



Reckon 

# Results Presentation

For the six months ended 30 June 2020

To be read in conjunction with Appendix 4D and Accounts



Diversified

Talented Team and  
Winning Culture

Practice Management experts  
across multiple industries and  
geographies

# More than just a technology company!

Cloud first

Strong loyal  
customer bases

Innovative

Experts in our field

International

# Our purpose

We're passionate about helping people, businesses and their advisors become and stay successful.

## Priorities & outcomes

### Why

The art of accounting is the cornerstone of business success.

Our humble beginnings as an Australian start-up means we celebrate the entrepreneurial spirit of small business and amplify the work of their advisors.

### How

We specialise in software, but we're more than just a technology company.

Our experienced people, services and solutions provide businesses, accountants and lawyers with the tools and support they need.

### What

We're a global organisation that services diverse markets and verticals.

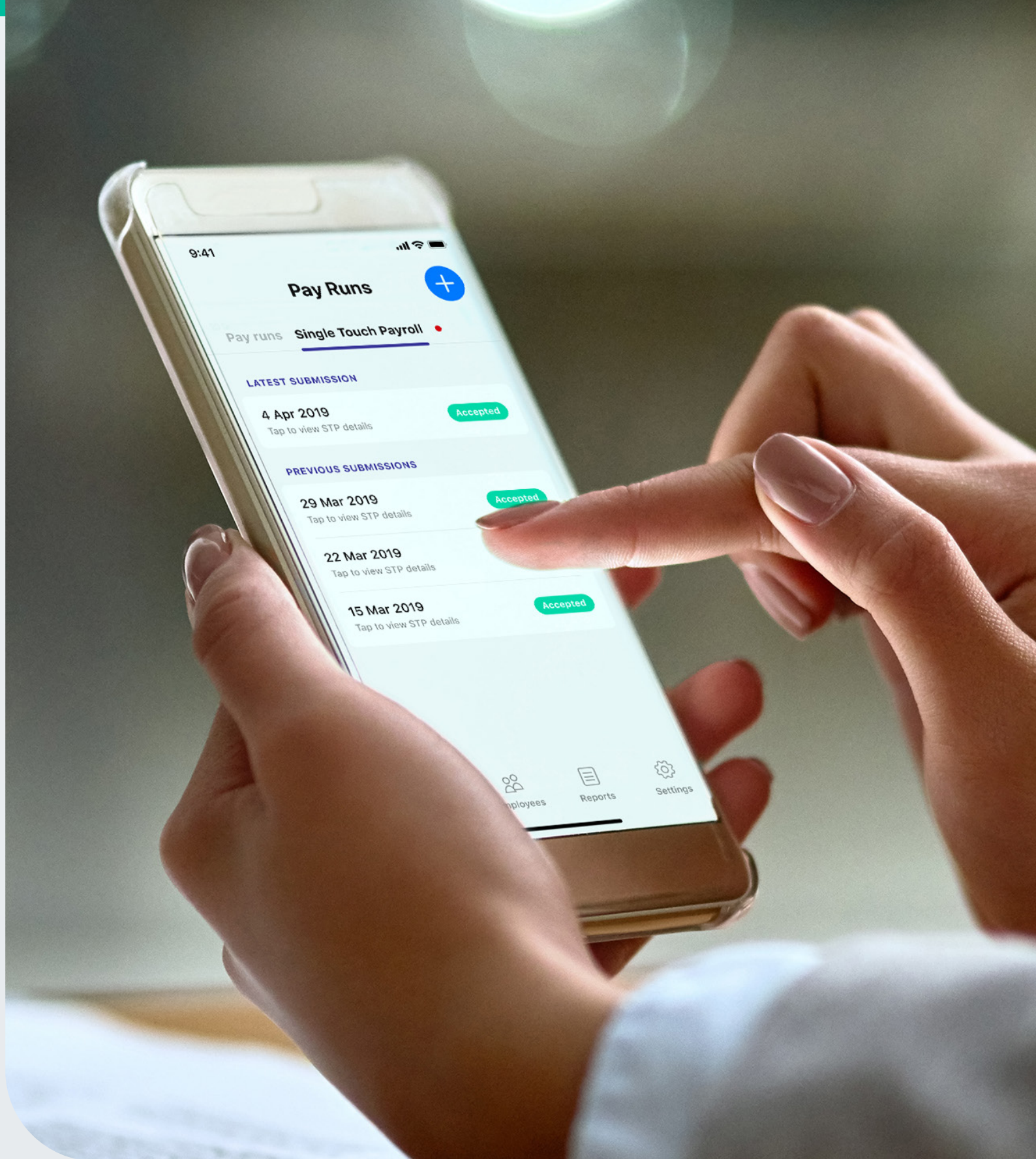
Our powerful and easy-to-use solutions across accounting, payroll, practice management, and compliance provide the tools for success.



