



Reckon 

Investor Presentation

For the year ended 31 December 2021

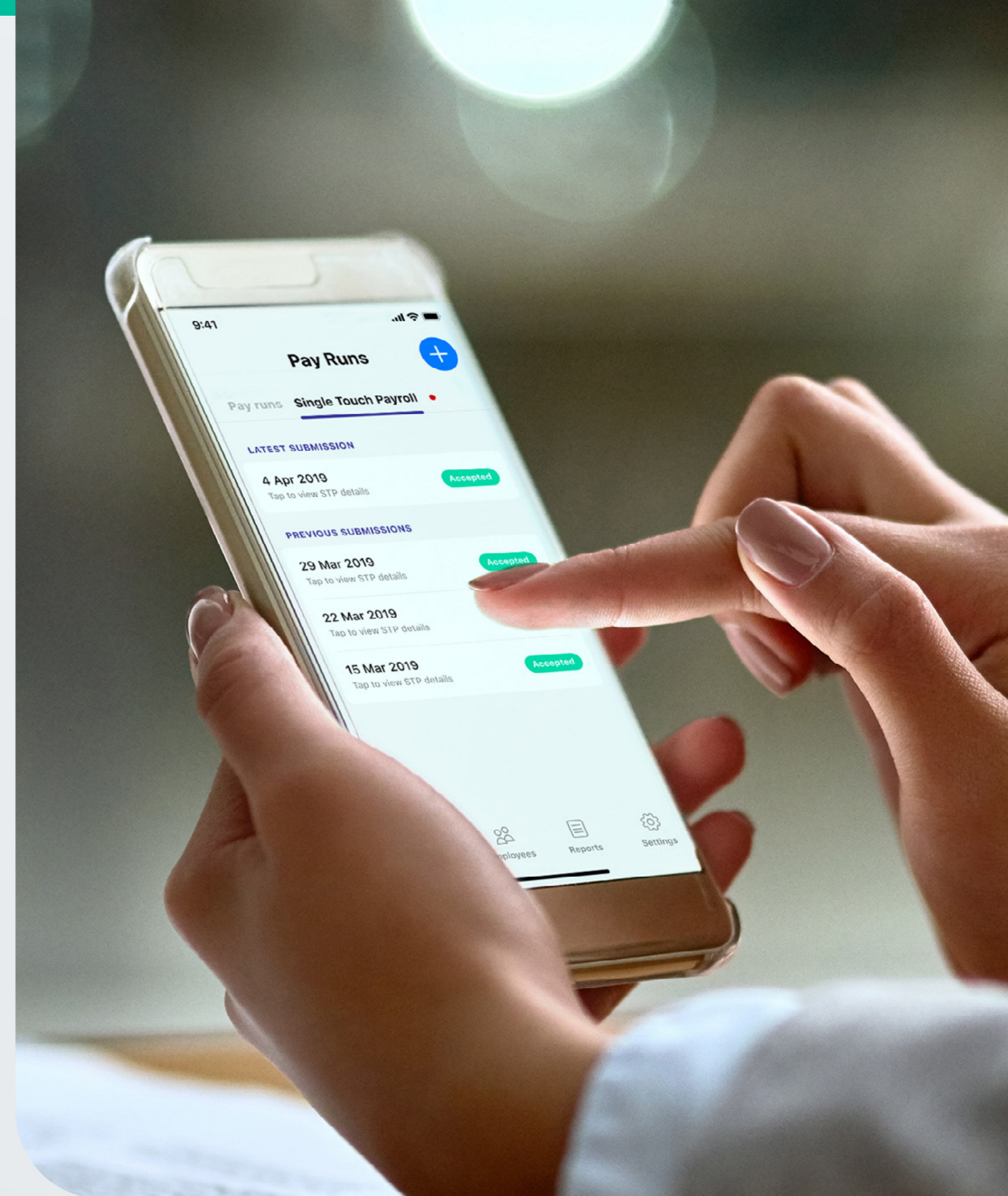
To be read in conjunction with Appendix 4E and Accounts

Overview

Reckon Limited (ASX: RKN) is a software-as-a-service (SaaS) company providing cloud-based technology solutions to customers including SMEs, accounting firms and law firms

