



# Investor Presentation

For the half year ended 30 June 2022

To be read in conjunction with Appendix 4D and Accounts



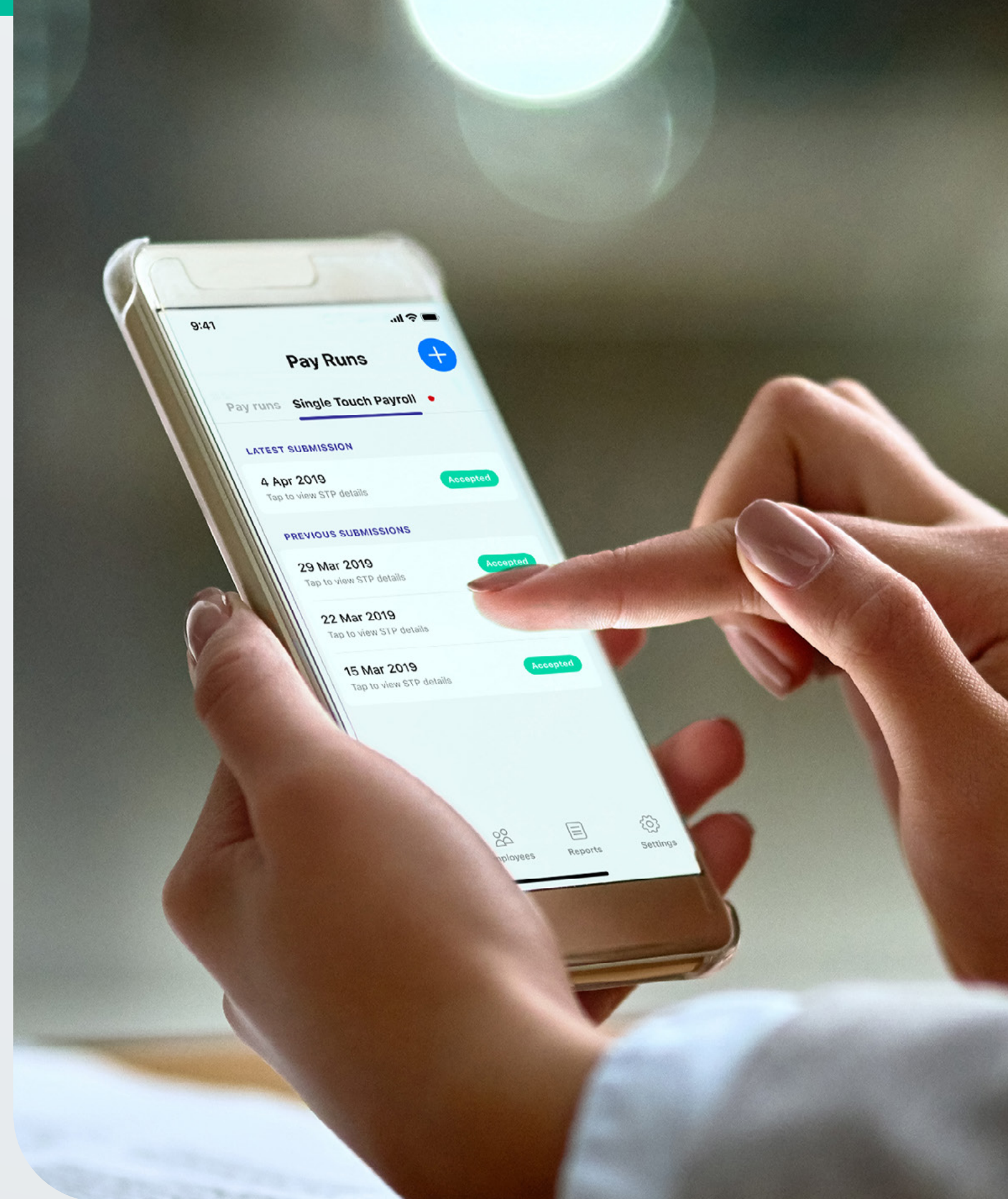


# Overview

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

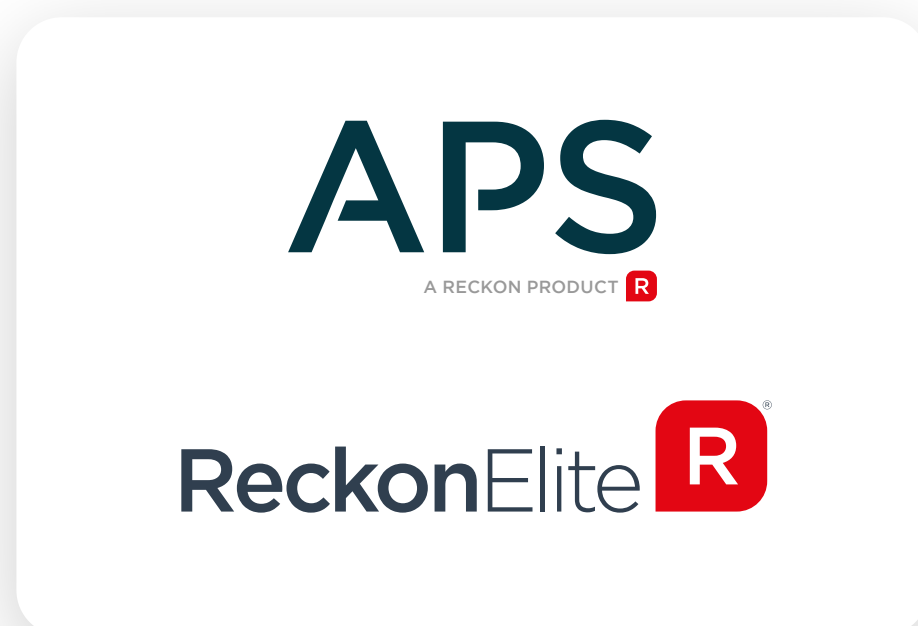
\* Non-IFRs: Growth has been normalised and is at constant