



MYOB Finance Australia Limited

ACN 161 013 654

Registered office: Level 3, 235 Springvale Road, Glen Waverley, VIC 3150

25 August 2014

Market Announcements Office
ASX Limited

MYOB 2014 interim results presentation

Attached is the MYOB 2014 interim results presentation, to be given today by MYOB Chief Executive Officer Tim Reed and Chief Financial Officer Richard Moore.

Ian Boylan
Company Secretary
MYOB Finance Australia Limited



MYOB 1H14 Results Presentation

Tim Reed

Chief Executive Officer
25 August 2014

Richard Moore

Chief Financial Officer

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At MYOB

we are passionate
about making
cloud accounting easy
for every business

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Agenda

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Executive
Summary

2

SME
Solutions
update

3

Enterprise
Solutions
update

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1H 14
Financial
summary

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Summary

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Q & A

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Appendix



1

Executive Summary

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Financial highlights of 1H 2014



Our best-performing half ever

Outstanding double-digit growth driven by:

- > uptake of cloud solutions
- > momentum behind mobile offerings
- > successful completion of BankLink integration



Revenue of
\$140 million

with
21% growth



EBITDA of
\$70 million

with
29% growth



Operating cashflow of
\$61 million

with
28% growth

"By fully integrating our Jimbo CRM, the MYOB financial package and PayDirect, we will be providing our franchisees with significant relief around the administrative burden of running a small business."

Neil Walsh

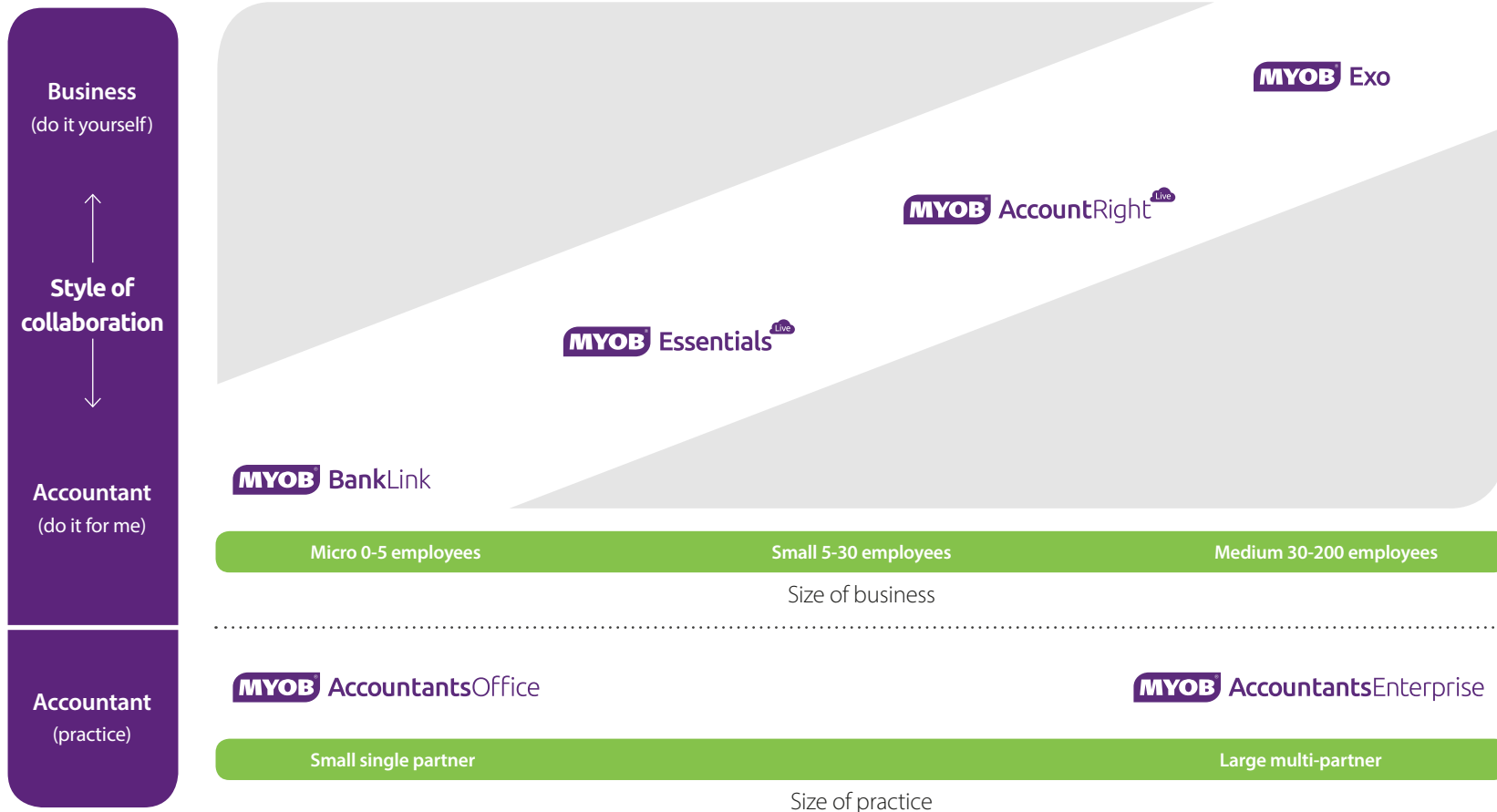
Chief Operating Officer Jim's Group

MYOB product family – making business life easier every day

MYOB continues to make business life easier by being at the centre of a connected world.

"Wow... How easy is this?
Just completed the end of year payment summaries for my employees and uploaded to the ATO. Thanks MYOB Essentials for making this tedious task simple."