Investment highlights

- ✓ Three defined operating divisions targeting small businesses, accounting and bookkeeping firms and law firms
- ✓ Strong normalised earnings profile - \$71m in revenue generated in FY2021 with EBITDA of \$29m and NPAT of \$8m
- ✓ Ongoing investment in cloud based products to underpin future business growth
- ✓ Practice management and compliance solutions are used by three of the big four and eight of the top 10 accounting firms in Australia
- ✓ Five of the world's top legal firms use our solutions
- ✓ Growth focused - multiple new cloud products launched in 2021 and further launches expected during 2022 with cross selling opportunities across business divisions emerging



Corporate overview

✓ Capital Structure

| | |
|---|-------------------|
| ASX code: | RKN |
| Shares on issue: | 113.3m |
| Market capitalisation: (as at \$1 per share) | \$113m |
| 52 week high – low: | \$0.745 - \$1.195 |
| Net debt: | \$15m |

✓ Major shareholders

| | |
|--|-------|
| Novatti Group Limited | 19.9% |
| Rabie Family | 9.3% |
| Spheria Asset Management Pty Ltd | 9.1% |
| Microequities Asset Management Pty Ltd | 7.5% |
| Greg Wilkinson | 7.0% |

✓ Board of directors



Greg Wilkinson
FOUNDER & NON-EXECUTIVE CHAIRMAN



Phil Hayman
NON-EXECUTIVE DIRECTOR



Clive Rabie
MANAGING DIRECTOR



Sam Allert
CHIEF EXECUTIVE OFFICER

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Serving three defined and large sectors

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SMALL BUSINESS

Accounting and Payroll solutions for SMEs

Cloud user base of over 114,000 users – increasing 12% YoY.

Partner network of over 6000 partners.

Strong uptake across cloud and mobile products underpins consistent revenue growth.

58% of available revenue is now cloud.



ACCOUNTANTS

Practice Management and Compliance software for accounting firms

Enterprise grade software solutions for accounting firms.

A market leading position through established APS brand.

APS is used by eight of the top 10 Australian accounting firms and by three of the big four.

Cloud product development to compliment the existing product range will underpin growth.



LEGAL

Practice Management and Workflow for law firms

Cost recovery, scanning and print solutions for small to large legal firms.

USA and UK focus – sales team and personnel in country to expedite opportunity.

Building cloud practice management product.

A large market opportunity that still use predominately desktop software.



Financial Results - 2021

REVENUE

\$71 ↑
million

↑ +1.6% over PcP*

ARR

\$65 ↑
million

↑ +2.9% over PcP*

EBITDA

\$29 ↑
million

↑ +1.4% over PcP*

NPAT

\$8 ↑
million

↑ +7.8% over PcP*

✓ NET DEBT REDUCED TO

\$15
million

✓ FULLY FRANKED DIVIDEND

5 cents

✓ DEVELOPMENT INVESTMENT

\$20
million

* Non-IFRs: Growth has been normalised and is for continuing businesses at constant currency. (Applies to all results in this presentation refer appendix 1)

2021 highlights

- ✓ Transition to a cloud based technology company is now well advanced
- ✓ Well established record of a safe, profitable, cash generating, and dividend paying company continues
- ✓ Stable growth through Accountants Group and Business Group
- ✓ Significant potential for Legal Group – strong second half results
- ✓ Work with Novatti Group to launch integrated payments in 2022 well progressed
- ✓ Debt reduced from \$30.7m to \$14.7m despite ongoing product development investment
- ✓ ARR continues to grow YoY - up 2.9% in 2021
- ✓ \$0.05 fully franked full year dividend provides dependable income stream to shareholders

Investment in cloud based products

\$20m development investment in 2021 led to the launch of 7 new cloud products

✔ 7 New Cloud Products released in 2021



Development spend

Normalised cash spend on development (\$m)

