



# Results Presentation

For the six months ended 30 June 2019

To be read in conjunction with Appendix 4D and Accounts



Sam Allert  
RECKON CEO



Chris Hagglund  
RECKON CFO



# Core areas of the business



## BUSINESS GROUP

An ecosystem for small businesses

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

**GOAL**  
Growth - Cloud / Payroll



## PRACTICE MANAGEMENT - ACCOUNTANT GROUP

A platform for accountants

Market leaders with our APS platform for multi-disciplinary Accounting Firms. 7 of the top 10 firms use our APS software.

**GOAL**  
Stabilise - Progress  
Cloud Development



## PRACTICE MANAGEMENT - LEGAL GROUP

Scan workflow, print and cost recovery solutions for legal firms

Cost recovery, scanning and print solutions used by some of the worlds leading legal firms.

**GOAL**  
Growth - New products and subscriber focus

# Our Highlights



## Business Group Cloud Growth

21% increase in  
subscriptions, reaching  
62,000 users

New adds more than  
double that of 2HY18

46% of available revenue  
is in the cloud



## Payroll Focus

Launch of new  
payroll app

19,000 new users  
acquired since late  
May launch



## APS Stabilisation

Achieving stabilisation  
of APS after period of  
disruption

Substantial development  
progress on new cloud  
suite



## Legal Growth

11% revenue increase  
from additional growth in  
legal division

EBITDA up by 105%



## Cashflow Improvement

\$7m reduction in net debt

Fully franked dividend of  
3 cents

# Results summary

Revenue

\$39.2  
million

-1.8% over PcP

EBITDA

\$17.1  
million

+4.3% over PcP

NPAT

\$5.3  
million

+2.1% over PcP



# Business Group highlights

- ✓ Over 62k cloud users (21% annualised user growth).
- ✓ 11% cloud revenue growth over HY18.
- ✓ 46% of available revenue is now cloud.
- ✓ STP Mobile App launched late May '19, already at 19k users; with 32k employees created in this app.
- ✓ Countries operational:



AU



NZ

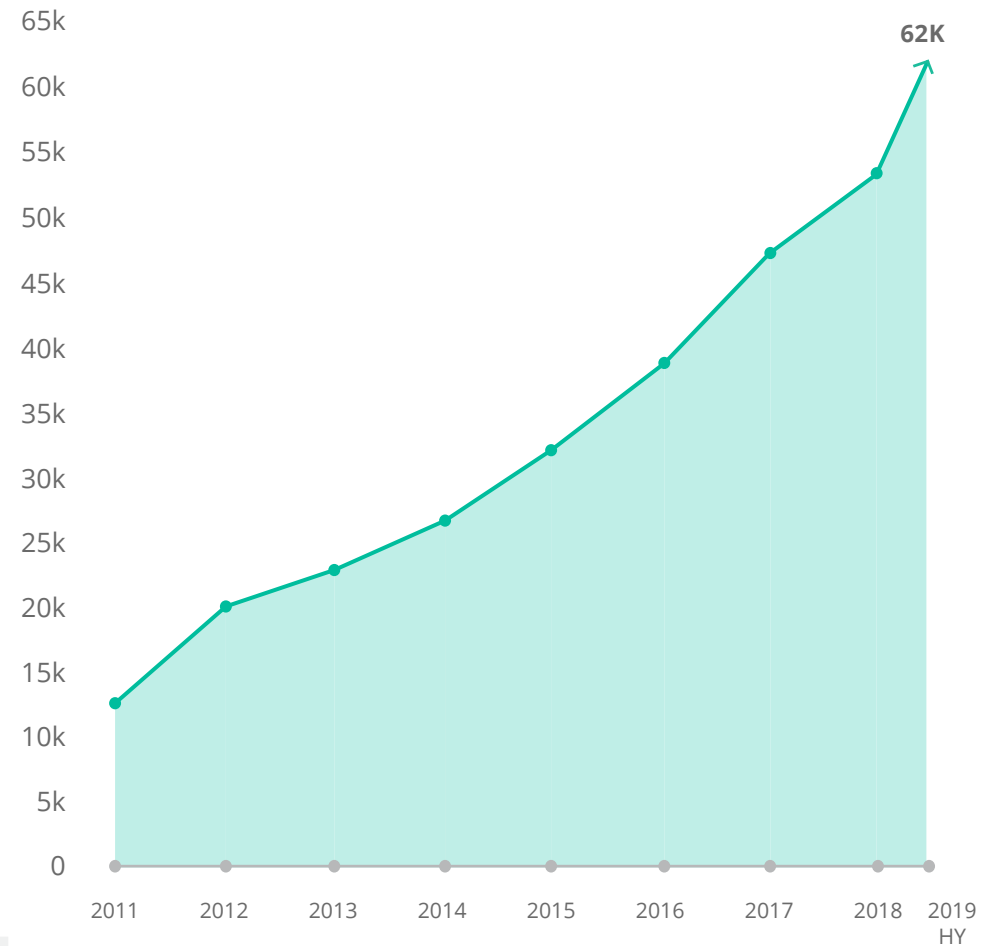


UK



## Online user growth

USERS





# Practice Management Accountant Group highlights

- ✓ Business stabilised following aborted sale in 2018.
- ✓ Impressive customer list maintained.
- ✓ New subscription revenue showing signs of improving but still impacted by lag effect from aborted sale process.
- ✓ Substantial progress made on cloud product.
- ✓ Reckon Docs market moving to subscription, market remains subdued.
- ✓ Countries operational:



AU



NZ



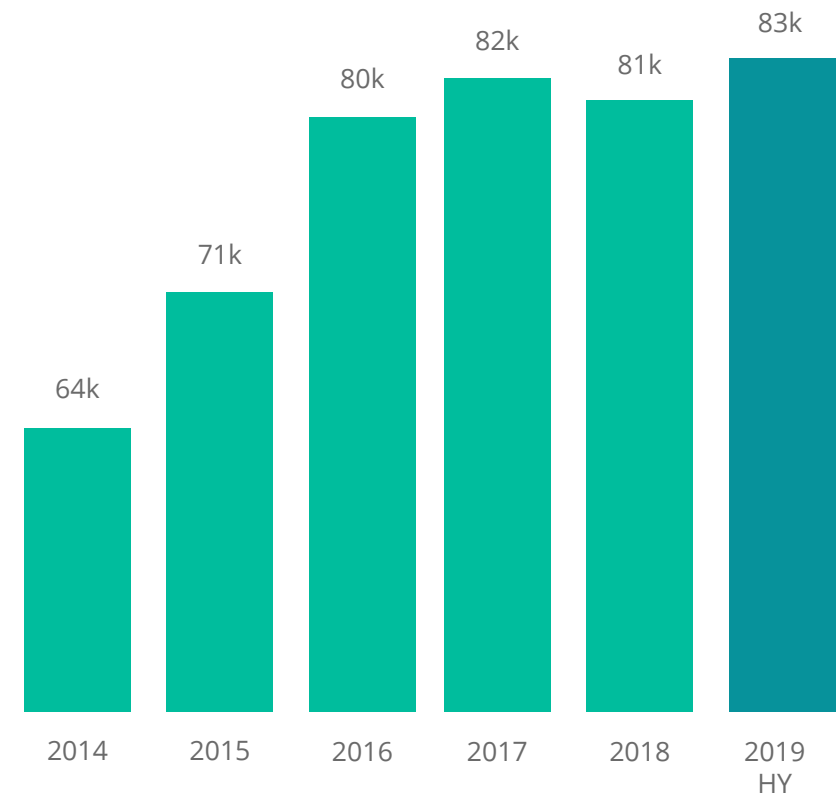
UK

**APS**  
A RECKON PRODUCT

ReckonDocs **R**

ReckonBankData **R**

Reckon APS seat growth





# Practice Management - Legal

- ✓ Workflow expert in three key areas:
  - Advanced Uniform Scanning
  - Print Management
  - Cost Recovery
- ✓ Developed Channel Sales Network, which now includes:
  - Canon USA
  - Pacific Office Automation (POA)
  - Konica Minolta Worldwide
  - And a growing list of local & regional providers
- ✓ Scan product showing strong potential.
- ✓ Next generation product launched and is now being rolled out.
- ✓ Transition from upfront purchase model to subscription only model well underway.
- ✓ Pipeline is strong.
- ✓ Countries operational:



