



**MYOB Finance Australia Limited
ACN 161 013 654**

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16 September 2013

Market Announcements Office
ASX Limited

MYOB 2013 interim results presentation

Attached is the MYOB 2013 interim results presentation, to be given today by MYOB Chief Executive Officer Tim Reed and Chief Financial Officer Richard Moore.

Ian Boylan
Company Secretary
MYOB Finance Australia Limited

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MYOB 1H13 Results Presentation

Tim Reed

Richard Moore

Chief Executive Officer

Chief Financial Officer

16 September 2013



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Executive Summary

- ✓ Revenue has grown 7.6% in 1H2013 driven by **uptake of AccountRight Live and LiveAccounts**.
Shift from perpetual licenses to subscription model has seen **recurring revenue increase** to 90% of total revenue
- ✓ MYOB now **generates 2.6 times the revenue** of its nearest competitor and **works with 1.2 million businesses and 40,000+ accountants**
- ✓ MYOB goes from strength to strength as it delivers on its **new generation product development** thanks to:
 - **Strong take-up** of key cloud offerings
 - Significant **product launches** and **enhancements**
 - **Acquisition of BankLink** which is a key competitive advantage
- ✓ In line with strong financial performance, cash flow generation and covenant headroom continues to improve.

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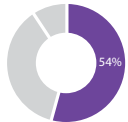
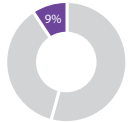
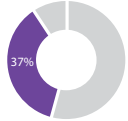
MYOB Vision & Achievements

The backbone of Australian and New Zealand businesses.

- ✓ **MYOB's vision is to make business life easier by being the centre of a mobile, connected world for businesses and accountants** – cloud accounting, mobile, payments, third party apps, CRM, big data/intelligence
- ✓ **1.2 million Australian and New Zealand businesses have access to superior cloud and desktop offerings**
 - AccountRight Live launched and uptake is accelerating with each new release
 - Significant LiveAccounts enhancements driving further momentum in its third year
 - Acquired BankLink for micro businesses
- ✓ **Significant product enhancements for 40,000+ accountants who also provide a key role in distribution**
 - Accountants benefit from single ledger integration with AccountRight Live
- ✓ **Significant ongoing investment**
 - Over 1,000 employees with 250 people focused on software development
 - Over \$100 million spent on R&D over last three and a half years, predominantly expensed through the P&L
- ✓ **Delivered strong revenue growth, investment in business and cash flow generation**
 - Resulted in reduced leverage and increased covenant headroom

MYOB's market and full product suite

A full suite of cloud solutions with functionality relevant for each client segment today and in the future.

		Market Segment	Functionality Requirements	Technology Requirements	MYOB Products	% MYOB Revenue
Businesses	Micro Business (Do-it-for-you)	0-10 employees	Simple accounting	Cloud solution	¹ MYOB BankLink	Product sold to accountants and recognised as Accountants Division revenue
	Micro Business (Do-it-yourself)	0-10 employees	Simple accounting	Cloud solution	LiveAccounts	 54% Business Division
	Small Business	5-30 employees	Full range of accounting needs	Cloud and offline access	AccountRight Live	
	Medium Business	30-200 employees	Complex tailored needs	Offline, but increasingly online	MYOB ENTERPRISE SOLUTIONS	 9% Enterprise Division
Accountants	Accountants	Serving above businesses	Whole spectrum	Online integration with clients	AE AO	 37% Accountants Division

¹ BankLink, a micro business product, is sold through Accountants with revenue booked through Accountants Division.

