



# FY21 Results Presentation

31 August 2021

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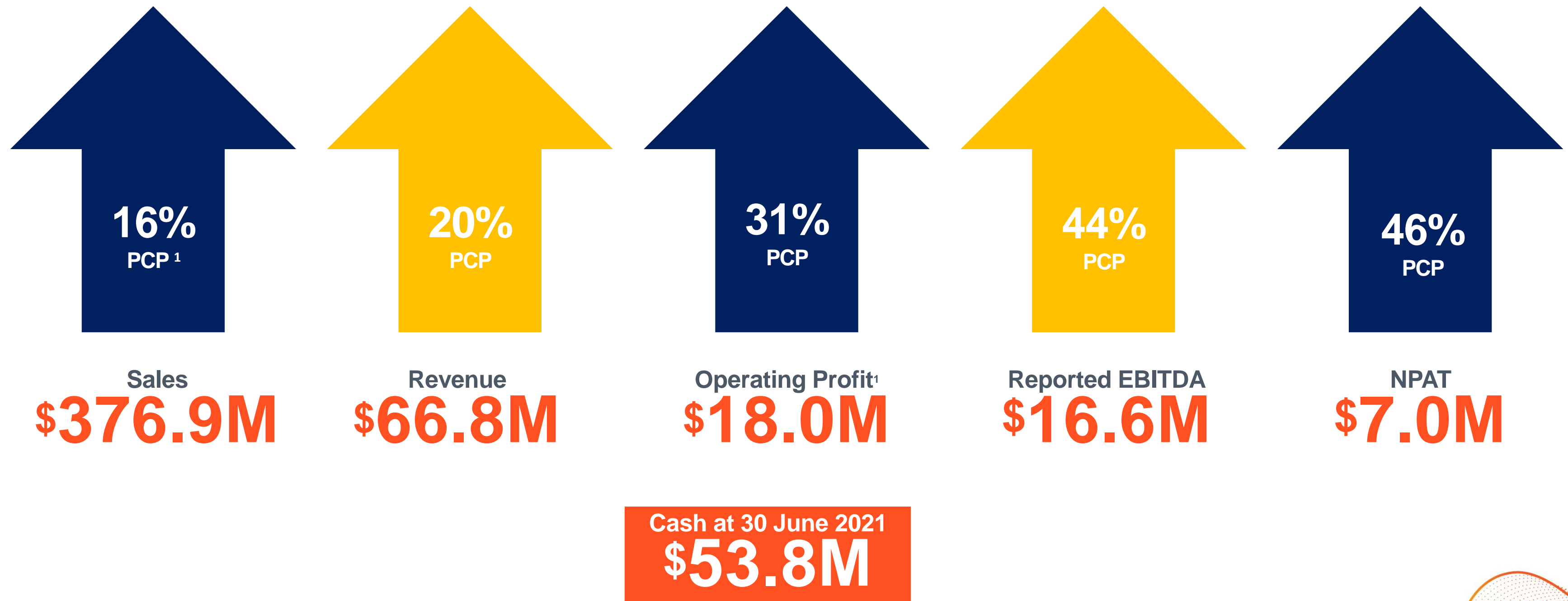
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# FY21 Financial Highlights



1. Prior Corresponding Period "PCP"

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



# Timeline for acquisition of rhipe by Crayon ASA

- On 6 July 2021, rhipe entered into a binding Scheme Implementation Deed with Crayon Group Holdings ASA (“Crayon”) under which it is proposed that Crayon will acquire 100% of the shares in rhipe via a scheme of arrangement (‘Scheme’).
- rhipe shareholders are to receive Scheme Consideration of AUD\$2.50 cash per share (reduced to the extent of any Permitted Special Dividend). In addition, as part of the Scheme Consideration, rhipe intends to declare a fully franked special dividend of up to 13 cents per share ('Permitted Special Dividend') to be paid on or shortly before the implementation date of the Scheme, conditional on the Scheme being approved and becoming Effective. <sup>1</sup>
- The rhipe Directors unanimously recommend that rhipe shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a superior proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of rhipe’s shareholders. Subject to the same qualification, each Director of rhipe who owns or controls any rhipe shares intends to vote those shares in favour of the Scheme at the Scheme Meeting.
- It is anticipated that a Scheme Booklet in relation to the proposed Scheme will be sent to rhipe shareholders in September 2021 and that rhipe shareholders will vote on the scheme in October 2021.

<sup>1</sup> The rhipe Directors will determine (in their absolute discretion) whether to pay any Special Dividend after assessing the rhipe Group's cash position and available funding at the applicable time. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their individual tax circumstances. If a fully franked special dividend of 13 cents per share was declared and paid, this would reduce the Scheme Consideration to \$2.37.

