



Statement of Issues

29 March 2018

MYOB – proposed acquisition of Reckon’s Accountants Group

Purpose

1. MYOB Group Limited (**MYOB**) proposes to acquire Accountants Group from Reckon Limited (**Reckon**).
2. This Statement of Issues:
 - gives the preliminary views of the Australian Competition and Consumer Commission (**ACCC**) on competition issues arising from the proposed acquisition;
 - identifies areas of further inquiry;
 - provides all interested parties with an opportunity to comment; and
 - invites interested parties to submit comments and information to assist our assessment of the issues.

Overview of ACCC’s preliminary views

3. The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.
4. The ACCC divides its preliminary views into three categories, 'issues of concern', 'issues that may raise concerns' and 'issues unlikely to raise concerns'. For this matter, there is one 'issue of concern' and two 'issues unlikely to raise concerns'.

Issue of concern

5. The ACCC’s preliminary view is that the proposed acquisition is likely to substantially lessen competition in the supply of practice software to medium-to-large accounting firms.
6. The ACCC understands that medium-to-large accounting firms require more sophisticated features from practice software, reflecting larger sizes, more complex structures and processes, and more diverse needs of their clients. Market feedback indicates that for those firms, the MYOB AE and Reckon APS products are generally considered to be the only options available. Market feedback indicates that practice software products from other suppliers are mainly designed for smaller accounting firms and do not provide many of the more sophisticated features generally required by medium-to-large firms.
7. Market participants generally do not see new alternatives for practice software for medium-to-large accounting firms becoming available for at least several years, due to significant time and investment required to develop the more sophisticated features.

Issues unlikely to raise concerns

8. At this stage, the ACCC does not consider it likely that the proposed acquisition will substantially lessen competition in the supply of practice software to smaller accounting firms as there are several desktop and cloud-based alternative practice software products available for smaller firms.
9. The ACCC understands that many accounting firms recommend accounting software to their small to medium enterprise (**SME**) clients and the proposed acquisition would give MYOB access to a large number of accounting firms that are using Reckon products. However, at this stage, the ACCC does not consider it likely that the proposed acquisition will substantially lessen competition in the supply of accounting software to SMEs. There are a number of accounting software options for SMEs. In addition, market feedback indicates that accounting firms generally recommend accounting software based on their clients’ needs, rather than merely responding to any incentives from software providers.

Making a submission

10. The ACCC is seeking submissions from interested parties, particularly on the following key issues:
 - whether there are practice software products other than those from MYOB and Reckon that meet the requirements of medium-to-large accounting firms;
 - whether new practice software products from other suppliers are likely to be developed for medium-to-large accounting firms; and
 - whether the proposed acquisition would raise any competition concerns about the supply of practice software to smaller accounting firms and the supply of accounting software to SMEs.

11. Detailed discussion of these and other issues, along with specific questions, is contained in this Statement of Issues.
12. Interested parties should provide submissions by no later than 5pm on 13 April 2018. Responses may be emailed to mergers@acc.gov.au with the title: “*Submission re: MYOB-Reckon - attention Yak Wang/Yong Xu*”. If you would like to discuss the matter with ACCC officers over the telephone or in person, or have any questions about this Statement of Issues, please contact Yak Wang on (03) 9290 6978 or Yong Xu on (03) 9290 6933.
13. The ACCC anticipates making a final decision by 30 May 2018, however, this timeline can change. To stay up to date with changes to the timeline and to find relevant documents, interested parties should visit the Mergers Register on the ACCC's website at www.acc.gov.au/mergersregister.

Confidentiality of submissions

14. The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

About ACCC ‘Statements of Issues’

15. A Statement of Issues published by the ACCC is not a final decision about a proposed acquisition, but provides the ACCC’s preliminary views, drawing attention to particular issues of varying degrees of competition concern, as well as identifying the lines of further inquiry that the ACCC wishes to undertake.
16. A Statement of Issues provides an opportunity for all interested parties (including customers, competitors, shareholders and other stakeholders) to ascertain and consider the primary issues identified by the ACCC. It is also intended to provide the parties to the proposed acquisition and other interested parties with the basis for making further submissions should they consider it necessary.

