



ASX Announcement

11 August 2020

Merger of Reckon Legal Group with Zebraworks

Reckon Limited is pleased to announce that it has reached agreement with Zebraworks to merge the Reckon Legal Group with the Zebraworks business. The merger is subject to closing conditions and regulatory approvals.

The Reckon Legal Group is a leading provider of software based information workflow solutions to legal firms globally, with 5 of the top 10 firms in the world using our products. The product range has recently been expanded to include scan and print solutions, and these products have been driving growth in this division since their introduction.

Zebraworks is a recently formed start-up in the USA developing a wide cloud based integration platform to move legal firms to the cloud. The Zebraworks team have a long and successful history of developing and distributing legal practice management software and other products to the USA legal industry. A number of these businesses have been successfully sold to other major providers to the legal industry.

The USA legal practice management industry is a highly attractive marketplace for the combined business to pursue and provides Reckon Ltd with the opportunity expand the smallest part the group and make it more relevant. The initial modules of the Zebraworks platform have been developed and a comprehensive development schedule has been established with further modules to be progressively released over the next few years.

In addition, the Reckon Accountant Group has invested in the development of a number of Saas practice management modules targeting the accountant market, the most recent of which was launched in July 2020. A number of these products are also relevant for the legal market, and it is expected that the merged entity will include these products in the solution provided to their legal clients, thereby expanding the market reach of these new products.

Reckon Limited will own 70% of the merged entity from the effective date and Zebraworks shareholders (mostly key members of the management team) will own the remaining 30%. All of the Zebraworks IP and other assets will be rolled into the merged entity. The already existing infrastructure of the Reckon Legal Group will be leveraged and will be expanded as the business grows over the coming years. Reckon Limited has committed to funding the growth of the merged entity, if required, and subject to performance, and with an absolute cap of US\$3m. If required, a further loan of US\$2m could be made available. The management team have the opportunity to progressively increase their percentage holding from 30% to 45% if they achieve



revenue growth targets. To achieve the full earnout, revenue in this division would need to increase five fold by 2027.

The impact on the 2020 trading results for Reckon Limited from this merger, is expected to be immaterial due to the newness of the SaaS practice management product. Incremental capitalised development expenditure on the SaaS practice management product for the remainder of 2020 is expected to be \$0.4m.

Reckon Group CEO, Sam Allert said:

“We have given serious consideration to the future strategy for the Legal Group and we now are excited to see this come to fruition. We have seen the success of our focus on our new products, scan and print workflow, and it is exciting to be adding a very experienced team, with a new cloud practice management suite, as well as creating further distribution for our APS cloud modules. We look forward to executing on the potential of the merged entity in a substantial global market.”

Zebraworks CEO, Bill Bice said:

“Reckon, via its nQueue subsidiary, has a long history of building and delivering innovative technology for the legal industry, and this makes them the perfect partner as we develop our cloud-based platform for this market.”

AUTHORISED FOR RELEASE BY THE BOARD OF DIRECTORS OF RECKON LIMITED

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