# FY21 Operations Update

# Our Presence



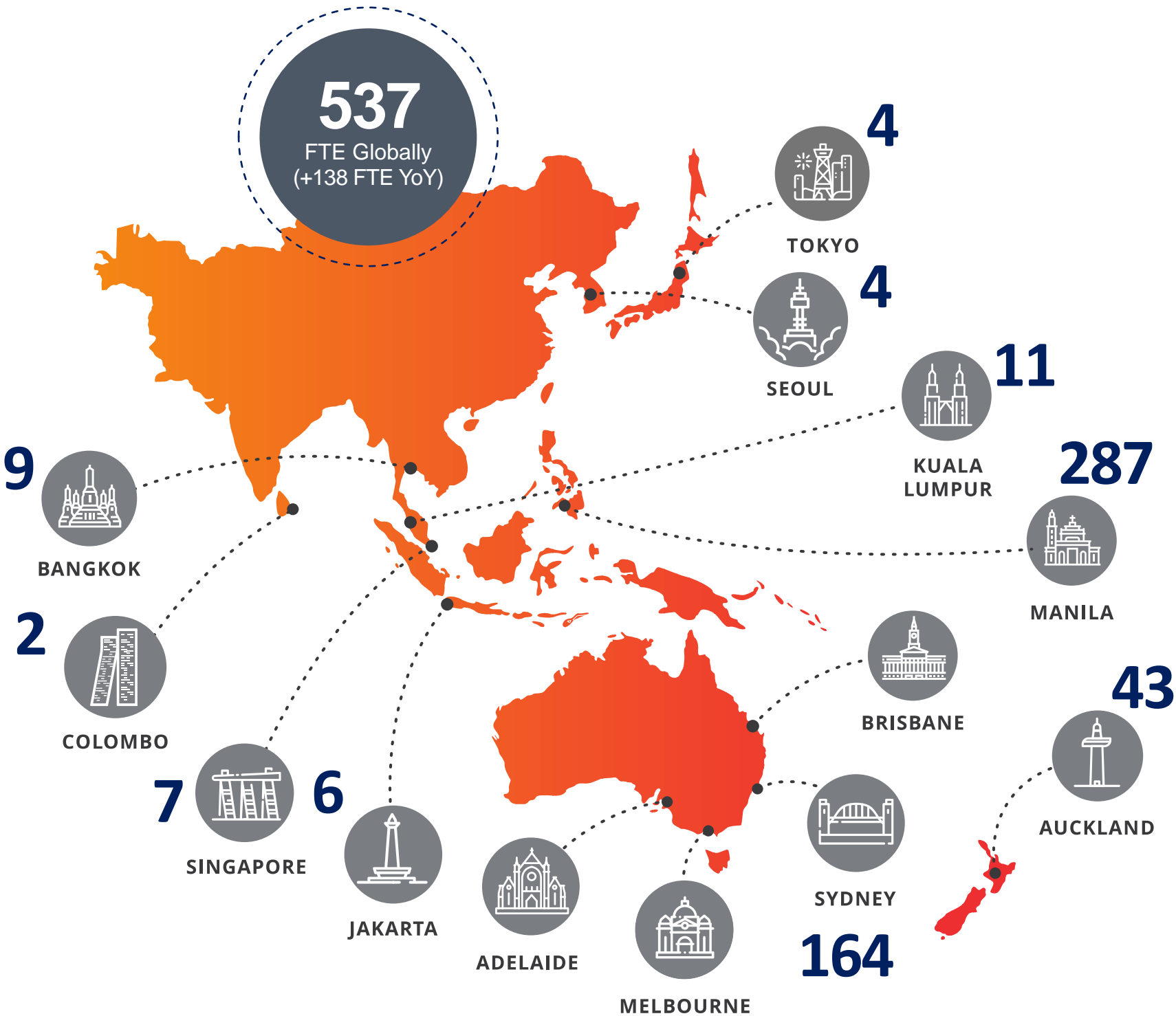
## CLOUD FIRST

rhipe is a born in the cloud, value add software distributor, supporting approximately 3,500 IT resellers across Asia Pacific. Our business model is focused on pay-as-you-consume cloud software subscriptions and value add services aimed at maximising our customer’s investment in cloud software.



## CHANNEL FIRST

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



Headcount growth of 34% in FY21 or 21% excluding acquisitions

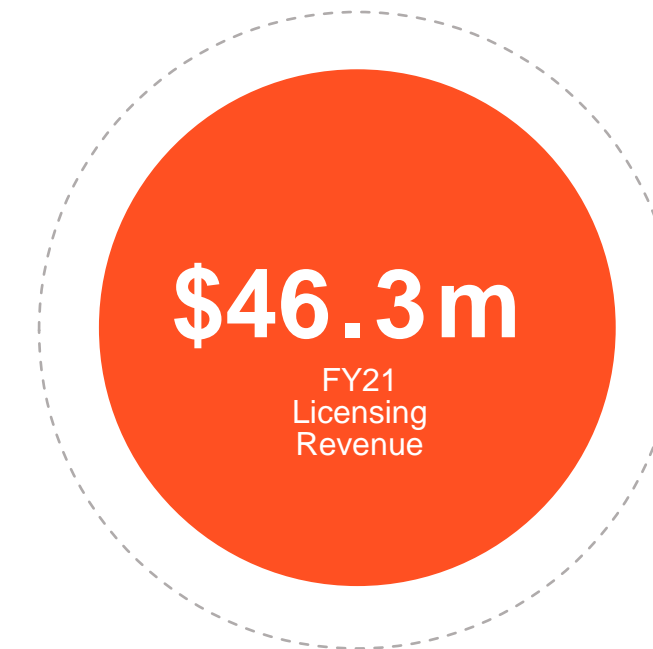


# Strategic Operating Divisions



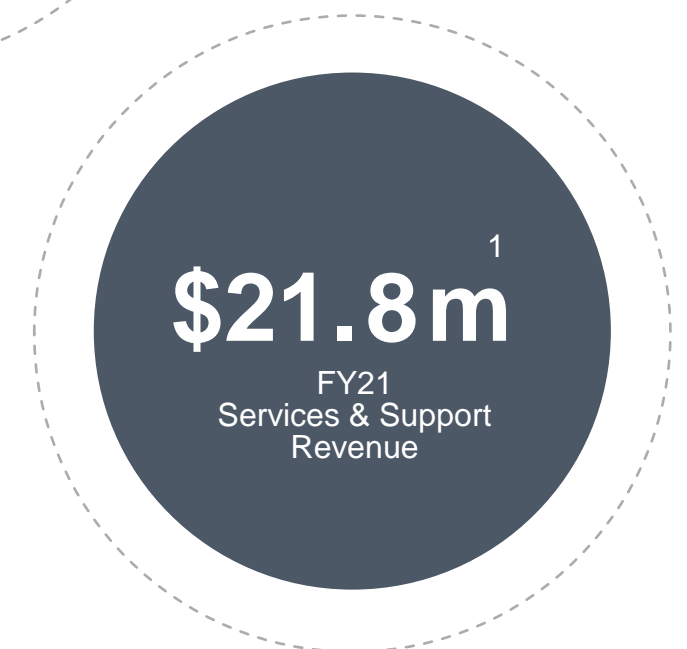
## CLOUD LICENSING

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



## CLOUD SERVICES & SUPPORT

Includes technical support people and professional services to help Vendors and Service Providers with technical needs plus consultancy and support services for Microsoft Azure and Dynamics products



## CLOUD OPERATION & INTELLECTUAL PROPERTY (IP)

Operations and IP developed to support Licensing and Services. Includes internally developed subscription management platform (PRISM) plus cloud first, digital first marketing to drive demand for channel partners.



# Our Strategy

## Geographical reach

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

Japan JV (2019) | Sri Lanka (2019)



## Vendor programs and products

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



## Value-added services

Consulting and Support-as-a-Service to demonstrate ongoing value-add for vendors and partners while also expanding rhipe revenue.