Andrew Thompson
Lawn Mowing Directory





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SME Solutions update

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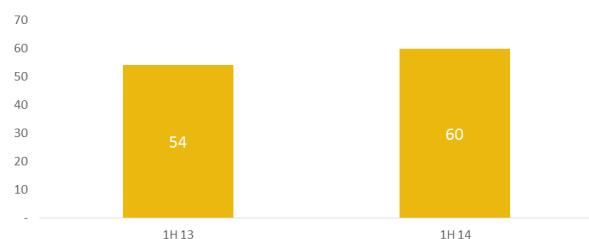


Significant investment in cloud and mobile

Investment in innovative products and enlarged sales force to accelerate growth.

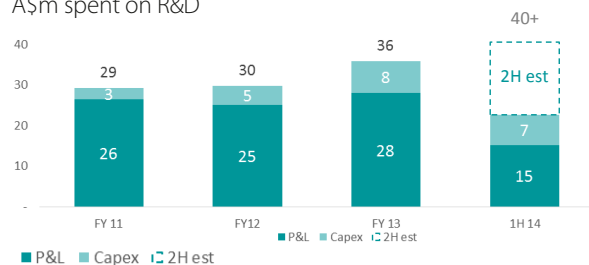
MYOB operating cost base

A\$m



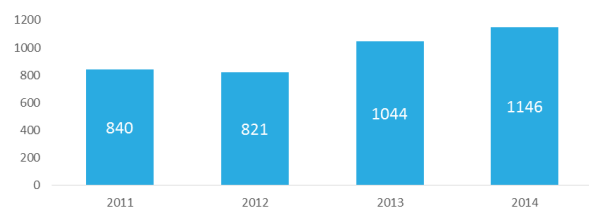
MYOB R&D expenditure

A\$m spent on R&D



MYOB headcount

Total number of MYOB employees at 30 June



Continued investment in the cloud is driving MYOB success



11%

increase in operating
cost base



Over

\$100 million

spent on R&D over
last 3 years



>100

MYOB employees added
in the last 12 months

"What an awesome, innovative and game-changing product for small and medium businesses – it's like giving them cash and time – the two things they need the most of all!"

Debra Anderson
Legally Counts



Delivering great value to clients

Our cloud features are very compelling: SMEs save time and improve cashflow; accountants save time and expand consulting fees.

1

Accountant collaboration

"My accountant can get live access... if I have a query, they can log in."

Andrew Sargeant Pure Physio

2

Auto bank-rec via bank feeds

"I am now really loving bank feeds. It is saving me lots of time."

Rohan Ware Café Bettina

"I have hundreds of clients and bank feeds have always been 100% accurate – which can't be said about its competitors."

Russell Jaggard

Shepherd Hensman Ltd,
Chartered Accountants

3

Businesses on the go

"When we say we can take credit card payments and show MYOB PayDirect, it adds to the value proposition of customer experience."

Tony Wu Saibu No Akuma, Designer Tailors

5

Under Development 2H 2014

"I am excited by MYOB's roadmap, because it will help them make their business more efficient."

Pam Chilman AMC Training Centre

4

SuperStream = Super easy

released July 2014

"I have 20 employees. Last quarter it took me 5 hours to pay super, this quarter it took 5 minutes using MYOB AccountRight."

Karel Huismann Fedele's Ristorante Italiano

Our aim is to remove data entry from bookkeeping. We're currently on track to remove over **70%** by the end of 2014.

Tim Reed MYOB CEO

Mobility is key to making business life easier

The MYOB OnTheGo app has made business life easier for MYOB clients.



Encourages existing clients to take up cloud and mobile offerings



Enhances our products by enabling business mobility



Provides the ability to take payments on their smartphone

"MYOB PayDirect has been of huge benefit for my business, not only in the selling of my books, but also for the convenience of those needing credit facilities when picking up electronic repairs."

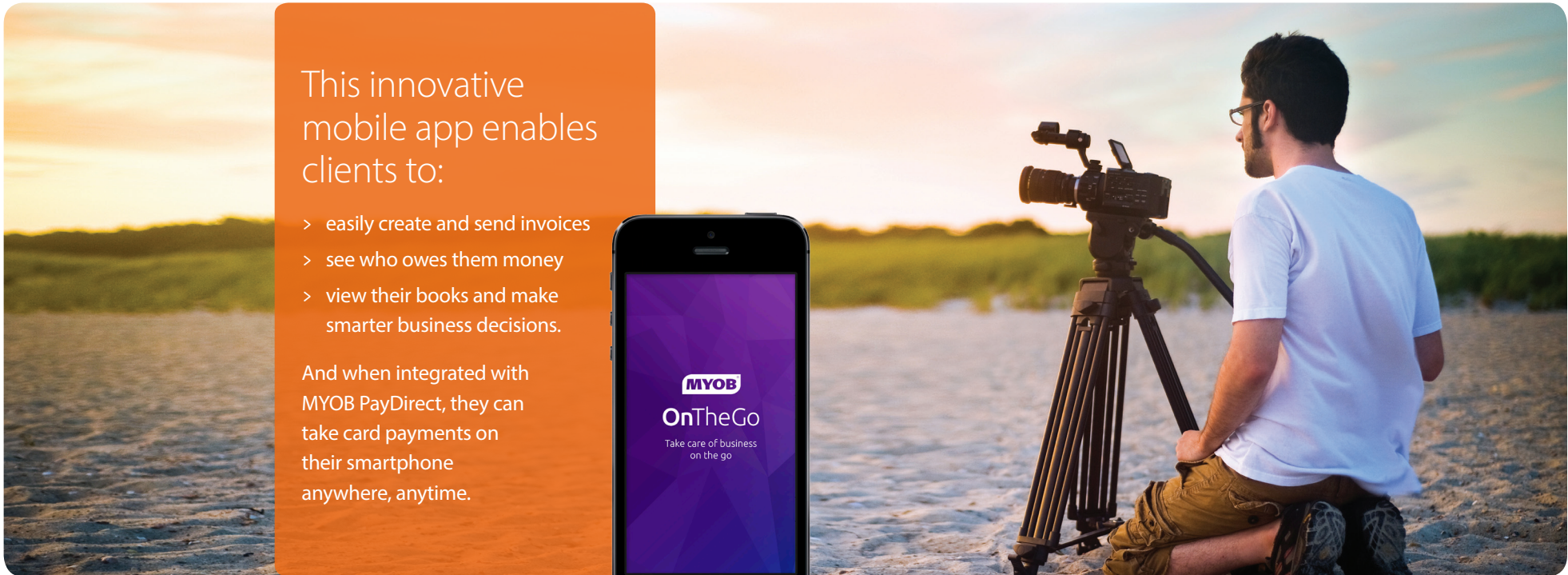
Scott Tyson

Author / Technician

This innovative mobile app enables clients to:

- > easily create and send invoices
- > see who owes them money
- > view their books and make smarter business decisions.

