



Reckon®

Results Presentation

For the six months ended 30 June 2018

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: 800,000+ registered businesses around the world have used Reckon software, the majority of top accounting firms in Australia 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 we have released new products and our connected services are expanding with Reckon Loans (Powered by Prospa) gaining momentum.

2. Practice Management - Accountants

Our Reckon APS software is a market leader in medium to large accounting firms, currently being used by 3 of the top 4, and 7 of the top 10 practices in Australia.

3. 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.

Clavie

Clive Rabie

Reckon MD



The agenda

1. CEO update
 2. Business & Practice Management Accountant Groups update
 3. Practice Management Legal Group update
 4. Financial update
 5. Outlook
 6. Q & A
-

1. CEO update



Sam Allert
RECKON CEO



Core areas of the business



Business Group

We provide accounting software to SME's around the world. Over 800,000+ businesses having used our software, and we have a partner network of over 6,000+.



Practice Management - Accountant Group

Market leaders in practice management software for professionals. 7 of the top 10 firms use our accounting software.



Practice Management - Legal Group

Used by some of the worlds leading legal firms.



2018 Focus

Set ourselves up for growth



Take existing client bases on a journey to the cloud

- Cloud subscription revenue in Business Group is now 42% of available revenue
- Business Group cloud users now at 51k
- Practice Management cloud functionality well underway



Released new products

Reckon GovConnect
Reckon Cloud Point Of Sale
Reckon BankData
Better Clinics
Reckon One White Label
Practice Management 11



Create new markets

Medical / Health
Franchises
White label distribution channels



Results summary

Revenue



\$39.9 million

-5% underlying reduction*

EBITDA

(Excluding transaction costs)



\$17.3 million

3% underlying growth*

NPAT

(Excluding transaction costs)



\$5.9 million

9% underlying growth*

Development Spend



\$7.2 million

7% underlying cashflow improvement

*Note: at constant currency



Results summary

Revenue	H1 FY18	H1 FY17	
	\$ M	\$ M	GROWTH
SUBSCRIPTION REVENUE	31.1	30.9	+0.6%
OTHER REVENUE	8.8	11.3	-21.7%
	39.9	42.2	-5%
CURRENCY	-	0.1	
TOTAL REVENUE - CONTINUING BUSINESS	39.9	42.3	
OVERHEADS - CONTINUING BUSINESS	22.6	25.5	-11%
EBITDA	17.3	16.3	+3%



2. Business & Practice Management Accountant Groups Update



Sam Allert
RECKON CEO





Business Group highlights

- ✓ Over 51k cloud users (20% annualised user growth).
- ✓ 8% cloud revenue growth over HY17.
- ✓ 42% of available revenue is now cloud.
- ✓ Released new products for growth.
- ✓ Countries operational:



AU



NZ



UK



Online user growth

USERS

55k

50k

45k

40k

35k

30k

25k

20k

15k

10k

5k

0

2011

2012

2013

2014

2015

2016

2017

2018
HY

51K



Practice Management Accountant Group highlights

- ✓ Subscription growth of 2% in Accountants Group.
- ✓ Good performance despite disruption to business.
- ✓ Impressive customer list.
- ✓ Reckon Docs market moving to subscription.
- ✓ Countries operational:



