

MYOB releases Scheme Booklet

Federal Court approves the convening of the Scheme Meeting

- The Independent Expert, Grant Samuel & Associates Pty Limited (**Grant Samuel**), has concluded that the scheme of arrangement (**Scheme**) for the proposed acquisition by Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, **KKR**) is fair and reasonable, and therefore, is in the best interests of MYOB Shareholders, in the absence of a Superior Proposal
- MYOB Directors unanimously recommend that MYOB Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to recommend that the Scheme is in the best interests of MYOB shareholders
- The Scheme Meeting is scheduled to be held on Wednesday, 17 April 2019

MYOB Group Limited (**MYOB** or **Company**) is pleased to announce that the Federal Court of Australia has approved the convening of a meeting of MYOB Shareholders to vote on the Scheme for the proposed acquisition by KKR of all the remaining shares in MYOB that it does not currently own.¹

Information relating to the Scheme, including the Notice convening the Scheme Meeting and an Independent Expert's Report, are included in the attached Scheme Booklet.

The Scheme Booklet was registered by the Australian Securities and Investments Commission (**ASIC**) on 13 March 2019 and is attached to this announcement. The Scheme Booklet is also available on the MYOB investor website at <http://investors.myob.com.au>. Copies of the Scheme Booklet and relevant forms will be sent to MYOB Shareholders (via their elected preference) in due course.

Independent Expert Report

The Independent Expert, Grant Samuel, has concluded that the Scheme is fair and reasonable, and therefore, is in the best interests of MYOB Shareholders in the absence of a Superior Proposal. Grant Samuel's conclusion should be read in context with the full Independent Expert's Report and the Scheme Booklet attached to this announcement.

The Independent Expert has assessed the full underlying value of MYOB at between \$3.19 and \$3.69 per MYOB share. The KKR offer to acquire MYOB for \$3.40 per share all cash consideration is within this range.

The Independent Expert stated the following in its report:

"Grant Samuel has concluded that the KKR Proposal is fair and reasonable and in the best interests of MYOB Shareholders."

"The valuation represents the estimated full underlying value of MYOB and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect MYOB shares to trade on the ASX in the absence of a takeover offer."

¹ KKR currently has a legal and economic interest in MYOB shares of approximately 19.9%

MYOB Board Recommendation

The MYOB Directors unanimously recommend that MYOB shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders. Subject to these qualifications, the MYOB Directors intend to vote all of the MYOB shares held or controlled by them in favour of the Scheme.

Scheme Meeting

The Scheme Meeting will take place at 3:00pm (AEST) on Wednesday, 17 April 2019 at MYOB Offices, Level 8, 45 Clarence Street, Sydney NSW 2000. All MYOB shareholders are encouraged to vote either by attending the Scheme Meeting in person, or by lodging a proxy vote by 3:00pm on Monday, 15 April 2019. Details of how to lodge a proxy vote are included on the proxy form and in the Scheme Booklet.

Indicative timetable

Event	Expected date
Despatch of Scheme Booklet	On or before 19 March 2019
Scheme Meeting to vote on the Scheme	3:00pm (AEST) on 17 April 2019
Second court date for approval of the Scheme	1:45pm (AEST) on 24 April 2019
Effective Date of the Scheme	24 April 2019
Record Date	2 May 2019
Implementation Date	8 May 2019

The key dates in relation to the Scheme are set out in full within the Scheme Booklet.

Investor and Analyst Enquiries

Christina Nallaiah
Head of Investor Relations
T: +61 2 9089 9122 | M: +61 468 362 553
christina.nallaiah@myob.com

Media Enquiries

Clive Mathieson
Managing Director, Cato & Clegg
M: +61 411 888 425
clive@catoandclegg.com

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.

This is an important document and requires your immediate attention.
You should read this Scheme Booklet carefully and in its entirety
before deciding whether or not to vote in favour of the Scheme.
If you are in any doubt as to what you should do, you should consult
your broker, financial adviser or legal adviser immediately.

SCHEME BOOKLET

For a scheme of arrangement in relation to the proposed acquisition
of ordinary shares in MYOB Group Limited (MYOB) by ETA Australia
Holdings III Pty Ltd (KKR BidCo).



VOTE IN FAVOUR

The MYOB Directors unanimously recommend that you vote
in favour of the Scheme, in the absence of a Superior Proposal
and subject to the Independent Expert continuing to consider
the Scheme to be in the best interests of MYOB Shareholders.

The Scheme Meeting will be held at 3:00pm (Sydney time) on 17 April 2019
at MYOB Office, Level 8, 45 Clarence Street, Sydney NSW 2000.

IMPORTANT NOTICES

Defined terms

Capitalised terms used in this Scheme Booklet are defined in the Glossary in section 10 of this Scheme Booklet.

This Scheme Booklet

This Scheme Booklet includes the explanatory statement required to be sent to MYOB Shareholders, other than Excluded Shareholders, in relation to the Scheme under Part 5.1 of the Corporations Act. A copy of the proposed Scheme is set out in Annexure C to this Scheme Booklet.

You should read this Scheme Booklet carefully and in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Responsibility for information

- a) Except as provided in paragraphs (b) to (d) below, the information in this Scheme Booklet has been provided by MYOB and is the responsibility of MYOB. KKR BidCo, its related bodies corporate and their respective directors, officers, employees and advisers do not assume any liability or responsibility for the accuracy or completeness of the MYOB Information.
- b) KKR BidCo has provided and is responsible for the KKR BidCo Information. MYOB, its subsidiaries and their respective directors, officers, employees and advisers do not assume any liability or responsibility for the accuracy or completeness of the KKR BidCo Information.
- c) Magpie Advisory has provided and is responsible for the information contained in section 8 of this Scheme Booklet. None of MYOB, its subsidiaries or their respective directors, officers, employees or advisers, nor KKR BidCo, its related bodies corporate or their respective directors, officers, employees or advisers, assumes any liability or responsibility for the accuracy or completeness of the information contained in section 8 of this Scheme Booklet. Magpie Advisory does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in section 8 of this Scheme Booklet.
- d) The Independent Expert, Grant Samuel & Associates Pty Limited, has provided and is responsible for the information contained in Annexure A to this Scheme Booklet. MYOB, its subsidiaries and

their respective directors, officers, employees and advisers do not assume any liability or responsibility for the accuracy or completeness of the information contained in Annexure A to this Scheme Booklet except in relation to information given by MYOB to the Independent Expert. KKR BidCo, its related bodies corporate and their respective directors, officers, employees and advisers do not assume any liability or responsibility for the accuracy or completeness of the information contained in Annexure A to this Scheme Booklet. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in Annexure A.

- e) The MYOB Registry, Link Market Services Limited, has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the MYOB Registry. The MYOB Registry has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Investment decisions

The information in this Scheme Booklet does not constitute financial product advice. This Scheme Booklet has been prepared without reference to the investment objectives, financial situation or particular needs of any MYOB Shareholder or any other person. This Scheme Booklet should not be relied on as the sole basis for any investment decision. Independent legal, financial and taxation advice should be sought before making any investment decision in relation to your MYOB Shares.

ASIC and ASX involvement

This document is the explanatory statement for the scheme of arrangement between MYOB and the holders of MYOB Shares as at the Scheme Record Date for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet as Annexure C.

A copy of this Scheme Booklet (including the Independent Expert's Report) has been lodged with ASIC for the purposes of section 411(2)(b) of the Corporations Act and registered for the purposes of section 412(6) of the Corporations Act by ASIC. ASIC has been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act that ASIC has no objection to the Scheme. If ASIC provides that

statement, then it will be produced to the Court on the Second Court Date.

Neither ASIC nor any of its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the notice of the meeting does not mean that the Court:

- a) has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter members must reach their own decision); or
- b) has prepared, or is responsible for the content of, the explanatory statement.

Notice regarding Second Court Hearing and if a MYOB Shareholder wishes to oppose the Scheme

The date of the Second Court Hearing to approve the Scheme is 24 April 2019.

The hearing will be at 1.45pm (Sydney time) at the Federal Court of Australia at Law Courts Building, 184 Phillip Street, Sydney NSW 2000.

Each MYOB Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing. If you wish to oppose in this manner, you must file and serve on MYOB a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on MYOB at its address for service at least one day before 24 April 2019.

The address for service for MYOB is: MYOB Group Limited, Level 3, 235 Springvale Road, Glen Waverley VIC 3150 (Attention: Company Secretary)
Email: peter.hamblin@myob.com

Disclosure regarding forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements.

The forward-looking statements in this Scheme Booklet are not based on historical facts, but rather reflect the current views of MYOB or, in relation to the KKR BidCo Information, KKR BidCo,

held only as at the date of this Scheme Booklet concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipated”, “intending”, “foreseeing”, “likely”, “should”, “planned”, “may”, “estimated”, “potential”, or other similar words and phrases. Similarly, statements that describe MYOB’s and KKR BidCo’s objectives, plans, goals or expectations are or may be forward-looking statements.

The statements in this Scheme Booklet about the impact that the Scheme may have on the results of MYOB’s operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

Any forward-looking statements included in the KKR BidCo Information have been made on reasonable grounds. Although KKR BidCo believes that the views reflected in any forward-looking statements included in the KKR BidCo Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

Any other forward-looking statements included in this Scheme Booklet and made by MYOB have been made on reasonable grounds. Although MYOB believes that the views reflected in any forward-looking statements in this Scheme Booklet (other than the KKR BidCo Information, the information in section 5 and the information in Annexure A) have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause either MYOB’s or KKR’s actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. Deviations as to future results, performance and achievements are both normal and to be expected. MYOB Shareholders should note that the historical financial performance of MYOB is no assurance of future financial performance of MYOB (whether the Scheme is implemented or not). MYOB Shareholders should review carefully all of the information included in this Scheme Booklet.

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet. Neither MYOB, nor KKR, nor their directors give any representation, assurance or guarantee to MYOB Shareholders

that any forward looking statements will actually occur or be achieved. MYOB Shareholders are cautioned not to place undue reliance on such forward-looking statements.

Subject to any continuing obligations under law or the Listing Rules, MYOB and KKR BidCo do not give any undertaking to update or revise any forward-looking statements after the date of this Scheme Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Privacy and personal information

MYOB and KKR BidCo may collect personal information to implement the Scheme. The personal information may include the names, contact details and details of holdings of MYOB Shareholders, plus contact details of individuals appointed by MYOB Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The MYOB Registry advises that personal information it holds about you (including your name, address, date of birth and details of the financial assets) is collected by the MYOB Registry organisations to administer your investment. Personal information is held on the public register in accordance with Chapter 2C of the Corporations Act. Some or all of your personal information may be disclosed to contracted third parties, or related companies of the MYOB Registry in Australia and overseas. Your information may also be disclosed to Australian government agencies, law enforcement agencies and regulators, or as required under other Australian law, contract, and court or tribunal order. For further details about the personal information handling practices of the MYOB Registry, including how you may access and correct your personal information and raise privacy concerns, visit the MYOB Registry’s website at www.linkmarketservices.com.au for a copy of the Link Group Privacy Policy, or contact the MYOB Registry by phone on +61 1800 883 072 (free call within Australia), 9:00am to 5:00pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of the complete privacy policy of the MYOB Registry.

The information may be disclosed to print and mail service providers, and to MYOB and KKR BidCo and their respective related bodies corporate and advisers

to the extent necessary to effect the Scheme. If the information outlined above is not collected, MYOB may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively or at all. MYOB Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Notice to persons outside Australia

This Scheme Booklet and the Scheme are subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. The financial information included in this document is based on financial statements that have been prepared in accordance with Australian equivalents to International Financial Reporting Standards, which may differ from generally accepted accounting principles in other jurisdictions.

This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates following the date of the Scheme Meeting are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, waiver of the Conditions Precedent to the implementation of the Scheme.

Currency

The financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. A reference to \$ and cents is to Australian currency, unless otherwise stated.

Date of Scheme Booklet

This Scheme Booklet is dated 13 March 2019.

CONTENTS OF THIS SCHEME BOOKLET

Key dates	3
Letter from the Chairman of MYOB	4
1 Summary of the Scheme and next steps	6
2 Key considerations relevant to your vote	11
3 Frequently asked questions	17
4 Overview of the Scheme	27
5 Profile of MYOB	35
6 Information about KKR	44
7 What if the Scheme is not implemented?	50
8 Tax implications	54
9 Additional information	57
10 Glossary and interpretation	64
Annexure A – Independent Expert’s Report	72
Annexure B – Scheme Implementation Agreement	153
Annexure C – Scheme of Arrangement	235
Annexure D – Deed Poll	248
Annexure E – Notice of Scheme Meeting	255
Corporate Directory	IBC

KEY DATES

TIME (SYDNEY TIME) AND DATE	EVENT
3:00pm on 15 April 2019	Latest time and date for receipt of proxy forms (including proxies lodged online) or powers of attorney by the MYOB Registry for the Scheme Meeting
7:00pm on 15 April 2019	Time and date for determining eligibility to vote at the Scheme Meeting
3:00pm on 17 April 2019	Scheme Meeting

If the Scheme is approved by MYOB Shareholders, other than Excluded Shareholders, at the Scheme Meeting:

1.45pm on 24 April 2019	Second Court Hearing to approve the Scheme
24 April 2019	<p>Effective Date – this is the date on which the Scheme comes into effect pursuant to s411(10) of the Corporations Act and is binding on MYOB Shareholders. Court order will be lodged with ASIC and announced on ASX.</p> <p>MYOB Shares will be suspended from trading at the close of trading on ASX on the Effective Date. If the Scheme proceeds, this will be the last day that MYOB Shares will trade on ASX.</p>
7:00pm on 2 May 2019	Scheme Record Date – all Scheme Shareholders will be entitled to receive the Scheme Consideration subject to and on the terms and conditions set out in the Scheme
8 May 2019	Implementation Date – all Scheme Shareholders will be sent the Scheme Consideration to which they are entitled

All times and dates in the above timetable are references to the time and date in Sydney, New South Wales, Australia and all such times and dates are subject to change. MYOB may vary any or all of these dates and times and will provide notice of any such variation on ASX. Certain times and dates are conditional on the approval of the Scheme by MYOB Shareholders, other than Excluded Shareholders, and by the Court. Any changes will be announced by MYOB to ASX.

LETTER FROM THE CHAIRMAN OF MYOB



Above: Justin Milne

13 March 2019

Dear MYOB Shareholder,

On behalf of the MYOB Directors, I am pleased to provide you with this Scheme Booklet which contains details for your consideration in relation to the proposed acquisition of MYOB by ETA Australia Holdings III Pty Ltd (KKR BidCo).

On 23 December 2018, MYOB entered into a Scheme Implementation Agreement with KKR BidCo (among others) under which it is proposed that KKR BidCo will acquire all MYOB Shares that it and its Associates do not already own¹ by way of a scheme of arrangement (**Scheme**). The Scheme is subject to shareholder approval and certain other Conditions Precedent as described in section 4.5 of this Scheme Booklet.

If the Scheme is approved and implemented, Scheme Shareholders will receive a cash payment of \$3.40 per share. This is equivalent to an equity value of approximately \$2.0 billion and enterprise value of approximately \$2.4 billion². The offer price represents an FY18 EV/Cash EBITDA multiple³ of approximately 18x and FY18 EV/Free Cash Flow multiple⁴ of approximately 23x. This should be considered having regard to market uncertainty and the longer term nature of the strategic growth plan that MYOB has embarked upon.

Furthermore, pursuant to the Scheme Implementation Agreement, MYOB had the right to solicit Competing Proposals for a period of 60 days post-signing of the Scheme Implementation Agreement, up to and including 21 February 2019 (**Go Shop Period**).

Despite comprehensive market testing by MYOB and its advisers during the Go Shop Period, no Superior Proposal has emerged as at the date of this Scheme Booklet. If MYOB receives a Superior Proposal which constitutes a Qualifying Superior Proposal⁵, then KKR is required to sell its shareholding into, or vote in favour of, such a Qualifying Superior Proposal⁶. This mechanism, coupled with the market testing during the Go Shop Period, should provide MYOB Shareholders with confidence that KKR BidCo's Scheme Consideration of \$3.40 per share has been subject to a full and fair testing of the market.

Directors' recommendation

The MYOB Directors have considered the advantages and disadvantages of the Scheme, and **unanimously recommend that you vote in favour of the Scheme** in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of MYOB Shareholders. Subject to those same qualifications, each of the MYOB Directors intends to vote all the MYOB Shares held or controlled by them in favour of the Scheme.

While the MYOB Board is confident that MYOB is well positioned to continue to deliver growth for Shareholders into the future, the MYOB Directors consider that the Scheme provides the opportunity for MYOB Shareholders to realise a certain and immediate outcome that is fair and reasonable and in the best interests of MYOB Shareholders.

The reasons to vote in favour of the Scheme Resolution are set out in detail in section 2.2 of this Scheme Booklet. There are also reasons why you may choose to vote against the Scheme Resolution which are set out in section 2.3 of this Scheme Booklet.

Independent Expert

Grant Samuel & Associates Pty Limited (**Independent Expert**) has prepared the Independent Expert's Report in relation to the Scheme. **The Independent Expert has**

concluded that the Scheme is fair and reasonable and in the best interests of MYOB Shareholders. The Independent Expert has assessed the full underlying value of MYOB at between \$3.19 and \$3.69 per MYOB Share.

A complete copy of the Independent Expert's Report is included as Annexure A to this Scheme Booklet.

How to vote

The Scheme can only be implemented if approved by MYOB Shareholders, other than Excluded Shareholders, by the Requisite Majorities at the Scheme Meeting to be held at 3:00pm (Sydney time) on 17 April 2019 at MYOB Office, Level 8, 45 Clarence Street, Sydney NSW 2000 and approved by the Court at the Second Court Hearing on 24 April 2019.

Your vote, as a shareholder, is important and I encourage you to submit your vote on this significant transaction. You may vote by attending the

Scheme Meeting, or by appointing a proxy, attorney or body corporate representative to attend the Scheme Meeting and vote on your behalf. If you do not wish to or are unable to attend the Scheme Meeting in person, I encourage you to vote by completing the enclosed personalised proxy form and returning it so that it is received no later than 3:00pm (Sydney time) on 15 April 2019.

I also encourage you to read this Scheme Booklet carefully and in its entirety as it contains important information that you should consider before you vote. You should also seek independent legal, financial, taxation or other professional advice before making an investment decision in relation to your MYOB Shares.

Further information

If you have any questions regarding the Scheme or this Scheme Booklet you should contact the MYOB Shareholder Information Line on +61 1800 883 072

Monday to Friday between 9:00am and 5:00pm (Sydney time) or consult your legal, financial, taxation or other professional adviser. There is additional information regarding the transaction including Frequently Asked Questions on the MYOB investor website (<http://investors.myob.com.au/Investors>)

On behalf of the MYOB Directors, I sincerely thank you for your ongoing support and loyalty towards MYOB. I look forward to your participation at the Scheme Meeting.



Yours sincerely,

Justin Milne

Chairman
MYOB Limited

DIRECTOR'S RECOMMENDATION

The MYOB Directors have considered the advantages and disadvantages of the Scheme, and **unanimously recommend that you vote in favour of the Scheme** in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of MYOB Shareholders. Subject to those same qualifications, each of the MYOB Directors intends to vote all the Shares held or controlled by them in favour of the Scheme.

1 KKR currently has a legal and economic interest in MYOB Shares of approximately 19.9%.

2 Assumes 591m shares on issue (rounded) and \$416m net debt as at 31 December 2018.

3 Cash EBITDA defined as underlying EBITDA less capitalised research and development costs.

4 Free cash flow defined as statutory EBITDA less net working capital and capital expenditure.

5 A cash offer for 100% of MYOB Shares that is at least 5% higher than KKR BidCo's Scheme Consideration of \$3.40, is recommended by a majority of MYOB Directors and in respect of which MYOB has entered into a binding implementation agreement which is on foot and has not terminated or expired.

6 Following the expiry of the Go Shop Period, this obligation is subject to KKR BidCo exercising its matching right under the Scheme Implementation Agreement, pursuant to which KKR BidCo must be given a period of 3 Business Days to match a Superior Proposal before such Superior Proposal may be recommended by any of the MYOB Directors.



SUMMARY OF THE SCHEME AND NEXT STEPS

1.1 THE SCHEME

TOPIC	DETAILS
Overview	<p>On 23 December 2018, MYOB entered into the Scheme Implementation Agreement with KKR BidCo (among others), under which it is proposed that KKR BidCo will acquire all of the MYOB Shares on issue that it and its Associates do not already own by way of the Scheme.⁷</p> <p>If the Scheme is approved by MYOB Shareholders, other than the Excluded Shareholders, at the Scheme Meeting and by the Court, and if all other Conditions Precedent for the Scheme are satisfied or waived (as applicable), MYOB will become a wholly-owned subsidiary of KKR BidCo on or around the Implementation Date⁸ and will be delisted from the ASX on the day immediately following the Implementation Date.</p>
The Scheme Consideration	<p>Under the terms of the Scheme, if the Scheme becomes Effective, Scheme Shareholders will be entitled to receive the Scheme Consideration of \$3.40 cash for each Scheme Share held as at the Scheme Record Date.</p> <p>Payments will be made by direct deposit into Scheme Shareholders' nominated bank account, as advised to the MYOB Registry as at the Scheme Record Date. If you have not nominated a bank account, payment will be made by Australian dollar cheque. Payment of the Scheme Consideration will be made on the Implementation Date (currently expected to be 8 May 2019).</p> <p>If a Scheme Shareholder does not have a registered address, or MYOB considers the Scheme Shareholder is not known at its registered address and no bank account has been nominated or a deposit into such an account is rejected or refunded, payments due to the Scheme Shareholder will be held by MYOB until claimed or applied under the relevant laws dealing with unclaimed money.</p>
Key steps in the Scheme	<p>In order for the Scheme to proceed, amongst other things, the Scheme Resolution approving the Scheme must be passed by the Requisite Majorities of MYOB Shareholders, other than the Excluded Shareholders, at the Scheme Meeting, being:</p> <ul style="list-style-type: none"> a majority in number (more than 50%) of MYOB Shareholders, other than Excluded Shareholders, present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative); and at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by MYOB Shareholders, other than Excluded Shareholders (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative). <p>The Scheme must also be approved by the Court.</p>

⁷ KKR currently has a legal and economic interest in MYOB Shares of approximately 19.9%.

⁸ It is contemplated that the 103,935,106 MYOB Shares currently held by a holding company of KKR BidCo, ETA Asia Holdings II Pte. Ltd., will be transferred to KKR BidCo on or around the Implementation Date. Such MYOB Shares will not be transferred as part of the Scheme.

1 SUMMARY OF THE SCHEME AND NEXT STEPS

TOPIC	DETAILS
Key steps in the Scheme (continued)	<p>In addition to the above, the Scheme is also subject to a number of Conditions Precedent. The following Conditions Precedent are outstanding as at the date of this Scheme Booklet:</p> <ul style="list-style-type: none"> • no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection, or order issued by any Regulatory Authority or any other legal restraint preventing any of the transactions contemplated by the Scheme Implementation Agreement is in effect as at 8:00 am (Sydney time) on the Second Court Date; • no Target Prescribed Occurrence occurring or becomes known to KKR BidCo or MYOB before 8:00am (Sydney time) on the Second Court Date; • KKR BidCo and MYOB warranties are true and correct in all material respects (other than those qualified by materiality, which must be true and correct in all respects) before 8:00am (Sydney time) on the Second Court Date; • MYOB has taken all necessary steps by 8:00am (Sydney time) on the Second Court Date to ensure that the Target Employee Incentives are dealt with in accordance with the Scheme Implementation Agreement; • KKR BidCo has received in writing all consents, approvals or clearances required under the Overseas Investment Act 2005 (New Zealand) and the Overseas Investment Regulations 2005 (New Zealand) for the implementation of the Scheme, either unconditionally or on terms that are acceptable to KKR BidCo (acting reasonably), and such consents, approvals or clearances have not been withdrawn, suspended, revoked or materially adversely amended; and • no Material Adverse Change occurring or becoming known to KKR BidCo or MYOB before 8:00am (Sydney time) on the Second Court Date. <p>The conditions of the Scheme are further detailed in section 4.5 of this Scheme Booklet and are set out in full in clause 3.1 of the Scheme Implementation Agreement which is Annexure B to this Scheme Booklet.</p> <p>The Scheme Implementation Agreement may also be terminated in certain circumstances. The circumstances are summarised in section 4.6 of this Scheme Booklet and set out in full in clause 15 of the Scheme Implementation Agreement.</p>
The MYOB Directors' recommendation	<p>The MYOB Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders.</p> <p>The MYOB Directors intend to vote, or procure the voting of, any of the MYOB Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders.</p> <p>The MYOB Directors consider that the reasons for MYOB Shareholders to vote in favour of the Scheme outweigh the reasons to vote against it. These reasons and other relevant considerations are set out in section 2 of this Scheme Booklet.</p>
Independent Expert's conclusion	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of MYOB Shareholders. You should read the Independent Expert's Report which is contained in Annexure A of this Scheme Booklet.</p>

1.2 NEXT STEPS

You should read this Scheme Booklet carefully in its entirety, including the reasons to vote in favour or against the Scheme (as set out in sections 2.2 and 2.3 of this Scheme Booklet), before making any decision on how to vote on the Scheme Resolution.

Answers to various frequently asked questions about the Scheme are set out in section 3 of this Scheme Booklet. If you have any additional questions about this Scheme Booklet or the Scheme, please contact the MYOB Shareholder Information Line on +61 1800 883 072, or contact your broker or legal, financial, taxation or other professional adviser.

TOPIC	DETAILS
Who is entitled to vote at the Scheme Meeting?	<p>If you are registered as a MYOB Shareholder, other than Excluded Shareholders, on the MYOB Share Register at 7:00pm (Sydney time) on 15 April 2019, you will be entitled to attend and vote at the Scheme Meeting.</p> <p>In the case of MYOB Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one MYOB Shareholder votes in respect of jointly held MYOB Shares, only the vote of the MYOB Shareholder whose name appears first in the MYOB Share Register will be counted.</p>
Your vote is important	<p>In order for the Scheme to be implemented, the Scheme Resolution must be approved by MYOB Shareholders, other than Excluded Shareholders, at the Scheme Meeting.</p> <p>The MYOB Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider that the Scheme is in the best interests of MYOB Shareholders.</p> <p>If you are unable to attend the Scheme Meeting, the MYOB Directors urge you to complete and return, in the enclosed reply-paid envelope, the personalised proxy form that accompanies this Scheme Booklet or lodge your proxy form online at the MYOB Registry's website (www.linkmarketservices.com.au) in accordance with the instructions given there.</p>
Details of the Scheme Meeting	<p>The details of the Scheme Meeting are as follows:</p> <p>Location: MYOB Office, Level 8, 45 Clarence Street, Sydney NSW 2000</p> <p>Date: 17 April 2019</p> <p>Time: 3:00pm (Sydney time)</p>
Voting in person, by attorney or corporate representative	<p>If you wish to vote in person, you must attend the Scheme Meeting.</p> <p>If you cannot attend the Scheme Meeting, you may vote by proxy by completing the Proxy Form accompanying this Scheme Booklet.</p> <p>Attorneys who plan to attend the Scheme Meeting should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.</p> <p>A body corporate which is a MYOB Shareholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which it is signed.</p>

1 SUMMARY OF THE SCHEME AND NEXT STEPS

TOPIC	DETAILS
Voting by proxy	<p>If you wish to appoint a proxy to attend and vote at the Scheme Meeting on your behalf, please complete and sign the personalised Proxy Form accompanying this Scheme Booklet in accordance with the instructions set out on the Proxy Form or lodge your proxy vote online at the MYOB Registry's website (www.linkmarketservices.com.au) in accordance with the instructions given there. You may complete the Proxy Form in favour of the Chairperson of the Scheme Meeting or appoint up to two proxies to attend and vote on your behalf at the Scheme Meeting.</p> <p>Proxy Forms, duly completed in accordance with the instructions set out on the Proxy Form, may be returned to the Registry:</p> <ul style="list-style-type: none">• by posting them in the reply-paid envelope provided;• by delivering them to Link Market Services at 1A Homebush Bay Drive, Rhodes NSW 2138; or Level 12, 680 George Street, Sydney NSW 2000;• by faxing them to + 61 2 9287 0309;• by posting them to MYOB Group Limited, c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia; or• online at www.linkmarketservices.com.au. <p>Login to the Link website using the details as shown on the Proxy Form. Select "Voting" and follow the prompts to lodge your proxy. To use the online proxy lodgement facility, MYOB Shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).</p> <p>TO BE VALID, PROXY FORMS FOR THE SCHEME MEETING MUST BE RECEIVED BY THE REGISTRY BY NO LATER THAN 3:00PM (SYDNEY TIME) ON 15 APRIL 2019.</p>



KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

2 KEY CONSIDERATIONS RELEVANT TO YOUR VOTE AND NEXT STEPS

2.1 SUMMARY OF REASONS WHY YOU MIGHT VOTE FOR OR AGAINST THE SCHEME

Reasons to vote in favour of the Scheme

✓	The MYOB Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders. Subject to those same qualifications, the MYOB Directors will be voting their own MYOB Shares, whether held or controlled by them, in favour of the Scheme
✓	The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of MYOB Shareholders
✓	The Scheme Consideration of \$3.40 cash per MYOB Share represents an EV/Cash EBITDA multiple of approximately 18x and FY18 EV/Free Cash Flow multiple of approximately 23x. This is an all cash offer
✓	The Scheme provides the opportunity to realise certain cash value for your investment in MYOB
✓	As at the date of this Scheme Booklet, no Superior Proposal has emerged since the announcement of the Scheme Implementation Agreement, despite comprehensive market testing during the Go Shop Period
✓	MYOB's share price may fall if the Scheme is not implemented and no Superior Proposal emerges
✓	If the Scheme does not proceed, you will continue to be subject to the risks associated with MYOB's business and general market risks
✓	No brokerage or stamp duty will be payable by you on the transfer of your MYOB Shares if the Scheme proceeds

These reasons are discussed in more detail in section 2.2 of this Scheme Booklet.

Reasons to vote against the Scheme

✗	You may disagree with the MYOB Directors' unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests
✗	You may prefer to participate in the future financial performance of the MYOB business
✗	You may consider that the Scheme Consideration does not reflect MYOB's long-term potential
✗	You may wish to maintain your current investment profile
✗	You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future
✗	The tax consequences of the Scheme may not suit your current financial position

These reasons are discussed in more detail in section 2.3 of this Scheme Booklet.

2.2 REASONS TO VOTE IN FAVOUR OF THE SCHEME

This section sets out the reasons why the MYOB Directors consider that you should vote in favour of the Scheme.

(a) The MYOB Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders. Subject to those same qualifications, the MYOB Directors will be voting their own MYOB Shares, whether held or controlled by them, in favour of the Scheme

The MYOB Board unanimously recommends that MYOB Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of MYOB Shareholders.

MYOB's Directors have reached this recommendation having had regard to the reasons to vote in favour of, or against the Scheme, as set out in this Scheme Booklet. The MYOB Directors have considered the market position of MYOB and the outlook for the MYOB business when determining whether to recommend the Scheme. The views held by the MYOB Directors are supported by their deep industry knowledge, particularly in technology.

The MYOB Board has undertaken an extensive process to reach this outcome, including a substantive number of board meetings and the formation of an Independent Board Committee to assess and evaluate developments in relation to KKR's proposal. This decision was made independently and in the absence of any conflict of interest.

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of MYOB Shareholders, each MYOB Director intends to vote all their MYOB Shares, whether held or controlled by them, in favour of the Scheme. The interests of the MYOB Directors are set out in section 9.3 of this Scheme Booklet.

(b) The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of MYOB Shareholders

MYOB appointed Grant Samuel & Associates Pty Limited to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is fair and reasonable and in the best interests of MYOB Shareholders.

The Independent Expert concluded that the Scheme is fair and reasonable and in the best interests of MYOB Shareholders.

The basis for this conclusion is that the Scheme Consideration of \$3.40 per MYOB Share is within the valuation range (as concluded by the Independent Expert) of \$3.19 to \$3.69 per MYOB Share.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure A of this Scheme Booklet. MYOB Shareholders should carefully review the Independent Expert's Report in its entirety.

(c) The Scheme Consideration of \$3.40 cash per Share represents an EV/Cash EBITDA multiple of approximately 18x and FY18 EV/Free Cash Flow multiple of approximately 23x.

The Scheme Consideration of \$3.40 cash for each Scheme Share, which will be paid to Scheme Shareholders if the Scheme is approved and implemented, represents an FY18 EV/Cash EBITDA multiple of approximately 18x and FY18 EV/Free Cash Flow multiple of approximately 23x.

This is considered by the MYOB Board to compare favourably to the multiples of comparable companies referenced by the Independent Expert's Report in its assessment of the value of MYOB on a control basis.

(d) The Scheme provides the opportunity to receive certain cash value for your investment in MYOB

The offer is a 100% cash offer. If implemented, the Scheme provides a high degree of certainty of value, in cash, at a premium to MYOB's recent trading benchmarks as set out in section 5.8 of this Scheme Booklet.

More specifically, if the Scheme is implemented, Scheme Shareholders will receive \$3.40 in cash for each MYOB Share held by them at the Scheme Record Date (currently expected to be 7:00pm (Sydney time) on 2 May 2019), to be paid on or about the Implementation Date, which is currently expected to be 8 May 2019.

2 KEY CONSIDERATIONS RELEVANT TO YOUR VOTE AND NEXT STEPS

(e) As at the date of this Scheme Booklet, no Superior Proposal has emerged since the announcement of the Scheme (despite comprehensive market testing during the Go Shop Period)

Pursuant to the Scheme Implementation Agreement signed on 23 December 2018, MYOB and its advisers were given the right to solicit Competing Proposals for 60 days, up to and including 21 February 2019. This included the ability to provide interested parties with access to detailed information about the Company via a management presentation and fully populated dataroom. Despite comprehensive market testing by MYOB and its advisers, which included initiating, or in some cases re-initiating, contact with a broad range of strategic and financial sponsors, no Superior Proposal has emerged as at the date of this Scheme Booklet.

If a Superior Proposal is received which constitutes a Qualifying Superior Proposal, then KKR is required to sell its shareholding into, or vote in favour of, such Qualifying Superior Proposal. A Qualifying Superior Proposal is defined as a cash offer for 100% of MYOB Shares that is at least 5% higher than KKR BidCo's Scheme Consideration of \$3.40, is recommended by a majority of the MYOB Directors and in respect of which MYOB has entered into a binding implementation agreement which is on foot and has not been terminated or expired.

Following the expiry of the Go Shop Period at the end of 21 February 2019, this commitment is subject to a matching right in favour of KKR BidCo whereby, before any MYOB Directors publicly recommend, endorse or support a Superior Proposal, KKR BidCo must be given a period of 3 Business Days after receiving details of such Superior Proposal to match the terms of such Superior Proposal. This mechanism, coupled with the market testing during the Go Shop Period, should provide MYOB Shareholders with confidence that KKR BidCo's Scheme Consideration of \$3.40 per MYOB Share has been subject to a full and fair testing of the market.

The MYOB Directors are not aware of any Superior Proposal and have no reason to believe that a Superior Proposal will emerge in the future.

(f) MYOB's share price may fall if the Scheme is not implemented and no Superior Proposal emerges

If the Scheme is not implemented, and in the absence of a Superior Proposal, the price of MYOB Shares on ASX may fall.

The closing price for MYOB Shares on 5 October 2018 was \$2.98, being the last trading day prior to receipt of the initial indicative KKR proposal to acquire MYOB Shares.

On the last trading day before the announcement of the Scheme Implementation Agreement (21 December 2018), the MYOB Share price closed at \$2.87. On the day of announcement of the Scheme Implementation Agreement (24 December 2018), the MYOB Share price closed at \$3.29. From the day after the announcement of the Scheme Implementation Agreement to 8 March 2019, being the Last Practicable Trading Date, the closing price of MYOB Shares has ranged between \$3.29 and \$3.45.

The MYOB Directors are unable to predict the price at which MYOB Shares will trade in the future, but consider that in the absence of the implementation of the Scheme and in the absence of a Superior Proposal, the price of MYOB Shares may fall.

(g) If the Scheme does not proceed, you will continue to be subject to the risks associated with MYOB's business and general market risks

The MYOB Board considers that MYOB has a number of growth opportunities as an independent listed company on the ASX, especially with respect to the accelerated investment in the next generation MYOB Platform (research and development) and in sales and marketing that has been announced to the market. Nevertheless, these initiatives will take time to fully implement and carry execution risk. Furthermore, MYOB continues to face competition from rivals, which may disrupt MYOB's strong market position.

If the Scheme does not proceed, MYOB Shareholders will continue to be subject to these risks, as well as other specific risks inherent in MYOB's business, including those summarised in more detail in section 7.5 of this Scheme Booklet.

In addition, if the Scheme does not proceed, MYOB Shares will continue to remain quoted on ASX and will continue to be subject to market volatility, including general stock market movements, the impact of general economic conditions and the demand for listed securities. The price that MYOB Shareholders will be able to realise for their MYOB Shares in terms of price will necessarily be uncertain and subject to a number of other risks outlined in section 7 of this Scheme Booklet. There is no guarantee that, in the foreseeable future (or otherwise), MYOB Shareholders will be able to realise a price equal to, or greater than, the Scheme Consideration of \$3.40 per MYOB Share.

The Scheme removes these risks for MYOB Shareholders and allows shareholders to exit their investment in MYOB at a price that the MYOB Directors consider to be fair and reasonable.

(h) No brokerage or stamp duty will be payable by you on the transfer of your MYOB Shares if the Scheme proceeds

You will not incur any brokerage or stamp duty on the transfer of your MYOB Shares to KKR BidCo under the Scheme.

If you sell your MYOB Shares on the ASX rather than disposing of them via the Scheme, you may incur brokerage charges and potentially GST on those charges.

2.3 REASONS YOU MAY WANT TO VOTE AGAINST THE SCHEME

This section summarises the reasons identified by the MYOB Directors as to why you may want to vote against the Scheme. The MYOB Directors believe that the reasons to vote in favour of the Scheme outweigh the reasons you may want to vote against the Scheme, and the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of the MYOB Shareholders, in the absence of a Superior Proposal. However, the MYOB Directors believe that MYOB Shareholders should take into consideration these factors when deciding whether or not to vote in favour of the Scheme.

(a) You may disagree with the MYOB Directors' unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests

Notwithstanding the unanimous recommendation of the MYOB Directors and the conclusions of the Independent Expert, you may believe that the Scheme is not in your best interests.

There is no obligation to follow the recommendation of the MYOB Directors or to agree with the opinion of the Independent Expert.

(b) You may prefer to participate in the future financial performance of the MYOB business

If the Scheme is approved and implemented, you will cease to be a MYOB Shareholder in May 2019. As such, you will no longer be able to participate in the future financial performance or future prospects of MYOB's ongoing business, including any benefits that may result from being a MYOB Shareholder.

(c) You may consider that the Scheme does not capture MYOB's long-term potential

If the Scheme is approved and implemented, you will cease to be a MYOB Shareholder in May 2019. However, you may consider that MYOB has stronger long-term growth potential, particularly in light of MYOB's strategic growth plan, first outlined to shareholders in November 2017, and reiterated in ASX releases through 2018 and most recently on 21 February 2019, and that the Scheme Consideration of \$3.40 per MYOB Share does not fully reflect your views on long-term value. You may therefore prefer to retain your MYOB Shares and realise the value of them over the longer term. However, there is no guarantee as to MYOB's future performance or value, as with all investments in listed securities.

(d) You may wish to maintain your current investment profile

You may wish to maintain an interest in MYOB because you are seeking an investment in a publicly listed company with the specific characteristics of MYOB, including it being an Australian based software company, its strategy, and potential growth profile.

Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. MYOB Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of MYOB and they may incur transaction costs in undertaking any new investment.

(e) You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future

You may consider that a Superior Proposal, which is more attractive to MYOB Shareholders than the Scheme, could emerge in the foreseeable future.

Despite comprehensive market testing by MYOB and its advisers during the Go Shop Period, no Superior Proposal has emerged as at the date of this Scheme Booklet. Additionally, the MYOB Directors are not aware of any Superior Proposal and have no reason to believe that a Superior Proposal will emerge in the future.

While the Scheme Implementation Agreement prohibits MYOB from soliciting Competing Proposals after the Go Shop Period, MYOB is not restricted from taking any action⁹ in relation to an unsolicited, bona fide, written Competing Proposal, if the MYOB Board, acting in good faith, determines:

- that the Competing Proposal is or is reasonably likely to be a Superior Proposal (including having regard to written advice from MYOB's financial advisers); and
- after considering written advice from its external legal advisers, that failing to respond to that Competing Proposal would be likely to involve a breach of fiduciary or statutory duties of the MYOB Directors.

Further details of the Scheme Implementation Agreement are provided in section 9.1 of this Scheme Booklet. A copy of the Scheme Implementation Agreement is also contained in Annexure B of this Scheme Booklet.

⁹ Following the expiry of the Go Shop Period, KKR BidCo has a matching right under the Scheme Implementation Agreement, pursuant to which KKR BidCo must be given a period of 3 Business Days to match a Superior Proposal before such Superior Proposal may be recommended by any of the MYOB Directors.

2 KEY CONSIDERATIONS RELEVANT TO YOUR VOTE AND NEXT STEPS

(f) The tax consequences of the Scheme may not suit your financial position

Implementation of the Scheme may trigger taxation consequences for MYOB Shareholders. A general guide to the taxation implications of the Scheme is set out in section 8 of this Scheme Booklet. This guide is expressed in general terms only and MYOB Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

2.4 OTHER CONSIDERATIONS

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Scheme.

(a) The Scheme may be implemented even if you vote against the Scheme or you do not vote at all

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of MYOB Shareholders, other than Excluded Shareholders, and the Court. If this occurs, your MYOB Shares will be transferred to KKR BidCo and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

(b) Implications for MYOB if the Scheme is not implemented

If the Scheme is not implemented, MYOB Shareholders will retain their MYOB Shares and will not receive the Scheme Consideration. KKR will remain a substantial shareholder with a legal and economic interest of approximately 19.9% of MYOB Shares on issue¹⁰. With an interest of this size, KKR may be able to exert influence on decisions relating to the affairs of MYOB.

If the Scheme is not implemented, transaction related costs of approximately \$3.5 million (excluding GST and disbursements) are expected to be incurred by MYOB. These amounts do not include transaction or other similar costs that may be incurred by KKR.

(c) Exclusivity obligations

Under the Scheme Implementation Agreement, MYOB is subject to certain exclusivity obligations, including no shop, no talk, no due diligence, notification obligations and matching rights in respect of Competing Proposals on and from 22 February 2019. Refer to section 9.1 of this Scheme Booklet for further information on these arrangements.

(d) Break Fee

If the Scheme does not become Effective, the Break Fee (\$20 million) may be payable to KKR BidCo. The circumstances in which the Break Fee would be payable are set out in section 9.1(e) of this Scheme Booklet.

(e) Warranty by Scheme Shareholders about their Scheme Shares and no Encumbrances over Scheme Shares

If the Scheme proceeds, each Scheme Shareholder will be deemed to have warranted to KKR BidCo, and deemed to have appointed and authorised MYOB to warrant to KKR BidCo as its agent and attorney, that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of the transfer of them to KKR BidCo, be fully paid and free from all Encumbrances and third party rights or interests of any kind, and that they have full power and capacity to sell and transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to KKR BidCo under the Scheme. See section 4.18 of this Scheme Booklet for further details.

¹⁰ This is based on KKR's legal and economic interest in MYOB Shares as at the date of this Scheme Booklet.



FREQUENTLY ASKED QUESTIONS

3 FREQUENTLY ASKED QUESTIONS

This section 3 answers some frequently asked questions about the Scheme. It is not intended to address all relevant issues for MYOB Shareholders. This section 3 should be read together with all other parts of this Scheme Booklet.

QUESTION	ANSWER
THE SCHEME	
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a MYOB Shareholder, other than an Excluded Shareholder, and MYOB Shareholders, other than Excluded Shareholders, are being asked to vote on a Scheme which, if implemented, will result in KKR BidCo acquiring all MYOB Shares it and its Associates do not already own for \$3.40 cash per MYOB Share.</p> <p>This Scheme Booklet is intended to help you to decide how to vote on the Scheme Resolution which needs to be passed at the Scheme Meeting to allow the Scheme to proceed.</p>
What is the Scheme?	<p>The Scheme is a scheme of arrangement between MYOB and the Scheme Shareholders, under which it is proposed that KKR BidCo acquires all MYOB Shares on issue that it and its Associates do not already own. KKR currently has a legal and economic interest in MYOB Shares of approximately 19.9%.</p> <p>If the Scheme becomes Effective, KKR BidCo will acquire all of the Scheme Shares for the Scheme Consideration and MYOB will be removed from the official list of the ASX.</p>
Who is KKR?	<p>KKR is a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate and credit.</p> <p>KKR BidCo is the Australian incorporated entity proposing to acquire MYOB.</p> <p>For more information on KKR, please see section 6 of this Scheme Booklet.</p>
How will the Scheme be implemented?	<p>In order for the Scheme to be implemented, all Conditions Precedent under the Scheme Implementation Agreement must be satisfied or waived (where applicable), including that the Scheme Resolution must be approved by MYOB Shareholders, other than Excluded Shareholders, by the Requisite Majorities at the Scheme Meeting and the Scheme must be approved by the Court at the Second Court Hearing.</p> <p>Details of this Scheme Resolution and the majorities required to approve the resolution are set out in section 4 of this Scheme Booklet.</p>
What do the MYOB Directors recommend?	<p>MYOB Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme Resolution to approve the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders.</p> <p>The MYOB Directors consider that the reasons for MYOB Shareholders to vote in favour of the Scheme outweigh the reasons to vote against it. This view is in light of the market position of MYOB and the outlook for the MYOB business, and have been concluded following a substantive number of board meetings and the formation of an Independent Board Committee to assess and evaluate developments in relation to KKR's proposal.</p> <p>This decision was made independently and in the absence of any conflict of interest. The MYOB Directors encourage you to seek independent legal, financial, taxation or other professional advice in relation to your vote on the Scheme.</p>

QUESTION	ANSWER
<p>How are the MYOB Directors intending to vote?</p>	<p>Each of the MYOB Directors intends to vote, or cause to be voted, in favour of the Scheme in respect of all the MYOB Shares they hold or control, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders.</p>
<p>What is the opinion of the Independent Expert?</p>	<p>Grant Samuel & Associates Pty Limited was appointed as the Independent Expert to undertake an independent assessment of the Scheme.</p> <p>The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of MYOB Shareholders.</p> <p>The Independent Expert has estimated the full underlying value of MYOB to be in the range of \$3.19 to \$3.69 per MYOB Share.</p> <p>You should read the Independent Expert's Report which is contained in Annexure A of this Scheme Booklet carefully and in its entirety.</p>
<p>What are the reasons you may want to vote in favour of the Scheme?</p>	<p>Reasons why you may want to vote in favour of the Scheme include:</p> <ul style="list-style-type: none"> • The MYOB Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders. Subject to those same qualifications, the MYOB Directors will be voting their own MYOB Shares, whether held or controlled, in favour of the Scheme. The MYOB Director interests are material and disclosed in section 9.3. • The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of MYOB Shareholders. • The Scheme provides the opportunity to realise certain cash value for your investment in MYOB. • The Scheme Consideration of \$3.40 cash per MYOB Share represents an EV/Cash EBITDA multiple of approximately 18x and FY18 EV/Free Cash Flow multiple of approximately 23x. This is an all cash offer. • As at the date of this Scheme Booklet, no Superior Proposal has emerged since the announcement of the Scheme, despite comprehensive market testing during the Go Shop Period. • No brokerage or stamp duty will be payable by you on the transfer of your MYOB Shares if the Scheme proceeds. • MYOB's share price may fall if the Scheme is not implemented and no Superior Proposal emerges. • If the Scheme does not proceed, you will continue to be subject to the risks associated with MYOB's business and general market risks.
<p>What are the reasons you may want to vote against the Scheme?</p>	<p>Reasons why you may want to vote against the Scheme include:</p> <ul style="list-style-type: none"> • You may disagree with the MYOB Directors' unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests. • You may prefer to participate in the future financial performance of the MYOB business. • You may consider that the Scheme Consideration does not reflect MYOB's long-term potential. • You may wish to maintain your current investment profile. • You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future. • The tax consequences of the Scheme may not suit your current financial position.

3 FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER
When did the Exclusivity Period commence?	<p>The Exclusivity Period commenced on 22 February 2019 following the expiry of the Go Shop Period, being the 60 days following the date of the Scheme Implementation Agreement.</p> <p>The Go Shop Period allowed MYOB to directly or indirectly solicit, invite, initiate or encourage any Competing Proposals to ensure a full and fair testing of KKR BidCo's Scheme Consideration of \$3.40.</p> <p>Despite comprehensive market testing by MYOB and its advisers during the Go Shop Period, no Superior Proposal has emerged as at the date of this Scheme Booklet.</p>
What is a Qualifying Superior Proposal	<p>A Qualifying Superior Proposal refers to a Superior Proposal in respect of the acquisition of 100% of MYOB shares for a cash consideration that is at least 5% higher than KKR BidCo's Scheme Consideration of \$3.40 and is recommended by a majority of the MYOB Directors and in respect of which MYOB has entered into a binding implementation agreement which is on foot and has not terminated or expired.</p> <p>Pursuant to the Scheme Implementation Agreement, KKR is required to sell its existing MYOB Shares into, or vote in favour of, a Qualifying Superior Proposal.</p> <p>Following the expiry of the Go Shop Period (on and from 22 February 2019), the commitment from KKR in the immediately preceding paragraph remains and is subject to a matching right in favour of KKR BidCo whereby, before any MYOB Director publicly recommends, endorses or supports a Superior Proposal, KKR BidCo must be given a period of 3 Business Days after receiving all material terms and conditions of such Superior Proposal to match the terms of such Superior Proposal.</p>
What will happen if a Competing Proposal emerges on or after 22 February 2019?	<p>If MYOB receives a Competing Proposal from a third party or is approached to discuss a Competing Proposal, the following applies:</p> <ul style="list-style-type: none"> • MYOB must notify KKR BidCo promptly and in any event within 24 hours in writing after receipt of the Competing Proposal or any approach which must include reasonable details of the Competing Proposal or approach (including price) and the identity of the third party or parties making the Competing Proposal or approach (as applicable); • if certain requirements are met (including that the Competing Proposal is, or is reasonably likely to be, a Superior Proposal), MYOB may engage with the proponent(s) of the Competing Proposal; • if the Competing Proposal is a Superior Proposal, before any MYOB Directors can publicly recommend, endorse or support it, KKR BidCo must be given three Business Days during which it can put forward a counter proposal; • if KKR BidCo proposes an amendment to the Scheme which constitutes an irrevocable counter proposal to MYOB (Counterproposal) and the MYOB Directors, acting in good faith, determine (after having taken written advice from MYOB's external financial advisers) that the Counterproposal is more favourable to MYOB Shareholders (on an overall basis) than the Competing Proposal, then MYOB and KKR BidCo must use their reasonable endeavours to agree, as soon as reasonably practicable, any amendments to the Scheme Implementation Agreement as necessary to reflect and implement the Counterproposal; and • if KKR BidCo fails to provide a Counterproposal, or provides a Counterproposal which the MYOB Directors determine that the Counterproposal is not more favourable to MYOB Shareholders than the Superior Proposal, then the MYOB Directors may recommend the Superior Proposal and:

QUESTION	ANSWER
<p>What will happen if a Competing Proposal emerges on or after 22 February 2019? (continued)</p>	<p>(i) if the Superior Proposal constitutes a Qualifying Superior Proposal, KKR would be required to sell its MYOB Shares into, or vote in favour of, such Qualifying Superior Proposal; or</p> <p>(ii) if the Superior Proposal does not constitute a Qualifying Superior Proposal, there is no requirement for KKR to sell its MYOB Shares into, or vote in favour of, such Superior Proposal,</p> <p>and in both instances MYOB would not be liable to pay the Break Fee to KKR, regardless of success or failure of such Superior Proposal.</p> <p>Details of these provisions (and other provisions) of the Scheme Implementation Agreement are set out in Annexure B of this Scheme Booklet.</p>
<p>Is there a break fee payable?</p>	<p>Under the Scheme Implementation Agreement, MYOB must pay to KKR BidCo a Break Fee of \$20 million if certain events occur, including if any of the MYOB Directors:</p> <ul style="list-style-type: none"> • withdraws, changes or adversely revises their recommendation of the Scheme or intention to vote in favour of the Scheme; or • recommends, supports or endorses a Competing Proposal, <p>unless:</p> <ul style="list-style-type: none"> • in connection with, or in respect of, a Superior Proposal and, if applicable, MYOB has complied with its matching right obligations in respect of such Superior Proposal under clause 9.5 of the Scheme Implementation Agreement; • the Independent Expert concludes in the Independent Expert's Report (including the initial report or any update, revision, amendment, addendum or supplementary reports to it) that the Scheme is not in the best interests of MYOB Shareholders, except where the Independent Expert reached such conclusion as a result of a Competing Proposal which is not a Superior Proposal; or • MYOB is entitled to terminate the agreement pursuant to clause 15.3(b)(i) of the Scheme Implementation Agreement and has given the appropriate termination notice to KKR BidCo. <p>The Break Fee arrangements are summarised in further detail in section 9.1(e) of this Scheme Booklet.</p>
<p>Are there any conditions to the Scheme?</p>	<p>There are a number of Conditions Precedent that will need to be satisfied or waived (as applicable) before the Scheme can be implemented.</p> <p>In summary, as at the date of this Scheme Booklet, the outstanding Conditions Precedent, which must be satisfied or waived (as applicable) before the Scheme can become Effective include:</p> <ul style="list-style-type: none"> • no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection, or order issued by any Regulatory Authority or any other legal restraint preventing any of the transactions contemplated by the Scheme Implementation Agreement is in effect as at 8:00 am (Sydney time) on the Second Court Date; • no Target Prescribed Occurrence (as defined in section 10 of this Scheme Booklet) occurs or becomes known to KKR BidCo or MYOB before 8:00am (Sydney time) on the Second Court Date; • approval of the Scheme at the Scheme Meeting by the Requisite Majorities of MYOB Shareholders, other than Excluded Shareholders; • approval of the Scheme by the Court; • KKR BidCo and MYOB warranties are true and correct in all material respects (other than those qualified by materiality, which must be true and correct in all respects) before 8:00am (Sydney time) on the Second Court Date;

3 FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER
<p>Are there any conditions to the Scheme? (continued)</p>	<ul style="list-style-type: none"> • MYOB has taken all necessary steps by 8:00am (Sydney time) on the Second Court Date to ensure that the Target Employee Incentives are dealt with in accordance with the Scheme Implementation Agreement; • KKR BidCo has received in writing all consents, approvals or clearances required under the Overseas Investment Act 2005 (New Zealand) and the Overseas Investment Regulations 2005 (New Zealand) for the implementation of the Scheme, either unconditionally or on terms that are acceptable to KKR BidCo (acting reasonably), and such consents, approvals or clearances have not been withdrawn, suspended, revoked or materially adversely amended; and • no Material Adverse Change occurring or becoming known to KKR BidCo or MYOB before 8:00am (Sydney time) on the Second Court Date. <p>The Conditions Precedent of the Scheme are summarised in further detail in section 4.5 of this Scheme Booklet.</p> <p>As at the Last Practicable Trading Date, the MYOB Directors are not aware of any reason why these Conditions Precedent should not be satisfied or waived (as applicable).</p>
<p>Can the Scheme Implementation Agreement be terminated?</p>	<p>The Scheme Implementation Agreement may be terminated in certain circumstances at any time before 8.00am on the Second Court Date, details of which are summarised in section 4.6 of this Scheme Booklet. If the Scheme Implementation Agreement is terminated, the Scheme will not proceed.</p>
<p>How will Target Employee Incentives be treated in connection with the Scheme?</p>	<p>There are two types of Target Employee Incentives – ESP Incentives, which relate to FY2017, and UIP Incentives, which relate to FY2018.</p> <p>Prior to the Scheme Record Date, all ESP Incentives shall lapse (on the basis that the relevant performance hurdles under the MYOB Executive Share Plan are not met) and all MYOB Shares representing ESP Incentives (which total 5,538,798 in number) shall be sold on-market and the proceeds of such sale will be retained and held by MYOB at the Implementation Date as cash.</p> <p>1,219,718 MYOB Shares will be acquired on-market by the trustee of the UIP Trust for the benefit of the relevant UIP Participants as a result of certain performance hurdles in respect of the UIP Incentives for the financial year ending 31 December 2018 having been achieved. MYOB is proposing to put in place the required arrangements to permit the relevant UIP Participants to provide voting directions in respect of the MYOB Shares held on trust for them (as a result of the UIP Incentives for the financial year ending 2018 vesting) to the trustee of the UIP Trust on the Scheme at the Scheme Meeting.</p> <p>MYOB, in consultation with KKR BidCo, has the right to determine and grant incentives under the MYOB Unified Incentive Plan in respect of the financial year ending 31 December 2019 (consistent with past practices of MYOB) and to determine to substitute cash in lieu of MYOB Shares in relation to such financial year's incentives. The MYOB Board may not exercise any discretion with respect to vesting of any such incentives (without the prior written consent of KKR BidCo, (not to be unreasonably withheld)). Any UIP Incentives for the financial year ending 2019 that do not vest in connection with the Scheme will lapse.</p>

QUESTION	ANSWER
THE SCHEME CONSIDERATION	
What is the Scheme Consideration?	If the Scheme is implemented, Scheme Shareholders will receive the Scheme Consideration of \$3.40 cash in respect of each MYOB Share they hold at the Scheme Record Date.
Am I entitled to receive the Scheme Consideration?	MYOB Shareholders, other than Excluded Shareholders, as at the Scheme Record Date are Scheme Shareholders and, if the Scheme is implemented, are entitled to receive the Scheme Consideration for each Scheme Share that they hold.
Will I receive a FY2018 dividend?	The Scheme Consideration of \$3.40 per MYOB Share assumes no full year 2018 dividend is paid. Pursuant to the Scheme Implementation Agreement, MYOB is prohibited from paying any dividend without the prior written consent of KKR BidCo. On the basis of this restriction, the MYOB Board have not declared a final dividend for the financial year ended 31 December 2018. If the Scheme does not proceed the MYOB Board will consider whether or not it will declare a special dividend at that time.
What is the premium of the Scheme Consideration to MYOB's share price?	<p>The Scheme Consideration of \$3.40 cash per MYOB Share represents a:</p> <ul style="list-style-type: none"> • 14.1% premium to MYOB's closing share price of \$2.98 on 5 October 2018, being the last trading day prior to the initial KKR proposal; • 14.5% premium to the 5-day VWAP¹¹ of \$2.97 to 5 October 2018; • 16.7% premium to the 1-month VWAP of \$2.91 to 5 October 2018; • 15.0% premium to the 3-month VWAP of \$2.96 to 5 October 2018; and • 16.5% premium to the 6-month VWAP of \$2.92 to 5 October 2018. <p>In assessing the premium of the Scheme Consideration relative to MYOB's share price, the Independent Expert also took into account the share price volatility and the significant decline for technology stocks between the announcement of KKR's initial indicative non-binding proposal on 8 October 2018 and the announcement of the Scheme on 24 December 2018. For more information on this analysis, see Annexure A of this Scheme Booklet.</p>
How is KKR BidCo funding the Scheme Consideration?	<p>KKR BidCo has sourced sufficient funding to ensure that it has access to sufficient funding to meet its funding obligations under, or in connection with, the Scheme. The offer price of \$3.40 implies an equity value of approximately \$2.0 billion and enterprise value of approximately \$2.4 billion¹². KKR BidCo intends to fund the Scheme Consideration through both equity and debt funding as set out below.</p> <p>KKR BidCo has up to \$945 million of equity committed from KKR Asian Fund III L.P. and up to approximately \$1,215 million of committed debt financing.</p> <p>For more information on KKR BidCo's funding arrangements see section 6.3 of this Scheme Booklet.</p>

¹¹ The VWAP on trading days prior to the ex-dividend date of 4 October 2018 has been adjusted for the 5.75 cent dividend for the half year ended 30 June 2018 which KKR is not entitled to.

¹² Assumes 591m shares on issue and \$416m net debt as at 31 December 2018. KKR currently has a legal and economic interest in 19.9% of MYOB shares.

3 FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER
When and how will I receive my Scheme Consideration?	<p>If the Scheme becomes Effective, the Scheme Consideration will be issued to Scheme Shareholders on the Implementation Date (currently proposed to be 8 May 2019).</p> <p>Payment of the Scheme Consideration will be made by direct deposit into your nominated bank account, as advised to the MYOB Registry as at the Scheme Record Date.</p> <p>If you have not nominated a bank account, payment will be made by Australian dollar cheque sent by post to your registered address as shown on the MYOB Share Register.</p>
What are the taxation implications of the Scheme?	<p>The taxation implications of the Scheme will depend on your personal circumstances.</p> <p>A general outline of the main Australian taxation implications of the Scheme for certain MYOB Shareholders is set out in section 8 of this Scheme Booklet.</p> <p>As this outline is general in nature, you should consult with your own taxation advisers for detailed tax advice regarding the Australian and, if applicable, foreign taxation implications for participating in the Scheme in light of the particular circumstances which apply to you before making a decision as to how to vote on the Scheme.</p>
Will I have to pay brokerage or stamp duty?	<p>You will not have to pay brokerage or stamp duty on the transfer of your MYOB Shares under the Scheme.</p>
Can I sell my MYOB Shares now?	<p>You can sell your MYOB Shares on market at any time before the close of trading on the ASX on the Effective Date at the then prevailing market price, which may differ from the price to be paid for MYOB Shares under the Scheme Consideration.</p> <p>MYOB intends to apply to the ASX for MYOB Shares to be suspended from trading on the ASX from close of trading on the Effective Date. You will not be able to sell your MYOB Shares on market after this date.</p> <p>If you sell your MYOB Shares on the ASX, you may pay brokerage on the sale and you will not receive the Scheme Consideration. If a Superior Proposal emerges, you will not be able to obtain the benefit of that Superior Proposal in respect of those MYOB Shares you have sold and there may be different tax consequences compared to those that would arise if you retain those shares until the Scheme is implemented.</p>

QUESTION	ANSWER
SCHEME, VOTING AND APPROVALS	
When and where will the Scheme Meeting be held?	The Scheme Meeting to approve the Scheme is scheduled to be held at 3:00pm (Sydney time) on 17 April 2019 at MYOB Office, Level 8, 45 Clarence Street, Sydney NSW 2000.
What will MYOB Shareholders be asked to vote on at the Scheme Meeting?	At the Scheme Meeting, MYOB Shareholders, other than Excluded Shareholders, will be asked to vote on whether to approve the Scheme.
What is the MYOB Shareholder approval threshold for the Scheme?	<p>To become Effective, the Scheme must be agreed to by:</p> <ul style="list-style-type: none"> a majority in number (more than 50%) of MYOB Shareholders, other than Excluded Shareholders, present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative); and at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by MYOB Shareholders, other than Excluded Shareholders, present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative). <p>The Court has the discretion to waive the first of the above two requirements if it considers appropriate to do so.</p> <p>Even if the Scheme is agreed to by MYOB Shareholders, other than Excluded Shareholders, at the Scheme Meeting, the Scheme is still subject to the approval of the Court, as well as other Conditions Precedent outlined in section 4.5 of this Scheme Booklet.</p>
Am I entitled to vote at the Scheme Meeting?	If you are registered as a MYOB Shareholder, other than an Excluded Shareholder, on the MYOB Share Register at 7:00pm (Sydney time) on 2 May 2019, you will be entitled to attend and vote at the Scheme Meeting.
How can I vote if I can't attend the Scheme Meeting?	If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy or attorney (including by lodging your proxy online at www.linkmarketservices.com.au) to attend and vote on your behalf. Corporate MYOB Shareholders may also vote by corporate representative.
Is voting compulsory?	<p>Voting is not compulsory.</p> <p>However, the Scheme will only be successful if it is approved by the Requisite Majorities of MYOB Shareholders, other than Excluded Shareholders, so voting is important and MYOB Directors encourage you to vote.</p> <p>In addition, if the Scheme is approved, you will be bound by the Scheme whether or not you voted and whether or not you voted in favour of it.</p>
When will the results of the Scheme Meeting be known?	The results of the Scheme Meeting are expected to be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX (www.asx.com.au) and on the MYOB website (http://investors.myob.com.au/Investors) once available.

