

The Manager

Company Announcements
Australian Securities Exchange
Level 5, 20 Bridge Street
SYDNEY NSW 2000

Dear Sirs

ASX Code: RHP

2018 Full Year Audited Results

Sydney, 20 August 2018 – rhipe Limited has today published its audited financial results for the 12 months ending 30 June 2018 (“FY18”) and operational highlights for the period.

Introduction

The Board is pleased to present the financial results for FY18 for rhipe Limited (“rhipe” or “the Company” or “the Group”). The financial results for FY18 show the Company has been able to capitalise further on its profitable 2017 result. Importantly, the Company has grown across geographies, products and licensing programs throughout FY18 and delivered an operating profit of \$7.8m and reported EBITDA of \$6.4m, a year on year increase of 54% and 59% respectively.

In addition, rhipe is pleased to report that our year-end cash position was \$22.7m compared to \$19.8m at the same time last year. The increase of almost \$3m in cash is despite a \$2.3m share buyback and rhipe’s maiden interim dividend of \$0.7m or 0.5 cent, paid in March 2018. In addition, the Company continues to invest in its Platform for Recurring Subscription Management (“PRISM”) which many partners and vendors use to help build and grow consumption of their cloud licences in Asia Pacific. The Directors believe that the cash position of the business will continue to be strong and as a result the Board announced a final dividend of 1 cent per share to be paid in October 2018.

In addition to the strong profit growth, rhipe delivered two notable achievements in FY18. Firstly, we were awarded a Microsoft Cloud Solutions Provider (“CSP”) licence in New Zealand, one of our core markets and secondly, rhipe added to its numerous vendor accolades by being named Microsoft Australia’s Partner of the Year.

Trading Highlights for FY18

Significant trading highlights from the 2018 Financial Year include:

- Total Group revenue rose 25% to \$197m. Software license revenue was \$190m with a gross profit of \$28.7m. This represents a year over year growth in revenue and gross profit of 25% and 20% respectively;
- Revenue growth has been driven by strong momentum in public cloud via the Microsoft CSP program with rhipe’s partners now consuming more than 260,000 Office365 seats. Almost all of these are billed on a monthly subscription basis with an annual run rate revenue from Microsoft CSP, including Azure, of \$42m compared to \$22m at the end of FY17 and \$6.7m at the end of FY16;

- Achieving a +75% growth in local Asian sales (excluding sales from ANZ customer buying through Asia). Total revenue billed in Asia in FY18 was almost \$53m which is equivalent to what rhipe billed as a whole in FY13;
- Doubling of our investment to \$2.4m in our PRISM platform;
- Expansion and increased profitability of our vendor and customer support operations in the Philippines which at the end of June 2018 had over 70 full time equivalent employees and helped Cloud Solutions deliver operating profit of \$1.65m in FY18;
- The Group reported a strong increase in profitability with operating profit increasing from \$5m in the prior year to \$7.8m for FY18. Reported EBITDA for FY18 was \$6.4m compared to an EBITDA of \$4m in the prior year; and
- A cash balance increase of around \$3m to \$22.7m at the year-end.

A summary of the financial performance for the financial year ending 30 June 2018 is shown below:

Financial Summary (\$ million)	FY18	FY17	Change
Revenue	196.6	157.0	+ 25%
Gross Profit	34.1	28.2	+ 21%
Gross Margin	17.3%	18.0%	(63bps)
Operating Expenses	(26.3)	(23.2)	+13%
Operating Profit ⁽¹⁾	7.8	5.0	+54%
Reported EBITDA	6.4 ⁽²⁾	4.0	+59%
Profit After Tax	3.1	2.5	+22%

(1) Operating profit excludes share-based payments, FX gains or losses, restructuring and due diligence transaction costs and a one-off gain on sale of \$0.3m in FY18 from our LiveTiles Ltd shareholding.

(2) FY18 EBITDA includes \$0.8m share based payments expense related to performance rights issued in November 2017.

Revenue

FY18 revenue growth of \$40m was driven by the areas of the business where we have made material investments. The revenue in our public cloud business under the Microsoft CSP program (Office 365 and Microsoft Azure) contributed to around 50% of this revenue growth in FY18. In addition, the growth in revenue generated from clients in our Asian footprint contributed to almost 30% of overall growth.

We are seeing the revenue in our private cloud licensing business continue to grow strongly in Asia with growth in the more mature markets of Australia and New Zealand being more towards public cloud platforms (Microsoft Azure and CSP). The award of a Microsoft CSP licence in New Zealand from 1 July 2018 was a key highlight for the year and is expected to accelerate the growth in New Zealand.

Gross Profit

Gross Profit increased by \$5.9m driven by the strong growth in Office 365 and Microsoft Azure sales plus additional margin delivered by the technical support activities in our Cloud Solutions business.

Operating expenses

Operating expenses in FY18 increased by only 13% year on year mainly driven by a \$1m reduction in Cloud Solutions operating expenses following the restructure in the prior financial year. The Licensing business' operating expense base grew by 22% as we continue to invest in our existing geographies and cloud capabilities.

Investment and Capital Expenditure

rhipe continues to invest in its core subscription management platform (PRISM) to support the Company's leadership position in Asia Pacific as the platform of choice for monthly Pay-As-You-Go cloud license subscriptions. In FY18 the Group invested \$2.4m in PRISM which is a key part of the Company's intellectual property.

Dividend and Share Buyback

As a result of the improved financial performance of the Company the Board has announced the payment of a maiden final dividend of 1.0c per share resulting in total dividends for the year of 1.5c versus earnings per share of 2.26c.

In FY18 we invested \$2.3m in undertaking a share buyback. The Company intends to continue this share buyback program in FY19.

Outlook for FY19

In FY19, rhipe expects its public cloud business to continue to be the growth engine for the business and ultimately the accelerated transition to public cloud will determine the revenue and margin growth for the business in FY19 and beyond.

rhipe, is now one of fifteen globally managed license partners for Microsoft. This brings an additional level of support for rhipe and the need to continue to invest in our public cloud operations to meet the needs of Microsoft and our other software vendors. rhipe intends to invest further in New Zealand, following the awarding of the CSP licence, and in our front-line sales, technical pre-sales and marketing personnel across the Group's geographic footprint. This investment in growth will be done in a measured way to ensure we balance the needs of all key stakeholders including investors, vendors and employees with a continued eye on the profitability and earnings profile of the Group.

In FY19 rhipe is targeting to deliver an operating profit of \$10m with the outcome dependent on the growth rate delivered in the public and private cloud products and the continued investment required in each of our geographic regions to meet the demand of the fast-growing cloud market.

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About rhipe

rhipe, (ASX:RHP) is the cloud channel company. It provides its partners with a complete end to end cloud solution, helping them to grow and thrive in the emerging Cloud economy. As Cloud 1st, Channel 1st company, rhipe is recognised as the leading expert in subscription software licensing in Asia Pacific and its multi-award-winning services and support division is the industry leader in Microsoft Office365 implementation.