**Sam Allert**  
RECKON CEO



**Chris Haggglund**  
RECKON CFO





# Our core business strengths

Small Business  
Accounting and Payroll

**BUSINESS GROUP**



Practice Management and  
Compliance for Accountants

**ACCOUNTANTS GROUP**



Scan and print workflow  
Cost Recovery for Legal Firms

**LEGAL GROUP**



# Introduction

2020 has certainly been disrupted and uncertain for individuals, and businesses, all over the world. We remain in a volatile environment with ongoing health and economic concerns.

It is pleasing that in these uncertain times our business and our strategy has held up well. Our focus remains clear and we are executing our goals successfully.

Our BCP (Business Continuity Plan) was implemented swiftly in March 2020, and well executed by the management team with all staff remaining employed and all business operations able to continue operating as per normal. The entire Reckon team responded well, with a focus on continuing to drive our business forward, supporting our clients, and supporting each other.

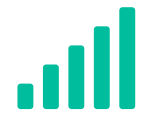
This first half has seen our continued small business cloud growth, with the Business Group achieving overall revenue growth of 6%. We have further progressed taking our APS clients to the cloud with our release of Workflow+ complimenting other APS cloud modules. We supported the review of our Legal Group operations and invested in that business for growth, merging with ZebraWorks and adding on a new experienced management team, with new complimentary cloud products. We continue to provide high returns for our shareholders with our 3c fully franked dividend providing a dividend yield of 7%.

The strong execution of our plan over the last 6 months has set us up for further future growth with cross sell and distribution opportunities across all regions and areas of our business.





# Highlights



## Small Business Accounting Growth

41% increase in cloud subscriptions reaching 87,000 users

52% of available revenue is in the cloud



## Payroll Focus

Launch of new paid payroll app

2,000 users on paid app launched in May 2020

Over 35,000 users on free payroll app since May 2019 launch



## APS Cloud Development

Major cloud release of Workflow in July 2020

Workflow compliments existing APS cloud products; Sync Direct (data synchronising tool), Practice IQ (Business Intelligence Reporting) and Timesheets



## Legal PM Strategy

NQBB solid business performance, prior to COVID-19 disruption

New experienced team, with complimentary new products, targeting growth in the US legal market



## Cashflow Improvement

\$6m reduction in net debt + \$2m dividend paid in Half Year

Further fully franked dividend of 3 cents to be paid in September, providing shareholders a 7% dividend yield (on today's price)



# Results summary

## REVENUE

\$39.8  
million

+1.5% over PcP

## EBITDA

\$17.1  
million

+0.4% over PcP

## NPAT

\$5.4  
million

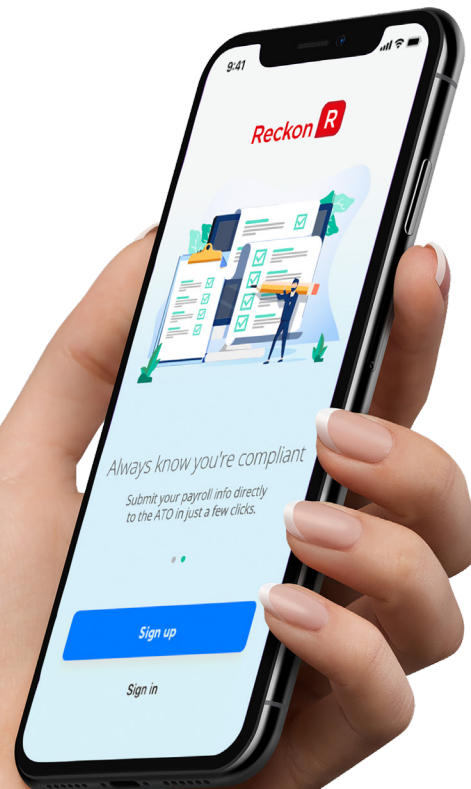
+1.5% over PcP





# Business Group highlights

- ✓ 6% revenue growth (continues trend from 2HY19)
- ✓ Over 87k cloud users (41% annualised user growth).
- ✓ 23% cloud revenue growth over HY19.
- ✓ 52% of available revenue is now cloud.
- ✓ Free STP Mobile App launched late May '19, already at 35k users; with 72k employees created in this app.
- ✓ Paid mobile Payroll App launched May '20, with 2k users



