



# FY19 RESULTS PRESENTATION



# DISCLAIMER

This presentation has been prepared by rhiipe Limited ACN 112 452 436 (RHP). Each Recipient of this presentation is deemed to have agreed to accept the qualifications, limitations and disclaimers set out below.

None of RHP and or its subsidiaries or their respective directors, officers, employees, advisers or representatives (Beneficiaries) make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this presentation, including any forecast or prospective information. The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Beneficiaries.

Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

This presentation is a general overview only and does not purport to contain all the information that may be required to evaluate an investment in RHP. The information in this presentation is provided personally to the Recipient as a matter of interest only. It does not amount to an express or implied recommendation with respect to any investment in RHP nor does it constitute financial product advice.

The Recipient, intending investors and respective advisers, should:

- conduct their own independent review, investigations and analysis of RHP and of the information contained or referred to in this presentation;
- seek professional advice as to whether an investment in RHP is appropriate for them, having regard to their personal objectives, risk profile, financial situation and needs; and/or
- nothing in this presentation is or is to be taken to be an offer, invitation or other proposal to subscribe for shares in RHP.

The Recipient specifically agrees, understands and acknowledges that some of the information contained herein has been provided by third parties and the Beneficiaries accept no responsibility for any inaccuracy, misstatement, misrepresentation or omission in relation to that information.

Except insofar as liability under any law cannot be excluded, none of the Beneficiaries shall have any responsibility for the information contained in this presentation or in any other way for errors or omissions (including responsibility to any persons by reason of negligence).

# CONTENTS

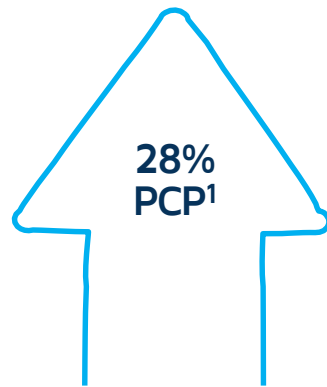
FY19 HIGHLIGHTS .....	4
RHIPE VALUE PROPOSITION .....	7
OPERATIONS UPDATE.....	11
FY19 FINANCIAL RESULTS.....	17
FY20 OUTLOOK .....	26
Q&A SESSION .....	28



# FY19 GROUP HIGHLIGHTS

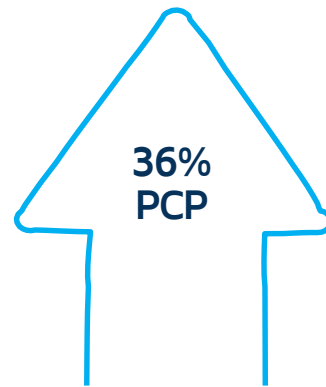


# FY19 GROUP HIGHLIGHTS



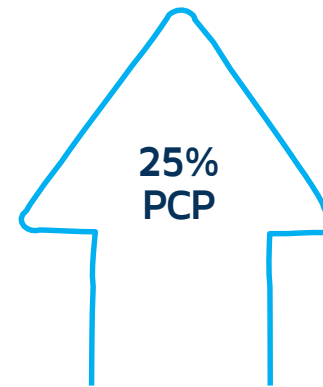
Gross  
Sales<sup>2</sup>

\$252.5M



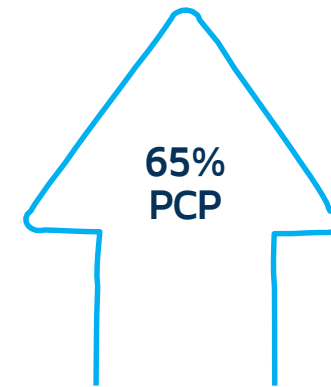
Net  
Revenue<sup>2</sup>

\$48.4M



OPEX

\$33.0M



Operating  
Profit<sup>3</sup>

\$12.8M

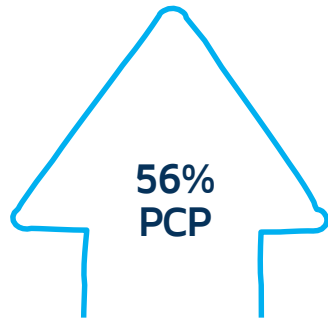
1. Prior Corresponding Period "PCP"

2. AASB15 accounting standard requires revenue to be reported on a net basis. This means our revenue excludes the value that is passed through to software vendors. Gross Sales represents previously reported revenue.

3. Operating Profit represents Reported EBITDA excluding non-cash share based expenses, FX gains or losses, due diligence costs and non-operational gains or losses.

