



Reckon

Business software for accountants and accounting software for businesses

Results presentation

Half year ended 30 June 2014

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

Reckon group

- **The Business Group**

Develops and distributes accounting software solutions on either desktop, hosted or cloud platforms. It has over 300,000 active customers, and supports over 6,000 partners.

- **The Accountant Group**

Is an industry leader in practice management software to accounting practices, with over 1,000 larger practices using the APS suite and comprising of 52,000 seats across multiple modules. This division also services 7,000 practices using our Elite smaller practice management and tax solution or Reckon Docs company secretarial content.

- **The International Group**

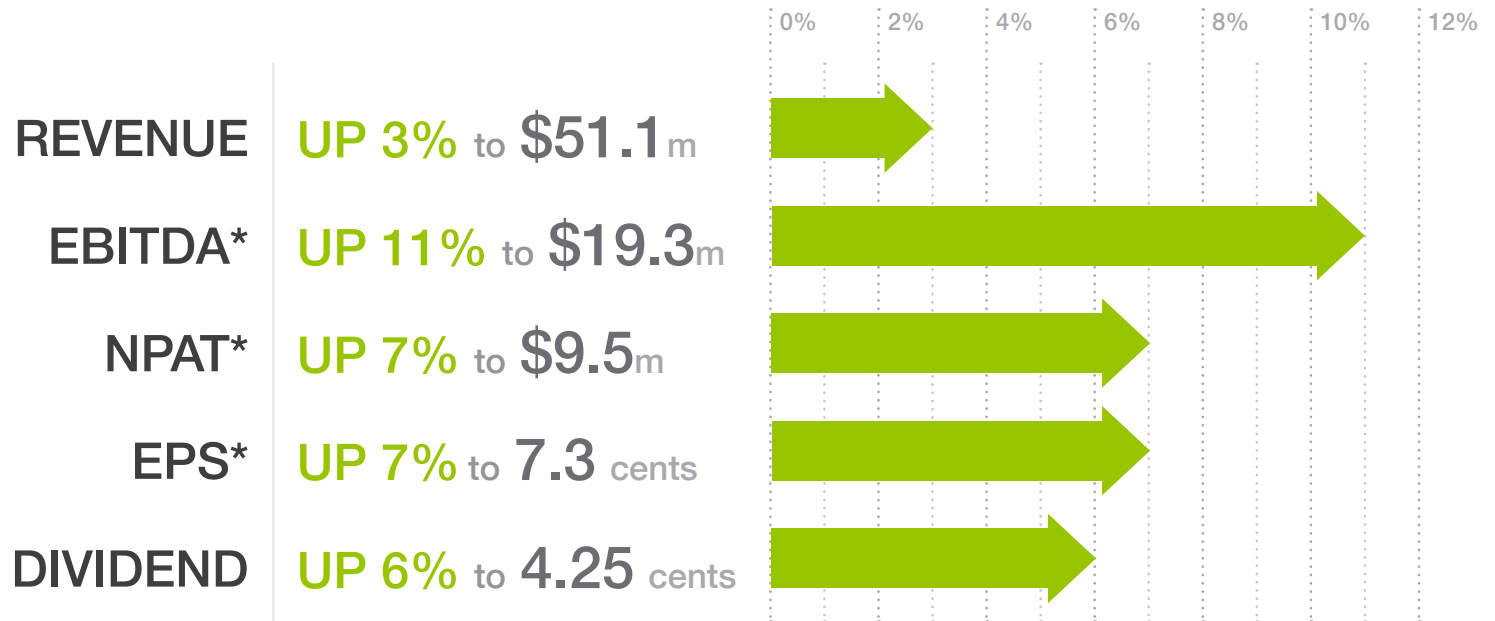
Focuses on business efficiencies for accountants, lawyers and business in general, offering a range of document management, portal, scan and cost recovery solutions to circa 2,000 clients, predominantly in the USA and UK.

2014 highlights

- Reckon One launched.
- Next generation Hosted product launched.
- Strong EBITDA and operating cash flow growth.
- Significant investment in cloud capability across the group.
- Substantial shift to a subscription model with corresponding subscription revenue growth of 12%.
- Intuit royalty saving of \$2.5m.
- Intuit shareholding acquired.

