
Highlights Commentary
Half Year Results Ending 30 June 2017

Reckon is pleased to announce its results for the half year ended 30 June 2017.

Underlying revenue and EBITDA growth for the half year were both 3%, underpinned by subscription revenue growth of 8%.

The Group has continued to invest for future growth. The focus across all businesses remains on volume growth and entrenching the group as a true subscription business with strong online capability.

The development spend for the half year was \$9.8m compared to \$11.8m in the prior period, resulting in a 17% cash flow improvement in the half year.

Net profit attributable to members reduced from \$6.2m to \$5.5m in the half year, largely as a result of higher depreciation and amortisation arising from a higher investment in product development in prior periods.

Practice Management Group

- Subscription revenue grew by 6% in the Accountants Group however this was partially offset by lower upfront and service revenue in the half year, impacted by a number of large one-off contracts in 2016.
- The business remains entrenched as the product of choice amongst the major accounting firms and continues to expand on its already very impressive customer list.
- Content revenue was again weaker in the half year as the market moves to subscription pricing.
- The Legal Group has also continued to perform strongly in the half year with revenue growth of 6%, driven by additional revenue from its newly developed scan product. An investment has been made in the half year to establish and expand the scan market to enable future growth.

Business Group

- Subscription revenue grew by 8% in the half year, however this was again partly offset by a reduction in desktop revenue as clients move to the cloud.
- Overall volumes increased by 2%.
- Cloud revenue in particular continued to grow strongly at 18% and now represents 33% of this division's revenue.
- ReckonOne continues to gain traction and the unique modular design and resultant affordability continues to receive encouraging feedback from clients.
- The investment in sales and marketing of the ReckonOne product has continued in all geographies.

Document Management Group

- The Document Management Group was divested via a dividend in specie and floated on the AIM exchange in the UK effective 4 August 2017, valued at 19 cents per Reckon share equivalent after the first day of trading. The assets and liabilities have been classified as held for sale.

Reckon Group CEO, Clive Rabie said:

"We are well on the path of achieving our target of becoming a business which is substantially based on subscription revenue, with 85% of available revenue now subscription, thereby strengthening the sustainability of the business for the future.

Eighteen months ago we signaled to the market that we needed to re-invest into the business in both product development and establishing markets for new products. We are nearing the end of this process and are confident that this investment has put the business in a good position to achieve future growth.

We continue to remain excited by the future prospects for the group."

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