

Reckon Group Delivers Steady Profit, On Track For Future Growth

Business stability maintained in the face of a disruptive and transformative year, demonstrating organisational resilience and robust capacity for future growth

Performance highlights (all figures in AUD)

Stability and resilience • Group profitability remains stable with underlying NPAT up marginally by 3% • Continually improving cash flow enabled debt reduction of \$6 million in FY18 • Total group revenue closed at \$75.4 million, with adjusted EBITDA of \$30.6 million • Re-instatement of dividend policy at the half year approved by Board, and a fully franked dividend of 3 cents per share was paid in September 2018

Cloud-first approach delivered • Business Group cloud subscription revenue up 8% o Cloud users now total 54,000 o Cloud revenue now represents 45% of Business Group revenue – with further opportunity to convert existing non-subscription desktop customers to cloud subscription products • Accountants Group introduced PM11 to accelerate firms' journey to the cloud

Renewed focus on independent growth strategy • Development spend of \$14.3 million, or 19% of total group revenue • Investment focused on expanding product range and unlocking new revenue streams • Accountants Group subscription revenue remained healthy despite period of uncertainty o APS remains the software of choice for seven of the top 10 accounting firms in Australia • Strong demand for new legal solutions from the Legal Practice Management division following a year of focus on development to enhance the product suite

SYDNEY, Australia – 12 February 2019 – Reckon Group (ASX:RKN) today reported its full year earnings to 31 December 2018, delivering a steady profit that demonstrates the company's resilience in a year shaped by disruptive and transformative changes. Underlying NPAT was up by 3 per cent, while cash flow has continually improved to enable a debt reduction of \$6 million – up 500 per cent from the previous year's \$1 million. Overall, total group revenue closed at \$75.4 million and adjusted EBITDA stood at \$30.6 million.

Flagship cloud accounting software, Reckon One, continues to gain traction and resonate with its unique modular design and affordability. Reckon's drive to progressively accelerate customer migration to Reckon One has resulted in an 8 per cent increase in cloud revenue for the Business Group, which now represents 45 per cent of the division's available revenue. Total cloud subscribers are now at 54,000.

The Accountants Group has remained healthy amid disruption and a period of uncertainty surrounding the MYOB deal. Subscription revenue is 98 per cent of available software revenue, and the division continues to perform with costs carefully managed during the sale process, allowing the practice management division to achieve marginal EBITDA growth despite a revenue reduction.

Reckon received an even clearer understanding of the value of its APS practice management offering throughout the sale process, and continues to build on these strengths to the benefit of customers. The APS suite remains entrenched as the software of choice for major accounting firms in Australia, including seven of the top 10.

"2018 was no doubt a disruptive and transformative year for Reckon. From a sale that dropped after months in limbo, to a board restructure that now underpins our future growth strategy, and increasing compliance changes such as Single Touch Payroll, Reckon has displayed extraordinary resilience and maintained profitability throughout the year," said Sam Allert, Reckon Group CEO.

"Following the events in the first half of 2018, our core strategy was to remain laser focused on business stability and bring certainty back to our customers, shareholders and staff. Not only have we achieved that, but we've continued to expand our product ecosystem and enter new markets to unlock revenue streams.

"In 2019, Reckon will continue to drive its independent growth strategy. We are in a stronger position than ever to capitalise on future growth opportunities, as well as move the needle of innovation forward," Allert added.

2018 was also a record year for the Reckon Loans connected services platform (powered by Prospa), which experienced continued growth to reach a loan milestone of \$18 million in December. This success is attributed to the upward trend of businesses increasingly turning to alternative non-bank lenders to gain access to critical finance.

Positioned for future growth and success

Reckon continued its investment in growth throughout the year with a development spend of \$14.3 million. This made up 19 per cent of total group revenue, consistent with the revenue split in FY17.

Investments centred on expanding the company's product range, reinforcing Reckon's ability to deliver top quality and relevant technology that caters to the demands of small businesses and the largest accounting and legal firms in the world. New products include:

- Business Group o Reckon Cloud POS: Web-based point of sale (POS) solution for small businesses o Reckon GovConnect: STP-compliant software suite o IPA Books+: White labelled cloud accounting solution for up to 35,000 IPA members
- Practice Management – Accountants Group o Reckon PM11: Practice Management module for an increasingly mobile workforce o Reckon BankData: Bank and credit card feeds for

accountants • Practice Management – Legal Group o InfoRoute 5: Scan solution

Reckon also unlocked new revenue streams by tapping new markets across health, medical, education and franchise sectors. The company signed several strategic agreements in 2018, including the acquisition of Better Clinics, a cloud-based practice management software for health, medical and fitness professionals; and an integration partnership with online automation tool Zapier, designed to improve small business productivity.

Reckon continues to work with three of the big four accounting firms. Seven of the top 10 and many of Australia's leading top 100 firms, as well as the world's leading legal companies use the company's practice management software. The business has a partner network of over 6,000 accountants and bookkeepers, and hundreds of thousands of businesses globally use Reckon's software.

"Reckon is a strong, profitable and sustainable company with a solid foundation for exciting growth opportunities, including a roadmap of new products designed to further help our small business, advisor network and accounting firm clients run better businesses. We have also made strong progress in the competitive New Zealand and United Kingdom markets," said Allert.

"We are confident that we will deliver on our commitment to customers, partners, shareholders and employees in 2019 and beyond, and remain positive that future growth will be achieved in all areas of the business."

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About Reckon Reckon is an ASX listed and Australian owned company with over 30 years' experience delivering market leading solutions to accountants and bookkeepers, legal professionals and small to medium sized businesses. Reckon's software services are designed to make accounting faster, easier and more productive. Find out more at www.reckon.com.

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