



Reckon®

Results Presentation

For the six months ended 30 June 2016

To be read in conjunction with Appendix 4D and Accounts



The Reckon Story

Our mission is to bring millions of businesses and professionals closer together with our software to create a brave new, connected economy...

It's been quite a ride already: 600,000+ businesses around the world have used Reckon software, 70% of the top accounting firms in Australia, three of the Big Four, and many of the worlds leading legal firms.

We owe a huge amount to our loyal Partners, our gifted in-house team, and active customer base. It is shaping up to be an exciting future as we continue to unleash our innovations into the market.

Reckon is split into three core areas:

1. Business

Our next-generation online accounting software, Reckon One, has been progressively released into the AU, NZ and UK market. It has been getting positive early feedback already, and is showing exponential month on month growth. In addition our connected services are expanding with our new Reckon Loans (powered by Prospa) launched in July.

2. Document Management

Our Reckon Virtual Cabinet and Reckon SmartVault solutions are used by 48,000+ paying customers, with a 15% user growth in 2016. We're aiming to become leaders in how businesses and professionals collaborate with documents, and manage customers. We already have a community of 560,000+ users sharing documents through our online portal.

3. Practice Management

Our Reckon APS software is used by 3 of the 4 big accounting firms in Australia to manage their professional accounting practices, and 70 of the top 100 firms. nQueue Billback is continuing to show strong growth and is used by some of the leading legal firms in the world. A testament to our ability to deliver world class software.

In all Reckon has many businesses across multiple geographies with significant opportunities. A strong foundation for an exciting future.

Yours,



Clive Rabie
Reckon CEO





The Agenda

1. CEO update
 2. Financial update
 3. Outlook
 4. Q & A
-

1. CEO update

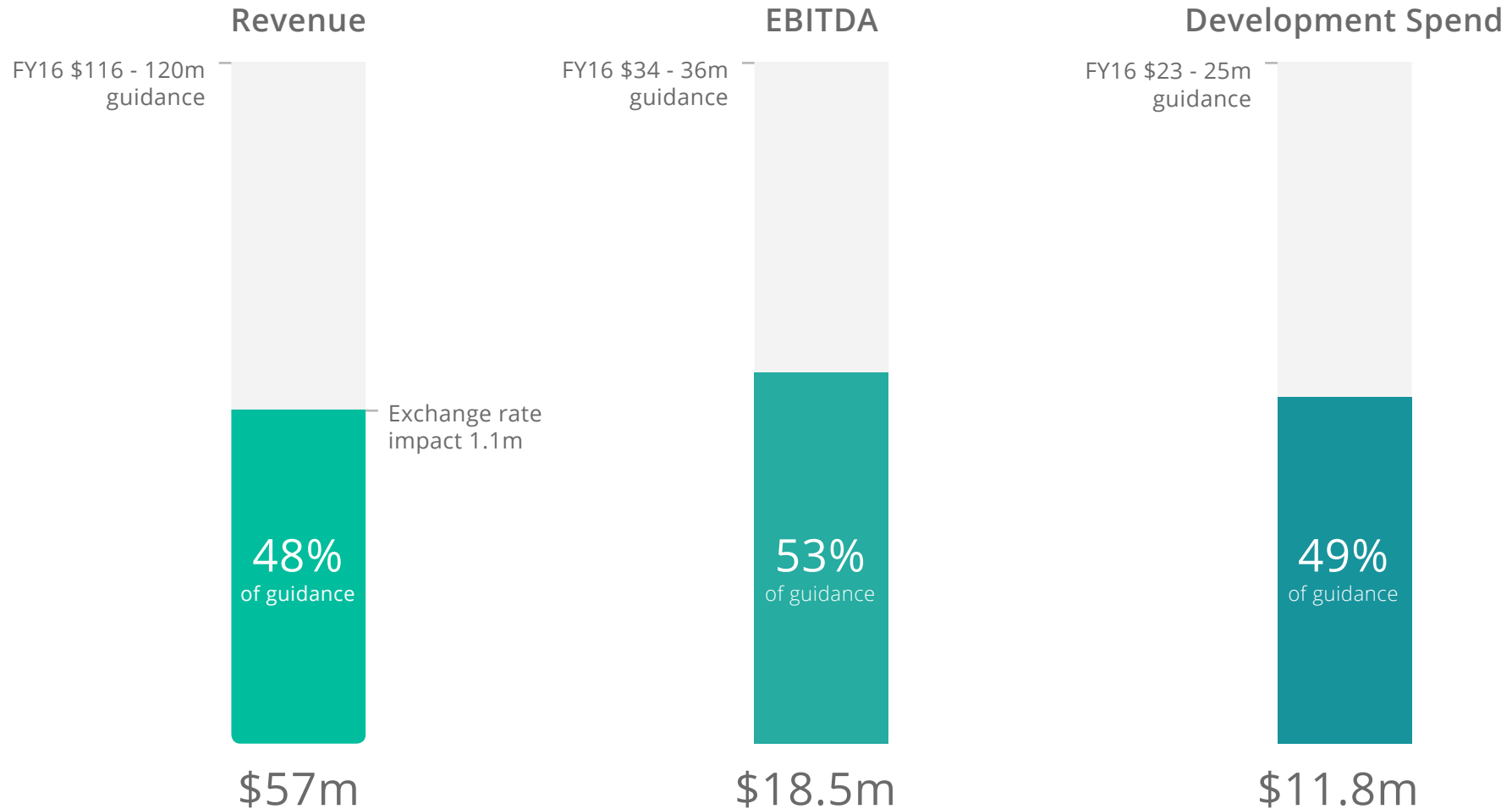


Clive Rabie
RECKON CEO



On track for guidance

Successfully delivering on FY16 projections provided at the end of the 2015 financial year.

