Reckon Limited

Results Presentation

Half Year ended June 2011

Reckon Limited

nQueue Billback

Information Accountability

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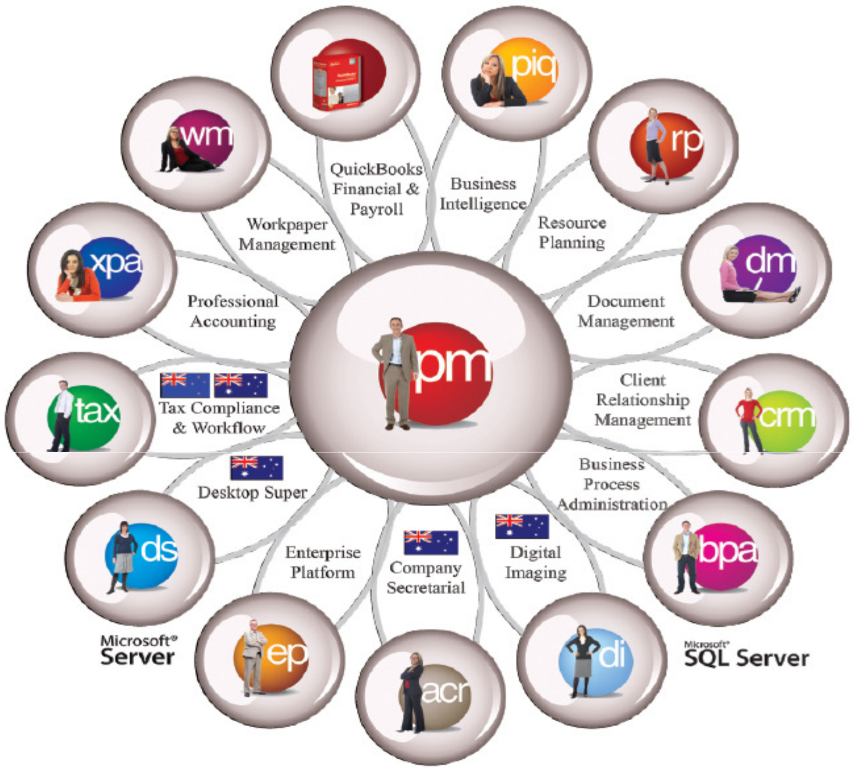

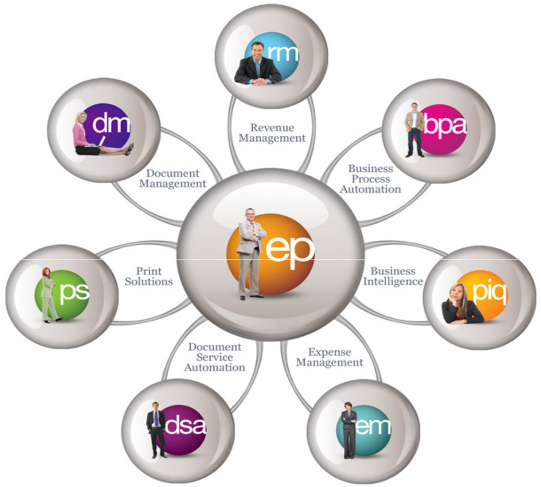

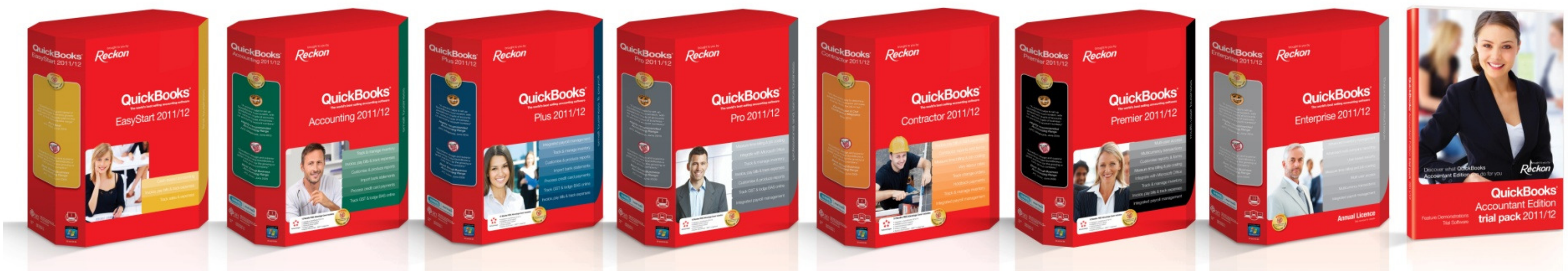

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Performance Highlights – Half Year Ended June 2011

