



Reckon

Business Software for Accountants and Accounting Software for Businesses

Results presentation

Year ended 31 December 2013

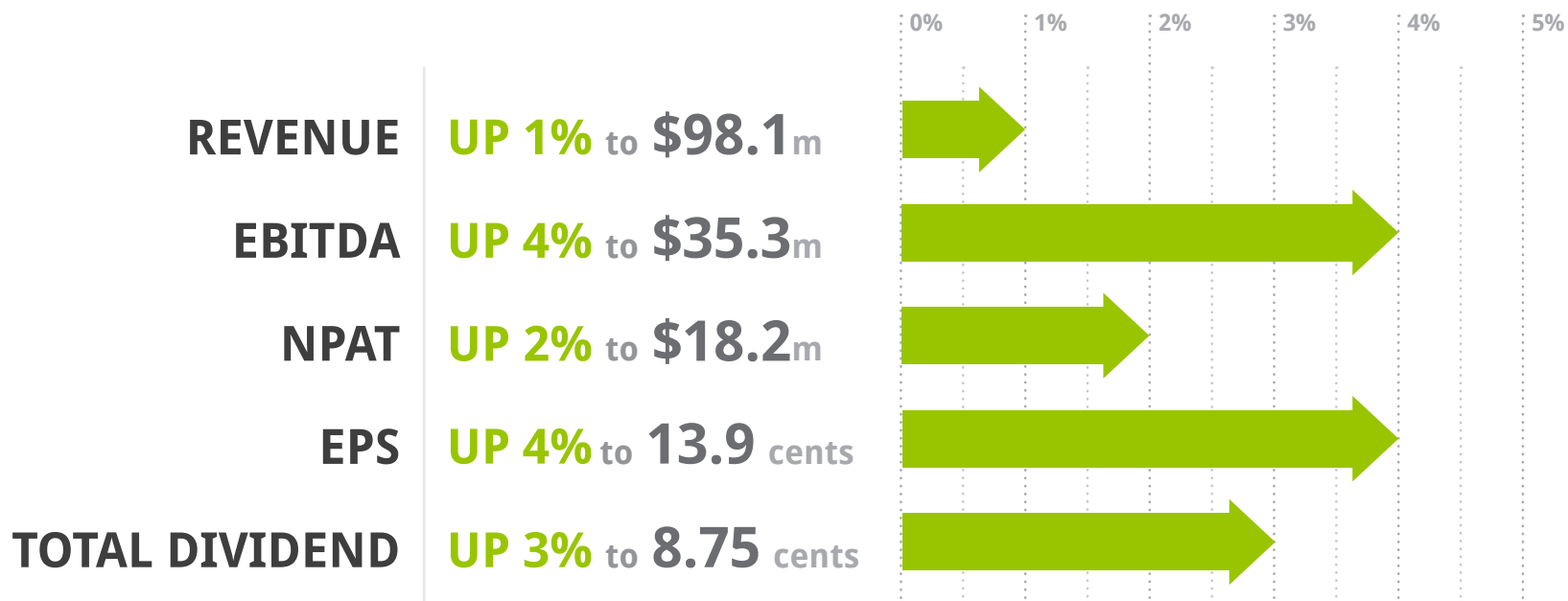
To be read in conjunction with the Appendix 4E and the Accounts

2013 ACHIEVEMENTS

- Reckon One live
 - Road shows to support launch
 - Establish IT infrastructure to support cloud products
- Rebrand Reckon Accounts
 - Advertising and road shows to support Reckon Accounts
- Progress movement of all products onto subscription models
- Management appointments to implement new strategies

