



# ASX Announcement

10 August 2021

## Reckon delivers strong first half result

Financial highlights for the six-month period ended 30 June 2021 (H1 CY2021):

- Normalised revenue is up 2.4% on the previous corresponding period (PCP) to \$37.5m<sup>1</sup> – 88% of revenue is recurring from subscriptions
- Normalised EBITDA is up 7.1% on the PCP to \$16.7m<sup>1</sup>
- Normalised NPAT is up 18.6% on the PCP to \$5.4m<sup>1</sup>
- Fully franked interim dividend of \$0.03 per share
- Net debt is down to \$13m following the sale of ReckonDocs and ongoing cost control measures (\$17m reduction)

Operational highlights:

- \$10m invested in cloud-based product development – multiple new products to launch in second half
- Accountants Group returned to revenue growth for the first time since 2016
- Business Group achieves fourth consecutive half year of revenue growth

Reckon Limited (“Reckon” or the “Company”) (ASX: RKN) is pleased to report very strong financial and operational performance for the six-month period ended 30 June 2021 (H1 CY2021).

Net Profit After TAX (NPAT) was \$5.4m, an 18.6% uplift on the previous corresponding period (PCP). Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) was \$16.7m, a 7.1% uplift on the PCP. This was driven by continuing uptake of the Company’s cloud-based products, particularly through the Business Group, and shows the strong ongoing profitability of Reckon.

Revenue for the half year was \$37.5m, this represents a 2.4% increase on the PCP, with subscription revenue accounting for 88% of total revenue. This further highlights Reckon’s stable recurring revenue base, led by cloud-user growth across the group.

Reckon significantly strengthened its balance sheet in the half year, reducing debt by \$17m to \$13m through the sale of the ReckonDocs business and a continued focus on capital management. Given the ongoing growth in profitability and strengthened balance sheet, the Company has continued to reward shareholders with a fully franked dividend of \$0.03 per share, payable on 22 September 2021 for shareholders on the register on 25 August 2021.

<sup>1</sup> Non-IFRS: Growth has been normalised and is for continuing businesses and on a constant currency basis as set out in the Additional Information table. This applies to all results in this announcement.

Investment in the development of new cloud-based products continued during the period, with the Company investing \$10m in development during the half year. Many of these new products are expected to launch during the current period and support customer acquisition and retention across all business groups.

#### **Management commentary:**

**Reckon Group CEO, Sam Allert said:** “Our transition from a desktop software business to a cloud software business continues at pace. It is pleasing to see cloud adoption across all business divisions, with growth achieved through both APS clients and our small business clients. We have returned the overall business to revenue growth and with our expansive client bases, our talented team, and new cloud product launches across all groups, we are very well positioned to continue this trend.”

#### **Segment performance:**

##### **Business Group**

- Revenue increased by 5% to \$21.3m in H1 CY2021
- Results highlight the fourth consecutive half year of growth
- EBITDA increased to \$11.6m highlighting an 8% increase over PCP
- Cloud revenue up by 8% on PCP, representing 53% of the divisions HY revenue
- Cloud users reached 106,000 showing annualised user growth of 22%
- Continued growth across our cloud and mobile payroll solutions with new invoice and timesheet mobile apps expected to launch during H2 CY2021

##### **Practice Management – Accountants Group**

- Revenue increased by 1% to \$11.34m in H1 CY2021
- EBITDA up 3% to 6.3m on H1 CY2020
- APS product suite remains entrenched across major accounting firms
- Cloud workflow product adoption commenced with 1,724 users onboarded
- Additional cloud modules scheduled for release in coming months with these new products expected to widen the addressable market for this group
- Sale of ReckonDocs business for \$13m allowed the Company to reduce debt and continue cloud-based product transition

##### **Practice Management – Legal Group**

- Recovery from the effects of COVID-19 witnessed during second half of period
- Strong sales pipeline building for existing suite of products and new cloud modules
- Collection Q - First cloud practice management module launched
- Investment in development and sales capability continuing – allowing the Company to increase footprint in the US and underpin growing market share
- US subsidiary of group secured a \$1.2m loan under CARES act, which may be forgivable if the use of funds meets certain criteria. Applications for forgiveness to be lodged shortly and is expected to be booked during H2 CY2021 if applicable

**Additional information:**

	HY21 (\$m)	HY20 (\$m)	Growth
<b>1. Revenue</b>			
Revenue from continuing operations at constant currency (Non-IFRS)	37.5	36.6	+2.4%
Discontinued operations	0.8	2.3	
Currency impact <sup>a</sup>	-	0.9	
Reported revenue	38.3	39.8	
<b>2. EBITDA</b>			
EBITDA from continuing operations at constant currency (Non-IFRS)	16.7	15.6	+7.1%
Discontinued operations	0.3	1.3	
Transaction costs and acquisition related non-cash treasury share expense <sup>b</sup>	(0.6)	-	
Currency impact <sup>a</sup>	-	0.2	
Reported EBITDA	16.4	17.1	
<b>3. NPAT</b>			
NPAT from continuing operations at constant currency (Non-IFRS)	5.4	4.6	+18.6%
Transaction costs and acquisition related non-cash treasury share expense <sup>b</sup>	(0.4)	-	
Discontinued operations	0.1	0.7	
Currency impact <sup>a</sup>	-	0.1	
Reported NPAT	5.1	5.4	

**Notes:**

- Currency impact represents the difference in translation of HY21 and HY20 for transactions denominated in foreign currency.
- Comprises transaction costs for continuing operations as set out in note 2 and the treasury share expense as set out in note 12 of the accounts for the period ending 30 June 2021.

**AUTHORISED FOR RELEASE BY THE BOARD OF DIRECTORS OF RECKON LIMITED**

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