



1H FY20 RESULTS PRESENTATION

18 FEBRUARY 2020



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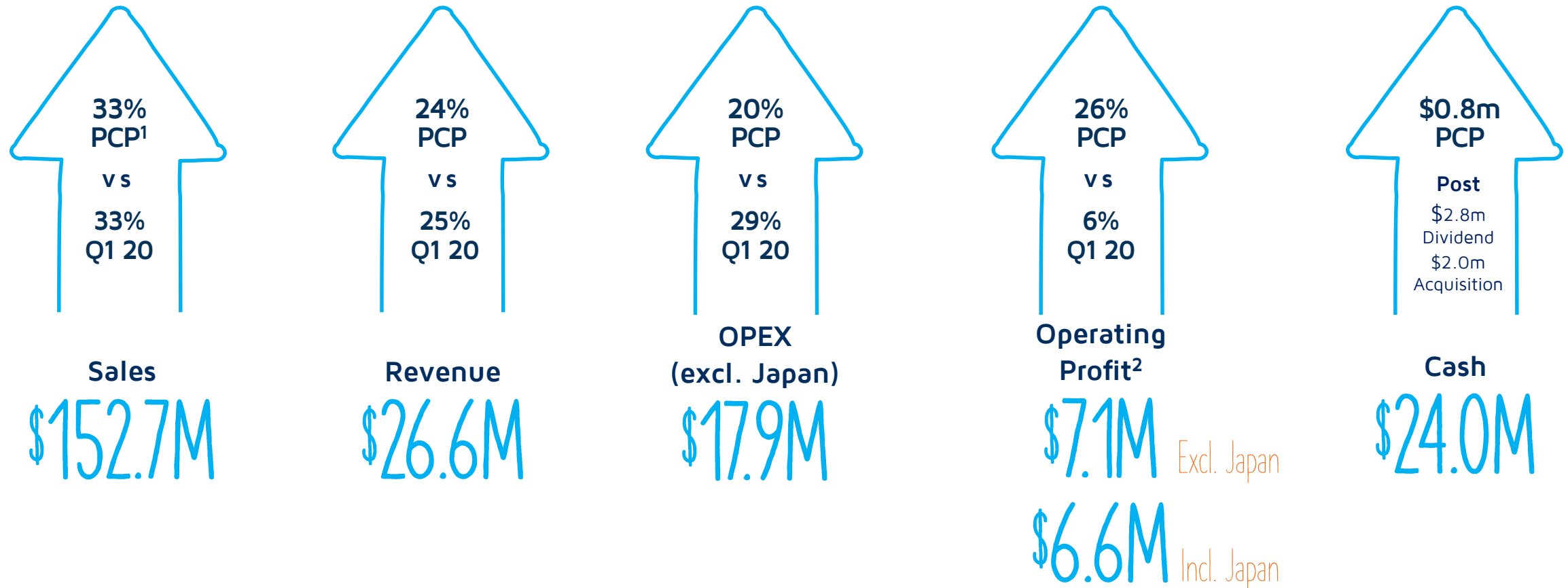
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1H FY20 HIGHLIGHTS



1H FY20 GROUP HIGHLIGHTS



1. Prior Corresponding Period "PCP"

2. Operating Profit represents Reported EBITDA excluding non-cash share based expenses, FX gains or losses, due diligence costs and one-off non-operational gains or losses. In addition for FY20 to aid comparison we have included property lease costs even though the company has adopted AASB16 and these costs are now included in finance costs and depreciation cost

