



Reckon 

Results Presentation

For the year ended 31 December 2020

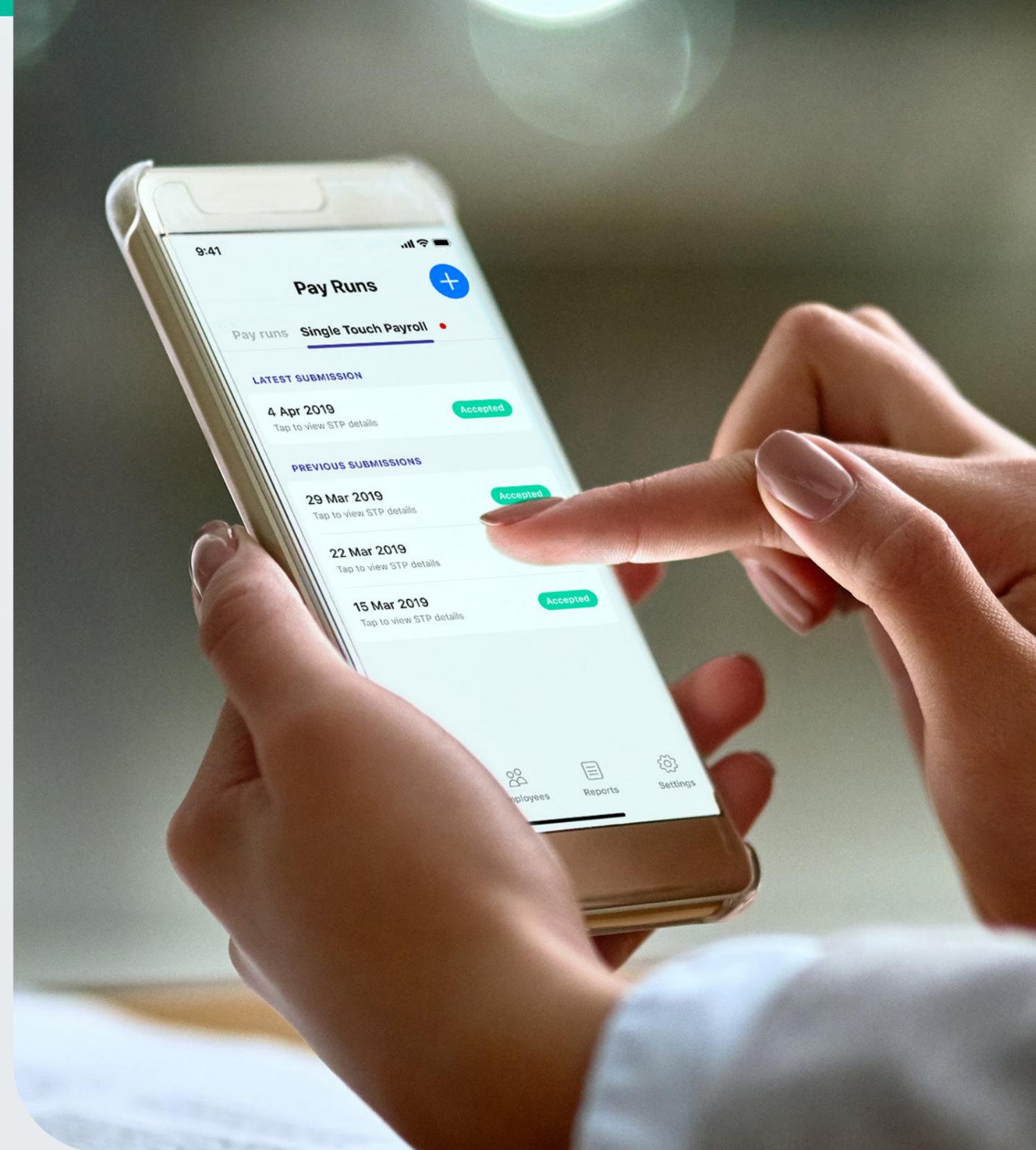
To be read in conjunction with Appendix 4E and Accounts



Sam Allert
RECKON CEO



Chris Hagglund
RECKON CFO



Financial Results

REVENUE

\$75.6 ↑
million

↑ +0.3% over PcP
85% subscription revenue

EBITDA

\$32.6 ↑
million

↑ +6.6% over PcP

NPAT

\$9.7 ↑
million

↑ +19.8% over PcP

✓ NET DEBT REDUCTION

\$5.8
million

✓ FULLY FRANKED DIVIDEND

5 cents
Full Year

✓ DEVELOPMENT INVESTMENT

\$19.5
million

Our Operating Businesses

Accelerating our unified cloud and mobile strategy by leveraging synergies across divisions, widening the addressable market and powering future growth opportunities.

