



Reckon®

# Results Presentation

For the twelve months ended 31 December 2017

To be read in conjunction with Appendix 4E 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: 800,000+ registered 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.

Business segments:

## 1. Business

A focus on small business solutions. Reckon One continues to show significant month on month growth. In addition our connected services are expanding with Reckon Loans (powered by Prospa) gaining momentum.

## 2. Practice Management - Legal

nQueue Billback is used by some of the leading legal firms in the world. Another testament to our ability to deliver world class software.

## 3. Practice Management - Accountants

This division will be sold to MYOB for \$180M (Subject to ACCC + NZCC approval).

## 4. Document Management

This division has been de-merged and listed on AIM effective 4 August 2017.

*Clavie*

**Clive Rabie**

Reckon CEO



# The Agenda

1. CEO update
  2. Business update
  3. Financial update
  4. Outlook
  5. Q & A
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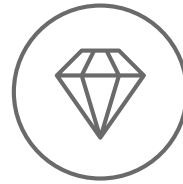
# 1. CEO update



Clive Rabie  
**RECKON CEO**



# 2017 focus



## Unlock shareholder value

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- Document management division de-merged in August 2017
- Practice Management - Accountants division to be sold to MYOB for \$180M, subject to ACCC/NZCC approval
  - Intention is to paydown some debt and then to pay a special partially franked dividend if the ACCC/NZCC approval is received
  - Details to be confirmed upon completion
- Both Legal Practice Management and Business divisions are in a strong position.

# 2017 focus



## Reinvestment for future growth

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- Product development
- Sales and marketing



## Improve quality of revenue

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- Increase in cloud customers to 47K
- Cloud user growth 20%
- 75% of total revenue is subscription
- 6% subscription growth in 2017 (constant currency)



# Results summary

## Revenue



\$90.3 million

1% underlying growth\*

## EBITDA

(Excluding transaction costs)



\$33.2 million

1% underlying growth\*

## Development Spend



\$17.2 million

19% underlying cashflow improvement

 Delivered on guidance

\*Note: at constant currency



# Subscription revenue growth continues

✓ Revenue

	FY17	FY16	
	\$ M	\$ M	GROWTH
<b>SUBSCRIPTION REVENUE</b>	67.9	64.0	6%
<b>UPFRONT AND SERVICE REVENUE</b>	10.9	12.6	-14%
<b>OTHER RECURRING REVENUE</b>	4.2	5.3	-23%
<b>LOAN INCOME</b>	0.7	0.1	1,000%
<b>CONTENT REVENUE</b>	6.6	7.5	-11%
<b>ORGANIC GROWTH</b> (at constant currency)	90.3	89.5	1%
<b>BUSINESS SOLD / DE-MERGED</b>	-	6.8	
<b>CURRENCY</b>	-	1.4	
<b>TOTAL REVENUE</b>	90.3	97.7	
<b>CONTINUING BUSINESSES SUBSCRIPTION REVENUE</b>	36.2	34.6	4%



# Core areas of the continuing business



## Business Division

A focus on small business solutions. Over 800,000+ businesses having used our software, and we have a partner network of over 6,000+.



## Practice Management - Legal Division

Many of the worlds leading legal firms use our legal products.





# Practice Management - Legal highlights

✓ Repositioned the division from Cost Recovery provider to detailed WorkFlows expert in three key areas:

- Cost Recovery
- Print Management
- Uniform Advanced Scanning

✓ Development of a Channel Sales Network, which now includes:

- Canon USA
- Pacific Office Automation (POA)
- Konica Minolta Worldwide
- And a growing list of local & regional providers

✓ Expanding scan opportunity to new markets such as: HealthCare and Accounting.

✓ Early stage transition from upfront purchase model to subscription only model.

✓ Countries operational:



UK



USA



AU



## 2. Business update



Sam Allert

**ACCOUNTANT & BUSINESS GROUP MD**





# Business highlights

- ✓ Over 47k cloud users (20% annualised user growth).
- ✓ 18% cloud revenue growth over FY17.
- ✓ 36% of revenue is now cloud.
- ✓ Countries operational:



