

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

The Manager
Company Announcements
Australian Security Exchange
Level 5, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir or Madam,

**ASX Code: RHP
FY21 Half Year Results**

Sydney, 16th February 2021 – rhipe Limited (“rhipe” or “the Company”) today provided its FY21 half-year financial results and operational highlights for the period.

Overview of Financial Results

The results presented in rhipe’s financial statements reflect the operations of rhipe Limited and all subsidiaries (together the “Group”) for the six months from 1 July 2020 to 31 December 2020 (“1H FY21”). A summary of the Group’s financial information for 1H FY21 is set out in the table below:

\$'000	Half-year Ended	Half-year Ended	Change
	31-Dec-20	31-Dec-19	
Sales - Software Products & Services	179,551	152,689	18%
Revenue	30,520	26,636	15%
Gross Profit	27,733	25,024	11%
Operating Expenses	19,042	18,423	3%
Operating Profit (1)	8,838	6,601	34%
Reported EBITDA	8,227	7,018	17%
Profit/(loss) after tax	3,818	3,254	17%

1. Operating profit is gross profit less operating expenses and excludes any FX gains or losses, share-based payments and any non-operating one-off costs including restructuring and due diligence costs. It also includes rhipe’s share of cost incurred in rhipe Japan and property leases cost.

ABOUT RHIPE

rhipe, (ASX: RHP) is a global leader in cloud and technology solutions, providing partners with business advisory and deep domain technical expertise to thrive in the growing cloud market. rhipe is recognised as an expert in subscription software licensing in Asia Pacific. Its multi-award-winning services and support division is the industry leader in Microsoft Office 365 implementation and other global vendor solutions.

FOR MORE INFORMATION CONTACT

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Mark McLellan - Chief Financial Officer
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Overall, rhipe delivered a resilient performance despite the impact of COVID-19 on many of the small and midsize businesses (“SMB”) that rhipe serves across Asia Pacific. The result was achieved due to continued strong growth in Microsoft Cloud Solutions Provider (“CSP”) or ‘public cloud’ program for Office365 and Microsoft Azure. Our ongoing investments in Microsoft public cloud capabilities over the last five years has driven the growth in the Group with Microsoft CSP now accounting for over 75% of the growth in software licensing sales in 1H FY21 and 40% of total licensing sales for the Group. We continue to invest in our CSP capabilities most notably with our recent entry into the Japan market where cloud penetration lags other developed nations.

rhipe also continues to invest in our Solutions business which provides support and consultancy services to our vendors and partners. This investment is focused on expanding our technical “support as a service” offering, consultancy services centred on Microsoft Dynamics and investment in our encryption software product SmartEncrypt, which was officially launched at the beginning of February 2021. rhipe will continue to invest in these operations with the objective of increasing the revenue and profitability of our Solutions business.

During 1H FY21 rhipe acquired 100% of Parallo, a New Zealand-based Azure managed services business. Parallo focuses on managing the cloud environment for independent software vendors and software-as-a-service providers allowing them to focus on core product development and customer needs. The acquisition of Parallo will allow us to support the expansion of our partners’ Microsoft Azure capabilities to their end customers.

Key operating highlights in the half-year to 31 December 2020 include:

- Group sales from software products and services was \$180m for the period, up 18% or \$27m compared to prior corresponding period (“pcp”). Overall rhipe’s sales from software products were \$171m for 1H FY21, up 17% year on year driven by strong growth in Microsoft Office365 and Azure sales and continued strong growth in our Asian footprint with sales up 34% versus pcp. Sales from our services and support activities rose 40% from \$6.3m to \$9m, driven by our investment in these activities and contribution from our acquisition of Parallo in September 2020.
- Microsoft CSP (Office365 and Azure) sales were \$68.3m in the 6 months to 31 December 2020 compared to \$48m in the pcp, an increase of 43%. At 31 December 2020, rhipe had approximately 720,000 Office365 seats including more than 11,000 seats in Japan. The installed base of +720,000 seats at 31 December 2020 compares to ~547,000 O365 seats at 31 December 2019 and 630,000 seats at 30 June 2020.
- Group revenue for 1H FY21 was \$30.5m compared to \$26.6m in the pcp, up 15%. Licensing revenue of \$21.6m for 1H FY21 was up 7% compared to pcp with lower revenue growth driven by the impact of the pandemic on our partner base and changes in our software vendor incentives.
- Revenue from our services and support activities was \$9m for the period, up 40% on the pcp driven by our support and service activities plus revenue earned by Parallo. Excluding Parallo, revenue growth was 22%.

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- Group operating expenses increased by 3% or \$0.6m year on year to \$19m. Operating costs in our licensing business reduced by approximately \$1m compared with pcp mainly due to the impact of COVID-19 which reduced travel and entertainment costs and marketing cost. Operating costs in our Solutions business increased by \$1.3m (32% growth) year on year or \$1.1m excluding Parallo. The increase in operating costs in this business is related to our strategy of ongoing investment in expanding our service offerings to our customers.
- Operating profit for 1H FY21 was up 34% year on year to \$8.8m. Of the \$8.8m operating profit, Licensing delivered \$7.3m, up 43% and Services delivered \$1.5m, an increase of 14%.
- Group reported EBITDA for the six months ended 31 December 2020 increased by 17% to \$8.2m. In the prior year 1H FY20, reported EBITDA was positively impacted by a \$1.7m benefit arising from a fair value adjustment to deferred consideration. If this one item is excluded from 1H FY20 EBITDA, the growth in EBITDA year on year is 55%.
- rhipe delivered a profit after tax of \$3.8m compared to a profit after tax of \$3.2m, an increase of 17% year on year.

Strong Cash Position

Cash as at 31 December 2020 was \$57.5m versus \$60.9m at 30 June 2020 following the payment of a \$3.2m fully franked dividend and a \$4.3m payment for the Parallo acquisition which completed on the 30th September 2020.

Dividend

The Board of rhipe is pleased to announce a fully franked interim dividend of 1.5 cents per share in FY21. The interim dividend will be paid in March 2021.

Outlook

Due to rhipe's extensive reseller base across many countries, rhipe's business has proven very resilient to the impacts of COVID-19 with a strong financial result in the first half of 2021. rhipe expects these results to continue in the second half of the financial year and, as a result, rhipe plans to increase investments in several key growth pillars of our business in order to drive further growth in 2022 and beyond. rhipe is now targeting full year operating profit for the financial year to 30 June 2021 of \$17.5m which would represent growth of around 27% compared to the prior year.

ENDS

Approved for release by the Board.

This summary should be read in conjunction with the Appendix 4D and results presentation lodged with ASX today.

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