# FY19 GROUP HIGHLIGHTS

CONTINUED



Reported EBITDA

\$10.0M



Profit After Tax

\$6.2M



Cash

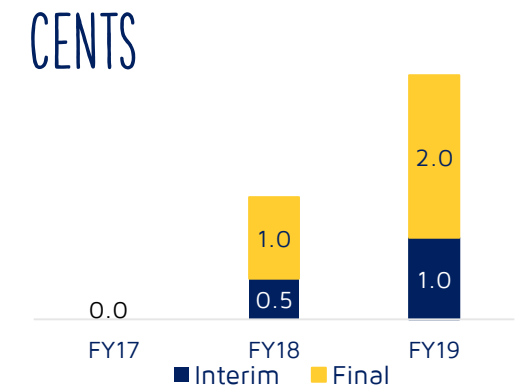
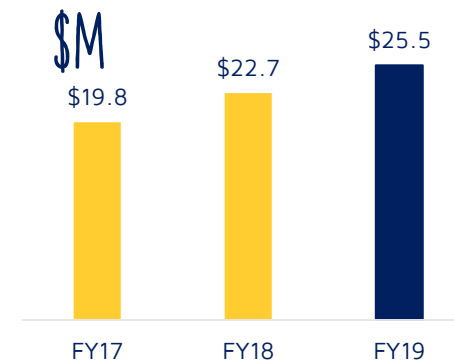
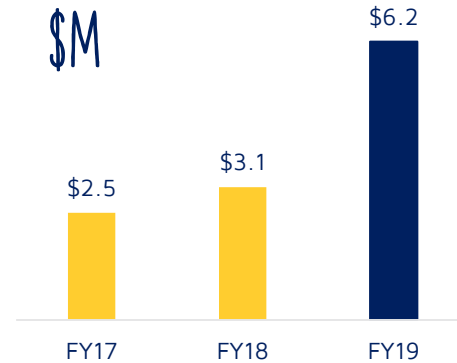
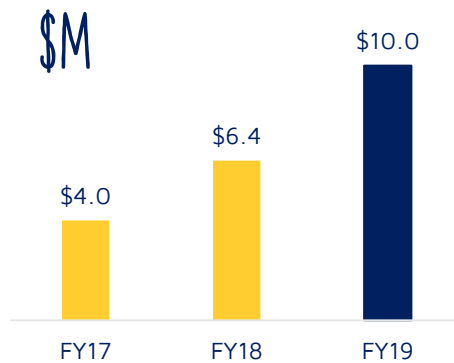
\$25.5M

Strong cash position after \$2m share buyback, \$3m dividends & \$3m on acquisitions



FY19 Dividend

3.0CENTS



# RHIPE VALUE PROPOSITION

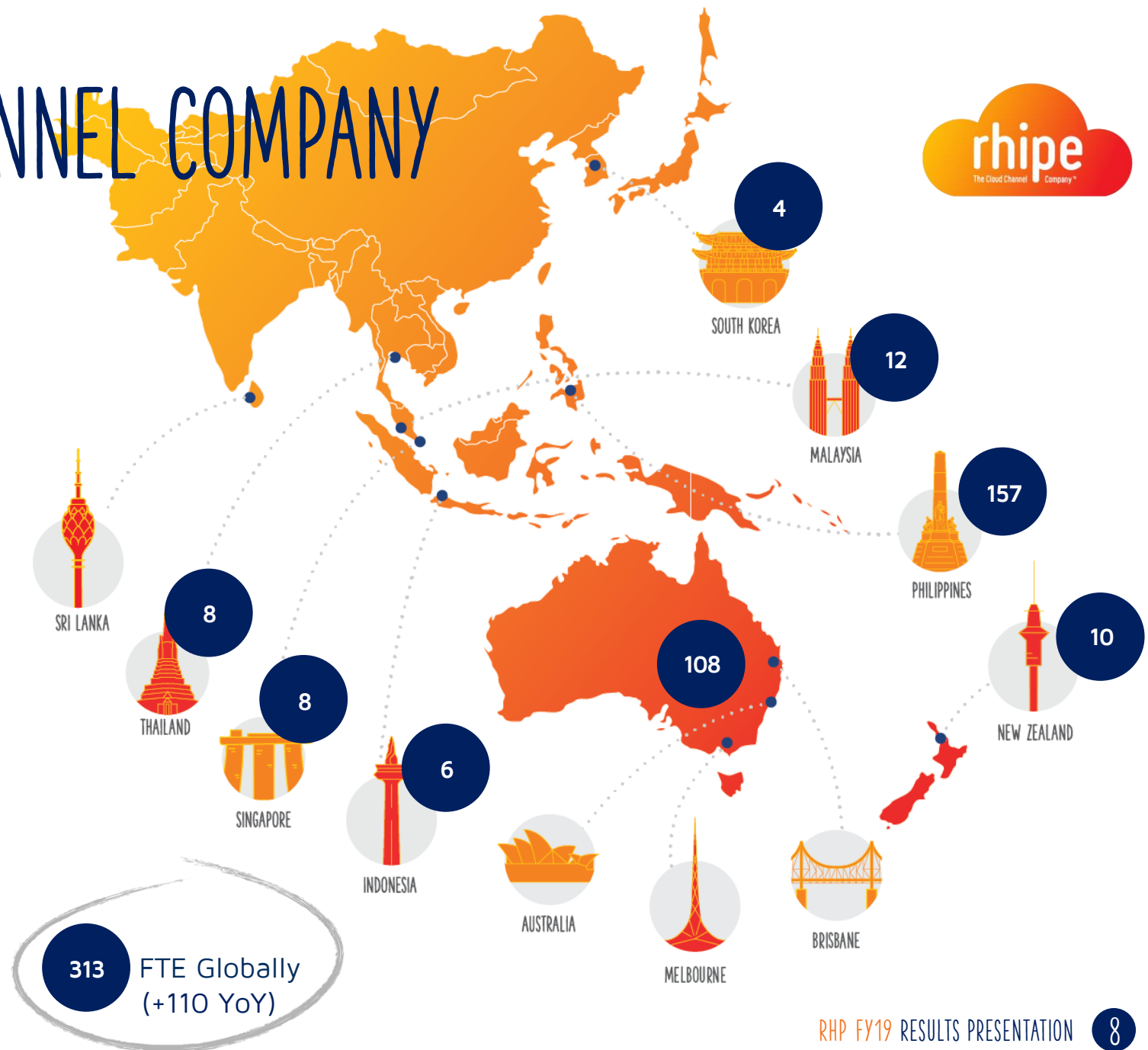


# RHIPE: THE CLOUD CHANNEL COMPANY



Value added services for our resellers in APAC including marketing, consulting and 24/7 support as a service. These services are aimed at driving the ongoing growth in consumption of software subscriptions.

Platform for Recurring Subscription Management (PRISM) used by IT resellers to buy, provision, and bill their end user clients for monthly cloud software subscriptions.





# STRATEGIC OPERATIONS DIVISIONS



## CLOUD LICENSING

### LICENSING

Software sold and implemented by IT service providers. Monthly pay as you go cloud licensing subscriptions.

