Event Transcript

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Start of Transcript

Operator: Ladies and gentlemen, thank you for standing by and welcome to the MYOB Analyst and Investor Conference Call. At this time, all participants are in a listen only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question, you need to press star one on your telephone. I must advise you that this conference is being recorded today, Thursday 31 May, 2018. I would now like to hand the conference over to your first speaker today, Mr Tim Reed, Chief Executive Officer for MYOB. Thank you, please go ahead.

Tim Reed: Thank you Operator and good morning everyone. We appreciate you joining us on relatively short notice this morning. I'm here in Sydney with Christina and Richard is also joining us from Melbourne. There are three important things that we'd like to share with you today, but more importantly we'd like to share with you our thoughts and logic behind these updates.

- The first is that we have determined not to proceed with the acquisition of the Reckon Accountants Group and;
- Second, we will continue with the accelerated investment in our business that we announced at our Strategy Day last year when we announced the acquisition.
- The third is that on the basis that we won't be deploying the $180 million of capital towards the acquisition, we intend to accelerate the speed of our share buyback that we previously announced. Of course, that's subject to share price levels.

What I really wanted to do is focus on the first two of those - these are two sides of the same coin but there are four factors that have played into both those decisions. So let me summarise those and then run through for you the details of the implications from there.

- The first factor is that we have been receiving really strong feedback in the market in terms of our vision for the Connected Practice and particularly in terms of the referrals that are coming through from accountants and bookkeepers which we collectively refer to as Advisers. We're delighted with that and as we go through the pack we will talk more about that. In our market research for the first time the vision of the Connected Practice and the tools that we're delivering as a part of that has now registered and is actually in the top three reasons that advisers are recommending our SME products to their clients.

- The second is that through the process we did acquire new information on our competitors. Through this process, Xero have told the ACCC (and which has been reported in *The Financial Review*) that they do not have what they would consider competitive tools for medium and large accounting practices and that as a part of that process they also shared that it's not their intention to build those tools. As part of this also Reckon shared with the regulator, and with the market at large, that they do not see a way for them to be able to build out their APS practice management suite as an online solution. And - those two factors certainly play into taking the organic path towards growth a more attractive one for us.

- Thirdly, the regulatory process has been longer and frankly more challenging than what we were advised to expect up front and therefore what we expected. It could have continued for quite some time and we've been in regular communication with the regulators both in Australia and New Zealand and our confidence through those communications was not increasing and obviously there's a direct cost and an indirect cost in terms of time and distraction from continuing that process.

- Finally, as that process continues and particularly with the announcements that Reckon made, there is the potential for that to have an impact on the trading results in that part of their business and that is a risk factor that we had to take into account when thinking about the value of the asset that we may ultimately have been able to acquire.

So those four factors together helped us make the decision that, given the six months was up and the conditions precedent had not been met, we were therefore within our rights to terminate the acquisition, and that it was the right course of action to take for us to continue the accelerated path of organic acquisition in this market.

Seeing the strong results that are coming through but also understanding the opportunity that is open to us having better insight into the competitor's strategy is what I want to spend the rest of today talking about, which is the business case to invest, because we believe it is a compelling one, and this is listed in summary on slide 5 and then in detail on the subsequent slides of this presentation that we uploaded to the ASX an hour ago.

Of the four points that go into, the first is simply our track record. We have been investing over the last three years and we've achieved strong outcomes. Those outcomes are from a competitive market share perspective and also from the free cashflow and the profit that we've been able to derive from the investment. It's not just those in period results that have improved, the second big factor here is the quality of our business has also improved. By that I mean, the drivers of lifetime value in that installed base that we have continue to increase and I'll talk to that in some detail in a couple of moments.

Very importantly, the decisions that we have made are not that advisers are less important to our business, in fact advisers remain central to our strategy. We believe there is a balance between pursuing the organic versus the inorganic path to winning those adviser relationships, and the case for converting them into referring accountants of our SME products is more compelling now, and it's everything that I just outlined that we learnt over the last six months that has led us invest.