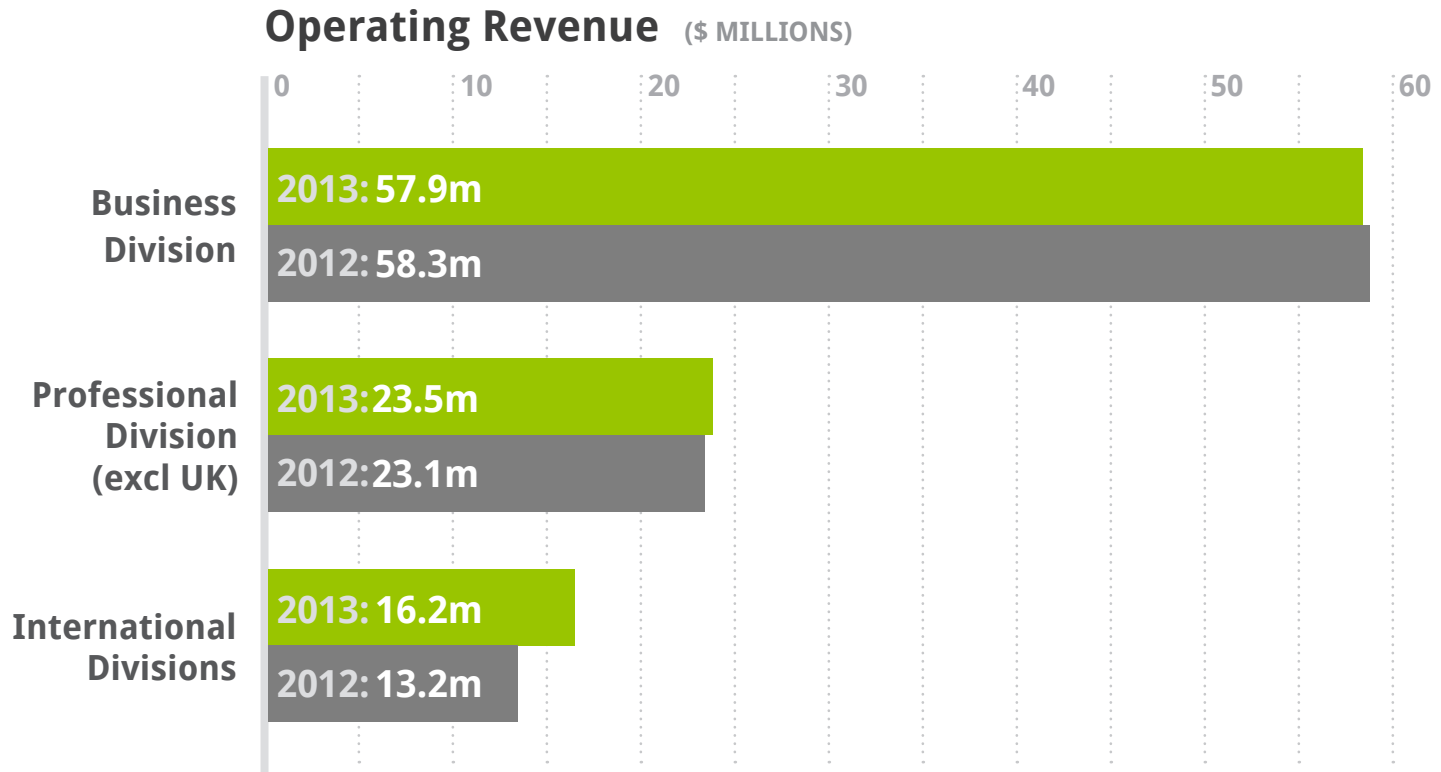
PERFORMANCE HIGHLIGHTS

Year ended 31 December 2013



GROUP TRENDS BY DIVISION

Year ended 31 December 2013

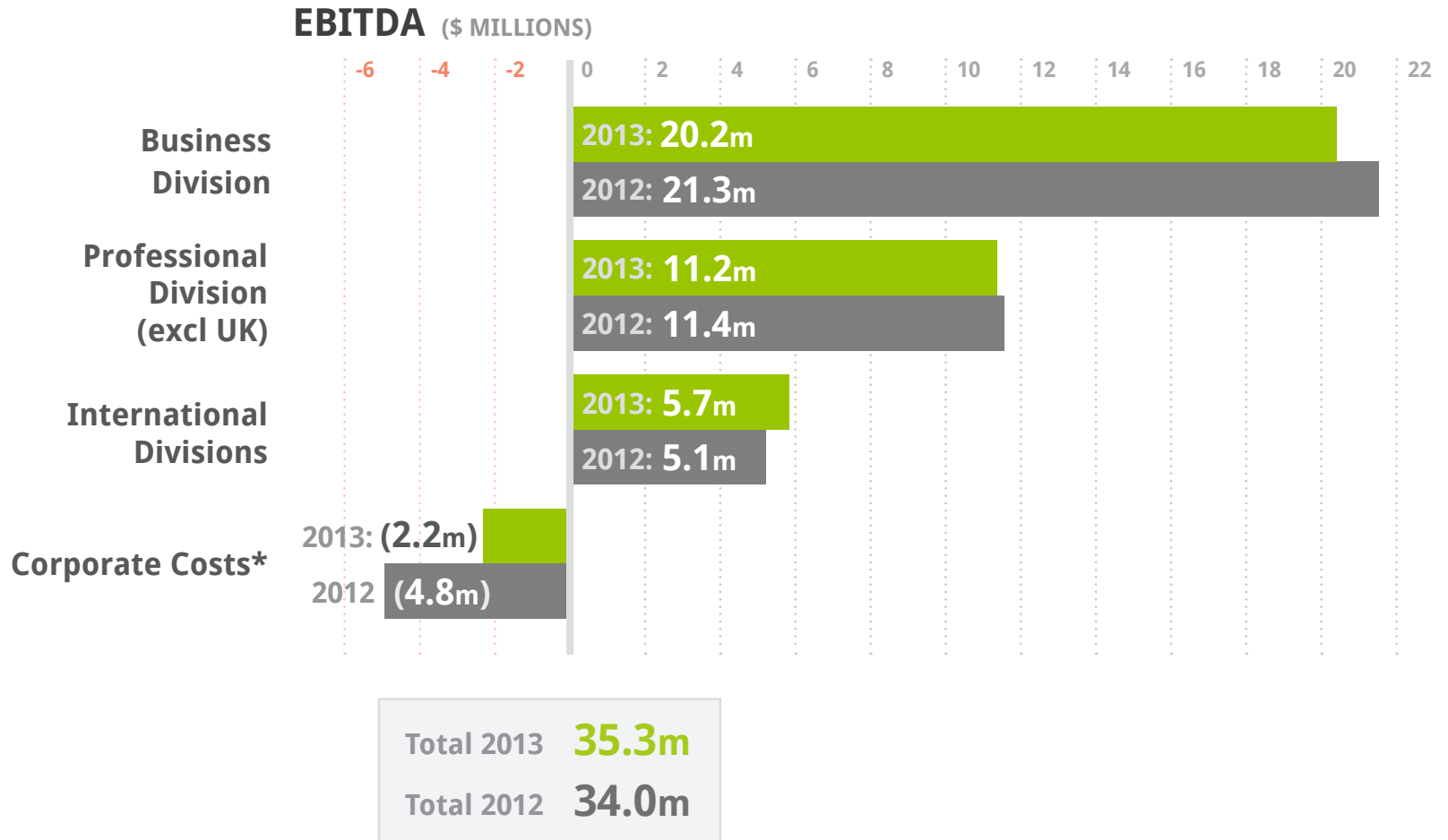


Total 2013 **98.1m**

Total 2012 **96.6m**

GROUP TRENDS BY DIVISION

Year ended 31 December 2013



* 2013 includes profit on sale of investment in Connect2Field of \$1.4m

RECKON GROUP

	1ST HALF \$ Millions	2ND HALF \$ Millions	FULL YEAR \$ Millions
2013 Operating Revenue	49.5	48.6	98.1
2012 Operating Revenue	48.1	48.5	96.6
2013 EBITDA	18.7	16.6	35.3
2012 EBITDA	17.1	16.9	34.0

RECKON GROUP

Major Revenue Movements

	1ST HALF \$ Millions		2ND HALF \$ Millions
2012 Operating Revenue	48.1		48.5
Australian Direct-SME Accounting Products	0.4		0.2
Australian Retail-SME Accounting Products	(1.0)		(0.4)
Docs	0.5		0.3
APS (Aust + NZ)	0.3		0.1
APS UK (Business sold, replaced by royalty)	(0.5)		(1.0)
Virtual Cabinet	2.4		0.8
nQueue Billback	(0.3)		0.1
Other	(0.4)		–
2013 Operating Revenue	49.5	+3%	48.6 FLAT