**FY19**

**Net Licensing Revenue**

**\$38.7M**

## CLOUD SERVICES & SUPPORT

### SUPPORT

Support people and professional services to help Vendors and Service Providers with technical needs.

**FY19**

**Services & Support Revenue**

**\$9.8M<sup>1</sup>**

## CLOUD OPERATIONS

### INTELLECTUAL PROPERTY

Internally developed PRISM Platform. Cloud first, digital first marketing to drive demand for Channel Partners.

1. Cloud Support & Solutions includes \$0.164m of intercompany sales related to the NAV upgrade

# 3 YEAR STRATEGY



## Geographical reach

Cement and grow partner of choice market position with continued expansion in other APAC markets



## Value-added services

Marketing-as-a-Service, Support-as-a-Service, Consulting-as-a-Service to continue to expand as rhipec looks to offer technical support for new vendors and new partners



## Vendor programs and products

Grow portfolio of solutions with innovative, subscription-based cloud and software solutions. Channel friendly with margin for wholesaler and retailer



## Building out Intellectual Property

Build a greater digital experience for rhipec customers with much closer links between our website, marketing, sales and billing systems and our partners' ecosystems



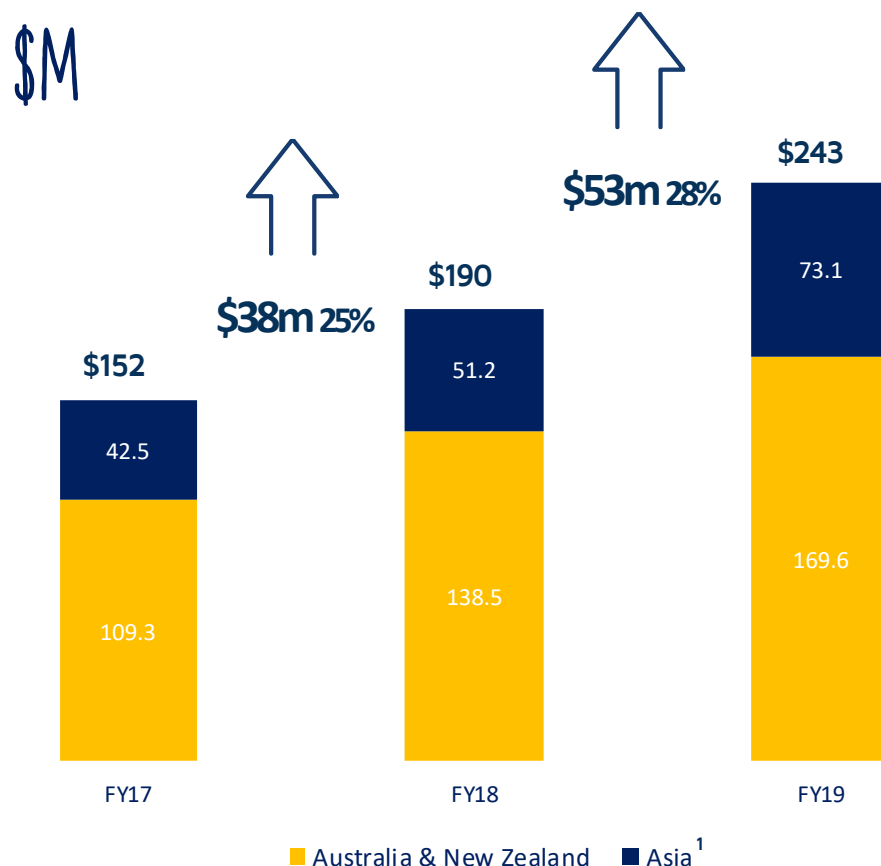
# OPERATIONS UPDATE



# OPERATIONAL HIGHLIGHTS

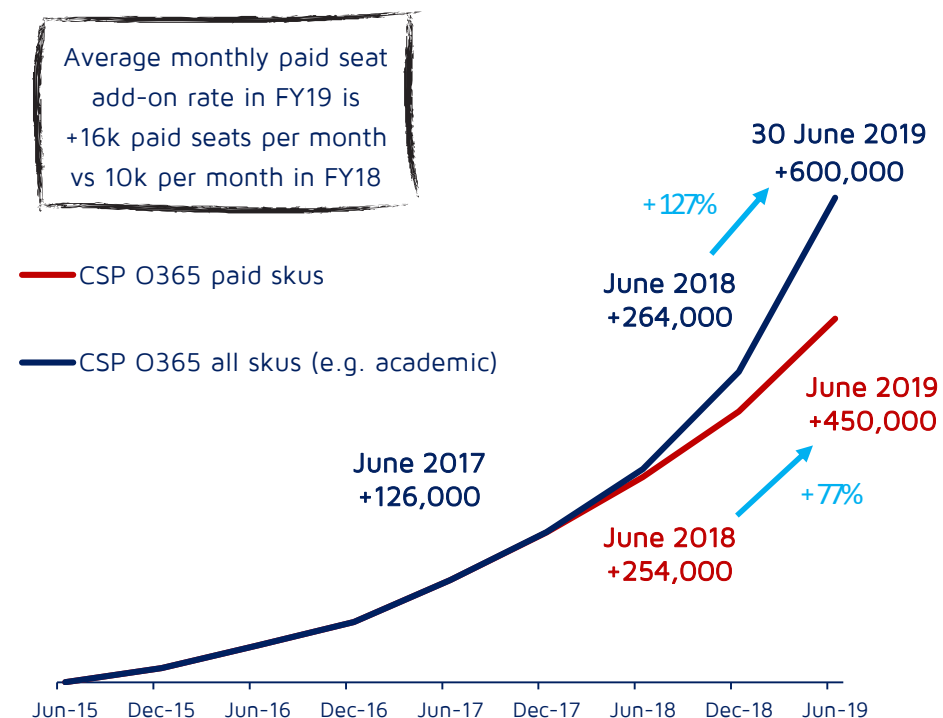


## Licensing Regional Sales Split



1. Asia numbers include sales from Australian customers' overseas subsidiaries in Asia.

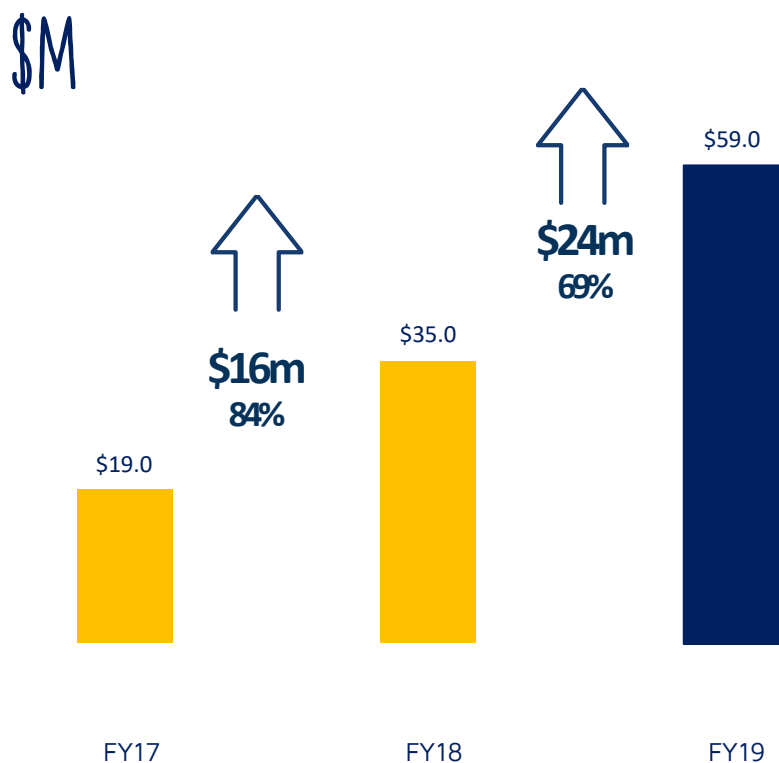
## Microsoft CSP O365 Seat Count



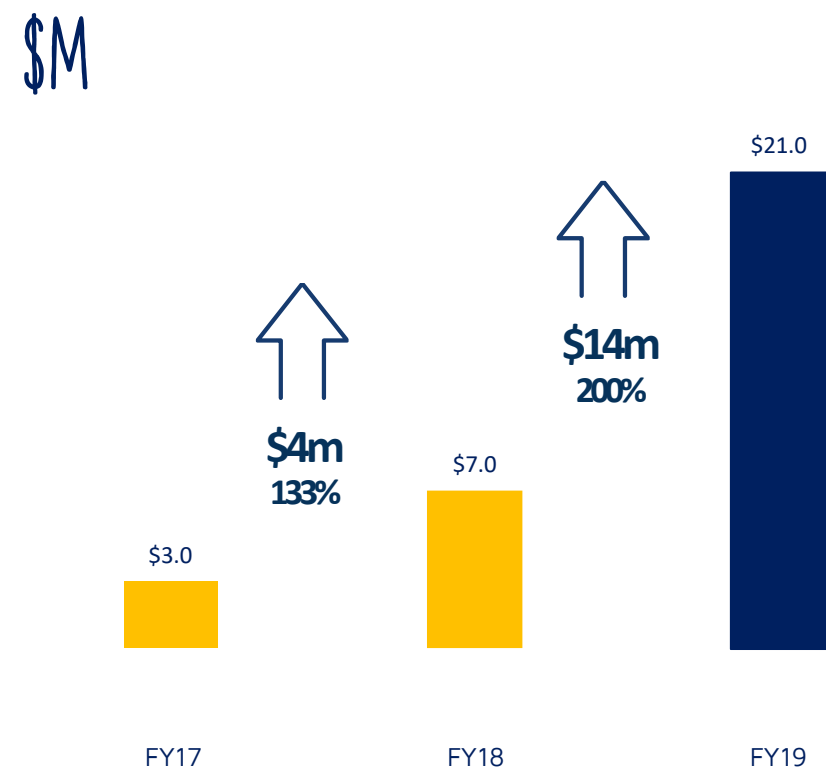