OUTLOOK 2H FY20

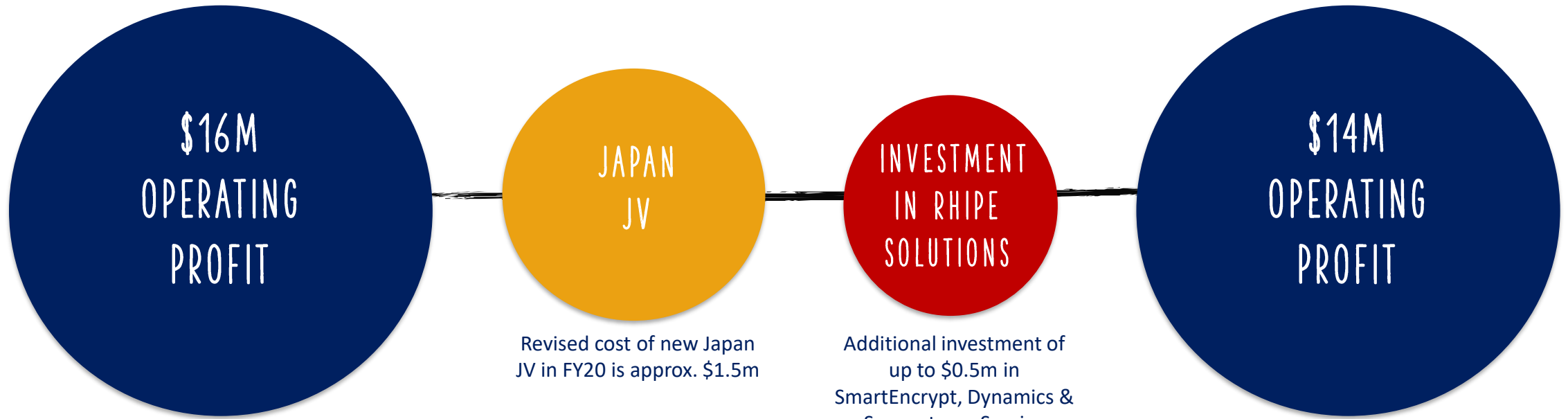


FY20 OUTLOOK



rhipe excluding Japan & additional investments

rhipe including Japan & additional investments



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

RHIPE OVERVIEW



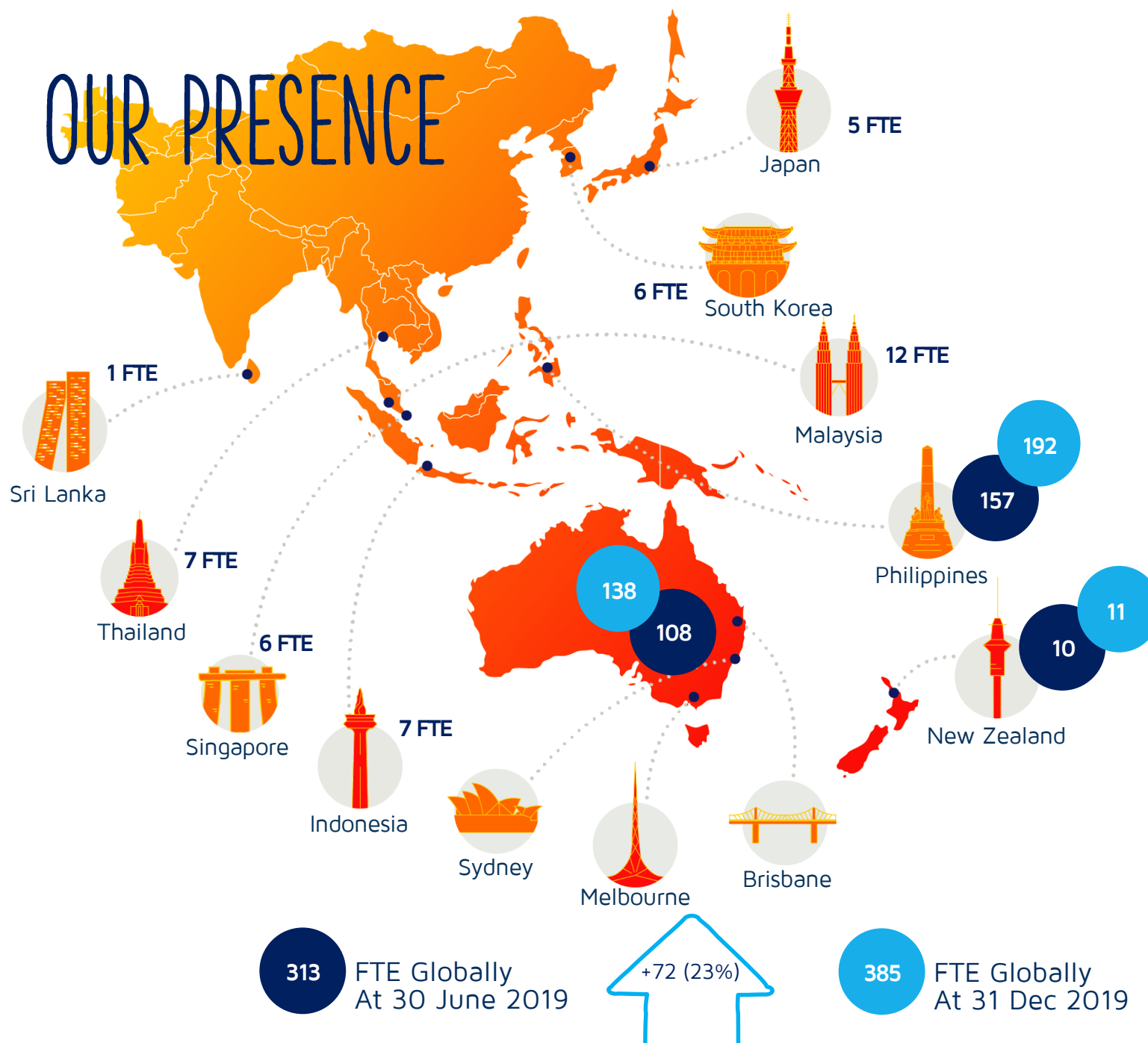
VISION & MISSION STATEMENT



OUR VISION IS A WORLD WITHOUT SHELFWARE

OUR MISSION IS TO PROVIDE THE BEST PLATFORM, ENABLEMENT AND 24*7 SERVICES SO THAT CUSTOMERS OF ALL SIZES CAN CONSUME AND DERIVE VALUE FROM THEIR CLOUD INVESTMENTS

OUR PRESENCE



Headcount Investment			
	HY18	HY19	HY20
Front Office	77	102	141
Back Office	21	34	45
Tech Support	69	122	169
Professional Services	10	3	30
Total	177	261	385
YoY Increase		+84	+124

STRATEGIC OPERATING DIVISIONS



CLOUD LICENSING

LICENSING

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

1H 20 Revenue

\$20.3M

1H20 Operating Profit

\$5.7M

CLOUD SERVICES & SUPPORT

TECH SUPPORT & PROFESSIONAL SERVICES

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

1H 20 Services & Support Revenue

\$7.0M

1H 20 Operating Profit

\$1.4M

CLOUD OPERATIONS

INTELLECTUAL PROPERTY

Internally developed PRISM Platform. Cloud first, digital first marketing to drive demand for channel partners.

PRISM Spend

CAPEX

\$1.6M

OPEX

\$0.5M

GROWTH STRATEGY



Public Cloud Momentum



Geographical reach

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

JAPAN JV (2019)

SRI LANKA (2019)



Value-added services

Marketing-as-a-Service, Support-as-a-Service, Consulting-as-a-Service to continue to expand as rhipe 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 rhipe customers with much closer links between our website, marketing, sales and billing systems and our partners' ecosystems