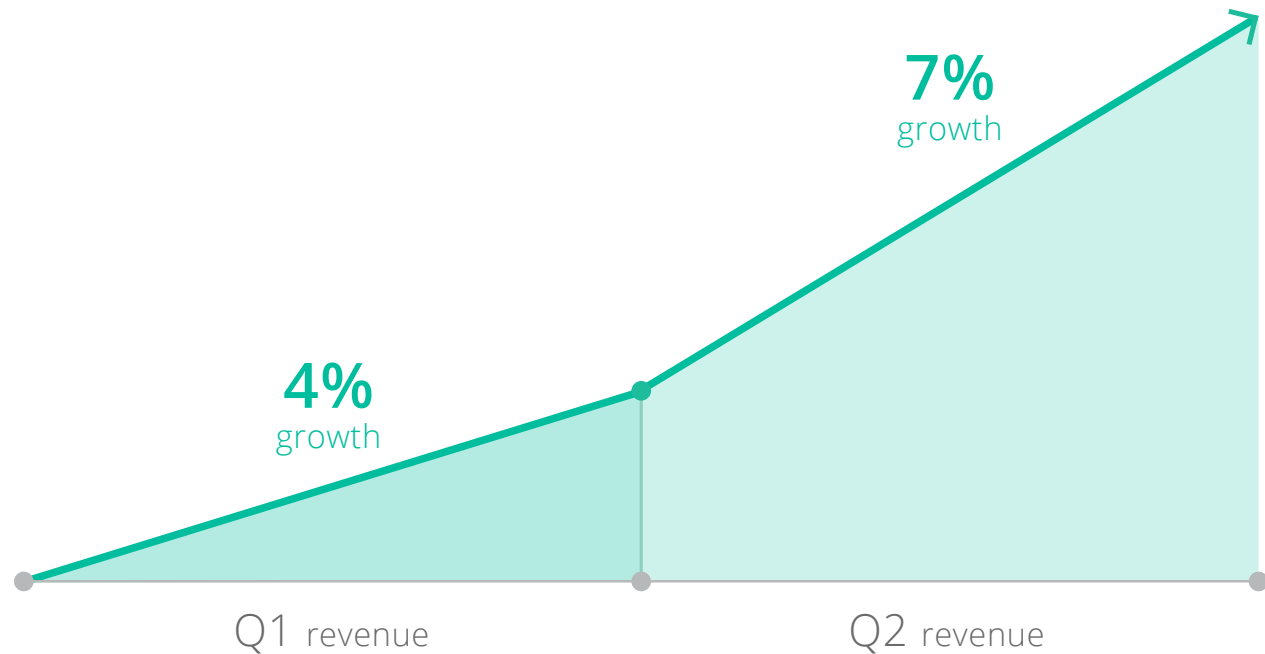


Note: Percentages measured against the mid point of FY16 guidance.





Some key revenue highlights



- ✔ Group revenue of \$57m, up 6% from \$54m in H1 FY15.
- ✔ Strong volume growth, particularly in online products.
- ✔ International expansion validated, with 11% underlying growth.
- ✔ Strong new customer growth across all divisions.
- ✔ Subscription revenue growth of 16% to \$36.3m.
- ✔ 78% of available revenue is now subscription.

Our momentum is growing

All areas across the business are performing well, and looking strong into the future.

✓ Practice and Document Management

	Q1	Q2	H1 FY16
SUBSCRIPTION REVENUE	\$10.8m	\$11.9m	\$22.7
GROWTH VS. HY15	17%	13%	15%
UPFRONT & SERVICE REVENUE	\$1.9m	\$2.6m	\$4.5m
GROWTH VS. HY15	14%	41%	28%

- Strong organic growth across both businesses.
- Ramped up geographic expansion for Document Management.
- Executed on strategic objective to move Practice and Document Management businesses to a predominantly subscription based model.
- Our high upfront and service revenue in Q2 will result in further subscription revenue growth in future periods.

✓ Content

	Q1	Q2	H1 FY16
REVENUE	\$4.7m	\$6.0m	\$10.7m
GROWTH VS. HY15	-9%	-2%	-5%

- Weak start to the year for the Content business.
- Allocated more resources to sales after Q1, and adjusted strategy.
- Good response led to a substantial recovery in the second quarter.

✓ Business

	Q1	Q2	H1 FY16
REVENUE	\$7.3m	\$11.8m	\$19.1m
GROWTH VS. HY15	-6%	1%	-2%

- In Q1 we completed the vast bulk of our move to a subscription model.
- In Q2 revenue benefited from an increase in online growth.



Three core areas of our business

We have a strongly diversified business across three key markets, with exciting synergies between them.



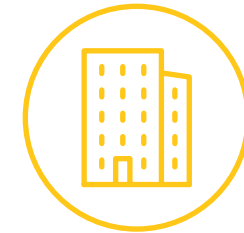
Business

We provide accounting software to SME's around the world. Over 600,000+ businesses having used our software, and we have a partner network of over 6,000+.



Document Management

Our document management software is used by over 48,000+ paying customers, who have shared documents with over 560,000+ users through our online portal.



Practice Management

Market leaders in practice management software for professionals. Over 70% of the leading 100 firms use our accounting software, and many of the worlds leading legal firms use our legal products.



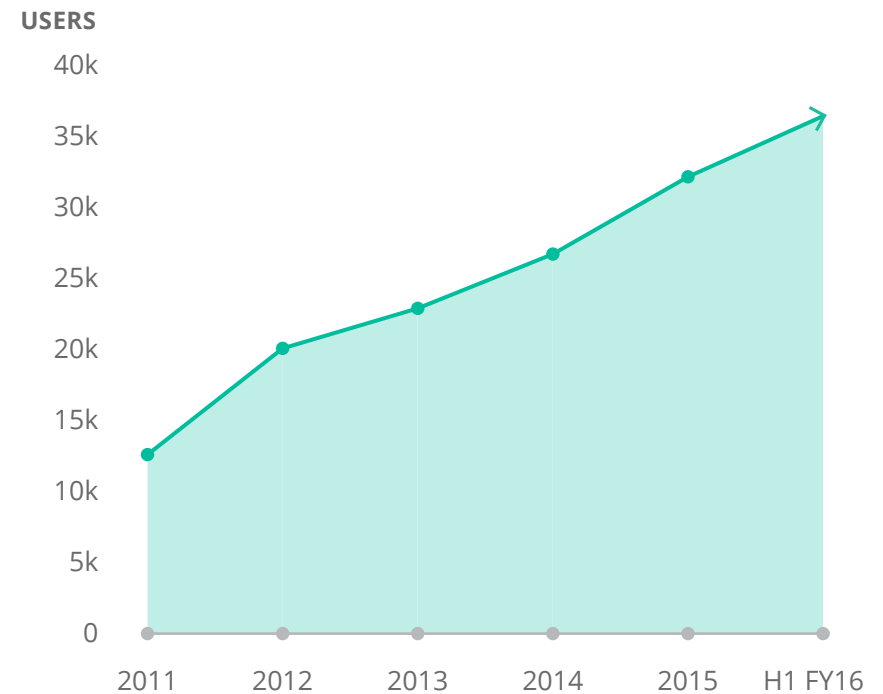


Business highlights

- ✓ Over 36k online users (+18% annualised growth)
- ✓ 17% online revenue growth over H1 FY15 (30% of revenue is now cloud)
- ✓ Launched Payroll for Reckon One into AU market in April 2016 which resulted in user growth +15% month-on-month for June up from +9% in H2 FY15.
- ✓ Launched Reckon One into the UK market in May 2016.
- ✓ Delivered 37 major feature releases for Reckon One during H1 FY16, and expect to continue this with exciting major releases in H2 FY16.



