



This document was prepared by Jade Beckmann and edited by Hayden Jeune solely for the MYOB National IT Challenge. All data in this case has been obtained from publicly available sources and MYOB. This is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

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Go Boldly!

At MYOB, we create awesome business management solutions. Driven by a ground-breaking strategy that has seen MYOB reaching new heights. Our vision is to *"help businesses succeed"* and we live by this statement existentially. As you get to know us, you'll find that we build products with passion, charisma and a genuine respect for mastering the craft of software development. Since MYOB's founding in 1991 our products have evolved at a significant pace and we're proud of the enormous number of loyal customers that love the way we make their lives easier. How? We make the complex simple.

Challengers, Assemble!

Are you ready to get creative?

[MYOB Essentials](#) is one of our many products that we're proud of. It's an easy to use, user-friendly business management powerhouse that allows business owners to really take control of their business. It automates a huge number of business-related activities and gives a business owner the opportunity to spend less time on tedious mundane tasks and more time on what they love doing the most.

Your challenge is to develop a new software solution that integrates with MYOB Essentials. We want to see your creativity really shine! It's your task to integrate a new [Add-On](#) for the MYOB Essentials product offering that so many business owners already love to use.

We want you to be creative with your solution, identify a specific need that our consumers have that is not currently covered adequately by MYOB Essentials Accounting Add-Ons.

Your solution should address the pain points of typical business owners in 2018. Think about ways that you might be able to simplify the complexities that surround invoices, billing and payroll.

Ideally, we'd like your solution to be unique. However, if your solution is similar to an existing MYOB Essentials Add-On we require there to be several points of differentiation against that existing Add-On.



Follow the path to success

Consider the following two examples to help inspire your solution:

ezyCollect

ezyCollect is an advanced web-based debtor management solution that easily integrates with MYOB accounting software to automate accounts receivable functionality in order to improve the cash flow of a business.

ezyCollect is targeted to small businesses as it gives owners the ability to automatically send overdue invoice reminders and collect money when it's due.

Its key advantage is eliminating the tedious process of following-up overdue debts as it automates work that was historically painful and time-consuming.

kounta

kounta is an online Point of Sale "POS" system that integrates with MYOB software.

Targeted primarily towards hospitality businesses, it allows business owners full automation of sales receipts from customers and easily integrates real-time data in order to give business owners the most up-to-date and reliable information all within the one integrated solution.

Its key advantage is that it allows a business owner to see real-time sales totals at any point in time, and narrow data to deeper, meaningful levels gives better insights into the performance of the business. It automates tedious data entry and avoids issues of data duplication with automatic synchronisation and it's affordable and scalable for businesses of varying sizes.

Below are the *minimum requirements* for completing this task:

- The solution needs to be a cloud solution hosted on a service such as Microsoft Azure or Amazon AWS, and available to access from a web or native mobile app.
- The solution must be an Add-On to MYOB Essentials. We recommend exploring the [MYOB Add-On Centre](#) to gain inspiration from existing ideas.
- The solution must incorporate the MYOB Essentials API (API Keys will be provided at the National Finals).
- The solution must address at least one pain-point for a small business owner.



As for deliverables, your submission must include:

- An **IT Solution in a conceptual state** outlining its purpose, features and how it can be used, with an **Architectural Plan for how it will be built**. A working prototype is **NOT required** for the regional round.
- The **Business Case, Financial Plan, and Marketing strategy**

This must be presented in a **5-page written report**, with appendices excluded from the page limit. It should be submitted via email to uoamcc.itchallenge@gmail.com by **11:59pm Thursday 26th July**. Please ensure to include your team name and team details in the email. The **finalists** selected from the written submissions will pitch their ideas in a ten minute presentation, followed by ten minutes of questions & answers, on **Sunday 29th July**.

MYOB will offer a **one hour drop in session** for teams to have an open forum Q&A discussion with business and technical leaders from MYOB to help form and assist ideas and approach. This will be from **8-9am on Tuesday 24th July in Room 260-315**.

Overall, we are looking for innovative and creative solutions that align with the aims and objectives of MYOB. The attached information in this case provides some background information about MYOB and the industry it operates in to help guide the development of your solution.

We look forward to your submissions!

National Final Round Details

If, after the Regional Round, you progress through to the National Final, your goal will be to build out and provide a working solution to your concept from the regional round. This is your opportunity to take your feedback from the Regional Round and refine, enhance and re-present your solution and a working product.

The event will take place on the **31st August and 1st September in Auckland**. Further details will be released after the regional rounds. All local competition winners will be provided with **return transfers, accommodation and the opportunity to win a share of the \$5,000 cash prize pool**.

The MYOB IT Challenge is also an opportunity for students to stand out and impress the MYOB judges for any graduate or intern positions available.



The MYOB Way

We'd love for you to be a part of the MYOB journey. So, do you have what it takes to partner with MYOB?



Our Business



1.0 Introduction to MYOB

MYOB is a leading provider of desktop and cloud business management software solutions to businesses in New Zealand and Australia. We have been in New Zealand for over 20 years and are proud to be a Trans-Tasman company only focused on the New Zealand and Australian market.

What do we do?

We offer business management solutions. More than 50 of them, to be exact. Everything to help you with accounting, payroll, payments, retail point of sale, CRM and professional tax solutions - and more.

We grow with you

Once you start using our products, you never have to stop. You'll never outgrow us: whether you're a start-up in a garage, or a manufacturing powerhouse. We have solutions for businesses of every size, shape and sector.

Clients drive our world

We're on the phones every single day to provide support, and we have more than 40,000 advisors (bookkeepers and accountants) to help you out.



1.1 Our Company

We employ around 1400 people and have four main offices in Melbourne (Headquarters), Sydney, Auckland, and Christchurch. Auckland is our second largest office. In New Zealand, we employ roughly 350 staff, with 200 based in Auckland and 150 in Christchurch. Over half of our Auckland staff are IT.

Over the past 5 years MYOB has undergone a major transformation. Our products have changed and we are focusing on accelerating our development of intelligent, intuitive cloud based software solutions. Currently 92% of our new clients are opting for cloud products and in 2016 we achieved 249K online subscribers.

At MYOB we help businesses succeed and our efforts over the next few years will be focused on creating an unparalleled business management platform which will seamlessly connect businesses of all sizes, their accounting partners and networks to create an eco-system of solutions. The MYOB Platform and the connections it will create will enable MYOB to deliver even more value to our clients, and, ultimately, make every facet of business life easier.

Over the past few years we've been developing and enhancing a suite of cloud solutions. We can now help you manage your business anywhere, anytime – building smarter connections with your networks while working on and storing your business data securely in the cloud.

MYOB invests more than NZ\$40 million annually in research and development so we can find better ways to help you do business.

1.2 Our Culture

It's not just about the products though. Our vision is to help businesses succeed and our values are the foundation of the culture that enable us to achieve this. 90% of our employees recognise and understand the values that drive the business. Our core 6 values are:

1. **Clients** – Drive our world
2. **Innovate** – Find new ways
3. **Collaborate** – We're better together
4. **Simplify** – Make it easier
5. **Results** – Achieve our goals
6. **Passion** – Love your work

We have also undergone a cultural transformation and now our Auckland office matches our values of being fun, friendly and dynamic. It used to be a "traditional office environment", however was completely cleared out and refitted to create a modern, contemporary space.

