



Investor Presentation

For the year ended 31 December 2022



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 and legal firms.

Investment highlights

- ✓ Practice Management Accountant Group sold for \$100m effective 1 August 2022. Special dividend of 57 cents per share paid to shareholders
- ✓ Two remaining operating divisions targeting small businesses, accounting and bookkeeping firms and legal firms
- ✓ Strong normalised earnings profile for the continuing operations - \$51m in revenue generated in 2022 with EBITDA of \$18m and NPAT of \$4m
- ✓ Ongoing investment in cloud based products to underpin future business growth
- ✓ Over 117,000 people use our cloud SME products, and over 400,000 employees get paid in Australia via Reckon products
- ✓ Five of the world's top legal firms use our solutions



Corporate overview

✓ Capital Structure

ASX code:	RKN
Shares on issue:	113.3m
Market capitalisation:	\$68m
52 week high – low:	
Prior to special dividend	\$0.82 - \$1.32
Post special dividend of 57 cents	\$0.57 - \$0.66
Net debt:	\$3m

✓ Major shareholders

Novatti Group Limited	19.9%
Rabie Family	9.0%
Spheria Asset Management Pty Ltd	7.6%
Microequities Asset Management Pty Ltd	7.5%
Greg Wilkinson	7.1%

✓ Board of directors



Clive Rabie
NON-EXECUTIVE CHAIRMAN



Greg Wilkinson
NON-EXECUTIVE DIRECTOR & FOUNDER



Phil Hayman
NON-EXECUTIVE DIRECTOR



Sam Allert
CHIEF EXECUTIVE OFFICER

Financial Results – 2022

(Continuing operations only)

REVENUE

\$51 ↑
million

↑ +2% over PcP*

ARR

\$47 ↑
million

↑ +5% over PcP*

EBITDA

\$18 ↑
million

↑ +5% over PcP*

NPAT

\$4 ↓
million

↓ -1% over PcP*

DEVELOPMENT INVESTMENT

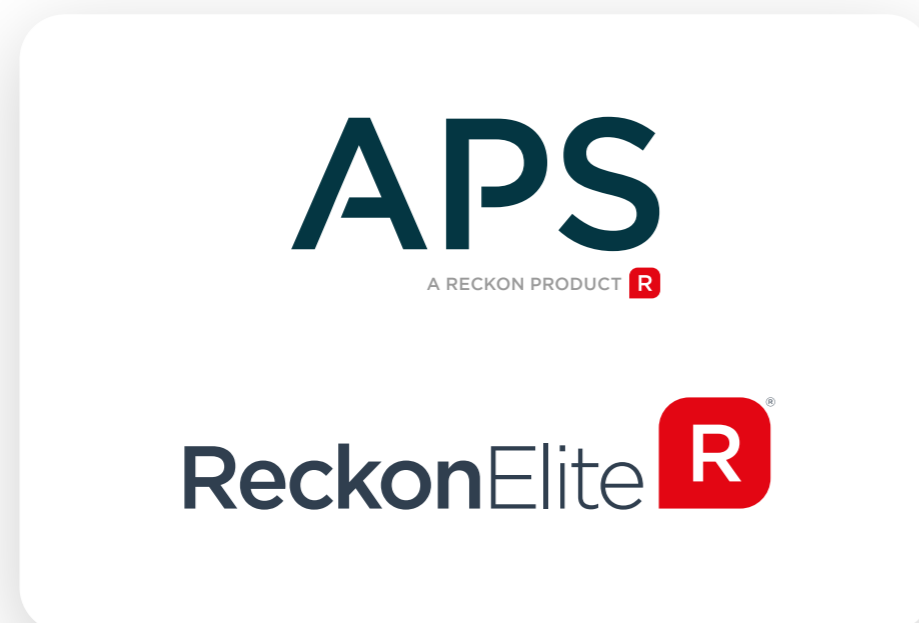
\$15
million

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

Sale of the Accountants Group business for \$100m

The sale of the Accountants Group, of which APS and Reckon Elite solutions were a part, allows us to focus on our core strengths of Accounting and Payroll for small businesses, and Practice Management for Legal firms.

