



ASX Announcement

20 August 2019

Highlights Commentary Half Year Results Ending 30 June 2019

Reckon is pleased to announce its results for the half year ended 30 June 2019.

Strong execution of plans put in place over the past few years has driven solid results for the group. The Business Group has seen a substantial ramp up in the adoption of cloud products, while the Legal Group has experienced a very strong half year, with EBITDA more than doubling. The Accountants Group has been stabilised following the aborted sale in 2018 and Reckon APS retains its position as the leading product among major accounting practices.

Group highlights

EBITDA growth for the half year was 4.3% despite a re-investment in sales and marketing targeting opportunities in the respective divisions.

Strong cashflow has assisted in the reduction of net debt by \$7m in the half year.

Bank facilities have been extended for a further 3-year period.

The board has declared a fully franked interim dividend of 3 cents which will be paid to shareholders on 18 September 2019.

Business Group

- Cloud users have increased by 21% to 62,000, with new adds for the first half of 2019 more than double compared to the second half of 2018.
- The division continues to transition desktop users to the cloud, and so is still adversely impacted by the mix effect of a lower ARPU on the cloud products.
- 46% of available revenue is now cloud.
- In addition to the above, a further 19,000 users have adopted our new payroll app, launched in May 2019, to ensure compliance with the government's Single Touch Payroll initiative.

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Practice Management – Accountants Group

- This division has been stabilised following the aborted sale in 2018, and Reckon APS remains the product of choice for large accounting firms with 7 of the top 10 firms in Australia as clients.
- The focus for the second half of 2019 and beyond is on re-establishing historical revenue growth trends.
- Substantial progress has been made on the development of the new cloud suite.
- The Content business remains subdued as the market for company formations is down by 10% for the half year.

Practice Management – Legal Group

- The Legal Group has performed strongly in the half year, with revenue up by 11% and EBITDA by 105%. This is a good result especially bearing in mind that the business is pivoting from an upfront sales model to a subscription model.
- The scan product continues to show good potential and is driving new sales opportunities.
- The pipeline for the second half of the year is strong.

Reckon Group CEO, Sam Allert said:

“The strategy put in place is delivering the desired results, driving growth particularly in the uptake of cloud products. There is no doubt that our execution of a functional and affordable Single Touch Payroll solution has been well-timed to leverage the government’s introduction of the new reporting requirement.

All divisions are performing well and we continue to remain positive about the future prospects for the group.”

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For further information, please contact:

Mr Sam Allert
Group CEO
Reckon Limited
(02) 9134 3310

Mr Clive Rabie
Group MD
Reckon Limited
(02) 9134 3350

Mr Chris Hagglund
Group CFO
Reckon Limited
(02) 9134 3360