MYOB follows the Agile method of software development and, as such, the office has been designed as a collaborative environment. In particular, the design theme is "Four seasons" and features 38 TV monitors, 10 agile interface locations, and 30 meeting rooms. Software is developed in 2-week sprints, teams have daily stand-up meetings (often with colleagues in Melbourne) and product teams include people from a range of disciplines including developers, testers, project managers, UX, etc.



2.0 Our Customers

MYOB's customers across New Zealand and Australia comprise of a broad spectrum of small to large businesses and accounting practices, including:

- 1.2 million SMEs (small to medium sized businesses, 0 - 19 employees)
- Over 7,000 larger businesses and enterprises (20 - 999 employees, with some 1,000+)
- Over 40,000 accountants operating across small (single partner) and large (multiple partner) accounting practices

2.1 SMEs

Revenue from SMEs comprise of the majority of MYOB's revenues, so they are a particularly important customer segment. Due to the advantage of having lower barriers to entry, less business overheads, and relatively quick decision-making processes, SMEs can be highly efficient and very competitive. IT plays an important role in helping these businesses achieve their strategic objectives and create financial value for themselves and others. However, it is important to note that there are significant technical support and product upgrades (known as "maintenance"). Not all desktop users elect to make such maintenance payments.

- SMEs often don't have a dedicated IT team, but may have an IT Manager. They will typically oversee some minor IT infrastructure and sometimes carry another role in the business as well.
- They usually host their IT in a third-party service provider's environment in a co-located (or cohosted) environment with a shared-services business model (i.e. same IT system is used across all facets of the business).
- For SMEs, IT services are often utilised to the extent of just "running" the business, with any software being used having minimal customisation.
- SMEs are happy with less sophisticated systems, so long as it satisfies their needs and supports their business strategy and objectives.
- SMEs have lower IT budgets. This means they have tighter controls and require more justification for spending.

In particular, SMEs have begun to embrace Cloud software, as it can be lower-cost and traded as a service rather than a product. This model is appealing as it significantly reduces the financial stress of capital investment.

Further to the characteristics described, MYOB divides SMEs into three categories of software users:

	Non-accounting software users	Desktop users	Cloud users
Description	<ul style="list-style-type: none"> • No Accounting Software • Accounting done via spreadsheets (e.g. Excel®) or manual records 	<ul style="list-style-type: none"> • Accounting Software installed on and accessed via a desktop computer (e.g. personal computer or laptop) • No need for internet connection 	<ul style="list-style-type: none"> • Accounting Software accessed anywhere via one or more internet connected devices • Software and user's data resides off-premise in the cloud
Payments to Accounting Software providers	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Upfront purchase of perpetual licence and discretionary maintenance payments • For MYOB BankLink, regular payments are made by the SME's accountant to enable access 	<ul style="list-style-type: none"> • Subscription payments for ongoing use and maintenance
Considered a Paying User (i.e. regular or multiple payments)	<ul style="list-style-type: none"> • Never 	<ul style="list-style-type: none"> • Sometimes 	<ul style="list-style-type: none"> • Always

Source: MYOB Supplementary Prospectus 2015. Available from <http://investors.myob.com.au/FormBuilder/_Resource/_module/HhW--OHCfU-MPYnMov-UPA/documents/MYOB-Supplementary-and-Replacement-Prospectus.pdf>.

2.2 Accountants and Accounting Practices

Accounting practices often use multiple Practice Software solutions from different providers, with a single “main” provider. This segment has historically provided the second largest source of revenue for MYOB.

Only a small proportion of these customers are cloud users, largely due to the lack of cloud solutions currently available that provide them with the full suite of functionality which is available on desktop products. Similar to desktop users, cloud users pay fees on a regular basis (e.g. monthly) to receive software updates and are all considered to be Paying Users.

2.3 Enterprises

MYOB’s enterprise customers can be subdivided into three tiers. Tier 3 Enterprises are “medium businesses” with 20 to 199 FTEs, Tier 2 Enterprises are “large businesses” with 200 to 999 FTEs, and Tier 1 Enterprises are “government and corporate enterprises” with over 1,000 FTEs. MYOB has historically focused on Tier 3 Enterprises, but recently we commenced providing Enterprise Resource Planning (ERP) software solutions to the Enterprise Software Market for Tier 2 Enterprises through the release of MYOB Advanced Business in January 2015.

While the tiers are useful to help understand the Enterprise Software Market and the enterprises for which MYOB’s products are primarily designed, it is not uncommon for customers in one tier to use products that have been primarily designed for or targeted at another tier (or for smaller enterprises to use products more typically designed for SMEs).



3.0 Our Products

MYOB's operations can be divided among the three distinct customer segments we service:

- **SME Solutions** – Providing accounting software, including accounting, tax, payroll and other business management software, to SMEs. This division accounted for 63% of revenue in FY2016.
- **Practice Solutions** – Providing accounting software, including client accounting, practice management, tax management and document management software, to accounting practices. This division accounted for 23% of revenue in FY2016.
- **Enterprise Solutions** – Providing accounting software, including enterprise resource planning (ERP) and human resource management software to larger businesses. This division accounted for 14% of revenue in FY2016. Strong growth is expected to occur with this segment.

3.1 SME Solutions

Our primary product offering for SMEs consists of:

MYOB Essentials - An easy-to-use online system which provides for all the accounting needs of a small business. It is especially suitable for new businesses.

MYOB AccountRight - A more powerful and customisable accounting system which, among other things, includes more advanced inventory and job management capabilities. It is also flexible to work off or online.

Both of these packages are primarily online solutions and are provided on a monthly subscription basis. Potential customers can opt to subscribe to a particular package immediately or undertake a 30-day free trial. The table below outlines the pricing scheme of these SME solutions, with the general features highlighted:

	MYOB Essentials ⓘ		MYOB AccountRight ⓘ	
	PAYROLL FOR ONE \$35 +GST/mo	UNLIMITED PAYROLL \$52 +GST/mo	PLUS \$76 +GST/mo	PREMIER \$90 +GST/mo
	Buy now Try for free	Buy now Try for free	Buy now Try for free	Buy now Try for free
Core features ^	✓	✓	✓	✓
Works online	✓	✓	✓	✓
Calculate & track GST	✓	✓	✓	✓
Manage quotes, invoices & statements	✓	✓	✓	✓
Sell items or services or both	✓	✓	✓	✓
Track and pay expenses	✓	✓	✓	✓
Manage customers and suppliers	✓	✓	✓	✓
Bank feeds	✓	✓	✓	✓
Manage purchase orders			✓	✓
Work offline and make local backups (PC only)			✓	✓
Work with multiple accounts				✓
Payroll*	✓	✓	✓	✓
Jobs			✓	✓
Inventory	✓	✓	✓	✓
	Find out more >	Find out more >	Find out more >	Find out more >

Source: MYOB Website. Available from <<http://myob.co.nz/business/Compare-Online-Accounting-Software-1257834989789>>.

Along with the benefits and capabilities outlined above, all of their online software includes the ability to manage and invoice contacts through their mobile application – MYOB OnTheGo.