BUSINESS DIVISION RESULTS

Year ended 31 December 2013

		FULL YEAR \$ MILLIONS	1ST HALF \$ MILLIONS	2ND HALF \$ MILLIONS
Revenue	2013	\$57.9	\$29.9	\$28.0
	2012	\$58.3	\$30.4	\$27.9
EBITDA	2013	\$20.2	\$10.7	\$9.5
	2012	\$21.3	\$11.0	\$10.3

Revenue

- Reckon Accounts direct revenue grew by 2%
 - Price increase in 2013 was modest
 - Unit growth 4% despite rebranding exercise
 - Adverse impact from moving to a subscription model continues (50% of revenue is now subscription)
- Reckon Accounts retail revenue decreased by 41% (significantly impacted by destocking)
 - Impact in 2nd half slowed
- Reckon One revenue NIL in 2013 – invoicing commences in Feb 2014
- Reckon Docs revenue grew by 5%

Overheads

- Proportionally higher Docs growth adversely impacts margin
- Marketing costs higher related to the Reckon One launch
- Higher proportion of development costs capitalised
- Higher IT infrastructure costs to establish Reckon One and other cloud / online business

PROFESSIONAL DIVISION RESULTS

Year ended 31 December 2013

		FULL YEAR \$ MILLIONS	1ST HALF \$ MILLIONS	2ND HALF \$ MILLIONS
Revenue (Aust + NZ)	2013	\$23.5	\$11.9	\$11.6
	2012	\$23.1	\$11.4	\$11.7
EBITDA (Aust + NZ)	2013	\$11.2	\$5.7	\$5.5
	2012	\$11.4	\$5.5	\$5.9

Australia and New Zealand

- Revenue growth 2% – focus on moving business towards a subscription model
 - Subscription revenue growth 11% (\$1.7m)
 - Upfront revenue reduced by 21% (\$1.3m)

United Kingdom

- Business sold effective December 2012
- Royalty revenue of \$0.5m in 2013

INTERNATIONAL DIVISIONS RESULTS

Year ended 31 December 2013

		FULL YEAR \$ MILLIONS	1ST HALF \$ MILLIONS	2ND HALF \$ MILLIONS
Revenue	2013	\$16.2	\$7.5	\$8.7
	2012	\$13.2	\$5.4	\$7.8
EBITDA	2013	\$5.7	\$2.5	\$3.2
	2012	\$5.1	\$2.3	\$2.8

Virtual Cabinet

- Acquired July 2012
- 2nd half revenue +34% on PcP
- 2nd half EBITDA +113% on PcP

nQueue Billback

- Revenue down by 2% (2nd half improved to +2%)
 - Subscription revenue +5% (2nd half +7%)
 - Upfront revenue -22% (2nd half -13%)
- Overheads up by \$0.4m mainly marketing and sales related

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EBITDA margin %

	2013	2012
Business	35.0%	36.7%
Professional	48.2%	49.3%
nQueue Billback	37.8%	42.3%
Virtual Cabinet	30.0%	21.0%
Group	36.0%	35.2%

REVENUE BREAKDOWN

- Recurring Revenue
- Full Product Revenue
- Service Revenue

Accounts



Docs (all new product sales)



Professional



nQueue Billback



Virtual Cabinet



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Cash Flow Highlights - year ended 31 December 2013

	2013 \$ MILLIONS	2012 \$ MILLIONS
Net debt	\$14.8	
Operating cash flow	\$26.5	\$24.0
Capitalised development cost expenditure	(\$13.1)	(\$9.6)
Fixed asset acquisitions	(\$1.5)	(\$1.4)
Sale of investment	\$1.7	-
IP Acquisitions	(\$2.1)	-
Dividends paid	(\$11.3)	(\$10.8)
Share buyback	(\$5.5)	(\$7.6)