Timeline

| Date | Event |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 12 January 2018 | ACCC commenced review under the Merger Process Guidelines. |
| 14 February 2018 | Closing date for submissions from interested parties. |
| 7 March 2018 | Former provisional date for announcement of findings (22nd March) is delayed to allow MYOB more time to provide additional information. |

| | |
|----------------------|---------------------------------------------------------------|
| 16 March 2018 | ACCC received further information from MYOB. |
| 29 March 2018 | Release of Statement of Issues. |
| 13 April 2018 | Closing date for submissions relating to Statement of Issues. |
| 30 May 2018 | Proposed date for announcement of ACCC’s decision. |

The parties

MYOB

17. MYOB is an Australian publicly listed company. It provides software solutions to businesses and accounting firms in Australia and New Zealand. MYOB serves three key client segments:

- SMEs – providing accounting, payroll, payments, tax and other business management software to small businesses;
- Accounting firms – providing practice management, client accounting, tax and document management software to accounting firms. It provides MYOB AE for medium-to-large accounting firms and MYOB AO for smaller accounting firms; and
- Enterprise – providing enterprise software, including Enterprise Resource Planning (**ERP**) and Human Resource Management software, to medium and large businesses.

18. For the 2017 calendar year, MYOB’s accounting firms segment generated revenue of \$86 million, accounting for 21 per cent of its total revenue (\$417 million) in Australia and New Zealand.¹

Reckon

19. Reckon is also an Australian publicly listed company. It provides software solutions for SMEs as well as professional services firms. Reckon organises its operations into the following groups:

- Business Group, which provides business accounting software for SMEs and also provides personal wealth management software;
- Accountants Group, which provides practice software with accounting practice management, client accounting, tax compliance and related functions. It provides Reckon APS for larger firms and Reckon Elite for smaller firms; and

¹ MYOB, *MYOB Annual report 2017*, p.g. 27, available at <http://investors.myob.com.au/DownloadFile.axd?file=/Report/ComNews/20180223/01954110.pdf>, accessed 13 March 2018

- Practice Management – Legal, which provides cost recovery and expense management software for legal practices. It predominantly operates in the US and UK.

20. The proposed acquisition only relates to Reckon's Accountants Group.

21. In calendar year 2017, Reckon's Accountants Group generated global revenue of \$41 million, accounting for 46 per cent of its total revenue (\$90 million).²

The proposed transaction

22. On 16 November 2017, MYOB announced that it had entered into a purchase agreement to acquire Reckon's Accountants Group. The proposed acquisition includes Reckon's practice software for accounting firms and all associated clients, IP, systems and employees. The purchase price is \$180 million.

Other industry participants

Xero

23. Xero Limited (**Xero**) is a New Zealand-based software company listed on the ASX. It was founded in 2006. It provides cloud-based solutions for SMEs and accountants. Xero's practice software suite includes practice management, client accounting, and tax modules.

Sage

24. The Sage Group plc (**Sage**) is a global enterprise software company with its headquarters in United Kingdom. Sage currently operates in 24 countries.

25. Sage HandiSoft is desktop-based practice software for accountants. It provides a suite of modules including practice management, client accounting and tax functionality. On 14 November 2017, Sage announced the release of Sage HandiTax Cloud, a cloud-based tax preparation and lodgement solution.

CCH

26. CCH Australia Limited (**CCH**) is a member of Wolters Kluwer, a global information services company headquartered in the Netherlands. Wolters Kluwer currently operates in over 40 countries across Europe, North America, Asia Pacific and Latin America.

27. CCH's iFirm is cloud-based practice software. It provides a suite of modules including practice management, client accounting, document management and tax functionality.

