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Reckon quickens the pace on growth

Mandy Bryan

Thanks to its latest acquisition, financial software company Reckon is poised for revenue growth of up to 60 per cent this year and has announced plans to share the spoils with shareholders in a 3¢ a share return of capital.

The news sent the stock soaring by 7 per cent to 90¢ yesterday, providing yet another boost for investors, whose shares have more than tripled in value since June.

Reckon, which holds the local rights to the Quicken accounting software, announced a full-year net profit to December 31, 2003, of \$5.34 million, up from \$2.27 million

KEY POINTS

- Reckon's shares have tripled in value since June.
- Small business demand for its software is driving growth.

in the previous year, and a 4.9 per cent rise in revenue to \$24.69 million.

Like its rival MYOB, Reckon has benefited from strong demand for software in the small-business sector, a trend that looks set to continue, according to Reckon chief executive Greg Wilkinson. "We have had a very good start to the year," he said at an industry briefing.

As a result, Reckon is expecting to book revenue of up to \$40 million this year, based on its growth forecasts of between 50 per cent and 60 per cent. Its profits could reach \$8 million if it achieves the forecast growth.

Chief operating officer Clive Rabie said Reckon's estimates were deliberately conservative. "We might have had a nice start to the year, but who knows what's around the corner," he said.

Reckon has also strengthened its cash position: it had \$15.37 million cash in the bank at the end of the year compared with \$12.07 million in the previous year.

Although the company is not declaring a dividend, the capital

return represents a tax-free bonus for shareholders. It was part of a cash management strategy, rather than a payment out of profit, Mr Rabie said. It will be put to a shareholder vote as a special resolution at Reckon's annual meeting in May.

Mr Rabie said revenue growth would be buoyed this year by the inclusion of results from Advanced Professional Solutions, the fast-growing practice management software maker it acquired late last year.

APS has been making inroads into the top-100 accounting firms, an area traditionally dominated by Solution 6, a listed company in which Reckon's rival MYOB recently took a 12.7 per cent stake.

Organic growth is also predicted, with the release of a new version of APS software in April or May targeting the 5000 or so smaller accounting firms, Mr Wilkinson said.

Reckon was targeting more organic growth from new industry-specific flavours and add-on products, such as customer relationship management, to its QuickBooks software, he said.

Reckon would also be targeting larger companies, with up to 250 staff, with an enterprise version of QuickBooks. It is a market that is becoming increasingly crowded, with large companies like SAP, Microsoft and Oracle also setting their sights there.