Cash spend on development

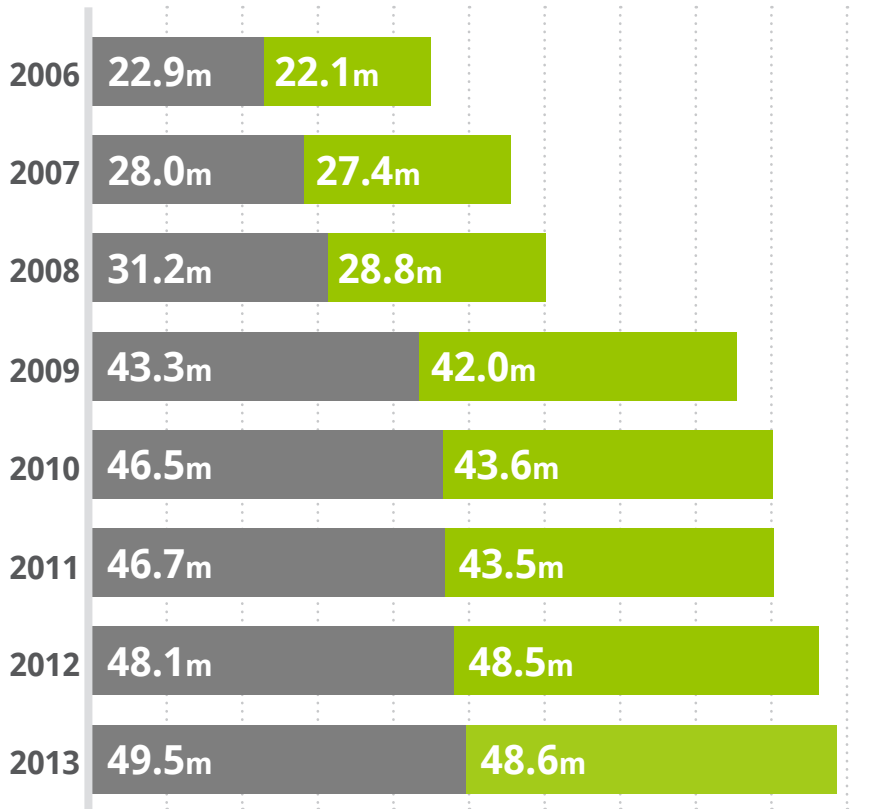
Capitalised	\$8.5	\$8.4
Expensed	-	\$1.0
Existing products	\$8.5	\$9.4
New products		
Virtual Cabinet	\$0.9	\$0.3
Reckon One	\$3.7	\$0.9
Total	\$13.1	\$10.6