² Reckon, *Results Presentation for the twelve months ended 13 December 2017*, p.g. 19, available at: <https://reckonlimited.sharepoint.com/Marketing/Shared%20Documents/Media%20%26%20Communications/Investor%20Info/2018/Reckon%20Roadshow%20Presentation.pdf?srid=2744539e-902f-5000-79e8-64a05f86e608>, accessed 13 March 2018

Thomson Reuters

28. Thomson Reuters is a global mass media and information firm. In August 2014, Thomson Reuters acquired Software Assistant Pty Ltd, an Australian company that provides practice software for accounting firms called the Software Assistant Accountant Suite. This is a desktop-based product and includes practice management, client accounting and tax modules.

Intuit

29. Intuit Australia Pty Ltd (**Intuit**) is a subsidiary of Intuit Inc., an American software company that provides financial and tax preparation software to small businesses, accountants and individuals.
30. Intuit's QuickBooks Online Accountant is a cloud-based solution that provides accounting practice management and client accounting modules.

Industry background

Practice software for accounting firms

31. Accounting firms use practice software to perform a range of tasks in providing professional services to clients. Practice software typically comprises some or all of the following modules.
- Practice Management – This module helps run an accounting firm's business. Functionalities of this module include time sheets, billing and collection, customer relationship management, and resource planning.
 - Document Management – This module provides company formation, registration and ASIC compliance functions. It also assists in the preparation of documentation relating to trusts and self-managed superfunds and provides company and title searches.
 - Client Accounting – This module assists the accountants in validating client accounts and preparing worksheets and compliance reporting on behalf of their clients.
 - Tax – This module assists accountants in the calculation and lodgement of tax returns on behalf their clients. Software developed to perform this function must meet Australian Tax Office (**ATO**) requirements.
32. MYOB refers to the first two of these modules as "business modules" and the latter two as "compliance modules".
33. As discussed below, generally the larger a firm is the more complex its requirements for practice software are. Market feedback indicates that medium-to-large firms require more sophisticated features across the modules in practice software.
34. Historically, practice software has been developed to be installed and operated on the firm's own computer system. This type of practice software is referred to as "desktop software". In recent years, practice software solutions that are based on

cloud technology are becoming more popular. A key benefit of cloud-based practice software is that it allows accounting firms and their clients to collaborate more efficiently through access to the same platform from internet enabled-devices. The firm and its client operate on a single ledger into which the client enters their transactions and which can be read by the firm in real time.

Supply of practice software in Australia

35. The main suppliers of practice software to accounting firms in Australia include MYOB, Reckon, Xero, Sage, CCH, Thomson Reuters and Intuit.
36. The suppliers of desktop practice software include MYOB, Reckon, Sage and Thomson Reuters. Xero and CCH are the main suppliers of cloud-based practice software.
37. MYOB offers two desktop practice software suites, MYOB AO and MYOB AE. MYOB AO is developed for smaller accounting firms. Customers purchase MYOB AO in standardised configuration. MYOB AE is tailored to the specific needs of larger accounting firms. It is customisable and has expanded functionalities.
38. Reckon offers Reckon Elite, Reckon APS and ReckonDocs, which are part of the proposed acquisition. Reckon Elite is a desktop practice software suite for smaller accounting firms and Reckon APS is a desktop suite for medium-to-large accounting firms. ReckonDocs is a corporate document service software product.
39. As discussed below, market feedback indicates that practice software products from Xero, Sage, CCH and Thomson Reuters are mainly designed for smaller accounting firms and do not provide many of the more sophisticated features generally required by medium-to-large firms.

Previous ACCC decisions

Thomson Reuters (Professional) Australia Ltd's proposed acquisition of Ernst & Young Information Systems Pty Ltd

40. On 19 November 2009, the ACCC decided to oppose Thomson Reuters' proposed acquisition of Ernst & Young's tax compliance software business. The ACCC was of the view that the proposed acquisition would be likely to have the effect of substantially lessening competition in the national markets for the supply of income tax compliance software and for the supply of fringe benefits tax compliance software.

