



Reckon 

# Results Presentation

For the year ended 31 December 2020

To be read in conjunction with Appendix 4E and Accounts

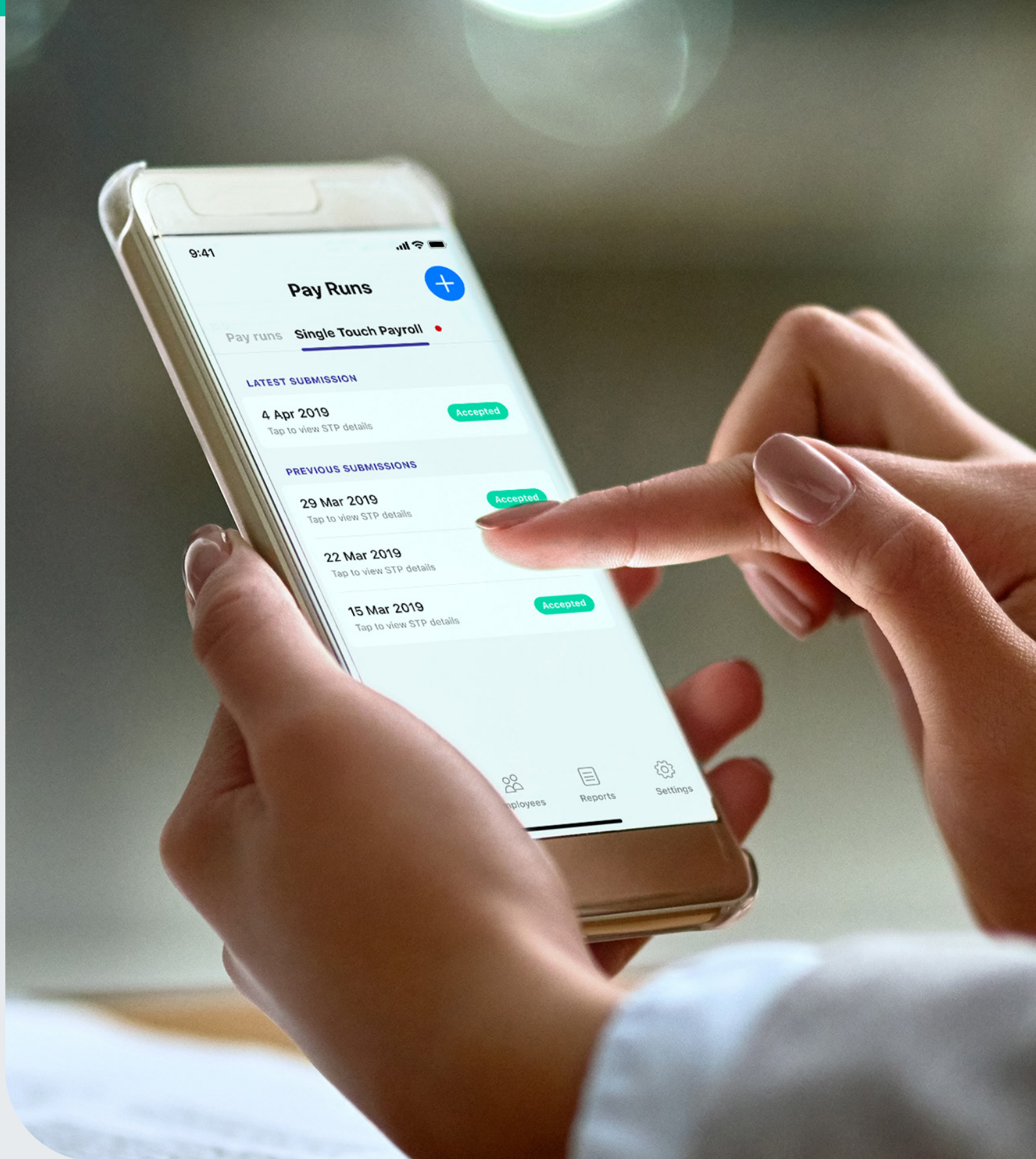




**Sam Allert**  
RECKON CEO



**Chris Haggglund**  
RECKON CFO



# Financial Results

## REVENUE

**\$75.6** ↑  
million

↑ +0.3% over PcP  
85% subscription revenue

## EBITDA

**\$32.6** ↑  
million

↑ +6.6% over PcP

## NPAT

**\$9.7** ↑  
million

↑ +19.8% over PcP

## ✓ NET DEBT REDUCTION

**\$5.8**  
million

## ✓ FULLY FRANKED DIVIDEND

**5 cents**  
Full Year

## ✓ DEVELOPMENT INVESTMENT

**\$19.5**  
million

# Our Operating Businesses

Accelerating our unified cloud and mobile strategy by leveraging synergies across divisions, widening the addressable market and powering future growth opportunities.

