



Investor Presentation

For the half year ended 30 June 2022

To be read in conjunction with Appendix 4D and Accounts

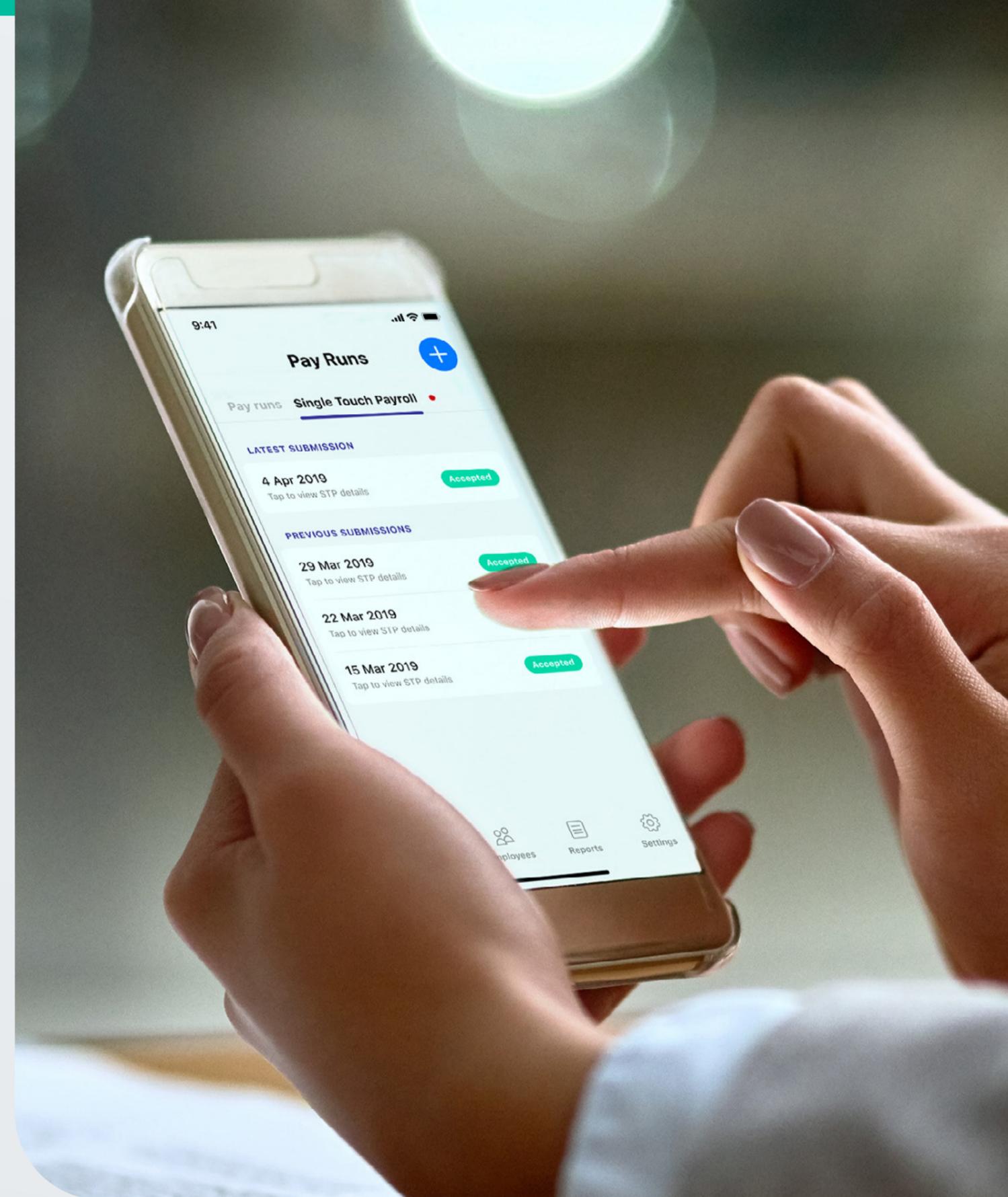


Overview

Reckon Limited (ASX: RKN) is a software-as-a-service (SaaS) company providing cloud-based technology solutions to customers including SMEs and legal firms

Investment highlights

- ✓ Practice Management Accountant Group sold for \$100m effective 1 August 2022
- ✓ Two remaining operating divisions targeting small businesses, accounting and bookkeeping firms and legal firms
- ✓ Strong normalised earnings profile for the continuing operations - \$27m in revenue generated in 1st Half 2022 with EBITDA of \$11m and NPAT of \$4m
- ✓ Ongoing investment in cloud based products to underpin future business growth
- ✓ Over 117,000 people use our cloud SME products, and over 400,000 employees get paid in Australia via Reckon products
- ✓ Five of the world's top legal firms use our solutions



