



# Reckon

## **Results** presentation

Year ended 31 December 2012

To be read in conjunction with the Appendix 4E and the Accounts

# RECKON'S UNIQUE POSITIONING

## 1. Technology

- Supplier of Desktop, Hosted & Cloud offerings

## 2. A “Designed for you” development methodology

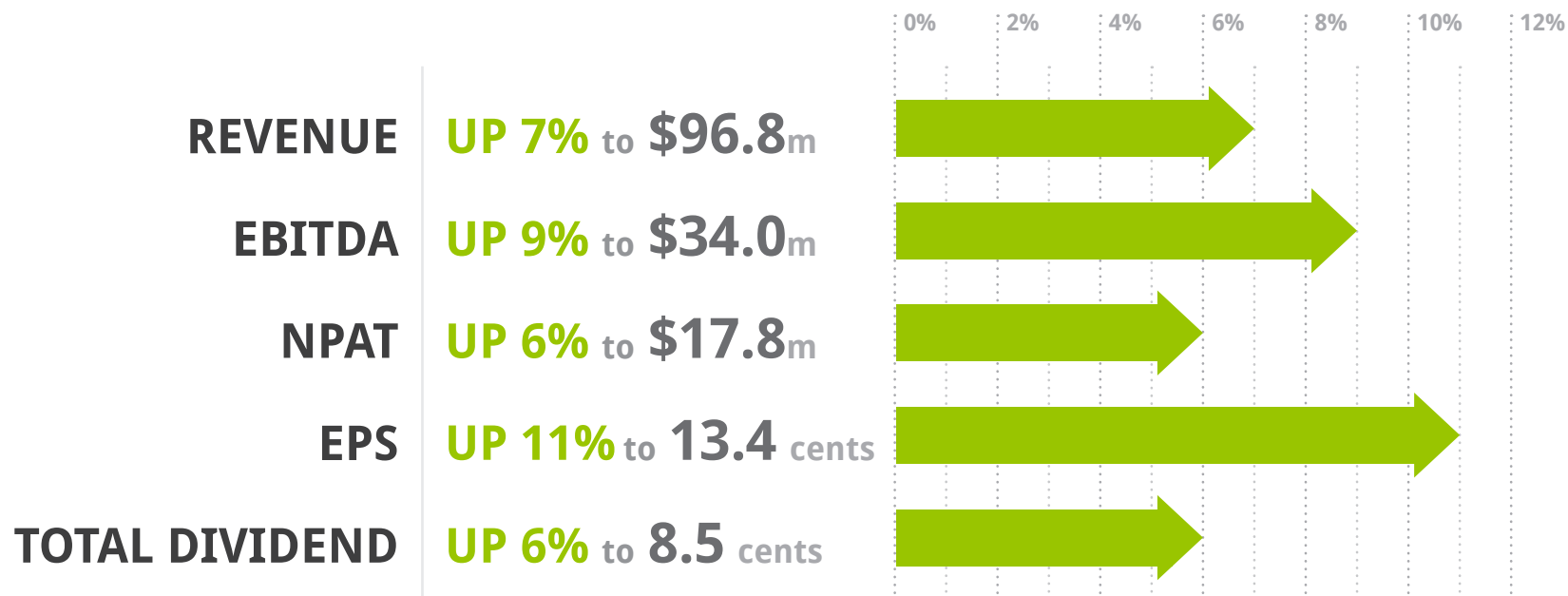
## 3. Relationships

- Strong relationships which is firmly integrated into the firms culture

## 4. Domain expertise provides best practice technology

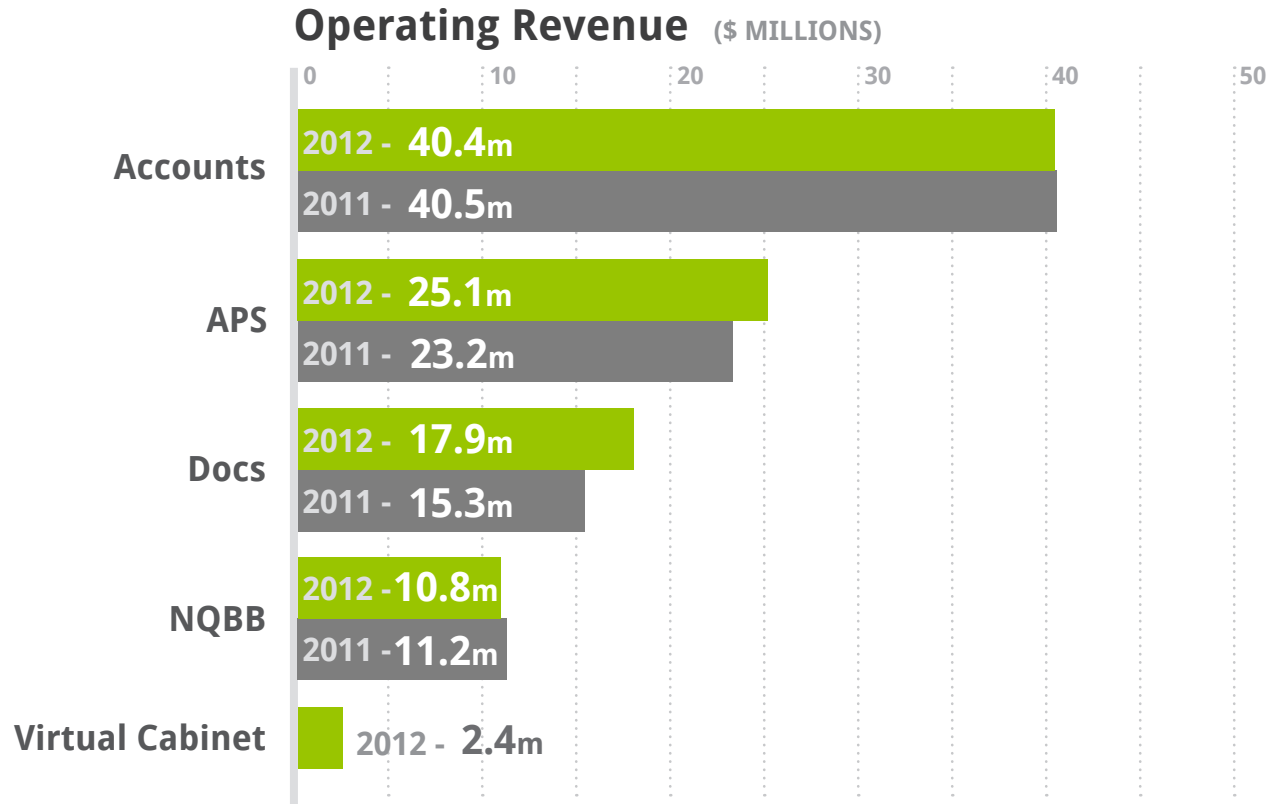
# PERFORMANCE HIGHLIGHTS

Year ended 31 December 2012



# GROUP TRENDS BY DIVISION

Year ended 31 December 2012

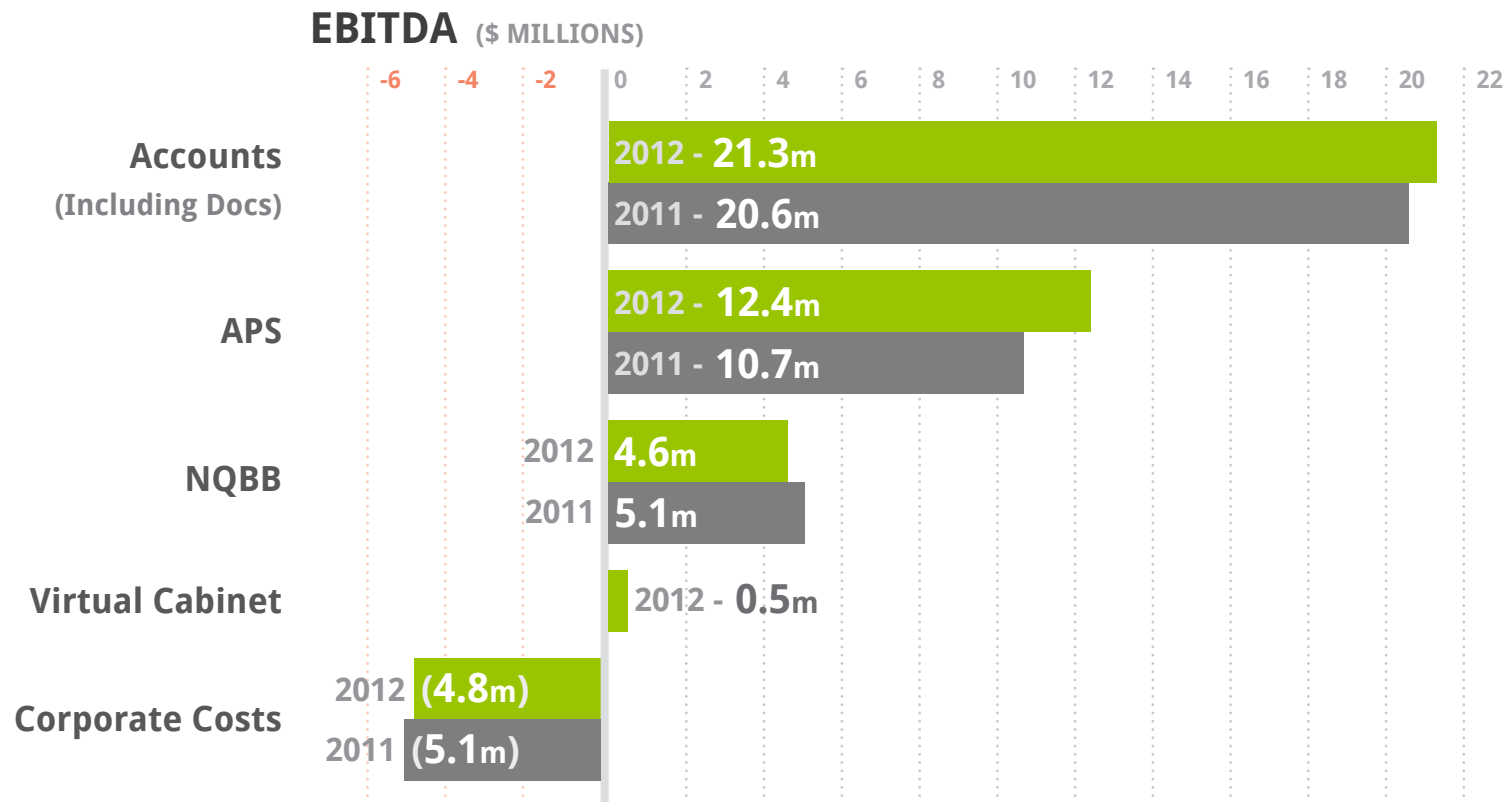


Total 2012 **96.6m**

Total 2011 **90.2m**