UK



USA



AU



# Financial performance

	H1 FY19	H1 FY18	GROWTH
	\$ M	\$ M	%
✓ Revenue	<u>39.2</u>	<u>39.9</u>	-1.8%
✓ Overheads	<u>22.1</u>	<u>23.5*</u>	-6.1%
✓ EBITDA	<u>17.1</u>	<u>16.4*</u>	+4.3%
✓ NPAT	<u>5.3</u>	<u>5.2*</u>	+2.1%

\* Results are net of \$0.9 million of transaction costs.



# Business Group Financials

Subscription business with strong online growth.

## Revenue

	H1 FY19	H1 FY18	
	\$ M	\$ M	GROWTH
<b>CLOUD SUBSCRIPTION</b>	7.8	7.0	11%
<b>DESKTOP SUBSCRIPTION</b>	7.6	8.0	-5%
<b>SUBSCRIPTION</b>	15.4	15.0	3%
<b>PERPETUAL / SERVICE / OTHER RECURRING</b>	3.5	3.8	-8%
	18.9	18.8	1%
<b>LOAN INCOME</b>	0.4	0.5	-26%
<b>TOTAL</b>	19.3	19.3	-

## Financial performance

- Revenue
  - Cloud revenue growth gaining momentum (11%)
  - ARPU continues to be impacted by fast growing Reckon One product. (Cloud unit growth 21%)
  - Subscription now 92% of available revenue.
- EBITDA
  - Increased investment in sales + marketing to take advantage of new opportunities (including STP).

## EBITDA

9.8	10.0	-3%
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# Practice Management Accountant Group Financials

Stable subscription revenue and an impressive customer base.

## ✓ Revenue

	H1 FY19	H2 FY18	H1 FY18
	\$ M	\$ M	\$ M
<b>SUBSCRIPTION</b>	11.4	11.4	11.9
<b>UPFRONT AND SERVICE</b>	0.3	0.2	0.3
<b>CONTENT</b>	2.3	2.5	3.1
<b>TOTAL</b>	<u>14.0</u>	<u>14.1</u>	<u>15.3</u>

## ✓ EBITDA

	<u>7.4</u>	<u>7.1</u>	<u>8.3</u>
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## ✓ Financial highlights

- Revenue
  - Business stabilised following aborted sale.
  - New business pipeline starting to build.
  - Content market is still subdued.
  - Subscription now 98% of available software revenue.
- EBITDA
  - Cost base is stable.



# Practice Management Legal Group Financials

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

## ✓ Revenue

	H1 FY19	H1 FY18	GROWTH
	\$ M	\$ M	
<b>SUBSCRIPTION</b>	4.4	4.2	4%
<b>UPFRONT AND SERVICE</b>	1.5	1.2	35%
<b>TOTAL</b>	<u>5.9</u>	<u>5.4</u>	11%

## ✓ EBITDA

<u>1.6</u>	<u>0.7</u>	105%
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## ✓ Financial highlights