Corporate overview

✓ Capital Structure

| | |
|------------------------|------------------|
| ASX code: | RKN |
| Shares on issue: | 113.3m |
| Market capitalisation: | \$143m |
| 52 week high – low: | \$0.805 - \$1.38 |
| Net debt: | \$13m |

✓ Major shareholders

| | |
|--|-------|
| Novatti Group Limited | 19.9% |
| Spheria Asset Management Pty Ltd | 11.6% |
| Rabie Family | 9.3% |
| Microequities Asset Management Pty Ltd | 7.5% |
| Greg Wilkinson | 7.1% |

✓ Board of directors



Greg Wilkinson
FOUNDER & NON-EXECUTIVE CHAIRMAN



Phil Hayman
NON-EXECUTIVE DIRECTOR



Clive Rabie
NON-EXECUTIVE DIRECTOR



Sam Allert
CHIEF EXECUTIVE OFFICER

Financial Results - Half Year 2022

(Total Group including discontinued operations)

REVENUE

\$39↑
million

↑ +2% over PcP*

ARR

\$36↑
million

↑ +5% over PcP*

EBITDA

\$18↑
million

↑ +6% over PcP*

NPAT

\$6↑
million

↑ +5% over PcP*

✓ NET DEBT REDUCED TO

\$13
million

✓ FULLY FRANKED DIVIDEND

3 cents

✓ DEVELOPMENT INVESTMENT

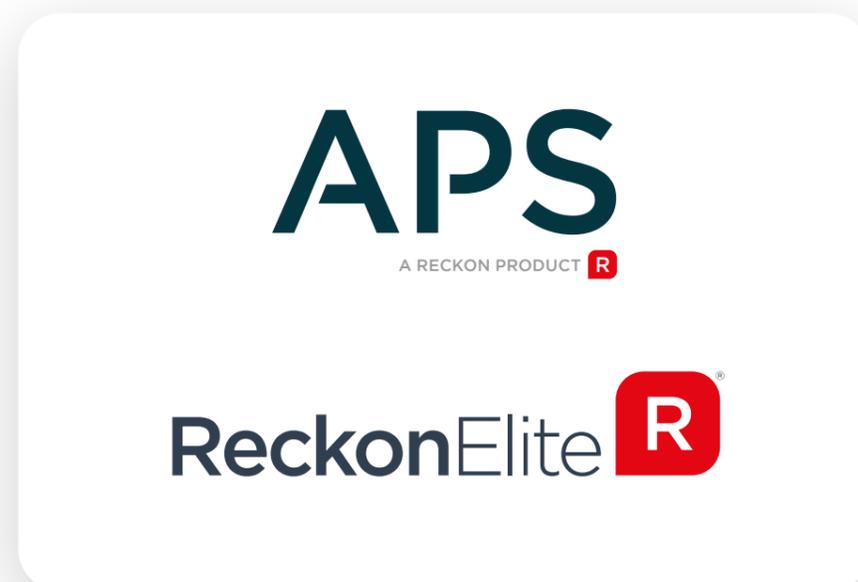
\$11
million

* Non-IFRs: Growth has been normalised and is at constant currency. (Applies to all results in this presentation refer appendix 1)

Sale of the Accountants Group business for \$100m

The sale of the Accountants Group, of which APS and Reckon Elite solutions were a part, allows us to focus on our core strengths of Accounting and Payroll for small businesses, and Practice Management for Legal firms.

- ✓ Sale of Accountants Group to The Access Group for \$100m
- ✓ Purchase price represents a 4.6x multiple of FY21 revenue and 8.4x multiple of FY21 EBITDA for the Accountants Practice Management Group
- ✓ Transaction completed 1st August 2022
- ✓ After tax proceeds are expected to be used to:
 - Pay a special dividend of 54 cents to 58 cents to shareholders (partially franked)
 - Reduce debt
- ✓ Remaining Businesses positioned and focused to take advantage of the strong global market opportunities that exist with our expanding cloud product set
- ✓ Post sale, Reckon would comprise the Business & Legal Groups, which together generated ~\$50m of revenue and EBITDA of ~\$17m in FY2021, representing 69% and 59% of pre-sale revenue and EBITDA respectively.



