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## **MYOB EXITS MAINLAND CHINA, RESTRUCTURES US DISTRIBUTION AND PROVIDES TRADING UPDATE**

MYOB is today announcing a series of changes which represent the final stage of refocusing on its leadership positions in Australia, New Zealand and Asia. These changes will deliver a significant improvement in MYOB's earnings base and a material reduction in its cost of product development going into 2009. The company also provided updated guidance in relation to trading for the 2008 financial year.

### **Exit from mainland China market**

After extensive research and market planning, MYOB opened operations in mainland China three years ago, seeking to build a strong position in the world's fastest growing economy. Over the past three years MYOB has refined and fine-tuned its China strategy several times, each time ensuring that the company's investment was carefully managed and that progress against key performance milestones was reviewed.

MYOB has now completed the previously announced review of its Asian operations. In light of progress to date and current economic circumstances MYOB has determined, effective today, to fully exit from mainland China. The company will continue to pursue its goals in other parts of Asia, including its successful business in Hong Kong, Singapore and Malaysia, with a specific drive to profitability across the region.

MYOB CEO, Tim Reed commented, "Despite the progress made in the China business to date, the recent review has determined it is unlikely this business will achieve the growth and momentum required over the next few years to generate acceptable returns for shareholders. By exiting this business, we will free up resources to focus on more profitable growth opportunities in other parts of the business."

### **Change of relationship with US republisher**

MYOB has also undertaken a change in its relationship with its US republisher, Acclivity. Acclivity has today acquired a right to the intellectual property for MYOB's Mac products along with MYOB's US based product development team. MYOB will now republish Mac products, under license from Acclivity, in Australia, New Zealand and Asia.

The overall effect will be to align the predominantly US based Mac sales with a US based development team and move MYOB's financial commitment to this platform from a fixed annual development cost denominated in USD to a local currency, royalty stream paid on sales revenue from the regions.

### **Financial implications of business restructuring**

The initiatives announced today build on the strategy announced earlier this year of focusing the company's resources on its leading positions in Australia, New Zealand, Hong Kong and Singapore and improving position in Malaysia. In line with this, the company divested its UK operations earlier this year, announced a review of its Asian businesses and has been further integrating and streamlining its Australian and New Zealand operations.

The exit from China and the revised agreement with Acclivity, coupled with a further streamlining of Australian and New Zealand operations implemented during the past few months, will, in particular, allow a significant change to MYOB's product development resourcing and activities, delivering further earnings enhancement in 2009 and beyond.

The annualised, pro-forma affect of the changes announced today on the group's 2008 results are:

- Revenue would decrease by \$1.0 million, including the \$0.6m received in royalties from the US distributor;
- Operational expenses would decrease by a further \$3.0 million due to the changes announced today. This is in addition to the cost savings arising from the management changes implemented several months ago; and
- Product development cash spend would reduce by around \$4.2 million, to around \$23.5 million.

The total pro-forma impact on the group's 2008 adjusted EBITDA would therefore be an increase of \$6.2 million. Implementing these changes will incur one-off cash costs of \$4.0 million and a write-down of related intangible assets of \$7.3 million, both of which will be accounted for in 2008 as specific items.

## Trading Update

MYOB also took the opportunity to update the market on trading for the continuing business.

Tim Reed stated, "In November we have seen some fluctuation in new unit sales to small and medium sized businesses. Assuming these trading conditions continue for the remainder of the year, we believe that operating revenue for full year 2008 will be in the order of \$181-182 million, down from previous guidance of \$183-185 million. This revision is due to sales of new units; maintenance and recurring revenue lines have continued to perform above plan during the period and the outlook for this area of the business is excellent."

"As a direct result, earnings before interest, tax, depreciation and amortisation on a like for like basis for 2008 will be in the range of \$71-72 million, compared with previous guidance of greater than \$73 million. This represents growth of over 6% on 2007."

"The changes we have announced today will further enable MYOB to focus on the company's strong positions in the Australian and New Zealand markets and successful growth markets in Malaysia, Singapore and Hong Kong. In challenging economic circumstances, we believe it is prudent to place more effort and attention on markets where the company's position is established and where it can generate a profit. These changes, combined with ongoing efficiency measures, will ensure MYOB is ready for any ongoing softness in new unit sales brought about through the broader economic downturn, and that the company is positioned for growth as business confidence rises" said Mr Reed.

"We have every confidence MYOB will continue to grow through the economic cycle."

MYOB will be providing a more detailed update on its trading performance in December.

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## About the MYOB Group

MYOB is an international provider of solutions that liberate business owners and accountants from the burden of day to day administration, empowering them to achieve business success. MYOB develops and delivers award-winning software, services and support for more than 700,000 businesses and accounting practices.

MYOB Limited is a public company listed on the Australian Securities Exchange