GROUP TRENDS

OPERATING REVENUE

\$ MILLIONS

0 10 20 30 40 50 60 70 80 90 100



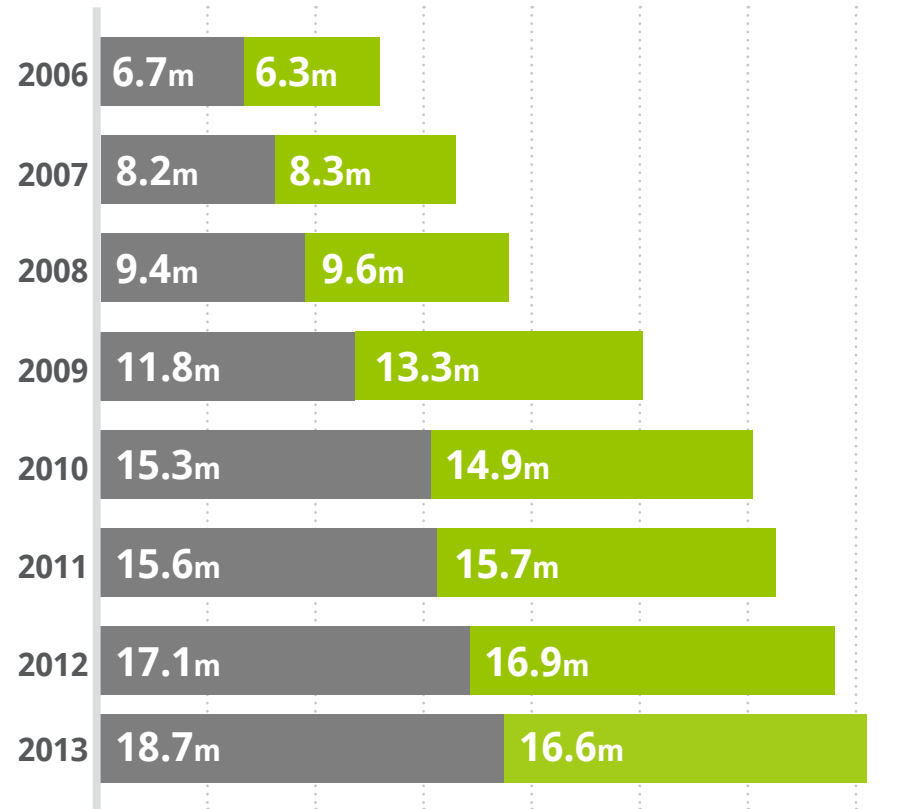
● Half Year

● 2nd Half

EBITDA

\$ MILLIONS

0 5 10 15 20 25 30 35



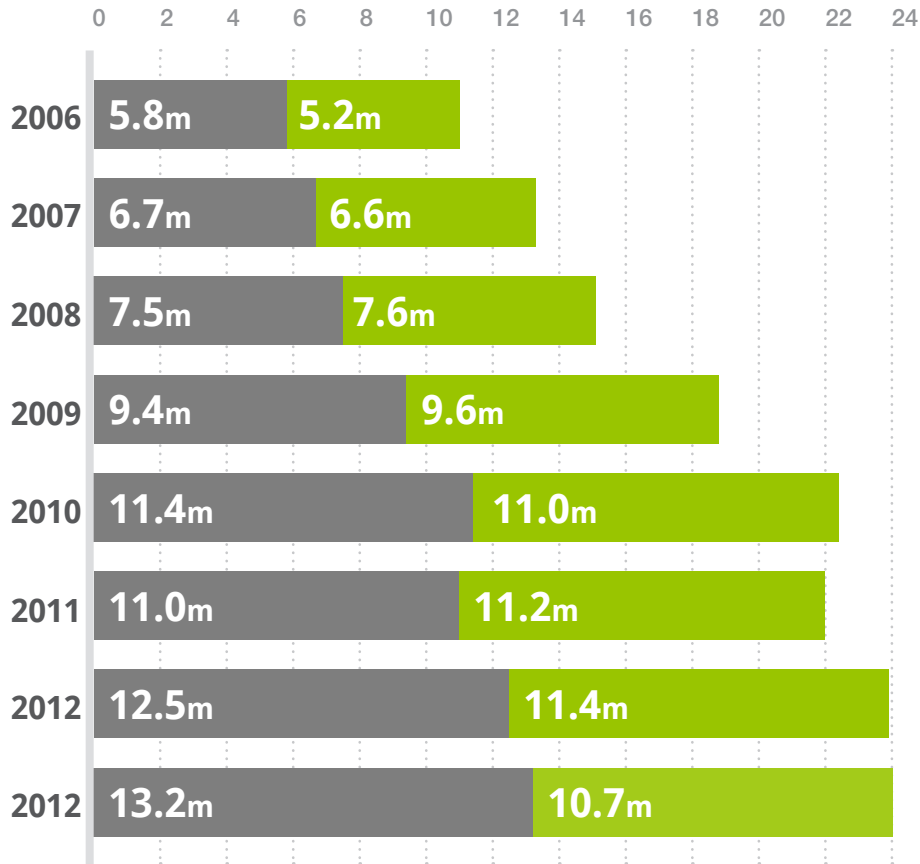
● Half Year

● 2nd Half

GROUP TRENDS

NPBT

\$ MILLIONS

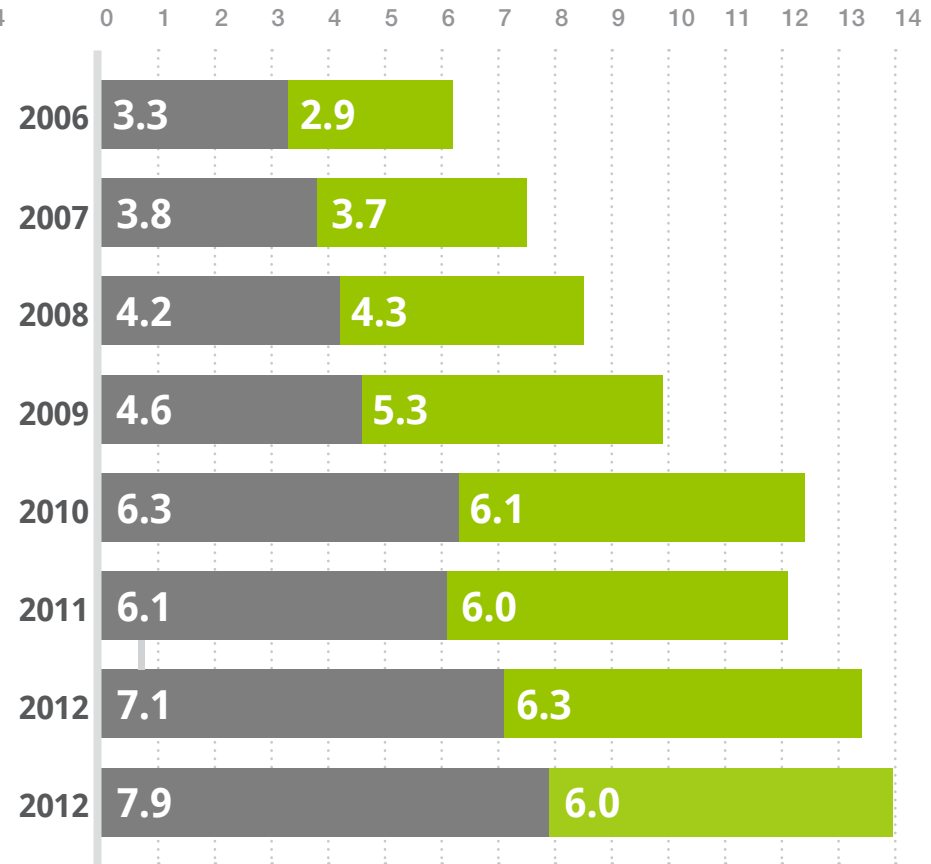


● Half Year

● 2nd Half

EPS

CENTS



● Half Year

● 2nd Half

BUSINESS DIVISION

Reckon is an industry leader in accounting software solutions suitable for small to enterprise sized business in Australia and New Zealand.