3 FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER
What happens if the Court does not approve the Scheme or the Scheme does not otherwise proceed?	<p>If the Scheme is not approved at the Scheme Meeting, or if it is approved at the Scheme Meeting but is not approved by the Court or a Condition Precedent is not fulfilled or otherwise waived (as applicable), or if the Scheme Implementation Agreement is terminated, then the Scheme will not become Effective and will not be implemented.</p> <p>If the Scheme does not become Effective or is not implemented, MYOB will continue to operate as an entity listed on the ASX.</p> <p>In that scenario, MYOB Shareholders will not receive the Scheme Consideration but will retain their MYOB Shares.</p> <p>Depending on the reason for the Scheme not proceeding, MYOB may be liable to pay to KKR BidCo a Break Fee of \$20 million. The circumstances in which the Break Fee would be payable are set out in section 9.1(e) of this Scheme Booklet.</p>
What happens to my MYOB Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective and is implemented?	<p>If you do not vote, or vote against the Scheme, and the Scheme becomes Effective and is implemented, any Scheme Shares held by you on the Scheme Record Date (currently expected to be 7:00pm on 2 May 2019) will be transferred to KKR BidCo, and you will receive the Scheme Consideration, despite not having voted or having voted against the Scheme.</p>
When will the Scheme become Effective and when will it be implemented?	<p>Subject to satisfaction or waiver (as applicable) of the Conditions Precedent, the Scheme will become Effective on the Effective Date (currently expected to be 24 April 2019) and will be implemented on the Implementation Date (currently expected to be 8 May 2019).</p>
Where can I get further information?	<p>For further information, you can call the MYOB Shareholder Information Line on +61 1800 883 072 Monday to Friday between 9:00am and 5:00pm (Sydney time).</p> <p>MYOB is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Information disclosed to ASX by MYOB is available on ASX's website at www.asx.com.au or on MYOB's website at http://investors.myob.com.au/Investors. Additional information on the KKR proposal can be found on http://investors.myob.com.au.</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your legal, financial, taxation or other professional adviser.</p>



OVERVIEW OF THE SCHEME

4 OVERVIEW OF THE SCHEME

4.1 BACKGROUND

On 8 October 2018, MYOB announced on the ASX that KKR had acquired a 17.6% stake from Bain¹³ and had submitted to MYOB a preliminary, non-binding indicative proposal at an offer price of \$3.70 per MYOB Share (**October Indicative Proposal**). The October Indicative Proposal was subject to a number of conditions, including:

- completion of confirmatory due diligence to the satisfaction of KKR;
- obtaining debt financing on acceptable terms; and
- execution of definitive transaction implementation documentation on terms acceptable to KKR, including:
 - the unanimous recommendation of the MYOB Board;
 - customary exclusivity, break fee and conduct of business provisions; and
 - customary conditions precedent such as no material adverse change, no prescribed occurrences, and shareholder and court approvals.

The ASX announcement on 8 October 2018 noted that there is no certainty that the October Indicative Proposal would result in a transaction.

On 2 November 2018, KKR revised its October Indicative Proposal price to \$3.77 per MYOB Share (**November Indicative Proposal**). The November Indicative Proposal was also subject to KKR's completion of due diligence and the resolution of financing arrangements. MYOB agreed to allow KKR to conduct due diligence on a non-exclusive basis. The MYOB Board again noted in the ASX announcement on 2 November 2018 that there is no certainty that the November Indicative Proposal would result in a transaction.

At the completion of due diligence KKR indicated, amongst other things, that its due diligence had highlighted the significant challenges they believed MYOB was facing, and risks associated with executing MYOB's strategy in an increasingly competitive environment. KKR accordingly revised the price of their November Indicative Proposal to \$3.40 per MYOB Share (**Revised Proposal**) on 20 December 2018. The Revised Proposal was subject to finalisation of a scheme implementation agreement.

On 20 December 2018, MYOB announced the Revised Proposal on the ASX. As noted in the ASX announcement on 20 December 2018, the MYOB Board was not in a position to recommend the revised proposal but continued discussions with KKR.

Following discussions with KKR which included negotiating the proposed terms of Scheme Implementation Agreement including the right to solicit Competing Proposal during the Go Shop Period and a requirement on KKR to sell its existing MYOB Shares into, or vote in favour of, a Qualifying Superior Proposal¹⁴ as well as there being no Break Fee payable in the event of a Superior Proposal, the Board determined the Revised Proposal to be in the best interests of MYOB Shareholders in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Revised Proposal to be in the best interests of MYOB Shareholders.

Accordingly, on 23 December 2018, MYOB entered into the Scheme Implementation Agreement with KKR BidCo (among others), under which, subject to the satisfaction or waiver of a number of Conditions Precedent, it is proposed that KKR BidCo will acquire all of the ordinary shares in MYOB that it and its Associates do not already own pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act. On 24 December 2018, MYOB announced that it had entered into the Scheme Implementation Agreement and in this ASX announcement the Board unanimously recommended to MYOB Shareholders that they vote in favour of the Scheme, in the absence of a Superior Proposal and subject to an Independent Expert concluding that the Scheme is in the best interests of MYOB Shareholders.

If the Scheme is implemented, Scheme Shareholders will be entitled to receive the Scheme Consideration, being a cash payment of \$3.40 for each MYOB Share held by each Scheme Shareholder as at the Scheme Record Date.

A brief summary of the Scheme Implementation Agreement is included in section 9.1 of this Scheme Booklet. This section 4 contains an overview of the Scheme.

4.2 THE MYOB DIRECTORS' UNANIMOUS RECOMMENDATION

The MYOB Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that MYOB Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders.

In making this recommendation the MYOB Directors have considered the advantages and disadvantages of the Scheme, including the information set out in:

- Section 2.2 (Reasons to vote in favour of the Scheme);
- Section 2.3 (Reasons you may want to vote against the Scheme);
- Section 7 (What if the Scheme is not implemented?); and
- Annexure A (Independent Expert's Report).

¹³ Together with existing interests, KKR has an aggregate 19.9% economic interest in the Company.

¹⁴ Following the expiry of the Go Shop Period, this obligation is subject to KKR BidCo exercising its matching right under the Scheme Implementation Agreement, pursuant to which KKR BidCo must be given a period of 3 Business Days to match a Superior Proposal before such Superior Proposal may be recommended by any of the MYOB Directors.

In considering whether to vote in favour of the Scheme, the MYOB Directors encourage you to:

- carefully read all of this Scheme Booklet (including the Independent Expert's Report);
- consider the choices available to you as outlined in section 4.13 of this Scheme Booklet;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming Effective.

Each MYOB Director's interests are disclosed in sections 9.3 of this Scheme Booklet.

4.3 VOTING INTENTIONS OF THE MYOB DIRECTORS

Each MYOB Director intends to vote, or procure the voting of, any MYOB Shares held or controlled by them, in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders.

Details of the interests of each MYOB Director in MYOB Shares are set out in section 9.3 of this Scheme Booklet.

4.4 INDEPENDENT EXPERT'S CONCLUSION

MYOB appointed Grant Samuel & Associates Pty Limited as an Independent Expert to review the Scheme and opine on whether the Scheme is fair and reasonable and in the best interests of MYOB Shareholders.

The Independent Expert concluded that the Scheme is fair and reasonable and in the best interests of MYOB Shareholders.

The basis for this conclusion is that the Scheme Consideration of \$3.40 per MYOB Share is within the valuation (as concluded by the Independent Expert) range of \$3.19 to \$3.69 per MYOB Share. The reasons why the Independent Expert reached this conclusion are set out in the Independent Expert's Report, a copy of which is included in Annexure A of this Scheme Booklet.

4.5 CONDITIONS TO THE SCHEME

The Scheme is subject to a number of Conditions Precedent that will need to be satisfied or waived (as applicable) before the Scheme can become Effective. The Conditions Precedent are set out in clause 3.1 of the Scheme Implementation Agreement, a copy of which is attached as Annexure B of this Scheme Booklet. In summary, as at the date of this Scheme Booklet, the outstanding Conditions Precedent include:

- no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection, or order issued by any Regulatory Authority or any other legal restraint preventing any of the transactions contemplated by the Scheme Implementation Agreement is in effect as at 8:00 am (Sydney time) on the Second Court Date;
- no Target Prescribed Occurrence occurring or becomes known to KKR BidCo or MYOB before 8:00am (Sydney time) on the Second Court Date;
- approval of the Scheme at the Scheme Meeting by the Requisite Majorities of MYOB Shareholders, other than Excluded Shareholders;
- approval of the Scheme by the Court;
- KKR BidCo and MYOB warranties are true and correct in all material respects (other than those qualified by materiality, which must be true and correct in all respects) before 8:00am (Sydney time) on the Second Court Date;
- MYOB has taken all necessary steps by 8:00am (Sydney time) on the Second Court Date to ensure that the Target Employee Incentives are dealt with in accordance with the Scheme Implementation Agreement;
- KKR BidCo has received in writing all consents, approvals or clearances required under the Overseas Investment Act 2005 (New Zealand) and the Overseas Investment Regulations 2005 (New Zealand) for the implementation of the Scheme, either unconditionally or on terms that are acceptable to KKR BidCo (acting reasonably), and such consents, approvals or clearances have not been withdrawn, suspended, revoked or materially adversely amended; and
- no Material Adverse Change occurring or becoming known to KKR BidCo or MYOB before 8:00am (Sydney time) on the Second Court Date.

The Conditions Precedent relating to MYOB Shareholder approval, Court approval and approval under the Overseas Investment Act 2005 (New Zealand) and the Overseas Investment Regulations 2005 (New Zealand) cannot be waived.

As at the Last Practicable Trading Date, none of the MYOB Directors are aware of any circumstances which would cause any Condition Precedent not to be satisfied.

4 OVERVIEW OF THE SCHEME

4.6 TERMINATION RIGHTS

The Scheme Implementation Agreement may be terminated in certain circumstances at any time before 8.00am on the Second Court Date. The termination rights are set out in clause 15 of the Scheme Implementation Agreement, a copy of which is attached as Annexure B of this Scheme Booklet. In summary:

- (a) either party may terminate the Scheme Implementation Agreement if:
 - (1) any event occurs which would or does prevent a Condition Precedent from being satisfied and that Condition Precedent is not waived (where applicable) and the parties have failed to determine alternative means or methods, including by means of extending the End Date; or
 - (2) the other party is in material breach of any clause of the Scheme Implementation Agreement which is not rectified within five Business Days (or any shorter period ending at 5:00 pm (Sydney time) on the day one Business Day before the Second Court Date) of receipt notification of the breach by the non-breaching party, with such notice to set out the relevant circumstances and stating an intention to terminate the Scheme Implementation Agreement;
- (b) MYOB may terminate the Scheme Implementation Agreement if:
 - (1) a majority of the MYOB Board publicly change or withdraw their recommendation or voting intention or publicly recommend a Competing Proposal, in each case where permitted to do so under the Scheme Implementation Agreement; or
 - (2) the Independent Expert concludes in the Independent Expert's Report (including the initial report or any update, revision, amendment, addendum or supplementary reports to it) that the Scheme is not in the best interests of MYOB Shareholders, and does not change or withdraw those statements or recommendations once made;
- (c) KKR BidCo may terminate the Scheme Implementation Agreement if any MYOB Director publicly changes, withdraws or adversely revises their recommendation or voting intention or publicly recommends, supports or endorses a Competing Proposal, for any reason, whether or not permitted to do so under the Scheme Implementation Agreement; and
- (d) the parties may terminate the Scheme Implementation Agreement by mutual agreement.

If the Scheme Implementation Agreement is terminated, the Scheme will not proceed.

4.7 SCHEME APPROVAL REQUIREMENTS

The Scheme will only become Effective and be implemented if:

- it is approved by the Requisite Majorities of MYOB Shareholders, other than Excluded Shareholders, at the Scheme Meeting;
- it is approved by the Court at the Second Court Hearing;
- the Conditions Precedent are satisfied or waived (as appropriate); and
- the Scheme Implementation Agreement has not been terminated.

The Requisite Majorities of MYOB Shareholders necessary to approve the Scheme are:

- a majority in number (more than 50%) of MYOB Shareholders, other than Excluded Shareholders, present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative); and
- at least 75% of the total number of votes cast in favour of the Scheme Resolution at the Scheme Meeting by MYOB Shareholders, other than Excluded Shareholders (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative).

The Court has the discretion to waive the first of the above two requirements if it considers appropriate to do so.

4.8 SCHEME MEETING

(a) The Scheme Meeting

The Court has ordered MYOB to convene the Scheme Meeting at which MYOB Shareholders, other than Excluded Shareholders, will be asked to approve the Scheme.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure E of this Scheme Booklet.

The fact that the Court has ordered the Scheme Meeting to be convened and has approved this Scheme Booklet required to accompany the Notice of Scheme Meeting does not mean that the Court has prepared, or is responsible for the content of, this Scheme Booklet or has any view as to the merits of the Scheme or as to how MYOB Shareholders should vote. On these matters MYOB Shareholders must reach their own decision.

(b) Attendance at the Scheme Meeting

The entitlement of MYOB Shareholders, other than Excluded Shareholders, to attend and vote at the Scheme Meeting is set out in the Notice of Scheme Meeting in Annexure E of this Scheme Booklet.

Instructions on how to attend and vote at the Scheme Meeting (in person, by proxy, or in person through an attorney or corporate representative) are set out in the Notice of Scheme Meeting.

Voting is not compulsory. However, the MYOB Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that MYOB Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider that the Scheme is in the best interests of MYOB Shareholders.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to the ASX (www.asx.com.au) and on the MYOB website (<http://investors.myob.com.au/Investors>) once available.

4.9 COURT APPROVAL OF THE SCHEME

In the event that:

- the Scheme is approved by the Requisite Majorities of MYOB Shareholders, other than Excluded Shareholders, at the Scheme Meeting (see section 4.7 of this Scheme Booklet for the Scheme approval requirements);
- all Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (if they are capable of being waived); and
- the Scheme Implementation Agreement has not been terminated,

then MYOB will apply to the Court for orders approving the Scheme.

Each MYOB Shareholder has the right to appear at the Second Court Hearing.

4.10 EFFECTIVE DATE

If the Court approves the Scheme, the Scheme will become effective on the Effective Date, being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. MYOB will, on the Scheme becoming effective, announce that on the ASX. Under the Scheme Implementation Agreement, MYOB must lodge an office copy of the Court order from the Second Court Hearing with ASIC before 5:00pm (Sydney time) on the Business Day following the day on which such office copy is received. MYOB will, when the Scheme becomes Effective, give notice of that event to the ASX.

4.11 SUSPENSION OF MYOB SHARES

If the Scheme becomes Effective, MYOB will apply to the ASX to suspend trading in MYOB Shares with effect from the close of trading on the Effective Date.

4.12 IF THE SCHEME DOES NOT PROCEED

If the Scheme is not implemented:

- MYOB will remain listed on the ASX and will continue to operate as a listed entity;
- MYOB Shareholders will retain their MYOB Shares;
- Scheme Shareholders will not receive the Scheme Consideration; and
- a Break Fee (\$20 million) may be payable by MYOB to KKR BidCo in certain circumstances as outlined in section 9.1(e) of this Scheme Booklet.

If the Scheme is not implemented, the advantages of the Scheme described in section 2.2 of this Scheme Booklet will not be realised and the potential disadvantages of the Scheme described in section 2.3 of this Scheme Booklet will not arise.

If the Scheme is not implemented, transaction related costs of approximately \$3.5 million (excluding GST and disbursements) are expected to be incurred by MYOB. These amounts do not include transaction or other similar costs that may be incurred by KKR.

4 OVERVIEW OF THE SCHEME

4.13 YOUR CHOICES AS A MYOB SHAREHOLDER

As a MYOB Shareholder, you have four choices currently available to you, which are as follows.

Vote in favour of the Scheme	<p>This is the course of action unanimously recommended by the MYOB Directors, in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of MYOB Shareholders.</p> <p>If you wish to follow the MYOB Directors' unanimous recommendation, you should vote in favour of the Scheme at the Scheme Meeting. For a summary of how to vote on the Scheme, please refer to section 1 of this Scheme Booklet, and the Notice of Scheme Meeting contained in Annexure E to this Scheme Booklet.</p> <p>If the Scheme is implemented, each Scheme Shareholder will receive the Scheme Consideration.</p>
Vote against the Scheme	<p>If, despite the MYOB Directors' unanimous recommendation and the Independent Expert's conclusion that the Scheme is in the best interests of MYOB Shareholders, you do not support the Scheme, you may vote against the Scheme at the Scheme Meeting.</p> <p>However, if all the Conditions Precedent for the Scheme are satisfied or waived (as applicable) and the Scheme becomes Effective, the Scheme will bind all MYOB Shareholders, including those who voted against the Scheme at the Scheme Meeting and those who did not vote at all.</p>
Sell or transfer your MYOB Shares	<p>The existence of the Scheme does not prevent you from selling some or all of your MYOB Shares on the market for cash, or transferring your shares, if you wish. However, if the Scheme becomes Effective, trading in MYOB Shares on the ASX will end at the close of trading on the ASX on the Effective Date.</p> <p>If you are considering selling some or all of your MYOB Shares:</p> <ul style="list-style-type: none">• you may wish to have regard to the prevailing trading prices of MYOB Shares and compare those to the Scheme Consideration. You may ascertain the current trading prices of MYOB Shares through the ASX website (www.asx.com.au); and• you should contact your stockbroker for information on how to effect that sale, and you should also contact your legal, financial, taxation or other professional adviser if you require any other information or advice. <p>MYOB Shareholders who sell some or all of their MYOB Shares on the ASX:</p> <ul style="list-style-type: none">• may receive payment (which may vary from the Scheme Consideration) for the sale of MYOB Shares sooner than they would receive the Scheme Consideration under the Scheme;• may incur a brokerage charge;• will not be able to participate in the Scheme or, if one emerges, a Superior Proposal, in respect of those MYOB Shares they have sold; and• may be liable to pay Australian tax on the disposal of their MYOB Shares (as you also may be under the Scheme – see the Tax Considerations set out at section 8 of this Scheme Booklet).
Do nothing	<p>MYOB Shareholders who elect not to vote at the Scheme Meeting or do not sell their MYOB Shares on market will:</p> <ul style="list-style-type: none">• if the Scheme is implemented, have their Scheme Shares transferred to KKR BidCo by operation of the Scheme and receive the Scheme Consideration; or• if the Scheme is not implemented, retain their MYOB Shares.

4.14 SCHEME RECORD DATE AND ENTITLEMENT TO SCHEME CONSIDERATION

Those MYOB Shareholders, other than Excluded Shareholders, on the MYOB Share Register on the Scheme Record Date (currently proposed to be 7:00pm (Sydney time) on 2 May 2019) will be entitled to receive the Scheme Consideration in respect of the MYOB Shares they hold at that time.

(a) Dealings before the Scheme Record Date

To establish the identity of the Scheme Shareholders, dealings in MYOB Shares or other alterations to the MYOB Share Register, will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the MYOB Share Register as the holder of the relevant MYOB Shares on or before the Scheme Record Date; and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received at the place where the MYOB Share Register is kept on or before the Scheme Record Date.

For the purpose of establishing the persons who are Scheme Shareholders, MYOB will not accept for registration nor recognise any transfer or transmission applications in respect of Scheme Shares received after the Scheme Record Date or received prior to such times but not in registrable form.

(b) Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, MYOB must maintain the MYOB Share Register in accordance with the provisions of the Scheme, until the Scheme Consideration has been provided to the Scheme Shareholders. The MYOB Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date, upon the Scheme Consideration being provided to the Scheme Shareholders in accordance with the Scheme, all certificates and statements of holding for Scheme Shares will cease to have any effect as documents of title in respect of such MYOB Shares.

As at the Scheme Record Date, each entry on the MYOB Share Register is the sole evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

4.15 IMPLEMENTATION DATE

Scheme Shareholders will be issued the Scheme Consideration on the Implementation Date (currently proposed to be 8 May 2019). Immediately after the Scheme Consideration is issued to Scheme Shareholders the Scheme Shares will be transferred to KKR BidCo.

4.16 DEED POLL

KKR BidCo has entered into the Deed Poll, pursuant to which KKR BidCo has agreed in favour of the Scheme Shareholders to:

- deposit the aggregate amount of the Scheme Consideration for all Scheme Shares in cleared funds in accordance with the terms of the Scheme; and
 - undertake all other actions attributed to them under the Scheme,
- subject to the Scheme becoming Effective.

A copy of the Deed Poll is contained in Annexure D of this Scheme Booklet.

4.17 COPY OF THE MYOB SHARE REGISTER

Under section 173 of the Corporations Act, any MYOB Shareholder has a right to inspect, and to ask for a copy of, the MYOB Share Register which contains details of the name and address of each MYOB Shareholder. MYOB may require a MYOB Shareholder to provide reasons for their request prior to providing a copy of the MYOB Share Register and a MYOB Shareholder must not use any information obtained for an improper purpose. A copy of the MYOB Share Register will be given to any MYOB Shareholder upon request and payment of the prescribed fee under the Corporations Act where MYOB is satisfied that the details provided are not likely to be used for an improper purpose.

4.18 WARRANTY BY SCHEME SHAREHOLDERS

The terms of the Scheme provide that if the Scheme proceeds, each Scheme Shareholder will be deemed to have warranted to KKR BidCo, and is deemed to have appointed and authorised MYOB to warrant to KKR BidCo as its agent and attorney, that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to KKR BidCo under the Scheme will, at the date of transfer, be fully paid and free from all Encumbrances and third party rights or interests of any kind; and
- (b) they have full power and capacity to sell and transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to KKR BidCo under the Scheme.

4.19 DELISTING OF MYOB

If directed by KKR BidCo in writing, MYOB must take all steps necessary for MYOB to be removed from the official list of the ASX on the day immediately following the Implementation Date, including by lodging a request for removal with the ASX prior to the Implementation Date.



PROFILE OF MYOB

5.1 INTRODUCTION

MYOB is a leading provider of online business management solutions across Australia and New Zealand, providing intelligent and intuitive products to approximately 1.2 million customers across this region, making life easier for small to medium sized businesses.

MYOB's vision is to help businesses succeed. Its solutions range from simple to powerful – meeting the needs of sole traders to businesses with thousands of employees, simplifying processes across accounting, payroll, tax, practice management, customer relationship management, job costing, inventory and more.

MYOB also provides ongoing support through client service channels including a network of over 40,000 accountants, bookkeepers and other consultants.

MYOB is headquartered in Glen Waverley, Victoria, and has been listed on the ASX since 2015 where it trades under the ticker code MYO. MYOB was founded in 1991 and currently employs over 1,800 people across Australia and New Zealand.

For the financial year ended 31 December 2018, MYOB reported revenue of \$445 million of which 96.5% was recurring, and underlying EBITDA of \$190 million which implies an underlying EBITDA margin of 43%. As at 31 December 2018, MYOB had a total paying small and medium sized enterprise (SME) paying subscriber base of 641,000 of which 388,000 were online. MYOB had a further 240,000 online practice ledgers, taking MYOB's total base of online subscribers to 628,000. This base of online subscribers grew by 229,000 (57%) during 2018, which supports MYOB's position as a leading online ANZ accounting software provider.

5.2 OVERVIEW OF OPERATIONS

MYOB generates revenue through three business segments: Clients & Partners, Enterprise Solutions, and Payment Solutions.

Client & Partners

The Clients & Partners business segment provides business solutions to SMEs, Accountants and Bookkeepers including accounting, payroll, tax and other business management solutions, with secure banking transaction data from banks and other financial institutions. These tools assist in the management of SME businesses and the efficient completion of compliance (tax and accounting) through Advisers.

Enterprise Solutions

The Enterprise Solutions segment provides integrated software solutions and services to medium and larger enterprises. MYOB's Enterprise Solutions provide enterprise resource planning (ERP) software for companies requiring more sophisticated and scalable financial, payroll, customer, manufacturing, services, inventory, and distribution management solutions as well as human capital management (HCM) solutions.

Payment Solutions

MYOB's Payment Solutions segment was established following the acquisition of Paycorp in April 2017 and provides simple and secure payments solutions for businesses of all sizes, including payment gateway services, fraud management, merchant services facilities and invoice payments. The service is integrated with existing MYOB accounting solutions and revenue is derived from transaction fees. MYOB also provides payment solutions to corporate businesses through myob payby, offering increased security and faster payment times for its clients, along with improved fraud management and competitive pricing. MYOB's strategic partnership with MasterCard (announced in November 2018) further enables its payment solutions for SMEs to pay suppliers and employees directly within the software.

MYOB divisional revenue (A\$445m in FY18)

Figure 1: Revenue – by division (FY18A)

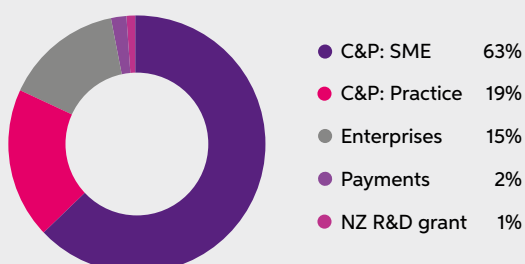
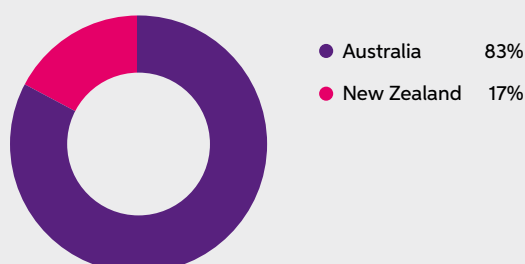


Figure 2: Revenue – by geography (FY18A)



5.3 MYOB'S STRATEGY

MYOB's strategy includes investing for future growth first outlined in November 2017, and reiterated in ASX releases through 2018 and most recently on 21 February 2019.

5.4 BOARD AND SENIOR MANAGEMENT

(a) MYOB Board

The directors of MYOB (as at the Last Practicable Trading Date) are listed below.

NAME	CURRENT POSITION
Justin Milne	Chairman and Independent Non-Executive Director
Tim Reed	Chief Executive Officer and Executive Director
Andrew Stevens	Independent Non-Executive Director
Anne Ward	Independent Non-Executive Director
Fiona Pak-Poy	Independent Non-Executive Director
Craig Boyce	Non-Executive Director
Edward Han	Non-Executive Director (Bain representative)

An Independent Board Committee chaired by Justin Milne and including Anne Ward, Andrew Stevens and Fiona Pak-Poy was formed to assess and evaluate developments in relation to KKR's proposal. These Committee members have deep technology industry knowledge and have come to their recommendation by considering the market position of MYOB and the outlook for the MYOB business, particularly regarding the longer term nature of the strategic growth plan that MYOB has embarked upon.

(b) MYOB senior management

MYOB's current senior management comprises the following members.

NAME	CURRENT POSITION
Tim Reed	Chief Executive Officer and Executive Director
Richard Moore	Chief Financial Officer
Andrew Birch	Chief Operating Officer
Helen Lea	Chief Employee Experience Officer
John Moss	Chief Strategy Officer
David Weickhardt	General Manager – Product
Hugh Fahy	General Manager – Engineering
Natalie Feehan	General Manager – Marketing and Direct
Nick Burkett	General Manager – Clients
Blake Collins	General Manager – Partners

5 PROFILE OF MYOB

5.5 MYOB DIRECTORS' INTENTIONS

If the Scheme becomes Effective, the MYOB Directors will resign and the MYOB Board will be reconstituted in accordance with the instructions of KKR BidCo on the Implementation Date (see section 6.4 of this Scheme Booklet). Accordingly, it is not possible for the MYOB Directors to provide a statement of their intentions regarding:

- (a) the continuation of the business of MYOB or how MYOB's existing business will be conducted;
 - (b) any major changes to be made to the business of MYOB, including any redeployment of the fixed assets of MYOB; or
 - (c) the future employment of the current employees of MYOB,
- in each case, after the Scheme is implemented.

If the Scheme is implemented, KKR BidCo will own all of the MYOB Shares. The MYOB Directors have been advised that the intentions of KKR BidCo are as set out in section 6.4 of this Scheme Booklet.

5.6 CAPITAL STRUCTURE

As of the Last Practicable Trading Date, the issued securities of MYOB were as follows:

TYPE OF SECURITY	NUMBER ON ISSUE
MYOB Ordinary Shares	590,802,188

Of the 590,802,188 shares on issue, 5,538,798 relate to the 2017 Executive Share Plan (such shares, the **ESP Shares**). The relevant performance hurdles have not been met such that the ESP Shares will not vest. The ESP Shares have already been issued to participants with a non-recourse loan and will be sold on-market prior to the Scheme Record Date, with the proceeds of such sale to be retained by MYOB and held by MYOB as at the Implementation Date.

1,219,718 MYOB Shares will be acquired on-market by the trustee of the UIP Trust for the benefit of relevant UIP Participants as a result of certain performance hurdles in respect of the UIP Incentives for the financial year ending 31 December 2018 having been achieved. MYOB is proposing to put in place the required arrangements to permit the relevant UIP Participants to provide voting directions in respect of the MYOB Shares held on trust for them (as a result of the UIP Incentives for the financial year ending 2018 vesting) to the trustee of the UIP Trust on the Scheme at the Scheme Meeting.

As at 31 December 2018, MYOB has borrowings of \$450.5 million and cash of \$34.9 million, implying a net debt position of \$415.6 million.

5.7 MYOB'S SUBSTANTIAL SHAREHOLDERS

As extracted from filings released on the ASX, in each case prior to the Last Practicable Trading Date, the following persons were substantial holders of MYOB Shares:

SUBSTANTIAL HOLDER	NUMBER OF MYOB SHARES	VOTING POWER
ETA Asia Holdings II Pte. Ltd. (an affiliate of KKR)	103,935,106	17.6% ¹
Manikay Partners	65,000,000	11.0%
Mawer Investment Management	51,215,631	8.6%
Bain Capital	35,994,032	6.1%
Deutsche Bank	30,164,724	5.1%
Vinva Investment Management	29,567,382	5.0%

¹ KKR, through its related entities, currently holds 17.6% of MYOB Shares and has a further economic interest in an additional 13,634,521 MYOB shares (2.3%) under a cash-settled equity swap.

Source: ASX announcements.

5.8 RECENT MYOB SHARE PRICE PERFORMANCE

The closing price for MYOB Shares on 5 October 2018 was \$2.98, being the last trading day prior to receipt of the initial KKR proposal to acquire MYOB Shares. The VWAP¹⁵ for a MYOB Share in the lead up to the initial KKR proposal was:

- \$2.97 for the 5-days ended 5 October 2018;
- \$2.91 for the 1-month ended 5 October 2018;
- \$2.96 for the 3-months ended 5 October 2018; and
- \$2.92 for the 6-months ended 5 October 2018.

Entry into the Scheme Implementation Deed was announced to the market on Monday 24 December 2018.

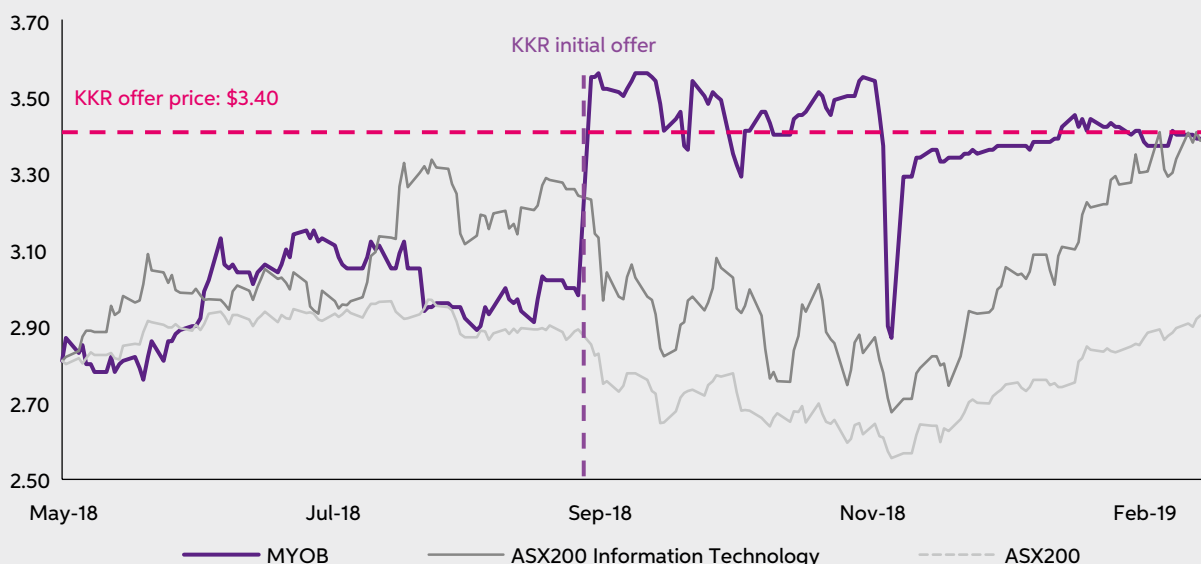
The last recorded closing price for MYOB Shares on the ASX before that announcement was \$2.87 (on 21 December 2018). On the day of announcement of the proposed Scheme on 24 December 2018, the MYOB Share price closed at \$3.29.

The following chart highlights the movements in the MYOB Share price since termination of the Reckon acquisition on 31 May 2018 to the Last Practicable Trading date on 8 March 2019.

It also highlights the market volatility between the initial proposal by KKR on 8 October 2018 and the last trading day prior to the Scheme Implementation Agreement being signed on 21 December 2018.

In assessing the premium of the Scheme Consideration relative to MYOB's share price, the Independent Expert also took into account the share price volatility and the significant decline for technology stocks between the announcement of KKR's initial indicative non-binding proposal on 8 October 2018 and the announcement of the Scheme on 24 December 2018. For more information on this analysis, see Annexure A of this Scheme Booklet.

Figure 3: MYOB share price performance since termination of the Reckon acquisition on 31 May 2018 (ASX200 and ASX200 IT indices re-based to MYOB share price)



Source: Factset as at 8 March 2019.

¹⁵ The VWAP on trading days prior to the ex-dividend date of 4 October 2018 has been adjusted for the 5.75 cent dividend for the half year ended 30 June 2018 which KKR is not entitled to.

5.9 HISTORICAL FINANCIAL INFORMATION

(a) Basis of preparation

This section 5.9 presents summary financial information in relation to MYOB for the purpose of this Scheme Booklet. The information has been extracted from MYOB's audited financial statements for the years ended 31 December 2017 and 31 December 2018.

The financial information contained in this section is presented in an abbreviated form and may not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. A full description of MYOB's accounting policies can be found in its annual financial report for the year ended 31 December 2017 and in the MYOB Appendix 4E preliminary final report for the financial year ending 31 December 2018.

MYOB's full financial accounts, including all notes to those accounts, can be found in:

- the MYOB Appendix 4E and the 2017 Annual Financial Report (released to the ASX on 23 February 2018); and
- the MYOB Appendix 4E preliminary final report for the financial year ending 31 December 2018 (released to the ASX on 21 February 2019).

Copies of these reports can be found on ASX's website at www.asx.com.au and the MYOB investor site at <http://investors.myob.com.au/Investors>.

(b) MYOB historical consolidated statement of profit or loss

Below is a summary of MYOB's consolidated statements of profit or loss or other comprehensive income for the years ended 31 December 2017 and 31 December 2018.

	2018 \$'000	2017 \$'000
Revenue		
Service revenue	422,084	395,466
Revenue from sale of goods	17,726	18,819
Other income	5,427	2,198
Total revenue	445,237	416,483
Expenses		
Staff related expenses	(154,863)	(140,728)
General office and administration	(40,955)	(32,886)
Direct materials	(18,887)	(18,536)
Royalties	(2,954)	(3,409)
Reseller commissions	(15,999)	(13,986)
Marketing expenses	(21,936)	(17,021)
Other expenses	(8,647)	(7,734)
Depreciation and amortisation	(89,701)	(80,746)
Net finance costs	(15,468)	(13,602)
Total expenses	(369,410)	(328,648)
Gain on revaluation of previously held equity accounted investment ¹	12,009	–
Share of losses from equity accounted investments	(2,652)	(2,353)
Profit before income tax	85,184	85,482
Income tax expense	(21,399)	(24,802)
Profit after income tax	63,785	60,680
Profit after income tax attributable to owners of MYOB Group Limited	63,797	60,680
(Loss) after income tax attributable to non-controlling interests	(12)	–
Other comprehensive income		
<i>Items that may be classified to income or loss:</i>		
Foreign currency translation	2,783	(2,327)
Other comprehensive income/(loss) for the period, net of tax	2,783	(2,327)
Total comprehensive income for the period attributable to owners of MYOB Group Limited	66,580	58,353
Total comprehensive (loss) for the period attributable to non-controlling interests	(12)	–

¹ Additional investment during the year resulted in the investment converting to a subsidiary.

	2018 CENTS	2017 CENTS
Earnings per share attributable to ordinary equity holders of MYOB Group Limited		
Basic earnings per share	10.81	10.12
Diluted earnings per share	10.81	10.12

(c) MYOB historical consolidated statement of financial position

Below is a summary of MYOB's consolidated statement of financial position as at 31 December 2017 and 31 December 2018.

	2018 \$'000	2017 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	34,914	54,779
Trade and other receivables	25,091	18,531
Inventories	–	83
Funds held on behalf of customers	17,787	12,720
Other current assets	21,157	14,248
Total current assets	98,949	100,361
Non-current assets		
Receivables	1,322	1,670
Equity accounted investments	4,283	7,545
Other investments	8,210	8,210
Property, plant and equipment	35,661	25,468
Intangible assets	1,277,054	1,256,613
Total non-current assets	1,326,530	1,299,506
Total assets	1,425,479	1,399,867
LIABILITIES		
Current liabilities		
Trade and other payables	41,047	23,958
Funds held on behalf of customers	17,787	12,720
Borrowings	–	502
Unearned revenue	52,722	49,982
Provisions	15,077	13,585
Total current liabilities	126,633	100,747
Non-current liabilities		
Borrowings	450,540	432,484
Provisions	8,187	6,030
Deferred tax liabilities	19,122	16,185
Total non-current liabilities	477,849	454,699
Total liabilities	604,482	555,446
Net assets	820,997	844,421
EQUITY		
Contributed equity	1,098,445	1,141,611
Retained earnings	(308,403)	(304,841)
Non-controlling interest	19,699	–
Reserves	11,256	7,651
Total equity	820,997	844,421

5 PROFILE OF MYOB

(d) MYOB historical consolidated statement of cash flows

Below is a summary of MYOB's consolidated statements of cash flow for the financial years ended 31 December 2017 and 31 December 2018.

	2018 \$'000	2017 \$'000
Cash flows from operating activities		
Receipts from customers	487,187	455,646
Payments to suppliers and employees	(309,688)	(275,203)
Interest paid	(14,169)	(13,582)
Income tax paid	(4,561)	(3,807)
Interest received	545	865
Net cash flows from operating activities	159,314	163,919
Cash flows from investing activities		
Acquired software costs	(1,400)	(1,300)
Acquired intangible assets	(345)	(1,603)
Investment in equity accounted investments	(3,000)	(3,000)
Purchase of property, plant and equipment	(18,053)	(12,944)
Capitalised new product development	(52,155)	(35,288)
Purchase of business acquisition, net of cash acquired	(8,482)	(47,545)
Net cash flows used in investing activities	(83,435)	(101,680)
Cash flows from financing activities		
Proceeds from on-market sale of forfeited Treasury shares	1,660	3,456
Debt refinancing transaction costs	(1,980)	–
Proceeds from borrowing	33,000	–
Repayment of borrowings	(15,311)	–
Repayment of finance lease liabilities	(502)	(410)
Share buyback by parent entity	(44,826)	(3,268)
Dividends paid by parent entity	(68,311)	(69,303)
Net cash flows used in financing activities	(96,270)	(69,525)
Net increase/(decrease) in cash and cash equivalents	(20,391)	(7,286)
Cash and cash equivalents at beginning of period	54,779	61,434
Effect of exchange rate changes on cash and cash equivalents	526	631
Cash and cash equivalents at end of period	34,914	54,779

5.10 MATERIAL CHANGES IN FINANCIAL POSITION OF MYOB

To the knowledge of the directors of MYOB, the financial position of MYOB has not materially changed since 31 December 2018, as reported in the MYOB Appendix 4E preliminary final report for the year ended 31 December 2018, other than:

- the accumulation of profits in the ordinary course of trading;
- as disclosed to ASX by MYOB; or
- as disclosed in this Scheme Booklet.

A copy of the MYOB Appendix 4E preliminary final report for the financial year ending 31 December 2018 (released to the ASX on 21 February 2019) is available on MYOB's investor site at <http://investors.myob.com.au/Investors>.

5.11 OUTLOOK FOR FY19

On 21 February 2019, MYOB released an announcement on ASX that provided an update on FY19 guidance, with organic revenue growth expected to be in the range of 6% to 8%, R&D investment to be approximately 20% of revenue, and underlying EBITDA margin expected to be greater than 38%.

As at the date of this Scheme Booklet, to the knowledge of the MYOB Directors, MYOB's outlook has not materially changed.

5.12 RISKS RELATING TO MYOB'S BUSINESS

There are existing risks relating to MYOB's business and an investment in MYOB which will continue to be relevant to MYOB Shareholders if the Scheme does not become Effective. A summary of the key risks relating to MYOB's business and an investment in MYOB is set out in section 7 of this Scheme Booklet.

5.13 PUBLICLY AVAILABLE INFORMATION ABOUT MYOB

MYOB is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on the ASX, MYOB is subject to Listing Rules which require (subject to some exceptions) continuous disclosure of any information that MYOB has that a reasonable person would expect to have a material effect on the price or value of MYOB Shares.

The ASX maintains files containing publicly disclosed information about all entities listed on the ASX. Information disclosed to the ASX by MYOB is available on the ASX's website at www.asx.com.au. Further announcements concerning developments at MYOB will continue to be made available on this website after the date of this Scheme Booklet.

In addition, MYOB is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by MYOB may be obtained from or inspected at an ASIC office.

MYOB Shareholders may obtain copies of the MYOB Appendix 4E preliminary final report for the year ended 31 December 2018 and the MYOB Annual Report for the year ended 31 December 2017 on ASX's website at www.asx.com.au.

A substantial amount of information about MYOB, including financial information and releases to the ASX, is available in electronic form on MYOB's investor site at <http://investors.myob.com.au/Investors>.



INFORMATION ABOUT KKR

This section 6 has been prepared by KKR BidCo. The information contained in this section 6 forms part of the KKR BidCo Information and is the responsibility of KKR BidCo (except to the extent that MYOB has provided KKR BidCo with information for the purpose of KKR BidCo preparing the KKR BidCo Information).

6.1 OVERVIEW OF KKR

KKR is a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate, credit, and, through its strategic manager partnerships, hedge funds. As at 31 December 2018, KKR had approximately US\$195 billion assets under management worldwide. KKR & Co. Inc. is listed on the New York Stock Exchange (NYSE: KKR).

KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people and driving growth and value creation with KKR portfolio companies.

KKR has a substantial investment track record in, and commitment to, Australia, through past and current investments such as:

- Latitude Financial Services, a leading financial services provider in Australia and New Zealand;
- Pepper Group, a global specialty finance and servicing business offering a range of lending products across mortgages, auto and equipment finance, point of sale finance and personal loans;
- Findex, one of Australasia's leading independent providers of integrated financial advisory and accounting services;
- Laser Clinics Australia, a leading provider of non-invasive cosmetic treatments including cosmetic injectables, laser hair removal and skin treatments;
- Australian Venue Co. (formerly, Dixon Hospitality), one of the largest and fastest growing food and beverage-focused operators in the Australian hospitality industry; and
- GenesisCare, a leading provider of high quality specialist care to patients with cancer and cardiovascular disease.

KKR has a long track record of investments in the technology and software sector globally. KKR has a dedicated team of professionals focusing on this sector across Asia, North America and Europe. KKR's past and current investments in the technology and software sector include:

- BMC, a leading provider of IT software, solutions and services to support businesses, with experience supporting the majority of the Forbes Global 100 businesses;
- Calabrio, a provider of a leading, extensible workforce optimisation software platform;
- Engility, a premier provider of advanced systems engineering and integration services across defence and intelligence agencies of the US federal government;
- Epicor, a global provider of enterprise resource planning software;
- SoftwareONE, a leading provider of Software Portfolio Management including software licensing, software asset management, technology consulting and cloud services;
- Go Daddy, a leading provider of domain name registration, web hosting, and other cloud-based services and software primarily to small and medium-sized businesses;
- Go-Jek, an Indonesian mobile application-based platform providing a range of services including ride hailing, food delivery, lifestyle services and mobile payments;
- Suishou Technology Holding Inc., a leading Chinese online wealth management platform and provider of personal expenses management applications; and
- Ticket Monster Inc., a leading South Korean mobile-first, e-commerce platform that provides a premium online and mobile shopping experience to customers.

KKR invests its own capital alongside its partners' capital and provides financing solutions and investment opportunities through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR, please visit KKR's website at www.kkr.com.

6.2 OVERVIEW OF THE KKR BIDCO GROUP

(a) Background

The KKR BidCo Group comprises KKR BidCo, KKR MidCo and KKR HoldCo, each of which is an unlisted Australian proprietary company limited by shares and was incorporated on 21 December 2018 for the purposes of the Scheme.

None of KKR BidCo, KKR MidCo or KKR HoldCo has any trading history, assets or liability, other than, in respect of KKR BidCo only, entry into the Scheme Implementation Agreement and associated documentation and taking any steps contemplated by those documents.

(b) Ownership structure

KKR BidCo is a wholly owned subsidiary of KKR MidCo, which is in turn a wholly owned subsidiary of KKR HoldCo. KKR HoldCo is owned by ETA Asia Holdings II Pte. Ltd., which is in turn owned by ETA Asia Holdings I Pte. Ltd. ETA Asia Holdings I Pte. Ltd. is indirectly owned by KKR Asian Fund III L.P. (via Singapore subsidiaries) and certain co-investment funds/vehicles managed and/or advised by KKR (together, the **KKR Funds**), as shown in the diagram below.¹⁶



¹⁶ The diagram depicts the ownership structure as at the date of this Scheme Booklet. On or around implementation of the Scheme, certain employees of KKR and certain third party co-investors, may directly or indirectly acquire a minority shareholding in KKR HoldCo.

(c) Directors

As at the date of this Scheme Booklet, the directors of KKR BidCo are the same as the directors of KKR MidCo and KKR HoldCo, being Mr David Lang and Mr Nicholas (George) Aitken. Profiles of the current directors are set out below.

DIRECTOR	PROFILE
Mr David Lang	David joined KKR as a Member in Australia in January 2018. Prior to joining KKR, he was a partner at Pamplona Capital Management in London and New York. At Pamplona, he invested across a diverse range of sectors from consumer staples and retail, to industrials and infrastructure. Prior to Pamplona, David was at Morgan Stanley and Merrill Lynch. David is a CFA Charterholder, Chartered Accountant and holds a Bachelor of Commerce from the University of New South Wales.
Mr George Aitken	George joined KKR in 2014 and is a Director of Private Equity in Australia. George has extensive experience managing principal investments across a broad range of sectors including resources, energy, technology, agriculture and industrials. George holds a Bachelor of Business and a Bachelor of Laws (Honours) from the University of Technology, Sydney and a Masters of Applied Finance from Kaplan Professional.

6.3 FUNDING THE SCHEME CONSIDERATION

(a) Maximum Scheme Consideration

If the Scheme becomes Effective, KKR intends to fund the Scheme Consideration payable to Scheme Shareholders under the Scheme via a combination of third party debt and equity funding sourced from the KKR Funds and certain third party co-investors. Any co-investment will be passive in nature and made via a vehicle controlled by KKR. As at the date of this Scheme Booklet the composition of co-investors has not been finalised.

Based on the number of MYOB Shares on issue as at the date of this Scheme Booklet (excluding the MYOB Shares already held by KKR), the maximum amount that may be required to be paid by KKR BidCo to fund the Scheme Consideration is approximately \$1.65 billion. The aggregate amount available under the equity and debt commitments (as described below) exceeds such maximum amount.

The Scheme is not subject to any financing condition precedent.

(b) Equity funding

KKR BidCo has a legally binding equity commitment letter from KKR Asian Fund III L.P., under which KKR Asian Fund III L.P. agrees to cause KKR BidCo to receive the aggregate amount of up to \$945 million if the Scheme becomes Effective (**Equity Funding**). The Equity Funding is to be provided for the sole purpose of paying, and to the extent necessary to pay, the Scheme Consideration.

The provision of the Equity Funding is subject to all conditions precedent under the Scheme Implementation Agreement being satisfied or waived and the Scheme becoming Effective.

The terms of the equity commitment letter provide that, in the event the conditions precedent under the Scheme Implementation Agreement are satisfied or waived and KKR BidCo fails to pay the Scheme Consideration, MYOB may enforce KKR BidCo's right under the equity commitment letter to cause the Equity Funding to be provided (subject to the satisfaction of certain conditions).

(c) Debt facilities

KKR BidCo has entered into a debt commitment letter under which Credit Suisse AG, Cayman Islands Branch and Credit Suisse Securities (USA) LLC, Jefferies Finance LLC, Macquarie Capital (USA) Inc. and Macquarie Capital Funding LLC, Credit Agricole CIB Australia Limited and Natixis, Hong Kong Branch (among others) have severally agreed to directly or indirectly provide certain secured debt facilities (**Facilities**) in an aggregate amount of up to approximately \$1,215 million to KKR BidCo (**Debt Funding**). KKR BidCo is permitted to use the proceeds of borrowings under these Facilities to fund the Scheme Consideration, the refinancing of certain existing debt facilities of the MYOB Group (**Refinancing**) and certain related transactions and costs (among other permitted uses).

The proceeds of borrowings under such Facilities, together with the Equity Funding, are in excess of the amount that could be required to fund the Scheme Consideration and Refinancing as well as certain related transactions and costs.

6 INFORMATION ABOUT KKR

The Debt Funding is subject to the satisfaction of certain conditions, which are customary for debt facilities of this kind and include:

- consummation of the acquisition of Scheme Shares by KKR BidCo under the Scheme in accordance with the terms of the Scheme Implementation Agreement (and related documentation);
- a minimum amount of equity funding having been provided to KKR BidCo;
- consummation of the Refinancing;
- certain representations and warranties, provided by MYOB under the Scheme Implementation Agreement and to be provided by KKR BidCo, KKR MidCo and certain guarantors under the definitive documentation in respect of the Debt Funding, being true and correct in all material respects (or, where such representations and warranties are qualified by materiality, in all respects); and
- other customary conditions in respect of matters such as payment of fees and expenses, delivery of certain financial information in relation to MYOB, delivery of documentation required by certain regulatory authorities and delivery of a customary borrowing notice.

As at the Last Practicable Trading Date, KKR BidCo is not aware of any reason why the conditions to the Debt Funding will not be satisfied so as to enable the relevant Facilities to be drawn for the purpose of funding the Scheme Consideration and the Refinancing.

6.4 INTENTIONS OF KKR BIDCO

If the Scheme is implemented, KKR BidCo will hold all of the MYOB Shares on issue.¹⁷ This section 6.4 sets out the intentions of KKR BidCo with respect to MYOB if the Scheme is implemented.

These intentions are based on the facts and information concerning MYOB (including certain non-public information made available by MYOB to KKR prior to the entry into the Scheme Implementation Agreement) and the general business environment that are known to KKR BidCo at the time of preparation of this Scheme Booklet.

If the Scheme is implemented, KKR BidCo intends to undertake a detailed review of MYOB's operations covering strategic, financial and commercial operating matters. Final decisions about the future operating plan and management organisation for MYOB will be made following the completion of such review and based on the facts and circumstances at the relevant time.

Accordingly, the statements set out in this section 6.4 are statements of current intention only and may change as new information becomes available or circumstances change.

(a) Removal from ASX

If the Scheme is implemented, it is intended that quotation of MYOB Shares on the ASX will be terminated and MYOB will be removed from the official list of the ASX on or around the Business Day immediately following the Implementation Date.

(b) Board of directors

If the Scheme is implemented, the board of directors of MYOB and each of its subsidiaries will be reconstituted with effect on and from the Implementation Date. As at the date of this Scheme Booklet, the new directors have not been determined.

(c) Restructure

KKR BidCo intends to undertake a corporate restructure pursuant to which, among other things, the shares in certain members of the MYOB Group are transferred to members of the KKR BidCo Group (or their affiliates).

(d) Employees

KKR BidCo considers MYOB's employees to be critical to the future success of the business. Following implementation of the Scheme, KKR BidCo will review MYOB's business operations and organisational structure to ensure MYOB has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities. Subject to such a review, KKR BidCo will consider the implementation of various initiatives to optimise the productivity of MYOB's workforce.

(e) Business operations

Subject to the findings of the post-acquisition review referred to above, KKR BidCo's current intention is to continue the current strategic direction of MYOB, including actively pursuing growth opportunities available to MYOB.

¹⁷ It is contemplated that the 103,935,106 MYOB Shares currently held by a holding company of KKR BidCo, ETA Asia Holdings II Pte. Ltd., will be transferred to KKR BidCo on or around the Implementation Date. Such MYOB Shares will not be transferred as part of the Scheme.

6.5 KKR BIDCO'S INTEREST IN MYOB SHARES

(a) Interest in MYOB Shares

As at the date of this Scheme Booklet, a holding company of KKR BidCo, ETA Asia Holdings II Pte. Ltd., holds a legal and economic interest in 19.9% of the issued shares in MYOB. This is comprised of a holding of 103,935,106 MYOB Shares acquired from Bain Capital Abacus Holdings, L.P. in October 2018, which is intended to be transferred to KKR BidCo on or around the Implementation Date, as well as an economic interest in an additional 13,634,521 MYOB Shares acquired under a cash-settled equity swap (**Swap**).

Being a cash-settled instrument, the Swap does not give ETA Asia Holdings II Pte. Ltd. any power to control the voting or disposal of any MYOB Shares. ETA Asia Holdings II Pte. Ltd. does not have any right to require physical settlement of the Swap nor has it entered into any agreement, arrangement or understanding with the Swap counterparty or any other person in relation to physical settlement of the Swap. Prior to the Implementation Date, ETA Asia Holdings II Pte. Ltd. may seek to terminate or settle the Swap in accordance with its terms.

(b) Dealing in MYOB Shares in previous four months

Except as disclosed in section 6.5(a) above, none of KKR BidCo or its Associates has provided or agreed to provide consideration for any MYOB Shares under any other transaction during the period four months before the date of this Scheme Booklet.

(c) Benefits to holders of MYOB Shares

During the four months before the date of this Scheme Booklet, none of KKR BidCo or its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to vote in favour of the Scheme or dispose of MYOB Shares, where the benefit was not offered to all MYOB Shareholders.

(d) Benefits to MYOB officers

None of KKR BidCo or its Associates will be making any payment or giving any benefit to any current officers of MYOB as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.



**WHAT IF THE
SCHEME IS NOT
IMPLEMENTED?**

7.1 WHAT IF THE SCHEME IS NOT IMPLEMENTED

If the Scheme is not implemented, MYOB will continue to operate on a stand-alone basis. As such, MYOB will remain listed on the ASX and you will retain your MYOB Shares and they will not be acquired by KKR BidCo. KKR will remain as a substantial shareholder with a legal and economic interest in MYOB Shares of approximately 19.9%.

7.2 STRATEGY AND INTENTIONS FOR MYOB IF THE SCHEME DOES NOT PROCEED

MYOB intends to continue its current strategic plans (refer section 5.3) and operate on a stand-alone basis should the Scheme not proceed.

7.3 RISKS ASSOCIATED WITH MYOB IF THE SCHEME IS NOT IMPLEMENTED

If the Scheme is not implemented MYOB will remain as a listed company and as such MYOB will continue to be subject to various risk factors. Some notable risk factors that could have an impact on MYOB and therefore a continued investment in MYOB Shares are listed below. The risks described below are not to be taken as exhaustive or listed in any order of importance. The risks described below as well as other risks not described below could, in the future, materially and adversely affect the financial performance of MYOB and the value of MYOB Shares.

In considering the Scheme, you should be aware that there are a number of risk factors, both general and specific associated with an investment in MYOB.

This section outlines:

- general investment risks (refer to section 7.4 of this Scheme Booklet); and
- MYOB specific investment risks (refer to section 7.5 of this Scheme Booklet).

This section is a summary only and does not purport to list every risk that may be associated with an investment in MYOB now or in the future.

If the Scheme is implemented you will receive the Scheme Consideration, will cease to be a MYOB Shareholder and will also no longer be exposed to the risks set out below.

These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of MYOB Shareholders. If you do not understand any part of this Scheme Booklet or are in any doubt as to how to vote in relation to the Scheme, it is recommended that you consult your legal, financial, taxation or other professional adviser before deciding how to vote.

You should carefully consider the risk factors discussed in this section 7, as well as the other information contained in this Scheme Booklet before voting on the Scheme.

7.4 GENERAL INVESTMENT RISKS

As with many listed companies, MYOB is subject to a number of general risks that could materially adversely affect its financial position, assets and liabilities, reputation, profits, prospects and market price and/or value of MYOB Shares and/or dividends that may be paid by MYOB. These could include any of the following:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- changes in government fiscal, monetary and regulatory policies, including foreign investment;
- government or political intervention in export and import markets (including sanction controls and import duties) and the disruptions this causes to supply and demand dynamics;
- loss of key personnel;
- interruptions at MYOB's workplaces arising from industrial disputes, work stoppages and accidents, which may result in business operations delays;
- natural disasters and catastrophes, whether on a global, regional or local scale; and
- changes in accounting standards which affect the financial performance and position reported by MYOB.

7.5 SPECIFIC RISKS ASSOCIATED WITH YOUR CURRENT INVESTMENT IN MYOB

MYOB deals with a variety of business risks, which it actively assesses and manages as part of its risk management framework. This is not a comprehensive list of the risks faced by MYOB.

(a) MYOB operates in a competitive industry

MYOB's operating performance is influenced by a number of competitive factors including the success and awareness of its brand, the loyalty of its user base, its relationship with accountants, the scope of its product offering and its commitment to ongoing product innovation.

MYOB competes against other providers of software and services and any change in the foregoing competitive factors or others may impact MYOB's ability to retain existing users and attract new users. As such, there is a risk that:

- existing competitors could increase their competitive position through aggressive marketing campaigns, product innovation or price discounting;
- MYOB could seek to implement changes to existing software products that are not well received by clients or that do not function as intended;
- MYOB may fail to anticipate and adapt to technology changes or client expectations at the same rate as that of competitors; and
- new competitors could enter the markets within which MYOB operates, particularly as the markets continue to move from desktop software to cloud software; or existing enterprise software providers, some of whom are very large international companies with ready access to capital and service enterprises around the world, increase their focus more on Australia and New Zealand.

These factors could in turn have an adverse impact on MYOB's business, financial performance and operations.

(b) Strategic risk

MYOB's business is dependent on its ability to retain its existing users and attract new users. It relies on its users making perpetual and new licence, maintenance and cloud subscription payments under fixed term or ongoing contracts, exposing it to the risk of such underlying contracts being cancelled or not being renewed, possibly on short notice, by the user.

Accountants have the ability to influence an SME's selection of accounting software. Accountants may stop recommending MYOB software to SMEs, or start recommending competing products to current MYOB clients. In addition, existing SME, accountant and larger enterprise users may independently begin using competitors' products.

The foregoing may occur for a number of reasons, including failure by MYOB to deploy sufficient resources to obtain accountant recommendations, more successful targeting of SMEs, accountants and larger enterprises by competitors, the introduction of a competing product that is perceived by SMEs, accountants (for the purposes of their recommendations to SMEs or their own use) or larger enterprises to be superior or the introduction of a product by MYOB which is perceived as inferior.

Any such event could reduce MYOB's overall client base, which could have an adverse impact on MYOB's business, financial performance and operations.

MYOB has invested heavily in developing cloud solutions. There is a risk that the market for cloud software develops more slowly than MYOB expects and that cloud software does not achieve and sustain high levels of client demand and market acceptance. Even if cloud software develops rapidly, there is an inherent risk in change management (i.e. migrating MYOB's clients to the cloud), as well as a potential need to increase investment in product development to meet client needs and demands. A failure to meet such requirements could result in a loss of clients.

A failure of MYOB's cloud products in any of these respects could impact MYOB's business, financial performance and operations.

There is a risk that MYOB may not be able to increase its ARPU. This may occur if it is unable to successfully introduce future price increases, for example due to competitive pressure, or if it is unable to successfully implement its strategy of increasing its user base either due to a failure to migrate its clients to cloud solutions or assumptions underlying its forecasts not materialising. MYOB may also fail to increase ARPU if its users do not wish to acquire connected services or if its users favour products with lower price points.

MYOB is currently in the process of seeking to encourage its users to adopt cloud solutions. Providers of business management software typically generate greater revenues over the short term from desktop users who purchase perpetual and new licences than from cloud users who do not pay upfront under a subscription arrangement. While this migration is virtually complete for SME, if it occurs faster than anticipated in the Practice and Enterprise areas, MYOB's near term earnings and cash flow may be adversely affected.

(c) Risk to security and integrity of sensitive information

Any accidental or wilful security breaches or other unauthorised access to MYOB's clients' data may subject MYOB to reputational damage, claims by users, loss of key users, legal action and regulatory scrutiny.

Clients' financial data files stored in centralised servers under cloud products require additional security protection that desktop software does not, so the potential impact of this risk becomes more significant as the number of users of MYOB's cloud products grows.

Any broader data security issues experienced by cloud or internet companies in Australia and New Zealand (or elsewhere) could adversely impact trust in cloud solutions generally, which may have a material adverse effect on MYOB's ability to migrate users to its cloud products and generate revenue growth.

Furthermore, privacy concerns of MYOB's clients, whether or not valid, may cause MYOB's clients to resist adopting cloud solutions or to resist providing the personal data necessary to use MYOB's products effectively.

(d) Integration of acquired businesses and execution of new acquisitions

MYOB has expanded through acquisitions in the past and may do so in the future. Future acquisitions present challenges and risks relating to the integration of each business into MYOB's operations. The acquired businesses could consume a disproportionately large amount of management time and attention during integration, and the acquisitions may fail to meet strategic objectives, generate the anticipated improvement in financial performance, or produce other expected synergies.

Any future proposals to expand by acquisition may be affected by factors beyond the control of MYOB (including without limitation, commercial or regulatory changes), which may result in there being limited or unsuitable acquisition opportunities at the relevant time.

(e) Reliance on core and third party IT infrastructure

MYOB relies on certain contracts with third party suppliers to maintain and support its IT infrastructure, particularly related to its cloud services. For instance, MYOB relies on contracts with Microsoft Azure and Amazon Web Services for the provision of data centres for its key online products. If any such contracts are terminated for any reason, this could impact MYOB's operations and overall profitability.

MYOB could face significant additional cost or business disruption if:

- any such providers fail to enable MYOB to provide its users with reliable, real-time access to its products and any of the data of its users stored in such data centres. From time to time, MYOB has experienced minor service outages in connection with data centres operated by third party providers. Any material future outages could cause damage to MYOB's brand, reputation and user relationships; or
- MYOB's arrangements with such providers are terminated or altered in a way that is detrimental to MYOB and MYOB cannot find alternative sources of technology or systems on commercially reasonable terms or on a timely basis.

MYOB may fail to design, build and maintain a technology platform which is appropriate to its business in the future. Some examples of how MYOB's technology platform may be compromised, and operational issues that MYOB may experience which are beyond MYOB's control, include:

- outages at third party data centres that host MYOB's products;
- external malicious interventions such as hacking; or
- a force majeure event that affects the information technology systems of either MYOB or its suppliers, including interruption by fire, natural disaster, power loss, telecommunications failures, terrorist attacks, acts of war, internet failures, computer viruses or other events beyond MYOB's control.

If MYOB's technology platform is compromised or suppliers' redundancy infrastructure and systems prove insufficient, MYOB's ability to reliably service its users may be compromised, which in turn may have a material adverse effect on MYOB's brand, reputation and user relationships. This, may have an adverse impact on MYOB's business, financial performance and operations.

(f) Ability to attract and retain key personnel

MYOB's ongoing success depends on its ability to attract and retain key executive officers, senior leadership team (including key members of its technology team) and all other appropriately skilled personnel. MYOB continues to develop leadership, learning, development and engagement initiatives to drive and deliver a results-oriented and high-engagement culture. This high-performance culture engages, empowers and connects MYOB's people to drive business success. As a tech employer of choice, MYOB is also proud to offer employees the opportunity to work in state of the art work spaces which facilitate agile work practices, including the new MYOB innovation hub in Richmond, Victoria. While MYOB strives to retain key personnel, the loss of one or more key personnel may adversely impact MYOB's business, financial performance and operations.

(g) Sensitivity to changes in political and regulatory environments

If MYOB does not deliver software that accurately responds to relevant changes in laws, accounting standards and government policies, it could adversely impact its business, financial performance and operations.

In particular, the legal and regulatory framework for privacy issues is rapidly evolving and likely to remain uncertain for the foreseeable future. In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards. Any new or changed laws or regulations, in particular relating to areas such as data privacy or internet regulation, could require MYOB to increase its spending on regulatory compliance and/or change its business practices, which could adversely affect MYOB's profitability.