A third package that is not online-based is the MYOB AccountEdge software. This is custom-built software for Mac that has three tiers of benefits and features – Basic, Pro, and Network.

Also, MYOB's website lists recommended add-ons developed by 3rd parties that can be purchased separately from the independent developer's website. These tools add additional functionality into the business management suite. They connect to and share data with your MYOB accounting software, with a variety of add-ons providing different functionality. There are currently add-ons available that provide advisory benefits such as My Business Manager, Fathom and Panalitix. These can be viewed on <https://www.myob.com/nz/addons/>

3.2 Practice Solutions

Our primary product offering for Practices consists of:

1. **Accountants Office** - A solution with standardised configuration, reporting and simplified workflows allowing accountants to spend more time focused on clients. Main features include
 - **Tax** - Through paperless workflows and links to up-to-date IRD data, Tax Manager allows accountants to stay on top of clients' tax obligations
 - **Client Accounting** - Connect with your business clients online over a 'Common Ledger' and produce consistent electronic workpapers without leaving your MYOB practice solution.
 - **Practice Manager** - delivers total control over jobs, time, costs and processes, ensuring maximum productivity and profitability of your practice. Time is captured effortlessly and bills are processed fast. Practice Manager includes a job tracking tool which lets you efficiently allocate jobs, manage milestones and ensure you deliver great client service every time.
 - **Document Manager** - lets you store all your client communications in one organised, searchable and secure space
 - **MYOB Portal** - an online collaboration platform that lets you securely share documents and take digital signature approvals from your clients, even when they're mobile.

2. Accountants Enterprise

A more powerful and customisable accounting system. It has expanded functionality to the above features in Accountants Office suite that can be customised to suit a practice's unique workflow and reporting needs

3. MYOB ProfitOptimiser

A powerful business advisory tool that can drive your business and advisory services. MYOB ProfitOptimiser gives you critical insights into your clients' businesses – such as tax liability, annual/projected finance data, performance measures and key business drivers.

3.3 Enterprise Solutions

Our primary product offering for Enterprises consists of:

1. MYOB EXO

MYOB Exo provides the flexibility to build an entire business management solution. It includes features such as, easy accounting functions, multiple locations / divisions / branches support, management dashboards, fully integrated Customer Relationship Management (CRM), integrated job and project costing functionality, human resource management, consolidation of financial transactions for all entries, comprehensive and customisable accounting process flows plus more.

2. MYOB Advanced

A Cloud based Enterprise Resource Planning (ERP) software designed to incorporate financial management, inventory and distribution, customer management, project accounting and payroll management functionalities to help simplify day-to-day management.

3. MYOB Greentree

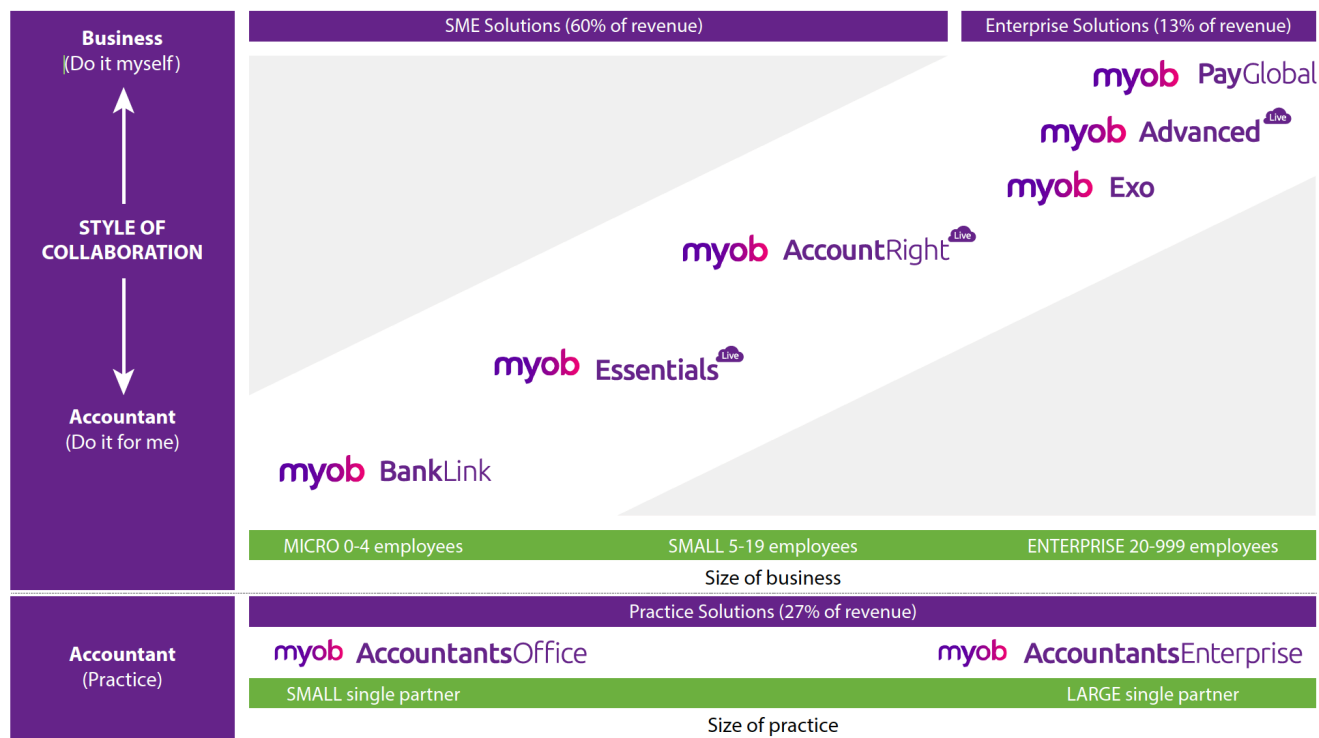
An intuitive and powerful ERP with comprehensive tools that help manage multifaceted enterprises. Flexible and intelligent, MYOB Greentree provides a real time view across departments and can be customised from any of the 80 plus modules covering an expansive list of functionalities from Workflow management to Business Intelligence.

4. MYOB PayGlobal

Industry-leading end-to-end people management and payroll software. Includes integrated payroll and HR management tools to improve productivity. 5 modules (Payroll, Human Resources, Self-service, Time and Attendance and Rostering) work seamlessly together and are customizable for a business' needs.

3.4 Summary of MYOB Solutions

The diagram below summarises MYOB's divisions and primary product offerings:



Source: MYOB Supplementary Prospectus 2015. Available from <http://investors.myob.com.au/FormBuilder/_Resource/_module/HhW--OHCfU-MPYnMov-UPA/documents/MYOB-Supplementary-and-Replacement-Prospectus.pdf>.

3.5 Recent Product Innovations

Highlighted below are some key FY2016 product innovations in each of the 3 distinct customer segments we service

SMEs Solutions

MYOB launched a number of new and innovative products and connected services to SME clients in 2016, including:

- PayDirect Online, the ability to accept online payments straight from the invoice, resulting in faster payment and improved cashflow; This market first release reinforces the company's continued advancement, evolving with the changing nature of payment trends. Online payments are fast becoming the preferred bill payment
- YourPay, a mobile solution for employees to enter timesheets and receive payslips
- PayAgent, a service for New Zealand businesses which automates paying staff and meeting reporting requirements

Accounting Practices Solutions

In 2016, MYOB launched a number of new products to Practice clients, supporting our Connected Practice Strategy (detailed later).