Thomson Reuters (Professional) Australia Ltd's proposed acquisition of Allume Technology Partners Pty Limited

41. On 11 November 2009, the ACCC decided not to oppose Thomson Reuters' proposed acquisition of Allume Technology Partners. The ACCC considered the acquisition in the context of national markets for the supply of income tax compliance software and fringe benefits tax compliance software. The ACCC considered there remained two firms competing with the merged entity in each relevant market. In particular, the ACCC found that Ernst & Young's tax compliance software business continued to pose a significant competitive

constraint on the merged entity. The ACCC concluded that the acquisition was unlikely to substantially lessen competition in either of the relevant markets.

MYOB’s proposed acquisition of Solution 6 Holdings Limited’s Accounting and Compliance business

42. On 18 May 2004, the ACCC decided not to oppose MYOB’s proposed acquisition of Solution 6 Holdings Ltd’s Accounting and Compliance business. The ACCC considered the proposed acquisition in the context of a national market for the supply of business management software.
43. The ACCC considered that the proposed acquisition would not lead to a substantial lessening of competition in the relevant market as there were a number of available substitutes, the market was dynamic and growing and the market was characterised by a number of new entrants including large multinational organisations.

Future with and without the acquisition

44. Section 50 of the Act prohibits mergers or acquisitions that would have the effect or be likely to have the effect of substantially lessening competition in a market. In assessing a proposed acquisition pursuant to section 50 of the Act, the ACCC considers the effects of the acquisition by comparing the likely future competitive environment post-acquisition if the acquisition proceeds (the “with” position) to the likely future competitive environment if the acquisition does not proceed (the “without” position) to determine whether the proposed acquisition is likely to substantially lessen competition in any relevant market.
45. On the basis of the information currently available, the ACCC considers that if the proposed acquisition did not proceed, Reckon’s Accountants Group would continue to operate in competition with MYOB. Reckon may or may not seek an alternative purchaser.

Market definition

46. The ACCC’s starting point for delineating relevant markets, to assess the competitive effects of the proposed acquisition, involves identifying the products and geographic regions actually or potentially supplied by the parties to the transaction. The ACCC then focuses on areas of activity where competitive harm could occur as a result of the proposed acquisition.
47. In relation to the geographic dimension of market definition, the ACCC considers that in the present case the relevant markets involve the supply at the national level of practice software to accounting firms.
48. The ACCC has considered the following issues in relation to the product dimension of the relevant markets:
 - whether practice software for medium-to-large accounting firms forms a separate market or whether practice software for accounting firms of different sizes belongs to the same product market;

- whether different modules of practice software form separate markets or whether a suite of practice software forms a single product market; and
- whether desktop practice software and cloud-based practice software form separate markets or whether they belong to the same product market.

Whether practice software for medium-to-large firms form a separate market

49. The ACCC understands that medium-to-large accounting firms require more sophisticated features from practice software, reflecting larger sizes, more complex structures and processes, and more diverse needs of their clients. Market feedback indicates that those needs relate to both the compliance modules and the practice management module. Market feedback indicates that requirements for more sophisticated features limit medium-to-large firms' options of practice software. Those firms generally consider MYOB AE and Reckon APS to be the only viable options and do not consider practice software from other suppliers meet their requirements.
50. The parties submit that there is no correlation between the size of an accounting firm and its compliance software needs. However, the ACCC notes that MYOB and Reckon each have two sets of practice software suites, one for smaller firms with standardised configuration and one for medium-to-large firms with expanded functionalities. This appears to indicate that MYOB and Reckon themselves see medium-to-large firms as having specific requirements for both the compliance modules and the practice management module.
51. In relation to supply side substitution, market feedback suggests that significant time and investment are required for suppliers that currently supply to smaller firms to develop practice software that meets the requirements of medium-to-large firms. Therefore, it appears that those suppliers may not be able to move quickly to make their practice software ready for medium-to-large firms in response to a price increase or a drop in quality in the supply of practice software for medium-to-large firms.
52. The ACCC's preliminary view is that practice software for medium-to-large accounting firms is likely to form a separate market.

