



23 February 2017
Market Announcements Office
ASX Limited

MYOB announces full year results for the period ending 31 December 2016

Record financial results; Double digit growth across all key financial measures Connected Practice Strategy driving online subscriber growth

MYOB Group Limited ("MYOB", ASX: MYO), one of Australia and New Zealand's leading providers of online business management solutions, today announced its financial results for the 12 months ending 31 December 2016.

MYOB continues to deliver strong growth across all key financial metrics. Revenues increased to \$370.4 million (up 13 per cent on prior year) and pro forma earnings before interest, tax, depreciation and amortisation (EBITDA) were \$171.5 million, up 12 per cent on prior year. MYOB's preferred measure of after tax profit (pro forma NPATA¹) was \$96.8 million (up 13 per cent on prior year).

The Board has declared a final dividend of 5.75 cents per share, up 15 per cent from the final dividend in FY15, and reflects the company's strong balance sheet, cash flow and financial performance.

Key financial metrics for the 12 months ending 31 December 2016

A\$m; 12 months ended 31 December <i>Pro forma</i> ²	FY15 \$m	FY16 \$m	YoY % change
Revenue	327.8	370.4	13%
EBITDA	152.9	171.5	12%
NPAT	45.2	56.6	25%
NPATA	85.9	96.8	13%
NPATA EPS (cents)	14.7	16.5	12%
<i>Recurring Revenue %</i>	<i>95.1%</i>	<i>95.6%</i>	<i>0.5%</i>
<i>EBITDA Margin %</i>	<i>46.6%</i>	<i>46.3%</i>	<i>(0.4)%</i>
Number of online subscribers ('000)	170	249	47%
Number of Paying SMEs ('000)	545	585	7%
SME ARPU (\$)	379	406	7%

- (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.
- (2) The pro forma adjustments in FY15 and FY16 reflect the impact of MYOB's operating and capital structure following IPO completion, to eliminate certain non-recurring items and standalone public company costs.



Other highlights

- MYOB's Connected Practice Strategy, which aims to deliver seamless connectivity between SMEs, advisors and the broader accounting network, continues to be well received by accountants and practices.
- Development of the MYOB Platform is progressing positively, with rapid uptake of new modules such as Practice Ledger, Portal and Dashboard.
- \$56 million invested in R&D in FY16, a large percentage of which was spent on the MYOB Platform, in line with our Connected Practice Strategy.
- 47 per cent growth in online subscribers helping drive 7 per cent growth in SME paying users.
- Rapid uptake of online connected services, including PayDirect Mobile and PayDirect Online.
- Acquisition and seamless integration of Greentree together with strong uptake of MYOB Advanced is driving growth in Enterprise revenues.
- At 31 December 2016, MYOB had a cash balance of \$61 million. Cash flow conversion remained strong at 77 per cent.

Justin Milne, Chairman said:

"MYOB has continued to make great progress during 2016 delivering another year of double digit earnings growth.

"The strength of MYOB's service offering coupled with our exceptional client delivery ensures that the outlook for the business remains extremely positive.

"As a result of our financial position and strength, the Board has announced an increase in the final dividend to 5.75 cents per share, reflecting our confidence in the business strategy and the management team to continue to deliver value for our shareholders."

Tim Reed, Chief Executive Officer said:

"As a business, we continue to grow from strength to strength and remain focused on delivering to our clients, solutions that help them to succeed.

"Our FY16 results validate our financial strength with reported results demonstrating strong double digit growth – at record levels, across key financial metrics. We continued to invest in R&D and during 2016, released new modules to the market under the MYOB Platform, which were well received by our clients.

"We have a clear strategy in place which is underpinned by our Connected Practice Strategy and are confident that the trajectory of our business growth will continue in 2017."



Segment Revenue Performance

A\$m; 12 months ended 31 December	FY15	FY16	YoY % change
SME Solutions	205.0	233.2	14%
Practice Solutions	81.7	84.1	3%
Enterprise Solutions	41.1	51.6	26%
Group	-	1.5	n/a
Total Revenue	327.8	370.4	13%
Recurring Revenue %	95.1%	95.6%	0.5%

SME Solutions (accounted for 63 per cent of revenues)

SME Solutions provides accounting software to 1.2 million SMEs, including accounting, payroll, tax and other business management software, with secure bank transaction data to assist in the preparation of SME accounts.

