

Reckon delivers strong first half financial results

Revenue growth of 16%, EBITDA growth of 21%, and NPAT growth of 35%

Reckon Limited (“Reckon” or the “Company”) (ASX: RKN) is pleased to report that it has delivered impressive growth across revenue, EBITDA and NPAT. The acquisition of Cashflow Manager in January 2025 supplemented the solid organic growth in the Business Group, and the Legal Group delivered subscription revenue growth of 18% over HY24 with a doubling of subscription revenue for the Billing Workflows product lines.

Reckon One, the Business Group's proprietary cloud-based product, underpinned the Business Group's growth producing a 26% improvement in revenue over the prior period and proving the Company's strategy of continued investment in Reckon One and its mobile-based products while managing the transition of its legacy product customers to Reckon One.

Financial highlights:

- Group revenue of \$33m, up 16% on the previous corresponding period (PcP)
- EBITDA up 21% on PcP to \$14m
- NPAT of \$4m, 35% up on PcP
- Group operating cash flow after capitalised development costs increased from \$4.3m in PcP to \$6.2m in HY25
- Net debt of \$4.8m compared to Net debt of \$2.9m at 31 December 2024 after the acquisition of Cashflow Manager
- Fully franked dividend of \$0.025 per share

Operational highlights:

- 8% uplift in cloud revenues for the Business Group driven substantially by growth in Reckon One revenue
- Cashflow Manager integration completed and performing in line with expectations
- Legal Group subscription revenue growth of 18% to \$6.6m
- \$7.7m invested in cloud-based product development to capitalise on growth opportunities in both business units

Management commentary:

Reckon Group CEO, Mr Sam Allert said: “We are very pleased with our first half results, as we continue with our plan to generate stable cash flows from our well-established Business Group, providing us the flexibility to invest in high growth opportunities such as nQ Zebraworks, our US and UK focused Legal Group, as well as the continued investment in our Reckon One cloud-based products. Our strong balance sheet provided the means to acquire Cashflow Manager at the commencement of HY25, a welcome addition to our financial performance and adding approximately 20,000 new SME clients.

“Within the Business Group, the sales for Reckon One was a significant achievement with the increase in revenue per user in our proprietary cloud-based products providing substantially all organic revenue growth in the Business Group. Users of Reckon One and our mobile-based cloud products represent approximately 20% of our subscription revenue base within the Business Group and we have only scratched the surface on the opportunity to transition our legacy product users to Reckon One. We know that our migration of all clients from our legacy products to our Reckon One product will have challenges, but the performance of Reckon

One is very encouraging for what will be a multi-year process and reinforces the value that the Company's accounting and payroll solutions deliver for our customers and all SMEs.

"At the end of 2024, together with other shareholders of nQ Zebraworks, we agreed to contribute to a US\$4.5 million funding of the Legal Group, trading as nQ Zebraworks, for it to pursue growth in its Billing Workflows products. HY25 saw growth in subscription revenue, particularly in the primary focus area of the Billing Workflows products, and the Legal Group finished the half year with a solid backlog and pipeline for the second half of 2025. The Legal Group continues to present considerable upside opportunity for Reckon, given the size of the addressable market in the US and UK and the quality of our customers.

"We have continued our track record of rewarding shareholders with healthy dividends, and we maintain our intention is to pay one dividend annually at a healthy yield based on the current share price."

Financial commentary and operations overview:

Group revenue was \$33.0m, up 16% on the previous corresponding period (PcP) and up 5% excluding the contribution from the acquisition of Cashflow Manager. The group remains committed to its core strategy of generating consistent growth in revenue and net profit supported by an ongoing priority on R&D spending.

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) during H1 was \$14.1m, up 21% on the PcP (up 8% excluding the contribution from the acquisition of Cashflow Manager). Group Net Profit After Tax (NPAT) was \$4.2m, up 35% on the PcP (up 12% excluding the contribution from the acquisition of Cashflow Manager).

Group operating cashflow after development costs improved to \$6.2m (PcP: \$4.3m). The acquisition of Cashflow Manager impacted cash flow in the amount of (\$7.4m) leaving Reckon to end the half with a net debt position of \$4.8m (net debt of \$2.9m at FY24).