Finally, the time is absolutely now to invest. We know the market is there, and available. We think that it's going to double in its size in the years ahead and now is the time for us to be making sure that we make the investment such that we can deliver to you the maximum potential that we can within that market growth.

So just turning to slide 6, on the left shows the chart shows the net increase in online subscribers for each of the four market participants as best as we can derive from publicly available information. What you can see is that over the last three years, we have continued to improve our position and we've made material gains in terms of market share. As we shared at the Macquarie Bank conference a few weeks ago through until the end of March, so Q1 this year, we've continued to see that purple line increase. Now June is a very important month for us in terms of our first half results but as we've guided, we expect to see continued increase in our net online subscriber growth in 2018 and certainly the results that we shared at the Macquarie Bank conference say that through the first quarter we have seen that coming through.

We haven't just improved market share, we've been able to do that while also driving free cashflow through the business and returning a good proportion of that to you as shareholders. We've trebled our online subscriber additions, made significant improvements in market share, generated operating free cashflow of $400 million and returned approximately half of that to you. We think that's a great formula and it's one that we want to invest to continue to drive those trends even further so that we get more improvements in the future.

As I said, it's not just the in-period results that we're pleased with though. The underlying quality of our business has improved and if you turn to slide 7, the reason that I'm confident in making that statement is these three charts. We've grown our paying subscribers 13% over the last couple of years. Our churn has fallen by 12% over the last couple of years and ARPU is up by 12%. All three of those factors that really drive the quality of our revenue and the quality therefore of our business have been moving in the right direction. If you add those together then the outcome is that the lifetime value of our subscriber base has increased by almost 40% since 2015. That's something that we're proud of and it's something that we want to ensure that we can continue to deliver and the investments that we're proposing will certainly allow us to be confident that that is what lies ahead.

Moving onto slide 8, advisers are absolutely central to our strategy. The importance of accountants and bookkeepers in our category can't be understated. We do intend to continue to lift our presence in this space. It is simply that we are going to do that through our organic investment rather than the acquisition of the Reckon Accountants Group. You can see in the chart that in terms of our gross sales - the gross sales of our SME products, advisers have made up an increasing proportion of those so when it says referrals that's referrals from accountants, bookkeepers, certified consultants. So 56% last year and that has continued as we said at the Macquarie Conference through the early parts of this year.

What's more exciting to me is the reason why this is happening. What we have increasingly heard is that as we've been releasing the online modules to the MYOB platform, the practice tools or the advisor tools that they use to run their business (and by this I'm talking about MYOB Ledger, MYOB Portal, the dashboard, our first releases of tax returns, the FBT and GST releases, My Advisor which has now gone to being generally available in the market). They have been incredibly well received and so not only is the Connected Practice vision being something that they are starting to respond to us about, but their belief in our delivery of the MYOB platform to enable them to become a connected practice is also increasing. That we have seen as I said now one of the prime reasons that they tell us that they are recommending our SME products with increased vigour and in increased numbers.

Just moving onto slide 9, so the case to invest is compelling but why now? Well we look at where the market penetration of accounting, of online accounting software is relative to desktop and relative to what we think the opportunity is. The time to invest is absolutely now. Somewhere in the years ahead and who knows if it's five, six, seven, eight but the total available market in this category is going to continue to grow. We think it will double in that time period, as category penetration doubles, and the time to invest is therefore absolutely today to make sure that, as the market penetration continues to lift, that we capture the maximum possible market share that we can.

So that's why we're investing. We believe it's a compelling case and we believe it will derive increased and improved returns to shareholders. Just diving into the detail a little bit as to exactly what that investment is and this is as we presented at our strategy day last November. It comes in two parts, the first is an acceleration in our investment in the MYOB platform, which is our product development spend that is building out the tools that are needed to make the connective practice vision a reality. The second is an increased investment in both sales so this is our adviser sales team, the people who are out there in the field and on the phones talking to accountants and bookkeepers every day and driving those referrals; together with our marketing spend and particularly our digital marketing spend.

