



Reckon®

Results Presentation

For the twelve months ended 31 December 2018

To be read in conjunction with Appendix 4E and Accounts



The Reckon Story

Our mission is to bring millions of businesses and professionals closer together with our software to create a brave new, connected economy...

It's been quite a ride already. Hundreds of Thousands of businesses around the world use Reckon software, from small businesses to the majority of top accounting firms in Australia and NZ and many of the worlds leading legal firms.

We owe a huge amount to our loyal Partners, our gifted in-house team, and our active customer base. It is shaping up to be an exciting future as we continue to launch innovations into the market.

Business segments:

1. Business

We continue to add to and enhance our ecosystem for small businesses. Reckon One continues to grow at the core of the ecosystem, and with the addition of Point Of Sale, Better Clinics (Scheduling and CRM), and Single Touch Payroll compliance our offerings and markets have expanded.

2. Practice Management - Accountants

Our Reckon APS software is the market leading platform for accountants. APS is increasingly using cloud technology to enable greater mobility for accountants. Client Data, Timesheets, and Insight Reporting are now available anytime, on any device.

3. Practice Management - Legal

nQueue Billback is used by some of the leading legal firms in the world. The new scanning and print management solutions are expected to drive growth.



Sam Allert
Reckon CEO



Clive Rabie
Reckon MD



The agenda

1. Business update - CEO
 2. Financial update - CFO
 3. Reckon Strategic Direction
 4. Q & A
-

1. CEO update



Sam Allert
RECKON CEO



Core areas of the business



BUSINESS GROUP

An ecosystem for
small businesses

We provide accounting software to SME's around the world. Hundreds of thousands of businesses have used our software, and we have a partner network of over 6,000.



PRACTICE MANAGEMENT - ACCOUNTANT GROUP

A platform for
accountants

Market leaders with our APS platform for multi-disciplinary Accounting Firms.
7 of the top 10 firms use our APS software.



PRACTICE MANAGEMENT - LEGAL GROUP

Cost recovery,
scanning and print
solutions for legal firms

Cost recovery, scanning and print solutions used by some of the worlds leading legal firms.



Our Focus – Set ourselves up for growth



Cloud first strategy

FOCUS ON CLOUD SUBSCRIPTION

Focus on customer migration to the cloud.

Cloud subscription revenue in Business Group is now 45% of available revenue.

Business Group cloud users now at over 54,000.

APS cloud functionality well underway, Client Data, Insight Reporting, Timesheets.



Expanding Product Range

A FOCUS TO BUILD OUT OUR ECOSYSTEM

Single Touch Payroll Solution

Cloud Point Of Sale Solution

BankData Feeds for Accountants

Cloud scheduling and CRM

White Labeled Cloud Accounting

Cloud Timesheets

Mobile interface for Accountants

Scan Solution



New Markets Created

STRATEGY TO UNLOCK NEW REVENUE STREAMS

Medical / Health

Franchises

White label
distribution channels

Education

Results summary

Continuing Businesses

Revenue

\$75.4
million

-6% ↓

EBITDA

(Excluding transaction costs)

\$30.6
million

-2% ↓

NPAT

(Excluding transaction costs)

\$8.8
million

+2% ↑



Results summary

✓ Revenue

	FY18 \$ M	FY17 \$ M	GROWTH
SUBSCRIPTION REVENUE			
BUSINESS	27.8	27.2	+2%
ACCOUNTANT	23.3	23.6	-1%
LEGAL	8.4	8.9	-5%
	<u>59.5</u>	<u>59.7</u>	
OTHER REVENUE	16.0	20.6	-23%
TOTAL REVENUE - CONTINUING BUSINESS	<u>75.4</u>	<u>80.3</u>	-6%