AU



NZ

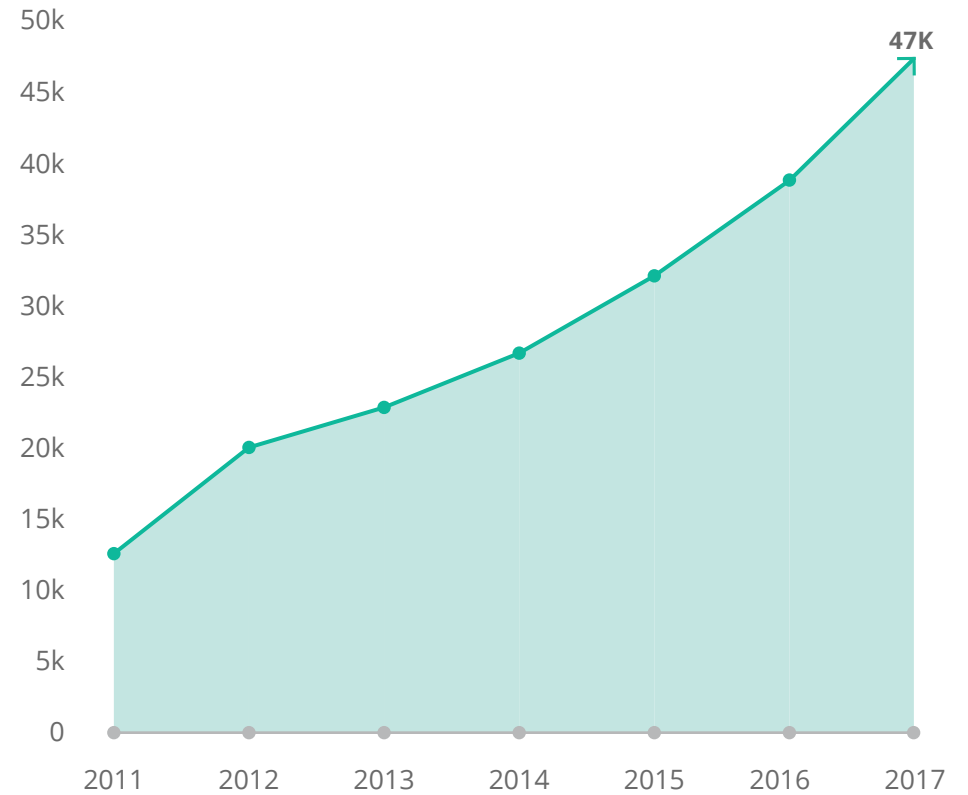


UK



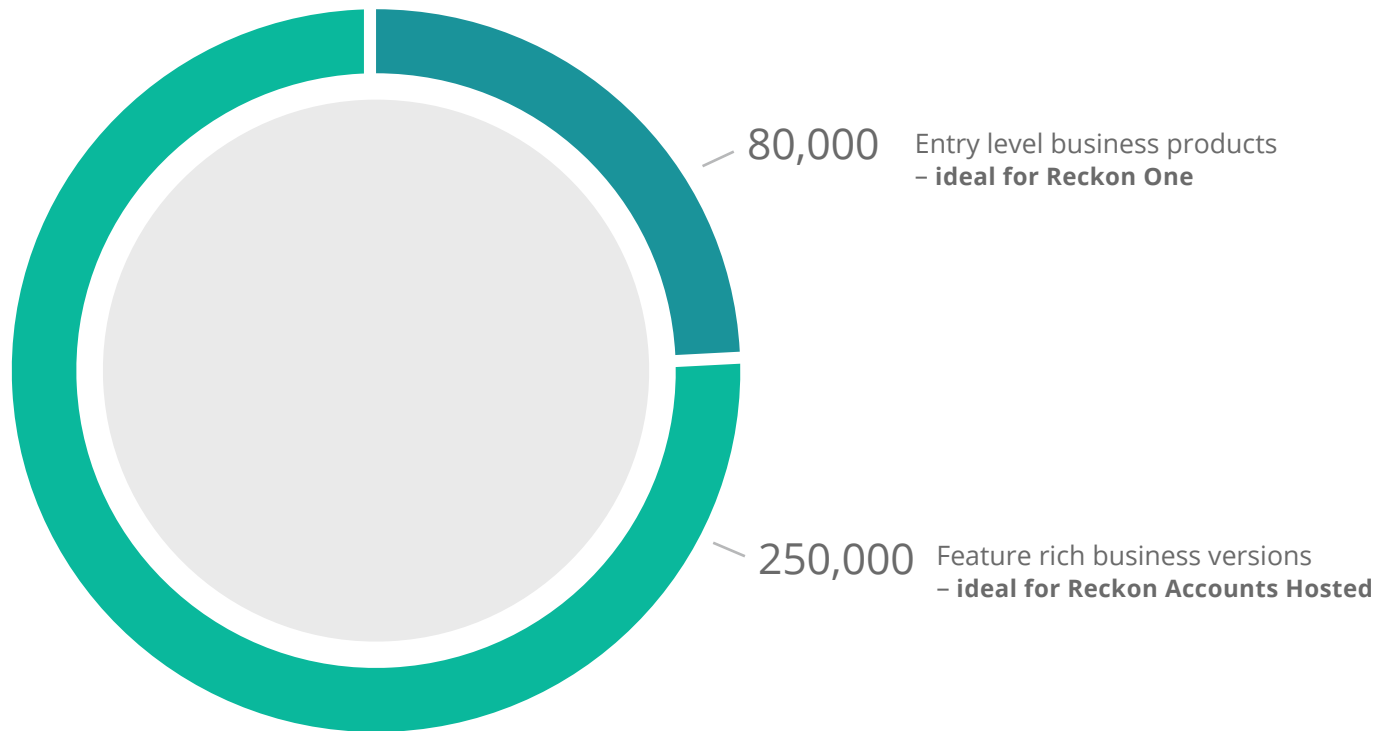
## Online user growth

USERS



# Customer Migration to the Cloud

- ☑ Focus on the growth opportunity to transition our non-paying desktop clients to the Cloud



# Building our Strategic Partnerships

A Focus on Strategic Partnerships for Reckon One cross sell – HIA, Aus Mums, IPA & IFA UK



- ✓ National building membership organisation
- ✓ 31,000 members – 66% of members are sole traders and small businesses
- ✓ Participated in 9 events across NSW, QLD & VIC
- ✓ 2 webinars & 2 EDMs to members
- ✓ Advertorials in HIA Magazine
- ✓ Reckon Loans opportunity



- ✓ Australia's #1 community for mums in business.
- ✓ 75,000 members nationally, with member outreach to over 3+ million.
- ✓ Exclusive Cloud Accounting Software partner
- ✓ Womens Business School + Master classes facilitated by Reckon Training team
- ✓ Major Conference Sponsor – Presenting 'Make a Difference' and 'Not For Profit' Awards and Reckon One workshops
- ✓ Mentoring, Facebook Live events, Social Media, Monthly Reckon articles, PR



- ✓ One of Australia's major professional accounting bodies with more than 35,000 members and students
- ✓ Massive reach into SME market in AU & UK
- ✓ Key Technology Partner
- ✓ National congress participation as major sponsor
- ✓ 2 webinars, 2 EDMs to members & 4 feature articles
- ✓ A number of joint strategic initiatives planned for 2018

# Growing into Niche Markets

Niche Market – Franchises - VIP, Delivery Mates, Tupperware



- ✓ Franchisor – Home & commercial cleaning + garden maintenance
- ✓ 850 ANZ Franchisees
- ✓ Working with VIP to provide greater success for franchisees!



- ✓ Delivery Mates solution is a premier provider of delivery drivers
- ✓ 3000+ UK Drivers contracted