Performance highlights

Half year ended 30 June 2014



* Growth percentages exclude the impact of the profit on sale of the investment in Connect2Field in 2013.

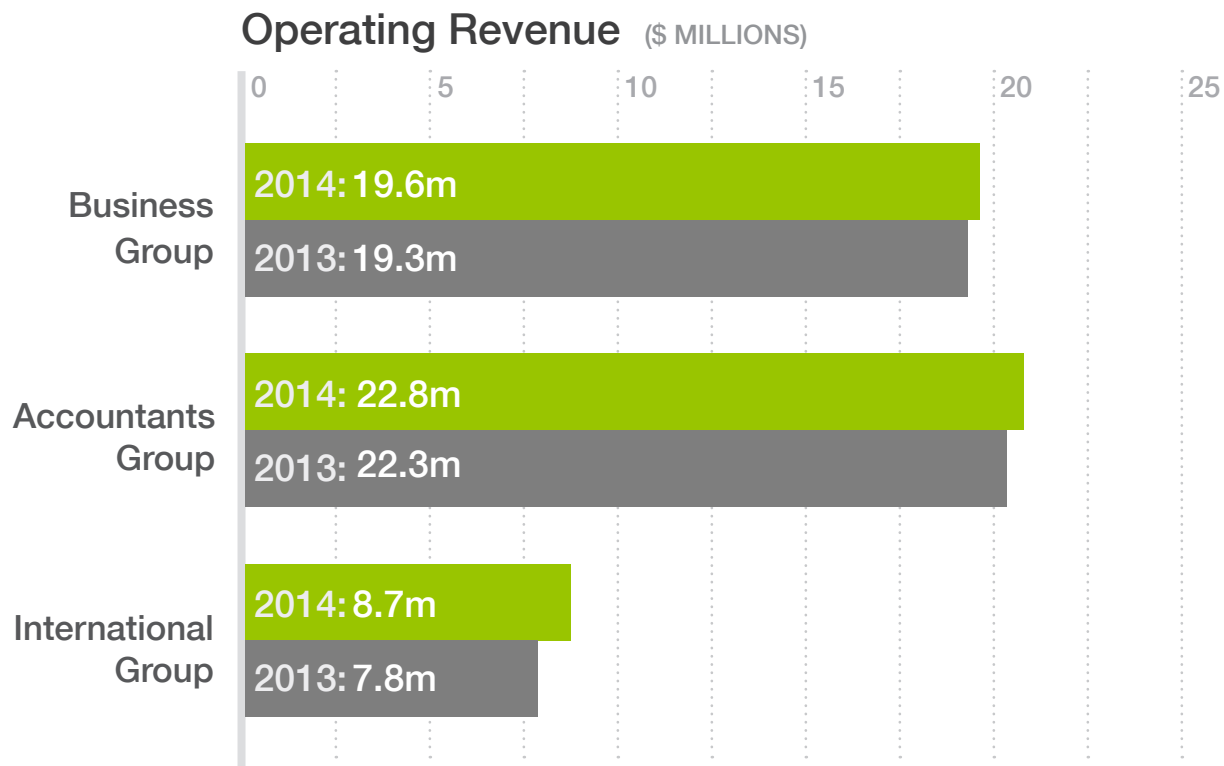
Revenue growth

Half year ended 30 June 2014

| | 2014 | Growth | 2013 |
|------------------------------|--------------|------------|--------------|
| Subscription product revenue | 25.9m | +12% | 23.1m |
| Other recurring revenue | 7.8m | -2% | 8.0m |
| Upfront and service revenue | 7.2m | -19% | 8.8m |
| Content revenue | 10.2m | +6% | 9.6m |
| | 51.1m | +3% | 49.5m |

