



Reckon

Business Software for Accountants and Accounting Software for Businesses

Results presentation

Year ended 31 December 2014.

To be read in conjunction with the Appendix 4E and the Accounts

Reckon group

- **The Business Group**

Develops and distributes accounting software solutions on either desktop, hosted or cloud platforms to small and medium sized businesses. It has over 300,000 active customers, and supports over 6,000 partners.

- **The Accountant Group**

The supplier of choice in practice management software to accounting practices, with 4 out of the top 5 firms and over 1,000 larger practices using the comprehensive APS suite, comprising of 73,000 seats across multiple modules. This division also services circa 7,000 practices using our Elite smaller practice management and tax solution or Reckon Docs company secretarial solution.

- **The International Group**

Is an industry leader in enabling business efficiencies for accountants, lawyers and business in general, offering a range of document management, portal, scan and cost recovery solutions to circa 2,000 clients globally.

SOFTWARE THAT CONNECTS

**SMALL / MED
BUSINESS**

ACCOUNTANT

RECKON ONE

SAAS - ONE LEDGER

APS / SYNC DIRECT

ONE PROCESS

VIRTUAL CABINET

*ONLINE COLLABORATION
& DOCUMENTS*



Reckon

LOTS OF OPPORTUNITY

RECKON ONE

- Most Affordable in market (unique pricing model).
- New User Experience and new features (including payroll) launching soon.
- Positive test-group feedback.
- Launch imminent in UK.

RECKON ACCOUNTS HOSTED

- Continual Growth.

APS

- Sync Direct.
- Private Cloud.
- Continual roll-out of modules.

VIRTUAL CABINET

- International expansion to US.
- UK continual growth.
- Australia continual growth through client base.

RECKON DOCS

- Continual Growth.