- ✓ Sale of Accountants Group to The Access Group for \$100m
- ✓ Purchase price represented a 4.6x multiple of FY21 revenue and 8.4x multiple of FY21 EBITDA for the Accountants Practice Management Group
- ✓ Transaction completed 1st August 2022
- ✓ After tax proceeds used to:
 - Pay a special dividend of 57 cents
 - Reduce debt
- ✓ Post sale, Reckon comprises the Business & Legal Groups, which together generated ~\$51m of revenue and EBITDA of ~\$18m in FY2022
- ✓ Remaining Businesses well positioned to take advantage of the strong global market opportunities that exist with our expanding cloud product set



Our focus is on two large and distinct markets



SMALL BUSINESS

Accounting and Payroll solutions for SMEs

Revenue of \$40.8m and \$21.0m EBITDA in FY22

Total addressable market

3 million small businesses across Australia and New Zealand



LEGAL

Practice Management and Workflow for Legal firms

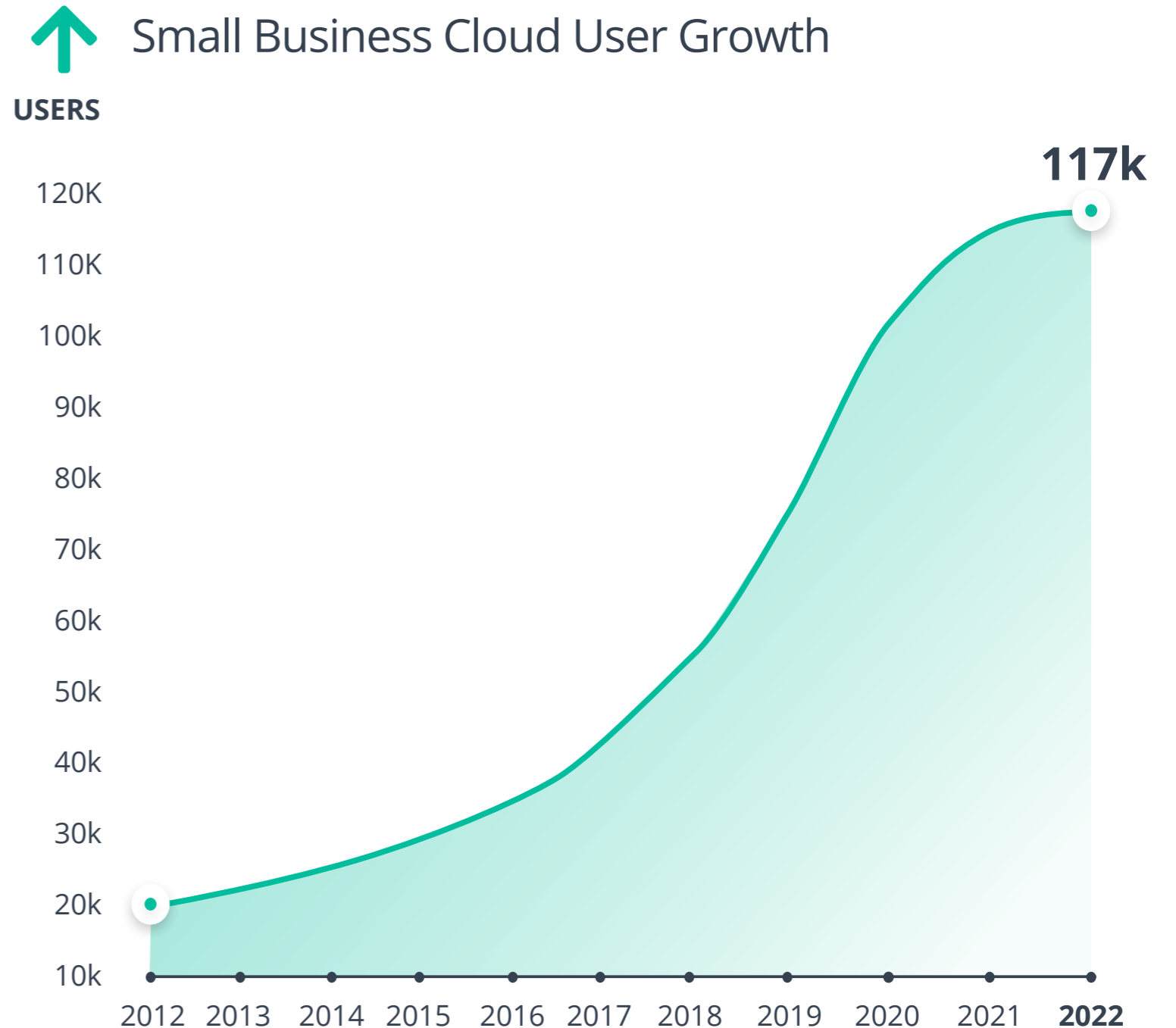
Revenue of \$10.4m and \$0.2m EBITDA in FY22