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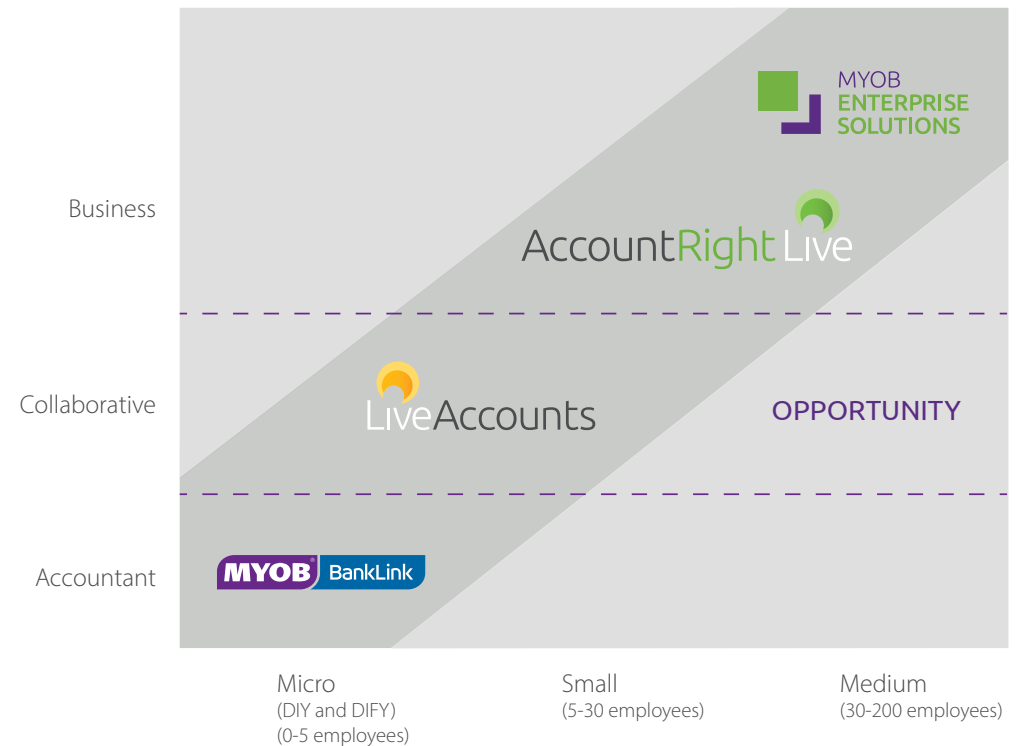
Micro-Business (DIFY)	Micro-Business (DIY)	Small Business	Medium Business	Accountants
Businesses				Accountants

BankLink

Acquisition of BankLink creates significant opportunity for MYOB at the very micro end of the market.

BankLink is:

- ✓ Used in ~5,000 accounting practices across Australia and New Zealand
- ✓ 500,000+ bank accounts
- ✓ Long-standing relationships with 100+ financial institutions
- ✓ 16 million live bank transactions per month growing at ~9% p.a.
- ✓ Most accurate, secure and reliable bank feed data platform
- ✓ NZ\$136 million purchase funded by NZ\$75 million senior bank debt and NZ\$61 million equity sourced from proceeds of subordinated notes issue.












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Micro-Business (DIFY)	Micro-Business (DIY)	Small Business	Medium Business	Accountants
Businesses				Accountants



Cloud Products

Significant milestones achieved & product enhancements delivered for AccountRight Live & LiveAccounts.


Product Overview

Products	 
Access	 Anytime, anywhere access
Integration	 Common ledger with accountants - shared data, live updates, efficiency
Functionality	 Full range of functionality - payroll, inventory, billing
Platforms	 Browser  Application  * Mobile
API	 400+ API partners

Milestones Achieved

-  Strong momentum and market share
-  Customer feedback very positive – level of functionality highly valued

“ Absolutely LOVING the speed of MYOB’s AccountRight Live 2013.3. Time to make sure you’re on this release AND on the cloud!”
Pam Pitt, 2 Peas

-  Strong value proposition – price includes full functionality

“Having AccountRight to help me do my books has been a huge help; it makes everything so much easier ... It lets me track invoices and inventory, which for a business like mine was something that used to take up a lot of time. It has saved me about 2 hours or so of work a day, and when you’re busy running a business, that’s a huge help”
Denyse Forsyth, Kruizey Kids

-  Launched API with over 400+ partners in 6 months

“ Our development team love the API – it’s the best of all the major accounting software providers and we can’t speak highly enough of the support we’ve had”
Mick Devine, Calxa

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* Delivered within months.

Micro-Business (DIFY)	Micro-Business (DIY)	Small Business	Medium Business	Accountants
Businesses				Accountants