currency. (Applies to all results in this presentation refer appendix 1)



# 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

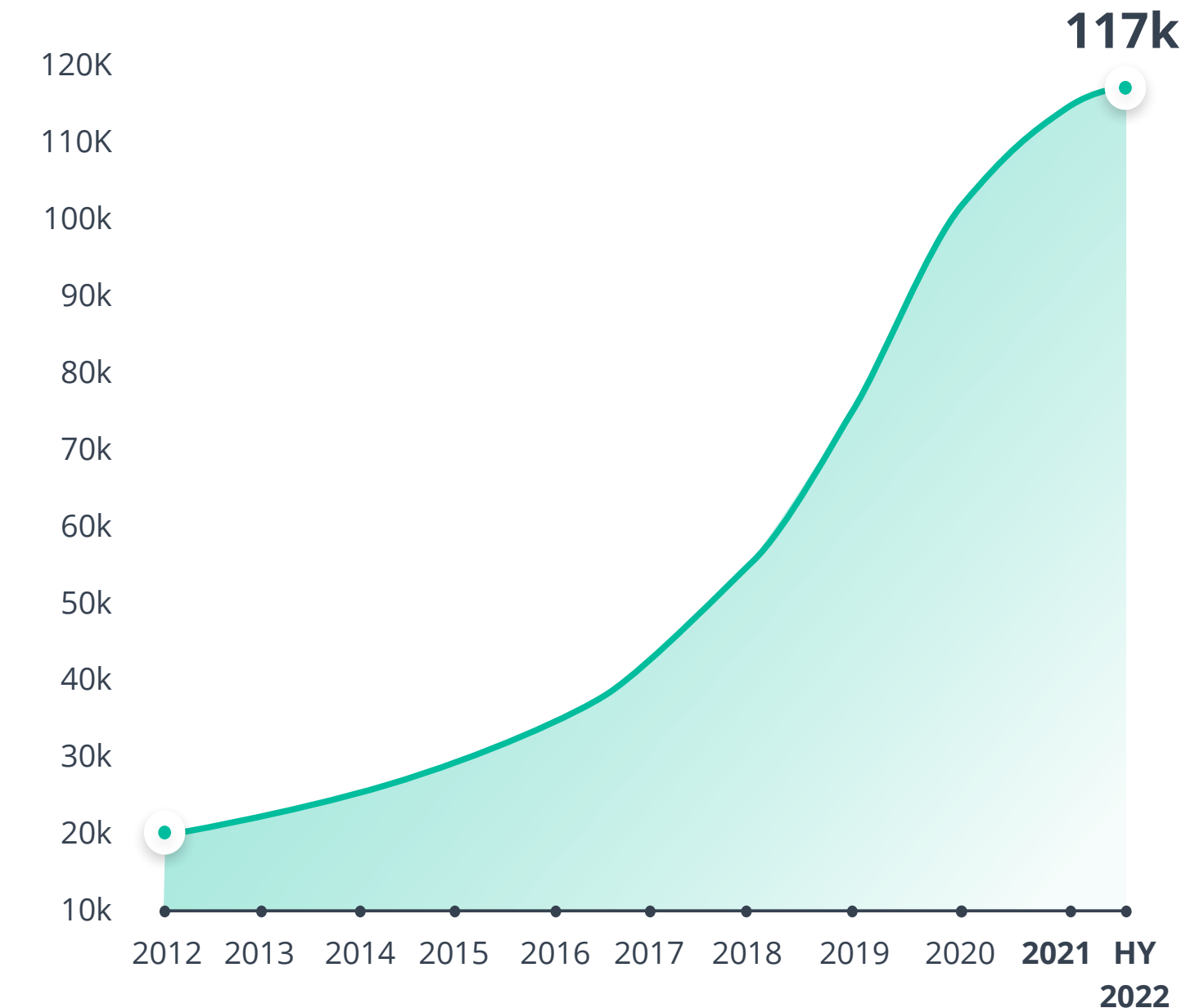
\* Non-IFRs: Growth has been normalised and is for continuing businesses at constant currency. (Applies to all results in this presentation refer appendix 1)