OVERHEADS - CONTINUING BUSINESS

	<u>44.8</u>	<u>49.1</u>	-9%
EBITDA	<u>30.6</u>	<u>31.3</u>	-2%



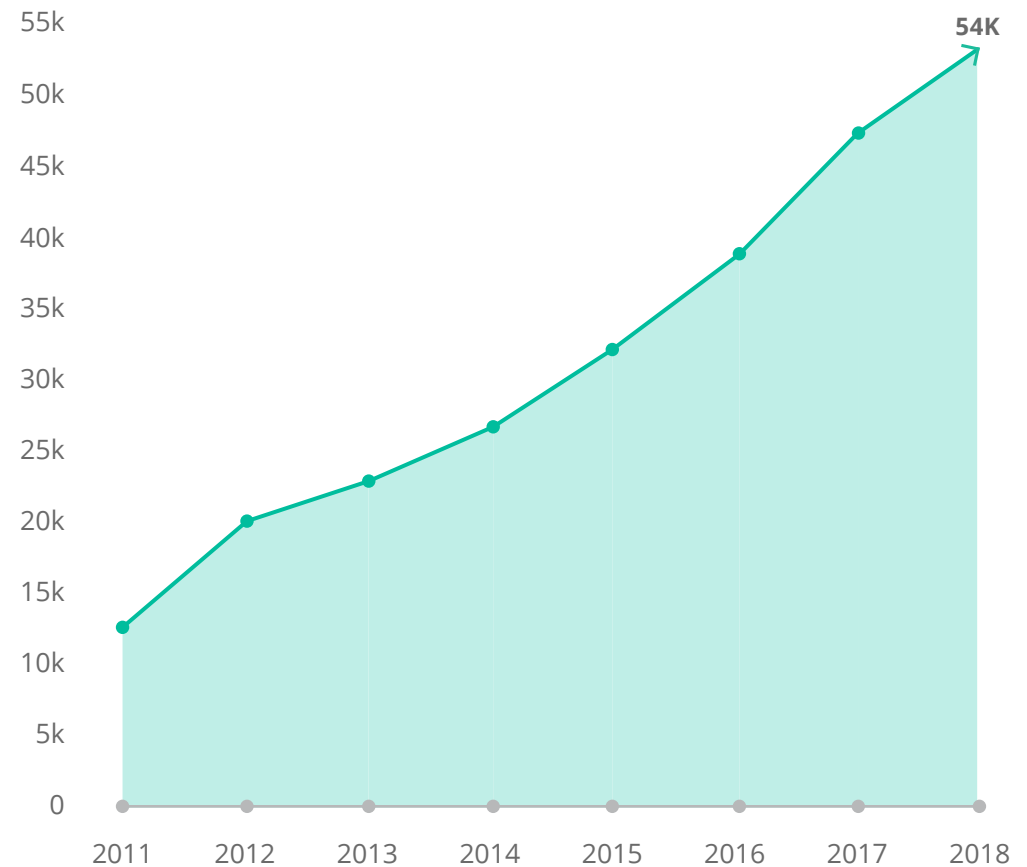
Business Group highlights

- ✓ Over 54,000 cloud users (17% annualised user growth).
- ✓ 8% cloud revenue growth over FY17.
- ✓ 45% of available revenue is now cloud.
- ✓ Released new products for growth.
- ✓ Opened new markets for growth (Allied Health - Physio's Chyro's Personal Trainers).