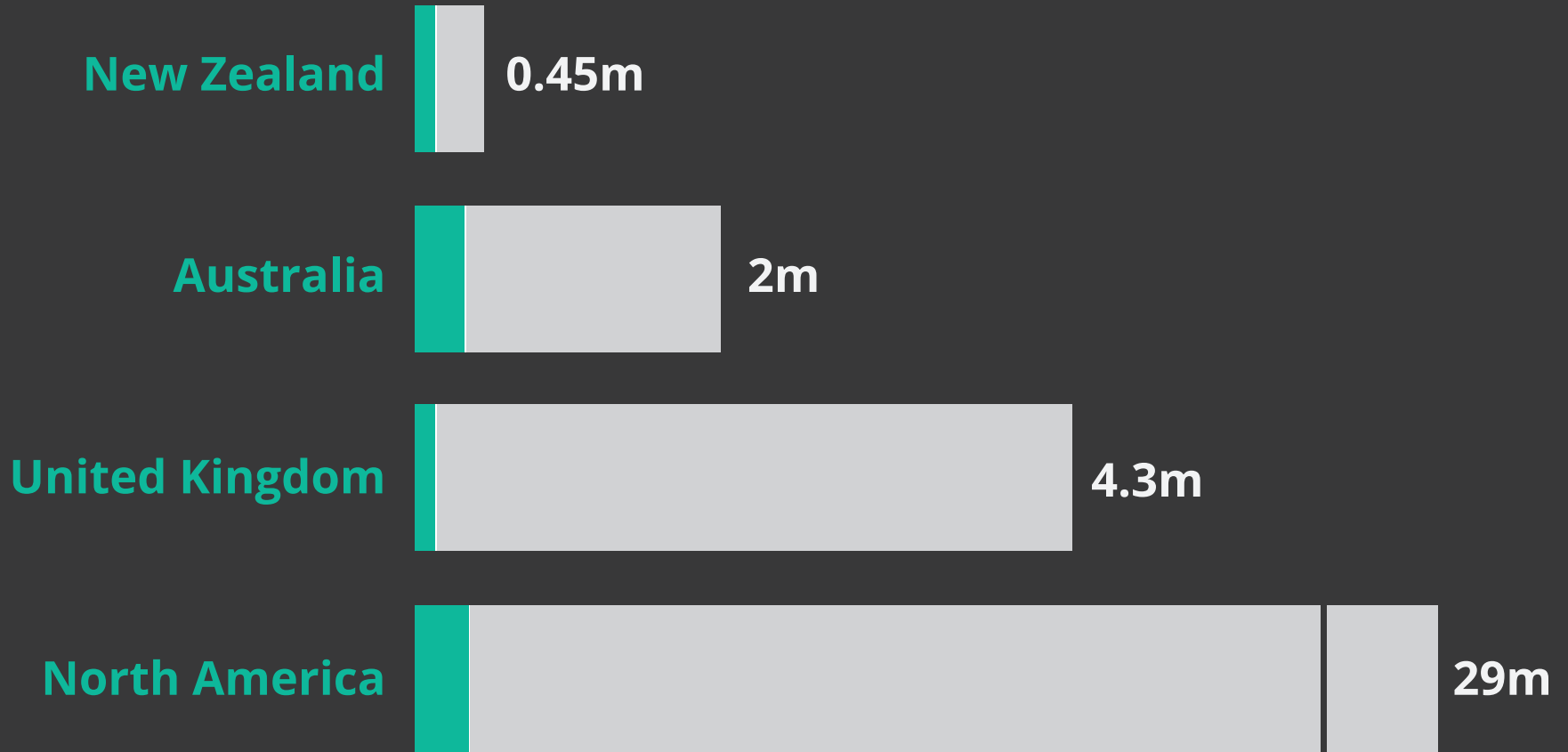
Reckon

AUSTRALIAN BUSINESS OPPORTUNITY



INTERNATIONAL OPPORTUNITY

● IN THE CLOUD



2014 achievements

Strike a balance between profit growth and investment into the business

- EBITDA **+10%**, whilst:
 - Increasing investment in cloud infrastructure, sales capability and product development.
 - Investing in the Reckon One launch in the UK and Virtual Cabinet into the USA.
- EPS **+11%**
- Operating cashflow **+18%**

Volume growth

- **4%** unit growth in core Business Group products (online now represents 41% of those units).
- **9%** Growth in Practice management seats in the Accountant Group.
- **10%** unit growth in the Reckon Docs business.
- **25%** growth in Virtual Cabinet seats in the International Group.

Grow the subscription component of the group revenue to enhance further long term sustainability

- **86%** of Practice management revenue in the Accountants Group is now subscription (from 79% in 2013).
- **62%** of core Business Group units are now subscription (from 53% in 2013).
- **78%** of International group revenue is now subscription (from 76% in 2013).