# 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

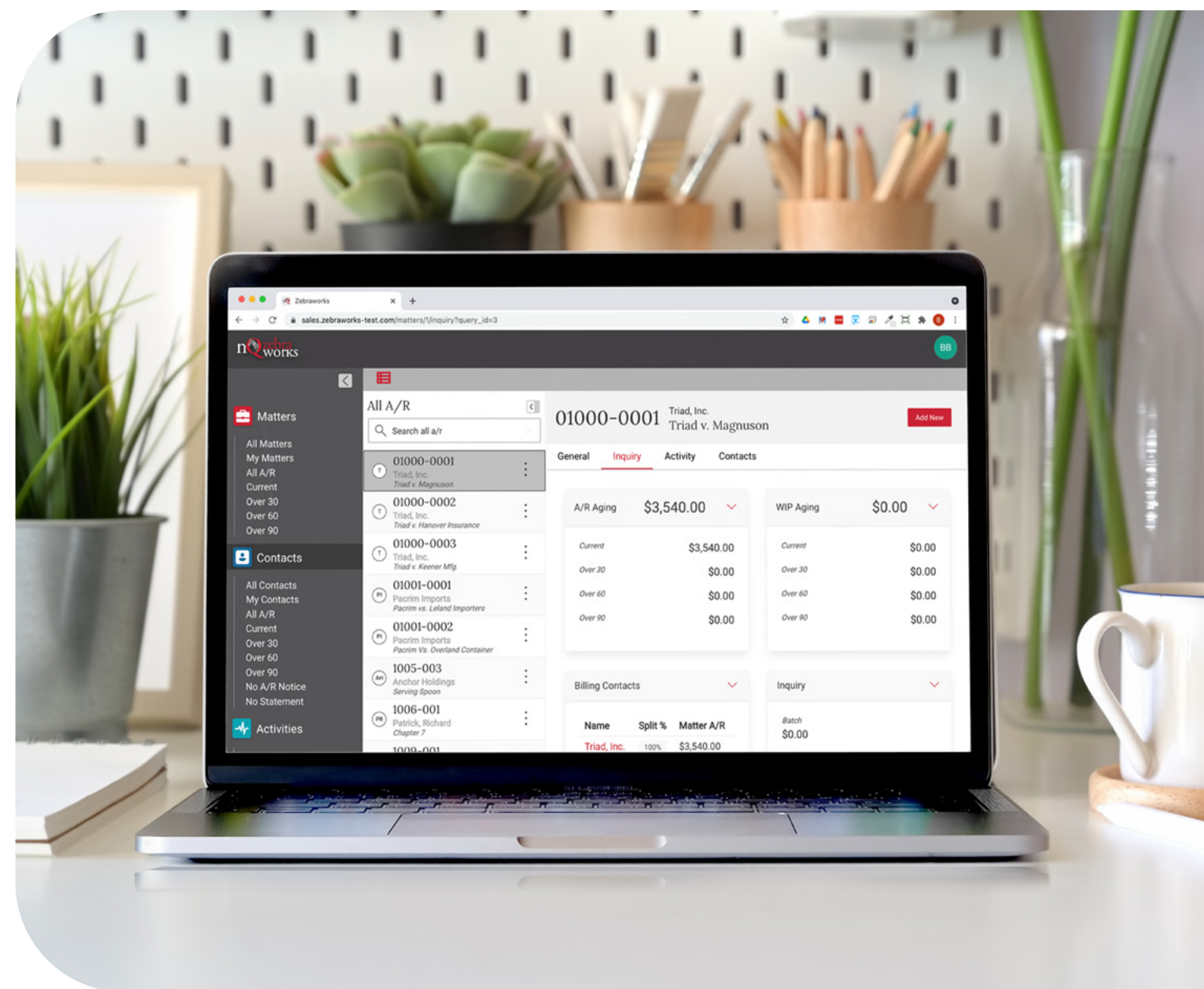


## PRACTICE MANAGEMENT AND WORKFLOW FOR LAW FIRMS

# Access to the US legal market

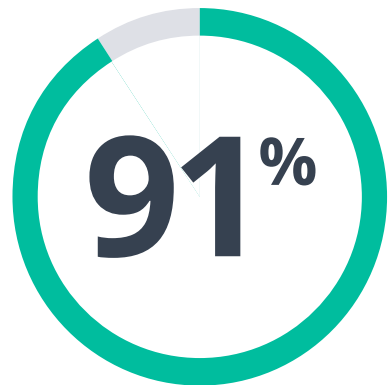
Merger between nQueue and Zebraworks (now nQzebraworks), adds a skilled management team and complimentary cloud products to a well established, US focused legal business

- ✓ 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



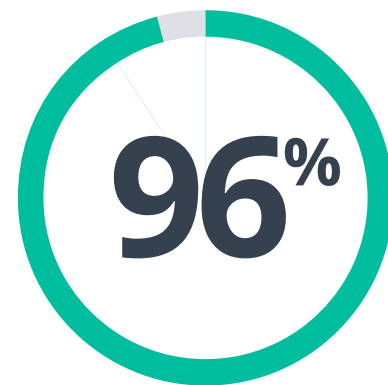
# Continued focus on employee engagement

## ✓ Employee Engagement Stats



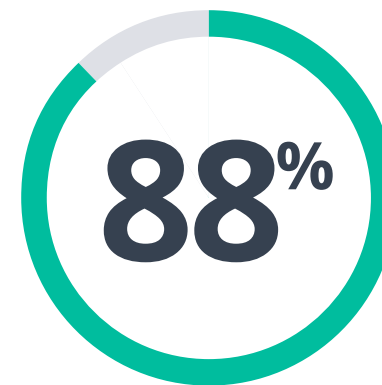
### CARING

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



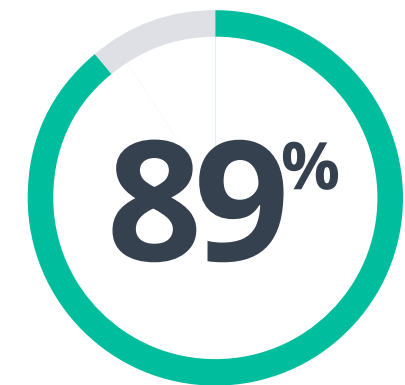
### JUSTICE

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)
✓ NPAT - normalised	4.1	3.8	+8%	Discontinued operations	(3.5)	(4.0)
				✓ 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%

## PRACTICE MANAGEMENT AND WORKFLOW FOR LAW FIRMS

# 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%
	11.6	11.4	+2%
CONTENT - DISCONTINUED OPERATIONS	-	0.7	
TOTAL	11.6	12.1	

### ✓ EBITDA

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



# 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



Website  
[reckon.com](https://reckon.com)



About us  
[reckon.com/au/about-us](https://reckon.com/au/about-us)



Investors  
[reckon.com/au/investors](https://reckon.com/au/investors)



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