



Reckon 

Investor Presentation

August 2021

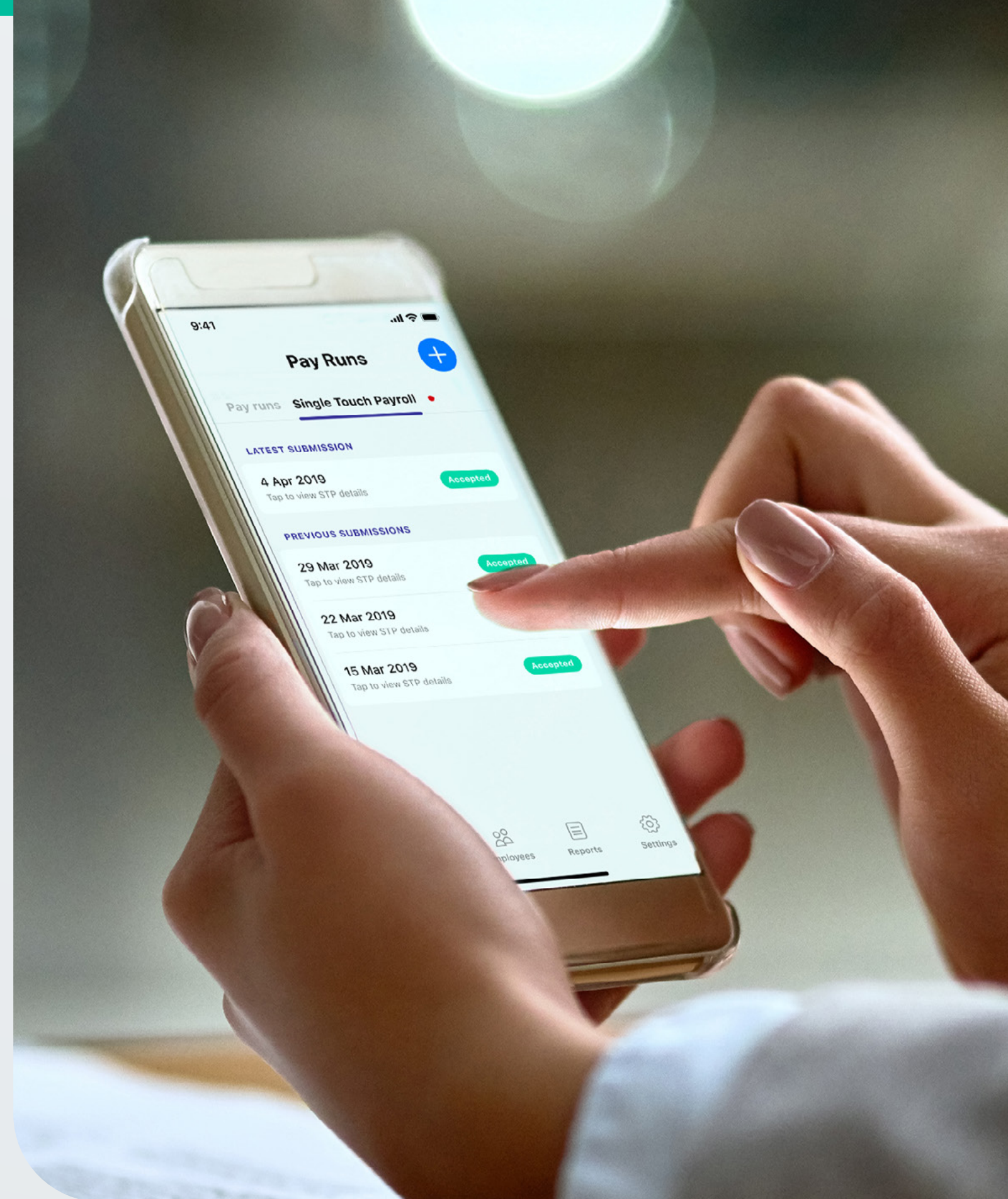
To be read in conjunction with Appendix 4D and Accounts

Overview

Reckon Limited (ASX: RKN) is a software-as-a-service company providing cloud-based technology solutions to a range of customers including SMEs, accounting firms and law firms

