



# Results Presentation

Half Year ended June 2011

QuickBooks®

Quicken®

ReckonElite

ReckonDocs

ReckonOnline®

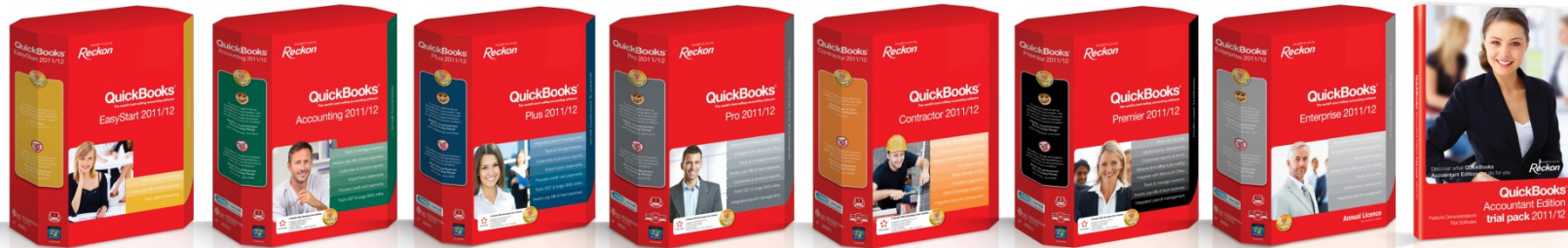
aps  
Accountable Technology

nQUEUE  
BILLBACK

**Reckon**  
Limited



n**QUEUE**  
**BILLBACK**  
Information Accountability

QuickBooks®

Quicken®

ReckonElite

ReckonDocs

ReckonOnline

aps  
Accountable Technology

n**QUEUE**  
**BILLBACK**



## Performance Highlights – Half Year Ended June 2011

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Operating revenue	<b>marginally up to \$46.7m</b>
EBITDA (normalised)	<b>up 8% to \$16.6m</b>
NPAT (normalised)	<b>up 5% to \$9.3m</b>
EPS (normalised)	<b>up 7% to 6.8cents</b>



## Reckon Group – Major revenue movements

	Growth	\$m	\$m
<b>2010 Operating revenue</b>			<b>46.5</b>
<b>Business Division – direct revenue</b>	+10%	1.6	
<b>Professional Division - Australia</b>	+7%	0.7	
<b>Foreign exchange impact</b>		(0.9)	
<b>Business Division – retail revenue</b>	-25%	(0.9)	
<b>New Zealand and United Kingdom</b>	-9%	(0.5)	
<b>Other</b>		0.2	
<b>2011 Operating revenue</b>			<b>46.7</b>



## Reckon Group – EBITDA margin

	2011	2010
Business Division	37.5%	35.5%
Professional Division	46.9%	41.3%
nQueueBillback Division	38.3%	39.2%
Group (normalised)	<b>35.5%</b>	<b>33.0%</b>



## Reckon Group – Normalisation Adjustments

	\$m	\$m
<b>Impact on net profit before tax:</b>		
Premises relocation costs*	(1.9)	
(Expected future annual saving is \$0.5m p.a.)		
Net settlement of Espreon litigation	0.6	
<b>Net impact on NPAT</b>		<b>(0.9)</b>

