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**ASX ANNOUNCEMENT  
RHIPE LIMITED (ASX: RHP)**

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**ACQUISITION OF ENCRYPTION SOFTWARE BUSINESS**

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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 Network2Share Pty Limited ("the Acquisition"), an Australian based security software company that has developed a user-friendly encryption product ('SmartEncrypt') which rhipe plans to bundle with Microsoft Office365, Microsoft Azure, and other vendor software licenses. SmartEncrypt allows companies to easily encrypt files and documents on-masse using simple-to-manage encryption keys. This means that even if a network is breached by an unauthorised user, the files that they gain access to will be unreadable and unusable.

The acquisition will provide rhipe with new and differentiated Intellectual Property that will be exclusively available in Asia Pacific via rhipe's Platform for Recurring Subscription Management ('PRISM'). rhipe's resellers will be able to use PRISM to sell, provision and bill their end users for SmartEncrypt alongside other PRISM-enabled software solutions. rhipe has market-tested the SmartEncrypt capabilities with a number of key resellers and has received strong interest in the product for deployment in small and medium sized end-user businesses. rhipe believes that SmartEncrypt's scalable and easy to use encryption technology will be well utilised by reseller partners who are focused on solving their own customers' security needs.

Following completion, the team will commence integration of SmartEncrypt with rhipe's PRISM platform, Microsoft Azure, and rhipe's other vendor products. SmartEncrypt is therefore unlikely to generate license revenues from PRISM users until Q3 of FY19.

**rhipe CEO, Dominic O'Hanlon** says "the acquisition of SmartEncrypt has been some time in the making. As 'The Cloud Channel Company' rhipe's strategy has been to bring new products and services to market for our rapidly expanding reseller community. Last year rhipe expanded its own PRISM platform and grew service offerings such as 24/7 support-as-a-service. The new acquisition of SmartEncrypt will now result in the launch of rhipe's own billable software product that can be sold alongside licenses from other vendors. rhipe is now selling many millions of dollars in software subscriptions per month to well over 3000 resellers in the Asia Pacific region. We have the reach and distribution capabilities to bring SmartEncrypt to market in a way that would have been otherwise impossible for the owners of Network2Share."

**CEO of SmartEncrypt, Regan McKay**, "My talented team and I are excited about joining rhipe. We see the huge potential rhipe brings to the continued development and commercialisation of the SmartEncrypt platform. I believe that the wealth of experience and connections the rhipe management team provides us will certainly be invaluable in commercialising our encryption product globally and deliver value to rhipe shareholders."

## **Valuation and Consideration**

As the acquisition is of an innovative software company that is currently pre-revenue, upfront consideration payable is limited to \$2m in cash which will be used by the acquisition owners to repay debt that has been accumulated in building the SmartEncrypt product. Further consideration of three tranches of \$1m each will be payable upon reaching sales of 10,000, 20,000 and 40,000 monthly licences. Once SmartEncrypt reaches 40,000 monthly licences the total consideration paid will be \$5m. These additional tranches are payable part in cash (circa \$1.75m) and part in rhipe ordinary equity shares (circa \$1.25m) 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 thirty-day volume weighted average price prior to completion.

## **Earn Out Terms**

In addition to the \$5m consideration above, the vendor of SmartEncrypt is entitled to receive further deferred consideration contingent on achieving monthly licensing revenue targets in excess of direct cost incurred in developing and marketing SmartEncrypt. The earn out terms will expire five years after the completion date. This structure is designed to both protect rhipe and incent aggressive sale of the SmartEncrypt product as soon as it is available to be deployed on PRISM.

## **Impact on rhipe's FY20 Operating Profit Guidance**

rhipe intends to invest further in the development of SmartEncrypt post acquisition aimed at ensuring the product is competitive and meets customers' encryption requirements. The initial focus will be on the small, medium sized business segment of the market. As a result of this acquisition rhipe does not intend to change its previously stated operating profit guidance of \$16m for FY20, excluding any changes in market conditions or major initiatives such as geographical expansion or vendor expansion opportunities.

**[ENDS]**

## **For more information, contact:**

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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](http://www.rhipe.com) or follow us on Twitter, LinkedIn and Facebook.