Investment highlights

- ✓ Three clearly defined operating divisions targeting small businesses, accounting and bookkeeping firms and law firms
- ✓ Strong earnings profile - \$38m in revenue generated in HY2021 with EBITDA of \$16m and NPAT of \$5m
- ✓ Ongoing investment in cloud based products to underpin future business growth
- ✓ Practice management and compliance solutions are used by three of the big four and eight of the top 10 accounting firms in Australia
- ✓ Five of the world's top legal firms use our solutions
- ✓ Growth focused - multiple new cloud product launches expected during H2 CY2021 with cross selling opportunities across business divisions emerging



Corporate overview

✓ Capital Structure

ASX code:	RKN
Shares on issue:	113.3m
Market capitalisation: (as at \$1 per share)	\$113m
52 week high – low:	\$0.625 - \$1.045
Net debt:	\$13m

✓ Major shareholders at 8 July 2021

Novatti Group Limited	19.9%
Fidelity Management & Research Co. LLC	10.2%
Rabie family	9.3%
Greg Wilkinson	7.0%
Microequities Asset Management Pty Ltd	6.5%
Wilson Asset Management (International) Pty Ltd	5.4%
Board & management	18.5%
Top 20	76.9%

✓ Board of directors



Greg Wilkinson
FOUNDER & NON-EXECUTIVE CHAIRMAN



Phil Hayman
NON-EXECUTIVE DIRECTOR



Clive Rabie
MANAGING DIRECTOR



Sam Allert
CHIEF EXECUTIVE OFFICER

Serving three defined and large sectors

SMALL BUSINESS

Accounting and Payroll solutions for SMEs

Growing customer base and a partner network of ~6,000 partners.

Cloud user growth continues to track upward and underpin cloud revenue growth.

Strong uptake across mobile application with more products/ added functionality pending.



ACCOUNTANTS

Practice Management and Compliance software for accounting firms

Enterprise grade software solutions for accounting firms.

Reckon has a market leading position through its established APS brand.

APS is used by eight of the top 10 Australian accounting firms and by three of the big four.

Cloud product development to compliment the existing product range will underpin growth.



LEGAL

Practice Management and Workflow for law firms

Cost recovery, scanning and print solutions for small to large legal firms.

USA and UK focus – sales team and personnel in country to expedite opportunity.

Building cloud practice management product.

A large market opportunity that still use predominately desktop software.

Multiple cross-sell opportunities through Reckon's other business divisions.



Financial Results - Half Year 2021

REVENUE

\$38

million



↑ +2.4% over PcP*

88% subscription revenue

EBITDA

\$17

million



↑ +7.1% over PcP*

NPAT

\$5

million



↑ +18.6% over PcP*



NET DEBT
REDUCTION

\$17

million



NET DEBT
REDUCED TO

\$13

million



FULLY FRANKED
INTERIM DIVIDEND

3 cents



DEVELOPMENT
INVESTMENT

\$10

million

* Non-IFRs: Growth has been normalised and is for continuing businesses at constant currency. (Applies to all results in this presentation refer appendix 3)