PRISM



INDUSTRY AWARDS



2018 Microsoft Australian Partner of the Year

2018 CRN Impact award for Distribution Performance

2018 Microsoft Thailand CSP Partner of the Year

2019 Microsoft Global Indirect CSP of the Year Finalist

NEW **2019** Microsoft Singapore Indirect CSP of the Year

NEW **2019** Microsoft Thailand CSP Partner of the Year

NEW **2019** Microsoft Malaysia Partner of the Year

NEW **2019** Microsoft Malaysia Cloud Channel Development Partner of the Year

NEW **2019** Microsoft Indonesia Cloud Distributor of the Year

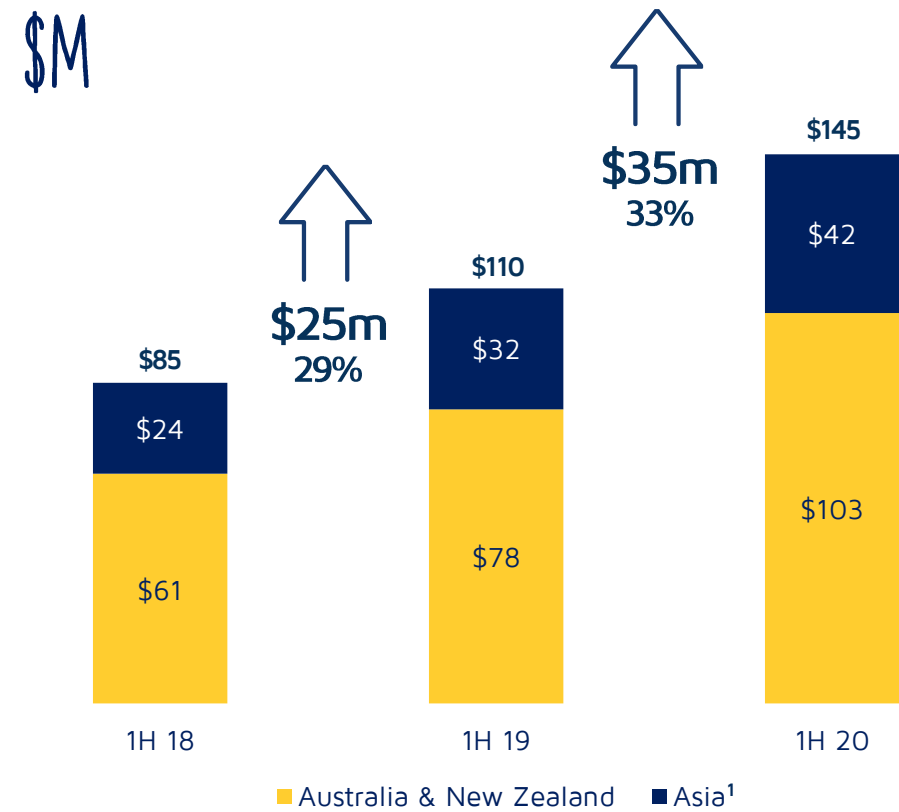
OPERATIONAL HIGHLIGHTS



OPERATIONAL HIGHLIGHTS

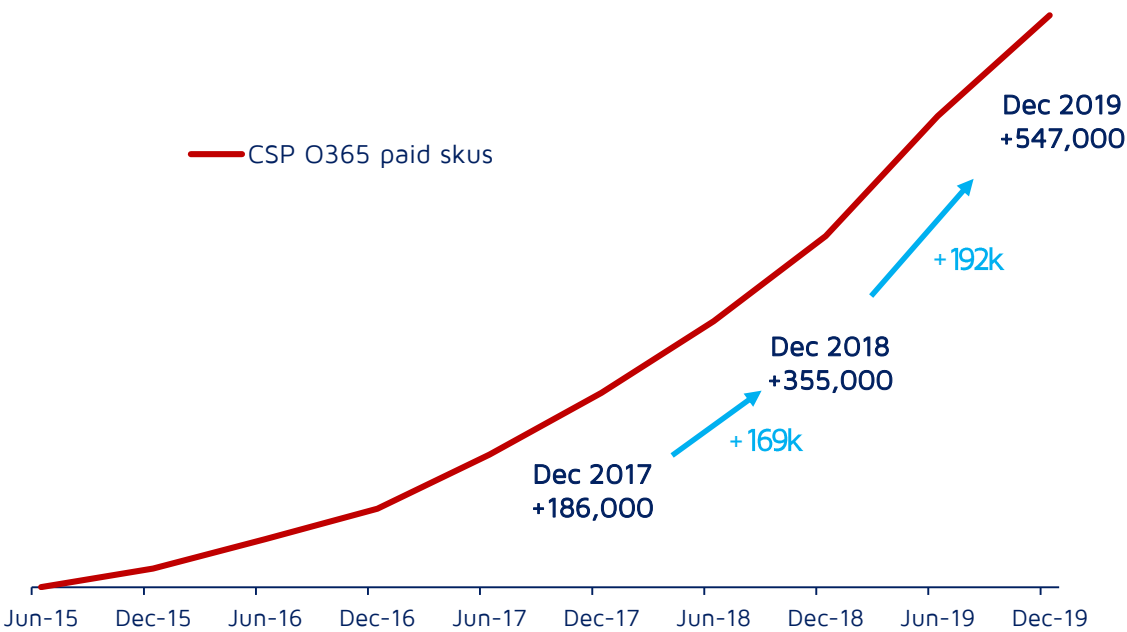


Licensing Regional Sales Split



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

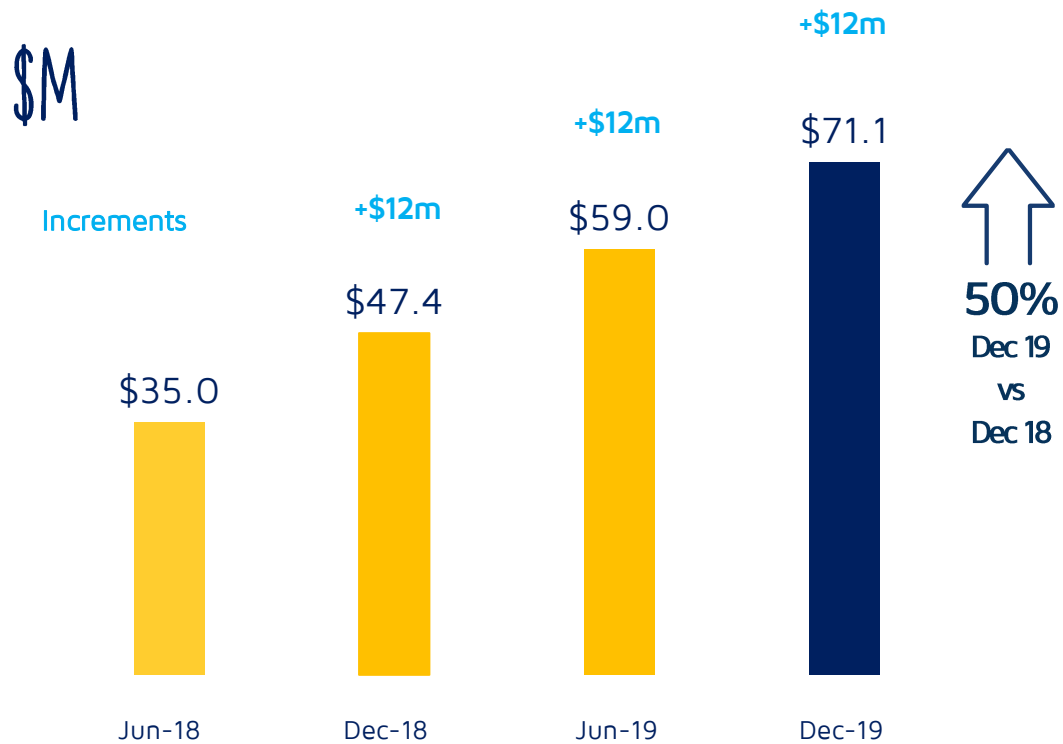
Microsoft CSP O365 Seat Count



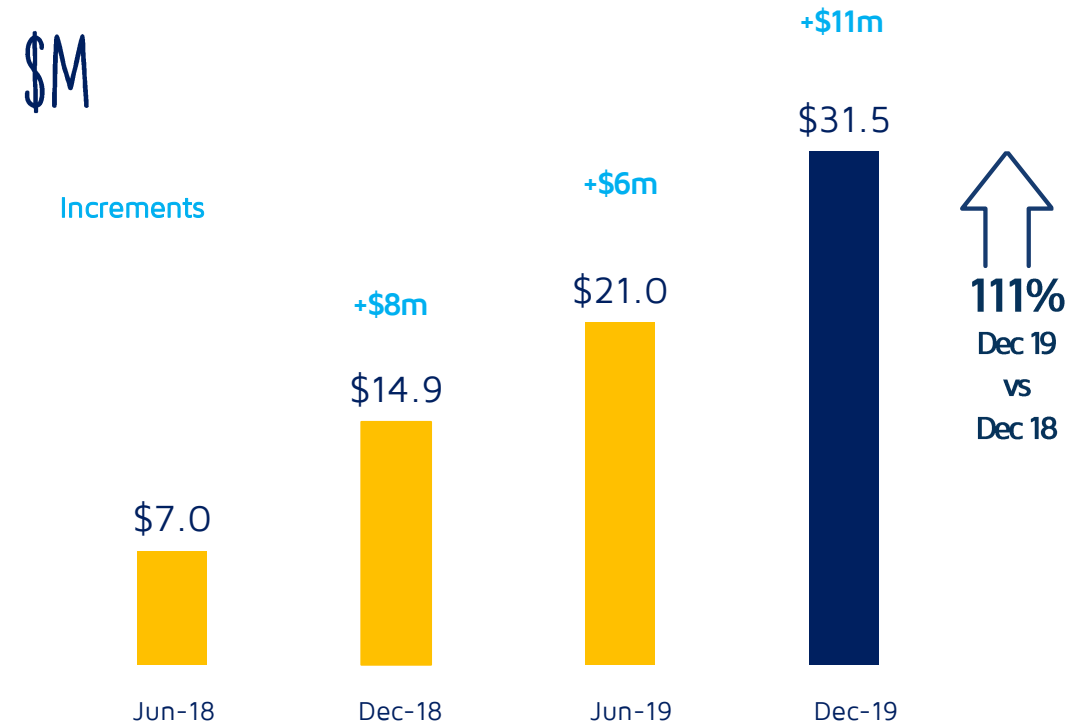
OPERATIONAL HIGHLIGHTS (CONT'D)



Microsoft 0365 ARR Sales



Microsoft Azure ARR Sales

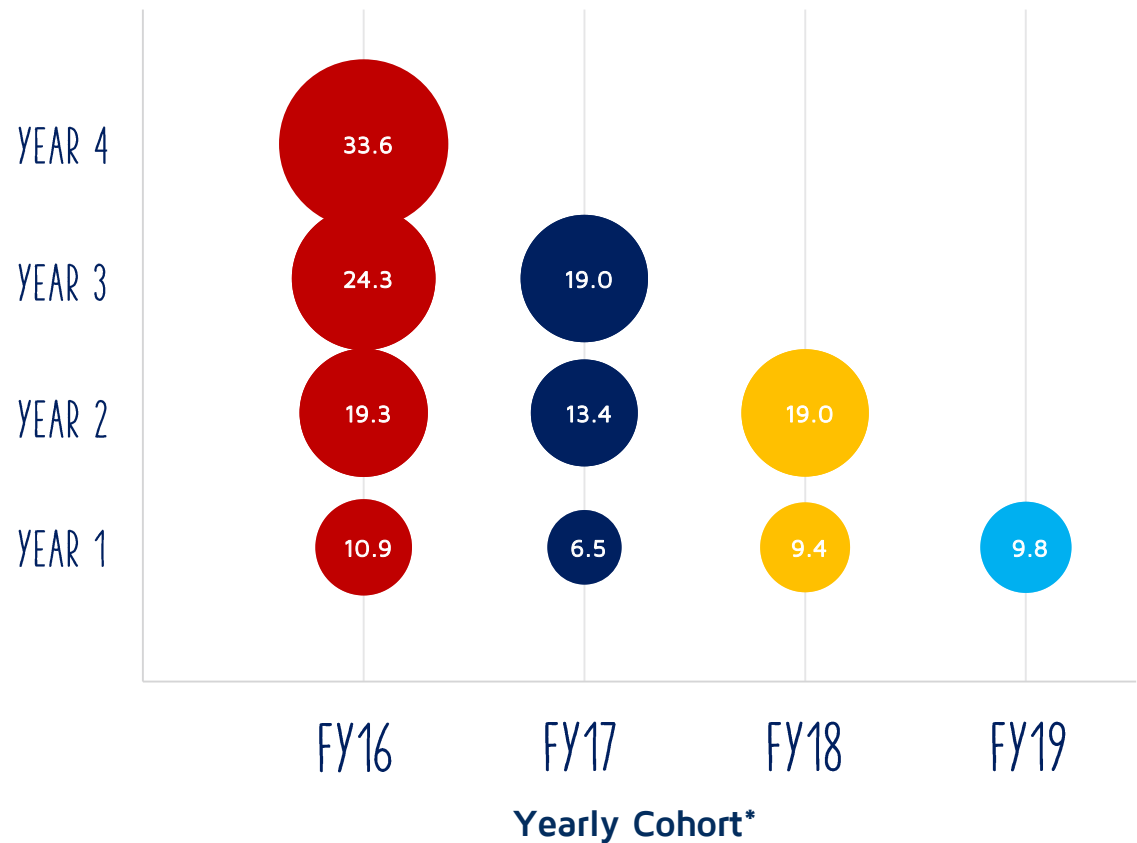


OPERATIONAL HIGHLIGHTS (CONT'D)