In **Transaction Processing** we launched two key products –

- The MYOB Dashboard, providing a single view of all a practice's online SME clients and supporting simple on-boarding of new clients. This dashboard means that the accounting practice has the ability to offer bureau services, efficiently, across large numbers of SME clients, reducing administration times, increasing collaboration and improving accuracy of data
- Connected Ledger, an efficient online ledger with MYOBs high quality bank feeds enabling practices to grow their Transaction Processing clients.

In **Compliance**, we were ready for the ATO changeover from Electronic Lodgment System to Practitioner Lodgment service, improved client accounting with online Practice Ledger, providing a single consistent and efficient workflow for end of year compliance, as well as online Tax eGST and BAS lodgement tools.

In **Advisory**, we continued to expand our eco-system of 3rd party partners covering reporting, budgeting, forecasting and modelling.

Enterprise Solutions

- MYOB Advanced is the fastest growing cloud native ERP and Payroll solution built for the Australian and New Zealand mid-market. MYOB Advanced is growing rapidly and becoming the majority of new ERP registrations in the Enterprise segment.
- MYOB PayGlobal has been powering complex payroll for over 20 years. MYOB PayGlobal reduces manual, repetitive tasks with a trusted, compliant and automated solution. MYOB PayGlobal is trusted by large organisations across Australia and New Zealand, such as Sydney Opera House, Country Road and Healthscope.
- MYOB Greentree was acquired in August 2016. Greentree helps companies to simplify success by delivering vital information on-demand, providing an instant snapshot of what their business is doing; today, yesterday and tomorrow. The acquisition of Greentree has provided new channels to market for our market-leading online Enterprise ERP systems.

4.0 Current Strategy

Our industry is an exciting one and we have a clear and defined strategy for long term growth as we move forward into 2018 and beyond. We will continue to focus on delivering value to our clients and partners, being a responsible and active member of our community, and creating long term value for our shareholders.

The key pillars of MYOB's growth strategy are:

Accelerate growth in existing markets	1. Growing online subscribers
	2. Increasing lifetime value of those subscribers
Penetrate new markets already opened	3. Increase TAM (Total Addressable Market) through Payments
	4. Increase share and TAM in Enterprise
Strengthen core and new TAM	5. Strategic acquisition opportunities

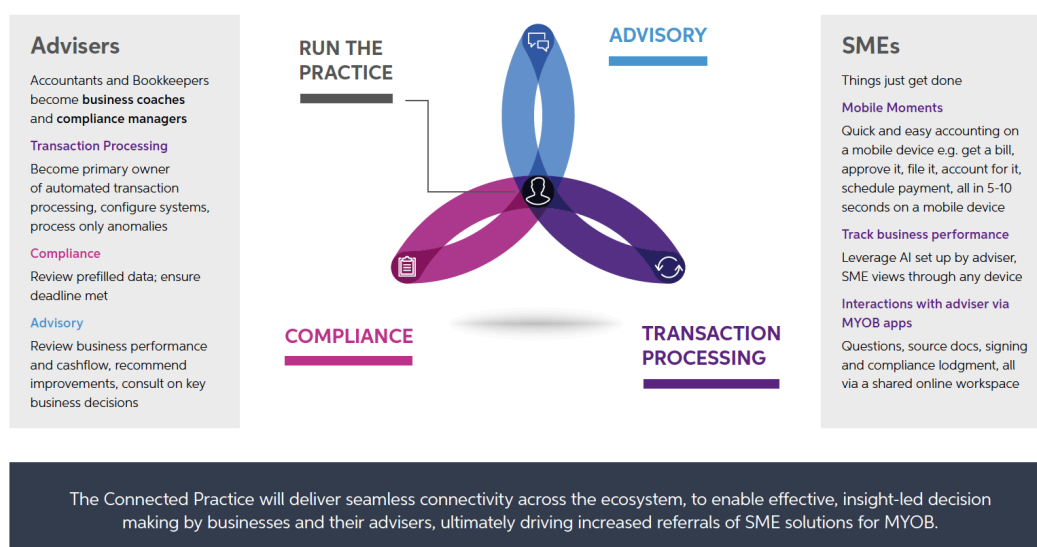
Source: http://investors.myob.com.au/FormBuilder/_Resource/_module/HhW--OHCfU-MPYnMov-UPA/documents/8413_MYOB_AR17_EDIT_v7a_INTERACTIVE.pdf

4.1 Connected Practice Vision

MYOB has embarked upon a strategy to deliver seamless connectivity between the SME, advisers and the broader accounting ecosystem through the building of an intelligent, intuitive platform. This creates efficiencies in compliance and transaction processing, and enables growth in advisory services.

Historically these three core processes have been completed in sequence, with transactions processed by SME accounting systems, compliance work undertaken by the accountant using a bespoke accounting practice suite of tools, and advice being offered to their clients after the first two processes are complete.

The Connected Practice vision allows these three processes to run concurrently, and delivers a strong value proposition to accountants in practice, which is expected to drive adoption of online practice solutions and encourage referral of MYOB's SME solutions by accountants.

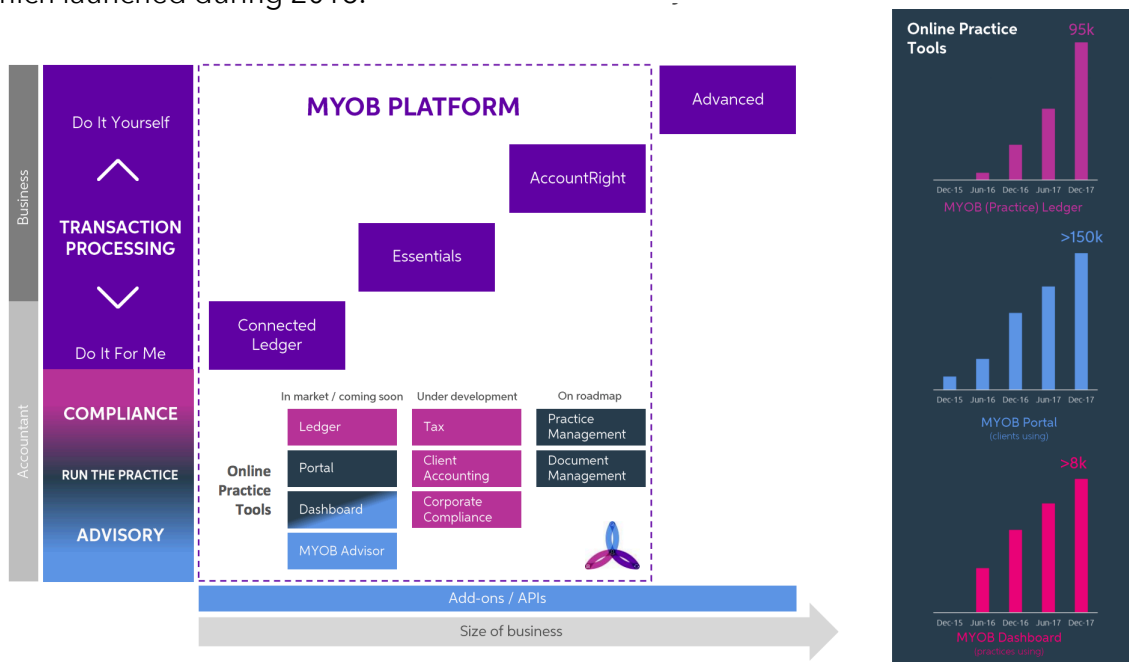


Source: http://investors.myob.com.au/FormBuilder/_Resource/_module/HhW--OHCfU-MPYnMov-UPA/documents/8413_MYOB_AR17_EDIT_v7a_INTERACTIVE.pdf

4.2 MYOB Platform

MYOB has invested in the MYOB Platform to drive the uptake of online accounting solutions amongst SMEs and accountants, with total online subscriptions (SME and Practice) up 60 per cent year on year to 399,000 in December 2017.