There is also a risk that a downturn in the Australian or New Zealand economy could negatively impact businesses, including the number of SMEs being formed, and accountants. It could also lead to MYOB's clients closing their businesses or reducing the size of their businesses, or seeking to reduce their expenses. These are outcomes that may ultimately have an adverse impact on MYOB's business, financial performance and operations if users stop using or reduce their use of MYOB products.



TAX IMPLICATIONS

8.1 TAXATION IMPLICATIONS

The following is a general description of the Australian taxation consequences for a MYOB Shareholder disposing of their MYOB Shares under the Scheme and accordingly this section would only be applicable to MYOB Shareholders, other than Excluded Shareholders, who hold MYOB Shares as at the Scheme Record Date. This general commentary is relevant only to those MYOB Shareholders who hold their MYOB Shares on capital account. The general description of the Australian taxation consequences is based upon Australian law and administrative practice in force at the date of this Scheme Booklet. It is general in nature and is not intended to be a complete statement of the laws (which can be subject to change, including retrospectively) that would apply to the particular circumstances of a MYOB Shareholder.

This general description does not apply to all MYOB Shareholders, and is not intended to cover the position of MYOB Shareholders who:

- hold their MYOB Shares on revenue account or as trading stock;
- are subject to the Taxation of Financial Arrangements Rules in Division 230 of the Income Tax Assessment Act 1997 in relation to gains and losses on their MYOB Shares;
- acquired their MYOB Shares through, or in connection with, an employee share scheme where those shares remain subject to deferred taxation as at the Implementation Date;
- obtained roll-over relief in connection with the acquisition of their MYOB Shares;
- are temporary residents of Australia for Australian taxation purposes; or
- hold their MYOB shares in connection with a business carried on through a permanent establishment outside their country of tax residence.

The MYOB Board suggests that MYOB Shareholders should consider obtaining independent professional taxation advice in relation to their particular circumstances.

8.2 AUSTRALIAN RESIDENT SHAREHOLDERS

(a) Capital Gains Tax (CGT)

The Scheme, if implemented, will result in the disposal of the MYOB Shares by the MYOB Shareholders. The change of ownership will constitute a CGT Event (Event A1) for Australian tax purposes.

The Implementation Date will be the date of disposal of the MYOB Shares for CGT purposes. With an Implementation Date of 8 May 2019. For the majority of taxpayers, any capital gain or loss will fall into the 30 June 2019 tax year.

(b) Calculation of Capital Gain or Loss

MYOB Shareholders may make a capital gain on the disposal of the MYOB Shares to the extent that the capital proceeds from the disposal of their shares exceeds the CGT cost base that they have in those shares. A capital loss may arise to a MYOB Shareholder if the capital proceeds are less than CGT reduced cost base of their MYOB Shares.

The capital proceeds of shares transferred under the scheme will be the cash consideration of \$3.40 per MYOB Share.

CGT cost base will generally include the cost of acquisition of the MYOB Shares and any incidental costs of acquisition that were not otherwise deductible to the MYOB Shareholder. The CGT reduced cost base of the MYOB Shares is usually calculated in a similar, but not identical, manner.

(c) CGT Discount

Australian resident MYOB Shareholders who are individuals, complying superannuation entities or trusts may be entitled to reduce the amount of any capital gain made on the disposal of a MYOB Share if they have held that MYOB Share for at least 12 months prior to the Implementation Date (ignoring the date of acquisition and the Implementation Date). This reduction is referred to as the general CGT discount.

The general CGT discount is only available after any available capital losses of the taxpayer from the current or previous years have been applied to reduce the capital gain.

The rate of discount at the date of the Scheme Booklet is 50% for individuals and trusts, and 33 1/3% for complying superannuation entities. Note that for trusts the discount will not be ultimately available if the underlying gain is not distributed to a beneficiary who would themselves be entitled to the general CGT discount.

8 TAX IMPLICATIONS

The general CGT discount is not available to MYOB Shareholders who:

- have held their MYOB Shares for less than 12 months (ignoring the date of acquisition and the Implementation Date), or
- are companies.

A capital loss on the disposal of a MYOB Share by a MYOB Shareholder may be used to offset any other capital gains made by the MYOB Shareholder in the current income year – whether the gains are on other MYOB Shares or other CGT assets. Any net capital loss remaining should be available to be carried forward to be utilised against capital gains in later income years.

There are specific rules that apply to the trusts and companies in relation to the utilisation of losses against gains arising later in the same income year or later income years. MYOB Shareholders in this position are advised to receive their own advice in relation to their specific circumstances.

8.3 NON-RESIDENT SHAREHOLDERS

MYOB Shareholders who:

- are not resident of Australia for Australian taxation purposes; and
- do not hold their MYOB Shares as assets in carrying on business through a permanent establishment in Australia,

should disregard any capital gain or loss that would otherwise arise on the disposal of their MYOB Shares.

Whilst Australian tax laws can apply in certain circumstances to tax a non-resident on capital gains arising on the disposal of a non-portfolio interest in an Australian company, this only applies where more than 50% of the market value of the assets of the Australian company are referable to direct or indirect interests in Australian real property. The MYOB Directors are of the opinion that the limited interests of MYOB in Australian real property would not cause these provisions to have effect.

Non-resident shareholders who have previously been Australian resident, and elected to disregard a capital gain or loss on their MYOB shares on cessation of their Australian residence, will have the Australian CGT consequences set out above for resident shareholders. Note that non-resident shareholders are not entitled to the benefit of the general CGT discount.

Non resident shareholders are advised to consider the taxation implications in their territory of residence in relation to the disposal of their MYOB Shares.

8.4 FOREIGN RESIDENT CAPITAL GAINS WITHHOLDING

The Foreign Resident Capital Gains Withholding regime (FRCGW) can impose an obligation on a purchaser of shares from a non-resident to withhold an amount equal to 12.5% of the purchase price and remit that amount to the Australian Taxation Office. This withholding requirement can apply when, amongst other matters, the shares acquired are an indirect Australian real property interest.

As minimal assets of MYOB consist of Australian real property, it is considered that the MYOB Shares do not constitute an indirect Australian real property interest, and no amounts will be withheld by KKR from the Scheme Consideration.

8.5 AUSTRALIAN GOODS AND SERVICES TAX (GST)

No GST liability be payable by MYOB Shareholders on the disposal of a MYOB Share under the Scheme.

MYOB Shareholders may incur GST on their own costs in connection with the Scheme (such as advisor fees). MYOB Shareholders who are registered for GST may be entitled to a full or partial input tax credit for any GST payable on these costs. The outcome will depend upon the specific circumstances of each MYOB Shareholder, who should seek independent advice on their situation.

8.6 STAMP DUTY

No stamp duty should be payable by MYOB Shareholders on the disposal of their MYOB Shares under the Scheme.



ADDITIONAL INFORMATION

9.1 SCHEME IMPLEMENTATION AGREEMENT

(a) Overview

On 23 December 2018, MYOB and KKR BidCo (among others) entered into the Scheme Implementation Agreement. The key terms of the Scheme Implementation Agreement are summarised below.

A full copy of the Scheme Implementation Agreement is contained at Annexure B to this Scheme Booklet.

Unless otherwise defined in this Scheme Booklet, capitalised terms used in this section 9.1 have the meanings given to them in the Scheme Implementation Agreement.

(b) Conditions Precedent

Implementation of the Scheme is subject to Conditions Precedent, which must be satisfied or waived (as applicable).

For details of the Conditions Precedent, see clause 3.1 of the Scheme Implementation Agreement and section 4.5 of this Scheme Booklet.

(c) Exclusivity arrangements

The Scheme Implementation Agreement contains certain customary exclusivity arrangements granted by MYOB in favour of KKR BidCo.

These exclusivity arrangements are set out in clause 9 of the Scheme Implementation Agreement. In summary, during the Exclusivity Period, which commenced on 22 February 2019:

- **(No-shop)** MYOB must not, and must ensure that its Representatives do not, except with the prior written consent of KKR BidCo, directly or indirectly solicit, invite, encourage or initiate any Competing Proposal or any inquiry, expression of interest, offer, proposal, negotiations or discussions by or with any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, or communicate any intention to any person to do any of those things;
- **(No-talk)** MYOB must not, and must ensure that its Representatives do not, except with the prior written consent of KKR BidCo, directly or indirectly negotiate, or enter into, continue or participate in any negotiations or discussions with, or accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding with, any Third Party in relation to, or which may reasonably be expected to lead to, a Competing Proposal, or communicate any intention to any person to do any of those things;
- **(No due diligence)** MYOB must not, and must ensure that its Representatives do not, except with the prior written consent of KKR BidCo, directly or indirectly, make available to any Third Party, or permit any Third Party to receive, any non-public information relating to any member of the MYOB Group in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal, or a proposal which may reasonably be expected to lead to a Competing Proposal (including without limitation providing such information for the purposes of the conduct of due diligence investigations in respect of MYOB), or communicate any intention to any person to do any of those things.

MYOB, its Related Bodies Corporate and their Representatives may undertake any action that would otherwise be prohibited by the “no-talk” and “no-due diligence” obligations described above in relation to a bona fide written Competing Proposal:

- which was not solicited by any of them during the Exclusivity Period and was not otherwise brought about as a result of any breach by MYOB of its obligations under the exclusivity arrangements set out in clause 9 of the Scheme Implementation Agreement;
- which is or is reasonably likely to be a Superior Proposal; and
- acting in good faith and after having considered written advice from the MYOB Board’s external legal advisers, the MYOB Board determines that not undertaking that act would be likely to involve a breach of the MYOB Directors’ fiduciary or statutory duties;
- **(Notification obligation)** MYOB must notify KKR BidCo, in writing, promptly and in any event within 24 hours of any Competing Proposal or any approach regarding a Competing Proposal, which notice must include reasonable details of the Competing Proposal or approach (as applicable) (including the material terms and conditions and the identity of the party or parties making the Competing Proposal or approach (as applicable)); and
- **(Matching rights)** MYOB must procure that no MYOB Director publicly supports, endorses or recommends a Competing Proposal, unless:
 - the Competing Proposal is a Superior Proposal;
 - MYOB has provided KKR BidCo with all material terms and conditions of the Competing Proposal (including the identity of the party or parties making the Competing Proposal);
 - MYOB has given KKR BidCo 3 Business Days after the provision of that information to provide a Counterproposal; and
 - KKR BidCo has not delivered a Counterproposal by the expiry of that 3 Business Day period, or KKR BidCo has delivered a Counterproposal to MYOB which the MYOB Board, acting in good faith, determines (after having taken written advice from MYOB’s external financial advisers) is not more favourable to MYOB Shareholders (on an overall basis) than the Competing Proposal.

If KKR BidCo has delivered a Counterproposal, MYOB must ensure that the MYOB Board considers the Counterproposal as soon as practicable and must notify KKR BidCo of the MYOB Board's determination in respect of the Counterproposal within five Business Days of the Counterproposal being made.

If the MYOB Board determines that the Counterproposal is more favourable to MYOB Shareholders (on an overall basis) than the Competing Proposal, then MYOB and KKR BidCo must as soon as reasonably practicable use their best endeavours to agree such amendments to the Scheme Implementation Agreement and the Scheme as are necessary to reflect the Counterproposal and MYOB must, as soon as reasonably practicable following such amendments having been agreed, ensure that the MYOB Board publicly announces its unanimous recommendation of the Counterproposal on the same basis as their original recommendation of the Scheme.

(d) Change in recommendation

MYOB undertakes in favour of KKR BidCo, in the Scheme Implementation Agreement, to procure that the members of the MYOB Board do not (publicly or otherwise) change, withdraw or in any way qualify their recommendation or voting intention unless:

- the Independent Expert concludes in the Independent Expert's Report (either in the initial report or any update, revision, amendment, addendum or supplementary reports to it) that the Scheme is not in the best interests of MYOB Shareholders; or
- there is a Superior Proposal and MYOB has complied with its matching rights obligations under the Scheme Implementation Agreement, if applicable, in respect of such Superior Proposal.

MYOB's obligations regarding the recommendation of the MYOB Board are set out in clause 7 of the Scheme Implementation Agreement.

(e) Break Fee payable by MYOB

Under the Scheme Implementation Agreement, MYOB must pay to KKR BidCo a Break Fee of \$20 million if certain events occur, including if any of the MYOB Directors:

- withdraws, changes or adversely revises their recommendation or voting intention; or
- recommends, supports or endorses a Competing Proposal,

unless:

- in connection with, or in respect of, a Superior Proposal and, if applicable, MYOB has complied with its matching rights obligations under the Scheme Implementation Agreement;
- the Independent Expert concludes in the Independent Expert's Report (including the initial report or any update, revision, amendment, addendum or supplementary reports to it) that the Scheme is not in the best interests of MYOB Shareholders, except where the Independent Expert reached such conclusion as a result of a Competing Proposal which is not a Superior Proposal; or
- MYOB is entitled to terminate the agreement pursuant to clause 15.3(b)(i) of the Scheme Implementation Agreement and has given the appropriate termination notice to KKR BidCo.

For clarity, the Break Fee is not payable in respect of a change in recommendation by the MYOB Board in relation to any Superior Proposal, subject to MYOB complying with its obligations to offer KKR BidCo an opportunity to match such Superior Proposal if received on and from 22 February 2019.

The MYOB Break Fee arrangements are set out in clause 10 of the Scheme Implementation Agreement.

(f) Representations and warranties

Each of MYOB and KKR BidCo has given customary representations and warranties to the other party. If MYOB is in material breach of any clause of the Scheme Implementation Agreement (including the representations and warranties given by MYOB) this would trigger a termination right in favour of KKR BidCo allowing KKR BidCo to terminate the Scheme Implementation Agreement (subject to first providing notice of intention to terminate and allowing MYOB a 5 Business Day period, from date of receipt of notice by MYOB, (or such shorter time ending at 5:00 pm (Sydney time) on the day one Business Day before the Second Court Date) within which to remedy their material breach) and triggering an obligation for MYOB to pay the Break Fee (as summarised in further detail in sections 9.1(e) of this Scheme Booklet and as set out in clause 10.2 and 10.3 of the Scheme Implementation Agreement). These representations and warranties are set out in clause 13 of the Scheme Implementation Agreement.

(g) Conduct of business

Clause 6 of the Scheme Implementation Agreement sets out the obligations of MYOB from the date of the Scheme Implementation Agreement up to and including the Implementation Date in relation to the conduct of its business.

Broadly, MYOB has agreed to conduct its business and operations in the ordinary and usual course and substantially consistent (subject to any applicable laws, regulations and licence conditions) with the manner in which each such business and operation is conducted prior to the date of the Scheme Implementation Agreement including using all reasonable endeavours to preserve its current business organisation, the services of its current officers and employees and its current relationship with third parties (including Regulatory Authorities, rating agencies, customers, suppliers, licensors, licensees and others having material business dealings with it).

MYOB has also agreed not to undertake certain activities and to ensure that no member of the MYOB Group (subject to certain exceptions) undertakes those activities as well. These activities include, but are not limited to:

- incurring any additional financial indebtedness or guaranteeing or indemnifying the obligations of other persons in excess of \$10,000,000 (individually or in aggregate); and
- making any material change to the terms of employment or engagement of any individual employed or engaged, for a term of 12 months or longer, as an officer, employee, contractor or consultant having a total annual employment or engagement cost of more than \$500,000.

These provisions are set out in full in clause 6 of the Scheme Implementation Agreement which is set out in Annexure B.

(h) Termination rights

The Scheme Implementation Agreement may be terminated in certain circumstances.

For details of the termination rights of each party, see clause 15 of the Scheme Implementation Agreement and section 4.6 of this Scheme Booklet.

9.2 IMPACT OF THE SCHEME ON THE MYOB INCENTIVE PLAN

(a) Intended treatment of MYOB ESP Incentives and UIP Incentives

During FY17, the MYOB Remuneration and Nomination Committee undertook a comprehensive review of MYOB's remuneration framework, with particular emphasis on the variable reward components. This resulted in the formation of the UIP Incentives, which replaced the ESP Incentives from the financial year ending 31 December 2018 going forward. The purpose of this was to unify the short term and long term incentive arrangements into one scheme to drive management behaviour, with both cash award and equity to be determined by performance against a single set of annual performance metrics.

The relevant performance hurdles under the MYOB Executive Share Plan have not been met and therefore the MYOB Shares under the MYOB Executive Share Plan will not vest. All MYOB Shares representing ESP Incentives shall be sold on-market and the proceeds from such sale (**ESP Sale Proceeds**) shall be retained by MYOB and held by MYOB as at the Implementation Date. To the extent that the loans in respect of the ESP Incentives are not deemed to be repaid out of the ESP Sale Proceeds, such loans shall be forgiven, and the ESP Participants shall cease to have any rights or entitlements in respect of ESP Incentives or otherwise under the MYOB Executive Share Plan.

The market share performance hurdles in respect of the UIP Incentives for the financial year ending 31 December 2018 have been met such that 1,219,718 MYOB Shares will be acquired on-market by the trustee of the UIP Trust for the benefit of the relevant UIP Participants. MYOB is proposing to put in place the required arrangements to permit the relevant UIP Participants to provide voting directions in respect of the MYOB Shares held on trust for them (as a result of the UIP Incentives vesting for the financial year ending 31 December 2018) to the trustee of the UIP Trust on the Scheme at the Scheme Meeting.

MYOB has the right to determine and grant incentives under the UIP Incentives in respect of the financial year ending 31 December 2019, subject to various provisos detailed in clause 8 of the Scheme Implementation Agreement (including prior consultation with KKR BidCo as well as any grant being consistent with the past practices of MYOB), and to determine to substitute cash in lieu of MYOB Shares in relation to such financial year's incentives. The MYOB Board may not exercise any discretion with respect to vesting of any such incentives (without the prior written consent of KKR BidCo, (not to be unreasonably withheld)).

9.3 INTERESTS OF MYOB DIRECTORS IN MYOB SECURITIES¹⁸

As at the Last Practicable Trading Date, the number of MYOB Shares held by or on behalf of each of the MYOB Directors is as follows:

MYOB DIRECTOR	POSITION	RELEVANT INTEREST IN MYOB SHARES
Justin Milne	Chairman and Independent Non-Executive Director	110,925
Tim Reed	Chief Executive Officer and Executive Director	12,112,797
Andrew Stevens	Independent Non-Executive Director	85,895
Anne Ward	Independent Non-Executive Director	55,967
Fiona Pak-Poy	Independent Non-Executive Director	20,833
Craig Boyce	Non-Executive Director	150,000
Edward Han	Non-Executive Director (Bain representative)	0

MYOB Directors who hold MYOB Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration along with the other Scheme Shareholders.

Each MYOB Director intends to vote any MYOB Shares held or controlled by him or her in favour of the Scheme, in absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders.

No MYOB Directors have bought or sold MYOB Shares in the past five months.

9.4 INTERESTS OF MYOB DIRECTORS IN KKR BIDCO SECURITIES

No MYOB Director has any interest in any securities of KKR BidCo, or any other member of the KKR group. This includes the absence of any other association of MYOB Directors with KKR BidCo or its related parties.

9.5 BENEFITS AND AGREEMENTS

(a) Benefits in connection with retirement from office

Non-executive directors

No payment or other benefit is proposed to be made or given in connection with the Scheme to any non-executive Director of MYOB as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in MYOB or in any related body corporate of MYOB.

Executive directors

No payment or other benefit is proposed to be made or given in connection with the Scheme to any executive Director of MYOB as compensation for loss of, or as consideration for, or in connection with, any possible retirement from office in MYOB or in any related body corporate of MYOB.

Senior Management

No payment or other benefit is proposed to be made or given in connection with the Scheme to any member of senior management of MYOB, or of any related body corporate of MYOB, as compensation for loss of, or as consideration for, or in connection with, any possible retirement from office in MYOB or in any related body corporate of MYOB, other than any payments or benefits arising from any applicable redundancy entitlements. If any such person does retire from office in MYOB or in any related body corporate of MYOB, redundancy entitlements may arise under the terms of the relevant senior manager's contract of employment, applicable statutory entitlements, MYOB policies or a combination of these.

¹⁸ Relevant Interest to be inserted prior to despatch to MYOB Shareholders.

(b) Other agreements or arrangements connected with or conditional on the Scheme

There is no agreement or arrangement made between any MYOB Director and any other person, including KKR BidCo, in connection with or conditional on the outcome of the Scheme.

(c) Interests of MYOB Directors in contracts with KKR

None of the MYOB Directors has any interest in any contract entered into by KKR BidCo, or any other member of the KKR group, other than as set out in section 9.4 of this Scheme Booklet.

(d) Benefits from KKR

None of the MYOB Directors has agreed to receive, or is entitled to receive, any benefit from KKR BidCo, or any other member of the KKR group which is conditional on, or is related to, the Scheme, other than as set out in section 9.4 of this Scheme Booklet.

(e) Other interests of MYOB Directors

Other than as noted in section 9.3 of this Scheme Booklet, no MYOB Director has any interest, whether as a director, member or creditor of MYOB or otherwise, which is material to the Scheme, other than in their capacity as a holder of MYOB Shares.

9.6 CONSENTS

- (a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:
 - (1) UBS AG, Australia Branch as financial adviser to MYOB in relation to the Scheme;
 - (2) Clayton Utz as legal adviser to MYOB in relation to the Scheme;
 - (3) Link Market Services Limited as the manager of the MYOB Share Register; and
 - (4) Magpie Advisory as tax adviser in relation to the Scheme.
- (b) The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Annexure A to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.
- (c) KKR BidCo has given and has not withdrawn its consent to be named in this Scheme Booklet and in relation to the inclusion of the KKR BidCo Information in this Scheme Booklet in the form and context in which that information is included.
- (d) Each person named in this section 9.6:
 - (1) has not authorised or caused the issue of this Scheme Booklet;
 - (2) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this section 9.6; and
 - (3) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 9.6.

9.7 DOCUMENTS AVAILABLE

An electronic version of this Scheme Booklet including the Independent Expert's Report and the Scheme Implementation Agreement are available for viewing and downloading online at MYOB's website at <http://investors.myob.com.au/Investors> and on the ASX website at www.asx.com.au.

9.8 NO UNACCEPTABLE CIRCUMSTANCES

The MYOB Directors believe that the Scheme does not involve any circumstances in relation to the affairs of MYOB that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

9.9 FEES

The fees set out in this section relate to fees payable by MYOB in connection with the Scheme. Those fees include payments to:

- UBS AG, Australia Branch for acting as financial adviser;
- Clayton Utz for acting as legal adviser;
- Grant Samuel & Associates Pty Limited for acting as Independent Expert and for providing the Independent Expert’s Report;
- Magpie Advisory for acting as MYOB’s taxation adviser; and
- Link Market Services Limited for acting as the MYOB Registry and providing various other services.

In aggregate, if the Scheme is implemented MYOB expects to pay approximately \$15 million (excluding GST and disbursements) in transaction costs. In aggregate, if the Scheme is not implemented MYOB expects to pay approximately \$3.5 million (excluding GST and disbursements) in transaction costs.

9.10 NO OTHER MATERIAL INFORMATION

Except as disclosed elsewhere in this Scheme Booklet, so far as the MYOB Directors are aware, there is no other information that is:

- material to the making of a decision by a MYOB Shareholder, other than an Excluded Shareholder, whether or not to vote in favour of the Scheme; and
- known to any MYOB Director at the date of lodging this Scheme Booklet with ASIC for registration,

which has not previously been disclosed to MYOB Shareholders.

9.11 SUPPLEMENTARY DISCLOSURE

MYOB will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Second Court Date:

- a material statement in this Scheme Booklet is or becomes false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, MYOB may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to MYOB Shareholders at their address shown on the MYOB Share Register; or
- posting a statement on MYOB’s website at www.myob.com.au,

as MYOB, in its absolute discretion, considers appropriate.



GLOSSARY AND INTERPRETATION

10.1 GLOSSARY

In this Scheme Booklet, unless the context otherwise appears, the following terms have the meanings shown below:

TERM	MEANING
ARPU	Average revenue per user.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given to it in the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires.
ATO	Australian Tax Office.
Bonus Payment	cash incentives or bonuses to existing executives of the MYOB Group in accordance with the terms of the incentive arrangements as at the date of the Scheme Implementation Agreement or as permitted under the Scheme Implementation Agreement.
Break Fee	an amount of \$20,000,000 more fully described in section 9.1(e).
Business Day	a business day as defined in the Listing Rules.
Cash EBITDA	Underlying EBITDA less capitalised research and development costs.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
Competing Proposal	<p>means a proposed transaction or arrangement (whether by way of takeover, share acquisition, scheme of arrangement, reverse takeover, synthetic merger, capital reconstruction, acquisition of assets, dual listed structure, or otherwise) which, if implemented substantially in accordance with its terms, would result in one or more Third Parties:</p> <ul style="list-style-type: none"> • directly or indirectly acquiring or having a right to acquire, or obtaining an economic interest in, all or a substantial part of the business, assets or undertakings of the MYOB Group; • acquiring Control of MYOB; • directly or indirectly acquiring a Relevant Interest in any MYOB Shares, as a result of which the Third Party or Third Parties (as applicable) will have Relevant Interests in 20% or more of the MYOB Shares in aggregate; or • otherwise directly or indirectly acquiring, or merging with, MYOB.
Conditions Precedent	each of the conditions set out at clause 3.1 of the Scheme Implementation Agreement.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Counterproposal	has the meaning given to it in section 3 of this Scheme Booklet.
Court	the Federal Court of Australia, New South Wales Registry.
Debt Funding	has the meaning given to it in section 6.3 of this Scheme Booklet.
Deed Poll	the deed poll provided by KKR BidCo attached as Annexure D.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Effective	the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
Encumbrance	a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

TERM	MEANING
End Date	31 May 2019 or such other date as MYOB and KKR BidCo agree.
Equity funding	has the meaning given to it in section 6.3 of this Scheme Booklet.
ESP Incentives	the incentive rights and securities granted by MYOB under, and governed by, the MYOB Executive Share Plan.
ESP Participant	means a participant in the MYOB Executive Share Plan to whom an ESP Incentive was granted.
Excluded Share	a fully paid ordinary share in the capital of MYOB held by KKR BidCo or any of its Associates.
Excluded Shareholder	a holder of an Excluded Share.
Exclusivity Period	the period commencing on the date that is 60 days after the date of the Scheme Implementation Agreement and ending on the earliest of: <ol style="list-style-type: none"> the End Date; the date the Scheme Implementation Agreement is terminated in accordance with its terms; and the Implementation Date.
Facilities	has the meaning given to it in section 6.3 of this Scheme Booklet.
Free Cash Flow	Statutory EBITDA less net working capital and capital expenditure.
FY2017	the financial year ending 31 December 2017.
FY2018	the financial year ending 31 December 2018.
Go Shop Period	the 60 day period from 23 December 2018 up to and including 21 February 2019.
Government Agency	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia, the United States of America or elsewhere, including any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and the ASX or any other stock exchange.
GST	has the meaning given to that term under the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Implementation Date	the fifth Business Day after the Scheme Record Date or such other date as MYOB and KKR BidCo agree, provided that if such date falls on (i) a Monday, (ii) a day that is a public holiday in the United States of America and on which commercial banks are closed in the United States of America (such day, a U.S. Holiday), or (iii) the day after a U.S. Holiday, the "Implementation Date" shall be the next Business Day on which none of (i), (ii) or (iii) apply.
Independent Expert	the independent expert appointed by MYOB, being Grant Samuel & Associates Pty Limited.
Independent Expert's Report	the report prepared by the Independent Expert, a copy of which is attached at Annexure A.
Insolvency Event	in relation to an entity: <ol style="list-style-type: none"> the entity resolving that it be wound up or the making of an application or order for the winding up or dissolution of the entity, other than where the application or order (as the case may be) is set aside within 14 days; the entity entering into an arrangement, compromise or composition with, or assignment for the benefit of, its creditors or a class of them; a liquidator or provisional liquidator of the entity being appointed; a court making an order for the winding up of the entity; an administrator, controller or similar officer of the entity being appointed; the entity ceasing, or threatening to cease, to carry on a substantial part of the business which is material to it as at the date of the Scheme Implementation Agreement; the entity being or becoming unable to pay its debts when they fall due; the entity executing a deed of company arrangement; a receiver, or a receiver and manager, being appointed in relation to the entity, or a substantial part of the property of the entity; or anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurring with respect to the entity.

TERM	MEANING
IRD	Inland Revenue Department.
KKR	Kohlberg Kravis Roberts & Co. L.P. (and includes its affiliates, unless the context requires otherwise). For the avoidance of doubt, each member of the KKR BidCo Group, and each of the KKR Funds, is an affiliate of Kohlberg Kravis Roberts & Co. L.P.
KKR BidCo	ETA Australia Holdings III Pty Ltd (ACN 630 727 552).
KKR BidCo Group	KKR BidCo, KKR MidCo and KKR HoldCo.
KKR BidCo Information	the information contained in section 6, and under the headings “Overview of KKR” in section 6.1 and “Funding the Scheme Consideration” in section 6.3, of this Scheme Booklet.
KKR Funds	KKR Asian Fund III L.P. and certain co-investment funds/vehicles managed and/or advised by KKR.
KKR HoldCo	ETA Australia Holdings Pty Ltd (ACN 630 725 825).
KKR MidCo	ETA Australia Holdings II Pty Ltd (ACN 630 726 788).
Last Practicable Trading Date	8 March 2019, being the last practicable trading date before the date of this Scheme Booklet.
Listing Rules	the official listing rules of ASX.
Material Adverse Change	<p>subject to various provisos as detailed in the Scheme Implementation Agreement, any event, occurrence, circumstance, change, matter, condition or thing which, individually or when aggregated with other such events, occurrences, circumstances, changes, matters, conditions or things, has had or would be reasonably likely to have the effect of reducing:</p> <ol style="list-style-type: none"> the value of the consolidated net assets of the MYOB Group, taken as a whole, by at least 12.5% as compared to what the average of the consolidated net assets of the Target Group, taken as a whole, was for the period from 1 July 2018 to 31 December 2018; or the underlying earnings before interest, tax, depreciation and amortization of the MYOB Group, taken as a whole, (Underlying EBITDA) by at least 12.5% as compared to the Underlying EBITDA as at 31 December 2018, <p>provided that any events which (i) have occurred after 23 December 2018 but prior to 8:00 am (Sydney time) on the Second Court Date, (ii) have a positive effect on the consolidated net assets of the MYOB Group or Underlying EBITDA, and (iii) are the result of actions undertaken by the MYOB Group in good faith and in the ordinary course of business (and, for the avoidance of doubt, not for the sole or predominant purpose of off-setting (in whole or in part) the impact of any other event that may cause or contribute to a Material Adverse Change), are taken into account in calculating whether a threshold in paragraph (1) or (2) has been reached, and in each case other than an event, occurrence, circumstance, change, matter, condition or thing:</p> <ol style="list-style-type: none"> to the extent that it disclosed in the data room to which KKR BidCo and its advisers were given access before entry into the Scheme Implementation Agreement; disclosed in any announcement to the ASX made by MYOB prior to the date of the Scheme Implementation Agreement; expressly required or permitted to be undertaken or procured by the MYOB Group pursuant to the Scheme Implementation Agreement; within the actual knowledge as at the date of the Scheme Implementation Agreement of any director, secretary or senior officer of KKR BidCo or a member of the KKR BidCo Group who has been involved in the assessment and/or negotiation of the Scheme before the date of the Scheme Implementation Agreement (which does not include knowledge of the risk of an event, occurrence or matter happening); relating to the costs and expenses incurred by the MYOB Group associated with the Scheme including all fees payable to external advisers of MYOB and the funding of the same, to the extent such amounts are disclosed to KKR BidCo through a disclosure letter given to KKR BidCo prior to execution of the Scheme Implementation Agreement;

TERM	MEANING
Material Adverse Change (continued)	<p>(f) comprising or resulting from any change or disruption to, or fluctuation in, general economic, business or political conditions, including any change in foreign exchange rates, interest rates or commodities prices, any change or disruption to, or fluctuation in, existing financial markets, or any act of terrorism, war or natural disaster or the like, in Australia or elsewhere, but in each case excluding any such change, disruption or fluctuation having an adverse effect on the MYOB Group, taken as a whole, that is materially disproportionate as compared to the adverse effect of the relevant change, disruption or fluctuation on other participants in the industries in which the MYOB Group operates; or</p> <p>(g) acknowledged or consented to in writing by KKR BidCo, including any consequences of such event, occurrence, change, matter, thing or condition.</p>
MYOB	MYOB Group Limited (ACN 153 094 958).
MYOB Board	the board of directors of MYOB.
MYOB Directors	the directors of MYOB.
MYOB Executive Share Plan	means the executive share plan of MYOB in existence as at the date of the Scheme Implementation Agreement.
MYOB Group	MYOB and each of its subsidiaries.
MYOB Information	all of the information contained in this Scheme Booklet other than the KKR BidCo Information, the information contained in section 8 of this Scheme Booklet and the Independent Expert's Report.
MYOB Registry	Link Market Services Limited (ABN 54 083 214 537).
MYOB Share	a fully paid ordinary share in the capital of MYOB.
MYOB Share Register	the register of members of MYOB maintained by the MYOB Registry in accordance with the Corporations Act.
MYOB Shareholder	each person who is registered as the holder of a MYOB Share in the MYOB Share Register.
MYOB Shareholder Information Line	+61 1800 883 072.
MYOB Unified Incentive Plan	means the employee incentive plan of MYOB in existence as at the date of the Scheme Implementation Agreement.
Notice of Scheme Meeting	the notice of meeting relating to the Scheme Meeting attached as Annexure E.
Proxy Form	the proxy form for the Scheme Meeting which accompanies this Scheme Booklet.
Qualifying Superior Proposal	<p>a Superior Proposal in respect of which each of the below are satisfied:</p> <ol style="list-style-type: none"> 1 the Superior Proposal is in respect of the acquisition of 100% of the MYOB Shares for cash consideration that is at least 5% higher than the Scheme Consideration; 2 the Superior Proposal is recommended by a majority of the MYOB Directors; and 3 Target enters into a binding implementation agreement in respect of the Superior Proposal and such agreement is on foot and has not been terminated or expired.
Refinancing	has the meaning given to it in section 6.3 of this Scheme Booklet.
Regulatory Authority	<ol style="list-style-type: none"> 1 any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and 2 any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.
Related Body Corporate	has the meaning given in the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representatives	means, in relation to a party, all directors, officers, employees, professional advisers (including financiers, financial advisers, corporate advisers, legal advisers or technical or other expert advisers or consultants) and agents of the party or of its Related Bodies Corporate.

TERM	MEANING
Requisite Majorities	in relation to the Scheme Resolution, a resolution passed by: <ol style="list-style-type: none"> 1 a majority in number (more than 50%) of MYOB Shareholders, other than Excluded Shareholders, present and voting (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative); and 2 at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by MYOB Shareholders, other than Excluded Shareholders (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative).
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between MYOB and the Scheme Shareholders, the form of which is attached as Annexure C, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by MYOB and KKR BidCo.
Scheme Booklet	means this document, including each attachment.
Scheme Consideration	the consideration to be provided to each Scheme Shareholder for the transfer to KKR BidCo of each Scheme Share being, for each MYOB Share held by a Scheme Shareholder as at the Scheme Record Date, \$3.40 cash.
Scheme Implementation Agreement	the Scheme Implementation Agreement dated 23 December 2018 between MYOB and KKR BidCo (among others) relating to the implementation of the Scheme. A copy of the Scheme Implementation Agreement is attached as Annexure B.
Scheme Meeting	the meeting of MYOB Shareholders, other than Excluded Shareholders, ordered by the Court to be convened pursuant to subsection 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	7:00pm (Sydney time) on the fifth Business Day after the Effective Date or such other time and date as MYOB and KKR BidCo agree.
Scheme Resolution	the resolution set out in the Notice of Scheme Meeting in Annexure E to agree to the terms of the Scheme.
Scheme Share	all MYOB Shares (other than Excluded Shares) on issue as at the Scheme Record Date.
Scheme Shareholder	a holder of a Scheme Share.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard, with such hearing the Second Court Hearing .
Security Interest	has the meaning given in section 12 of the <i>Personal Property Securities Act 2009</i> (Cth).
SME	Small and medium sized enterprise.
Superior Proposal	a bona fide written Competing Proposal, which in the determination of the MYOB Board (having regard to written advice from MYOB's financial advisers), acting in good faith and in order to satisfy what the MYOB Board reasonably considers, after having received written advice from external legal counsel, to be its fiduciary or statutory duties would, if it is completed substantially in accordance with its terms, be more favourable to MYOB Shareholders (as a whole) than the Transaction, taking into account all aspects of the Competing Proposal, including but not limited to: <ul style="list-style-type: none"> • the value and type of the consideration payable to MYOB Shareholders under the Competing Proposal and the Tax consequences related to payment of that consideration (as compared to the consideration available under the Transaction); • the conditions of the Competing Proposal, the likelihood of those conditions being satisfied and the level of certainty in respect of the funding required for the Competing Proposal; and • the likely timing required to implement or complete the Competing Proposal.
Swap	has the meaning given to it in section 6.5 of this Scheme Booklet.
TAM	total addressable market.

TERM	MEANING
Target Employee Incentives	the ESP Incentives and UIP Incentives.
Target Prescribed Occurrence	<p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> 1 MYOB converts all or any of its securities into a larger or smaller number of securities; 2 MYOB or another member of the MYOB Group (other than a wholly-owned subsidiary of the MYOB) resolves to reduce its share capital in any way or resolves to re-classify, combine, split, redeem or re-purchase directly or indirectly any of its shares; 3 MYOB or another member of the MYOB Group (other than a wholly-owned subsidiary of the MYOB) (i) enters into a buy-back agreement, or (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act; 4 any member of the MYOB Group issues shares, or grants an option or a performance right over its shares or agrees to make such an issue or grant such an option or a performance right (other than from any member of the MYOB Group to any other member of the MYOB Group and other than UIP Shares (as that term is defined in the Scheme Implementation Agreement) issued in accordance with the Scheme Implementation Agreement); 5 any member of the MYOB Group issues, or agrees to issue, convertible notes or any other security convertible into shares or debt securities other than from any member of the MYOB Group to any other member of the MYOB Group; 6 any member of the MYOB Group disposes of the whole, or a substantial part, of its business and property; 7 any member of the MYOB Group creates, or agrees to create, any Encumbrance over, or declares itself the trustee of, any part of its business or property securing an indebtedness or performance of an obligation exceeding \$10,000,000 other than in respect of any transaction contemplated by the Scheme Implementation Agreement or in the ordinary course of business (including as permitted under the MYOB Group's current credit facilities in place), the total costs of the MYOB Group incurred in relation to the implementation of the Scheme, or the Bonus Payment; 8 an Insolvency Event occurs in relation to any member of the MYOB Group; 9 MYOB or any of its Subsidiaries adopts a new constitution or modifies or repeals its constitution or a provision of it; 10 any member of the MYOB Group: <ul style="list-style-type: none"> – increases the remuneration of, or pays any bonus or issues any securities to, or otherwise varies the employment arrangements with, any of its directors or executives; – accelerates the rights of any of its directors or executives to benefits of any kind; or – pays or gives, or agrees to pay or give, a director or executive a termination payment or benefit (including a "golden parachute") or a payment or benefit upon, or in connection with, a change of control, or any other kind of bonus, compensation or benefit, other than: <ul style="list-style-type: none"> – increase of base salary in the ordinary course as part of annual remuneration reviews consistent with past practices; – as provided for in MYOB's redundancy policy or an existing employment or services agreement; – any issue or vesting of UIP Shares (as that term is defined in the Scheme Implementation Agreement) in accordance with the Scheme Implementation Agreement; – payment of a Bonus Payment; or – as required by law; or 11 any member of the MYOB Group enters into, or resolved to enter into, a transaction with any related party of MYOB (other than a related party that is a member of the MYOB Group), as defined in section 228 of the Corporations Act, <p>other than an event:</p>

TERM	MEANING
Target Prescribed Occurrence (continued)	<p>12 required by law or Regulatory Authority;</p> <p>13 expressly permitted or required to be undertaken or procured by the MYOB Group pursuant to the Scheme Implementation Agreement;</p> <p>14 to which KKR BidCo has provided its prior written consent;</p> <p>15 disclosed in the data room to which KKR BidCo and its advisers were given access before entry into the Scheme Implementation Agreement; or</p> <p>16 disclosed in any announcement to the ASX made by MYOB prior to the date of the Scheme Implementation Agreement.</p>
Tax	means any tax, levy, excise, duty, charge, surcharge, contribution, withholding tax (including royalty withholding tax), impost or withholding obligation of whatever nature, whether direct or indirect, (including any tax payable under a country's foreign source income attribution or anti-tax-deferral rules) by whatever method collected or recovered, together with any fees, penalties, fines, interest or statutory charges in any country or jurisdiction but excluding any stamp duty payable on any transfer of the Scheme Shares pursuant to the Scheme.
Third Party	a person other than KKR BidCo, MYOB, or their respective Related Bodies Corporate.
Underlying EBITDA	measure to more meaningfully reflect the operational performance of the business. This measure excludes one-off and non-recurring expenses from statutory EBITDA, which are predominantly transaction and integration costs from acquisitions.
UIP Incentives	means the incentive rights and securities granted by MYOB under, and governed by, the MYOB Unified Incentive Plan.
UIP Participant	means a participant in the MYOB Unified Incentive Plan to whom a UIP Incentive was granted.
UIP Trust	the trust established by MYOB for the purpose of obtaining shares for the benefit of participants in the MYOB Unified Incentive Plan.
VWAP	volume weighted average price, calculated based on cumulative value traded on ASX divided by cumulative volume traded on ASX to 5 October 2018, being the last trading day prior to the initial proposal by KKR to acquire MYOB Shares. The VWAP on trading days prior to the ex-dividend date of 4 October 2018 has been adjusted for the 5.75 cent dividend for the half year ended 30 June 2018 which KKR is not entitled to.

10.2 INTERPRETATION

In this Scheme Booklet, unless the context otherwise appears:

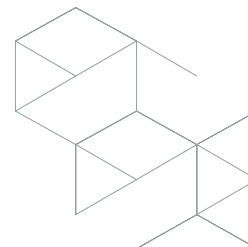
- words and phrases have the same meaning (if any) given to them in the Corporations Act;
- words importing a gender include any gender;
- words importing the singular include the plural and vice versa;
- an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a section or annexure is a reference to a section of and an annexure to this Scheme Booklet as relevant;
- a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- a reference to time is a reference to time in Sydney, Australia;
- a reference to writing includes facsimile transmissions; and
- a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

ANNEXURE



INDEPENDENT EXPERT'S REPORT

GRANT SAMUEL



13 March 2019

The Directors
MYOB Group Limited
3/235 Springvale Road
Glen Waverley VIC 3150

Dear Directors

Proposed Acquisition of MYOB by KKR

1 Introduction

MYOB Group Limited ("MYOB") is a leading supplier of accounting and related software in the Australian and New Zealand markets, with a focus on small to medium sized enterprises ("SMEs") and accounting firms. Listed on the Australian Securities Exchange ("ASX"), as of 8 March 2019 MYOB had a market capitalisation of approximately A\$2 billion.

Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "KKR") is a global investment firm that manages private equity funds and other alternative asset classes. As of 31 December 2018, it had funds under management of approximately US\$195 billion.

On 24 December 2018, MYOB announced that it had entered into a Scheme Implementation Agreement ("SIA") with KKR for the acquisition of MYOB. Under the SIA, KKR will acquire all the shares in MYOB that it does not already own by way of a scheme of arrangement, for cash consideration of \$3.40 per MYOB share ("KKR Proposal" or "Proposal").

The KKR Proposal followed MYOB's announcement on 8 October 2018 that KKR had acquired a 17.6% shareholding in MYOB, taking its aggregate interest in MYOB to 19.9%¹, and that KKR had tabled a preliminary, non-binding indication of interest to acquire the remaining shares in MYOB at \$3.70 cash per share. On 2 November 2018, MYOB announced that KKR had increased its non-binding indicative offer to \$3.77 per share and that MYOB had decided to grant KKR information access to allow it to progress its proposal. However, following completion of its due diligence, KKR announced a reduction in the proposed consideration to \$3.40 per share. After negotiations between KKR and MYOB, the parties entered into the SIA. The SIA includes "go shop" provisions, which allowed MYOB and its advisers to seek superior acquisition proposals from third parties. The key terms of the "go shop" provisions were:

- MYOB and its advisers were entitled to solicit competing proposals up to and including 21 February 2019. Thereafter, customary matching rights and non-solicitation mechanisms apply;
- no break fees or other deal protection mechanisms applied to disincentivise potential counter-bidders; and
- KKR was obliged to sell into or accept a Qualifying Superior Proposal² from a third party made prior to 22 February 2019.

The directors of MYOB have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in Grant Samuel's opinion, the KKR Proposal is fair and

¹ KKR's 19.9% interest consists of a direct interest in 103,935,106 MYOB shares acquired from Bain Capital Abacus Holdings, L.P. in October 2018 and an economic interest in an additional 13,634,521 MYOB shares pursuant to a cash-settled equity swap

² A "Qualifying Superior Proposal" is a proposal for 100% of the shares in MYOB at a cash consideration at least 5% higher than the \$3.40 KKR Proposal, recommended by a majority of the MYOB directors and the subject of a binding agreement.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

ABN 28 050 036 372 AFS Licence No 240985
Level 6, 1 Collins Street Melbourne VIC 3000 T +61 3 9949 8800 F +61 3 9949 8838
GRANTSAMUEL.COM.AU

A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

G R A N T S A M U E L



reasonable and in the best interests of MYOB shareholders. A copy of the report will be included in the Scheme Booklet to be sent by MYOB to its shareholders. This letter contains a summary of Grant Samuel’s opinion and main conclusions.





2 Summary of Opinion

Grant Samuel has valued MYOB in the range A\$3.19-3.69 per share. The KKR Proposal of \$3.40 per share falls within this range. Accordingly, in Grant Samuel's opinion, the KKR Proposal is fair and reasonable and in the best interests of MYOB shareholders.

After some years of strong earnings growth, MYOB's revenue growth has slowed and its earnings have flatlined, reflecting vigorous competition in the market for SME accounting software. In response, MYOB is pursuing a strategy based on the development of a deeply integrated suite of comprehensive cloud-based software solutions for accountants and their SME clients. The objective is to secure MYOB's position in the accounting practice sales channel, which is a key source of SME sales, strengthen MYOB's position in the SME direct market, improve retention rates and lift average revenue per user. To deliver its strategy, MYOB plans to invest around \$50 million in product development and a further \$30 million in sales and marketing expenditure. Given the lag between these expenditures and their impact on revenue, MYOB expects earnings to be essentially flat for FY19³, but has provided guidance for materially stronger earnings and free cash flow for FY22.

In this context, theoretical estimates of the value of MYOB are subject to significant uncertainty. MYOB's earnings guidance for the period beyond FY21 suggests that earnings for FY18 and FY19 are not representative of the company's longer term earnings potential. On the other hand, given the competitive nature of the markets within which MYOB competes, there can be no guarantee that earnings and free cash flow growth will be achieved within the timeframe and at the rate anticipated. MYOB's future financial performance will depend, at least in part, on the strategic responses of its major competitors. The reality is that a wide range of future outcomes for MYOB is possible.

MYOB has effectively been "on the market" for some time. In particular, given the "go shop" provisions of the SIA, there have been few impediments to counter-offers for MYOB from third parties. MYOB and its advisers have extensively canvassed the market for counter-bidders, and have provided due diligence material to a number of parties potentially interested in acquiring MYOB. Given the absence of any counter-offer, the KKR Proposal may be viewed as the highest offer to have emerged from a competitive process for control of MYOB.

The premium implicit in the KKR Proposal is modest (although measurement of premiums is not straightforward given recent sharemarket volatility). A valuation that assumed the full success of MYOB's growth strategy could suggest a value for MYOB higher than the KKR Proposal. However, MYOB's future financial performance is fundamentally uncertain, with downside outcomes as credible as more positive outcomes. MYOB's recent financial performance and the vigorous competition that it will likely continue to face suggest that a conservative approach to valuation is warranted. In Grant Samuel's view, the most persuasive evidence as to MYOB's value is the outcome of the process by which counter-proposals for its acquisition have been sought for MYOB. On one view, the KKR Proposal (as the highest offer to have emerged from that process) definitionally represents fair value.

Accordingly, and notwithstanding the uncertainties associated with valuation of MYOB, Grant Samuel has concluded that the KKR Proposal is fair and reasonable and in the best interests of MYOB shareholders.

³ FY19 refers to the financial year ending 31 December 2019. FYXX refers to the financial year ending 31 December 20XX.

GRANT SAMUEL

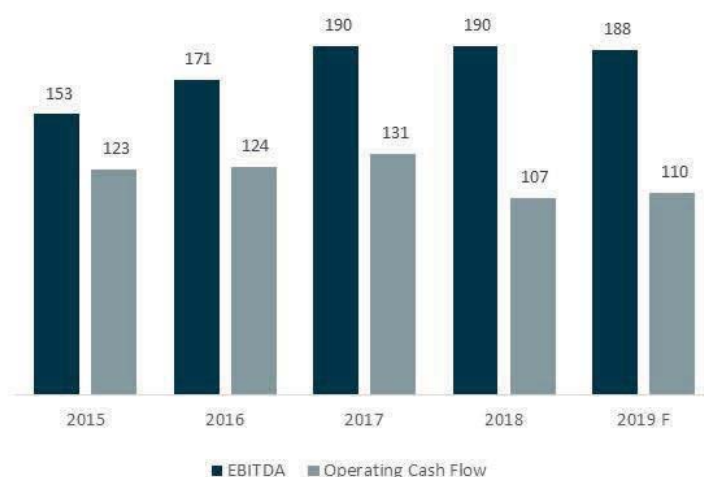


3 Key Conclusions

- **In response to a slowing in earnings growth and flat cash flows, MYOB is investing heavily in a strategy to reinvigorate its business.**

Following strong growth in earnings from FY14 to FY17, a slowing in revenue growth and continued increases in operating costs saw MYOB’s earnings stagnate in FY18. Free cash flow from operations, which had been in the range \$123-131 million for FY15 to FY17, fell to \$107 million for FY18. Broker consensus is for no growth in earnings for FY19⁴:

MYOB FINANCIAL PERFORMANCE (\$M)



The flatlining of MYOB’s financial performance reflects the impact of fierce competition in MYOB’s core markets for online accounting software for SMEs and accounting practices. In response, MYOB has commenced a program to reinvigorate its business, based on investing heavily in software research and development and in improving MYOB’s sales and marketing capabilities. The objective is to deliver the “MYOB Platform”, which aims to provide a deeply integrated suite of comprehensive cloud-based software solutions for accountants and their SME clients. Securing MYOB’s position in the accounting practice market will ensure that it retains a strong position in the accounting practice sales channel, which is a key source of new sales to SMEs. Planned upgrades to MYOB’s cloud-based SME software will improve its competitiveness in terms of features and functionality and underpin sales in the direct SME channel.

MYOB’s investment (approximately \$50 million in software R&D, of which an estimated \$12 million was incurred in FY18, and \$30 million in sales and marketing, of which around \$9 million was incurred in FY18) will have a lagged impact on sales and earnings. The consequence is that earnings and cash flows will continue to be subdued for FY19 and FY20. MYOB has provided general guidance for its future financial performance, which anticipates strong growth in earnings and free cash flows after FY22. The guidance is summarised as follows:

4 While MYOB has made general guidance statements about future earnings and cash flow growth, the directors of MYOB have chosen not to include budgeted earnings for FY19 in the Scheme Booklet. Accordingly, Grant Samuel has had regard to brokers’ consensus forecasts of FY19 earnings, which are sufficiently close to MYOB’s budgets to be useful for analytical purposes. References to forecast financial performance for FY19, and analysis based on those forecasts, refer to brokers’ consensus forecasts.

GRANT SAMUEL



MYOB – FINANCIAL GUIDANCE

	YEAR ENDING 31 DECEMBER	
	2019	2022
Organic revenue growth	6% - 8%	High single digit %
Research & development ¹	~20%	<16%
Underlying EBITDA margin ²	>38%	>45%
Free cash flow ³	>\$100m	>\$200m

Source: MYOB

Note 1: Total R&D (operating expenditure + capital expenditure) as a percentage of revenue

Note 2: Underlying EBITDA as a percentage of revenue

Note 3: Statutory EBITDA less net working capital and capital expenditure

■ Grant Samuel has valued MYOB in the range \$3.19 – 3.69 per share.

Grant Samuel has valued MYOB in the range \$1,882-2,182 million, which corresponds to a value of \$3.19-3.69 per share. The valuation represents the estimated full underlying value of MYOB and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect MYOB shares to trade on the ASX in the absence of a takeover offer.

The valuation is summarised below:

	Value Range (\$m)	
	LOW	HIGH
MYOB enterprise value	2,300	2,600
Net debt at 31 December 2018	(418)	(418)
MYOB equity value	1,882	2,182
Fully diluted MYOB shares on issue (millions)	590.8	590.8
MYOB value per share (\$)	3.19	3.69

The valuation is based on capitalisation of earnings analysis, high level DCF scenario analysis and evidence as to value from the background to, and the process that followed the announcement of, the KKR Proposal. The valuation represents the following multiples:

MYOB – IMPLIED VALUATION PARAMETERS

	VARIABLE (\$ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range (\$million)		2,300	2,600
Multiple of EBITDA (times)			
Year ended 31 December 2018 (actual)	189.6	12.1x	13.7x
Year ending 31 December 2019 (forecast)	187.8	12.2x	13.8x
Multiple of EBIT (times)			
Year ended 31 December 2018 (actual)	99.9	23.0x	26.0x
Year ending 31 December 2019 (forecast)	106.8	21.5x	24.3x

Reported earnings (and particularly reported EBITDA and EBIT) are not necessarily a good measure of MYOB's economic performance, given the extent to which capitalised software R&D costs are not reflected in earnings:



GRANT SAMUEL

MYOB – R&D SPEND (\$ MILLIONS)

	YEAR ENDED 31 DECEMBER			
	2015	2016	2017	2018
Expensed R&D	26.5	28.9	32.5	31.8
Capitalised R&D	20.1	27.2	35.3	52.2
Total R&D spend	46.6	56.1	67.8	84.0
% of R&D spend capitalised	43%	48%	52%	62%
Amortisation of capitalised R&D	8.2	12.7	15.5	23.6

Source: MYOB and Grant Samuel analysis

Given the quantum of capitalised R&D costs and the extent to which they have exceeded amortisation of capitalised R&D, cash EBITDA (i.e. EBITDA adjusted for capitalised software costs) and free cash flows are arguably a better indicator of economic value generation. MYOB’s cash flows from operations (i.e. cash flows after capital expenditures and capitalised software costs) grew slowly from \$123 million for FY15 to \$131 million for FY17, before falling to \$107 million in FY18.

Grant Samuel’s valuation of MYOB’s business in the range \$2,300-2,600 million represents high multiples of cash EBITDA and cash flows from operations:

MYOB – IMPLIED VALUATION PARAMETERS – CASH EARNINGS MEASURES

	VARIABLE (\$ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range (\$million)		2,300	2,600
Multiple of Cash EBITDA (times)			
Year ended 31 December 2018 (actual)	137.5	16.7x	18.9x
Year ending 31 December 2019 (forecast)	n.a.	n.a.	n.a.
Multiple of cashflow from operations (times)			
Year ended 31 December 2018 (actual)	107.3	21.4x	24.2x
Year ending 31 December 2019 (forecast)	110.0	20.9x	23.6x

- **The valuation takes into account both the strategic opportunities and the challenges facing MYOB. It reflects the fundamental uncertainty regarding the extent to which MYOB’s investment program will be successful in lifting the company’s financial performance.**

Grant Samuel’s valuation of MYOB in the range \$3.19-3.69 per share reflects a number of positive attributes of the MYOB business:

- the largest installed SME user base in the Australian and New Zealand market place;
- a rapidly growing on-line subscriber base;
- strong brand awareness and brand loyalty, reflected in ongoing improvements in customer retention rates;
- a significant base of non-revenue generating legacy desktop users, which represent a pool of pre-qualified candidates for migration to fee paying online clients;
- a strong position in the key accounting practice market, which provides a valuable source of referrals and recommendations for SME software sales;



GRANT SAMUEL



- a meaningful Enterprise business, which provides a natural upgrade path for maturing SME clients; and
- an early stage but potentially high growth business in payments and SME lending products, which provides an opportunity to leverage the substantial volume and value of SME invoices and payments that are processed through MYOB software.

On the other hand, MYOB faces non-trivial challenges. In particular:

- MYOB faces two formidable competitors in Xero and Intuit. Unencumbered by legacy desktop applications, Xero has built a rapidly growing cloud-based business focussed exclusively on the SME and accounting practice markets. From origins in New Zealand and Australia, it has developed significant and growing businesses in the UK and US. Xero is the clear leader in the Australian and New Zealand markets for on-line accounting software for SMEs. Intuit is a US\$59 billion⁵ market capitalisation company with a market leading position in the US market for SME accounting software. In recent years, it has used an aggressive price-based strategy to build a meaningful user base in Australia and the UK;
- MYOB's pool of non-revenue generating users is declining rapidly through natural attrition and as MYOB focusses on migrating these users to on-line products. Accordingly, new sales and revenue growth from migrations will fall away. Increasingly, MYOB will be dependent on sales to "brand new" SME users to maintain its growth rate and market share;
- MYOB's brand resonates less strongly with the younger demographic and its Essentials entry level cloud-based SME product lags its competitors in terms of features and functionality. Sales to "brand new" SME users have been flat to negative for some time;
- while software development is a core business of MYOB, there can be no guarantee that MYOB will be able to complete the delivery of the MYOB Platform, including materially upgraded SME solutions, within the timeframes and costs anticipated; and
- the Australian and New Zealand SME software markets have very high penetration rates by global standards, driven in large part by tax compliance requirements. While there will be opportunities for price-led revenue growth and new income streams (e.g. through payments), there will be natural limits to future increases in penetration. Combined with slow rates of net growth in SME numbers, this suggests that, over time, growth will be increasingly difficult to achieve.

MYOB's cost base for FY19 will increase significantly. Accordingly, even to achieve brokers' FY19 forecasts, MYOB will need to deliver significant revenue growth. As the revenue growth contributed by the migration of non-paying users is declining, overall revenue growth will require a material increase in sales to "brand new" users.

MYOB's strategy, underpinned by material investments in software R&D and sales and marketing capability, is focussed on growing its share of new SME clients and driving increased average revenue per user. The strategy appears soundly based and early indications are that it is gaining traction. However, the reality is that it remains subject to a range of implementation and other risks. In particular, the inevitable competitive responses of MYOB's key competitors mean that it is difficult to predict with any confidence the timing and extent of the projected improvement in MYOB's financial performance.

A valuation that assumed the full success of MYOB's growth strategy could suggest a value for MYOB higher than the KKR Proposal. But MYOB's future financial performance is fundamentally uncertain, with downside outcomes as credible as more positive outcomes. MYOB's recent financial performance and the vigorous competition that it will likely continue to face suggest that a more conservative approach to valuation is warranted.

⁵ Intuit's market capitalisation is as at 13 February 2019.



GRANT SAMUEL



- **Analysis of the premium implied by the KKR Proposal is not straightforward, given the volatility in sharemarkets in the period prior to the KKR Proposal. In any event, takeover premiums are not indicative of value.**

MYOB’s shares closed at \$2.98 immediately before the announcement on 8 October 2018 of KKR’s initial non-binding indicative proposal of \$3.69 per share. The final KKR Proposal of \$3.40 per share announced on 24 December 2018 represents the following premiums relative to the MYOB share price before 8 October 2018:

MYOB – IMPLIED PREMIUMS OVER PRE-ANNOUNCEMENT SHARE PRICES

PERIOD	SHARE PRICE	PREMIUM
5 October 2018 – last closing price pre-announcement	\$2.98	14.1%
5 days prior 5 October - VWAP ⁶	\$3.00	13.4%
1 month prior to 5 October 2018 - VWAP	\$2.97	14.6%
3 months prior to 5 October 2018 - VWAP	\$3.01	13.0%
6 months prior to 5 October 2018 – VWAP	\$2.97	14.4%
12 months prior to 5 October 2018 – VWAP	\$3.20	6.2%

Source: IRESS and Grant Samuel analysis

The premiums set out above are modest. They are lower than the range of premiums typically regarded as the benchmark for successful change of control transactions in the Australian market (20-35%).

However, measurement of premiums is not straightforward, given the 2½ months that elapsed between the announcement of KKR’s initial indicative proposal and the announcement of the final KKR Proposal, and the significant decline globally for technology stocks during that period. Arguably, the MYOB share price immediately prior to 8 October 2018 (\$2.98) should be adjusted to reflect in some sense the fall in the market over the period to 24 December 2018. One approach is to adjust the MYOB share price for the fall in the ASX200 Information Technology Index over the period. Another is to adjust the MYOB share price for the share price performance of its peers over the period. On an equally-weighted basis in A\$ terms, the share prices of Xero, Intuit and Sage fell by an average of 10.5% over the period.

The following table re-calculates premiums relative to a notional MYOB share price at 21 December 2018 (being the last trading day before the announcement of the execution of the SIA on 24 December 2018), estimated both by adjusting for the fall in the ASX200 Information Technology Index and by adjusting for the average fall in the share prices of MYOB’s peers over the period:

MYOB – IMPLIED PREMIUMS OVER ADJUSTED SHARE PRICE

PERIOD	ADJUSTED SHARE PRICE	PREMIUM
Share price at 5 October 2018, adjusted for the movement in the ASX200 Information Technology Index to 21 December 2018	\$2.50	36.0%
Share price at 5 October 2018, adjusted for the share price performance of MYOB’s peers to 21 December 2018	\$2.67	27.4%

Source: IRESS and Grant Samuel analysis

These premiums are generally consistent with the range of premiums paid in successful change of control transactions, although the adjustment process should be treated with caution. It provides, at best, only a general indication of the level at which MYOB shares might have been trading as at 21

⁶ VWAP refers to volume weighted average prices



GRANT SAMUEL



December in the absence of the prior announcement on 8 October 2018 of the indicative non-binding offer by KKR.

In any event, and particularly given the share price volatility between the announcement of KKR's initial non-binding proposal and the announcement of its final Proposal, the premiums are not in any sense determinative of value, nor do they provide any useful evidence as to value. The premiums are no more than the difference between the offer price and the pre-bid trading price (or adjusted price as the case may be) for MYOB shares.

- **The best evidence for the value of MYOB is arguably to be inferred from the circumstances of the KKR Proposal and, in particular, the process by which MYOB has sought superior proposals since the announcement of the KKR Proposal.**

MYOB has on one view been "on the market" ever since it was re-listed on the ASX in May 2015. Immediately following its listing, its previous owner, the private equity firm Bain Capital, held a shareholding of 57.7%. During the course of 2017, Bain Capital sold down its shareholding via an underwritten block trade of 100 million shares (February 2017), on-market share sales, and a further block trade of 97.2 million shares (December 2017), to reduce its interest to 23.3%. It was accordingly evident for some time that Bain Capital was a seller of its MYOB interests and that a significant, if not controlling, stake in MYOB was available to parties interested in acquiring MYOB.

The announcement on 8 October 2018 that KKR had acquired the majority of Bain Capital's remaining interest, had in total a 19.9% interest and had made a non-binding indicative offer to acquire the remaining shares in MYOB, made it clear that MYOB was "in play".

In the ordinary course, KKR's 19.9% interest may have been a deterrent to any third party interested in submitting a counter-proposal. However, the "go shop" provisions negotiated by MYOB as part of the SIA resulted in a very different dynamic than for most change of control transactions (where there are typically "no shop" and break fee provisions). The "go shop" arrangements effectively provided third parties with an opportunity to compete for control of MYOB on a largely unconstrained basis. In particular, during the "go shop" period up to 21 February 2019:

- there were no restrictions on the ability of MYOB and its advisers to seek counter-offers for MYOB;
- there were no break fees or other deal protection mechanisms (including customary matching rights) that applied to disincentivise potential counter-bidders; and
- KKR's 19.9% interest did not act as a blocking stake, because KKR was obliged to sell its shareholding into, or vote in favour of, a Qualifying Superior Proposal.

Effectively, any counter-bidder that was prepared to make an all cash offer at least 5% higher than the KKR proposal would be put on an equal (and potentially superior) footing to KKR in terms of competing for control for MYOB.

The fact of the KKR Proposal and the terms of the "go shop" arrangement were publicly disclosed and there was ample time for parties to consider a counter-offer. It is reasonable to conclude that every party globally that was a realistic potential acquirer of MYOB would have been aware of the opportunity. MYOB and its advisers approached numerous parties (including potential trade buyers and private equity sponsors) that could have been interested in making a counter-offer for MYOB. Management presentations and other due diligence material were provided to a number of parties that expressed some interest in MYOB. None of those parties elected to submit a counter-proposal.

Accordingly, the KKR Proposal may be characterised as the highest offer to have emerged from a competitive process for control of MYOB, where interested parties had access to information and sufficient time to consider a counter-offer for the company. On that basis, the KKR Proposal arguably



GRANT SAMUEL



reflects by definition the full underlying value of MYOB, given that it represents the highest price to have emerged from a competitive control process.