Small Business  
Accounting and Payroll

**BUSINESS GROUP**



Practice Management and  
Compliance for Accountants

**ACCOUNTANTS GROUP**



Practice Management  
and Workflow for Legal Firms

**LEGAL GROUP**



# Investment in development for growth

- ✓ New cloud products released



Reckon One Payroll  
Mobile App



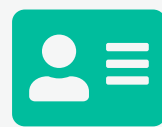
Reckon Mate  
Employee App



Bank Data for  
APS and Reckon  
Accounts Hosted



APS Workflow +



APS Contacts +

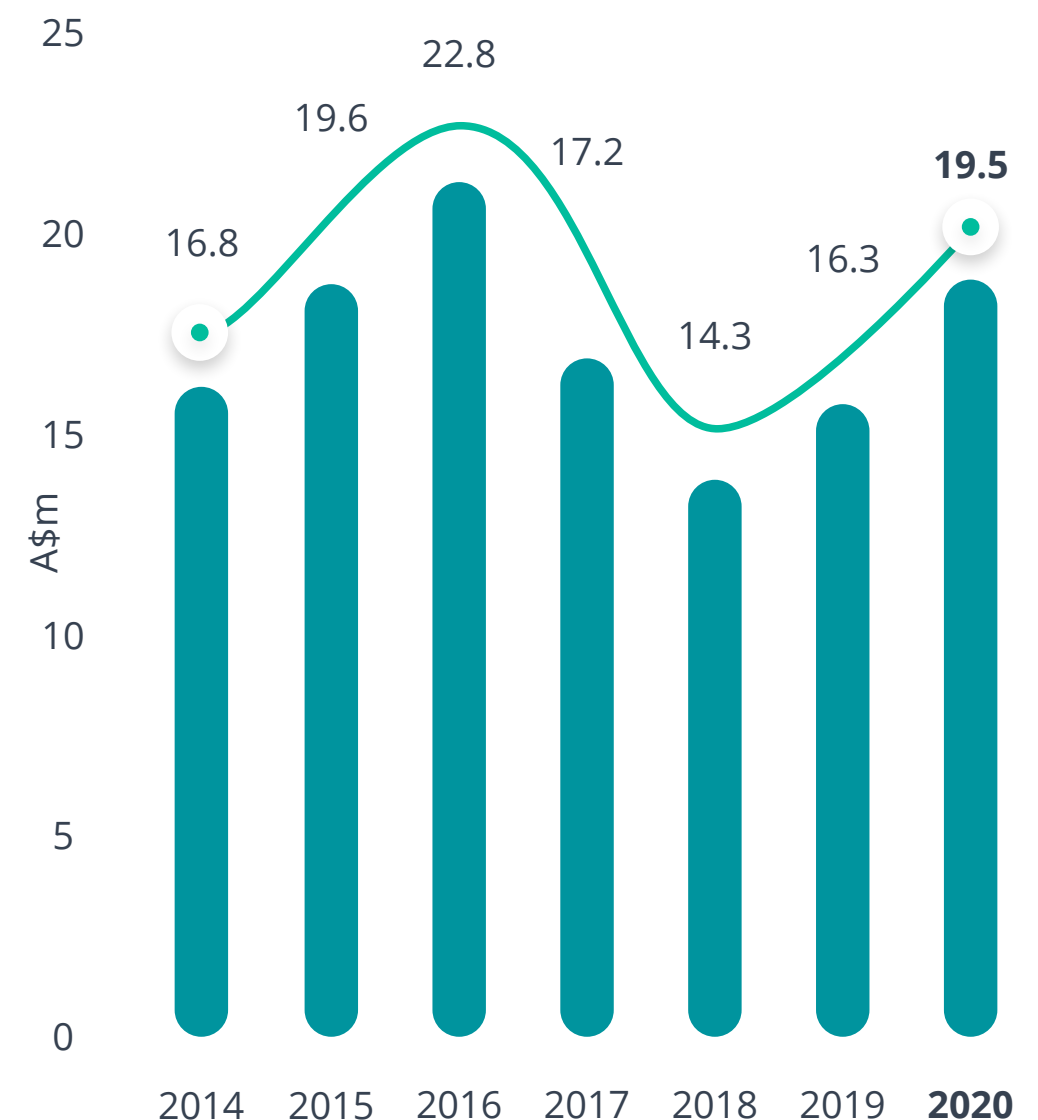


NZ Cloud Tax  
GST returns



NQZW Collection Q