Online user growth

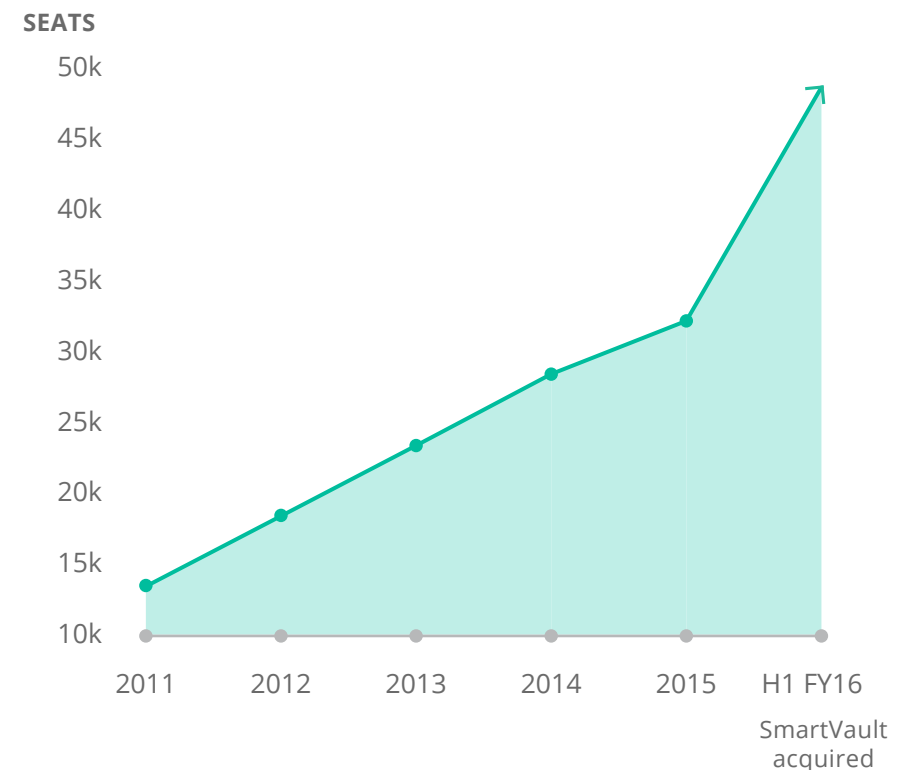




Document Management highlights

- ✓ 3k new paying customers added in H1 FY16, an annualised underlying growth rate of 15%.
- ✓ Virtual Cabinet and SmartVault online portals are currently used by 560k+ users to share documents.
- ✓ Cross selling into our Practice Management (Reckon APS) client base is picking up.
- ✓ SmartVault growth exceeding expectations.
- ✓ Project to merge SmartVault and Virtual Cabinet products onto a single cloud platform is on track.

 Increase in paying customers

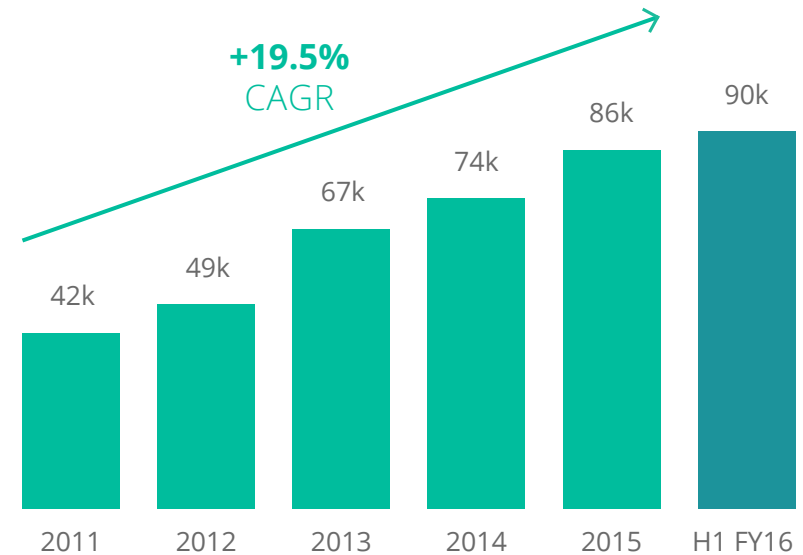




Practice Management highlights

- ✓ 4k paying customers added across the Reckon APS suite (+9% annualised growth).
- ✓ Highest number of new large clients in many years.
- ✓ Expansion of an already impressive customer list.
- ✓ Strong nQueue growth in USA, with exciting pipeline.

 Reckon APS seat growth



2. Financial update



Chris Hagglund
RECKON CFO



Financial performance

✓ Results

	H1 FY16	GUIDANCE*	GROWTH
REVENUE	57.0m	59.0m	-3%
OPERATING EXPENSES	(38.5m)	(41.5m)	-7%
EBITDA	18.5m	17.5m	6%
DEVELOPMENT SPEND	11.8m	12.0m	2%

- Revenue vs guidance impacted by Fx and lower Content business revenue (low profit impact).
- Investment in sales and marketing primarily in the Reckon One (ANZ and UK) and Document Management in (ANZ and USA) growth markets lower than expected.

* Mid point of FY16 guidance.



Financial performance

Results

	H1 FY16	H1 FY15	GROWTH
REVENUE	57.0m	54.0m	6%
OPERATING EXPENSES	(38.5m)	(33.8m)	14%
EBITDA	18.5m	20.2m	-8%
NET PROFIT ATTRIBUTABLE TO MEMBERS	6.2m	8.8m	-30%
DEVELOPMENT SPEND	11.8m	9.6m	23%

- Strong subscription revenue growth.
- Underlying business showed solid profit growth.
- Investment in sales and marketing primarily in the Reckon One (ANZ and UK) and Document Management in (ANZ and USA) growth markets.
- Profit also impacted by higher amortisation due to investment in Reckon One and Document Management growth products.

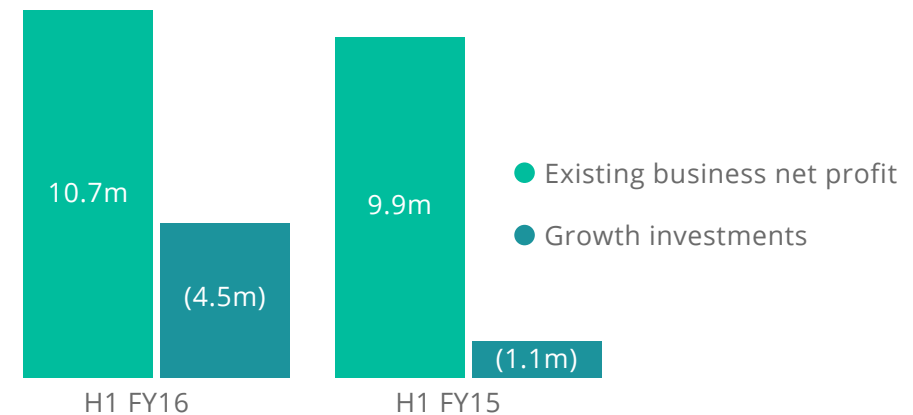
EBITDA breakdown

	H1 FY16	H1 FY15	GROWTH
Existing businesses	21.1m	20.2m	5%
New market initiatives	(2.6m)	-	

Net profit attributable to members breakdown

	H1 FY16	H1 FY15	GROWTH
Existing businesses	10.7m	9.9m	8%
New market initiatives	(4.5m)	(1.1m)	