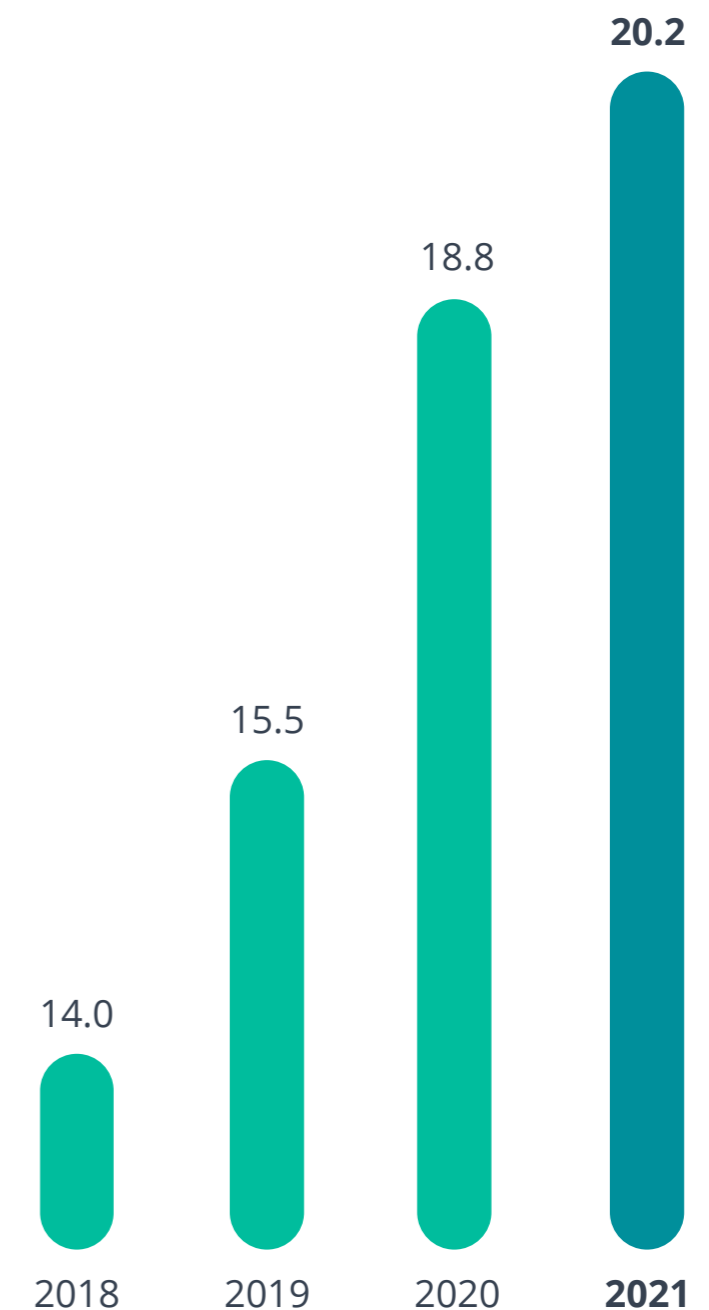
- Reckon Payroll
- Reckon Insights
- Payroll Mobile
- APS Accountants Workspaces
- Scan and PrintQ Mobile App
- Collection Q
- Payments Q

New Cloud Product examples:

APS Accountants Workspaces

Reckon Insights

Payroll Mobile




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3 new cloud-based products to launch in 1st Half 2022