# OPERATIONAL HIGHLIGHTS



## Microsoft O365 ARR<sup>1</sup> Sales



## Microsoft Azure ARR<sup>1</sup> Sales



1. ARR = Annual Run Rate

# MICROSOFT AWARDS



**2019** Microsoft Global Indirect CSP of the Year Finalist

**2019** Microsoft Malaysian Partner of the Year

**2018** Microsoft Australian Partner of the Year

**2018** Microsoft Thailand CSP Partner of the Year

# RECENT ACQUISITIONS



- March 2019: Completed acquisition of 100% of Dynamic Business IT Solutions Pty Ltd (“DBITS”), a Microsoft Dynamics consulting specialist
- Acquisition aimed at broadening the services offered to rhipe’s ecosystem of resellers as well as further enhancing our expertise in Microsoft software offerings
- Total consideration up to \$8m; \$4.5m paid at completion and residual is contingent on future financial performance
- Contributed ~\$0.4m in earnings in FY19 and is expected to contribute \$1m EBITDA in FY20



## SmartEncrypt

- August 2019 acquisition of 100% of Network2Share Pty Ltd, a Melbourne based security software company that has developed a user-friendly encryption product which rhipe plan to bundle with Microsoft Office365, Microsoft Azure, and other vendor software licenses
- SmartEncrypt provides rhipe with new and differentiated Intellectual Property
- Upfront consideration of \$2m in cash. Further consideration of three tranches of \$1m each payable upon reaching monthly license sales targets plus further earn out tied to revenue over a five-year period
- We intend to invest further in the development of SmartEncrypt prior to market launch in the next six months

