



**Reckon**  
APS | Quicken

# Reckon Ltd 6 months to June 2006

Clive Rabie - Group CEO  
Greg Wilkinson - Deputy Chairman  
Chris Hagglund - Group CFO  
Gavin Dixon - Quicken CEO  
Brian Armstrong - APS CEO



# Group Financial Highlights

## 6 months to June 06

- Operating revenue up 6%
- EBITDA up 20%
- NPAT up 27%
  - Acquisitions contribute 12%
  - Underlying business up 15%
- EPS up 33%
- Interim dividend of 2 cents



# Cashflow Highlights

## 6 months to June 06

- Cash Balance \$10m
- Cash Flow from Operations \$4.7m
  - Working capital requirements in 2<sup>nd</sup> half significantly lower
- Acquired Elite – Cash
- Acquired Desktop Super – Cash
- Share buy back of 5% (Jan '06)
- 2005 Final dividend of \$2.6M (Mar'06)
- Small parcel buy back



# Margins

## 6 months to June 06

	2004	2005	2006
EBITDA (pre R&D and Royalties)	7.0m	8.9m	10.0m
Margin	37%	40%	43%
EBITDA	4.3m	5.5m	6.7m
Margin	23%	25%	29%
NPAT	4.0m	3.4m	4.3m
Margin	21%	15%	19%
Effective tax rate	4%	35%	25%
(Full year tax rate expected to be maintained at 25%)			