Total addressable market

500 of the world's largest firms operate in the USA, alongside 46,000 mid-size firms

Safe cash generating business

- ✓ Servicing start ups, gig-economy, small and medium sized businesses with accounting, payroll, and business management tools
- ✓ Annual Recurring Revenue (ARR) of \$37.5M
- ✓ EBITDA Margin of 51% and Adjusted EBITDA Margin (after development costs) of 26%
- ✓ Continued growth in cloud users and revenue - 117k cloud users (3% annualised user growth)
- ✓ Continued uptake of Reckon payroll products across cloud and mobile with over 400k employees paid via Reckon software
- ✓ Integrated payments solution with Novatti launched creating additional revenue opportunities



3% annualised user growth
7% cloud revenue growth over 2021
61% of available SME Group revenue is cloud based for 2022

Customer case study:

Warwick Psychological Services

Meet clinical psychologist Paul Ward and his office manager, Sarah Colclough!

The challenge: With a rapidly scaling practice of 12 employees and a growing patient base, small business owner, Paul Ward, realised he needed intuitive and user-friendly software for patient billing, payroll and BAS compliance.

Paul sought an accounting software solution with all the required features, which was also user-friendly and intuitive—so his office manager, Sarah, who'd not used accounting software before, could easily handle it.

The solution: Paul chose Reckon and has since become an advocate for its slick functionality and comprehensive features.

He loves using Reckon across his busy practice, while Sarah picked-up the new software quickly and seamlessly.

Benefits: Paul now has more time to focus on networking to build his business while Sarah has gained massive confidence in mastering a new skill and program.



"Reckon has provided us with the scaffolding that supports the business behind the scenes.

We use Reckon for our payroll and accounting and we find it really intuitive.

The dashboard makes sense, the buttons are all in the right spot and it has a really natural flow that makes it easy to get things done.

We also love the video tutorials that simply and clearly step you through processes."

Paul Ward, Business Owner, Western Australia

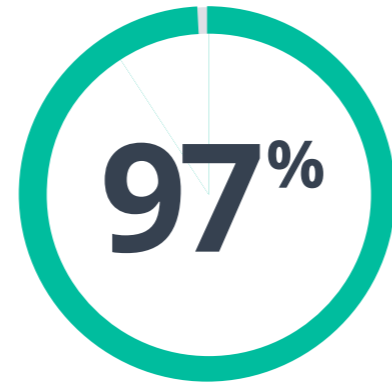
Continued focus on employee engagement

✓ Employee Engagement Stats



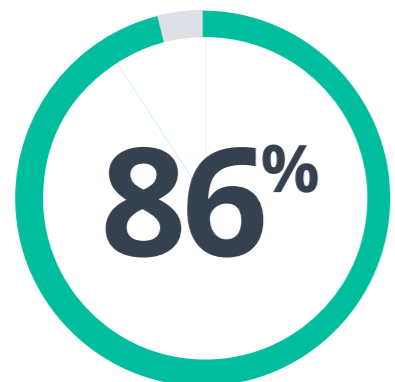
COMMUNICATION

From Interact Survey: **11%** of respondents feel satisfied with their internal communications



