ASX Announcement

12 February 2019

Results for the year ending 31 December 2018

There is no doubt that that the Reckon Group has been through a significantly disruptive period over the last few years. Despite that, the Group has showed extraordinary resilience, and continued to develop new products and initiatives throughout this period, that will provide future revenue growth opportunities.

Group highlights

The profitability of the continuing business has increased marginally, with underlying NPAT up by 3%.

Operating cashflow improved by $1.2m largely resulting from the de-merger of the Document Management Division in 2017.

Debt has been reduced by $6m in the year.

The board approved the re-instatement of the dividend policy at the half year, and a fully franked dividend of 3 cents per share was paid in September 2018.

Business Group

- Cloud revenue has continued to grow strongly, up by 8% and now represents 45% of this division's available revenue. The number of cloud users now numbers 54K.
- We continue to be impacted by a reduction in desktop revenue as clients move to the cloud. Whilst this inhibits overall revenue growth in the short-term, it does provide a valuable opportunity to convert existing non-paying customers to the cloud subscription products over the coming years.
- ReckonOne continues to gain traction and the unique modular design and affordability continues to resonate.
- Our online point of sale product was launched in 2018, our single touch payroll compliant product has been launched, and we acquired Better Clinics, an online practice management product for the medical market, in July.
- We have signed our first white label distribution agreement with IPA (Institute of Public Accountants).

Practice Management – Accountants Group

- Normal subscription revenue growth in this division was hampered by the sale process as clients held off committing to new business pending the completion of the sale. Upfront and service revenue in the year was also negatively impacted.
- The business remains entrenched as the product of choice amongst the major accounting firms. This was clearly evident from the recent feedback from the regulators.
- A major release of the Practice Management module occurred in 2018, and provided another big step in our cloudification journey, with integrated online/mobile timesheet functionality and a “client hub” cloud view of the client data added to the product in this release.
- Ongoing development of new products, for example Bank Data, has progressed well and this re-enforces future growth opportunities.
- Content revenue was again weaker during the year as the market moves to subscription pricing.
- Costs were carefully managed during the sale process, and hence this division achieved marginal EBITDA growth despite a revenue reduction.

Practice Management – Legal Group

- We have commenced transitioning the business away from an upfront sales model to a more sustainable subscription model.
- Development focus has been on enhancing the product offering to clients, particularly for the new scan product, which has the ability to travel beyond the legal market.
- Strong orders in Q4 including from the new products, which will be installed in 2019.
- Profitability has also been impacted by $0.8m caused by a significant bad debt arising from a new customer signed in the prior year.

Reckon Group CEO, Sam Allert said:

“As we have said previously, we remain positive that future growth will be achieved in all divisions.

The products/initiatives are largely market ready, and so now it simply comes down to sales and marketing execution.”

For further information, please contact:

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

Mr. Clive Rabie
Group MD
Reckon Limited
(02) 9134 3350

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