## Cloud User Growth (excludes free STP mobile app)

USERS

90K

80k

70k

60k

50k

40k

30k

20k

10k

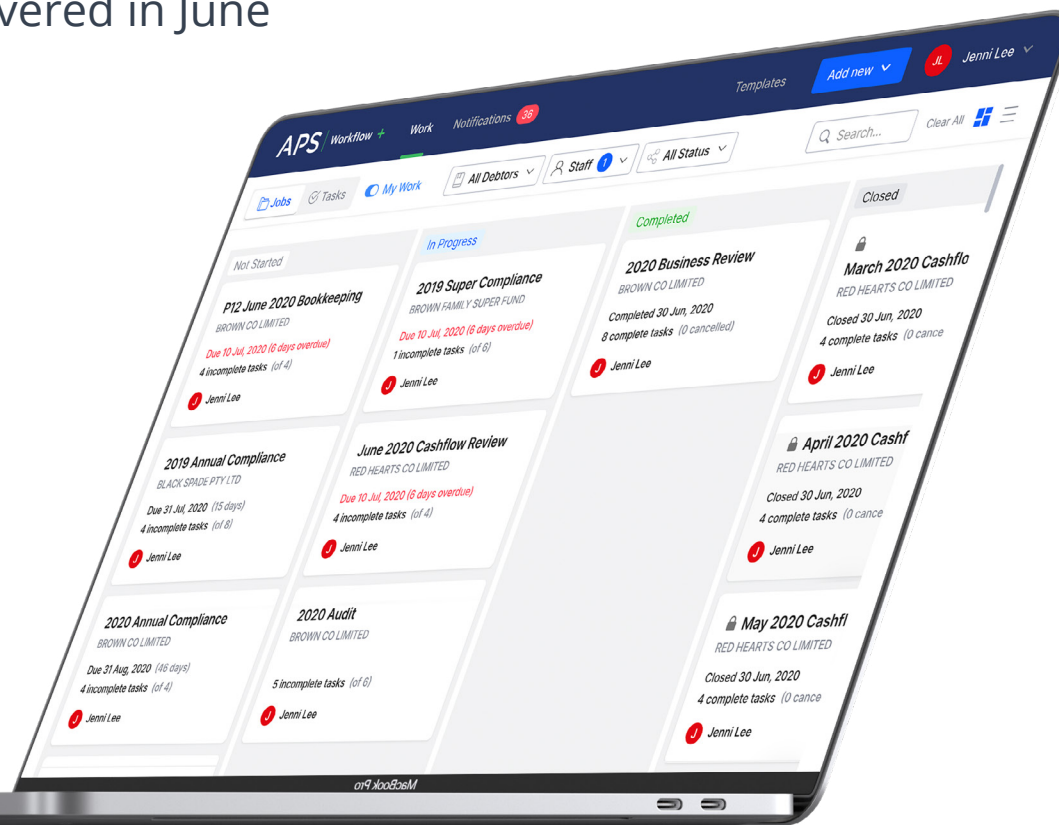
87K

2012 2013 2014 2015 2016 2017 2018 2019 2020  
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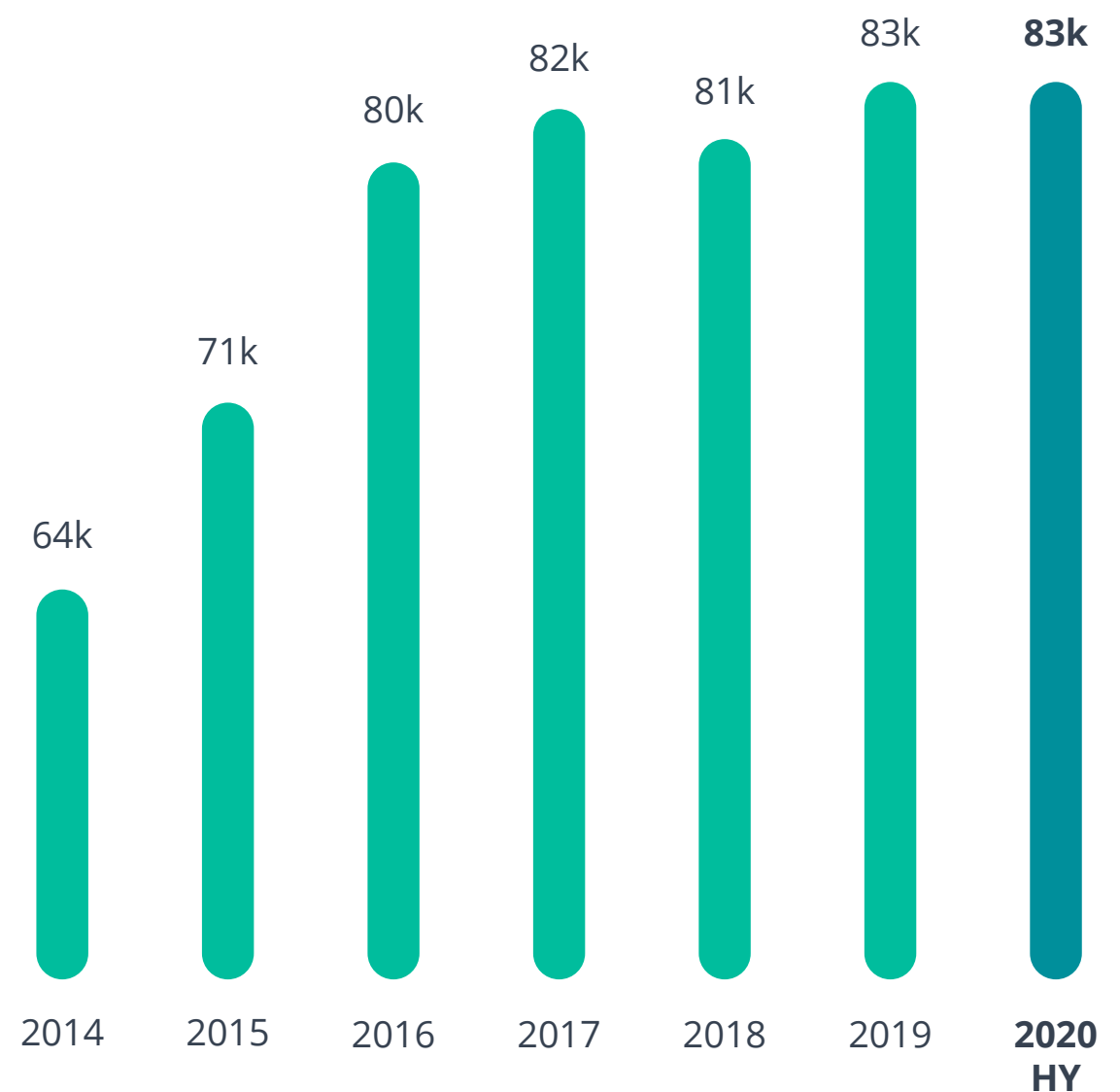


# Practice Management Accountant Group highlights

- ✓ Major cloud release of Workflow in July 2020 – compliments APS and also sold as a stand alone product
- ✓ Workflow compliments existing APS cloud products; Sync Direct (data synchronising tool), Practice IQ (Business Intelligence Reporting) and Timesheets
- ✓ Impressive customer list maintained
- ✓ New subscription revenue impacted by COVID-19
- ✓ ReckonDocs market impacted by COVID-19 Mar to May, recovered in June



↑ 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

- ✓ Strong start to 2020, but impacted by COVID for new sales from March.

- ✓ Now adding on new team, new products, targeting growth in big US market.

- ✓ Compliments existing BG and AG products.

- ✓ Scan product still showing strong potential.

- ✓ Transition from upfront purchase model to subscription continuing.

- ✓ Pipeline is strong.

# 2020 Strategic business initiatives



## Business Group Cloud Growth

Continued Reckon One Growth, via digital acquisition

IPA partnership as key partner channel

Payroll Growth with Single Touch Payroll and new mobile solutions

Delivery of standalone modules to service new markets

Target verticals with niche offering, such as Allied Health with Better Clinics

ON TRACK ✓



## Mobile Growth

Expand mobile suite

Attract new clients into ReckonOne ecosystem

Compliments the needs of SME market

Growth into individuals as end users

Integrated with Reckon One (Cross-Sell)

ON TRACK ✓



## Expand Accountancy Reach

Delivery of new cloud products

Compliment APS existing clients with new cloud products

Wider reach into mid-market firms, e.g. Elite and IPA firms with new cloud products

