

ASX Announcement

13 August 2013



Highlights Commentary Half Year Ending 30 June 2013

Reckon is pleased to announce details of the company's results for the half year ending 30 June 2013.

	6 months to June 2013	6 months to June 2012	% Growth
Revenue	\$49.5 million	\$48.2 million	3%
EBITDA	\$18.7 million	\$17.1 million	10%
NPAT	\$10.2 million	\$9.3 million	10%
EPS	7.9 cents	7.1 cents	11%
Interim Dividend	4 cents	3.75 cents	7%

Group CEO, Mr Clive Rabie said:

"The group has faced and dealt with a number of business defining challenges over the past year, including:

- Rebranding the Quickbooks and Quicken products as Reckon Accounts without impacting revenue
- Developing and launching our new cloud offering Reckon One with good feedback being received in Australia, New Zealand and in the United Kingdom
- Launching an expanded version of the APS Private Cloud solution which extends the addressable market with existing clients and new clients alike.
- Introducing Virtual Cabinet to clients in all Reckon Group markets, thereby extending the reach of this product globally.



Despite the distraction of all of the above, the half year results have been steady with growth in our core businesses continuing to be achieved. In our view this represents the strength and stability of our business, and we remain excited about the future growth opportunities that exist in all of our businesses as a result.”

Key factors in the performance in the Business Division are as follows:

Reckon Accounts

- Direct and recommender channel revenue in SME Accounting products has increased by 3% with the enterprise market and hosted offerings again driving this growth. The combination of moving the business to a more sustainable subscription model and modest price increases following the rebranding changes, have impacted growth in the half year.
- A difficult retail environment has continued resulting in a 51% reduction of revenue from this channel, both as a result of lower sell through by retailers and a continuation in retailers’ destocking programs.
- Marketing costs are higher as an investment was made into the Reckon One launch. No revenue has been booked for this product in the half year.
- The majority of development costs have been capitalised as the development focus has moved towards Reckon owned products.

Reckon Docs

- Reckon Docs revenue continued to enjoy strong growth (up 6%).

In the Professional Division (Reckon APS):

- Strong growth of 10% (\$0.9m) was achieved in subscription/maintenance revenue as we also now start to move this business to more of a recurring model.
- Upfront revenue reduced by \$0.7m as a result.
- Minimal APS Private Cloud revenue has been booked in this half year.
- APS UK revenue of \$0.7m in 2012 has been replaced by a royalty stream of \$0.2m in the current year. There is no material impact on EBITDA.

The nQueue Billback Division performance has been disappointing, mainly as a result of ongoing difficult trading conditions in the USA. Subscription revenue has continued to grow, up 4%, but the quantum of new sales/upfront revenue has been substantially weaker. We do however remain positive that this can be turned around as new products are launched and Virtual Cabinet opportunities are pursued.

The Virtual Cabinet Division (acquired in July 2012) has delivered an EBITDA increase of 21% from the 2nd half of last year.



The result for the half year was also assisted by the profit on sale of our investment in Connect2Field. The investment was acquired in 2012 for \$0.7m, and sold for \$2m.

Group CEO, Mr Clive Rabie said:

“Reckon has established a unique position in the market by offering our clients the choice of desktop, hosted or cloud solutions to suit their individual needs. By using its significant domain expertise, Reckon has been able to develop and adopt a well received “designed for you” methodology into its new cloud offering within a very short period of time.

The group continues to build on its core strengths, and is well positioned to take advantage of the incremental opportunities that are presented to us from the likes of Reckon One, APS Private Cloud, and Virtual Cabinet.”

For further information, please contact:

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