So the next two slides just talk to those two components separately. On slide 12 the circle there describes all of the elements of the MYOB platform and you can see that the number of those that we have in market continues to grow. We're now at seven of those 12 components that are released to the market. All of them are continuing to receive additional investment as we get market feedback and we build out the depth and fit of those tools to the broad set of advisers that we have. We're excited that in terms of client accounting by the end of this half, we won't just have Practice Ledger in the market, but we'll also have Assets in the market, and we are investing the in the two remaining components being Workpapers and Statutory Reporter.

Tax, as I said, we've got two forms in the market, we're getting great feedback on the company returns which is currently under development. Previously we've communicated corporate compliance as being on the road map. We have kicked off and are actively now engaged in building our corporate compliance which will complete the compliance suite for us. The two elements that remain practice management and document management we have teams who are starting to explore the different approaches that we could take but we have not yet actively started engaging in the development of those online modules.

We are committed to building this platform and we've said that to you a number of times. We're committed to being in the market with a suite of tools that work for the broad range of small businesses from that that is a part-time home office worker right through to the top end of our MYOB AccountRight clients who in some cases are 20 - 50 employee businesses really pushing through into that medium sized business. We're also committed to making sure that we have all of the online tools available to both small, medium and large accounting practices. Rather than spread that investment out over a longer period of time, what we have determined to do is to accelerate the investment in the in next three years and you can see that on the right-hand side of the chart where you can see our investment over the last three years in the solid bars and then those little ‘I’ indicators are our planned investment path going forward. So it will step up this year and then step up next year.

That means that total R&D as a percentage of revenue will peak somewhere just shy of 20%. We will hold the dollar spend at that point and it will then glide back towards 16%. That investment will enable us to make sure that we've got the right number of crews within our Future Makers teams are directing all components of the platform. That's really what we need to get to where all of that circle is actively under development such that we can then drive to the delivery date of those tools to all of our clients and our partners as soon as possible. That's what this investment profile will allow us to do.

Moving onto to slide 13, the investment in sales and marketing. When building a subscription business, you have to pay for the cost of acquisition in Year 1 and you never get a full year of revenue until Year 2 and that does mean that if you accelerate investment, that margins take a dip in the short term before being able to return because of the value of those subscriptions. Looking at it from an NPV perspective however, makes it a very clear investment decision that if we can maintain the productivity rates of our sales team and our online acquisition (and we look at those by looking at the number of referrals per salesperson and the cost of acquisitions for our digital marketing teams). If we can maintain the current levels of productivity on those two metrics, then increasing the investment is an absolute “no brainer” on any terms.

Despite the fact that it leads to an increase in OpEx in the short term and therefore an impact on margins, when you stand back and look at the lifetime value of those subscribers and of the revenue that is being brought in, it's just literally a “no brainer” decision. So what we've proposed here, as you can see, is increasing our sales heads with a plan to ensure that the sales productivity remains within those I markets, so those purple lines in the middle of the chart there. Similarly, in terms of our marketing spend around the capped months that we will be willing to pay in terms of our direct SME sales.

So that's the plan. I'll hand over to Richard now to talk through what that means in terms of what you could expect for financial returns when you sum that altogether and how you should think of guidance over the years ahead.

Richard Moore: Thanks Tim. So as Tim said we are investing and we're investing for growth, so we believed it was important to show you the confidence that we have in our strategy and put some targets out for the medium term for us to achieve at the end of this investment period. We've already discussed a target of 1 million online subscribers by 2020, and we're adding a few onto that.

The first is we do expect throughout the period our organic revenue growth to be maintained in the high single digits, but we are an acquisitive company and it is very likely over the period that we will continue to grow through acquisition as well. So, we are expecting to see total revenue growth throughout this period in the double digits.