■ **The KKR Proposal is fair and reasonable and in the best interests of MYOB shareholders.**

The KKR Proposal of \$3.40 per MYOB share falls within Grant Samuel’s valuation range for MYOB of \$3.19-3.69 per share. Accordingly, the KKR Proposal is fair. There is fundamental uncertainty regarding the extent to which the company’s strategy to reinvigorate its performance will translate into improvements in earnings and free cash flows over the medium term. As a result, judgements regarding the value of MYOB are inevitably subjective. In this context, in Grant Samuel’s view, the circumstances of the KKR Proposal and, in particular, the “go shop” arrangements are strong evidence that the MYOB Proposal of \$3.40 falls within a fair value range for MYOB.

Because the KKR Proposal is fair, it is by definition reasonable. Given the process undertaken by MYOB and its advisers to seek alternative proposals, the prospects of a higher offer from a third party appear remote. In the absence of a change of control proposal for MYOB, Grant Samuel expects that MYOB shares would trade at prices well below the \$3.40 consideration under the KKR Proposal (given the continuation of current market conditions).

In Grant Samuel’s view the KKR Proposal is fair and reasonable and in the best interests of MYOB shareholders, in the absence of a higher offer.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual MYOB shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by MYOB in relation to the KKR Proposal.

A decision as to whether to vote in favour of the KKR Proposal is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in MYOB. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision as to whether to vote in favour of the KKR Proposal. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel’s opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates



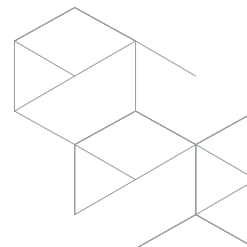


FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
IN RELATION TO THE ACQUISITION PROPOSAL
BY ETA AUSTRALIA HOLDINGS III PTY LIMITED

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372

13 MARCH 2019

GRANT SAMUEL



FINANCIAL SERVICES GUIDE

Grant Samuel & Associates Pty Limited (“Grant Samuel”) holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide (“FSG”) in connection with its provision of an independent expert’s report (“Report”) which is included in a document (“Disclosure Document”) provided to members by the company or other entity (“Entity”) for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel’s client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for MYOB Group Limited in relation to the acquisition of MYOB by ETA Australia Holdings III Pty Limited (“the MYOB Report”), Grant Samuel will receive a fixed fee of \$575,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 6.3 of the MYOB Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the MYOB Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 6.3 of the MYOB Report:

“Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with MYOB or KKR or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$575,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.”

Grant Samuel has internal complaints-handling mechanisms and is a member of the Australian Financial Complaints Authority, No. 11929. If you have any concerns regarding the MYOB Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Australian Financial Complaints Authority at GPO Box 3 Melbourne VIC 3001 or 1800 931 678. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the MYOB Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

ABN 28 050 036 372 AFS Licence No 240985
Level 6, 1 Collins Street Melbourne VIC 3000 T +61 3 9949 8800 F +61 3 9949 8838
GRANTSAMUEL.COM.AU

GRANT SAMUEL



TABLE OF CONTENTS

1	Terms of the Proposal	1
2	Scope of the Report	2
2.1	Purpose of the Report	2
2.2	Basis of Evaluation	2
2.3	Sources of the Information	3
2.4	Limitations and Reliance on Information	4
3	Profile of MYOB	7
3.1	Background	7
3.2	Industry Overview	9
3.3	Business Operations	15
3.4	Business Strategy	19
3.5	Financial Performance	21
3.6	Financial Position	26
3.7	Cash Flow	27
3.8	Capital Structure and Ownership	28
3.9	Share Price Performance	29
4	Valuation of MYOB	32
4.1	Summary	32
4.2	Methodology	34
4.3	Approach for MYOB	38
4.4	Value of Business Operations	40
4.5	Net Borrowings	52
4.6	Corporate Costs/ Head Office Costs	53
5	Evaluation of the Proposal	54
5.1	Fairness	54
5.2	Reasonableness	54
5.3	Shareholder Decision	56
6	Qualifications, Declarations and Consents	57
6.1	Qualifications	57
6.2	Disclaimers	57
6.3	Independence	57
6.4	Declarations	57
6.5	Consents	58
6.6	Other	58
	APPENDIX 1 - BROKER CONSENSUS FORECASTS	59
	APPENDIX 2 - MARKET EVIDENCE - COMPARABLE LISTED COMPANIES	60

A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY



1 Terms of the Proposal

On 8 October 2018, MYOB Group Limited (“MYOB” or “Company”) announced that its major shareholder, Bain Capital Abacus Holdings, L.P., had sold a 17.6% shareholding in MYOB to affiliates of Kohlberg Kravis Roberts & Co. L.P. (for the purpose of this report Kohlberg Kravis Roberts & Co. L.P. and its affiliates, including ETA Australia Holdings III Pty Limited, are referred to as “KKR”) at a price of \$3.15 per share. Together with existing interests in MYOB acquired under a cash-settled equity swap, the purchase increased KKR’s aggregate legal and economic interest to 19.9%. Further, KKR had tabled a preliminary, non-binding indication of interest to acquire the remaining shares in MYOB by way of a scheme of arrangement at a cash price of \$3.70 per MYOB share.

On 2 November 2018, MYOB announced that KKR had increased its non-binding indicative offer to \$3.77 cash per share and that MYOB had decided to grant KKR information access to allow KKR to progress its indicative proposal.

On 20 December 2018, MYOB announced that, following due diligence and finalisation of debt funding commitments, KKR had reduced its indicative offer price to \$3.40 cash per share.

On 24 December 2018, MYOB announced that it had entered into a Scheme Implementation Agreement (“SIA”), with ETA Asia Holdings II Pte. Ltd and ETA Australia Holdings III Pty Limited (an entity indirectly wholly-owned, managed or advised by Kohlberg Kravis Roberts & Co. L.P.), under which KKR will acquire, for \$3.40 cash per share (“Consideration”), all the shares in MYOB that it does not already own, by way of scheme of arrangement (“Proposal”). Under the SIA, MYOB had the benefit of “go shop” provisions up to and including 21 February 2019. These “go shop” provisions permitted MYOB and its advisers to solicit competing proposals, and oblige KKR to sell its shareholding into, or vote in favour of, any Qualifying Superior Proposal¹. No break fee will be payable in the event that MYOB enters into an alternative transaction pursuant to a Qualifying Superior Proposal.

The Scheme is subject to customary conditions, including:

- shareholder approval;
- court approval;
- regulatory approval;
- no material adverse change;
- no prescribed occurrences; and
- no material breach of warranty in relation to MYOB.

The SIA contains certain exclusivity provisions (including qualified “no shop”, “no talk” and “no due diligence” provisions and matching rights) that apply from 22 February 2019 (i.e. the “go shop” ends at 11.59pm (Sydney time) on 21 February 2019). A break fee of \$20 million may be payable to KKR in limited circumstances.

¹ A Qualifying Superior Proposal means a superior proposal in respect of 100% of MYOB shares that is at least 5% higher than the Consideration of \$3.40 cash per share, is recommended by a majority of the MYOB Board and in respect of which MYOB enters into a binding implementation agreement and such agreement is on foot and has not terminated or expired.

GRANT SAMUEL



2 Scope of the Report

2.1 Purpose of the Report

The Proposal is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act, 2001 (“Corporations Act”) between MYOB and its shareholders (“the Scheme”). Under Section 411 the Scheme must be approved by a majority in number (i.e. more than 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved by MYOB shareholders, the Scheme will then be subject to approval by the Federal Court of New South Wales.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert’s report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert’s report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion. A copy of the report will accompany the Notice of Meeting and Explanatory Memorandum (“the Scheme Booklet”) to be sent to shareholders by MYOB.

Although there is no requirement in the present circumstances for an independent expert’s report pursuant to the Corporations Act or the Australian Securities Exchange (“ASX”) Listing Rules, the directors of MYOB have engaged Grant Samuel & Associates Pty Limited (“Grant Samuel”) to prepare an independent expert’s report setting out whether, in its opinion, the Proposal is fair and reasonable and in the best interests of MYOB shareholders and to state reasons for that opinion.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual MYOB shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by MYOB in relation to the Proposal.

Voting for or against the Proposal is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in MYOB. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

There is no legal definition of the expression “in the best interests”. However, the Australian Securities & Investments Commission (“ASIC”) has issued Regulatory Guide 111 (“RG111”) which establishes guidelines in respect of independent expert’s reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between “fair” and “reasonable”. A proposal that was “fair and reasonable” or “not fair but reasonable” would be in the best interests of shareholders (being the opinion required under

GRANT SAMUEL



Part 3 of Schedule 8). For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. If the advantages outweigh the disadvantages, a proposal would be in the best interests of shareholders.

The Proposal is economically the same as a takeover offer. Accordingly, Grant Samuel has evaluated the Proposal as a control transaction and formed a judgement as to whether the proposal is “fair and reasonable”.

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror’s existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company’s shares.

An offer could be considered “reasonable” if there were valid reasons to accept the offer notwithstanding that it was not “fair”.

Fairness is a more demanding criteria. A “fair” offer will always be “reasonable” but a “reasonable” offer will not necessarily be “fair”. A fair offer is one that reflects the full market value of a company’s businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Grant Samuel has determined whether the Proposal is fair by comparing the estimated underlying value range of MYOB with the offer price. The Proposal will be fair if it falls within the estimated underlying value range. In considering whether the Proposal is reasonable, the factors that have been considered include:

- the existing shareholding structure of MYOB;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of MYOB shares in the absence of the Proposal; and
- other advantages and disadvantages for MYOB shareholders of approving the Proposal.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Scheme Booklet (including earlier drafts);
- annual reports of MYOB for the three years ended 31 December 2017;
- half year announcement of MYOB for the six months ended 30 June 2018;
- appendix 4E of MYOB for the financial year ended 31 December 2018;

GRANT SAMUEL



- press releases, public announcements, media and analyst presentation material and other public filings by MYOB including information available on its website;
- brokers’ reports and recent press articles on MYOB and the accounting software industry; and
- sharemarket data and related information on Australian and international listed companies engaged in the accounting software industry and on acquisitions of companies and businesses in this industry.

Non Public Information provided by MYOB

- management accounts for MYOB for the years ended 31 December 2016 and 31 December 2017 and each of the 12 months ended 31 December 2018;
- budgets for the years ending 31 December 2018 and 31 December 2019 prepared by MYOB management;
- forecasts including detailed cash flows models containing projections for MYOB’s business operations for the period 1 January 2019 to 31 December 2022;
- other confidential documents, board papers, presentations and working papers; and
- In preparing this report, Grant Samuel has held discussions with, and obtained information from, senior management of MYOB and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel’s opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by MYOB and its advisers. Grant Samuel has considered and relied upon this information. MYOB has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposal is fair and reasonable and in the best interests of MYOB shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or “due diligence” investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert. Grant Samuel advises that it is not in a position nor is it practicable to undertake its own “due diligence” investigation of the type undertaken by accountants, lawyers or other advisers.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

GRANT SAMUEL



An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of MYOB. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included:

- the budget for MYOB for the year ending 31 December 2019 ("Budget") prepared by management and adopted by the directors of MYOB; and
- a forecast financial model, including cash flow projections, for MYOB's business operations for the period 1 January 2019 to 31 December 2022 ("Four Year Forecast model"). The model was prepared by MYOB.

MYOB is responsible for the information contained in the Budget and the Four Year Forecast model ("the forward looking information". Grant Samuel has considered and, to the extent deemed appropriate, relied on the forecast information set out in the Budget. The major assumptions underlying the Budget were reviewed by Grant Samuel in the context of current economic, financial and other conditions. It should be noted that the Budget and its underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions. Grant Samuel has also considered the forecast information set out in the Four Year Forecast model. In Grant Samuel's view, while the projections set out in the Four Year Forecast model, and the detailed assumptions upon which they are based, are not unreasonable, the factors likely to impact on MYOB's financial performance over the period of the Four Year Forecast are subject to such a wide range of potential outcomes that the Four Year Forecast does not provide information upon which reliance could reasonably be placed for valuation purposes.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the Budget has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account:

- the Budget was reviewed in detail and adopted by the Directors of MYOB; and
- MYOB has sophisticated management and financial reporting processes. The Budget has been prepared through a detailed budgeting process involving preparation of "ground up" forecasts by the management and senior management review.

While MYOB has made guidance statements providing general guidance regarding revenue growth, research and development expenditures, EBITDA margins and free cash flows, the directors of MYOB have decided not to include the Budget or other forward looking information in the Scheme Booklet and therefore this information has not been disclosed in this report.

In order to provide an indication of the expected financial performance of MYOB, Grant Samuel has considered brokers' forecasts of MYOB's financial performance for the year ending 31 December 2019 and 31 December 2020 (see Appendix 1). These forecasts are sufficiently close to MYOB's Budget to be useful for analytical purposes. Grant Samuel has used the median of the brokers' forecasts to review the parameters implied by its valuation of MYOB.

Grant Samuel has no reason to believe that the Budget reflects any material bias, either positive or negative. However, the achievability of the Budget is not warranted or guaranteed by Grant Samuel.

G R A N T S A M U E L



Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by MYOB and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Proposal are accurate and complete;
- the information set out in the Scheme Booklet sent by MYOB to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposal will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposal are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.



3 Profile of MYOB

3.1 Background

MYOB is a provider of accounting and business management software solutions to, principally, small and medium sized businesses and their accounting advisers in Australia and New Zealand. The company employs more than 1,800 employees and provides software solutions to approximately 1.2 million customers.

Founded in Australia in 1991, the company originally provided easy-to-use accounting software for non-accountants, before expanding into specialist accounting software for accounting practices in 1997. The company listed on the ASX in 1999 and widened its product offering further, adding business management solutions for larger enterprises in 2005, through the acquisitions of Exonet and Comacc. During this period MYOB also expanded internationally into Asia. At the time, the company's strategic focus was on providing independent and autonomous desktop software applications, and targeted research and development towards international expansion and software compliance.

In 2009, Archer Capital and Harbourvest acquired the company for a reported \$451 million and redirected the business strategy to migrating the various independent software solutions online and limiting operations to Australia and New Zealand only. Archer sold MYOB to Bain Capital two years later for a reported \$1.2 billion. While continuing the strategy to online migration, Bain Capital also expanded MYOB's software offerings through several key acquisitions including BankLink, PayGlobal and Dovetail, and a number of strategic partnerships through minority stakes in Kounta and Acumatica. In 2015, MYOB re-listed on the ASX through a sell-down and primary offer raising \$833 million, priced at \$3.65 per share, which gave it an initial market capitalisation of approximately \$2.13 billion.

Since its re-listing, MYOB has continued its strategy of migrating its desktop applications into the cloud. The ongoing migration has allowed MYOB to shift its focus to the development of an integrated suite of cloud-based accounting, compliance and practice management solutions designed to enable what the company terms the 'Connected Practice' and entrench MYOB as the software solution of choice for small and medium sized enterprises ("SMEs") and their accounting advisers. Today, MYOB operates across three core segments: Clients and Partners (business solutions for SMEs and their advisers), Enterprise Solutions (larger businesses) and Payment Solutions. Immediately prior to KKR's initial indicative acquisition proposal of \$3.70 per share, MYOB shares were trading at around \$3.00, for a market capitalisation of approximately \$1.77 billion. The closing price on the last trading day prior to KKR's initial indicative proposal was \$2.98 per share on 5 October 2018.

Key events in MYOB's history are summarised below.

MYOB BACKGROUND

DATE	EVENT
1991	Founded in Australia, providing easy-to-use small business accounting software ('Incredible Accounting Software') for non-accountants
1997	Expanded its product range to include specialist accountant software, complete management solutions for accounting practices
1999	Listed on the ASX
2004	Acquired Solution 6, which forms the basis of MYOB's current Practice Solutions software
2005	Acquired Exonet and Comacc, business management products for larger businesses, the basis of the company's current Enterprise Solutions software
2009	Acquired and privatised by Archer Capital and Harbourvest for a reported \$451 million

GRANT SAMUEL



2010	Launched its first cloud-enabled product
2011	Sold by Archer to Bain Capital for a reported \$1.2 billion
2013	Acquired BankLink, a software solution for small businesses that enabled linking of a business' bank statement transaction data to its accounting software to enable preparation of accounts
2014	Acquired PayGlobal, an enterprise solutions HR and payroll solutions company, and DoveTail, a cloud collaboration platform. The company also formed strategic partnerships (through minority investments) with Kounta, to develop co-branded online point of sale products and Acumatica, to grow its online Enterprise Solutions capability
2015	Re-listed on the ASX at \$3.65 per share (total market capitalisation of \$2.13 billion). Bain Capital retained approximately 58% of the total shares on issue. MYOB continued growth strategy through further acquisitions, including Ace Payroll and IMS
2016	Acquired Greentree, a New Zealand enterprise software company, to provide scale and access to larger enterprises
2017	In April, acquired Paycorp, a payment solutions software, for \$48 million. The acquisition enabled MYOB to integrate automated payment functionality with its existing accounting software. In November, announced that it had entered into a purchase agreement to acquire the assets of Accountant Group (Australia and New Zealand) from Reckon Limited for A\$180 million. The Accountant Group provides practice software to more than 3,000 accounting practices.
2018	In May, announced that it would not proceed with its proposed Reckon acquisition, following an extensive and ongoing review process by the Australian Competition and Consumer Commission and New Zealand Commerce Commission. Instead, it would aim to accelerate organic growth of its existing accounting practice software. In October, announced that Bain Capital had sold 17.6% of MYOB to KKR for \$3.15 per share, and that KKR had submitted an unsolicited non-binding proposal to acquire all of the remaining shares in MYOB at an initial price of \$3.70 per share, which was subsequently revised upwards to \$3.77 per share. In December, announced that KKR had reduced its offer to acquire MYOB to \$3.40 per share after completion of due diligence and finalisation of debt funding commitments, and subsequently on 24 December announced the signing of the Scheme Implementation Agreement.

Source: MYOB

3.1.1 Business Overview

MYOB provides its software solutions across three segments:

- **Clients and Partners:** comprises SME Solutions, which provides accounting, tax, payroll and other business management software solutions for small and medium sized businesses, and Practice Solutions, which provides accounting and other software for use by accounting practices.
- **Enterprise Solutions:** provides business management software including enterprise resource planning, payroll and human resource management to assist medium and larger enterprises that require more sophisticated and scalable solutions.
- **Payment Solutions:** provide payment solutions such as gateway services, fraud management, merchant service facilities and invoicing. These services are provided to both SME (online invoicing,

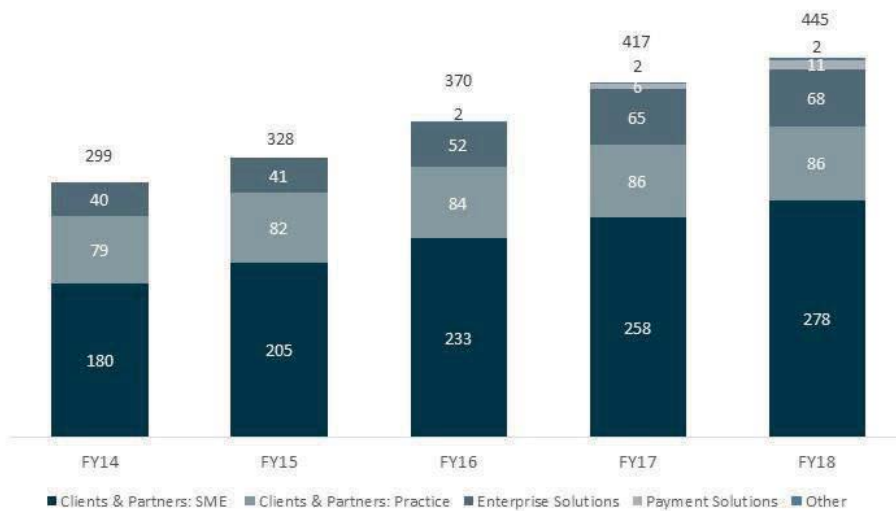
GRANT SAMUEL



with recent developments including Mastercard agreement providing ability to pay suppliers and payroll providers) and Enterprise (gateway) customers.

MYOB generated revenue of \$445.2 million in the 2018 financial year. Clients and Partners revenue accounted for approximately 82% of total revenue, of which SME Solutions contributed the majority (circa 62% of total revenue).

MYOB – REVENUE BY SEGMENT (FY14 – FY18, \$M)



Source:

Source: MYOB

Note:

Other revenue represents R&D credits from the New Zealand Government

3.2 Industry Overview

Accounting software provides accounting, payroll, tax and other business solutions to businesses and accountants. Accounting software publishers service three main pools of customers – SMEs, accounting practices / bookkeepers and large enterprises. In addition to providing basic accounting (general ledger) functions, most publishers also provide additional solutions such as invoicing, accounts payable, inventory management, budgeting and customer relationship management.

Business model – shift to online subscription

Historically, SME's generally operated accounting software "on the desktop": that is, with application software and databases installed on local PCs or servers. A business would typically purchase its accounting software upfront and have the right to use the software indefinitely on its desktop, with the option to pay for services and support annually. More recently, there has been a shift to cloud-based / online products sold via a subscription model, where businesses pay a recurring monthly or annual fee which enables them to use the software during the subscription period. Subscribers also have access to support services and new versions of the software as they are released.

Several factors have contributed to the shift to the cloud-based online subscription model. Fundamentally, the rapid growth in online connectivity (cost effective access to high speed internet) has meant that more

GRANT SAMUEL



businesses have had the capability to use cloud-based products. Cloud-based solutions provide efficiencies, such as automated data entry and bank reconciliations from secure overnight bank feeds, as well as economies, as the costs and management effort associated with managing IT infrastructure and data security are substantially reduced. Accountants have been recommending that their clients switch to online products that are compatible with the practices’ software for ease of information sharing and oversight. Improved information sharing between SMEs and their accounting advisers holds the promise of improving planning and business management outcomes for both SMEs and accountants. There has also been increasing pressure from a compliance perspective. In Australia, for example, the introduction of GST in 2000, widespread use of electronic tax filing and the introduction of Single Touch Payroll² in 2018, saw a spike in take up of online accounting software to deal with the increasing requirements and complexity in reporting and compliance.

The shift to the online subscription model has also enabled accounting software publishers to achieve more consistent revenue streams for longer periods. Most desktop purchasers have historically not opted for support services and so publishers have only earned a one-time initial software sale fees when securing such customers. By contrast, cloud-based SME users are extremely “sticky” and (subject to the natural attrition rate of SMEs) provide reliable long term subscription revenue streams once secured. Cloud SME users are also more likely to use other functionalities such as payments, payroll, and customer relationship management³. As these additional features often attract more fees, they increase both Average Revenue Per User (“ARPU”) and the lifetime value of cloud based customers. In all, the average lifetime value of cloud users is twice that of desktop users approximately five years after acquisition⁴.

Overall, the shift to online accounting software is expected to continue rapidly, particularly given the growing benefits that artificial intelligence is expected to provide to cloud-based users. It is estimated that approximately 25% of SMEs in Australia and New Zealand do not use any accounting software and, of those that do, up to 45% use desktop solutions only.⁵ In other markets such as the United Kingdom (“UK”) and the United States (“US”), the percentage of SMEs that do not use cloud-based accounting software are significantly higher. Accordingly, the ability to capture these businesses as new subscribers and migrate existing desktop users to cloud-based products will be a key determinant of the success of accounting software publishers.

Major Industry Participants

The major participants in the accounting software industry in Australia and New Zealand are illustrated in the following chart:

² Single Touch Payroll requires small businesses to report payments directly to the Australian Tax Office (“ATO”) from the payroll solution when they pay employees, in a specific digital format. As of 1 July 2018, businesses with more than 20 employees will be required to have Single Touch Payroll. Implementation is a year later for businesses with fewer than 20 employees. While the payroll solution doesn’t necessarily have to be online (as there are desktop products that provide the service), it prompts businesses to review and upgrade / update their software to a version that is ATO-compliant.




³ Source: Accounting Software – UBS Evidence Lab inside: Are Accountants the key gatekeeper to SME software choices? 6 November 2018

⁴ Source: MYOB Prospectus 2015

⁵ Source: Australia Media, Internet and Technology: It’s the Fast that Eat the Slow, Not the Big that Eat the Small. Morgan Stanley Research, 5 June 2018

GRANT SAMUEL



	Firm size	Markets	MYOB division	Examples of other software providers ¹	
Government and corporate (Tier 1 Enterprise)	1,000+ FTEs	Enterprise Software Market	 Enterprise Solutions	Oracle	SAP
Large (Tier 2 Enterprises)	200–999 FTEs			Sage NetSuite	Microsoft Infor Technology One
Medium (Tier 3 Enterprises)	20–199 FTEs			Attaché Sybiz	JIWA
Small	5–19 FTEs	SME Software Market	 SME Solutions	Reckon	Xero
Micro	0!–4 FTEs Sole Traders/Partnerships			Intuit	
Accountant Practices		Practice Software Market	 Practice Solutions	Sage Xero	Reckon CCH

Source: MYOB

MYOB primarily operates in the SME software market, practice software market and enterprise software market up to Tier 2 Enterprises (200 – 999 full time employees (“FTEs”)). MYOB’s main competitors are Xero Limited (“Xero”), Intuit Inc. (“Intuit”), Reckon Limited (“Reckon”) and Sage Group Plc (“Sage”).

- Xero – a leader in cloud-based accounting solutions for SMEs. While Xero has its origins in Australia and New Zealand, it has developed significant and rapidly growing businesses in both the UK and North America, and has been increasing its presence in South East Asia and South Africa;
- Reckon – a provider of accounting software to SMEs and accounting practices, primarily in Australia and New Zealand, with a particular focus on on-premise (desktop) practice management solutions for larger accounting practices. Reckon also provides solutions to legal firms in the form of document management system, cost accountability solutions, and property and business searches;
- Intuit – the market leader in the SME accounting software sector in the US. Intuit entered the Australia and New Zealand SME market in recent years and has employed an aggressive price-based strategy to capture market share; and
- Sage – a market leader in the SME and mid-market accounting software sectors in the UK. In Australia, Sage largely operates within the practice software market and enterprise software market.

The barriers to entry to the accounting software industry are relatively high. Incumbents generally have the benefits of strong brand presence. Given the importance of accounting and reporting to the management of a business, and the complexity and potential risks associated with migrating information systems and business processes from one accounting software product to another, users are generally reluctant to switch to other accounting software providers. For software publishers, the achievement of a critical mass of users and the generation of significant revenue streams provides the capability to reinvest in building software products, improving functionality and the user experience, and supporting sophisticated sales and marketing programs. Accounting practices are also likely to recommend or use familiar well understood software products. The consequence, particularly in the Australian market place, is that incumbents have been consolidating and gaining market share.

Even for software publishers with significant existing businesses, entry into new geographic markets is not straightforward. As different jurisdictions have different financial reporting standards and compliance

GRANT SAMUEL



requirements, significant investment is needed to ensure products are compliant with local market requirements, to generate brand awareness and to develop and maintain effective sales channels.

Key determinants for success in the Australian and New Zealand accounting software market include the capacity to devote sufficient investment in research and development to create and maintain a suite of integrated and easy to use products with advanced functionalities, effective branding and marketing, and strong positioning in key channels such as referrals by accounting practices.

SME Software Market

SME accounting software penetration in Australia and New Zealand has steadily increased, with around 75% of SMEs now using an accounting software product. Cloud-based accounting software has captured an increasing share of the market and is now used by approximately 55% of SMEs⁶. There has been a progressive shift in the Australia and New Zealand SME accounting software markets to cloud-based solutions (online subscriptions) and a corresponding decline in desktop subscribers, non-paying subscribers (those who have paid up front for a perpetual licence) and non-users of accounting software. The Australian and New Zealand SME accounting software markets are relatively advanced compared to those of the United Kingdom and United States, where online penetration rates are around 8% and 5% respectively. A source of future growth in the industry remains the pool of non-paying users that are not using any accounting software.

Given that the growth in total SME numbers has been slow (approximately 1% per annum) and is likely to continue at a similar rate, software publishers will need to source subscriber growth from non-users and non-paying users, or from a competitors’ subscriber base.

In terms of total user base, MYOB is the market leader in the Australian and New Zealand market with approximately 1.1 million SME users at 31 December 2018. However, given MYOB’s origins as a provider of desktop solutions, approximately 40% of these users are non-paying desktop users and a further 24% are desktop subscribers. While MYOB is pushing to migrate its desktop users online, only around 388,000 or 37% were online subscribers as at 31 December 2018. In aggregate, approximately 61% of MYOB’s total SME user base are paying subscribers. Xero is a newer but rapidly growing competitor with first-mover status in relation to cloud-based products. Intuit has also managed to gain significant headway in the Australian and New Zealand markets since its entry in 2014, reflecting its simple to use product and very aggressive pricing. In contrast, Reckon’s market share has declined significantly as it has faced increasing competition from the better resourced major participants in the sector and their feature rich online SME products. Reckon’s growth in subscriber base has fallen behind its competitors’, with Reckon adding only 4,000 cloud users in the six months ended 30 June 2018 compared to 93,000 for MYOB (all online ledger types) over the same period and 97,000 for Xero in the six months ended 30 September 2018 (also all online ledger types).

Accountant / practice recommendations are a key influence in SME software choices, with 45% of Australian SMEs using the software recommended by their accountants.⁷ Accounting practices are a particularly important sales channel in the micro-SME market, where accountants generally control the bookkeeping process with minimal involvement from the SME. Software publishers have been trying to win over practices by setting up partnership programs and offering discounts to practices that recommend the publisher’s software to their SME clients. More importantly, software companies have been developing products for both SMEs and accounting practices that are well integrated and enable easy collaboration between accountants and their clients, materially improving efficiency. Scalability and the ability to add functionality are also important features of accounting software, to ensure that businesses have no need to change software provider as they grow in size and complexity.

⁶ Source: Australia Media, Internet and Technology: It’s the Fast that Eat the Slow, Not the Big that Eat the Small. Morgan Stanley Research, 5 June 2018

⁷ Source: UBS Evidence Lab



Practice Software Market

Accounting practice software typically consists of client accounting, practice management, tax management and document management solutions. Software firms charge their practice clients on the basis of either the number of licensed users working in an accounting practice or the number of ledgers supported by the practice. This makes both the size of the practice (number of accountants) and practice's number of SME clients important. Growth in the market for practice software is expected to be relatively low. The number of accountants is expected to increase in line with or below historical rates of 2%, with automation potentially resulting in slowing, or even negative headcount growth. The market is substantially penetrated, with most practices already using accounting software. The costs and disruption involved in switching practice software to another product results in low churn in the market.

Accounting practices have primarily been desktop software users, and unlike SMEs, most practices do subscribe to maintenance and support services. Recently, however, as better and more comprehensive online products have become available, practices have migrated to cloud-based solutions. In addition to providing closer and more convenient integration with accountants' clients, cloud-based solutions have allowed practices to reduce the costs of setting up and maintaining information technology infrastructure, integrate accounting and statutory reporting processes, and provide easy access to software support and updates.

Given the importance of accounting practices as a sales channel for the SME market, software publishers are incentivised to build strong relationships with accounting practices, and to develop practice software solutions that support effective practice management and enable accountants to provide superior SME client service. Sales of practice software are typically made on a direct basis, often through dedicated specialist teams that are able to address the complex requirements of accounting practices. MYOB, Xero, Reckon, Sage, and CCH iFirm (a subsidiary of Wolter Kluwer) are the main participants in this market.

Enterprise Software Market

Enterprise software includes Enterprise Resource Planning ("ERP") software solutions and Human Resource Management ("HRM") software solutions. ERP products typically deliver an integrated suite of business-enabling applications that extend beyond the requirements of traditional accounting/finance functions to operational applications such as distribution, manufacturing, the supply chain, HR, customer relationship management solutions, business intelligence, project management, data mining, and complex budgeting and forecasting. ERP solutions provide significantly more functionality than SME software.

Enterprise software is commonly on-premise, with users typically operating their own IT infrastructure and receiving maintenance updates and extensive support services from their software providers. The switch to online products has been slower than for the SME market, predominantly due to the substantial investment required to migrate desktop solutions to provide equivalent cloud functionality, and in part because large enterprises are naturally better equipped to support in-house systems. Switching costs are also high for enterprise level applications, given the extensive time and significant complexity involved in enterprise software implementations and the fundamental business risks involved in changing software solutions that are deeply and widely embedded in the business and typically support business critical activities.

The shift to the cloud at the enterprise level has been accelerating, however, as both software providers and enterprises increasingly see potential benefits in cloud-based software, including opportunities to redefine business operations and generate significant operational advantages. For example, software publishers are incorporating new technology such as machine learning and visual recognition in programming to automate whole new functions of work.⁸ The result is expected to be a significant migration to cloud based applications, with cloud-based application workloads expected to more than double from current levels of around 22% to around 50% by 2022.⁹

⁸ Source: 2018 Outlook: Riding the Software Wave. Morgan Stanley Research, 17 January 2018

⁹ Source: CIO Survey 4Q18: Stable IT Budgets into 2019, Despite Mixed Macro Forecasts. Morgan Stanley Research, 10 January 2019

GRANT SAMUEL



The primary sales channel for the enterprise software market comprises business partners such as IT consulting firms that specialise in providing consulting and implementation services to large enterprises. Direct sales are infrequent as they require a large in-house sales force with implementation and support expertise.

The market can be divided into three tiers. MYOB’s enterprise products are designed to target the smaller Tiers 2 and 3 (from 20 to 999 employees), competing with the likes of Sage, Microsoft, and TechnologyOne. Oracle and SAP dominate the market for larger Tier 1 enterprises (more than 1,000 employees). Enterprise software providers compete on the breadth and depth of the functionality of their software offerings, the availability of resources and infrastructure to deliver implementation and ongoing support services, and perceptions of their financial and organisational capacity to provide enduring and upgradeable solutions to users over the longer term.

Other Solutions and Related Services

As the SME accounting software market has become increasingly saturated, software publishers have added functionalities to differentiate their products and increase revenue from each customer. For example, publishers have added point of sale solutions to enhance the utility of their software products for retail businesses. More recently, online invoicing and payments solutions have provided additional functionality that helps businesses manage cash flow. The provision of SME cash flow lending, working capital funding and equipment finance are examples of adjacencies into which software publishers could seek to expand, given their extensive contact with, knowledge of, and positive brand perception in, their SME customer bases.

At its core, payments and invoicing solutions involve automated generation and dispatching of online invoices, which link to the payment portal where payers make payment. These solutions are beneficial to businesses as the convenience provided encourage debtors to pay at a much faster rate than traditional invoicing methods. In return, payments solutions providers typically charge a percentage of the transaction amount as fees.

Software companies are attempting to increase utilisation of payment solutions by increasing the capabilities of their products, such as increasing payment types, adding features such as reminders and surcharging, automating statement generation to integrate with the accounting software and providing alternative payment structures (for example, Afterpay Touch Group Ltd).

MYOB competes with payments only providers (such as PayPal, BPay, and Afterpay), traditional banks (which are either developing their own payments platform or partnering with another business), emerging neobanks¹⁰ (such as Xinja, Volt Bank and Douugh), and other software providers such as Xero, which have partnered with payments providers such as Square.

In the SME lending market, software companies have an opportunity to address the demand for SME finance unmet by the major banks. In the Australian and New Zealand markets, the lending portfolios of traditional banks are focussed on housing mortgages and large corporations, given the incentives posed by the banks’ capital adequacy requirements. As a result, SMEs, particularly start-ups and those without assets as collateral and sufficient cashflow, have limited access to finance. On average, less than half of Australian small businesses with a turnover of less than \$200,000 have lending products, excluding credit cards.

Accounting software publishers have an opportunity, either directly or in joint venture with specialist financiers, to enter the SME lending market. In particular, their access to extensive data on their clients’ financial and transactional history should allow them to make improved credit risk assessments and deliver superior ongoing credit risk management outcomes. Payments solution providers such as PayPal and Square have also identified this opportunity and will be in competition with software publishers. However,

¹⁰ Neobanks are online-only banks that rely heavily on technology (such as mobile applications and artificial intelligence) to make the banking experience faster and easier.

GRANT SAMUEL



the strong brands of publishers such as MYOB should assist in building the customer trust required to develop a meaningful SME lending business.

3.3 Business Operations

MYOB generates revenue by selling its accounting and business management software products for use either on the desktop or via the cloud. Desktop users pay a one-off licence fee at the time of their initial software purchase, with the potential for subsequent maintenance payments for ongoing upgrades, access to enhanced product features and support. In the Practice Solutions and Enterprise Solutions segments, maintenance payments are mandatory and a pre-condition for desktop users continued use of the software and access to product upgrades. In the SME solutions division, maintenance payments are optional for desktop users, and users can continue to use the software without product upgrades. Cloud users pay ongoing subscription payments for the software and their access is terminated if subscription payments cease.

MYOB classifies revenue earned from existing customers, predominantly in the form of software subscriptions or annual maintenance payments as recurring revenue. These customers are referred to as 'paying' users. Revenue earned from one-off payments for new perpetual software licences are referred to as one-time or non-recurring revenue. These customers are referred to as 'non-paying' users if they do not pay for subsequent maintenance payments. MYOB's recurring revenue has increased at a CAGR of 11% across all segments, driven by the shift from desktop licensed software to cloud subscriptions, and resulting in an increasing number of paying users in the Clients and Partners and Enterprise Solutions segments. During the 2018 financial year, recurring revenue accounted for 96.5% of total revenue.

MYOB RECURRING AND NON-RECURRING REVENUE (\$M)



Source: MYOB

3.3.1 Clients and Partners

MYOB's Clients and Partners segment consists of its SME Solutions division, which provides software for small to medium sized businesses, and the Practice Solutions division, which provides software for accounting practices. Previously two separate reporting segments, MYOB combined the segments to form the single Clients and Partners segment in 2017. This is consistent with the company's strategy of developing an integrated suite of cloud-based software solutions that will enable MYOB's vision of the 'Connected Practice', centred on full integration between SMEs and their advisers / accountants.

GRANT SAMUEL



SME Solutions

The SME Solutions division is MYOB’s largest operating division and provides accounting, tax, payroll and other business management software for SMEs. In FY18 the division contributed 62% of MYOB’s total revenue, of which 99% consisted of recurring revenue. MYOB categorises its SME Solutions product offerings into three sub-categories:

1. **Accounting and Payroll (DIY):** incorporates full featured business management accounting software products for SMEs where the SME carries out data entry for the accounting process (i.e. ‘do-it-yourself’ accounting). The two core products are described below:

PRODUCT	PLATFORM	KEY FEATURES
AccountRight	Cloud and Desktop	Accrual-based accounting, complex payroll and inventory management, invoicing, project and job tracking, automated bank feeds, ‘work anywhere’ functionality. Suitable for larger SMEs.
Essentials	Cloud	Accrual-based accounting, simple payroll management, invoicing, automated bank feeds and ‘work anywhere’ functionality. Suitable for small SMEs (1-5 employees).

Source: MYOB

2. **DIFM Accounting:** provides simple cash-based accounting software for small SMEs (revenue less than \$2 million) where their external accountant is responsible for data entry and the SME is not involved in the accounting process (i.e. ‘do-it-for-me’ accounting). The products incorporate automated bank feeds and MYOB offers a desktop version (BankLink) and an online cloud version (Connected Ledger). MYOB is progressively migrating users (via their accountants) from BankLink to Connected Ledger.
3. **Integrated payments:** MYOB’s integrated payments software provides online invoicing and payment functionality and is delivered as part of the online accounting and payroll products.

Accounting and Payroll (DIY) products account for the majority of revenue in the SME solutions segment. The product category has been the primary driver of MYOB’s revenue growth over the last 5 years, of which almost all is recurring. This has been supported by the company steadily shifting its user base from the legacy desktop environment (where many users were non-paying) to online/cloud hosted subscription based products. The majority of revenue is generated by users of the AccountRight product.

SME REVENUE (\$M)



Source: MYOB

MYOB uses a dual-channel sales approach in its marketing and sale of SME solutions:

GRANT SAMUEL



- **Partner Advisers:** accountants, bookkeepers, IT consultants and other professional service firms partner with MYOB and earn various forms of commission for the referral of new SMEs to MYOB.
- **Direct Sales:** MYOB sells software online through the MYOB website or over the phone via the MYOB sales and service team of over 700 employees.

Practice Solutions

Practice Solutions is MYOB's second largest operating segment and provides accounting, practice management, corporate compliance and document management software products to accounting practices. In the 2018 financial year, the segment accounted for approximately 20% of total revenue. MYOB's Practice Solutions are used by accounting practices to complete ASIC and Australian Taxation Office ("ATO") compliance work for their clients, as well as to run their own practices. The company offers two core products in this segment:

- **Accountants Office:** sold in standardised configuration for single partner accounting firms.
- **Accountants Enterprise:** sold in customised configurations to larger, multi-partner accounting firms.

While both products are predominantly desktop based with users required to download maintenance upgrades, MYOB has been transitioning users to the cloud. This will continue as MYOB introduces functionality enhancements through the progressive delivery of the cloud-based MYOB Platform over the next two years. The MYOB Platform will deliver both accounting practice and SME solutions via a single interface. For accounting practices, it will provide an integrated platform that will support practice management, document management, advisory and compliance (client accounting, tax and corporate compliance) solutions.

MYOB's Practice Solutions revenue has grown at a modest CAGR of 2% over the period FY14 to FY18, reflecting the maturity of the accounting practice software market. MYOB's revenue growth in the segment has primarily been due to price increases and user transition from the desktop to the cloud, offset by accounting practice consolidation and some customer losses to Xero. During the 2018 financial year, 99% of Practice Solutions revenue was recurring revenue. MYOB sells practice software to accountants through its direct sales force, given the sophisticated nature of accounting firms' software requirements.

PRACTICE SOLUTIONS REVENUE (\$M)



Source: MYOB

GRANT SAMUEL



3.3.2 Enterprise Solutions

MYOB’s Enterprise Solutions business provides ERP and HRM software products to Tier 3 (20 – 199 FTEs) and Tier 2 (200 – 999 FTEs) enterprises in Australia and New Zealand. In the 2018 financial year the segment accounted for 15% of MYOB’s total revenue. MYOB’s software products in this segment are summarised below:

PRODUCT	PLATFORM	ENTERPRISE SIZE	KEY FEATURES
Exo	Desktop	Tier 3	<i>Exo Employer Services</i> provides HRM functions (payroll, HR, timesheets). <i>Exo Business</i> is a fully-integrated ERP system and includes HRM, Customer Relationship Management (“CRM”), inventory, job costing and payroll.
Advanced	Cloud	Tier 2 & 3	Fully-integrated ERP system with financial management, inventory, HRM, CRM and project management functionality.
PayGlobal	Desktop	Tier 2	Payroll and workforce management system, covering EBAs, leave, PAYG and Super
Greentree	Desktop	Tier 2	Fully-integrated ERP system with financial management, payroll, inventory, CRM and manufacturing and service management

Source: MYOB

Over the four years from FY14 to FY18, Enterprise Solutions’ revenue grew at a CAGR of 14%. This was boosted by MYOB’s acquisition of Greentree during 2016, augmented by 8% organic growth driven by product price increases and growth in the number of software licenses per enterprise customer.

ENTERPRISE SOLUTIONS REVENUE (\$M)



Source: MYOB

MYOB’s Enterprise Solutions products are predominantly marketed through the company’s enterprise channel partners, namely, IT consulting firms that specialise in MYOB’s ERP and HRM products. The company also seeks to grow the division by migrating SME customers as their businesses grow from small business accounting software (generally AccountRight) to more sophisticated enterprise resource planning software.



3.3.3 Payments

MYOB formed its Payments division when it acquired Paycorp in April 2017. Payments software is integrated with MYOB's software products in the Clients and Partners and Enterprise Solutions segments and currently provides the following services:

- Online invoice payments: payments of invoices sent by MYOB users to their end customers. MYOB charges a processing fee for each payment;
- Supplier payments: payments from MYOB customers to their suppliers, supported by the recently signed agreement with MasterCard;
- Enterprise payments: payments processed through MYOB's gateway for enterprise customers. MYOB charges a processing fee for each transaction; and
- SME lending: provided to pre-qualified SME customers utilising the investment and relationship with OnDeck.

MYOB has also identified payments from MYOB customers to their employees, the ATO, etc as a near-term opportunity in the payments segment.

In April 2015, MYOB acquired a 30% shareholding in OnDeck Australia, a subsidiary of OnDeck Capital, Inc., a leading provider of small business loans in North America. OnDeck Australia offers unsecured working capital loans to small businesses from \$10,000 to \$250,000 over 6 – 24 month terms. In 2017, MYOB commenced offering OnDeck loans via its website and accountant channel, branded MYOB Loans. MYOB earns commissions on loans it refers to OnDeck Australia.

3.4 Business Strategy

MYOB's business strategy is twofold. It aims to:

- protect and strengthen MYOB's position in its core SME market, in part through improved product development and achieving pre-eminence in the key accountant/adviser sales channel; and
- generate value through providing additional product/services to MYOB's SME customer base, initially through growth in its nascent payments and SME lending businesses.

The vigorous competition in the SME market between MYOB, Xero and Intuit, much of it price based, has highlighted the importance of the accountant/adviser sales channel. Accountants/business advisers are a key source of referrals and powerful influencers of SMEs in their choice of accounting software.

Accordingly, MYOB aims to secure a strengthened position with accountants and advisers through delivering the online MYOB Platform, which will provide comprehensive and integrated solutions via a single interface to both accounting practices and SMEs.

For accounting practices, the MYOB Platform will enable MYOB's vision of the "Connected Practice". The Connected Practice describes a future where seamless connectivity is experienced across the business ecosystem, to enable effective, real time transactions and insight led decision making by businesses, their accountants and their advisers. MYOB has embarked on the development of a single, cloud platform (called the MYOB Platform) that leverages artificial intelligence, to significantly streamline processes which SMEs and Advisers use today, and brings to life the vision of The Connected Practice. This creates efficiencies in compliance, transaction processing and enables growth in advisory services.

For SMEs, the MYOB Platform aims to provide a single, feature competitive, browser-based product with an optimised interface, that has the flexibility to add functionality to match clients' changing requirements as their businesses grow.

Underpinning the strategy is MYOB's investment plan, announced in November 2017, where an estimated \$50 million will be invested in accelerating delivery of the MYOB Platform and a further \$30 million will be

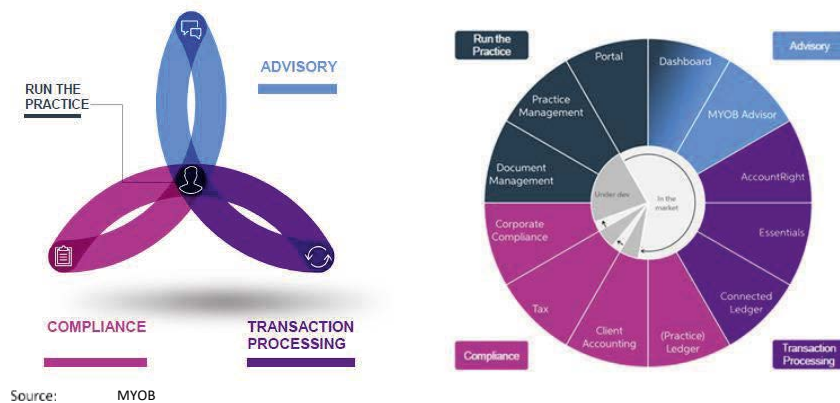
A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

GRANT SAMUEL



invested in improving MYOB’s sales and marketing capabilities, including through growing the size and capability of MYOB’s sales force and developing automated marketing and digital sales capabilities. Both investments are in relation to an acceleration of spending and are to be over a 2-3 year period.

The Connected Practice and the MYOB Platform are illustrated below:



The focus on product development and improved sales and marketing capabilities aims to win a larger proportion of newly formed SMEs (over time improving MYOB’s market share), improve retention rates and increase ARPU, thus increasing the life time value of MYOB’s clients.

In addition, MYOB is aiming to build a significant business through providing add on financial and related products and services to its SME customer base, initially focussed on payments services, lending solutions and retail point of sale (“POS”) solutions:

- **Payments:** MYOB is adding payment types and new features to its payment solution products to encourage increased utilisation by merchants and bill payers. This includes recently entering into a strategic partnership with MasterCard to offer supplier and payroll payment options to their customers;
- **Lending:** the investment and partnership with OnDeck Australia (through MYOB Loans) is performing well and significantly increases MYOB’s total addressable market; and
- **Retail POS:** MYOB increased their investment in Kounta to 50.1% in December 2018. Kounta is a market leading SaaS product in both retail and hospitality sectors with strategic partnerships with Commonwealth Bank and Apple.

GRANT SAMUEL



3.5 Financial Performance

The financial performance of MYOB for the five years ended 31 December 2018 is summarised below:

MYOB - FINANCIAL PERFORMANCE (\$ MILLIONS)

	YEAR ENDED 31 DECEMBER				
	2014	2015	2016	2017	2018
REVENUE					
Clients & Partners: SME	180.4	205.0	233.2	257.6	278.1
Clients & Partners: Practice	79.4	81.7	84.1	85.8	86.2
Enterprise Solutions	39.5	41.0	51.6	64.6	67.8
Payment Solutions	-	-	-	6.3	10.7
Group	-	-	1.5	2.2	2.4
Total revenue	299.3	327.8	370.4	416.5	445.2
OPERATING EXPENSES					
Cost of goods sold	(21.4)	(23.5)	(29.4)	(35.9)	(37.8)
Sales & marketing	(58.1)	(62.7)	(74.4)	(82.1)	(98.1)
Services & support	(26.5)	(26.5)	(29.6)	(34.7)	(38.2)
Research & development	(29.1)	(26.5)	(28.9)	(32.5)	(31.8)
General office	(35.7)	(35.7)	(36.7)	(41.4)	(49.6)
Total operating expenses	(170.8)	(175.0)	(199.1)	(226.6)	(255.6)
EBITDA¹¹	128.5	152.8	171.4	189.9	189.6
Depreciation and other amortisation	(10.4)	(12.9)	(18.4)	(22.3)	(32.8)
EBITA¹²	118.1	139.9	152.9	167.5	156.9
Amortisation of acquired intangibles	(60.1)	(58.1)	(57.4)	(58.4)	(56.9)
EBIT¹³	58.0	81.8	95.5	109.1	99.9
Net interest expense	(17.8)	(16.8)	(14.8)	(13.6)	(15.5)
Share of losses from equity accounted investments	-	-	(2.6)	(2.4)	(2.7)
Gain on revaluation of previously held equity accounted investment	-	-	-	-	12.0
Significant and non-recurring items	-	(132.1)	(7.0)	(7.7)	(8.6)
Operating profit before tax	40.2	(67.1)	71.1	85.5	85.2
Income tax (expense)/benefit	(12.2)	24.8	(19.0)	(24.8)	(21.4)
NPAT¹⁴ attributable to MYOB shareholders	28.0	(42.3)	52.2	60.7	63.8
STATISTICS					
Basic earnings per share (cents)		(8.4)	8.9	10.1	10.8
Dividends per share (cents)		-	10.5	11.5	5.8 ¹⁵
Dividend payout ratio		n/a	118%	114%	53%
Amount of dividend franked		0%	0%	0%	n/a

¹¹ EBITDA is earnings before net interest, tax, depreciation and amortisation, share of profits of equity accounted associates, investment income and significant and non-recurring items.

¹² EBITA is earnings before net interest, tax, amortisation of acquired intangibles, share of profits of equity accounted associates, investment income and significant and non-recurring items.

¹³ EBIT is earnings before net interest, tax, share of profits of equity accounted associates, investment income and significant and non-recurring items.

¹⁴ NPAT is net profit after tax.

¹⁵ 5.8c represents the interim dividend only. The final dividend for 2018 is yet to be announced.

A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

GRANT SAMUEL



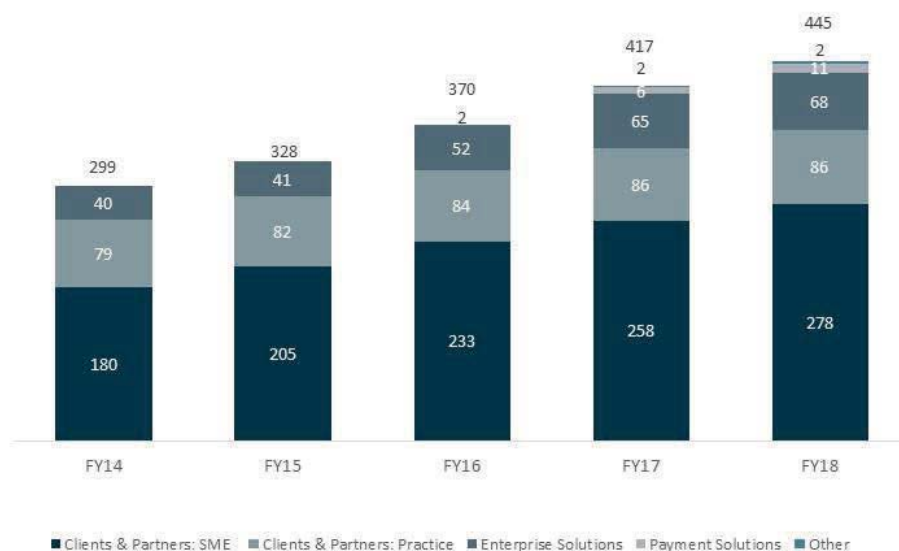
Total revenue growth		9.5%	13.0%	12.4%	6.8%
EBITDA growth		18.9%	12.1%	10.8%	(0.1%)
EBIT growth		41%	16.8%	14.2%	(8.4%)
EBITDA margin	42.9%	46.6%	46.3%	45.6%	42.6%
EBIT margin	19.4%	25.0%	25.8%	26.2%	22.4%

Source: MYOB and Grant Samuel analysis

After strong growth in revenues and earnings in the period FY15 to FY17, declining rates of revenue growth and accelerating costs have seen a slowing in MYOB’s earnings growth. For FY18, EBITDA was flat and EBIT declined, as revenue growth slowed to 7% while costs grew at 13%. The slowing of MYOB’s revenue and earnings growth reflects the fierce competition in MYOB’s key SME market and MYOB’s response to that competition, in part through the product, sales and marketing investments discussed above.

Revenue performance by segment is shown below:

MYOB – REVENUE BY BUSINESS SEGMENT (\$ MILLIONS)



Source: MYOB

Note: Other revenue represents R&D credits from the New Zealand Government

The SME sector has been the major driver of organic revenue growth over the period. Revenue performance by segment is analysed below:

- Client & Partners: SME** – the SME paying subscriber base increased from approximately 505,000 in December 2014 to 641,000 as at 31 December 2018. This is attributable to growth in online DIY subscribers, which contributed around 85% of total SME revenue in FY17 and 88% in FY18. The proportion of recurring revenue has grown steadily, reflecting the migration of the company’s active non-paying users to online subscriptions, the winning of new online customers and improvement in retention rates. DIY subscriber number growth has been offset in part by the decline in the number of DIFM subscribers, due to the slower than expected take up by accountants of MYOB’s new online product Connected Ledger and loss to competitors such as Xero. More generally, the business has faced ongoing competitive pressures, with both Xero and Intuit competing vigorously for online

GRANT SAMUEL



customers. In particular, MYOB's Essentials product has lagged behind its competitors' products in terms of functionality and Intuit has competed very aggressively on price.

- Overall ARPU has grown steadily over the period (from \$379 in 2015 to \$438 as at 31 December 2018), reflecting price increases off the back of improved product functionality. However, ARPU growth has slowed as MYOB has been forced to respond to vigorous price competition, with significant discounts offered to new clients to encourage migration to MYOB's products from mid-2017, a shift to lower priced products such as Connected Ledger and increased sales of SME products through accountants at wholesale prices; and
- Acquisitions have also contributed to revenue growth, with the acquisition of Ace Payroll and Information Management Services Limited ("IMS") in 2015 contributing to segment revenue growth of 2% in FY15 and a further 3% in FY16;
- **Client & Partners: Practice** – this has been the slowest growing segment across the period, at around 2% per year, reflecting the maturity of the market, competition from Xero and ongoing consolidation of accounting practices, resulting in a reduction in seat numbers;
- **Enterprise Solutions** – 8% organic growth in this segment, driven primarily by higher pricing and increased licences per site, rather than growth in installed sites, has been augmented by the 2016 acquisition of Greentree, which contributed around 20% of total segment revenue in FY18. The growth rate in Enterprise has recently been negatively impacted by the move from selling up-front desktop software licences to online subscriptions. This is a short-term headwind and once the majority of Enterprise customer have moved online will no longer impact growth rates; and
- **Payments Solutions** – this segment has delivered growing (but not yet significant) revenue streams since the acquisition of PayCorp in April 2017. MYOB expects this segment to grow and contribute materially to revenue in the coming years as penetration and usage by the existing customer base is currently low.

MYOB's operating expenditure has grown more rapidly than its revenues, with spending aimed at growing MYOB's user base, developing new products and defending MYOB's competitive position:

MYOB – OPERATING EXPENSES (% OF REVENUE)



GRANT SAMUEL



- **Cost of goods sold** – increased hosting costs for online solutions have resulted in a marginal increase in cost of goods sold as a percentage of revenue. Increased revenue from Payments Solutions, which has a relatively higher cost of goods sold, has also boosted overall cost of goods sold;
- **Sales and marketing costs** – a significant investment in sales and marketing (from 19% of revenue in FY15 to 22% in FY18) has underpinned the growth in MYOB’s user base and its strong brand awareness. This spending has included increased investment in MYOB’s field sales force who work with accounting partners to drive SME referrals, digital sales and marketing headcount, as well as additional spending in relation to the launch of the new MYOB branding. Spending is expected to continue to increase under the company’s two year \$30 million accelerated investment plan, with the objective of increasing the number of referrals and direct software purchases;
- **Research and development (“R&D”) costs** – the total outlay on R&D (i.e. both capitalised and expensed) has increased almost 80% from FY15 to FY18, as MYOB has devoted additional resources to product development, to ensure the functional competitiveness of its products and to further the development of its MYOB Platform. The quantum of capitalised R&D has increased substantially as MYOB has incurred expenditure on new product not yet contributing to revenue. MYOB’s policy is to expense R&D costs in relation to existing products and to capitalise R&D costs related to new products that have not been released in the market, to match the timing of the recognition of the expense with the associated revenue. Amortisation of capitalised R&D occurs over the subsequent period of expected benefit from the capitalised software. The following table compares annual amortisation of capitalised software costs with cash expenditures on software R&D:

MYOB – R&D SPEND (\$ MILLIONS)

	YEAR ENDED 31 DECEMBER			
	2015	2016	2017	2018
Expensed R&D	26.5	28.9	32.5	31.8
Capitalised R&D	20.1	27.2	35.3	52.2
Total R&D spend	46.6	56.1	67.8	84.0
<i>% of R&D spend capitalised</i>	<i>43%</i>	<i>48%</i>	<i>52%</i>	<i>62%</i>
Amortisation of capitalised R&D	8.2	12.7	15.5	23.6

Source: MYOB and Grant Samuel analysis

- **General office and administration costs and services and support costs** – other costs have generally increased in line with revenue growth.

MYOB has incurred various significant costs since 2015, as summarised below:

MYOB – SIGNIFICANT ITEMS (\$ MILLIONS)

	YEAR ENDED 31 DECEMBER			
	2015	2016	2017	2018
Public company costs	0.7	-	-	-
Acquisition transaction and integration costs	(5.0)	(4.2)	(5.2)	(5.0)
Offer related adjustments and other transaction costs	(20.3)	(0.2)	-	-
Business transformation one-off costs	(1.7)	(0.9)	(1.2)	(3.5)
Other non-recurring adjustments	(2.3)	(1.7)	(1.3)	(0.1)
Interest adjustment	(103.5)	-	-	-
Significant items (before tax)	(132.1)	(7.0)	(7.7)	(8.6)

Source: MYOB

GRANT SAMUEL



MYOB's relisting on the ASX in 2015 resulted in the incurring of significant non-recurring costs. The proceeds of the IPO and funds from new banking facilities were used to repay facilities then in place, resulting in penalty interest on the settlement of loan notes. The company has also incurred one-off transaction and integration costs related to its various acquisitions as well as business transformation costs.

MYOB has been entitled to claim research and development rebates, which resulted in an effective tax rate lower than the Australian company tax rate of 30% in the past four years.

Outlook

MYOB has not publicly released earnings forecasts for the year ending 31 December 2019 or beyond. In order to provide an indication of the expected future financial performance of MYOB, Grant Samuel has considered brokers' forecasts for MYOB (see Appendix 1). The relevant brokers' forecasts are summarised as follows:

MYOB – FINANCIAL PERFORMANCE (\$ MILLIONS)

	YEAR ENDING 31 DECEMBER		
	2018 ACTUAL	BROKER CONSENSUS (MEDIAN)	
		2019	2020
Sales revenue	445.2	481.2	520.0
EBITDA	189.6	187.8	210.0
EBIT	99.9	106.8	152.0
NPAT	63.8	70.0	90.1
Earnings per share (cents)	10.8	14.0	15.6
Dividends per share (cents)	5.8 ¹	11.5	12.0

Source: Grant Samuel analysis

Note 1: 5.8c represents the interim dividend only. The final dividend for 2018 is yet to be announced.

The brokers consensus forecasts are consistent with MYOB's broad guidance, which is summarised as follows:

MYOB – FINANCIAL GUIDANCE

	YEAR ENDING 31 DECEMBER	
	2019	2022
Organic revenue growth	6% - 8%	High single digit %
Research & development ¹	~20%	<16%
Underlying EBITDA margin ²	>38%	>45%
Free cash flow ³	>\$100m	>\$200m

Source: MYOB

Note 1: Total R&D (operating expenditure + capital expenditure) as a percentage of revenue

Note 2: Underlying EBITDA as a percentage of revenue

Note 3: Statutory EBITDA less net working capital and capital expenditure

GRANT SAMUEL



3.6 Financial Position

The financial position of MYOB as at 31 December 2017 and 2018 is summarised below:

MYOB - FINANCIAL POSITION (\$ MILLIONS)

	AS AT 31 DECEMBER 2017	AS AT 31 DECEMBER 2018
Debtors and prepayments	32.9	44.2
Inventories	0.1	-
Trade and other payables	(86.7)	(111.6)
Provisions (current)	(13.6)	(15.1)
Net working capital	(67.1)	(82.4)
Property, plant and equipment (net)	25.5	35.7
Goodwill	912.4	951.7
Other intangible assets (net)	344.3	325.3
Investments – equity method	7.5	4.3
Other investments	8.2	8.2
Deferred tax assets (net)	(16.2)	(19.1)
Other current assets	14.2	21.2
Provisions (non current)	(6.0)	(8.2)
Total funds employed	1,222.6	1,236.6
Cash and deposits	54.8	34.9
Bank loans, other loans and finance leases	(433.0)	(450.5)
Net borrowings	(378.2)	(415.6)
Net assets	844.4	821.0
Equity attributable to MYOB shareholders	844.4	821.0
STATISTICS		
Shares on issue at period end (million)	599.5	590.8
Net assets per share	\$1.41	\$1.39
NTA ¹⁶ per share	-\$0.69	-\$0.77
Gearing ¹⁷	0.31	0.34

Source: MYOB and Grant Samuel analysis

The following should be noted in relation to MYOB’s financial position:

- intangible assets of \$1,277 million form a significant portion of the assets of the company with goodwill contributing \$952 million. Goodwill relates principally to MYOB’s business acquisitions, particularly in relation to Bain Capital’s acquisition of MYOB itself making up approximately \$1.0 billion of the total balance of intangible assets. Other intangible assets include brands, customer relationships, commercialised software, internally generated software and acquired intellectual property. Of the \$325 million of Other intangible assets as at 31 December 2018, \$110 relates to capitalised software R&D costs. Approximately 86% of MYOB’s intangible assets are attributable to the Clients & Partners segment;
- investments accounted for using the equity method relate 30.0% interest in OnDeck Australia;

¹⁶ NTA is net tangible assets, which is calculated as net assets less intangible assets.

¹⁷ Gearing is net borrowings divided by net assets plus net borrowings.

GRANT SAMUEL



- other investments relate to MYOB's 8.22% holding of Acumatica International, Limited, a company which develops the software used in its ERP platform; and
- the number of shares on issue fell due to the on-market share buyback undertaken by the company in 2017 and 2018.

MYOB's bank debt is provided by a syndicate of five banks. It consists of two committed facilities of \$257.0 million, maturing in June 2021, and \$228.5 million, maturing in June 2023. As at 31 December 2018, MYOB has drawn \$452.6 million of borrowings and \$10.2 million of letters of credit. The undrawn portion of its facilities may be drawn upon at any time.

MYOB's funding at 31 December 2017 included finance leases related to the three year lease agreement with Dell Financial Services Pty Ltd for the funding of MYOB's computer fleet. This agreement expired prior to 31 December 2018. The company also has operating lease commitments not recognised on the balance sheet of \$41.8 million as at 31 December 2018. These commitments predominantly relate to commercial property leases, with the majority including renewal options.