Accountants Division

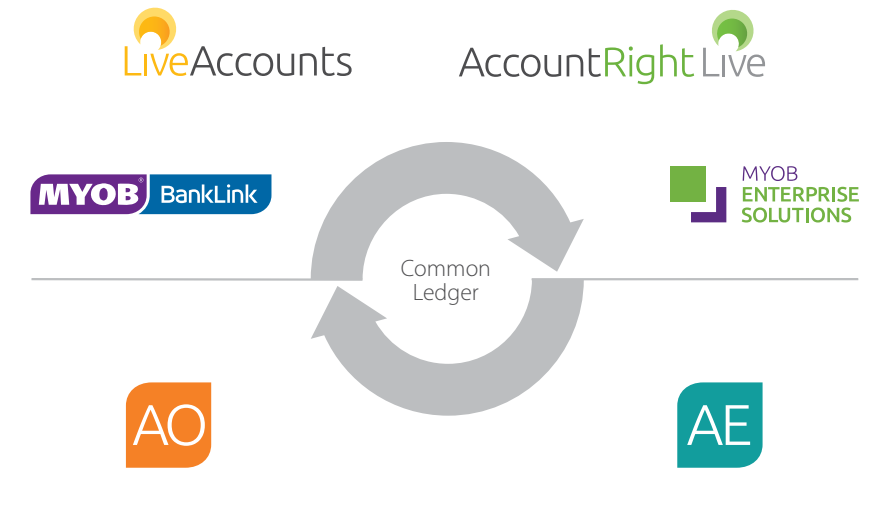
Key customer and distribution channel – considerable product improvements and investment made in sales force.

- ✓ 10,000 practices with 40,000 accountants and growing
- ✓ 98% retention rate – consistent with last five years
- ✓ Functionality and cloud integration delivering significant value

“ We have used other online products but we have found that AccountRight Live is definitely the better of the cloud products. It’s faster, we have less problems with it and because it integrates with our practice software it saves us a substantial amount of time ”
Marree Garrett, Marree Garrett & Associates

- ✓ Investment in sales force and customer service delivering returns for MYOB
- ✓ Largest field based team servicing accountants in practice

MYOB Accountant Platform



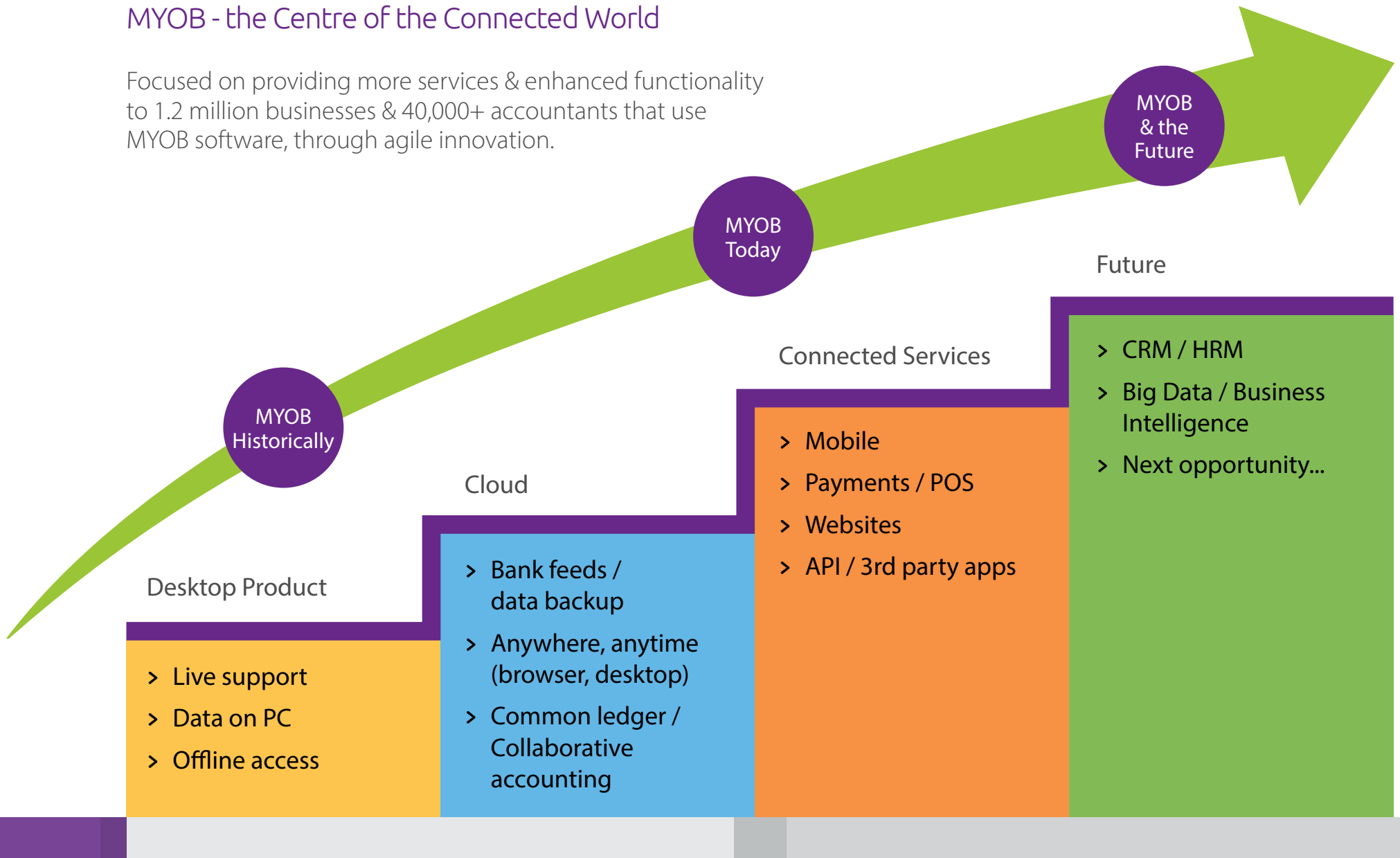
- ✓ Shared data
- ✓ Collaboration
- ✓ Efficient use of resources

