



# ASX Announcement

15 February 2022

## Reckon Limited

### Summary of financial results for the year to 31 December 2021

#### Financial highlights

- Normalised revenue of \$71.3m, up 1.6% from \$70.2m on the Prior Corresponding Period (PCP)<sup>1</sup>
- Normalised EBITDA is up 1.4% to \$29.5m from \$29.1m in CY2020<sup>1</sup>
- Normalised NPAT of \$7.9m – a 7.8% increase on PCP from \$7.4m<sup>1</sup>
- Normalised annual recurring revenue of \$65.3m – a 2.9% increase on PCP \$63.4m<sup>1</sup>
- Annual recurring revenue now 92% of total revenue
- Strong operating cashflow before development spend from continuing operations of \$30.9m
- Net debt reduced by 52% to \$14.7m from \$30.7m in CY2020 despite \$20m product development investment
- Stable growth continued despite challenging market conditions for Reckon customers
- Fully franked final dividend of \$0.02 per share declared – takes total fully franked dividends for CY2021 to \$0.05 per share

#### Operational highlights

- Seven new cloud-based products across all business divisions launched during CY2021
- Continued product development investment allows for enhancement and new product launches, leading to customer retention and large new addressable market opportunities
- Accountants Group profitability improved by 3% to \$11.9m
- Business Group cloud users increased 12% to 114,000
- Business Group revenue up 4% to \$39.9m – highlights 3<sup>rd</sup> consecutive year of growth
- Business Group cloud-based revenue up 8% on PCP

Reckon Limited (“Reckon” or the “Company”) (ASX: RKN) is pleased to report solid financial and operational performance for the 12-month period ended 31 December 2021 (CY2021).

Net Profit After Tax (NPAT) was \$7.9m, a 7.8% increase on the PCP. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) were \$29.5m, a 1.4% uplift on PCP and driven by ongoing adoption of the Company’s cloud-based products, particularly through the Business Group. Rise in NPAT and EBITDA highlights Reckon’s consistent growth trajectory and profitability.

<sup>1</sup> NON-IFRS: Growth has been normalized and is for continuing businesses and on a constant currency basis as set out in the Additional Information table. This applies to all results in this announcement.

Revenue increased 1.6% on PCP to \$71.3m, with subscription based revenue across the Company accounting for \$65.3m. The 2.9% rise in annualised recurring revenue was supported by strong operating cash flow of \$30.9m (before development spend) from continuing operations and growth in cloud-users.

Investment into the development of cloud-based products, and continuing operations, continued for the fourth consecutive year from \$18.8m in CY2020 to \$20.2m in CY2021. The investment allowed Reckon to further enhance its existing offering and release seven new products across its three business groups during the period reinforcing the Company's ongoing commitment to cloud-based customer acquisition. The new products largely supported Reckon's high customer retention rate, added competitive advantage and unlock new large market opportunities across all business divisions.

Reckon's net debt position reduced by 52% from \$30.7m to \$14.7m. The decrease was due to a continued focus on capital management, and the sale of the Company's ReckonDocs business.

Given the Company's ongoing profitability and strong balance sheet, Reckon will reward shareholders with a fully franked dividend of \$0.02 per share held, payable on 25 March 2022 for shareholders on the register on 23 February 2022. This takes the full year, fully franked dividend to \$0.05 per share representing a 8% shareholder return before tax.

### Management commentary

**Reckon Group CEO, Sam Allert said:** *"We have continued to make progress in our transition from a stable on premise technology company to a cloud first technology company that remains profitable and cashflow positive. The Company's investment into cloud product development increased and has led to the further enhancements of our existing product suite and the launch of a number of new cloud products. This will allow us to continue our high customer retention and assist us in creating larger markets to sell new products and drive revenue.*

*"While continuing on that transition journey, we again achieved strong results with revenue and profit both increasing. We continue to deliver dependable income streams to our shareholders with another fully franked dividend for the period. Our balance sheet has strengthened considerably, with solid operating cashflow helping us to aggressively pay down debt. All of which was achieved in a challenging market for SMEs and other corporates as the global pandemic entered its third year.*

*"Board and management are excited for the future in all business divisions. We have more cloud products in the market and will leverage our amazing team, client bases, and partners to continue year-on-year growth."*

### Segment performance

#### Business Group

- Revenue increased by 4% to \$39.9m
- Results highlight another consecutive year of growth
- Cloud subscription revenue rose to \$21.4m – up 8% on PCP
- Subscription revenue is now 97% of group's total available revenue

- EBITDA up 4% on PCP to \$20.4m
- Cloud users reached 114,000 – highlights annualised growth of 12%
- Three new cloud-based products launched – expected to underpin future revenue and user growth

#### **Practice Management – Accountants Group**

- Total revenue of \$21.8m from continuing operations – a slight decrease on PCP
- EBITDA from continuing operations rose 3% on PCP to \$11.9m
- Product suite remains entrenched with major customers
- 22 new firms added as customers in CY2021 – majority secured in H2 CY2021 providing a solid order backlog for implementations in CY2022
- APS customers accelerating shift towards cloud products with 2,653 APS cloud users
- Sale of ReckonDocs business for \$13m allowed Company to reduce debt and continue cloud focused transition

#### **Practice Management – Legal Group**

- Revenue of \$9.6m, a slight decrease on PCP on a constant currency basis – stronger second half saw the group return to growth in that period
- Subscriptions made up 86% of total available revenue during CY2021
- Multiple clients in beta phase with new cloud-based products and will be revenue generating in Q1 CY2022
- Order book building as sales and business development recover from effects of COVID-19
- Two additional cloud-based products introduced during the period with more to launch this year
- Investment in development and sales capability continuing – allowing the Company to increase footprint in the US and underpin growing market share

**AUTHORISED FOR RELEASE BY THE BOARD OF DIRECTORS OF RECKON LIMITED**

For further information, please contact:

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

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



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## Additional Information

	FY21	FY20	GROWTH
	\$ M	\$ M	%
<b>✓ Revenue</b>			
Revenue from continuing operations at constant currency (Non-IFRs)	71.3	70.2	1.6%
Discontinued operations	0.8	4.7	
Currency impact	-	0.7	
Reported revenue	<u>72.1</u>	<u>75.6</u>	
<b>✓ EBITDA</b>			
EBITDA from continuing operations at constant currency (Non-IFRs)	29.5	29.1	1.4%
Discontinued operations	0.3	2.9	
Transaction costs, acquisition related non-cash treasury share expenses and Cares loan	(0.3)	0.4	
Currency impact	-	0.2	
Reported EBITDA	<u>29.5</u>	<u>32.6</u>	
<b>✓ NPAT</b>			
NPAT from continuing operations at constant currency (Non-IFRs)	7.9	7.4	+7.8%
Transaction costs, acquisition related non-cash treasury shares expenses and Cares loans	0.2	0.6	
Utilisation of prior period tax losses not previously brought to account and overprovision for tax related to prior periods	1.6	-	
Discontinued operations	0.1	1.5	
Non-controlling interest	(0.6)	-	
Currency impact	-	0.2	
Reported NPAT	<u>9.2</u>	<u>9.7</u>	

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