



Reckon

2015 Result Presentation

16 FEBRUARY 2016



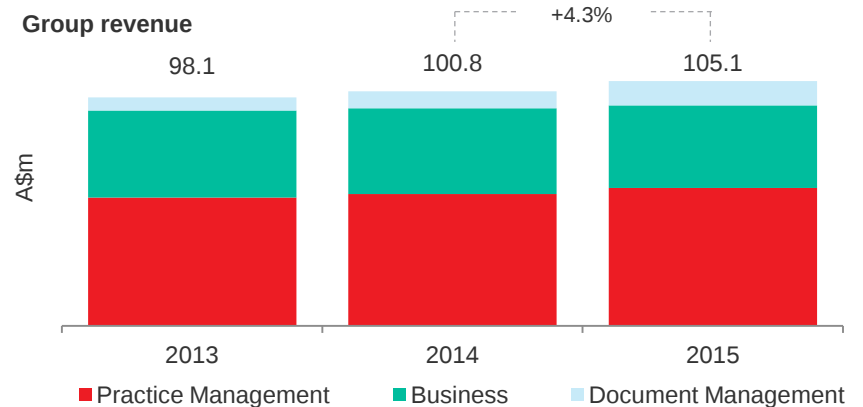
2015 Highlights



2015 Highlights

Continued growth in revenue at the Group level

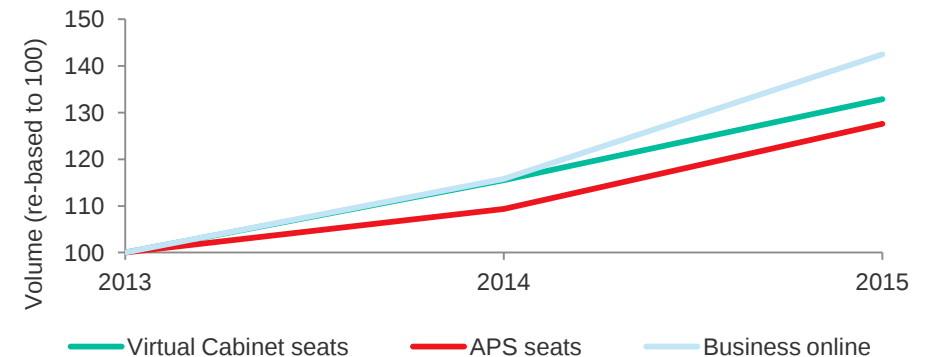
- Organic contract wins and product take-up across Practice Management segment delivering volume and revenue growth
- Reckon One gaining traction in the Australian market. Overall Business segment impacted by transition to the cloud and subscription
- High growth Document Management segment internationally validated
- Overall Group revenue increased by 4.3% over the pcp



Revenue growth underpinned by strong growth in volumes

- Virtual Cabinet seat growth of 15%, including growth in the UK and internationally
- APS seat growth of 17% in Australia and New Zealand
- Business Group cloud user growth of 23% in Australia and New Zealand
- SmartVault (acquired Jan 2016)¹ adds 12k seats (+47% YoY growth)

Key product volume growth



1. Not included in 2015 results

2015 Highlights (cont.)

Transition to subscription largely complete with enhanced customer lifetime value

- 87% of Practice Management¹ revenue now subscription (up from 85% in 2014)
- 72% of Business product revenue now subscription (up from 50% in 2014)
- 73% of Document Management revenue now subscription (74% in 2014)

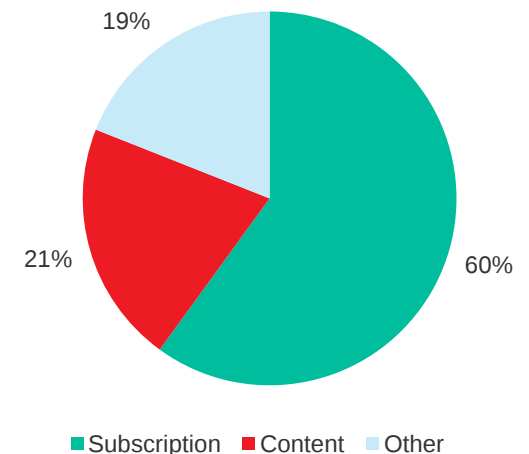
Strategic review has highlighted stand alone growth opportunities

Strategic review undertaken in late 2015, with the following outcomes:

- New reporting segments adopted to better reflect opportunities available to the Group
- Continued investment in scaling proven international businesses (nQueue and Virtual Cabinet)
- Consolidate APS market leadership by continuing to provide high-value additional modules and functionality, including further cloudification of products
- Acquisition of SmartVault, a leading online Document Management software product to strengthen product offerings in the US market and gain point of access to valuable accountant market
- Accelerated investment in targeted development priorities to be undertaken over 2016 and 2017
 - Including Reckon One and integration of SmartVault / Virtual Cabinet onto one platform, cloudification of APS functionality
- Identified initiatives designed to strengthen Reckon's market position, exploit new market opportunities, and provide long term success
- The announced strategic review in late 2015 resulted in a number of enquiries from 3rd parties. While the Company remains open to opportunities to maximise shareholder value it is currently focused on executing stand alone growth initiatives available to Reckon as highlighted further in this presentation