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MYOB - the Centre of the Connected World

Focused on providing more services & enhanced functionality to 1.2 million businesses & 40,000+ accountants that use MYOB software, through agile innovation.



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Summary of 1H 2013 Results

Strong revenue growth with continued investment in business.

Financial Highlights

A\$m; Half Year ended 30 Jun ⁽¹⁾	1H13	1H12	V%
Revenue	115.7	107.4	7.6%
Gross Profit	105.9	99.1	6.8%
Operating Expenses	(51.8)	(45.6)	13.8%
EBITDA	54.0	53.5	1.0%

Key Takeaways

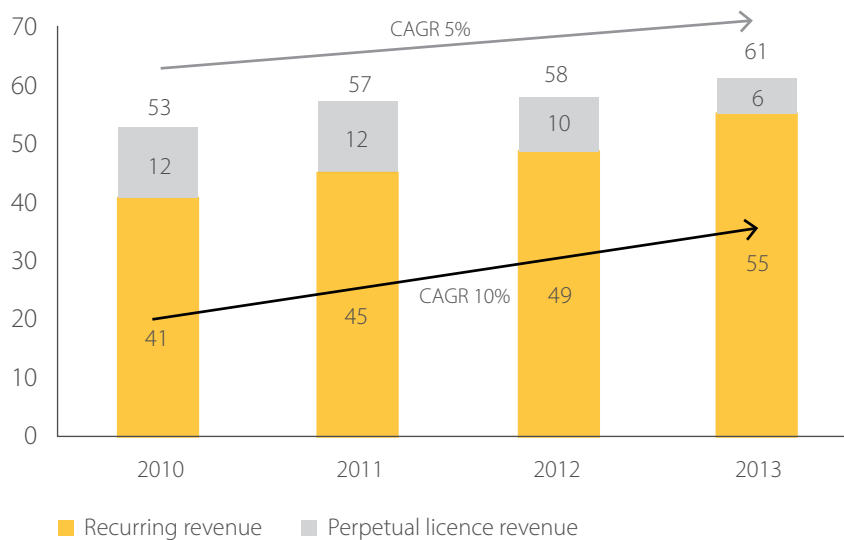
- ✓ **Strong revenue growth of 7.6%**
 - Recurring revenue increased by 13.1% (now 90% of revenue)
 - Reflects continued shift to subscriptions and uptake of AccountRight Live and LiveAccounts
- ✓ **EBITDA increase despite:**
 - Changes to business model as we move to subscription
 - Significant investment in the business
- ✓ **Continued investment in business**
 - Increased headcount
 - Invested in customer experience and sales force enhancements
 - Invested in value-added product features

Business Division – 54% of Revenue

Strong growth in subscription and maintenance revenue, reflecting uptake of AccountRight Live & LiveAccounts.