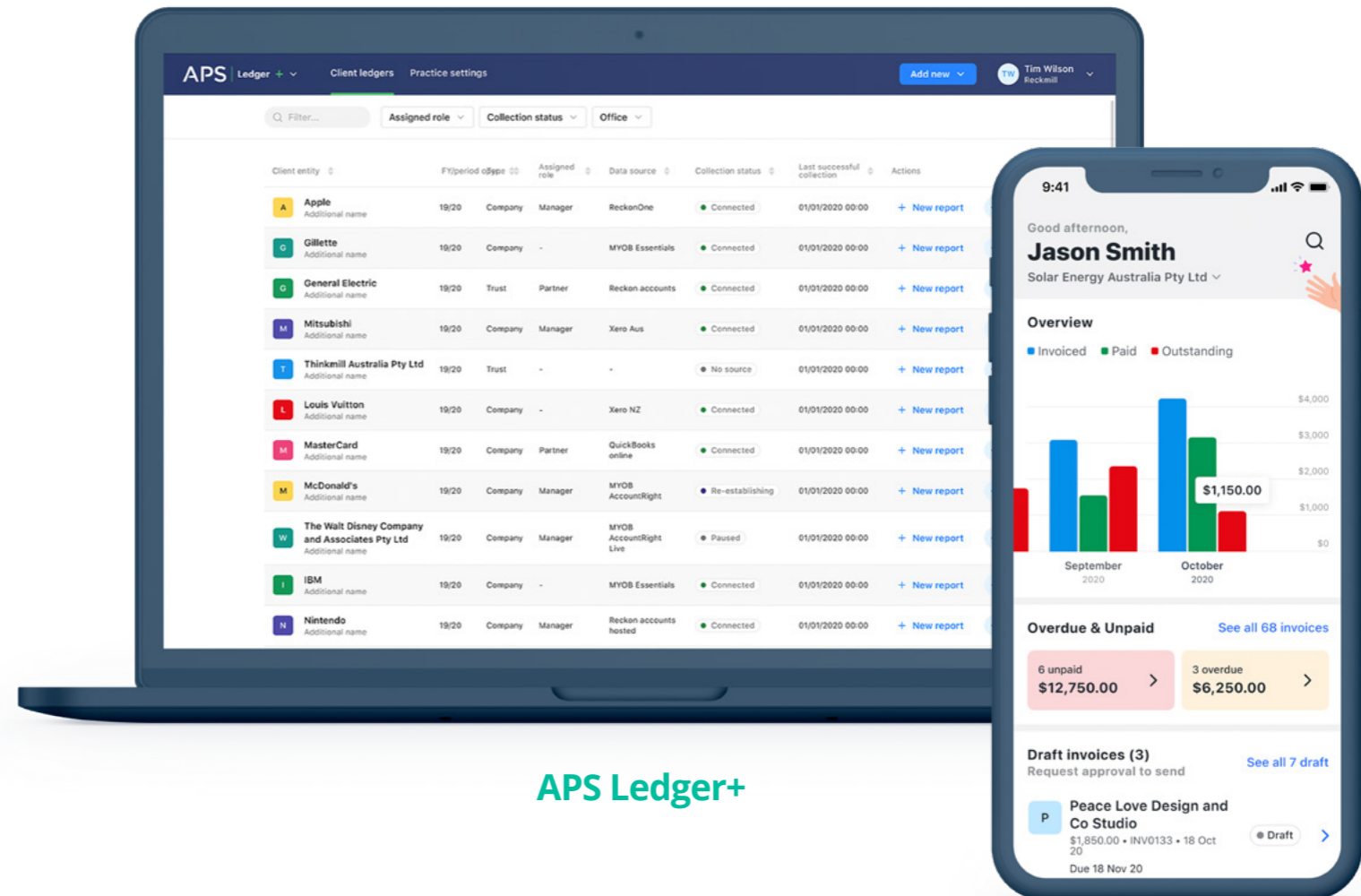
- ✓ Work and investment in 2021 has laid a strong foundation for new products