Investment in cloud based products

\$10M development investment for HY 2021

✓ New cloud products scheduled for H2 2021 release

↑ Small Business Cloud User Growth

SMALL BUSINESS



Reckon Invoicing
Mobile App



Reckon
Insights



Reckon Payroll inc.
STP 2.0

ACCOUNTANTS



Ledger+



Time & Cost



APS Workspaces

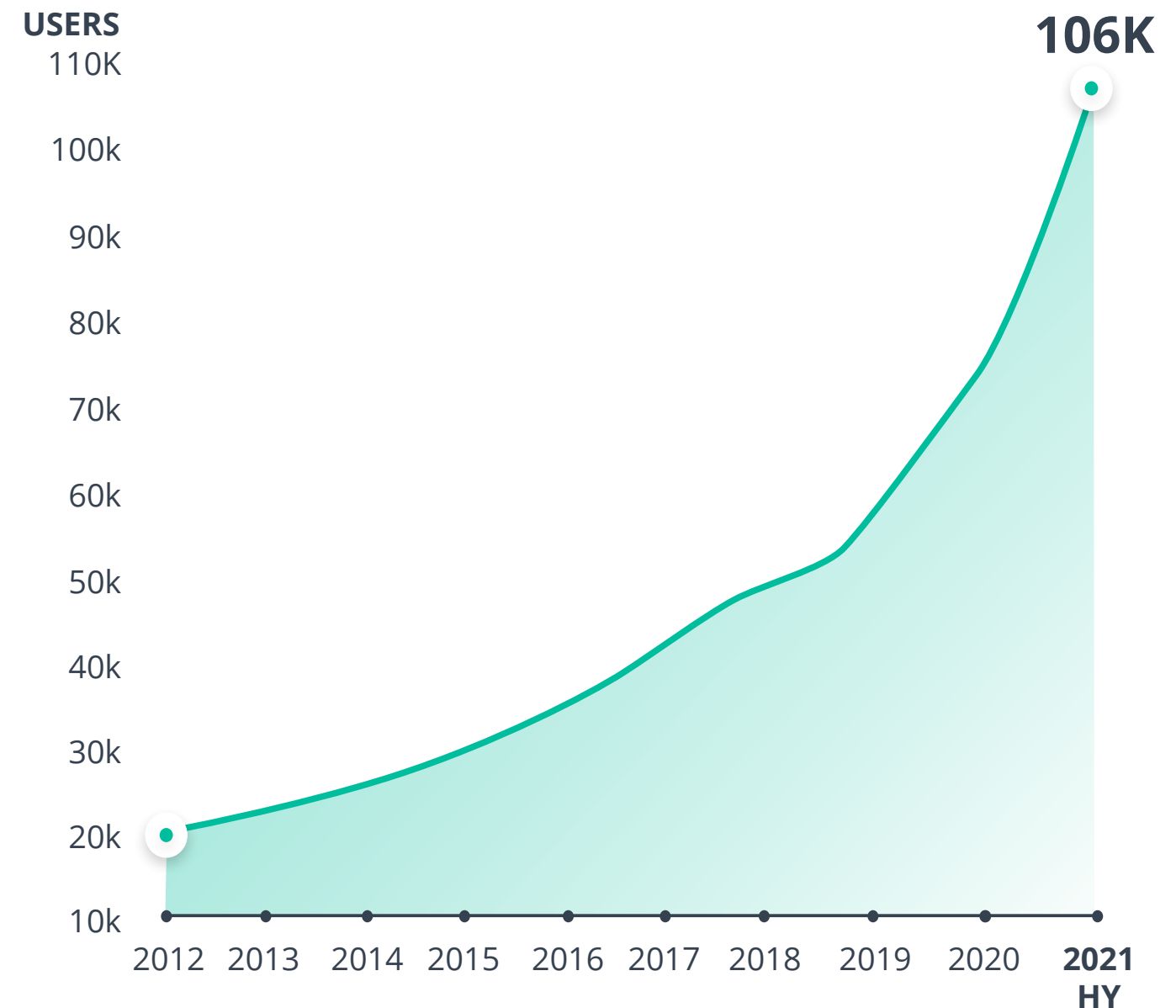
LEGAL



Reporter Q



Scan & Print Q
Mobile App



22% annualised user growth

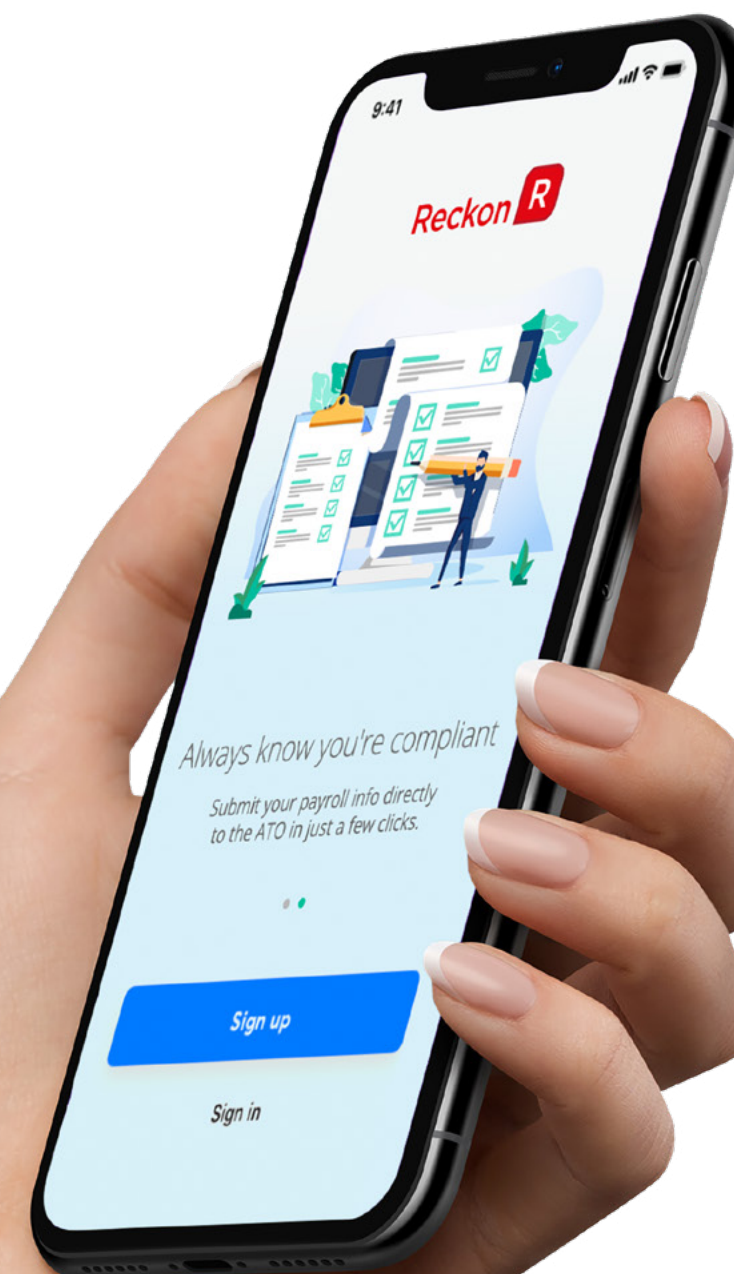
8% cloud revenue growth over HY 2020

53% of available SME Group revenue cloud based for HY 2021

Ongoing cloud user growth



- ✓ Revenue growth of 5% and EBITDA Growth of 8%
- ✓ Cloud based products represent 53% of divisions available revenue
- ✓ 106,000 cloud users (22% annualised growth)
- ✓ Continued growth in payroll apps and employees being paid via Reckon payroll products
- ✓ Mobile invoicing, timesheets and analytics reporting modules to be release during H2 2021 - underpinning additional cloud based user growth in division