And when integrated with MYOB PayDirect, they can take card payments on their smartphone anywhere, anytime.



Resulting in rapid cloud adoption from new clients

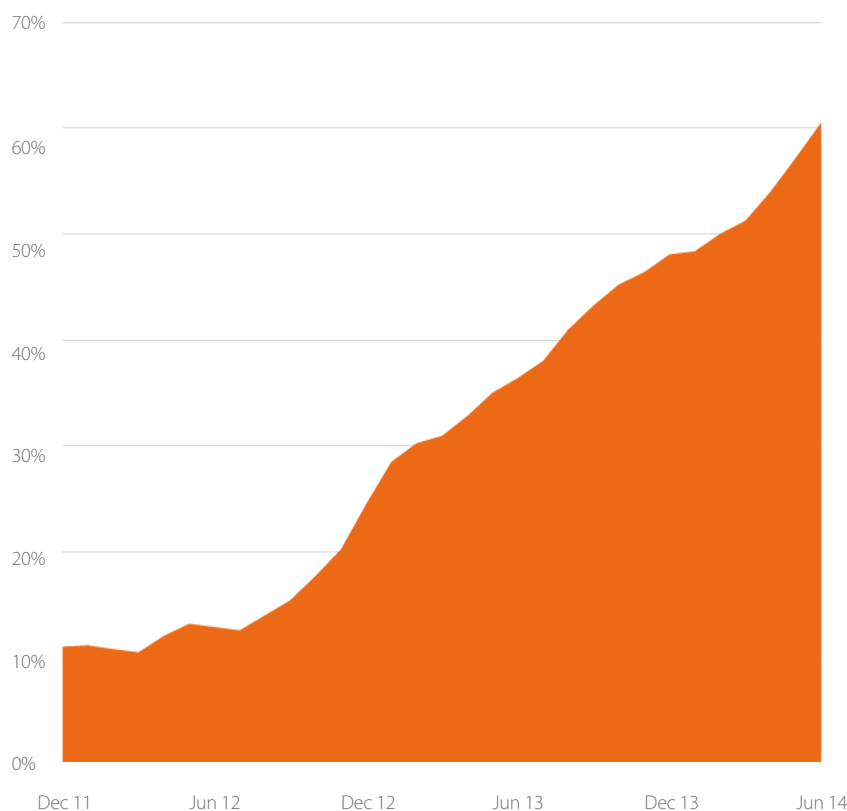
Our new SME clients are rapidly adopting our cloud accounting solutions.

In June 2014, **63%** of new SME product registrations¹ were cloud subscriptions – up from **36%** last year and **13%** in 2012.

“Cloud accounting offers significant opportunities to drive time and costs savings in the way you work with clients. Make the most of bank feeds to improve the accuracy of the data you are working with. There’s no value to clients or yourself in chasing down and fixing keying errors.”

Peter Knight
Hayes Knight

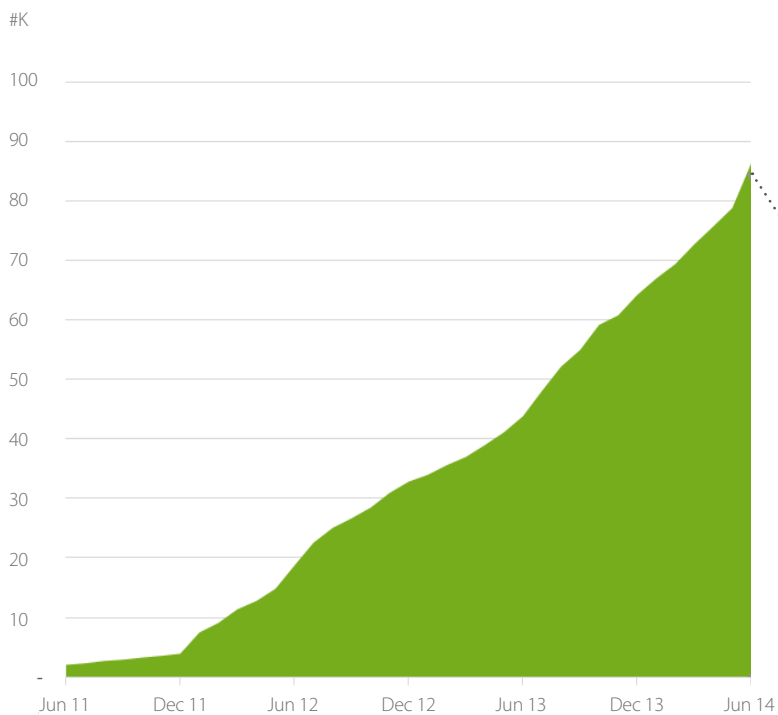
MYOB new product registrations (L3M)