- ✓ Cash spend on development increased with focus on cloud products across the group.



# Cloud User Growth - Business Group



- ✓ Over 101k cloud users (35% annualised user growth).
- ✓ Resulted in 3 consecutive half years of solid growth for this division. (2020 : 7%)
- ✓ 29% cloud revenue growth over FY19.
- ✓ 56% of available revenue is now cloud.

↑ Cloud User Growth (excludes free STP mobile app)

USERS

110k

100k

90k

80k

70k

60k

50k

40k

30k

20k

10k

101K

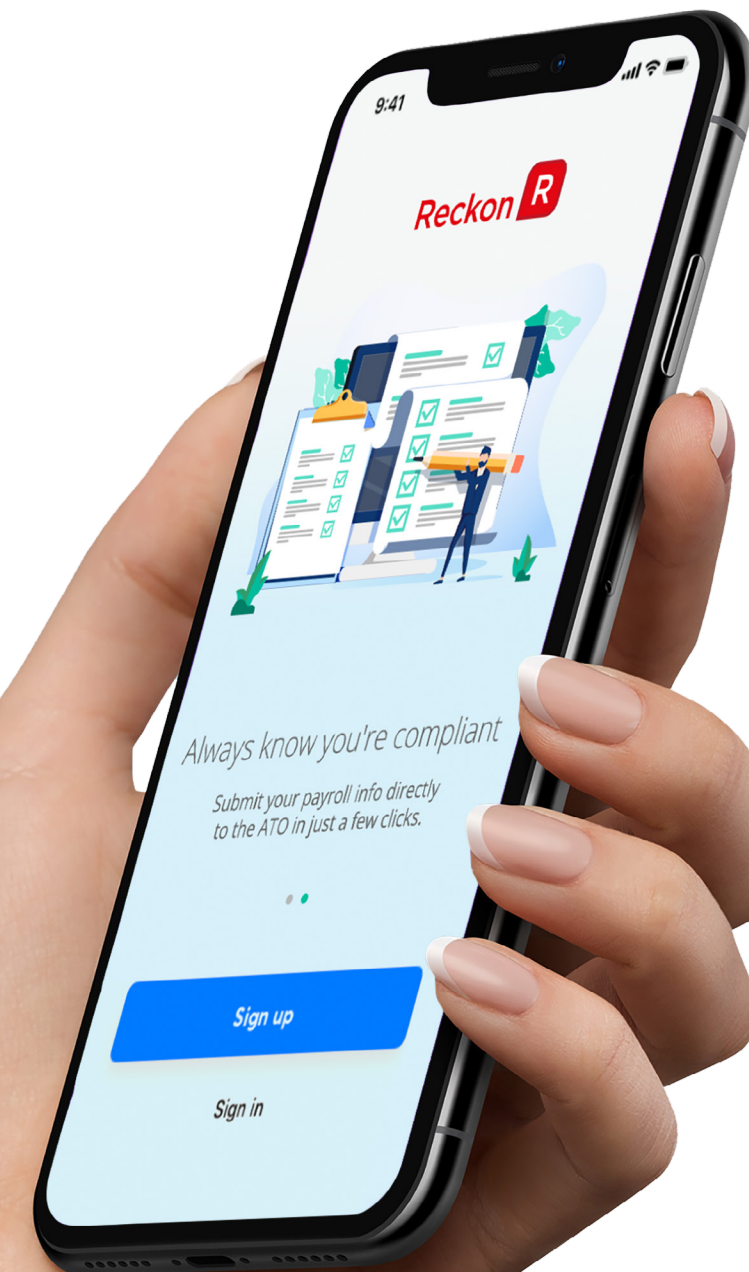
2012 2013 2014 2015 2016 2017 2018 2019 2020  
FY