Group trends by division

Half year ended 30 June 2014

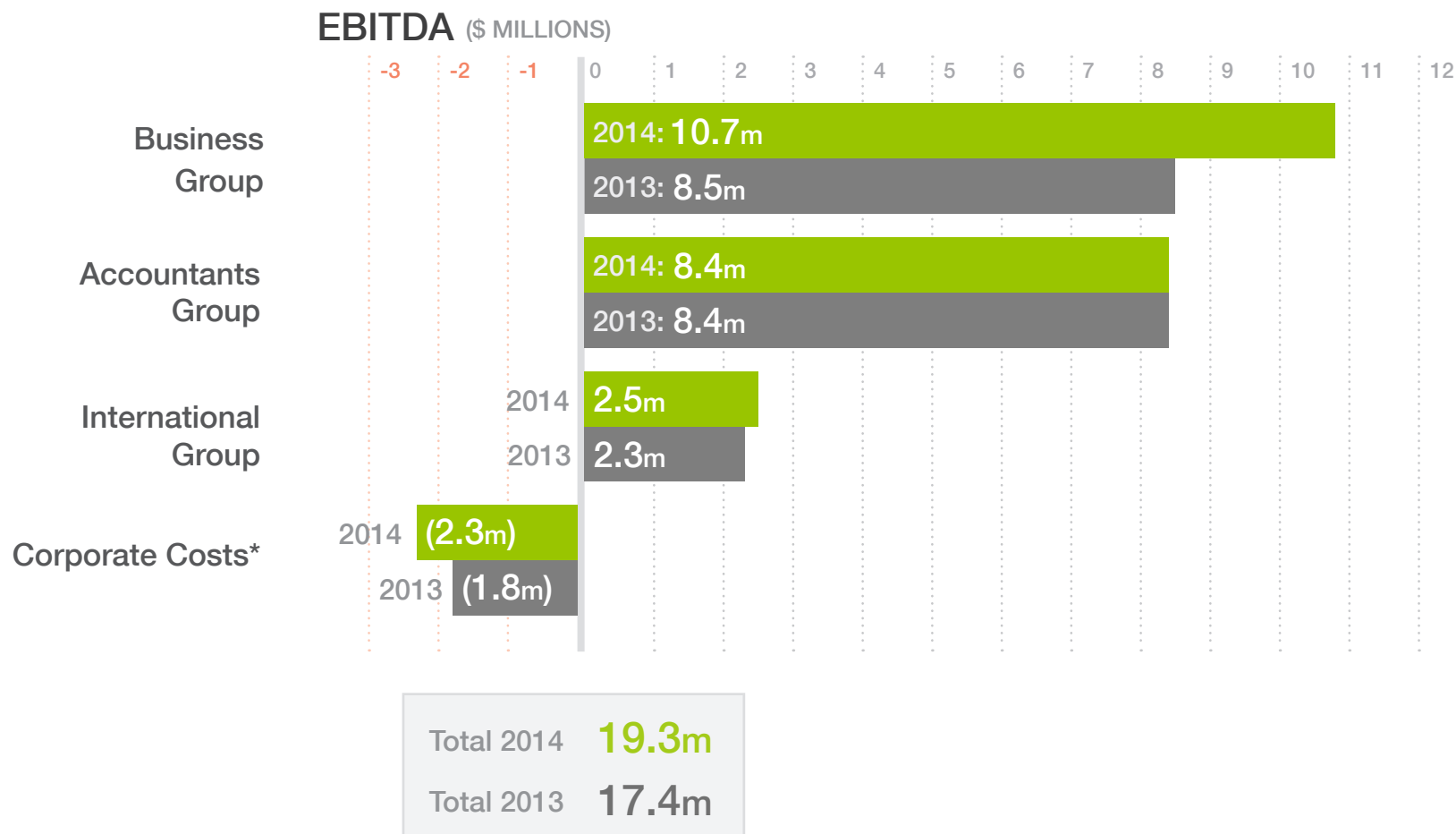


Total 2014 **51.1m**

Total 2013 49.5m

Group trends by division

Half year ended 30 June 2014



* 2013 included exchange gains of \$0.4m.

Business group results

Half year ended 30 June 2014

| | REVENUE | 2014 | Growth | 2013 |
|------------------------------|---------|-------|--------|-------|
| Subscription product revenue | | 8.2m | +12% | 7.3m |
| Other recurring revenue | | 7.8m | -2% | 8.0m |
| Upfront and service revenue | | 3.6m | -12% | 4.0m |
| | | 19.6m | +1% | 19.3m |
| | EBITDA | 10.7m | +27% | 8.5m |

Revenue

- Subscription:
 - Predominantly volume growth in online offerings.
- Other recurring:
 - Mix change - mostly smaller products sold, new sales of larger end of range attracted to Hosted.
- Upfront and service revenue.
 - Reduction is mainly in upfront sales in retail.