1. Excluding Content revenue (Reckon Docs)

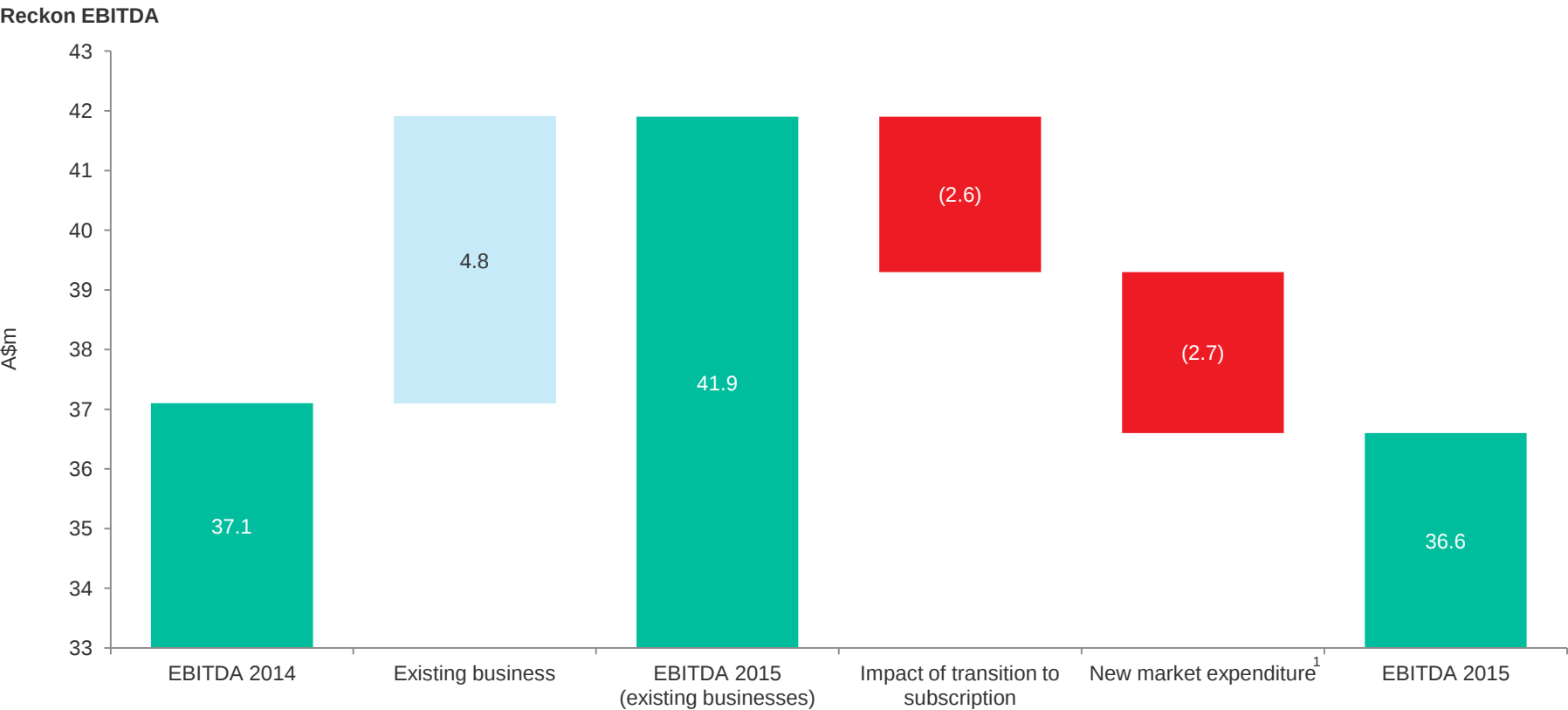
Group revenue (2015)





2015 Highlights (cont.)

The Group’s existing businesses delivered solid revenue and EBITDA growth again in 2015, with new business initiatives causing some short term P&L impact as they are scaled across markets



1. Other initiatives includes increased Document Management expenditure in the USA



Building on our success



Building on our success

The business today and in the future

Reckon has a number of well identified growth opportunities which it intends to exploit through a combination of organic growth, targeted investment in product development and complementary acquisitions

Where we are today

- Diversified range of businesses each with strong stand alone growth prospects
- Exposure to multiple industries (accounting, legal, SME, other)
- Exposure to multiple geographies (Australia / NZ, USA, UK)

Changes we are making

- Focus on growing the size and quality of each business
 1. Scale proven international business
 2. SmartVault acquisition enhances document management offering
 3. Build on our strong domestic market position
 4. Exploit the Reckon online products opportunity
 5. Harness the power of the connected practice
 6. Accelerate investment into targeted priorities
 7. Continue our track record of results from growth investments
- Reporting segments amended to better align with the Group's strategic focus

Where we are going

- Strategic plan will deliver a fundamentally enhanced business



Building on our success (cont.)

New reporting segmentation

Going forward, Reckon will report under three new segments that better reflect the various opportunities available to the Group

- The Group’s development of Practice Management and Document Management strategies within the US and UK markets means that the existing International Group segmentation no longer appropriately reflects the opportunities available to the Group.

