



ASX Announcement

16 November 2017

Sale of Reckon Accountants Practice Management Business for \$180 million

The board of Reckon Limited (**Reckon**) is pleased to announce today that it has reached agreement with MYOB Group Limited (**MYOB**) in terms of which Reckon will sell its Reckon Accountants Practice Management business to MYOB (**Transaction**) in an all cash sale for \$180 million.

The Transaction includes the sale of the assets comprising the Reckon APS Practice Management business, the Reckon Elite Practice Management business, and the Reckon Docs Corporate Services business.

Completion of the Transaction is conditional on and subject to regulatory approval from both the ACCC and NZCC, and other customary closing conditions.

It is currently anticipated that the Transaction will complete by the second quarter of 2018.

Reckon intends to use the proceeds – net of exit costs and tax - to repay the majority of its debt and then pay a special dividend to shareholders. This is expected to occur in the second half of 2018.

The board of Reckon will update shareholders when the Transaction becomes unconditional and confirm its intentions regarding the distribution to shareholders of the proceeds of the Transaction.

After the Transaction Reckon's businesses will predominantly comprise of the Reckon Business division and the Legal Practice Management division.

Mr Clive Rabie, Group CEO of Reckon said:

"We are pleased to have signed a definitive agreement with MYOB to sell the practice management businesses.

The sale price offered for the transaction represents a compelling offer which is in the best interests of all shareholders."

Reckon has consulted with the ASX in the period leading up to finalisation of the Transaction and the ASX confirmed legal advice obtained by Reckon that shareholder approval is not required.

Mr Rabie further said:

"Reckon has always maintained that the sum of its parts is worth more than the value that has been attributed to the whole by the market.

We have made substantial progress in our achieving our stated goal of unlocking shareholder value.

We are pleased to advise that in 2017 we delivered \$31 million in the de-merger of the Document Management business, based on current market capitalisation.



In 2018 this transaction will deliver gross proceeds of \$180 million for the Accountant Practice Management business.

After the Transaction we will retain our Business and Legal Practice Management divisions which will form the principal part of the business and which represented about half of the revenue and EBITDA of the Reckon Group prior to the above transactions.

Both the above transactions represent excellent value for shareholders given the market capitalisation for the whole group immediately prior to the transactions was only \$150 million.

We believe these transactions bear testimony to the success of the strategy we have pursued.”

The Transaction represents an opportunity to permit Reckon to narrow its focus on its Business and Legal divisions and pursue growth in the online small business accounting software market as well as pursue opportunities in the legal market, particularly in scan and print solutions.

We believe that we can add substantial value to the continuing businesses by focusing on converting a higher proportion of revenue to subscription and cloud.

Historical and forecast results for the continuing business are as follows:

		HY17 (June) Actual \$M	FY17 (Dec) Forecast \$M
Revenue	Business Group	19	36
	Legal Group	7	13
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		26	49
EBITDA		9	15
Development spend		4	8

The book value of the net assets of the Accountant Practice Management Business at 31 October 2017 is \$38 million.

Further details on the profit on the sale, dividends and the resultant impact on equity will be announced when finalised.

In anticipation of completion of the Transaction, Reckon and MYOB will be working very closely to formalize the terms of a transitional services agreement to ensure that it is business as usual for all clients and employees.

Mr Tim Reed, CEO of MYOB said:

“The Reckon Board, management and staff have built a strong business around advisers and we’re excited to welcome their team to MYOB. We’re looking forward to the next exciting phase of our business, bringing to life our vision of the



Connected Practice and delivering connectivity, efficiencies and growth opportunities to advisers and SME businesses across Australia and New Zealand.”

About Reckon

Reckon is an Australian listed software company (ASX:RKN) that provides world class software for accountants, bookkeepers, lawyers, SMEs and personal users. The company has offices in Australia, New Zealand, UK and the US, with over 800,000+ registered businesses around the world having used Reckon software.

Reckon's business was comprised of three core areas:

1. Business Group: which provides business accounting software for small to larger sized businesses and personal wealth management software branded as Reckon One and Reckon Accounts Hosted (cloud products), Reckon Accounts Business and Reckon Accounts Personal respectively. The businesses are carried on predominantly in Australia and New Zealand.
2. Accountants Practice Management Group: which provides accounting practice management, client accounting, tax compliance and related software under the Reckon APS brand (to larger accounting firms), Reckon Elite (to smaller accounting firms), content and company secretarial services under the ReckonDocs brand and legal costs recovery, scan and print solutions under the nQueue brand.
3. Document Management group: which was de-merged in August 2017 and floated on the AIM exchange in the UK.

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