# Mobile and Employee Growth



- ✓ Free STP Mobile App launched late May '19, already at 37k users; with 80k employees created in this app.
- ✓ Paid mobile Payroll App launched May '20, with 2k users.
- ✓ Reckon Mate launched Dec 2020 providing employee view of payroll information. Providing reach into salary earner market.
- ✓ Mobile invoicing and timesheets to be released in 2021.



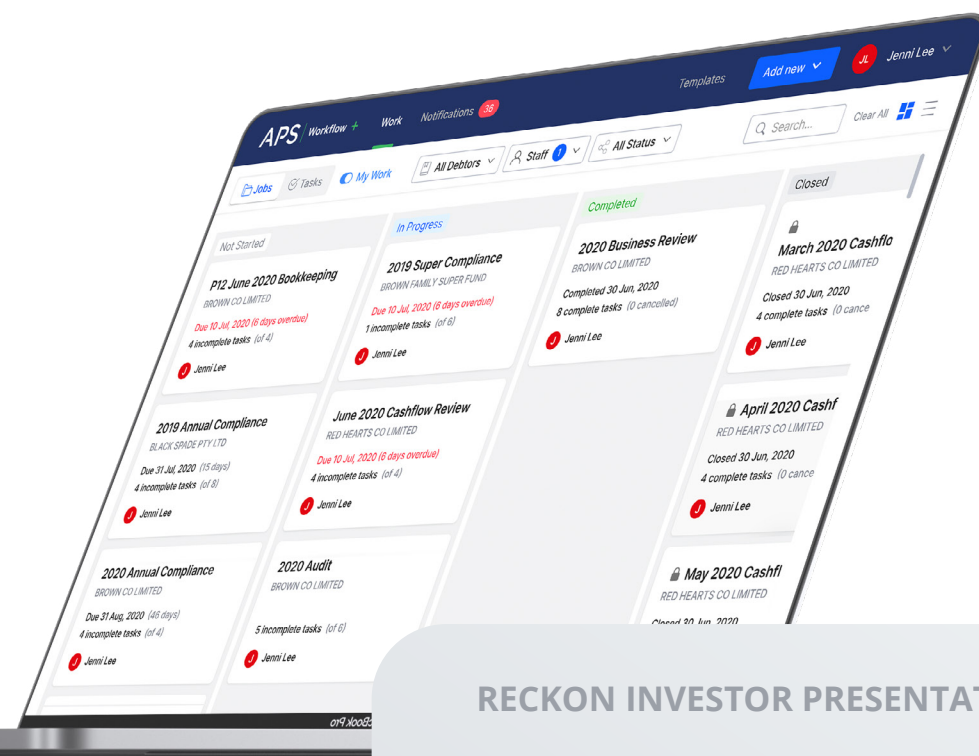
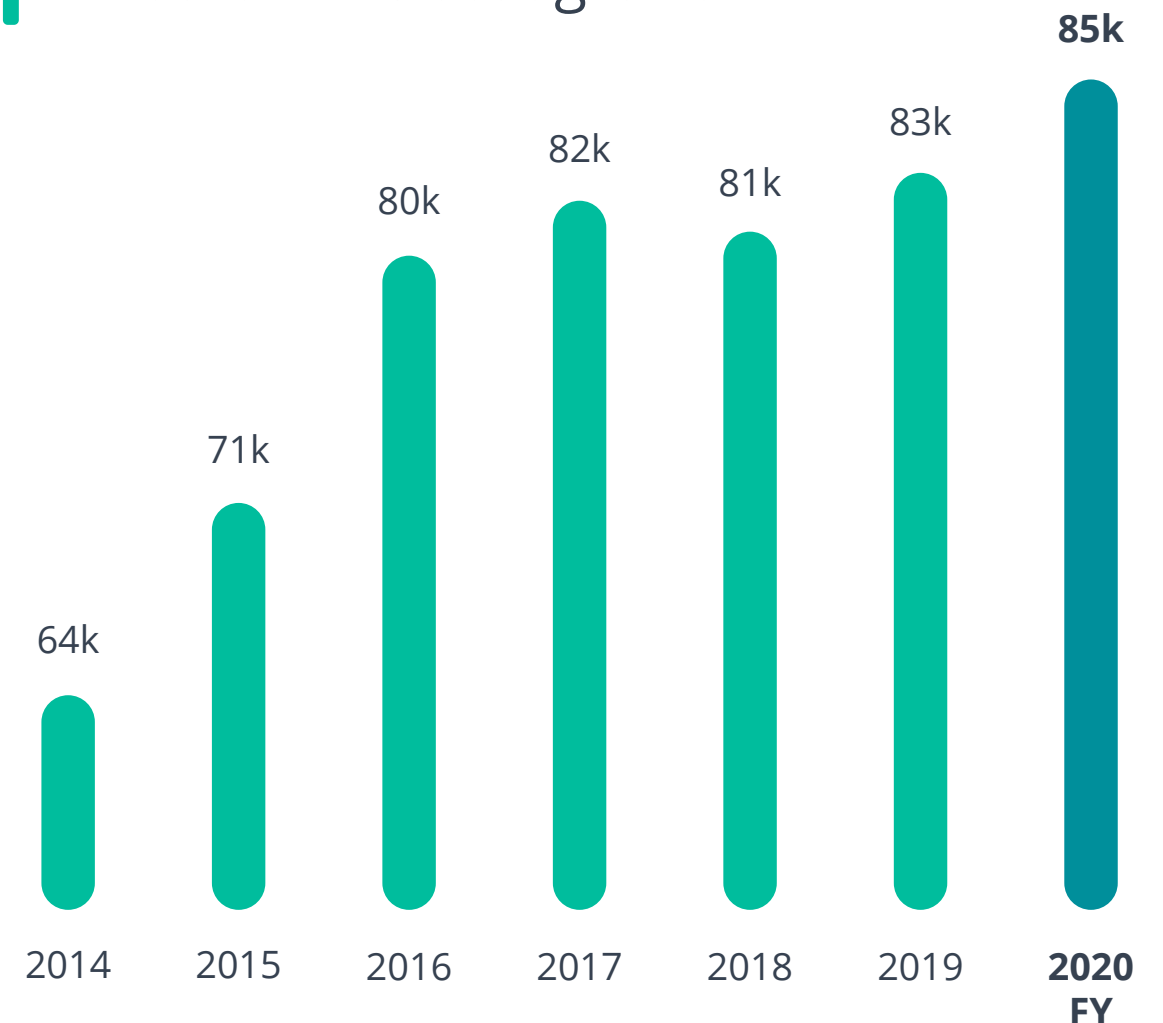
# APS Cloud Development



- ✓ Major cloud release of APS workflow which compliments APS suite and can also be sold as a stand alone product.
- ✓ Workflow compliments existing APS cloud products; Sync Direct (data synchronising tool), Practice IQ (Business Intelligence Reporting) and Timesheets.
- ✓ Future releases of WIP and Debtor management throughout 2021 completes our Practice Management in the cloud offering.
- ✓ APS Ledger+ module provides new cloud client accounting functionality, providing cloud upgrade path for APS and Elite clients.
- ✓ Our cloud releases open up a wider addressable market whilst also providing a migration path for APS and Elite client bases.