New Cloud product Examples


Reckon Invoicing App


APS Ledger+


Inquiry Q



APS Ledger+

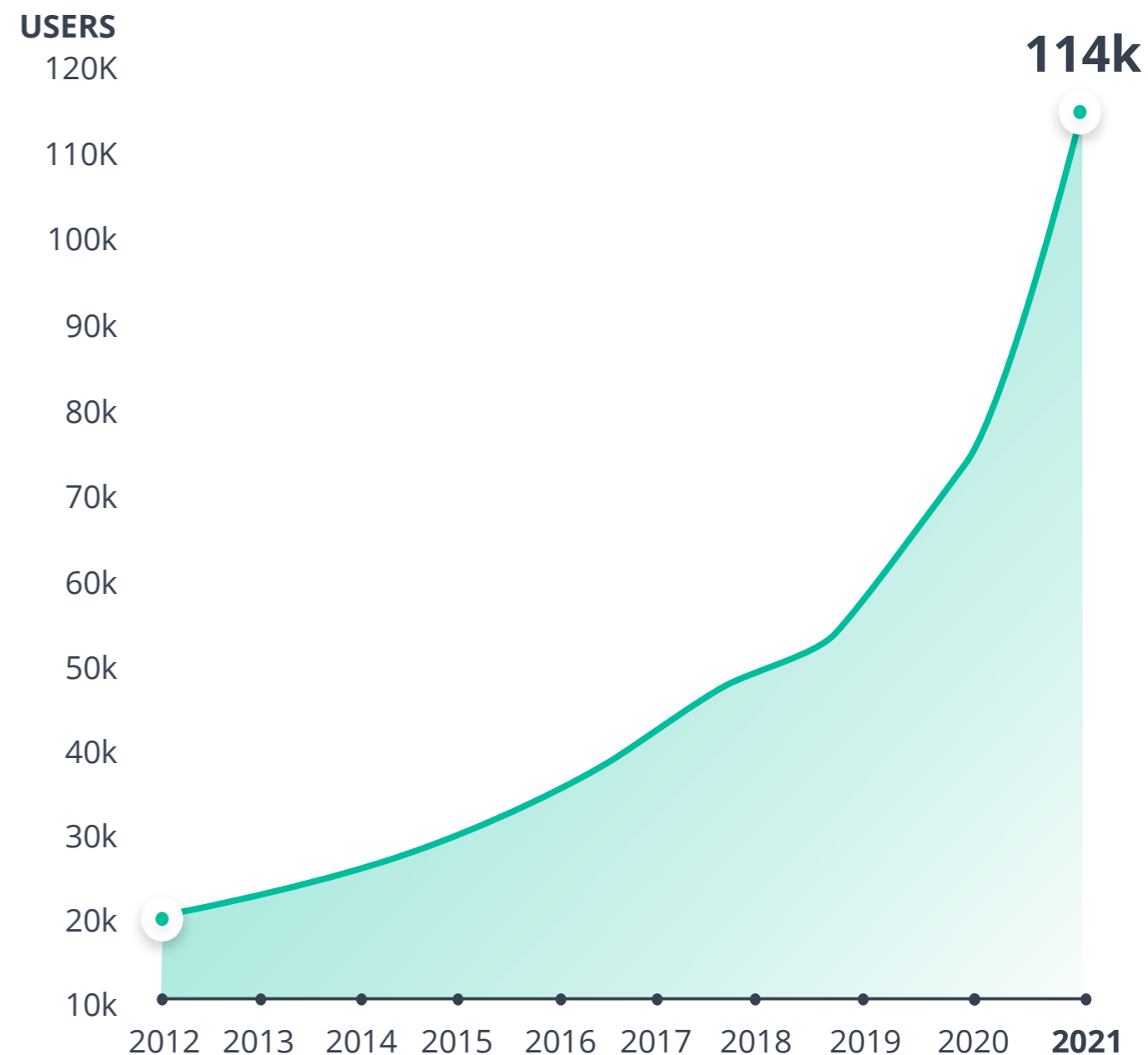
Reckon Invoicing App

Ongoing cloud user growth



- ✓ Continued growth in cloud revenue
- ✓ 114,000 Cloud users (12% annualised growth)
- ✓ Continued uptake of Reckon Payroll products across cloud and Mobile with over 300,000 employees paid via Reckon software
- ✓ Integrated Payments solution with Novatti to be launched in 2022 creating additional revenue opportunities

↑ Small Business Cloud User Growth



12% annualised user growth

8% cloud revenue growth over FY 2020

58% of available SME Group revenue cloud based for FY 2021

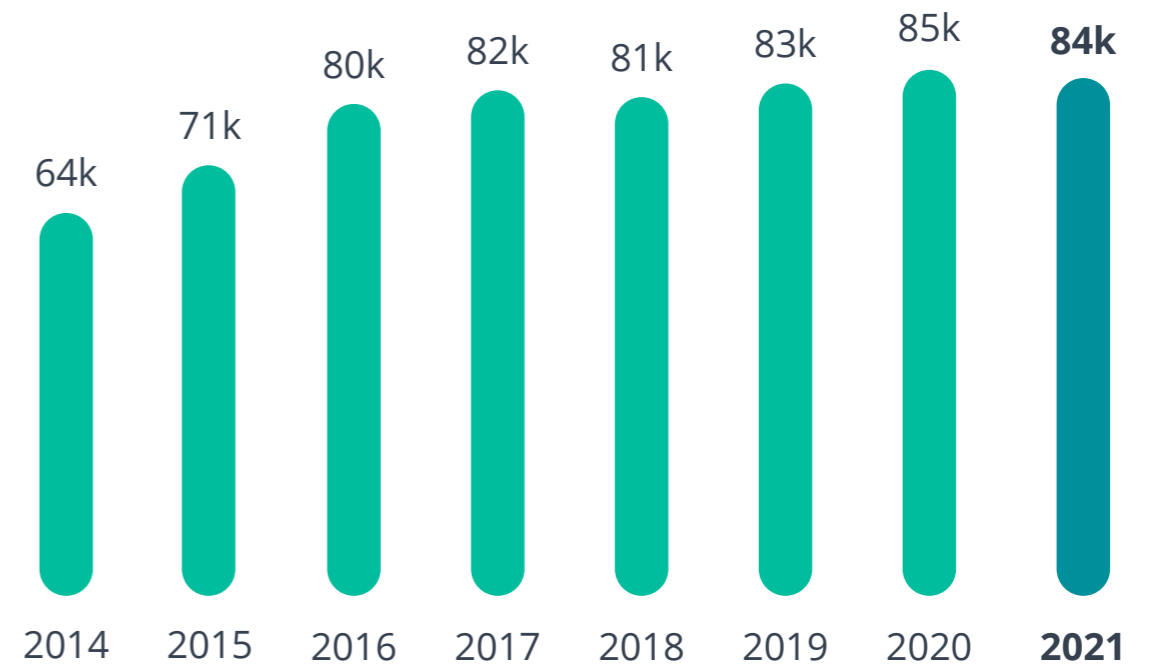
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Cloud development will drive future growth