The Company declared a 2.5 cent fully franked dividend for the half, payable on 2 September 2025 with a record date of 15 August 2025 and ex-date of 14 August 2025. For the foreseeable future, the Board anticipates paying one dividend annually following the half year.

Cloud-based subscription revenue for the Business Group grew by 8% compared to HY24 to \$14.0m. Reckon One contributed \$4.4m to total cloud-based subscription revenue compared to \$3.5m for HY24.

In total, subscription revenues from desktop and cloud-based products contributed 94% of total revenues for the division at \$24.6m for the half, with Cashflow Manager contributing \$3.0m to this result.

The EBITDA margin for the Business Group was 53% for the half and 34% after adjustment for development costs. Development costs remained stable at \$5.0m (\$4.8m PcP).

Subscription revenue growth for the Legal Group was 18% (13% in constant currency). nQ Zebraworks continued to pursue topline growth for its product lines in the lucrative US legal market, with the focus on the Billing Workflows products. Management estimates the current serviceable addressable market in the United States for Billing Workflows to be 53K attorneys, with sales to date comprising approximately 4.4K attorneys, with 2.2K installed by HY25.

nQ Zebraworks continues to serve five of the largest US law firms and has a unique opportunity to leverage its footprint and deliver ongoing organic revenue growth.

nQ Zebraworks' strategy is being spearheaded by a highly regarded on-ground management team with a successful track record of developing and distributing Practice Management software in the US market.

Segment performance:

Business Group

- Cloud revenue up by a further 8% on PCP, representing 54% of the division's HY revenue.
- H1 revenues of \$26.1m. Revenue of \$23.0m compared to \$22.4m for the PcP on a like for like basis (excluding Cashflow Manager).
- Comprising 94% subscription revenue.
- EBITDA of \$14.0m. EBITDA of \$12.6m compared to \$12.3m for the PcP on a like for like basis (excluding Cashflow Manager).

Legal Group

- H1 subscription revenues of \$6.6m, up 18% from PcP (13% in constant currency).
- Increase in EBITDA to \$1.4m including \$0.5m from the final USA Federal government COVID stimulus receipt (EBITDA \$0.7m PcP).
- Supported by the Company, the Legal Group continued its investment in Billing Workflows products, including integrations with additional financial management systems Elite 3E and Aderant, with capitalised development costs of \$2.7m for the HY (\$2.2m PcP).
- nQ Zebraworks serves 12 of the top 20 law firms globally and 40% of the AmLaw 200 in the USA.

AUTHORISED FOR RELEASE BY THE BOARD OF DIRECTORS OF RECKON LIMITED

About Reckon:

Reckon is an Australian listed software company (ASX:RKN) that provides world class software for Start Ups, sole traders, SMEs, accountants, bookkeepers, and lawyers. The company has offices in Australia, New Zealand, UK and the USA.

Reckon currently operates two divisions:

1. Business Group: provides accounting and payroll software for small to medium sized businesses and personal wealth management software branded as Reckon One, Reckon Mobile and Reckon Accounts Hosted, Reckon Accounts Business, Reckon Accounts Personal and Cashflow Manager.

The Business Group operates in Australia and New Zealand.

2. The Legal Group operates under the nQ Zebraworks brand. nQ Zebraworks is a document and billing workflow company that leverages the power of its Zebraworks cloud-based integration platform to deliver digitalisation, billing and collections automation, cost recovery and analytics solutions for law firms and government and corporate legal departments.

nQ Zebraworks products are its server-based Document Workflows products across scan, print, document workflow, and cost recovery systems together with its cloud-based Billing Workflows technology providing the billings workflow solution, BillingQ and business intelligence tool, DataQ together with online payments through PayQ.

nQ Zebraworks is based in the USA with additional operations in the United Kingdom and re-sellers in other parts of the world.

For further information, please contact:

Mr. Sam Allert
Group CEO
Reckon Limited
(02) 9134 3310

Mr. Chris Hagglund
Group CFO
Reckon Limited
(02) 9134 3360