# GROUP TRENDS BY DIVISION

Year ended 31 December 2012



|            |              |
|------------|--------------|
| Total 2012 | <b>34.0m</b> |
| Total 2011 | <b>31.3m</b> |

# RECKON GROUP

## Major Revenue Movements

|   | \$ Millions | Growth     |
|---|-------------|------------|
| <b>2011 Operating Revenue</b>               | <b>90.2</b> |            |
| Australian Direct - SME Accounting Products | 2.0         | +8%        |
| Docs  | 2.7         | +17%       |
| APS   | 1.9         | +8%        |
| Virtual Cabinet                             | 2.4         | -          |
| Australian Retail - SME Accounting Products | (1.9)       | -36%       |
| Other                                       | (0.7)       |            |
| <b>2012 Operating Revenue</b>               | <b>96.6</b> | <b>+7%</b> |

# RECKON GROUP

|                          | 1ST HALF     | 2ND HALF     | FULL YEAR    |
|--------------------------|--------------|--------------|--------------|
| <b>Operating Revenue</b> | <b>48.1m</b> | <b>48.5m</b> | <b>96.6m</b> |
| % growth                 | 3%           | 11%          | 7%           |
| % split                  | 50%          | 50%          |              |
| <b>EBITDA</b>            | <b>17.1m</b> | <b>16.9m</b> | <b>34.0m</b> |
| % growth                 | 9%           | 9%           | 9%           |
| % split                  | 50%          | 50%          |              |