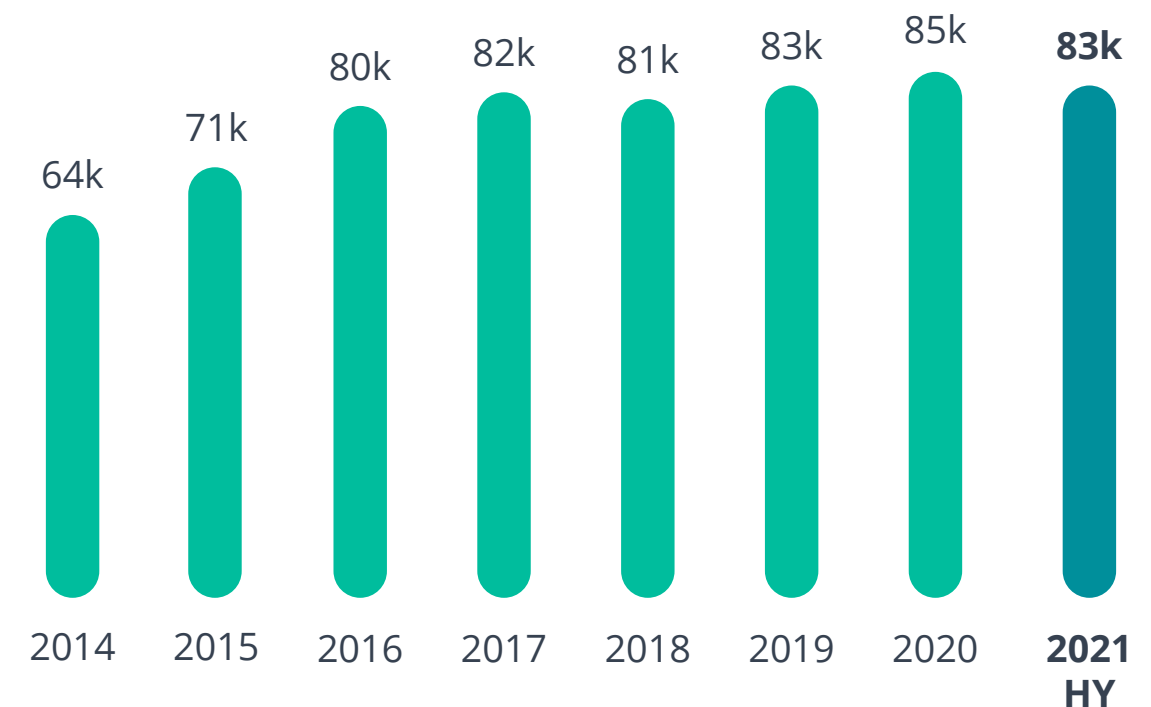


Cloud development will drive future growth

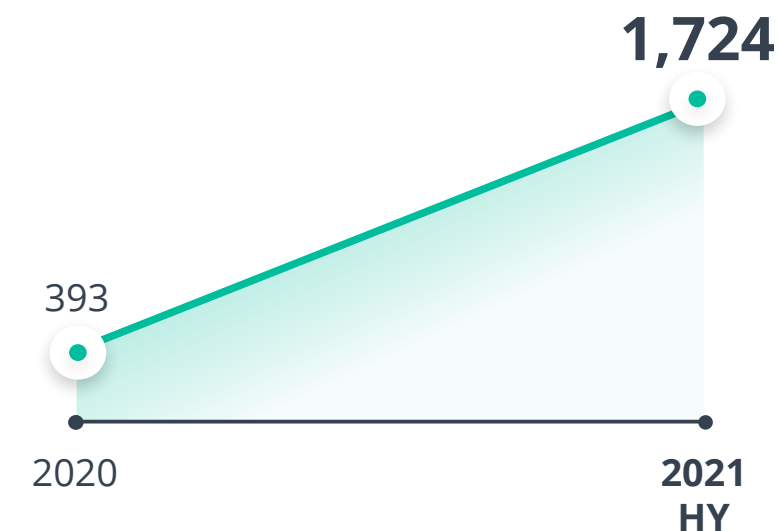


- ✓ Division returned to growth with revenue up 1%
- ✓ Cloud adoption via APS customers accelerating with 6% of APS users using cloud products
- ✓ APS Workspaces launched providing full cloud hosted solution
- ✓ Future cloud releases of WIP and Debtor management will provide complete practice management in cloud offering
- ✓ APS Ledger+ module provides new cloud client accounting functionality and upgrade path for existing APS clients
- ✓ Cloud releases open a larger addressable market and migration path for APS desktop client base