MYOB continues to invest in product innovation to enable MYOB to offer a differentiated and competitive product offering. In FY2017 MYOB invested 16.3 per cent of revenue on R&D. A significant portion of the 2017 R&D spend has been focused on the development of the MYOB Platform including further enhancements to the online Practice Ledger and Connected Ledger (online version of BankLink), both of which launched during 2016.



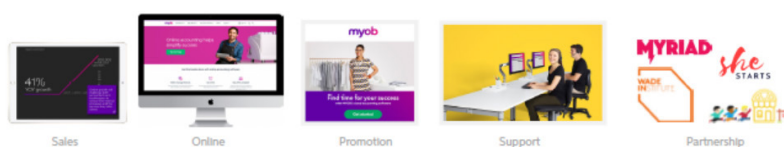
Source: http://investors.myob.com.au/FormBuilder/_Resource/_module/HhW--OHCfU-MPYnMov-UPA/documents/FY2017-Results-Presentation.pdf

4.3 Investment in Sales, Marketing and Brand to attract new SME's

To attract new clients whilst retaining and upgrading our existing base, we have invested in a Brand Transformation and Repositioning strategy. This work commenced in 2016, and extended through 2017, where we invested in marketing activities across all touchpoints, to ensure high awareness of new MYOB online products (continuing to move perceptions away from a brand known for desktop accounting software to a tech company offering a range of online accounting solutions).



As the market leader in digital solutions, we help businesses succeed. Our experience is inspired, authentic and in-the-know



Industry Information



5.0 Our Industry

5.1 General Overview

There are a number of other companies that operate in the same commercial sphere as us. MYOB's success and performance is dependent on 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.

The diagram below highlights the market position of some of our key products and competitors. Note FTEs = Full time employees.

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

Note:

1. A business with "0" employees is known as a "non-employing" business (and includes self-employed businesses or sole traders). List of other business management software providers is not exhaustive, and the positions of those providers in the above table are illustrative only. Products offered by other providers (and products targeted by MYOB at certain markets) may be used by enterprises of varying sizes.

Source: MYOB Supplementary Prospectus 2015. Available from <http://investors.myob.com.au/FormBuilder/_Resource/_module/HhW--OHCfU-MPYnMov-UPA/documents/MYOB-Supplementary-and-Replacement-Prospectus.pdf>.

5.2 The SME Market

There are approximately 2.5 million SMEs in New Zealand and Australia, with about 0.5 million located in New Zealand and 2.0 million located in Australia. We expect that the growth rate of this market will be consistent with historical experience, which is a 1.1% compound annual growth rate (CAGR). We estimate that the percentage of total SMEs that use accounting software in New Zealand and Australia is about 75% to 80% (1.8 – 2 million).

There are currently four principal providers in the SME Software Market in New Zealand. We are the market leader by number of users, with our users comprising of approximately 60% to 65% of the total number of Accounting Software users in this market (over 1.2 million).

Brand or owner	Headquarters	Company type	Key geographies	Examples of products		
				Cloud focused product	Cloud + desktop product	Desktop focused product
MYOB	Australia	Listed on ASX	Australia and New Zealand	Essentials	AccountRight Live	AccountRight BankLink
Reckon	Australia	Listed on ASX	Australia and New Zealand	Reckon One	Reckon Accounts	Reckon Accounts
Xero	New Zealand	Listed on the New Zealand Exchange (NZX) and ASX	New Zealand, Australia, the UK and the US	Xero SBA	–	–
Intuit	US	Listed on the NASDAQ in the US	Numerous jurisdictions (including Australia)	QuickBooks Online	–	–

Note: A "cloud + desktop product" refers to a product which can be used either as a cloud or desktop solution.

Source: MYOB Supplementary Prospectus 2015. Available from <http://investors.myob.com.au/FormBuilder/_Resource/_module/HhW--OHCfU-MPYnMov-UPA/documents/MYOB-Supplementary-and-Replacement-Prospectus.pdf>.

5.4 The Practice Market

We estimate that there are over 17,300 accounting practices in New Zealand and Australia, with approximately 4,800 firms located in New Zealand and 12,500 firms located in Australia and within these, approximately 9,700 individual accountants in New Zealand and 59,100 in Australia. Between December 2005 and December 2014, the total number of accountants in New Zealand and Australia grew at an estimated CAGR of 2.1% and 1.9% respectively.

MYOB believes that almost all accounting practices use Practice Software (although not all firms purchase all available software modules) due to the role it plays in helping service the accounting needs of the firm's clients. Accounting practices typically purchase a Practice Software product for each accountant working within that firm. Therefore, the number of accountants is a more appropriate measure of market size than the number of accounting practices.

The Practice Software Market in New Zealand and Australia currently includes five principal participants – MYOB, Reckon, CCH and Xero in New Zealand and MYOB, Sage, Reckon, CCH and Xero in Australia. In FY2014, MYOB was the market leader by revenue, estimating that its revenue comprised 60% to 65% of participant revenues in this market.

The table below summarises the nature of the key participants in the Practice market.

Brand or Owner	Headquarters	Company type	Key geographies	Examples of products	
				Cloud focused product	Desktop focused product
MYOB	Australia	Seeking an ASX listing	Australia and New Zealand	– (Currently in development)	AccountantsOffice, AccountantsEnterprise
Sage	UK	Listed on the London Stock Exchange (LSE)	The US, Europe and Australia	–	Handisoft
Reckon	Australia	Listed on ASX	Australia and New Zealand	–	APS, Elite
Xero	New Zealand	Listed on the New Zealand Exchange (NZX) and ASX	New Zealand, Australia, the UK and the US	Xero Practice Suite ¹	–
CCH	Netherlands	Subsidiary of Wolters Kluwer, which is listed on Euronext	Numerous jurisdictions (including Australia and New Zealand)	iFirm ¹	CCH Engagement ¹

Source: MYOB Supplementary Prospectus 2015. Available from <http://investors.myob.com.au/FormBuilder/_Resource/_module/HhW--OHCfU-MPYnMov-UPA/documents/MYOB-Supplementary-and-Replacement-Prospectus.pdf>.

5.5 The Enterprise Market

In June 2013, there were approximately 68,200 Tier 1, 2 and 3 Enterprises in New Zealand and Australia, with approximately 13,700 located in New Zealand and 54,500 located in Australia. Between June 2010 and June 2013, the total number of Tier 1, 2 and 3 Enterprises in New Zealand and Australia increased at an estimated CAGR of 1.4% and 1.3%, respectively.