Operating revenue	**marginally up to $46.7m**
EBITDA (normalised)	**up 8% to $16.6m**
NPAT (normalised)	**up 5% to $9.3m**
EPS (normalised)	**up 7% to 6.8cents**

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Reckon Group – Major revenue movements

	Growth	$m	$m
2010 Operating revenue			**46.5**
Business Division – direct revenue	+10%	1.6	
Professional Division - Australia	+7%	0.7	
Foreign exchange impact		(0.9)	
Business Division – retail revenue	-25%	(0.9)	
New Zealand and United Kingdom	-9%	(0.5)	
Other		0.2	
2011 Operating revenue			**46.7**

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Reckon Group – EBITDA margin

	2011	2010
Business Division	37.5%	35.5%
Professional Division	46.9%	41.3%
nQueueBillback Division	38.3%	39.2%
Group (normalised)	**35.5%**	**33.0%**

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Reckon Group – Normalisation Adjustments

	$m	$m
Impact on net profit before tax:		
Premises relocation costs*	(1.9)	
(Expected future annual saving is $0.5m p.a.)		
Net settlement of Espreon litigation	0.6	
Net impact on NPAT		**(0.9)**
*** The net saving that will arise from the move to North Sydney will more than offset this provision over the life of the lease**		

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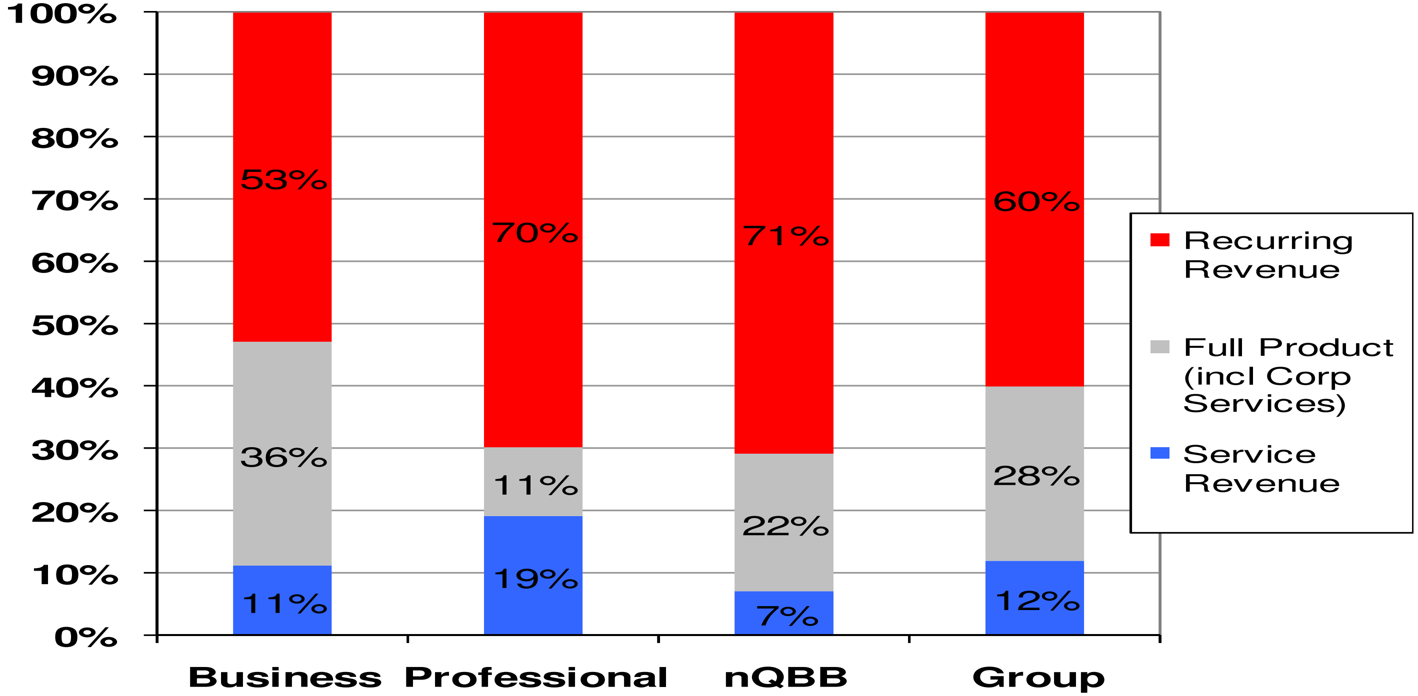
Cash Flow Highlights – 6 months to June 2011