Whether different modules in practice software form separate product markets

53. In practice software, each module performs distinct functions, but each module interacts with other modules to achieve efficiency for the firm. For example, data generated in one module may be used in another module to avoid duplicate data entries and potential inconsistencies.
54. Some accounting firms acquire different modules from different suppliers of practice software. It is possible to integrate different modules from different suppliers, especially where the suppliers provide application programming interfaces (**APIs**) to allow third parties' modules to interact with their software. However, market feedback indicates that a significant number of accounting firms acquire key modules of practice software from a single supplier, rather than acquire different modules from different suppliers. They consider that this simplifies dealings with the supplier and allows more seamless interactions between modules than using different modules from different suppliers.

55. The ACCC has also considered whether the practice management and document management modules may be treated differently from other modules for the purpose of market definition, because they might be considered more generic and not specific to accounting firms. However, some market participants have indicated to the ACCC that the practice management module in practice software has specific features required by accounting firms and that generic products are not substitutes.
56. Therefore, the ACCC considers that there is evidence that a suite of practice software comprising different modules likely forms a single product market. However, even if a narrower market definition were adopted for individual modules, competition issues are still likely to arise as market feedback suggests that MYOB and Reckon are the only options available for many medium-to-large firms for some modules.

Whether desktop and cloud-based software form separate markets

57. Many accounting firms see the benefits of cloud-based software and many smaller firms are moving away from desktop practice software to cloud-based software. For those firms, cloud-based practice software is a substitute for, and even a better option than, desktop practice software. On the other hand, market feedback indicates that some firms prefer desktop practice software to cloud-based software, due to concerns about the reliability of internet connections, especially in rural areas, security of cloud data and storage of cloud data in overseas jurisdictions. They do not see cloud-based practice software as a substitute for desktop software at this stage.
58. In the present case, the ACCC considers that it is not necessary to form a definitive view on whether desktop and cloud-based software products form separate markets or a single product market. Medium-to-large accounting firms generally see MYOB and Reckon’s practice software products (which are desktop-based) as the only options that meet their requirements. This is so regardless of whether these firms prefer desktop software or cloud-based software. For smaller firms which prefer desktop practice software, as discussed below, there are options aside from MYOB and Reckon.

Issue of concern – MYOB owning the only two alternatives for medium-to-large firms

Overview of competition concerns

59. The ACCC’s preliminary view is that the proposed acquisition is likely to substantially lessen competition in the supply of practice software to medium-to-large accounting firms, as the proposed acquisition would result in MYOB owning the two practice software products that are generally considered the only viable practice software options for those firms.
60. The ACCC is concerned that post-acquisition, MYOB’s dominant position in the supply of practice software to medium-to-large firms would give it the ability to increase prices, lower service levels or invest less in product innovation (compared to the level of investment that would occur without the transaction).

Removal of Reckon as a competitor

61. Market feedback generally indicates that for medium-to-large accounting firms MYOB AE and Reckon APS are each other's only competing product in terms of capabilities and functionalities.
62. The ACCC understands that medium-to-large accounting firms require more sophisticated functionalities from practice software, including flexibility in reporting and workflow, flexibility in matter and customer management, advanced security configurations, and the ability to deal with more complex business structures of their clients. Medium-to-large firms also require practice software to have the scale to support larger numbers of concurrent users. Market feedback generally indicates that currently only MYOB's and Reckon's products meet these requirements.