# RECKON GROUP

## Major Revenue Movements

|   | 1ST HALF<br>\$ Millions |      | 2ND HALF<br>\$ Millions |      |
|---|-------------------------|------|-------------------------|------|
| <b>2011 Operating Revenue</b>               | <b>46.7</b>             |      | <b>43.5</b>             |      |
| Australian Direct SME - Accounting Products | 0.8                     | +7%  | 1.2                     | +10% |
| Docs  | 1.4                     | +19% | 1.3                     | +16% |
| APS   | 0.7                     | +6%  | 1.2                     | +10% |
| Virtual Cabinet                             | -                       | -    | 2.4                     | -    |
| Australian Retail - SME Accounting Products | (1.2)                   | -38% | (0.7)                   | -34% |
| Other                                       | (0.3)                   |      | (0.4)                   |      |
| <b>2012 Operating Revenue</b>               | <b>48.1</b>             | +3%  | <b>48.5</b>             | +11% |



# RECKON GROUP

## Divisional results

|                                 | 1ST HALF<br>\$ Millions | Growth<br>on prior<br>half year | 2ND HALF<br>\$ Millions | Growth<br>on prior<br>half year |
|---------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| <b>BUSINESS DIVISION</b>        |                         |                                 |                         |                                 |
| Operating revenue               | 30.4                    | +3%                             | 27.9                    | +6%                             |
| EBITDA                          | 11.0                    | -1%                             | 10.3                    | +9%                             |
| <b>PROFESSIONAL DIVISION</b>    |                         |                                 |                         |                                 |
| Operating revenue               | 12.3                    | +6%                             | 12.8                    | +10%                            |
| EBITDA                          | 5.8                     | +13%                            | 6.6                     | +18%                            |
| <b>nQUEUEBILLBACK DIVISION</b>  |                         |                                 |                         |                                 |
| Operating revenue               | 5.4                     | -4%                             | 5.5                     | -2%                             |
| EBITDA                          | 2.3                     | -10%                            | 2.3                     | -7%                             |
| <b>VIRTUAL CABINET DIVISION</b> |                         |                                 |                         |                                 |
| Operating revenue               | -                       | -                               | 2.4                     | -                               |
| EBITDA                          | -                       | -                               | 0.5                     | -                               |

# RECKON GROUP

EBITDA margin %

|                           | 2012         | 2011         |
|---------------------------|--------------|--------------|
| Accounts (including Docs) | 36.7%        | 36.9%        |
| APS                       | 49.3%        | 46.0%        |
| nQueueBillback            | 42.3%        | 45.2%        |
| Virtual Cabinet           | 21.0%        | -            |
| <b>Group</b>              | <b>35.2%</b> | <b>34.7%</b> |

# REVENUE BREAKDOWN

- Recurring Revenue
- Full Product Revenue
- Service Revenue

## Accounts



## Docs (all new product sales)



## APS



## nQueue Billback



# RECKON GROUP

## Cash Flow Highlights - year ended 31 December 2012

|  | 2012<br>\$ MILLIONS | 2011<br>\$ MILLIONS |
|--|---------------------|---------------------|
| (Debt) / Cash                              | (\$9.1)             | \$4.7               |
| Operating cash flow (excluding tax)        | \$30.5              | \$31.4              |
| Tax payments                               | (\$6.5)             | (\$4.6)             |
| Development cost expenditure               | (\$9.6)             | (\$7.4)             |
| Acquisitions / Investments bought and sold | (\$7.2)             | (\$7.3)             |
| Fixed asset acquisitions                   | (\$1.4)             | (\$1.8)             |
| Share buyback                              | (\$7.6)             | (\$1.4)             |
| Dividends paid                             | (\$10.8)            | (\$10.6)            |

# RECKON GROUP

## Cash spend on development

|                   | 2012<br>\$ MILLIONS | 2011<br>\$ MILLIONS |
|-------------------|---------------------|---------------------|
| Capitalised       | \$9.3               | \$7.4               |
| Expensed          | \$1.2               | \$2.3               |
| Existing products | \$10.5              | \$9.7               |
| New products - VC | 0.3                 | -                   |
| Total             | \$10.8              | \$9.7               |