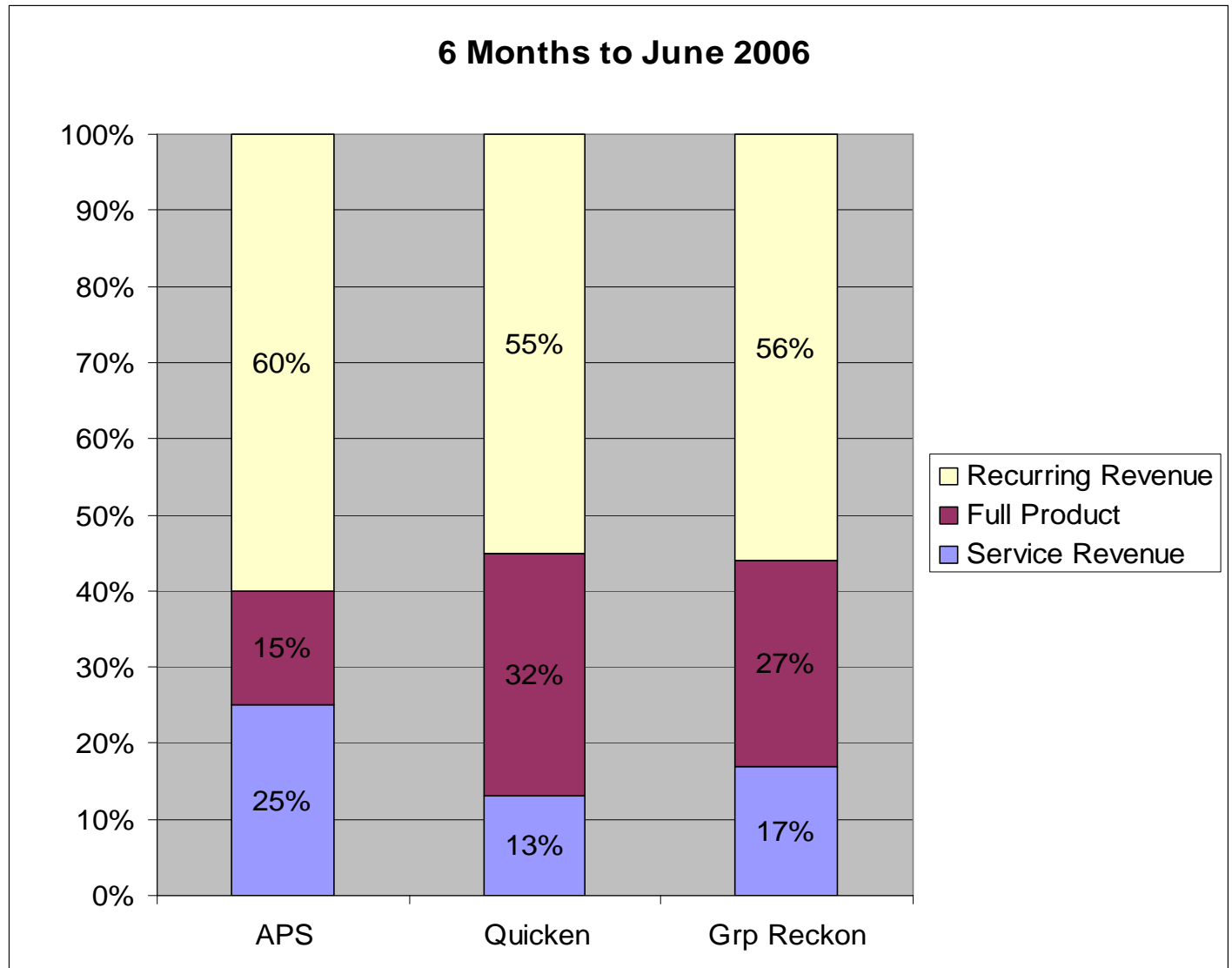
# Earnings Per Share

	2004	2005	2006
EPS (basic)	2.9c*	2.5c	3.3c
EPS Growth			33%

\* Minimal tax expense in 2004

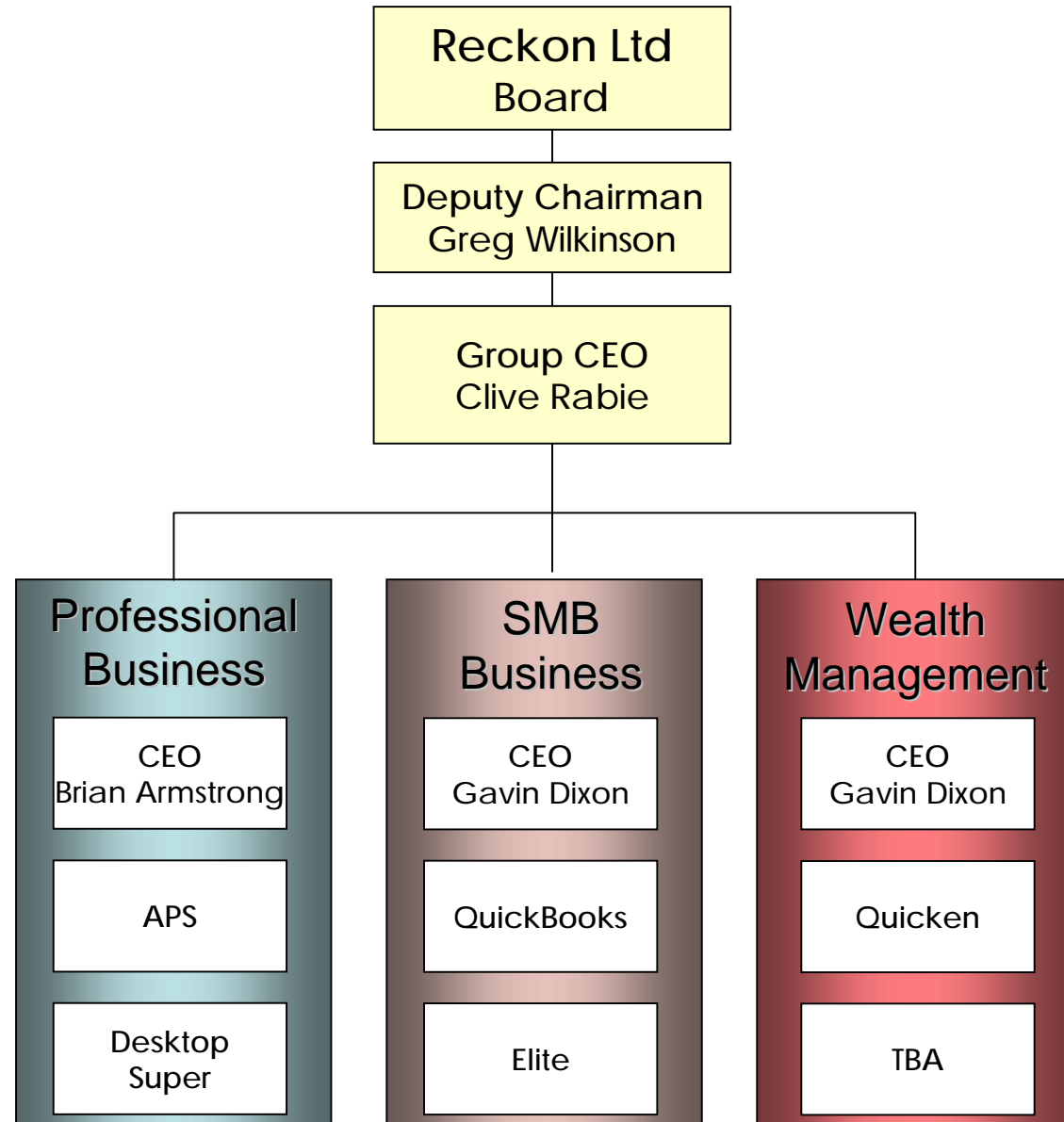


# Revenue Breakdown





# Group Structure





# Group Structure

- **Professional (full service model)**
  - Practice management
  - Tax management and statutory accounting tools
  - CRM, document storage and other modules for professional firms
  - Desktop Super
- **SMB Business Division**
  - QuickBooks
  - Payroll
  - POS
- **Elite**
  - Practice management
  - Tax return and other tools for professional partners
- **Wealth Management**
  - Quicken personal products



# APS Performance

**Sales growth of 3%**

**NPBT growth of 37%**

- Recurring revenue.. up 25%
- Maintenance revenue in underlying business up 22%
- Reflects impact of the take up of full product suite by clients
- Desktop Super contributes 3% of growth
  
- Added 49 new firms in 6 months
- New business & Service revenue.. down 19%
- Resources constrained in consulting division
- Rollout of document management product impacts new business invoicing
  - Increased maintenance revenue in future periods
- Strong order book for second half, without resource constraints
- Extended selling season this year
- New product rollout in second half
  
