



ASX Announcement

11 August 2020

Results for the half year ending 30 June 2020

Reckon Limited is pleased to announce its results for the half year ended 30 June 2020.

The Group has again displayed its resilience, by posting growth in these extraordinary times. The quality of revenue continues to improve with 94% of available revenue now subscription revenue.

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

Group highlights

The Group revenue has increased by 2% over the prior comparative period (PCP), driven by strong growth in the Business Group.

Net debt has been reduced by \$6million in the half year after paying a fully franked dividend of \$2million in March 2020.

In addition, a fully franked interim dividend of 3 cents per share has been declared (2019: 3 cents) and will be paid on 23 September 2020.

COVID-19 Update

As much as the half year 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. We are very pleased to report that none of our team has tested positive for COVID-19.

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.



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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.

Group Updates

Business Group

- The Business Group has continued the 2HY19 trend, with revenue growth of 6% for the HY.
- EBITDA growth was 9% over PCP.
- Cloud revenue has continued to grow strongly, up by 23% and now represents 52% of this division's available revenue as desktop customers continue to move to the cloud. The number of cloud users now has reached 87,000, with growth of 41% over PCP.
- Our free payroll app was launched in late May 2019, and already has over 35,000 users, with in excess of 520,000 pay runs processed via this app.
- The paid payroll app was launched in May'20 and already has over 2,000 users.
- The cloud/mobile strategy continues with other mobile apps planned for launch throughout the 2nd half.

Practice Management – Accountants Group

- The Accountants Group customer base continued to show great stability and remains entrenched as the product of choice amongst the major accounting firms
- We are proud that 2 of our largest APS clients recommitted in the last 12 months.
- New revenue growth was hampered by COVID-19 as this division largely relies on on-site sales and installation activity.
- The content business started the year strongly, but was significantly impacted by COVID-19 during March to May, and then recovered to show growth in June.

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- The continued focus on cloud releases took another big step with the release of Cloud Workflow, with further modules to follow over the coming year. The cloud suite is expected to widen the addressable market for the Accountants Group.

Practice Management – Legal Group

- The Legal Group customer base likewise continued to show great stability, but is also reliant on on-site sales and installation activity for new revenue growth, which again was hampered by COVID-19.
- Doubtful debt provisioning has been reviewed in this division in the light of current circumstances and provisions have been conservatively increased by \$0.5million.
- The new products are showing strong promise and as the market has now been educated on the value of these products, we expect future growth to remain strong.
- The sales pipeline remains strong, and we have invested into our sales capability this year to take advantage of the opportunities that present to us.
- The USA subsidiary of the Legal Group has received a loan of US\$0.8million under the “CARES” Act. The loan maybe forgivable if the use of the loan has met certain criteria. Applications for forgiveness will be lodged shortly, and if successful, the forgiveness will be booked as revenue.
- The potential for future growth in this division has been significantly strengthened following the merger with Zebraworks announced to today (refer separate announcement).

Reckon Group CEO, Sam Allert said:

“We have continued our focus on growth, and particularly growth with our new cloud products. Our strategies of developing new products to upgrade existing clients too as well as increasing our addressable market continues to show success. We are extremely excited about the next 12 months in terms of further cloud releases.”

AUTHORISED FOR RELEASE BY THE BOARD OF DIRECTORS OF RECKON LIMITED

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