↑ Reckon APS seat growth



↑ Cloud seat growth

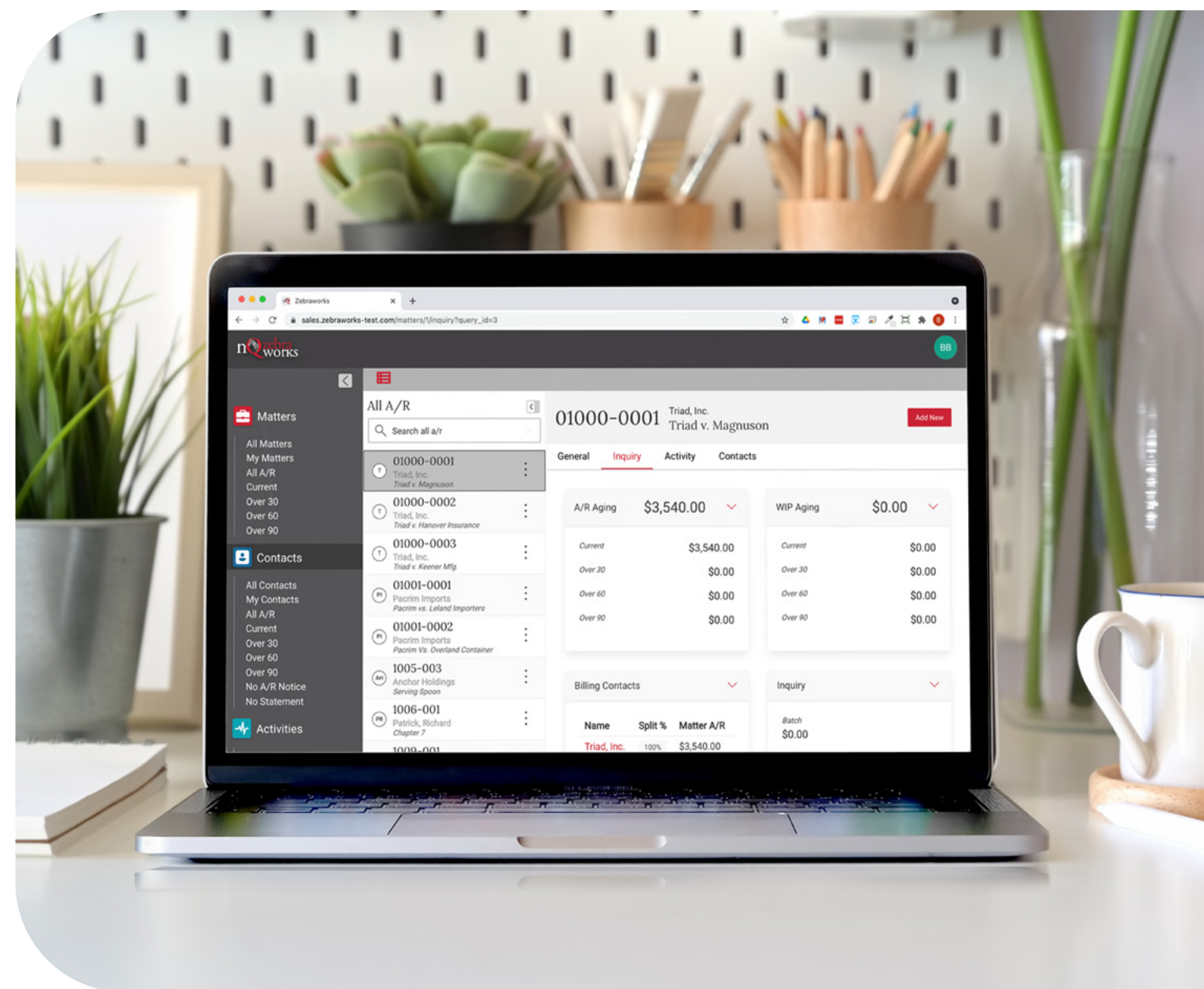


PRACTICE MANAGEMENT AND WORKFLOW FOR LAW FIRMS

Provides access to the large US legal market

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

- ✓ Unlocks growth potential through a cloud practice management suite for law firms
- ✓ Enormous market opportunity which is still largely using desktop software
- ✓ Regarded management team with complimentary products – ZebraWorks has a successful track record of developing and distributing legal practice management software to the US legal industry
- ✓ Cross sell synergies present between Legal and Accountant cloud development
- ✓ Legal division 70% retained by Reckon with incentives structured for incoming US management to increase equity
- ✓ US\$5m committed to fund growth via combination of cash and loans



Continued focus on employee engagement



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

	HY21 \$ M	HY20 \$ M	GROWTH %		HY21 \$ M	HY20 \$ M
✓ Revenue - normalised	37.5	36.6	+2.4%	✓ Operating Cashflow		
				Continuing operations	16.4	16.3
				Discontinued operations	0.3	1.4
✓ EBITDA - normalised	16.7	15.6	+7.1%	✓ Development Spend		
				Continuing operations	(9.7)	(9.3)
				Discontinued operations	(0.1)	(0.5)
✓ NPAT - normalised	5.4	4.6	18.6%	✓ Dividend Paid	(2.3)	(2.3)
				✓ Proceeds on sale of Reckon Docs business	12.9	-
				✓ Debt Repaid	(17.2)	(4.8)

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: 22%
- Subscription revenue is 96% of available revenue

✓ Revenue

	HY21 \$ M	HY20 \$ M	GROWTH
CLOUD SUBSCRIPTION	10.4	9.6	8%
DESKTOP SUBSCRIPTION	8.3	8.0	5%
SUBSCRIPTION	18.7	17.6	7%
PERPETUAL / SERVICE / OTHER RECURRING	2.6	2.8	-6%
TOTAL	21.3	20.4	+5%
EBITDA	11.6	10.7	8%

PRACTICE MANAGEMENT AND COMPLIANCE SOFTWARE FOR ACCOUNTING FIRMS

Accountant Group Financials

Stable subscription revenue and an impressive customer base

✓ Financial highlights

Revenue

- Division returns to growth
- Subscription is 98% of available software revenue
- Content business sold March 2021

✓ Revenue

	HY21 \$ M	HY20 \$ M	GROWTH
SUBSCRIPTION	11.2	11.1	+1%
UPFRONT AND SERVICE	0.2	0.1	+37%
CONTINUING OPERATIONS AT CONSTANT CURRENCY	11.4	11.2	+1%
CONTENT - DISCONTINUED OPERATIONS	0.7	2.3	
CURRENCY IMPACT	-	0.1	
TOTAL	12.1	13.6	