Net profit attributable to members

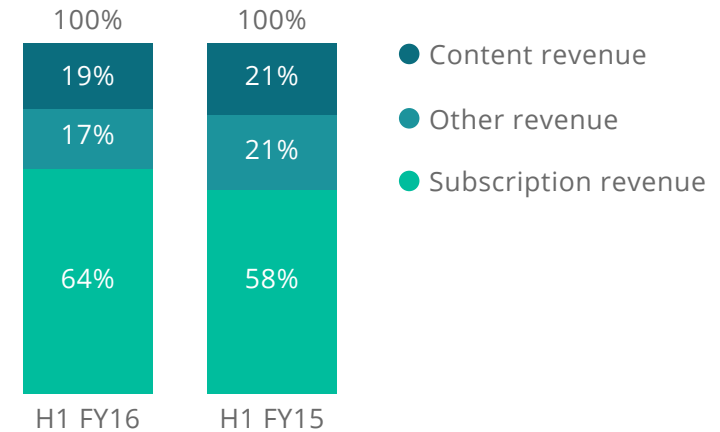


Financial performance

Revenue by business

	H1 FY16	H1 FY15	GROWTH
PRACTICE MANAGEMENT	30.6m	29.4m	4%
DOCUMENT MANAGEMENT	7.3m	5.0m	45%
BUSINESS	19.1m	19.5m	-2%
TOTAL	57.0m	54.0m	6%

Revenue type





Business financials

Subscription business with strong online growth.

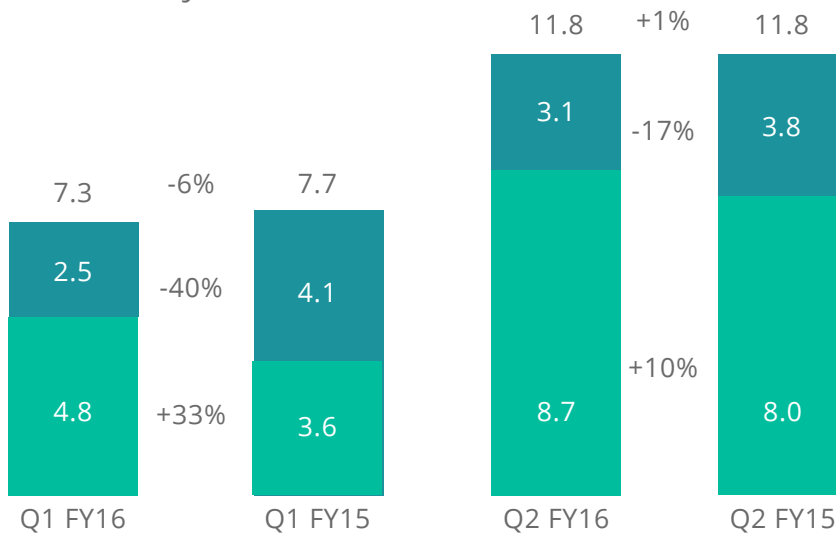
Revenue

	H1 FY16	H1 FY15	GROWTH
SUBSCRIPTION	13.5m	11.6m	17%
PERPETUAL/SERVICE/OTHER RECURRING	5.6m	7.9m	-28%
TOTAL	19.1m	19.5m	-2%
EBITDA	9.9m	10.4m	-5%

Financial performance

- Revenue of \$19.1m, down 2% from \$19.5m in H1 FY15.
- Transition to subscription substantially completed (mainly in Q1)
- Subscription now 80% of available revenue (70% in H1 FY15).
- Over 36k online users (+18% annualised growth)
- 17% online revenue growth over H1 FY15 (30% of revenue now is now cloud)
- EBITDA of \$9.9m, down 5% from \$10.4m in H1 FY15.
- Invested in Reckon One sales and marketing in AU, NZ and UK.

Quarterly revenue breakdown



- Perpetual / Service / Other recurring
- Subscription

Countries operational





Document Management financials

Customer growth continues to accelerate. Global market opportunity is enormous.

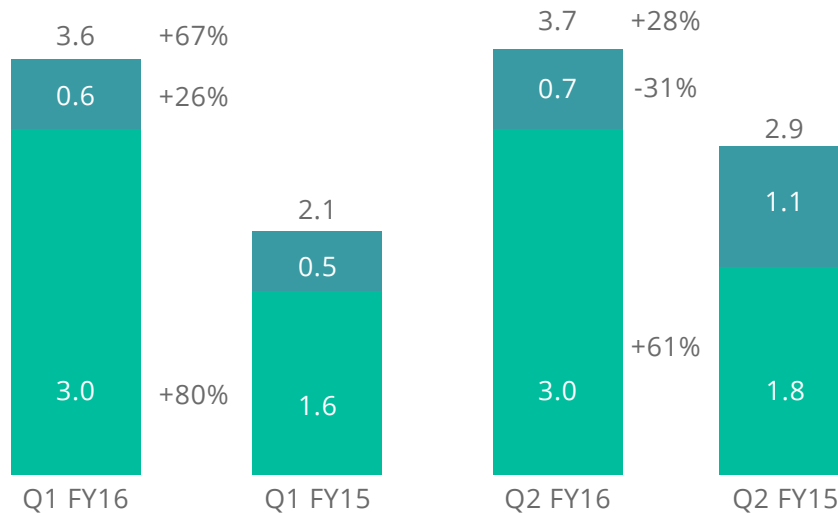
Revenue

	H1 FY16	H1 FY15	GROWTH
SUBSCRIPTION	5.9	3.5	70%
UPFRONT + SERVICE	1.4	1.5	-12%
TOTAL	7.3	5.0	45%
EBITDA	0.8	2.2	-64%

Financial performance

- Revenue of \$7.3m, up 45% from \$5m in H1 FY15.
- Subscription now 81% of revenue (69% in H1 FY15).
- 3k new seats added in H1 FY16, an annualised underlying growth of 15%.
- EBITDA of \$0.8m, down 64% from \$2.2m in H1 FY15 due to investment in AU, NZ and USA markets. Market potential for each country is very significant.
- SmartVault ahead of target.
- Strong revenue growth:

Quarterly revenue breakdown



- Upfront + Service
- Subscription



Countries operational



AU

NZ

UK

USA



Practice Management financials

Highest number of new large clients added in many years, to an already impressive customer base.