We are committing to coming back to 45% EBITDA margins at the end of the investment period, so by 2022. Part of doing that is by, as Tim said earlier, as revenue grows and we maintain a stable level of R&D investment, the percentage of revenue comes back to under 16% by 2022 as well.

The key measure that we are aiming for is the last one, this is a free cash flow more than $200 million in 2022. There's a chart on the right that shows what we expect to happen to free cash flow. Just in terms of what that means, it's our statutory EBITDA less all of our CapEx and less working capital needs. We are expecting that to come back through the two investment years, 2018 and 2019 in particular, but then those investments to pay dividends and by 2022 the business shluld be generating over $200 million of free cash. That's what we've set ourselves as targets and we'll be continuing to monitor progress against those.

On slide 15, we've just reclarified our guidance. For the current year, we are not changing our organic revenue growth guidance; we are still expecting it to be in the 8% to 10% range. We shown a high single digit growth across each of the periods but we're not changing the 2018 guidance. For 2018, we expect R&D, as Tim said earlier, to stay under 20%. We are updating our underlying EBITDA margin to 42% - 44%, based on the increased investment, and we do expect free cash flow to stay above $100 million.

We're then setting some ground rules for the investment period (2019 – 2020). We are expecting our R&D to stay under 20%, expecting our underlying EBITDA margin to stay over 40%, and free cash flow to stay over $100m. So, we are being disciplined in how we make this investment.

Then just reiterating the 2022 targets, EBITDA margins over 45% and free cash flow over $200m. We do want to be very clear that we are confident that this short-term investment over a period of two to three years will absolutely give us very strong returns in the medium term. We are a subscription business, we know that if we invest now; it means small dip but a great opportunity in the future to make very strong returns, and that's what we're committing to through these medium-term targets and hopefully the short-term guidance is pretty clear.

Tim Reed: Thanks, Richard. With that, operator, we might open to questions.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question today, please press star followed by one on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the pound or hash key.

Your first question today comes from the line of Tom Beadle from UBS. Please ask your question.

Tom Beadle: (UBS, Analyst) Hi, guys. Thanks for the question. I've just got three, if that's okay.

- Just firstly, on the acceleration of R&D, could you maybe just talk about some specific capabilities that you're investing in?

- Just following on from this, I know you've spoken about some medium-term growth - revenue growth numbers and some EBITDA margin numbers, but in absolute dollar terms, how should we think about this? For example, does this open up new markets and what's the TAM there? Are there cross-selling opportunities with new products? So, how do you get there?
- Just while we're on R&D as well, how should we think about the CapEx and OpEx split with your new guidance?
- Then finally, now that the Reckon acquisition isn't going through, are you committed to further M&A?
- Also, with the step-up in both CapEx and OpEx in the short term, what's the logic behind accelerating the buyback? Thanks.

Tim Reed: Okay. I think that was five, if I counted them, Tom, and I've forgotten what the first one was.

Tom Beadle: (UBS, Analyst) Sorry. Just the acceleration of R&D. Can you talk about the specific capabilities maybe?

Tim Reed: Yes, sure. Look, the way our teams work in an agile process where we have crews that take on specific deliverables to customers, and they're part of tribes that own a component of functionality, if you like. For example, a payroll module or a tax engine or something like that, and they form nations. The capabilities that we have within the R&D team are cross-functional at the crew level and so we'll be investing in all capabilities there, whether it be in the software developers, whether it be in the product managers, whether it be in the user interface designers. When you say capability, I assume that's what your meaning, how do we get the skills to build out the products?

Tom Beadle: (UBS, Analyst) Yes. That's right, yes.

Tim Reed: Yes. It's across the board there, so we'll simply be scaling that up such that we've got more crews feeding into more tribes, and so for example, we can create a tribe around the practice management and document management, et cetera.

The second question was, Christina?

Christina Nallaiah: Medium growth targets and absolute term value of this, and looking at new markets to get to those targets, for example.