	2011	2010	2009
Cash at June 2011 / Dec 2010	$3.3m	$8.1m	
Operating cash flow	$15.0m	$15.8m	$9.8m
Development cost expenditure	$3.5m	$3.9m	
Amortisation of development costs & IP	*$3.5m*	*$3.1m*	
Investment in Melbourne IT[1]	$7.3m	-	
Fixed asset acquisitions[2]	$1.3m	$0.3m	
Treasury shares - long term incentive plan[3]	$1.4m	$0.4m	
Dividends paid[4]	$6.0m	$5.3m	

1. No revenue has been booked for this investment in 2011 (incl. nil dividends)
2. Additional spend is due to North Sydney fit out & data centre move
3. Additional spend is due to the very long term incentive plan announced at the AGM (P&L impact is over 7 to 9 years)
4. 2011 interim dividend maintained at 3.5cents (90% franked)

Revenue Breakdown – 6 months to June 2011



	Business	Professional	nQBB	Group
Prior year recurring revenue	50%	68%	63%	56%

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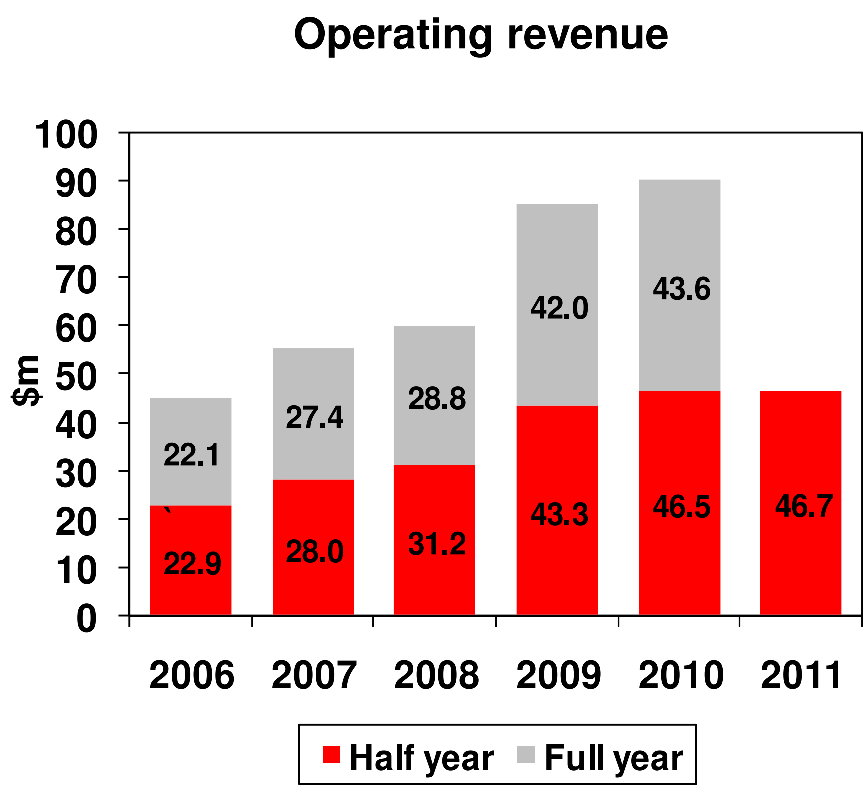
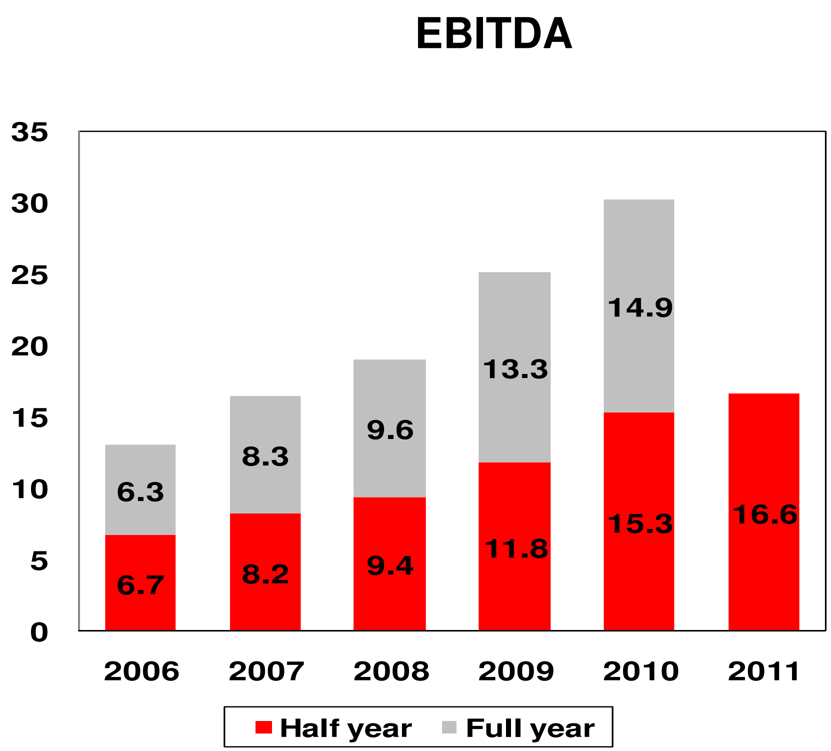
Group trends





