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Results Presentation

For the six months ended 30 June 2019

To be read in conjunction with Appendix 4D and Accounts



Sam Allert
RECKON CEO



Chris Hagglund
RECKON CFO



Core areas of the business



BUSINESS GROUP

An ecosystem for small businesses

We provide accounting software to SME's around the world. Hundreds of thousands of businesses have used our software, and we have a partner network of over 6,000.

GOAL
Growth - Cloud / Payroll



PRACTICE MANAGEMENT - ACCOUNTANT GROUP

A platform for accountants

Market leaders with our APS platform for multi-disciplinary Accounting Firms. 7 of the top 10 firms use our APS software.

GOAL
Stabilise - Progress Cloud Development



PRACTICE MANAGEMENT - LEGAL GROUP

Scan workflow, print and cost recovery solutions for legal firms

Cost recovery, scanning and print solutions used by some of the worlds leading legal firms.

GOAL
Growth - New products and subscriber focus

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Our Highlights



Business Group Cloud Growth

21% increase in subscriptions, reaching 62,000 users

New adds more than double that of 2HY18

46% of available revenue is in the cloud



Payroll Focus

Launch of new payroll app

19,000 new users acquired since late May launch



APS Stabilisation

Achieving stabilisation of APS after period of disruption

Substantial development progress on new cloud suite



Legal Growth

11% revenue increase from additional growth in legal division

EBITDA up by 105%



Cashflow Improvement

\$7m reduction in net debt

Fully franked dividend of 3 cents

Results summary

Revenue

\$39.2
million

-1.8% over PcP

EBITDA

\$17.1
million

+4.3% over PcP

NPAT

\$5.3
million

+2.1% over PcP

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Business Group highlights

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- ✓ Over 62k cloud users (21% annualised user growth).
- ✓ 11% cloud revenue growth over HY18.
- ✓ 46% of available revenue is now cloud.
- ✓ STP Mobile App launched late May '19, already at 19k users; with 32k employees created in this app.
- ✓ Countries operational:



AU



NZ

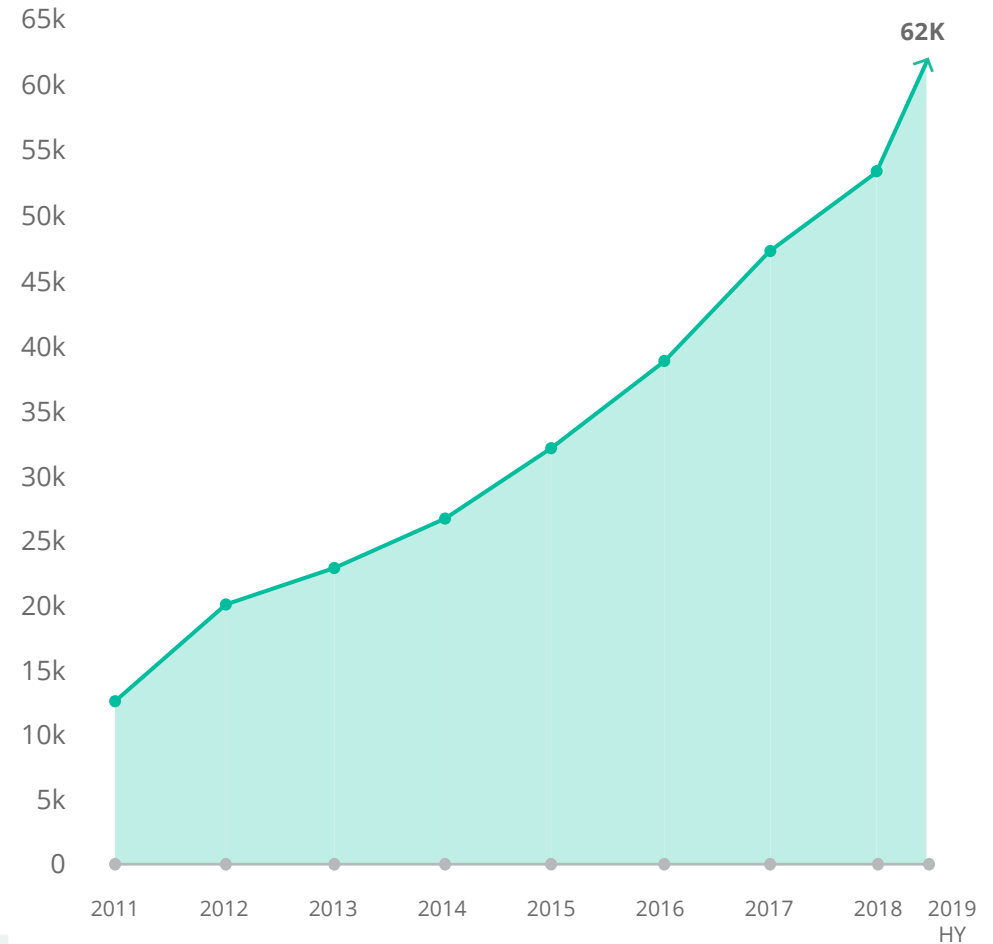


UK



Online user growth

USERS





Practice Management Accountant Group highlights

- ✓ Business stabilised following aborted sale in 2018.
- ✓ Impressive customer list maintained.
- ✓ New subscription revenue showing signs of improving but still impacted by lag effect from aborted sale process.
- ✓ Substantial progress made on cloud product.
- ✓ Reckon Docs market moving to subscription, market remains subdued.
- ✓ Countries operational:



AU



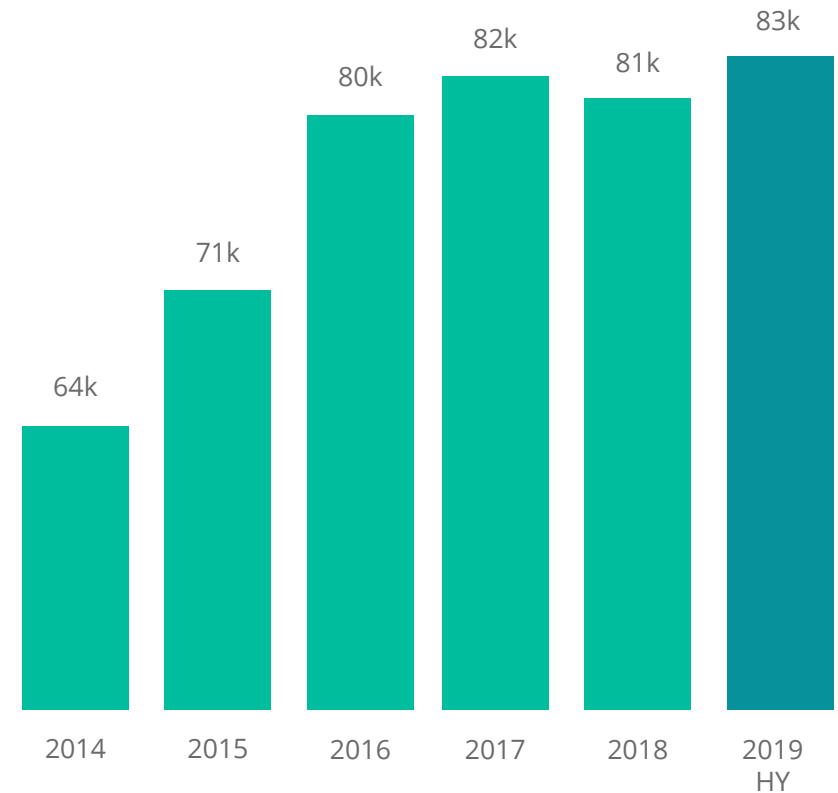
NZ



UK



Reckon APS seat growth





Practice Management - Legal

- ✓ Workflow expert in three key areas:
 - Advanced Uniform Scanning
 - Print Management
 - Cost Recovery
- ✓ Developed Channel Sales Network, which now includes:
 - Canon USA
 - Pacific Office Automation (POA)
 - Konica Minolta Worldwide
 - And a growing list of local & regional providers
- ✓ Scan product showing strong potential.
- ✓ Next generation product launched and is now being rolled out.
- ✓ Transition from upfront purchase model to subscription only model well underway.
- ✓ Pipeline is strong.
- ✓ Countries operational:



UK



USA



AU

Financial performance

	H1 FY19	H1 FY18	GROWTH
	\$ M	\$ M	%
✓ Revenue	<u>39.2</u>	<u>39.9</u>	-1.8%
✓ Overheads	<u>22.1</u>	<u>23.5*</u>	-6.1%
✓ EBITDA	<u>17.1</u>	<u>16.4*</u>	+4.3%
✓ NPAT	<u>5.3</u>	<u>5.2*</u>	+2.1%

* Results are net of \$0.9 million of transaction costs.



Business Group Financials

Subscription business with strong online growth.

Revenue

	H1 FY19	H1 FY18	
	\$ M	\$ M	GROWTH
CLOUD SUBSCRIPTION	7.8	7.0	11%
DESKTOP SUBSCRIPTION	7.6	8.0	-5%
SUBSCRIPTION	15.4	15.0	3%
PERPETUAL / SERVICE / OTHER RECURRING	3.5	3.8	-8%
	18.9	18.8	1%
LOAN INCOME	0.4	0.5	-26%
TOTAL	19.3	19.3	-

Financial performance

- Revenue
 - Cloud revenue growth gaining momentum (11%)
 - ARPU continues to be impacted by fast growing Reckon One product. (Cloud unit growth 21%)
 - Subscription now 92% of available revenue.
- EBITDA
 - Increased investment in sales + marketing to take advantage of new opportunities (including STP).

EBITDA

9.8	10.0	-3%
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Practice Management Accountant Group Financials

Stable subscription revenue and an impressive customer base.