Reckon has developed a new cloud product called **Reckon One** to complement it's existing desktop and hosted solutions.

Reckon partners with over **6,000 accounting practices** and has more than **600,000 registered businesses** as customers in its Reckon Accounts business.

+100,000 repetitive customers buying a variety of solutions annually.

One

Pricing Modules

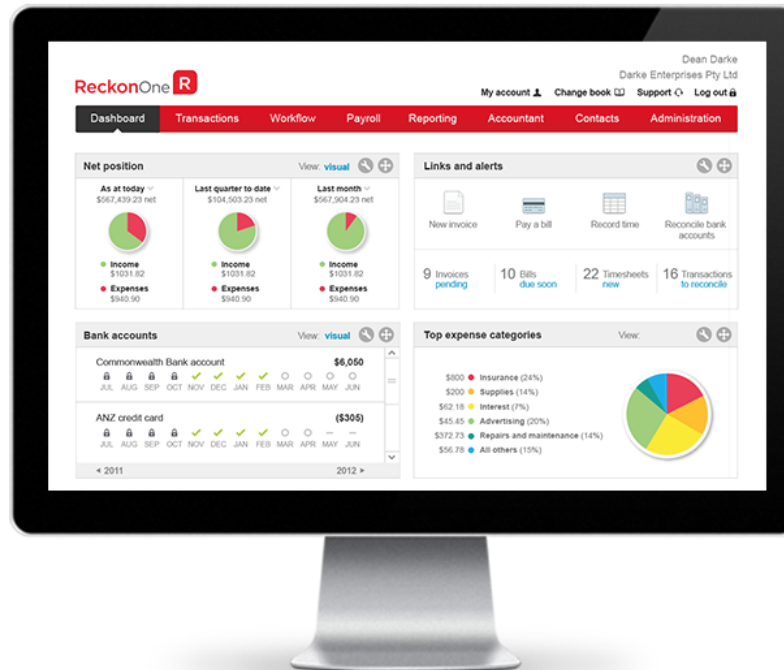
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Australian Online Accounting

Design your online accounting software to save your business money and time.