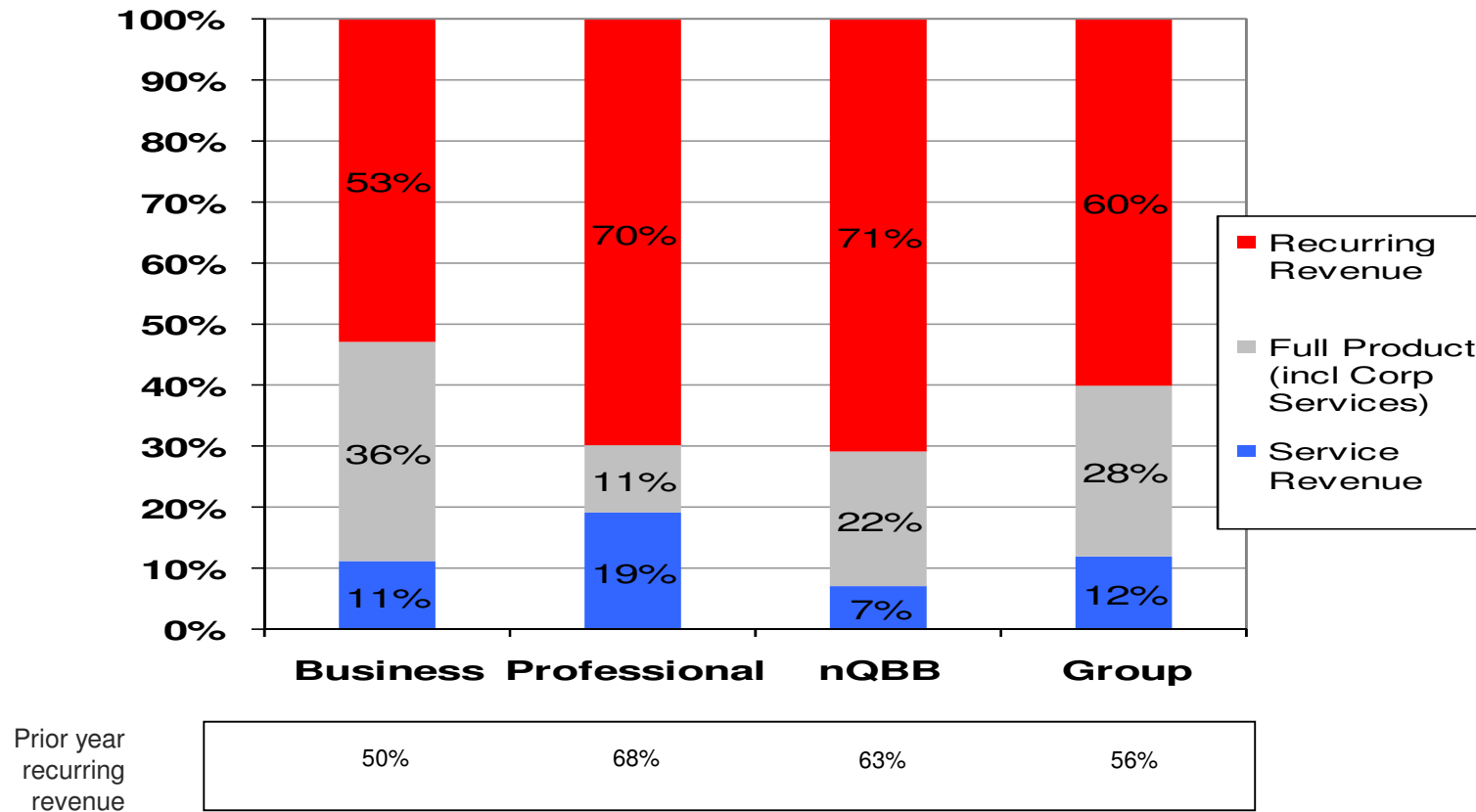
\* The net saving that will arise from the move to North Sydney will more than offset this provision over the life of the lease

## Cash Flow Highlights – 6 months to June 2011

	2011	2010	2009
<b>Cash at June 2011 / Dec 2010</b>	\$3.3m	\$8.1m	
<b>Operating cash flow</b>	\$15.0m	\$15.8m	\$9.8m
<b>Development cost expenditure</b> <i>Amortisation of development costs &amp; IP</i>	\$3.5m \$3.5m	\$3.9m \$3.1m	
<b>Investment in Melbourne IT<sup>1</sup></b>	\$7.3m	-	
<b>Fixed asset acquisitions<sup>2</sup></b>	\$1.3m	\$0.3m	
<b>Treasury shares - long term incentive plan<sup>3</sup></b>	\$1.4m	\$0.4m	
<b>Dividends paid<sup>4</sup></b>	\$6.0m	\$5.3m	