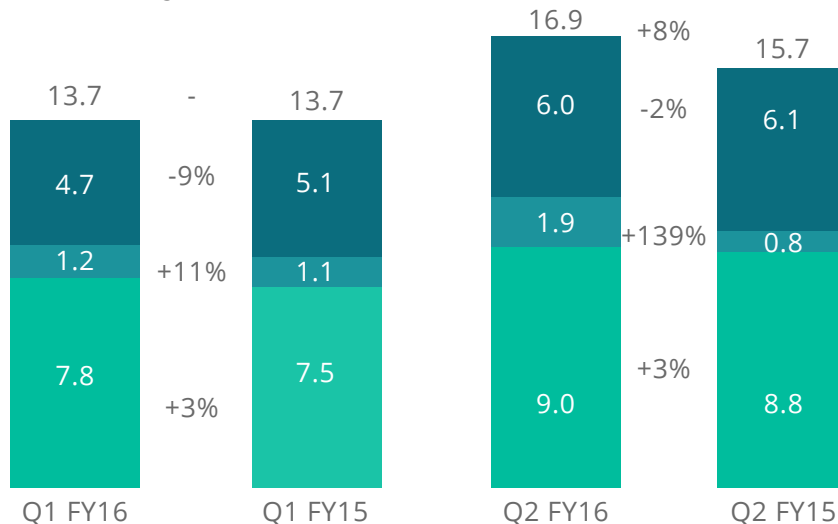
Revenue

	H1 FY16	H1 FY15	GROWTH
SUBSCRIPTION	16.8	16.3	3%
UPFRONT & SERVICE	3.1	1.9	63%
SOFTWARE	19.9	18.2	9%
CONTENT	10.7	11.2	-5%
TOTAL	30.6	29.4	4%
EBITDA	10.3	10.1	2%

Financial highlights

- Revenue of \$30.6m, up 4% from \$29.4m in H1 FY15.
- Strong Q2 FY16 growth.
- Subscription now 84% of revenue.
- 4k new seats added across the Reckon APS suite (+9% annualised growth).
- EBITDA of \$10.3m, up 2% from \$10.1m in H1 FY15.

Quarterly revenue breakdown



- Content
- Upfront & service
- Subscription

Countries operational



AU



NZ



UK



Practice Management reporting disclosure

A move towards a more meaningful reporting framework.

✓ New revenue disclosure

	H1 FY16	H1 FY15	GROWTH
REVENUE - REPORTED	30.6m	29.4m	4%
PASS THROUGH ASIC FEES	6.8m	7.1m	
REVENUE EXCLUDING ASIC FEE	23.8m	22.3m	7%
EBITDA MARGIN - REPORTED	34%		
EBITDA MARGIN EXCL. ASIC FEE	43%		

- Following feedback we are planning to simplify the reporting in our Content business by removing the pass through ASIC fees from the revenue line.
- This more accurately reflects the revenue and margin earned on our Practice Management business.
- There is no impact on EBITDA.

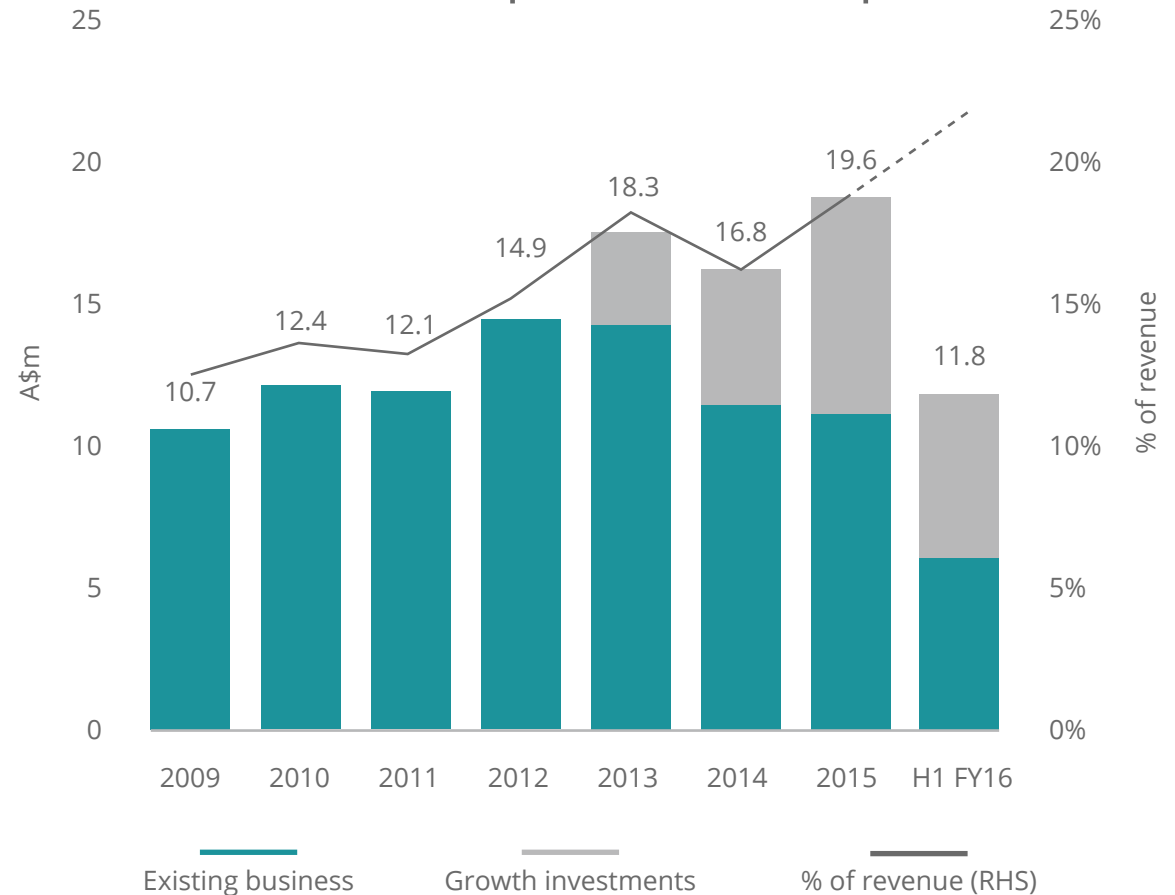


Cashflow highlights

	H1 FY16	H1 FY15
OPERATING CASHFLOW	17.9m	20.7m
TAX PAYMENTS	(2.5m)	(0.5m)
OPERATING CASHFLOW AFTER TAX	15.4m	20.2m
DEVELOPMENT SPEND	(11.8m)	(9.6m)
SMARTVAULT ACQUISITION	(5.8m)	-

- Operating cashflow and the development spend increased as a result of the investment in new markets.
- Bank facility of \$70m extended to August 2019.
- Desktop Super sale for \$2.5m in July.
 - Originally purchased for \$0.8m.
 - It was a non-core Practice Management product that would have required cloud conversion.
 - The deal includes a long term partnership with AMP.