Watch the video 



"Everyone has a dashboard but Reckon's feels more sophisticated and powerful than rivals"

Sholto Macpherson, BoxFreeIT, May 2013

BUSINESS DIVISION - 2014 OPPORTUNITIES

- Rebranded QuickBooks and Quicken now Reckon Accounts
 - Revenue flat with signs of growth in 4th Qtr
 - Growth of Hosted and Enterprise products expected to continue
 - Benefit from royalty saving of circa \$5m
- Reckon One
 - Reckon One release in Australia and NZ
 - Payroll & API to be released in 2014
 - Reckon Pay to be released in 2014 – enables credit card payments on mobile phones
 - Create smaller low cost offices in each country to localise and promote Reckon One.
 - Leverage existing infrastructure to support: Local marketing, sales and development teams
 - Move into UK and South East Asia markets
- Release of Reckon.com website
- Reckon Docs + Elite moving to the Professional Division in 2014

PROFESSIONAL DIVISION

Reckon is an industry leader in practice management software to accounting practices of all sizes.

Reckon's APS offers a truly integrated solution and is now well entrenched as the supplier of choice to the top tier of accounting firms by focusing on building strong relationships with clients.

Customer base:

- 1,000+ customers use the APS suite
- 3,000+ customers use the Reckon Elite suite
- 3,000+ customers use the Reckon Docs products

PROFESSIONAL DIVISION - 2014 OPPORTUNITIES

- The move to a subscription model should increase the addressable market
- Private Cloud, Virtual Cabinet and Workpaper Management modules have started to gain momentum
- Continued acquisition of new customers (increase in market share), and rollout of products to existing customers
- Continued growth in market share in content (Reckon Docs)
- Continued growth in market share in Elite (practice management software for small practices)

INTERNATIONAL DIVISIONS

Reckon is an industry leader in solutions to enhance business efficiencies for accountants, lawyers and businesses in general across the globe.

- The combination of scan, document management and client portal solutions facilitates a paperless office and office virtualisation, and is well suited for mobile workforces.
- Expense Management of all disbursement types combined with print solutions allows for efficient cost management, recovery and value billing options.

INTERNATIONAL DIVISIONS - 2014 OPPORTUNITIES

- Virtual Cabinet Document Management
 - Significant customer acquisition into the main markets in the UK (Accountants and Financial Planners) is expected to continue
 - Expansion into Australia and New Zealand via other Reckon companies
- NQBB Cost Recovery and Scan
 - Scan Solutions developed late in 2013
 - Product update released mid year 2013
 - Early days of moving to subscription model
 - Slow start to year in 2013, ending with Qtr 4 which was the best sales quarter in the divisions history

STRATEGIC FOCUS

- **All products**
 - Continue conversion to a subscription model
 - Offer customer choice – Desktop, Hosted or Cloud
- **Reckon Accounts**
 - Organic growth particularly in Hosted and Enterprise offerings
 - Lock in the benefit from the profit uplift in 2014 from no more royalties payable to Intuit
- **Reckon One**
 - Release product into a new and fast growing market
 - Offshore opportunities
 - Extend available modules
- **Professional**
 - Organic growth from new client wins and additional module rollout
 - Major revenue opportunities from APS Private Cloud & Document Management & Workpaper Management
- **International**
 - Focus on meeting 2015 targets for Virtual Cabinet
 - Compliment Virtual Cabinet growth by adding sales from Reckon's companies outside the UK
 - Scan product rollout in nQueue Billback



Reckon

Questions

thank you