As at 31 December 2018, the company had no other contingent liabilities or assets.

Under the Australian tax consolidation regime, MYOB and its wholly owned Australian resident entities have elected to be taxed as a single entity.

At 31 December 2018, MYOB had:

- \$1.9 million unused capital tax losses for which no tax asset has been recognised; and
- no accumulated franking credits.

3.7 Cash Flow

MYOB's cash flows for the four years ended 31 December 2018 are summarised below:

MYOB - CASH FLOW (\$ MILLIONS)

	YEAR ENDED 31 DECEMBER			
	2015	2016	2017	2018
EBITDA	124.2	164.4	182.2	181.0
Non-cash items in EBITDA	-	-	1.9	1.9
Changes in working capital and other adjustments	24.1	(3.8)	(1.8)	(3.6)
Capital expenditure (net)	(25.6)	(36.2)	(51.1)	(72.0)
Operating cash flow	122.8	124.3	131.2	107.3
Tax paid	-	(0.5)	(3.8)	(4.6)
Net interest paid	(31.0)	(14.3)	(12.7)	(13.6)
Dividends paid	-	(62.2)	(69.3)	(68.3)
Acquisitions (net of cash)	(29.0)	(22.8)	(50.5)	(11.5)
Proceeds from share issues (net of expenses and share buybacks)	778.3	-	0.2	(43.2)
Proceeds from borrowings (net)	(809.6)	(0.3)	-	15.7
Other	-	-	(2.3)	(2.3)
Net cash generated (used)	31.4	24.3	(7.3)	(20.4)
<i>Cash and deposits – opening</i>	<i>5.0</i>	<i>36.4</i>	<i>61.4</i>	<i>54.8</i>
<i>Effects of exchange rate movements</i>	<i>(0.0)</i>	<i>0.7</i>	<i>0.6</i>	<i>0.5</i>
<i>Cash and deposits – closing</i>	<i>36.4</i>	<i>61.4</i>	<i>54.8</i>	<i>34.9</i>

Source: MYOB and Grant Samuel analysis

GRANT SAMUEL



MYOB’s cash flows from operations were relatively stable for the period FY15 to FY17 in the approximate range of \$120-130 million per annum, reflecting growth in EBITDA offset by increasing capital expenditure (principally capitalised software costs). Free cash flows fell to \$107.3 million in FY18 as EBITDA stagnated and capital expenditure (principally software R&D and development costs) increased substantially. Cash flows from operations have principally been applied to servicing capital (through payments of dividends and share buybacks and through interest payments) and to business acquisitions:

- dividends per share grew from 10.5 cents per share in FY16 to 11.5 cents per share in FY17. An interim dividend of 5.75 cents per share was paid in October 2018 for FY18;
- MYOB bought back shares for aggregate consideration of \$48 million in FY17 and FY18; and
- In 2015, MYOB acquired ACE Payroll Plus Limited for NZ\$14.0 million (A\$13.1 million) and IMS for NZ\$10.0 million (A\$9.1 million). Greentree Group was acquired in 2016 for NZ\$28.5 million (A\$26.8 million) and PayCorp Payment Solutions Pty Ltd in 2017 for A\$49.0 million. In 2018, MYOB increased its stake in Kounta from 39.55% to 50.1% (A\$4.2 million) and acquired MyAdvisory Pty Ltd (A\$2.5 million) and CompanyIQ Pty Ltd (A\$2.2 million).

In 2015, the proceeds from the IPO and new facilities were used to repay existing debt, subordinated notes, loan notes, and preference shares, resulting in a significant reduction in the interest paid in subsequent years.

3.8 Capital Structure and Ownership

As at 8 March 2019, MYOB has 590,802,188 ordinary shares on issue. Of the 590,802,188 shares on issue, 5,538,798 relate to the 2017 Executive Share Plan (ESP). The relevant performance hurdles have not been met such that the ESP Shares will not vest. The ESP Shares have already been issued to participants with a non-recourse loan and will be sold on-market prior to the Scheme Record Date, with the proceeds of such sale to be retained by MYOB and held by MYOB as at the Implementation Date.

As at 8 March 2019, there were 4,663 registered shareholders in MYOB. The top 20 shareholders accounted for approximately 94.55% of the ordinary shares on issue.

MYOB has received notices from the following substantial shareholders:

MYOB – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE
ETA Asia Holdings II Pte. Ltd. (an affiliate of KKR)	103,935,106	17.59% ¹⁸
Manikay Partners LLC	65,000,000	11.00%
Mawer Investment Management	51,215,631	8.67%
Bain Capital	35,994,032	6.09%
Deutsche Bank	30,164,724	5.11%
Vinva Investment Management	29,567,382	5.00%

Source: MYOB

MYOB operates a unified incentive plan under which key management personnel are awarded cash and equity (deferred for three years) upon achieving annual performance metrics.

For FY18, 1,219,718 MYOB shares will be transferred for the benefit of relevant employees as a result of certain performance hurdles in respect of the UIP Incentives having been achieved. Those MYOB Shares may be used to vote on the Scheme at the Scheme Meeting, as directed by the relevant employees.

¹⁸ KKR, through its related entities, currently holds 17.59% of MYOB Shares and has a further economic interest in an additional 13,634,521 MYOB shares (2.3%) under a cash-settled equity swap.

GRANT SAMUEL



MYOB, in consultation with KKR, has the right to determine and grant incentives under the MYOB UIP in respect of the financial year ending 31 December 2019 (consistent with past practices of the MYOB Group). The exercise of discretion by the MYOB Board with respect to vesting of any such incentives is subject to the prior written consent of KKR (not to be unreasonably withheld).

3.9 Share Price Performance

3.9.1 Share Price History

A summary of the share price and trading history of MYOB since its listing on the ASX on 4 May 2015 is set out below:

MYOB - SHARE PRICE HISTORY

	SHARE PRICE (\$)			AVERAGE WEEKLY VOLUME (000'S)	AVERAGE WEEKLY TRANSACTIONS
	HIGH	LOW	CLOSE		
Year ended 31 December					
2015	3.92	2.98	3.26	6,724	4,858
2016	4.09	2.63	3.66	6,896	12,444
2017	3.85	3.20	3.62	13,972	16,027
Quarter ended					
31 March 2018	3.72	3.00	3.05	12,565	15,113
30 June 2018	3.32	2.72	2.89	17,717	18,408
30 September 2018	3.21	2.86	3.02	16,554	16,715
31 December 2018	3.69	2.85	3.36	19,291	16,578
Month ended					
31 January 2019	3.39	3.32	3.37	22,813	7,900
28 February 2019	3.47	3.36	3.41	21,776	6,892

Source: IRESS

The following graph illustrates the movement in the MYOB share price and trading volumes since 4 May 2015:

A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

GRANT SAMUEL



Source: IRESS

Despite outperforming prospectus forecasts in the first half of FY15, the MYOB share price generally trended down from the listing price of \$3.65 until it reached a low of \$2.66 in February 2016. Following the announcement of strong FY15 financial results on 25 February 2016, including a 46% year on year increase in online users, the MYOB share price recovered over the next six months, reaching a high of \$4.07 towards the end of August 2016. During this period, the company announced the acquisition of Greentree.

While overall results for the half year ended 30 June 2016 were in line with guidance and ahead of prospectus forecast, the speed of migration of users to MYOB's cloud suite was disappointing, resulting in a c.10% drop in the share price following the results announcement on 25 August 2016.

The significant volume of shares traded on 24 February 2017 reflected Bain Capital's sell down of 100 million shares, reducing their shareholding in MYOB to approximately 39.1%. Bain Capital sold a further 97.2 million shares on 8 December 2017.

MYOB shares traded within the range of \$3.23-3.81 over the course of the next twelve months. Despite the announcement of the acquisition of the accounting software business of Reckon on 16 November 2017, the share price fell due to market concerns around soft EBITDA margin guidance. For the first half of 2018, the MYOB share price traded down, reflecting uncertainty as to completion of the Reckon acquisition. The company announced on 31 May 2018 that the Reckon acquisition had been abandoned, citing the prolonged regulatory approval process and uncertainties created by these delays. On 31 May 2018, the share price closed at \$2.81, its lowest level since February 2016.

Following the announcement on 6 July 2018 that HMI Capital, LLC had become a substantial shareholder with a 5% interest, the MYOB share price recovered to levels around \$3.00. The share price closed at \$2.98 immediately before the announcement of KKR's initial indicative offer of \$3.70 on 8 October 2018. The share price fell from \$3.50 to \$2.90 following the announcement on 20 December 2018 that KKR had reduced its indicative offer to \$3.40 per share but recovered to close at \$3.29 following the MYOB's board recommendation of the KKR Proposal on 24 December 2018.

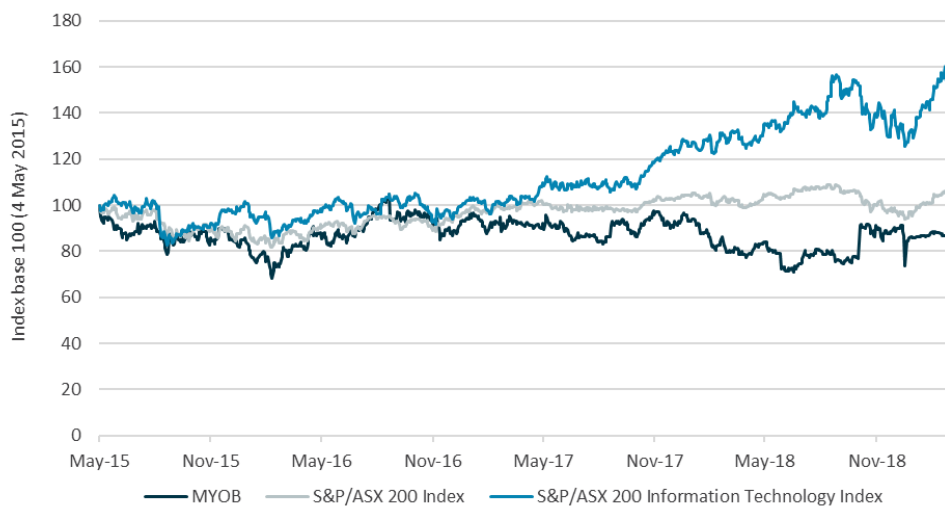
MYOB has been a reasonably liquid stock with limited restrictions on its free float. Average weekly volume over the twelve months prior to the announcement of the Proposal represented approximately 2.8% of average shares on issue or annual turnover of around 144% of total issued capital.

GRANT SAMUEL



3.9.2 Relative Performance

MYOB is a member of various indices including the S&P/ASX 200 Index and the S&P/ASX 200 Information Technology Index. As at 7 March 2019 its weightings in these indices were approximately 0.11% and 4.13%. The following graph illustrates the performance of MYOB shares since 4 May 2015 relative to the two indices:



Source: IRESS

MYOB shares generally traded in line with the two indices until December 2016. Since then, the MYOB share price has underperformed both indices. In particular, MYOB's share price performance fell well short of the very strong performance of the S&P/ASX 200 Information Technology Index during 2017 and during 2018 prior to KKR's proposal.

GRANT SAMUEL



4 Valuation of MYOB

4.1 Summary

Grant Samuel has valued MYOB in the range \$1,882-2,182 million, which corresponds to a value of \$3.19-3.69 per share. The valuation represents the estimated market value of MYOB’s operating business, adjusted for net debt at 31 December 2018. The valuation is summarised below:

MYOB - VALUATION SUMMARY (\$ MILLIONS)

	VALUE RANGE (\$M)	
	LOW	HIGH
MYOB enterprise value	2,300	2,600
Net debt at 31 December 2018	(418)	(418)
MYOB equity value	1,882	2,182
Fully diluted MYOB shares on issue (millions)	590.8	590.8
MYOB value per share (\$)	3.19	3.69

The valuation represents the estimated full underlying value of MYOB and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect MYOB shares to trade on the ASX in the absence of a takeover offer.

The value attributed to MYOB’s operating businesses of \$2,300-2,600 million is an overall judgement having regard to a range of valuation evidence. In particular, the valuation is based on evidence drawn from capitalisation of earnings analysis (including multiples of EBITDA, EBIT and free cash flow from operations), supported by indicative discounted cash flow (“DCF”) scenario analysis and evidence from the process by which, following the announcement of the KKR Proposal, MYOB and its advisers sought counter-proposals from third parties to acquire MYOB.

The earnings multiples implied by the valuation of MYOB are summarised below:

GRANT SAMUEL



MYOB – IMPLIED VALUATION PARAMETERS

	VARIABLE (\$ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range (\$million)		2,300	2,600
Multiple of EBITDA (times)			
Year ended 31 December 2018 (actual)	189.6	12.1x	13.7x
Year ending 31 December 2019 (forecast)	187.8	12.2x	13.8x
Multiple of EBIT (times)			
Year ended 31 December 2018 (actual)	99.9	23.0x	26.0x
Year ending 31 December 2019 (forecast)	106.8	21.5x	24.3x
Multiple of Cash EBITDA¹⁹ (times)			
Year ended 31 December 2018 (actual)	137.5	16.7x	18.9x
Year ending 31 December 2019 (forecast)	n.a.	n.a.	n.a.
Multiple of cash flow from operations²⁰ (times)			
Year ended 31 December 2018 (actual)	107.3	21.4x	24.2x
Year ending 31 December 2019 (forecast)	110.0	20.9x	23.6x

Source: Grant Samuel analysis

While MYOB has made guidance statements regarding revenue, software R&D costs, EBITDA and free cash flows for FY19 and beyond, the directors of MYOB have decided not to include in the Scheme Booklet information regarding budgeted earnings for FY19 or earnings forecasts for subsequent years. This information has therefore not been disclosed in this report. Accordingly, the multiples of 2019 earnings set out above are based on the brokers' consensus forecast for MYOB (see Appendix 1). These forecasts are sufficiently close to MYOB's budgeted earnings for FY19 to be useful for analytical purposes.

Grant Samuel has reviewed these multiples having regard to trading multiples for the limited set of companies that are broadly comparable to MYOB. In Grant Samuel's view, the multiples implied by the valuation of MYOB's operating businesses are reasonable having regard to the specific attributes of MYOB and, in particular, the opportunities, risks and threats posed by the competitive dynamic in the Australasian market place for SME accounting software.

MYOB's strategy, underpinned by material investments in software R&D and sales and marketing capability, is focussed on growing its share of new SME clients and driving increased ARPU. The strategy appears soundly based and early indications are that it is gaining traction. However, the reality is that it remains subject to a range of implementation and other risks. In particular, the inevitable competitive responses of MYOB's key competitors mean that it is difficult to predict with any confidence the timing and extent of the projected improvement in MYOB's financial performance.

A valuation that assumed the full success of MYOB's growth strategy could suggest a value for MYOB higher than the KKR Proposal. But MYOB's future financial performance is fundamentally uncertain. In Grant Samuel's view there is a real risk that future growth in MYOB's earnings and cash flow will fall short of the performance anticipated in MYOB's business plan and reflected in its market guidance. MYOB's recent financial performance and the vigorous competition that it will likely continue to face suggest that a more conservative approach to valuation is warranted.

DCF scenario analysis is helpful in understanding the range of potential future outcomes for MYOB and the associated range of values for the business. In particular, DCF scenario analysis provides valuable insight into the magnitude of the performance improvements required to justify a value of \$3.40 per share.

¹⁹ Cash EBITDA is EBITDA adjusted for capitalised software development costs

²⁰ Cash flow from operations is EBITDA less capital expenditure and capitalised software costs, adjusted for changes in working capital

GRANT SAMUEL



However, it provides little guidance regarding the relative probabilities of the various scenarios that could reasonably be posited for MYOB. In this context, in Grant Samuel’s view, the background to the KKR Proposal and the efforts made by MYOB and its advisers to seek superior proposals following the announcement of the KKR Proposal provide useful evidence as to the value of the MYOB business. Grant Samuel’s valuation of MYOB in the range \$3.19-3.69 per share reflects the fact that the KKR Proposal is, effectively, the highest price to have emerged from a competitive process for control of MYOB.

4.2 Methodology

4.2.1 Overview

Grant Samuel’s valuation of MYOB has been prepared by estimating the market value of MYOB’s operating business and subtracting net debt at 31 December 2018. The value of MYOB’s operating business has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm’s length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

Nevertheless, valuations are generally based on either or both DCF or multiples of earnings and Grant Samuel has had regard to both methodologies in the valuation of MYOB. The value ranges selected for MYOB are judgements derived through an iterative process. The objective is to determine a value that is both consistent with the market evidence as to multiples and fits with the output of DCF scenario analysis.

4.2.2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT or NPAT. These are referred to respectively as EBITDA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.



Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of businesses with stable or predictable cash flows.

While EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:

- EBIT (or EBITA) multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable indicator of ongoing capital expenditure. In addition, there can be differences between companies in the basis of calculation of depreciation.
- businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
- strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor. To convert

GRANT SAMUEL



sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a “premium for control” to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations, premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

Application of capitalisation of earnings to the valuation of MYOB is not straightforward. In particular, traditional accounting measures of performance (EBITDA and EBIT) are arguably unsatisfactory measures of economic performance in the case of MYOB and its peers. To the extent that software development costs are capitalised, EBITDA does not capture the full cash flow investments required to generate value over time. Similarly, to the extent that capitalised software costs exceed software cost amortisation (for example during a period of heavy investment in software R&D), EBIT may not be an adequate reflection of economic value-add. These issues may be exacerbated by differences between companies’ accounting policies and practices as they relate to software cost capitalisation and amortisation.

Consequently, in determining a value for MYOB’s business, Grant Samuel has also considered multiples of Cash EBITDA (EBITDA adjusted by deducting capitalised software R&D costs) and multiples of free cash flows from operations.

4.2.3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. Discounted cash flow valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed term contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is

GRANT SAMUEL



usually a high proportion of value. Accordingly, the parameters used in assessing this terminal value become critical determinants in the valuation. The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, discounted cash flow valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

MYOB management have prepared a model that projects earnings and cash flows over a four year period. The directors of MYOB have decided not to disclose the model or its earnings and cash flow forecasts in the Scheme Booklet and accordingly Grant Samuel has not disclosed these forecasts in this report. In any event, in Grant Samuel's view, notwithstanding that the model has been developed on a detailed "bottom up" basis, the fundamental uncertainty regarding MYOB's future financial performance is such that it would not be appropriate to place significant reliance on the model and its forecasts.

Instead, Grant Samuel has undertaken high level DCF scenario analysis to test the impact on calculated NPV of various assumptions about the future trajectory of MYOB's free cash flows. While this analysis is not determinative of value, it provides some insight into the magnitude of future performance improvements that would be required to justify a conclusion that the value of MYOB exceeds the KKR Proposal of \$3.40 per share. Together with subjective judgements regarding the risks and opportunities facing MYOB, this analysis helps to support an overall assessment of the KKR Proposal.

4.2.4 Transaction Process

The most reliable evidence as to the value of a business is the price at which the business has been bought and sold in an arm's length transaction, in which full information has been made available to prospective acquirers and there has been sufficient time for a proper process, both to ensure that all likely acquirers have been aware of the acquisition opportunity and for interested parties to undertake due diligence.

The KKR Proposal was not the result of a conventional business sale process. However, the background to the KKR Proposal and the subsequent "go shop" arrangements agreed between MYOB and KKR suggest that many of the elements of a competitive sales process were present in the overall circumstances of the KKR Proposal.

4.2.5 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value the business of MYOB. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

4.2.6 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in MYOB's case.

GRANT SAMUEL



4.3 Approach for MYOB

In valuing MYOB’s operating business, Grant Samuel has considered valuation evidence drawn from capitalisation of earnings analysis, DCF scenario analysis and the circumstances leading to and the process following the announcement of the KKR Proposal.

The value range selected for MYOB is a judgement derived through an iterative process²¹. The objective is to determine a value that is consistent with the market evidence as to multiples, fits with the output of DCF scenario analysis and is informed by the circumstances leading up to and the process that followed the announcement of the KKR Proposal.

Specific aspects of the methodology adopted by Grant Samuel include the following:

- MYOB has been valued as a single business (i.e. the Clients and Partners segment and the Enterprise segment have not been valued separately and then aggregated). There are a number of reasons for adopting this approach:
 - MYOB does not report profit and loss and cash flows for the Enterprise segment separately from the Clients and Partners segment;
 - valuation evidence from comparable companies and transactions involving “pure play” SME, accounting practice and mid-market accounting software businesses is limited; and
 - to the contrary, the software businesses included in the comparable evidence generally have a range of activities across various markets and this range is reflected in their blended multiples.
- the few recent transactions involving accounting software companies do not, in Grant Samuel’s opinion, provide meaningful valuation evidence for MYOB. The transactions generally involve companies with limited relevance for the valuation of MYOB. In particular, the companies involved did not have the SME focus of MYOB’s business. The information available to derive multiples for the comparable transactions is limited and generally does not enable the calculation of forward looking multiples. The multiples implied by the transaction prices reflect a wide range of factors, including the particular circumstances of the target companies, market conditions at the time, their growth expectations and other factors. In particular, the comparable transactions reflect neither the competitive dynamics of the markets within which MYOB operates nor the historical and expected earnings and cash flow profile of MYOB. Accordingly, Grant Samuel has focussed on valuation evidence inferred from the share prices for broadly comparable companies with significant businesses in the SME accounting software sector;
- in addition to multiples of EBITDA and EBITA, Grant Samuel has had regard to multiples of “Cash EBITDA” (EBITDA adjusted by subtracting capitalised software development costs) and multiples of free cash flow from operations. Particularly in the case of MYOB, both of these measures are arguably superior indicators of economic value generation than EBITDA and EBITA. Both allow more meaningful comparisons with the comparable companies, which in some cases differ from MYOB in terms of their approaches to the capitalisation and expensing of software costs;

²¹ The iterative process involves:

- selecting an initial valuation range for the business (based on a review of market evidence on multiples and the output of DCF analysis;
- reviewing the implied multiples (historical and forecast EBITDA and EBITA, and other measures of earnings) and the relationship with the NPV outcome of the DCF analysis;
- considering the risks associated with the various DCF scenarios and the extent to which they should be given weight in the valuation;
- reviewing the background to the KKR Proposal and the results of the process by which MYOB and its advisers sought alternative acquisition proposals following the announcement of the KKR Proposal; and
- then, if necessary, adjusting the value range until Grant Samuel is satisfied that the final value range is reasonable across all of these parameters, taking into account the specific attributes of the business, its outlook and its risk profile.

GRANT SAMUEL



- while it is possible to build a detailed bottom up cash flow model for MYOB based on estimates of net growth in the user base, growth in ARPU and a detailed projection of the business' cost structure, the reality is that a wide range of future outcomes for these detailed parameters is credible. In particular, the effect of competition may be to reduce expected growth in client numbers and ARPU or to require additional expenditure (whether on marketing or software R&D) to remain competitive and achieve targeted revenue growth. The ultimate outcomes in terms of free cash flow are (from a valuation perspective) arguably more important than the individual components (user numbers, ARPU and cost structure) that collectively deliver the cash flow outcome. Grant Samuel has undertaken a high level DCF scenario analysis that examines a range of cash flow outcomes. The objective is to identify the extent of the cash flow improvements that would required for the KKR Proposal to be deemed not fair, and conversely to consider the impact on calculated NPVs of less positive outcomes;
- Grant Samuel has given consideration to (but not made explicit adjustment for) the synergies potentially achievable by acquirers of the business. In this regard, normal valuation practice is to include (either implicitly or explicitly) a value for synergies that are available to multiple acquirers but to exclude synergy value that is unique to a particular acquirer.
- given the absence of reliable forecast earnings information for MYOB beyond FY19, the best evidence for the value of MYOB is arguably to be inferred from the circumstances of the KKR Proposal and, in particular, the process conducted by MYOB to seek competing acquisition proposals following the announcement of the KKR Proposal. Grant Samuel has placed considerable reliance on the background to, details of and outcomes of this process as an indicator of whether the KKR Proposal falls within a range of fair values.

GRANT SAMUEL



4.4 Value of Business Operations

4.4.1 Overview

Grant Samuel has valued MYOB’s business operations in the range \$2,300-2,600 million.

Valuation of MYOB is inherently uncertain. Fundamentally, this uncertainty reflects the material difference between MYOB’s recent financial performance on the one hand, and the expectations of significantly improved medium term performance that MYOB has flagged in its market guidance on the other.

Following a period of stagnating earnings and flat to declining cash flows, MYOB expects to revitalise its business through a significant lift in investment in software development and sales and marketing, which in turn is expected to accelerate growth in user numbers, increase ARPU and materially lift earnings and free cash flow.

Judgements regarding value require an assessment of the risks associated with this expected performance improvement, and, in particular, the likely competitive response from MYOB’s two major competitors, Xero and Intuit. Such judgements are by their very nature subjective. In this context, in Grant Samuel’s view, the background to the announcement of the KKR Proposal and the process by which MYOB and its advisers sought counter-proposals following that announcement provide useful information regarding the value of MYOB. Overall, Grant Samuel’s conclusion as to the value of MYOB represents a synthesis of valuation evidence derived from capitalisation of earnings analysis, indicative DCF scenario analysis and the overall circumstances of the KKR Proposal.

4.4.2 Capitalisation of Earnings Analysis

Background

MYOB’s guidance is for free cash flows to grow from “>\$100m” for FY19 to “>\$200m” for 2022. As a result, valuation based on capitalisation of earnings and free cash flows for FY18 and FY19 is not straightforward, as financial performance for these years is arguably representative of MYOB’s longer term earnings potential. However, there is no realistic alternative, given the lack of detailed guidance regarding MYOB’s earnings and the significant uncertainty regarding earnings and cash flow forecasts for both MYOB and the comparable companies beyond (at the latest) FY20. Accordingly, capitalisation of earnings analysis requires:

- a subjective balancing of MYOB’s expected growth in earnings and the risks associated with the delivery of that growth; and
- a comparison of MYOB’s potential earnings growth (on some risk basis) against the growth expectations of the comparable companies.

Sharemarket Evidence

Capitalisation of earnings analysis for MYOB is made more difficult by the very small set of comparable companies that derive the majority or a substantial component of their revenues and earnings from providing on-line accounting software solutions to SMEs. Globally, only Xero, Intuit and Sage are significant participants in this market segment. Xero, Intuit and (to a much smaller extent) Sage are all participants in the Australian SME accounting software market. Reckon Limited has a much smaller SME software business in Australia, with a somewhat stronger position in the accounting practice market.

None of these companies is directly comparable to MYOB. MYOB and the comparable businesses differ in relation to such factors as:

- geographical exposure (e.g. MYOB is exclusively focussed on the Australasian market while Xero, Intuit and Sage have operations across multiple jurisdictions);

GRANT SAMUEL



- SME focus. Xero is exclusively SME focussed. MYOB and, in particular, Sage also sell enterprise software solutions for medium sized businesses. Intuit has a significant consumer business focussed on its TurboTax product;
- technology base (extent to which software products are already cloud-based);
- revenue and earnings growth rates; and
- business size, user base, absolute revenues and market capitalisation.

The following table sets out the earnings multiples for the comparable companies implied by their share prices as at 7 March 2019:

SHAREMARKET RATINGS OF SELECTED LISTED SME SOFTWARE COMPANIES

	HISTORICAL	FORECAST YEAR 1	FORECAST YEAR 2
Multiple of Revenue			
Xero	18.6x	13.7x	10.4x
Reckon	1.5x	1.5x	1.5x
Intuit	10.6x	9.5x	8.6x
Sage	4.2x	4.0x	3.7x
Multiple of EBITDA			
Xero	298.1x	98.2x	54.0x
Reckon	3.8x	3.8x	3.8x
Intuit	36.0x	25.7x	23.3x
Sage	15.5x	15.2x	14.2x
Multiple of EBIT			
Xero	n.m.	n.m.	124.7x
Reckon	9.2x	8.3x	8.3x
Intuit	42.1x	28.3x	25.3x
Sage	17.9x	16.7x	15.6x
Multiple of cash flow from operations			
Xero	1,020.1x	3,352.4x	155.8x
Reckon	7.4x	7.7x	7.4x
Intuit	35.9x	25.1x	22.8x
Sage	18.7x	16.3x	15.7x
Multiple of Cash EBITDA			
Xero	n.m.	n.a.	n.a.
Reckon	7.3x	n.a.	n.a.
Intuit	37.9x	n.a.	n.a.
Sage	16.7x	n.a.	n.a.
Multiple of net profit after tax			
Xero	n.m.	n.m.	195.5x
Reckon	8.7x	7.9x	7.8x
Intuit	52.6x	37.0x	33.1x
Sage	23.8x	21.8x	20.1x

Source: Grant Samuel analysis

A detailed analysis of these entities is set out in Appendix 2.

GRANT SAMUEL



The following factors are relevant to consideration of the comparable entity multiples:

- the multiples for the listed entities are based on share prices and therefore do not include a premium for control;
- Xero is a \$6.9 billion²² market capitalisation company with FY18 revenues of NZ\$406 million. It has a rapidly growing business, strong market positions in Australasia and the UK and a significant business in the US market. It is the leading on-line SME software provider in both Australasia and the UK. Given an expected rapid uptake of on-line solutions in the UK (resulting from tax legislation requirements for on-line reporting) and the low levels of on-line software adoption in the US, share market analysts believe that Xero has considerable growth potential;
- Intuit is a US\$63.7 billion market capitalisation company with annual revenues for the last financial year of US\$6 billion and around 50 million users in total. Intuit’s QuickBooks Online product has over 3.4 million users and the number one position in the US SME market. Intuit’s TurboTax product is the leading software product in the US DIY tax return segment. In recent years Intuit has successfully grown the market share of Quickbooks OnLine in the UK and Australian markets, with a very aggressive price driven strategy supported by significant investments in sales and marketing;
- Sage has a market capitalisation of approximately £7.2 billion, with FY18 revenue of £1.8 billion. From origins in the UK, Sage has grown an international business, in large part through acquisition, with operations in the UK, Europe, the US, Australia and elsewhere, and applications targeting, amongst others, SMEs, larger (medium sized) businesses and accounting firms. It has recently announced a strategy of rationalising its business via a focus on, and additional investment in, cloud-based solutions (which will be integrated into the “Sage Business Cloud”) while divesting or otherwise extracting value from applications that are not suitable for migration to the cloud.
- Reckon is a \$76 million market capitalisation business, with FY18 revenues of \$75 million. It has a strong share of the market for high end accounting practice solutions through its APS product, which it is busy migrating to the cloud. Its Reckon One cloud-based accounting software competes in the SME sector.

Implied Multiples for MYOB

The valuation of MYOB’s business operations in the range \$2,300-2,600 million implies the following multiples of revenues, earnings and cash flows:

MYOB BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	VARIABLE (\$ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range (\$million)		2,300	2,600
Multiple of Revenue			
Year ended 31 December 2018 (actual)	445.2	5.2x	5.8x
Year ending 31 December 2019 (forecast)	481.2	4.8x	5.4x
Multiple of EBITDA			
Year ended 31 December 2018 (actual)	189.6	12.1x	13.7x
Year ending 31 December 2019 (forecast)	187.8	12.2x	13.8x
Multiple of EBIT			
Year ended 31 December 2018 (actual)	99.9	23.0x	26.0x
Year ending 31 December 2019 (forecast)	106.8	21.5x	24.3x

²² Market capitalisations for Xero, Intuit, Sage and Reckon are as at 7 March 2019.

GRANT SAMUEL



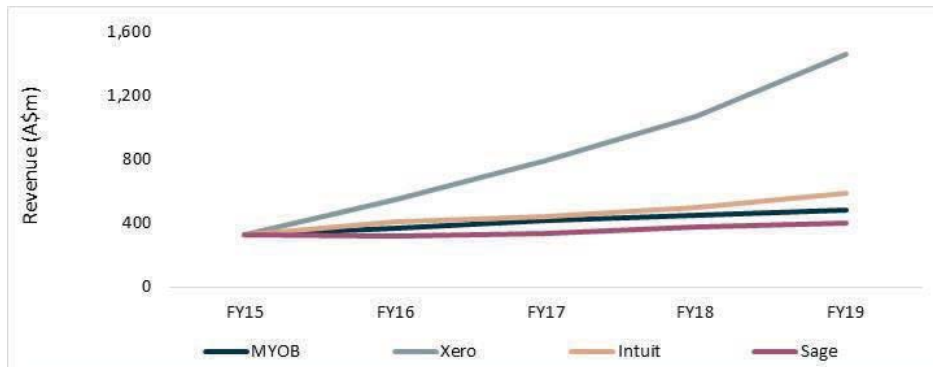
Multiple of Cash EBITDA			
Year ended 31 December 2018 (actual)	137.5	16.7x	18.9x
Year ending 31 December 2019 (forecast)	n.a.	n.a.	n.a.
Multiple of cash flow from operations			
Year ended 31 December 2018 (actual)	107.3	21.4x	24.2x
Year ending 31 December 2019 (forecast)	110.0	20.9x	23.6x
Multiple of net profit after tax			
Year ended 31 December 2018 (actual)	63.8	29.5x	34.2x
Year ending 31 December 2019 (forecast)	70.0	26.9x	31.2x

Source: Grant Samuel analysis

Analysis and Commentary

Comparison of the multiples implied by Grant Samuel's valuation of MYOB with the multiples implied by the share prices for the comparable companies requires an assessment of the relative prospects of the various businesses. While valuation is essentially concerned with judgements regarding likely future financial performance and cash flow generation, historical trends in financial performance do provide at least some indication of possible future performance. The following charts compare the revenue, EBITDA and free cash flow growth of MYOB with those of Xero, Intuit and Sage for the period from FY15 to FY19 (where FY19 reflects analysts' consensus)²³.

MYOB VS PEERS – REVENUE GROWTH



Source: Grant Samuel analysis

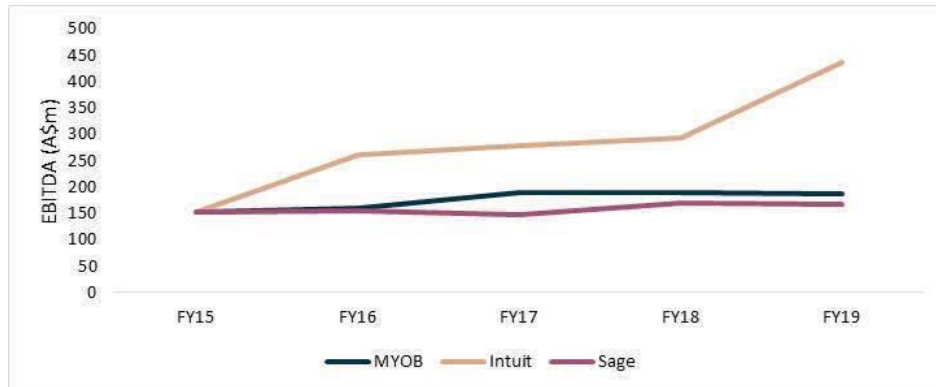
²³ Xero, Intuit and Sage re-based to MYOB FY15 revenue, EBITDA and FCF. Xero excluded from EBITDA and FCF chart due to negative values in earlier years. Xero (31-Mar), Intuit (31-Jul) and Sage (30-Sep) reflect different financial year-ends to MYOB (31-Dec).

A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

GRANT SAMUEL

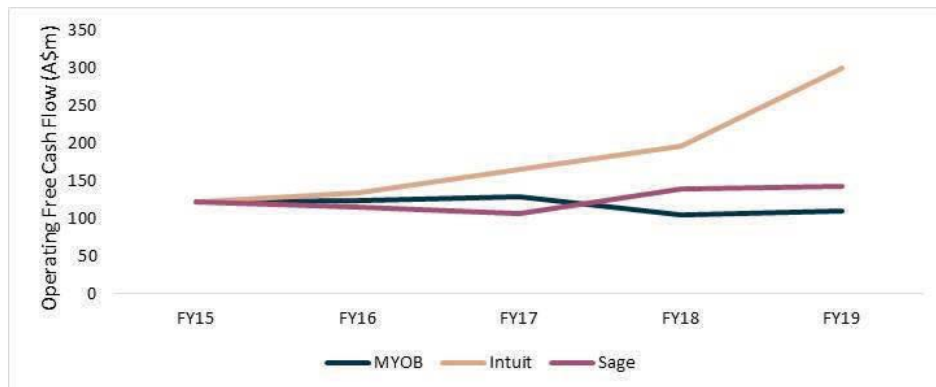


MYOB VS PEERS – EBITDA GROWTH



Source: Grant Samuel analysis

MYOB VS PEERS – CASH FLOW FROM OPERATIONS



Source: Grant Samuel analysis

The charts show that Xero has achieved very high rates of revenue growth since FY15 and is expected to continue to grow rapidly. Intuit has achieved slower but still strong revenue growth, significantly outperforming MYOB and Sage. In terms of EBITDA and free cash flow, Intuit has delivered much stronger growth than MYOB and Sage. While MYOB has marginally outperformed Sage in terms of revenue and EBITDA growth, Sage has generated superior growth in free cash flows from operations.

The valuation of MYOB represents multiples of revenue and earnings that are materially lower than those for Xero and Intuit, broadly comparable with those for Sage, and much higher than those for Reckon. In that regard:

- Xero trades on very high multiples of revenue and earnings, reflecting its strong revenue growth performance over a number of years (FY18 revenue growth in Australasia, the UK and the US of, respectively, 33%, 60% and 28%) and market expectations of continued high growth rates. In particular, Xero has strong prospects in the UK market, where it is the leading provider of on-line SME software, and where legislative changes will effectively require SMEs to put in place the capability to lodge on-line tax returns directly from their accounting systems. While Xero has a very small market share in the much larger US market place, where it holds a distant second position in the market

GRANT SAMUEL



behind Intuit, the US is an under-penetrated market that offers considerable longer term growth upside. Xero has early stage businesses in a number of other jurisdictions including Canada, Indonesia, Singapore, Hong Kong, Ireland and South Africa. Xero has only recently achieved profitability at the EBITDA level and so multiples of earnings (EBITDA, EBIT and NPAT) are of limited significance;

- Intuit also trades on high multiples of earnings (although less so than Xero). These multiples reflect Intuit's recent strong growth in earnings. It has a leading position in the large US market in both the SME accounting software market and the personal tax return segment through its TurboTax product. While the less onerous business reporting obligations in the US do not provide the same external driver for on-line accounting software market growth as in Australia and the UK, the US market is relatively under-penetrated and Intuit's TurboTax user base provides a significant cross-sell opportunity. Intuit's QuickBooks OnLine product has achieved strong growth and a clear market-leading position in the US market. Given its substantial revenue base and market capitalisation, Intuit has the financial flexibility and capacity to fund growth initiatives in new markets. In the UK and Australian markets, Intuit has leveraged its financial strength and used an aggressive discounting strategy allied with substantial investment in sales and marketing to build meaningful market shares for QuickBooks OnLine;
- Sage's share price fell in November 2018 in line with the broader technology sector and following the release of disappointing revenue and earnings results. Sage announced a new strategy based on accelerating its transformation to a SaaS focus and progressively exiting those businesses not suited to migration to the cloud. In the UK market, Sage's SME solution is under considerable pressure from both Xero and QuickBooks Online. On the other hand, the UK market for on-line SME accounting software is less mature than the Australian market. The UK government "making tax digital" initiative is expected to spur considerable growth in the SME software sector. Sage recently announced stronger results for the first quarter of FY19 and its share price has recovered to levels around those prior to the technology sector sell off in the second half of FY18; and
- Reckon's share price fell significantly during 2018 (from a high of \$1.59 to recent prices around \$0.70), in large part, it appears, as it became apparent that Reckon's proposed sale of its accounting practice software to MYOB would not proceed. Reckon's current market capitalisation, which represents EBITDA multiples of around 4 times, appears to reflect a view that Reckon is strategically vulnerable given the nature of the competitive dynamic in the Australian market for SME software. Given Reckon's modest size and the low multiples of earnings on which it is trading, in Grant Samuel's view Reckon does not provide useful evidence as to the value of MYOB.

Given the very wide range of multiples on which the comparables are trading, and their dramatically different strategic positions and growth expectations, judgements regarding the multiples that should apply to MYOB are inherently subjective. Grant Samuel has had particular regard to Cash EBITDA multiples (i.e. adjusted for capitalised software development costs) and multiples of operating cash flow. In recent years, MYOB has incurred significant software development costs that have been capitalised rather than expensed and reflected in EBITDA, as summarised below:

MYOB – R&D SPEND (\$ MILLIONS)

	YEAR ENDED 31 DECEMBER			
	2015	2016	2017	2018
Expensed R&D	26.5	28.9	32.5	31.8
Capitalised R&D	20.1	27.2	35.3	52.2
Total R&D spend	46.6	56.1	67.8	84.0
<i>% of R&D spend capitalised</i>	<i>43%</i>	<i>48%</i>	<i>52%</i>	<i>62%</i>
Amortisation of capitalised R&D	8.2	12.7	15.5	23.6

Source: MYOB and Grant Samuel analysis

GRANT SAMUEL



By contrast, Intuit and Sage expense all of their software product development costs (although they do capitalise relatively modest costs associated with software developed for in-house use), while Xero has capitalised a significant proportion of its software product development costs:

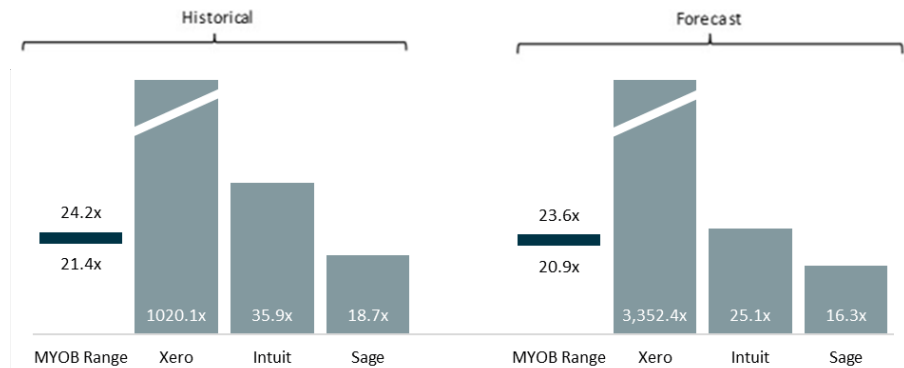
XERO – R&D SPEND (NZ\$ MILLIONS)

	YEAR ENDED 31 MARCH			
	2015	2016	2017	2018
Expensed R&D	37.0	54.1	67.3	83.7
Capitalised R&D	30.3	44.9	52.9	59.4
Total R&D spend	67.3	99.0	120.2	143.1
<i>% of R&D spend capitalised</i>	45%	45%	44%	42%
Amortisation of capitalised R&D	11.5	19.1	29.0	39.7

Given the wide range of approaches to the capitalisation of software costs, EBITDA and EBIT measures for the various companies are of limited comparability. Cash EBITDA (EBITDA adjusted for capitalised software costs) and free cash flows from operations (EBITDA adjusted for capital expenditures, capitalised software costs and movements in working capital) are, in Grant Samuel’s view, better measures of underlying economic performance and allow more useful comparisons.

The following charts compare the multiples of cash EBITDA and cash flow from operations implied by the valuation of MYOB with the multiples for (principally) Intuit and Sage. Comparison with the earnings multiples for Xero offers little useful valuation evidence, as Xero has only recently achieved profitability at the EBITDA level. It is trading on very high multiples of EBITDA, reflecting current low profitability and a market expectation of continued rapid growth in revenues and earnings.

MYOB VS PEER FREE CASH FLOW FROM OPERATIONS MULTIPLES

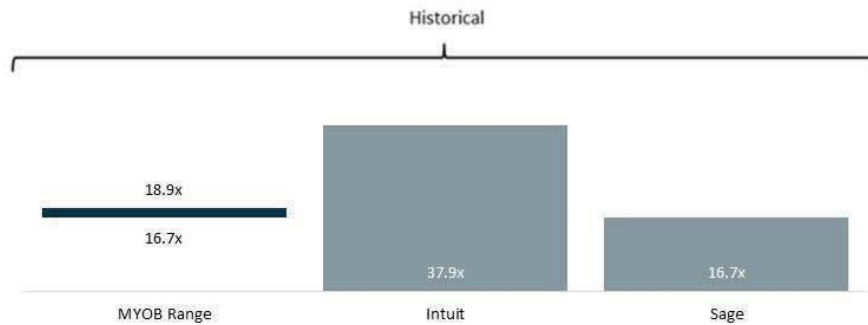


Source: Grant Samuel Analysis

GRANT SAMUEL



MYOB VS PEER CASH EBITDA MULTIPLES



Source: Grant Samuel Analysis

The multiples of cash EBITDA and operating cash flows implied by the valuation of MYOB are high, particularly having regard to the low (and in the case of operating cash flows, negative) rates of growth achieved by MYOB in recent years. However, they are broadly consistent with those on which Sage is trading, given that the multiples for Sage are based on share trading prices and do not include a premium for control.

The valuation range represents much less demanding multiples of the FY22 free cash flows of “>\$200 million” anticipated as per MYOB’s guidance. Based on free cash flows for FY22 of \$200 million, the multiples are in the range 11.5-13.0 times. However:

- these are multiples of cash flows only expected to be achieved in four years’ time; and
- the guidance cash flows for FY22 are premised on MYOB’s success (through its planned investment program) in reinvigorating its valuable SME DIY business and growing its market share in what is likely to be a relatively slow growing market, against a backdrop of modest recent performance and where competitors can be expected to provide continued vigorous competition. Achievement of the uplift in earnings and cash flows is subject to a wide array of risks.

In reviewing the multiples implied by the valuation of MYOB, Grant Samuel has considered the following positive attributes of the business:

- MYOB’s user base, which is the largest in the Australasian market place and includes 1.1 million SMEs, 13,000 accounting practices and 8,000 larger enterprise clients;
- the strength of the MYOB brand in the Australasian SME software market with 641,000 paying users at 31 December 2018, reflecting MYOB’s presence in the market for more than 25 years;
- the rapidly growing on-line user base (totalling more than 620,000 on-line users as at 31 December 2018), with strong retention rates and growing ARPU;
- MYOB’s strong position in the accounting practice market. Accounting practices are a key channel for new SME software sales, in terms of direct sales generation and also as a source of referrals and recommendations;
- the opportunity to cement MYOB’s position in the accounting practice sales channel through the delivery of the MYOB Platform, and the expected spin-off in terms of improving MYOB’s competitive position in the SME market and lifting ARPU;
- the extensive non-revenue generating user base that still uses MYOB desktop-based legacy solutions. Numbering more than 400,000 at 31 December 2018, these users paid a one-time perpetual licence fee but are not currently generating revenue. They represent a pre-qualified pool of prime candidates

GRANT SAMUEL



for migration to high value DIY on-line products. For these users, transfer of their accounting and management systems to a non-MYOB product would involve substantial time, cost and potential business disruption relative to migration to an MYOB on-line solution. MYOB has a compelling advantage relative to its major competitors in terms of converting these users into valuable recurrent fee generating on-line clients (although it must be recognised that many will never migrate, as a result of natural attrition or for other reasons);

- MYOB’s significant Enterprise business, which is valuable in its own right and also provides a natural upgrade path for successful SME clients that outgrow their SME software solutions;
- the opportunity to generate significant value through growing MYOB’s early stage payments business and leveraging MYOB’s relationship with and data flows from its SME clients to provide other financial services (e.g. cash flow lending).

On the other hand, the valuation also needs to reflect the challenges and risks facing the business:

- the vigorous competition in the Australasian market for SME accounting and practice management software. MYOB faces two formidable competitors:
 - Xero has had a fully cloud-based product line since its inception and has been able to focus on the growth of its on-line business without the distraction of a legacy desk-top business. It is the market leader in the on-line SME market in Australasia, with particular brand appeal to the younger demographic. Like MYOB, it has a strong position in the important accounting practice market. Xero has pursued a strategy of re-investing heavily in ongoing software development and sales and marketing. Its total R&D spend for the year ended 31 March 2018 was \$143 million, substantially higher than MYOB’s R&D spend for the year ended 31 December 2018 of \$84 million;
 - Intuit has ramped up its operations in the UK and Australian markets in recent years, with a very aggressive price-led strategy supported by substantial investments in sales and marketing. In both markets, it has achieved high rates of growth for its QuickBooks OnLine product (albeit from a low base). Given its revenue base and capital position, it has the financial resources to sustain a price-based strategy for an extended period;
 - the market structure and overall growth prospects in the UK market for SME software are different from those for the Australasian markets (and so any comparisons should be made with caution). However, it is instructive that in the UK the historical incumbent, Sage, which like MYOB has a mix of legacy desktop business and online business, appears to have been overtaken in the SME software segment by both Xero and Intuit;
 - it is difficult to predict the competitive responses of Xero and Intuit to MYOB’s strategy of investing in the MYOB Platform and delivering enhanced functionality to both accounting practices and SME users. However, it should be expected that as MYOB’s strategy gains traction, Xero and Intuit will intensify their competitive responses, given the key importance of capturing market share in the “brand new” SME DIY segment;
- the pressure on MYOB to lift its share of “brand new” SME on-line clients. While MYOB has generated strong growth in on-line clients overall, much of this growth is attributable to relatively low value DIFM products and accounting practice client ledgers. MYOB’s sales of higher value DIY products (Essentials and AccountRight Live) have been bolstered by a significant volume of migrations of legacy non-paying users to on-line fee generating clients. The pool of non-paying users is shrinking rapidly (by almost 30% in total across FY17 and FY18), reflecting both migrations and the natural rate of attrition as SMEs fail. Future migrations will contribute a progressively declining volume of sales of on-line DIY products. Accordingly, MYOB will need to achieve much higher rates of sales to “brand new” SME clients just to maintain its DIY sales volumes. MYOB’s sales to “brand new” DIY clients over the last 24 months have been flat to negative. In particular, MYOB’s SME entry level Essentials

GRANT SAMUEL



product requires feature and functionality enhancement to be competitive with other products in the market place;

- software development risk. MYOB has embarked on a \$50 million software R&D program to support the roll-out of the MYOB Platform. Successful and timely delivery of the MYOB Platform, which aims to provide a comprehensive integrated on-line platform for accounting practices and a fully featured, competitive SME solution, is core to MYOB's revitalisation strategy. Software development is inherently risky and there can be no guarantee that MYOB will be able to deliver the expected software outcomes within the timeframes and costs expected;
- overall rates of market growth. In large part because of GST and other tax legislation, the Australasian SME accounting software market has grown more rapidly than other markets such as the UK and the US. As a result, the Australian market is relatively mature, with estimates of total penetration of around 75% and on-line penetration of around 55%. In addition, the SME market is growing slowly, with business formation substantially offset by natural attrition. In this context, notwithstanding opportunities to generate additional revenues through lifting ARPU and from payment services and other add-on financial products, it is to be expected that achieving revenue growth in the Australian market place will become increasingly challenging.

Overall, in Grant Samuel's view, the multiples implied by the valuation of MYOB in the range \$3.19–3.69 per share reasonably reflect both the upside potential and the risks facing the company.

4.4.3 Discounted Cash Flow Scenario Analysis

The MYOB directors have not provided any detailed forecasts for MYOB's medium term financial performance, although the company has (in November 2018) provided general guidance to the market. The guidance included projections of free cash flows (before tax) of ">\$100m" for FY19 and then ">\$200m" for FY22. Actual free cash flows from operations (before tax) for FY18 were \$107.5 million. The company provided further confirmation of the guidance in February 2019 upon release of its FY18 results.

The preparation of financial forecasts for MYOB require the adoption of numerous detailed assumptions regarding growth in subscriber numbers for each of MYOB's product lines, ARPU and costs (including both ongoing operating costs and non-recurring levels of expenditure on software development and sales and marketing). Forecasting these parameters is not straightforward. Given the fundamental uncertainty regarding the extent to which MYOB's revenues will respond to its ongoing investment program (in part because of the difficulty in predicting the competitive response from the other major participants in the Australian market place), it is not appropriate to rely on any single point forecast for the future performance of the business.

Instead, and in the absence of any detailed published forecasts by MYOB of its future performance, Grant Samuel has undertaken an indicative and high level DCF scenario analysis. The purpose of the analysis is to:

- examine what level of performance would be required to achieve MYOB's guidance;
- estimate a value for the business on the basis that MYOB's guidance was achieved; and
- estimate values for the business on the basis of alternative (and less optimistic) future performance scenarios.

For this purpose, Grant Samuel has adopted three indicative scenarios, as described in more detail below. The scenarios do not constitute forecasts or projections and have been adopted only for the purpose of assessing the theoretical values associated with specified scenarios and their assumptions regarding future operating performances. The scenarios are focussed purely on operating cash flows (i.e. they are not based on detailed assumptions regarding the underlying drivers of revenues and costs, but rather consider only aggregated free cash flows). The scenarios do not purport to represent the full range of possible outcomes.

A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

GRANT SAMUEL



They do no more than provide an indication of the sensitivity of estimated NPVs to alternative assumptions regarding growth in free cash flows.

The scenarios are summarised as follows:

- Scenario 1 assumes the achievement of MYOB’s guidance. After flat to modest growth in free cash flows from operations in FY19 and FY20, MYOB delivers very strong growth in FY21 and FY22, and thereafter strong but declining growth in the period FY23- FY26. After FY26, free cash flows are assumed to grow in perpetuity at 2.5%;
- Scenario 2 assumes a strong positive response to MYOB’s investment program, although growth rates are lower than for Scenario 1;
- Scenario 3 assumes less positive outcomes, notionally reflecting a strong competitive response from MYOB’s competitors, resulting in MYOB’s failure to improve market share or grow ARPU at the rates expected, the need to increase investments in R&D and sales and marketing for MYOB to maintain its market position, etc. Nonetheless, the cash flow growth assumed in this scenario is significantly greater than MYOB’s actual cash flow growth since FY15.

The cash flow growth rates assumed in each of the scenarios are summarised in the following table:

MYOB – Cash flow scenarios

	2019	2020	2021	2022	2023	2024	2025	2026	>2026
Scenario 1	-1.0%	15.0%	40.0%	25.0%	15.0%	15.0%	10.0%	5.0%	2.5%
Scenario 2	-1.0%	15.0%	20.0%	20.0%	15.0%	10.0%	10.0%	5.0%	2.5%
Scenario 3	-1.0%	10.0%	15.0%	15.0%	10.0%	10.0%	5.0%	3.0%	2.5%

Source: Grant Samuel analysis

The assumed growth rates for Scenario 1 for FY20-FY22 show the very strong growth in free cash flows that will be required for MYOB to achieve to deliver its earnings guidance. The following chart shows the growth in free cash flows (pre-tax) for the three scenarios:



Source: Grant Samuel analysis

GRANT SAMUEL



Grant Samuel has calculated NPVs for these scenarios, using discount rates of 8-9%²⁴:

ESTIMATED NPV (\$ MILLION)	DISCOUNT RATE	
	9%	8%
Scenario 1	2,843	3,037
Scenario 2	2,280	2,434
Scenario 3	1,848	1,971

Source: Grant Samuel analysis

Achievement of the Scenario 1 growth assumptions (i.e. delivery of MYOB's guidance) would imply values well above Grant Samuel's valuation of MYOB's business in the range \$2,300-2,600 million. On the other hand, Scenario 2 (which is still based on relatively strong growth assumptions for the period FY20 to FY23) suggests values a little below the valuation of MYOB. Even Scenario 3, which would imply values well below the valuation of MYOB, is based on assumptions of cash flow growth at rates well above those historically achieved by MYOB.

Moreover, there is no reason to believe that any potential acquirer of MYOB would pay for all the upside assumed in Scenario 1. The scenario assumes a dramatic improvement on MYOB's recent performance. It assumes that the competitive responses of Xero and Intuit to MYOB's strategy to reinvigorate its business will have little effect. In reality, it is likely that Xero and Intuit will intensify their competitive behaviour as MYOB's strategy starts to achieve traction. In Grant Samuel's view there is a real risk that competition in the market place will drive the outcome for MYOB towards Scenario 2 or, in a downside case, a slower growth (but not unreasonable) outcome such as that contemplated in Scenario 3.

There is no objective basis for attributing probabilities to the various scenarios. While Scenario 1 is achievable, there are considerable risks associated with the delivery of the business improvements implicit in that scenario. The competitive pressures faced by MYOB and its track record of modest earnings growth and flat to negative growth in free cash flows suggest that caution is warranted from a valuation perspective. In Grant Samuel's view, the overall valuation judgement should attribute a significant probability to value outcomes consistent with those in Scenarios 2 and 3.

4.4.4 Transaction Process

The generally accepted definition of "fair market value" is the highest value that can be realised for a business or asset through a transaction between unrelated parties, where neither is under any compulsion to buy or sell, in an open market over a reasonable period of time, assuming that potential buyers have full information. Accordingly, a competitive sale process in which bidders have access to appropriate information and sufficient time to evaluate the business and consider their interest would generally be expected to realise a value representing fair market value.

MYOB has on one view been "on the market" ever since it was re-listed on the ASX in May 2015. Immediately following its listing, its previous owner, the private equity firm Bain Capital, held a shareholding of 57.7%. During the course of 2017, Bain Capital sold down its shareholding via an underwritten block trade of 100 million shares (February 2017), on-market share sales, and a further block trade of 97.2 million shares (December 2017), to reduce its interest to 23.3%. It was accordingly evident for some time that Bain Capital was a seller of its MYOB interests and that a significant, if not controlling, stake in MYOB was available to parties interested in acquiring MYOB.

²⁴ The discount rate range of 8-9% was estimated using the capital asset pricing model. The key assumptions selected were a risk free rate of 3.0%, a market risk premium of 6%, betas in the range 1.0-1.2, gearing in the range 15%-20% (debt/debt + equity) and a cost of debt margin of 1.5%.

GRANT SAMUEL



The announcement on 8 October 2018 that KKR had acquired the majority of Bain Capital’s remaining interest, had in total a 19.9% legal and economic interest and had made a non-binding indicative offer to acquire the remaining shares in MYOB, made it clear that MYOB was “in play”. A considerable period elapsed between this announcement and the announcement on 24 December 2018 of the KKR Proposal, during which other parties would have had time to reflect on their potential interest in MYOB.

In the ordinary course, KKR’s 19.9% legal and economic interest may have been a deterrent to any third party interested in submitting a counter-proposal. However, the “go shop” provisions negotiated by MYOB as part of the SIA effectively provided third parties with an opportunity to compete for control of MYOB on a largely unconstrained basis. In particular, during the “go shop” period up to and including 21 February 2019:

- there were no restrictions on the ability of MYOB and its advisers to seek counter-offers for MYOB;
- there were no break fees or other deal protection mechanisms that applied to disincentivise potential counter-bidders; and
- KKR’s 19.9% legal and economic interest did not act as a blocking stake, because KKR was obliged to sell into or accept a Qualifying Superior Proposal.²⁵

Effectively, any counter-bidder that was prepared to make an all cash offer at least 5% higher than the KKR proposal would be put on an equal (and potentially superior) footing to KKR in terms of competing for control for MYOB.

The fact of the KKR Proposal and the terms of the “go shop” arrangement were publicly disclosed. More generally, given MYOB’s continuous disclosure obligations and the extensive disclosures that it released to the ASX (including a detailed investor presentation on 15 November 2018), there was considerable public domain information regarding MYOB.

There was ample time for parties to consider a counter-offer. It is reasonable to conclude that every party globally that was a realistic potential acquirer of MYOB would have been aware of the opportunity. MYOB and its advisers approached numerous parties (including potential trade buyers and private equity sponsors) that could have been interested in making a counter-offer for MYOB. Management presentations and other due diligence material were provided to a number of parties that had expressed some interest in MYOB. None of those parties elected to submit a counter-proposal.

Accordingly, the KKR Proposal may be characterised as the highest offer to have emerged from a competitive process for control of MYOB, where interested parties had access to information and sufficient time to consider a counter-offer for the company. On that basis, the KKR Proposal arguably reflects by definition “fair market value”, given that it represents the highest price to have emerged from a competitive control process. While the circumstances of and post-announcement process following the KKR Proposal do not provide evidence of where within a range of values the \$3.40 Proposal price would fall (i.e. whether the Proposal is at the bottom end, in the middle or at the top of a range of fair values), in Grant Samuel’s view it is compelling evidence that the KKR Proposal of \$3.40 is fair.

4.5 Net Borrowings

MYOB’s net balance sheet debt at 31 December was \$415.6 million, analysed as follows:

²⁵ A Qualifying Superior Proposal is a cash offer for 100% of MYOB shares that is at least 5% higher than KKR’s offer price of \$3.40 per share, is recommended by a majority of MYOB Directors and in respect of which MYOB has entered into a binding implementation agreement which is on foot and has not terminated or expired. Following the expiration of the “go shop” period (i.e. from 22 February 2019), KKR remains obliged to sell into, or vote in favour of, a Qualifying Superior Proposal provided that MYOB has complied with the matching right provisions of the SIA pursuant to which KKR is given a period of 3 business days to match a Superior Proposal before such Superior Proposal may be recommended by any of the MYOB Directors. In these circumstances (as well as in respect of a Superior Proposal during the “go shop” period), a break fee will not be payable.

GRANT SAMUEL



MYOB – NET DEBT (\$ MILLIONS)

	AS AT 31 DECEMBER 2018
Debt drawn down	452.6
Less: unamortised borrowing costs	(2.1)
Total bank debt	450.5
Cash and deposits	(34.9)
Net Debt	415.6

Source: MYOB and Grant Samuel analysis

The unamortised borrowing costs of \$2.1 million do not constitute a recoverable asset. According, MYOB's net borrowings for valuation purposes are \$417.7 million. This amount represents the drawn debt amount of \$452.6 million less the cash balance of \$34.9 million as at 31 December 2018.

4.6 Corporate Costs/ Head Office Costs

Any acquirer of 100% of MYOB would be able to save the costs associated with being a publicly listed company. These savings (estimated at around \$2 million per annum) would not be significant. Depending on the identity of the acquirer, it is conceivable that additional corporate cost savings could also be available, although these potential cost savings are difficult to quantify. In any event, the capitalisation of earnings analysis set out above conceptually incorporates the value of any corporate cost savings that may be available. Parties that contemplated an acquisition of MYOB would clearly have factored expectations of any meaningful cost savings into their assessments of value. Accordingly, the outcome of what was effectively a sale process conducted for MYOB can be assumed to have reflected the value of potential corporate cost savings. On this basis, there is no need to make any further adjustment to the valuation for the value of potential corporate cost savings.

GRANT SAMUEL



5 Evaluation of the Proposal

5.1 Fairness

Grant Samuel has valued MYOB, including a premium for control, in the range \$3.19-3.69 per share. The valuation represents the estimated full underlying value of MYOB assuming 100% of the company was available to be acquired and includes a premium for control.

The KKR Proposal of \$3.40 per MYOB share falls within Grant Samuel’s valuation range for MYOB of \$3.19-3.69 per share. Accordingly, the KKR Proposal is fair.

There is fundamental uncertainty regarding the extent to which the company’s strategy to reinvigorate its performance will translate into improvements in earnings and free cash flows over the medium term. As a result, theoretical judgements regarding the value of MYOB are inevitably imprecise. In this context, in Grant Samuel’s view, the circumstances of the KKR Proposal and, in particular, the “go shop” arrangements are strong evidence that the MYOB Proposal of \$3.40 falls within a fair value range for MYOB.

5.2 Reasonableness

Because the KKR Proposal is fair, it is by definition reasonable. Given the process undertaken by MYOB and its advisers to seek alternative proposals, the prospects of a higher offer from a third party appear remote. In the absence of a change of control proposal for MYOB, Grant Samuel expects that MYOB shares would trade at prices well below the \$3.40 consideration under the KKR Proposal (given the continuation of current market conditions).

5.2.1 Premium for Control

MYOB’s shares closed at \$2.98 immediately before the announcement on 8 October 2018 of KKR’s initial non-binding indicative proposal of \$3.70 per share. The final KKR Proposal of \$3.40 per share announced on 24 December 2018 represents the following premiums relative to the MYOB share price before 8 October 2018:

MYOB – IMPLIED PREMIUMS OVER PRE-ANNOUNCEMENT SHARE PRICES

PERIOD	SHARE PRICE	PREMIUM
5 October 2018 – last closing price pre-announcement	\$2.98	14.1%
5 days prior 5 October - VWAP ²⁶	\$3.00	13.4%
1 month prior to 5 October 2018 - VWAP	\$2.97	14.6%
3 months prior to 5 October 2018 - VWAP	\$3.01	13.0%
6 months prior to 5 October 2018 – VWAP	\$2.97	14.4%
12 months prior to 5 October 2018 – VWAP	\$3.20	6.2%

Source: IRESS and Grant Samuel analysis

The premiums set out above are modest. They are lower than the range of premiums typically regarded as the benchmark for successful change of control transactions in the Australian market (20-35%).