Tim Reed: Yes. The medium growth targets that we put out on slide 15 there are all around the current footprint of operations that we have, so focusing on the markets that we're in, focusing here on the SME and practice solutions and on the payments space that we've talked about previously as well as our enterprise business. These are Company-wide metrics for, if you like, the scope of ambition that we have previously discussed. There is no doubt that the tools that we're building, we're building them in a way that they could be applicable to new geographies, but in setting these growth targets we haven’t taken into account any expansion in specific geographies, or any expansion in say going after tier 1 businesses rather than focusing enterprise on tier 2 or tier 3.

Tim Reed: Richard, do you want to take the CapEx/OpEx question?

Richard Moore: Yes, will do. Obviously, the vast majority of this expenditure is on the MYOB platform adding new functionality that's not yet in market. So our expectation is that the majority of the $50 million will be capitalised over the next three years. Effectively, compared to what we announced in November, we expected it to be treated as our integration fund spend so instead of that it's capitalised. That's why we're focusing on free cash in the longer term, because we want to have the OpEx/CapEx nature of the spend somewhat irrelevant for the targets that we are setting as a business; we want free cash flow to be over $200 million, it doesn't matter how we account for the R&D spend over the period in order to achieve that number. It will be capitalised but it's free cash that we're focusing on.

Christina Nallaiah: Tom, could you clarify the last two, the one about Reckon and the buyback?

Tom Beadle: (UBS, Analyst) Yes. It was just more around capital management. Now that you're not doing it, are you committed to further M&A or what's the - and also following on from that, what's the logic behind accelerating the buyback?

Tim Reed: Yes, absolutely. We are certainly committed to M&A and we'll continue to do so. That's what Richard was trying to suggest in our ambition remaining for double-digit total revenue growth. The logic remains as it was when we announced the buyback. Frankly, we think that it's a good investment. We believe in the quality of our business, we believe in the growth plans that we've put in place and we think that continuing the buyback is a very good use of shareholders' money.

Tom Beadle: (UBS, Analyst) Okay, great. Thanks. I'm sorry for slipping in a few extra questions.

Tim Reed: No problem. Operator, another question?

Operator: Your next question today comes from the line of Entcho Raykovski from Deutsche Bank. Please ask your question.

Entcho Raykovski: (Deutsche Bank, Analyst) Hi guys. I've got a couple also related to the R&D spend, no surprise.

- Firstly, obviously when you announced the Reckon transaction, you had an integration fund in place which was that $50 million. How much of that $50 million was going to be directed towards integrating Accountants Group and obviously, that's now been redirected towards developing the existing products? That's the first question.
- Then secondly, and this is just for clarification, I presume the majority if not all of that $50 million will be directed towards hiring programmers, tech staff. Just interested in how many people you think you need and can they be sourced? Because I know you've spoken before about some difficulties in getting the appropriate talent on board.

Tim Reed: Yes. I'm happy to take those, Entcho. Look, it was around $40 million of that $50 million had been previously put aside for investment in the platform and about $10 million was around the integration. Through the integration, we were planning to redirect some of the Reckon team onto the practice management buildout, or that had been a hypothesis that we had going in. So, without having that we've said it will be $50 million so that we can cover the costs of the practice management module buildout as well. That's the first one.

Then the second was around hiring and our ability to scale up. On slide 12, we put those I's if you like, for want of another word, those purple lines with an upper and lower marker. We have been and are confident that we will be able to hit that 2018 range and that trajectory puts us on track to hit the 2019 number as well.

Look, hiring developers and high-quality developers is tough - it's a tight labour market, there's no doubt about that, but we are running at a pace at the moment of bringing people on that make us confident we can hit those. I believe over the past couple of years our employer brand has continued to grow and improve, and so while I wouldn't say that it's easy to source these people, I would certainly say that it is less challenging for us now to find high-calibre people than it was two, three, four, five years ago.

Entcho Raykovski: (Deutsche Bank, Analyst) Great. Are you able to tell us how many additional people you need or do you not know at this stage?