Previous reporting segments

Accountants Group	International Group	Business Group
APS	nQueue	Reckon Accounts
Elite	Virtual Cabinet	Reckon Accounts Hosted
Docs		Reckon One

New reporting segments

Practice Management	Document Management	Business
APS	Virtual Cabinet	Reckon One
Elite	SmartVault New	Reckon Accounts
Docs		Reckon Accounts Hosted
nQueue Moved		



Building on our success (cont.)

1. Scale proven international businesses

The Group's existing international businesses (nQueue, Virtual Cabinet) represent exciting, validated growth opportunities ready for further investment

Practice Management

- nQueue
 - Well respected cost-recovery and scan solution provider with a customer list that includes some of the world's largest legal firms
 - New orders grew by 50% in 2015

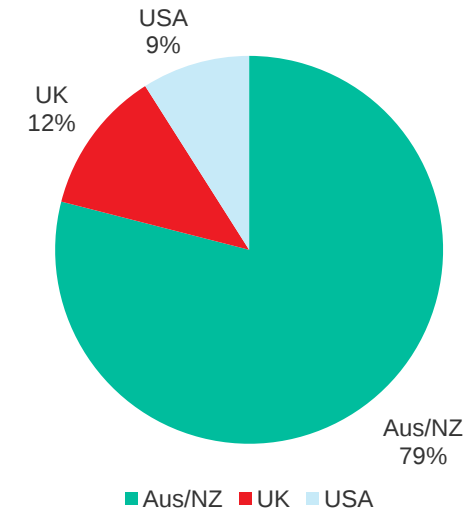
Document Management

- Virtual Cabinet proven across multiple markets
 - Rapid growth amongst APS customer base in Australia
- SmartVault proven within the US market
 - High penetration and brand recognition amongst USA accountants
- Total document management seats now 45k globally
- Complimentary products
 - Virtual Cabinet provides enterprise-level functionality and support
 - SmartVault offers ease of use and simple online distribution
 - Accelerated development over 2016 to bring products onto the same platform, with significant development savings expected from 2017 onwards

Business

- Reckon One to be launched in the UK in 2016

Group revenue by geography¹



1. 2015 reported revenue; excludes SmartVault

Building on our success (cont.)

2. SmartVault acquisition

SmartVault provides Reckon with a high-growth access point to USA accountants/SMEs and is expected to generate cross-segment benefits

Strategic acquisition of leading online document management product among US accountants

- Leading online document storage and file sharing software product
- Provides Reckon with a high-growth access point to USA accountants / SMEs and is expected to generate cross-segment benefits
- SmartVault's online success in the US also represents a large opportunity in the UK and Australia



Transaction details

- Acquisition agreement signed January 2016
- Confidential deal terms structured as an upfront payment plus an earn-out based on 2018 revenue
- Upfront consideration funded out of debt facilities (paid in January 2016)

Financial impact

- Positive revenue contribution from Day 1
- Earnings accretive under low growth strategy
- However, the Group intends to invest in SmartVault's high growth prospects, with cashflow break-even expected in 2018

Strategic rationale

1

Part of our evolution into an international Document Management business

2

Customer and product fit

- Existing accountant customer base provides strong strategic fit for other Reckon segments

3

Successful founder remaining with the Group

- Eric Pulaski previously founded BindView (sold to Symantec)

4

Online product

- Scalable, online only, efficient customer acquisition model

5

Identifiable growth strategies

- Development synergies with Virtual Cabinet
- Expansion into Australian and UK online markets



Building on our success (cont.)

3. Build on our strong domestic market position

Reckon has an opportunity to leverage its leading customer base, product functionality and price point to drive further growth in its ANZ businesses, while further improving the quality of earnings

Group strategic focus – Australia and New Zealand

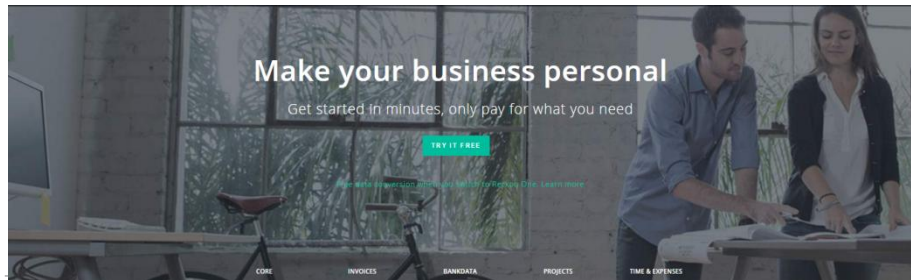
	APS	Content (Reckon Docs)	Reckon One / Hosted
Expand use across the existing customer base	— Exciting growth prospects, particularly amongst Virtual Cabinet, Sync Direct and Workpaper Management	— Enhancements to online ordering system	— Accelerated development — Increased functionality — Accountant referral
Continue to improve our leading products	— Existing suite enhancement — APS in the cloud	— Materially improved traffic to site	— Payroll release expected in April 2016 — Other releases progressively through the year
Acquire new customers	— Continue direct sales team success	— Leverage APS direct sales team	— Continue success of online channels — Reckon One software to Docs customers
Integrate our services across businesses	— Maintain strong links between Reckon Business products and Practice Management	— Integration of Practice Management and Docs salesforce	— Maintain strong links between Reckon Business products and Practice Management
Take advantage of our unique market position	— Product, relationships, price	— Leader in an attractive market	— Innovation in the modular suite — Continue to ensure customers love the product and the price point

Building on our success (cont.)