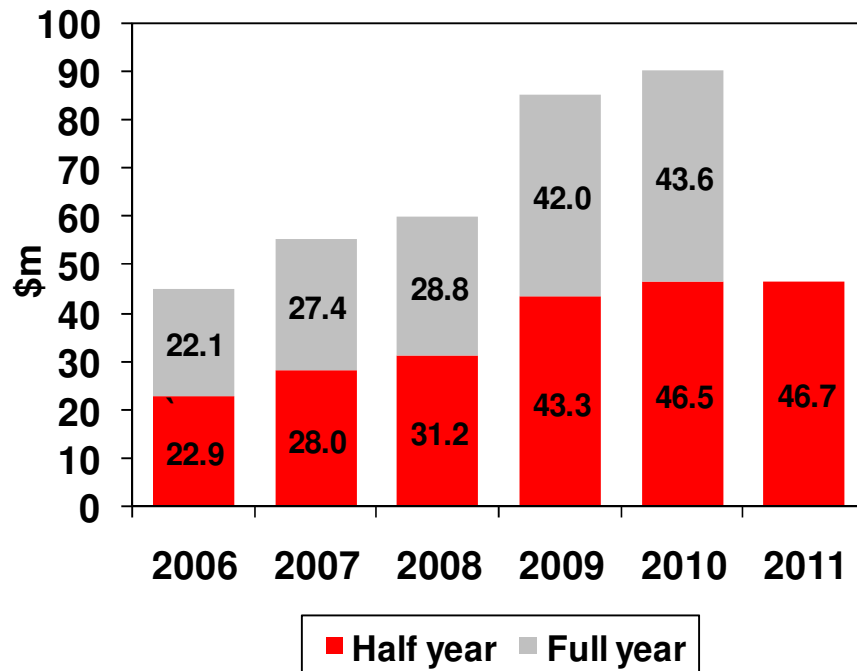
1. No revenue has been booked for this investment in 2011 (incl. nil dividends)
2. Additional spend is due to North Sydney fit out & data centre move
3. Additional spend is due to the very long term incentive plan announced at the AGM (P&L impact is over 7 to 9 years)
4. 2011 interim dividend maintained at 3.5cents (90% franked)

