

ASX Announcement

24 May 2023



Chairman's Address to Shareholders

Pursuant to ASX Listing Rule 3.13.3, Reckon Limited ("Reckon") (ASX: RKN) provides the attached copy of the Chairman's Address to Shareholders to be given at today's Annual General Meeting.

AUTHORISED FOR RELEASE BY THE BOARD OF DIRECTORS OF RECKON LIMITED

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About Reckon

Reckon is an ASX listed and Australian owned company with over 30 years' experience delivering market leading solutions to small to medium sized businesses and legal professionals. Reckon's software services are designed to make accounting, payroll, and practice management faster, easier, and more productive. Find out more at www.reckon.com.



Reckon Limited - AGM

24 May 2023

Chairman's Address to Shareholders

The 2022 financial year saw Reckon Limited deliver another strong operational and financial performance that was somewhat outshone by the sale of the Accountants Practice Management Group for \$100 million and the subsequent substantial special dividend to shareholders and debt reduction.

While this was an important milestone for Reckon shareholders, the Board and management team is now totally focused on the growth and development of Reckon's continuing business, being the Business Group and the Legal Group divisions.

Revenue from these two divisions increased by 2% on a normalised basis (excluding FX impact) over the previous corresponding period to \$51.2M. Cloud subscription revenue in the Business Group was up 7% on FY2021 and accounted for 56% of this division's total revenue during FY2022. Our Legal Group reported subscription revenue of \$9.2M, up 5.5% annually. Operating cash flow for the continuing operations was strong at \$19.9M before development spend.

The Business Group has been a solid performer for the Company for many years and continues to be so, buoyed largely by growth in our cloud offering, Reckon One, and supported by our legacy products, Reckon Accounts and Reckon Accounts Hosted. The market for those products remains competitive and your Board is focused on expanding the Company's product offering onto new platforms and into new products. Reckon One is the flagship for these platforms and products and continues to be the focus for new client acquisition and growth as well as the transition from those older legacy products. Reckon is committing resources into product development, including payroll, invoicing and reporting products for this transition to materialise in the coming years. We are also continuing to pursue opportunities to make third party integrations and services available to our customers, increasing our overall wallet share per customer

We anticipate that the investment in product development and the launch of new cloud-based offerings will enhance our total service package, grow our user base and at the same time deliver higher customer retention, and assist in creating larger markets to sell new products to deliver



increased revenue. The investment is large, yet manageable, with development spend during FY2022 on the Business Group being \$10.5m and \$4.8m in the Legal Group, and is anticipated to remain at similar levels for this financial year.

The Legal Group continues to grow, and as a small, nimble player in the large US market, there is an exciting opportunity for its cloud-based software to help multiple US law firms get a cloud view over their older traditional desktop management software. Our existing “Core” cost, scan, and print management products have been upgraded and we continue to find market opportunities to sell those core products into, whilst building out our new cloud platform modules. Earlier this year, we committed an additional US\$4M in capital to the Legal Business to support its continued growth over the next two years with our focus very much on growing the top line and building greater scale.

Your Board is very aware of the disconnect between the value of your Reckon shares represented by the share price and implied valuations based on revenue or EBITDA multiples usually applied to software companies, including the multiple applied to the sale price of the Accountants Practice Management Group. We firmly believe that there is considerable unlocked value in Reckon, more so than our current share price, and our management team are working hard to crystallise this value. To that end, we have included a cash incentive plan for our CEO and CFO that is subject to shareholder approval. The reward under the plan is significant, but so too are the targets. A return to you in cash of approximately three times the current market capitalisation of Reckon for any payment over the next six and one half years, up to approximately six times the current market cap for the maximum payment. It is indeed a large hurdle, but it is one that we believe is achievable if we can execute on our strategy. The sale of Accountants Practice Management Group shows that our management team can unlock unrealised value and deliver shareholder returns that exceed that of our ASX-listed peers.

As a Board, we remain vigilant and very active in challenging management’s strategies to determine the best outcomes for shareholders while also managing risks. I would like to take this opportunity to thank our Group CEO, Sam Allert and his team for implementing a multi-year growth strategy which has shaped the Company’s resilience, agility and expertise to reliably deliver shareholder value and profitability.

Thank you and I will now turn to the business of the meeting.