Development spend



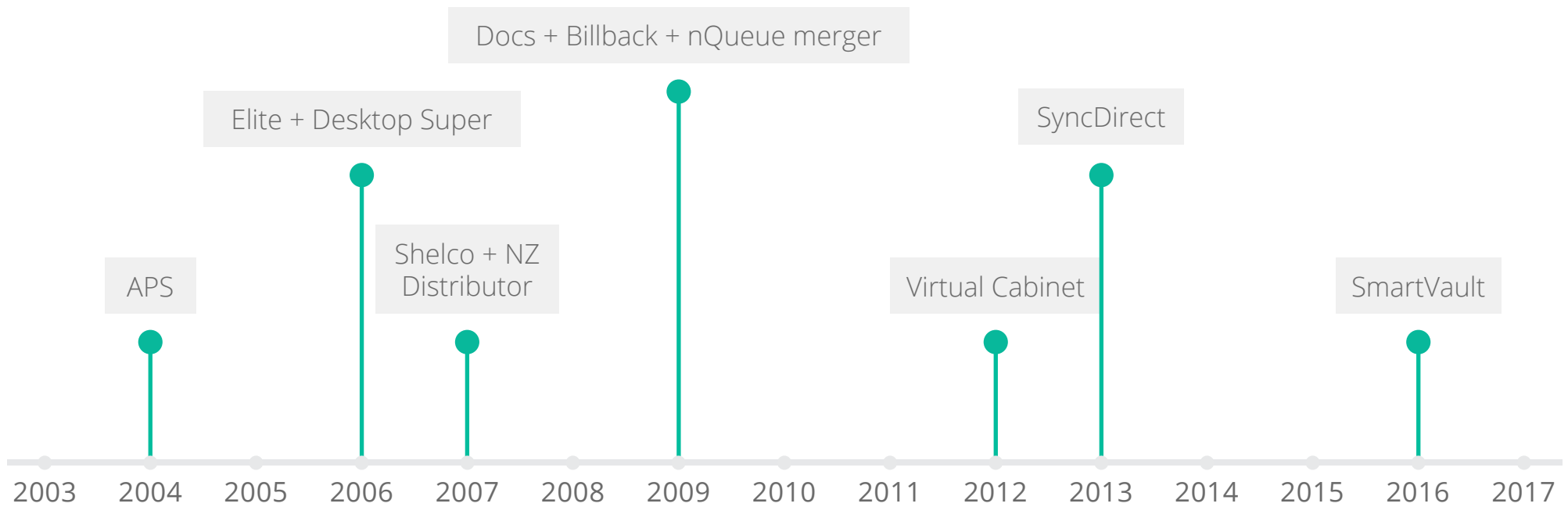
- More than 50% of development spend is on new growth investments: the integration of SmartVault and Virtual Cabinet platforms, Reckon One, and further targeted development of Reckon APS's cloud functionality.
- Total development spend is expected to return to its long term average (~14% of revenue) from 2018 onwards.
- On track for low end of FY16 guidance of \$23 - \$25m.

3. Outlook



Strategic investments

We have successfully timed entries into product categories and territories throughout our history.



Reckon One growth opportunity

Strong, rapidly growing customer feedback.

Customer feedback



10/10

"Love it! So easy to use. Perfect for my very small business!"

Nicole Ruigrok | Each Peach Unique



10/10

"Great conversion from Xero, good customer service and a much better price!"

Lindsay Forwood | Express Pest



10/10

"Very easy to use, I much prefer it in comparison to MYOB."

Tamara Pato | Sole trader

Industry feedback



"Reckon One is easy to use, affordable for sole traders and can be easily adapted to suit an individual business's needs."



Stephanie Luck, BAS Agent,
Accounting Technician, April 2016

Reviewer feedback



4/5

"Reckon One does a great job of putting everyday tasks front and centre."

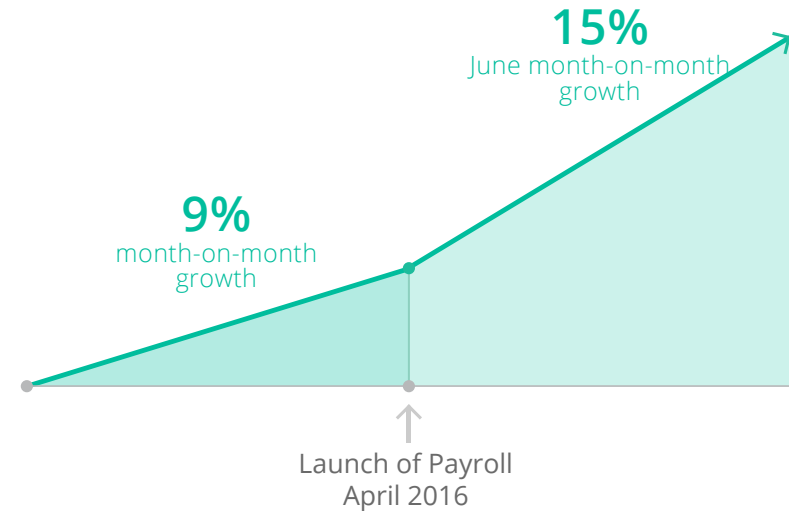
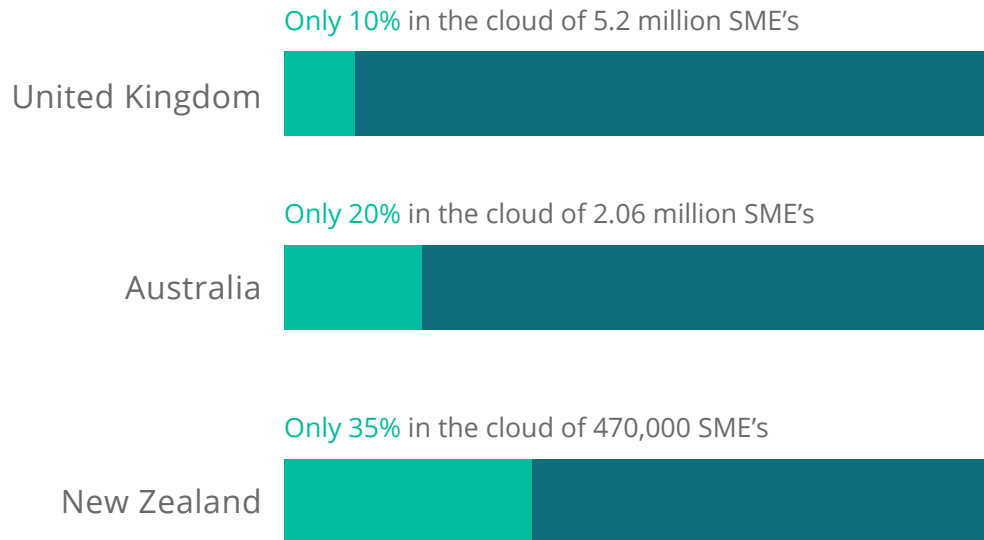
PCWorld Review, June 2016

PCWorld

Reckon One growth opportunity

☑ We're only getting started

☑ Momentum is growing stronger



And internationally most markets are far less mature. Tens of millions of potential businesses across dozens of countries. Enormous opportunity.

* Estimated from various market sources December 2015.



Reckon One growth opportunity

✓ Key strategy

- Delivering on our strategic focus to bring low cost, premium online accounting software to the market to disrupt high margin incumbents.