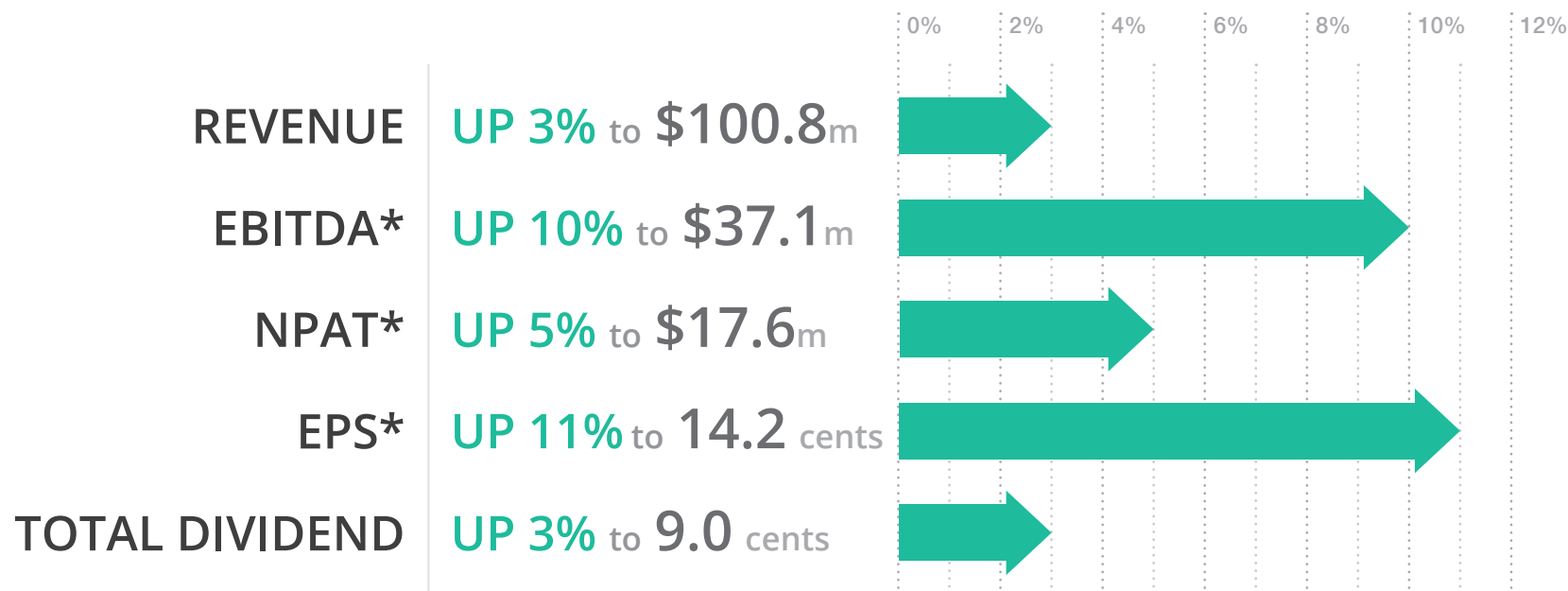
Expand cloud capability and reach

- Next generation Hosted product launched Q3 2014.
- Reckon One launched in Q1 2014, with the next generation Reckon One product on the track for a Q2 release.
- Reckon One launched in NZ in Q4 2014.
- Reckon One UK launch expected in 2015.
- Good progress on moving practice management to the cloud.
- Stellar growth in Virtual Cabinet in the UK, Australia and NZ. USA expansion commenced.
- Sync Direct gaining momentum.

Share buyback of Intuit shares - completed July 2014.

Performance highlights

Year ended 31 December 2014



* Growth percentages exclude the impact of the profit on sale of the investment in Connect2Field in 2013.

Revenue growth

Year ended 31 December 2014

| | 2014 | Growth | 2013 |
|------------------------------|---------------|------------|--------------|
| Subscription product revenue | 52.1m | +11% | 46.8m |
| Other recurring revenue | 14.3m | -6% | 15.2m |
| Upfront and service revenue | 13.9m | -19% | 17.2m |
| Content revenue | 20.5m | +9% | 18.9m |
| | 100.8m | +3% | 98.1m |

Reckon group

Year ended 31 December 2014 (normalised)

| | 1ST HALF \$ Millions | 2ND HALF \$ Millions | FULL YEAR \$ Millions |
|------------------------|---------------------------------|---------------------------------|----------------------------------|
| 2014 Operating Revenue | 51.1m | 49.7m | 100.8m |
| 2013 Operating Revenue | 49.5m | 48.6m | 98.1m |
| 2014 EBITDA | 19.3m | 17.8m | 37.1m |
| 2013 EBITDA | 17.4m | 16.5m | 33.9m |

Business group results

Year ended 31 December 2014

| | REVENUE | 2014 | Growth | 2013 |
|------------------------------|---------|--------------|------------|--------------|
| Subscription product revenue | | 16.3m | +12% | 14.5m |
| Other recurring revenue | | 14.3m | -6% | 15.2m |
| Upfront and service revenue | | 6.2m | -19% | 7.7m |
| | | 36.8m | -1% | 37.4m |
| | EBITDA | 19.1m | +20% | 16.1m |

Revenue

- The business has been substantially de-risked.
- Core product units now comprise:



- +41% Subscription Online (32% in 2013)
- +21% Subscription desktop
- +32% Other recurring
- +6% Perpetual licences, etc

Overheads

- Saving of \$5m in Intuit royalty, partly re-invested some of the royalty saving in online infrastructure, sales capability and product development.

Accountant group results

Year ended 31 December 2014

| REVENUE | 2014 | Growth | 2013 |
|------------------------------|-------|--------|-------|
| Subscription product revenue | 22.3m | +9% | 20.4m |
| Upfront and service revenue | 3.4m | -34% | 5.2m |
| Content revenue | 20.5m | +9% | 18.9m |
| | 46.2m | +4% | 44.5m |
| EBITDA | 16.5m | +1% | 16.3m |

Revenue

- 9% increase in number of practice management seats.
- Aggressively moved the business to a subscription model in 2014.
 - Some level of upfront / service revenue will remain in future.
- Content business has experienced a strong second half.
 - Volume growth of 10%.

Overheads

- Cost base maintained despite additional volume.
- Cost increase relates to COGS on content business (ASIC fees).

International group results

Year ended 31 December 2014

| | REVENUE | 2014 | Growth | 2013 |
|------------------------------|---------|-------|--------|-------|
| Subscription product revenue | | 14.0m | +14% | 12.2m |
| Upfront and service revenue | | 3.8m | -6% | 4.0m |
| | | 17.8m | +9% | 16.2m |
| | EBITDA | 6.1m | +19% | 5.1m |

Revenue

- Strong new customer acquisition in Virtual Cabinet.
 - 25% increase in the number of seats.
- Mixed results in nQueue, with USA solid, but UK and Australia weaker.