Note: 2011 normalised

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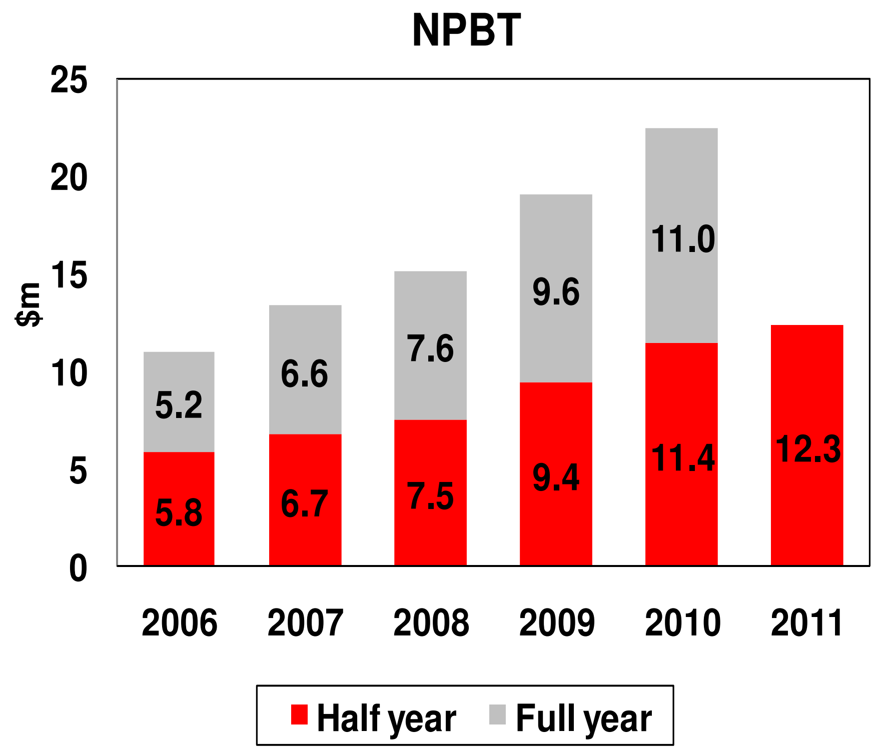
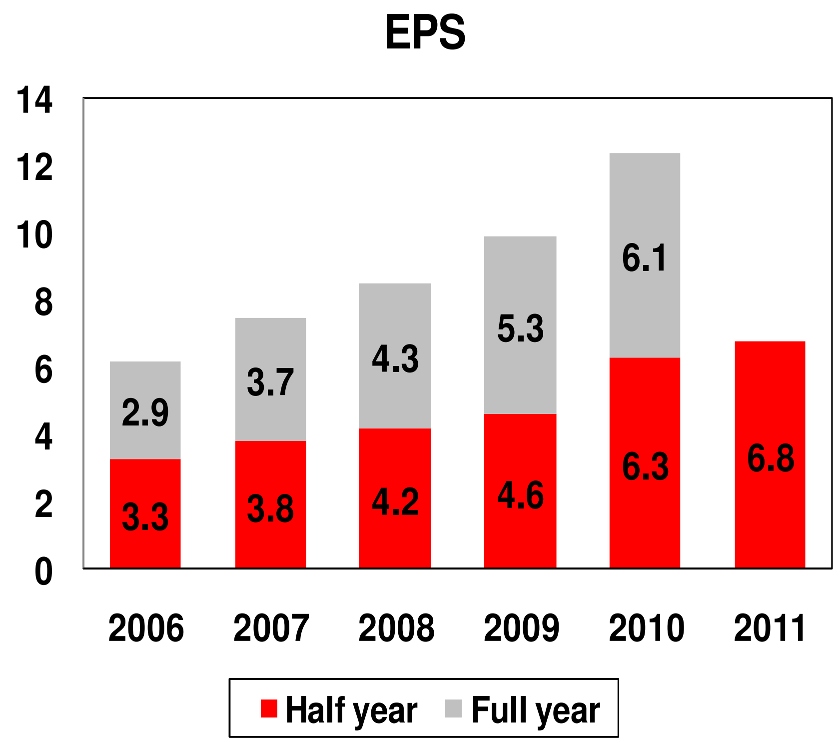
Group trends