The Tier 3 Enterprise ERP Software Market, MYOB's primary focus in the Enterprise Software Market, is a fragmented market. We entered the Tier 3 Enterprise ERP Software Market in 2005 and believe we are now a market leading participant by revenue in New Zealand and Australia, estimating that our revenue in FY2014 comprised approximately 15% of participant revenues in this market. Principal competitors in the Tier 3 Enterprise ERP Software Market include Attaché, JIWA and Sybiz.

The diagram below summarises illustrates the New Zealand and Australia Enterprise Software Market.

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

Note:

1. A business with "0" employees is known as a "non-employing" business (and includes self-employed businesses or sole traders). List of other business management software providers is not exhaustive, and the positions of those providers in the above table are illustrative only. Products offered by other providers (and products targeted by MYOB at certain markets) may be used by enterprises of varying sizes.

Source: MYOB Supplementary Prospectus 2015. Available from <http://investors.myob.com.au/FormBuilder/_Resource/_module/HhW--OHCfU-MPYnMov-UPA/documents/MYOB-Supplementary-and-Replacement-Prospectus.pdf>.

Financial Details



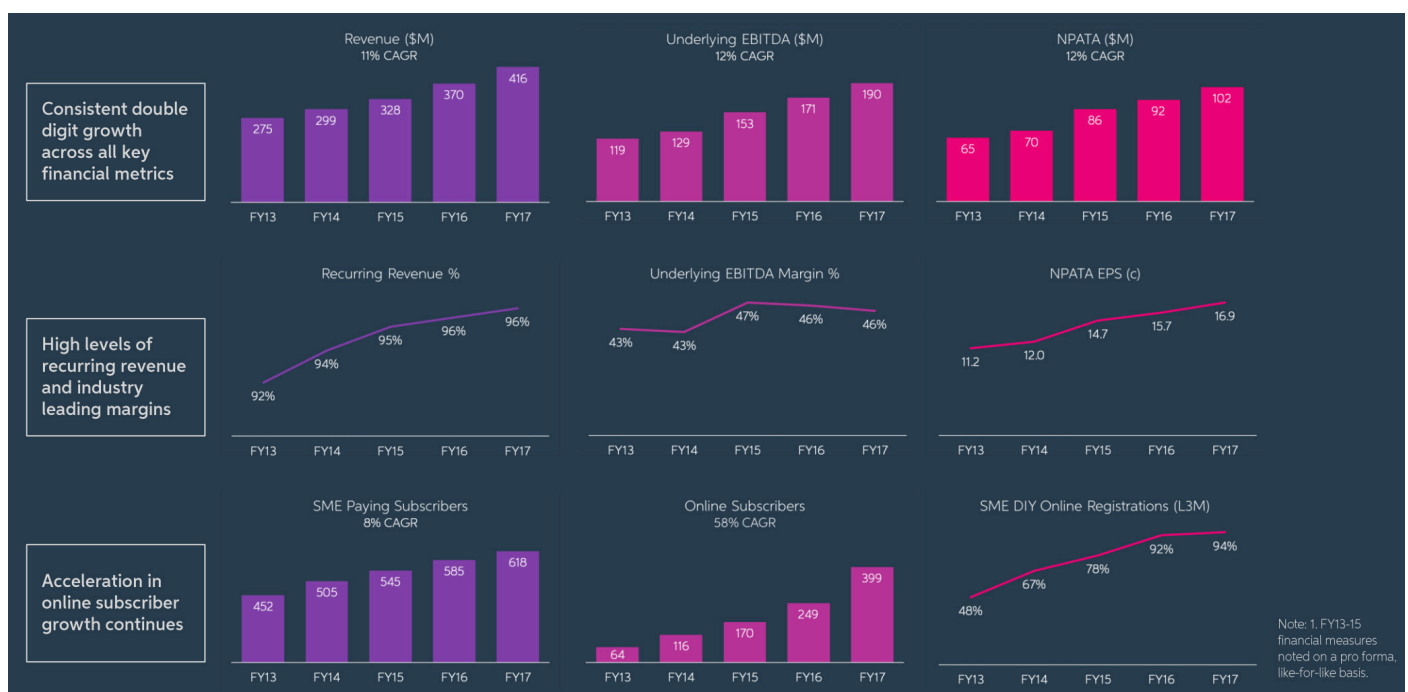
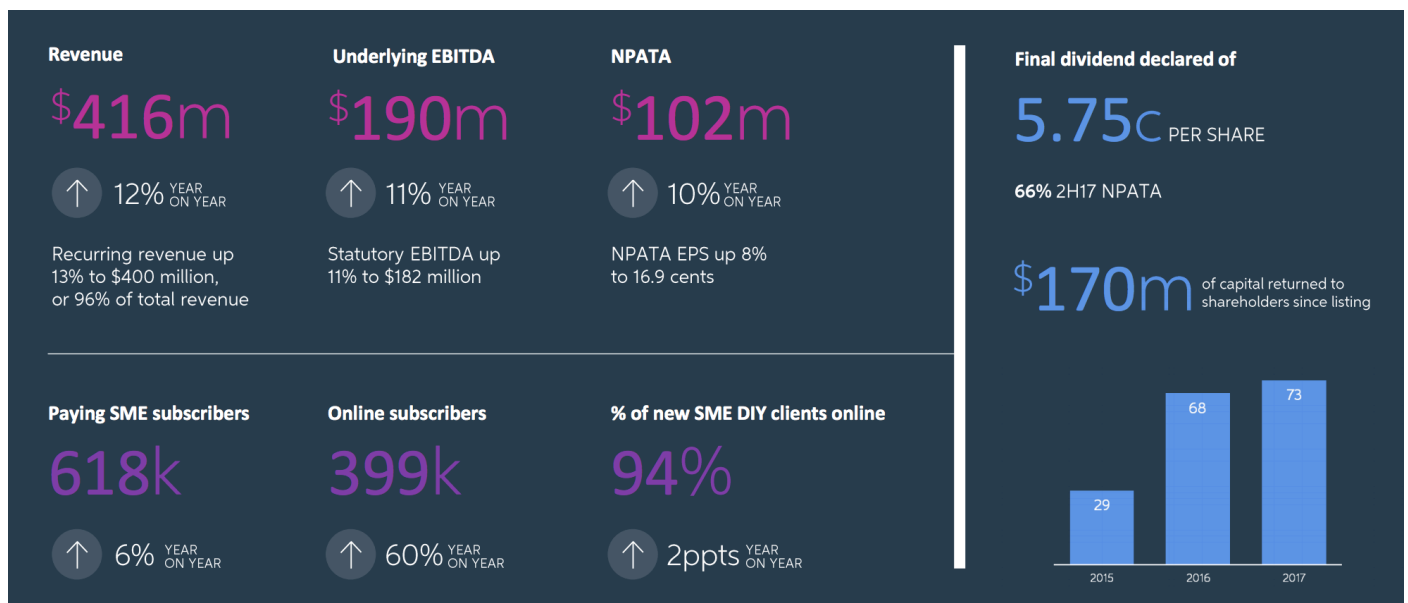
6.0 2017 Financial Year Results

Below are some extracts from our 2017 financial year results (January – December 2017). They will provide some key financial information and highlight some of the metrics we use to measure our success. This will be helpful in determining the financial viability of your solutions, as well as putting in context the returns that your solution expects to generate.