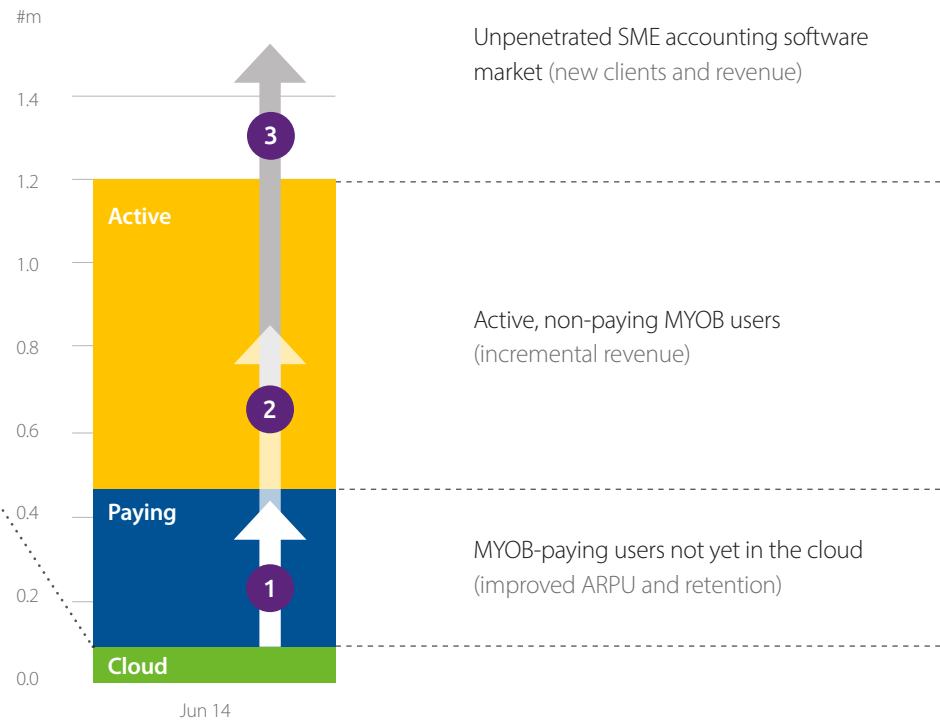
And from existing MYOB users

MYOB is growing total, paying and online users – with plenty of room for growth in future years.

Cloud subscriptions



Significant growth opportunities exist, beyond MYOB's 1.2m active users¹



"Going live means more time to focus on the business and plan ahead more realistically. I would definitely recommend MYOB software and AccountRight to anyone – without a doubt."

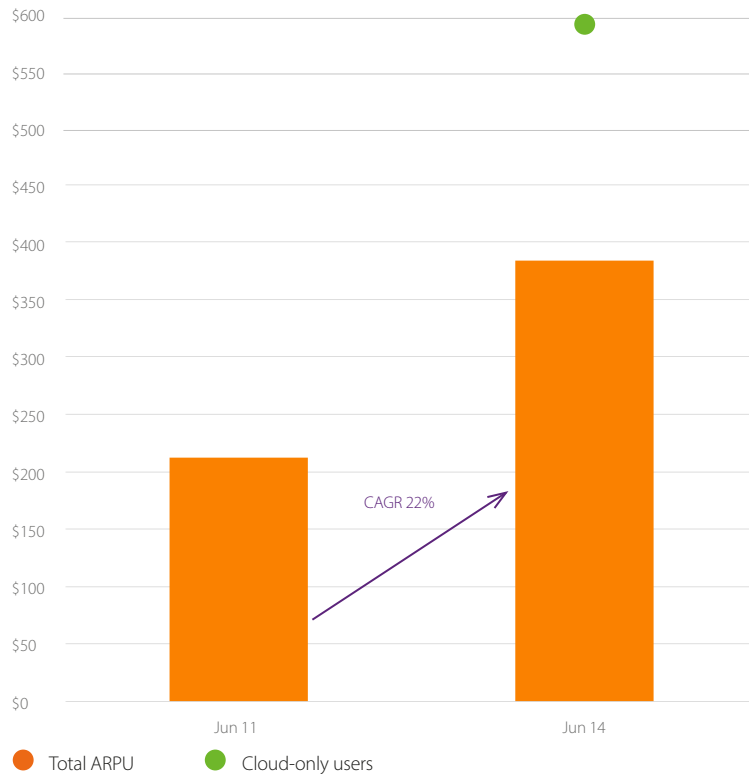
Annie Quested

Raygas Gas & Heating Specialists

Driving lifetime value – ARPU and retention

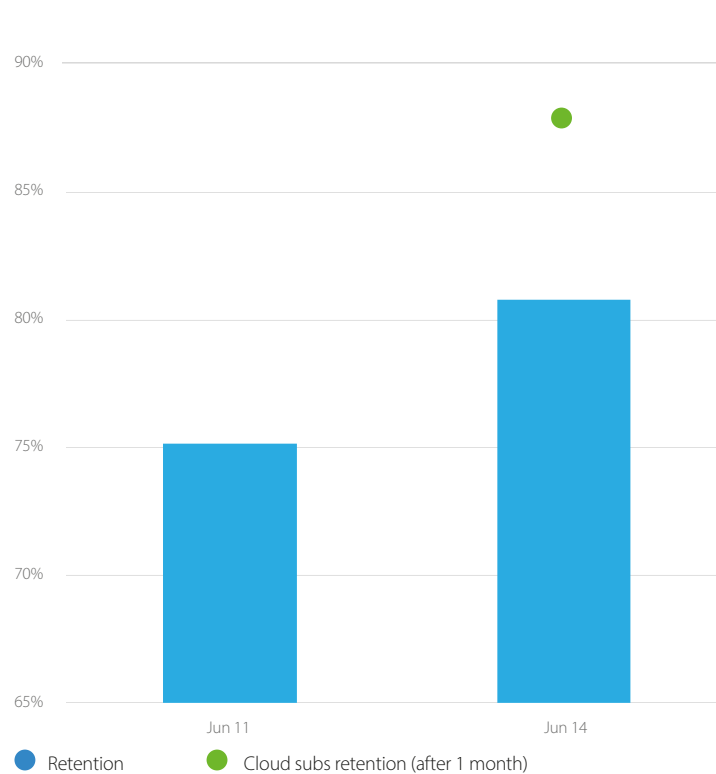
The value clients are receiving from cloud solutions is driving increased ARPU, improved agreement retention rates and higher recurring revenue mix.