Overheads

- Saving of \$2.5m in Intuit royalty.
- Investment in online infrastructure and sales capability.

Accountant group results

Half year ended 30 June 2014

| | REVENUE | 2014 | Growth | 2013 |
|------------------------------|---------|-------|--------|-------|
| Subscription product revenue | | 11.0m | +9% | 10.0m |
| Upfront and service revenue | | 2.0m | -31% | 3.0m |
| Content revenue | | 9.8m | +6% | 9.3m |
| | | 22.8m | +2% | 22.3m |
| | EBITDA | 8.4m | - | 8.4m |

Revenue

- Aggressive push towards moving the business to a subscription model.
- Some level of upfront / service revenue will remain in future.
- Content business continues historical growth.

Overheads

- Cost base maintained despite additional volume.
- Cost increase relates to COGS on content business (ASIC fees).

International group results

Half year ended 30 June 2014

| | REVENUE | 2014 | Growth | 2013 |
|------------------------------|---------|------|--------|------|
| Subscription product revenue | | 6.8m | +18% | 5.7m |
| Upfront and service revenue | | 1.5m | -14% | 1.7m |
| Content revenue | | 0.4m | +6% | 0.4m |
| | | 8.7m | +10% | 7.8m |
| | EBITDA | 2.5m | +9% | 2.3m |

Revenue

- Ongoing focus on moving the business towards a subscription model, particularly in Virtual Cabinet products.
- Strong new customer acquisition in Virtual Cabinet.
- Mixed results in nQueue, with USA solid, but UK and Australia weaker.
- Exchange gains on conversion assisted results.

Overheads

- Investment in UK online sales capacity.

EBITDA margin

Half year ended 30 June 2014

| | 2014 | 2013 |
|---------------|--------------|--------------|
| Business | 54.7% | 43.8% |
| Accountants | 36.6% | 37.6% |
| International | 29.2% | 29.6% |
| Group | 37.7% | 35.1% |

Cash flow highlights

Half year ended 30 June 2014

| | 2014 | 2013 | |
|---|----------|----------|---------------------------|
| Net debt | \$10.9m | | |
| Operating cash flow | \$18.1m | 13.4m | |
| Capitalised development cost expenditure (net of grant) | (\$7.2)m | (\$6.1)m | 2nd Half 2013 (\$7.0)m |
| Fixed asset acquisitions | (\$0.3)m | (\$0.8)m | |
| Dividends paid | (\$6.0)m | (\$6.1)m | |

Cash flow post half year

- Selective buy back of Intuit shares \$27.5m
- Acquisition of further 20% of Virtual Cabinet \$2.4m