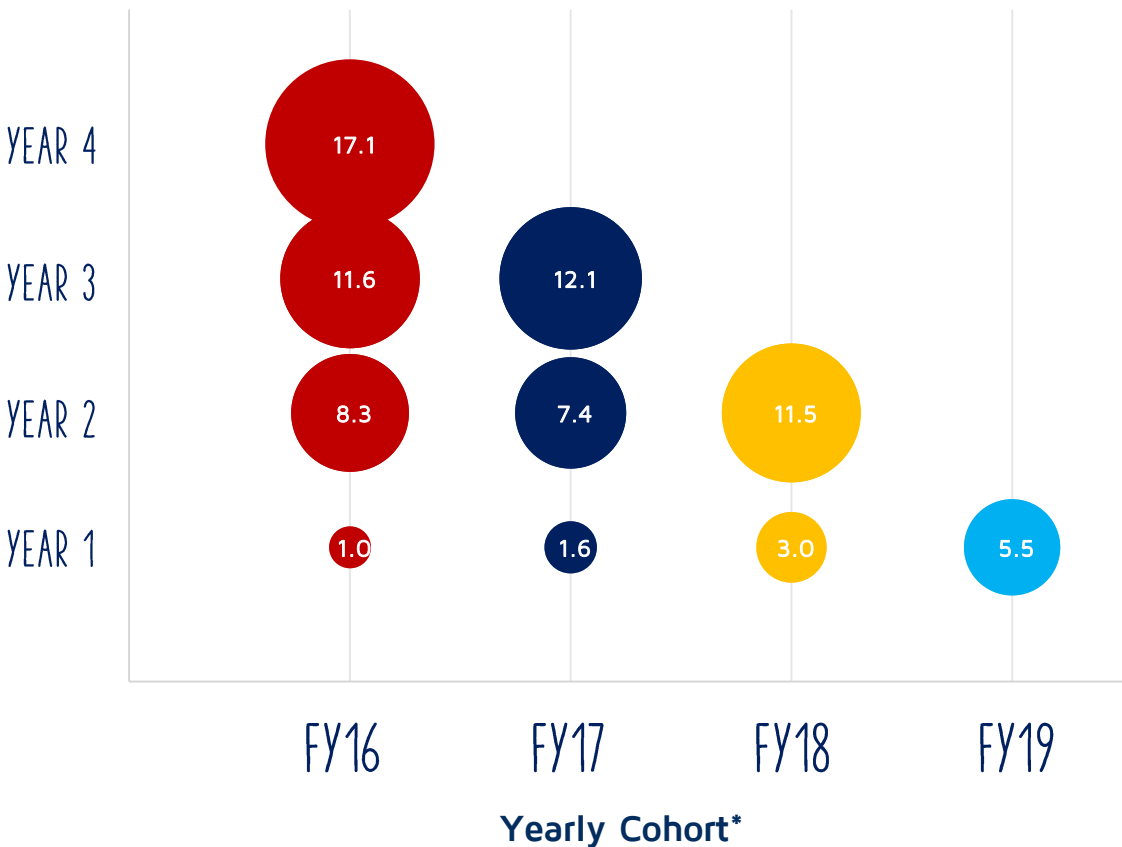
Partner Cohort - All Vendors

\$'M SPEND PER COHORT



Partner Cohort - CSP**

\$'M SPEND PER COHORT



*Yearly cohort = customers acquired in a given year,
**Partner cohort – CSP = new partners to rhipeco who sign up to Microsoft CSP

STRATEGIC INITIATIVES



STRATEGIC INITIATIVES



Japan JV



- Entity setup and capitalisation completed
- 5 staff now in place; will grow to ~10 in H2
- Microsoft CSP license awarded
- Marketing and sales strategy progressing
- Operational setup of PRISM and associated processes now complete
- Announced rhipe Japan at Microsoft Japan partner conference in Q1 FY20
- Pipeline building but will take time
- FY20 spend now estimated at approx. \$1.5m

DBITS



- March 2019: Completed acquisition of 100% of Dynamic Business IT Solutions Pty Ltd ("DBITS"), a Microsoft Dynamics consulting specialist
- DBITS is expected to contribute up to \$1m in EBITDA in first 12 months. \$0.4m booked in FY19
- Investment increased in FY20 ahead of plan to enhance capabilities and team bench strength
- First EBITDA earnout hurdle unlikely to be met
- Very strong pipeline with momentum towards future earnout target

SmartEncrypt








- August 2019 acquisition of 100% of a Melbourne based security software company that has developed a user-friendly encryption product, SmartEncrypt, which rhipe plan to bundle with Microsoft Office365 and other vendor software licenses
- SmartEncrypt provides rhipe with new and differentiated Intellectual Property
- Azure migration complete
- Internal rollout underway
- Beta launch expected in NZ in the next few weeks, with Australia to follow
- We intend to invest up to \$1m in the development of SmartEncrypt in FY20

KEY OPPORTUNITIES & RISKS

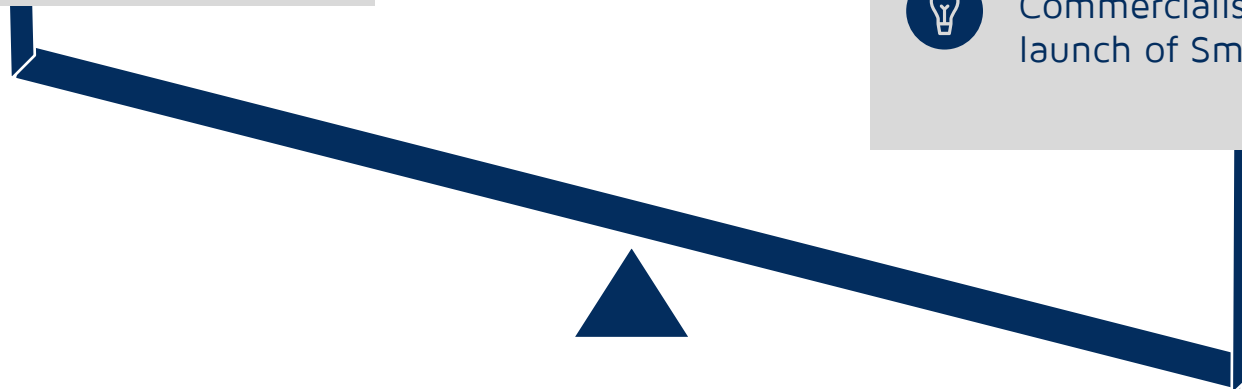


Key Risks

-  75% of revenue from Microsoft and growing
-  Competitive pressure
-  Lower vendor incentives
-  Delayed investment returns
-  APAC economy performance