✓ EBITDA

CONTINUING OPERATIONS	6.3	6.1	+3%
DISCONTINUED OPERATIONS	0.3	1.4	
	6.6	7.5	

PRACTICE MANAGEMENT AND WORKFLOW FOR LAW FIRMS

Legal Group Financials

Stable subscription revenue and a top tier customer base

✓ Financial highlights

Revenue

- New sales impacted by COVID in Q1 but strong Q2
- Revenue growth

Q1 vs PcP **-22%**

Q2 vs PcP **+19%**

HY vs PcP **-4%**

- Subscription is 82% of revenue

✓ EBITDA

- Investment in sales and development teams for future growth

✓ Revenue

	HY21 \$ M	HY20 \$ M	GROWTH
SUBSCRIPTION	4.0	4.1	-3%
UPFRONT AND SERVICE	0.9	1.0	-12%
CONSTANT CURRENCY	4.9	5.1	-4%
CURRENCY IMPACT	-	0.7	
REPORTED REVENUE	4.9	5.8	

✓ EBITDA

NORMALISED AT CONSTANT CURRENCY	0.4	0.7	-33%
NON-CASH TREASURY EXPENSE AND TRANSACTION COSTS	(0.5)	-	
CURRENCY IMPACT	-	0.1	
REPORTED	(0.1)	0.8	



Outlook

Near term growth drivers

SMALL BUSINESS

Accounting and Payroll solutions for SMEs

Continued cloud growth with Reckon One

Additional mobile Apps - Invoicing and Timesheets complimenting Payroll App

Further White Label opportunities

Potential of Fintech solutions (Payments, Loans, Banking) deployed through the client base



ACCOUNTANTS

Practice Management and Compliance software for accounting firms

APS Workspaces - cloud solution for Mid to large Accounting firms

Additional Cloud Modules released - Ledger + and WIP and Debtor management

Continued growth of add-on cloud modules - Bank Data feeds and Sync Direct integration tools



LEGAL

Practice Management and Workflow for law firms

Solid pipeline of new sales

Continued growth with existing NQ scanning and print management solutions

Cloud Modules - Collection Q and Reporter Q complimenting competitor desktop products for new sales opportunity



APPENDIX ONE

Board



Greg Wilkinson

Founder & Non
executive Chairman

Greg Wilkinson has over 30 years experience in the software industry. He entered the industry in the early 1980s in London where he managed Caxton Software, which became one of the UK's leading software publishers. Greg co-founded Reckon in 1987 and was CEO until February 2006. He was appointed Deputy Chairman in February 2006 and became a member of the board of the listed entity in July 1999. He was appointed to the Audit & Risk Committee in February 2010 and Remuneration Committee in December 2011. Greg was then appointed as Chairman in July 2018. He is also an investor and mentor to a number of cloud based start-up companies.



Phil Hayman

Non-executive
Director

Reappointed in 2018, Mr Hayman was one of Reckon's co-founders alongside Greg Wilkinson. In the early days, he served as the company CFO and Head of Logistics. Mr Hayman has had varied general commercial experience through his investments in companies in start-up and first round capital raising phases. He has strong strategic finance acumen in both analytical and managerial accounting, excellent operational capabilities and strong compliance skills. Mr Hayman is presently a director of an unlisted public company, consults to an agricultural company with extensive holdings in southern NSW and currently owns and manages an accommodation company. Mr Hayman lends his broad entrepreneurial flair and energy to Reckon as it implements its growth strategy.



Clive Rabie
Managing
Director

Clive was Chief Operating Officer of Reckon from 2001 until February 2006 and in that time played a pivotal role in its turn-around. In February 2006 Clive was appointed to the position of Group Chief Executive Officer and in July 2018 was appointed Managing Director. He has extensive management and operational experience in the IT and retail sectors as both an owner and director of companies.



Sam Allert
Chief Executive
Officer

Sam Allert has always been a passionate advocate of Accounting and Business Management. As such, he has been actively assisting advisors and business owners implement IT strategies to improve their businesses since 1999. Sam has worked across a myriad of disciplines throughout his career including sales, consulting, support and office management. In 2011, he was appointed Managing Director of the Reckon Accountant Group, and in 2015 his responsibilities expanded as the Managing Director for Australia & New Zealand, for both the Accounting and Business Groups. In July 2018 Sam was appointed CEO of Reckon, accelerating the company's long-term strategy to offer small businesses and the advisor network with a complete suite of cloud solutions to effectively grow and succeed.