Online user growth

USERS



ReckonGovConnect 

 **BOOKS+**
A RECKON PRODUCT 

BetterClinics
A RECKON PRODUCT 

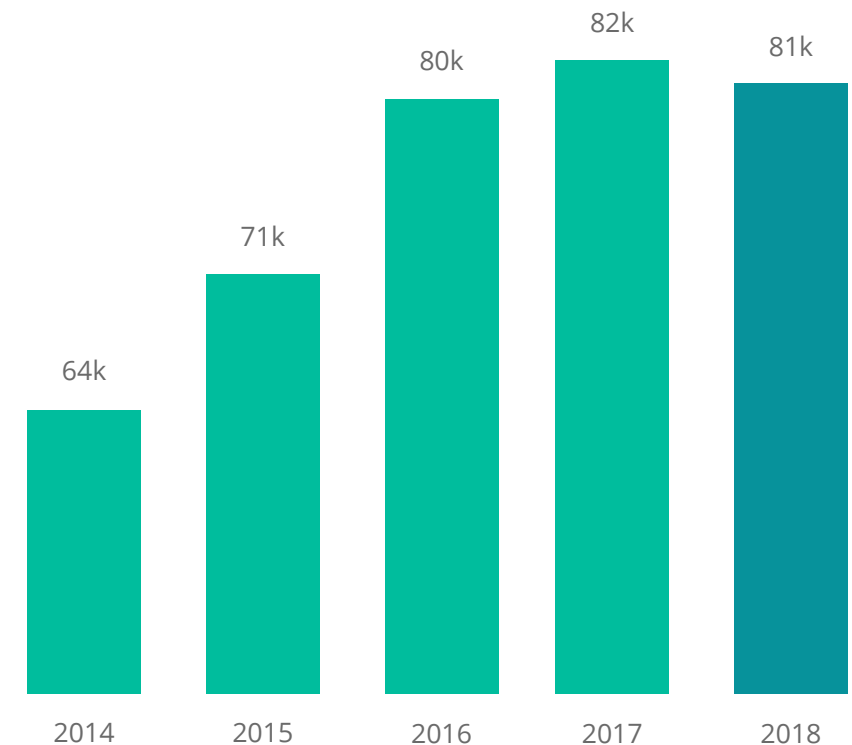


Practice Management Accountant Group highlights

- ✓ Subscription revenue solid despite disruption to business.
- ✓ Impressive customer list.
- ✓ APS Move to the cloud – PM 11, SD, Timesheets PIQ dashboard reporting.
- ✓ New products for growth: CR, BD.



Reckon APS seat growth*



* Restated for modules now bundled into Practice Management.

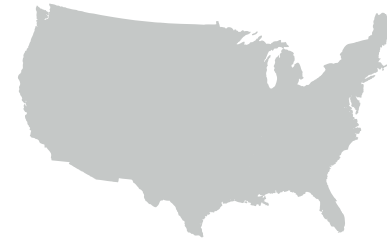


Practice Management - Legal

- ✓ Repositioned the division from Cost Recovery provider to detailed WorkFlows expert in three key areas:
 - Cost Recovery
 - Print Management
 - Uniform Advanced Scanning
- ✓ Development of a Channel Sales Network, which now includes:
 - Canon USA
 - Pacific Office Automation (POA)
 - Konica Minolta Worldwide
 - And a growing list of local & regional providers
- ✓ Expanding scan opportunity to new markets such as: HealthCare and Accounting.
- ✓ Development team focused on next generation product - now ready for launch.
- ✓ Early stage transition from upfront purchase model to subscription only model.
- ✓ Major countries operational:



UK



USA



AU

Also: South Africa, Canada, Europe, Asia.



2. Financial Update



Chris Hagglund
RECKON CFO



Financial performance

✓ Revenue

	FY18	FY17	GROWTH
	\$ M	\$ M	%
CONTINUING BUSINESS	75.4	80.3	-6%
DISCONTINUED	-	10.0	
	<u>75.4</u>	<u>90.3</u>	

✓ EBITDA

CONTINUING BUSINESS	30.6	31.3	-2%
DISCONTINUED	-	1.9	
TRANSACTION COSTS	(1.4)	(1.6)	
	<u>29.2</u>	<u>31.6</u>	

✓ NPAT

	\$ M	\$ M	
CONTINUING BUSINESS	8.8	8.7	+2%
TRANSACTION COSTS	(1.1)	(1.2)	
DISCONTINUED	-	0.1	
	<u>7.7</u>	<u>7.6</u>	



Business financials

Subscription business with strong online growth.