Division overview	
Market segments	Small and medium businesses
Products	 

1H Historic Revenue






- ✓ Total revenue up 5% in 1H13
- ✓ Recurring revenue increased from 83% to 90% of revenue as users shift to subscription model
- ✓ Subscription model highly attractive and improves quality of revenue
 - Capture ongoing revenue stream from each user
 - Lifetime value of user significantly higher than perpetual licences
- ✓ Strong and accelerating take-up of cloud products
 - Number of new users joining MYOB remains strong
 - 37% of new users purchasing cloud products

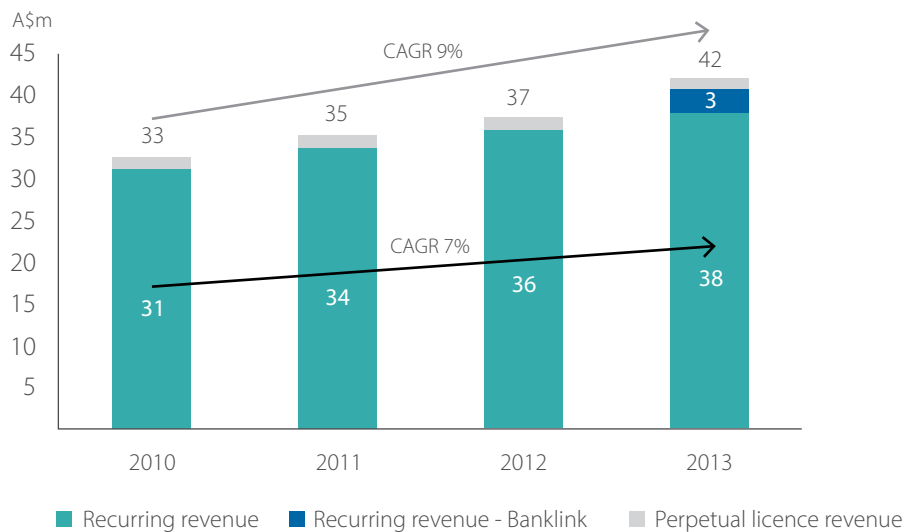
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Accountants Division – 37% of Revenue

MYOB continues to expand its accountants base - with the acquisition of BankLink it now offers accountants a broader range of products & services through the largest field sales team.

Division overview	
Market segments	Accountants
Products	  

1H Historic Revenue ⁽¹⁾



- ✓ **Total revenue up 12% in 1H13 (6% excluding BankLink)**
 - Steady underlying growth with shift to maintenance fees (away from new software sales)
 - BankLink provides new product suite for MYOB to offer accountants – strong cross sell opportunity

- ✓ **97% recurring revenue**

- ✓ **Accountant base continues to grow**
 - Significant investment in 2012 in “Live Advisors” (largest field sales team in the industry)
 - Competitors focused on accountant referral channel but having minimal impact to MYOB’s business

Note: ⁽¹⁾ 1H13 includes one month contribution from BankLink (acquisition completed 31 May 2013)

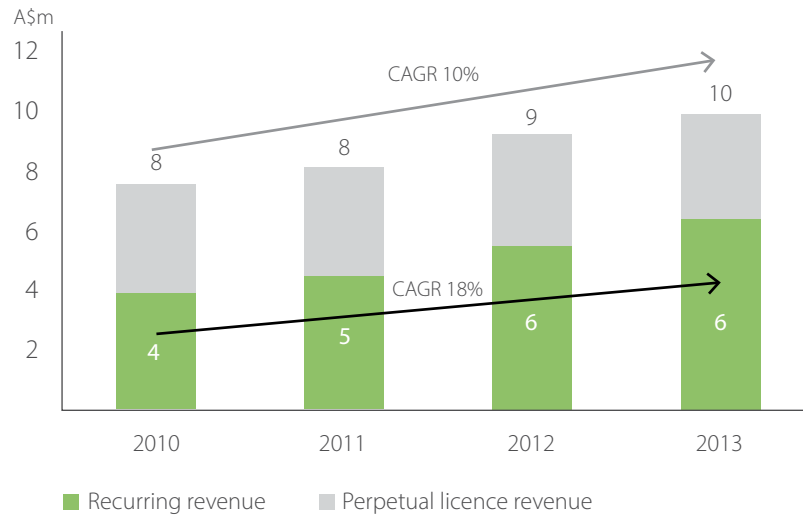
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Enterprise Division – 9% of Revenue

Strong growth driven by expansion of partner network & addition of new functional modules.