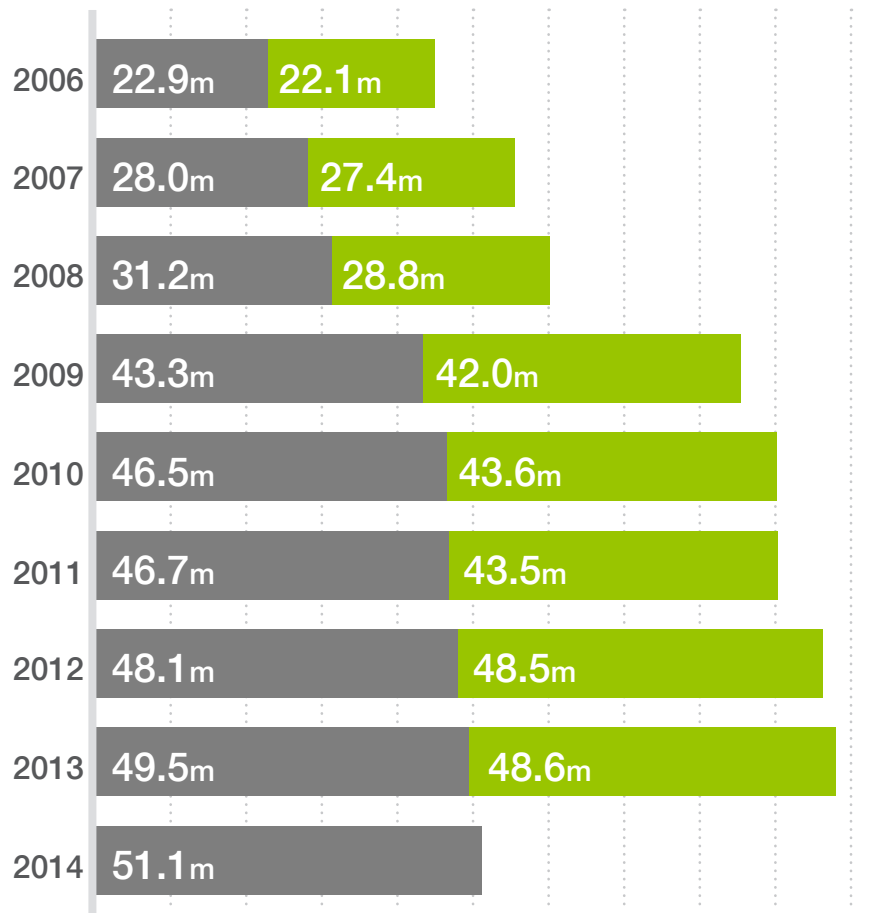
Group Trends

- Half Year
- 2nd Half

OPERATING REVENUE

\$ MILLIONS

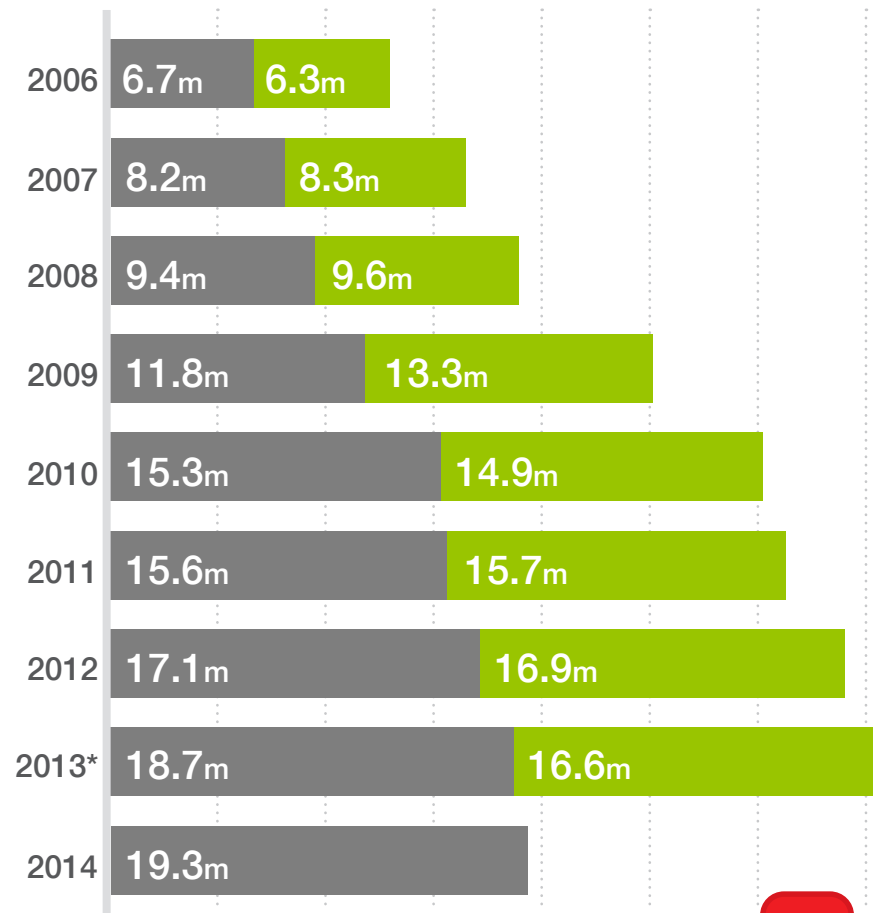
0 10 20 30 40 50 60 70 80 90 100



EBITDA

\$ MILLIONS

0 5 10 15 20 25 30 35

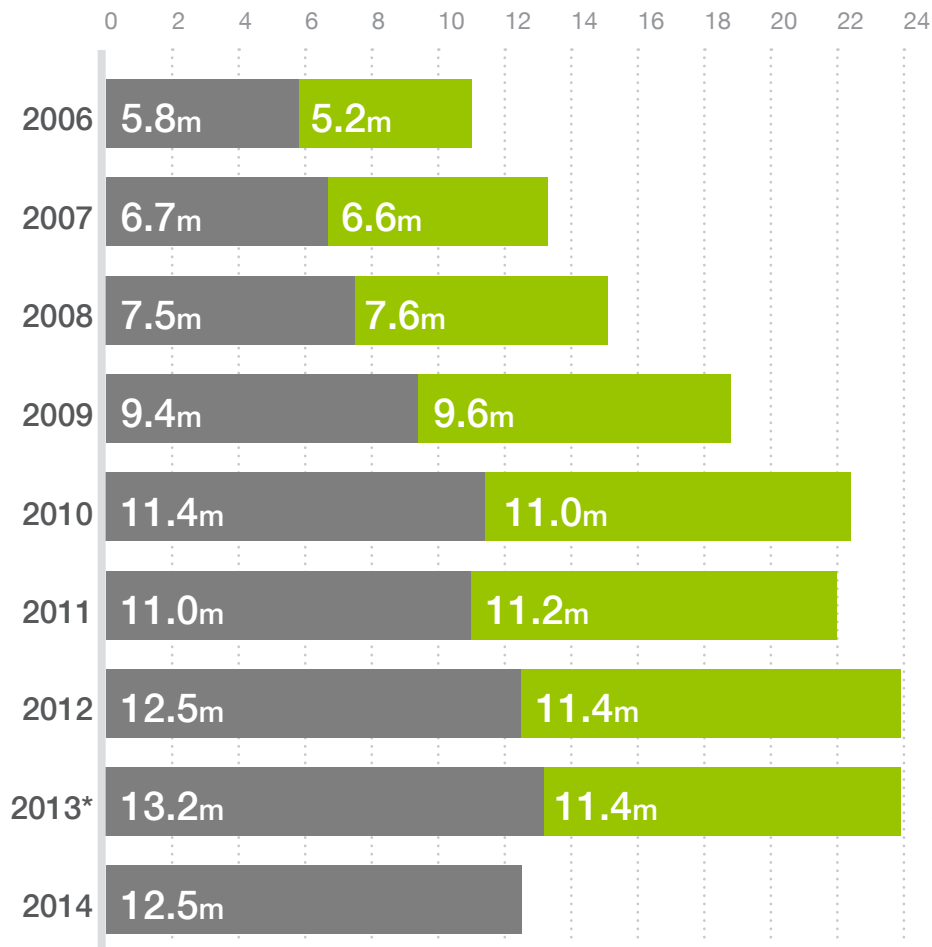


* Includes profit on sale of investment of \$1.4m

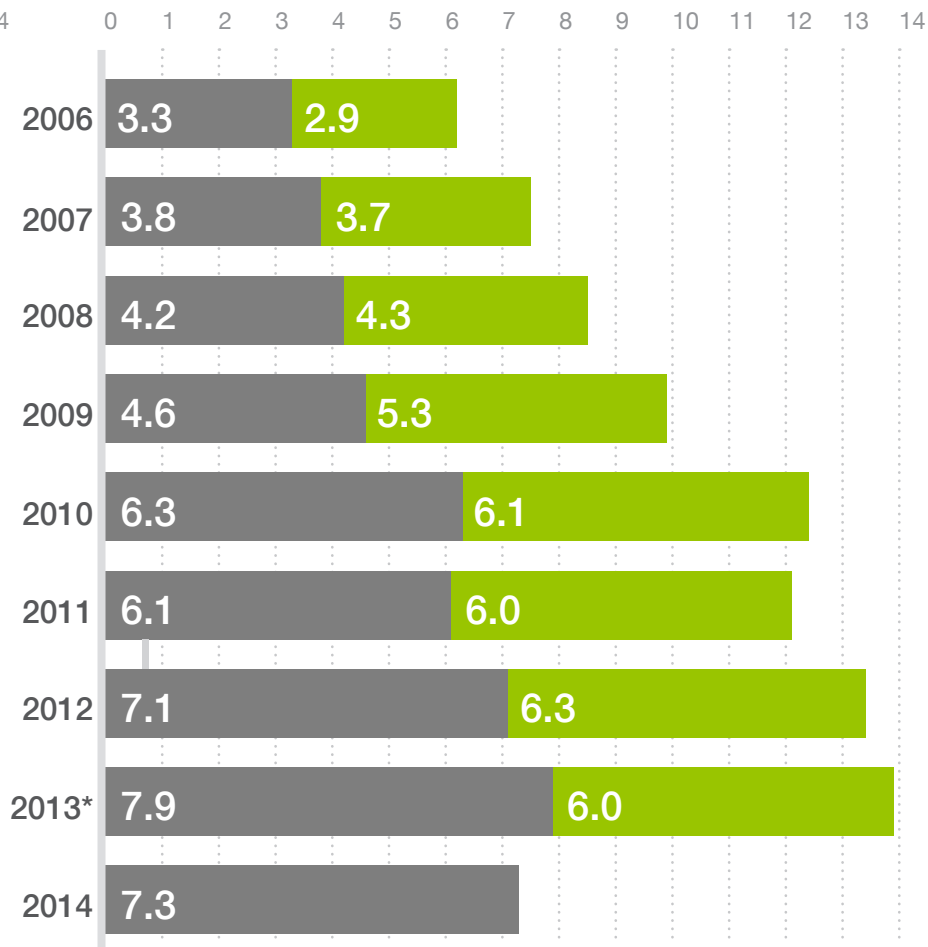
Group Trends

● Half Year
● 2nd Half

NPBT



EPS



* Includes profit on sale of investment of \$1.4m

Business group

Accounting software solutions suitable for small to enterprise sized business offering customer choice of any platform:

- **Desktop** - Reckon Accounts
- **Hosted** - Reckon Account Hosted
- **Cloud** - Reckon One

+25,000 online customers (hosted and cloud).

Business group - opportunities

- 42% of revenue is subscription
- 82% of revenue is recurring
- Reckon Accounts
 - Growth of Hosted - following release of next generation product targeted at online users with more complex requirements.
 - Investment in expanded sales team targeting Hosted and Cloud markets.
- Reckon One