Average revenue per unit ¹



Cloud-only ARPU (**\$595** in Jun'14)
driving up overall ARPU

Agreement retention²



Cloud-only retention rate of **87%**
(after first 30 days trial period)
pushing overall retention rate up

Notes: 1 ARPU of DIY & DIFM SME products – MYOB AccountRight, MYOB Essentials and MYOB BankLink.
2 LTM retention of DIY SME products only (MYOB AccountRight and MYOB Essentials).

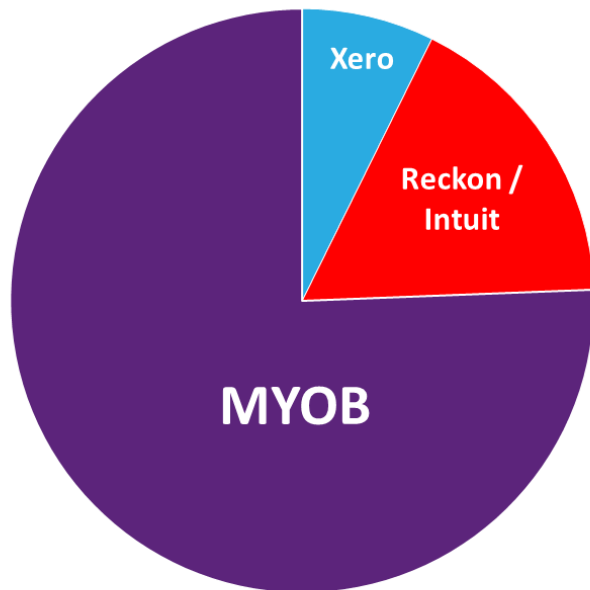
Making MYOB the leading provider of cloud accounting to SMEs in Australia

MYOB accounting software usage is >4x its nearest competitor; growth in online-paying clients has outstripped competitors in the last 9 months.

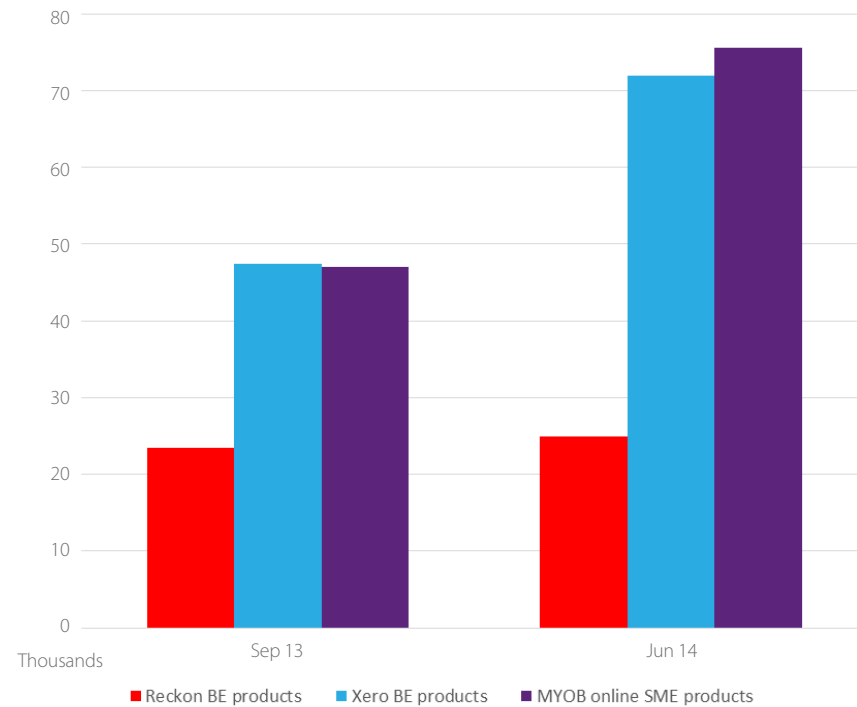
"Loving new features in @MYOB AccountRight 2014. Info at your fingertips, fast upgrade. Seriously better online accounting!! #loveyourwork."

Leanne Berry
Love Your Numbers

Brand usage AU SMEs¹



Online business ledgers²



Note: 1 Source: MYOB Brand monitor "Which brand of bookkeeping and accounting software, if any, is currently used in this business?" Nov-13-Apr14; n >1,000

2 MYOB online DIY SME products compared to Xero Business Edition (BE) products – AU only.

Source: Xero announcement (79k users at Sept 2013; 120k at Jun 2014); Macquarie research paper Jul 2014 (60% of Xero clients BE).

Source: Reckon announcement (25k hosted/online users at Jun 2014); Morgan Stanley research paper Feb 2013 (23k online at end of 2012).

MYOB cloud journey summary

1

Heavy investment in the cloud
has resulted in ...

2

rapid cloud adoption in both
new and existing clients
which means ...

3

“stickier” clients and a higher
quality of revenue for MYOB
together with ...

4

making MYOB the
category leader
plus ...

5

a huge opportunity
for further upside
from MYOB’s existing
client base and the
unpenetrated market
driven by ...

6

continued innovation
and
product releases.



3

Enterprise Solutions update

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Enterprise Solutions

MYOB continues its strategy of investing in making cloud accounting easy for every business by increasing its focus on larger business. The acquisition of PayGlobal will further our market reach.



- > A successful company which supplies HR and payroll software solutions to over 500 large companies in **Australia and New Zealand**.
- > Over **500,000** employees are paid using its software.

Key takeaways



Complementary offering to MYOB Exo and MYOB Advanced



Strengthens the proposition of MYOB supporting businesses as they grow from micro to mid-sized



Doubles MYOB's presence in the mid to large-sized business market in Australia and New Zealand



Creates a clear leadership position for future pricing and acquisition opportunities

"PayGlobal is delighted to be joining the MYOB team. PayGlobal has been a strong performer with a loyal client base and high calibre team across Australia and New Zealand. MYOB is a natural business fit with strong cultural alignment which will offer our clients and team future opportunities."