# JAPAN JV



## KEY TERMS

- rhiPE has entered into a joint venture ("JV") with Japan Business Systems Inc. ("JBS") to establish rhiPE Japan, which will launch and operate rhiPE's indirect business in Japan
- rhiPE will hold 80% of the share capital of the JVCO and JBS the remaining 20%
- JBS to provide local personnel, office space, local market knowledge and support for the operational launch
- rhiPE to be responsible for all other aspects of the JVCO including submission of a tender to Microsoft Japan for appointment as an Indirect Cloud Solutions Provider

## JBS PROFILE

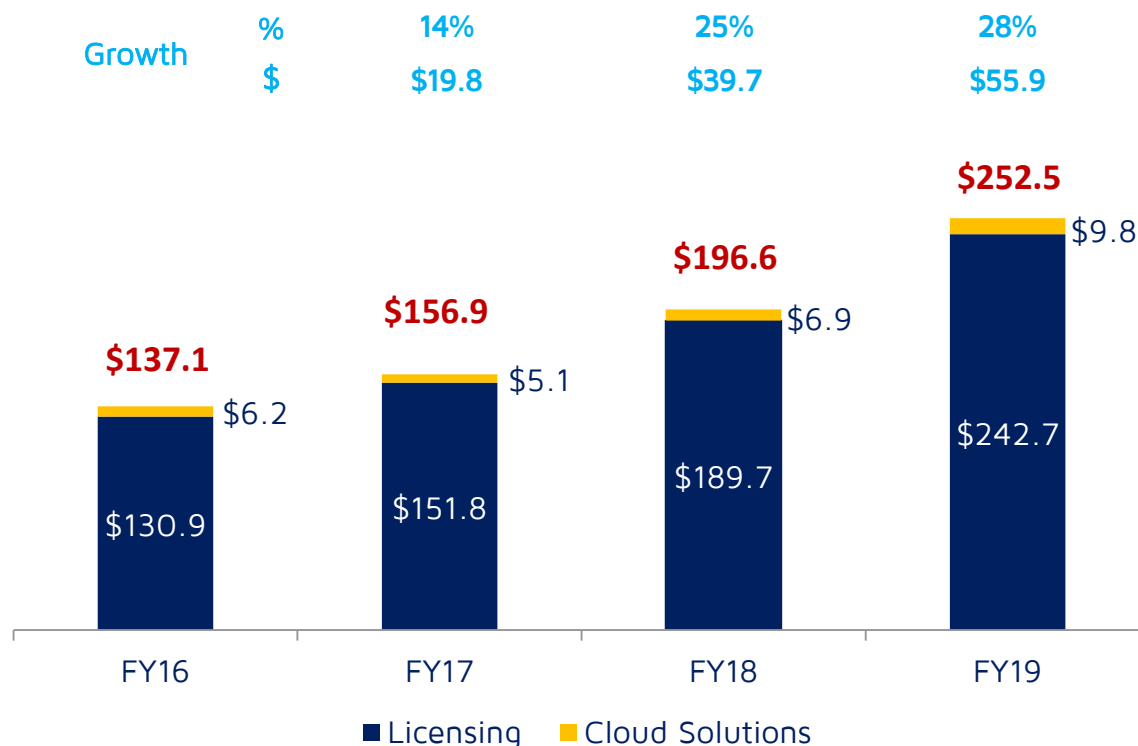
- JBS is a Tokyo based company providing IT consulting, system integration and application development services
- JBS has approximately 2,200 employees across 12 offices in Japan, USA, Mexico and Asia Pacific
- JBS is a Microsoft Licensing Solution Partner ("LSP") and was the winner of the Japan Microsoft Partner of the Year 2018. It has won Microsoft Partner of the Year for the past 6 consecutive years