However, measurement of premiums is not straightforward, given the 2½ months that elapsed between the announcement of KKR’s initial indicative proposal and the announcement of the final KKR Proposal, and the significant decline globally for technology stocks during that period. Arguably, the MYOB share price immediately prior to 8 October 2018 (\$2.98) should be adjusted to reflect in some sense the fall in the market over the period to 24 December 2018. One approach is to adjust the MYOB share price for the fall

²⁶ VWAP refers to volume weighted average prices

GRANT SAMUEL



in the ASX200 Information Technology Index over the period. Another is to adjust the MYOB share price for the share price performance of its peers over the period. On an equally-weighted basis in A\$ terms, the share prices of Xero, Intuit and Sage fell by an average of 10.5% over the period.

The following table re-calculates premiums relative to a notional MYOB share price at 21 December 2018 (the last trading day prior to announcement of the SIA), estimated both by adjusting for the fall in the ASX200 Information Technology Index and by adjusting for the average fall in the share prices of MYOB's peers over the period:

MYOB – IMPLIED PREMIUMS OVER ADJUSTED SHARE PRICE		
PERIOD	ADJUSTED SHARE PRICE	PREMIUM
Share price at 5 October 2018, adjusted for the movement in the ASX200 Information Technology Index to 21 December 2018	\$2.50	36.0%
Share price at 5 October 2018, adjusted for the share price performance of MYOB's peers to 21 December 2018	\$2.67	27.4%

Source: IRESS and Grant Samuel analysis

These premiums are generally consistent with the range of premiums paid in successful change of control transactions, although the adjustment process should be treated with caution. It provides at best only a general indication of the level at which MYOB shares might have been trading as at 21 December 2018 in the absence of the prior announcement on 8 October 2018 of the indicative non-binding offer by KKR.

In any event, and particularly given the share price volatility between the announcement of KKR's initial non-binding proposal and the announcement of its final Proposal, the premiums are not in any sense determinative of value, nor do they provide any useful evidence as to value. The premiums are no more than the difference between the offer price and the pre-bid trading price (or adjusted price as the case may be) for MYOB shares.

5.2.2 Share Trading in the absence of any Proposal

The Proposal enables shareholders to realise their investment in MYOB at a cash price which incorporates a premium for control. In the absence of the Proposal or a similar transaction, shareholders could only realise their investment by selling on market at a price which does not include any premium for control and would incur transaction costs (e.g. brokerage).

There is fundamental uncertainty regarding the extent to which the company's strategy to reinvigorate its performance will translate into improvements in earnings and free cash flows over the medium term

In these circumstances, and in the absence of the Proposal or a similar transaction, it is likely that MYOB shares, under current market conditions and its current ownership structure, would trade at prices well below the Proposal of \$3.40 per share, at least in the short term, and quite possibly below the prices prevailing prior to announcement of the Proposal.

5.2.3 Alternatives

In weighing up any offer, shareholders need to have regard to the alternatives that are realistically available to them. There is no indication that there is a realistic prospect of a competing bid by any third party. Given the process undertaken by MYOB and its advisers to seek alternative proposals, the prospects of a higher offer from a third party appear remote. In any event, there will continue to be an opportunity for any third party that is interested to put forward a superior proposal until the Scheme meeting.

GRANT SAMUEL



5.2.4 Other Matters

Taxation Consequences

If the Proposal is implemented, shareholders will be treated as having disposed of their MYOB shares for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the MYOB shares, the length of time held, whether the shares are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes.

Details of the Australian taxation consequences for MYOB shareholders who are Australian resident individuals and hold their shares on capital account are set out in Section 8 of the Scheme Booklet. Shareholders should consult their own professional adviser in relation to the taxation consequences.

Transaction Costs

If the Proposal is not implemented, it is estimated that MYOB will meet costs (including legal and other adviser’s fees as well as printing and mailing costs) of \$3.5 million (one cent per share). In certain circumstances, MYOB will also be liable to pay KKR a \$20 million break fee. If the Proposal is implemented, all transaction costs will effectively be borne by KKR.

5.3 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert’s report setting out whether in its opinion the Proposal is in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Proposal, the responsibility for which lies with the directors of MYOB.

In any event, the decision whether to vote for or against the Proposal is a matter for individual shareholders based on each shareholder’s views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Proposal, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in MYOB. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.



6 Qualifications, Declarations and Consents

6.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 560 public independent expert's and appraisal reports.

The person responsible for preparing this report on behalf of Grant Samuel is Stephen Cooper BCom (Hons) ACA. Stephen has a significant number of years of experience in relevant corporate advisory matters. David Szeleczky BCom (Hons) LLB (Hons), Daniel Moore BCom BEng (Hons) and Pei Wun Han CFA, BCom (Hons) assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

6.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposal is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any MYOB shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by MYOB and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

6.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with MYOB or KKR or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$575,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

6.4 Declarations

MYOB has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. MYOB has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and

GRANT SAMUEL



expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by MYOB are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to MYOB and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report, including clarification of the amount of total debt as at 31 December 2018. This led to an adjustment to the top end of Grant Samuel’s range from \$3.70 down to \$3.69. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

Manikay Partners, LLC lodged an initial substantial shareholding notice on 28 February 2019 and since then has had communications with MYOB and made public statements concerning the Proposal. Grant Samuel notes that:

- a draft of this report was provided to ASIC with the draft Scheme Booklet prior to 28 February 2019. Certain changes have been made to the report since then to address typographical and formatting errors and to reflect changes to the Scheme Booklet, stockmarket announcements and market evidence since that date and comments made by ASIC on the report. There was no alteration to the methodology, evaluation or conclusions in the report; and
- Grant Samuel has had no contact or communications with Manikay Partners, LLC.

6.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to shareholders of MYOB. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

6.6 Other

The accompanying letter dated 13 March 2019 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

13 March 2019

Grant Samuel & Associates

GRANT SAMUEL



APPENDIX 1 - BROKER CONSENSUS FORECASTS

MYOB has not publicly released earnings forecasts for the year ending 31 December 2019 or beyond. Accordingly, the prospective multiples implied by the valuation of MYOB in the Grant Samuel report are based on median broker forecasts. These forecasts are sufficiently close to MYOB's broad guidance and internal projections to be useful for analytical purposes.

Set out below is a summary of forecasts prepared by brokers that follow MYOB in the Australian stockmarket:

MYOB – BROKER FORECASTS (\$ MILLIONS)

BROKER	DATE	REVENUE		EBITDA		EBIT		CASH FLOW FROM OPERATIONS ³		NET PROFIT AFTER TAX	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Broker 1	21 Feb 2019	483.8	523.6	187.8	228.5	106.1	168.0	114.1	156.6	66.9	115.1
Broker 2	21 Feb 2019	495.0	541.0	202.0	229.0	155.0	175.0	110.0	152.0	52.0	85.0
Broker 3	21 Feb 2019	474.8	510.0	181.5	199.0	90.0	123.9	89.6	101.3	84.9	90.1
Broker 4	22 Feb 2019	477.0	520.0	192.0	210.0	108.0	152.0	110.0	126.0	58.0	88.0
Broker 5	21 Feb 2019	486.0	527.0	187.0	208.0	153.0	167.0	124.0	153.0	72.0	86.0
Broker 6	21 Feb 2019	475.0	506.0	181.0	201.0	92.0	126.0	115.0	133.0	85.0	91.0
Broker 7	22 Feb 2019	481.2	518.4	199.9	218.7	106.8	143.5	122.6	161.2	70.0	99.2
Broker 8	21 Feb 2019	473.1	513.9	184.1	203.6	92.4	129.8	95.1	121.6	84.0	89.0
Broker 9	26 Feb 2019	484.0	525.0	189.0	215.0	142.0	155.0	106.0	135.0	59.0	93.0
Minimum		473.1	506.0	181.0	199.0	90.0	123.9	89.6	101.3	52.0	85.0
Maximum		495.0	541.0	202.0	229.0	155.0	175.0	124.0	161.2	85.0	115.1
Median		481.2	520.0	187.8	210.0	106.8	152.0	110.0	135.0	70.0	90.1

Source: Brokers' reports, Grant Samuel analysis

Note 1: EBITDA is earnings before net interest, tax, depreciation, amortisation and significant and non-recurring items

Note 2: EBIT is earnings before net interest, tax and significant and non-recurring items

Note 3: Cash flow from operations is EBITDA less capital expenditure and capitalised software costs, adjusted for changes in working capital

When reviewing this data the following should be noted:

- the forecasts presented above represent the broker forecasts for MYOB available after the release of MYOB's FY18 financial results;
- Grant Samuel is aware of only three other brokers that follow MYOB. These brokers have not released any research on MYOB that includes earnings and cash flow forecasts subsequent to the release of MYOB's FY18 financial results on 21 February 2019; and
- in some cases the broker forecasts are not prepared on a consistent basis, particularly in relation to the presentation of the cash flow forecasts. In the table above, Grant Samuel has attempted to present the broker earnings forecast on a common basis.

GRANT SAMUEL



APPENDIX 2 - MARKET EVIDENCE - COMPARABLE LISTED COMPANIES

The share market ratings of selected listed accounting software companies are set out below:

SHARE MARKET RATINGS OF SELECTED LISTED COMPANIES – ACCOUNTING SOFTWARE²⁷

	MULTIPLE ²⁸ (TIMES)		
	HISTORICAL	FORECAST YEAR 1	FORECAST YEAR 2
Revenue Multiples²⁹			
Xero	18.6x	13.7x	10.4x
Reckon	1.5x	1.5x	1.5x
Intuit	10.6x	9.5x	8.6x
Sage	4.2x	4.0x	3.7x
EBITDA Multiples³⁰			
Xero	298.1x	98.2x	54.0x
Reckon	3.8x	3.8x	3.8x
Intuit	36.0x	25.7x	23.3x
Sage	15.5x	15.2x	14.2x
EBIT Multiples³¹			
Xero	n.m.	n.m.	124.7x
Reckon	9.2x	8.3x	8.3x
Intuit	42.1x	28.3x	25.3x
Sage	17.9x	16.7x	15.6x
Price to Earnings Multiples³²			
Xero	n.m.	n.m.	195.5x
Reckon	8.7x	7.9x	7.8x
Intuit	52.6x	37.0x	33.1x
Sage	23.8x	21.8x	20.1x
Multiples of operating free cash flow³³			
Xero	1,020.1x	3,352.4x	155.8x
Reckon	7.4x	7.7x	7.4x
Intuit	35.9x	25.1x	22.8x
Sage	18.7x	16.3x	15.7x
Cash EBITDA Multiples³⁴			

²⁷ The companies selected have a variety of year ends and therefore the data presented for each company is from the most recent full year historical result and for the subsequent two forecast years. Forecast information represents broker consensus forecasts.

²⁸ Multiples are calculated using market capitalisation based on share market prices as at 7 March 2019. Market capitalisation for each company are: Xero – A\$6,917 million, Reckon – A\$76 million, Intuit – US\$64,263 million, and Sage – GBP7,221 million.

²⁹ Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by Revenue

³⁰ Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

³¹ Represents gross capitalisation divided by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.

³² Represents market capitalisation divided by net profit after tax (before significant and non-recurring items).

³³ Represents gross capitalisation divided by operating free cash flow (defined as EBITDA less capital expenditure adjusted for change in net working capital)

GRANT SAMUEL



Xero	n.m.	n.a.	n.a.
Reckon	7.3x	n.a.	n.a.
Intuit	37.9x	n.a.	n.a.
Sage	16.7x	n.a.	n.a.

Source: Grant Samuel analysis³⁵

The multiples shown above are based on share market prices as at 7 March 2019 and do not reflect a premium for control.

The companies selected have a variety of year ends and therefore the data presented for each company is from the most recent full year historical result and for the subsequent two forecast years. Forecasts (including forecast data and metrics throughout this Appendix) represent brokers' consensus forecasts.

A brief description of these companies is set out below.

Intuit Inc.

Intuit Inc. is a business and financial software company that develops and sells financial, accounting, and tax preparation software and related services for small businesses, accountants, and individuals. The company is headquartered in California and has 8,200 employees worldwide. Intuit's core products are TurboTax, a consumer tax preparation application, QuickBooks, a small business accounting program, professional tax solutions ProConnect, ProSeries and Lacerte, as well as multiple payroll products. Intuit operates within three core segments summarised below:

- **Small Business and Self Employed:** provides software solutions for small businesses, predominantly related to accounting, payroll, payment processing and financing. QuickBooks (offered in various online and desktop versions) is the primary product offering in this segment. In FY18, the small business and self-employed segment accounted for approximately 50% of Intuit's total revenue.
- **Consumers:** provides software solutions, predominantly for 'do-it-yourself' tax returns and tax compliance in the US and Canada. TurboTax is the primary product offering of this segment, which contributed 42% of Intuit's total revenue in FY18.
- **Strategic Partner:** targets professional accountants in the US and Canada and provides software services predominantly for professional accountants carrying out tax returns and tax compliance for other businesses. In FY18 the segment contributed 8% of the company's total revenue.

³⁴ Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA less capitalised software development expenditure. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

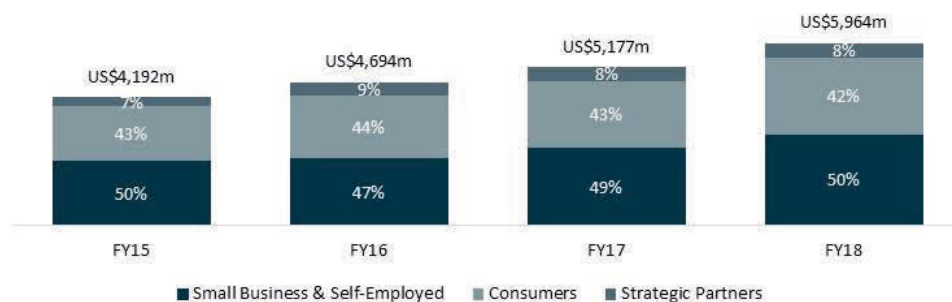
³⁵ Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

GRANT SAMUEL



INTUIT REVENUE AND CONTRIBUTION BY SEGMENT



Source: Intuit and Grant Samuel analysis

In line with the overall industry trend, Intuit is migrating its user base from traditional desktop software to online cloud-based software. This migration has been particularly successful in the Small Business and Self-Employed segment, as revenue from online users has grown at a CAGR of 15% over the period FY15 to FY18. Whilst the majority of Intuit’s revenue is generated in the US (95% in FY18), the company has expanded its QuickBooks range globally. In established markets such as the UK, Canada and Australia, Intuit has adopted an aggressive pricing strategy to win market share. It has also entered new markets, including Brazil and India.

Intuit’s historical and forecast margin and growth metrics are summarised below.

INTUIT HISTORICAL AND FORECAST MARGIN AND GROWTH METRICS

	YEAR ENDED 31 JULY						
	FY15	FY16	FY17	FY18	FY19F	FY20F	FY21F
Margins							
EBITDA	23.1%	31.5%	31.5%	29.3%	36.8%	37.0%	37.2%
EBIT	17.6%	26.5%	26.9%	25.1%	33.4%	34.1%	34.5%
NPAT	9.9%	17.2%	18.8%	20.3%	25.9%	26.4%	26.7%
Growth metrics							
Revenue		12.0%	10.3%	15.2%	11.7%	9.9%	10.8%
EBITDA		52.7%	10.2%	7.3%	40.1%	10.4%	11.6%
EBIT		68.3%	12.3%	7.3%	48.8%	11.9%	12.2%
Cash EBITDA		61.6%	9.4%	10.7%	n.a.	n.a.	n.a.
Operating free cash flow		(2.6%)	28.2%	21.4%	43.0%	10.0%	12.1%
NPAT		95.2%	20.5%	24.7%	42.6%	12.0%	12.1%

Source: Grant Samuel analysis³⁶

³⁶ Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, brokers’ reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

GRANT SAMUEL



The Sage Group plc

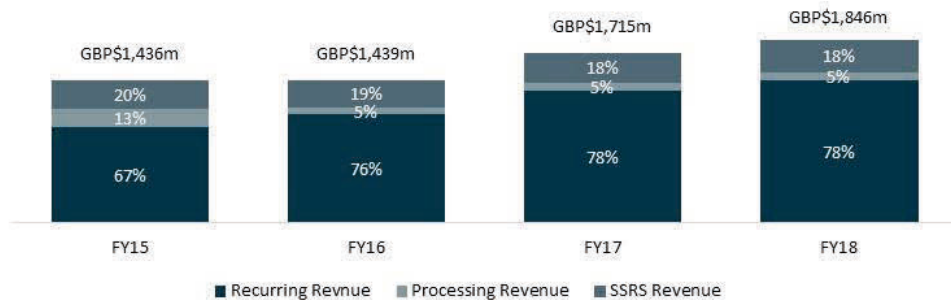
The Sage Group plc provides accounting, enterprise and other software solutions for small, medium and large scale businesses. The company services more than three million customers globally across 23 countries. In FY18, Sage's European operations contributed 55% of total revenue, the US contributed 30% of total revenue and its international operations (comprising South Africa, Brazil and Australia) contributed 15% of revenue. Sage's core product offerings are provided to SMEs, medium and large businesses under the Sage Business Cloud umbrella, which encompasses:

- cloud-based and hybrid desktop/cloud accounting solutions for SMEs and medium sized businesses;
- payroll and payment solutions for SMEs and medium-sized businesses
- Enterprise Management, an ERP solution for larger businesses;
- People, a cloud-based HR and people management solution for larger businesses; and
- Sage Intacct, a cloud-based accounting and management software product acquired in 2017, with a large established user base in the US.

Sage categorises its operating revenue into three core segments:

- **Recurring revenue:** comprises software subscription revenue as well as revenue from maintenance and support. In FY18 recurring revenue contributed 78% of Sage's total revenue.
- **Processing revenue:** comprises payroll and payments. In FY18 the segment contributed 18% of total revenue.
- **Software and software related services (SSRS):** comprises licences and services (i.e. training and implementation) and in FY18 contributed 4% of total revenue.

SAGE REVENUE AND CONTRIBUTION BY SEGMENT



Sage's historical and forecast margin and growth metrics are summarised below.

A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

GRANT SAMUEL



SAGE HISTORIC AND FORECAST MARGIN AND GROWTH METRICS

	YEAR ENDED 31 JULY						
	FY15	FY16	FY17	FY18	FY19F	FY20F	FY21F
Margins							
EBITDA	28.3%	29.4%	27.0%	27.4%	26.2%	26.3%	27.0%
EBIT	25.0%	26.0%	23.6%	23.7%	23.9%	23.9%	23.9%
NPAT	17.1%	19.1%	17.7%	16.4%	16.8%	17.1%	17.6%
Growth metrics							
Revenue		0.2%	19.2%	7.6%	6.2%	7.0%	6.5%
EBITDA		3.9%	9.5%	9.1%	1.9%	7.4%	9.3%
EBIT		4.2%	8.1%	7.9%	7.1%	7.4%	6.3%
Cash EBITDA		3.5%	6.3%	6.3%	n.a.	n.a.	n.a.
Operating free cash flow		(4.3%)	8.0%	22.2%	14.4%	4.2%	9.8%
NPAT		12.5%	10.1%	(0.0%)	9.0%	8.7%	9.7%

Source: Grant Samuel analysis³⁷

Xero Limited

Xero provides cloud-based accounting and ancillary software for small businesses and their advisors. Founded in 2006 in New Zealand, the company has achieved significant growth over the past 12 years and has approximately 1.5 million subscribers in more than 180 countries. Xero is currently the leading provider of small business accounting software in the Australian and New Zealand markets. Unlike many of its competitors including MYOB, Intuit and Sage, Xero’s product offerings are all cloud-based and the company has no legacy desktop products.

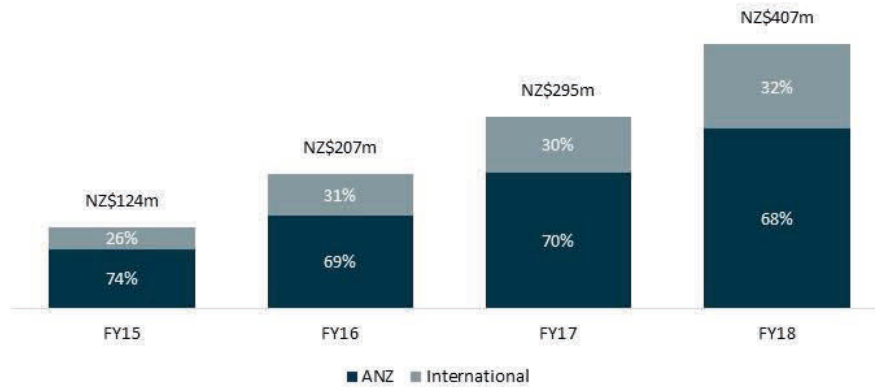
Xero’s core product offering is its online small business accounting software ‘Xero’. However, the company also offers other fully integrated products including Xero HQ, Xero Practice Manager, Xero Workpapers and Xero Cashbook. Xero’s operating segments are reported solely by geographical location, split into Australia / New Zealand and International. Over the past few years, Xero has made a concerted effort to increase its market presence internationally, reflected by a consistent increase in the proportion of revenue generated internationally versus that generated in ANZ, from 26% in FY15 to 32% in FY18. In its international segment, the UK and the US are Xero’s largest markets, contributing 61% (the UK) and 24% (the US) of international segment revenue in FY18. Xero’s revenue growth and segment contributions over the period FY15 to FY18 are displayed below.

³⁷ Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, brokers’ reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

GRANT SAMUEL



XERO REVENUE AND CONTRIBUTION BY SEGMENT



Xero's historical and forecast margin and growth metrics are summarised below.

XERO HISTORICAL AND FORECAST MARGIN AND GROWTH METRICS

	YEAR ENDED 31 JULY						
	FY15	FY16	FY17	FY18	FY19F	FY20F	FY21F
Margins							
EBITDA	(46.4%)	(30.2%)	(10.1%)	6.2%	13.9%	19.3%	23.4%
EBIT	(60.9%)	(44.2%)	(24.3%)	(7.2%)	(0.9%)	8.4%	13.1%
NPAT	(56.1%)	(39.8%)	(23.4%)	(6.8%)	(2.5%)	5.1%	9.3%
Growth metrics							
Revenue		67.0%	42.7%	37.6%	35.8%	30.8%	27.7%
EBITDA		n.m.	n.m.	n.m.	203.5%	81.9%	54.3%
EBIT		n.m.	n.m.	n.m.	n.m.	n.m.	99.7%
Cash EBITDA		n.m.	n.m.	n.m.	n.a.	n.a.	n.a.
Operating free cash flow		n.m.	n.m.	n.m.	(69.6%)	2051.1%	76.3%
NPAT		n.m.	n.m.	n.m.	n.m.	n.m.	135.6%

Source: Grant Samuel analysis³⁸

Reckon Limited

Reckon provides software solutions for small and medium businesses, and for accountants, bookkeepers, and lawyers, predominantly in Australia and the US. Reckon operates in three distinct segments:

- **Business Group:** provides accounting and other software products for small and medium enterprises. Its key product offering is the Reckon One cloud-based accounting solution for SMEs, augmented by payroll and point of sale solutions. The BetterClinics product provides management solutions for health and fitness businesses. In FY18 the Business Group contributed 47% of total revenue.

³⁸ Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

A ANNEXURE A – INDEPENDENT EXPERT’S REPORT

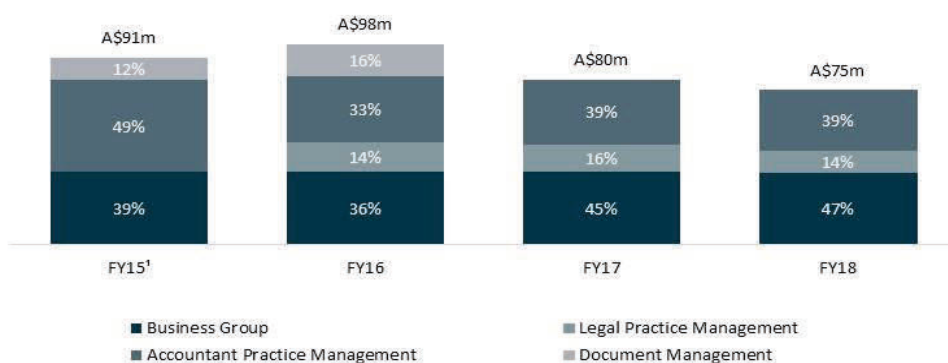
GRANT SAMUEL



- **Practice Management – Accountant Group:** provides management software for accounting practices. Core offerings include the APS product, which has a strong position with larger accounting firms, and Reckon Elite, which focusses on smaller accounting firms. In FY18 the Accounting Practice Management Group contributed 39% of total revenue.
- **Practice Management – Legal Group:** provides cost recovery, scanning and print solutions for legal firms. In FY18 the segment contributed 14% of total revenue.

Reckon previously had a fourth operating segment, its Document Management business. However, this was divested and separately listed on the AIM in FY17. Reckon’s reported revenue and revenue composition over the period FY15 to FY18 are displayed below.

RECKON REVENUE AND CONTRIBUTION BY SEGMENT



Note 1: FY15 Account Practice Management revenue includes Legal Practice Management revenue

RECKON HISTORICAL AND FORECAST MARGIN AND GROWTH METRICS³⁹

	YEAR ENDED 31 JULY					
	FY15	FY16	FY17	FY18	FY19F	FY20F
Margins						
EBITDA	40.1%	36.1%	38.9%	40.5%	40.2%	40.0%
EBIT	22.8%	16.1%	16.2%	16.6%	18.2%	18.0%
NPAT	15.9%	11.2%	10.7%	11.5%	12.6%	12.6%
Growth metrics						
Revenue		6.9%	(17.8%)	(6.1%)	0.9%	1.2%
EBITDA		(3.7%)	(11.3%)	(2.2%)	0.1%	0.7%
EBIT		(24.7%)	(17.0%)	(3.8%)	10.4%	0.0%
Cash EBITDA		(28.0%)	18.2%	20.4%	n.a.	n.a.
Operating free cash flow		(40.2%)	3.7%	50.0%	(4.3%)	4.7%
NPAT		(24.6%)	(21.8%)	1.2%	10.4%	1.0%

Source: Grant Samuel analysis⁴⁰

³⁹ Reckon’s FY15 and FY16 metrics include the Document Management business the company divested in FY17

⁴⁰ Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, brokers’ reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

ANNEXURE

D

D

**SCHEME
IMPLEMENTATION
AGREEMENT**

CLAYTON UTZ

Scheme Implementation Agreement

MYOB Group Limited

Target

ETA Australia Holdings III Pty Ltd

Bidder

ETA Asia Holdings II Pte. Ltd.

Bidder Holdco

Clayton Utz
Lawyers
Level 15 1 Bligh Street
Sydney NSW 2000
GPO Box 9806
Sydney NSW 2001
Tel +61 2 9353 4000
Fax +61 2 8220 6700
www.claytonutz.com

L\329374040.1

Contents

1.	Definitions and interpretation	1
1.1	Definitions	1
1.2	Best and reasonable endeavours	11
1.3	Business Day	11
1.4	Interpretation	11
2.	Target to propose Scheme	12
3.	Conditions precedent	13
3.1	Conditions	13
3.2	General obligations in relation to Conditions	14
3.3	Obligations in relation to regulatory approvals	14
3.4	Notice in relation to satisfaction of Conditions	15
3.5	Waiver of Conditions	16
3.6	Termination on failure of Conditions	16
4.	Implementation of Scheme	17
4.1	Scheme	17
4.2	Timetable	17
4.3	Target's obligations	17
4.4	Bidder's obligations	21
4.5	Dispute as to Explanatory Memorandum	22
4.6	Reconstitution of Target Board	22
4.7	Responsibility statement	23
4.8	Removal of Target from official list of ASX	23
4.9	Court representation	23
5.	Scheme Consideration	23
5.1	Bidder undertakings in relation to Scheme Consideration	23
5.2	Rounding up	24
6.	Conduct of business	24
6.1	Conduct of Target's business	24
6.2	Access	26
6.3	Transaction Implementation Committee	27
6.4	Existing financing and security	27
6.5	Bidder financing obligations	27
6.6	Financing cooperation	28
6.7	Change of control	29
6.8	Alternative financing	30
6.9	Business updates	31
7.	Recommendation, intentions and announcements	31
7.1	Target Board Recommendation and Voting Intention	31
7.2	Announcements	31
8.	Target Incentives	32
9.	Exclusivity arrangements	33
9.1	No shop	33
9.2	No talk and no due diligence	33
9.3	Limitation to no talk and no due diligence	34
9.4	Notification obligation	34
9.5	Matching right	34
9.6	Normal provision of information	35
10.	Reimbursement of Costs	35
10.1	Background to Target Payment	35
10.2	Target Payment	36

10.3	Timing	36
10.4	Basis of Target Payment	36
10.5	No payment if Scheme becomes Effective.....	37
10.6	Target Payment payable once.....	37
10.7	Other claims.....	37
10.8	Compliance with law	37
10.9	Regulatory Intervention	38
11.	Acceptance of Qualifying Superior Proposal.....	38
12.	Liability of directors, officers and employees	38
12.1	Liability of directors, officers and employees.....	38
12.2	Directors and officers insurance	39
12.3	Obligations in relation to directors and officers insurance.....	39
12.4	Directors and officers indemnities	39
12.5	Compliance with law and benefit	39
13.	Representations, warranties and indemnities	40
13.1	Representations and warranties by Bidder	40
13.2	Bidder warranty certificate	42
13.3	Reliance on Bidder Warranties.....	42
13.4	Representations and warranties by Target	42
13.5	Qualification of Target Warranties	45
13.6	Target warranty certificate	45
13.7	Reliance on Target Warranties.....	45
13.8	Notifications	45
13.9	Status of representations and warranties	45
13.10	Status and enforcement of indemnities	45
13.11	Timing of representations and warranties	46
14.	Confidentiality and communications	46
14.1	Confidentiality Deed.....	46
14.2	Survival of obligations.....	46
14.3	Disclosure on termination of agreement.....	46
15.	Termination and remedies	46
15.1	Limited termination events.....	46
15.2	Termination by Bidder.....	46
15.3	Termination by Target.....	47
15.4	Effect of termination.....	47
15.5	Remedies.....	47
15.6	Target's limitation of liability	48
16.	Notices	48
16.1	How notice to be given	48
16.2	When notice taken to be received	49
17.	GST	49
17.1	Interpretation.....	49
17.2	Reimbursements and similar payments	50
17.3	GST payable.....	50
18.	Entire agreement.....	50
19.	General	50
19.1	No representation or reliance	50
19.2	Amendments.....	50
19.3	Assignment.....	51
19.4	Consents.....	51
19.5	Costs.....	51
19.6	Counterparts	51
19.7	Further acts and documents	51

19.8	No merger	51
19.9	Severance	51
19.10	Stamp duties	51
19.11	Waivers	51
19.12	No recourse	52
20.	Governing law, jurisdiction and service of process	52
20.1	Governing law	52
20.2	Jurisdiction	52
	Schedule 1 Timetable	54
	Annexure A Scheme	58
	Annexure B Deed Poll	59

Scheme implementation agreement

Date 23 December 2018

Parties **MYOB Group Limited ACN 153 094 958** of Level 3, 235 Springvale Road, Glen Waverley VIC 3150 (**Target**)

ETA Australia Holdings III Pty Ltd ACN 630 727 525 of Level 42, 1 Macquarie Place, Sydney NSW 2000 (**Bidder**)

ETA Asia Holdings II Pte. Ltd. of 10 Changi Business Park Central 2, #05-01 Hansapoint@CBP, 486030 (**Bidder Holdco**)

Background

- A. Bidder proposes that it will acquire all of the Target Shares (other than the Excluded Shares) pursuant to a scheme of arrangement under section 411 of the Corporations Act between Target and the holders of such Target Shares.
- B. Target has agreed to propose the Scheme and issue the Explanatory Memorandum, and Target and Bidder have agreed to implement the Scheme on the terms and conditions of this agreement.
- C. Bidder Holdco is party to this agreement solely for the purposes of clause 11 and does not have any obligations or liability under or in connection with this agreement other than in respect of clause 11.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this agreement:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Bidder Announcement means, if applicable, an announcement by Bidder, a draft of which has been provided to Target on or before the date of this agreement.

Bidder Board means the board of directors of Bidder.

Bidder Group means Bidder and each of its Subsidiaries.

Bidder Indemnified Parties means Bidder and its Related Bodies Corporate and their respective directors, officers and employees.

Bidder Information means such information regarding the Bidder Group and the Scheme Consideration that is provided by or on behalf of the Bidder Group to Target or the Independent Expert:

- (a) to enable the Explanatory Memorandum to be prepared and completed in compliance with all applicable laws; and
- (b) otherwise in compliance with Bidder's obligations under clause 4.4(a).

Bidder Warranties means the warranties made by Bidder set out in clause 13.1.

Bonus Payment has the meaning given in paragraph (j)(vii) of the definition of Target Prescribed Occurrence.

Business Day means a day which is a "Business Day" within the meaning given in the Listing Rules.

Competing Proposal means a proposed transaction or arrangement (whether by way of takeover, share acquisition, scheme of arrangement, reverse takeover, synthetic merger, capital reconstruction, acquisition of assets, dual listed structure, or otherwise) which, if implemented substantially in accordance with its terms, would result in one or more Third Parties:

- (a) directly or indirectly acquiring or having a right to acquire, or obtaining an economic interest in, all or a substantial part of the business, assets or undertakings of the Target Group;
- (b) acquiring Control of Target;
- (c) directly or indirectly acquiring a Relevant Interest in any Target Shares, as a result of which the Third Party or Third Parties (as applicable) will have Relevant Interests in 20% or more of the Target Shares in aggregate; or
- (d) otherwise directly or indirectly acquiring, or merging with, Target.

Condition means each condition specified in clause 3.1.

Confidentiality Deed means the deed of that name between Target and ETA Asia Holdings Pte. Ltd dated 6 November 2018.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction as Target and Bidder agree in writing.

Debt Commitment means the financing commitments pursuant to the Debt Commitment Letters.

Debt Commitment Letters means the executed commitment letter(s) and accompanying term sheet(s) from certain banks or other financial institutions addressed to Bidder and dated on or about the date of this agreement.

Debt Documents means the definitive agreement related to the Debt Financing and the Debt Commitment Letters.

Debt Financing means the debt financing incurred or intended to be incurred pursuant to the Debt Commitment Letters.

Deed Poll means a deed poll to be executed by Bidder in favour of the Scheme Shareholders, substantially in the form set out in Annexure B or in such other form as Target and Bidder agree in writing.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

End Date means 31 May 2019 or such other date agreed in writing between Target and Bidder.

Equity Commitment Letters means the binding, executed commitment letter(s) provided on or before the date of this agreement in a form acceptable to Bidder and Target.

ESP Incentives means the Target Incentives granted by Target under the Target Executive Share Plan.

ESP Participant means a participant in the Target Executive Share Plan to whom an ESP Incentive was granted.

ESP Sale Proceeds has the meaning given in clause 8(a)(ii)(B).

Excluded Share means any Target Share held by Bidder or any of its Associates.

Exclusivity Period means the period commencing on the date that is 60 days after the date of this agreement and ending on the earliest of:

- (a) the End Date;
- (b) the date this agreement is terminated in accordance with its terms; and
- (c) the Implementation Date.

Explanatory Memorandum means the explanatory memorandum to be prepared by Target pursuant to section 412 of the Corporations Act in respect of the Scheme in accordance with the terms of this agreement and to be dispatched to the Target Shareholders.

Fairly Disclosed has the meaning given in clause 1.4(j).

Financing Arrangements has the meaning given to that term in clause 13.4(a)(x).

First Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

FY19 Incentives has the meaning given in clause 8(d).

Implementation Date means the date which is 5 Business Days after the Record Date or such other date as Target and Bidder agree in writing, provided that if such date falls on:

- (a) a Monday;

- (b) a day that is a public holiday in the United States of America and on which commercial banks are closed in the United States of America (such day, a **U.S. Holiday**); or
- (c) the day after a U.S. Holiday,

the 'Implementation Date' shall be the next Business Day on which none of (a), (b) or (c) apply. It is understood that the reference to a 'day' in the United States of America shall refer to the day immediately preceding the applicable day in Australia.

Impugned Amount has the meaning given in clause 10.8.

Independent Expert means the independent expert to be engaged by Target to express an opinion on whether the Scheme is fair and reasonable and in the best interests of the Target Shareholders.

Independent Expert's Report means the report (including the initial report and any update, revision, amendment, addendum or supplementary reports to it) prepared by and from the Independent Expert for inclusion in the Explanatory Memorandum, stating whether or not, in the opinion of the Independent Expert, the Scheme is fair and reasonable and in the best interests of the Target Shareholders and setting out the reasons for that opinion.

Insolvency Event means in relation to an entity:

- (a) the entity resolving that it be wound up or the making of an application or order for the winding up or dissolution of the entity, other than where the application or order (as the case may be) is set aside within 14 days;
- (b) the entity entering into an arrangement, compromise or composition with, or assignment for the benefit of, its creditors or a class of them;
- (c) a liquidator or provisional liquidator of the entity being appointed;
- (d) a court making an order for the winding up of the entity;
- (e) an administrator, controller or similar officer of the entity being appointed;
- (f) the entity ceasing, or threatening to cease, to carry on a substantial part of the business which is material to it as at the date of this agreement;
- (g) the entity being or becoming unable to pay its debts when they fall due;
- (h) the entity executing a deed of company arrangement;
- (i) a receiver, or a receiver and manager, being appointed in relation to the entity, or a substantial part of the property of the entity; or
- (j) anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurring with respect to the entity.

IT means information technology.

Key Contracts means the following contracts:

- (a) the Business and Services Agreement between Microsoft Operations Pte Ltd., Microsoft Regional Sales Corporation, Microsoft Pty, Ltd. and MYOB Australia Pty Ltd (and any underlying agreements);
- (b) the Master Distribution Agreement between MYOB Australia Pty Ltd, ProjectX USA Inc and ProjectX, International Ltd.;

- (c) the AWS Enterprise Agreement between Amazon Web Services, Inc. and MYOB Australia Pty Ltd;
- (d) the Service Level Agreement between Interactive Pty Ltd and MYOB Australia Pty Ltd dated 25 January 2013;
- (e) the Platform Agreement between On Deck Capital Australia Pty Ltd and MYOB Australia Pty Ltd dated 15 April 2015;
- (f) the Payment Gateway Services Agreement between Vodafone Hutchison Australia Pty Limited and Paycorp Australia Pty Ltd dated October 2016;
- (g) the Master Merchant Business Solutions Card Acceptance Agreement dated 31 August 2009 between Westpac Banking Corporation Limited and Paycorp Holdings Pty Limited; and
- (h) the Payment Facilitator Program Services Agreement dated 10 February 2016 between Paycorp Payment Solutions Pty Limited and National Australia Bank Limited,

in each case as Fairly Disclosed in the Target Due Diligence Material.

Listing Rules means the official listing rules of the ASX.

Material Adverse Change means any event, occurrence, circumstance, change, matter, condition or thing which, individually or when aggregated with other such events, occurrences, circumstances, changes, matters, conditions or things, has had or would be reasonably likely to have the effect of reducing:

- (a) the value of the consolidated net assets of the Target Group, taken as a whole, by at least 12.5% as compared to what the average of the consolidated net assets of the Target Group, taken as a whole, was for the period from 1 July 2018 to 31 December 2018; or
- (b) the underlying earnings before interest, tax, depreciation and amortization of the Target Group, taken as a whole, (**Underlying EBITDA**) by at least 12.5% as compared to the Underlying EBITDA as at 31 December 2018,

provided that any events which (i) have occurred after the date of this deed but prior to 8.00 am on the Second Court Date, (ii) have a positive effect on the consolidated net assets of the Target Group or Underlying EBITDA, and (iii) are the result of actions undertaken by the Target Group in good faith and in the ordinary course of business (and, for the avoidance of doubt, not for the sole or predominant purpose of off-setting (in whole or in part) the impact of any other event that may cause or contribute to a Material Adverse Change), are taken into account in calculating whether a threshold in paragraph (a) or (b) has been reached, and in each case other than an event, occurrence, circumstance, change, matter, condition or thing:

- (c) to the extent that it was Fairly Disclosed in:
 - (i) the Target Due Diligence Material; or
 - (ii) any announcement to the ASX made by Target prior to the date of this agreement;
- (d) expressly required or permitted to be undertaken or procured by the Target Group pursuant to the Transaction Documents;
- (e) within the actual knowledge as at the date of this agreement of any director, secretary or senior officer of the Bidder or a Bidder Group company who has been involved in the assessment and/or negotiation of the Transaction before the date of

this agreement (which does not include knowledge of the risk of an event, occurrence or matter happening);

- (f) relating to the costs and expenses incurred by the Target Group associated with the Scheme including all fees payable to external advisers of the Target and the funding of the same, to the extent such amounts are Fairly Disclosed in the Target Disclosure Letter;
- (g) comprising or resulting from any change or disruption to, or fluctuation in, general economic, business or political conditions, including any change in foreign exchange rates, interest rates or commodities prices, any change or disruption to, or fluctuation in, existing financial markets, or any act of terrorism, war or natural disaster or the like, in Australia or elsewhere, but in each case excluding any such change, disruption or fluctuation having an adverse effect on the Target Group, taken as a whole, that is materially disproportionate as compared to the adverse effect of the relevant change, disruption or fluctuation on other participants in the industries in which the Target Group operates; or
- (h) acknowledged or consented to in writing by Bidder, including any consequences of such event, occurrence, change, matter, thing or condition.

Material Contract means each Key Contract and each other contract or licence involving aggregate expenditure greater than \$5,000,000 per annum or annual revenue greater than \$5,000,000.

Non-Liable Person has the meaning given in clause 19.12(b).

Permitted Encumbrance means an encumbrance granted by any member of the Target Group in the ordinary course of business:

- (a) in respect of assets having a value not exceeding \$15,000,000, including title retention arrangements in respect of such assets; and/or
- (b) as permitted under the Target Group's current credit facilities.

Policy means the Target Group directors and officers insurance policy in effect at the date of this agreement, as Fairly Disclosed in the Target Due Diligence Material.

PPSR means the register of security interests maintained in accordance with the *Personal Property Securities Act 2009* (Cth).

Qualifying Superior Proposal means a Superior Proposal in respect of which each of paragraphs (a), (b) and (c) is satisfied:

- (a) the Superior Proposal is in respect of the acquisition of 100% of the Target Shares for cash consideration that is at least 5% higher than the Scheme Consideration;
- (b) the Superior Proposal is recommended by a majority of the Target directors; and
- (c) Target enters into a binding implementation agreement in respect of the Superior Proposal and such agreement is on foot and has not been terminated or expired.

Recommendation has the meaning given in clause 7.1(a)(i).

Record Date means 7.00 pm (Sydney time) on the date which is 5 Business Days after the Effective Date or such other time and date agreed in writing between Bidder and Target.

Regulator's Draft has the meaning given in clause 4.3(h).

Regulatory Authority means:

- (a) any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

Regulatory Guides means all regulatory guides published by ASIC and in force at the date of this agreement.

Regulatory Review Period means the period from the date on which Target provides the Regulator's Draft to ASIC in accordance with clause 4.3(h) to the date on which ASIC provides a letter indicating whether or not it proposes to appear to make submissions, or will intervene to oppose the Scheme, when the application made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

Replacement Financing Letters has the meaning given in clause 6.8(a).

Representatives means, in relation to a party, all directors, officers, employees, professional advisers (including financiers, financial advisers, corporate advisers, legal advisers or technical or other expert advisers or consultants) and agents of the party or of its Related Bodies Corporate.

Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders substantially in the form set out in Annexure A or in such other form as Target and Bidder agree in writing.

Scheme Consideration means an amount of \$3.40 for each Scheme Share.

Scheme Meeting means the meeting of Target Shareholders to be convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Share means a Target Share (other than an Excluded Share) on issue as at the Record Date.

Scheme Shareholder means each person registered in the Target Share Register as the holder of the Scheme Shares as at the Record Date.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Security Interest has the meaning given in section 12 of the Personal Property Securities Act 2009 (Cth).

Share Registry means Link Market Services Limited of Level 12, 680 George Street, Sydney, NSW 2000.

Subsidiary has the meaning given to that term in the Corporations Act.

Superior Proposal means a bona fide written Competing Proposal, which in the determination of the Target Board (having regard to written advice from Target's financial advisers), acting in good faith and in order to satisfy what the Target Board reasonably considers, after having received written advice from external legal counsel, to be its fiduciary or statutory duties would, if it is completed substantially in accordance with its terms, be more favourable to Target Shareholders (as a whole) than the Transaction, taking into account all aspects of the Competing Proposal, including but not limited to:

- (a) the value and type of the consideration payable to Target Shareholders under the Competing Proposal and the Tax consequences related to payment of that consideration (as compared to the consideration available under the Transaction);
- (b) the conditions of the Competing Proposal, the likelihood of those conditions being satisfied and the level of certainty in respect of the funding required for the Competing Proposal; and
- (c) the likely timing required to implement or complete the Competing Proposal.

Target Announcement means an announcement by Target a draft of which has been provided to Bidder on or before the date of this agreement.

Target Board means the board of directors of Target.

Target Due Diligence Material means the information and documents disclosed or made available by or on behalf of the Target Group to Bidder and its Representatives, before 8.00am on the date of this agreement, in the online data room established for the purpose of this Transaction, the index for which is attached to the Target Disclosure Letter.

Target Disclosure Letter means the letter executed by Target and given to Bidder immediately before execution of this agreement.

Target Executive Share Plan means the executive share plan of Target in existence as at the date of this agreement.

Target Group means Target and each of its Subsidiaries.

Target Incentives means the incentive rights and securities granted by Target as governed under the rules of the Target Executive Share Plan and the Target Unified Incentive Plan, as Fairly Disclosed in the Target Due Diligence Material.

Target Indemnified Parties means Target and its Related Bodies Corporate and their respective directors, officers and employees.

Target Information means all information included in the Explanatory Memorandum, other than the Bidder Information, the Independent Expert's Report and any other report or letter issued by a Third Party.

Target Payment means \$20,000,000.

Target Prescribed Occurrence means the occurrence of any of the following events:

- (a) Target converts all or any of its securities into a larger or smaller number of securities;
- (b) Target or another member of the Target Group (other than a wholly-owned subsidiary of the Target) resolves to reduce its share capital in any way or resolves to re-classify, combine, split, redeem or re-purchase directly or indirectly any of its shares;

- (c) Target or another member of the Target Group (other than a wholly-owned subsidiary of the Target):
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) any member of the Target Group issues shares, or grants an option or a performance right over its shares or agrees to make such an issue or grant such an option or a performance right (other than from any member of the Target Group to any other member of the Target Group and other than UIP Shares issued in accordance with clause 8(b)(ii));
- (e) any member of the Target Group issues, or agrees to issue, convertible notes or any other security convertible into shares or debt securities other than from any member of the Target Group to any other member of the Target Group;
- (f) any member of the Target Group disposes of the whole, or a substantial part, of its business and property;
- (g) any member of the Target Group creates, or agrees to create, any Encumbrance over, or declares itself the trustee of, any part of its business or property securing an indebtedness or performance of an obligation exceeding \$10,000,000 other than in respect of any transaction contemplated by this agreement or in the ordinary course of business (including as permitted under the Target Group's current credit facilities in place), the total costs of the Target Group incurred in relation to the Transaction, or the Bonus Payment;
- (h) an Insolvency Event occurs in relation to any member of the Target Group;
- (i) Target or any of its Subsidiaries adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (j) any member of the Target Group:
 - (i) increases the remuneration of, or pays any bonus or issues any securities to, or otherwise varies the employment arrangements with, any of its directors or executives;
 - (ii) accelerates the rights of any of its directors or executives to benefits of any kind; or
 - (iii) pays or gives, or agrees to pay or give, a director or executive a termination payment or benefit (including a 'golden parachute') or a payment or benefit upon, or in connection with, a change of control, or any other kind of bonus, compensation or benefit,
 other than:
 - (iv) increase of base salary in the ordinary course as part of annual remuneration reviews consistent with past practices;
 - (v) as provided for in the Target's redundancy policy or an existing employment or services agreement;
 - (vi) any issue or vesting of UIP Shares in accordance with clause 8;
 - (vii) the payment of cash incentives or bonuses to existing executives of the Target Group in accordance with the terms of the incentive

arrangements as at the date of this agreement or as permitted under clause 8(d) (**Bonus Payment**); or

- (viii) as required by law; or
- (k) any member of the Target Group enters into, or resolved to enter into, a transaction with any related party of Target (other than a related party that is a member of the Target Group), as defined in section 228 of the Corporations Act,

other than an event:

- (l) required by law or Regulatory Authority;
- (m) expressly permitted or required to be undertaken or procured by the Target Group pursuant to the Transaction Documents;
- (n) to which Bidder has provided its prior written consent;
- (o) Fairly Disclosed in the Target Due Diligence Material or the Target Disclosure Letter; or
- (p) Fairly Disclosed in any announcement to the ASX made by Target prior to the date of this agreement.

Target Share Register means the register of members of Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

Target Shareholder means a person who is registered in the Target Share Register as a holder of Target Shares.

Target Shares means fully paid ordinary shares in the capital of Target.

Target Unified Incentive Plan means the employee incentive plan of Target in existence as at the date of this agreement.

Target Warranties means the warranties made by Target set out in clause 13.4.

Tax means any tax, levy, excise, duty, charge, surcharge, contribution, withholding tax (including royalty withholding tax), impost or withholding obligation of whatever nature, whether direct or indirect, (including any tax payable under a country's foreign source income attribution or anti-tax-deferral rules) by whatever method collected or recovered, together with any fees, penalties, fines, interest or statutory charges in any country or jurisdiction but excluding any stamp duty payable on any transfer of the Scheme Shares pursuant to the Scheme.

Third Party means a person other than Bidder, Target, or their respective Related Bodies Corporate.

Timetable means the indicative timetable in relation to the Scheme set out in Schedule 1, or such other indicative timetable as Target and Bidder agree in writing.

Transaction means the acquisition by Bidder of the Scheme Shares for the Scheme Consideration pursuant to the Scheme.

Transaction Documents means:

- (a) this agreement;
- (b) the Scheme; and

- (c) the Deed Poll.

Transaction Implementation Committee means a committee to be made up of:

- (a) representatives of each of Target and Bidder;
- (b) representatives from each of the legal advisers of Target and Bidder; and
- (c) such other persons as the parties may agree from time to time.

UIP Incentives means the Target Incentives granted by Target under the Target Unified Incentive Plan.

UIP Participant means a participant in the Target Unified Incentive Plan to whom a UIP Incentive was granted.

UIP Shares has the meaning given to that term in clause 8(b)(i)(B).

1.2 Best and reasonable endeavours

Any provision of this agreement which requires a party to use best endeavours or all reasonable endeavours to procure that something is performed or occurs or does not occur does not include any obligation to:

- (a) pay any money or to provide any financial compensation, or any other incentive to or for the benefit of any person in the form of an inducement or consideration except for payment of:
 - (i) any applicable fee for the lodgement or filing of any relevant application with any Regulatory Authority; or
 - (ii) immaterial expenses or costs, including costs of advisers,
- (b) commence or defend any legal action or proceeding against any person,

except, in each case, where that provision expressly specifies otherwise and, for the avoidance of doubt, that party will not breach the relevant provision requiring the use of best or all reasonable endeavours where the party does not procure that the thing is performed or occurs or does not occur as a result of matters outside the control or influence of the party.

1.3 Business Day

If the day on which any act to be done under this agreement is a day other than a Business Day, that act must be done on the immediately preceding Business Day except where this agreement expressly specifies otherwise.

1.4 Interpretation

In this agreement headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;

- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this agreement) is to that document as varied, novated, ratified or replaced from time to time;
- (g) a reference to a party, clause, schedule, exhibit, attachment, or annexure is a reference to a party, clause, schedule, exhibit, attachment, or annexure to or of this agreement, and a reference to this agreement includes all schedules, exhibits, attachments, and annexures to it;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) a reference to an event, matter or circumstance being **Fairly Disclosed** to a party means disclosed to that party or any of its Representatives in sufficient detail so as to enable a reasonable and sophisticated buyer experienced in transactions similar to the Transaction and experienced in business similar to any business conducted by the Target Group (if disclosed by Target) to identify the nature, substance and scope of the relevant event, matter or circumstance on the Target Group;
- (k) a reference to **\$** or **dollar** is to Australian currency;
- (l) if a word or phrase is not given a defined meaning in clause 1.1 but is defined in or for the purposes of the Corporations Act, it has the same meaning when used in this agreement;
- (m) a reference to a date or time is to that date or time in Sydney, Australia; and
- (n) this agreement (including any term or condition of it) must not be construed adversely to a party solely on the basis that the party prepared it or caused it to be prepared.

2. Target to propose Scheme

- (a) Target agrees to propose the Scheme on and subject to the terms and conditions of this agreement.
- (b) Bidder agrees to assist Target to propose the Scheme on and subject to the terms and conditions of this agreement.

3. Conditions precedent

3.1 Conditions

Subject to this clause 3, the Scheme will not become Effective until each of the conditions listed in the first column of the following table are either satisfied or waived in accordance with clause 3.5:

Condition	Right to benefit & waive	Responsibility to satisfy
(a) (No restraint) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection, or order issued by any Regulatory Authority or any other legal restraint preventing any of the transactions contemplated by this agreement is in effect as at 8.00 am on the Second Court Date;	Target and Bidder	Target and Bidder
(b) (Target Prescribed Occurrence) no Target Prescribed Occurrence has occurred or becomes known to Bidder or Target between the date of this agreement and 8.00 am on the Second Court Date;	Bidder	Target
(c) (Target Shareholder approval) Target Shareholders approve the Scheme by the majorities required under section 411(4)(a)(ii) of the Corporations Act;	None	Target and Bidder
(d) (Court approval) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;	None	Target and Bidder
(e) (Target Warranties) at all times on and before 8.00 am on the Second Court Date, the Target Warranties are true and correct in all material respects (other than the Target Warranties qualified by materiality, which must be true and correct in all respects) as at the time they are given;	Bidder	Target
(f) (Bidder Warranties) at all times on and before 8.00 am on the Second Court date, the Bidder Warranties are true and correct in all material respects (other than the Bidder Warranties qualified by materiality, which must be true and correct in all respects) as at the time they are given;	Target	Bidder
(g) (Employee incentive arrangements) Target has taken all necessary steps by 8.00 am on the Second Court Date to ensure that the Target Incentives are dealt with in accordance with clause 8 and on terms	Bidder	Target

	otherwise acceptable to Bidder (acting reasonably);		
(h)	(OIO approval) Bidder has received in writing all consents, approvals or clearances required under the <i>Overseas Investment Act 2005 (New Zealand)</i> and the <i>Overseas Investment Regulations 2005 (New Zealand)</i> for the implementation of the Scheme, either unconditionally or on terms that are acceptable to Bidder (acting reasonably), and such consents, approvals or clearances have not been withdrawn, suspended, revoked or materially adversely amended;	None	Bidder
(i)	(No Material Adverse Change) no Material Adverse Change occurs or becomes known to Bidder or Target between the date of this agreement and 8.00 am on the Second Court Date.	Bidder	Target

3.2 General obligations in relation to Conditions

Without prejudice to any other obligations of the parties under this agreement, in respect of any given Condition:

- (a) if one party is specified in the third column of the table in clause 3.1 opposite that Condition, that party must use its best endeavours to procure that that Condition is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times up until the last time it is to be satisfied (as the case may require);
- (b) if both parties are specified in the third column of the table in clause 3.1 opposite that Condition, both parties must, to the extent that it is within their respective control or influence, use their best endeavours to procure that that Condition is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times up until the last time it is to be satisfied (as the case may require); and
- (c) each party must, to the extent that it is within its respective control or influence, use its best endeavours to procure that there is no occurrence that would prevent the Condition being satisfied.

Without limiting the foregoing, Target must provide such information in relation to the Target Group and its businesses, operations and affairs as may be reasonably requested by Bidder in connection with the satisfaction of the Condition in clause 3.1(h).

3.3 Obligations in relation to regulatory approvals

Without limiting clause 3.2, to the extent that clause 3.2 requires a party to use best endeavours to procure that a regulatory approval is obtained, that party must:

- (a) as soon as practicable prepare and, subject to clause 3.3(b), lodge, each notice or application required to be given by that party for the purposes of procuring that the regulatory approval is obtained and take all procedural steps it is responsible for as part of such approval process, including responding to requests for information at the earliest practicable time, and use best endeavours to obtain such approvals as soon as practicable after the date of this agreement;

- (b) to the extent practicable, consult with the other party, in advance, in relation to all material written communications with any Regulatory Authority relating to such regulatory approval;
- (c) keep the other party informed of progress in relation to such regulatory approval and of any material matters raised by, or conditions or other arrangements proposed by, or to, any Regulatory Authority which relate to such regulatory approval; and
- (d) provide copies of all documents provided to and received from each relevant Regulatory Authority in relation to such regulatory approval (including before the date of this agreement), on a confidential basis, to the other party,

provided that:

- (e) in relation to clause 3.3(d), the party applying for the approval may withhold or redact information or documents if and to the extent that they are confidential to a third party;
- (f) nothing in this clause 3.3 or any other provision of this agreement requires a party to:
 - (i) disclose commercially sensitive information to the other party; or
 - (ii) accept or agree to any conditions or undertakings imposed or proposed by any Regulatory Authority in respect of any regulatory approval (provided that the party applying for the approval must act reasonably when considering any such conditions or undertakings);
- (g) where any information or document is withheld or redacted for the reasons set out in subparagraph 3.3(g) and 3.3(h), the party applying for the approval must provide the other party with as much detail about the relevant information or document (and any other relevant circumstances) as is reasonably possible without disclosing information or documents that are confidential to a third party or commercially sensitive to the disclosing party; and
- (h) the party applying for the approval will not be prevented from taking procedural steps or communicating with or providing documents to a Regulatory Authority if the other party has not responded promptly under clause 3.3(b).

The other party must provide the applicant for a regulatory approval with all assistance and information reasonably requested by the applicant in connection with the application for and obtaining the approval.

3.4 Notice in relation to satisfaction of Conditions

Each party must:

- (a) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions in respect of which it is specified in the third column of the table in clause 3.1;
- (b) in relation to any Condition, promptly notify the other party in writing upon becoming aware of the satisfaction of that Condition, in which case the notifying party must also provide reasonable evidence that the Condition has been satisfied; and
- (c) in relation to any Condition, promptly notify the other party in writing of a breach or non-fulfilment of a Condition or any occurrence or event that will prevent a Condition from being satisfied.

3.5 Waiver of Conditions

- (a) A Condition is only for the benefit of:
 - (i) if one party is specified in the second column of the table in clause 3.1 opposite that Condition, that party; or
 - (ii) if both parties are specified in the second column of the table in clause 3.1 opposite that Condition, both parties.
- (b) A Condition may be waived and may only be waived:
 - (i) if one party is specified in the second column of the table in clause 3.1 opposite that Condition, by that party by written notice to the other party; or
 - (ii) if both parties are specified in the second column of the table in clause 3.1 opposite that Condition, by written agreement between the parties.
- (c) The Conditions in clauses 3.1(c), (d) and (h) cannot be waived.
- (d) A party entitled to waive or to agree to waive a Condition under this clause 3.5 may do so in its absolute discretion subject to the provision of written notice to the other party and subject to whatever conditions that party deems fit provided that the other party agrees to such conditions.
- (e) Any waiver of a Condition by a party who is entitled to do so pursuant to clause 3.5(b) is only effective if such waiver is given on or prior to 8.00 am on the Second Court Date.
- (f) A party that waives or agrees to waive a Condition is not prevented from bringing a claim against any other party in respect of any breach of this agreement that caused that Condition not to be satisfied.
- (g) Waiver of a breach or non-fulfilment in respect of one Condition does not constitute:
 - (i) a waiver of breach or non-fulfilment of any other Condition resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that Condition resulting from any other event.

3.6 Termination on failure of Conditions

- (a) If any event occurs which would, or in fact does, prevent a Condition being satisfied by the date specified for its satisfaction in this agreement and that Condition is not waived by Target or Bidder or both (as applicable) in accordance with clause 3.5, the parties must consult in good faith to:
 - (i) determine whether the Transaction may proceed by way of alternative means or method;
 - (ii) change the date of the application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by Target and Bidder (being a date no later than 5 Business Days before the End Date);

- (iii) extend the relevant date to a date no later than 5 Business Days before the End Date; and/or
 - (iv) extend the End Date.
- (b) If the parties are unable to reach an agreement under clause 3.6(a) within 5 Business Days of becoming aware of the relevant occurrence, then unless that Condition is waived by Target or Bidder or both (as applicable) in accordance with clause 3.5, either party may terminate this agreement without liability (except under clause 10, if applicable) to the other party because of that termination, unless the relevant occurrence or the failure of the Condition to be satisfied, or of the Scheme to become Effective, arises out of a breach by the terminating party.
- (c) Subject to any rights or obligations arising under or pursuant to clauses that are expressed to survive termination, on termination of this agreement, no party shall have any rights against or obligations to any other party under this agreement except for those rights and obligations which accrued prior to termination.
- (d) If the Condition in clause 3.1(c) (Target Shareholder approval) is not satisfied only because of a failure to obtain the majority required by section 411(4)(a)(ii)(A) of the Corporations Act, then either party may by written notice within 3 Business Days after the date of the conclusion of the Scheme Meeting require the approval of the Court to be sought, pursuant to the Court's discretion in that section, provided the party has in good faith formed the view that the prospect of the Court exercising its discretion in that way is reasonable. If approval is given, the Condition in clause 3.1(c) (Target Shareholder approval) is deemed to be satisfied for all purposes.

4. Implementation of Scheme

4.1 Scheme

- (a) Target must propose a scheme of arrangement to Target Shareholders, pursuant to which all of the Scheme Shares will be transferred to Bidder and the Scheme Shareholders will be entitled to receive the Scheme Consideration subject to and on the terms and conditions set out in the Scheme.
- (b) Target must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Bidder (such consent not to be unreasonably withheld or delayed).

4.2 Timetable

Each party must:

- (a) use its best endeavours;
- (b) commit reasonably necessary resources; and
- (c) procure that its officers, employees and advisers work in good faith and in a timely and cooperative fashion with the other party,

to perform its obligations as set out in this clause 4 in accordance with the Timetable.

