



Reckon™

**CHAIRMAN'S SPEECH
RECKON LIMITED AGM**

10:00am - 23 May 2018

Level 2, 100 Pacific Highway, North Sydney

1. A lot has happened since our last AGM.
2. Last year we mentioned that our strategy was to maintain our existing desktop businesses that generate good cash flow and at the same time develop cloud based technologies for the longer term.
3. Our results for 2017 bear testimony to that strategy.

The results for our four areas of practice are:

- a) We have been successful in our Business Group sustaining revenue in the mature desktop market while growing in the online/cloud market. We continue to improve the quality of our revenue with a healthy portion of revenue derived from subscription sales.
- b) In the Accountant Practice Management Group we have been successful winning new customers and selling additional modules to existing customers.
- c) The Document Management Group, which I will touch on in a moment, also contributed well to overall Group results.

- d) And while the Legal Practice Management Group's performance was modest compared to last year, that is attributable to exceptional performance in 2016.
4. So as far as business as usual is concerned we can say that 2017 was a successful year. Especially in the competitive environment in which we operate.
 5. But the second half of 2017 was marked by activity that was quite far from business as usual.
 6. We have been grappling for some time with the apparent contradiction of building a successful business offering integrated solutions for businesses and accountants which was not being reflected in market value.

It was apparent that the valuation of the whole was less than the sum of the parts.

7. Therefore to unlock value from each of the businesses, you will all be aware that we executed two important transactions in 2017. What follows is largely repetition from our annual report for 2017.
8. In August 2017 we de-merged the Document Management business via an in-specie distribution of shares to Reckon shareholders in a newly listed entity, GetBusy Plc, on the AIM market of the LSE.

While GetBusy is now an entirely independent business, it is reassuring to see that their December 2017 results were positive in terms of revenue growth and we hear anecdotally that the business is well received in the UK.

We are also pleased to note that the share price has increased from a listing valuation of 28 pence per share to 37 pence per share.

9. We are still engaged in talks with the ATO on the question of the tax treatment of the in specie distribution of shares in GetBusy to Reckon shareholders. This has taken longer than expected as there has been a difference of opinion between us and the ATO. The outcome of these talks has yet to be formalised.
10. As announced on 16 November 2017, we also concluded the sale of the Accountant Group to MYOB for \$180 million. The sale remains conditional upon regulatory approvals from the Australian Consumer and Competition Commission and the New Zealand Commerce Commission.
11. The return to shareholders from these transactions, assuming the Accountant Group sale becomes unconditional, is not insignificant. The sum of the standalone valuations of just these two businesses roughly exceeds the market value of the entire Group before the transactions were executed.
12. We do find ourselves at something of an impasse at the moment as we wait for regulatory approval of the sale of the Accountant Group.

The ACCC and the NZCC have told us that their decisions are expected on 21 June 2018.

Our advisers are still engaged in a complex approval process with both regulators.

While we believe we have put forward a strong case, as with all matters of this sort, no guarantees can be given.

13. On the assumption that the Accountant Group sale becomes unconditional, the focus of the company will be on its Business and Legal Groups to pursue growth in the online small business accounting software market as well as to pursue opportunities in the legal market, particularly in Scan solutions.

14. Specifically, in the Business Group, we have positioned Reckon One to cater for micro businesses with an easy to use product at a very competitive price point.
15. Our Reckon Accounts Hosted product continues to grow as we transition desktop customers to the cloud.
16. In the Legal Group, the Scan solution is generating a proportion of new business revenue with potential for opportunities outside its traditional legal market. We are also transitioning this business to a subscription revenue model.
17. I now return to the items in the Notice of Meeting.