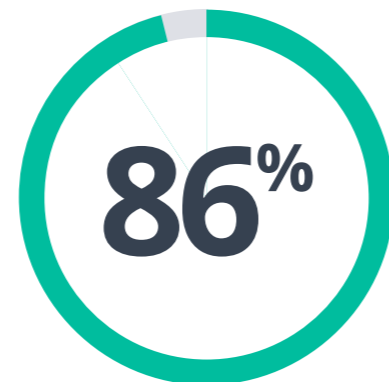
COMPANY CULTURE

From Culture Amp study 2023: **88%** recommended their company as a great place to work.



ENGAGEMENT

From Culture Amp 2023 Survey: **78%** of Computer Software APAC Employees are engaged.



STRATEGY

From PWC Workforce Study 2022: **47%** of TMT organisations believe the company is leading in their strategic approach to technology.



Great Place To Work Certified™

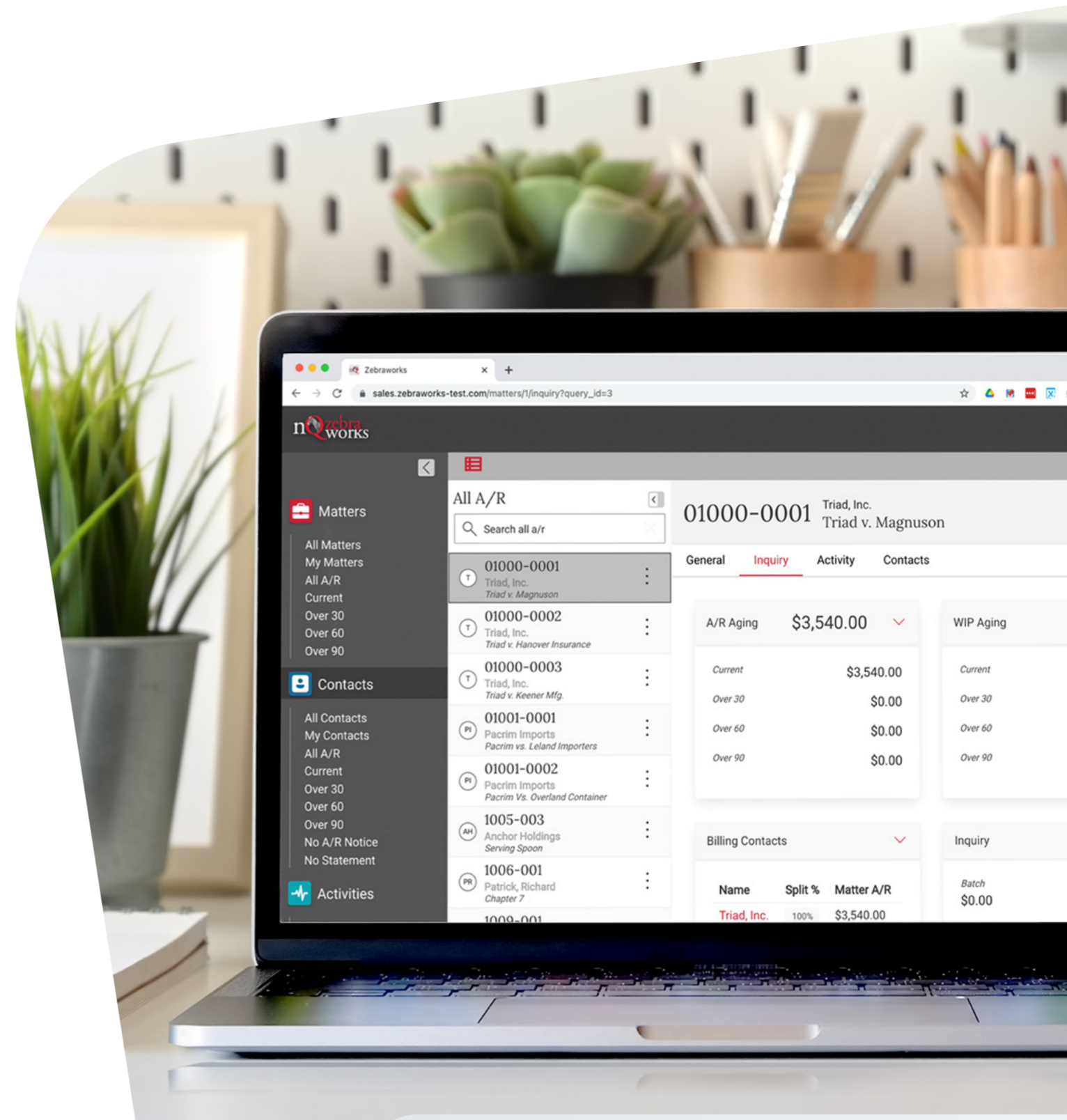
We've created a unique working environment because we believe in inclusivity, diversity, and trust. Living and breathing these values is fundamental to our open-door policy, allowing people to thrive personally and professionally. People are the most important part of our company and that's why we're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