Reckon APS seat growth





# Operational Highlights



## Employee Engagement

84% Employee Engagement.

95% Employees agree with company direction.

96% Maintained productivity whilst working from home.



## IPA Partnership

Continued partnership with IPA – 1200+ IPA member firms active cloud advisors.

IPA relationship provides cross sell for APS cloud products.



## Deadly Digits

Initiative with QLD government supporting Indigenous businesses.

White Labelled Reckon One, as well as training content, to support Indigenous businesses and business owners.



## Open Banking UK certified

Open Banking UK certification successfully completed in 2020.

Provides ability to leverage Open Banking platform for bank feeds integrated to Reckon One.

### Employee Engagement Australia Benchmark

Engagement score in Australia 70%<sup>1</sup>

Confidence in leaders 73%<sup>2</sup>

70% kept productivity levels whilst WFH<sup>3</sup>

<sup>1</sup> Source Culture AMP <https://academy.cultureamp.com/hc/en-us/articles/360003236059-2019-Australia-Benchmark>

<sup>2</sup> Source Culture AMP <https://academy.cultureamp.com/hc/en-us/articles/360003236059-2019-Australia-Benchmark>

<sup>3</sup> Source: Citrix Survey <https://www.afr.com/work-and-careers/careers/it-s-more-productive-to-work-from-home-20200401-p54fwc>

# nQueue & 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



# Sale of ReckonDocs Business

The sale of ReckonDocs, allows us to focus on our core strengths of Accounting and Payroll for small businesses, and Practice Management for Accounting and Legal firms.

- ✓ Sale of ReckonDocs assets to Class Limited for \$13M
- ✓ ReckonDocs contributed \$5M revenue and \$3M EBITDA in the 2020 Reckon Group Results
- ✓ The completion date is 1st March 2021
- ✓ This sale creates an opportunity for a strong partnership with Class Limited, providing a integrated suite of software covering all accounting firm requirements
- ✓ The intended use of funds is to pay down debt, whilst providing additional cashflow to accelerate our “cloud first” development strategy

ReckonDocs 



 CLASS



# Financial Highlights



# Financial performance

	FY20 \$ M	FY19 \$ M	GROWTH %
✓ Revenue	<u>75.6</u>	<u>75.4</u>	+0.3%
✓ Overheads			
TOTAL	43.0	44.8	
NORMAL	43.4	44.8	
CARES LOAN FORGIVENESS OFFSETS TRANSACTION COSTS	(0.4)	-	
✓ EBITDA	<u>32.6</u>	<u>30.6</u>	+6.6%
✓ NPAT	<u>9.7</u>	<u>8.1</u>	+19.8%

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# Business Group Financials

Subscription business with consistently strong online growth.

## ✓ Revenue

	FY20 \$ M	FY19 \$ M	GROWTH
CLOUD SUBSCRIPTION	19.8	15.3	29%
DESKTOP SUBSCRIPTION	13.8	14.3	-4%
SUBSCRIPTION	33.6	29.6	13%
PERPETUAL / SERVICE / OTHER RECURRING	4.9	6.6	-25%
TOTAL	38.5	36.2	+7%

## ✓ EBITDA

19.7	17.4	+13%
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## ✓ Revenue by half