✓ Revenue

	H1 FY19 \$ M	H2 FY18 \$ M	H1 FY18 \$ M
SUBSCRIPTION	11.4	11.4	11.9
UPFRONT AND SERVICE	0.3	0.2	0.3
CONTENT	2.3	2.5	3.1
TOTAL	<u>14.0</u>	<u>14.1</u>	<u>15.3</u>

✓ EBITDA

	<u>7.4</u>	<u>7.1</u>	<u>8.3</u>
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✓ Financial highlights

- Revenue
 - Business stabilised following aborted sale.
 - New business pipeline starting to build.
 - Content market is still subdued.
 - Subscription now 98% of available software revenue.
- EBITDA
 - Cost base is stable.



Practice Management Legal Group Financials

Impressive customer base with opportunity to grow scan and print markets.

✓ Revenue

	H1 FY19 \$ M	H1 FY18 \$ M	GROWTH
SUBSCRIPTION	4.4	4.2	4%
UPFRONT AND SERVICE	1.5	1.2	35%
TOTAL	<u>5.9</u>	<u>5.4</u>	11%

✓ EBITDA

<u>1.6</u>	<u>0.7</u>	105%
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✓ Financial highlights

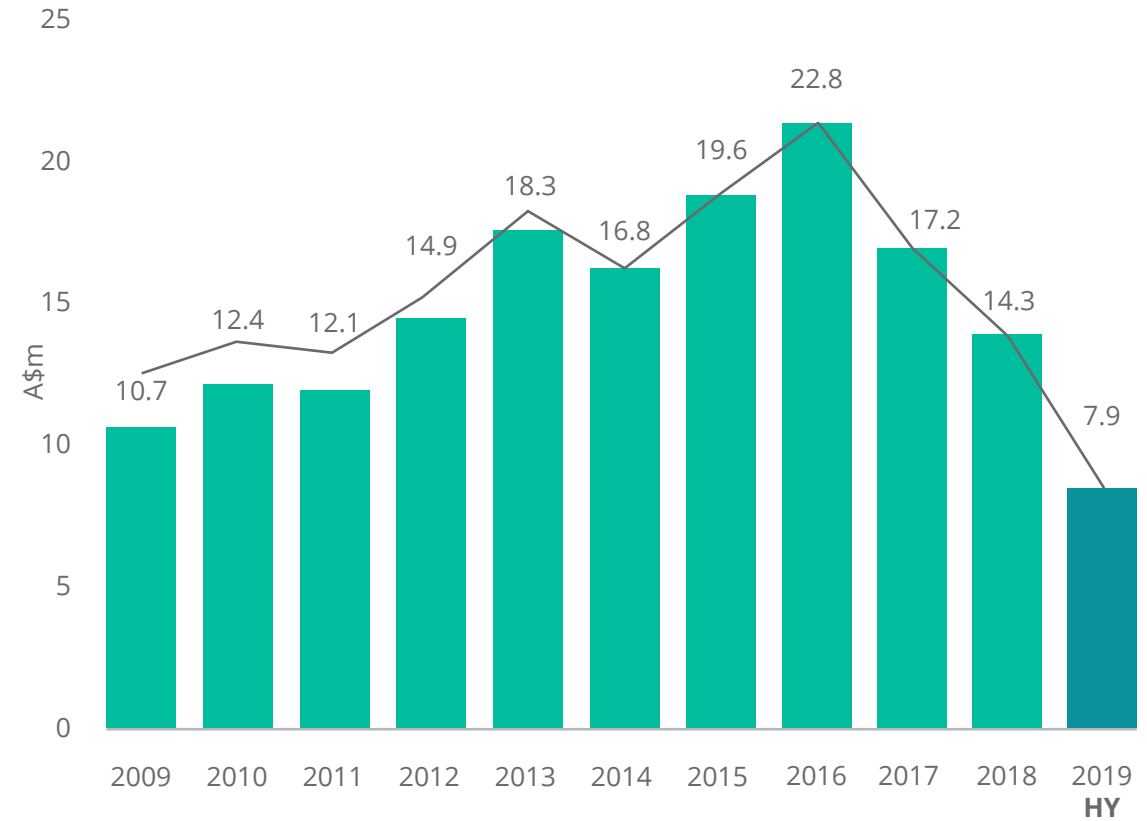
- Revenue
 - Strong scan growth.
 - Transition to subscription is well underway.
 - Customer treated as a bad debt write-off in 2018, now re-signed.
 - Subscription is 74% of revenue.
- EBITDA
 - Investment in sales and marketing of new products.

Cashflow highlights

	H1 FY19	H1 FY18
	\$ M	\$ M
OPERATING CASHFLOW	15.3	15.4
DEVELOPMENT SPEND	(7.9)	(7.5)
NZ R&D REBATE	-	0.3
DEBT REPAYED	(7.5)	(7.0)
LEASE PAYMENTS (AASB 16)	(0.9)	-

- ✓ Development spend is 20% of revenue.
- ✓ Cash spend on development is still lower than amortisation.
- ✓ NZ R+D rebate is now a reduction against tax expense.
- ✓ Fully franked dividend of 3 cents to be paid in September.

Development spend



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Outlook



Continue our Plan - A Focus on Growth



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Growth - Cloud / Payroll / Mobile / Better Clinics



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Growth - New cloud mid market solution



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Q & A



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