Key Opportunities

-  Public cloud momentum & continued growth through existing & new vendors
-  Expansion of existing public cloud into new Geographies
-  Capitalising on investments made in the Solutions business
-  Commercialisation and launch of SmartEncrypt

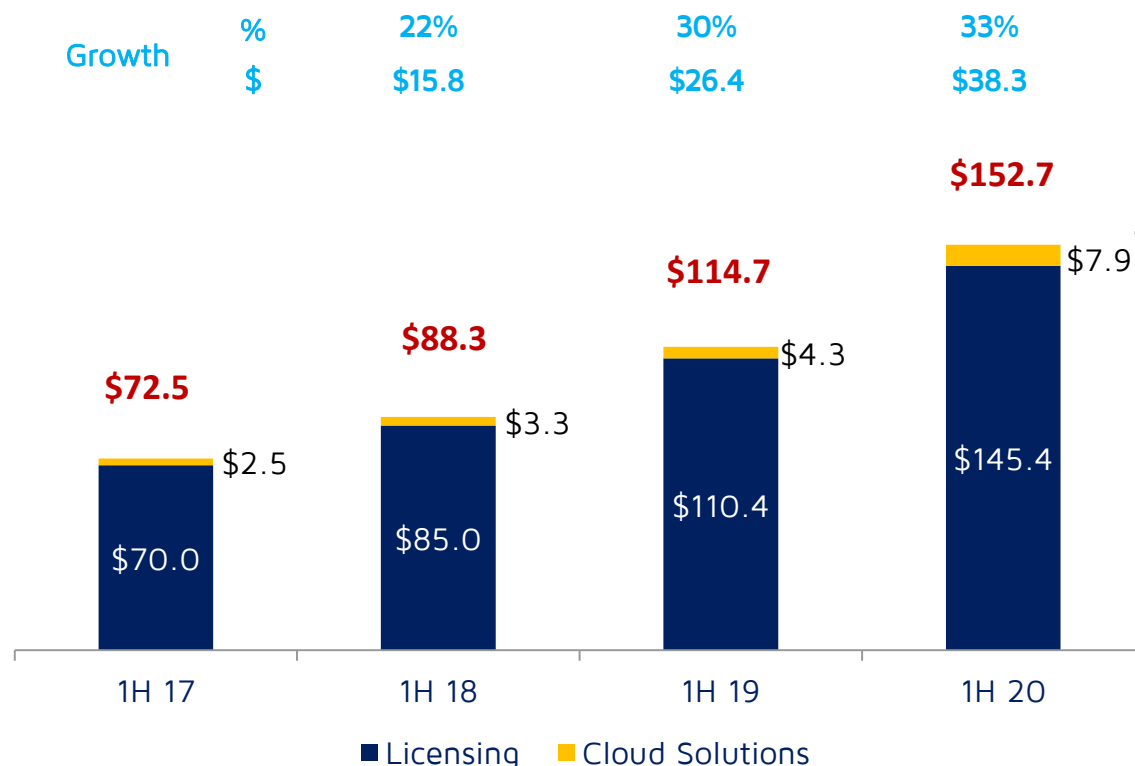




1H FY20 FINANCIAL RESULTS



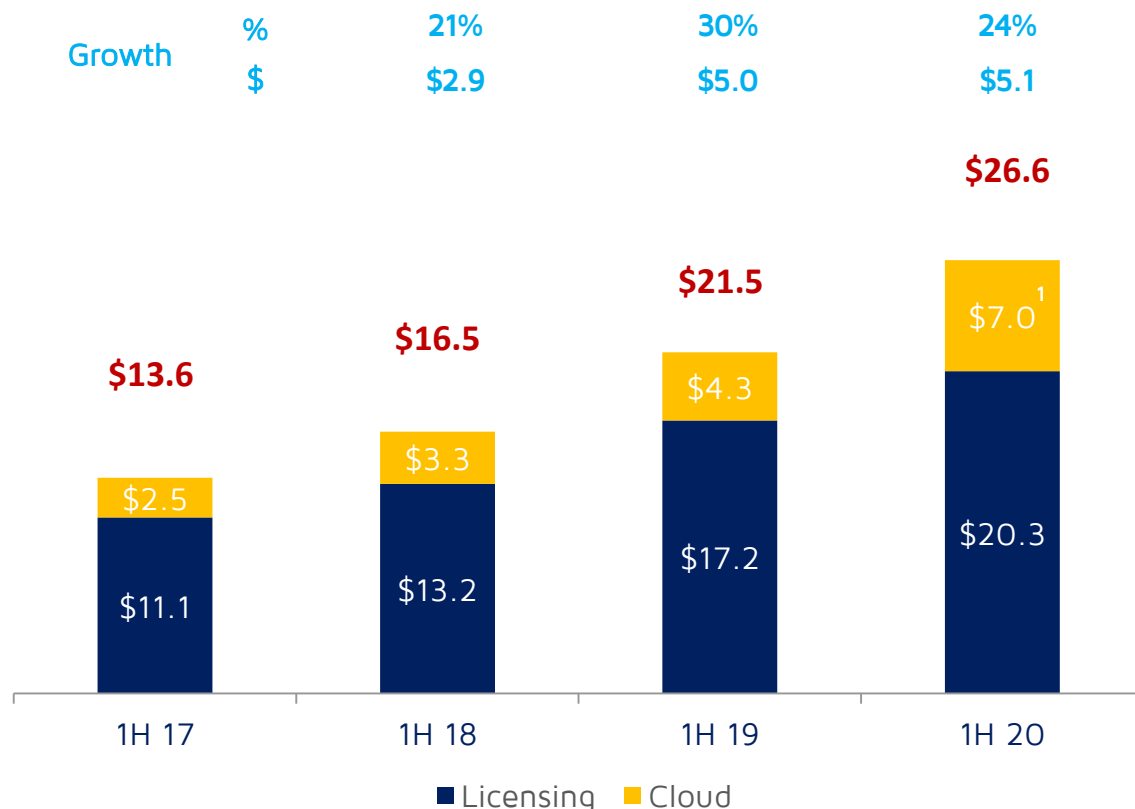
GROSS SALES \$M



- Sales growth in Licensing driven by continued strong growth in public cloud and Microsoft CSP which drove 2/3rds of sales growth.
- Microsoft private cloud business (SPLA) sales grew 12% to \$56m, O365 sales grew 61% to \$34m, Azure sales grew 141% YoY to \$14m.
- Non-Microsoft sales grew 21% vs 19% in FY19, vs 13% in FY18. Non Microsoft sales were \$36m in 1H FY20.