Small Business
Accounting and Payroll

BUSINESS GROUP



Practice Management and
Compliance for Accountants

ACCOUNTANTS GROUP

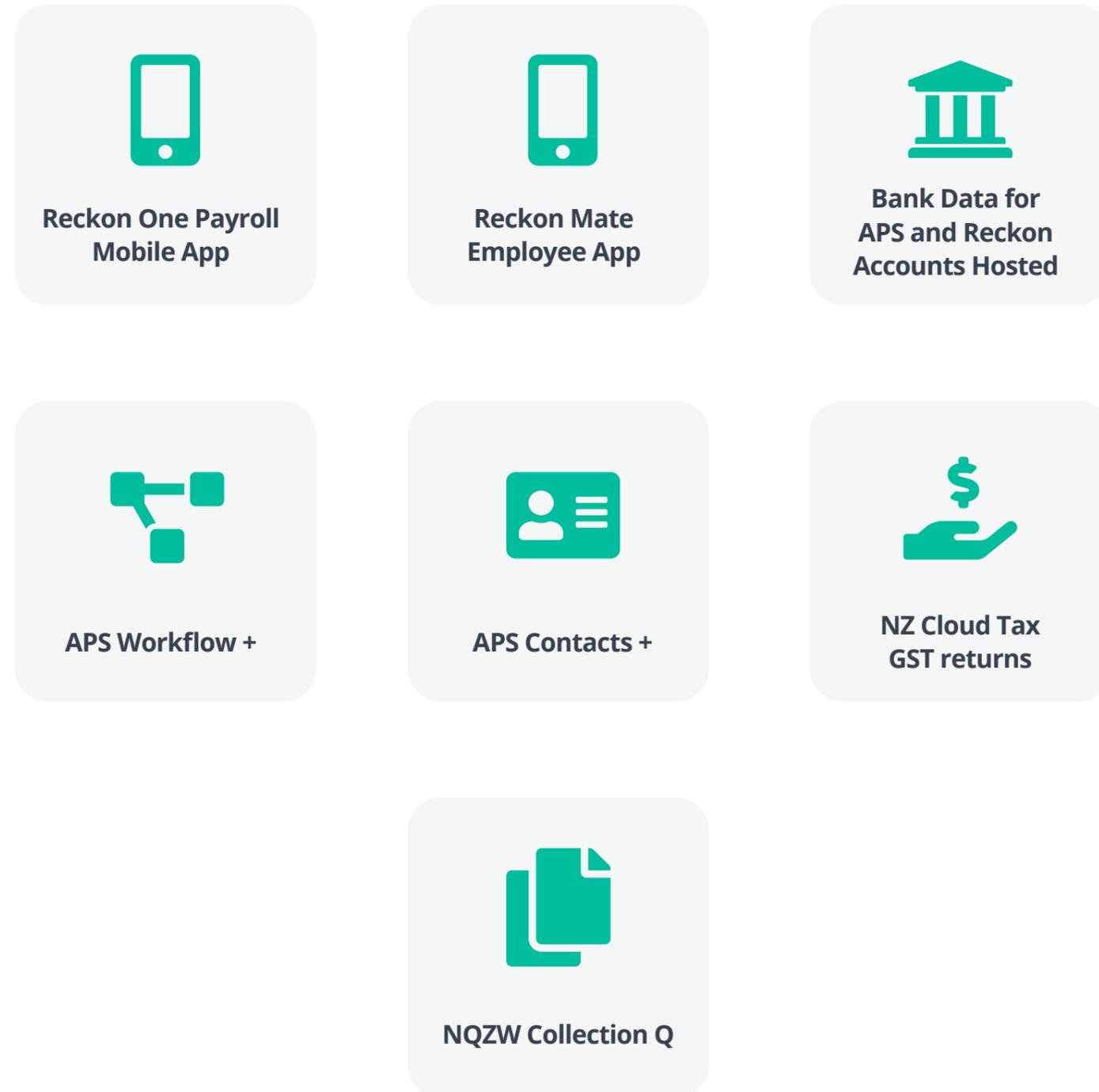


Practice Management
and Workflow for Legal Firms

LEGAL GROUP

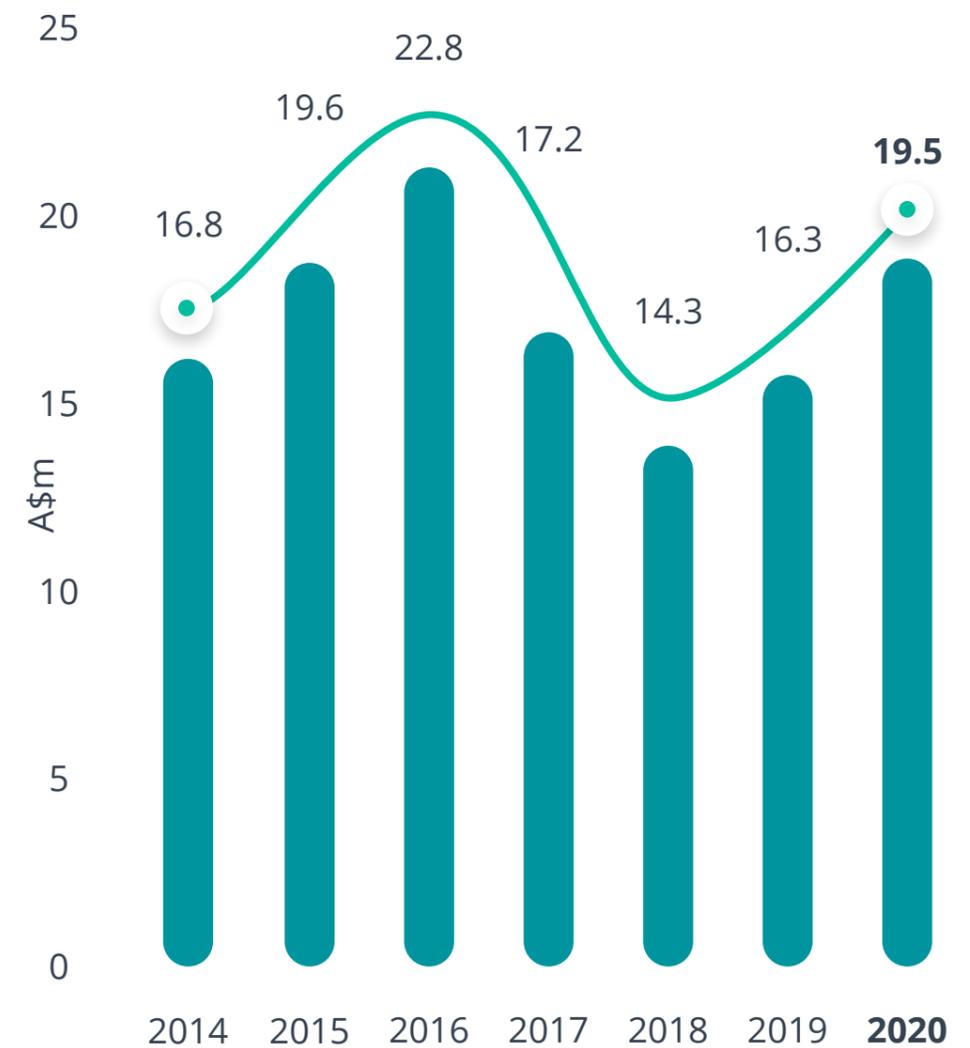
Investment in development for growth

✓ New cloud products released