Division overview	
Market segments	Enterprise businesses
Products	

1H Historic Revenue



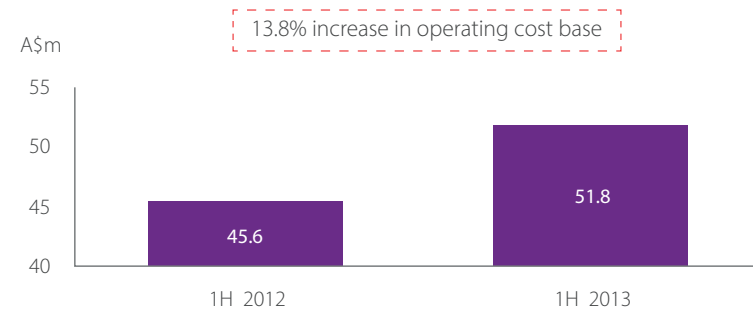
- ✓ Total revenue growth of 10% in 1H13
- ✓ Strong growth driven through:
 - Continued expansion of the partner network in Australia and New Zealand
 - Introduction of additional functional modules such as CRM and social media integration
- ✓ In 1H13 recurring revenue made up >60% of total revenue, with subscription revenue growing at >20% CAGR since 2010
- ✓ Introduction of additional functional modules such as CRM and social media integration driving growth and customer satisfaction

Ongoing Significant Investment

Investment in business through 2012 & 1H2013 has seen operating expenses increase 14% in 1H2013

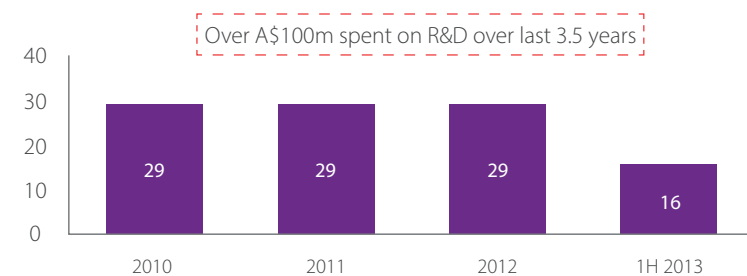
- ✓ Subordinated notes proceeds have been re-invested into MYOB's business
- ✓ No shares sold or capital returned to shareholders
- ✓ MYOB leverages its scale and profitability to invest significantly more in its business than competitors
- ✓ Key areas of investment:
 - Increased headcount focused on top-end customer experience
 - Value-added features of products

MYOB Operating Cost Base



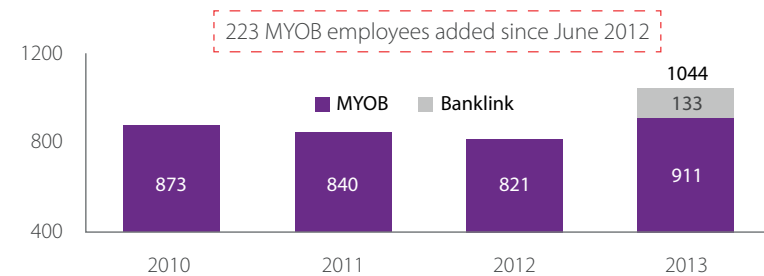
MYOB R&D Expenditure

A\$m spent on R&D (predominantly through P&L)



