

NOTICE TO ALL SHAREHOLDERS

AGM UPDATE

27 May 2020

By the middle of March this year the corona virus pandemic became an almost sudden global reality with an impact for all Australians and our operations in New Zealand, the United Kingdom and the USA.

It is now three months later and the concepts of quarantine, isolation, social distancing, and working from home have become common place.

Much as it seems out of place at an AGM to say so, we are very pleased to report that none of our team has tested positive for COVID-19. As much as the AGM is a time for reporting on the business, in today's context the health and wellbeing of our people is as – if not more - important.

When the impact of the corona virus hit, Reckon Limited transitioned nimbly and smoothly to working from home.

We are fortunate that our business infrastructure and business interruption processes were well designed to deal with these sorts of situations.

Our senior management team responded promptly with resilience and efficiency and the entire Reckon team has adapted to the changed circumstances. We are proud that all staff remain employed and operational. It is especially important for us to ensure that our product development has continued particularly for cloud products and our clients and partners continue to be supported as per normal.

Key business tools that are cloud-based also ensured that this process went smoothly. With offices all around the world, to some extent there was no real shock felt in making a transition to distributed based business practices. The fact that so many of our products are cloud based means that our business was already geared to support customers remotely.

Our teams have done the important work of holding the hands of our customers and clients over the last few months. It is well known that Reckon Limited prides itself on maintaining and nurturing relationships as an important part of its success.

The same goes for our relationship with our employees. Our team remains in good health and our HR department has implemented a range of initiatives to keep in contact with all staff and to make sure that not only are business imperatives met, but that we also nurture the well-being of our team and remain connected.

From a performance perspective, shareholders will have noticed that we did not feel the need to make any out of the ordinary ASX announcements. So amidst the uncertainty that many businesses must have felt we are pleased to report that overall we have noticed no material changes to our performance as measured against prior corresponding periods. No news was good news. We will give a little more detail on this below.

Our products remain essential for our customers and clients to continue running their businesses in these unusual times. Reckon One is an excellent value for money proposition for businesses struggling with the impact of the corona virus.

Our business is performing well with consistent trends from 2019 rolling into 2020. Financial performance is stable and strategic milestones are being achieved.

We are mindful that a large part of our business is seasonal, especially relating to the end of financial year. We are about to enter that period and will continue monitoring performance.

The detail of our 2019 performance is well set out in the Annual Report, so we mention only a few specific points in relation to performance for year to date.

The Business Group revenue is up 9% for the first four months of the year compared to the prior comparative period and we have added 5,000 cloud users since year end, taking total cloud users to 80,000.

Especially encouraging in this Group is cloud user growth for Reckon One, Reckon Accounts Hosted and our new Reckon Payroll App, bearing in mind that this is traditionally the quieter period of the year. Shareholders may recall that we launched our free Single Touch Payroll (STP) app mid-way

through last year and we now have 33,000 users, with 414,000 pay runs created. A few weeks ago we launched our paid Payroll App and we are seeing encouraging signs here as well. Our new Payroll App, and all of our payroll products, are Jobkeeper compliant.

This Group is also well supported by the stable revenue contribution of desktop subscription customers.

In the Accountant Group, we continued to build up our pipeline prior to COVID-19, especially with the impending launch of our new cloud practice management product. However, accounting firms are likely to be slower to take up new technology in these times, and so revenue growth in this division is unlikely in the current environment. The existing customer base continues to enjoy the benefits of our product suite and remains stable. The new cloud Workflow product is on track to be launched in July, and we expect that this will provide the future growth impetus for this division.

In the ReckonDocs (Content) part of the Accountant Group a good start to the year has unfortunately been offset by reductions in new company formations in the current environment, with ASIC advising new company formations dropping by 20% in April.

In the Legal Group revenue is up by 14% (6% on a constant currency basis) in the 1st four months of 2020 compared to the prior corresponding period, but this strong start to the year is also expected to be diluted in the current environment as new business has become more difficult to close and install. Again the existing customer base remains stable.

The Legal Group in the USA has also received a loan of US\$0.8million under the "CARES" Act. This was received under the USA stimulus package to assist small businesses during the COVID-19 crisis.

This loan maybe forgivable if the use of the loan meets certain criteria, which includes retaining our USA employees. We anticipate that these criteria will be met and that most of the loan will be forgiven. The forgiven portion is expected be recorded as other income in the 2020 financial year.

For the entire group, enterprise sales have slowed due to current conditions but our small business products continue to grow.

Fortunately we have a strong subscription revenue line across our business, with over 90% of available revenue now subscription based.

Debt levels remain at comfortable levels, at 1.2x EBITDA, with circa \$20 million of unused bank facilities. Bank facilities are in place until August 2022.

We have demonstrated stability and resilience, and this sets a good foundation for the rest of the year.

This is also bolstered by timely execution of our strategic plans.

This includes the recent release of the paid Payroll App and the first version of a new Cloud PM module for Reckon APS to be released in the coming months.

The Reckon APS cloud suite also increases our addressable market and provides an opportunity to move into smaller to mid-market accounting firms.

Our partnership with the Institute of Public Accountants (IPA) has moved into its next phase and we continue to bring on new IPA partners and distribute our products through that channel. We have 925 IPA member firms as partners. Linked to the APS cloud development this channel also provides great cross sell synergies.

In the Legal Group, the Scan and Print Workflow module continues to enhance growth prospects in this market.

In summary, we are fortunate to have a stable subscription revenue base, a solid balance sheet, and good cash flow.

Along with our focused strategic initiatives we are in a privileged and fortunate position of moving through the period of the corona virus with minimal business impact at this stage. On top of this our teams remain in place able to support our customer's needs.

We look forward to the rest of the year and wish all our shareholders, partners, clients, and employees a safe year.

This update is given to the ASX by authority of the board of directors.

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