- ✓ Working with Delivery Mates to drive greater efficiency and compliance for drivers!



- ✓ Tupperware corporation is a multinational direct sales company
- ✓ Looking to support further growth through Tupperware resellers network

# Focus on Education

A Big Focus on Education – through partnerships with Open Colleges and Tafe, as well our Reckon Training Academy, Reckon One certifications and Reckon Community.



- ✓ Reckon Academy currently has 6650 active participants
- ✓ Reckon Academy delivered 140 face to face training events
- ✓ Reckon One certifications across 50 locations
- ✓ Over 150 Reckon learning modules and 3rd party courses
- ✓ Online community engagement, with over 10,000 weekly visitors to Reckon Community
- ✓ Australia's leading national online educator
- ✓ Reckon One being offered as part of Accounting & Bookkeeping education courses
- ✓ Accounting & Finance courses – Cert III & IV Accounting & Bookkeeping
- ✓ Approximately 6,500 students per annum
- ✓ Supporting and developing relationship with tomorrows Bookkeepers and Accountants.
- ✓ Up to 15,000 students annually
- ✓ Available online and face to face across NSW
- ✓ 6 courses available now
- ✓ Supporting students to become bookkeepers and accountants – ongoing relationships as RCAs



# New Solutions to meet client needs

New Products & Services into our Existing Client Base – Reckon Loans and Reckon Aus Docs  
complimenting our software offering

## Product Focus

- ✓ Client portal – easier client management
- ✓ Extended Eco System – API UK and NZ.
- ✓ Inventory API Partner onboarded.
- ✓ Payroll New Release – easy set-up, Automated Payments.
- ✓ Compliance Updates – Simplified BAS, Single Touch Payroll.
- ✓ Payroll and VAT lodgement for UK.
- ✓ Recurring invoices with direct debit integration.