4. Reckon online products opportunity

The Group’s investment in online accounting products is designed to deliver great products that are well positioned to take advantage of the very large market opportunity brought by the shift to the cloud

Reckon One



- 1

Highly functional product
 - Release of payroll in April 2016 will round-out holistic requirements for SMEs

- 2

Priced to drive growth
 - Very competitive positioning relative to competitors
 - Provides attractive return to investment

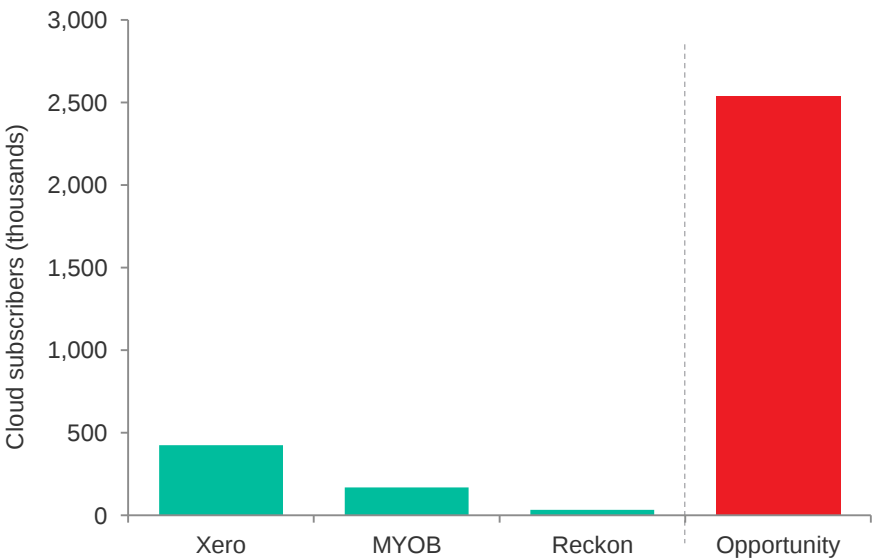
- 3

Strong historical volume growth
 - 23% user growth of cloud products in 2015
 - Reckon One +9% volume growth month-on-month
 - Achieved with limited marketing spend

- 4

Enormous market opportunity
 - Cloud opportunity for all players remains very large domestically and internationally

