

MYOB announces full year results for twelve months ended 31 December 2018

MYOB leads the market for online subscriber growth, adding 229,000 in FY18 Solid full year results delivered through first year of accelerated investment

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 full year results for the 12 months ended 31 December 2018.

Highlights

- MYOB delivers a solid set of financial results for FY18, in line with guidance; Revenue up 7 per cent to \$445 million, underlying EBITDA stable at \$190 million during investment period, NPATA up 2 per cent to \$104 million, and free cash flow of \$107 million
- Online subscriber growth puts MYOB in leadership position, adding 229,000 in the 12 months to December 2018; total online subscribers reached 628,000, up 57 per cent on FY17, and the Company remains on track to reach 1 million online subscribers in 2020
- Delivery of the MYOB Platform accelerates with more than half of the platform modules developed and in market; significant progress made in compliance (client accounting and tax), corporate compliance and document management with delivery dates for the release of these modules brought forward to 2019. Practice Management module now under development
- New strategic partnership with Mastercard extends MYOB's payments services to payables (both suppliers and payroll) within MYOB's software; opening up a c.\$200bn transaction volume opportunity for MYOB
- FY19 guidance updated, organic revenue growth expected to be 6-8 per cent; R&D investment to be ~20 per cent of revenue; underlying EBITDA margin expected to be >38 per cent
- Proposed Scheme of Arrangement with KKR remains ongoing. An update will be provided to the market on Friday, 22nd February 2019 post the conclusion of the 'go-shop' period

Justin Milne, Chairman:

"2018 has been an eventful year for MYOB. The decision to accelerate investment and fast track the delivery of the MYOB Platform has been an important one for the Company, setting its trajectory on a path for future growth and success. The delivery of a single, integrated and efficient online platform, is a clear differentiator for MYOB, its clients and its shareholders.

In 2018, MYOB generated positive financial results notwithstanding the first year of investment, with revenues up 7 per cent to \$445 million and underlying EBITDA maintained at \$190 million.

MYOB's online subscribers grew 57 per cent, reaching 628,000 in FY18, maintaining momentum to achieve its goal of reaching 1 million online subscribers in 2020.

In addition, MYOB's Enterprise Solutions and Payment Solutions continues to deliver strong results. The opportunities for growth expansion in each of these areas is significant, with Enterprise continuing to leverage its first mover advantage in cloud ERP and integrated payroll with MYOB Advanced, and in our Payments segment, the recently announced partnership with Mastercard opens up significant opportunity for growth for MYOB and its clients."

Tim Reed, Chief Executive Officer:

"I am excited with the progress we're making as a business.

In 2018, we delivered a solid set of financial results and commenced our accelerated investment, the benefits of which are already being realised by our clients.

The superior growth we've seen in online subscribers has placed us in the leadership position in the online accounting market, with 229,000 added over the 12 months to December 2018.

I'm delighted to report that we've made significant progress in the development of the MYOB Platform. We've accelerated the delivery of compliance, corporate compliance and document management modules, all of which are expected to be in market in 2019. In addition, Practice Management has advanced and is now under development. The feedback we have received from clients trialing our BETA products has been overwhelmingly positive, and further reinforces our investment decision.

This is an important time for MYOB, as we double down and focus on completing the MYOB Platform, which we believe will create significant efficiencies for our SMEs and their Advisers, and positions the Company and our clients for future growth."

Financial Summary

Revenue for the 12 months to 31 December 2018 increased to \$445 million, up 7 per cent on the prior year, while underlying earnings before interest, tax, depreciation and amortisation (EBITDA) remained stable at \$190 million. MYOB's preferred measure of after-tax profit, NPATA¹, was \$104 million, 2 per cent higher than the prior year, with associated NPATA earnings per share of 17.6 cents, 4 per cent higher than FY17.

Key Financial Metrics A\$m; 12 mths ended 31 December	FY18 \$m	FY17 \$m	YoY change
Revenue	445.2	416.5	7%
Underlying EBITDA	189.6	189.9	-
NPAT	63.8	60.7	5%
NPATA	103.6	101.6	2%
NPATA EPS (cents)	17.6	16.9	4%
<i>Recurring Revenue</i>	96.5%	96.1%	0.4%
<i>EBITDA Margin</i>	42.6%	45.6%	(3.0%)
Number of online subscribers ('000)	628	399	57%
Number of Paying SMEs ('000)	641	618	4%
SME ARPU (\$)	438	424	3%

For details on segment revenue performance, please see the FY18 Investor Presentation, available on the MYOB Investor website: <http://investors.myob.com.au>

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.