Overheads

- Investment in UK online sales capacity continues.
- Investment in expansion into the USA with Virtual Cabinet.

EBITDA margin

Year ended 31 December 2014 (normalised)

| | 2014 | 2013 |
|---------------------|--------------|--------------|
| Business Group | 52.1% | 43.1% |
| Accountants Group | 35.6% | 36.5% |
| International Group | 34.5% | 31.6% |
| Group | 36.8% | 34.5% |

Cash flow highlights

Year ended 31 December 2014

| | 2014 | 2013 | |
|---|----------------|-----------|------|
| Net debt | \$41.4m | | |
| Operating cash flow | \$31.3m | \$26.5m | +18% |
| Capitalised development cost expenditure (net of grant) | (\$15.3)m | (\$13.1)m | |
| Fixed asset acquisitions | (\$0.8)m | (\$1.5)m | |
| Dividends paid | (\$10.7)m | (\$11.3)m | |
| Share Buyback | (\$27.5)m | (\$5.5)m | |
| Further 20% of Virtual Cabinet | (\$2.4)m | - | |

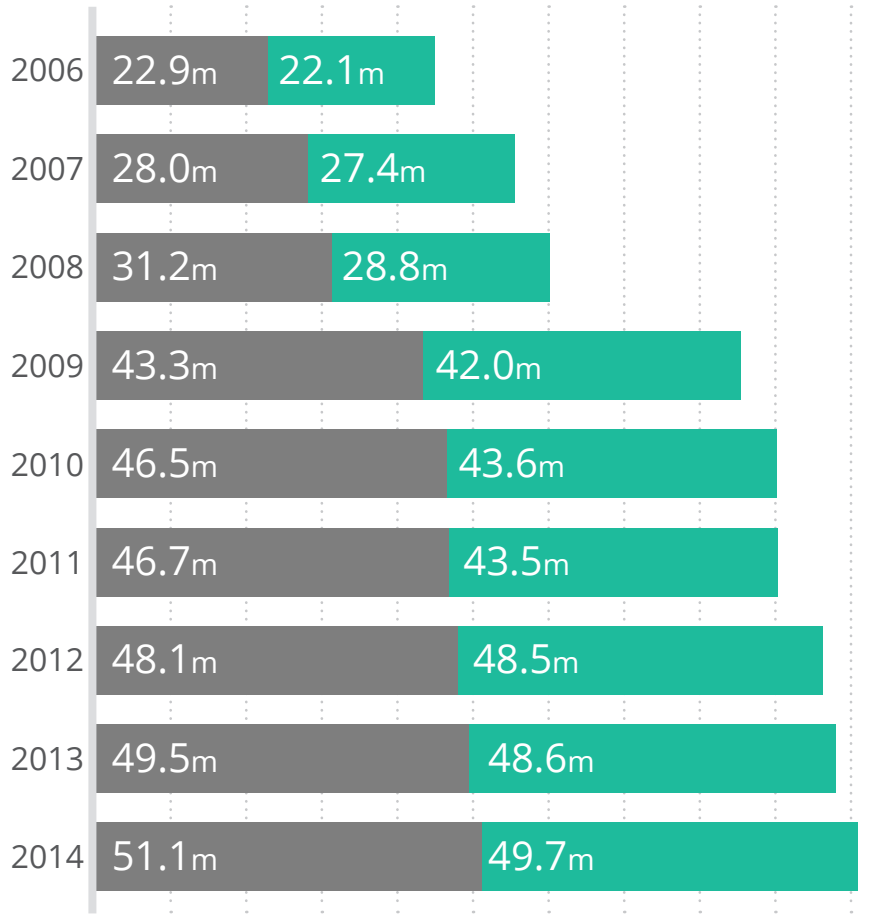
Group Trends

- Half Year
- 2nd Half

OPERATING REVENUE

\$ MILLIONS

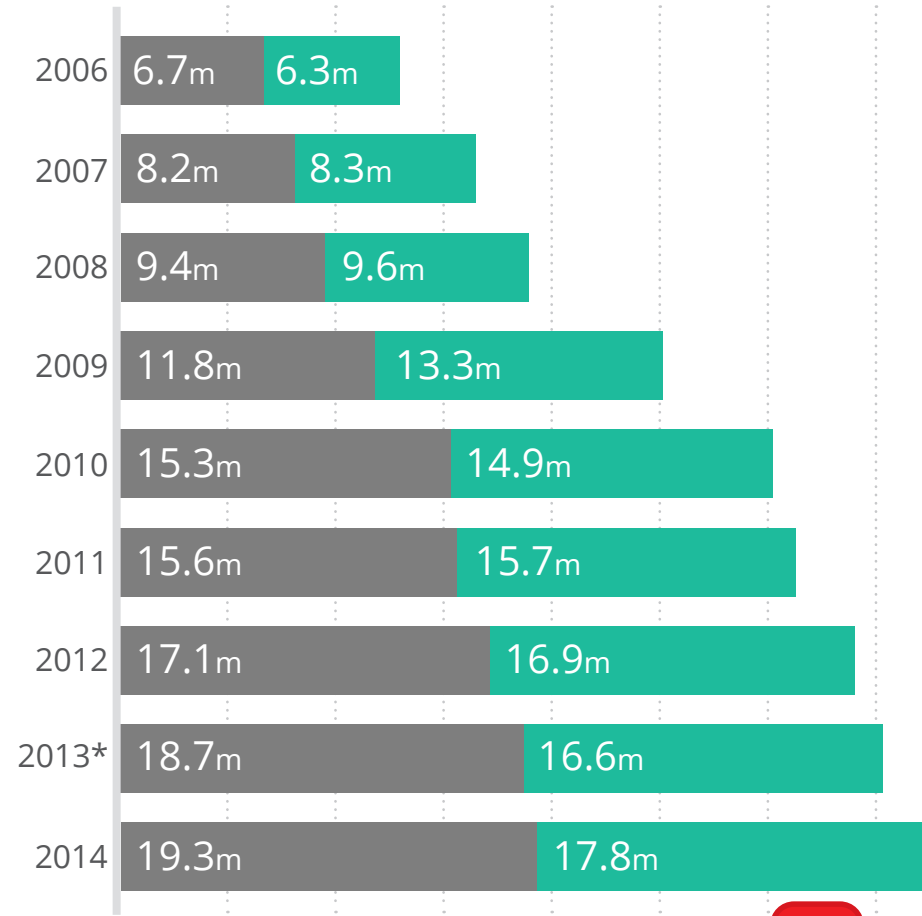
0 10 20 30 40 50 60 70 80 90 100



EBITDA

\$ MILLIONS

0 5 10 15 20 25 30 35



* Includes profit on sale of investment of \$1.4m

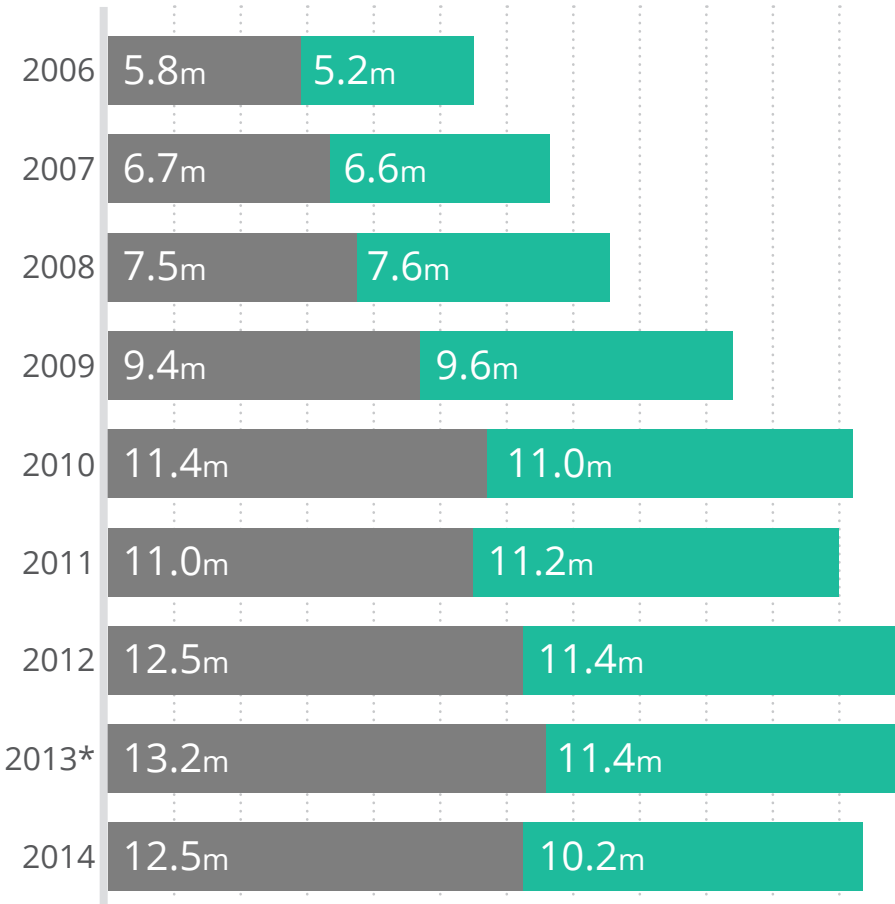
Group Trends

● Half Year
● 2nd Half

NPBT

\$ MILLIONS

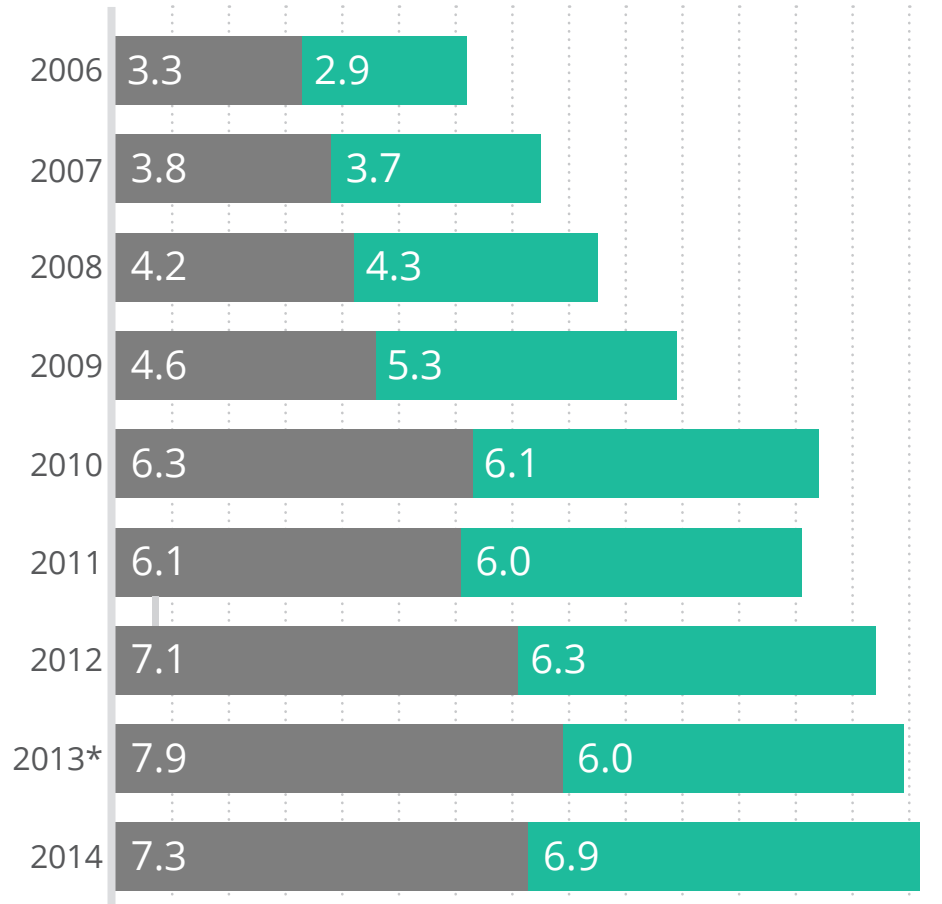
0 2 4 6 8 10 12 14 16 18 20 22 24



EPS

CENTS

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14



* Includes profit on sale of investment of \$1.4m

Future opportunities

- **Business Group**

- **Reckon Accounts:** organic growth generated by the Hosted product.
- **Reckon One:** launch of the next version of the product in Q2.
- **Reckon Pay:** will be launched in collaboration with NAB in Q2.

- **Accountant Group**

- Organic growth from building the subscription base particularly from Virtual Cabinet, Private Cloud, Workpaper Management and Sync Direct products.
- Subscription pricing increases the addressable market.
- Expand content reach into the accountants base.

- **International Group**

- Team focused on meeting 2015 targets for Virtual Cabinet.
- USA launch of Virtual Cabinet in 2015.
- Reckon One launch in UK in 2015.



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Questions

thank you