- Revenue from SME Solutions grew to \$233 million, an increase of 14 per cent from FY15.
- Contribution from Ace Payroll and IMS amounted to 3 per cent of SME revenue growth.
- Organic revenue was up 11 per cent from FY15, largely driven by a 13 per cent uplift in recurring revenue, representing 98 per cent of SME Solutions total revenue (97 per cent in FY15).
- Recurring revenue growth was driven by:
 - Growth in paying user base, up 7 per cent to 585,000 (FY15: 545,000), supported by growth in SME online users, up 32 per cent to 225,000 in FY16
 - Average revenue per paying user up 7 per cent to \$406 per year (FY15: \$379)
 - High and stable retention rates (80 per cent – in line with FY15)
- Ace Payroll & IMS contributed \$8.2m of revenue in FY16 (of which \$7.7m was recurring), up from \$2.9 million in FY15 (of which \$2.7 million was recurring).
- The growth in the online and paying user bases was supported by investment in product and increased sales and marketing spend year-on-year.
- MYOB launched a number of new and innovative products and connected services to SME clients in 2016, including PayDirect Online, YourPay, and PayAgent, helping drive uptake of its new online solutions and client retention.

Practice Solutions (accounted for 23 per cent of revenues)

Provides practice software to more than 40,000 accountants including client accounting, practice management, tax, document management, company secretarial and insolvency solutions.

- Practice Solutions revenue grew to \$84 million, an increase of 3 per cent from FY15, in line with long term growth rates, driven primarily by ARPU increases offset by limited (less than 2 per cent) client churn.
- Recurring revenue represents 98 per cent of Practice Solutions total revenue, up from 97 per cent in FY15.
- The Practice Solutions software market is fully penetrated, with a small number of companies providing solutions to the vast majority of accountants in public practice in Australia and New Zealand. As the practice software is central to the running of the



accounting practice, churn is low and hence overall growth rates are muted and new software sales making up less than 2 per cent of revenue.

- In 2016, MYOB launched a number of new products to Practice clients, supporting our Connected Practice Strategy, including the MYOB Dashboard, Connected Ledger, Practice Ledger and online Tax eGST and BAS lodgement tools.

Enterprise Solutions (accounted for 14 per cent of revenues)

Provides enterprise software, including ERP and HRM software, to more than 7,000 medium and large businesses (generally 20-999 FTEs, with some 1,000+).

- Enterprise Solutions revenue grew to \$52 million, up 26 per cent from FY15 (\$41 million).
- These are very strong results driven by underlying performance and strategic acquisitions.
- The acquisition of Greentree in August 2016 contributed \$6.2 million, or 15 per cent of the growth in Enterprise Solutions revenue.
- Organic revenue was up 11 per cent from FY15 driven by strong new software sales in PayGlobal and growth in MYOB Advanced subscriptions offsetting the impact of the shift from selling up-front desktop software licences (MYOB Exo) to online subscriptions (MYOB Advanced).
- Recurring revenue represents 80 per cent of Enterprise Solutions total revenue, in line with FY15.

Outlook

- The Connected Practice strategy, underpinned by the MYOB Platform, is expected to accelerate online subscriber growth in 2017.
- We expect double digit revenue growth for the 2017 year and EBITDA margins to remain in the 45-50 per cent range.
- Investment in the MYOB Platform will continue and R&D investment is expected to be at the upper end of the reported 13-16 per cent of revenue range.
- We continue to look for and expect to make targeted acquisitions which fit in the core of our business, and investment in new growth opportunities outside of our business.

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 4E. All documents are available on the MYOB IR website: <http://investors.myob.com.au/Investors/>

CEO Tim Reed and CFO Richard Moore will present the results to analysts on a conference call at 10am today. To register for the MYOB webcast, please click here investors.myob.com.au

Conference call details:

Toll Free	1800 123 296
Toll	+61 2 8038 5221
Pin	6617 4038



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

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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 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 through its Connected Practice Strategy and through the development of the MYOB Platform. For more information, visit <http://investors.myob.com.au/Investors> or follow @MYOB on Twitter.