- Reckon One Payroll Mobile App
- Reckon Mate Employee App
- Bank Data for APS and Reckon Accounts Hosted
- APS Workflow +
- APS Contacts +
- NZ Cloud Tax GST returns
- NQZW Collection Q

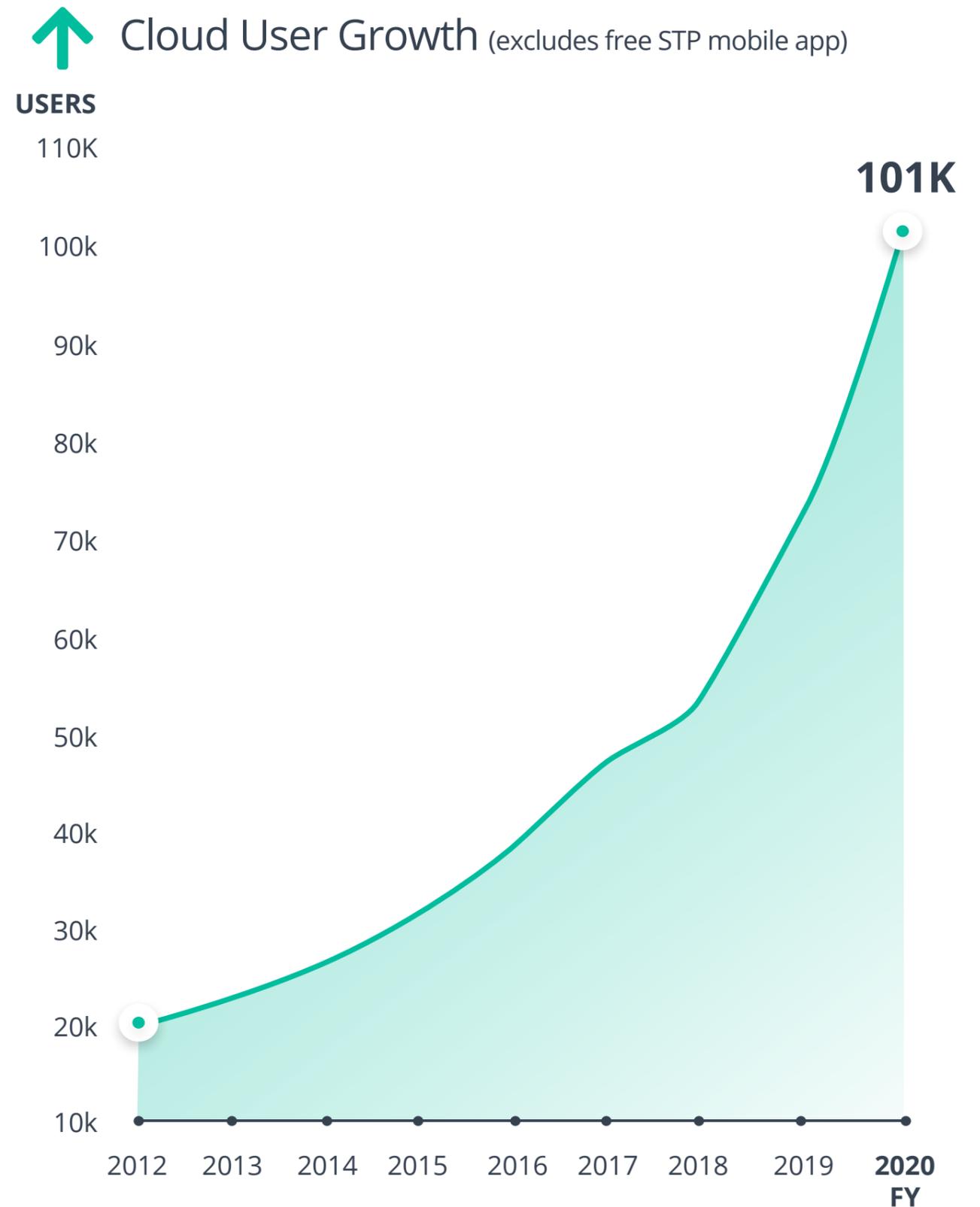
✓ Cash spend on development increased with focus on cloud products across the group.