# FY19 FINANCIAL RESULTS

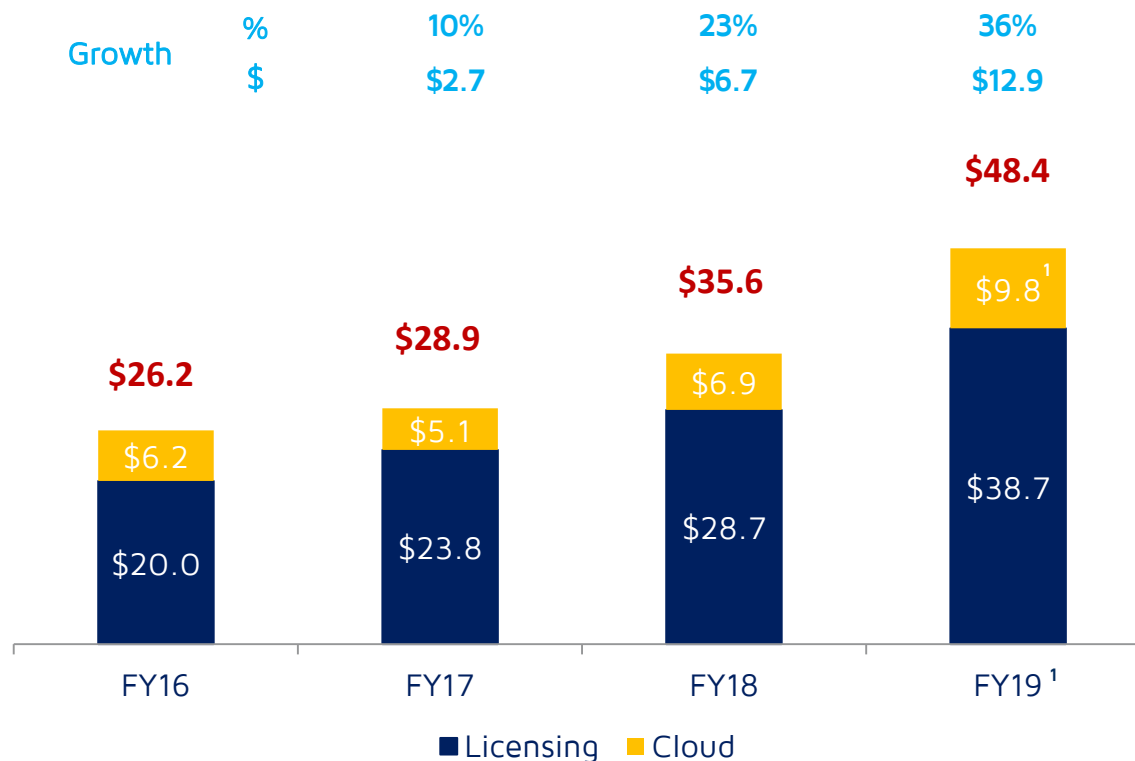


# GROSS SALES \$M



- ~65% of sales growth from Microsoft CSP (O365 + Azure) which increased 102% YoY. Microsoft CSP is now 27% of all sales
- Microsoft SPLA (private cloud) sales growth 8% YoY or 13% excluding prior year one off sales
- 75% growth in Asia local sales (FY18: 75%)
- Non-Microsoft sales up 19% YoY vs 13% in FY18
- Solutions sales grew 43% YoY, boosted by expansion in support activities plus addition of DBITS

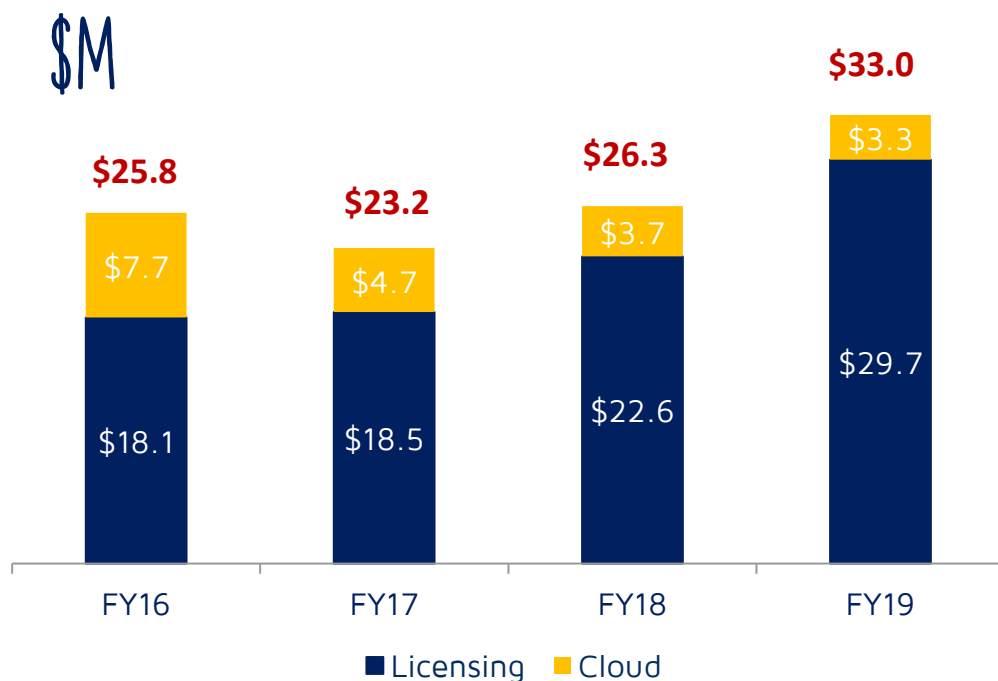
# REVENUE \$M



- Group revenue increased by \$12.9m or 36% YoY
- Licensing net revenue grew \$10m or 35% off the back of continued growth in public cloud, FY18 growth \$4.9m or 21%
- Licensing revenue driven by Microsoft CSP, Asia growth and growth in Non-Microsoft Products
- Cloud Solutions revenue grew by \$2.9m or 42% as a result of the expansion in support services and investment in DBITS

1. Cloud Solutions includes \$0.1m of intercompany sales related to the NAV upgrade

# OPERATING EXPENSES

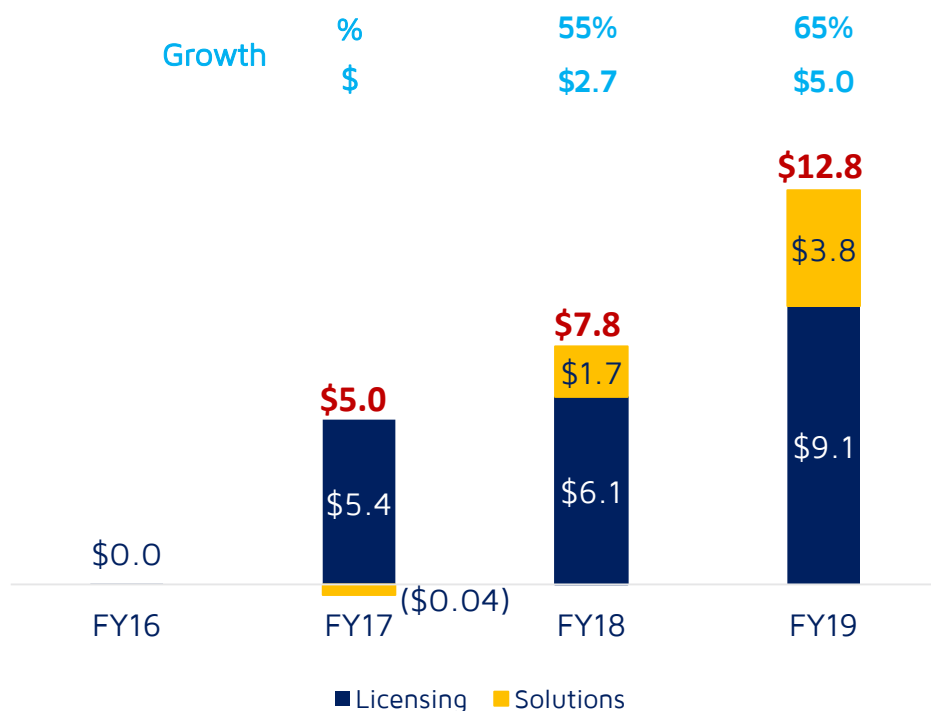


Group operating expenses increased \$6.7m or 25% YoY versus \$3.1m growth in FY18