- Operating expenses well contained
- Turnaround in the UK



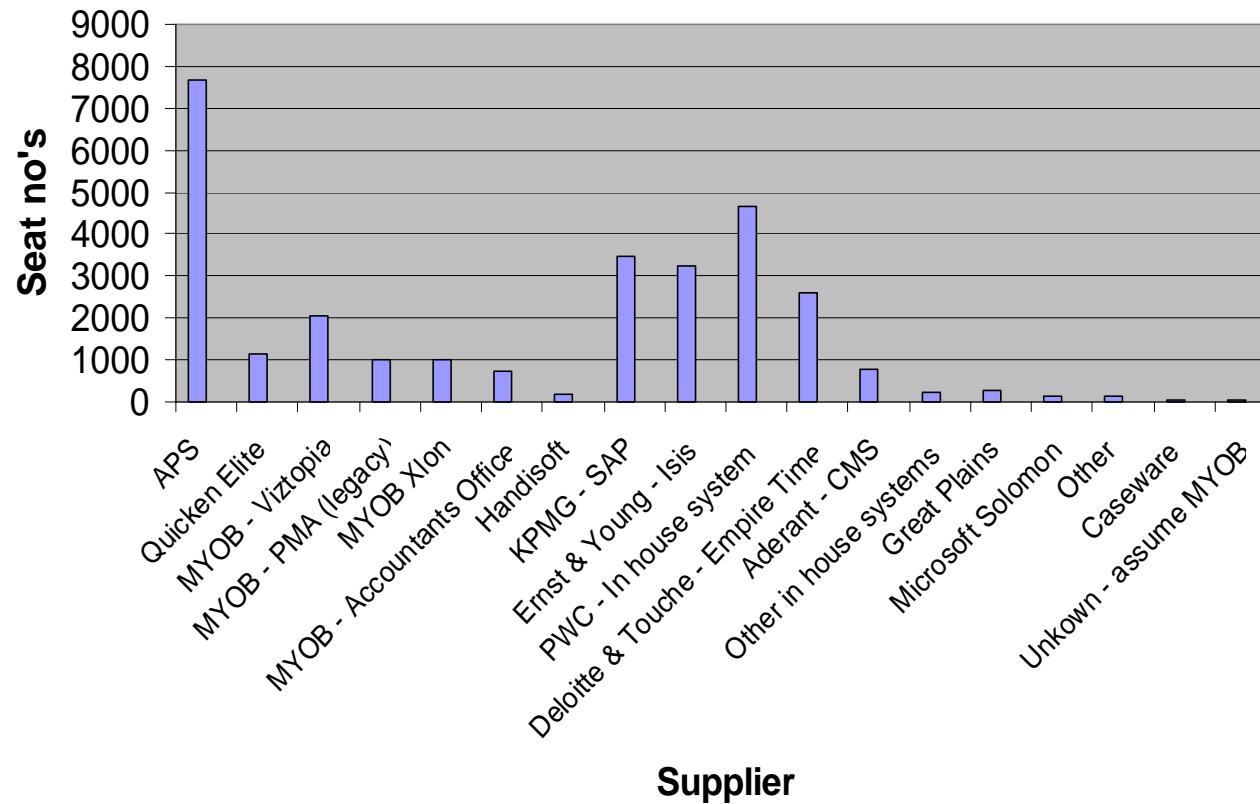
# Professional Business

- **Australia - Reckon Surveyed the top 100 firms**
  - Represents 29,400 Practice Management Software Seats
    - 48% - Big 4 – 14,000 users (in-house / international systems)
    - 30% - APS/ Elite – 8,802 seats (57% excluding Big 4 )
    - 22% - Other Suppliers including Handisoft, MYOB and some smaller systems
- **Australia - Balance 9,510 firms (Australian Bureau of Statistics)**
  - 29% - APS Foundation & Elite – 2,730 firms
- **New Zealand**
  - 66% - NZ top 100 firms
- **United Kingdom**
  - 15% - UK top 100 firms



# Practice Management Software in top 100

## BRW Top 100 user count





# Professional Growth Strategies

- Continued high uptake of full product suite by Top 100 clients
- Positioning
- New products
- Client management
- Building platforms to support Advanced Growth
- Other collaborative software applications
- Building Interwoven Document Management capability (to support high growth and uptake in this area)
- Systems and processes – improve efficiencies

# Current Framework



# Opportunities Professional Business

- New release of Practice Management & Fees
- Expand managed service offering
- Top 300 firms growth to continue
- New .Net Tax release in 2007
- Desktop Super
- Document and Content management solutions
- Expand collaborative product offering





# Quicken Performance

**Sales growth of 7%**

**NPBT growth of 8%**

– Direct

- Recurring & Service revenue - up 15%
- Elite contributes 8% of growth
- Underlying business up 7%

– Retail

- Market up by 4% to July'06\*
- Quicken retail growth 11% to July'06\*

Not yet reflected in sales to stores by June'06

\*Source: GfK Australia


- Sales to retail - down 6%

– Operating expenses well contained

– Amortisation expense increases by \$0.4m



# SMB Business

- **Comprises:**
  - 400,000 registered users
  - 5,300 professional partners
- **Successful launch of 2006/07 product**
- **Only new product launch in SMB space in this half**
- **Relaunch of professional partner program**
- **Awards**
  - 
- **Elite**
  - 2300 clients
  - Comprehensive range
  - Easy to use and install software



# Quicken Strategic Advances

- **Leverage Intuit R&D Investment of USD 300m p.a.**  
Significant new product features delivered year on year. For Example:
  - **Re-engineered to use SQL Database providing:**
    - Hugely improved scalability
    - Broader market reach
    - Stronger customer retention
  - **Refreshed User Interface**
    - Improved end user productivity
  - **“Vista Ready”**
    - Able to leverage new Microsoft Operating System
  - **Seamless integration with Internet**
    - On-line backup to Class A data centres
    - Support for electronic supply chain collaboration



# Opportunities SMB Business

- Roll out Elite to professional partner group
- Practice Management Software offering to the full professional market
- Continued double digit organic growth



# Foundation for future Growth

- **Organic growth continues**
- **Strong balance sheet**
- **Substantial cash holdings**
- **CEO for Quicken business – focus on growth**
- **New acquisitions bedded down and contributing above expectations**
- **Wealth Management opportunities**
  - 80% market share of personal finance management software in retail
  - 290,000 registered users
  - Strong focus on expanding offering in this category



**Thank you**