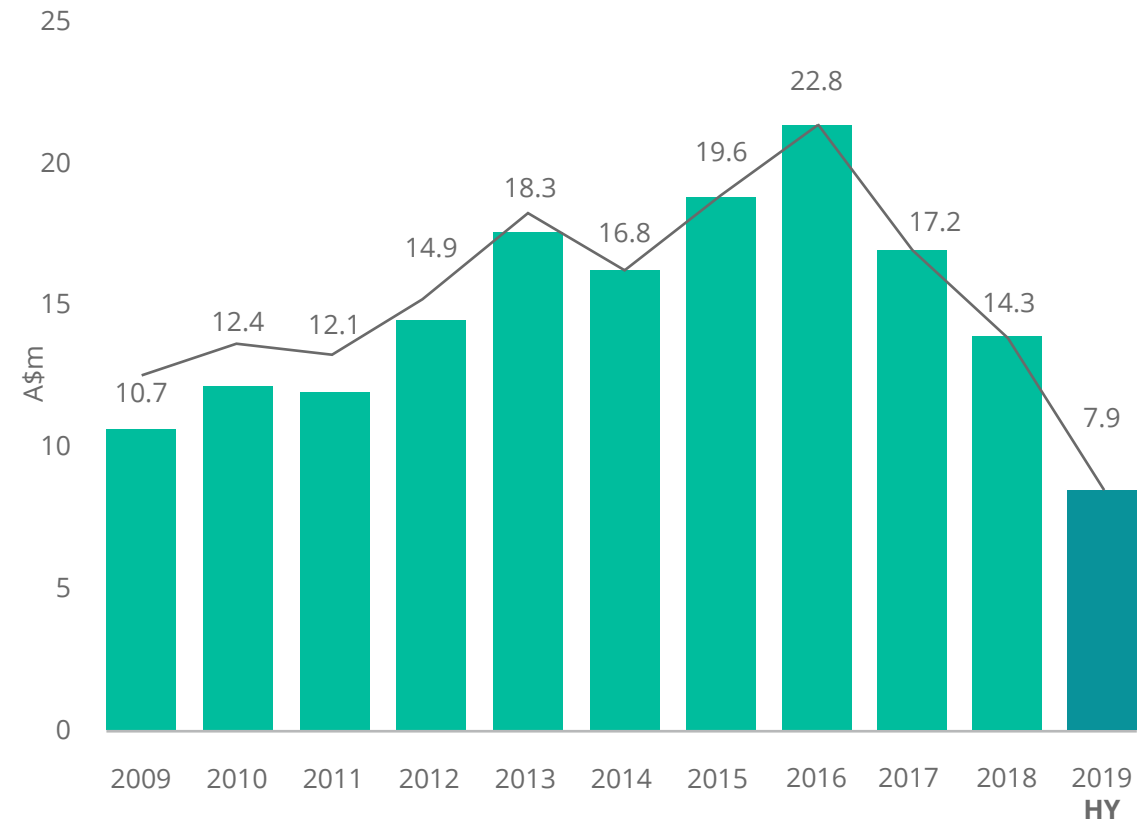
- Revenue
  - Strong scan growth.
  - Transition to subscription is well underway.
  - Customer treated as a bad debt write-off in 2018, now re-signed.
  - Subscription is 74% of revenue.
- EBITDA
  - Investment in sales and marketing of new products.

# Cashflow highlights

	H1 FY19	H1 FY18
	\$ M	\$ M
<b>OPERATING CASHFLOW</b>	15.3	15.4
<b>DEVELOPMENT SPEND</b>	(7.9)	(7.5)
<b>NZ R&amp;D REBATE</b>	-	0.3
<b>DEBT REPAYED</b>	(7.5)	(7.0)
<b>LEASE PAYMENTS (AASB 16)</b>	(0.9)	-

- ✓ Development spend is 20% of revenue.
- ✓ Cash spend on development is still lower than amortisation.
- ✓ NZ R+D rebate is now a reduction against tax expense.
- ✓ Fully franked dividend of 3 cents to be paid in September.

# Development spend



# Outlook



# Continue our Plan - A Focus on Growth



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**GOAL**  
Growth - Cloud / Payroll / Mobile / Better Clinics



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**GOAL**  
Growth - New cloud mid market solution



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**GOAL**  
New products and subscriber focus

# Q & A





# Resources



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



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