PRACTICE MANAGEMENT AND WORKFLOW FOR LEGAL FIRMS

Growth business in large US and global markets

- ✓ Servicing Legal firms with workflows through scanning & printing, Practice Management, cost recovery and analytics solutions
- ✓ Enormous market opportunity – 500 of the world’s largest firms operate in the US, alongside 46,000 mid-size firms. Total addressable market in the USA is valued at US\$2.4Bn
- ✓ Highly regarded management team with a successful track record of developing and distributing legal practice management software in US market
- ✓ Footprint in UK and resellers in other parts of the world
- ✓ Launched new cloud products BillingQ and DataQ with first clients onboarded
- ✓ Released Outlook integration for ScanQ and MailQ upgrading core product functionality



Customer case study: Lippes Mathias LLP

Meet Richard Rychlicki, Chief Financial Officer at USA-based legal firm, Lippes Mathias LLP

The challenge: With 139 attorneys across 10 offices in North America, Lippes Mathias' Chief Financial Officer, Richard Rychlicki, sought an intelligent accounts receivable (billing and collections solution) software product to relieve the onus from staff in having to call clients to chase payments.

Seeking to improve financial processes at large, and allow the company's attorneys to focus their efforts on more valuable tasks—Richard wanted to save his colleagues the hassle and time of reaching out to their clients to discuss overdue accounts.

The solution: Richard chose nQ ZebraWorks BillingQ solution (renowned for streamlining workflows) to automate the collections stage of the firm's billing cycle.

Benefits: 2 months after implementing BillingQ, the firm had collected \$150,000 in accounts backlogged to 2019 .

Taking advantage of BillingQ's AR notices (which are emailed automatically) the firm's attorneys were finally freed from making collection calls. This has resulted in better client relations, and much-improved workflows.

Making it simple for clients to pay for services electronically, since onboarding with BillingQ, more clients have opted to use credit cards, which has led to timelier payments across the board for the firm.



"No legal firm wants to go out there and be a collections agency, thus I would highly recommend BillingQ, especially for firms struggling with the collections process – the automation is wonderful.

In less than two months after implementation, we collected \$150,000 in 'found money'.

We're going to roll out electronic payments for statements next because it worked so well for A/R notices."

Richard Rychlicki, Chief Financial Officer, Lippes Mathias LLP, USA



Financial Highlights

Group financial performance and cash flow

(Continuing operations)

	FY22	FY21	GROWTH		FY22	FY21
	\$ M	\$ M	%		\$ M	\$ M
✓ Revenue - normalised	51.2	50.0	+2%	✓ Operating Cashflow (before development)		
				Continuing operations	19.9	19.7
				Discontinued operations	7.0	11.5
✓ EBITDA - normalised	18.5	17.6	+5%	✓ Development Spend		
				Continuing operations	(15.3)	(12.7)
				Discontinued operations	(3.9)	(7.7)
✓ NPAT - normalised	5.0	5.1	-1%	✓ Proceeds on sale of businesses	78.4	12.9
				✓ Dividend Paid	(70.2)	(5.7)
				✓ Debt Repaid	(12.1)	(15.7)