- Solutions sales grew by 85% YoY or 59% excluding impact of DBITS acquisition. FY19 solution sales growth was 30%.

1. Solutions sales includes \$0.6m of intercompany sales (support as a service and Dynamics)

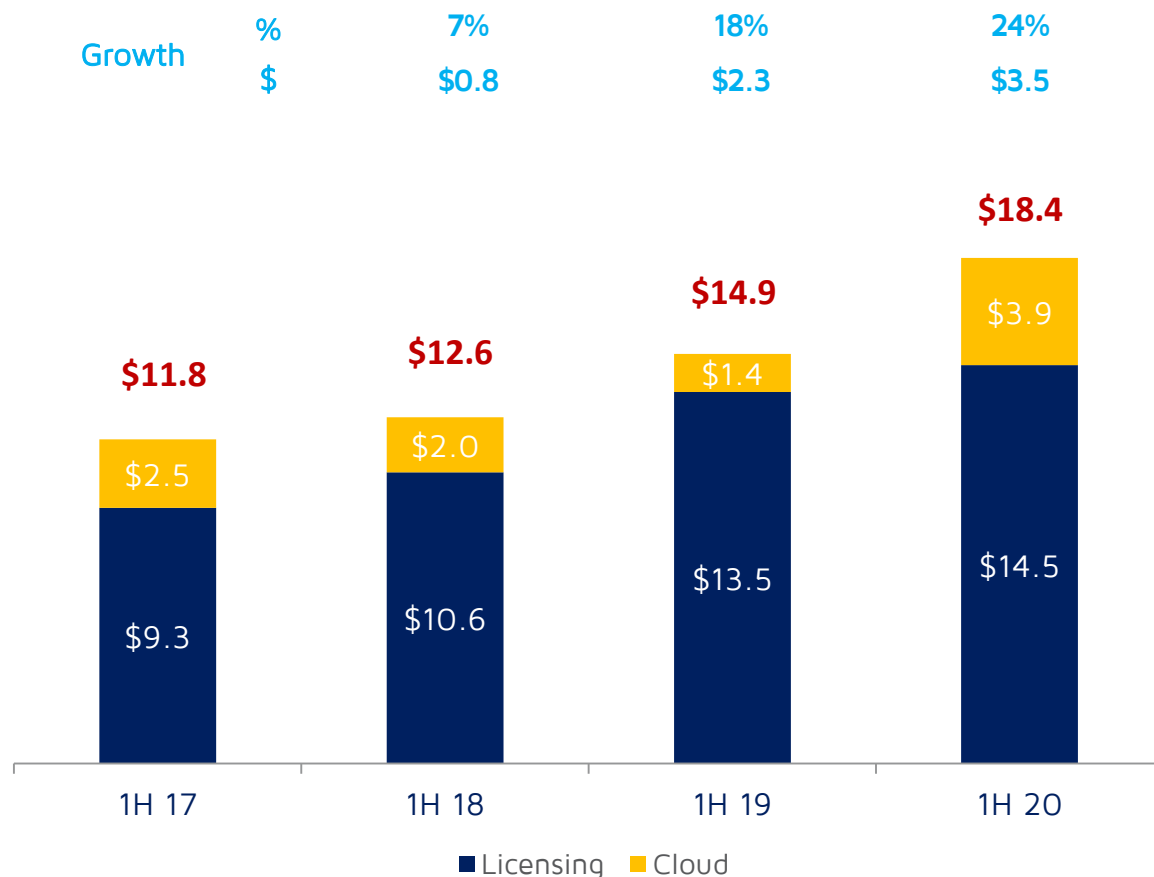
REVENUE \$M



- Revenue growth in 1H FY20 was 24% with strong contribution from Solutions which grew 63% YoY or 37% excluding DBITS.
- Licensing revenue growth was 18%, lower than sales growth due to changes to product and geographical mix arising from strong Sales in Azure and Asia, plus lower vendor incentives and to a lesser extent competitive pressures.
- Solutions revenue growth was driven by continued expansion of our support as a service offering and expansion of our Microsoft Dynamics practice.