Australian and New Zealand cloud opportunity



International strategy

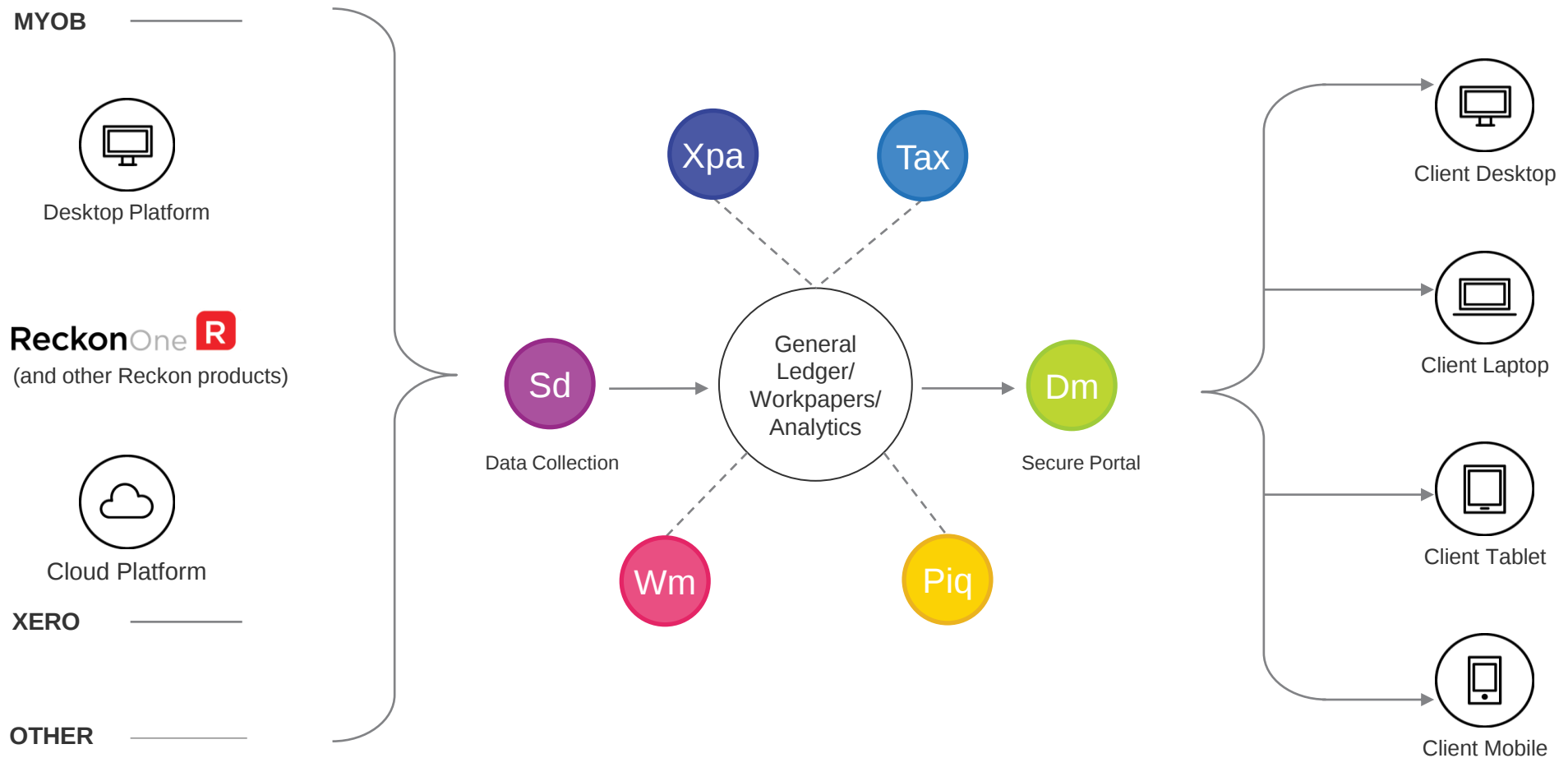


Building on our success (cont.)

5. Harness the power of the connected practice



Reckon is the only software provider in the market that can take data from an end client's file (regardless of source) and integrate it with a full suite of practice and collaboration functionality



Building on our success (cont.)

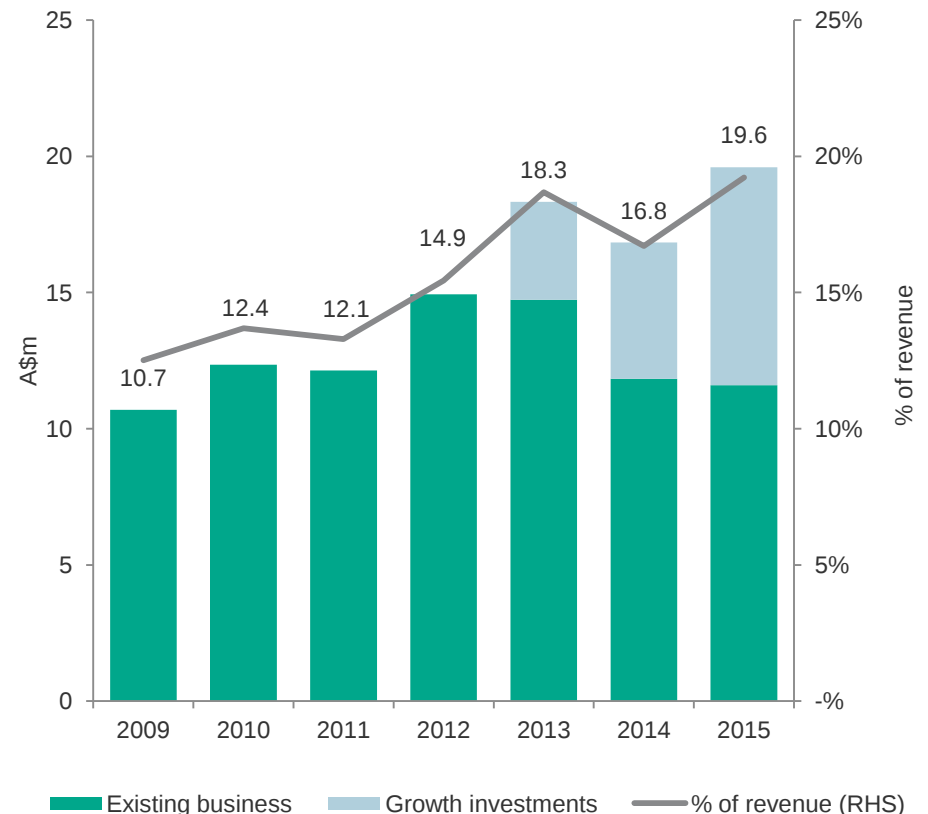
6. Accelerated investment into targeted priorities



The Group is scaling its experienced development team to drive growth initiatives and take advantage of market opportunities

- 2015 development spend of \$19.6m
 - \$11.6m on the existing business
 - \$8.0m on new initiatives (Reckon One, APS Cloud)
- \$10 – \$12m investment in new initiatives expected in 2016
 - Integration of SmartVault and Virtual Cabinet platforms, Reckon One, further targeted development of APS cloud functionality
- 2016 development expenditure expected to be \$23 – 25m
- Total development spend is expected to return to long term average (~14% of revenue) from 2018 onwards

Development costs and as a % of revenue¹



1. Prior years include royalty paid to Intuit



Building on our success (cont.)