Greg Lancaster
PayGlobal Chairman



Enterprise Solutions

Our new cloud-based business management system for larger enterprises.



MYOB Advanced is set to transform the way larger Australian and New Zealand businesses work. Being online, it will eliminate hardware costs and give our clients a fully customisable business management platform and the convenience of paying through a monthly subscription.

MYOB Advanced will help growing business to leverage the power of the cloud and become more flexible and mobile than ever before.

Key takeaways



MYOB Advanced will increase our presence in the larger business market



It will compliment our MYOB EXO and MYOB PayGlobal range of ERP solutions for medium and larger-sized business



Currently in beta phase, we have had excellent client feedback



General availability will be in early 2015

"MYOB Advanced moves the goal posts for larger businesses. It brings the power of the cloud and provides a broad and rich feature set that can grow to support clients that are in an accelerated growth cycle."

Simon Raik-Allen
MYOB CTO





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1H14 Financial summary

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Summary of 1H 2014 results

Strong double-digit growth across the board, driven by investment.

Income statement

A\$m; 6m ended 30 June	2012 Actual	2013 Actual	2014 Actual	V%
Revenue	108.0	115.8	139.5	21%
Gross Profit	101.6	108.2	129.4	20%
Operating Expenses	(48.1)	(54.2)	(59.7)	11%
EBITDA	53.5	54.0	69.7	29%
NPATA ¹	16.1	13.9	16.0	15%

Key takeaways



21%

revenue growth



93%

recurring revenue



11%

increase in OPEX to fund
strategic growth initiatives



29%

EBITDA growth



50%

EBITDA margin



15%

NPATA growth

"MYOB is good for the clients, good for the firm, and the customer support you get is wonderful. I am a massive MYOB advocate – you don't stay with a solution for 11 years if you don't believe in the product."

Russell Jaggard

Shepherd Hensman Ltd
Chartered Accountants

Business Solutions : 62% of revenue

Strong double-digit growth in subscription revenue with a very high uptake of cloud offerings.

Overview

Market Segments

Micro & Small businesses

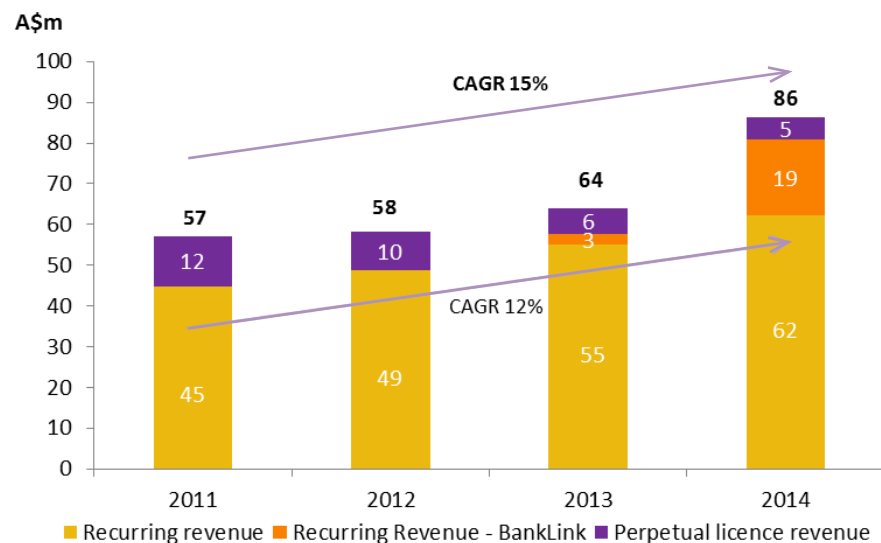
Products

MYOB Essentials

MYOB AccountRight

MYOB BankLink

1H historic revenue



Segment update



MYOB's growing SME subscriber base drove **recurring revenue** to **94%** of total



Relaunch of MYOB Essentials more than **doubled** registrations YOY



63% of new clients are purchasing cloud solutions



Innovation delivered through integration with MYOB OnTheGo, enabling client mobility

"It's actually quite fun logging in and seeing the balances and everything there on the screen, with the control panel and dashboard. It's all linked and updates regularly – it just simplifies everything."

Cam Bowen

AWOL Canyoning
Adventures Ltd

Accountant Solutions : 29% of revenue

Consistent growth continues from well-established segment.

Overview

Market Segments

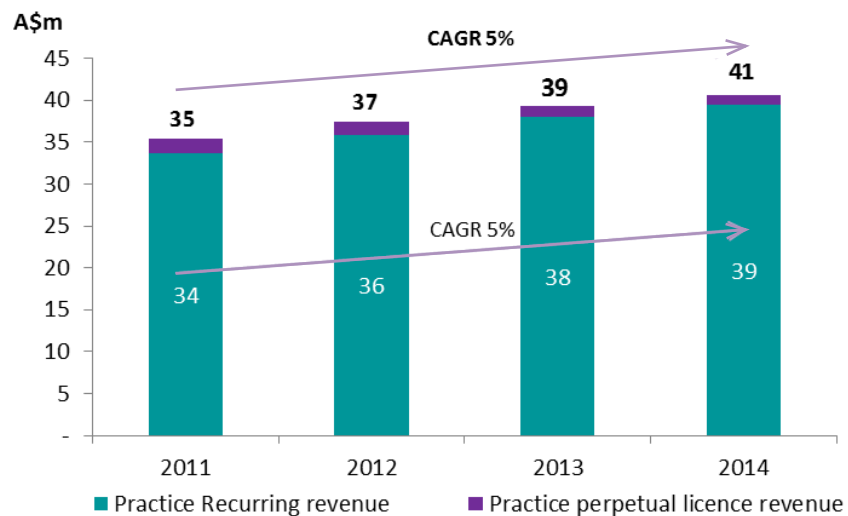
Accountants

Products

MYOB Accountants Office

MYOB Accountants Enterprise

1H historic revenue¹



Segment update



Total revenue up

5%



Continued innovation to integrate accountants and SME solutions



Investment in R&D for cloud solutions with the successful acquisition of Dovetail



98%

recurring revenue with growth continuing



Innovation with MYOB OnTheGo mobile solutions for both Accountants Office and Accountants Enterprise



Investment in team increasing with 340 team members in June 2014

"It is one of the most quantum leaps in technology the profession has seen. The benefits and efficiencies will be huge. No more downloading of data files, providing year end journals, etc. we can do it live in their system – it is a win win."