Tim Reed: Richard, do you know that 2019 spend level off the top off your head, exactly what that is in headcount?

Richard Moore: I don't, but we've probably added something like 100 to 150 developers over the last 18 months and my expectation is that there'll be probably another 100 through the rest of this year and then we reach that point at the end of this year. The reason that those ranges are pretty stable is at that point we would be pushing ahead with that number. It will be roughly 100.

Entcho Raykovski: (Deutsche Bank, Analyst) Got it. Okay, thanks.

Operator: Your next question today…

Tim Reed: Operator, are there any other questions?

Operator: Yes. Your next question today comes from the line of Roger Samuel from CLSA. Please ask your question.

Roger Samuel: (CLSA, Analyst) Hi, good morning. I've got three questions as well.

- Firstly, just to understand the profile of that extra $50 million in R&D and also $30 million in sales and marketing costs, how are they going to be spread over the next two years? Is it fair to say that it's mainly - or it's more heavily weighted towards FY19?
- The second question I have is on slide 13 you've got a chart there for CAC months which seems pretty high versus your competitor. I'm just wondering if you are trying to bring it down over time?
- The third question I have is just on your target of one million online subscribers. Can you remind us again what's the split between the SME product and the online practice ledgers because from what I understand, you don't really monetise the online practice ledgers? Thank you.

Tim Reed: Richard, do you want to take the spend profile questions?

Richard Moore: Yes, will do. Obviously, we are ramping up the spend through the second half of this year and into next, so my expectation on the sales spend, for example, you can see the headcount in the chart on the right-hand side of 13 grows from just over 300 to just over 400. A lot of the increases will be through the second half of 2018, but in 2019 you'll get a full year of that cost. My expectation is 2019 will take 50% of the increase and the rest will be second half 2018, first half 2020. The expectation would be that the incremental investment would be over the next two years or two years and maybe a quarter.

In terms of the CAC months we are running currently, as you can see, at about 10 months. For a business that increased the lifetime value of the base by 40% over the last two years, increasing CAC months from nine to 10 seems like a pretty good investment. As Tim said when he went through the slide, we don't expect it to go over 12 months at any point through this process. Certainly, when you invest now to generate subscribers and revenue in the future, the expectation would be within those I-bars that it goes up and then over time starts to come back down, which is why it's quite a wide bar, because we didn't want to say specifically what we expected but it would make sense in a business like ours for it to go up first and then come back down.

Tim Reed: Roger, just one thing I'd add in there. I think you've got to be quite careful when comparing this to competitors as to whether they include practice ledgers in the numerator for those. How many adds you have will change the cost per add, and for us this is SME.

Richard Moore: Yes. This is based off the gross additions in our SME paying user base. It would not be exactly consistent with what is reported by competitors, because as Tim said, they would include practice ledgers in that calculation.

Tim Reed: Then, Richard, the split, which we break out in our results of practice ledgers versus SME in our online ledgers.

Richard Moore: That's right. We haven't specifically said the split between SME and practice in 2020; obviously, it's 2.5 years away. It's currently 75% SME, 25% practice. It's fair to say that based on growth rates we would expect practice ledgers to become a greater proportion of the base than the 25%, that's just logic, and based on sales at the moment that's what I would expect, but we haven't specifically gone out there with a mix.

On your last point about monetising, we absolutely monetise those practice ledgers and we do that through the subscriptions that the accountants pay for their Accountant's Office and Accountants Enterprise subscriptions. They're not billed on a per-ledger basis but none of our practice tools are. They're all billed on a per-seat basis. They're just monetised differently, but they're absolutely monetised.

Roger Samuel: (CLSA, Analyst) Okay. That's great, thank you.

Operator: Your next question today comes from the line of Wei-Weng Chen from JP Morgan. Please ask your question.

Wei-Weng Chen: (JP Morgan, Analyst) Hi guys, thanks for taking the question.

