



ASX Announcement

9 March 2023

Reckon to increase investment in Legal Practice Management Group to unlock US growth potential

Reckon Limited (“Reckon” or the “Company”) (ASX: RKN) is pleased to advise that it, together with minority shareholders, has made a commitment to provide ~US\$4m in funding to its Legal Practice Management Group (“Legal Group”), which operates under the “nQ Zebraworks” brand in the US. Other existing investors (“co-investors”) in the Legal Group, including nQueue Zebraworks Inc CEO Mr Bill Bice, have also agreed to provide growth capital on a pro-rata basis. Minority shareholders that elect not to contribute, will dilute.

Reckon’s portion of the investment will be staggered over 24 months and funded through earnings from the Company’s existing operations, with capital deployed towards scaling operations in the rapidly growing US legal market. The ASX has granted Reckon a waiver from Listing Rule 10.1 to the extent necessary to permit Reckon to acquire the newly issued shares in nQueue Zebraworks Inc which constitute its investment, without obtaining shareholder approval.

The strategic rationale for the capital injection is underpinned by the view of the Reckon management team that the Company now has a major opportunity to leverage its footprint in the US legal market and generate a step-change in revenues and group earnings.

Reckon’s increased investment will be deployed towards a targeted business development strategy in the US, where the Legal Group already provides scan and print management workflow solutions to five of the world’s largest legal firms and has increased capacity to scale up its client base.

Additional funds will also be allocated to product optimisation amid the ongoing transition from desktop-based products to innovative cloud-based solutions. The Company intends for the new funding to provide financial flexibility to capitalise on growth over the next 24 months.

Alongside the new funding commitment, Reckon will seek to implement a long-term incentive plan for the Legal Group’s US management and staff to pursue growth and exit opportunities. Details of this incentive plan are provided overleaf (refer Annexure) and will be subject to shareholder approval, to be sought at the next annual general meeting.

The investment highlights Reckon’s ongoing commitment to unlocking growth opportunities for practice management solutions in the large US legal services industry.

In addition, Reckon will also acquire existing securities in the Legal Group, issued to previous management.

These transactions will increase Reckon’s ownership in the division from 70% to 76% at a total cash cost to Reckon of ~US\$4m.



Management commentary:

Reckon Group CEO, Mr Sam Allert said: *“The Company’s Legal Group has made tremendous progress since its initial merger with Zebraworks in 2020, with the group’s first innovative cloud-based solutions now in market.*

“We believe that additional capital, which will be drawn from existing cashflow generated by Reckon over the next 24 months, will assist in furthering market penetration in the US. The US market boasts a major opportunity for the Company, with over 500 of the world’s largest law firms and another 46,000 mid-size organisations, and we look forward to updates on the execution of our growth strategy in the near term.”

Annexure:

As part of the investment, and subject to shareholder approval at the next annual general meeting, Reckon intends to:

- offer certain management co-investors “top-up” securities in the Legal Group upon Reckon disposing of the Legal Group for more than US\$70m, with the amount of such securities intended to offset the dilutionary impacts to these co-investors of the proposed transaction detailed above; and
- offer certain management co-investors securities in the Legal Group, which are currently held by Reckon, upon Reckon disposing of the Legal Group for over US\$100m. The number of securities Reckon will transfer will be based on the value of Legal Group and pro rata between US\$100m and US\$200m, with the maximum value of the securities being US\$7.5m.

AUTHORISED FOR RELEASE BY THE BOARD OF DIRECTORS OF RECKON LIMITED



About Reckon:

Reckon is an Australian listed software company (ASX:RKN) that provides world class software for accountants, bookkeepers, lawyers, SMEs and personal users. 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 larger sized businesses and personal wealth management software branded as Reckon One and Reckon Accounts Hosted (cloud products), Reckon Accounts Business and Reckon Accounts Personal respectively. The divisions operate predominantly in Australia and New Zealand.
2. Legal Practice Management Group: provides practice management software and workflow solutions to legal firms and corporations for document scanning and routing, print management and cost recovery solutions under the nQ Zebraworks brand. With a focus on releasing a new cloud practice management suite. It is operational predominantly in the USA and United Kingdom, with re-sellers in other parts of the world.

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