Note: 2011 normalised

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Business Division

Summary

	Revenue growth of 3% to $29.5m *Represents 63% of Group Revenue* **EBITDA growth of 8% to $11.1m**
Product suite	Business software suitable for SME's through to larger enterprises, personal financial software, company secretarial services & practice management software for smaller accounting firms
Revenue by Market	• Australia 98% • New Zealand 2%
Revenue by Channel	• Direct 88% • Retail 12%
Revenue by Product Mix	• QuickBooks/Quicken 56% • Corporate Services 26% • Elite, Memberships, POS, other 18%

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Business Division

Performance	
Divisional revenue	• Strong unit growth with an ongoing emphasis on expanding the subscription customer base
Direct QuickBooks and Quicken grew by 10%	• Volume increase 17% Online & enterprise volume increases were most significant Current number of Online users is twelve thousand • Price increase offset by product mix -7% Focus is on subscription products (recurring revenue) at the expense of higher upfront revenue
Retail reduced by 25%	• Market share growth, however weaker sell through in channel and de-stocking impact
Corporate Services grew by 3%	• Company formations grew by 5% (market grew by 4%) • Superannuation and trust services revenue reduced due to investment uncertainty/weaker self managed superannuation market
Other products grew by 4%	• Professional partner membership revenue grew by 10% • New Zealand revenue down, impacted by FX rates, weak economy and no significant tax changes in 2011 • Elite grew by 16%

Reckon Limited Business Division

Opportunities

- Expectations remain for continued strong and steady growth to be maintained in our core products, driven in particular by:
  - High growth rates in the enterprise space
  - High growth rates in online users
  - Continued growth in traditional desktop offerings
  - Annual price increases
  - Offsetting reduced average sell price as we move more towards a subscription model
- Reckon developed online CashBook has been launched targeting entry level users
- Expanded online offerings/features, such as
  - GovConnect
  - Exchange Hosting
  - Web Hosting
  - Domain names
- Focus on harnessing the APS relationships and expanding professional partner recommendations
- Improved economic conditions – Retail, Corporate Services and New Zealand markets

Professional Division

Summary	
	Revenue growth of 2% to $12.8m *Represents 28% of Group Revenue* **EBITDA growth of 16% to $6.0m**
Product Suite	Extensive suite of enterprise level practice software for accounting firms Cost recovery software, print solutions, expense management solutions and other related modules targeted specifically to the legal profession in Australia only
Revenue by Market	• Australia 78% • New Zealand 16% • United Kingdom 6%
Revenue by Product Mix	• Maintenance 70% • Consulting 19% • Software 11%

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Professional Division

Performance	
Divisional revenue	• 30% of revenue derived from new customer sales/additional module rollout, despite difficult market conditions
Australia	• Australia has had a strong first half with the following features: • New revenue (software & consulting) up 8% • Maintenance revenue up 7% • EBITDA up 30%
New Zealand	• New Zealand has had a weaker first half with the following features: • Revenue down by 4% in base currency • Revenue impacted by adverse FX rates (further 5% impact)
United Kingdom	• United Kingdom has had a weak first half with the following features: • Revenue down by 12% in base currency • Revenue impacted by adverse FX rates (further 8% impact)