1. Solutions revenue includes \$0.6m of intercompany sales (support as a service and Dynamics)

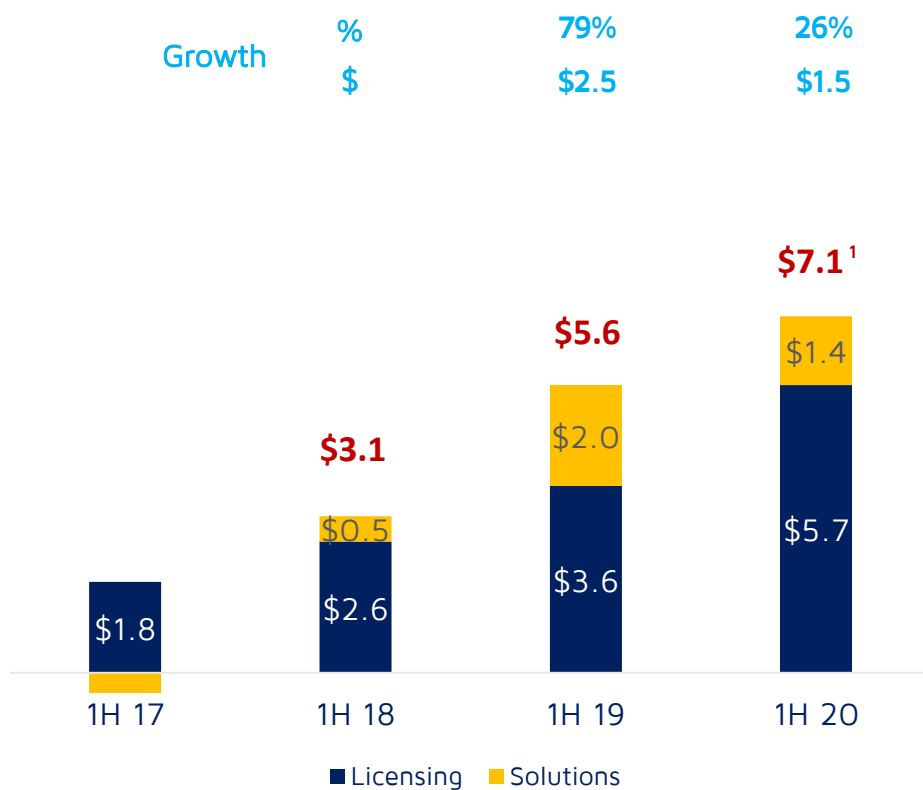
OPEX \$M



- Operating expenses including Japan joint venture costs, grew 24% year on year or 20% if Japan costs are excluded
- Licensing OPEX grew by 7% predominately driven by additional headcount in the front office
- Solutions OPEX grew by \$2.5m or 180% year on year. Excluding the impact of the DBITS acquisition, Solutions OPEX grew by \$1.6m or 115%.
- Solutions OPEX growth driven by additional headcount aimed at growing support as a service, our Dynamics practice and SmartEncrypt

OPERATING PROFIT

\$M

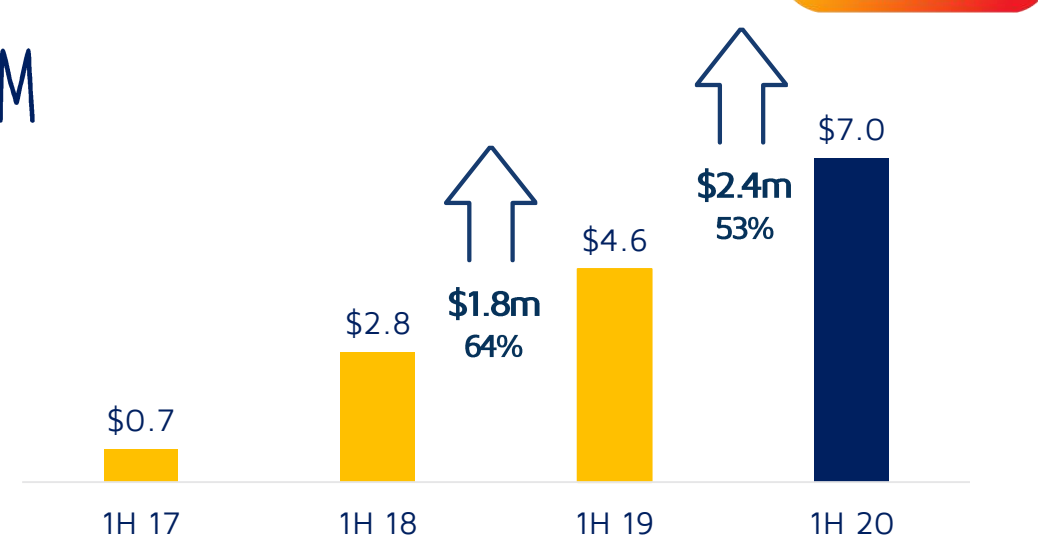


1. Excluding \$0.5m of Japan costs

2. AASB16 property lease costs previously reported in OPEX but now reported as depreciation and interest cost

REPORTED EBITDA

\$M



	1H18	1H19	1H20
Operating Profit (exc. Japan)	-	-	7.1
Operating Profit	3.1	5.6	6.6
FX gain/(loss)	(0.4)	0.3	0.0
Transaction & restructuring costs	(0.2)	(0.2)	(0.2)
Gain on sale of investment	0.3	-	-
Share based payments expense	(0.1)	(1.1)	(2.0)
AASB 16 property lease costs ²	-	-	0.9
Fair value adj. to DBITS consideration	-	-	1.7
EBITDA	2.7	4.6	7.0

CASHFLOW STATEMENT



Statement of Cashflows (\$ '000)

1H FY18 1H FY19 1H FY20

Cash flows from operating activities

Receipts from customers	91.2	114	152
Payments to suppliers and employees	(89.9)	(109.9)	(144.6)
Income tax paid	(0.7)	(0.5)	(1.5)
Net cash provided/(used) in operating activities	0.6	3.8	5.8

Cash flows from investing activities

Purchase of property, plant and equipment	(0.4)	(0.3)	(0.9)
Proceeds from sale of investment	0.7	-	-
Payment for intangibles	(1.3)	(1.3)	(1.6)
Payment for Subsidiary or Acquisition	-	-	(2.0)
Net cash (used) in investing activities	(0.9)	(1.6)	(4.5)

Cash flows from financing activities

Proceeds from issue of shares	0.09	1.5	0.7
Buy back of shares	(2.3)	(1.9)	-
Payments of principal portion of lease liabilities	-	-	(0.8)
Dividends paid	-	(1.3)	(2.8)
Net cash provided by financing activities	(2.2)	(1.8)	(2.9)

Net increase/(decrease) in cash	(2.5)	0.5	(1.5)
Opening cash	19.8	22.7	25.5
Closing cash	17.3	23.2	24.0

Cash from
operating
activities up
52% to \$5.8m

80% of
operating
cashflow
invested in IP
and operations

Ongoing
investment in
Intellectual
Property

INTERIM DIVIDEND
Fully franked
interim dividend
of AUD
1.20 cent per
share

QUESTIONS