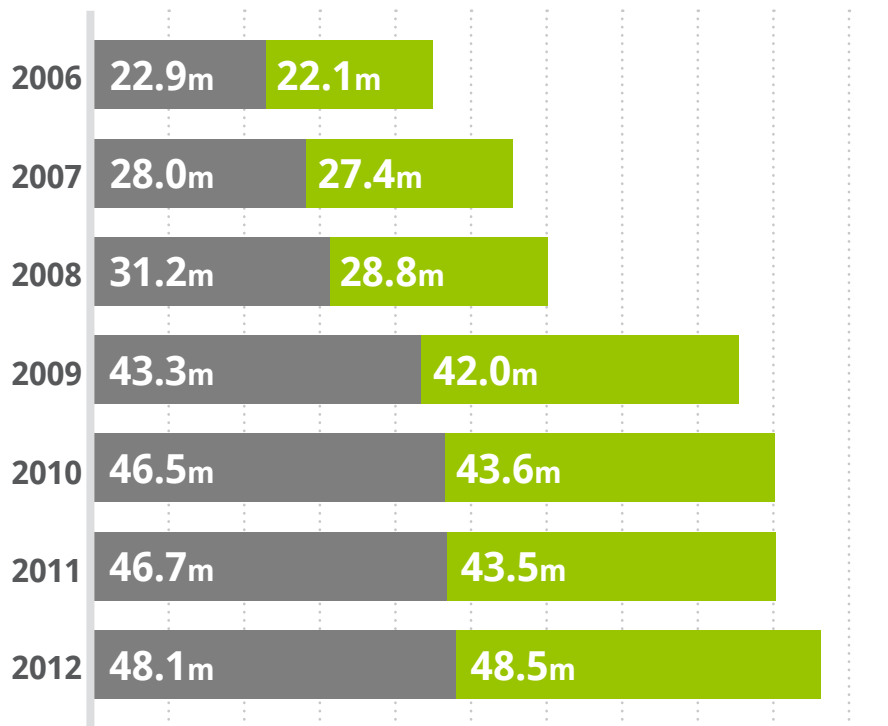
- Development spend remains consistent
- New Saas product (Reckon One) will be ready for launch in a few months. Development almost complete.
- Total amount amortised for capitalised development costs was \$7.3m in 2012 (\$6.1m in 2011)

