



## MEDIA RELEASE

25 August 2016

### **MYOB Group Limited announces robust half year result to 30 June 2016**

*Six months packed with operational and financial highlights*

MYOB Group Limited ("MYOB"; ASX: MYO) today announced its first half 2016 financial results, headlined by double-digit growth in revenue and earnings.

MYOB is a leading provider of online business management solutions to 1.2 million small and medium businesses and accountants in public practice across Australia and New Zealand.

In the first half of 2016 MYOB reported pro forma<sup>1</sup> revenue of \$178 million for the half, up 11% on the same period last year. Pro forma earnings before interest, tax, depreciation and amortization (EBITDA) was \$82 million, up 14% year on year. Both financial metrics were above the prospectus forecasts for the period.

The MYOB Board has declared a dividend for the half of 5.5 cents per share, which is an increase on the previous dividend and reflects the company's strong cash flow, balance sheet and financial performance.

#### **Financial highlights: continuing growth and all key metrics exceeding final prospectus forecasts**

- 11%<sup>2</sup> pro forma revenue growth to \$178 million (prospectus forecast: \$172 million)
- 14%<sup>2</sup> pro forma EBITDA growth to \$82 million (prospectus forecast: \$81 million)
- 16%<sup>2</sup> pro forma NPATA<sup>3</sup> growth to \$46 million (prospectus forecast: \$45 million)
- 76%<sup>2</sup> pro forma cash flow conversion
- Recurring revenue up 13% to \$171 million, or 96% of total revenue, reflecting the stability of the MYOB revenue stream
- 8% growth in paying SME users to 570,000
- 41% increase in online subscribers to 200,000
- At 30 June 2016, MYOB had a cash balance of \$58 million. 1H16 operating cash flow was \$82 million and cash conversion was strong at 76%
- At 30 June 2016, Net Debt was down 5% from 31 December 2015 to \$377 million, representing Net Debt/EBITDA of 2.3x

<sup>1</sup> Pro forma financials exclude one-off costs, including those associated with the IPO, and restate the historical capital structure to mirror that now in place post-IPO.

<sup>2</sup> Versus pro forma 1H15 on a like-for-like basis

<sup>3</sup> MYOB considers NPATA, 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

### **Operational Highlights: Connected Practice strategy and MYOB Platform rollout driving online subscriber growth**

- 37% growth in online SME users
- Increasing online conversion rate of non-paying user base
- MYOB continues to invest in R&D to build the MYOB platform, with 68% of capital expenditure in 1H flowing directly to R&D
- Successful launch of MYOB Platform modules (Online Dashboard, Connected Ledger and Practice Ledger) driving online penetration
- Acquisition of Greentree on 1 August 2016 for NZ\$28.5 million to extend mid-market leadership into larger enterprises
- The establishment of a new purpose-built space to house MYOB's engineering and development teams, allowing us to attract and retain the best engineering talent

#### **Justin Milne, Chairman said:**

*"The Board has increased the interim dividend to 5.5 cents per share, reflecting our confidence in the business trajectory and the strength of our balance sheet to fund future growth opportunities."*

#### **Tim Reed, Chief Executive Officer said:**

*"These strong financial and operational results have been driven by the ongoing execution of our Connected Practice strategy which, delivered through the MYOB platform, reimagines the way SMEs and Accountants work, driving improved productivity and insight."*

#### **Richard Moore, Chief Financial Officer said:**

*"During the half our financial performance, including strong cash flow generation, has allowed us to continue to increase our investment in technology, innovation and sales & marketing. These investments benefit our clients, enhance their MYOB experience and ultimately should allow us to delivered continued growth for our shareholders."*

### **Segment Revenue Performance**

#### **SME Solutions (63 per cent of total revenue)**

- SME Solutions revenue up 14% on 1H 2015 to \$113 million, driven by a 13% increase in recurring revenue
  - Ace Payroll & IMS contributed \$4.3 million of revenue in 1H16 (of which \$4.0 million was recurring)
- SME online users of 195,000, up from 142,000 driving:
  - Average revenue per paying user up 7% to \$396 (1H15: \$371)
  - Growth in paying user base of 8% to 570,000 (1H15: 527,000)
  - SME cloud registrations of 81% of total SME registrations (1H15: 68%)
- Expansion of product suite with new features including MYOB's uniquely guaranteed bankfeeds
- New feature adoption rates are accelerating, indicating high levels of engagement which drive client satisfaction and revenue

### Practice Solutions (24 per cent of total revenue)

- Practice Solutions revenue up 3% to \$43m (1H15: \$42m)
- Recurring revenue in line with prior comparable periods of greater than 97%
- Launch of the first modules of the MYOB Platform, Online Dashboard, Connected Ledger and Practice Ledger, combining to allow a more consistent workflow for practices and the ability to service a wider range of clients
- Connected Practice story being received positively by clients and is expected to drive SME category penetration
- More than twice the number of clients using the MYOB Portal since the end of 2015 to 36,000

### Enterprise Solutions (12 per cent of total revenue)

- Enterprise Solutions revenue up 9% to \$22m (1H15: \$20m)
- Strong results driven by all three Enterprise solutions delivering growth including:
  - PayGlobal sales conversions and service remain higher than forecast
  - Greater uptake of MYOB Advanced, our online ERP and HRM solution for medium sized businesses
- Recurring revenue of 81% of total revenue, up from 80% in the previous comparable period.

### Outlook

- Revenue growth to be in line with historical trends with EBITDA margins to remain around 45%-50%
- As investment in the MYOB Platform continues, FY16 investment expected to be at the upper end of previous guidance of 13%-16% of revenue range
- Continue to search for acquisitions which align to our core business and open new opportunities

### Further Information

The MYOB market release should be read in conjunction with the MYOB Investor Presentation and the MYOB Statutory Accounts attached to the Appendix 4D. CEO Tim Reed and CFO Richard Moore will present the results to analysts in a conference call at 10am today. To register for the MYOB webcast and access all documents please click here [investors.myob.com.au](http://investors.myob.com.au)

### Conference call details:

Dial in	
Toll Free	1800 123 296
Toll	+61 2 8038 5221
Pin	4478 7107

Playback facilities will be available and a conference call transcript will be published on the ASX platform later today.

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## **About MYOB**

MYOB Group Ltd (ASX: MYO) is a leading cloud based business management solutions provider. It makes business life easier for approximately 1.2 million businesses across Australia and New Zealand by simplifying accounting, payroll, tax, practice management, CRM, job costing, inventory and more. MYOB provides ongoing support via many client service channels including a network of over 40,000 accountants, bookkeepers and other consultants. It is committed to ongoing innovation, particularly in cloud computing solutions, and in 2015 was awarded the BRW award for the most innovative large company for 500+ employees and placed 2nd in BRW's Most Innovative Companies Award list across all categories nationally.

For more information, visit <http://investors.myob.com.au/Investors/>