

## Reckon achieves 5% Annual Recurring Revenue(ARR) growth as it delivers to plan

*Stable group revenue and EBITDA with solid cloud revenue growth*

Reckon Limited (“Reckon” or the “Company”) (ASX: RKN) is pleased to report that the Company delivered a 7% growth in cloud revenue in its profitable and cash generating Business Group while its Legal Group saw a 13% growth in ARR subscription revenue. Top-line group revenue and EBITDA performance was stable, allowing the Company to continue its investment in the transition of the Business Group client base to the Reckon One codebase and to accelerate growth of the Legal Group.

### Financial highlights:

- Group revenue of \$54.1m, up 1% on the previous corresponding period (PcP)
- ARR up 5% on the PcP to \$54.1m
- EBITDA up 2% compared to PcP to \$20.2m
- NPAT of \$3.6m
- Group operating cash flow for continuing operations net of development spend was \$3.4m
- Fully franked dividend of \$0.025 per share paid in September 2024 as annual dividend

### Operational highlights:

- Legal Group achieved strong subscription ARR growth of 13%
- Business Group performance strengthened with a 7% uplift in cloud revenues. Paying cloud users increased by 5% over FY23
- \$14.4m invested predominantly in cloud-based product development to capitalise on growth opportunities in both business units
- Committed to US\$3.75m investment in Legal Group funding it for future growth
- Acquisition of Cashflow Manager business for \$8.75m adding circa 20,000 SME clients

### Management commentary:

**Reckon Group CEO, Mr Sam Allert said:** “We maintained our performance from 2023 with a positive and hard-fought result across revenue, EBITDA and NPAT. We remained committed to our strategy of driving revenue growth within the highly profitable, cash-generating Business Group while simultaneously investing in our proprietary software, Reckon One, together with the high growth opportunities provided by our US and UK focused Legal Group, trading as nQ Zebraworks.

*The Business Group continued its momentum from 2023, prioritising organic growth in cloud revenue and user acquisition while transitioning its existing customer base to the Reckon One platform. With an EBITDA margin of 51% (28% adjusted EBITDA margin after development costs), the Business Group maintained strong cash generation, enabling further investment in Reckon One and its accounting and payroll solutions.*

*The year concluded with the acquisition of Cashflow Manager, a provider of desktop-based accounting and payroll software. This addition of 20,000 customers and 1,000 partners further strengthens our market position, providing additional scale and cash flow as we continue advancing our strategy of migrating users to our cutting-edge cloud solutions.*

*The Legal Group experienced moderate revenue expansion in Document Workflows, its core offering which includes scan, print, and cost recovery solutions. Meanwhile, the cloud-based Billing Workflows solution that includes BillingQ, PayQ and DataQ demonstrated notable traction, achieving a twofold increase in platform subscription revenue compared to FY23. These solutions offer value-added services for law firms, complementing their existing practice management systems. Given the substantial addressable market in the*

*US and UK, our ongoing investment in Billing Workflows is expected to drive further growth. BillingQ, in particular, presents a chance to enhance wallet share through its integrated payment collections process. To capitalize on emerging opportunities, Reckon participated in a \$US4.5 million capital raise by nQueue Zebraworks Inc., aimed at strengthening the Legal Group's sales and support capabilities.*

*Looking ahead, 2025 is poised to be a pivotal year for us. The Legal Group is funded to accelerate growth in its Billing Workflows offerings, while the Business Group is positioned to consolidate its years of development with continued enhancements to Reckon One and a sharp focus on transitioning its legacy customer base to Reckon One."*

#### **Financial commentary and operations overview:**

Group revenue from continuing operations was \$54.1m, up 1% on the PcP. The group remains committed to its core strategy of generating consistent growth in revenue and profit supported by an ongoing priority on R&D spending.

Group Net Profit After Tax (NPAT) was \$3.6m, down compared to the PcP, due to higher amortisation resulting from higher development spend in prior periods and the impact of an R&D refund in FY2023, related to the prior year. Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) during the year was \$20.2m, up 2% on the PcP.

Group operating cashflow after accounting for \$14.4m of development spend was \$3.4m.

Net Debt of \$2.9m remained stable compared to FY23, with the debt funded Cashflow Manager acquisition settling post balance date. The Board maintains its intention to pay one dividend annually after the half year.

Momentum in the Business Group was highlighted by another strong year of cloud-based subscription revenue growth, which rose by 7% to \$26.1m.

The number of users on Reckon's cloud-based SME products increased by 5% to 111k. Subscription revenue from desktop and cloud-based products contributed 93% of total revenue for the division, which rose to \$39.1m for the year.

Reckon's core Business Group operations were complemented by growth in the Legal Group, which reported a 6% increase in subscription revenue to \$11.4m, with a doubling of revenue on the cloud-based Billing Workflows platform. Legal Group ARR was \$12.4m with Billing Workflows \$0.6m of this total.

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

nQ Zebraworks works with 12 of the 20 largest firms worldwide and 40% of the AmLaw 200 largest 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**

- Revenue of \$41.8m
- Cloud subscription revenue of \$26.1m, up 7% on PcP
- Total subscription revenue of \$39.1m, up 2% on PcP and comprising 93% of revenue
- Slight decline in EBITDA to \$21.3m

## Legal Group

- Subscription revenue of \$11.4m, up 6% from PcP
- Consistent subscription revenue growth with subscription revenue comprising 93% of revenue
- Shareholders of the Legal Group committed US\$4.5m in 2024 to pursue cloud growth in the huge US legal market, where there remains an opportunity to introduce cloud practice management functionality to law firms still largely using desktop software as well as to firms using cloud technology

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## About Reckon:

Reckon is an Australian listed software company (ASX:RKN) that provides world class software for Start Ups, sole traders, SMEs, accountants, bookkeepers, and lawyers. 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 medium sized businesses and personal wealth management software branded as Reckon One, Reckon Mobile and Reckon Accounts Hosted, Reckon Accounts Business, Reckon Accounts Personal and Cashflow Manager.

The Business Group operates in Australia and New Zealand.

2. The Legal Group operates under the nQ Zebraworks brand. nQ Zebraworks is a document and billing workflow company that leverages the power of its Zebraworks cloud-based integration platform to deliver digitalisation, billing and collections automation, cost recovery and analytics solutions for law firms and government and corporate legal departments.

nQ Zebraworks products are its server-based Document Workflows products across scan, print, document workflow, and cost recovery systems together with its cloud based Billing Workflows technology providing the billings workflow solution, BillingQ and business intelligence tool, DataQ together with online payments through PayQ.

nQ Zebraworks is based in the USA with additional operations in the United Kingdom and re-sellers in other parts of the world.

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