AU

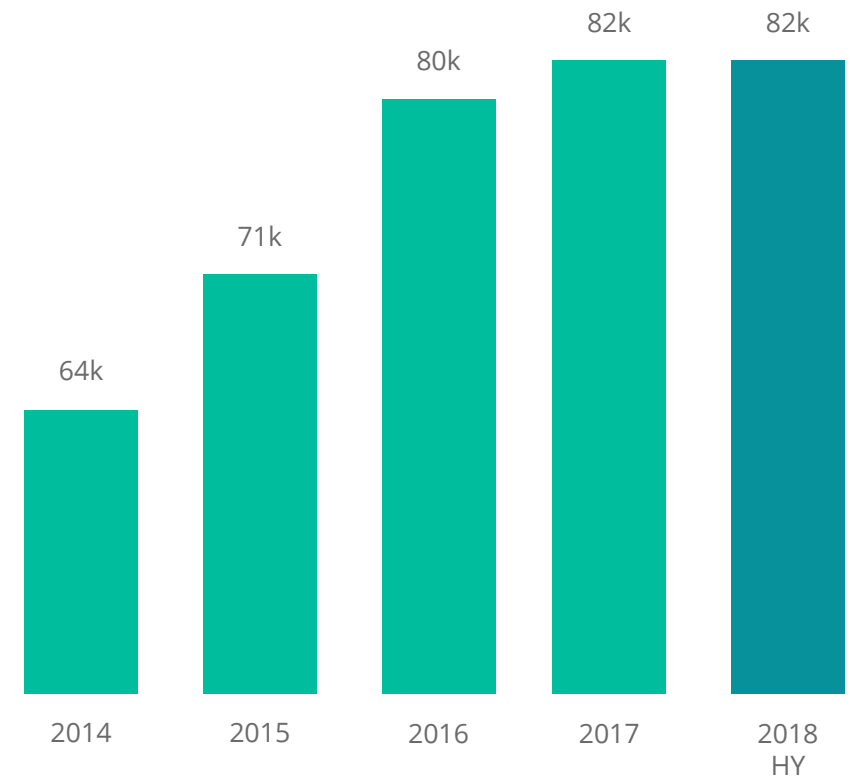


NZ



UK

Reckon APS seat growth*



* Restated for modules now bundled into Practice Management.



New products and markets for growth

ReckonGovConnect

- ✓ Single touch payroll
- ✓ Over 750,000 SME's with 19 or less employees will require STP compliant software by 1 July 2019
- ✓ Only Provider that has enabled STP for Online, Desktop, and Hosted solutions

ReckonPOS CLOUD

- ✓ New cloud-based point of sale solution for small businesses
- ✓ Most affordable cloud POS in Australia and most affordable bundled small business retail solution with Reckon One
- ✓ Large potential market with 1 in 10 trading businesses in Australia currently requiring mobile and over the counter transactions

ReckonBankData

- ✓ Bank feed processing tool for accountants and bookkeepers
- ✓ Advisor functionality for supporting non-trading entities
- ✓ Most affordable bank feed solution for advisors



New products and markets for growth



- ✓ Launch of cloud-based practice management software for health, medical, and fitness professionals
- ✓ Focus on allied health market (Physio's, Chiro's, Personal Trainers etc) total market potential over 120,000
- ✓ Complimentary integration with Reckon One, Payroll, and POS



- ✓ First of its kind industry partnership with launch of Books + a white labelled version of Reckon One
- ✓ 35,000 IPA Members with reach into over 1 million small businesses in Australia
- ✓ Global Agreement with other territories including UK



- ✓ Major release of Practice Management providing cloudification
- ✓ Cloud timesheets and APS client hub
- ✓ Integration with 3rd party complimentary solutions Infotrack, Synergy Collect, Xeppo

3. Practice Management Legal Group Update



Chris Hagglund
RECKON CFO





Practice Management - Legal

✓ 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.

✓ Next generation product to be launched this financial year.

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

✓ Countries operational:



UK



USA



AU

4. Financial Update



Chris Hagglund
RECKON CFO



Financial performance

✓ Revenue

	H1 FY18	H1 FY17	GROWTH
at constant currency:	\$ M	\$ M	%
CONTINUING BUSINESS	39.9	42.2	-5%
DISCONTINUED	-	7.8	
CURRENCY	-	0.1	
	<u>39.9</u>	<u>50.1</u>	

✓ EBITDA

at constant currency:

CONTINUING BUSINESS	17.3	16.8	3%
DISCONTINUED	-	1.5	
TRANSACTION COSTS	(0.9)		
CURRENCY	-	0.1	
	<u>16.4</u>	<u>18.4</u>	

✓ NPAT

at constant currency:

	\$ M	\$ M	
CONTINUING BUSINESS	5.9	5.4	9%
TRANSACTION COSTS	(0.7)	-	
DISCONTINUED	-	-	
CURRENCY	-	-	
	<u>5.2</u>	<u>5.4</u>	



Business Group Financials

Subscription business with strong online growth.