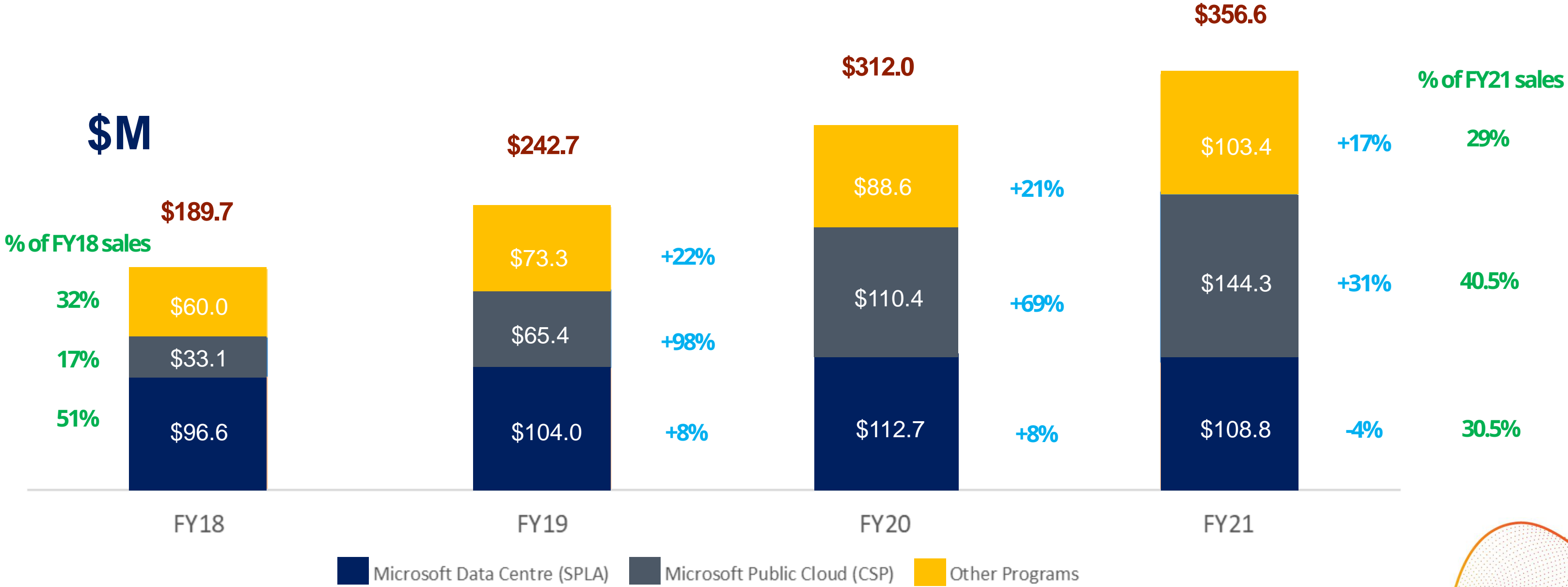
## Building out Intellectual Property

Build a greater digital experience for rhipe customers and add rhipe-owned software products to be sold stand-alone or in bundles with vendor-owned products.