## Revenue Breakdown – 6 months to June 2011

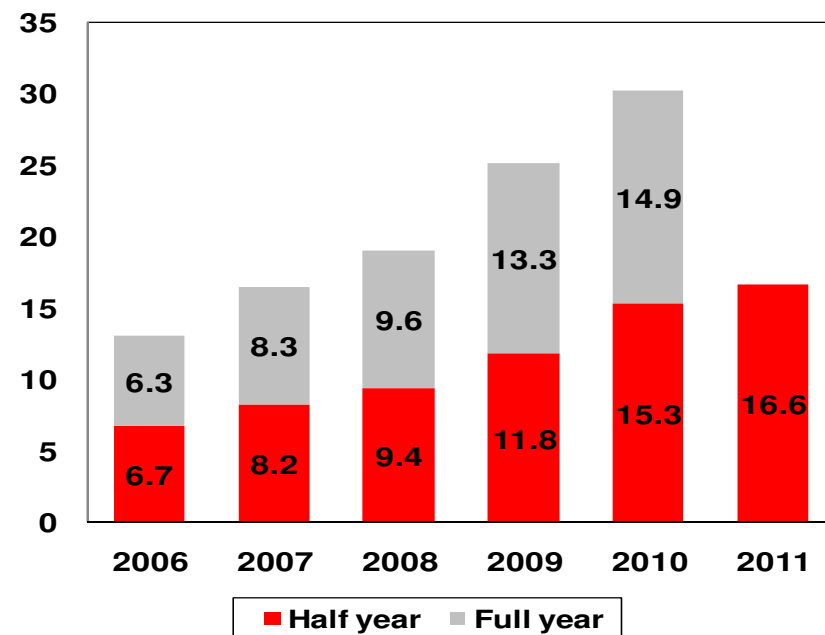


## Group trends

### Operating revenue

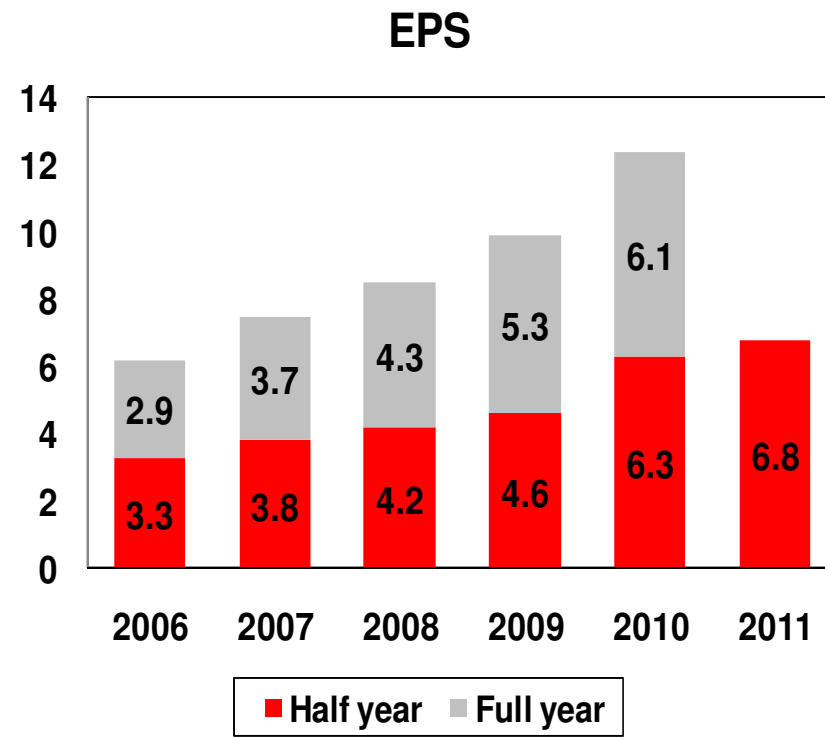
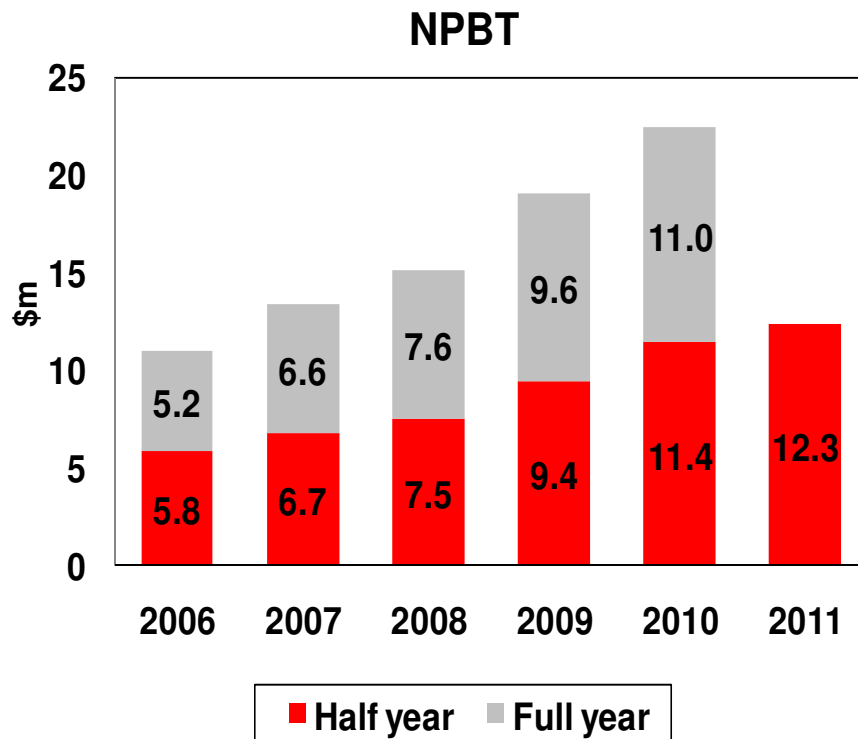


### EBITDA



Note: 2011 normalised

## Group trends



Note: 2011 normalised

## Summary

	<p><b>Revenue growth of 3% to \$29.5m</b>  <i>Represents 63% of Group Revenue</i></p> <p><b>EBITDA growth of 8% to \$11.1m</b></p>	
Product suite	<p>Business software suitable for SME's through to larger enterprises, personal financial software, company secretarial services &amp; practice management software for smaller accounting firms</p>	
Revenue by Market	<ul style="list-style-type: none"> <li>Australia 98%</li> <li>New Zealand 2%</li> </ul>	
Revenue by Channel	<ul style="list-style-type: none"> <li>Direct 88%</li> <li>Retail 12%</li> </ul>	
Revenue by Product Mix	<ul style="list-style-type: none"> <li>QuickBooks/Quicken 56%</li> <li>Corporate Services 26%</li> <li>Elite, Memberships, POS, other 18%</li> </ul>	