 - Encouraging feedback from accountants and bookkeepers as modular approach resonates.
 - Progressive enhancements are being made to the product.
 - Investment in developing and establishing an infrastructure for a UK product has commenced.

Accountant group

Reckon is an industry leader in practice management software to accounting practices of all sizes, with 4 out of the top 5 accounting firms using the APS suite.

Reckon 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.

Reckon Elite offers a cost effective solution for smaller accounting practices.

Reckon Docs provides high quality content and documents to accountants and lawyers.

Accountant group - opportunities

- 84% of available revenue is subscription.
- The move to a subscription model is showing signs of increasing the addressable market.
- Private Cloud, Virtual Cabinet, Sync Direct and Workpaper management modules are significant opportunities.
- 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).

International group

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 scan and print solutions allows for efficient cost management, recovery and value billing options.

International group - opportunities

- 82% of available revenue is subscription.
- Virtual Cabinet Document Management
 - Continued customer acquisition into the main markets in the UK.
 - Expansion into Australia and New Zealand via other Reckon companies.
- nQueue Cost Recovery and Scan
 - Scan solutions are showing signs of gaining traction.
 - Pipeline remains solid despite weakness in the first half results.

Strategic focus

- All products
 - Build sustainability of business by continuing conversion to a subscription model.
 - Offer customer choice - Desktop, Hosted, Cloud.
 - Investment in online capacity.
- Business Group
 - Reckon Accounts: organic growth particularly in the Hosted product.
 - Reckon One: continue to enhance product capability + promote product.
- Accountant Group
 - Organic growth by continuing to build subscription base.
 - Expand content reach into the accountants base.
- International Group
 - 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 and increased sales activity in nQueue.



Reckon

Questions

thank you