MYOB Headcount

Total Number of MYOB Employees @ 30 June



Balance Sheet benefits from reinvestments of Notes proceeds

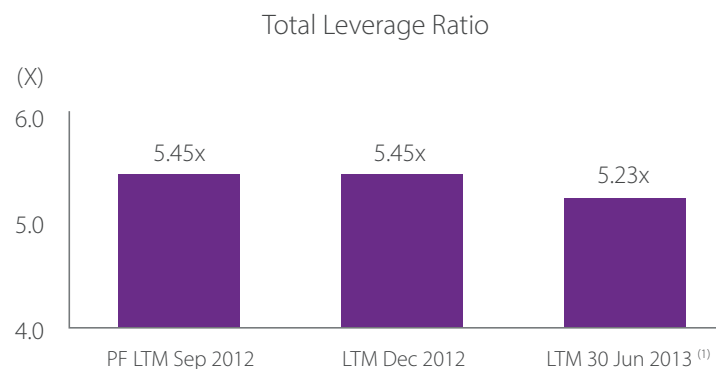
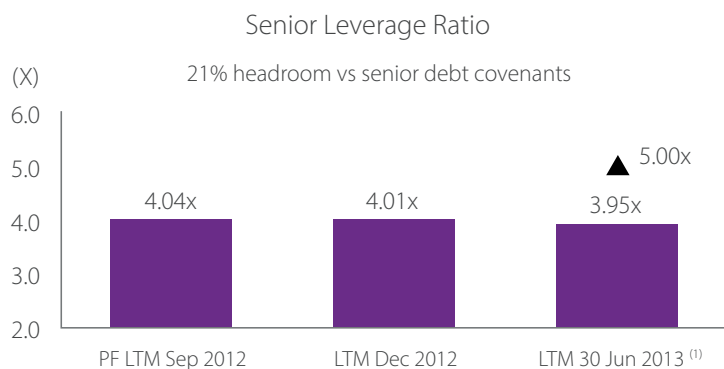
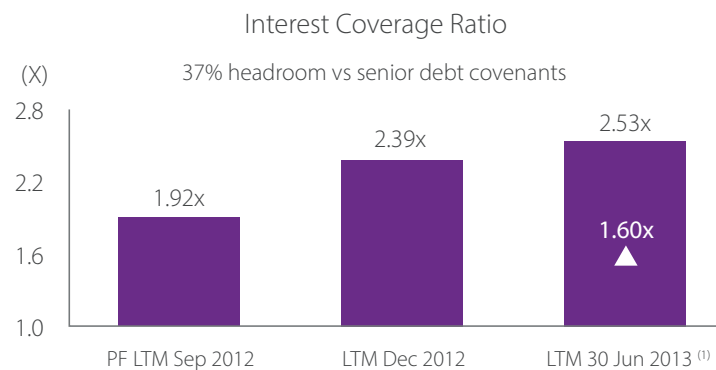
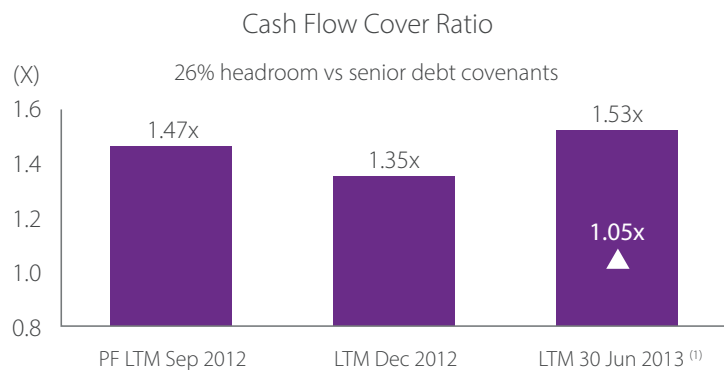
MYOB maintains a strong & stable balance sheet with subordinated note proceeds re-invested to fund BankLink acquisition or earmarked for further product development.

\$ Million	Jun 2013	Dec 2012
Cash	21	5
Goodwill	852	740
Intangible Assets	429	455
Other Assets	43	22
TOTAL ASSETS	1,345	1,222
Senior Debt	475	408
Subordinated Notes	155	155
Other Liabilities	163 ⁽¹⁾	103
TOTAL LIABILITIES	793	666
TOTAL EQUITY	552	556
Senior Leverage Ratio	3.95x	4.01x
Total Leverage Ratio	5.23x	5.45x

- ✓ Overall quantum of senior debt has increased as a result of the acquisition of BankLink
- ✓ Subordinated note proceeds have been reinvested to fund BankLink acquisition or earmarked for further product development
- ✓ Purchase of BankLink funded by NZ\$75 million senior bank debt and NZ\$61 million equity (sourced from proceeds of subordinate note issue). Resulted in:
 - Goodwill increasing by \$112 million
 - Senior debt increasing by \$67 million
 - Other liabilities increasing by \$64 million (effectively equity funding but recognised as intra-group funding)
 - Credit enhancing transaction, reducing senior leverage ratio
- ✓ Intangible assets reduced by \$26 million as a result of the amortisation of MYOB's commercialised software, client relationships and brand
- ✓ MYOB Group has increased cash reserves by \$16 million over the past 6 months

Credit profile continues to strengthen

In line with strong financial performance, cash flow generation & covenant headroom continues to increase.



■ MYOB Ratio ▲ Senior Debt Covenant

Note: ⁽¹⁾ Includes 1 month contribution from BankLink and 11 months pro forma contribution from BankLink (acquisition completed 31 May 2013).