Performance	
Divisional revenue	<ul style="list-style-type: none"> <li>Strong unit growth with an ongoing emphasis on expanding the subscription customer base</li> </ul>
Direct QuickBooks and Quicken grew by 10%	<ul style="list-style-type: none"> <li>Volume increase 17% Online &amp; enterprise volume increases were most significant Current number of Online users is twelve thousand</li> <li>Price increase offset by product mix -7% Focus is on subscription products (recurring revenue) at the expense of higher upfront revenue</li> </ul>
Retail reduced by 25%	<ul style="list-style-type: none"> <li>Market share growth, however weaker sell through in channel and de-stocking impact</li> </ul>
Corporate Services grew by 3%	<ul style="list-style-type: none"> <li>Company formations grew by 5% (market grew by 4%)</li> <li>Superannuation and trust services revenue reduced due to investment uncertainty/weaker self managed superannuation market</li> </ul>
Other products grew by 4%	<ul style="list-style-type: none"> <li>Professional partner membership revenue grew by 10%</li> <li>New Zealand revenue down, impacted by FX rates, weak economy and no significant tax changes in 2011</li> <li>Elite grew by 16%</li> </ul>

## Opportunities

- Expectations remain for continued strong and steady growth to be maintained in our core products, driven in particular by:
  - High growth rates in the enterprise space
  - High growth rates in online users
  - Continued growth in traditional desktop offerings
  - Annual price increases
  - Offsetting reduced average sell price as we move more towards a subscription model
- Reckon developed online CashBook has been launched targeting entry level users
- Expanded online offerings/features, such as
  - GovConnect
  - Exchange Hosting
  - Web Hosting
  - Domain names
- Focus on harnessing the APS relationships and expanding professional partner recommendations
- Improved economic conditions – Retail, Corporate Services and New Zealand markets

### Summary

	<p><b>Revenue growth of 2% to \$12.8m</b> <i>Represents 28% of Group Revenue</i></p> <p><b>EBITDA growth of 16% to \$6.0m</b></p>
Product Suite	<p>Extensive suite of enterprise level practice software for accounting firms</p> <p>Cost recovery software, print solutions, expense management solutions and other related modules targeted specifically to the legal profession in Australia only</p>
Revenue by Market	<ul style="list-style-type: none"> <li>• Australia 78%</li> <li>• New Zealand 16%</li> <li>• United Kingdom 6%</li> </ul>
Revenue by Product Mix	<ul style="list-style-type: none"> <li>• Maintenance 70%</li> <li>• Consulting 19%</li> <li>• Software 11%</li> </ul>



Performance	
Divisional revenue	<ul style="list-style-type: none"> <li>30% of revenue derived from new customer sales/additional module rollout, despite difficult market conditions</li> </ul>
Australia	<ul style="list-style-type: none"> <li>Australia has had a strong first half with the following features:               <ul style="list-style-type: none"> <li>New revenue (software &amp; consulting) up 8%</li> <li>Maintenance revenue up 7%</li> <li>EBITDA up 30%</li> </ul> </li> </ul>
New Zealand	<ul style="list-style-type: none"> <li>New Zealand has had a weaker first half with the following features:               <ul style="list-style-type: none"> <li>Revenue down by 4% in base currency</li> <li>Revenue impacted by adverse FX rates (further 5% impact)</li> </ul> </li> </ul>
United Kingdom	<ul style="list-style-type: none"> <li>United Kingdom has had a weak first half with the following features:               <ul style="list-style-type: none"> <li>Revenue down by 12% in base currency</li> <li>Revenue impacted by adverse FX rates (further 8% impact)</li> </ul> </li> </ul>

## Opportunities

Australia	<ul style="list-style-type: none"> <li>• Strong pipeline going into 3<sup>rd</sup> Quarter</li> <li>• New products gaining traction – average client only has 3 to 4 modules out of a possible 14</li> <li>• Lite product expands the addressable market</li> </ul>
New Zealand	<ul style="list-style-type: none"> <li>• Large project for new Big 4 client will improve 2<sup>nd</sup> half results</li> <li>• New products gaining traction</li> <li>• Lite product expands the addressable market</li> <li>• Improved economic conditions</li> </ul>
United Kingdom	<ul style="list-style-type: none"> <li>• Large project for new Big 4 client will improve 2<sup>nd</sup> half results</li> <li>• New products gaining traction</li> <li>• Greater focus on existing clients and their growth</li> <li>• Improved economic conditions</li> </ul>
All Countries	<ul style="list-style-type: none"> <li>• Continued maintenance revenue growth</li> <li>• Online/mobility offerings</li> <li>• Hosted solutions</li> <li>• Potential for Intuit distribution arrangement</li> </ul>