4.3 Target's obligations

Target must take all steps reasonably necessary to implement the Scheme as soon as is reasonably practicable after the date of this agreement in accordance with the Timetable and, in particular, Target must:

- (a) **(Explanatory Memorandum)** as soon as practicable after the date of this agreement, prepare the Explanatory Memorandum (excluding the Bidder Information and the Independent Expert's Report) in accordance with all applicable laws and in particular the requirements of the Corporations Act, the Listing Rules and the Regulatory Guides;
- (b) **(Due diligence and verification)** undertake appropriate due diligence and verification processes in relation to the Explanatory Memorandum (other than the Bidder Information and the Independent Expert's Report);
- (c) **(Directors' Recommendation)** include a statement in the Explanatory Memorandum and the Announcement setting out (on the basis of statements made to Target by each Target director) the Recommendation and Voting Intention of each of the Target directors in accordance with clause 7.1;
- (d) **(Review of Bidder Information)** as soon as practicable after receiving a draft of the Bidder Information pursuant to clause 4.4(a), review and provide comments on the form and content of the Bidder Information to Bidder and liaise with Bidder to finalise the Bidder Information for inclusion in the Explanatory Memorandum;
- (e) **(Independent Expert)** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Explanatory Memorandum;
- (f) **(Provide draft Explanatory Memorandum to Bidder)** provide drafts of the Explanatory Memorandum (including, to the extent available, the Independent Expert's Report) to Bidder, consult with Bidder in relation to the content of those drafts, (acting reasonably and in good faith) take into account any comments from Bidder and its Representatives on those drafts and obtain prior written approval from Bidder for the form and content in which the Bidder Information appears in the Explanatory Memorandum (accepting that any review of the Independent Expert's Report by Bidder is to be limited to review for factual accuracy of those parts that include information relating to Bidder and Target makes no representation as to the extent to which the Independent Expert will consider those comments);
- (g) **(Approval of draft Explanatory Memorandum)** procure that a meeting of the Target Board is convened to approve the draft Explanatory Memorandum to be provided to ASIC for its review;
- (h) **(ASIC review)** as soon as reasonably practicable provide an advanced draft of the Explanatory Memorandum (**Regulator's Draft**) to ASIC, for its review and approval for the purposes of section 411(2) of the Corporations Act, and to Bidder and:
 - (i) liaise with ASIC as necessary during the Regulatory Review Period; and
 - (ii) keep Bidder reasonably informed of any matters raised by ASIC in connection with the Explanatory Memorandum or the Scheme and use reasonable endeavours to consult with Bidder in good faith to resolve any such matters;
- (i) **(Section 411(17)(b) statement)** apply to ASIC for the production of:
 - (i) a letter stating that ASIC does not intend to appear before the Court on the First Court Date; and
 - (ii) a statement in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;

- (j) **(Court documents)** consult with Bidder in relation to the content of the documents required for the purposes of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith comments on, and suggested amendments to, those documents from Bidder and its Representatives;
- (k) **(First Court hearing)** lodge all documents with the Court and take all other reasonable steps to ensure that an application is heard by the Court for an order under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting;
- (l) **(Approval of Explanatory Memorandum)** procure that a meeting of the Target Board is convened to approve the Explanatory Memorandum for registration with ASIC and dispatch to Target Shareholders;
- (m) **(Register Explanatory Memorandum)** request that ASIC register the explanatory statement included in the Explanatory Memorandum in relation to the Scheme in accordance with section 412(6) of the Corporations Act;
- (n) **(Dispatch and compliance with Court orders)** take all reasonable steps necessary to comply with the orders of the Court including, as required, dispatching the Explanatory Memorandum to Target Shareholders, provided that, before dispatch, Target must obtain the written consent of Bidder to the inclusion of Bidder Information in the Explanatory Memorandum, in the form and context in which it appears (such consent not to be unreasonably withheld or delayed);
- (o) **(Update Explanatory Memorandum)** until the date of the Scheme Meeting, promptly update the Explanatory Memorandum if it becomes aware of:
 - (i) any information that is required to be disclosed to Target Shareholders in the Explanatory Memorandum under any applicable law, which has not already been disclosed to Target Shareholders; or
 - (ii) any information included in the Explanatory Memorandum that is or has become misleading or deceptive in any material respect or contains any material omission,

and provide such further or new information as is required to ensure that the information is no longer misleading or deceptive in any material respect or contains any material omissions, provided that Target must:

 - (iii) consult with Bidder in relation to the form and content of any updates to the Explanatory Memorandum; and
 - (iv) acting reasonably and in good faith, take into account any comments from Bidder and its Representatives on such updates (to the extent reasonably practicable in the circumstances)
- (p) **(Convene Scheme Meeting)** convene and hold the Scheme Meeting to seek the Target Shareholder's agreement to the Scheme in accordance with the orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (q) **(Court approval application)** if the resolution submitted to the Scheme Meeting is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act (or where clause 3.6 applies, the majority required under section 411(4)(a)(ii)(B) of the Corporations Act) and subject to all other Conditions (other than the Condition in clause 3.1(d)) being satisfied or waived in accordance with this agreement, apply (and, to the extent necessary, re-apply) to the Court for orders approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act;

- (r) **(Representation)** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(1) and section 411(4)(b) of the Corporations Act;
- (s) **(Promote Transaction)**
 - (i) participate in efforts reasonably requested by Bidder to promote the merits of the Transaction and the Scheme Consideration, including meeting with key Target Shareholders at the reasonable request of Bidder; and
 - (ii) provide all necessary information, and procure that the Share Registry provides all necessary information, in each case in a form reasonably requested by Bidder, for the purpose of understanding legal and beneficial ownership of Target Shares and proxy appointments and directions received by Target prior to the Scheme Meeting;
- (t) **(Certificate)** at the hearing on the Second Court Date, provide to the Court a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions (other than the Condition in clause 3.1(d)) have been satisfied or waived in accordance with this agreement and provide a draft of that certificate to Bidder by 5.00 pm on the Business Day prior to the Second Court Date;
- (u) **(Lodge copy of Court order)** if the Scheme is approved by the Court, lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act before 5:00pm on the Business Day on which such office copy is received (or such later date as is agreed between the parties in writing);
- (v) **(ASX listing)** not do anything to cause the Target to cease to be admitted to the ASX, or the Target Shares to cease continue to be quoted for trading (and not permanently suspended) on ASX, until the close of business on the Business Day after the Implementation Date; and
- (w) **(Implementation of Scheme)** if the Scheme becomes Effective:
 - (i) apply to ASX to suspend trading in Target Shares with effect from the close of trading on the Effective Date;
 - (ii) close the Target Share Register as at the Record Date and determine entitlements to the Scheme Consideration in accordance with the Scheme;
 - (iii) provide to Bidder, or procure that the Share Registry provides to Bidder, all necessary information about the Scheme and the Scheme Shareholders that Bidder reasonably requires in order for Bidder to provide, or procure the provision of, the Scheme Consideration in accordance with the Scheme;
 - (iv) subject to Bidder paying the Scheme Consideration in accordance with its obligations under clause 5, on the Implementation Date (or as soon as practicable thereafter) register all transfers of Scheme Shares to Bidder in accordance with the Scheme; and
 - (v) promptly do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme, in accordance with all applicable laws and regulations.

4.4 Bidder's obligations

Bidder must take all steps reasonably necessary to assist Target to implement the Scheme as soon as is reasonably practicable after the date of this agreement in accordance with the Timetable and, in particular, Bidder must:

- (a) **(draft of Bidder Information)** prepare and provide to Target a draft of the Bidder Information as soon as reasonably practicable after the date of this agreement and consult with Target in relation to the content of drafts of Bidder Information and (acting reasonably and in good faith) take into account any comments from Target and its Representatives on those drafts;
- (b) **(Due diligence and verification)** undertake appropriate due diligence and verification processes in relation to the Bidder Information;
- (c) **(final form of Bidder Information)** provide to Target the Bidder Information in a form appropriate for inclusion in the Explanatory Memorandum;
- (d) **(Independent Expert)** promptly provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report for inclusion in the Explanatory Memorandum;
- (e) **(assistance with Explanatory Memorandum)** promptly provide all assistance and information reasonably requested by Target or its Representatives in connection with the preparation of the Explanatory Memorandum (including any supplementary disclosure to Target Shareholders) and any documents required to be filed with the Court in respect of the Scheme;
- (f) **(review Explanatory Memorandum)** review the drafts of the Explanatory Memorandum provided by Target and provide comments on those drafts as soon as reasonably practicable and in good faith;
- (g) **(Approval of Bidder Information)** as soon as reasonably practicable after receipt of the draft Explanatory Memorandum from Target, and in any event, before a draft of the Explanatory Memorandum is lodged with ASIC, and again before the Explanatory Memorandum is dispatched to Target Shareholders, confirm in writing to Target:
 - (i) Bidder's consent to the inclusion of the Bidder Information in the Explanatory Memorandum in the form and context in which it appears in the Explanatory Memorandum such consent not to be unreasonably withheld or delayed; and
 - (ii) the accuracy and completeness of the Bidder Information, in the form and context in which it appears in the Explanatory Memorandum, including that it is not misleading or deceptive in any material respect and does not contain any material omission and is in a form appropriate for dispatch to the Target Shareholders (subject to the approval of the Court);
- (h) **(Update the Bidder Information)** until the date of the Scheme Meeting, promptly inform Target if it becomes aware of:
 - (i) any information that is required to be disclosed to Target Shareholders in the Bidder Information under any applicable law, which has not already been disclosed to Target Shareholders; or
 - (ii) any information included in the Explanatory Memorandum that is or has become misleading or deceptive in any material respect or contains any material omission,

and provide such further or new information as is required to ensure that the information is no longer misleading or deceptive in any material respect or contains any material omissions;

- (i) **(promote merits of Transaction)** participate in efforts reasonably requested by Target to promote the merits of the Transaction and the Scheme Consideration, including meeting with key Target Shareholders at the reasonable request of Target;
- (j) **(Deed Poll)** by no later than the Business Day prior to the First Court Date, execute the Deed Poll and deliver the executed Deed Poll to Target;
- (k) **(Representation)** procure that, if requested by Target, it is represented by counsel at the Court hearings convened for the purposes of section 411(1) and section 411(4)(b) of the Corporations Act, at which, through its counsel and, if requested by the Court, Bidder will undertake to do all such things and take all such steps within its power as may be reasonably necessary in order to ensure the fulfilment of its obligations under this agreement and the Scheme;
- (l) **(Certificate)** at the hearing on the Second Court Date, provide to the Court a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions (other than the Condition in clause 3.1(d)) have been satisfied or waived in accordance with this agreement and provide a draft of that certificate to Target by 5.00 pm on the Business Day prior to the Second Court Date;
- (m) **(Scheme Consideration)** if the Scheme becomes Effective, provide, or procure the provision of, the Scheme Consideration on the Implementation Date in accordance with clause 5 and the terms of the Scheme and Deed Poll;
- (n) **(Share transfer)** if the Scheme becomes Effective, accept the transfer of the Scheme Shares as contemplated by clause 4.3(w)(iv) and execute any instruments of transfer required to effect the transfer of the Scheme Shares; and
- (o) **(Other things necessary)** promptly do all other things contemplated by or reasonably necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

4.5 Dispute as to Explanatory Memorandum

If, after a reasonable period of consultation, the parties, each acting reasonably and in good faith, are unable to agree on the form or content of the Explanatory Memorandum, then:

- (a) if the disagreement relates to the form or content of Bidder Information (or any information solely derived from, or prepared solely in reliance on, Bidder Information), Target will, acting in good faith, make such amendments to that information in the Explanatory Memorandum as Bidder may require (acting reasonably and in good faith); and
- (b) if the disagreement relates to the form or content of the Target Information (or any information solely derived from, or prepared solely in reliance on, information provided by or on behalf of Target, or extracted from announcements made by Target to ASX regarding the Target Group), Target will, acting reasonably and in good faith, decide the final form of that information in the Explanatory Memorandum.

4.6 Reconstitution of Target Board

With effect on and from the Implementation Date, but subject to Bidder having provided the Scheme Consideration in accordance with this agreement, Target must:

- (a) Cause the appointment to the Target Board and to the boards of each Subsidiary of Target those persons nominated by Bidder in writing to Target, and cause the appointment of such persons nominated by Bidder in writing to Target as secretaries of Target and each of its Subsidiaries, in each case subject to those persons being appointed having provided to Target duly executed consents to act as directors and/or secretaries (as applicable) of the relevant companies; and
- (b) procure that all Target directors and secretaries and the directors and secretaries of each Subsidiary of Target (other than, in each case, those appointed pursuant to clause 4.6(a)) resign,

in each case, in accordance with the Target constitution (or constitution of the relevant Subsidiary of Target, as the case may be), the Corporations Act and the Listing Rules.

4.7 Responsibility statement

The Explanatory Memorandum will contain a responsibility statement to the effect that:

- (a) Bidder is responsible for the Bidder Information contained in the Explanatory Memorandum and, to the maximum extent permitted by law, Target will not be responsible for any Bidder Information and will disclaim any liability for Bidder Information appearing in the Explanatory Memorandum; and
- (b) Target is responsible for the Target Information contained in the Explanatory Memorandum and, to the maximum extent permitted by law, none of the Bidder Indemnified Parties will be responsible for any information contained in the Explanatory Memorandum that is not Bidder Information and each such party will disclaim any liability for any such information.

4.8 Removal of Target from official list of ASX

If directed by Bidder in writing, Target must take all steps necessary for Target to be removed from the official list of ASX on the day immediately following the Implementation Date, including by lodging a request for removal with ASX prior to the Implementation Date.

4.9 Court representation

- (a) Bidder is entitled to separate representation at all Court proceedings relating to the Scheme at its own cost.
- (b) Target must support any application by Bidder for leave of the Court to be represented, or the separate representation of Bidder, at any hearing held by the Court in relation to the Scheme whether following a request by Target or otherwise.

5. Scheme Consideration

5.1 Bidder undertakings in relation to Scheme Consideration

- (a) Under the Scheme and subject to the Scheme becoming Effective, each Scheme Shareholder will be entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder at the Record Date.
- (b) Bidder undertakes to Target (in Target's own right and separately as trustee for each of the Scheme Shareholders) that, if the Scheme becomes Effective, in consideration for the transfer to Bidder of all Scheme Shares held by Scheme Shareholders under the terms of the Scheme, Bidder will:
 - (i) accept that transfer on the Implementation Date; and

- (ii) pay, or procure the payment, into a trust account operated by Target as trustee for the Scheme Shareholders of an amount in cleared funds equal to the aggregate amount of the Scheme Consideration for all Scheme Shares, by no later than the Business Day before the Implementation Date (provided that any interest on the amount so deposited (less bank fees and other charges) will accrue for the benefit of Bidder).

5.2 Rounding up

Where the calculation of the Scheme Consideration to be provided to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up to the nearest whole cent.

6. Conduct of business

6.1 Conduct of Target's business

From the date of this agreement up to and including the Implementation Date, Target must:

- (a) procure that each member of the Target Group:
 - (i) conducts its businesses and operations in the ordinary and usual course and substantially consistent (subject to any applicable laws, regulations and licence conditions) with the manner in which each such business and operation is conducted prior to the date of this agreement including using all reasonable endeavours to preserve its current business organisation, the services of its current officers and employees and its current relationship with third parties (including Regulatory Authorities, rating agencies, customers, suppliers, licensors, licensees and others having material business dealings with it);
 - (ii) conducts its businesses and operations substantially in accordance with all applicable laws and regulations;
 - (iii) uses reasonable endeavours to ensure that all assets are maintained in the normal course consistent with past practice; and
 - (iv) complies in all material respects with all Material Contracts to which such Target Group member is a party and does not waive any material rights under any such Material Contract or terminate or amend in any material respect any such Material Contract (or agree to do any of the foregoing);
- (b) ensure that no member of the Target Group:
 - (i) disposes of any securities, business, asset, interest in a joint venture, entity or undertaking, the value of which exceeds \$10,000,000 in aggregate, to any person other than another entity within the Target Group, excluding any disposal approved by the Target Board prior to the date of this agreement that has been Fairly Disclosed in the Target Due Diligence Material;
 - (ii) acquires any securities, business, assets, interest in a joint venture, entity or undertaking, the price of which exceeds \$10,000,000 in aggregate, from another person other than another entity within the Target Group, excluding any acquisition approved by the Target Board that has been Fairly Disclosed in the Target Due Diligence Material;
 - (iii) incurs any indebtedness, or provides any financial accommodation (irrespective of what form that indebtedness or financial accommodation

takes), exceeding \$10,000,000 (individually or in aggregate), excluding any borrowing under its existing bank facilities, such exclusion to include any borrowings as may be permitted under the Target Group's current credit facilities, or any indebtedness approved by the Target Board that has been Fairly Disclosed in the Target Due Diligence Material or any indebtedness incurred in respect of any transaction contemplated by this agreement (including, but not limited to, the payment of the Bonus Payment or the payment of the total costs of the Target Group incurred in relation to the Transaction);

- (iv) makes, commences, settles or admits liability in relation to any legal proceedings, claim, investigation, arbitration or other like proceeding where the settlement amount, the amount of the claim or the exposure of the Target Group (as applicable) exceeds \$10,000,000;
 - (v) enters into:
 - A. any Material Contract; or
 - B. a joint venture or strategic partnership with any person where the contractually committed investment by the Target Group exceeds \$10,000,000;
 - (vi) incurs, commits to or undertakes any capital expenditure or project expenditure (other than any capital expenditure and project expenditure budgeted for and the amount of which has been Fairly Disclosed in the Target Due Diligence Material) of an amount exceeding \$15,000,000 (in aggregate);
 - (vii) employs or engages any individual for a term of 12 months or longer as an officer, employee, contractor or consultant having a total annual employment or engagement cost of more than \$500,000;
 - (viii) terminates the employment or engagement of, or amends, in any material respect, the terms of employment or engagement of any individual employed or engaged, for a term of 12 months or longer, as an officer, employee, contractor or consultant having a total annual employment or engagement cost of more than \$500,000;
 - (ix) waives or forgives any loans made to any officer or employee of any member of the Target Group (other than in accordance with clause 8(a)(ii)(C));
 - (x) announces, declares, determines to pay or pays any dividend or other distribution, or returns capital to its members;
 - (xi) changes its accounting policies other than as required by applicable accounting standards; or
 - (xii) authorises, or commits, resolves or agrees to do, any of the matters set out above; and
- (c) ensure that no Target Prescribed Occurrence occurs,
- except to the extent that any action undertaken by Target relates to any matter or event:
- (d) that is expressly required to be done or procured by Target or another member of the Target Group pursuant to, or which is otherwise expressly permitted by, the Transaction Documents;

- (e) for which Bidder has provided its prior written consent (such consent not to be unreasonably withheld or delayed, provided that, for the avoidance of doubt, it is acknowledged and agreed by the parties that it would not be unreasonable for Bidder to withhold its consent to any action referred to in clause 6.1(b)(x));
- (f) which arises as a result of court or Regulatory Authority order, injunction or undertaking or is otherwise required in order to comply with any applicable law or regulation;
- (g) which has been Fairly Disclosed to ASX prior to the date of this agreement;
- (h) which is Fairly Disclosed in the Target Due Diligence Material or the Target Disclosure Letter; or
- (i) which is in accordance with contractual rights and obligations that existed at the date of this agreement, provided such rights and obligations have been Fairly Disclosed in the Target Due Diligence Material.

6.2 Access

- (a) Between the date of this agreement and the Implementation Date, Target must provide Bidder and its Representatives with reasonable, non-disruptive access during normal business hours and on reasonable notice to Target's officers and senior executives, as well as any documents, records and other information of the Target Group, which Bidder reasonably requires for the purposes of:
 - (i) understanding the Target's financial position (including its cash flow and working capital position), trading performance and management control systems (including information technology and data);
 - (ii) implementation of the Scheme (including seeking and obtaining any necessary approvals, consents or waivers);
 - (iii) preparing for carrying on the business of the Target Group following implementation of the Scheme; or
 - (iv) any other purpose which is agreed in writing between the parties (each acting reasonably).
- (b) Nothing in this clause 6.2 requires Target to provide Bidder or its Representatives with any document, record or information:
 - (i) concerning Target's directors' consideration of the Transaction; or
 - (ii) which would breach any obligation of confidentiality to any Third Party or any applicable privacy law.
- (c) The parties acknowledge and agree that nothing in this clause 6.2 requires Target to provide any document, record or information that is different or in addition to the documents, records or information Target provides or makes available to its Board and senior executives in the usual and ordinary course.
- (d) Target will provide reasonable assistance to Bidder for purposes of satisfying Target's obligations under this clause 6.2, but nothing in this clause 6.2 requires Target to provide access to its people, documentation or information or to take any other action which would significantly disrupt the usual and ordinary course of Target's business and operations.

6.3 Transaction Implementation Committee

- (a) The parties must establish a Transaction Implementation Committee as soon as reasonably practicable after the date of this agreement and work together in good faith to consult with each other and plan to:
 - (i) implement the Transaction in accordance with this agreement; and
 - (ii) ensure the smooth transition of the management of the business and the affairs of the Target Group to Bidder following the implementation of the Scheme, including to coordinate the matters set out in this clause 6.
- (b) At meetings of the Transaction Implementation Committee, the Target must report on a monthly basis, to the Bidder on the quantum of Third Party costs in respect of the Transaction it has incurred (as against the estimate of those Third Party costs which has been Fairly Disclosed in the Target Disclosure Letter).

6.4 Existing financing and security

- (a) The Target must cooperate with, and undertake all steps reasonably required or requested in connection with any repayment of existing debt of the Target Group as may be required in connection with the Transaction, including:
 - (i) liaising with Bidder in good faith in relation to the using of the existing cash reserves of the Target for this purpose;
 - (ii) issuing prepayment notices in relation to existing Target Group debt facilities and closing out any hedging positions;
 - (iii) using all reasonable endeavours to procure deeds of release, discharges of real property mortgages and registrations on the PPSR from secured parties in relation to any security interest granted by a member of the Target Group in favour of that party and procuring the return of any title documents held by a secured party.
- (b) Bidder agrees to reimburse the Target for reasonable fees, costs and expenses reasonably incurred in complying with this clause 6.4 on provision of written evidence of the payment of such fees, costs and expenses.

6.5 Bidder financing obligations

- (a) Bidder must use commercially reasonable efforts (including enforcing its rights under the Debt Commitment Letters) to obtain the proceeds of the Debt Financing on the terms and conditions described in the Debt Commitment Letters on or prior to the Implementation Date, including by using reasonable efforts to:
 - (i) maintain in effect the Debt Commitment Letters;
 - (ii) negotiate definitive agreements with respect to the Debt Financing on other terms which do not:
 - A. reduce the aggregate amount of the Debt Financing such that the aggregate funds available to Bidder on the Implementation Date would not be sufficient to satisfy Bidder's obligations hereunder; or
 - B. impose new or additional conditions precedent (other than conditions precedent that have already been satisfied at the time they are so added) or adversely modify any existing conditions precedent to the receipt of the Debt Financing; and

- (iii) satisfy on a timely basis all conditions precedent to funding of the Debt Financing.
- (b) Bidder must give Target prompt written notice of:
 - (i) any termination or repudiation of the Debt Commitment Letters of which Bidder has knowledge; or
 - (ii) any breach or default of any of the Debt Commitment Letters by any party thereto of which Bidder has knowledge that could reasonably be expected to materially and adversely affect the ability or likelihood of Bidder to consummate the transactions contemplated by this agreement in accordance with the Timetable.
- (c) Bidder will not, without the prior written consent of Target:
 - (i) permit any material amendment or modification to, or any waiver of any provision or remedy under any of the Debt Commitment Letters which is materially prejudicial to the Bidder's ability to comply with its obligations under this agreement, the Scheme and the Deed Poll; or
 - (ii) terminate any of the Debt Commitment Letters.
- (d) Notwithstanding anything in this clause 6.5, Bidder may in its sole discretion reduce the amount of Debt Financing provided that Bidder furnishes to Target one or more additional equity commitment letters (on the same terms as the Equity Commitment Letters) for the amount of the relevant reduction in Debt Financing.
- (e) In the event that any portion of the Debt Financing becomes unavailable, regardless of the reason, Bidder will:
 - (i) promptly notify Target of such unavailability and the reason; and
 - (ii) use reasonable efforts to obtain alternative debt financing (in an amount sufficient, when taken together with the available portion of the Debt Financing, to perform its obligations hereunder) from the same or other sources, and on terms which do not include any conditions to the consummation of such alternative financing that are more onerous than the conditions contained in the Debt Commitment Letters.

6.6 Financing cooperation

- (a) During the period from the date of this agreement to the earlier of the Implementation Date and the termination of this agreement in accordance with its terms:
 - (i) the Target Group entities shall furnish at least 10 Business Days prior to the Implementation Date all documentation and other information, to the extent not provided in the Due Diligence Material, with respect to the Target Group entities required by bank regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including the Patriot Act, as required to satisfy the conditions in the Debt Documents provided that all relevant documentation and other information required under this paragraph has been requested in writing at least 10 Business Days prior to the date it is required to be furnished; and
 - (ii) the Target Group entities shall use reasonable efforts to provide, and shall cause the respective directors, managers, officers, employees and other representatives of the Target Group entities to provide, in each

case in a timely manner, all reasonable cooperation and assistance to Bidder in connection with the arrangement of the Debt Financing that is customary for a financing of such type, including, as requested, using reasonable efforts to:

- A. make appropriate officers and employees available for participation in a reasonable number of meetings, due diligence sessions, presentations, and sessions with ratings agencies and prospective financings sources;
 - B. provide reasonable assistance in the preparation of offering documents reasonably requested by Bidder or the financiers in respect of the Debt Financing;
 - C. furnish Bidder and its financing sources within a reasonable timeframe with such financial and operating data and other information with respect to the Target Group entities as is reasonably requested by Bidder or the financiers in respect of the Debt Financing;
 - D. provide reasonable assistance with marketing efforts of Bidder and its financing sources for all or any portion of the Debt Financing (including by making available such senior executives of Target as reasonably requested by Bidder and at mutually convenient times);
 - E. provide reasonable assistance to Bidder in procuring a credit rating for the relevant borrower under the financing and/or the debt facilities which constitute all or part of the Debt Financing; and
 - F. issue any prepayment notices (and related payoff letters, security releases and other documents) in relation to existing debt facilities and closing out hedging arrangements.
- (b) Bidder must indemnify Target (in its own right and separately as trustee or nominee for each Target Indemnified Party) and each of the Target Indemnified Parties against any claim, action, damage, loss, liability, cost, expense or payment, of whatever nature and however arising, suffered or incurred by any of them in connection with any Debt Financing and any information utilised in connection with any Debt Financing, in each case other than to the extent any of the foregoing arises from the bad faith or wilful misconduct of, or breach of this agreement by, Target or a Target Indemnified Party. No Target Group member or Target Indemnified Party will be required to execute, credit agreements, pledge or security documents or legal opinions, certificates or other documents in connection with the Debt Financing (other than authorization letters as contemplated by the Debt Commitment).
- (c) Bidder agrees to reimburse Target for its reasonable costs and expenses incurred as a result of complying with its obligations under this clause 6.6. Notwithstanding anything to the contrary in this clause 6.6, nothing herein shall require such assistance or cooperation to the extent it would (i) cause any Condition to not be satisfied, (ii) cause a breach of this deed, or (iii) unreasonably interfere with the ongoing business or operations of Target and Target shall receive reasonable advance notice of any requested assistance or cooperation.

6.7 Change of control

- (a) Target must use all reasonable endeavours to procure that, as soon as practicable following the date of this agreement (and, in any event, before the Second Court Date), each member of the Target Group has complied with and discharged all contractual obligations notified to Target in writing by Bidder or of which Target is

otherwise aware requiring such member of the Target Group to give notice to, or to apply for the approval or consent of, a Third Party in connection with this agreement or the transactions contemplated by it (including, for the avoidance of doubt, in respect of the change in control of Target resulting from implementation of the Scheme).

- (b) Target must consult with Bidder, and Bidder must provide reasonable assistance to Target, in connection with giving any notice or seeking any approval or consent under clause 6.7(a). Without limiting the foregoing, Target must:
 - (i) give Bidder as much prior notice as reasonably practicable of any material discussions with any Third Party in connection with clause 6.7(a) and give Bidder a reasonable opportunity to participate in such discussions;
 - (ii) give Bidder a reasonable opportunity to review drafts of any material communications to Third Parties in connection with clause 6.7(a) and, acting reasonably and in good faith, take into account any comments provided by Bidder or its Representatives on such drafts; and
 - (iii) promptly provide Bidder with copies of all material communications received from Third Parties in connection with clause 6.7(a).
- (c) Any notice, approval or consent of a kind referred to in clause 6.7(a) may only be given or sought by Target in a form and on terms approved by Bidder.

6.8 Alternative financing

- (a) Notwithstanding anything to the contrary contained in this agreement, a Debt Commitment Letter may be superseded at the option of the Bidder after the date of this agreement but prior to the Implementation Date by instruments (the **Replacement Financing Letters**) that replace the existing Debt Commitments and/or contemplate co-investment by or financing from one or more debt financing sources or other or additional parties, provided that:
 - (i) the terms of any Replacement Financing Letter shall not reduce the aggregate amount of the Debt Financing below an amount necessary to fund the aggregate Scheme Consideration payable for all the Scheme Shares or expand upon the conditions precedent to the Debt Financing as set forth in the Debt Commitment Letters; and
 - (ii) neither the arrangement or negotiation of any Replacement Financing Letters nor the terms thereof delay the Implementation Date.
- (b) For the purposes of this agreement:
 - (i) the references to "Debt Financing" shall include the financing contemplated by the Debt Commitment as permitted by this clause 6.8 to be amended, modified or replaced; and
 - (ii) the references to "Debt Commitment Letters" shall include such documents (including any fee letter in connection with such Debt Commitment Letters and Debt Documents) as permitted by this clause 6.8 to be amended, modified or replaced,

in each case from and after such amendment, modification and replacement.

6.9 Business updates

From the date of this agreement up to and including the Implementation Date, Target must use reasonable endeavours to notify Bidder in writing of any of the following matters of which Target becomes aware:

- (a) events, facts, matters or circumstances which have had, or are reasonably likely (in the reasonable opinion of MYOB) to have, a material adverse effect on:
 - (i) the financial or operational performance of, or the reputation of, the Target Group (taken as a whole); or
 - (ii) the Target Group's relationships with Regulatory Authorities or the counterparties to Material Contracts;
- (b) changes to the composition of Target's executive management team; and
- (c) any material breach of this agreement by Target.

7. Recommendation, intentions and announcements

7.1 Target Board Recommendation and Voting Intention

- (a) Target must ensure that the Target Announcement and the Explanatory Memorandum state that each Target director:
 - (i) recommends that Target Shareholders vote in favour of the resolution to approve the Scheme (**Recommendation**); and
 - (ii) intends to cause any Target Shares in which they have a Relevant Interest to be voted in favour of the resolution to approve the Scheme (**Voting Intention**),

which statements must not be qualified in any way other than by words to the effect of "in the absence of a Superior Proposal" and "subject to the Independent Expert concluding and continuing to conclude that the Scheme is in the best interests of Target Shareholders".

- (b) Bidder acknowledges that, subject to the other terms of this agreement, each Target director may publicly (or otherwise) withdraw, change or in any way qualify their Recommendation or Voting Intention if:
 - (i) there is a Superior Proposal and Target has complied with its obligations under clause 9.5 (if applicable) in respect of such Superior Proposal; or
 - (ii) the Independent Expert concludes in the Independent Expert's Report (either in the initial report or any update, revision, amendment, addendum or supplementary reports to it) that the Scheme is not in the best interests of the Target Shareholders.
- (c) Target undertakes in favour of Bidder to procure that no Target director publicly (or otherwise) withdraws, changes or in any way qualifies their Recommendation or Voting Intention in any circumstances other than those specified in clause 7.1(b)(i) or 7.1(b)(ii).

7.2 Announcements

- (a) Immediately after the execution of this agreement, Target must issue the Target Announcement to the ASX.

- (b) Subject to clause 7.2(c), any further public announcement or public disclosure made by Target or Bidder in relation to the Transaction or any other transaction the subject of this agreement, the Deed Poll or the Scheme, may only be made in a form approved by Target and Bidder in writing (acting reasonably). Such approval must not be unreasonably withheld, conditioned or delayed.
- (c) Where Target or Bidder is required by applicable law, Listing Rules or the requirements of any Regulatory Authority to make any announcement or to make any disclosure in relation to the Transaction or any other transaction the subject of this agreement, the Deed Poll or the Scheme, it may do so to the extent legally required and only then after it has used all reasonable endeavours, to the extent practicable in the circumstances, to notify and consult with the other party prior to making the relevant announcement or disclosure and take account of any reasonable comments received from the other party in relation to the form and content of the announcement or disclosure.

8. Target Incentives

- (a) In respect of all ESP Incentives, Target confirms and undertakes in favour of Bidder that:
 - (i) the Target Board will not exercise any discretion with respect to the vesting of any ESP Incentives; and
 - (ii) prior to the Record Date:
 - A. all ESP Incentives shall lapse;
 - B. all Target Shares representing ESP Incentives shall be sold on-market and the proceeds of such sale (**ESP Sale Proceeds**) shall be retained by Target and held by Target as at the Implementation Date;
 - C. to the extent that the loans in respect of the ESP Incentives are not deemed to be repaid out of the ESP Sale Proceeds, such loans shall be forgiven; and
 - D. the ESP Participants shall cease to have any rights or entitlements in respect of ESP Incentives or otherwise under the Target Executive Share Plan.
- (b) In respect of all UIP Incentives granted in respect of the financial year ending 31 December 2018, Target confirms and undertakes in favour of Bidder that:
 - (i) as soon as practicable following 31 December 2018:
 - A. the Target Board shall determine the extent to which the performance hurdles in respect of the UIP Incentives have been achieved, which determination shall be made based solely on the terms on which the UIP Incentives were granted (and, for the avoidance of doubt, without the Target Board exercising any discretions conferred on it by the Target Unified Incentive Plan Rules (or otherwise)); and
 - B. Target shall notify Bidder in writing of the Target Board's determination, which notice shall include reasonable details of the relevant calculations and shall specify the number of Target Shares (if any) to be allocated to each UIP Participant in accordance with the terms of the UIP Incentives granted to that UIP Participant (such Target Shares, **UIP Shares**);

- (ii) all UIP Shares shall be vested and issued or transferred to UIP Participants prior to the deadline for voting at the Scheme Meeting; and
- (iii) on and from the date that the UIP Shares are issued or transferred in accordance with sub-paragraph (ii), the UIP Participants shall cease to have any rights or entitlements in respect of the UIP Incentives or otherwise under the Target Unified Incentive Plan.
- (c) To the extent that the transactions or matters contemplated in clause 8(a) or 8(b) require Target to put in place any arrangements, Target shall consult in good faith with the Bidder before putting such arrangements in place.
- (d) Notwithstanding clause 8(a) or 8(b), Target has the right to determine and grant incentives under the Target Unified Incentive Plan in respect of the financial year ending 31 December 2019 (**FY19 Incentives**) and determine to substitute cash in lieu of any Target Shares in relation to such FY19 Incentives, provided that:
 - (i) Target must consult with Bidder in good faith in relation to any grant of FY19 Incentives (including the amount, value, allocation, vesting conditions and other terms and conditions of such FY19 Incentives);
 - (ii) any grant of FY19 Incentives must be consistent with the past practices of the Target Group;
 - (iii) the Target Board may not, and Target must procure that the Target Board does not, exercise any discretion with respect to the vesting of any FY19 Incentives in connection with the Transaction without Bidder's prior written consent (not to be unreasonably withheld); and
 - (iv) unless Bidder otherwise agrees (in its absolute discretion), Target must ensure that any FY19 Incentives that do not vest in accordance with sub-paragraph (iii) lapse on the Effective Date such that, on and from the Effective Date, the holders of such FY19 Incentives cease to have any rights or entitlements in respect of the FY19 Incentives or otherwise under the Target Unified Incentive Plan.

For the avoidance of doubt, in determining whether or not to grant consent under sub-paragraph (iii) above, Bidder may have regard to (among other things) the amount of the applicable performance period that will have elapsed as at the Effective Date and the performance of the Target Group against the applicable vesting conditions between the start of the applicable performance period and the Effective Date.

9. Exclusivity arrangements

9.1 No shop

During the Exclusivity Period, Target must not, and must ensure that its Representatives do not, except with the prior written consent of Bidder, directly or indirectly solicit, invite, initiate or encourage any Competing Proposal or any inquiry, expression of interest, offer, proposal, negotiations or discussions by or with any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, or communicate any intention to any person to do any of those things.

9.2 No talk and no due diligence

Subject to clause 9.3, during the Exclusivity Period, Target must not, and must ensure that its Representatives do not, except with the prior written consent of Bidder, directly or indirectly:

- (a) enter into, continue or participate in any negotiations or discussions with, or accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding with, any Third Party in relation to, or which may reasonably be expected to lead to, a Competing Proposal; or
- (b) make available to any Third Party, or permit any Third Party to receive, any non-public information relating to any member of the Target Group in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal, or a proposal which may reasonably be expected to lead to a Competing Proposal (including without limitation providing such information for the purposes of the conduct of due diligence investigations in respect of the Target); or
- (c) communicate to any person an intention to do anything referred to in this clause 9.2.

9.3 Limitation to no talk and no due diligence

Target, its Related Bodies Corporate and their Representatives may undertake any action that would otherwise be prohibited by clause 9.2 in relation to a bona fide written Competing Proposal:

- (a) which was not solicited by any of them during the Exclusivity Period and was not otherwise brought about as a result of any breach by Target of its obligations under this clause 9;
- (b) which is or is reasonably likely to be a Superior Proposal; and
- (c) where the Target Board, acting in good faith and after having considered written advice from the Target Board's external legal advisers, determines that not undertaking that act would be likely to involve a breach of the Target directors' fiduciary or statutory duties.

9.4 Notification obligation

During the Exclusivity Period, Target must promptly (and, in any event, within 24 hours) notify Bidder in writing of any Competing Proposal or any approach regarding a Competing Proposal, which notice must include reasonable details of the Competing Proposal or approach (as applicable) (including the material terms and conditions and the identity of the party or parties making the Competing Proposal or approach (as applicable)).

9.5 Matching right

- (a) During the Exclusivity Period, Target must procure that none of its directors publicly recommend, endorse or support a Competing Proposal unless:
 - (i) the Competing Proposal is a Superior Proposal; and
 - (ii) Target has provided Bidder with all material terms and conditions of the Competing Proposal (including the identity of the party or parties making the Competing Proposal) and, as at the date that is 3 Business Days after the date on which Target provided Bidder with such terms and conditions, either:
 - A. Bidder has not proposed an amendment to the Scheme which constitutes an irrevocable offer to the Target (**Bidder Counter Proposal**); or
 - B. Bidder has delivered a Bidder Counter Proposal to Target which the Target Board, acting in good faith, determines (after

having taken written advice from Target's external financial advisers) is not more favourable to Target Shareholders (on an overall basis) than the Competing Proposal.

Target's obligations under this clause 9.5(a) apply in respect of each new Competing Proposal and any variation or amendment to an existing Competing Proposal.

- (b) If the Target Board determines that a Bidder Counter Proposal is more favourable to Target Shareholders (on an overall basis) than the Competing Proposal, then:
 - (i) the parties must as soon as reasonably practicable use their best endeavours to agree such amendments to this agreement and the Scheme as are necessary to reflect the Bidder Counter Proposal; and
 - (ii) as soon as reasonably practicable following such amendments having been agreed, Target must ensure that the Target Board publicly announces its unanimous recommendation of the Bidder Counter Proposal on the same basis as clause 7.1.
- (c) If Bidder makes a Bidder Counter Proposal, Target must ensure that the Target Board considers such proposal as soon as practicable and must notify Bidder of the Target Board's determination in respect of such proposal within 5 Business Days of such proposal being made.
- (d) For the avoidance of doubt, the making of a Bidder Counter Proposal shall not require the consent of Target under the Confidentiality Deed (or otherwise) and shall not breach the standstill clause under such deed.

9.6 Normal provision of information

Nothing in this clause 9 prevents Target from:

- (a) providing information to its Representatives;
- (b) providing information to any Regulatory Authority;
- (c) providing information to its auditors, advisers, customers, joint venturers and suppliers acting in that capacity in the ordinary course of business;
- (d) providing information to its advisers acting in that capacity in connection with the Transaction or a Competing Proposal;
- (e) providing information required to be provided by law, Listing Rules or any Regulatory Authority; or
- (f) making presentations to brokers, portfolio investors, analysts and other Third Parties in the ordinary course of business or for the purposes of promoting the Transaction.

10. Reimbursement of Costs

10.1 Background to Target Payment

- (a) The parties each acknowledge that, if they enter into this agreement and the Scheme is subsequently not implemented, Bidder will incur significant costs as set out in clause 10.4.

- (b) In these circumstances, Target has agreed that provision be made for the payment outlined in clause 10.2, without which Bidder would not have entered into this agreement or otherwise agreed to implement the Scheme.
- (c) Target and the Target Board believe, having taken advice from their advisers, that the implementation of the Scheme will provide benefits to Target Shareholders and that it is appropriate for Target to agree to the payment referred to in clause 10.2 in order to secure Bidder's participation in the Transaction.

10.2 Target Payment

Target must pay the Target Payment to Bidder if:

- (a) any of the Target directors:
 - (i) withdraws, changes or adversely revises their Recommendation or Voting Intention; or
 - (ii) recommends, supports or endorses a Competing Proposal,
 unless:
 - (iii) in connection with, or in respect of, a Superior Proposal and, if applicable, Target has complied with its obligations under clause 9.5 in respect of such Superior Proposal;
 - (iv) the Independent Expert concludes in the Independent Expert's Report (including the initial report or any update, revision, amendment, addendum or supplementary reports to it) that the Scheme is not in the best interests of Target Shareholders, except where the Independent Expert reached such conclusion as a result of a Competing Proposal which is not a Superior Proposal; or
 - (v) Target is entitled to terminate this agreement pursuant to clause 15.3(b)(i) and has given the appropriate termination notice to Bidder; or
- (b) Bidder becomes entitled to terminate this agreement under clause 15.2(b)(i) and Bidder terminates this agreement on the basis of such entitlement.

10.3 Timing

- (a) A demand by Bidder for payment of the Target Payment under clause 10.2 must:
 - (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account into which the party is to pay the Target Payment.
- (b) Target must pay the Target Payment into the account nominated by Bidder, without set-off or withholding, within 5 Business Days after receiving a demand for payment where Bidder is entitled under clause 10.2 to the Target Payment.

10.4 Basis of Target Payment

The Target Payment has been calculated to reimburse Bidder for costs including the following:

- (a) fees for legal, financial and other professional advice in planning and implementing the Transaction incurred (excluding success fees);
- (b) costs of management and directors' time in planning and implementing the Transaction;
- (c) out of pocket expenses incurred by Bidder and Bidder's employees, advisors and agents in planning and implementing the Transaction; and
- (d) opportunity costs incurred in pursuing the Transaction and in not pursuing other alternative acquisitions or strategic initiatives which could have been developed to further business and objectives,

and the parties agree that:

- (e) the costs actually incurred by Bidder will be of such a nature that they cannot all be accurately ascertained;
- (f) the Target Payment is a genuine and reasonable pre-estimate of those costs; and
- (g) both parties have received advice from their respective legal advisors on the operation of this clause 10.

10.5 No payment if Scheme becomes Effective

No Target Payment is payable if the Scheme becomes Effective. To the extent that any amount has already been paid under this clause 10 and the Scheme becomes Effective, such amount must be refunded to Target within 4 Business Days.

10.6 Target Payment payable once

Where the Target Payment becomes payable to Bidder under clause 10.2 and is actually paid to Bidder, Bidder cannot make any claim against Target for payment of any subsequent Target Payment.

10.7 Other claims

Where the Target Payment becomes payable to Bidder under clause 10.2 and is actually paid to Bidder in full, Bidder cannot make any claim against Target which relates to the event that gave rise to the right to make a demand under clause 10.3, unless the claim arises from the fraud of the Target or a wilful breach by Target of this agreement.

10.8 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a court that all or any part of the Target Payment required to be paid under clause 10.2 (**Impugned Amount**):

- (a) is unlawful;
- (b) involves a breach of directors' duties; or
- (c) constitutes unacceptable circumstances or breaches an order of the Takeovers Panel,

then,

- (d) the requirement to pay the Target Payment does not apply to the extent of the Impugned Amount; and

- (e) if Bidder has received the Impugned Amount, it must refund it within five Business Days of the final determination being made.

10.9 Regulatory Intervention

If any Regulatory Authority (including ASIC or the Takeovers Panel) or a court requires any modification (including requiring such a modification as a condition of consenting to or approving the Scheme or as a condition of not opposing the Scheme) to the Target Payment including as to the amount or circumstances in which it is to be paid, then:

- (a) the parties will accept this determination and amend this agreement to that extent; and
- (b) it will not result in a breach of this agreement or termination of the transactions contemplated by it.

11. Acceptance of Qualifying Superior Proposal

- (a) If a:
 - (i) Qualifying Superior Proposal is made after the date of this agreement and prior to the Exclusivity Period; or
 - (ii) Qualifying Superior Proposal is made during the Exclusivity Period in respect of which clause 9.5(a)(ii) applies,
 Bidder Holdco undertakes to:
 - (iii) vote all of its Target Shares in favour of such Qualifying Superior Proposal; or
 - (iv) accept all of its Target Shares into such Qualifying Superior Proposal prior to the end of the offer period,
 as applicable.
- (b) Bidder Holdco agrees not to take or procure any action with the intention or preventing or delaying any Qualifying Superior Proposal referred to in clause 11(a)(i) or 11(a)(ii) or otherwise reducing the likelihood that such Qualifying Superior Proposal is successfully completed.
- (c) If Bidder Holdco transfers any of its Target Shares, it will procure that such transferee complies with this clause 11 in respect of any Qualifying Superior Proposal referred to in clause 11(a)(i) or 11(a)(ii).
- (d) For the avoidance of doubt, Bidder Holdco's obligations under this clause 11 in respect of a Qualifying Superior Proposal are only binding upon Bidder Holdco for so long as the requirements in each of paragraphs (a), (b) and (c) of the definition of Qualifying Superior Proposal are satisfied.

12. Liability of directors, officers and employees

12.1 Liability of directors, officers and employees

To the maximum extent permitted by law, each party releases all rights against, and agrees that it will not make any claim against, the respective past or present directors, officers and employees of each of the other party and the other party's Related Bodies Corporate in relation to:

- (a) information provided to the first party in relation to the Transaction; or
- (b) any breach of any representations, covenants and warranties of the other party in this agreement,

except to the extent that the relevant director, officer or employee has not acted in good faith or has engaged in fraud or wilful misconduct.

12.2 Directors and officers insurance

Bidder acknowledges that Target will:

- (a) arrange for the cover provided under the Policy for a further period until the End Date; and
- (b) by no later than the Implementation Date, arrange for the cover provided under the Policy to be amended so as to provide run off cover in accordance with the terms of the Policy for a 7 year period from the Implementation Date, and pay all premiums required so as to ensure that insurance cover is provided under the Policy on those terms until the end of that 7 year period.

12.3 Obligations in relation to directors and officers insurance

From the Implementation Date, Bidder must procure that Target does not:

- (a) vary or cancel the Policy in any material respect; or
- (b) unless required under the Policy, commit any act or omission that may prejudice any claim under the Policy as extended pursuant to clause 12.2(b) above.

12.4 Directors and officers indemnities

- (a) Without limiting any other term of this agreement, from the Effective Date for the Scheme, Bidder undertakes to Target that it will, in respect of each deed of indemnity, access and insurance (**Relevant Deed**) made by a Target Group entity (**Relevant Entity**) in favour of a director, officer or employee of Target or its Related Bodies Corporate, whether past or present, (**Indemnified Party**) from time to time procure that:
 - (i) the Relevant Entity complies with the Relevant Deed; and
 - (ii) to the extent that the Relevant Entity ceases to exist after the Implementation Date, each Indemnified Party has the benefit of a deed from Bidder on terms no less favourable to the Indemnified Party than those contained in the Relevant Deed as at the Effective Date.
- (b) This clause 12.4 applies to the maximum extent permitted by the Corporations Act and will be read down accordingly.

12.5 Compliance with law and benefit

- (a) Clause 12.1 is subject to any restriction under the Corporations Act and will (if and to the extent required) be read down accordingly.
- (b) The parties agree that:
 - (i) Target holds the benefit of this clause 12 to the extent it relates to each of Target, its Related Bodies Corporate and their respective past or present directors, officers and employees as trustee for them, and, as

such, each such Target Indemnified Party may enforce this clause 12 against Bidder; and

- (ii) Bidder holds the benefit of this clause 12 to the extent it relates to each Bidder Indemnified Party as trustee for them, and, as such, each such Bidder Indemnified Party may enforce this clause 12 against Target.

13. Representations, warranties and indemnities

13.1 Representations and warranties by Bidder

Bidder represents and warrants to Target (on its own behalf and separately as trustee for each of the Target Indemnified Parties) that:

- (a) on each date from the date of this agreement until (and including) the Second Court Date:
 - (i) it is a company properly incorporated and validly existing under the laws of its place of incorporation;
 - (ii) the execution and delivery by Bidder of the Transaction Documents to which Bidder is party has been properly authorised by all necessary corporate action and Bidder has full corporate power and lawful authority to execute and deliver such Transaction Documents and to perform or cause to be performed its obligations under such Transaction Documents;
 - (iii) the Transaction Documents to which Bidder is party constitute legal, valid and binding obligations on it, enforceable in accordance with their terms, and do not conflict with or result in a breach of or default under:
 - A. the constitution or equivalent constituent documents of Bidder or any of its Subsidiaries; or
 - B. any writ, order or injunction, judgment, law, rule, obligation or regulation to which Bidder or any of its Subsidiaries is party, or by which Bidder or any of its Subsidiaries is bound; and
 - (iv) other than as expressly contemplated by clause 3, no shareholder or Regulatory Authority approvals (including any approvals, exemptions, notifications or otherwise as may be required under the *Foreign Acquisition and Takeovers Act 1975* (Cth)) are required to be obtained by the Bidder Group in order for it to execute and perform the Transaction Documents to which it is a party;
- (b) on each date from the date of this agreement until (and including) the Implementation Date, no Insolvency Event has occurred in relation to Bidder or any other member of the Bidder Group, nor has any regulatory action of any nature been taken that would prevent or restrict its ability to fulfil its obligations under this agreement;
- (c) on the First Court Date and the Second Court Date:
 - (i) the Bidder Information has been prepared and included in the Explanatory Memorandum in good faith and on the understanding that Target and the Target Indemnified Parties have relied on that information for the purposes of considering and approving the Target Information in the Explanatory Memorandum and that the Independent Expert has relied on the information for the purposes of preparing the Independent Expert's Report;

- (ii) the Bidder Information complies in all material respects with relevant laws (including the Corporations Act, Listing Rules and relevant Regulatory Guides), and includes all information regarding Bidder, its Related Bodies Corporate and the Scheme Consideration that is required by the Corporations Act, Regulatory Guides and Listing Rules to be included in the Explanatory Memorandum;
 - (iii) the Bidder Information (other than to the extent that it consists of information relating to the Target Group that was provided by or on behalf of Target, or has been extracted from announcements made by Target to the ASX regarding the Target Group) in the form and context in which it appears in the Explanatory Memorandum is not misleading or deceptive in any material respect and does not contain any material omission;
 - (iv) Bidder has complied with its obligations under clause 4.4(h); and
 - (v) all information provided by or on behalf of Bidder to the Independent Expert is not misleading or deceptive in any material respect and does not contain any material omission and has been prepared and provided in good faith and on the understanding that the Independent Expert have relied on the information for the purposes of preparing the Independent Expert's Report;
- (d) on each date from the date of this agreement until (and including) the Implementation Date, neither Bidder nor any of its Associates has any agreement, arrangement or understanding with any Target Shareholder under which that Target Shareholder (or an Associate of that Target Shareholder) would be entitled to receive consideration for their Target Shares different from the Scheme Consideration or under which the Target Shareholder agrees to vote in favour of the Scheme or against any Competing Proposal;
- (e) on each date from the date of this agreement until (and including) the Implementation Date, neither Bidder nor any of its Associates has any agreement, arrangement or understanding with any director, officer or employee of Target relating in any way to the Transaction or operations of Target after the Effective Date;
- (f) as at 8:00am on the Second Court Date, Bidder will have sufficient cash amounts (whether from internal cash resources or external financial commitments, or a combination of both) available to it on an unconditional basis (other than conditions relating to the approval of the Court and related procedural matters or documentary requirements which, by their terms or nature, can only be satisfied or performed after the Second Court Date), to ensure that the Scheme Consideration is paid to Scheme Shareholders in accordance with the terms of this agreement, the Scheme and the Deed Poll;
- (g) the Equity Commitment Letters have each been duly executed by the parties to them and constitute legally binding obligations on those parties that are enforceable in accordance with their respective terms, and the Equity Commitment Letters have not been terminated;
- (h) each Debt Commitment Letter:
 - (i) is a true and complete copy executed by all parties thereto;
 - (ii) has not been terminated, modified or rescinded, and no event has occurred which with notice, lapse of time or both, would result in a default under that Debt Commitment Letter;

- (iii) is enforceable in accordance with its terms and Bidder is not in default thereunder; and
- (iv) provides a Debt Commitment of an amount sufficient (when aggregated with the amounts available under the Equity Commitment Letters) to satisfy all of Bidder's payment obligations under this agreement, as and when those payment obligations become due, including paying the Scheme Consideration on the Implementation Date and any expenses of Bidder in connection with the consummation of the transaction contemplated hereby, and for any proposed repayment or refinancing of any outstanding indebtedness of the Target Group in connection with the transactions contemplated hereby (including, but not limited to, the payment of the Bonus Payment); and
- (i) any statement of opinion or belief contained in the Bidder Information is honestly held and there are reasonable grounds for holding the opinion or belief.

13.2 Bidder warranty certificate

Bidder must provide to Target by 8.00am on the Second Court Date a certificate signed by a director of Bidder and made in accordance with a resolution of the Bidder Board stating, as at that date, that the representations or warranties given by Bidder in clause 13.1 remain true and correct or, if any such representation or warranty is not true and correct as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or incorrect.

13.3 Reliance on Bidder Warranties

- (a) Bidder acknowledges and agrees that in entering into this agreement Target and the Target Indemnified Parties have relied on the Bidder Warranties.
- (b) Bidder indemnifies Target (on its own behalf and separately as trustee for each of the Target Indemnified Parties) against any claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising, which may be suffered or incurred by reason of any breach of any of the Bidder Warranties.

13.4 Representations and warranties by Target

Target represents and warrants to Bidder (on its own behalf and separately as trustee for each of Bidder Indemnified Parties) that:

- (a) on each date from the date of this agreement until (and including) the Second Court Date:
 - (i) it is a company properly incorporated and validly existing under the laws of its place of incorporation;
 - (ii) the execution and delivery by Target of the Transaction Documents to which Target is party has been properly authorised by all necessary corporate action and Target has full corporate power and lawful authority to execute and deliver such Transaction Documents and to perform or cause to be performed its obligations under such Transaction Documents;
 - (iii) the Transaction Documents to which Target is party constitute legal, valid and binding obligations on it, enforceable in accordance with their terms, and do not conflict with or result in a breach of or default under:

- A. the constitution or equivalent constituent documents of Target or any of its Subsidiaries; or
 - B. any writ, order or injunction, judgment, law, rule, obligation or regulation to which Target or any of its Subsidiaries is party, or by which Target or any of its Subsidiaries is bound; and
- (iv) other than as expressly contemplated by clause 3, no shareholder or Regulatory Authority approvals are required to be obtained by the Target Group in order for Target to execute and perform the Transaction Documents to which it is a party;
- (v) as far as the Target is aware, it has complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1 and as at the date of this agreement is not withholding any information (other than the fact of its discussions and negotiations with Bidder relating to the Transaction and the subject matter of this agreement) from ASX under Listing Rule 3.1A that has not been fully and Fairly Disclosed in the Target Due Diligence Material;
- (vi) the Target Group has all material licences, permits, authorisations and approvals necessary for it to conduct its business in the manner in which it is conducted as at the date of this agreement, and no member of the Target Group is in material breach of, or default under, any such licence, permit, authorisation or approval, nor has any member of the Target Group received any notice in respect of the termination, revocation, variation or non-renewal of any such licence, permit, authorisation or approval;
- (vii) as at the date of this agreement there are 590,802,197 Target Shares on issue, and Target has not issued (and is not required to issue and may not become required to issue) any other securities or instruments or rights which are still outstanding (or may become outstanding) and which may convert to Target Shares other than the UIP Incentives, UIP Shares and FY19 Incentives;
- (viii) each member of the Target Group has complied in all material respects with all applicable laws and regulations, including (without limitation):
 - A. financial services laws and regulations;
 - B. privacy and data protection laws and regulations;
 - C. Tax laws and regulations;
 - D. employment laws and regulations; and
 - E. laws and regulations relating to anti-money laundering, anti-bribery and anti-corruption (including the Australian laws implemented pursuant to the OECD Anti-Bribery Convention),

in each case in each applicable jurisdiction that the Target Group operates, and Target is not aware of, and has not received notice of, any actual or alleged material breach of any such laws or regulations by any member of the Target Group;
- (ix) each member of the Target Group has complied in all material respects with each Material Contract to which it is a party, and no member of the Target Group is aware of any intention on the part of any counterparty to

a Material Contract to terminate such Material Contract or amend the terms of such Material Contract in any material respect;

- (x) no outstanding calls or demands have been made under, or in respect of, any of the financing or security arrangements to which any member of the Target Group is a party or by which any member of the Target Group (or any assets thereof) is bound (such arrangements, the **Financing Arrangements**);
 - (xi) there is no existing or unremedied material breach of, nor any material default, event of default, cancellation event, review event, prepayment event or similar event currently subsisting under, any Financing Arrangements;
 - (xii) no member of the Target Group is a party to or the subject of any investigation, action, proceeding, dispute, claim, demand, notice, direction, declaration, inquiry, arbitration, mediation, dispute resolution or litigation that will or may have a material adverse effect on the trading or financial performance, profitability, prospects or reputation of the Target Group (taken as a whole);
 - (xiii) Target has prepared, compiled and made available to Bidder and its Representatives the Target Due Diligence Material in good faith and Target is not aware of any information:
 - A. contained in the Target Due Diligence Material that is false or misleading in any material respect (including by omission); or
 - B. which is not included in the Target Due Diligence Material and which could reasonably be expected to be material to the evaluation of the Target Group and its businesses, operations and affairs by a reasonable and sophisticated buyer;
- (b) on the First Court Date and the Second Court Date:
- (i) the Target Information has been prepared and included in the Explanatory Memorandum in good faith and on the understanding that Bidder and the Bidder Indemnified Parties have relied on that information for the purposes of considering and approving the Bidder Information in the Explanatory Memorandum and that the Independent Expert has relied on the information for the purposes of preparing the Independent Expert's Report;
 - (ii) the Target Information (as well as any Bidder Information to the extent that it consists of information relating to the Target Group that was provided to Bidder by or on behalf of Target, or has been extracted from announcements made by Target to the ASX regarding the Target Group) does not contain a statement which is misleading or deceptive in any material respect and does not contain any material omission; and
 - (iii) the Target Information complies in all material respects with relevant laws (including the Corporations Act, Listing Rules and relevant Regulatory Guides);
- (c) on the Implementation Date, there are no Encumbrances (other than Permitted Encumbrances) over all or any of the Target Group's present or future assets or revenues; and
- (d) any statement of opinion or belief contained in the Target Information is honestly held and there are reasonable grounds for holding the opinion or belief.

13.5 Qualification of Target Warranties

- (a) The Target Warranties are subject to matters which:
 - (i) expressly required or permitted by this agreement or the Scheme;
 - (ii) are within the actual knowledge of Bidder or its Representatives as at the date of this agreement; or
 - (iii) have been Fairly Disclosed in the Target Due Diligence Material, Target Disclosure Letter or Target's announcements to the ASX regarding the Target Group prior to the date of this agreement.
- (b) Any representations and warranties given pursuant to clause 13.4, subject to Target's awareness, knowledge or belief are given by reference to the actual awareness, knowledge or belief of Tim Reed, Richard Moore, Andrew Birch, Ian Boylan, Hugh Fahy and John Moss.

13.6 Target warranty certificate

Target must provide to Bidder by 8.00am on the Second Court Date a certificate signed by a director of Target and made in accordance with a resolution of the Target Board stating, as at that date, that the representations or warranties given by Target in clause 13.4 remain true and correct or, if any such representation or warranty is not true and correct as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or incorrect.

13.7 Reliance on Target Warranties

- (a) Target acknowledges and agrees that in entering into this agreement Bidder and the Bidder Indemnified Parties have relied on the Target Warranties.
- (b) Target indemnifies Bidder (on its own behalf and separately as trustee for each of the Bidder Indemnified Parties) against any claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising, which may be suffered or incurred by reason of any breach of any of the Target Warranties.

13.8 Notifications

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 13.

13.9 Status of representations and warranties

Each representation and warranty in this clause 13:

- (a) is severable;
- (b) will survive the termination of this agreement; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this agreement.

13.10 Status and enforcement of indemnities

- (a) Each indemnity in this agreement is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination, completion or expiration of this agreement.

- (b) It is not necessary for a party to incur expenses or to make any payment before enforcing a right of indemnity conferred by this agreement.

13.11 Timing of representations and warranties

Each representation and warranty made or given under clauses 13.1 or 13.4 is given at the date of this agreement, the date the Explanatory Memorandum is dispatched to Target Shareholders and as at 8.00 am on the Second Court Date, unless that representation or warranty is expressed to be given only at a particular time, in which case, it is given only at that time.

14. Confidentiality and communications

14.1 Confidentiality Deed

Each party acknowledges and agrees that they continue to be bound by the Confidentiality Deed after the date of this agreement in respect of all information received by it from the other party on, before or after the date of this agreement and that the terms of this agreement will prevail over the terms of the Confidentiality Deed to the extent of any inconsistency.

14.2 Survival of obligations

The rights and obligations of the parties under the Confidentiality Deed survive termination of this agreement.

14.3 Disclosure on termination of agreement

The parties agree that, if this agreement is terminated under clause 15, any party may disclose:

- (a) the fact that this agreement has been terminated, where such disclosure is required by the Listing Rules or is in the reasonable opinion of that party required to ensure that the market in its securities is properly informed; and
- (b) the fact that this agreement has been terminated to ASIC.

15. Termination and remedies

15.1 Limited termination events

This agreement may only be terminated by either party in the circumstances contemplated by clauses 15.2 and 15.3, or if the parties agree in writing to terminate this agreement.

15.2 Termination by Bidder

Bidder may terminate this agreement at any time before 8.00 am on the Second Court Date:

- (a) in accordance with clause 3.6; or
- (b) by notice in writing to Target if:
 - (i) Target is in material breach of any of clause of this agreement, (including the Target Warranties or in relation to a Target Prescribed Occurrence), provided that Bidder is only entitled to terminate if it has given notice to Target setting out the relevant circumstances and stating an intention to terminate and the relevant circumstances have continued to exist 5 Business Days (or any shorter period ending at 5.00 pm on the day one

Business Day before the Second Court Date) from the time such notice is received by Target; or

- (ii) any Target director publicly changes, withdraws or adversely revises their Recommendation or Voting Intention or publicly recommends, supports or endorses a Competing Proposal, for any reason, whether or not permitted to do so under this agreement.

15.3 Termination by Target

Target may terminate this agreement at any time before 8.00 am on the Second Court Date:

- (a) in accordance with clause 3.6; or
- (b) by notice in writing to Bidder if:
 - (i) as at the time before 8.00 am on the Second Court Date, Bidder is in material breach of any clause of this agreement (including the Bidder Warranties) provided that Target is only entitled to terminate if it has given notice to Bidder setting out the relevant circumstances and stating an intention to terminate and the relevant circumstances have continued to exist 5 Business Days (or any shorter period ending at 5.00 pm on the day one Business Day before the Second Court Date) from the time such notice is received by Bidder; or
 - (ii) a majority of Target directors publicly change or withdraw their Recommendation or Voting Intention or publicly recommend a Competing Proposal, in each case where permitted to do so under this agreement; or
 - (iii) the Independent Expert concludes in the Independent Expert's Report (including the initial report or any update, revision, amendment, addendum or supplementary reports to it) that the Scheme is not in the best interests of Target Shareholders, and does not change or withdraw those statements or recommendations once made.

15.4 Effect of termination

If this agreement is terminated:

- (a) the provisions of this agreement shall cease to have effect except for the provisions of clauses 1, 10, 12, 14, 15.4, 16, 17, 18, 19.1 to 19.6 (inclusive), 19.8 to 19.12 (inclusive) and 20 which will survive termination; and
- (b) subject to any rights or obligations arising under or pursuant to those clauses referred to in clause 15.4(a) which will survive termination, no party shall have any rights against or obligations to any other party under this agreement, except for those rights and obligations accrued prior to termination of the agreement.

15.5 Remedies

The parties acknowledge that damages may not be a sufficient remedy for breach of this agreement. Specific performance, injunctive relief or any other remedies which would otherwise be available in equity or law are available as a remedy for a breach or threatened breach of this agreement by any party, notwithstanding the ability of the other party to terminate this agreement or seek damages for such a breach or threatened breach or to demand payment of the Target Payment.

15.6 Target's limitation of liability

Notwithstanding any other provision of this agreement and other than in the case of fraud or wilful default, the maximum liability of Target to Bidder under or in connection with this agreement will be the amount of the Target Payment and no further damages, fees, expenses or reimbursements of any kind will be payable by Target under or in connection with this agreement.

16. Notices

16.1 How notice to be given

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement:

- (a) may be given by personal service, post or email;
- (b) must be in writing and in English;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):
 - (i) if to Target:

Address: Level 3, 235 Springvale Road, Glen Waverley VIC 3150

Email: ian.boylan@myob.com / peter.hamblin@myob.com

Attention: Ian Boylan / Peter Hamblin

with a copy to: Niro Ananda

Email: nananda@claytonutz.com
 - (ii) if to Bidder:

Address: Level 42, 1 Macquarie Place, Sydney NSW 2000

Email: david.lang@kkcr.com and george.aitken@kkcr.com

Attention: Directors

with a copy to:

Email: pcook@gtlaw.com.au and akauye@gtlaw.com.au
 - (iii) if to Bidder Holdco:

Address: 10 Changi Business Park Central 2, #05-01 Hansapoint@CBP, 486030

Email: yijun.ooi@kkcr.com

Attention: Yi Jun Ooi

with a copy to:

Email: pcook@gtlaw.com.au and akauye@gtlaw.com.au

- (d) (in the case of personal service or post) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
- (e) (in the case of email) must state that the email is a communication under this agreement; and
- (f) must be delivered by hand or posted by prepaid post to the address or sent by email to the email address, of the addressee, in accordance with this clause 16.1.

16.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of delivery by hand) on delivery; and
- (d) (in the case of email) unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the addressee's domain specified in the email address notified for the purposes of clause 16.1, 4 hours after the email was sent,

but if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day (**working day** meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

17. GST

17.1 Interpretation

- (a) Except where the context suggests otherwise, and subject to clause 17.1(b), terms used in this clause have the meanings given to those terms by the A New Tax System (Goods and Services Tax) Act 1999 (as amended from time to time).
- (b) A reference to an input tax credit entitlement of an entity includes an input tax credit for an acquisition made by that entity but to which the representative member of any GST group to which that entity may belong is entitled. A reference to the GST payable by an entity includes GST payable by the representative member of any GST group to which that entity may belong
- (c) Any part of a supply that is treated as a separate supply for GST purposes (including attributing GST payable to tax periods) will be treated as a separate supply for the purposes of this clause.
- (d) Any consideration for a supply that is specified to be inclusive of GST must not be taken into account in calculating the GST payable in relation to that supply for the purpose of this clause.