Cloud User Growth - Business Group



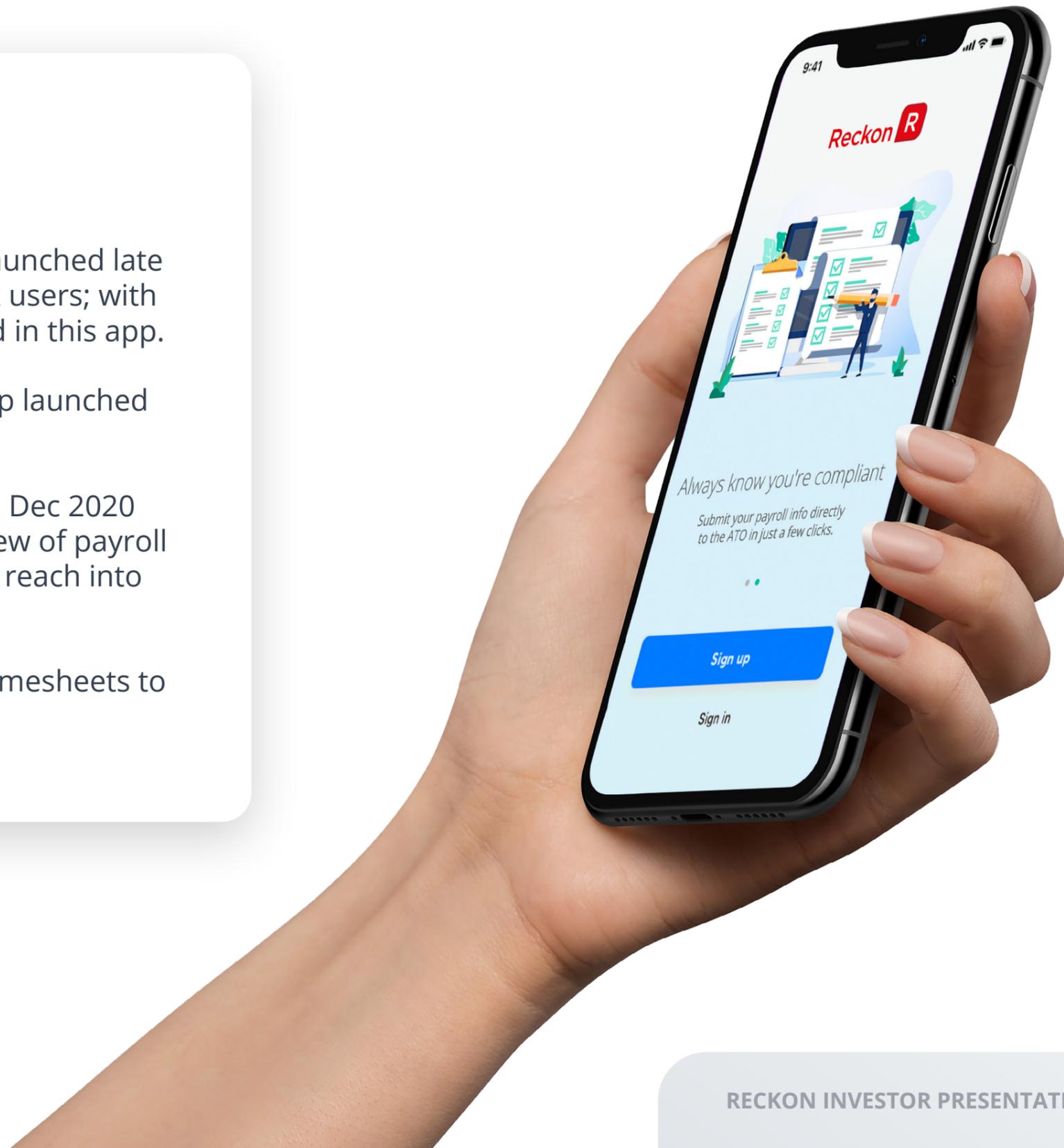
- ✓ Over 101k cloud users (35% annualised user growth).
- ✓ Resulted in 3 consecutive half years of solid growth for this division. (2020 : 7%)
- ✓ 29% cloud revenue growth over FY19.
- ✓ 56% of available revenue is now cloud.