Alternative suppliers

63. The ACCC understands that currently most medium-to-large accounting firms use practice software from MYOB or Reckon and that other practice software providers' supply to medium-to-large accounting firms is insubstantial.
64. Market feedback indicates that practice software products from other suppliers are mainly designed for smaller accounting firms and do not provide many of the more sophisticated features generally required by medium-to-large firms.
65. Some of the largest accounting firms use in-house practice management tools or generic Enterprise Resource Planning tools for matter management and customer management. For some of those firms, such tools are a part of their global software platforms. In addition, some of the largest accounting firms use CCH Integrator and Thomson Reuters ONESOURCE for tax lodgement of their large listed corporate clients. Market feedback indicates that outside those largest firms, medium-to-large firms generally see MYOB and Reckon as the only viable alternatives for practice software.
66. Some medium-to-large firms which recently reviewed their practice software needs and considered other potential suppliers of practice software have informed the ACCC that MYOB and Reckon were the only products that met their needs and that they did not consider other products to be viable alternatives. Where these firms switched products, the switch was between MYOB and Reckon.
67. The parties submit that competitors can and do supply practice software to medium-to-large accounting firms and MYOB and Reckon's compliance modules perform the same core functions as other competitors. However, market feedback indicates that MYOB AE and Reckon APS provide more advanced features and more flexibility that are not provided in other products that are designed for smaller firms.
68. For example, the ACCC understands that some alternative products do not provide certain tax forms and do not deal with some of the more complex items in tax forms because these are generally not required by smaller firms. The ACCC also understands that MYOB AE and Reckon APS have the ability to customise security configurations and approval processes for tax forms and reports, whereas some other products do not provide these features, as smaller firms generally do not require this level of flexibility. In addition, market feedback indicates that

MYOB AE and Reckon APS provide more flexible accounting reports than other products.

69. A small number of medium-to-large accounting firms use practice software products other than those from MYOB and Reckon. The ACCC understands that some of these firms use other products because of certain particular features provided in those products (such as the convenience of single ledger accounting provided in cloud-based software). They are prepared to develop “workarounds” (which often involve manual manipulation of data) to perform functions that are not provided in the practice software they use. However, on the whole it appears that medium-to-large accounting firms do require more complex features and many of these features are only provided in MYOB's and Reckon's practice software. Therefore, the ACCC's preliminary view is that post-acquisition other practice software would not place sufficient competitive constraints on MYOB in the supply to medium-to-large accounting firms.

Barriers to entry

70. Market feedback indicates that new entry into the supply to medium-to-large accounting firms, or an expansion by an existing supplier to supply practice software to those firms, is unlikely in the short to medium term.
71. Market feedback indicates that barriers to entry into the supply of practice software for medium-to-large accounting firms are higher than for smaller accounting firms. Significant time and investment are required to develop the more sophisticated features for medium-to-large accounting firms.
72. Market feedback indicates that other suppliers are currently developing their business by concentrating on smaller accounting firms and the SME sector. Market participants generally do not see new entry into the supply to medium-to-large accounting firms, or an expansion by an existing supplier to supply practice software to those firms, to be likely for at least several years.
73. Aside from MYOB and Reckon, other current suppliers of practice software in Australia are all international companies. Market feedback indicates that in order for other global practice software to enter into Australia, significant redevelopment is required due to local accounting standards, tax rules and requirements of accounting firms in Australia. Market feedback indicates that any entry into Australia is likely to target smaller firms first and it would take at least several years for global practice software to be ready for medium-to-large accounting firms in Australia.
74. Market feedback indicates that for accounting firms, a change of practice software involves significant switching costs, including costs associated with data conversion, retraining staff, changes to business processes and loss of staff time. Switching costs are especially high for larger firms. This further limits the likelihood of new alternative supply of practice software for medium-to-large accounting firms. In addition, market feedback indicates that accounting firms are generally reluctant to change to a practice software product unless it has a proven track record. This presents an additional barrier to alternative suppliers to medium-to-large firms.

Ability for customers to self-supply

75. The ACCC’s preliminary view is that self-supply of practice software is generally not a viable option for many firms. Market feedback indicates that only the largest accounting firms are capable of developing certain modules of practice software, due to the significant investment required. Any such product would be tailored to the needs of the particular accounting firm and would not be made available to the broader market.

Potential impact on prices and quality

76. The ACCC is concerned that following the proposed acquisition, MYOB’s dominant position in the supply of practice software to medium-to-large accounting firms would give it the ability to increase prices of practice software for medium-to-large firms. Market participants have indicated that MYOB and Reckon have placed pricing constraints on each other in the past. Both have been willing to offer competitive prices when participating in tender processes. The ACCC is concerned that following the acquisition, these competitive constraints would be removed.