✓ Revenue

at constant currency:

	H1 FY18	H1 FY17	
	\$ M	\$ M	GROWTH
SUBSCRIPTION	15.0	14.7	2%
LOAN INCOME	0.5	0.3	88%
PERPETUAL / SERVICE / OTHER RECURRING	3.8	4.5	-14%
TOTAL	<u>19.3</u>	<u>19.5</u>	-1%

✓ EBITDA

at constant currency:

<u>10.0</u>	<u>9.9</u>	2%
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✓ Financial performance

- Revenue
 - ARPU impacted by faster growing Reckon One.
 - Subscription now 89% of available revenue.
 - 8% cloud revenue growth (42% of available revenue is now cloud).
- EBITDA
 - Continue to invest in Reckon One sales and marketing in AU, NZ and UK.



Practice Management Accountant Group Financials

Ongoing subscription growth and an already impressive customer base.

✓ Revenue

	H1 FY18 \$ M	H1 FY17 \$ M	GROWTH
SUBSCRIPTION	11.9	11.7	2%
UPFRONT AND SERVICE	0.3	0.7	-58%
CONTENT	3.1	3.6	-14%
TOTAL at constant currency	<u>15.3</u>	<u>16.0</u>	-4%

✓ EBITDA

at constant currency:	<u>8.3</u>	<u>7.9</u>	5%
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✓ Financial highlights

- Revenue
 - Good subscription revenue growth in difficult circumstances.
 - Content market moving to subscription.
 - Subscription now 98% of available software revenue.
- EBITDA
 - Effective cost management during sale process.





Practice Management Legal Group Financials

Impressive customer base with opportunity to grow scan and print markets.

✓ Revenue

	HY18	HY17	GROWTH
	\$ M	\$ M	
SUBSCRIPTION	4.2	4.5	-7%
UPFRONT AND SERVICE	1.2	2.2	-48%
TOTAL at constant currency	<u>5.4</u>	<u>6.7</u>	-20%

✓ EBITDA

at constant currency:

	<u>0.7</u>	<u>1.7</u>	-58%
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✓ Financial highlights

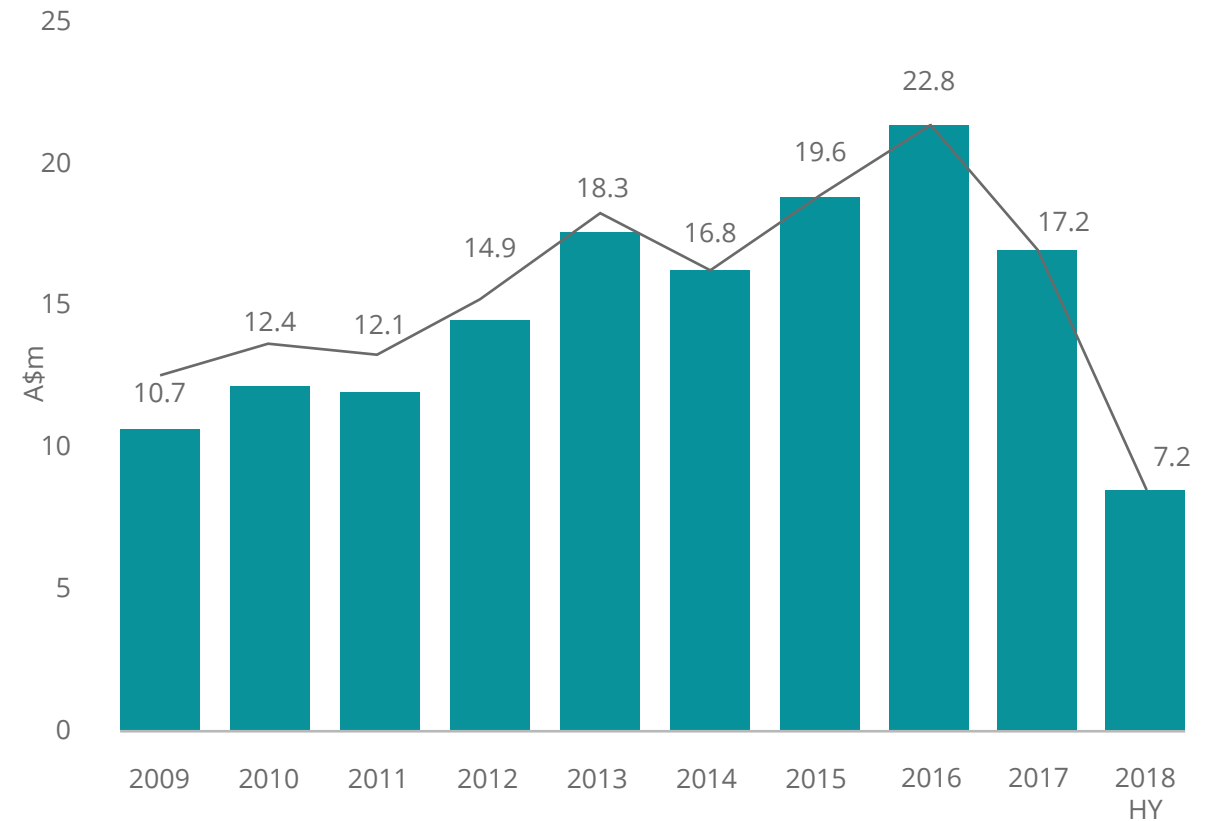
- Revenue
 - Strong scan growth, but weaker cost recovery renewals.
 - Subscription is 79% of revenue.
 - Significant portion of new revenue continues to be generated from scan product.
- EBITDA
 - Impacted by large bad debt write off in HY18.



