



Reckon™

CHAIRMAN'S SPEECH

RECKON LIMITED AGM

10:00am - 24 May 2017

Level 12, 65 Berry Street, North Sydney

1. At last year's AGM we spoke about the challenges that the software industry faces in an era of rapid change, disruption, low barriers to entry and the need to continuously re-think the way we do business.
2. Against that background we have consistently articulated a strategy to invest in technology, expand our products and territory, and at the same time preserve existing profitable businesses.
3. In 2016 that strategy bore success as seen in the results for the year.
4. It suffices to summarise that across all segments of the group we have seen good revenue growth; growth in online products; improvements in subscription revenue; and customer growth across all divisions.
5. Our financial metrics were in line with expectations.
6. If they are not spectacular they are at least very encouraging given the competitive nature of the market and the challenges we face in the transition from the desktop to the cloud.
7. For example, on a non-IFRS basis:
 - 7.1. Revenue was up 7% from \$91.4 million to \$97.8 million;

7.2. EBITDA was up 3% from \$39.2 million to \$40.5 million;

7.3. NPAT was up 8% from \$19.3 million to \$20.8 million.

8. Returning to the notion of conducting business in an era of rapid change you might recall that last year we also mentioned that our strategy was the outcome of a review aimed at trying to unlock shareholder value.
9. As part of that goal we acquired SmartVault in January 2016, recognising the potential value in the document management segment of our business and also because it was a successful cloud based business.
10. We saw in SmartVault an opportunity to leverage the commercial success of the massive customer base of our Virtual Cabinet business with the cloud technology of SmartVault.
11. We endeavoured to align this acquisition with our vision of presenting integrated solutions for our customer base of accountants, professionals and small businesses. All of this aimed at unlocking shareholder value.
12. We perceived the market response to this strategy to be lukewarm. And we battled – it seems – to properly explain what we were trying to achieve.
13. Much as we believe in our strategy and we deliver results consistent with that strategy it seems we are not unlocking shareholder value.
14. It seems the value of the sum of the parts of our business is not reflected in the perception of the whole of the business.
15. We also saw that the risk associated with getting document management into the cloud and developing a new document management solution was a potential drag on the rest of the group's business.
16. That all is the background to the announcement we made on 17 March.

17. In that announcement we set out the broad brush strokes of a proposed de-merger and separate AIM listing of the document management business.
18. Since then we have made significant progress in due diligence and formalising the precise structure of the proposed transaction. It has been a lengthy process given that the transaction involves businesses in Australia, New Zealand, the UK and the USA. I hope that it won't be too long before management present to the board the final details and we will be able to update shareholders with the relevant detail.
19. This is an exciting proposal not only because of the opportunity it presents for the document management business, but also because of the positive impact it has on the remaining business.
20. Before I return to the meeting, are there any questions that shareholders wish to ask?
21. I now return to the items in the Notice of Meeting.