77. The ACCC is also concerned that the level of service may decline after the proposed acquisition, and/or that the level of investment in product innovation would be lower (compared to the level of investment in product innovation that would occur without the acquisition).

78. Reckon customers have raised specific concerns about the quality of software updates they will receive post-acquisition. MYOB has announced that the proposed acquisition would “provide an online migration path for Reckon’s Accountant Group clients to the MYOB Platform”.³ Some Reckon customers are concerned that post-acquisition, as MYOB seeks to migrate Reckon users to MYOB products, it would maintain Reckon products but would not continue to enhance them.

Invitation for comments

The ACCC invites comments from market participants on the above issues. In particular, market participants may wish to comment on the following:

- a. the feasibility for medium-to-large accounting firms to use practice software products other than those from MYOB and Reckon;
- b. the likelihood of new supply of practice software to medium-to-large firms in the short to medium term;
- c. the potential impact of the proposed acquisition on prices and quality of software updates and services for MYOB and Reckon users.

³ MYOB, ASX Announcement – MYOB to acquire the assets of Reckon’s Accountant Group, 16 November 2017.

Issues unlikely to raise concerns

79. The ACCC has considered the impact of the proposed acquisition on the supply of practice software to smaller accounting firms and on the supply of accounting software to SMEs.

Supply to smaller accounting firms

80. At this stage, the ACCC does not consider it likely that the proposed acquisition will substantially lessen competition in the supply of practice software to smaller accounting firms as there are multiple desktop and cloud-based alternative practice software products available for smaller accounting firms.

81. Many smaller firms prefer cloud-based solutions to desktop software. Many of those firms have chosen Xero and CCH iFirm as their practice software. For smaller firms that prefer desktop practice software there are options other than MYOB and Reckon. For example, the ACCC understands that Thomson Reuters Software Assistant and Sage Handisoft, which are both desktop practice software, have substantial market shares among smaller firms.

Supply to SMEs

82. The proposed acquisition does not include Reckon’s business accounting software for SMEs.

83. At this stage, the ACCC does not consider it likely that the proposed acquisition will substantially lessen competition in the supply of accounting software to SMEs.

84. The ACCC understands that many accounting firms recommend accounting software to their clients. The proposed acquisition would give MYOB access to a large number of accounting firms that are using Reckon practice software. In its public announcement of the proposed acquisition, MYOB stated,⁴

“The acquisition strengthens MYOB’s growing adviser base by deepening the relationship with these advisers, creating an opportunity to accelerate online SME growth via a larger referral network.”

85. However, the supply of accounting practice software to SMEs appears to be competitive and there are a number of options for SMEs. In addition, market feedback indicates that accounting firms generally recommend accounting software based on their clients’ needs, rather than merely responding to any incentives from software providers.

Invitation for comments

The ACCC invites comments from market participants on the above issues. In particular, market participants may wish to comment on the following:

- a. whether post-acquisition other desktop practice software would place effective competitive constraints on MYOB in the supply to smaller accounting firms that prefer desktop software;

⁴ MYOB, ASX Announcement – MYOB to acquire the assets of Reckon’s Accountant Group, 16 November 2017.

- b. the extent to which MYOB may gain competitive advantages in the supply of accounting software to SMEs post-acquisition.

ACCC's future steps

As noted above, the ACCC now seeks submissions from market participants on each of the issues identified in this Statement of Issues and on any other issue that may be relevant to the ACCC's assessment of this matter. Submissions are to be received by the ACCC no later than 13 April 2018 and should be emailed to mergers@acc.gov.au. In the subject line of the email, please include the following words “*Submission re: MYOB-Reckon - attention Yak Wang/Yong Xu*”.

The ACCC will finalise its view on this matter after it considers submissions invited by this Statement of Issues.

The ACCC intends to announce its final view by 30 May 2018. However the anticipated timeline may change in line with the *Informal Merger Review Process Guidelines*. A Public Competition Assessment for the purpose of explaining the ACCC's final view may be published following the ACCC's public announcement to explain its final view.