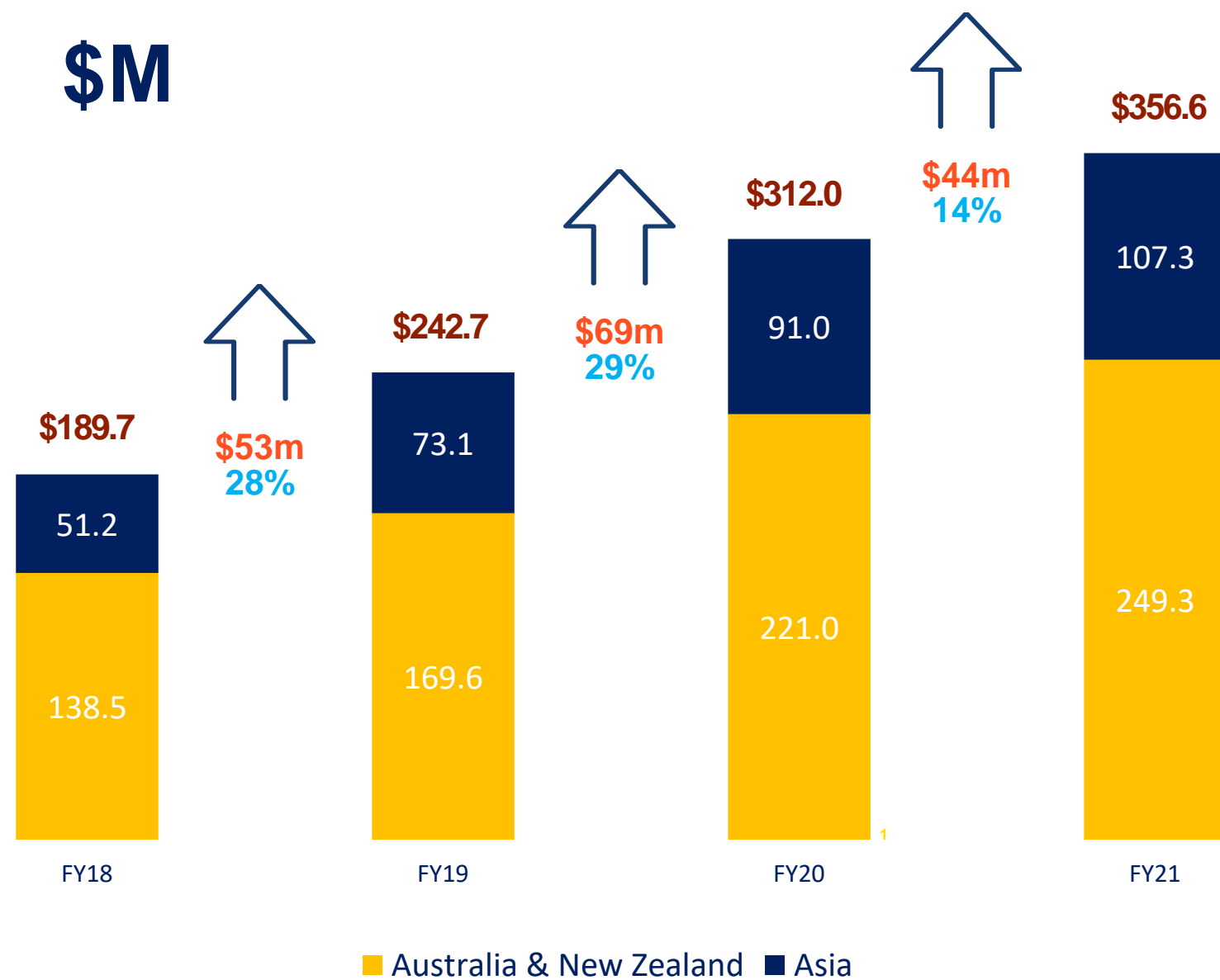
# Operational Highlights

Licensing Sales Growth by Segment

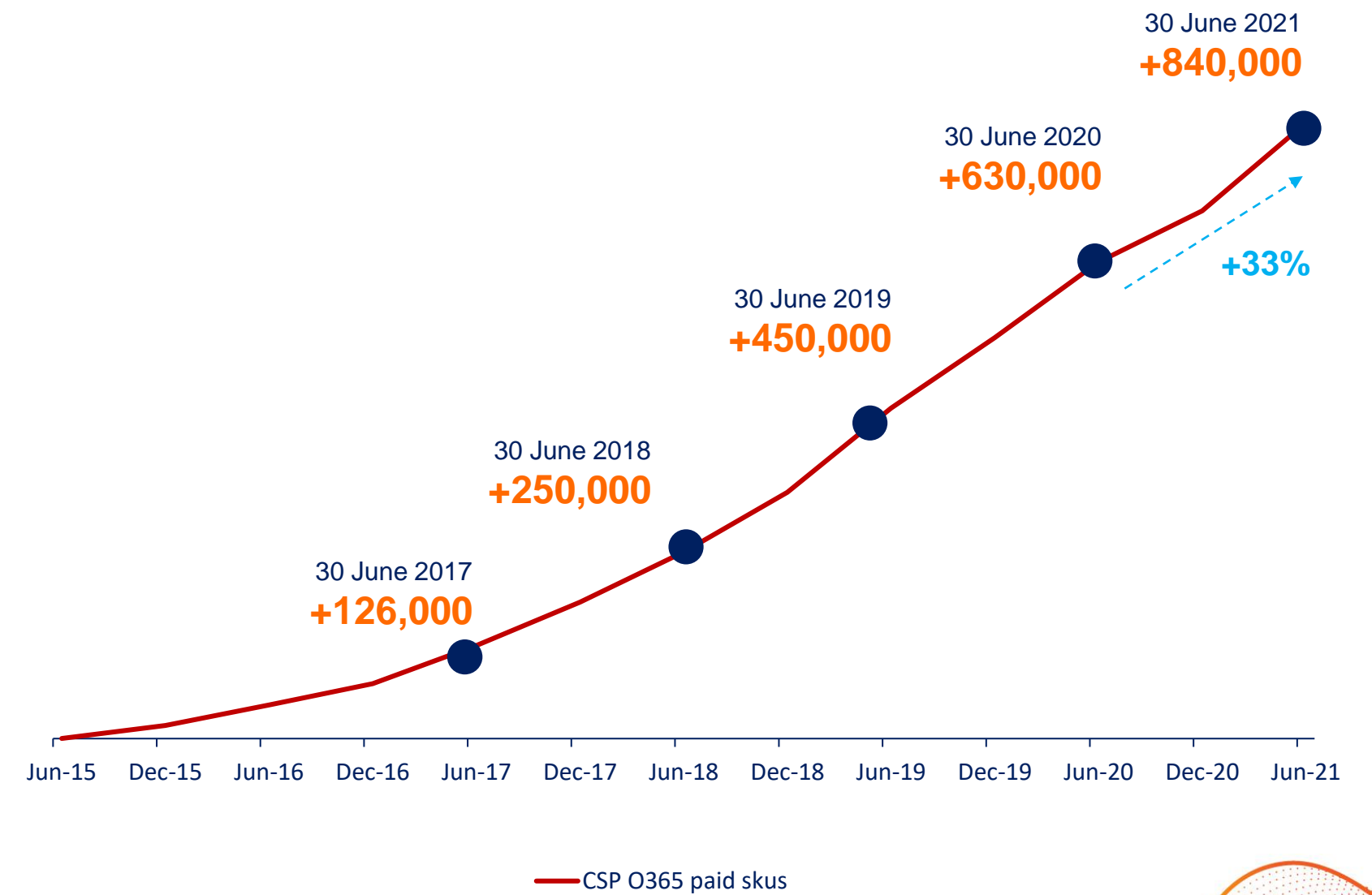


# Operational Highlights

## Licensing Regional Sales Split

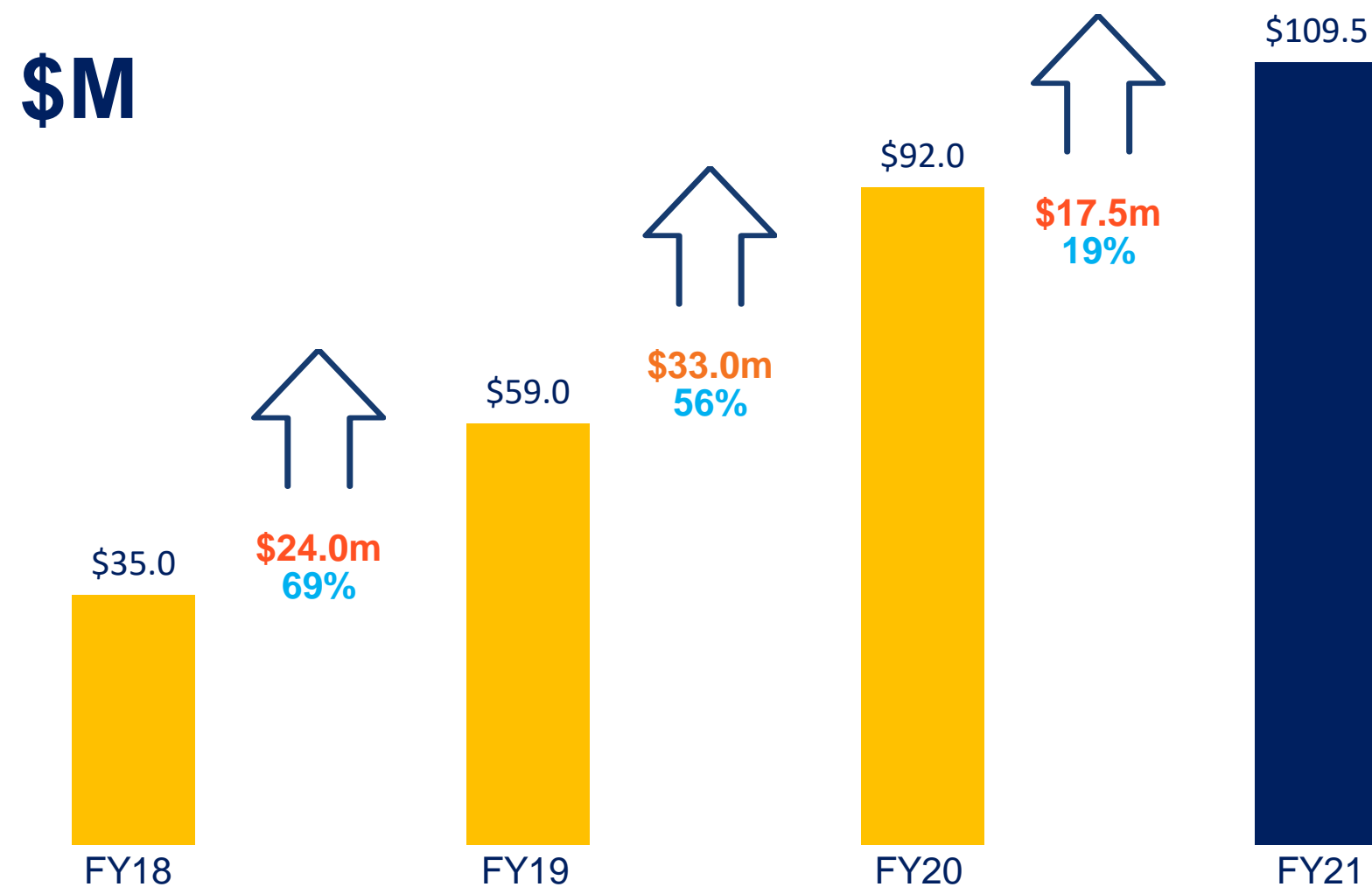


## Microsoft CSP O365 Seat Count

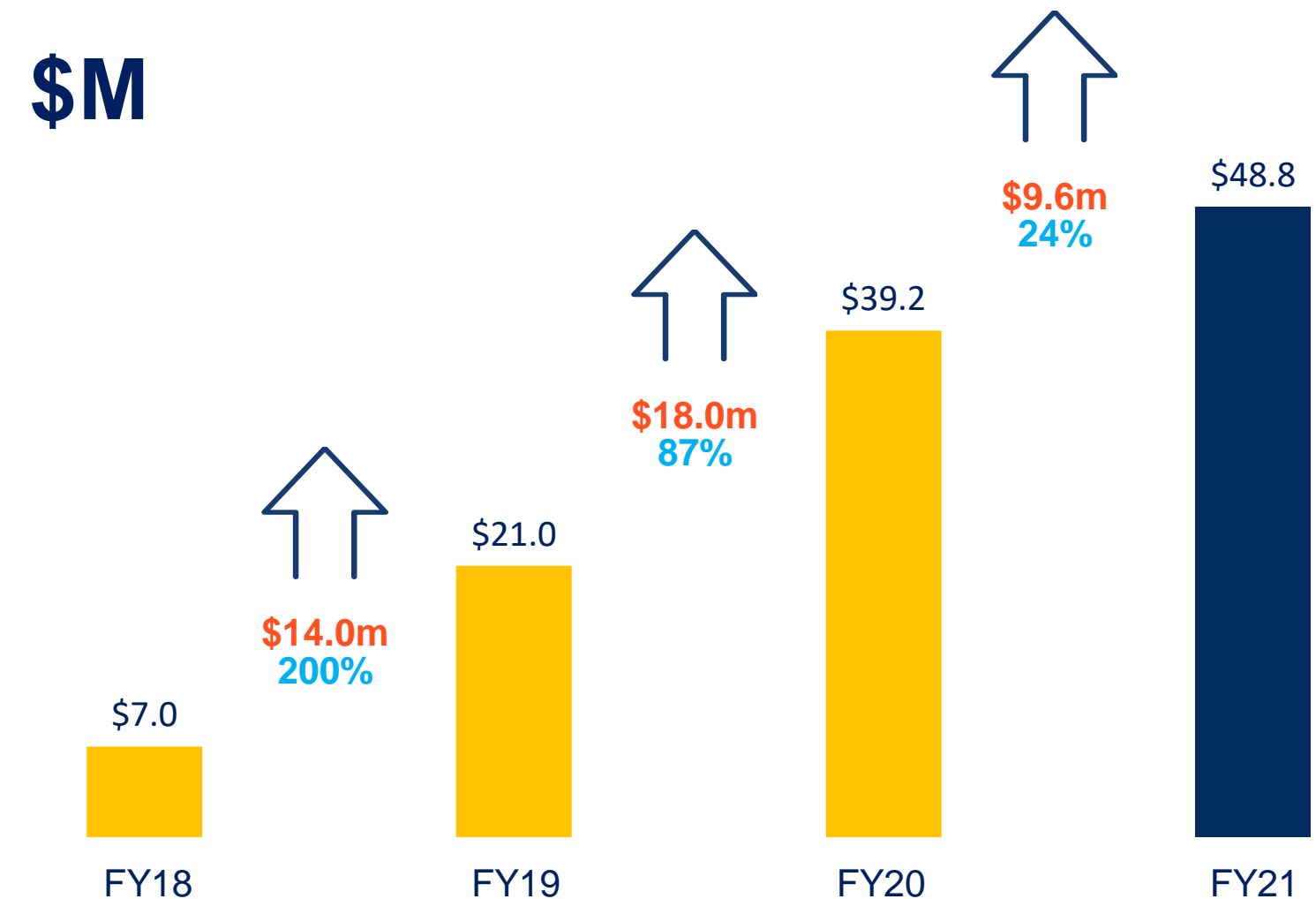


# Operational Highlights

## Microsoft O365 ARR Sales



## Microsoft Azure ARR Sales





# Recent Acquisitions



- In September 2020, rhipe acquired 100% of Parallo, a New Zealand-based Azure and specialist IT services provider for initial cost of \$4.25m plus an earn out payable over two years tied to the financial performance
- Parallo helps Independent Software Vendors (ISVs), Software as a Service (SaaS) businesses and companies whose product offering is cloud based to manage security, performance, availability and cost of their cloud environment
- The aim of Parallo's offering is to enable companies to focus on their own software applications and their customers' needs with Parallo taking care of the cloud workload management
- Parallo's service offering includes many Azure automation tools that have been developed over the last five years
- The business has performed well since acquisition and in line with the acquisition case. rhipe intends to materially invest in FY22 in rolling out Parallo's service offering to Australia and Singapore.