- ✓ APS Workspaces launched providing complete APS cloud product suite
- ✓ 22 new businesses signed, with 15 in the last 4 months of CY2021, providing order backlog in 2022
- ✓ APS ledger + to be released early 2022 continuing APS + cloud range
- ✓ APS + cloud product and APS Workspaces open a larger addressable market

↑ Reckon APS seat growth



↑ Cloud seat growth



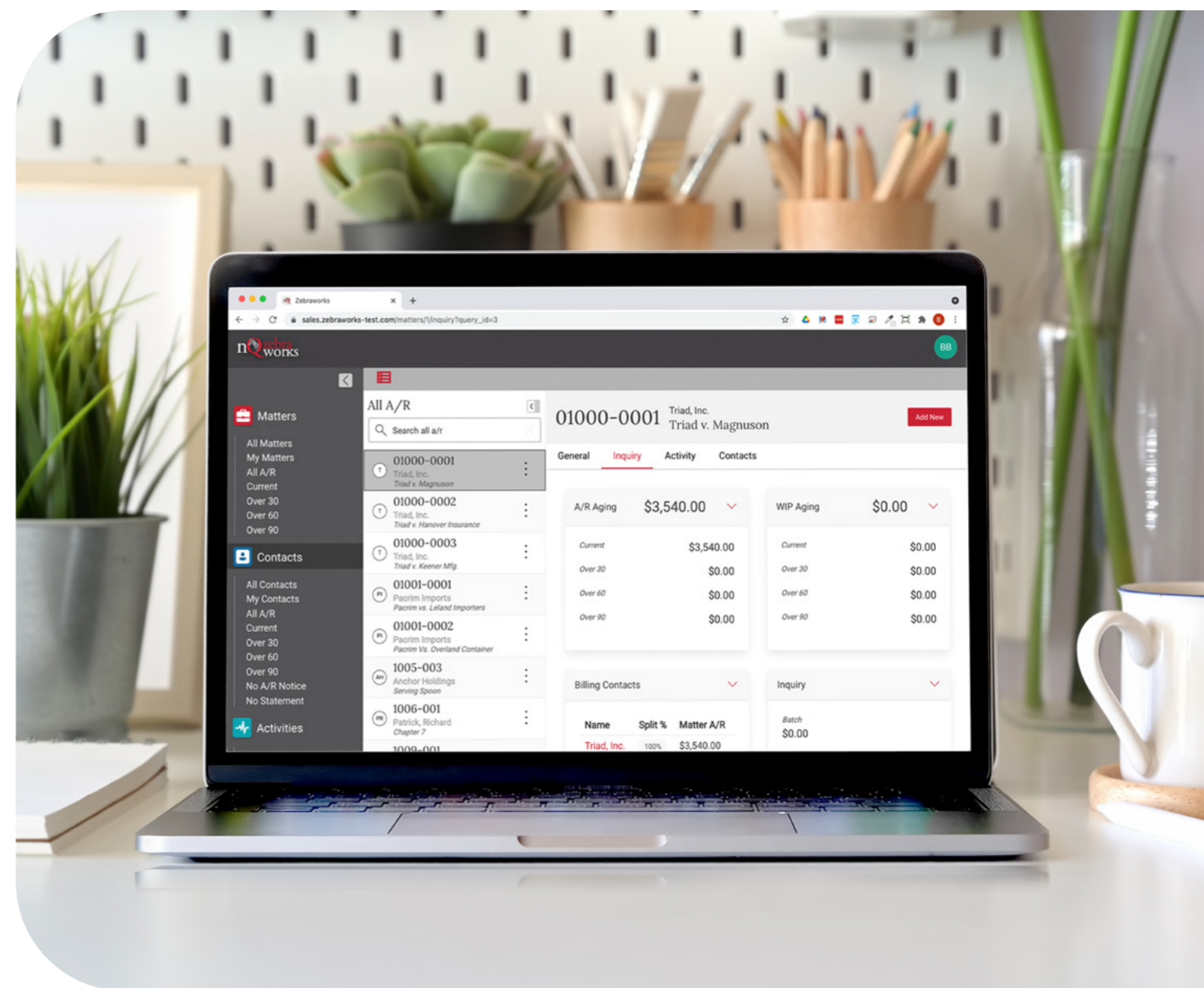
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PRACTICE MANAGEMENT AND WORKFLOW FOR LAW FIRMS

