

# Information

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## Final reckoning has no nasty surprises

Julian Bajkowski

Accountancy and financial software company Reckon has shrugged off economic turbulence to hand its defensive investors a solid 14 per cent increase in profit, an improved dividend payment and a forecast for further growth for the coming year.

In its full-year results for 2008 Reckon squarely hit its previous guidance to post group earnings before interest, tax, depreciation, and amortisation of \$19 million – a respectable increase of \$2.5 million and 15 per cent over the corresponding period for the previous year.

Net profit lifted 14 per cent to \$11.3 million.

“We’ve been taking away from our higher-end competitors, which

RECKON		
Full year	2008	2007
Sales (\$m)	60.8	56.2
Pretax (\$m)	15.1	13.3
Net (\$m)	11.3	9.9
EPS	8.5¢	7.5¢
Final div*	3.5¢ ff	3.0¢ ff
Shares (last)	\$1.15	(+1.5¢)
*Payable	Mar 6	

is MYOB, for the last 10 years,” Reckon chief executive Clive Rabie said. “There’s a very slight increase in [selling] prices, it’s very organic growth so we’ve been able to take those profits.”

Mr Rabie said the company’s direct sales of software to customers, primarily the QuickBooks

range of products, had performed better than retail sales through outlets such as Harvey Norman and OfficeWorks, where consumers tended to be more price-sensitive.

Even so, Reckon has launched a \$29 entry level software package aimed at small business users who are considering upgrading from Microsoft’s Excel spreadsheet.

The company has also launched a software as a service version of its product that is hosted online and bills users on a monthly basis. But Mr Rabie said this product was more to allow remote user access to the software rather than a change in delivery methods, given most online software speeds were still quite slow.

In terms of future growth he said the new acquisitions would deliver a

step change for Reckon Group, with revenue growth in 2009 tipped to be 50 per cent greater than for 2008.

Reckon’s group revenue for 2008 came in at \$60.8 million, an increase of \$4.6 million or 8 per cent over the previous corresponding period.

Mr Rabie said there would be “some reduction in EBITDA margin percentages” for Reckon in the short term, but that the recent \$18 million acquisition of the corporate services and bill-back division of Espreon was earnings per share accretive.

Reckon had also done the numbers on privately held local customer relationship management software company NetReturn, he confirmed, but walked away from the deal over user-interface issues.

Reckon’s rival MYOB is a sub-

stantial shareholder in NetReturn.

Analysts were openly grateful that Reckon had produced no surprises and met guidance in the present environment. “It’s a good result it, came in slightly above expectations,” Ord Minnett analyst Richard Ivers said. “It’s a defensive business model with double-digit growth.”

While Reckon has not issued specific forward earnings guidance, Mr Ivers said he expected EBITDA to come in at between \$25 million and \$26 million in 2009.

Another analyst, who asked not to be identified, had a more blunt assessment. “Boring is great these days. The result was dead in line with expectations.”

Reckon shares closed up 1.5¢ yesterday at \$1.15.