Geoff Inglis
Avenir Group

Enterprise Solutions : 8% of revenue

Strong double-digit growth in recurring revenue with expanding network.

Overview

Market Segments

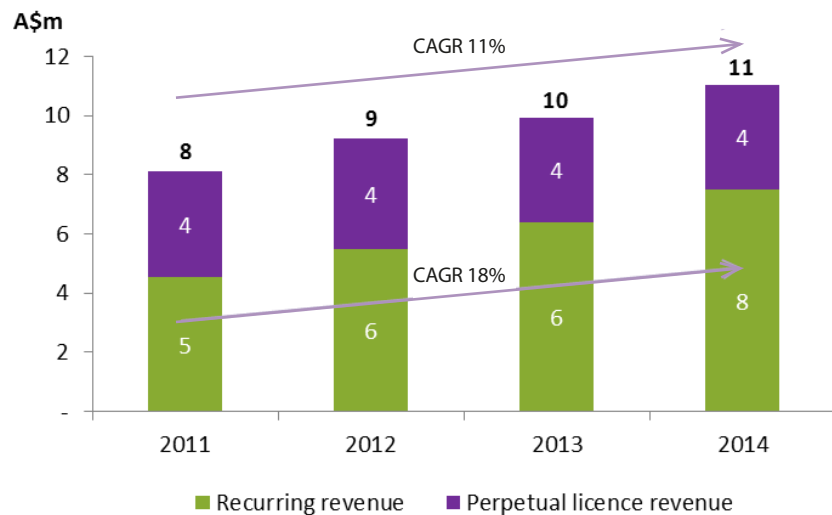
Medium-sized businesses

Products

MYOB Exo

MYOB Advanced

1H historic revenue



Segment update



11%

revenue growth



17%

growth in subscription revenue



EXO API allows partner add-on integration



The acquisition of PayGlobal will further our market reach and expand our cloud capabilities



68%

recurring revenue



Innovation delivered with the new MYOB OnTheGo app enabling business mobility



MYOB Advanced, our new cloud-based ERP solution currently in beta phase, to be launched in early 2015

“EXO allows management to have at its fingertips the precise information it needs to make sound business decisions. And that’s invaluable. EXO’s agility to accommodate business change now and in the future makes it an immensely powerful tool.”

Ross Hurley

Prowler Proof
Security Screen Specialists

Strong and stable balance sheet

MYOB is a highly cash generative business with a balance sheet that has significant financial flexibility.

\$ Million	Dec 2013	Jun 2014
Cash	34	40
Goodwill	810	827
Intangible assets	453	424
Other assets	36	58
Total assets	1,333	1,349
Senior debt	474	453
Subordinated notes	155	155
Other liabilities	96	122
Total liabilities	725	730
Total equity	608	619
Senior leverage ratio	3.64x	3.14x
Total leverage ratio	4.86x	4.27x

Key takeaways



MYOB's financial position continues to strengthen



Continued amortisation of intangible assets (commercialised software, customer relationships and brand)



Strong cash generation, with cash increasing by

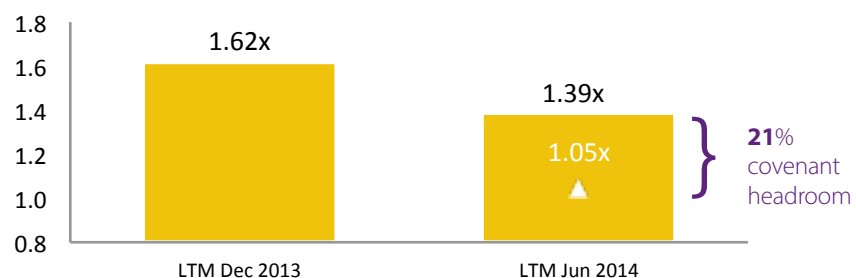
\$32 million

before \$26 million debt repayment in first half

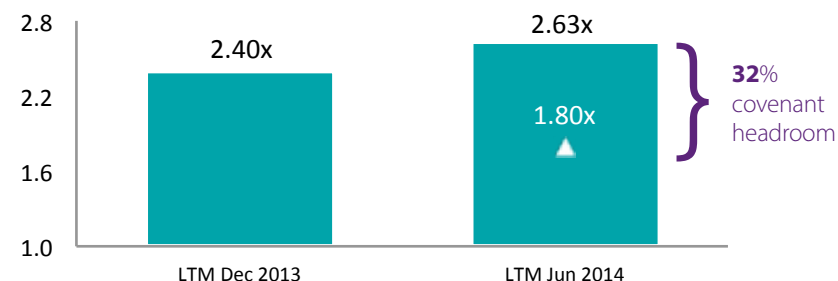
Credit profile continues to strengthen

Given MYOB's strong cash flow profile and credit metric performance, we are considering refinancing under the terms of the listed notes.

