

# **ASX Announcement**

**Reckon Limited (ACN 003 348 730)**



## **PROPOSED DEMERGER AND AIM LISTING OF THE DOCUMENT MANAGEMENT BUSINESS**

**17 March 2017**

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Reckon Limited has been analysing its segmental structure to unlock shareholder value from its diverse range of operations.

Reckon has identified a potential opportunity for its Document Management segment with the added benefit of improving the free cash flow in its remaining businesses.

It is proposed to de-merge Reckon's Document Management segment (representing approximately 15% of 2016 group turnover) under an independent company with shares admitted to trading on the AIM Market of the London Stock Exchange (AIM), "Document Management Newco".

It is the opinion of the Reckon board of directors that this proposed opportunity can help to:

- Place Reckon in a strong position to move forward and focus on its strategy in the Business and Practice Management segment and obtain the benefit of improved cash flow by the removal of the development capital and new market costs of the Document Management segment;
- Free the Document Management segment to pursue an independent strategy to develop new global market leading document management offerings, building on the existing customer base of the Virtual Cabinet and SmartVault businesses;
- Simplify a diverse business portfolio and sets a base to unlock value;
- Allow Reckon to take advantage of investment in cloud based products and focus predominantly on domestic activities while the Document Management segment will focus on overseas activities where the bulk of the potential market is.

Reckon and Document Management Newco will continue to work together to maintain integration and on-going support of document management solutions to accountants who are Reckon clients.

AIM has been selected as the most appropriate market for the Document Management business for a number of reasons:

- An AIM listing will raise the profile of the Document Management business in its core market. Approximately 85% of Document Management revenue is currently derived overseas and this market has significant further growth potential;
- AIM is a successful growth market and is specifically designed for growing companies such as the Document Management business. AIM provides those businesses with access to a range of institutional investors, retail investors and an unparalleled pool of international capital;
- AIM benefits from being an integral part of the portfolio of markets offered by the London Stock Exchange.

It is proposed that every Reckon shareholder (other than those in certain overseas jurisdictions) will receive pro rata Document Management Newco shares for Reckon shares held by way of a dividend in specie such that after the de-merger and admission to trading on AIM, shareholders will own shares in both companies.

In addition it is intended to offer Reckon shareholders a pro rata opportunity to participate in a capital raising in Document Management Newco just prior to AIM admission to provide the Document Management business with funding to develop its cloud based secure information communication management products.

Members of the Reckon board, including the Chairman, the Deputy Chairman, and the Group CEO have indicated their confidence and commitment to this proposal by declaring their intention to participate in the capital raising.

The procedure - in summary - is that while Reckon is readying for the divestment of the relevant assets in the Document Management business to the Document Management Newco group, it will be conducting the required due diligence and preparing the required admission documents for the London Stock Exchange.

These plans are preliminary and highly conditional, including subject to due diligence and any necessary regulatory approvals. The ASX has indicated that shareholder approval is not required.

If the proposal proceeds, Reckon currently expects that it would provide shareholders and the market with detailed information late in the first half of 2017 (including setting the relevant record dates for participation). Formal implementation and admission of Document Management Newco to AIM would occur approximately a month after the close of the capital raising.

Shareholders will be advised on further progress and further information will be released in due course.

Group CEO, Clive Rabie said:

“We have grappled with the basic problem that the sum of the parts of our businesses is greater than the current value. So based on feedback from advisers in previous strategic reviews as well as perceived shareholder sentiment about the value of Reckon, we see this de-merger as a way of improving the free cash flow of Reckon; not committing Reckon to investment in development and new market costs; and allowing the Document Management segment to have access to capital markets to pursue its opportunities.

And on top of this I am excited that Reckon can capitalise on the growth momentum in its already successful business and accounting software divisions predominantly in Australia and New Zealand.”

**For further information please contact:**

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## **About AIM**

AIM is the most successful growth market in the world. Since its launch in 1995, over 3,600 companies from across the globe have chosen to join AIM. Powering the companies of tomorrow, AIM continues to help smaller and growing companies raise the capital they need for expansion.

A wide range of businesses including early stage, venture capital backed as well as more established companies join AIM seeking access to growth capital.

At 28 February 2017 there were 973 companies admitted to trading on AIM with a combined market capitalisation of £86.8 billion, including over 100 software & computer services companies with a total market capitalisation of £8.2 billion.

Source: London Stock Exchange