## ✓ Financial performance

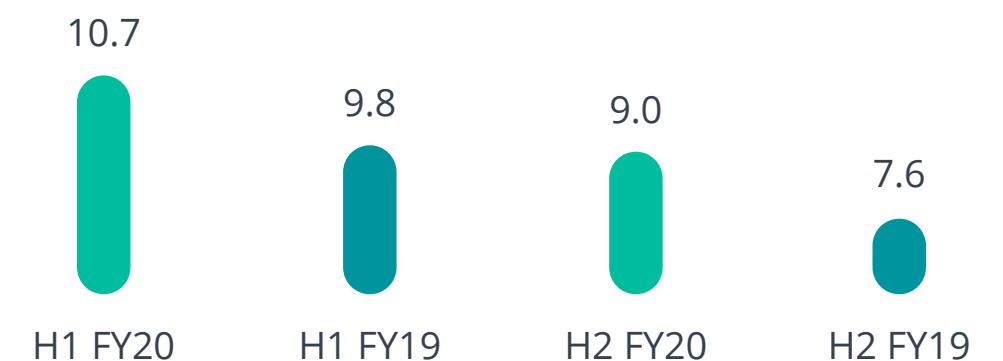
### Revenue

- Cloud revenue growth continues at substantial rate.
- Cloud unit growth 35%.
- Subscription now 96% of available revenue.

### EBITDA

- Margin improvement to 51% from 48%.

## ✓ EBITDA by half







# Practice Management Accountant Group Financials

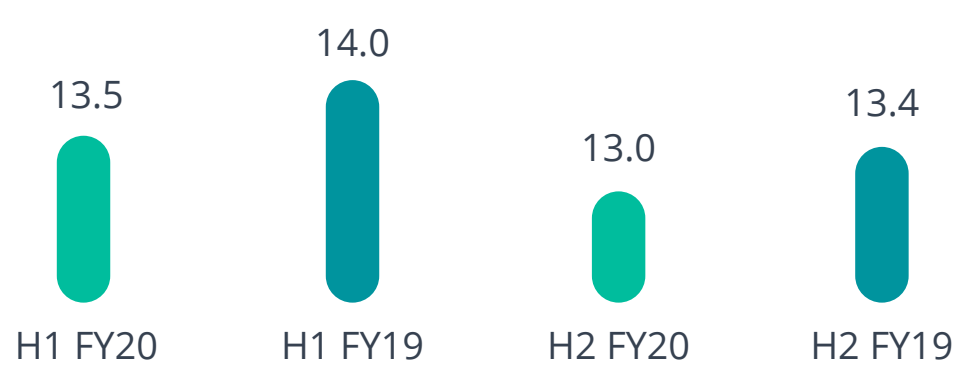
Stable subscription revenue and an impressive customer base.

## ✓ Revenue

	FY20 \$ M	FY19 \$ M	GROWTH
SUBSCRIPTION	21.8	22.4	-3%
UPFRONT AND SERVICE	0.3	0.4	-37%
CONTENT	4.5	4.6	-3%
TOTAL	26.6	27.4	-3%
EBITDA	14.5	14.2	+2%

## ✓ EBITDA

## ✓ Revenue by half



## ✓ Financial highlights

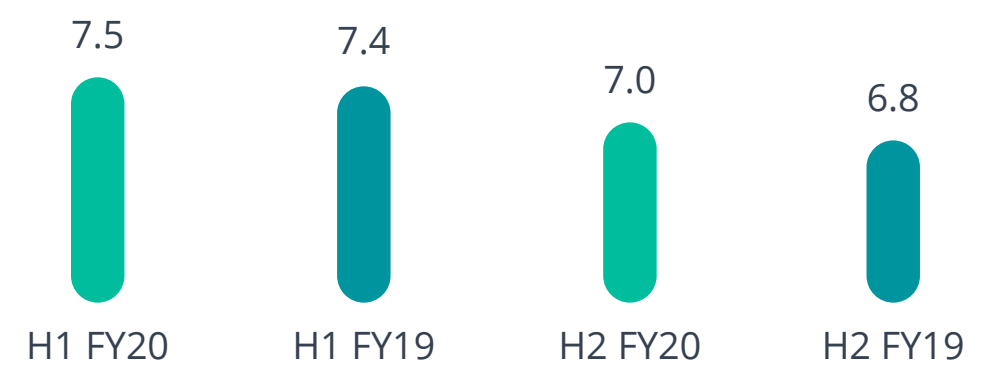
### Revenue

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

### EBITDA

- Margin improvement to 55% from 52%.