APS On-line for existing APS clients

ON TRACK ✓



## Legal Growth

Continued focus on the Scan and Print solutions for a wider market

Investment into more sales and marketing to enhance growth

Cross sell opportunity for Accountant Group cloud products

ON TRACK ✓



# Financial performance

	H1 FY20 \$ M	H1 FY19 \$ M	GROWTH %
✓ Revenue	<u>39.8</u>	<u>39.2</u>	+1.5%
✓ Overheads			
TOTAL	22.7	22.1	
NORMAL	22.2	22.1	
ADDITIONAL DOUBTFUL DEBT PROVISIONING	0.5	-	
✓ EBITDA	<u>17.1</u>	<u>17.1</u>	+0.4%
✓ NPAT	<u>5.3</u>	<u>5.2</u>	+1.5%



# Business Group Financials

Subscription business with strong online growth.

✓ Revenue	H1 FY20 \$ M	H1 FY19 \$ M	GROWTH
CLOUD SUBSCRIPTION	9.6	7.8	23%
DESKTOP SUBSCRIPTION	8.0	7.6	6%
SUBSCRIPTION	17.6	15.4	15%
PERPETUAL / SERVICE / OTHER RECURRING	2.8	3.9	-29%
TOTAL	20.4	19.3	+6%
✓ EBITDA	10.7	9.8	+9%

## ✓ Financial performance

### Revenue

- Cloud revenue growth (23%).
- ARPU continues to be impacted by fast growing Reckon One product. Cloud unit growth 41%.
- Subscription now 95% of available revenue.

### EBITDA

- Margin improvement to 53% from 51%.





# Practice Management Accountant Group Financials

Stable subscription revenue and an impressive customer base.

## ✓ Revenue

	H1 FY20 \$ M	H2 FY19 \$ M	GROWTH
SUBSCRIPTION	11.3	11.4	-1%
UPFRONT AND SERVICE	0.2	0.3	-33%
CONTENT	2.1	2.3	-7%
TOTAL	<u>13.6</u>	<u>14.0</u>	-3%
EBITDA	<u>7.5</u>	<u>7.4</u>	-

## ✓ Financial highlights

### Revenue

- New business impacted by COVID.
- Content market: strong start then impacted by COVID from March to May, then recovered in June.
- Subscription now 99% of available software revenue.

### EBITDA

- Margin improvement to 55% from 53%.



# Practice Management Legal Group Financials

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

## ✓ Revenue

	H1 FY20 \$ M	H1 FY19 \$ M	GROWTH
SUBSCRIPTION	4.7	4.4	+7%
UPFRONT AND SERVICE	1.1	1.5	-26%
TOTAL	5.8	5.9	-2%

## ✓ Overheads

TOTAL	5.0	4.3	
NORMAL	4.5	4.3	
ADDITIONAL DOUBTFUL DEBT PROVISIONING	0.5	-	

## ✓ EBITDA

0.8	1.6	-50%
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## ✓ Financial highlights

### Revenue

- Strong start to 2020, but new sales impacted by COVID from March.
- Subscription is 80% of revenue.

### EBITDA

- Doubtful debt provisioning increased to reflect current conditions.
- Investment in team to drive future growth.
- Forgivable Cares loan of \$1.2m received. If forgiven it will be booked to the P+L in 2HY20.