Myron Zlotnick

Company
Secretary

Myron has over 20 years experience as a legal practitioner, general and corporate counsel, and as a director of companies. He has extensive expertise in the technology, media and telecommunications industries.

APPENDIX TWO

Executive Management



Chris Hagglund
Chief Financial
Officer

Chris is a Chartered Accountant and has 30+ years' experience in accounting roles and leading the financial function of large public and private companies. Chris began his career working for various accounting firms, including one of the Big 4, in South Africa and Australia, before becoming the Group Financial Controller of an Asia Pacific head office for a UK listed manufacturing group. Following this, Chris held senior financial positions at various technology companies, before moving to Reckon in 2004 to become the Chief Financial Officer. Chris also acted as interim Chief Financial Officer for Reckon spin-off GetBusy, for a period of time. Chris is a member of Chartered Accountants Australia and New Zealand, Australian Institute of Company Directors, FINSIA and CIMA



Brad Stevens
General Manager
Marketing

Brad is an accomplished marketing leader with over 17 years experience across global technology, SaaS and telecommunications organisations. He is passionate about building brands and driving growth through the development and implementation of strategic plans, transformation projects and marketing programs that increase customer acquisition, engagement and revenue.



David Francis
General Manager
Sales

David joined Reckon in 2013, as General Manager – Sales. Prior to this, David held executive roles in professional services firms in the UK, New Zealand and, most recently, Australia.

Now based in Sydney, David has a highly client-facing role and works strategically with clients to ‘Amplify the Art of Accounting’. He has a particular interest in corporate culture, and coaching and developing high performance teams.



Alex Alexandrou
General Manager
Operations

Alex has over 20-years’ experience working with SMEs and has played several roles as part of the Reckon team supporting their growth. This includes Project Lead on white label solutions with the IPA and the Queensland Government’s Deadly Digits project.

Alex started his career in a sales role and progressed to National Sales Manager and then to his current role as General Manager of Operations, Reckon Group. Alex is passionate about supporting SMEs by providing tailored solutions that specifically meet their needs while understanding the importance of partnerships. Alex’s strengths include business strategy planning and execution and leading a dedicated and customer focused operations team.



Jessica Morris
General Manager
People & Culture

Jess joined the People and Culture team at Reckon in January 2016. She has diverse experience in delivering and designing progressive people and culture strategies across the tech, financial services, and banking industry. Jess has a Bachelor in Business majoring in Human Resources and Business Law from the University of Technology Sydney. Jess' strengths include relationship building, shaping strategy, leading the people function, employee experience, talent strategy, and coaching leaders.



Ed Blackman
Chief Technology
Officer

Ed Blackman has 25 years' experience in the development of accounting compliance and administration software. Starting his career at accountant and business adviser firm PKF in 1995, Ed eventually joined APS in 2008 after the acquisition of the Desktop Super SMSF administration platform that he architected. In 2016, Ed was appointed as Chief Technology Officer of Reckon Limited. Throughout his career, Ed has performed a wide variety of roles including Support Analyst, Programmer, Architect, Product Manager, and Development Manager.

Ed's key skills include business strategy, technology alignment, information technology security, strategic planning and execution, program management, government compliance and client/vendor relationship management.

APPENDIX THREE

Additional Information

✓ Revenue

	HY21 \$ M	HY20 \$ M	GROWTH %
Revenue from continuing operations at constant currency (Non-IFRs)	37.5	36.6	2.4%
Discontinued operations	0.8	2.3	
Currency impact	-	0.9	
Reported revenue	<u>38.3</u>	<u>39.8</u>	

✓ EBITDA

EBITDA from continuing operations at constant currency (Non-IFRs)	16.7	15.6	7.1%
Discontinued operations	0.3	1.3	
Transaction costs and acquisition related non-cash treasury share expenses	(0.6)	-	
Currency impact	-	0.2	
Reported EBITDA	<u>16.4</u>	<u>17.1</u>	

✓ NPAT

NPAT from continuing operations at constant currency (Non-IFRs)	5.4	4.6	+18.6%
Transaction costs and acquisition related non-cash treasury shares expenses	(0.4)	-	
Discontinued operations	0.1	0.7	
Currency impact	-	0.1	
Reported NPAT	<u>5.1</u>	<u>5.4</u>	

Resources



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Investors
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Media
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