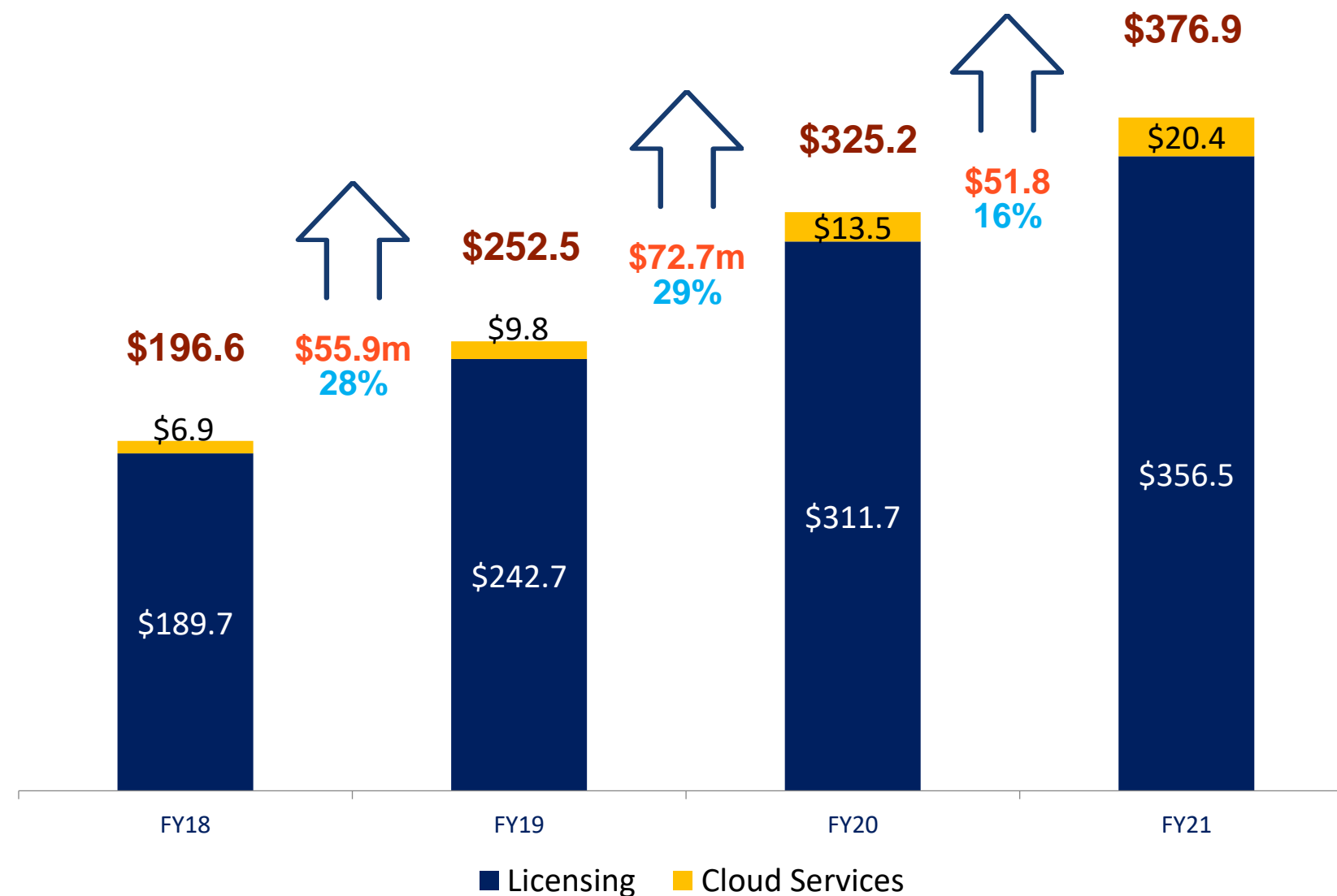


- At the end of April 2021, rhipe acquired the Australian and Asian operations of emt distribution, an Australian headquartered cyber security distribution specialist for upfront cash consideration of \$11m plus \$2m of additional payments tied to financial performance over the next 2 years
- emt focuses on sourcing innovative security software vendors and working with channel partners, to deliver both on-premise and cloud-based security solutions. emt has historically focused on the large corporate and enterprise sector of the market
- emt's vendor offering is complementary to rhipe's existing security offering centered around the Microsoft product stack and rhipe's own SMB focused encryption product "SmartEncrypt"
- emt has a portfolio of over 15 security vendors and provides professional services, focused on both pre- and post-sales technical support for their vendor portfolio
- emt contributed 2 months of financials in FY21 and performed well during this period, aided by the last two months of the financial year.

# FY21 Financial Results

# Sales

\$M

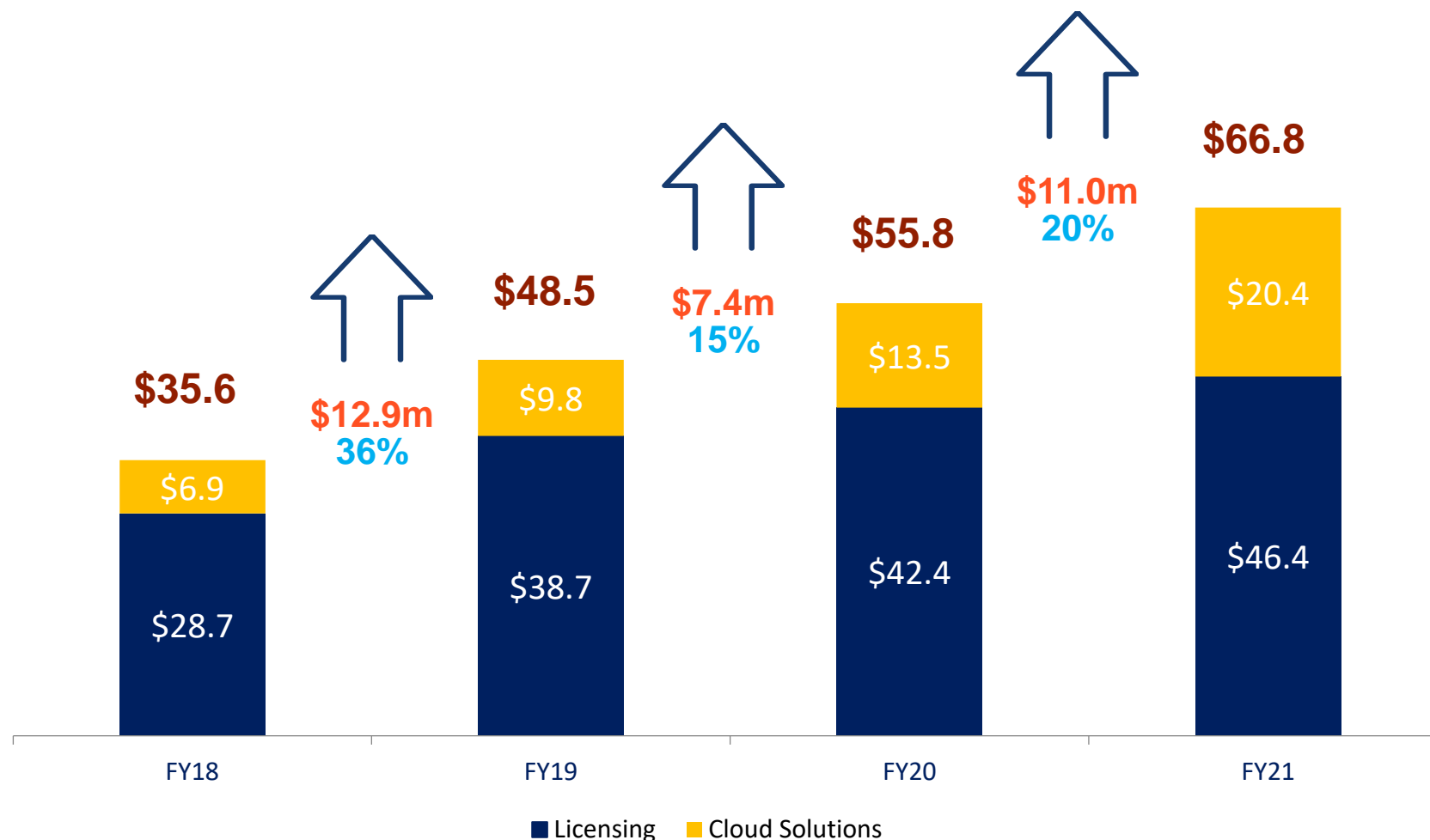


- Group Sales grew 16% in FY21 with Licensing sales growing \$47.8m or 14% year on year and Cloud Services growing \$6.9m or 51%
- In our Licensing business around two-thirds of sales growth came from Microsoft CSP public cloud (O365 + Azure) which increased 31% YoY or \$33m. Microsoft CSP is now over 40% of total sales
- Our Microsoft private cloud licensing business (“SPLA”) decreased by 4% or ~\$4m year on year. This was the first time that we have experienced a contraction in the private cloud business which was caused by the industry trend of moving to public cloud as well as the impact of covid 19 in all APAC countries. In FY20 sales growth in SPLA was 8% or ~\$9m
- Asia local sales grew 22% or ~\$16m compared to 47% or \$22m in FY20 as the pandemic impacted licensing growth during the year. Growth in our largest market, Australia, was 19% or ~\$36m compared to growth of ~\$31m or 19% in FY20
- Non-Microsoft sales increased by \$4.5m or 6% YoY driven by the contribution from emt. Non-Microsoft sales equate to 22% of overall Licensing sales
- Services sales grew by \$6.9m or 51% YoY, boosted by the addition of Parallo and emt to our services proposition. Excluding these acquisitions, Services sales grew by \$2.7m or 20% driven by growth in our technical support activities and expansion of our Microsoft Dynamics sales.