Mobile and Employee Growth



- ✓ Free STP Mobile App launched late May '19, already at 37k users; with 80k employees created in this app.
- ✓ Paid mobile Payroll App launched May '20, with 2k users.
- ✓ Reckon Mate launched Dec 2020 providing employee view of payroll information. Providing reach into salary earner market.
- ✓ Mobile invoicing and timesheets to be released in 2021.



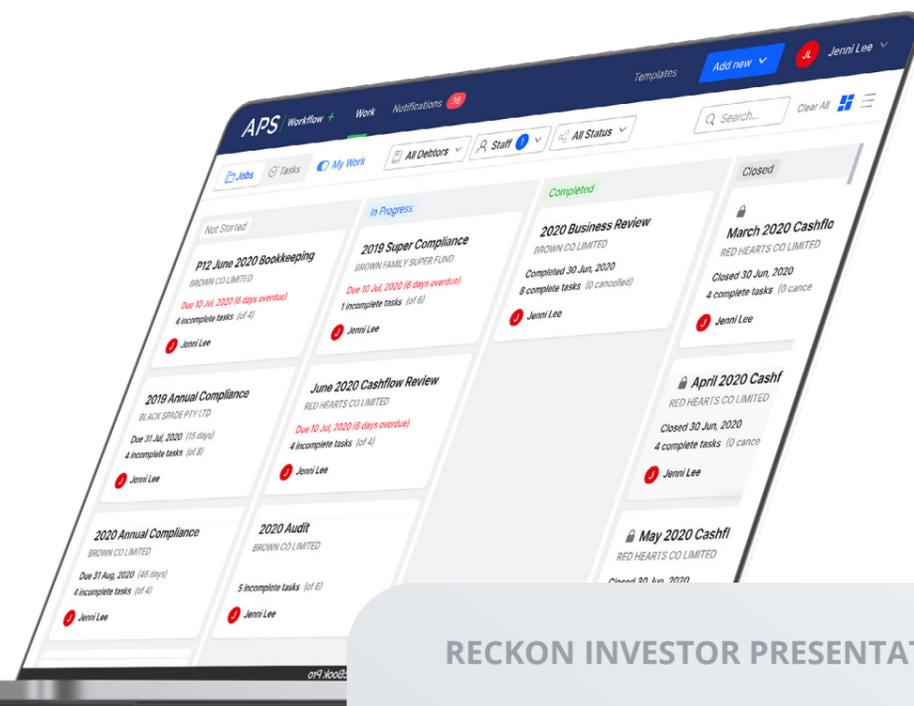
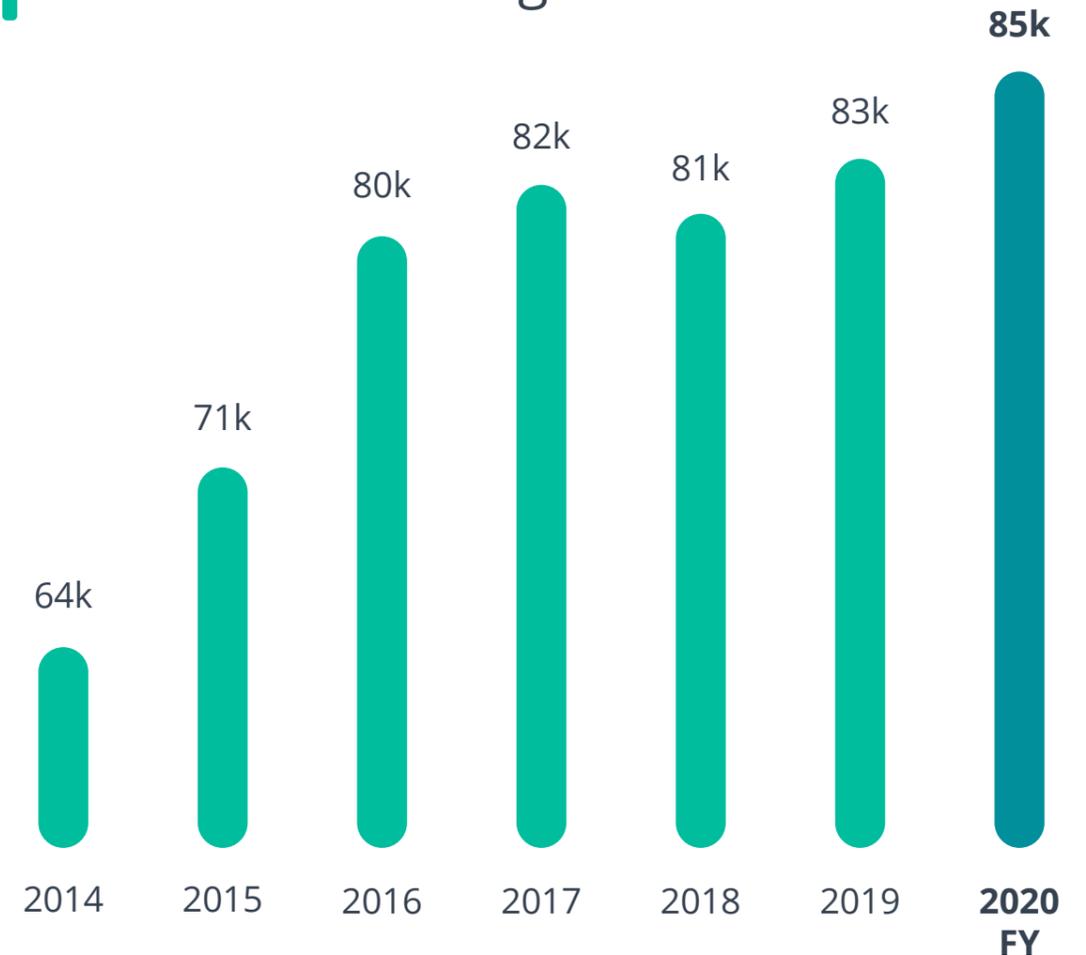
APS Cloud Development