- First question was on the actual - the break. Are there any break fees associated with termination today?
- Also, I just had a question on - the rationale that you gave for abandoning the acquisition was that the parties couldn't agree to mutually acceptable terms, talking about potential impact on Reckon's trading. Are you able to say whether that implies that you were looking for a lower price?
- Then just the last question on the accelerated buyback. I just wanted to check that that was an accelerated buyback rather than increase in the buyback? Thanks.

Tim Reed: Let me take those. On the last one, you're correct, it's an acceleration of what we've previously announced, we're not announcing an additional buyback.

In terms of the break fee, the answer is no, there is no break fee to be paid. Look, I'm obviously under confidentiality arrangements, which I will not cross because that would be a really bad thing for me to do but let me paint a bit of context here. When the acquisition was made, as with most there were a set of conditions precedents that have to be closed in a timeframe for that and the timeframe was six months.

If you think about it, anything that changes in the market during that six-month period, the acquirer runs the risk if it's negative and gets the upside if it's positive. Once we hit that six months then, as in most standard purchase agreements, both parties can stand back and either party has the right to terminate if their perspective on the value that they will be deriving for their shareholders has changed from that period. I think in the Reckon announcement they made it quite clear that we were the ones who prompted this move. So, you can read into that what you might, but from the confidentiality agreement that we've signed, I'm relatively limited in what I can share in terms of specific details.

Wei-Weng Chen: (JP Morgan, Analyst) If I could sneak in one more. Just on the guidance, you've given your near-term and your medium-term guidance for R&D and EBITDA margins. Just wanted to check whether - the numbers that you gave, whether they were your view looking forward what these numbers will look like, or are they the bounds within which you'll manage to, so you won't let EBITDA margins fall below 40%, for example?

Richard Moore: As we've modelled the investment over the next five years, these are what we are expecting the guardrails to be, maintaining EBITDA margins above 40% and maintaining our spend below 20% in terms of R&D. The model that we've built absolutely allows that to be achieved. So, yes, we wanted to show discipline in terms of this investment. It's not just continue spending at all costs, it's targeted specific investment because we believe in the outcome.

Tim Reed: Let me also be clear. The decision process that we went through is what do we think is the right level of investment for the business. We're confident that each of the investments that we're making is NPV positive and will offer a very good return to shareholders. What we looked at was the market that we exist in, the competitive environment that's there, the opportunity that's in front of us, the best way that we can play the game to reach the optimal outcome, and then stood back and said all right, well, how rapidly can we source great people to bring in to fill out these extra crews and tribes.

What is the level that we can add salespeople believing that we can maintain their productivity, et cetera? It was quite a bottom-up process from that perspective. Then around having formed what we think is the plan that is in shareholders' best interests and the ones that will create the most valued Company that we possibly can, we think that it's fair that we share with you some guidelines, guardrails, whatever you want to call them, such that you have a good sense of our plans for the business.

It was very much around playing to win and what did that plan look like and then making sure that, to Richard's point, we instil discipline in ourselves as a management team in the way that we execute, but also that we're communicating clearly what our intent is.

Wei-Weng Chen: (JP Morgan, Analyst) Thank you very much, guys.

Tim Reed: Great. Well look, we're coming up on the hour and as I understand it, there's no more questions. Let me just wrap up by thanking you all for taking the time today, thanking you all for your ongoing support and confidence in our business.

As I said upfront, we are looking to the future with confidence in terms of our ability to execute on a plan, which is very much pursuing the strategy that we outlined in our strategy day. The change has been that it is now an organic strategy that we're pursuing as opposed to an inorganic one, but the rationale behind this is absolutely unchanged. We believe that we're building a very high-quality business. We believe in the vision of the Connected Practice and we're excited about delivering that to our clients and partners and excited about the returns that it will drive for shareholders.

So, thanks everyone, and we look forward to catching up if anyone's got any other questions over the next couple of days.

Operator: Ladies and gentlemen, that does conclude our conference for today. We thank you all for your participation. You may now disconnect.

End of Transcript