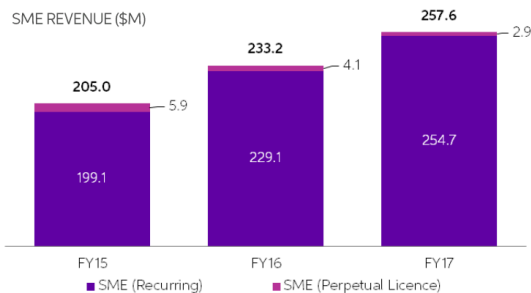
More detail can also be found here in the [MYOB 2017 Annual Report](#).

Note that all figures are in Australian dollars.

Overall Financial Performance



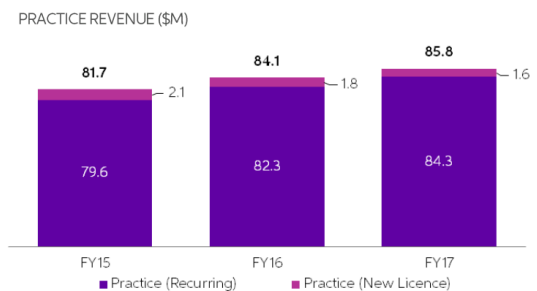
SME and Practice Solutions Performance



	Growth	
	FY17	FY16
SME (Recurring)	11.1 %	12.8 %
SME (Perpetual Licence)	(28.7)%	(38.6)%
Total Organic	10.5 %	11.3 %
Total	10.5 %	13.7 %

SME revenue growth of 10.5% driven by 11.1% uplift in recurring revenue, which now makes up 99% of total revenue.

- 11% recurring revenue growth coming from:
 - 6% growth in ave. paying users (driven by 35% increase in online SME subscribers)
 - 4% growth in ARPU, made up of ~5% pricing increases supported by growth in connected services and increased product functionality. This was offset by mix shift to lower ARPU products and the impact of FX in 2H17 due to the weaker NZ\$.

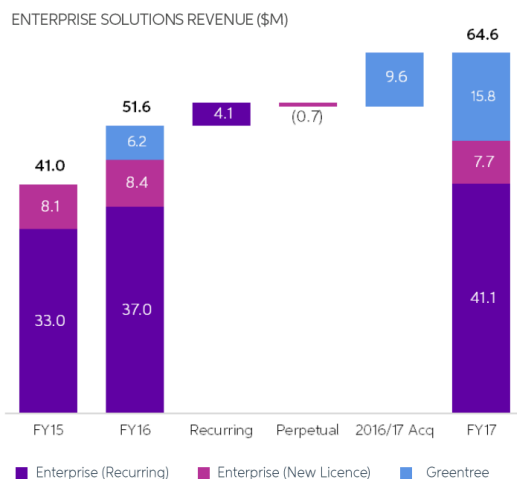


	Growth	
	FY17	FY16
Practice (Recurring)	2.4 %	3.4 %
Practice (New Licence)	(9.9)%	(16.2)%
Total	2.1 %	2.9 %

Practice revenue growth of 2.1%, slightly below 2016

- New license growth positive, driven by new client wins
- Recurring revenue growth lower due to lower services revenue YoY driven by a lower number of consulting opportunities in 2017
- Underlying subscription revenue growth in line with prior years (up 3.4%)

Enterprise Solutions Performance



	Growth	
	FY17	FY16
Enterprise (Recurring)	11.2 %	12.1 %
Enterprise (New Licence)	(8.9)%	4.6 %
Total Organic	7.5 %	10.6 %
Total	25.1 %	25.8 %

Enterprise revenue continues to grow strongly, with double digit underlying recurring revenue growth supplemented by a full year's contribution from the Greentree acquisition.

- Organic recurring revenue growth of 11% driven by continued strong uptake of MYOB Advanced, with Advanced Business sales making up more than half of MYOB ERP sales in FY17
- Contraction in new licence sales in line with expectations, with the shift from selling perpetual desktop licenses to online subscriptions as new sales shift from Exo to Advanced
- Greentree contributed \$16 million of revenue in FY17

MYOB Financial Performance and Revenue by Segments

MYOB FINANCIAL PERFORMANCE

\$M; 12 months ended 31 Dec	FY17	FY16	v FY16
Revenue	416.5	370.4	12.4%
Operating Expenses	(226.6)	(199.0)	13.9%
Underlying EBITDA	189.9	171.4	10.8%
NPAT	60.7	52.2	16.3%
NPATA ¹	101.6	92.4	10.0%
Recurring Revenue %	96.1%	95.6%	0.5%
Underlying EBITDA Margin %	45.6%	46.3%	(0.7%)

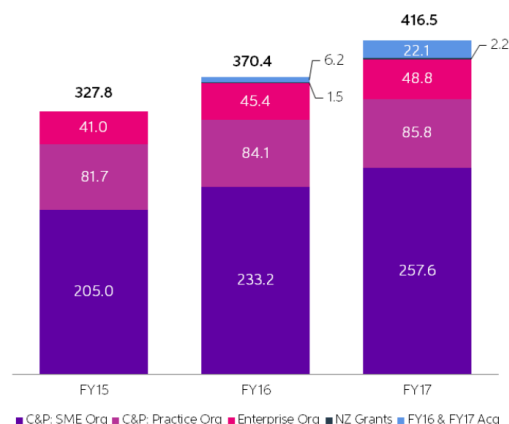
2H FX Impact

- FY17 revenue growth rate was 13.0% on a Jun'17 constant currency basis
- EBITDA growth rate impact smaller at ~0.2% due to natural hedge driven by a larger proportion of cost than revenue in NZ.

Note:

1. MYOB considers NPATA (net profit after tax and after adding back the tax effected amortisation expense related to acquired intangibles), rather than NPAT, to be a more meaningful measure of after tax profit due to the large amount of non-cash amortisation of acquired intangibles that is reflected in NPAT.