## ✓ EBITDA by half





# Practice Management Legal Group Financials

Cloud journey ramps up with ability to leverage impressive customer base.

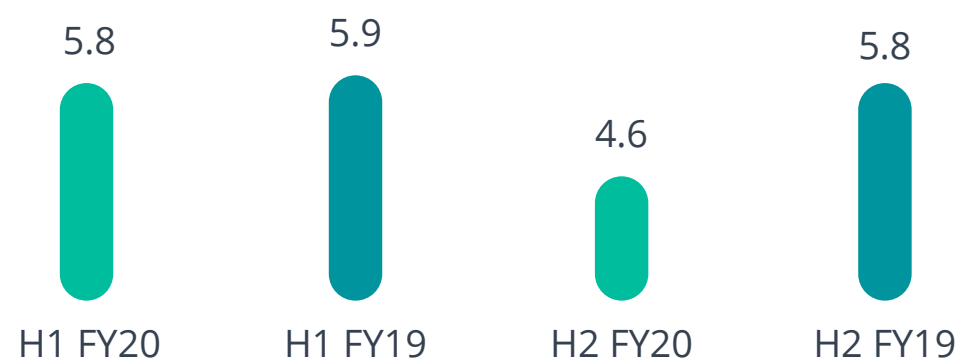
## ✓ Revenue

	FY20 \$ M	FY19 \$ M	GROWTH
SUBSCRIPTION	8.8	9.0	-2%
UPFRONT AND SERVICE	1.7	2.7	-40%
TOTAL	10.5	11.7	-11%

## ✓ EBITDA

1.1	2.2	-50%
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## ✓ Revenue by half



## ✓ Financial highlights

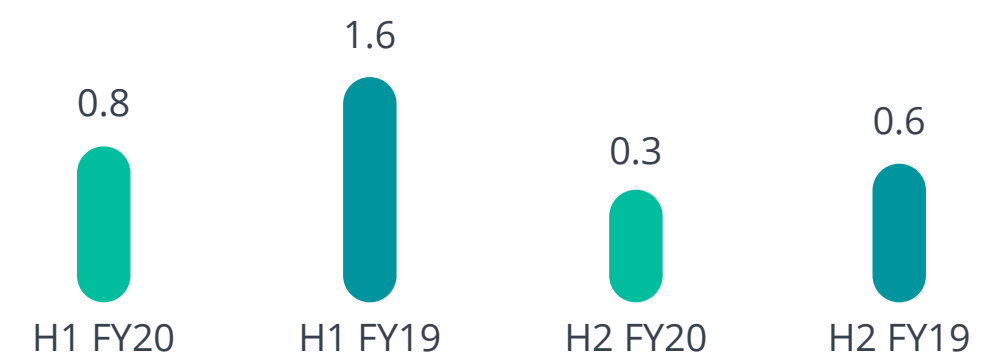
### Revenue

- Strong start to 2020, but new sales impacted by COVID from March (especially in 2nd half)
- Subscription is 84% of revenue.

### EBITDA

- Doubtful debt provisioning increased to reflect current conditions.
- Investment in team to drive future growth from August.

## ✓ EBITDA by half



# Cashflow highlights



- ✓ Cash spend on development increased with focus on cloud products across the group.
- ✓ Fully Franked dividend of 2 cents to be paid in March. (5 cents Full Year). Dividend yield of 6%.

	FY20 \$ M	FY19 \$ M
OPERATING CASHFLOW	32.4	26.6
DEVELOPMENT SPEND	(19.5)	(16.3)
DIVIDEND PAID	(5.7)	(3.4)
NET DEBT REDUCTION	(5.8)	(7.0)





# Outlook



# A focus on Growth

## 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.



## Practice Management and Workflow for Legal Firms

### LEGAL GROUP

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





## Q & A



# Resources



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



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



Investors  
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