Our focus is on two large and distinct markets



SMALL BUSINESS

Accounting and Payroll solutions for SMEs

Revenue of \$39.9m and \$20.4m EBITDA in FY21

Total addressable market

2,930,000 small businesses across Australia and New Zealand



LEGAL

Practice Management and Workflow for law firms

Revenue of \$9.6m and \$0.2m EBITDA in FY21

Total addressable market

500 of the world's largest firms operate in the USA, alongside 46,000 mid-size firms

Financial Results – Half Year 2022

(Continuing operations only)

REVENUE

\$27 ↑
million

↑ +2% over PcP*

ARR

\$24 ↑
million

↑ +6% over PcP*

EBITDA

\$11 ↑
million

↑ +6% over PcP*

NPAT

\$4 ↑
million

↑ +8% over PcP*

DEVELOPMENT INVESTMENT

\$8
million

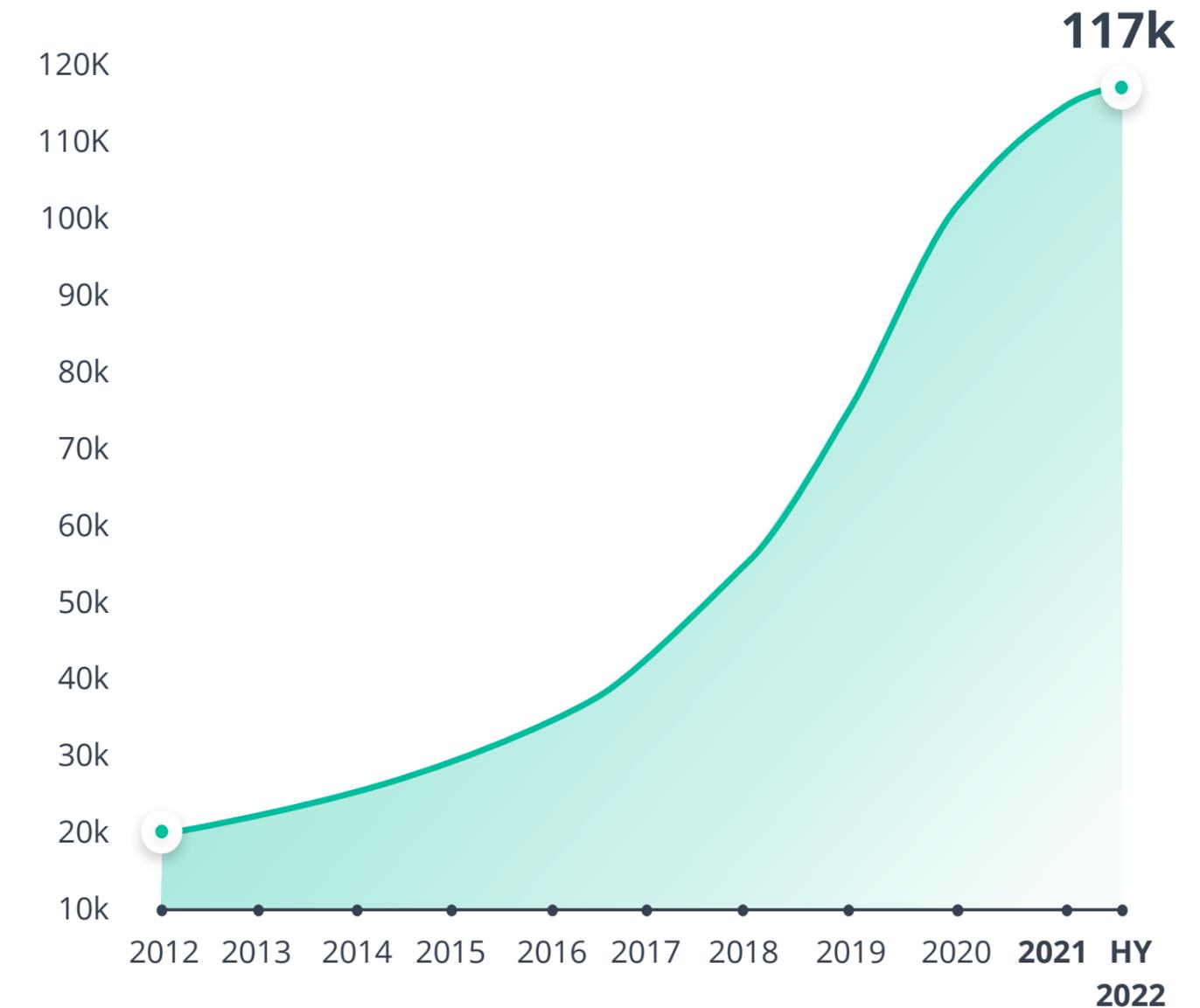
* Non-IFRs: Growth has been normalised and is for continuing businesses at constant currency. (Applies to all results in this presentation refer appendix 1)