Access to the US legal market

Merger between nQueue and ZebraWorks (now nQzebraWorks), adds a skilled management team and complimentary cloud products to a well established, US focused legal business

- ✓ Opportunity to introduce cloud practice management suite for law firms still largely using desktop software
- ✓ Enormous market opportunity – 500 of the world’s largest firms operate in the US, alongside 46,000 mid-size firms
- ✓ Total addressable market is valued at US\$2.4Bn
- ✓ Regarded management team has a successful track record of developing and distributing legal practice management software in US market
- ✓ Reckon retains 70% of division with incentives for US management to increase equity through revenue and profitability milestones
- ✓ US\$5m committed to fund growth via combination of cash and loans



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Continued focus on employee engagement

✓ Employee Engagement Stats



Agree we have a good work culture

From Great Place to Work® 2019 Australia National Employee Engagement Study: **55%** of employees in Australia say it is a great place to work



Agree with the strategy

From Deloitte; Core Values and Culture Survey **76%** of executives and **57%** of employees believe a clearly defined strategy links to company success



Employee engagement

From Effector's Global Employee Engagement Index™: **28%** of employees would recommend their employer to friends and acquaintances



Would recommend Reckon to family and friends

From Qualtrics 2020 survey: Australia and New Zealand returned an engagement score of **53%**. Engagement scores above **78%** only received in companies who act on feedback.



Great Place To Work Certified™

We've created a unique working environment because we believe in inclusivity, diversity, and trust. Living and breathing these values is fundamental to our open-door policy, allowing people to thrive personally and professionally. People are the most important part of our company and that's why we're proud to officially be a Great Place To Work Certified™ company.



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Financial Highlights

Group financial performance and cash flow

| | FY21 | FY20 | GROWTH | | FY21 | FY20 |
|------------------------|------|------|--------|--|--------|--------|
| | \$ M | \$ M | % | | \$ M | \$ M |
| ✓ Revenue - normalised | 71.3 | 70.2 | +1.6% | ✓ Operating Cashflow (before development) | | |
| | | | | Continuing operations | 30.9 | 30.1 |
| | | | | Discontinued operations | 0.2 | 2.3 |
| ✓ EBITDA - normalised | 29.5 | 29.1 | +1.4% | ✓ Development Spend | | |
| | | | | Continuing operations | (20.2) | (18.8) |
| | | | | Discontinued operations | (0.1) | (0.7) |
| ✓ NPAT - normalised | 7.9 | 7.4 | +7.8% | ✓ Dividend Paid | (5.7) | (5.7) |
| | | | | ✓ Proceeds on sale of Reckon Docs business | 12.9 | - |
| | | | | ✓ Debt Repaid | (15.7) | (5.8) |

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Business Group Financials

A subscription business with consistently strong online growth

✓ Financial performance

Revenue

- Consistently strong cloud revenue growth
- Annualised cloud unit growth: 12%
- Subscription revenue is 97% of available revenue

✓ Revenue

| | FY21 \$ M | FY20 \$ M | GROWTH |
|--|--------------|--------------|-----------|
| CLOUD SUBSCRIPTION | 21.4 | 19.8 | 8% |
| DESKTOP SUBSCRIPTION | 14.2 | 13.8 | 2% |
| SUBSCRIPTION | 35.6 | 33.6 | 6% |
| PERPETUAL / SERVICE / OTHER RECURRING | 4.3 | 4.9 | -13% |
| TOTAL | 39.9 | 38.5 | 4% |
| EBITDA | 20.4 | 19.7 | 4% |

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Accountant Group Financials

Stable subscription revenue and an impressive customer base

✓ Financial highlights

Revenue

- Subscription is 98% of available software revenue
- Content business sold March 2021