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Summary

- ✓ Strong take-up of key cloud offerings
- ✓ Recurring revenue increased to 90% of total revenue
- ✓ MYOB has delivered on its new generation product development
- ✓ Strong cash flow conversion reducing debt levels
- ✓ Ongoing significant investment to drive growth
- ✓ MYOB now generates over two and a half times the revenue of its nearest competitor and works with 1.2 million businesses and 40,000+ accountants
- ✓ Executing on vision to make business life easier by being at the centre of a mobile, connected world for businesses and accountants via cloud suite of products

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Income Statement

MYOB Holdings Income Statement

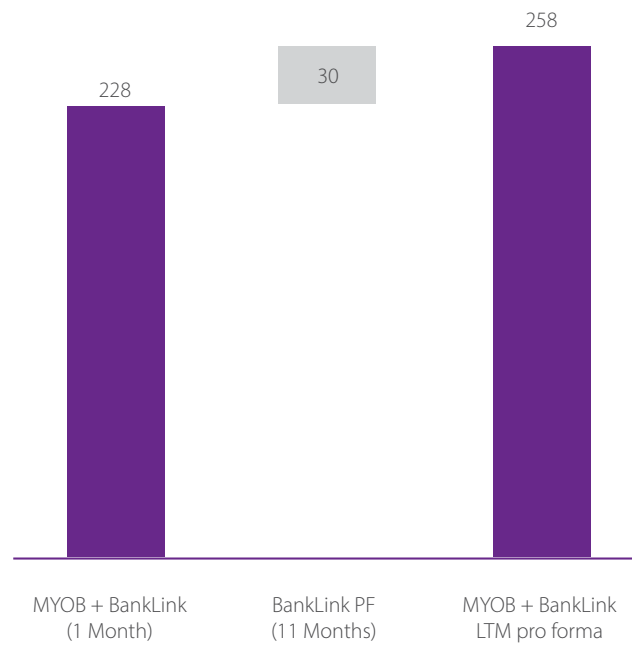
A\$m; Half Year ended 30 Jun	1H13	1H12	V%
P&L			
Revenue	115.7	107.4	7.6%
COGS	(9.8)	(8.3)	17.2%
Gross Profit	105.9	99.1	6.8%
EBITDA	54.0	53.5	1.0%
<i>Ebitda Margin</i>	<i>46.7%</i>	<i>49.8%</i>	
Other costs	(5.5)	(4.7)	
Depreciation / amortisation	(30.8)	(31.5)	
EBIT	17.8	17.3	
Net interest	(25.8)	(23.3)	
Debt cost amortisation	(3.6)	(3.1)	
PROFIT BEFORE TAX	(11.6)	(9.0)	
Tax	5.3	4.2	
NPAT	(6.3)	(4.8)	
NPTA	13.9	16.1	

LTM Revenue and EBITDA

Pro-forma for BankLink acquisition, MYOB LTM EBITDA is now A\$121m.

Revenue

June 2013 LTM Revenue (A\$m)



EBITDA

June 2013 LTM EBITDA (A\$m)



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Financial Covenants

Strong cash flow & interest coverage.

Financial Covenant Analysis

\$ Millions, unless otherwise noted	Proforma LTM Sep 2012 from Prospectus	LTM 31 Dec 2012	LTM 30 Jun 2013	Senior Facility Covenants	Note Covenants	
					Suspension of interest condition	Restriction of additional debt & distributions
LTM Covenant ^A EBITDA	106.7	107.5	121.2			
LTM Covenant ^A cash flow	92.9	89.5	99.9			
LTM Covenant ^A cash flow conversion	87.1%	83.3%	82.4%			
Cash flow Cover Ratio ¹ (times)	1.47	1.35	1.53	Not less than 1.05	Not less than or equal to 1.10	
Senior Leverage Ratio ² (times)	4.04	4.01	3.95	Not greater than 5.00		
Interest Cover Ratio ³ (times)	1.92	2.39	2.53	Not less than 1.60		
Total Leverage Ratio ⁴ (times)	5.45	5.45	5.23			Not greater than 5.50

- ✓ Covenant cash flow (covenant EBITDA adjusted for movements in net working capital and capex) of \$99.9 million results in a 82.4% cash flow conversion ratio
 - Covenant EBITDA, cash flow and debt service adjusted to add 11 months of BankLink pro-forma EBITDA and debt service
- ✓ Cash flow cover of 1.53x (up from 1.35x)
 - 26% headroom vs senior debt covenants
 - 23% headroom vs Notes covenants
- ✓ Senior leverage of 3.95x (down from 4.01x)
 - 21% headroom vs senior debt covenants
- ✓ Interest cover of 2.53x (up from 2.39x)
 - 37% headroom vs senior debt covenants
- ✓ Total leverage of 5.23x (down from 5.45x)
- ✓ Overall MYOB is performing well within its senior debt and notes covenants

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