Capital Management

MYOB's commitment to delivering value to shareholders through capital management continued in 2018. In late 2017, the Company announced an on-market share buyback program, which was completed in August 2018. The Company has acquired a total of 15.6 million shares amounting to \$48 million, funded by existing cash. In addition, MYOB returned capital to investors through the interim dividend of 5.75 cents per share at 30 June 2018, representing 75% of 1H18 NPATA. Total capital returned to shareholders from the share buyback and dividends paid in 2018 was \$113 million.

Under the scheme implementation agreement currently in place with KKR, MYOB cannot declare and pay any dividend without KKR's prior written consent. On the basis of this restriction, the MYOB Board has not declared a final dividend for the financial year ended 31 December 2018. If the proposed scheme of arrangement with KKR does not proceed, the MYOB Board will consider whether or not it will declare a special dividend at that time. For further details on the transaction with KKR, please refer below.

Guidance

Measure	Actual 2018	Forecast 2019	Target 2022
Organic revenue growth	6.8%	6% - 8%	High single digit %
Research & development ¹	18.9%	~20%	<16%
Underlying EBITDA margin ²	42.6%	>38%	>45%
Free cash flow ³	\$107m	>\$100m	>\$200m

Note 1: Total R&D (opex + capex) as a percentage of revenue

Note 2: Underlying EBITDA as a percentage of revenue

Note 3: Statutory EBITDA less net working capital and capex

Scheme of Arrangement with KKR

On 23 December 2018, MYOB entered into a Scheme of Arrangement with affiliates of Kohlberg Kravis Roberts & Co. L.P. (KKR) under which KKR will acquire all the remaining shares in MYOB, that it does not currently own², for A\$3.40 per share (cash consideration). If the Scheme is implemented, MYOB shareholders would be entitled to receive A\$3.40 in cash per MYOB share. The offer price assumes no final dividend for the 2018 financial year is paid. As part of the arrangements, MYOB agreed to 'go-shop' provisions with KKR that permit MYOB and its advisers, up to and including 21 February 2019, to solicit competing proposals and with a commitment from KKR to sell its shareholding into, or vote in favour of, any Qualifying Superior Proposal³. MYOB will separately provide the market an update on the outcome post the 'go-shop' period, expected to be on 22 February 2019.

Under the proposed Scheme of Arrangement with KKR, in mid to late March 2019, each shareholder would receive a copy of the Scheme Booklet which would contain detailed information about the Scheme of Arrangement, the Independent Expert's Report and details of the Scheme meeting which is expected to be held in Sydney in mid to late April 2019.

² KKR currently has a legal and economic interest in MYOB shares of approximately 19.9%

³ Qualifying Superior Proposal means a Superior Proposal in respect of 100% of MYOB shares that is at least 5% higher than KKR's scheme consideration of \$3.40 in cash, that is recommended by a majority of the MYOB Board and in respect of which MYOB enters into an implementation agreement.

Indicative Scheme Timetable

First court hearing	Mid-March 2019
Despatch of Scheme Booklet to MYOB shareholders	Mid to late March 2019
Scheme Meeting	Mid to late April 2019

Further information and web conference details

The MYOB ASX release should be read in conjunction with the corresponding 2018 Full Year Results Presentation and 2018 Full Year Financial Statements. Both documents are available on the MYOB Investor website: <http://investors.myob.com.au>.

A live webcast and conference call will be held at 10.00am (AEDT) and can be accessed via the following the link <http://webcast.openbriefing.com/4980/>. Playback facilities and a conference call transcript will be made available on our investor site.

MYOB's 2018 Annual Report will be released on 29 March 2019.

Dial in details

Conference Call ID: 5598132

Country	Number	Country	Number
Australia toll	+61 2 8038 5221	Japan	0120 994 669
Australia toll free	1800 123 296	New Zealand	0800 452 782
Canada	1855 5616 766	Singapore	800 616 2288
China	4001 203 085	United Kingdom	0808 234 0757
Hong Kong	800 908 865	United States	1855 293 1544
India	1800 2666 836		

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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. MYOB has been awarded the Top 8th innovative company in Australia and New Zealand by the [Australian Financial Review's 2018 Top 100 Innovative Companies](#). For more information, visit <http://investors.myob.com.au/Investors/> or follow [@MYOB](#) on Twitter.