✓ Revenue

| | FY21 \$ M | FY20 \$ M | GROWTH |
|---|--------------|--------------|--------|
| SUBSCRIPTION | 21.4 | 21.6 | -1% |
| UPFRONT AND SERVICE | 0.4 | 0.3 | +58% |
| CONTINUING OPERATIONS AT CONSTANT CURRENCY | 21.8 | 21.9 | - |
| CONTENT - DISCONTINUED OPERATIONS | 0.8 | 4.7 | |
| TOTAL | 22.6 | 26.6 | |

✓ EBITDA

| | | | |
|-------------------------|-------------|-------------|-----|
| CONTINUING OPERATIONS | 11.9 | 11.6 | +3% |
| DISCONTINUED OPERATIONS | 0.3 | 2.9 | |
| | 12.2 | 14.5 | |

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PRACTICE MANAGEMENT AND WORKFLOW FOR LAW FIRMS

Legal Group Financials

Stable subscription revenue and a top tier customer base

✓ Financial highlights

Revenue

- Returned to growth in 2nd half
- New sales continues to be impacted by COVID
- Subscription is 86% of revenue

✓ EBITDA

- Investment in sales and development teams for future growth continues

✓ Revenue

| | FY21 \$ M | FY20 \$ M | GROWTH |
|---------------------|--------------|--------------|--------|
| SUBSCRIPTION | 8.3 | 8.3 | +1% |
| UPFRONT AND SERVICE | 1.3 | 1.5 | -13% |
| CONSTANT CURRENCY | 9.6 | 9.8 | -1% |
| CURRENCY IMPACT | - | 0.7 | |
| REPORTED REVENUE | 9.6 | 10.5 | |

✓ EBITDA

| | | | |
|--|-------|-----|------|
| NORMALISED AT CONSTANT CURRENCY | 0.5 | 0.9 | -40% |
| NON-CASH TREASURY EXPENSE, TRANSACTION COSTS AND CARES LOAN | (0.3) | 0.4 | |
| CURRENCY IMPACT | - | 0.2 | |
| REPORTED | 0.2 | 1.5 | |

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Outlook

Near term value catalysts

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SMALL BUSINESS

Accounting and Payroll solutions for SMEs

Continued cloud growth with Reckon One

Additional mobile Apps - Invoicing and Timesheets complimenting Payroll App

Further White Label opportunities

Potential of Fintech solutions (Payments, Loans, Banking) deployed through the client base



ACCOUNTANTS

Practice Management and Compliance software for accounting firms

APS Workspaces - cloud solution for Mid to large Accounting firms

Additional Cloud Modules released - Ledger + and WIP and Debtor management

Continued growth of add-on cloud modules - Bank Data feeds and Sync Direct integration tools



LEGAL

Practice Management and Workflow for law firms

Solid pipeline of new sales

Continued growth with existing NQ scanning and print management solutions

Cloud Modules - Collection Q and Reporter Q complimenting competitor desktop products for new sales opportunity



APPENDIX ONE

Additional Information

| | FY21 | FY20 | GROWTH |
|---|-------------|-------------|--------|
| | \$ M | \$ M | % |
| ✓ Revenue | | | |
| Revenue from continuing operations at constant currency (Non-IFRs) | 71.3 | 70.2 | 1.6% |
| Discontinued operations | 0.8 | 4.7 | |
| Currency impact | - | 0.7 | |
| Reported revenue | <u>72.1</u> | <u>75.6</u> | |
| ✓ EBITDA | | | |
| EBITDA from continuing operations at constant currency (Non-IFRs) | 29.5 | 29.1 | 1.4% |
| Discontinued operations | 0.3 | 2.9 | |
| Transaction costs, acquisition related non-cash treasury share expenses and Cares loan | (0.3) | 0.4 | |
| Currency impact | - | 0.2 | |
| Reported EBITDA | <u>29.5</u> | <u>32.6</u> | |
| ✓ NPAT | | | |
| NPAT from continuing operations at constant currency (Non-IFRs) | 7.9 | 7.4 | +7.8% |
| Transaction costs, acquisition related non-cash treasury shares expenses and Cares loans | 0.2 | 0.6 | |
| Utilisation of prior period tax losses not previously brought to account and overprovision for tax related to prior periods | 1.6 | - | |
| Discontinued operations | 0.1 | 1.5 | |
| Non-controlling interest | (0.6) | - | |
| Currency impact | - | 0.2 | |
| Reported NPAT | <u>9.2</u> | <u>9.7</u> | |

Resources

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