



ASX Announcement

13 February 2024

Reckon continues to deliver to plan with strong full year performance

4% Revenue Growth, 10% EBITDA Growth and 36% NPAT growth

Reckon Limited (“Reckon” or the “Company”) (ASX: RKN) is pleased to report that it continued its revenue growth from H1 into the second half of the year with its highly profitable Business Group underpinning the continued investment in its cloud-based products and the delivery of strong topline growth for the Legal Group.

Financial highlights:

- Group revenue of \$53.4, up 4% on the previous corresponding period (PcP)
- Recurring revenue up 4% on the PcP to \$49.1m
- EBITDA up 10% compared to PcP to \$19.7m
- NPAT of \$4.9m, up 36% on PcP
- Group operating cash flow for continuing operations net of development spend was \$4.8m
- Net debt of \$2.8m
- Fully franked dividend of \$0.025 per share paid in September 2023 as annual dividend

Operational highlights:

- Legal Group achieved strong subscription revenue growth up 17% to \$10.8m
- Business Group performance strengthened with a 5% uplift in cloud revenues. Paying cloud users increased by 7% over FY22
- \$14.4m invested in cloud-based product development to capitalise on growth opportunities in both business units

Management commentary:

Reckon Group CEO, Mr Sam Allert said: “Reckon continued its H1 performance into the second half of the year delivering to its plan of maintaining revenue growth in the highly profitable and cash generating Business Group to provide the flexibility to invest in its proprietary product, Reckon One, together with the high growth opportunities provided by our US and UK focused Legal Group.

“The revenue growth in the Legal Group highlights the strength of the Legal Group’s core systems (scan, print and cost recovery software). The cloud platform products BillingQ and DataQ provide a value-add solution to Law firms on top of their legacy practice management systems, and our investment in BillingQ and DataQ presents considerable upside opportunity for Reckon given the size of the addressable market in the US and UK. BillingQ also provides an opportunity for increased wallet share on the payments conducted through its collections process.

“Cloud revenue and user growth in the Business Group remains a focus in a competitive market. We continue to look for opportunities to increase our client base as well as the potential wallet share from customers with add-on partners, including partners in financial services and payments processing. The cash generated by the business at 52% EBITDA margin (28% adjusted EBITDA margin after development costs) allowed us to continue to invest in Reckon One and mobile accounting and payroll solutions to facilitate the migration of customers from our legacy platforms and to entice new customers. The development of Reckon One and the migration of customers from our legacy products remains a multi-year journey, but we are focused, and it is



underway. Reckon Payroll was a highlight of the year as we transitioned users from some legacy payroll solutions to our new Reckon One based payroll product.”

“Reckon has a clear plan to leverage the strong cash flow produced by its Business Group to invest in cloud products in both businesses, particularly the high growth opportunity presented by the Legal Group in the US and the UK. The investment in the Legal Group and the continuing development of Reckon One present the best opportunity to improve our valuation and shareholder return.”

“With our history of strong financial management and shareholder returns, our intention remains to pay one dividend annually in September.”

Financial commentary and operations overview:

Group revenue from continuing operations was \$53.4m, up 4% on the previous corresponding period (PcP). The group remains committed to its core strategy of generating consistent growth in revenue and net profit supported by an ongoing priority on R&D spending.

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) during the year was \$19.7m, up 10% on the PcP. Group Net Profit After Tax (NPAT) was \$4.9m, a 36% uplift on the PcP due to the increased EBITDA and a lower effective tax rate as a result of the group's R&D investments offsetting higher amortisation costs.

Group operating cashflow after accounting for \$14.4m of development spend was again solid at \$4.8m (PcP: \$4.6m)

Net Debt remained stable compared to FY22, although an increase on H1 FY23 following the payment of a 2.5 cent fully franked dividend paid on 29 September 2023. For the foreseeable future, the Board anticipates paying one dividend annually after the half year.

Reckon's two core operating divisions – the Small Business Accounting and Payroll group (“Business Group”) and the Legal Practice Management and Workflow group (“Legal Group”) – continued to deliver solid growth.

Momentum in the Business Group was highlighted by another strong year of cloud-based subscription revenue growth, which rose by 5% to \$24.1m.

There was a slight decline in the number of users on Reckon's suite of cloud-based SME products from H1 to approximately 105,000 customers as we discontinued free products. Paying cloud users increased by 7%. In total, subscription revenues from desktop and cloud-based products contributed 92% of total revenues for the division, which rose to \$38.2m for the year.

Reckon's core Business Group operations were complemented by a strong year of growth in the Legal Group, which reported a 17% increase in subscription revenues to \$10.8m.

The full year result for the Legal Group validates the Company's strategy to pursue topline growth for its Practice Management and Workflow software in the lucrative US legal market, which comprises 500 of the world's largest firms and 46,000 mid-size firms.

The Company continues to serve five of the largest US law firms and has a unique opportunity to leverage its footprint and deliver ongoing organic revenue growth.

Reckon's Legal Group strategy is being spearheaded by a highly regarded on-ground management team with a successful track record of developing and distributing legal practice management software in the US market.



Segment performance:

Business Group

- Revenues of \$41.7m (up 2% on PcP)
- Comprising 92% subscription revenue
- EBITDA of \$21.5m, (up 2% on PcP)
- Cloud revenue up by a further 5% on PCP, representing 58% of the division's revenue

Legal Group

- Subscription revenues of \$10.8m, up 17% from PcP (12% in constant currency)
- Third year of consecutive subscription revenue growth
- Continued investment in cloud-based software products
- Ongoing sales & marketing initiatives in the huge US legal market, where there remains an opportunity to introduce cloud practice management products for law firms still largely using desktop software
- Reckon now serves 8 of the 25 largest law firms in the US and 6 of the top 10 law firms in the World

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About Reckon:

Reckon is an Australian listed software company (ASX:RKN) that provides world class software for accountants, bookkeepers, lawyers, SMEs and personal users. The company has offices in Australia, New Zealand, UK and the USA.

Reckon currently operates two divisions:

1. Business Group: provides accounting and payroll software for small to larger sized businesses and personal wealth management software branded as Reckon One, Reckon Mobile and Reckon Accounts Hosted (cloud products), Reckon Accounts Business and Reckon Accounts Personal respectively. The divisions operate predominantly in Australia and New Zealand.
2. Legal Group: provides practice management software and workflow solutions to legal firms for document scanning and routing, print management and cost recovery solutions under the nQZebraworks brand, with a focus on releasing new cloud practice management products. It is operational predominantly in the USA and United Kingdom, with re-sellers in other parts of the world.

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