17.2 Reimbursements and similar payments

Any payment or reimbursement required to be made under this agreement that is calculated by reference to a cost, expense, or other amount paid or incurred will be limited to the total cost, expense or amount less the amount of any input tax credit to which an entity is entitled for the acquisition to which the cost, expense or amount relates.

17.3 GST payable

- (a) If GST is payable by a party (**Supplier**) in relation to a taxable supply the Supplier has made under or in connection with this agreement, then the party (**Recipient**) that is required to provide consideration for that supply must, subject to clause 17.1(d), pay an additional amount to the Supplier equal to the amount of that GST at the same times as other consideration is to be provided for that supply.
- (b) No payment of any amount pursuant to clause 17.3(a) is required until the Supplier has provided a valid tax invoice to the Recipient.
- (c) Where additional amounts are payable between parties to this agreement pursuant to clause 17.3(a), amounts so payable, to the extent they are equivalent in amount, shall be set off against each other as if paid and each party shall be obliged only to provide the tax invoice referred to in clause 17.3(b) no later than the time at which any consideration is to be first provided for that supply.
- (d) If the GST payable in relation to a supply made under or in connection with this agreement varies from the additional amount paid by the Recipient under clause 17.3(a) then the Supplier will provide a corresponding refund or credit to, or will be entitled to receive the amount of that variation from, the Recipient. Any payment, credit or refund under this paragraph is deemed to be a payment, credit or refund of the additional amount payable under clause 17.3(a). Where there is an adjustment event, the Supplier must promptly issue an adjustment note to the Recipient.

18. Entire agreement

The Transaction Documents and the Confidentiality Deed constitute the entire agreement between the parties in relation to their subject matter and supersede all previous agreements and understandings between the parties in relation to their subject matter.

19. General

19.1 No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement and (to the maximum extent permitted by law) all other representations, warranties and conditions implied by statute or otherwise in relation to any matter relating to this agreement, the circumstances surrounding the parties' entry into it and the transactions contemplated by it are expressly excluded.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement.

19.2 Amendments

This agreement may only be varied by a document signed by or on behalf of each party.

19.3 Assignment

- (a) Subject to clause 19.3(b) below, a party may not assign, novate or otherwise transfer any of its rights or obligations under this agreement without the prior written consent of the other party.
- (b) Bidder may assign, grant a security interest over, novate or otherwise transfer by way of security, any of its rights or obligations under this agreement to a financier or financiers (or a security agent or security trustee thereof) without the prior written consent of Target solely for the purpose of obtaining finance or providing security in connection with the Transaction.

19.4 Consents

Unless this agreement expressly provides otherwise, a consent under this agreement may be given or withheld in the absolute discretion of the party entitled to give the consent and to be effective must be given in writing.

19.5 Costs

Except as otherwise provided in this agreement, each party must pay its own costs and expenses in connection with negotiating, preparing, executing and performing each Transaction Document.

19.6 Counterparts

This agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this agreement, and all together constitute one agreement.

19.7 Further acts and documents

Each party must promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party to give effect to this agreement.

19.8 No merger

A party's rights and obligations do not merge on completion of any transaction contemplated by this agreement.

19.9 Severance

If any provision or part of a provision of this agreement is held or found to be void, invalid or otherwise unenforceable (whether in respect of a particular party or generally), it will be deemed to be severed to the extent that it is void or to the extent of violability, invalidity or unenforceability, but the remainder of that provision will remain in full force and effect.

19.10 Stamp duties

Bidder must pay all stamp duties and any related fines and penalties in respect of this agreement, the performance of this agreement and each transaction effected by or made under this agreement and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause 19.10.

19.11 Waivers

Without limiting any other provision of this agreement, the parties agree that:

- (a) failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this agreement by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this agreement;
- (b) a waiver given by a party under this agreement is only effective and binding on that party if it is given or confirmed in writing by that party; and
- (c) no waiver of a breach of a term of this agreement operates as a waiver of another breach of that term or of a breach of any other term of this agreement.

19.12 No recourse

- (a) Only the parties to this agreement shall have any obligation or liability under or in respect of this agreement.
- (b) Notwithstanding anything that may be expressed or implied in this agreement, no recourse shall be had against:
 - (i) any current or future affiliate of Bidder or any portfolio company of such affiliate;
 - (ii) any current or future direct or indirect shareholder, member, director or officer, general or limited partner, controlling person or beneficial owner of Bidder or any affiliate or portfolio company referred to in sub-paragraph (i); or
 - (iii) any of the respective representatives, successors or assigns of any person referred to in sub-paragraph (i) or (ii),

it being expressly agreed and acknowledged that no liability whatsoever shall attach to, be imposed on or otherwise be incurred by any person referred to in sub-paragraph (i), (ii) or (iii) (each a **Non-Liable Person**) for any obligation of any party under this agreement or for any claim based on, in respect of or by reason of any such obligation.
- (c) Bidder holds the benefit of this clause 19.12 as trustee for each Non-Liable Person such that each Non-Liable Person may enforce this clause 19.12 notwithstanding that such Non-Liable Person is not a party to this agreement.

20. Governing law, jurisdiction and service of process

20.1 Governing law

This agreement is governed by the law applying in New South Wales, Australia.

20.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia the courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this agreement; and
- (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings

B ANNEXURE B – SCHEME IMPLEMENTATION AGREEMENT

CLAYTON UTZ

have been brought in an inconvenient forum, if that venue falls within clause 20.2(a).

Schedule 1 Timetable

Event	Date
Send Explanatory Memorandum to ASIC	22 February 2019
First Court Date	11 March 2019
Scheme Meeting	16 April 2019
Second Court Date	19 April 2019
Effective Date	19 April 2019
Implementation Date	3 May 2019

B ANNEXURE B – SCHEME IMPLEMENTATION AGREEMENT

CLAYTON UTZ

Executed as an agreement.

Executed by MYOB Group Limited ACN 153 094 958 in accordance with section 127 of the Corporations Act 2001 (Cth):



Signature of director

Timothy Reed

Full name of director



Signature of company secretary/director

Peter Hamblin

Full name of company secretary/director

Scheme implementation agreement

Executed by **ETA AUSTRALIA HOLDINGS III
PTY LTD ACN 630 727 552** in accordance with
section 127 of the Corporations Act 2001 (Cth):



Signature of director

DAVID PETER LANG
Full name of director



Signature of company secretary/director

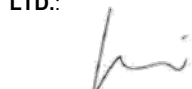
NICHOLAS AITKEN
Full name of company secretary/director

Scheme implementation agreement

B ANNEXURE B – SCHEME IMPLEMENTATION AGREEMENT

CLAYTON UTZ

Executed by **ETA ASIA HOLDINGS II PTE.
LTD.:**



Signature of director

Wong Wai Kin

Full name of director



Signature of company ~~secretary~~/director

David Tan Wei Ming

Full name of company ~~secretary~~/director

Scheme implementation agreement

Annexure A Scheme

Scheme of arrangement made under section 411 of the Corporations Act

Date

Parties **MYOB Group Limited ACN 153 094 958** of Level 3, 235 Springvale Road, Glen Waverley VIC 3150 (**Target**)

Each person registered as a holder of fully paid ordinary shares in the capital of the Target on the Record Date

Background

- A. The Target and the Bidder have entered into the Implementation Agreement, pursuant to which, amongst other things, the Target has agreed to propose this Scheme to Target Shareholders and each of the Target and the Bidder have agreed to take certain steps to give effect to this Scheme.
- B. If this Scheme becomes Effective, the Bidder will provide the Scheme Consideration to the Scheme Shareholders in accordance with the provisions of this Scheme, and the Bidder will acquire all Scheme Shares and the Target will enter the Bidder in the Share Register as the holder of the Scheme Shares.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this agreement:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Bidder means ETA Australia Holdings III Pty Ltd ACN 630 727 525.

Business Day means a day which is a "Business Day" within the meaning given in the Listing Rules.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited, a wholly-owned Subsidiary of ASX.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction as Target and Bidder agree in writing.

Deed Poll means the deed poll executed by Bidder in favour of the Scheme Shareholders dated [•].

Effective means, when used in relation to this Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, Security Interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered.

End Date means 31 May 2019 or such other date agreed in writing between Target and Bidder.

Excluded Share means any Target Share held by Bidder or any of its Associates.

Implementation Agreement means the scheme implementation agreement entered into between the Target and the Bidder on or about 23 December 2018 relating to (among other things) the implementation of this Scheme.

Implementation Date means the date which is 5 Business Days after the Record Date or such other date as Target and Bidder agree in writing, provided that if such date falls on:

- (a) a Monday;
- (b) a day that is a public holiday in the United States of America and on which commercial banks are closed in the United States of America (such day, a **U.S. Holiday**); or
- (c) the date after a U.S. Holiday,

the 'Implementation Date' shall be the next Business Day on which none of (a), (b) or (c) apply. It is understood that the reference to a 'day' in the United States of America shall refer to the day immediately preceding the applicable day in Australia.

Listing Rules means the official listing rules of the ASX.

Marketable Parcel has the meaning given to that term in the Listing Rules.

Record Date means 7.00 pm (Sydney time) on the date which is 5 Business Days after the Effective Date or such other time and date agreed in writing between Bidder and Target.

Registered Address means, in relation to a Scheme Shareholder, the address of the Scheme Shareholder as recorded in the Target Share Register.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Representatives means, in relation to a party, all directors, officers, employees, professional advisers (including financiers, financial advisers, corporate advisers, legal advisers or technical or other expert advisers or consultants) and agents of the party or of its Related Bodies Corporate.

Scheme means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bidder and Target.

Scheme Consideration means an amount of \$3.40 for each Scheme Share.

Scheme Meeting means the meeting of Target Shareholders convened by the Court in relation to this Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Share means a Target Share (other than an Excluded Share) on issue as at the Record Date.

Scheme Shareholder means each person registered in the Target Share Register as the holder of one or more Scheme Shares as at the Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Security Interest has the meaning given in section 12 of the Personal Property Securities Act 2009 (Cth).

Share Registry means Link Market Services Limited of Level 12, 680 George Street, Sydney, NSW 2000.

Subsidiary has the meaning given to that term in the Corporations Act.

Target Board means the board of directors of Target.

Target Group means Target and each of its Subsidiaries.

Target Share Register means the register of members of Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

Target Shareholder means a person who is registered in the Target Share Register as a holder of Target Shares.

Target Shares means fully paid ordinary shares in the capital of Target.

Transaction means the acquisition by Bidder of the Scheme Shares for the Scheme Consideration pursuant to this Scheme.

Trust Account means an Australian dollar denominated trust account which attracts interest at a commercial rate and is operated by Target as trustee for the Scheme Shareholders (except that any interest on the amount deposited (less bank fees and other charges) will accrue for the benefit of Bidder), details of which Target must notify to Bidder no later than 5 Business Days before the Implementation Date.

1.2 Business Days

If the day on which any act to be done under this Scheme is a day other than a Business Day, that act must be done on or by the next Business Day except where this Scheme expressly specifies otherwise.

1.3 Listing rules are law

A Listing Rule or business rule of a financial market or securities exchange will be regarded as a law for the purposes of this Scheme.

1.4 General rules of interpretation

In this Scheme headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;

- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (g) a reference to a party, clause schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this Scheme, and a reference to this Scheme includes all schedules, exhibits, attachments and annexures to it;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) a reference to \$ or **dollar** is to Australian currency;
- (k) if a word or phrase is not given a defined meaning in clause 1.1 but is defined in or for the purposes of the Corporations Act, it has the same meaning when used in this agreement;
- (l) a reference to a date or time is to that date or time in Sydney, Australia; and
- (m) this agreement (including any term or condition of it) must not be construed adversely to a party solely on the basis that the party prepared it or caused it to be prepared.

2. Preliminary matters

2.1 Target

- (a) The Target is a public company limited by shares, incorporated in Australia and registered in the State of Victoria.
- (b) The Target is admitted to the official list of ASX and Target Shares are officially quoted on the ASX.
- (c) As at the date of the Implementation Agreement, the Target had 590,802,197 Target Shares on issue.

2.2 Bidder

The Bidder is a proprietary company limited by shares, incorporated and registered in Victoria.

2.3 Implementation Agreement

The Bidder and the Target have agreed, by executing the Implementation Agreement, to implement this Scheme (among other things).

2.4 Deed Poll

The Bidder has agreed, by executing the Deed Poll, to do the things contemplated of it under this Scheme, including providing the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme.

3. Conditions precedent

3.1 Conditions

This Scheme is conditional on and will have no force or effect until each of the following conditions is satisfied:

- (a) all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the condition precedent in clause 3.1(d) of the Implementation Agreement relating to the Court approval of this Scheme) having been satisfied or waived (other than the conditions precedent which cannot be waived) in accordance with the terms of the Implementation Agreement by 8.00am on the Second Court Date;
- (b) neither the Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the Target and the Bidder (each acting reasonably), having been satisfied; and
- (d) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme coming into effect, under section 411(10) of the Corporations Act.

The Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date unless Target and Bidder otherwise agree in writing.

3.2 Certificate in relation to conditions

The Target and the Bidder must each provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not as at 8.00am on the Second Court Date all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the condition precedent in clause 3.1(d)) have been satisfied or waived (other than the conditions precedent which cannot be waived) in accordance with the terms of the Implementation Agreement.

4. Implementation

4.1 Lodgement of Court orders

The Target must lodge with ASIC an office copy of any Court orders under section 411(10) of the Corporations Act approving this Scheme by 5.00pm on the Business Day following the day on which such office copy is received (or such later date as is agreed between the parties in writing).

4.2 Consequences of this Scheme becoming Effective

If this Scheme becomes Effective:

- (a) the Bidder must (pursuant to its obligations under the Deed Poll) provide the Scheme Consideration in the manner contemplated by this Scheme;

- (b) subject to the provision of the Scheme Consideration as contemplated by clause 4.2(a), all the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date) will be transferred to the Bidder; and
- (c) the Target will enter the name of the Bidder in the Target Share Register in respect of all the Scheme Shares.

4.3 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5.2, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to the Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by the Target or its officers as agent and attorney for the Scheme Shareholders under clause 7.5 or otherwise) by:
 - (i) the Target delivering to the Bidder on behalf of the Scheme Shareholders (as transferors) a duly completed and executed Scheme Transfer form to transfer all of the Scheme Shares to the Bidder; and
 - (ii) the Bidder duly executing such Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to the Target for registration; and
- (b) as soon as practicable after receipt of the Scheme Transfer form in accordance with clause 4.3(a)(ii), the Target must enter the name of the Bidder in the Target Share Register in respect of all the Scheme Shares.

4.4 Suspension of trading

Provided that this Scheme has been implemented in accordance with its terms, the Target will apply to ASX to suspend trading in Target Shares with effect from the close of trading on ASX on the Effective Date.

4.5 Removal of Target from official list of ASX

The Target will apply for Target to be removed from the official list of ASX with effect on and from the close of trading on the trading day following, or shortly after, the Implementation Date, as determined by the Bidder.

5. Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, each Scheme Shareholder will be entitled to \$3.40 for each Scheme Share.

5.2 Provision of Scheme Consideration

- (a) In consideration for the transfer to the Bidder of the Scheme Shares, Bidder will provide the aggregate Scheme Consideration by depositing (or procuring the deposit) in cleared funds an amount equal to the aggregate amount of the Scheme Consideration for all Scheme Shares into the Trust Account on the Business Day before the Implementation Date, such amount to be held by the Target on trust for the Scheme Shareholders (provided that any interest on the amount so deposited (less bank fees and other charges) will accrue for the benefit of the Bidder).
- (b) Subject to Bidder having complied with clause 5.2, the Target must, on the Implementation Date, from the Trust Account, pay to each Scheme Shareholder the

Scheme Consideration attributable to that Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as at the Record Date, which obligation will be satisfied by Target:

- (i) where a Scheme Shareholder has, before the Record Date, made an election in accordance with the requirements of the Share Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) whether or not a Scheme Shareholder has made an election referred to in clause 5.2(b)(i), dispatching, or procuring the dispatch of, a cheque in Australian currency for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with clause 5.3).
- (c) In the event that:
- (i) either:
 - A. a Scheme Shareholder does not have a Registered Address; or
 - B. the Target as the trustee for the Scheme Shareholders believes that a Scheme Shareholder is not known at the Scheme Shareholder's Registered Address,

and no account has been notified in accordance with clause 5.2(b) or a deposit into such an account is rejected or refunded; or
 - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.4(a),
- the Target as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995 (NSW)*. To avoid doubt, if the amount is not credited to the Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995 (NSW)*. Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 1995 (NSW)*, Target must hold the amount on trust for the relevant Scheme Shareholder, and any interest or other benefit accruing from the amount will be to the benefit of such Scheme Shareholder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.
- (d) To the extent that there is a surplus in the amount held by Target as the trustee for the Scheme Shareholders in the Trust Account, that surplus may remain with the Target following the satisfaction of the Target's obligations as the trustee for the Scheme Shareholders under this clause 5.2(a) (provided that, for the avoidance of doubt, any interest on the amount deposited in the Trust Account (less bank fees and other charges) will accrue for the benefit of the Bidder).
 - (e) If any amount is required under any law or by any government or any governmental, semi-governmental or judicial entity or authority to be:
 - (i) withheld from an amount payable under clause 5 and paid to that entity or authority; or

- (ii) retained by the Target out of an amount payable under clause 5,

its payment or retention by the Target (or the Share Registry) will constitute full discharge of the Target's obligations under the Scheme with respect to the amount so paid or retained until it is no longer required to be retained.

5.3 Joint holders

In the case of any Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent at the sole discretion of the Target, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders (unless the joint holders have nominated a bank account under clause 5.2(b)(i), in which case the amount must be deposited directly to the nominated bank account of the joint holders); and
- (b) any other document required to be sent under this Scheme will be forwarded at the sole discretion of the Target, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders.

5.4 Cancellation and re-issue of cheques

- (a) Target may cancel a cheque issued under clause 5 if the cheque:
 - (i) is returned to Target; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or the Share Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under this clause 5.4 must be reissued.

5.5 Rounding Up

Where the calculation of the Scheme Consideration to be provided to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up to the nearest whole cent.

6. Dealings in Target Shares

6.1 Dealings in Target Shares by Target Shareholders

To establish the identity of the Scheme Shareholders, dealings in Target Shares or other alterations to the Target Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Share Register as the holder of the relevant Target Shares on or before the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the Target Share Register is kept,

and for the purpose of establishing the persons who are Scheme Shareholders, the Target will not accept for registration nor recognise any transfer or transmission application in respect of the Target Shares received after the Record Date or received prior to such times but not in registrable form.

6.2 Target Share Register

- (a) The Target must maintain the Target Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been provided to the Scheme Shareholders and the Target Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (b) The Target must register valid registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by no later than the Record Date (provided that, for the avoidance of doubt, nothing in this clause 6.2(b) requires the Target to register a transfer that would result in a Target Shareholder holding a parcel of Target Shares that is less than a Marketable Parcel).
- (c) The Target will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Target Shares received after the Record Date.
- (d) From the Record Date until the earlier of registration of the Bidder in respect of all Scheme Shares under clause 4.3(b) or the End Date, no Target Shareholder may deal with Target Shares in any way except as set out in this Scheme and any attempt to do so will have no effect and Target may disregard any such dealing.

6.3 Information to be made available to the Bidder

As soon as practicable after the Record Date and in any event at least 2 Business Days before the Implementation Date, the Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder are available to the Bidder.

6.4 Effect of share certificates and holding statements

- (a) Each entry which is current on the Target Share Register as at 7.00pm on the Record Date is the sole evidence of entitlement to the Scheme Consideration in respect of the Target Shares relating to that entry.
- (b) Upon the Scheme Consideration being provided to the Scheme Shareholders in accordance with this Scheme, all certificates and statements of holding for Target Shares will cease to have any effect as documents of title in respect of those shares (other than statements of holding in favour of the Bidder and its successors in title).

7. General scheme provisions

7.1 Consent

If the Court proposes to approve this Scheme subject to any alterations or conditions, the Target may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which the Bidder has consented and each Scheme Shareholder agrees to any such alterations or conditions which counsel for Target has so consented to.

7.2 Binding effect of the Scheme

This Scheme binds the Target and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of the Target to the extent of any inconsistency.

7.3 Agreement of Scheme Shareholders

Each Scheme Shareholder:

- (a) agrees to the transfer of their Target Shares in accordance with terms of this Scheme and agrees to the variation, cancellation or modification of the rights attached to their Target Shares constituted by or resulting from this Scheme; and
- (b) acknowledges that this Scheme binds the Target and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against this Scheme at the Scheme Meeting).

7.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to the Target and the Bidder, and appointed and authorised the Target as its attorney and agent to warrant to the Bidder that:
 - (i) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to the Bidder under this Scheme will, on the date they are transferred to the Bidder, be fully paid;
 - (ii) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to the Bidder under this Scheme will, on the date they are transferred to the Bidder, be free from all Encumbrances and third party rights or interests of any kind; and
 - (iii) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to the Bidder.
- (b) The Target undertakes that it will provide such warranty to the Bidder as agent and attorney for each Scheme Shareholder.

7.5 Authority given to the Target

Upon this Scheme becoming Effective, each Scheme Shareholder without the need for any further act:

- (a) irrevocably appoints the Target and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
 - (i) enforcing the Deed Poll against the Bidder; and
 - (ii) executing any document necessary to give effect to this Scheme, including a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all or part of the Scheme Shares,

and the Target accepts such appointment; and
- (b) will be deemed to have authorised the Target to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement this Scheme, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 7.5(a).

7.6 Appointment of sole proxy

Upon the Scheme Consideration being provided to the Scheme Shareholders and until the Target registers the Bidder as the holder of all Target Shares in the Target Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed the Bidder as its attorney and agent (and directed the Bidder in such capacity) to appoint any director, officer, secretary or agent nominated by the Bidder as its sole proxy and, where applicable, corporate

CLAYTON UTZ

Representative to attend shareholders' meetings of the Target, exercise the votes attaching to the Scheme Shares registered in their name and sign any Target Shareholders' resolutions, whether in person, by proxy or by corporate Representative;

- (b) undertakes not to otherwise attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than as pursuant to clause 7.6(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as the Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 7.6(a) the Bidder and any director, officer, secretary or agent nominated by the Bidder under clause 7.6(a) may act in the best interests of the Bidder as the intended registered holder of the Scheme Shares.

7.7 Title to Target Shares

Upon the Scheme Consideration being provided to the Scheme Shareholders and until the Target registers the Bidder as the holder of all Target Shares in the Target Share Register, the Bidder will be beneficially entitled to all of the Scheme Shares transferred to it under this Scheme.

8. General

8.1 Stamp duties

The Bidder must pursuant to their obligations under the Deed Poll:

- (a) pay all stamp duties and any related fines and penalties in respect of the transfer of the Scheme Shares to the Bidder and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause 8.1(a); and
- (b) indemnify each Scheme Shareholder against any liability from a failure to comply with clause 8.1(a).

8.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to the Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where the Target's Share Registry is kept.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Target Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.3 Further acts and documents

The Target must do all further acts (on its own behalf and on behalf of each Scheme Shareholder) and execute and deliver all further documents required by law or necessary to give effect to this Scheme and the transactions contemplated by it.

8.4 No liability when acting in good faith

Neither Target nor Bidder (nor any director, officer or secretary of any of those companies or any of their respective Related Bodies Corporate) will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

9. Governing law and jurisdiction

9.1 Governing law

This Scheme is governed by the law applying in New South Wales.

9.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of New South Wales, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
- (b) waives any objection it may have now or in the future to the venue of any proceedings, and any claim it may have now or in the future that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 9.2(a).

B ANNEXURE B – SCHEME IMPLEMENTATION AGREEMENT

CLAYTON UTZ

Annexure B Deed Poll

Deed poll dated

By **ETA Australia Holdings III Pty Ltd ACN 630 727 525** of Level 42, 1 Macquarie Place, Sydney NSW 2000 (**Bidder**)

In favour of Each person registered as a holder of fully paid ordinary shares in the capital of MYOB Group Limited ACN 153 094 958 of Level 3, 235 Springvale Road, Glen Waverley VIC 3150 (**Target**) on issue as at the Record Date (**Scheme Shareholders**)

Background

- A. On 23 December 2018, the Target and the Bidder entered into a scheme implementation agreement (**Implementation Agreement**) under which the Bidder is to pay the Scheme Consideration and acquire all Scheme Shares held by Scheme Shareholders under the Scheme, and also under which the Bidder has agreed to enter into this deed poll.
- B. The Bidder is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to procure and undertake the actions attributed to the Bidder under the Scheme.

It is declared as follows

1. Definitions and interpretation

1.1 Definitions

In this deed poll:

Scheme means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between the Target and its shareholders, in substantially the same form as set out in Annexure A to the Implementation Agreement or in such other form as Target and Bidder agree in writing.

1.2 Terms defined in the Scheme

Capitalised words and phrases defined in the Scheme and not in this deed poll have the same meaning in this deed poll as in the Scheme unless the context requires otherwise.

1.3 Interpretation

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme form part of this deed poll as if set out in full in this deed poll, except that references to "scheme" in those clauses will be taken to be references to "deed poll".

1.4 Nature of this deed poll

The Bidder acknowledges and agrees that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and

- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder.

2. Condition precedent

2.1 Condition

The obligations of the Bidder under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of the Bidder under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms prior to the Court approving the Scheme; or
- (b) the Scheme is not Effective by the End Date,

unless the Bidder and the Target otherwise agree in writing.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition to and without prejudice to any other rights, powers or remedies available to it:

- (a) the Bidder is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against the Bidder in respect of any breach of this deed poll which occurs before it was terminated.

3. Scheme Obligations

Subject to clause 2, the Bidder undertakes in favour of each Scheme Shareholder:

- (a) to deposit the aggregate amount of the Scheme Consideration for all Scheme Shares in cleared funds into the Trust Account; and
- (b) to undertake all other actions attributed to it under the Scheme,

in each case subject to and in accordance with the terms of the Scheme.

4. Warranties

The Bidder represents and warrants to each Scheme Shareholder that:

- (a) it is a company properly incorporated and validly existing under the laws of the country or jurisdiction of its incorporation;
- (b) it has the legal right and full corporate power and capacity to execute, deliver and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

- (d) this deed poll constitutes (or will when executed constitute) valid legal and binding obligations of it and is enforceable against it in accordance with its terms;
- (e) it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets (or any event under any law which is analogous to, or which has a substantially similar effect to, any of the events referred to in this paragraph);
- (f) the execution, delivery and performance of this deed poll by it does not and will not result in a breach of or constitute a default under:
 - (i) any agreement to which it is a party;
 - (ii) any provision of the constitution or articles of association (as applicable); or
 - (iii) any law or regulation or any order, judgment or determination of any court or Regulatory Authority by which it is bound.
- (g) as at the date of this deed poll and so far as it is aware, no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this deed poll.

5. Continuing obligations

This deed poll is irrevocable and remains in full force and effect until the Bidder has fully performed its obligations under this deed poll or the earlier termination of this deed poll under clause 2.

6. Further Assurances

The Bidder will, at its own expense, do all things reasonably required of it and execute all documents reasonably necessary to give full effect to this deed poll and the transactions contemplated by it.

7. General

7.1 Notices

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed poll:

- (a) may be given by personal service, post or email;
- (b) must be in writing and in English;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):
 - (i) if to Target:

Address: Level 3, 235 Springvale Road, Glen Waverley VIC 3150

Email: ian.boylan@myob.com / Peter.Hamblin@myob.com

Attention: Ian Boylan / Peter Hamblin

with a copy to: Niro Ananda

Email: nananda@claytonutz.com

(ii) if to Bidder:

Address: Level 42, 1 Macquarie Place, Sydney NSW 2000

Email: david.lang@kkcr.com and george.aitken@kkcr.com

Attention: Directors

with a copy to:

Email: pcook@gtlaw.com.au and akaue@gtlaw.com.au

- (d) (in the case of personal service or post) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
- (e) (in the case of email) must state that the email is a communication under this deed poll; and
- (f) must be delivered by hand or posted by prepaid post to the address or sent by email to the email address, of the addressee, in accordance with this clause 7.1.

7.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed poll is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of delivery by hand) on delivery; and
- (d) (in the case of email) unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the addressee's domain specified in the email address notified for the purposes of clause 7.1, 4 hours after the email was sent,

but if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

7.3 Governing law

This deed poll is governed by and must be construed according to the law applying in New South Wales.

7.4 Jurisdiction

The Bidder irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of New South Wales, Commonwealth courts having jurisdiction in that state and the courts competent to

determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed poll; and

- (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause (a).

7.5 Amendments

This deed poll may be amended only by another deed poll entered into by the Bidder, and then only if the amendment is agreed to by the Target in writing and the Court indicates that the amendment would not preclude approval of the Scheme.

7.6 Waiver

- (a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this deed poll by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.
- (b) A waiver or consent given by a party under this deed poll is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of a term of this deed poll operates as a waiver of another breach of that term or of a breach of any other term of this deed poll.

7.7 Assignment

The rights of each Scheme Shareholder under this deed poll are personal and cannot be assigned, novated or otherwise transferred without the prior written consent of the Bidder.

7.8 Stamp duties

The Bidder must:

- (a) pay all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause; and
- (b) indemnify each Scheme Shareholder against any liability arising from a failure to comply with clause 6.9(a).

7.9 Cumulative rights

The rights, powers and remedies of the Bidder and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

7.10 Counterparts

This deed poll may be executed in counterparts, all of which taken together constitute one document.

CLAYTON UTZ

Execution Page

Executed and delivered as a deed poll.

**Executed by ETA Australia Holdings III Pty Ltd
ACN 630 727 525** in accordance with section 127
of the Corporations Act 2001 (Cth):

Signature of director

Signature of company secretary/director

Full name of director

Full name of company secretary/director

ANNEXURE



**SCHEME OF
ARRANGEMENT**

Scheme of arrangement made under section 411 of the Corporations Act

Date

Parties **MYOB Group Limited ACN 153 094 958** of Level 3, 235 Springvale Road, Glen Waverley VIC 3150 (**Target**)

Each Scheme Shareholder

Background

- A. The Target and the Bidder have entered into the Implementation Agreement, pursuant to which, amongst other things, the Target has agreed to propose this Scheme to Target Shareholders (other than holders of Excluded Shares) and each of the Target and the Bidder have agreed to take certain steps to give effect to this Scheme.
- B. If this Scheme becomes Effective, the Bidder will provide the Scheme Consideration to the Scheme Shareholders in accordance with the provisions of this Scheme, and the Bidder will acquire all Scheme Shares and the Target will enter the Bidder in the Target Share Register as the holder of the Scheme Shares.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this agreement:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Bidder means ETA Australia Holdings III Pty Ltd ACN 630 727 552.

Business Day means a day which is a "Business Day" within the meaning given in the Listing Rules.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited, a wholly-owned Subsidiary of ASX.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction as Target and Bidder agree in writing.

Deed Poll means the deed poll executed by Bidder in favour of the Scheme Shareholders dated 8 March 2019.

Effective means, when used in relation to this Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, Security Interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered.

End Date means 31 May 2019 or such other date agreed in writing between Target and Bidder.

Excluded Share means any Target Share held by Bidder or any of its Associates.

Implementation Agreement means the scheme implementation agreement entered into between the Target and the Bidder on or about 23 December 2018 relating to (among other things) the implementation of this Scheme.

Implementation Date means the date which is 5 Business Days after the Record Date or such other date as Target and Bidder agree in writing, provided that if such date falls on:

- (a) a Monday;
- (b) a day that is a public holiday in the United States of America and on which commercial banks are closed in the United States of America (such day, a **U.S. Holiday**); or
- (c) the date after a U.S. Holiday,

the 'Implementation Date' shall be the next Business Day on which none of (a), (b) or (c) apply. It is understood that the reference to a 'day' in the United States of America shall refer to the day immediately preceding the applicable day in Australia.

Listing Rules means the official listing rules of the ASX.

Marketable Parcel has the meaning given to that term in the Listing Rules.

Record Date means 7.00 pm (Sydney time) on the date which is 5 Business Days after the Effective Date or such other time and date agreed in writing between Bidder and Target.

Registered Address means, in relation to a Scheme Shareholder, the address of the Scheme Shareholder as recorded in the Target Share Register.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Representatives means, in relation to a party, all directors, officers, employees, professional advisers (including financiers, financial advisers, corporate advisers, legal advisers or technical or other expert advisers or consultants) and agents of the party or of its Related Bodies Corporate.

Scheme means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bidder and Target.

Scheme Consideration means an amount of \$3.40 for each Scheme Share.

Scheme Meeting means the meeting of Target Shareholders (other than holders of Excluded Shares), convened by the Court in relation to this Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Share means a Target Share (other than an Excluded Share) on issue as at the Record Date.

Scheme Shareholder means each person registered in the Target Share Register as the holder of one or more Scheme Shares as at the Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Security Interest has the meaning given in section 12 of the Personal Property Securities Act 2009 (Cth).

Share Registry means Link Market Services Limited of Level 12, 680 George Street, Sydney, NSW 2000.

Subsidiary has the meaning given to that term in the Corporations Act.

Target Board means the board of directors of Target.

Target Group means Target and each of its Subsidiaries.

Target Share Register means the register of members of Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

Target Shareholder means a person who is registered in the Target Share Register as a holder of Target Shares.

Target Shares means fully paid ordinary shares in the capital of Target.

Transaction means the acquisition by Bidder of the Scheme Shares for the Scheme Consideration pursuant to this Scheme.

Trust Account means an Australian dollar denominated trust account which attracts interest at a commercial rate and is operated by Target as trustee for the Scheme Shareholders (except that any interest on the amount deposited (less bank fees and other charges) will accrue for the benefit of Bidder), details of which Target must notify to Bidder no later than 5 Business Days before the Implementation Date.

1.2 Business Days

If the day on which any act to be done under this Scheme is a day other than a Business Day, that act must be done on or by the next Business Day except where this Scheme expressly specifies otherwise.

1.3 Listing rules are law

A Listing Rule or business rule of a financial market or securities exchange will be regarded as a law for the purposes of this Scheme.

1.4 General rules of interpretation

In this Scheme headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;

- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (g) a reference to a party, clause schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this Scheme, and a reference to this Scheme includes all schedules, exhibits, attachments and annexures to it;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) a reference to **\$** or **dollar** is to Australian currency;
- (k) if a word or phrase is not given a defined meaning in clause 1.1 but is defined in or for the purposes of the Corporations Act, it has the same meaning when used in this agreement;
- (l) a reference to a date or time is to that date or time in Sydney, Australia; and
- (m) this agreement (including any term or condition of it) must not be construed adversely to a party solely on the basis that the party prepared it or caused it to be prepared.

2. Preliminary matters

2.1 Target

- (a) The Target is a public company limited by shares, incorporated in Australia and registered in the State of Victoria.
- (b) The Target is admitted to the official list of ASX and Target Shares are officially quoted on the ASX.
- (c) As at the date of the Implementation Agreement, the Target had 590,802,188 Target Shares on issue.

2.2 Bidder

The Bidder is a proprietary company limited by shares, incorporated and registered in Victoria.

2.3 Implementation Agreement

The Bidder and the Target have agreed, by executing the Implementation Agreement, to implement this Scheme (among other things).

2.4 Deed Poll

The Bidder has agreed, by executing the Deed Poll, to do the things contemplated of it under this Scheme, including providing the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme.

3. Conditions precedent

3.1 Conditions

This Scheme is conditional on and will have no force or effect until each of the following conditions is satisfied:

- (a) all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the condition precedent in clause 3.1(d) of the Implementation Agreement relating to the Court approval of this Scheme) having been satisfied or waived (other than the conditions precedent which cannot be waived) in accordance with the terms of the Implementation Agreement by 8.00am on the Second Court Date;
- (b) neither the Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with such alterations or conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the Target and the Bidder (each acting reasonably), having been satisfied; and
- (d) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme coming into effect, under section 411(10) of the Corporations Act.

The Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date unless Target and Bidder otherwise agree in writing.

3.2 Certificate in relation to conditions

The Target and the Bidder must each provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not as at 8.00am on the Second Court Date all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the condition precedent in clause 3.1(d)) have been satisfied or waived (other than the conditions precedent which cannot be waived) in accordance with the terms of the Implementation Agreement.

4. Implementation

4.1 Lodgement of Court orders

The Target must lodge with ASIC under section 411(10) of the Corporations Act an office copy of any Court orders approving this Scheme by 5.00pm on the Business Day following the day on which such office copy is received (or such later date as is agreed between the parties in writing).

4.2 Consequences of this Scheme becoming Effective

If this Scheme becomes Effective:

- (a) the Bidder must (pursuant to its obligations under the Deed Poll) provide the Scheme Consideration in the manner contemplated by this Scheme;

- (b) subject to the provision of the Scheme Consideration as contemplated by clause 4.2(a), all the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date) will be transferred to the Bidder; and
- (c) the Target will enter the name of the Bidder in the Target Share Register in respect of all the Scheme Shares.

4.3 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5.2, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to the Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by the Target or its officers as agent and attorney for the Scheme Shareholders under clause 7.5 or otherwise) by:
 - (i) the Target delivering to the Bidder on behalf of the Scheme Shareholders (as transferors) a duly completed and executed Scheme Transfer to transfer all of the Scheme Shares to the Bidder; and
 - (ii) the Bidder duly executing such Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to the Target for registration; and
- (b) as soon as practicable after receipt of the Scheme Transfer in accordance with clause 4.3(a)(ii), the Target must enter the name of the Bidder in the Target Share Register in respect of all the Scheme Shares.

4.4 Suspension of trading

Provided that this Scheme has been implemented in accordance with its terms, the Target will apply to ASX to suspend trading in Target Shares with effect from the close of trading on ASX on the Effective Date.

4.5 Removal of Target from official list of ASX

The Target will apply for Target to be removed from the official list of ASX with effect on and from the close of trading on the trading day following, or shortly after, the Implementation Date, as determined by the Bidder.

5. Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, each Scheme Shareholder will be entitled to \$3.40 for each Scheme Share.

5.2 Provision of Scheme Consideration

- (a) In consideration for the transfer to the Bidder of the Scheme Shares, Bidder will provide the aggregate Scheme Consideration by depositing (or procuring the deposit) in cleared funds an amount equal to the aggregate amount of the Scheme Consideration for all Scheme Shares into the Trust Account on the Business Day before the Implementation Date, such amount to be held by the Target on trust for the Scheme Shareholders (provided that any interest on the amount so deposited (less bank fees and other charges) will accrue for the benefit of the Bidder).
- (b) Subject to Bidder having complied with clause 5.2, the Target must, on the Implementation Date, from the Trust Account, pay to each Scheme Shareholder the

Scheme Consideration attributable to that Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as at the Record Date, which obligation will be satisfied by Target:

- (i) where a Scheme Shareholder has, before the Record Date, made an election in accordance with the requirements of the Share Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) whether or not a Scheme Shareholder has made an election referred to in clause 5.2(b)(i), dispatching, or procuring the dispatch of, a cheque in Australian currency for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with clause 5.3).
- (c) In the event that:
- (i) either:
 - A. a Scheme Shareholder does not have a Registered Address; or
 - B. the Target as the trustee for the Scheme Shareholders believes that a Scheme Shareholder is not known at the Scheme Shareholder's Registered Address,

and no account has been notified in accordance with clause 5.2(b) or a deposit into such an account is rejected or refunded; or
 - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.4(a),
- the Target as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995 (NSW)*. To avoid doubt, if the amount is not credited to the Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995 (NSW)*. Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 1995 (NSW)*, Target must hold the amount on trust for the relevant Scheme Shareholder, and any interest or other benefit accruing from the amount will be to the benefit of such Scheme Shareholder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.
- (d) To the extent that there is a surplus in the amount held by Target as the trustee for the Scheme Shareholders in the Trust Account, that surplus may remain with the Target following the satisfaction of the Target's obligations as the trustee for the Scheme Shareholders under this clause 5.2(a) (provided that, for the avoidance of doubt, any interest on the amount deposited in the Trust Account (less bank fees and other charges) will accrue for the benefit of the Bidder).
 - (e) If any amount is required under any law or by any government or any governmental, semi-governmental or judicial entity or authority to be:
 - (i) withheld from an amount payable under clause 5 and paid to that entity or authority; or

- (ii) retained by the Target out of an amount payable under clause 5,

its payment or retention by the Target (or the Share Registry) will constitute full discharge of the Target's obligations under the Scheme with respect to the amount so paid or retained until it is no longer required to be retained.

5.3 Joint holders

In the case of any Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent at the sole discretion of the Target, either to the holder whose name appears first in the Target Share Register as at the Record Date or to the joint holders (unless the joint holders have nominated a bank account under clause 5.2(b)(i), in which case the amount must be deposited directly to the nominated bank account of the joint holders); and
- (b) any other document required to be sent under this Scheme will be forwarded at the sole discretion of the Target, either to the holder whose name appears first in the Target Share Register as at the Record Date or to the joint holders.

5.4 Cancellation and re-issue of cheques

- (a) Target may cancel a cheque issued under clause 5 if the cheque:
 - (i) is returned to Target; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or the Share Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under this clause 5.4 must be reissued.

5.5 Rounding Up

Where the calculation of the Scheme Consideration to be provided to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up to the nearest whole cent.

6. Dealings in Target Shares

6.1 Dealings in Target Shares by Target Shareholders

To establish the identity of the Scheme Shareholders, dealings in Target Shares or other alterations to the Target Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Share Register as the holder of the relevant Target Shares on or before the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the Target Share Register is kept,

and for the purpose of establishing the persons who are Scheme Shareholders, the Target will not accept for registration nor recognise any transfer or transmission application in respect of the Target Shares received after the Record Date or received prior to such times but not in registrable form.

6.2 Target Share Register

- (a) The Target must maintain the Target Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been provided to the Scheme Shareholders and the Target Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (b) The Target must register valid registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by no later than the Record Date (provided that, for the avoidance of doubt, nothing in this clause 6.2(b) requires the Target to register a transfer that would result in a Target Shareholder holding a parcel of Target Shares that is less than a Marketable Parcel).
- (c) The Target will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Target Shares received after the Record Date.
- (d) From the Record Date until the earlier of registration of the Bidder in respect of all Scheme Shares under clause 4.3(b) or the End Date, no Target Shareholder may deal with Target Shares in any way except as set out in this Scheme and any attempt to do so will have no effect and Target may disregard any such dealing.

6.3 Information to be made available to the Bidder

As soon as practicable after the Record Date and in any event at least 2 Business Days before the Implementation Date, the Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder are available to the Bidder.

6.4 Effect of share certificates and holding statements

- (a) Each entry which is current on the Target Share Register as at 7.00pm on the Record Date is the sole evidence of entitlement to the Scheme Consideration in respect of the Target Shares relating to that entry.
- (b) Upon the Scheme Consideration being provided to the Scheme Shareholders in accordance with this Scheme, all certificates and statements of holding for Target Shares will cease to have any effect as documents of title in respect of those shares (other than statements of holding in favour of the Bidder and its successors in title).

7. General scheme provisions

7.1 Consent

If the Court proposes to approve this Scheme subject to any alterations or conditions, the Target may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which the Bidder has consented and each Scheme Shareholder agrees to any such alterations or conditions which counsel for Target has so consented to.

7.2 Binding effect of the Scheme

This Scheme binds the Target and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of the Target to the extent of any inconsistency.

7.3 Agreement of Scheme Shareholders

Each Scheme Shareholder:

- (a) agrees to the transfer of their Target Shares in accordance with the terms of this Scheme and agrees to the variation, cancellation or modification of the rights and

entitlements attached to their Target Shares constituted by or resulting from this Scheme; and

- (b) acknowledges that this Scheme binds the Target and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against this Scheme at the Scheme Meeting).

7.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to the Target and the Bidder, and appointed and authorised the Target as its attorney and agent to warrant to the Bidder that:
 - (i) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to the Bidder under this Scheme will, on the date they are transferred to the Bidder, be fully paid;
 - (ii) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to the Bidder under this Scheme will, on the date they are transferred to the Bidder, be free from all Encumbrances and third party rights or interests of any kind; and
 - (iii) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to the Bidder.
- (b) The Target undertakes that it will provide such warranty to the Bidder as agent and attorney for each Scheme Shareholder.

7.5 Authority given to the Target

Upon this Scheme becoming Effective, each Scheme Shareholder without the need for any further act:

- (a) irrevocably appoints the Target and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
 - (i) enforcing the Deed Poll against the Bidder; and
 - (ii) executing any document necessary to give effect to this Scheme, including a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all or part of the Scheme Shares,

and the Target accepts such appointment; and
- (b) will be deemed to have authorised the Target to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement this Scheme, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 7.5(a).

7.6 Appointment of sole proxy

Upon the Scheme Consideration being provided to the Scheme Shareholders and until the Target registers the Bidder as the holder of all Target Shares in the Target Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed the Bidder as its attorney and agent (and directed the Bidder in such capacity) to appoint any director, officer, secretary or agent nominated by the Bidder as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of the Target, exercise the votes

attaching to the Scheme Shares registered in their name and sign any Target Shareholders' resolutions, whether in person, by proxy or by corporate Representative;

- (b) undertakes not to otherwise attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than as pursuant to clause 7.6(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as the Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 7.6(a) the Bidder and any director, officer, secretary or agent nominated by the Bidder under clause 7.6(a) may act in the best interests of the Bidder as the intended registered holder of the Scheme Shares.

7.7 Title to Target Shares

Upon the Scheme Consideration being provided to the Scheme Shareholders and until the Target registers the Bidder as the holder of all Target Shares in the Target Share Register, the Bidder will be beneficially entitled to all of the Scheme Shares transferred to it under this Scheme.

8. General

8.1 Stamp duties

The Bidder must pursuant to their obligations under the Deed Poll:

- (a) pay all stamp duties and any related fines and penalties in respect of the transfer of the Scheme Shares to the Bidder and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause 8.1(a); and
- (b) indemnify each Scheme Shareholder against any liability from a failure to comply with clause 8.1(a).

8.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to the Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where the Target's Share Register is kept.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Target Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.3 Further acts and documents

The Target must do all further acts (on its own behalf and on behalf of each Scheme Shareholder) and execute and deliver all further documents required by law or necessary to give effect to this Scheme and the transactions contemplated by it.

8.4 No liability when acting in good faith

Neither Target nor Bidder (nor any director, officer or secretary of any of those companies or any of their respective Related Bodies Corporate) will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

9. Governing law and jurisdiction

9.1 Governing law

This Scheme is governed by the law applying in New South Wales.

9.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of New South Wales, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
- (b) waives any objection it may have now or in the future to the venue of any proceedings, and any claim it may have now or in the future that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 9.2(a).

ANNEXURE



DEED POLL

Deed poll dated 8 March 2019

By **ETA Australia Holdings III Pty Ltd ACN 630 727 552** of Level 42, 1 Macquarie Place, Sydney NSW 2000 (**Bidder**)

In favour of Each Scheme Shareholder (as defined in the Scheme).

Background

- A. On 23 December 2018, the Target and the Bidder entered into a scheme implementation agreement (**Implementation Agreement**) under which the Bidder is to pay the Scheme Consideration and acquire all Scheme Shares held by Scheme Shareholders under the Scheme, and also under which the Bidder has agreed to enter into this deed poll.
- B. The Bidder is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to procure and undertake the actions attributed to the Bidder under the Scheme.

It is declared as follows

1. Definitions and interpretation

1.1 Definitions

In this deed poll:

Scheme means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Scheme Shareholders, in substantially the same form as set out in Annexure A to the Implementation Agreement or in such other form as Target and Bidder agree in writing.

1.2 Terms defined in the Scheme

Capitalised words and phrases defined in the Scheme and not in this deed poll have the same meaning in this deed poll as in the Scheme unless the context requires otherwise.

1.3 Interpretation

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme form part of this deed poll as if set out in full in this deed poll, except that references to "scheme" in those clauses will be taken to be references to "deed poll".

1.4 Nature of this deed poll

The Bidder acknowledges and agrees that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
 - (b) under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder.
-

2. Condition precedent

2.1 Condition

The obligations of the Bidder under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of the Bidder under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms prior to the Court approving the Scheme; or
 - (b) the Scheme is not Effective by the End Date,
- unless the Bidder and the Target otherwise agree in writing.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition to and without prejudice to any other rights, powers or remedies available to it:

- (a) the Bidder is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against the Bidder in respect of any breach of this deed poll which occurs before it was terminated.

3. Scheme Obligations

Subject to clause 2, the Bidder undertakes in favour of each Scheme Shareholder:

- (a) to deposit the aggregate amount of the Scheme Consideration for all Scheme Shares in cleared funds into the Trust Account; and
 - (b) to undertake all other actions attributed to it under the Scheme,
- in each case subject to and in accordance with the terms of the Scheme.

4. Warranties

The Bidder represents and warrants to each Scheme Shareholder that:

- (a) it is a company properly incorporated and validly existing under the laws of the country or jurisdiction of its incorporation;
- (b) it has the legal right and full corporate power and capacity to execute, deliver and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll constitutes (or will when executed constitute) valid legal and binding obligations of it and is enforceable against it in accordance with its terms;

- (e) it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets (or any event under any law which is analogous to, or which has a substantially similar effect to, any of the events referred to in this paragraph);
- (f) the execution, delivery and performance of this deed poll by it does not and will not result in a breach of or constitute a default under:
 - (i) any agreement to which it is a party;
 - (ii) any provision of the constitution or articles of association (as applicable); or
 - (iii) any law or regulation or any order, judgment or determination of any court or Regulatory Authority by which it is bound;
- (g) as at the date of this deed poll and so far as it is aware, no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this deed poll.

5. Continuing obligations

This deed poll is irrevocable and remains in full force and effect until the Bidder has fully performed its obligations under this deed poll or the earlier termination of this deed poll under clause 2.

6. Further Assurances

The Bidder will, at its own expense, do all things reasonably required of it and execute all documents reasonably necessary to give full effect to this deed poll and the transactions contemplated by it.

7. General

7.1 Notices

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed poll:

- (a) may be given by personal service, post or email;
- (b) must be in writing and in English;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):
 - (i) if to Target:

Address: Level 3, 235 Springvale Road, Glen Waverley VIC 3150

Email: ian.boylan@myob.com / Peter.Hamblin@myob.com

Attention: Ian Boylan / Peter Hamblin

with a copy to: Niro Ananda

Email: nananda@claytonutz.com

(ii) if to Bidder:

Address: Level 42, 1 Macquarie Place, Sydney NSW 2000

Email: david.lang@kkcr.com and george.aitken@kkcr.com

Attention: Directors

with a copy to:

Email: pcook@gtlaw.com.au and akauye@gtlaw.com.au

- (d) (in the case of personal service or post) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
- (e) (in the case of email) must state that the email is a communication under this deed poll; and
- (f) must be delivered by hand or posted by prepaid post to the address or sent by email to the email address, of the addressee, in accordance with this clause 7.1.

7.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed poll is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of delivery by hand) on delivery; and
- (d) (in the case of email) unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the addressee's domain specified in the email address notified for the purposes of clause 7.1, 4 hours after the email was sent,

but if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

7.3 Governing law

This deed poll is governed by and must be construed according to the law applying in New South Wales.

7.4 Jurisdiction

The Bidder irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of New South Wales, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed poll; and

- (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause (a).

7.5 Amendments

This deed poll may be amended only by another deed poll entered into by the Bidder, and then only if the amendment is agreed to by the Target in writing and the Court indicates that the amendment would not preclude approval of the Scheme.

7.6 Waiver

- (a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this deed poll by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.
- (b) A waiver or consent given by a party under this deed poll is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of a term of this deed poll operates as a waiver of another breach of that term or of a breach of any other term of this deed poll.

7.7 Assignment

The rights of each Scheme Shareholder under this deed poll are personal and cannot be assigned, novated or otherwise transferred without the prior written consent of the Bidder.

7.8 Stamp duties

The Bidder must:

- (a) pay all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause; and
- (b) indemnify each Scheme Shareholder against any liability arising from a failure to comply with clause 6.9(a).

7.9 Cumulative rights

The rights, powers and remedies of the Bidder and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

7.10 Counterparts

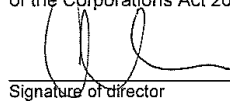
This deed poll may be executed in counterparts, all of which taken together constitute one document.

CLAYTON UTZ

Execution Page

Executed and delivered as a deed poll.

Executed by ETA Australia Holdings III Pty Ltd
ACN 630 727 552 in accordance with section 127
of the Corporations Act 2001 (Cth):



Signature of director

NICHOLAS ATKINSON

Full name of director

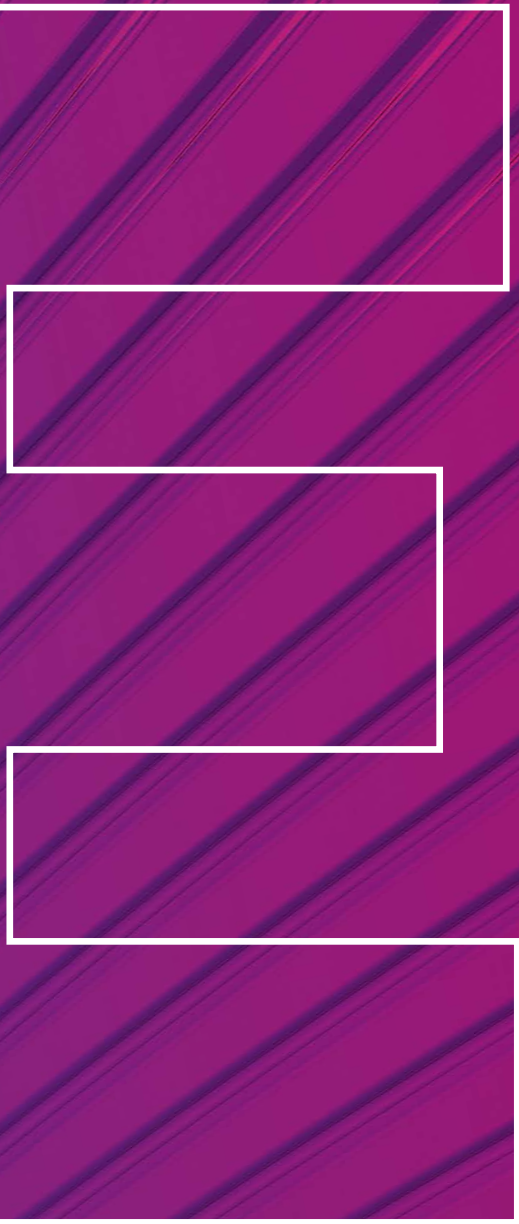


Signature of company secretary/director

DAVID PETER LANG

Full name of company secretary/director

ANNEXURE



NOTICE OF SCHEME MEETING

E ANNEXURE E – NOTICE OF SCHEME MEETING

MYOB Group Limited (ACN 153 094 958) (MYOB)

Notice is hereby given that, by an order of the Federal Court of Australia (the Court) made on 13 March 2019, pursuant to subsection 411(1) of the Corporations Act, a meeting of the holders of ordinary shares in MYOB other than shares held by ETA Australia Holdings III Pty Limited (ACN 630 727 552) or its Associates (having the meaning given in section 12 of the *Corporations Act 2001* (Cth)) (**MYOB Shareholders**) will be held at the MYOB Office, Level 8, 45 Clarence Street, Sydney NSW 2000 on 17 April 2019, commencing 3:00pm (Sydney time).

PURPOSE OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, to agree to a scheme of arrangement proposed to be made between MYOB and the MYOB Shareholders as at the Scheme Record Date (as defined in the explanatory statement sent to MYOB Shareholders) (the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

RESOLUTION

The meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution:

‘That, pursuant to and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed between MYOB Group Limited and the holders of ordinary shares in MYOB Group Limited other than shares held by ETA Australia Holdings III Pty Limited (ACN 630 727 552) or its Associates (having the meaning given in section 12 of the *Corporations Act 2001* (Cth)), as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is approved, with or without alterations or conditions as approved by the Federal Court of Australia, and, subject to approval of the scheme of arrangement by the Federal Court of Australia, the board of directors of MYOB Group Limited is authorised to implement the scheme of arrangement subject to any such alterations or conditions.’

CHAIRMAN

The Court has directed that Justin Trevor Milne is to act as chairman of the meeting (and that, if Justin Trevor Milne is unable or unwilling to attend, Andrew Cameron Stevens is to act as chairman of the meeting) and has directed the chairman to report the result of the Scheme Resolution to the Court.



Dated 13 March 2019
By order of the Court and the MYOB Group Limited Board

Peter Hamblin
Company Secretary

EXPLANATORY NOTES

(1) General

This notice of scheme meeting relates to the Scheme and should be read in conjunction with the Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

A copy of the Scheme is set out in Annexure C of the Scheme Booklet.

Capitalised terms used but not defined in this notice have the defined meanings set out in section 10 of the Scheme Booklet, unless the context otherwise requires.

(2) Shareholder approval

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Scheme Resolution must be agreed to by:

- unless the Court orders otherwise, a majority in number of MYOB Shareholders, other than Excluded Shareholders, present and voting (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution by MYOB Shareholders, other than Excluded Shareholders (either in person or by proxy, attorney or, in the case of corporate MYOB Shareholders, body corporate representative).

(3) Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, the time for determining eligibility to vote at the Scheme Meeting is 7:00pm (Sydney time) on 15 April 2019. Only those MYOB Shareholders entered on the MYOB Share Register at that time will be entitled to attend and vote at the meeting, either in person, by proxy or attorney, or in the case of a corporate MYOB Shareholder, by a body corporate representative. The remaining comments in these explanatory notes are addressed to MYOB Shareholders entitled to attend and vote at the meeting.

(4) How to vote

Voting will be conducted by poll.

If you are a MYOB Shareholder entitled to vote at the meeting, you may vote by:

- attending and voting in person;
- appointing one or two proxies to attend and vote on your behalf, using the Proxy Form that accompanied this Scheme Booklet;
- appointing an attorney to attend and vote on your behalf, using a power of attorney; or
- in the case of a body corporate, appointing a body corporate representative to attend the meeting and vote on your behalf, using a certificate of appointment of body corporate representative.

E ANNEXURE E – NOTICE OF SCHEME MEETING

(5) Attendance

If you or your proxies, attorneys or representative(s) plan to attend the meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement of the meeting, so that your shareholding can be checked against the MYOB Share Register, any power of attorney or certificate of appointment of body corporate representative verified, and your attendance noted.

(6) Jointly held securities

If you hold MYOB Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the meeting, only the vote of the holder whose name appears first on the MYOB Share Register will be counted.

(7) Voting

(a) Voting in person

To vote in person, you must attend the meeting.

Eligible MYOB Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

(b) Voting by proxy

You may appoint one or two proxies. Your proxy need not be another MYOB Shareholder. Each proxy will have the right to vote on the poll and also to speak at the meeting.

To appoint a proxy, you should complete and return the proxy form that accompanied this Scheme Booklet in accordance with the instructions on that form. You must deliver the signed and completed proxy form to the MYOB Registry by 3:00pm (Sydney time) on 15 April 2019 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- **online:**
at www.linkmarketservices.com.au using your SRN/HIN number (as applicable) noted on the front of the proxy form, and by following the instructions on that website
- **by post in the provided reply-paid envelope to the MYOB Registry:**
MYOB Group Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
- **by hand delivery to the MYOB Registry during business hours (Monday to Friday, 9:00am – 5:00pm (Sydney time)):**
C/- Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138; or
C/- Link Market Services Limited, Level 12, 680 George Street Sydney 2000
- **by fax to the MYOB Registry on:**
+61 2 9287 0309 (within and outside of Australia)

Proxy forms received after this time will be invalid.

If a proxy form is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been noted by the MYOB Registry.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the MYOB Registry by 3:00pm (Sydney time) on 15 April 2019 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways described above.

If you wish to appoint a second proxy, a second proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. You can obtain a second proxy form from the MYOB Registry. Replacement proxy forms can also be obtained from the MYOB Registry.

If you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the proxy forms, each proxy may exercise half of your votes with any fractions of votes disregarded.

If you hold MYOB Shares jointly with one or more other persons, in order for your proxy appointment to be valid, either MYOB Shareholder may sign the proxy form.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the MYOB Shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chairman of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the meeting, the chairman of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The chairman of the meeting intends to vote all valid undirected proxies which appoint (or are taken to appoint) the chairman in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of MYOB Shareholders.

Proxies of eligible MYOB Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting written evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

(c) Voting by attorney

You may appoint an attorney to attend and vote at the meeting on your behalf. Your attorney need not be another MYOB Shareholder. Each attorney will have the right to vote on the poll and also to speak at the meeting.

The power of attorney appointing your attorney to attend and vote at the meeting must be duly executed by you and specify your name, the company (that is, MYOB), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, must be lodged with the MYOB Registry before 3:00pm (Sydney time) on 15 April 2019 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- **by post in the provided reply-paid envelope to the MYOB Registry:**
MYOB Group Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
- **by hand delivery to the MYOB Registry during business hours (Monday to Friday, 9:00am–5:00pm (Sydney time)):**
C/- Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138; or
C/- Link Market Services Limited, Level 12, 680 George Street Sydney 2000
- **by fax to the MYOB Registry on:**
+61 2 9287 0309 (within and outside of Australia)

Please note that the power of attorney or a certified copy of the power of attorney cannot be lodged online.

Attorneys of eligible MYOB Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address, and the name of their appointors.

Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

E ANNEXURE E – NOTICE OF SCHEME MEETING

(d) Voting by corporate representative

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that MYOB will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from the MYOB Registry by calling +61 1800 883 072. The certificate of appointment may set out restrictions on the representative's powers.

The certificate should be lodged at the registration desk on the day of the meeting or with the MYOB Registry before 3:00pm (Sydney time) on 15 April 2019 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- **by post in the provided reply-paid envelope to the MYOB Registry:**
MYOB Group Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
- **by hand delivery to the MYOB Registry during business hours (Monday to Friday, 9:00am – 5:00pm (Sydney time)):**
C/- Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138; or
C/- Link Market Services Limited, Level 12, 680 George Street Sydney 2000
- **by fax to the MYOB Registry on:**
+61 2 9287 0309 (within and outside of Australia)

If a certificate is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been noted by the MYOB Registry.

Body corporate representatives of eligible MYOB Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointors.

(8) Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the meeting from MYOB's website (<http://investors.myob.com.au/Investors>) or by contacting the Company Secretary of MYOB or the MYOB Registry.

CORPORATE DIRECTORY

MYOB Group Limited

Level 3, 235 Springvale Road
Glen Waverley VIC 3150
Tel: +61 3 9222 9777

DIRECTORS

Justin Milne, Chairman and Independent Non-Executive Director
Tim Reed, Chief Executive Officer and Executive Director
Andrew Stevens, Independent Non-Executive Director
Anne Ward, Independent Non-Executive Director
Fiona Pak-Poy, Independent Non-Executive Director
Craig Boyce, Non-Executive Director
Edward Han, Non-Executive Director (Bain representative)

COMPANY SECRETARY

Peter Hamblin

FINANCIAL ADVISERS

UBS AG, Australia Branch

Level 16 Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

AUSTRALIAN LEGAL ADVISER

Clayton Utz

Level 15, 1 Bligh Street
Sydney NSW 2000
Australia

MYOB'S AUDITOR

PricewaterhouseCoopers

2 Riverside Quay
Southbank VIC 3006
Australia

MYOB REGISTRY

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000
Australia Tel: +61 1800 883 072

STOCK EXCHANGE LISTING

MYOB ordinary shares are quoted by the Australian Securities Exchange (ASX:MYO)



LODGE YOUR PROXY



ONLINE

www.linkmarketservices.com.au



BY MAIL

MYOB Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1800 883 072 (free call within Australia)



X99999999999

PROXY FORM

I/We being a member(s) of MYOB Group Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **3:00pm (Sydney time) on Wednesday 17 April 2019 at Level 8, 45 Clarence Street, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies which appoint (or are taken to appoint) the Chairman in favour of the item of business in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interest of shareholders. "Superior Proposal", "Independent Expert" and "Scheme" are defined in the scheme booklet of which the notice convening this meeting forms part.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒

Items

For Against Abstain*

- 1 "That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between MYOB Group Limited and the holders of ordinary shares in MYOB Group Limited other than shares held by ETA Australia Holdings III Pty Limited (ACN 630 727 552) or its Associates (having the meaning given in section 12 of the Corporations Act 2001 (Cth)), as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is approved, with or without alterations or conditions as approved by the Federal Court of Australia, and, subject to approval of the scheme of arrangement by the Federal Court of Australia, the board of directors of MYOB Group Limited is authorised to implement the scheme of arrangement subject to any such alterations or conditions."



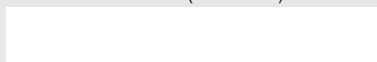
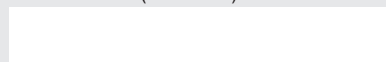
* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)



Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

MYO PRX1901N

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the MYOB Group Limited's (the Company) share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:00pm (Sydney time) on Monday, 15 April 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

MYOB Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm (Sydney time))

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.