- ✓ Major cloud release of APS workflow which compliments APS suite and can also be sold as a stand alone product.
- ✓ Workflow compliments existing APS cloud products; Sync Direct (data synchronising tool), Practice IQ (Business Intelligence Reporting) and Timesheets.
- ✓ Future releases of WIP and Debtor management throughout 2021 completes our Practice Management in the cloud offering.
- ✓ APS Ledger+ module provides new cloud client accounting functionality, providing cloud upgrade path for APS and Elite clients.
- ✓ Our cloud releases open up a wider addressable market whilst also providing a migration path for APS and Elite client bases.



Reckon APS seat growth



Operational Highlights



Employee Engagement

84% Employee Engagement.

95% Employees agree with company direction.

96% Maintained productivity whilst working from home.



IPA Partnership

Continued partnership with IPA – 1200+ IPA member firms active cloud advisors.

IPA relationship provides cross sell for APS cloud products.



Deadly Digits

Initiative with QLD government supporting Indigenous businesses.

White Labelled Reckon One, as well as training content, to support Indigenous businesses and business owners.



Open Banking UK certified

Open Banking UK certification successfully completed in 2020.

Provides ability to leverage Open Banking platform for bank feeds integrated to Reckon One.

Employee Engagement Australia Benchmark

Engagement score in Australia 70%¹

Confidence in leaders 73%²

70% kept productivity levels whilst WFH³

¹ Source Culture AMP <https://academy.cultureamp.com/hc/en-us/articles/360003236059-2019-Australia-Benchmark>

² Source Culture AMP <https://academy.cultureamp.com/hc/en-us/articles/360003236059-2019-Australia-Benchmark>

³ Source: Citrix Survey <https://www.afr.com/work-and-careers/careers/it-s-more-productive-to-work-from-home-20200401-p54fwc>

nQueue & ZebraWorks

We've added an amazing team and complimentary cloud products to our already well established Legal business.

- ✓ Unlocking Growth potential with a Cloud Practice Management Suite for Legal firms
- ✓ Enormous market that is still largely on desktop software
- ✓ A great team with complimentary products. The ZebraWorks team have a long and successful history of developing and distributing legal practice management software and other products to the USA legal industry
- ✓ Cross sell synergies between Legal Group and Accountant Group cloud development
- ✓ Initially 70% retained by Reckon, with strong incentive for management team to perform and increase their equity
- ✓ Reckon committed to fund growth of up to US \$5M, via a combination of capital and loans

Sale of ReckonDocs Business

The sale of ReckonDocs, allows us to focus on our core strengths of Accounting and Payroll for small businesses, and Practice Management for Accounting and Legal firms.