- Circa \$5.5m of the \$6.7m increase in opex, or ~80% is driven by the FTE increase of ~110 FTE
- Additional increase in occupancy costs, travel costs and systems costs driven by this FTE increase
- Solutions opex reduction of \$0.4m driven by restructure in 1H18, excluding restructure support service opex rose by c.25%

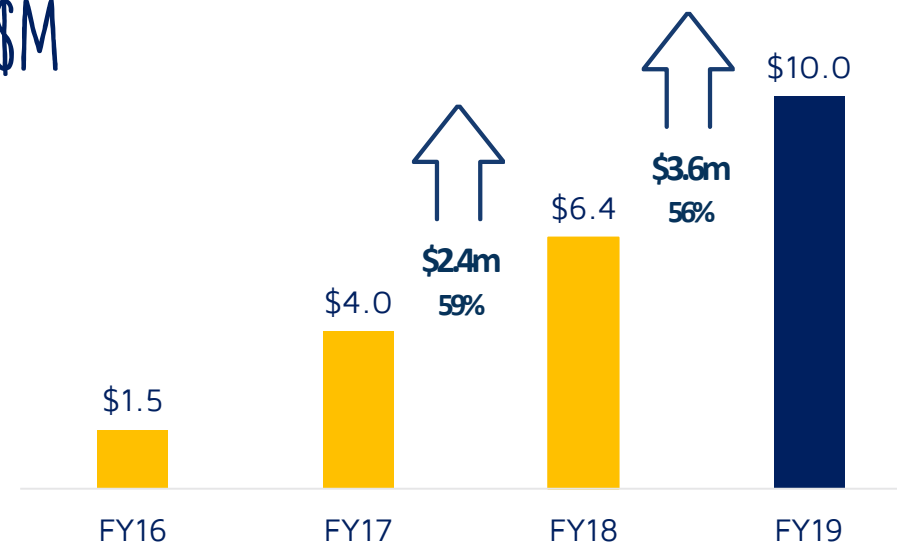
# OPERATING PROFIT

\$M



# REPORTED EBITDA

\$M



	FY17	FY18	FY19
<b>Operating Profit</b>	<b>5.0</b>	<b>7.8</b>	<b>12.8</b>
FX gain/(loss)	(0.1)	(0.3)	0.3
Transaction & restructuring costs	(0.5)	(0.4)	(0.5)
Gain on sale of investment	-	0.3	-
Share based payments expense	(0.4)	(1.0)	(2.6)
<b>EBITDA</b>	<b>4.0</b>	<b>6.4</b>	<b>10.0</b>



# CASHFLOW STATEMENT



## Statement of Cashflows (\$ '000)

FY17

FY18

FY19

<b>Net cash provided/(used) in operating activities</b>	<b>6.8</b>	<b>7.8</b>	<b>12.1</b>
---	------------	------------	-------------

### Cash flows from investing activities

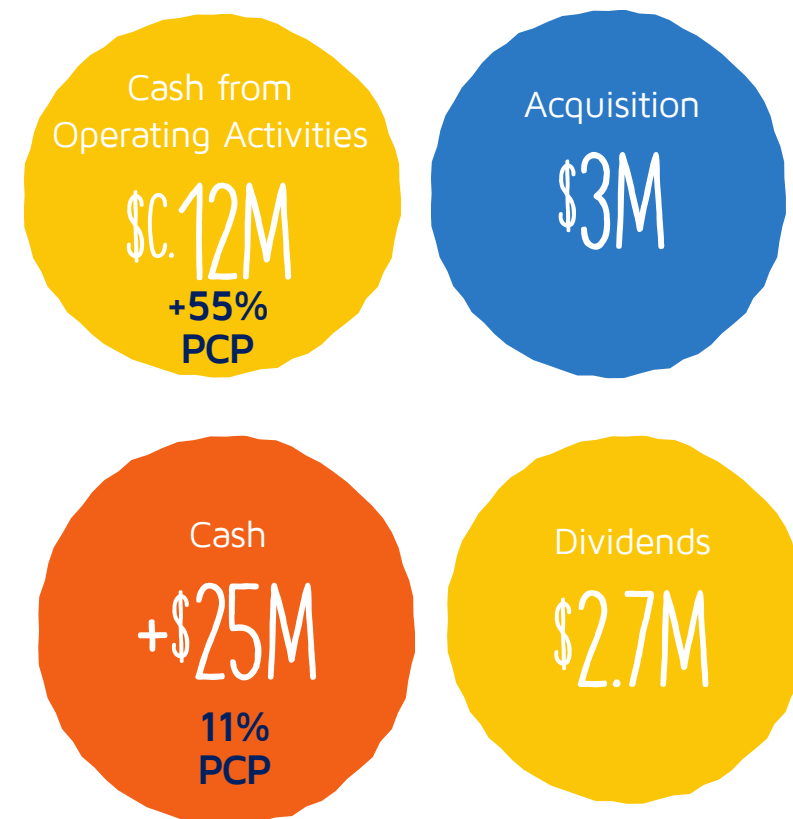
Purchase of property, plant and equipment	(0.2)	(0.5)	(0.7)
Proceeds from sale of investment	-	0.7	-
Payment for intangibles	(1.2)	(2.4)	(2.3)
Payment for subsidiary on acquisition	-	-	(3.0)
<b>Net cash (used) in investing activities</b>	<b>(1.4)</b>	<b>(2.2)</b>	<b>(5.9)</b>