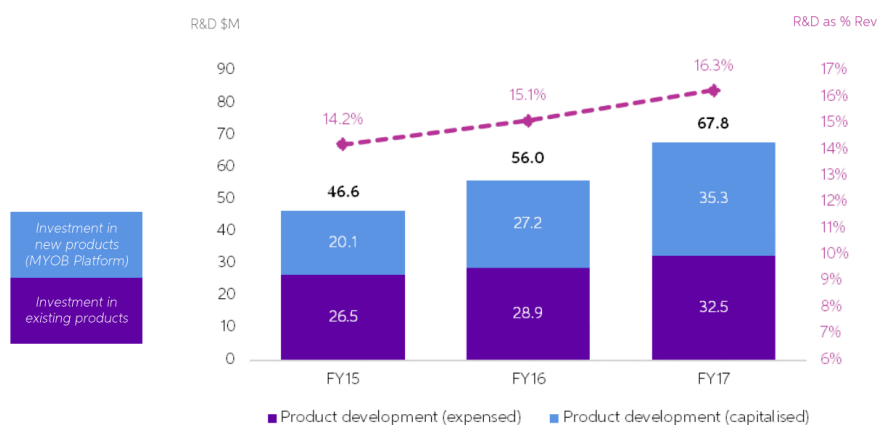
REVENUE BY SEGMENT (\$M)



	Growth	
	FY17	FY16
C&P: SME Organic	10.5 %	11.3 %
C&P: Practice Organic	2.1 %	2.9 %
Enterprise Organic	7.5 %	10.6 %
Total Organic	8.3 %	9.1 %
Total	12.4 %	13.0 %

Investment in the MYOB Platform

PRODUCT RESEARCH & DEVELOPMENT COSTS



Note: 1. MYOB's accounting policy for R&D is based on Australian / International accounting standards – matching revenue and costs. So:

- Any development on products already generating revenue is expensed. This spend is on both online and desktop solutions.
- Any development on products that will create a benefit in future periods is capitalised, e.g. the MYOB Platform, internal CRM systems.
- Previously capitalised spend starts amortising once the product is released to market, over 5 years on a straight-line basis.

Product development (R&D) costs were 16.3% of revenue in FY17, up from 15.1% in FY16 and 16.0% in 1H17.

- The majority of the increased investment in FY17 has been on the MYOB Platform (yet to generate revenue), resulting in faster growth of capitalised spend over expensed¹
- For FY18 we expect investment levels (excluding Reckon integration funded investment) to remain at approximately 16% of revenue and for capex to make up between 50% and 55% of the total.

Cash Flows

CASH FLOW (\$M)



CASH FLOW CONVERSION

Operating cashflow, \$M	FY17	FY16
Underlying EBITDA	189.9	171.4
Non-cash items in EBITDA	0.7	0.4
Change in net working capital	(1.8)	(3.1)
Operating free cash flow before capital expenditure	188.8	168.6
Research and development capex	(35.3)	(26.9)
PPE and other capital expenditure	(15.8)	(9.2)
Capital expenditure	(51.1)	(36.1)
Net free cash flow before financing, tax and dividends	137.7	132.5
Cash conversion %	72%	77%

- Cash conversion drops by 5ppt to 72%, driven by higher capital expenditure (R&D and other)
- Net free cash flow of \$138m, up 4% YoY
- \$73m returned to shareholders through dividend and share buyback
- Net debt / Underlying EBITDA <2.00x as at 31 December 2017.

Income Statement

\$m	FY17	FY16	v FY16
Revenue			
Clients & Partners: SME	257.6	233.2	10%
Clients & Partners: Practice	85.8	84.1	2%
Enterprise Solutions	64.6	51.6	25%
Payment Solutions	6.3	-	-
Group	2.2	1.5	44%
Total Revenue	416.5	370.4	12%
COGS	(35.9)	(29.4)	22%
Staff related expenses	(140.7)	(124.5)	13%
Marketing	(17.0)	(13.9)	23%
General office / administration	(32.9)	(31.2)	5%
Total operating expenses	(226.6)	(199.0)	14%
Underlying EBITDA	189.9	171.4	11%
One-off non-recurring expenses	(7.7)	(7.1)	9%
Statutory EBITDA	182.2	164.3	11%
Depreciation	(6.8)	(5.7)	18%
Amortisation of capitalised inhouse software	(15.5)	(12.7)	23%
EBITA	159.9	146.0	10%
Amortisation of acquired intangibles	(58.4)	(57.4)	2%
EBIT	101.4	88.5	15%
Net interest expense	(13.6)	(14.8)	(8%)
Share of losses from equity accounted investments	(2.4)	(2.6)	-10%
PBT	85.5	71.1	20%
Tax expense	(24.8)	(19.0)	31%
NPAT	60.7	52.2	16%
D&A add back (tax effected)	40.9	40.2	2%
NPATA	101.6	92.4	10%

\$m	Note	EBITDA FY17	FY16
Statutory EBITDA		182.2	164.3
Acquisition transaction and integration costs	1	5.2	4.2
Offer related adjustments and other transaction costs	2	-	0.2
Business transformation one-off costs	3	1.2	0.9
Other non-recurring adjustments	4	-	1.7
(Gain)/loss on FX translation of intercompany loans	5	1.3	(0.0)
Total one-off non-recurring adjustments		7.7	7.1
Underlying EBITDA		189.9	171.4

- One-off, non-recurring items:
 - 1) Transaction and integration costs relating to the acquisitions of Ace Payroll, IMS, Greentree and Paycorp
 - 2) Final IPO-related fees expensed in FY16
 - 3) Business transformation initiatives and restructuring costs, including redundancies
 - 4) One-off MYOB brand transformation costs in FY16
 - 5) FX movement on intercompany loans (AU/NZ)

Balance Sheet

\$m as at 31 December	FY17	FY16
Assets		
Current assets		
Cash and cash equivalents	54.8	61.4
Other current assets	45.6	34.8
Total current assets	100.4	96.3
Non-current assets		
Intangible assets & goodwill	1,256.6	1,245.4
Other non-current assets	42.9	45.2
Total non-current assets	1,299.5	1,290.5
Total assets	1,399.9	1,386.8
Liabilities		
Current liabilities		
Unearned revenue	50.0	49.7
Other current liabilities	50.8	41.7
Total current liabilities	100.7	91.5
Non-current liabilities		
Interest-bearing loans and borrowings	432.5	434.8
Other non-current liabilities	22.2	6.0
Total non-current liabilities	454.7	440.8
Total liabilities	555.4	532.3
Net assets	844.4	854.5
Equity		
Contributed equity	1,141.6	1,141.4
Retained earnings	(304.8)	(356.2)
Reserves	7.7	69.3
Total equity	844.4	854.5

Key Operating Metrics

	FY17	FY16	FY15
MYOB Group			
Number of online subscribers ('000s)	399	249	170
Revenue growth %	12%	13%	10%
Organic revenue growth %	8%	9%	9%
Recurring revenue as a % of total revenue	96%	96%	95%
Underlying EBITDA Growth %	11%	12%	19%
Underlying EBITDA Margin %	46%	46%	47%
NPATA Growth %	10%	8%	22%
NPATA Margin %	24%	25%	26%
Product development costs as a % of total revenue	16%	15%	14%
Clients & Partners			
Number of online SME subscribers ('000s)	304	225	170
Number of SME paying users ('000s)	618	585	545
Average SME user retention rate (%)	82%	80%	80%
SME Average revenue per paying user (ARPU) (\$)	424	406	379
SME DIY cloud regos as a % of total SME DIY regos (Q4)	94%	92%	78%
SME revenue growth %	10%	14%	14%
SME Organic revenue growth %	10%	11%	12%
Recurring revenue as a % of SME revenue	99%	98%	97%
Number of online practice ledgers ('000s)	95	24	-
Practice revenue growth %	2%	3%	3%
Recurring revenue as a % of Practice revenue	98%	98%	97%
Clients & Partners + Ops & Service contribution margin %	69%	70%	70%
Enterprise Solutions			
Revenue growth %	25%	26%	4%
Organic revenue growth %	7%	11%	4%
Recurring revenue as a % of Enterprise Solutions revenue	82%	80%	80%
Contribution margin %	53%	47%	48%

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