Ongoing cloud user growth



- ✓ Continued growth in cloud revenue
- ✓ 117k Cloud users (10% annualised user growth)
- ✓ Continued uptake of Reckon Payroll products across cloud and Mobile with over 400,000 employees paid via Reckon software
- ✓ Integrated Payments solution with Novatti launched creating additional revenue opportunities

 Small Business Cloud User Growth
USERS



10% annualised user growth

9% cloud revenue growth over HY 2021

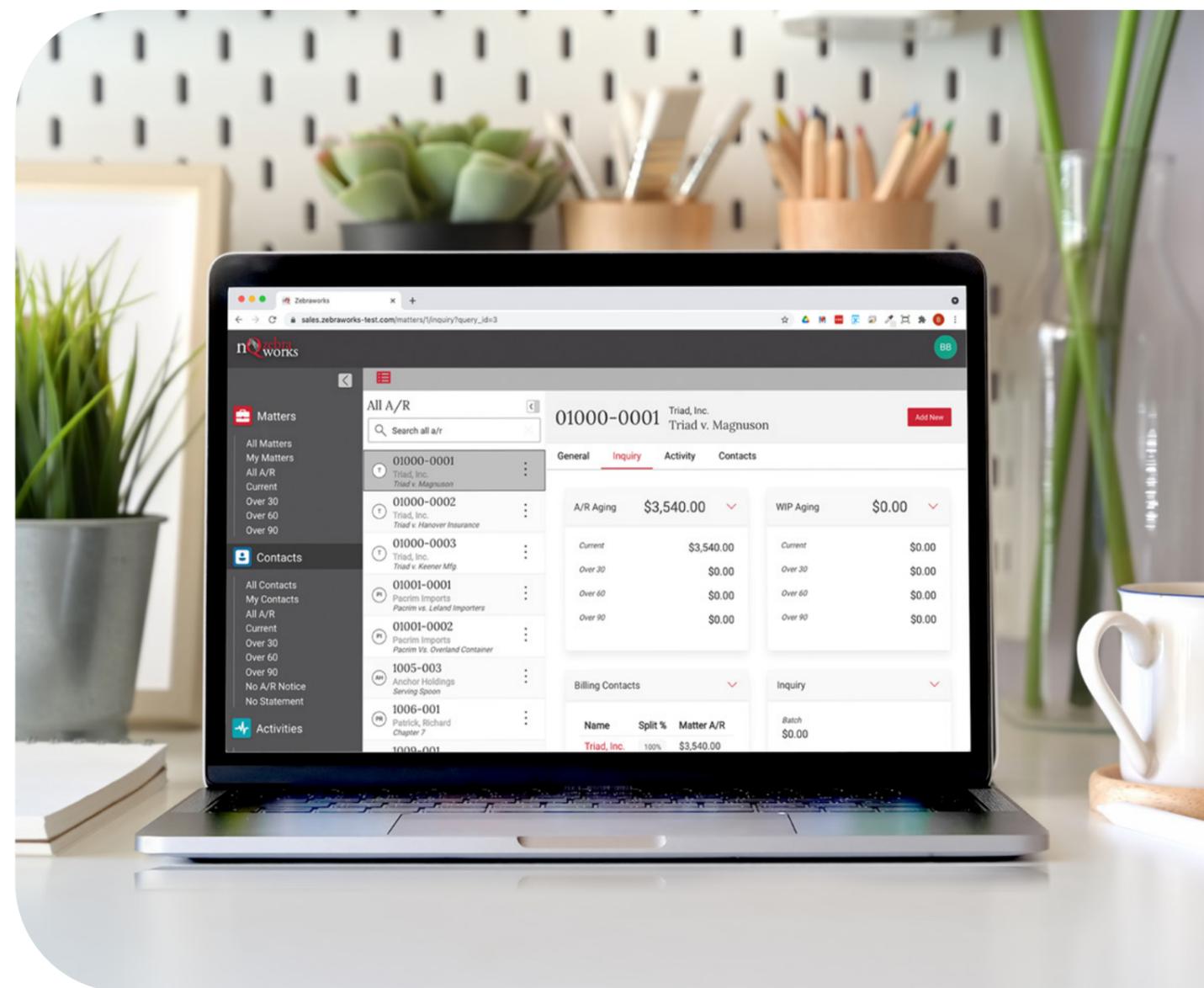
56% of available SME Group revenue cloud based for HY 2022