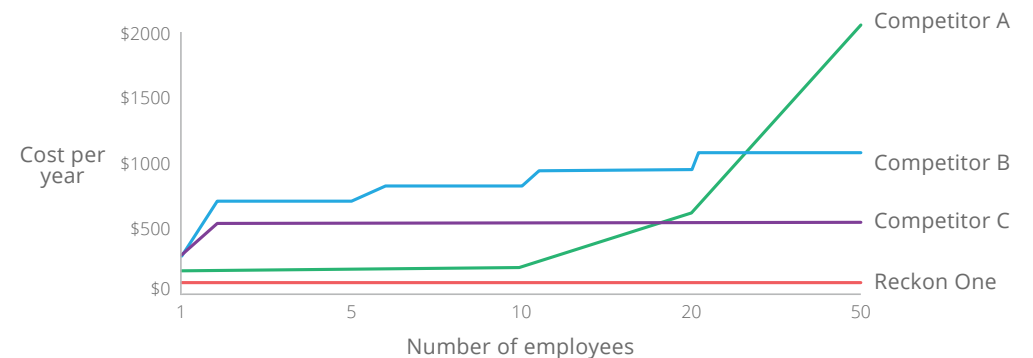
"Your margin is my opportunity"

- Jeff Bezos, CEO Amazon.com

- Strong focus on product UX leading to strong NPS growth. A +15 point Net Promoter Score increase since Payroll launch.
- Future proofed technology with Amazon Web Services hosting our products years before competitors. Software written in HTML5.
- Domain expertise of almost 3 decades proving valuable.
- The release of Payroll in April has resulted in increased customer retention rate and growth.

✓ Simplified complexity & scalability

- Our simplified approach is working, and rewarding customers with value and superior ease of use. 65% of our customers use the Invoices module, 40% have a bank connection. Our users are only seeing and paying for what they need.
- A fundamentally superior pricing model our competition won't be able to adapt to. For example this is the cost of adding employees in Reckon One vs other products in Australia:



✓ Competitive price

Reckon One's starting price is extremely competitive across all of our geographies.

AU/NZ = \$5 p/m
UK = £3 p/m



Australia

- Competitor 1 - 500% higher
- Competitor 2 - 500% higher
- Competitor 3 - 300% higher



United Kingdom

- Competitor 1 - 330% higher
- Competitor 2 - 167% higher
- Competitor 3 - 200% higher



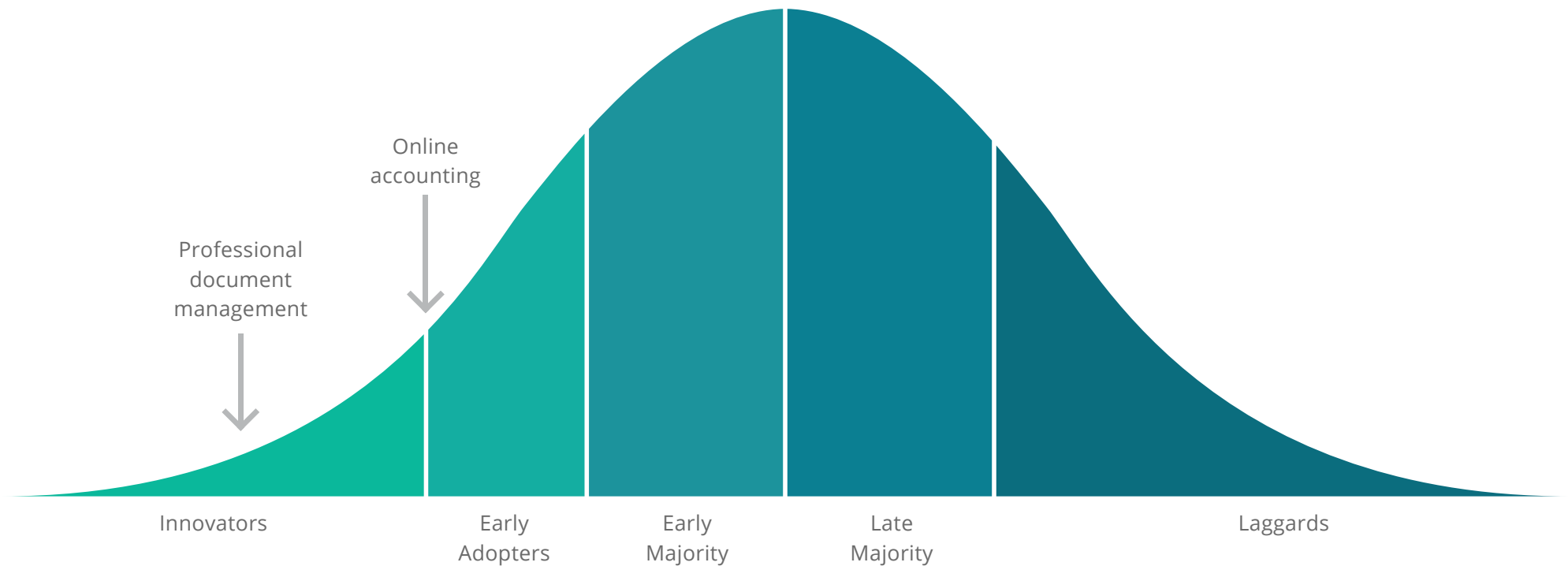
New Zealand

- Competitor 1 - 550% higher
- Competitor 2 - 400% higher

* Sourced from competitor websites on 8 August 2016.

Document Management growth opportunity

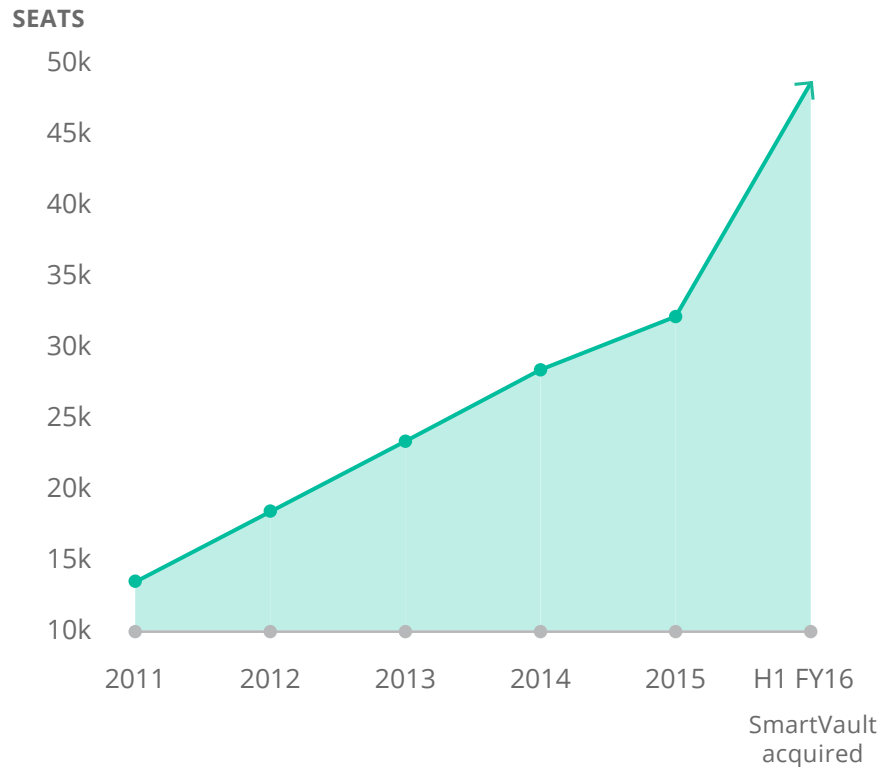
Strong growth in our professional Document Management product is proving that this is an enormous market.
Huge opportunity ahead, especially given our first mover advantage.