## Technology Upgrade

- ✓ New provisioning and payment portal
- ✓ New Reckon Accounts Hosted Platform - Streamline and expedite financial reporting workflows.
- ✓ Upgrade will enable faster, more agile and reliable software updates aligned to the latest ATO requirements.

## New Partnerships

- ✓ New partnerships extend offering into Reckon Loans and Reckon Aus Docs, broadening our SME solutions portfolio.
- ✓ Reckon Loans product – \$10M of loans written to date.
- ✓ Reckon AusDocs - offering comprehensive library of trusted legal documents, policies and procedures – with free checklists for customers.

# 3. Financial update



Chris Hagglund  
RECKON CFO



# Financial performance

## ✓ Revenue

	FY17	FY16	GROWTH
at constant currency:	\$ M	\$ M	%
<b>CONTINUING BUSINESS</b>	48.9	49.1	
<b>DISCONTINUED</b>	41.4	40.4	
	<u>90.3</u>	<u>89.5</u>	1%
<b>BUSINESS SOLD / DE-MERGED</b>	-	6.8	
<b>CURRENCY</b>	-	1.4	
	<u>90.3</u>	<u>97.7</u>	

## ✓ EBITDA

	FY17	FY16	GROWTH
at constant currency:	\$ M	\$ M	%
<b>CONTINUING BUSINESS</b>	15.9	16.9	
<b>DISCONTINUED</b>	17.3	16.1	
	<u>33.2</u>	<u>33.0</u>	1%
<b>BUSINESS SOLD/DE-MERGED</b>	-	1.9	
<b>TRANSACTION COSTS</b>	(1.6)		
<b>CURRENCY</b>	-	0.4	
	<u>31.6</u>	<u>35.3</u>	

## ✓ NPAT

	FY17	FY16
at constant currency:	\$ M	\$ M
<b>CONTINUING BUSINESS</b>	2.2	4.5
<b>DISCONTINUED</b>	6.5	6.0
<b>TRANSACTION COSTS</b>	(1.1)	-
<b>BUSINESS SOLD / DE-MERGED</b>	-	0.5
	<u>7.6</u>	<u>11.0</u>

# Continuing business compared to guidance

## ✓ Revenue

	ACTUAL	GUIDANCE
	\$ M	\$ M
<b>BUSINESS DIVISION</b>	35.9	36
<b>LEGAL PRACTICE MANAGEMENT DIVISION</b>	13.0	13
	<u>48.9</u>	<u>49</u>

## ✓ EBITDA

ACTUAL	GUIDANCE
\$ M	\$ M
15.9	15

## ✓ Development spend

ACTUAL	GUIDANCE
\$ M	\$ M
8.3	8





# Business financials

Subscription business with strong online growth.

## ✓ Revenue

at constant currency:

	FY17	FY16	
	\$ M	\$ M	GROWTH
<b>SUBSCRIPTION</b>	27.2	25.4	7%
<b>LOAN INCOME</b>	0.7	0.1	1,000%
<b>PERPETUAL / SERVICE OTHER RECCURING</b>	8.0	10.0	-20%
<b>TOTAL</b>	<u>35.9</u>	<u>35.5</u>	1%

## ✓ EBITDA

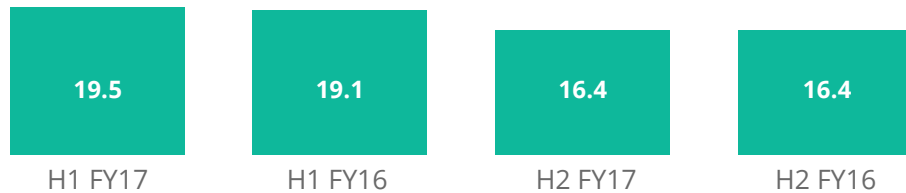
at constant currency:

	FY17	FY16	
	<u>17.2</u>	<u>17.1</u>	1%

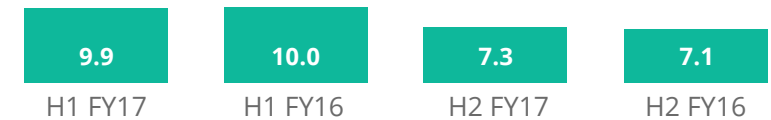
## ✓ Financial performance

- Revenue
  - Volume growth 2%
  - ARPU impacted by faster growing Reckon One.
  - Subscription now 87% of available revenue.
  - 18% cloud revenue growth (36% of revenue is now cloud).
- EBITDA
  - Invested in Reckon One sales and marketing in AU, NZ and UK.