# GROUP TRENDS

## OPERATING REVENUE

\$ MILLIONS

0 10 20 30 40 50 60 70 80 90 100



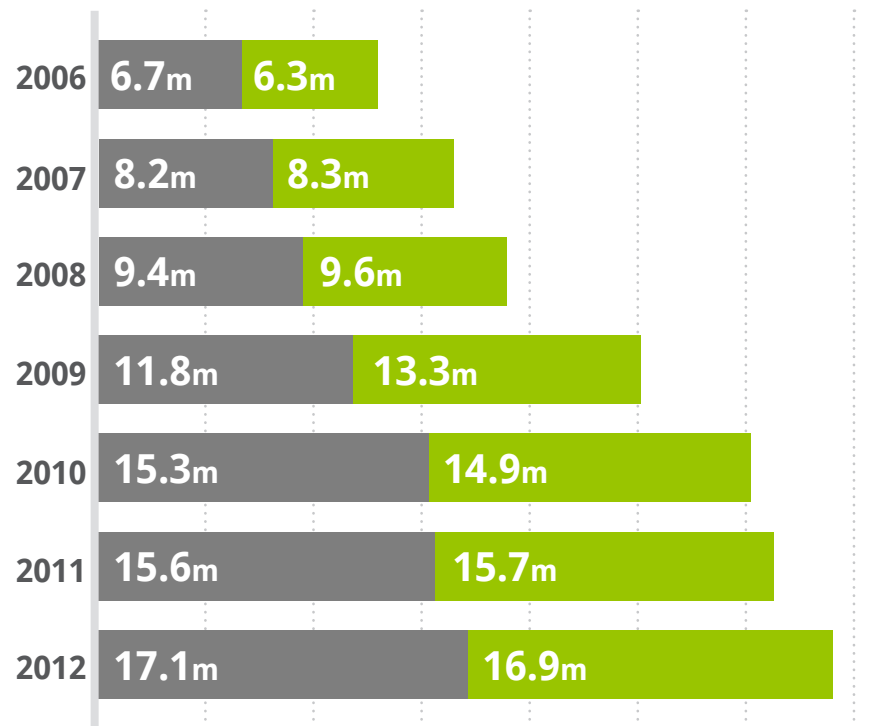
● Half Year

● 2nd Half

## EBITDA

\$ MILLIONS

0 5 10 15 20 25 30 35



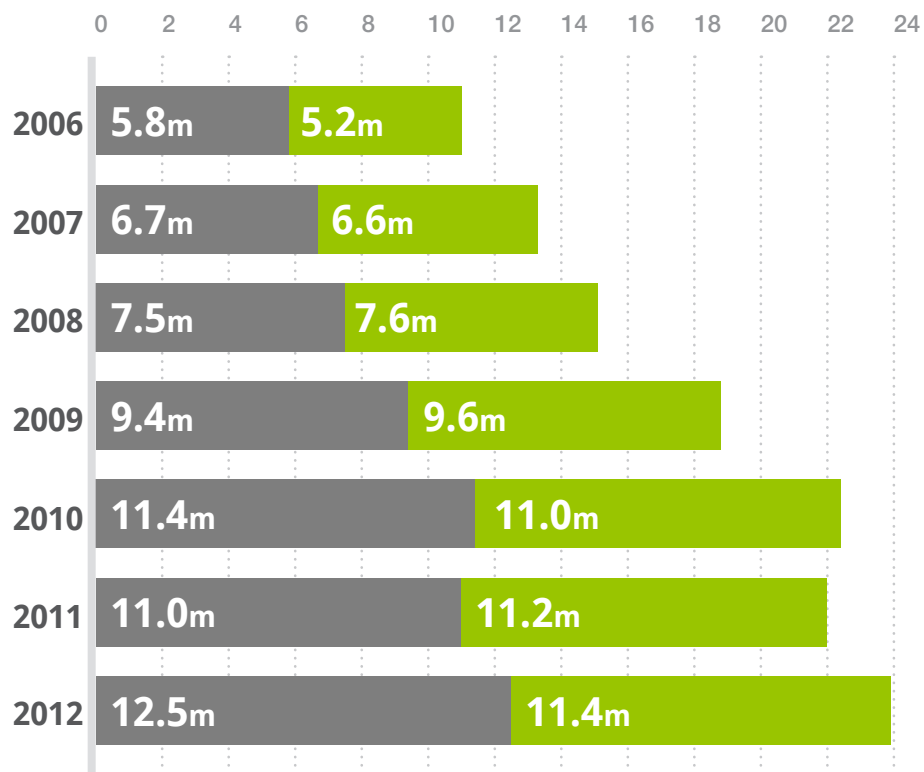
● Half Year

● 2nd Half

# GROUP TRENDS

## NPBT

\$ MILLIONS

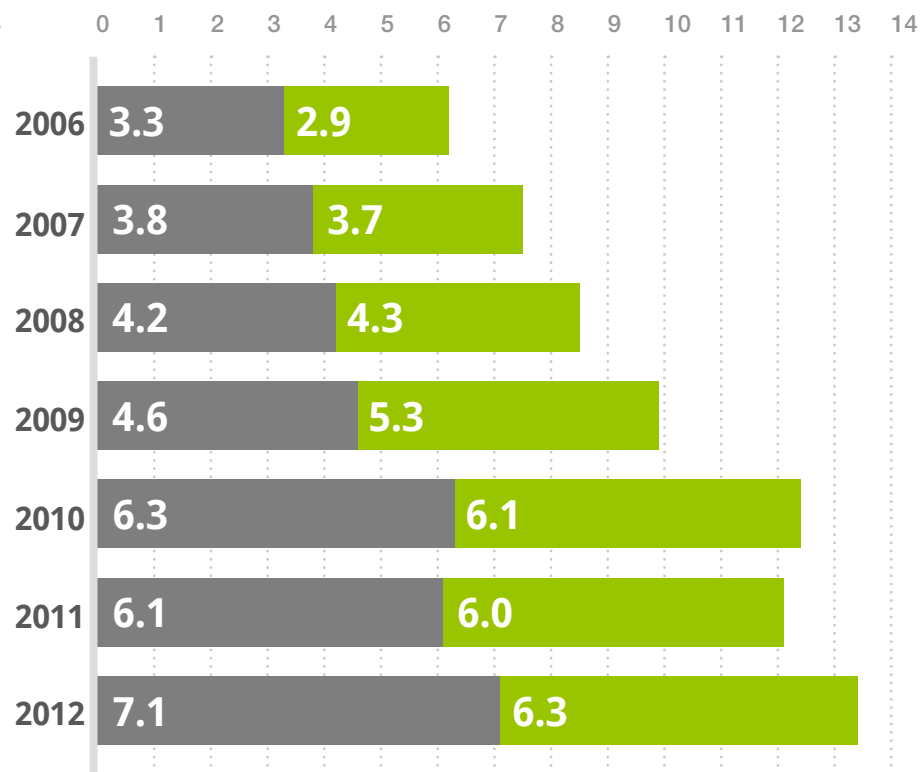


● Half Year

● 2nd Half

## EPS

CENTS



● Half Year

● 2nd Half

# RECKON AUSTRALIA AND NEW ZEALAND

## Accounts

- Direct Revenue grew by 8%
  - Unit growth 18%
  - Price/mix reduction of (10%)
- Hosted products grew 67%
- Enterprise grew 16%
  - Units up 32%
- Retail continues to be a declining market down 36%
- Mix and retail impact expected to reduce over time

## Docs

- Revenue growth of 17%
- Direct sales effort into accounting base continues to contribute to market share growth
- Introducing more products



# RECKON AUSTRALIA AND NEW ZEALAND

## Accounts continued...

- Renegotiated the Intuit distribution agreement to include
  - No royalty payments after Feb 2014
  - Perpetual licence agreement
  - Trade off is our Product Names need to change
  - Have already changed our “Quicken Suite” to Reckon Accounts (September)
    - No effect on product performance since the change
- Established and grown our Direct Sales Team with reducing reliance on Retail
  - Impact on Online, Enterprise and Docs revenue has been very positive
- Expect to release cloud solution in Second Quarter
  - Branded Reckon One
  - Based on the “Designed for You” concept
  - Designed to give SME’s the best Economical Outcome
  - Will be Scalable and Transportable

# RECKON AUSTRALIA AND NEW ZEALAND

## APS

- Revenue growth 8%
- Strong results in both Australia and NZ
- Retained its position as a supplier of choice to top firms built on strong relationships
- Continued acquisition of new clients (market share growth)
- Stepped up rollout of the integrated APS Product Suite from currently 4 products per client to a target of 7 products over the next few years (expected major movers are Company Secretarial, Workpaper Management and Virtual Cabinet)
- Have started roll out of APS Private Cloud