✓ Revenue

	FY18	FY17	
	\$ M	\$ M	GROWTH
SUBSCRIPTION	27.8	27.2	2%
LOAN INCOME	0.9	0.7	28%
OTHER	6.5	8.0	-18%
TOTAL	35.2	35.9	-2%

✓ EBITDA

17.0	17.2	-2%
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✓ Revenue by half



✓ Financial performance

- Revenue
 - ARPU impacted by faster growing Reckon One.
 - Subscription now 89% of available revenue.
 - 8% cloud revenue growth (45% of available revenue is now cloud).
- EBITDA
 - Invested in Reckon One sales and marketing particularly related to:
 - IPA
 - STP
 - Better Clinics

✓ EBITDA by half





Practice Management Accountant Group Financials

Subscription focus with an already impressive customer base.

✓ Revenue

	FY18 \$ M	FY17 \$ M	GROWTH
SUBSCRIPTION	23.3	23.6	-1%
UPFRONT AND SERVICE	0.5	1.2	-60%
CONTENT	5.6	6.6	-15%
TOTAL	<u>29.4</u>	<u>31.4</u>	-6%

✓ EBITDA

<u>15.4</u>	<u>15.3</u>	-
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✓ Revenue by half



✓ Financial highlights

- Revenue
 - Solid subscription revenue in difficult circumstances.
 - Content market moving to subscription.
 - Subscription now 98% of available software revenue.
- EBITDA
 - Effective cost management during sale process.

✓ EBITDA by half





Practice Management-Legal financials

Impressive customer base with strong opportunity to grow scan & print markets

✓ Revenue

	FY18 \$ M	FY17 \$ M	GROWTH
SUBSCRIPTION	8.4	8.9	-5%
UPFRONT AND SERVICE	2.4	4.1	-42%
TOTAL	10.8	13.0	-17%

✓ EBITDA

1.6	3.4	-52%
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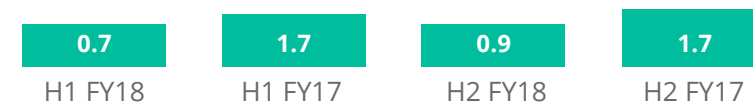
✓ Revenue by half



✓ Financial highlights

- Revenue
 - Strong scan growth, but weaker cost recovery renewals.
 - High upfront / service revenue in FY17.
 - Subscription now 78% of revenue.
- EBITDA
 - Continue to invest in sales and marketing for scan products.
 - Significant bad debt write-off of \$0.8m.