Cashflow highlights

	HY18	HY17
	\$ M	\$ M
OPERATING CASHFLOW:		
CONTINUING BUSINESS	15.8	15.7
DISCONTINUED BUSINESS	-	0.7
TRANSACTION COSTS	(0.4)	-
DEVELOPMENT SPEND:		
CONTINUING BUSINESS	(7.2)	(7.8)
DISCONTINUED BUSINESS	-	(2.0)
DEBT REPAYED	(7.0)	(0.1)
DIVIDENDS PAID	-	(3.4)

Development spend



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

✓ Dividends to re-commence in September.



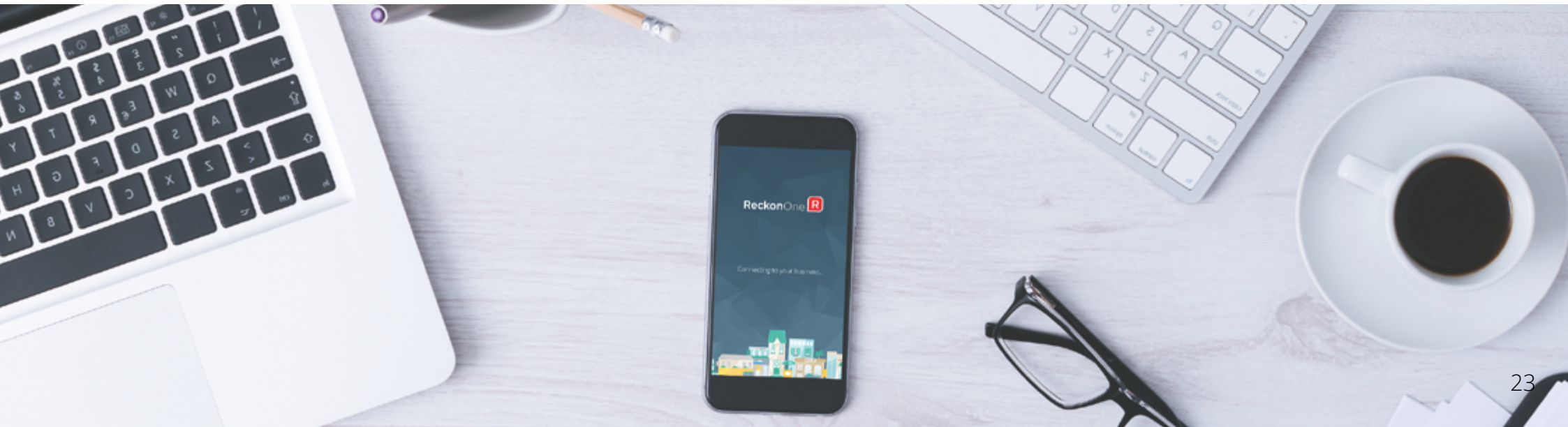
5. Outlook



Focus on growth

☑ Execute on business plans for all divisions, including:

- Target cloud growth
- Grow new product revenue
- Grow new market revenue



6. Q & A



Resources



Website
rekon.com



About us
rekon.com/au/about-us



Investors
rekon.com/au/investors



Media
rekon.com/au/media