  - Expands addressable market
- UK has been sold to previous CEO. Ongoing revenue in form of royalties

# RECKON INTERNATIONAL

## Virtual Cabinet

- Acquired Virtual Cabinet in the UK which develops and distributes Document Management and Client Portal technology
- 1st 6 months performance as expected
- Continued growth momentum in UK market
- Investment in resources to rollout to Aust/NZ and potentially in the US market
- Rollout of products in Aust/NZ has commenced. Already 7 sites in the region successfully installed

# RECKON INTERNATIONAL

## nQueue Billback

- Strong growth achieved in UK
- Added new clients in USA but average price per new client reduced in 2012
- NQBB development rollout was delayed in 2012 and we expected to rollout a refreshed product in 2013 which will give us incremental sales opportunities
- Minority interest in UK and USA groups acquired
- Legal business in Australia now under NQBB management control

# STRATEGIC FOCUS

- **Reckon Accounts**
  - Lock in the benefit from the profit uplift in 2014 from no more royalties payable to Intuit
  - Complete the rebranding and renaming project
  - Continue to grow sales by building out our direct sales force
- **Release Reckon One into a new and fast growing market segment**
  - Investigate offshore opportunities
- **Continue momentum in APS**
  - Major revenue opportunities from APS Private Cloud & Document Management
- **Drive Virtual Cabinet to meet 2015 targets**
  - They appear to be well on that track
  - Compliment their growth by adding sales from NZ & Australia
  - Consider reseller opportunities

# STRATEGIC FOCUS CONTINUED...

- **Move NQBB into a stronger growth position**
  - **Product refresh should give them new client and cross sell opportunities**
  - **Investigate opportunities for Document Management into the broader US market**
  
- **Reckon's financial strength and proven track record gives our customer and partners confidence that we can continue to lead the market in delivering innovative and high quality products and solutions now and into the future**



Reckon

Questions

thank you