### Cash flows from financing activities

Proceeds from issue of shares	0.6	0.2	1.5
Buy back of shares	-	(2.3)	(2.1)
Dividends paid	-	(0.6)	(2.7)
<b>Net cash provided by financing activities</b>	<b>0.6</b>	<b>(2.7)</b>	<b>(3.2)</b>

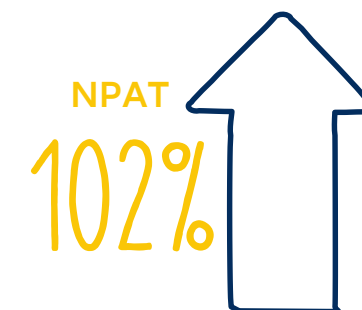
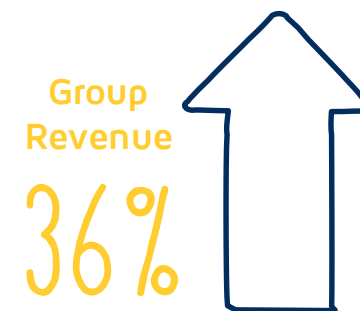
Net increase/(decrease) in cash	6.0	2.8	2.9
Opening cash	13.8	19.8	22.7
<b>Closing cash</b>	<b>19.8</b>	<b>22.7</b>	<b>25.5</b>

## FY19 HIGHLIGHTS



# REPORTED FINANCIAL RESULTS SUMMARY

	FY18	FY19	Change
P&L (\$'000)	Actual	Actual	FY18-19
Gross Sales	196.6	252.5	28%
Revenue	35.6	48.4	36%
Gross Profit	34.1	45.9	35%
Group Gross Margin (inc. Solutions)	17.3%	18.1%	+75bps
Total Operating Expenses	26.3	33.0	25%
Total Operating Profit	7.8	12.8	64%
Total Reported EBITDA	6.4	10.0	56%
PBT	5.2	8.5	64%
Tax Expense	(2.1)	(2.3)	10%
Effective Tax Rate	40%	27%	(32%)
NPAT	3.1	6.2	102%
Basic EPS (cents)	2.26	4.53	100%



# SHAREHOLDER RETURNS

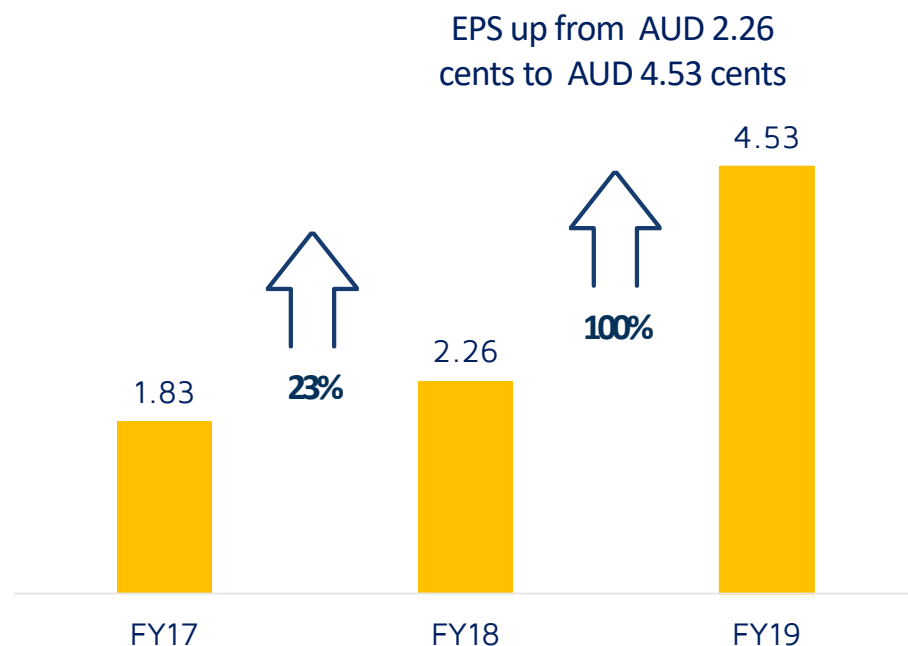




# SHAREHOLDER RETURNS



## Basic Earnings Per Share (cents) AUD



## DIVIDEND

Fully franked dividend of  
AUD  
2 cent per share  
**Payment Date**  
24th October 2019

## BUYBACK

Acquired 1.7m  
shares for \$2.1m at  
an average price of  
\$1.19 per share

# OUTLOOK FY20



# FY20 OUTLOOK



DBITS

Expected to contribute  
~\$1m to FY20 operating  
profit

NEW IP:  
SMART  
ENCRYPT

Further investment in the  
development of SmartEncrypt

JAPAN  
JV

Next steps are to work with  
Microsoft on a business  
plan which will require  
investment in the region

\$16M<sup>1</sup>  
OPERATING  
PROFIT

INCLUDES

EXCLUDES

The Board of rhiPE maintains estimated guidance for FY20 to be approximately \$16M in operating profit excluding any changes in market conditions or major expansion initiatives such as geographical or vendor expansion opportunities. Over the coming months rhiPE will be working with Microsoft Japan and JBS to quantify the timing and degree of investment required for rhiPE Japan. There will be no material impact in Q1 of FY20 and rhiPE will provide an update to shareholders at the rhiPE Annual General Meeting (AGM) of shareholders in November 2019

1. Excludes any impact of AASB16 Leases

# QUESTIONS