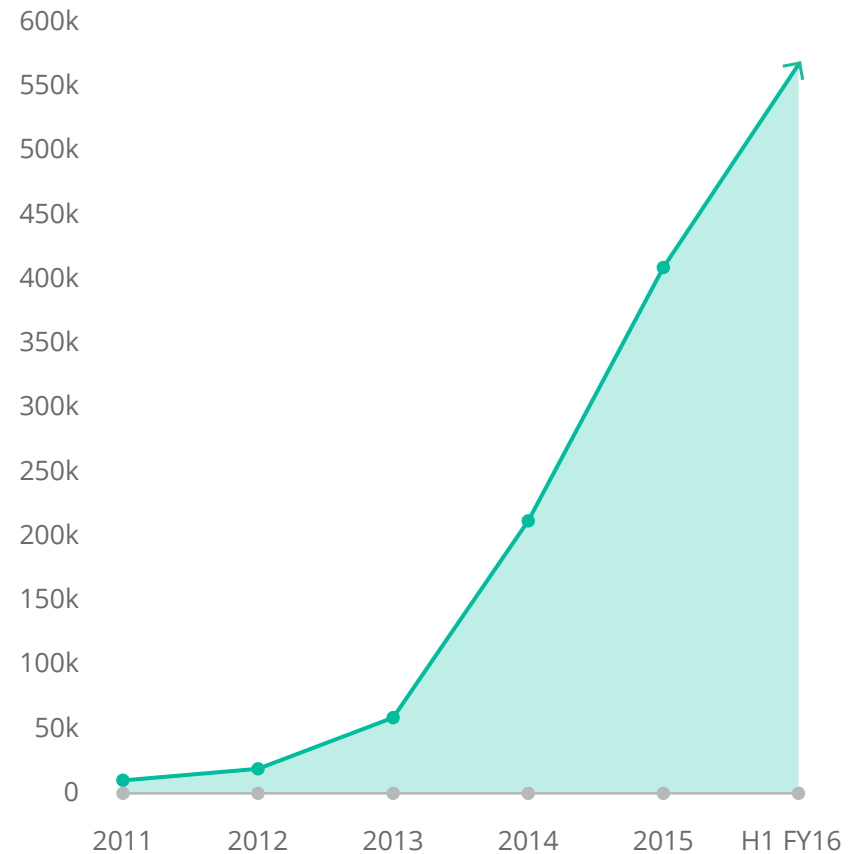
Document Management growth opportunity

Velocity of our customer and user base acquisition continues to rapidly increase.
Our recent SmartVault acquisition is already providing positive synergies.

✓ Paying customer growth momentum



✓ Users sharing documents in the portal



560,000+
users are sharing documents
through our online portal.

Practice Management strength

We continue to add to our already impressive customer base at the fastest pace in years.
Leading accounting and legal firms across the world are using Reckon products.



Deloitte.



Linklaters

NORTON ROSE FULBRIGHT



BAKER & MCKENZIE

pillsbury



MOORE STEPHENS



quinn emanuel trial lawyers
quinn emanuel urquhart & sullivan, llp



Guidance

Reckon reaffirms 12 month FY16 EBITDA guidance.

✓ Revenue

- Revised guidance \$99 - \$101m.
- Reduced for:
 - Removal of ASIC fee \$14m. No profit impact.
 - Fx, Desktop Super business sold and lower Content revenue in H1 FY16 (total \$3m). Low profit impact.

✓ EBITDA

- On track for FY16 guidance of \$34 - 36m.

✓ Development spend

- On track for low end of FY16 guidance of \$23 - \$25m.



A future-focused growth company, built on a strong and stable business.



Growing Momentum

Revenue and customer volume continues to increase.



Proving success

We're executing on our strategy and showing we deliver.



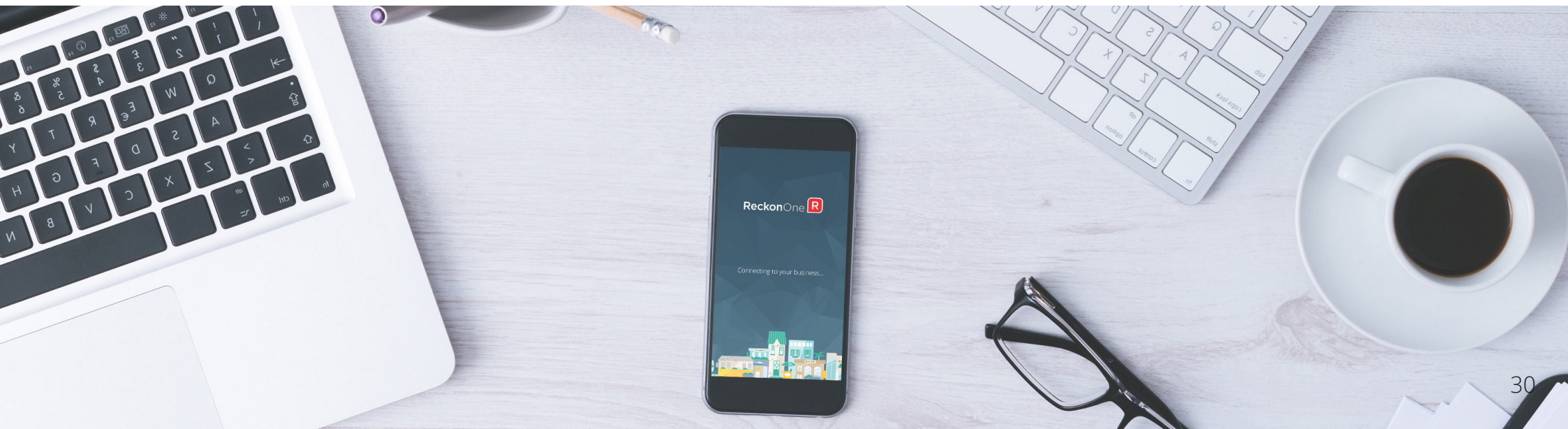
Enormous Opportunity

A leading product range, expanding territories, and lots of room to grow.



We're ready

We've made the right investments for an exciting future.



4. Q & A



Resources

✓ Website
recon.com

✓ About us
recon.com/au/about-us

✓ Investors
recon.com/au/investors

✓ Media
recon.com/au/media

Watch our new Reckon One video here:
recon.com/au/one