7. Continuing our track record of results from growth investments

The Company's track record of growth investments positions it well to execute its growth strategy with confidence

Strategic acquisitions

- Reckon has a history of acquiring and successfully integrating a number of businesses (e.g. Virtual Cabinet)
- SmartVault (acquired in January 2016) builds on this track record and provides a strong complementary fit to our existing businesses
- Reckon continues to evaluate further acquisition opportunities

Case Study: Virtual Cabinet

-
- Investment**
- Purchased Linden House, a UK software business and publisher of Virtual Cabinet, in 2012
 - Total investment of \$20m (including earn-outs)

-
- Rationale**
- Desired Document Management functionality for Practice Management products
 - Strong existing Virtual Cabinet customer relationships with accountants and other businesses in the UK

-
- Return**
- Seat CAGR of 85% in the UK since acquisition
 - Introduction of Virtual Cabinet to APS in Aus/NZ
 - 2015 EBITDA of \$4.7m
-



2015 Performance

2015 Performance

Revenue growth



	2015	Growth	2014	Comments
Subscription product revenue	63.1	↑ 20.0%	52.6	Volume growth and transition to subscription
Other recurring revenue	7.6	↓ (46.9%)	14.3	Transition of Advantage/Upgrade products in the Business Group moving to subscription
Upfront and service revenue	12.8	↓ (4.1%)	13.4	Transition of retail perpetual licences in the Business and Practice Management groups moving to subscription
Content revenue	21.6	↑ +5.4%	20.5	Volume growth and slight price impact
Total revenue	105.1	↑ +4.3%	100.8	

2015 Performance (cont.)

Practice management (new reporting segment)



Key highlights

- Segment revenue of \$59.9m, up 5.7% from \$56.7m in 2014
- Segment EBITDA of \$20.2m, up 3.7% from \$19.5m in 2014
- 12k seats added across the APS suite (+16.7% YoY)
- Subscription now 87% of subscription revenue

2015 performance

- Major clients won by APS from competitors
- Multiple APS new releases and upgrades
- nQueue continues to show strong new order growth
- Transition to a subscription model largely complete

Outlook/key priorities

- Strong pipeline for APS in Australia and New Zealand and nQueue in the UK and USA
- Large firm interest in scan and business intelligence provides further opportunities for nQueue
 - Development will continue to focus on these key customer needs
- Take advantage of competitive position to drive further value per customer while maintaining exceptional products and service

Practice management – results for the year to 31 Dec 2015

	2015	Growth	2014
Subscription product revenue	33.4	+8.2%	30.9
Upfront and service revenue	4.9	(6.9%)	5.3
Content revenue	21.6	+5.4%	20.5
Revenue	59.9	+5.7%	56.7
EBITDA	20.2	+3.7%	19.5