✓ EBITDA by half

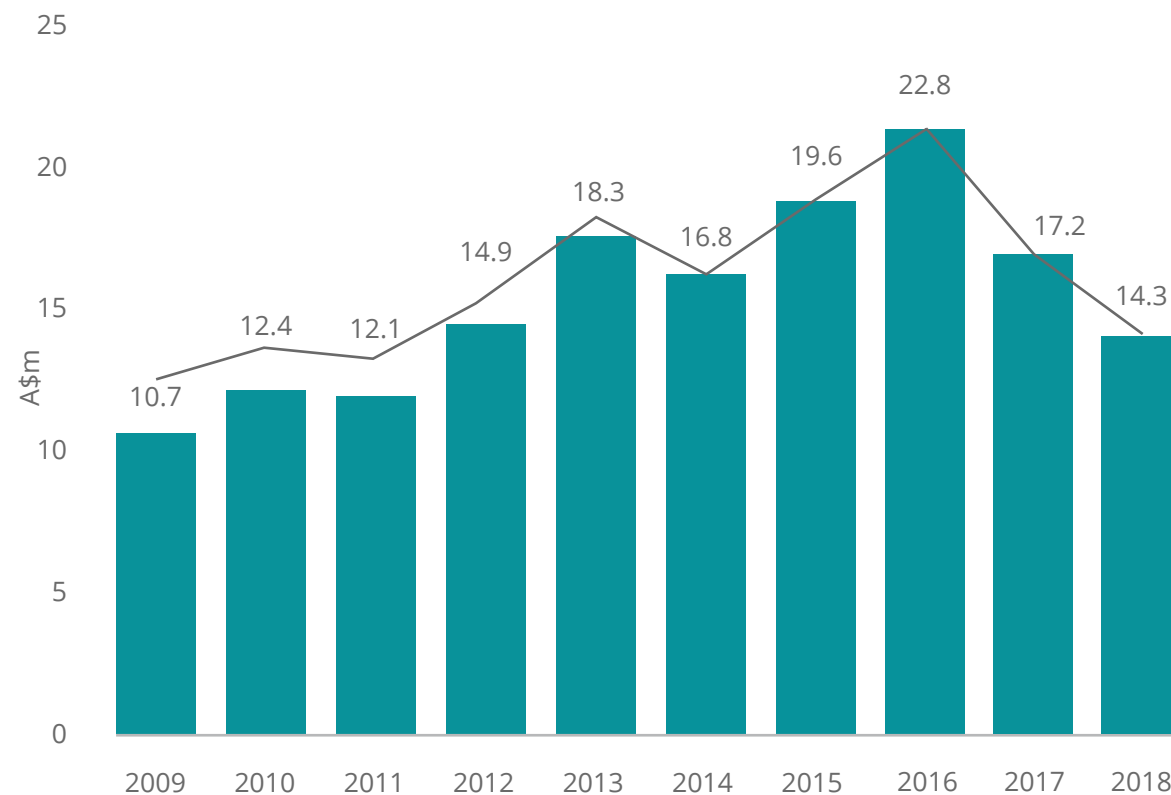


Cashflow highlights

	FY18	FY17
	\$ M	\$ M
OPERATING CASHFLOW:		
CONTINUING BUSINESS	10.9	10.9
DISCONTINUED BUSINESS	-	(1.2)
DEBT REPAYED	(6.0)	(1.0)
DIVIDENDS PAID	(3.4)	(3.4)

- ✓ Cash spend on development is lower than depreciation and amortisation.
- ✓ Development spend is 19% of revenue.
- ✓ 2018 Development spend reduced largely due to Document Management de-merger

Development spend



3. Reckon Strategic Direction



Sam Allert
RECKON CEO



Focus on growth



Target cloud
growth



Grow new product
revenue



Grow new market
revenue



New products and markets for growth

ReckonGovConnect 

- ✓ Single touch payroll
- ✓ Over 750,000 SME's with 19 or less employees will require STP compliant software by 1 July 2019
- ✓ Only Provider that has enabled STP for Online, Desktop, and Hosted solutions

 **BOOKS+**
A RECKON PRODUCT 

- ✓ First of its kind industry partnership with launch of Books + a white labelled version of Reckon One
- ✓ 35,000 IPA Members with reach into over 1 million small businesses in Australia
- ✓ Global Agreement with other territories including UK

New products and markets for growth



- ✓ Bank feed processing tool for accountants and bookkeepers
- ✓ Advisor functionality for supporting non-trading entities
- ✓ Most affordable bank feed solution for advisors



- ✓ Major release of Practice Management providing cloudification
- ✓ Cloud timesheets and APS client hub
- ✓ Integration with 3rd party complimentary solutions Infotrack, Synergy Collect, Xeppo



New products and markets for growth

BetterClinics

A RECKON PRODUCT 

- ✓ Launch of cloud-based practice management software for health, medical, and fitness professionals
- ✓ Focus on allied health market (Physio's, Chiro's, Personal Trainers etc) total market potential over 120,000
- ✓ Complimentary integration with Reckon One, Payroll, and POS

InfoRoute5

SCAN & PRINT SOLUTIONS

- ✓ Completely re-written and decoupled from the cost recovery product.
- ✓ Complementary products that can be sold into our existing loyal customer base
- ✓ Enables expansion opportunities beyond the legal market

4. Q & A



Resources



Website
reckon.com



About us
reckon.com/au/about-us



Investors
reckon.com/au/investors



Media
reckon.com/au/media