# Revenue

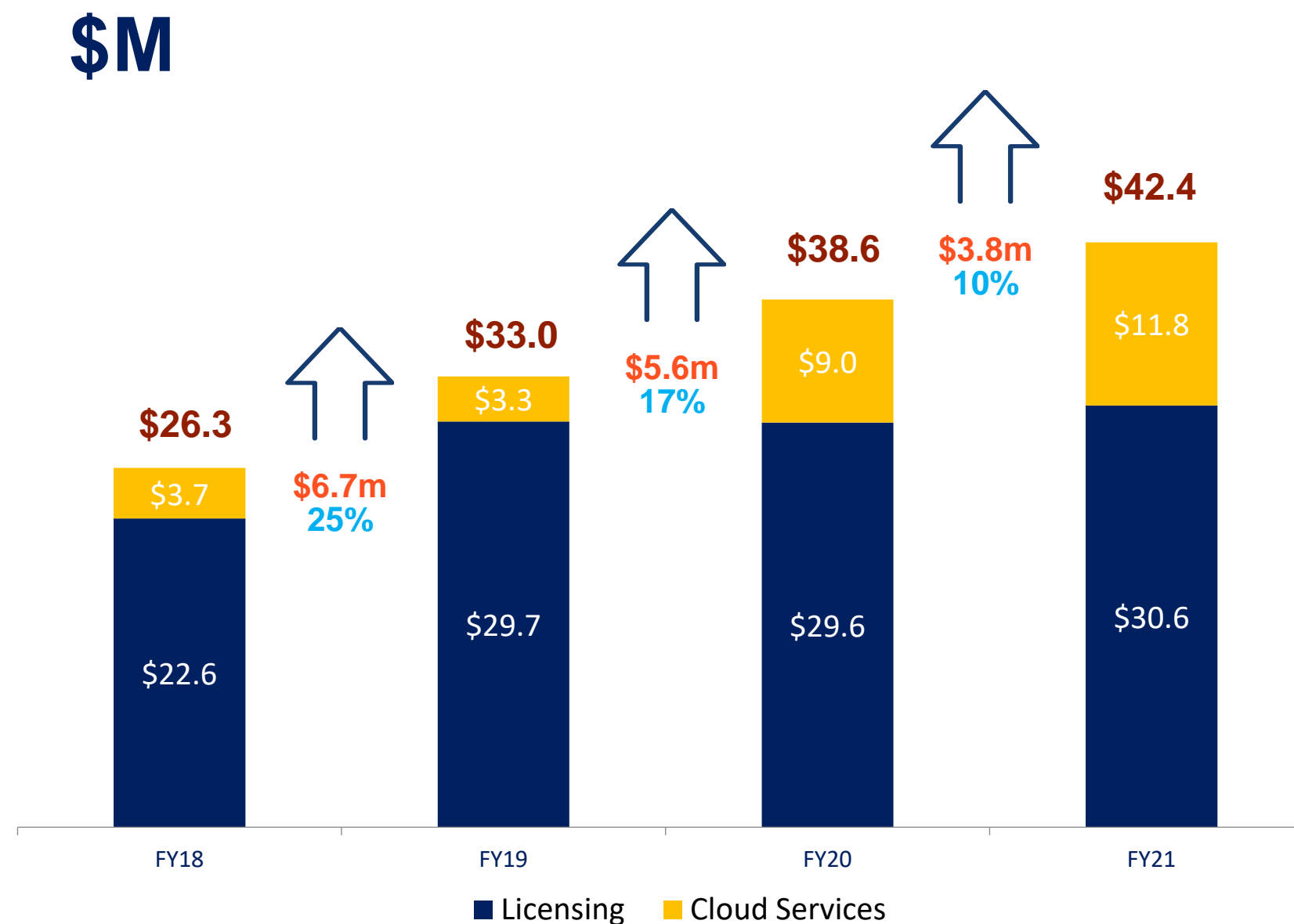
\$M



- Group revenue increased by \$11m or 20% YoY with more than 60% of the growth coming from our Services business
- Licensing revenue grew \$4m or 9.5% driven by continued growth in public cloud which contributed to around 50% of this growth. Revenue from the Parallo and emt acquisitions delivered the remainder of Licensing revenue growth
- Licensing margin in FY21 was 13.0% compared to 13.6% in the prior year. Two thirds of the margin decline was driven by lower strategic incentives received during the year with changes in standard incentives and product mix responsible for the remaining decline
- Cloud Services revenue grew by \$6.9m or 52% as a result of the acquisition of Parallo and emt. Excluding these acquisitions, Services revenue grew \$2.7m or 20% due to growth in rhipes technical support services and our Microsoft Dynamics business.