Professional Division

Opportunities	
Australia	• Strong pipeline going into 3rd Quarter • New products gaining traction – average client only has 3 to 4 modules out of a possible 14 • Lite product expands the addressable market
New Zealand	• Large project for new Big 4 client will improve 2nd half results • New products gaining traction • Lite product expands the addressable market • Improved economic conditions
United Kingdom	• Large project for new Big 4 client will improve 2nd half results • New products gaining traction • Greater focus on existing clients and their growth • Improved economic conditions
All Countries	• Continued maintenance revenue growth • Online/mobility offerings • Hosted solutions • Potential for Intuit distribution arrangement

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nQueueBillback Division

Summary	
	Revenue down by 16% to $4.3m (down by 4% in base currency) *Represents 9% of Group Revenue* **EBITDA down by 18% to $1.7m** Reckon holds a 74% shareholding in the USA and 75% in the UK
Product suite	Cost recovery software, print solutions, enhanced scan solutions, expense management solutions and other related modules historically targeted at the legal profession Expense management solutions and print management applications targeted at corporations to drive cost reductions within these organisations
Revenue by Market	• USA 79% • UK 21%
Positioning	Historically targeted at the legal profession, and as such is strategically placed in the top 200 law firms in the USA with a 35% market share, along with a significant share of the top tier UK based firms

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nQueueBillback Division

Performance	
Divisional revenue	• 29% of revenue derived from new customer sales/additional module rollout, despite difficult market conditions
United States of America	Flat first half: • Revenue up by 1% in base currency • Revenue impacted by adverse FX rates (negative 14% impact) • Continued migration from a hardware solution to a software solution (adverse revenue impact, but improves margin %) • Solid history of client retention continues • Q1 orders were strong, however slowed in Q2 • Legal market generally showing interest but slow to place orders • First commercial customers signed
United Kingdom	Weak first half: • Revenue down 18% in base currency • Revenue impacted by adverse FX rates (further 7% impact) • Continued migration from a hardware solution to a software solution (adverse revenue impact, but improves margin %) • Transitioned to new management team with deep legal industry experience, and re-positioned business for growth

Opportunities	
United States of America	• Continued gain in market share • Prospects in the commercial market are building (including through reseller channel) • Expanded geographies/sales team • Mid sized legal market as yet untapped • Cloud based solutions for print capture • Pipeline remains strong
United Kingdom	• Strong pipeline and orders taken in 2nd Qtr are expected to turn the performance around in second half • Expanded geographies (currently London centric) e.g. new clients signed in the broader UK market and South Africa. Asia also being explored. • Improved economic condition

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Group Online Strategy	
Personal & Micro Businesses	• A new online offering has just been launched (CashBook), targeted at • Micro Businesses • Personal users • Features Simplicity, automatic feed of bank transactions and GovConnect (enables integrated, efficient and accurate lodgement of tax and other government forms) • Online and offline capability
Business products	• Hosted QuickBooks has been in the market for just over 1 year • Fully featured accounting software • No learning process required when moving from our desktop products • Includes GovConnect - enables integrated, efficient and accurate lodgement of tax and other government forms • Coming Soon – Automatic feed of bank transactions • Online offerings, such as • Exchange Hosting • Web Hosting • Domain names
Practice Management for Accountants	• Soon to be released APS Enterprise Hosted Service • No additional training required when moving from our on-premise solution • Reduces client overhead and complexity of managing IT in house • Many current APS modules are well suited for conversion to online. Applications which are/will shortly be available are: • Business intelligence modules • Time capture • Mobility solutions

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Strategic focus

Organic growth remains the key focus for the group	• Opportunities continue to exist in:
	  • Online products across all divisions
	  • Market share growth and market expansion
	  • Rollout of existing products to existing customers

Intuit	• Development MOU with Intuit has been signed
	  • Joint development of the APS Lite product
	  • To be distributed in Australia/NZ by Reckon
	  • To be distributed in other markets by Intuit
	  • Opportunity contingent on reaching development and marketing milestones in order for Intuit to progress to market
	  • Allows us to target new market segments and new geographies

Melbourne IT	• Distribution arrangement being developed to take Melbourne IT products to Reckon customers
	  • Increased revenue received from customers taking up the products
	  • Differentiated website/ e-commerce/ e-marketing solutions through tight integration with QuickBooks
	  • Reckon one stop shop to make setting up a company/business easier
	  • Improved efficiency in small business

Acquisitions and Share Buy Back	• There currently appears to be limited opportunities to make suitable acquisitions at reasonable prices and hence Reckon will commence buying back its shares on market • This position will be re-evaluated if acquisition opportunities arise or circumstances change

Questions

Thank you