- ✓ Sale of ReckonDocs assets to Class Limited for \$13M
- ✓ ReckonDocs contributed \$5M revenue and \$3M EBITDA in the 2020 Reckon Group Results
- ✓ The completion date is 1st March 2021
- ✓ This sale creates an opportunity for a strong partnership with Class Limited, providing a integrated suite of software covering all accounting firm requirements
- ✓ The intended use of funds is to pay down debt, whilst providing additional cashflow to accelerate our “cloud first” development strategy

ReckonDocs 



 CLASS



Financial Highlights

Financial performance

	FY20 \$ M	FY19 \$ M	GROWTH %
✓ Revenue	<u>75.6</u>	<u>75.4</u>	+0.3%
✓ Overheads			
TOTAL	43.0	44.8	
NORMAL	43.4	44.8	
CARES LOAN FORGIVENESS OFFSETS TRANSACTION COSTS	(0.4)	-	
✓ EBITDA	<u>32.6</u>	<u>30.6</u>	+6.6%
✓ NPAT	<u>9.7</u>	<u>8.1</u>	+19.8%



Business Group Financials

Subscription business with consistently strong online growth.

✓ Revenue

	FY20 \$ M	FY19 \$ M	GROWTH
CLOUD SUBSCRIPTION	19.8	15.3	+29%
DESKTOP SUBSCRIPTION	13.8	14.3	-4%
SUBSCRIPTION	33.6	29.6	+13%
PERPETUAL / SERVICE / OTHER RECURRING	4.9	6.6	-25%
TOTAL	38.5	36.2	+7%

✓ Financial performance

Revenue

- Cloud revenue growth continues at substantial rate.
- Cloud unit growth 35%.
- Subscription now 96% of available revenue.

EBITDA

- Margin improvement to 51% from 48%.

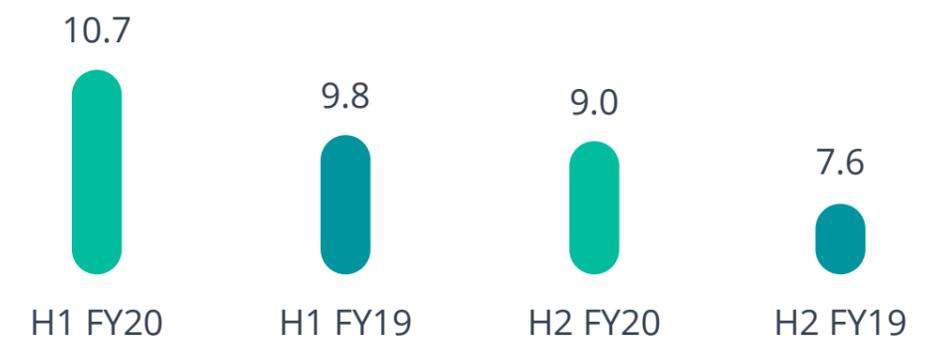
✓ EBITDA

	FY20	FY19	GROWTH
EBITDA	19.7	17.4	+13%

✓ Revenue by half



✓ EBITDA by half





Practice Management Accountant Group Financials

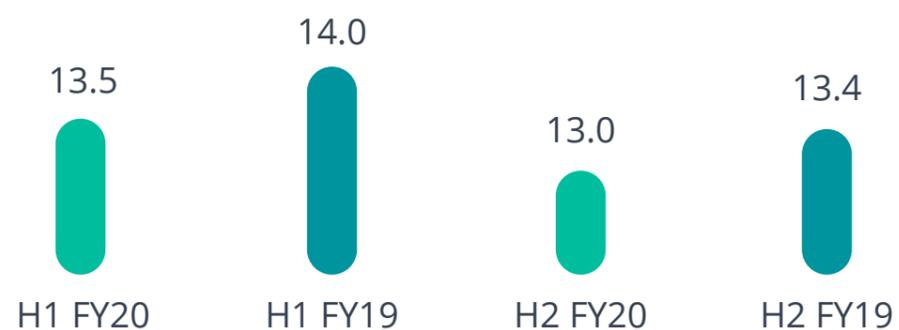
Stable subscription revenue and an impressive customer base.

✓ Revenue

	FY20 \$ M	FY19 \$ M	GROWTH
SUBSCRIPTION	21.8	22.4	-3%
UPFRONT AND SERVICE	0.3	0.4	-37%
CONTENT	4.5	4.6	-3%
TOTAL	<u>26.6</u>	<u>27.4</u>	-3%
	<u>14.5</u>	<u>14.2</u>	+2%