Business Group Financials

A subscription business with consistently strong online growth

✓ Financial performance

Revenue

- Consistently strong cloud revenue growth
- Annualised cloud unit growth: 3%
- Subscription revenue is 99% of available revenue

✓ Revenue

	FY22 \$ M	FY21 \$ M	GROWTH
CLOUD SUBSCRIPTION	23.0	21.4	7%
DESKTOP SUBSCRIPTION	14.5	14.1	2%
SUBSCRIPTION	37.5	35.5	5%
PERPETUAL / SERVICE / OTHER RECURRING	3.3	4.3	-22%
TOTAL	40.8	39.8	3%
CURRENCY IMPACT	-	0.1	
REPORTED REVENUE	40.8	39.9	

✓ EBITDA

	21.0	20.4	3%
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✓ Capitalised development costs

	10.5	8.7
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Legal Group Financials

Growing subscription revenue and a top tier customer base

✓ Financial highlights

Revenue

- Subscription is 89% of revenue
- Solid subscription growth in FY22
- Stronger 2nd half:
5% revenue growth in constant currency
(12% reported including currency impact)

✓ EBITDA

- Investment in sales and development teams for future growth continues

✓ Revenue

	FY22 \$ M	FY21 \$ M	GROWTH
SUBSCRIPTION	9.2	8.8	+6%
UPFRONT AND SERVICE	1.2	1.4	-19%
CONSTANT CURRENCY	10.4	10.2	+2%
CURRENCY IMPACT	-	(0.6)	
REPORTED REVENUE	10.4	9.6	+8%

✓ EBITDA

NORMALISED AT CONSTANT CURRENCY	0.2	0.6
NON-CASH TREASURY EXPENSE, TRANSACTION COSTS AND CARES LOAN	(0.5)	(0.3)
CURRENCY IMPACT	-	(0.1)
REPORTED	(0.3)	0.2

✓ Capitalised development costs

	4.8	4.0
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Questions

APPENDIX ONE

Additional Information

	FY22	FY21	GROWTH
	\$ M	\$ M	%
 Revenue			
Revenue from continuing operations at constant currency (Non-IFRs)	51.2	50.0	2%
Discontinued operations	13.5	22.6	
Currency impact - continuing operations	-	(0.5)	
Reported revenue	<u>64.7</u>	<u>72.1</u>	
 EBITDA			
EBITDA from continuing operations at constant currency (Non-IFRs)	18.5	17.6	5%
Discontinued operations	74.8	12.2	
Transaction costs, acquisition related non-cash treasury share expenses, Care loan and currency impact (Continuing operations)	(0.5)	(0.3)	
Reported EBITDA	<u>92.8</u>	<u>29.5</u>	
 NPAT			
NPAT from continuing operations at constant currency (Non-IFRs)	5.0	5.1	-1%
Transaction costs, acquisition related non-cash treasury shares expenses, Cares loan and currency impact (Continuing operations)	(0.5)	(0.2)	
Discontinued operations	53.2	3.6	
Utilisation of prior period losses not previously brought to account	-	1.3	
Non-controlling interest	(0.9)	(0.6)	
Reported NPAT	<u>56.8</u>	<u>9.2</u>	

APPENDIX TWO

PRACTICE MANAGEMENT AND COMPLIANCE SOFTWARE FOR ACCOUNTING FIRMS

Accountant Group Financials

(Discontinued operations)

Stable subscription revenue and an impressive customer base

✓ Financial highlights

Revenue

- Division sold effective 1 August 2022 for \$100m
- Content business sold March 2021 for \$13m

✓ Revenue

	FY22 \$ M (7 MONTHS)	FY21 \$ M (12 MONTHS)
APS AND ELITE - DISCONTINUED OPERATIONS	13.5	21.9
CONTENT - DISCONTINUED OPERATIONS	-	0.7
TOTAL	13.5	22.6

✓ EBITDA

TRADING RESULTS	7.6	12.3
GAIN / (LOSS) ON SALE	67.2	(0.1)
	74.8	12.2

Resources

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