## ✓ Revenue by half



## ✓ EBITDA by half





# Practice Management-Legal financials

Impressive customer base with strong opportunity to grow scan market.

## Revenue

	FY17 \$ M	FY16 \$ M	GROWTH
<b>SUBSCRIPTION</b>	8.9	9.2	-3%
<b>UPFRONT AND SERVICE</b>	4.1	4.4	-7%
<b>SUBTOTAL</b> at constant currency	13.0	13.6	-4%
<b>CURRENCY</b>	-	0.5	
<b>TOTAL</b>	13.0	14.1	

## Financial highlights

- Revenue
  - Strong scan growth, but weaker cost recovery renewals.
  - High upfront / service revenue in FY16.
  - Subscription now 69% of available revenue.
  - More than 50% of new revenue generated from scan product.
- EBITDA
  - Impacted by investment in sales and marketing for scan products.

## EBITDA

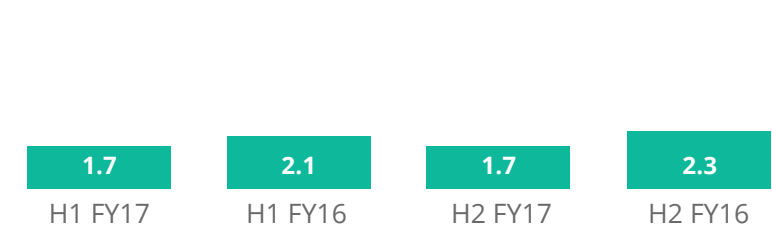
at constant currency:

	FY17	FY16	GROWTH
	3.4	4.4	-23%

## Revenue by half



## EBITDA by half

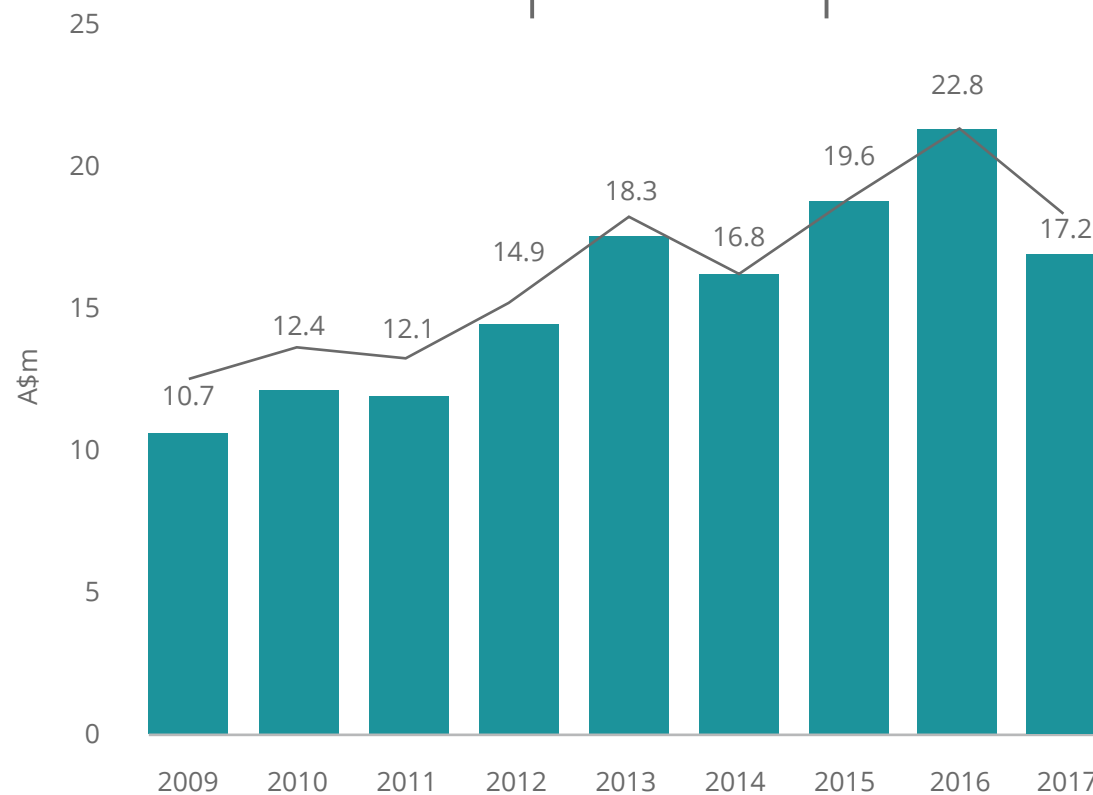


# Cashflow highlights

	FY17	FY16
	\$ M	\$ M
<b>OPERATING CASHFLOW</b> (net of development spend)	9.7	7.5
<b>RECKON LOANS</b>	(1.6)	(0.6)
<b>DE-MERGER COSTS</b>	(1.7)	-
<b>SMARTVAULT ACQUISITION</b>	-	(5.8)
<b>DESKTOP SUPER SALE</b>	-	1.3
<b>DIVIDENDS PAID</b>	(3.4)	(3.9)

✓ Cash spend on development is lower than depreciation and amortisation.

# Development spend



✓ Development spend

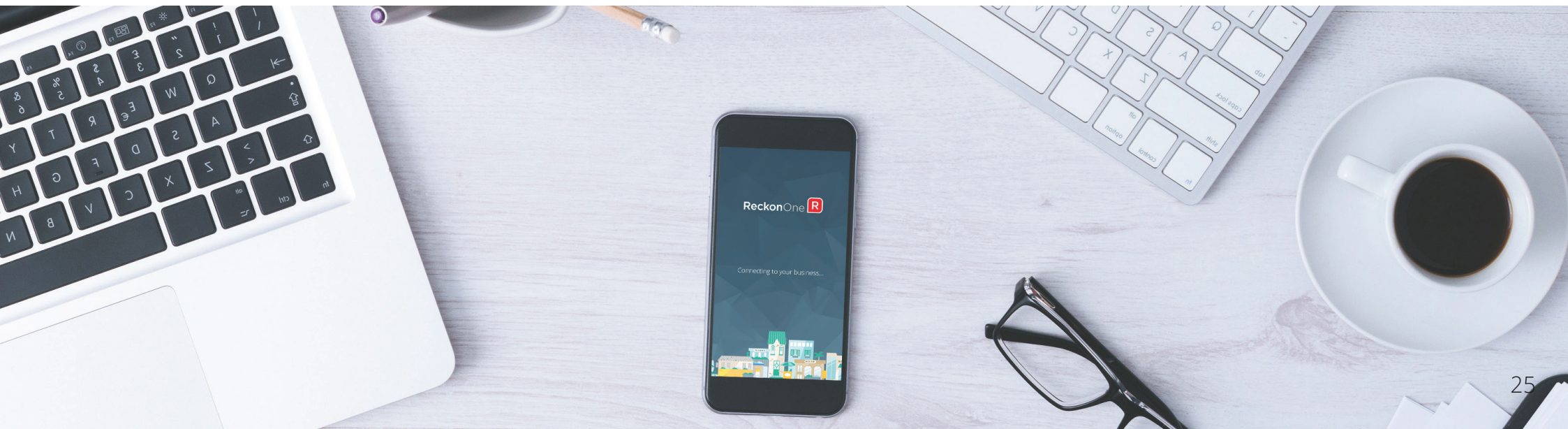
	\$ M
<b>CONTINUING BUSINESS</b>	8.3
<b>DISCONTINUED BUSINESS</b>	8.9
	<hr/> 17.2 <hr/>

## 4. Outlook



# Re-focus group on business and legal divisions

- ✓ Improve quality of revenue
  - ✓ Execute business plans for both divisions
  - ✓ Target cloud growth
  - ✓ Grow ancillary revenue
  - ✓ Expand scan market (including outside the legal industry)
- ✓ Right size business



# Guidance for 2018

Revenue



\$48 - \$49  
million

EBITDA



\$15 - \$16  
million

Development Spend



\$8 - \$9  
million



# 5. Q & A



# Resources



Website  
[rekon.com](https://rekon.com)



About us  
[rekon.com/au/about-us](https://rekon.com/au/about-us)



Investors  
[rekon.com/au/investors](https://rekon.com/au/investors)



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