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The Manager
Company Announcements
Australian Securities Exchange
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Acquisition of Dynamics Business IT Solutions Pty Limited

The board of rhipe Limited ('**rhipe**' or the '**Company**') is pleased to announce that it has entered into binding legal agreements to acquire 100% of the share capital of Dynamics Business IT Solutions Pty Limited ('**DBITS**'). DBITS is a privately-owned IT services, integration and support business that specialises in services centred on Microsoft's Enterprise Resource Planning system known as Microsoft Dynamics 365 Business Central ("Dynamics").

rhipe's mission is "To Provide the Best Platform, Enablement and 24 x 7 support services so that customers of all sizes can derive value from their cloud investments". The addition of Dynamics implementation and support capabilities via the acquisition of DBITS allows rhipe to continue broadening the services that can be offered to its growing ecosystem of resellers in the Asia Pacific region. These resellers have historically been able to purchase Dynamics and Dynamics365 licenses from rhipe's PRISM platform and they will now also be able to use rhipe to help with Dynamics consulting services and support in a reseller friendly manner.

rhipe believes that the acquisition of DBITS also cements the Company's position with Microsoft as a strategic, high value-add distribution partner for Microsoft's most important cloud product subscriptions in the Asia Pacific region.

Completion of the acquisition is subject to certain conditions precedent. The transaction is expected to complete during February 2019.

Valuation and Consideration

The upfront consideration payable is \$4.5m of which \$3m is payable in cash funded by existing cash resources and \$1.5m payable using rhipe ordinary shares issued using the Company's placement capacity under Listing Rule 7.1. The number of shares to be issued will be determined by reference to the five-day volume weighted average price prior to completion.

Earn Out Terms

The vendor of DBITS is entitled to receive further deferred consideration of up to \$3.5m over the next two years post completion, comprised of cash and shares, contingent on achieving financial targets in excess of the expected contribution. The deferred consideration will result in the Company paying up to but not exceeding an EBITDA multiple of 5x in total assuming these earn out targets are achieved.

Escrow of Share Consideration

All shares issued as consideration to the vendor of DBITS are subject to escrow from the date of issue for a minimum period of 12 months from date of issue.

DBITS Earnings

Given the strategic importance of the Dynamics product growth to Microsoft, rhipe will invest further in its Dynamics activities immediately post acquisition aimed at accelerating growth in this area. As a result, the acquisition will be earnings accretive in FY19 but rhipe does not expect a material change to earnings for this fiscal year arising from this acquisition. DBITS is expected to contribute circa \$1m EBITDA in FY20 before any synergies and additional investment in our go forward Dynamics business.

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Additional information about rhipe

rhipe (ASX:RHP) is Asia Pacific's leading cloud channel company providing technology partners with complete end-to-end cloud solutions, and helping them grow and thrive in the Cloud economy. As the Cloud first, channel-first company, rhipe is recognised as the leading expert in subscription-software licensing, services and support across Asia Pacific, with a vendor portfolio that includes Microsoft, VMWare, Citrix, Veeam, DocuSign, Trend Micro (and others). For more information, visit www.rhipe.com, or follow us on Twitter, LinkedIn and Facebook.

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