We continue to serve the leading firms in our markets

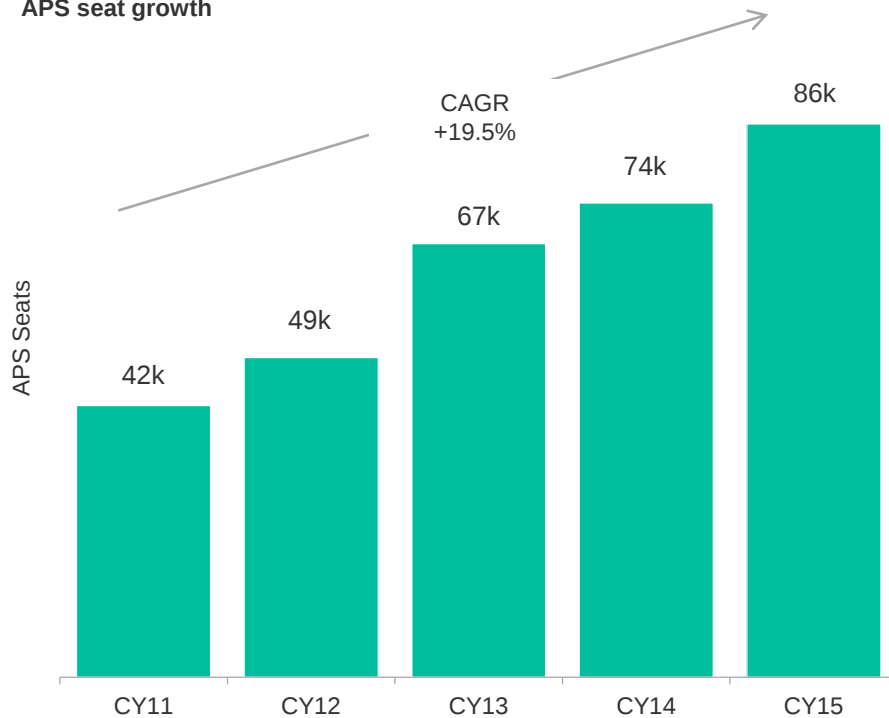
APS	nQueue

2015 Performance (cont.)

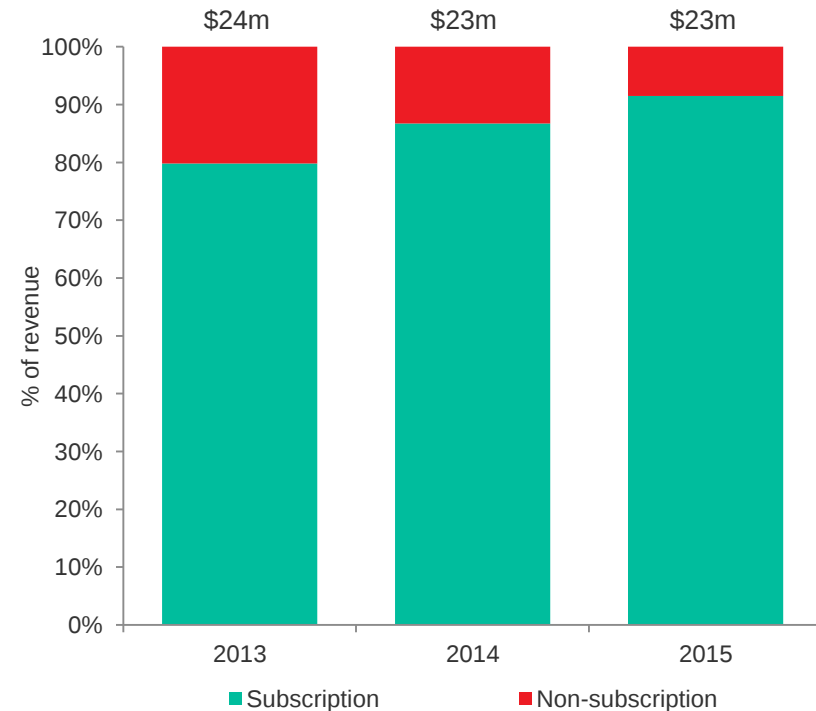
Practice management (new reporting segment)



APS seat growth



APS Practice Management revenue by type



2015 Performance (cont.)

Document management (new reporting segment)



Key highlights

- Segment revenue of \$9.8m, up 34% from \$7.3m in 2014
- Segment EBITDA of \$4.7m, up 54% from \$3.1m in 2014
- 4k new Virtual Cabinet seats (+15% YoY)
- UK experience validates enterprise model (wide customer pool including accounting, financial planning and a multitude of other industries)
 - Translatable to Australian, New Zealand and the US markets

2015 performance

- Completed 100% acquisition of Virtual Cabinet (final 30% acquired 1 July 2015)
- Introduction of Virtual Cabinet to Australia, New Zealand and the USA markets
- Acquisition of SmartVault (January 2016, not included in results)

Outlook/key priorities

- Integration of SmartVault and Virtual Cabinet into the one platform
- Pursue dual-product strategy with online (SmartVault) and enterprise (Virtual Cabinet) targeting different market segments
- Drive Virtual Cabinet penetration amongst existing APS customer base
- SmartVault penetration into Business and Elite customer bases

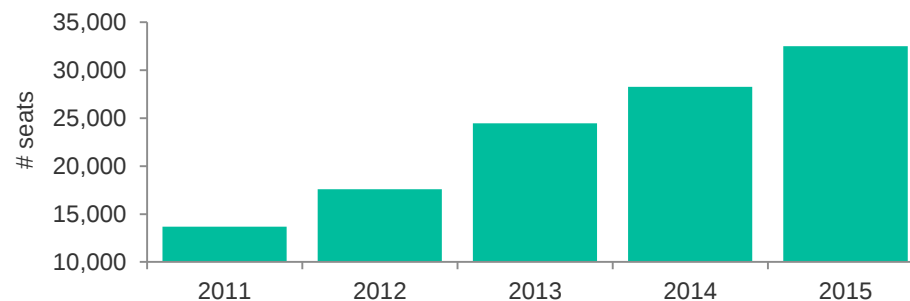
Document management – results for the year to 31 Dec 2015

	2015	Growth	2014
Subscription product revenue	7.2	+32.1%	5.4
Upfront and service revenue	2.6	+40.6%	1.9
Revenue	9.8	+34.3%	7.3
EBITDA	4.7	+53.7%	3.1

Selected UK Virtual Cabinet customers



Virtual Cabinet seats



2015 Performance (cont.)

Business



Key highlights

- Segment revenue of \$35.4m, down 3.8% from \$36.8m in 2014
- Segment EBITDA of \$19.1m, down 0.2% from \$19.2m in 2014
- Over 33k online users

2015 performance

- Accelerating transition to online, with 25% of Business revenue now from online
- 72% subscription revenue (44% in 2014) of available revenue
- Average Reckon One volume growth of 9% month-on-month in 2H CY15

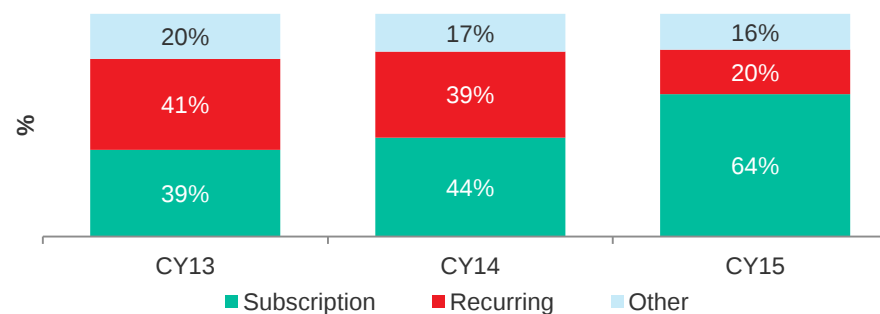
Outlook/key priorities

- Release of Payroll in March 2016
- Dedicated Reckon One sales team (currently also focused on Reckon Accounts Hosted)
- Maintain price leadership
- Accelerate development of Reckon Accounts functionality in Reckon One
- Launch of Reckon One in the UK