✓ EBITDA

✓ Revenue by half



✓ Financial highlights

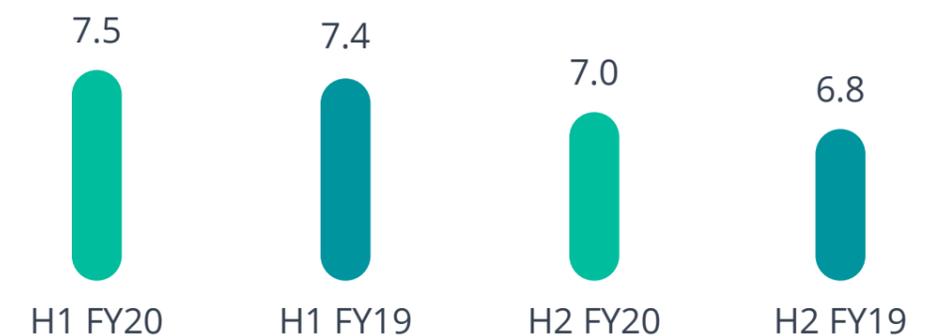
Revenue

- New business impacted by COVID.
- Content market: strong start then impacted by COVID from March to May, then recovered from June.
- Subscription is 99% of available software revenue.

EBITDA

- Margin improvement to 55% from 52%.

✓ EBITDA by half





Practice Management Legal Group Financials

Cloud journey ramps up with ability to leverage impressive customer base.

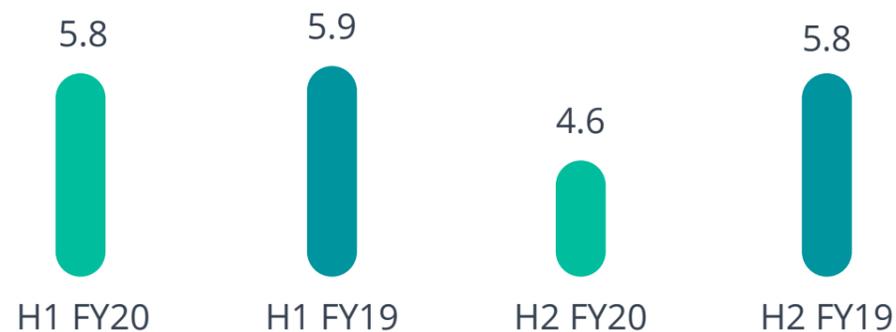
✓ Revenue

	FY20 \$ M	FY19 \$ M	GROWTH
SUBSCRIPTION	8.8	9.0	-2%
UPFRONT AND SERVICE	1.7	2.7	-40%
TOTAL	10.5	11.7	-11%

✓ EBITDA

	FY20	FY19	GROWTH
EBITDA	1.1	2.2	-50%

✓ Revenue by half



✓ Financial highlights

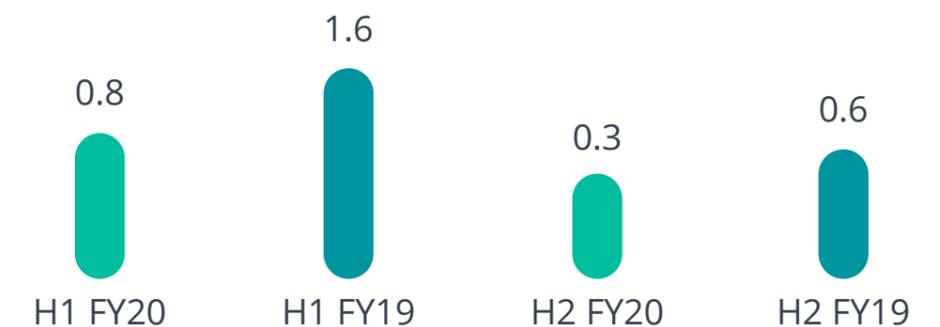
Revenue

- Strong start to 2020, but new sales impacted by COVID from March (especially in 2nd half)
- Subscription is 84% of revenue.

EBITDA

- Doubtful debt provisioning increased to reflect current conditions.
- Investment in team to drive future growth from August.

✓ EBITDA by half



Cashflow highlights



- ✓ Cash spend on development increased with focus on cloud products across the group.
- ✓ Fully Franked dividend of 2 cents to be paid in March. (5 cents Full Year). Dividend yield of 6%.

	FY20	FY19
	\$ M	\$ M
OPERATING CASHFLOW	32.4	26.6
DEVELOPMENT SPEND	(19.5)	(16.3)
DIVIDEND PAID	(5.7)	(3.4)
NET DEBT REDUCTION	(5.8)	(7.0)



Outlook

A focus on Growth

Small Business Accounting and Payroll

BUSINESS GROUP

Cloud growth across small business accounting and payroll market, complimented with new mobile apps.



Practice Management and Compliance for Accountants

ACCOUNTANTS GROUP

A cloud suite for Accountants complimenting APS clients and opening up a larger addressable market.



Practice Management and Workflow for Legal Firms

LEGAL GROUP

New legal market, team and product set - cross sell opportunities with Workflow / ledger accounting / Time Billing.



Q & A

Resources

-  Website
reckon.com
-  About us
reckon.com/au/about-us
-  Investors
reckon.com/au/investors
-  Media
reckon.com/au/media