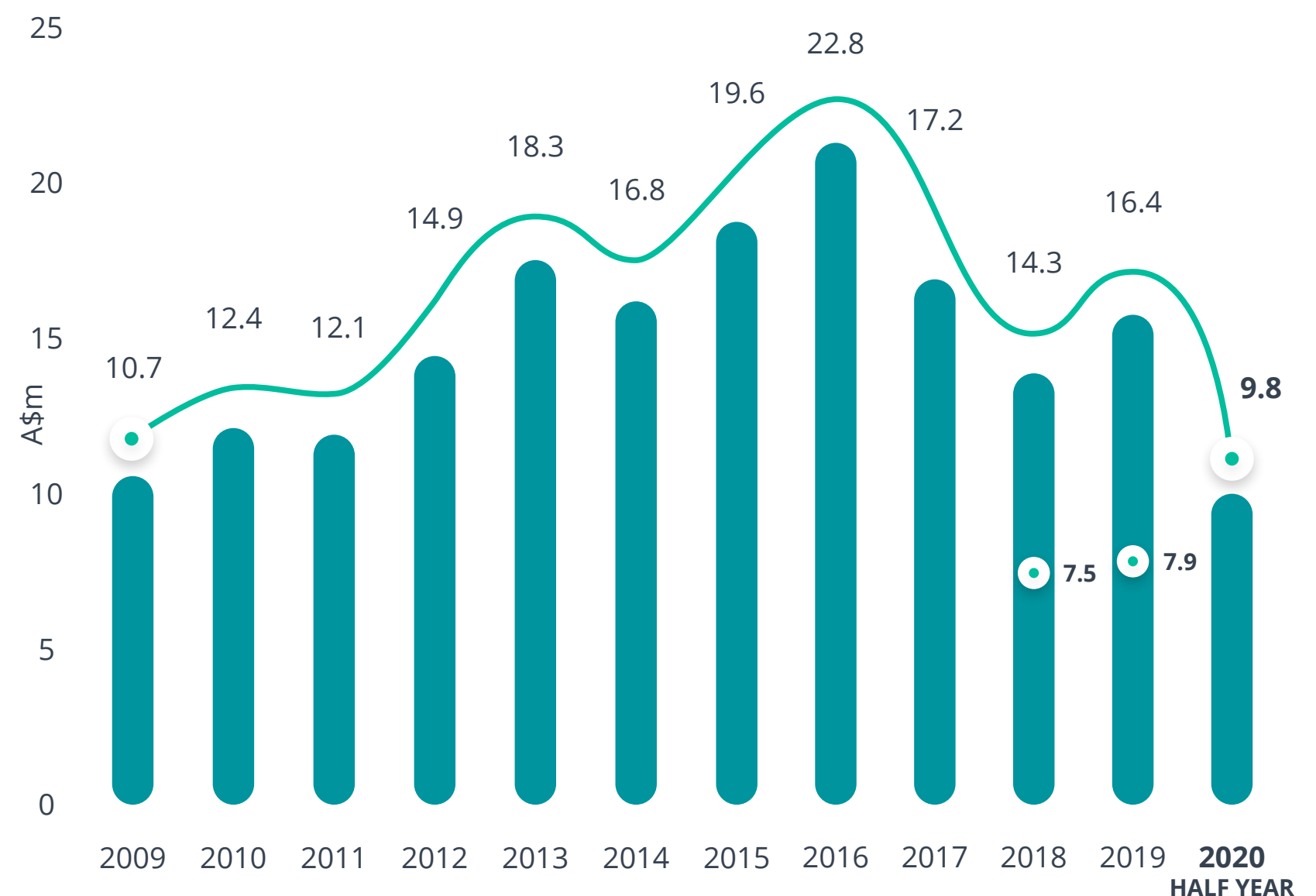


# Cashflow highlights

	H1 FY20 \$ M	H1 FY19 \$ M
<b>OPERATING CASHFLOW</b>	17.7	15.3
<b>DEVELOPMENT SPEND</b>	(9.8)	(7.9)
<b>DIVIDEND PAID</b>	(2.3)	-
<b>FORGIVABLE USA LOAN PROCEEDS</b>	1.2	-
<b>NET DEBT REDUCTION</b>	(6.3)	(6.6)

- ✓ Cash spend on development increased with focus on cloud products in Business + Accountants Groups.
- ✓ Fully Franked dividend of 3 cents to be paid in September.

# Development spend







# Outlook



# A focus on Growth

More than just a technology company!

## Small Business Accounting and Payroll

### BUSINESS GROUP

Cloud growth across small business accounting and payroll market, complimented with new mobile apps.

## Practice Management and Compliance for Accountants

### ACCOUNTANTS GROUP

A cloud suite for Accountants complimenting APS clients and opening up a larger addressable market.

## Scan and print workflow Cost Recovery for Legal Firms

### LEGAL GROUP

New legal market, team and product set  
- cross sell opportunities with Workflow / ledger accounting / Time Billing.

# NQBB & ZebraWorks

We've added an amazing team and complimentary cloud products to our already well established Legal business.

- ✓ Unlocking Growth potential with a Cloud Practice Management Suite for Legal firms
- ✓ Enormous market that is still largely on desktop software
- ✓ A great team with complimentary products. 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
- ✓ Cross sell synergies between Legal Group and Accountant Group cloud development
- ✓ Initially 70% retained by Reckon, with strong incentive for management team to perform and increase their equity
- ✓ Reckon committed to fund growth of up to US \$5M, via a combination of capital and loans





## Q & A



# Resources



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



About us  
[reckon.com/au/about-us](https://reckon.com/au/about-us)



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