## Summary

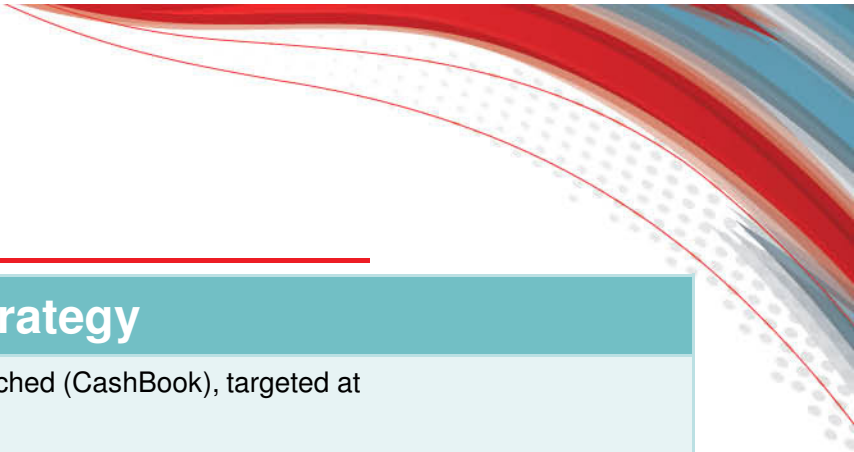
	<p><b>Revenue down by 16% to \$4.3m (down by 4% in base currency)</b>  <i>Represents 9% of Group Revenue</i></p> <p><b>EBITDA down by 18% to \$1.7m</b></p> <p>Reckon holds a 74% shareholding in the USA and 75% in the UK</p>
Product suite	<p>Cost recovery software, print solutions, enhanced scan solutions, expense management solutions and other related modules historically targeted at the legal profession</p> <p>Expense management solutions and print management applications targeted at corporations to drive cost reductions within these organisations</p>
Revenue by Market	<ul style="list-style-type: none"> <li>• USA 79%</li> <li>• UK 21%</li> </ul>
Positioning	<p>Historically targeted at the legal profession, and as such is strategically placed in the top 200 law firms in the USA with a 35% market share, along with a significant share of the top tier UK based firms</p>

## Performance

Divisional revenue	<ul style="list-style-type: none"> <li>29% of revenue derived from new customer sales/additional module rollout, despite difficult market conditions</li> </ul>
United States of America	<p>Flat first half:</p> <ul style="list-style-type: none"> <li>Revenue up by 1% in base currency</li> <li>Revenue impacted by adverse FX rates (negative 14% impact)</li> <li>Continued migration from a hardware solution to a software solution (adverse revenue impact, but improves margin %)</li> <li>Solid history of client retention continues</li> <li>Q1 orders were strong, however slowed in Q2</li> <li>Legal market generally showing interest but slow to place orders</li> <li>First commercial customers signed</li> </ul>
United Kingdom	<p>Weak first half:</p> <ul style="list-style-type: none"> <li>Revenue down 18% in base currency</li> <li>Revenue impacted by adverse FX rates (further 7% impact)</li> <li>Continued migration from a hardware solution to a software solution (adverse revenue impact, but improves margin %)</li> <li>Transitioned to new management team with deep legal industry experience, and re-positioned business for growth</li> </ul>