PRACTICE MANAGEMENT AND WORKFLOW FOR LAW FIRMS

Access to the US legal market

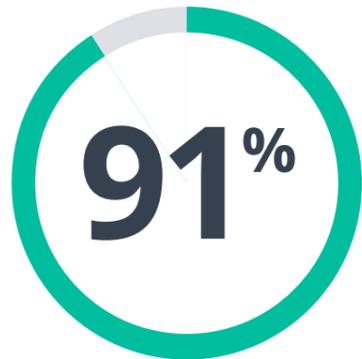
Merger between nQueue and ZebraWorks (now nQzebraWorks), adds a skilled management team and complimentary cloud products to a well established, US focused legal business

- ✓ Opportunity to introduce cloud practice management suite for law firms still largely using desktop software
- ✓ Enormous market opportunity – 500 of the world’s largest firms operate in the US, alongside 46,000 mid-size firms. Total addressable market is valued at US\$2.4Bn
- ✓ Highly regarded management team has a successful track record of developing and distributing legal practice management software in US market
- ✓ Launched BillingQ with first clients onboarded
- ✓ Released Outlook integration for ScanQ and MailQ upgrading core product functionality
- ✓ DataQ module scheduled for release in 2nd half 2022



Continued focus on employee engagement

✓ Employee Engagement Stats



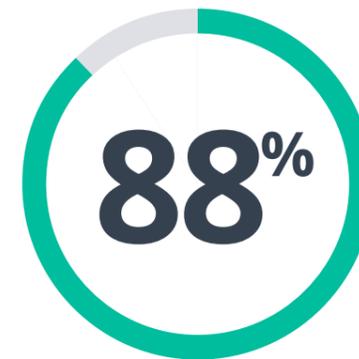
CARING

From Culture Amp study **80%** recommended their company as a having a great workplace culture.



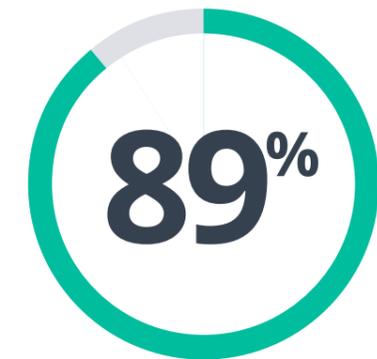
JUSTICE

From PWC study states **75%** believe diversity is stated as a value or priority area in the organisation.



ENGAGEMENT

From Culture Amp 2022 survey: Australia returned an engagement score of **69%**.



INNOVATION

From PWC Workforce Study, **47%** of TMT organisations believe the company is leading in their strategic approach to technology.



Great Place To Work Certified™

We've created a unique working environment because we believe in inclusivity, diversity, and trust. Living and breathing these values is fundamental to our open-door policy, allowing people to thrive personally and professionally. People are the most important part of our company and that's why we're proud to officially be a Great Place To Work Certified™ company.





Financial Highlights

Group financial performance and cash flow

(Continuing operations)

| | HY22 | HY21 | GROWTH | | HY22 | HY21 |
|------------------------|------|------|--------|--|-------|--------|
| | \$ M | \$ M | % | | \$ M | \$ M |
| ✓ Revenue - normalised | 27.0 | 26.5 | +2% | ✓ Operating Cashflow (before development) | | |
| | | | | Continuing operations | 11.2 | 10.8 |
| | | | | Discontinued operations | 5.3 | 5.9 |
| ✓ EBITDA - normalised | 11.1 | 10.4 | +6% | ✓ Development Spend | | |
| | | | | Continuing operations | (7.5) | (5.8) |
| | | | | Discontinued operations | (3.5) | (4.0) |
| ✓ NPAT - normalised | 4.1 | 3.8 | +8% | ✓ Dividend Paid | (2.3) | (2.3) |
| | | | | ✓ Proceeds on sale of Reckon Docs business | - | 12.9 |
| | | | | ✓ Debt Repaid | (1.9) | (17.2) |

ACCOUNTING AND PAYROLL SOLUTIONS FOR SMES

Business Group Financials

A subscription business with consistently strong online growth

✓ Financial performance

Revenue

- Consistently strong cloud revenue growth
- Annualised cloud unit growth: 10%
- Subscription revenue is 99% of available revenue