Business – results for the year to 31 Dec 2015

	2015	Growth	2014
Subscription product revenue	22.5	38.4%	16.3
Other recurring revenue	7.6	(46.9%)	14.3
Other revenue ¹	5.3	(15.0%)	6.2
Revenue	35.4	(3.8%)	36.8
EBITDA	19.1	(0.2%)	19.2

Business – % revenue by type



1. Includes annual partner membership fees of \$3.4m in 2015

2015 Performance (cont.)

Group performance



	2015	Growth
Revenue	\$105.1m	↑ +4.3%
EBITDA	\$36.6m	↓ (1.3%)
Adjusted ¹ EBITDA	\$39.2m	↑ +5.7%
NPAT	\$15.1m	↓ (14.1%)
Adjusted ¹ NPAT	\$19.8m	↑ +4.6%

1. Adjusted for new market expenditure

2015 Performance (cont.)

Balance sheet and cashflow



The Group maintains a robust balance sheet and strong operating cashflow which provides capacity to invest in growth opportunities

Highlights

- Net debt of \$48.3m (up from \$41.2m pcp)
 - Includes the final payment to Linden House relating to the acquisition of Virtual Cabinet (\$9m)
- Sufficient headroom against covenants
 - >30% headroom on net debt / EBITDA covenant
- Forecast gearing to be impacted by:
 - Payment for SmartVault
 - Other acquisitions currently being evaluated that would, if pursued, be funded using existing debt facilities
- The Board intends to pay a dividend of 3 cents. The Board also intends to implement a DRP

Selected balance sheet and cashflow items

A\$m	2015	2014
Net assets	33.9	30.0
Net debt	48.3	41.2
Operating cashflow	33.5	31.3
Capitalised development (net of grants)	19.6	15.3
Other capex	1.1	0.8
D&A	15.8	13.0
Of which: amortisation of software	13.2	10.6

A\$m	2015	2014
Net debt / EBITDA	1.3x	1.1x



2016 Outlook

2016 Outlook

Future opportunities



Multiple growth opportunities have been identified across each segment which will deliver a business with increased scale and quality across a number of geographies

Continue strategic focus on product

- Accelerate discretionary “cloudification”
 - Increase the addressable market
 - Increase revenue per customer in APS Practice Management
- Continue to sell Document Management products to anyone (not just Practice Management customers)
 - Continue specialisation in Document Management
- Develop new products to roll out to the US and UK legal market

Continue new market expansion

- Push into the USA enterprise Document Management market
- Push into the UK/USA/ANZ online Document Management markets
- Push Reckon One into the UK and other markets

Take advantage of market dynamics

- Take advantage of competitive market positioning and pricing

2016 Outlook

Future opportunities



Accelerated investment by the Group in 2016 is expected to generate significant benefits in the medium term, with high EBITDA conversion from new business revenue growth arising from a largely fixed cost base

Outlook - overview

2016

- Revenue to benefit from transition to subscription model and contribution from new initiatives
 - Overall revenue expected to be ~10% up on CY15
 - Includes ~\$4 - \$5m contribution from new initiatives
- EBITDA from existing businesses to be up ~10% on CY15
 - Overall EBITDA impacted by ~(\$7- \$8m) of new initiatives
- Development spend of \$23 - \$25m
 - Existing business ~11% of revenue
 - ~\$10 - \$12m for new business initiatives

Post 2016

- Revenue growth in the high single digits per annum
- EBITDA growth in the low double digits per annum
- Development returning to ~14% of revenue by CY18 in line with long term average

FY16 outlook – financial guidance

	CY16
Existing business revenue	\$112m – \$115m
New initiatives revenue	\$4m – \$5m
Revenue	\$116m – \$120m
Existing business EBITDA	\$41m – \$44m
New initiatives EBITDA	(\$7m) – (\$8m)
EBITDA	\$34m – \$36m



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APPENDIX

Reconciliations



Segment reconciliation

Practice Management

A\$m	CY15	CY14
Revenue		
Accountant Group	47.4	46.2
Add: nQueue revenue	12.5	10.4
Practice Management	59.9	56.7
EBITDA		
Accountant Group	16.7	16.5
Add: nQueue	3.5	3.1
Practice Management	20.2	19.5

Document Management

A\$m	CY15	CY14
Revenue		
International Group	22.3	17.7
Less: nQueue revenue	(12.5)	(10.4)
Document Management	9.7	7.3
EBITDA		
International Group	8.2	6.1
Less: nQueue	(3.5)	(3.1)
Document Management	4.7	3.1



Thank you

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