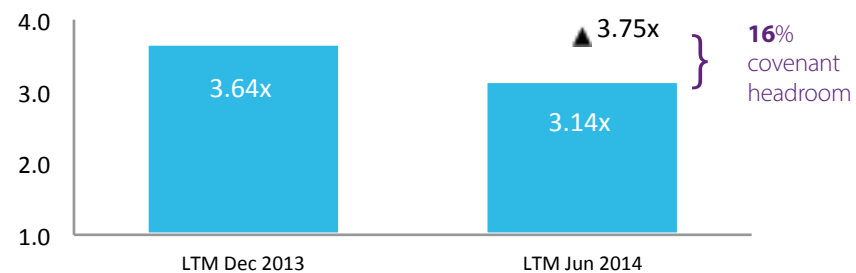
Cash flow cover ratio



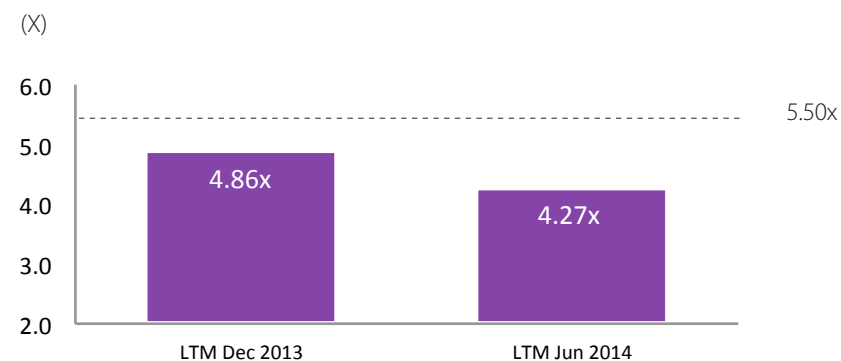
Interest coverage ratio



Senior leverage ratio



Total leverage ratio¹



MYOB Ratio ▲ Relevant Covenant

Note: 1 No formal maintenance covenant for Total Leverage; incurrence covenant at 5.50x.

Cash flow profile

Strong cash flow conversion results in a healthy cash position.

Cash flow statement

A\$m; 1H ended 30 June	1H 2013	1H 2014
EBITDA	54.0	69.7
Change in NWC	3.1	2.5
Capital expenditure	(9.5)	(11.4)
Operating cash flows	47.7	60.9
Cash conversion	88%	87%
Net cash movement	15.6	6.5
Cash and cash equivalents	20.9	40.1

Key takeaways



Strong increase in operating cash flows driven by earnings growth and stable cash conversion



87%
operating cash conversion



\$60.9 million
operating cash to cover \$24.7 million of interest payments (including \$7.2 million on subordinated notes)



\$25.7 million
senior debt repayments made during the half



5

Summary

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Summary

The success of our best-performing half ever, with outstanding double-digit growth in revenue and EBITDA, is a testament to the innovation, investment in our team and the popularity of our cloud solutions.

Revenue growth

Strong sales and momentum behind our cloud and mobile solutions delivered our best half ever – \$140 million revenue and 21% growth.

Exceptional EBITDA

\$70 million with 29% growth.

Cash generation

Very healthy cash position thanks to 87% operating cash conversion.

Investment in R & D

MYOB continues to recruit talented people who bring our cloud solutions to life, with a >\$40 million investment in R & D planned for this financial year.

New product launches

We have launched a superb range of innovative cloud solutions to make business life easier for micro, small and medium-sized enterprises, including MYOB PayDirect.

Cloud growth

Our investment in expanding our product suite has led to 63% of our new clients now choosing cloud solutions.

Commitment to progress

Our ongoing acquisition and investment in successful and innovative companies has put us at the forefront of cloud accounting solutions for Australia and New Zealand.



6

Q & A

Love your work





7

Appendix

Love your work



Income statement

MYOB Holdings income statement

A\$m; Half year ended 30 June	2012	2013	2014	V%
P&L				
Revenue	108.0	115.8	139.5	21%
COGS	(6.4)	(7.5)	(10.1)	34%
Gross profit	101.6	108.2	129.4	20%
Expenses	(48.1)	(54.2)	(59.7)	10%
EBITDA	53.5	54.0	69.7	29%
<i>EBITDA Margin</i>	<i>49.6%</i>	<i>46.7%</i>	<i>49.9%</i>	
Other costs	(4.7)	(5.5)	(15.7)	189%
Depreciation/amortisation	(31.5)	(30.8)	(34.7)	13%
EBIT	17.3	17.8	19.2	8%
Net interest	(23.3)	(25.8)	(25.5)	-1%
Debt cost amortisation	(3.1)	(3.6)	(3.6)	2%
Profit before tax	(9.0)	(11.6)	(10.0)	-14%
Tax	4.2	5.3	4.4	-18%
NPAT	(4.8)	(6.3)	(5.6)	-11%
NPATA	16.1	13.9	16.0	15%

NPATA is NPAT after adding back tax effected non-cash amortisation expenses.

Financial covenants

\$ Million, unless otherwise noted	LTM 31 Dec 2012	LTM 30 Jun 2013	LTM 31 Dec 2013	LTM 30 Jun 2014	Senior Facility Covenants	Note Covenants	
						Suspension of interest condition	Restriction of additional debt and distribution
LTM Covenant ¹ EBITDA	107.5	121.2	126.9	137.1			
LTM Covenant ¹ cash flow	89.5	99.9	107.4	115.8			
LTM Covenant ¹ cash flow conversion	83.3%	82.4%	84.6%	84.4%			
Cash flow cover ratio ¹ (times)	1.35	1.53	1.62	1.39	Not less than 1.05	Not less than or equal to 1.10	
Senior leverage ratio ² (times)	4.01	3.95	3.64	3.14	Not greater than 3.75		
Interest cover ratio ³ (times)	2.39	2.53	2.40	2.63	Not less than 1.80		
Total leverage ratio ⁴ (times)	5.45	5.23	4.86	4.27			Not greater than 5.50

Notes:

1 Cash flow/debt service.

2 Senior net debt/EBITDA.

3 EBITDA/cash interest costs.

4 Senior net debt + subordinated notes/EBITDA.

A Jun 13 adjusted to include 11 months of BankLink pro-forma EBITDA; Dec 13 adjusted to include 5 months.

Thank you

Love your work