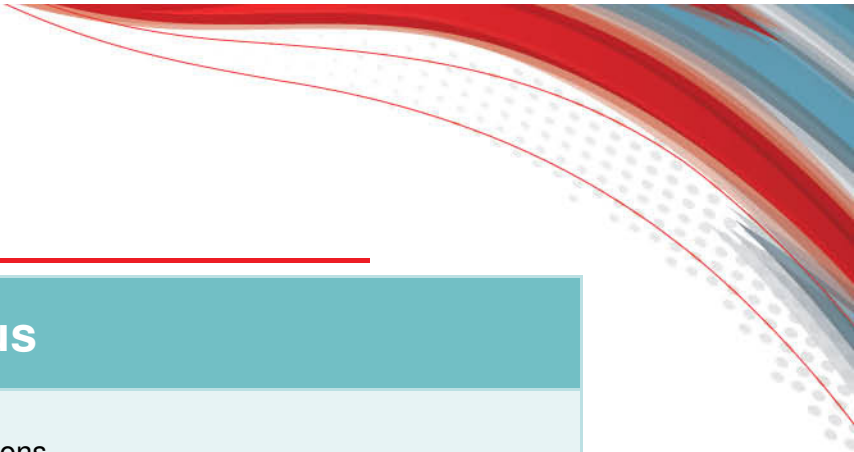
## Opportunities

<p>United States of America</p>	<ul style="list-style-type: none"> <li>• Continued gain in market share</li> <li>• Prospects in the commercial market are building (including through reseller channel)</li> <li>• Expanded geographies/sales team</li> <li>• Mid sized legal market as yet untapped</li> <li>• Cloud based solutions for print capture</li> <li>• Pipeline remains strong</li> </ul>
<p>United Kingdom</p>	<ul style="list-style-type: none"> <li>• Strong pipeline and orders taken in 2nd Qtr are expected to turn the performance around in second half</li> <li>• Expanded geographies (currently London centric) e.g. new clients signed in the broader UK market and South Africa. Asia also being explored.</li> <li>• Improved economic condition</li> </ul>



## Group Online Strategy

<p>Personal &amp; Micro Businesses</p>	<ul style="list-style-type: none"> <li>• A new online offering has just been launched (CashBook), targeted at             <ul style="list-style-type: none"> <li>• Micro Businesses</li> <li>• Personal users</li> </ul> </li> <li>• Features Simplicity, automatic feed of bank transactions and GovConnect (enables integrated, efficient and accurate lodgement of tax and other government forms)</li> <li>• Online and offline capability</li> </ul>
<p>Business products</p>	<ul style="list-style-type: none"> <li>• Hosted QuickBooks has been in the market for just over 1 year             <ul style="list-style-type: none"> <li>• Fully featured accounting software</li> <li>• No learning process required when moving from our desktop products</li> <li>• Includes GovConnect - enables integrated, efficient and accurate lodgement of tax and other government forms</li> <li>• Coming Soon – Automatic feed of bank transactions</li> </ul> </li> <li>• Online offerings, such as             <ul style="list-style-type: none"> <li>• Exchange Hosting</li> <li>• Web Hosting</li> <li>• Domain names</li> </ul> </li> </ul>
<p>Practice Management for Accountants</p>	<ul style="list-style-type: none"> <li>• Soon to be released APS Enterprise Hosted Service             <ul style="list-style-type: none"> <li>• No additional training required when moving from our on-premise solution</li> <li>• Reduces client overhead and complexity of managing IT in house</li> </ul> </li> <li>• Many current APS modules are well suited for conversion to online. Applications which are/will shortly be available are:             <ul style="list-style-type: none"> <li>• Business intelligence modules</li> <li>• Time capture</li> <li>• Mobility solutions</li> </ul> </li> </ul>



Strategic focus	
<p><b>Organic growth remains the key focus for the group</b></p>	<ul style="list-style-type: none"> <li>• Opportunities continue to exist in:               <ul style="list-style-type: none"> <li>• Online products across all divisions</li> <li>• Market share growth and market expansion</li> <li>• Rollout of existing products to existing customers</li> </ul> </li> </ul>
<p>Intuit</p>	<ul style="list-style-type: none"> <li>• Development MOU with Intuit has been signed               <ul style="list-style-type: none"> <li>• Joint development of the APS Lite product</li> <li>• To be distributed in Australia/NZ by Reckon</li> <li>• To be distributed in other markets by Intuit</li> <li>• Opportunity contingent on reaching development and marketing milestones in order for Intuit to progress to market</li> <li>• Allows us to target new market segments and new geographies</li> </ul> </li> </ul>
<p>Melbourne IT</p>	<ul style="list-style-type: none"> <li>• Distribution arrangement being developed to take Melbourne IT products to Reckon customers               <ul style="list-style-type: none"> <li>• Increased revenue received from customers taking up the products</li> <li>• Differentiated website/ e-commerce/ e-marketing solutions through tight integration with QuickBooks</li> <li>• Reckon one stop shop to make setting up a company/business easier</li> <li>• Improved efficiency in small business</li> </ul> </li> </ul>
<p>Acquisitions and Share Buy Back</p>	<ul style="list-style-type: none"> <li>• There currently appears to be limited opportunities to make suitable acquisitions at reasonable prices and hence Reckon will commence buying back its shares on market</li> <li>• This position will be re-evaluated if acquisition opportunities arise or circumstances change</li> </ul>



Questions

Thank you