



ASX Announcement

18 February 2020

Results for the year ending 31 December 2019

Reckon Limited is pleased to announce its results for the year ended 31 December 2019.

The Group has remained focused on our long-term strategies, and some of the initiatives have now started to bear fruit. New cloud product development has progressed well with further product releases scheduled for 2020.

Group highlights

The profitability of the Group has increased, with both EBITDA and NPAT up by 5%.

Debt has been reduced by \$7m in the year.

A fully franked final dividend of 2 cents per share has been declared, taking the total dividend to 5 cents per share in respect of the 2019 year (2018: 3 cents).

Business Group

- The Business Group has experienced a much stronger 2nd half of 2019, with revenue growth of 6% for the HY, compared to the 1st half which was flat.
- Cloud revenue has continued to grow strongly, up by 9% and now represents 47% of this division's available revenue. The number of cloud users now has reached 75,000, with growth of 38% in 2019.
- We continue to be impacted by a reduction in desktop revenue as clients move to the cloud, however the impact is diminishing as the vast majority of new customers adopt cloud technology.
- Our new payroll app was launched in late May 2019, and already has 29,000 users, with over 260,000 pay runs processed via this app.
- The White-Label partnership with the IPA continues to strengthen the recommender channel, with over 700 IPA practices trained and certified as Cloud Advisors. We are excited to extend this partnership for a further 5 years, and we now provide every IPA Public Practice with five cloud licences to help them better cater the needs of small business. Across the membership this is a minimum of 22,500 new Books per annum. In addition, we expect IPA members to add new small business clients as we extend certification and they become more familiar with the ReckonOne product.
- The cloud/mobile strategy continues into 2020 with the paid payroll app as well as other mobile apps planned for launch this year.

Practice Management – Accountants Group

- Revenue in the Accountants Group was down on the previous year as normal attrition has not yet been offset by enough new revenue.
- The business remains entrenched as the product of choice amongst the major accounting firms, with two of our largest APS customers extending their contracts in the 2nd half of the year, and thereby showing faith in the strategic direction of the division.
- The content business remains highly competitive and the overall market is down by 5% year on year, resulting in revenue being weaker again this year.
- Development of our new cloud suite is progressing well, with the Cloud Practice Management module set for release in the first half of 2020. The cloud product is expected to widen the addressable market for the Accountants Group.

Practice Management – Legal Group

- The Legal Group has seen growth of 9% in 2019 despite transitioning from an upfront sales model to a subscription model.
- The new products (scan and print) are gaining good traction and generated most of the new revenue in 2019. The market has now been educated on the value of these products, and consequently we expect future growth to remain strong.
- The traditional cost recovery business has stabilised, and we now see opportunity to benefit from our competitive position.
- The sales pipeline is strong going into 2020, and we plan to invest further into our sales capability this year to take advantage of the opportunities that present to us.

Reckon Group CEO, Sam Allert said:

“Overall 2019 was a solid result for the Group, with encouraging performances from two of our divisions.

We have now pivoted the business away from a desktop software company to a cloud first software company and we are excited by our expanded product suite and the product roadmap in 2020 that we believe will provide long-term sustainable revenue opportunities.”



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