✓ Revenue

| | HY22 \$ M | HY21 \$ M | GROWTH |
|--|--------------|--------------|--------|
| CLOUD SUBSCRIPTION | 11.3 | 10.4 | 9% |
| DESKTOP SUBSCRIPTION | 8.6 | 8.3 | 4% |
| SUBSCRIPTION | 19.9 | 18.7 | 6% |
| PERPETUAL / SERVICE / OTHER RECURRING | 2.0 | 2.6 | -24% |
| TOTAL | 21.9 | 21.3 | 3% |
| EBITDA | 12.3 | 11.6 | 6% |

Legal Group Financials

Growing subscription revenue and a top tier customer base

✓ Financial highlights

Revenue

- Subscription is 86% of revenue
- Solid subscription growth in HY22

✓ EBITDA

- Investment in sales and development teams for future growth continues

✓ Revenue

| | HY22 \$ M | HY21 \$ M | GROWTH |
|---------------------|--------------|--------------|--------|
| SUBSCRIPTION | 4.4 | 4.2 | +5% |
| UPFRONT AND SERVICE | 0.7 | 0.9 | -26% |
| CONSTANT CURRENCY | 5.1 | 5.1 | -1% |
| CURRENCY IMPACT | - | (0.3) | |
| REPORTED REVENUE | 5.1 | 4.9 | |

✓ EBITDA

| | | |
|--|-------|-------|
| NORMALISED AT CONSTANT CURRENCY | 0.2 | 0.4 |
| NON-CASH TREASURY EXPENSE, TRANSACTION COSTS AND CARES LOAN | (0.4) | (0.6) |
| CURRENCY IMPACT | - | - |
| REPORTED | (0.2) | (0.1) |

PRACTICE MANAGEMENT AND COMPLIANCE SOFTWARE FOR ACCOUNTING FIRMS

Accountant Group Financials

(Discontinued operations)

Stable subscription revenue and an impressive customer base

✓ Financial highlights

Revenue

- Division sold effective 1 August 2022 for \$100m
- Content business sold March 2021

✓ Revenue

| | HY22 \$ M | HY21 \$ M | GROWTH |
|-----------------------------------|--------------|--------------|--------|
| SUBSCRIPTION | 11.3 | 11.2 | +1% |
| UPFRONT AND SERVICE | 0.3 | 0.2 | +60% |
| | <u>11.6</u> | <u>11.4</u> | +2% |
| CONTENT - DISCONTINUED OPERATIONS | - | 0.7 | |
| TOTAL | <u>11.6</u> | <u>12.1</u> | |

✓ EBITDA

| | | | |
|-----------------------------------|------------|------------|-----|
| REMAINING ACCOUNTANT GROUP | 6.7 | 6.4 | +4% |
| TRANSACTIONS COSTS | (0.6) | (0.1) | |
| DISCONTINUED OPERATIONS (CONTENT) | - | (0.3) | |
| | <u>6.1</u> | <u>6.6</u> | |



Questions

APPENDIX ONE

Additional Information

| | HY22 | HY21 | GROWTH |
|---|-------------|-------------|--------|
| | \$ M | \$ M | % |
| ✓ Revenue | | | |
| Revenue from continuing operations at constant currency (Non-IFRs) | 27.0 | 26.5 | 2% |
| Discontinued operations | 11.6 | 12.1 | |
| Currency impact | - | (0.3) | |
| Reported revenue | <u>38.6</u> | <u>38.3</u> | |
| ✓ EBITDA | | | |
| EBITDA from continuing operations at constant currency (Non-IFRs) | 11.1 | 10.4 | 6% |
| Discontinued operations | 6.1 | 6.6 | |
| Transaction costs and acquisition related non-cash treasury share expenses (Continuing operations) | (0.4) | (0.6) | |
| Reported EBITDA | <u>16.8</u> | <u>16.4</u> | |
| ✓ NPAT | | | |
| NPAT from continuing operations at constant currency (Non-IFRs) | 4.1 | 3.8 | 8% |
| Transaction costs and acquisition related non-cash treasury shares expenses (Continuing operations) | (0.4) | (0.6) | |
| Discontinued operations | 1.6 | 2.1 | |
| Non-controlling interest | (0.4) | (0.2) | |
| Reported NPAT | <u>4.9</u> | <u>5.1</u> | |

Resources

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reckon.com
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