Reed, Chief Executive Officer:

"Our outlook for FY18 remains positive, with a regulatory decision on the acquisition of Reckon's Accountant Group assets expected in 2Q18.

The Connected Practice vision, together with the development of the MYOB Platform, is expected to accelerate online subscriber growth in 2018.

We expect organic revenue growth to remain in the 8 per cent - 10 per cent range, with EBITDA margins of 43 per cent - 45 per cent. Including the acquisition of Reckon's Accountant Group assets (assuming a 2Q18 acquisition date) total revenue growth is expected to be 14 per cent - 16 per cent, with EBITDA margins of 41 per cent - 43 per cent.

We expect FY18 R&D investment to be approximately 16 per cent of revenue.

In addition, we will continue to pursue growth and investment opportunities whilst maintaining capital efficiency. With the acquisition of Reckon's Accountant Group assets, we expect acquisition transaction and integration costs (including accelerating Platform development) to be in the range of \$15 million to \$20 million in FY18."



Segment Revenue Performance

	FY17	FY16	YoY % change
Clients & Partners: SME	257.6	233.2	10.5%
Clients & Partners: Practice	85.8	84.1	2.1%
Enterprise Solutions	64.6	51.6	25.1%
Payment Solutions	6.3	-	n/a
Group	2.2	1.5	44.3%
Total Revenue	416.5	370.4	12.4%

Clients & Partners

(accounted for 82 per cent of total revenues)

In FY17, the Company consolidated its go-to market teams from its SME Solutions and Practice Solutions divisions into a new “Clients & Partners” division, responsible for the delivery of the Connected Practice vision to MYOB’s SME and Practice clients. In FY17, Clients & Partners revenue grew by 8 per cent compared to the prior year (SME and Practice Solutions revenue combined).

This growth was predominantly driven by SME revenue growth which increased by 10 per cent compared to FY16. Recurring revenue represented 99 per cent of total revenue from SMEs, up from 98 per cent in FY16, and grew by 11 per cent in FY17. This was driven by:

- Paying users growing 6 per cent to 618,000, which was driven by a 35 per cent increase in online SME subscribers (from 225,000 to 304,000), an increasing rate of migrations from active non-paying to paying online users and a record 82 per cent retention rate.
- ARPU growing by 4 per cent to \$424 in FY17, with price increases supported by increased product functionality and continued growth in connected services. This was offset by a mix shift to lower ARPU products and the impact of FX in 2H17 due to the weaker NZ\$.

MYOB launched a number of new and innovative products and connected services to SME clients in 2017, including Automated bills processing - enhanced Smart Bills service through application of next-gen AI processing of bills, and piloting a direct supplier feed service; MYOB Invoices mobile app for iOS & Android devices; and two factor authentication to increase security.

Revenue from Practices grew at 2 per cent from FY16, broadly in line with long term growth rates, driven primarily by ARPU increases. Recurring revenue represents 98 per cent of total revenue from Practices, in line with FY16.

Enterprise Solutions

(accounted for 16 per cent of total revenues)

MYOB Enterprise Solutions has been recognised as the number one provider of ERP solutions in Australia and New Zealand, based on total sites installed. The Company’s online ERP solution, MYOB Advanced, now has more than 450 sites installed (up >80 per cent year on year) and made up almost 60 per cent of MYOB’s Tier 3 ERP sales in FY17.

Enterprise Solutions revenue grew at 25 per cent from FY16, of which 18 per cent resulted from a full year of revenue from the acquisition of Greentree in August 2016. Underlying revenue, excluding acquisitions, grew by 7.5 per cent from FY16. Organic recurring revenue grew 11 per cent in FY17 and now represents 82 per cent of Enterprise Solutions total revenue, up from 80 per cent in FY16.



New license revenue reduced by 9 per cent in FY17 as the shift from desktop licenses to online subscriptions accelerated.

Payment Solutions (new revenue reporting segment)

Payments Solutions revenue for the 9 months to December 2017, following the April acquisition of Paycorp, was \$6.3 million. Further revenue from MYOB's PayDirect Online invoicing solutions for SMEs is included within the Clients & Partners SME revenue. MYOB has fully integrated the Paycorp team into MYOB's dedicated Payment Solutions division and enhanced the team with payments-specific expertise in product management, business development and technical delivery.

Further information and web conference details

The MYOB ASX release should be read in conjunction with the corresponding MYOB FY17 Results Presentation and the MYOB 2017 Annual Report. All documents are available on the MYOB Investor website: <http://investors.myob.com.au/Investors/>.

CEO Tim Reed and CFO Richard Moore will present the results to analysts on a conference call at 10:30am AEDT today. To register for the MYOB webcast, please click here <http://webcast.openbriefing.com/4171/>. Playback facilities will be available and a conference call transcript will be published on the ASX platform.

Conference call details

Conference Pin #	1379378	New Zealand	0800 452 782
Australia Toll Free	1800 123 296	United Kingdom	0808 234 0757
Australia Toll	612 8038 5221	USA	1855 293 1544
Hong Kong	800 908 865	Canada	1855 5616 766
Singapore	8006162288		

For further conference dial in details - refer to ASX announcement dated 29th January 2018.

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About MYOB

MYOB Group Ltd (ASX: MYO) is a leading provider of online business management solutions. It makes business life easier for approximately 1.2 million businesses and accountants across Australia and New Zealand by simplifying accounting, payroll, tax, practice management, CRM, job costing, inventory and more. MYOB operates across three core segments – Clients and Partners (business solutions to SMEs and Advisers); Enterprise Solutions (larger businesses) and Payment Solutions. It provides ongoing support through client service channels including a network of over 40,000 accountants, bookkeepers and other consultants. It is committed to ongoing innovation, particularly through its Connected Practice Strategy and through the development of the MYOB Platform. For more information, visit <http://investors.myob.com.au/Investors> or follow @MYOB on Twitter.

¹ Source – iStart ERP Buyers Guide 2017-18; based on ANZ ERP sites installed (Exo, Advanced and Greentree)

² FY17 revenue growth rate was 12.7 per cent on a FY16 constant currency basis

³ 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.