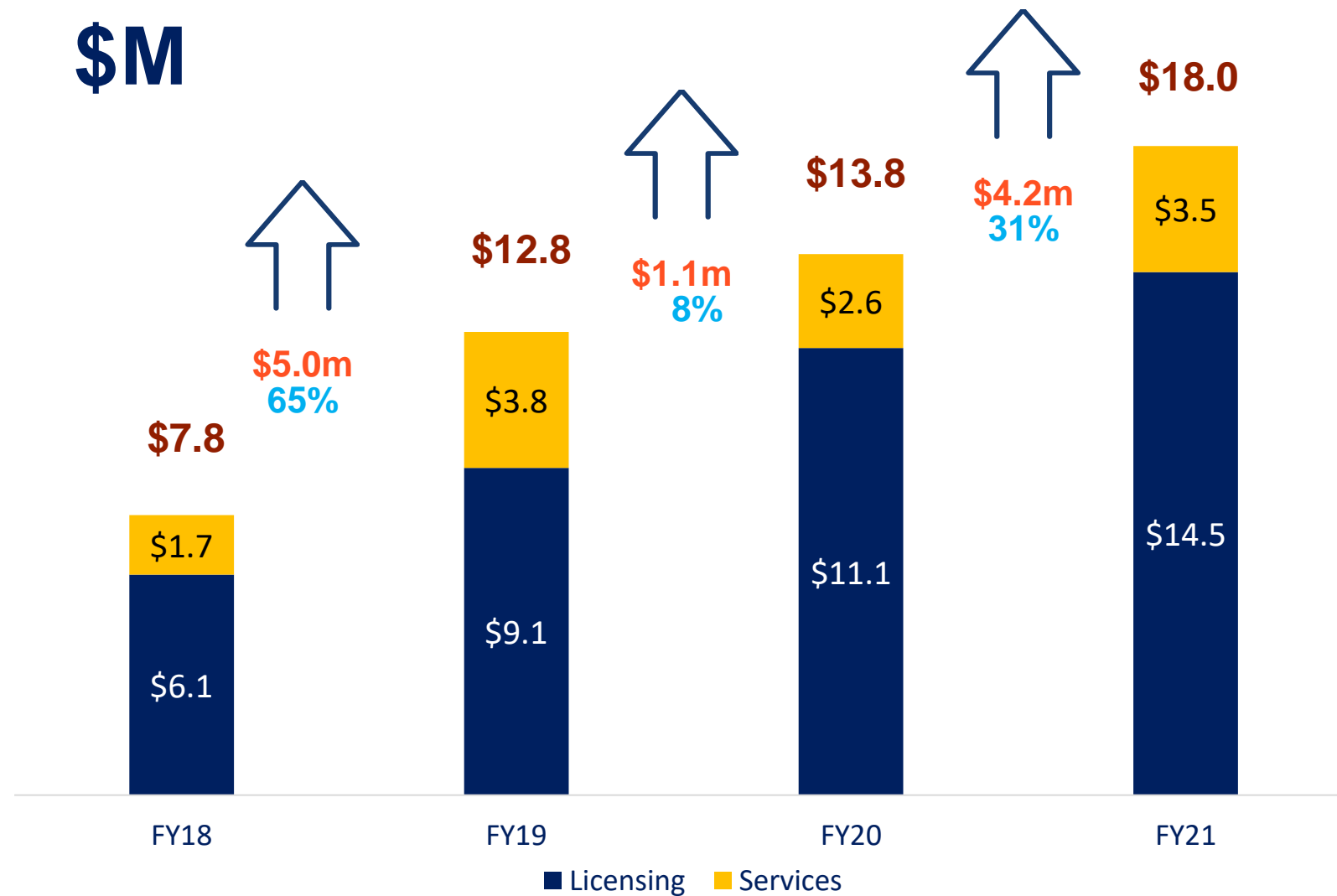
# Operating Expenses



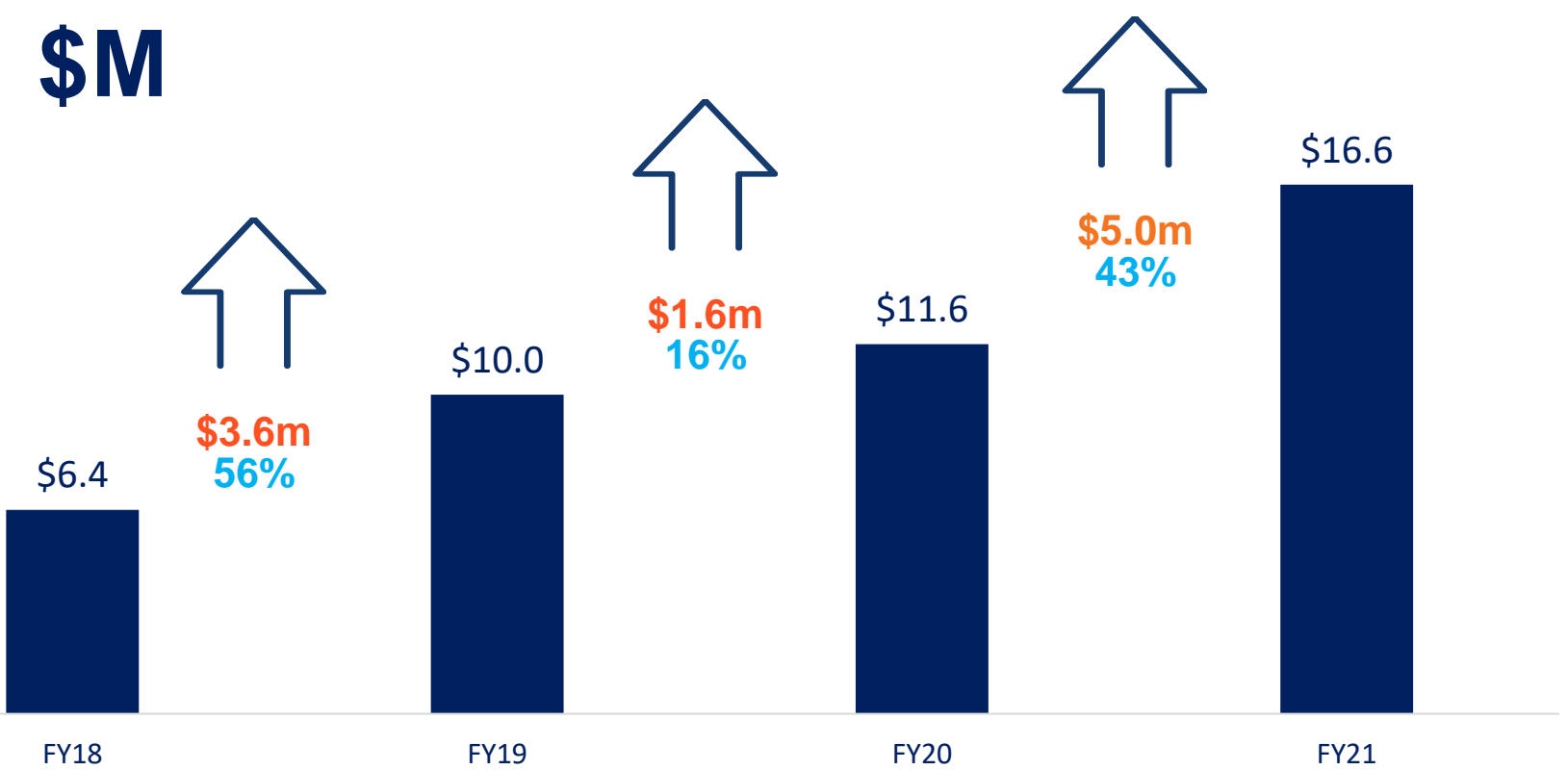
- Group operating expenses increased \$3.8m (10% YoY) or \$0.9m (2% YoY) excluding the impact of the acquisition of Parallo and emt
- 89% of the increase related to the increase in employment costs driven by the headcount increase of 34% during FY21
- Licensing operating expenses increased by \$1.0m which was predominantly driven by the acquisition of emt. Excluding acquisitions Licensing opex was flat year on year mainly due to the impact of covid on marketing and travel expenses and lower bad debt expenses compared to FY20
- Services operating expenses increased \$2.8m of which \$1.3m related to the Parallo acquisition. Excluding Parallo overall Services opex grew by 16% or \$1.5m due to additional investment in our technical support, Microsoft Dynamics and SmartEncrypt activities.

# Operating Profit and Reported EBITDA

## Operating Profit



## Reported EBITDA



\$'M	FY18	FY19	FY20	FY21
Operating profit	7.8	12.8	13.8	18.0
FX gain/(loss)	(0.3)	0.3	(0.1)	(0.2)
Transaction & restructuring costs	(0.4)	(0.5)	(1.1)	(0.6)
Impact of AASB 16	-	-	2.0	1.8
Gain on sale of investment	0.3	-	-	-
DBITS earn out writeback & goodwill impairment	-	-	0.1	-
Non-Controlling interest	-	-	-	-
Share based payments expense	(1.0)	(2.6)	(3.1)	(2.3)
<b>EBITDA</b>	<b>6.4</b>	<b>10.0</b>	<b>11.6</b>	<b>16.6</b>

# Cashflow Statement

Statement of Cashflows (\$ '000)	FY17	FY18	FY20	FY21
<b>Net cash provided/(used) in operating activities</b>	<b>7.8</b>	<b>12.1</b>	<b>13.7</b>	<b>19.9</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(0.5)	(0.7)	(1.4)	(1.1)
Proceeds from sale of investment	0.7	-	-	-
Payment for intangibles	(2.4)	(2.3)	(2.9)	(1.6)
Payment for subsidiary on acquisition	-	(3.0)	(2.0)	(13.5)
<b>Net cash (used) in investing activities</b>	<b>(2.2)</b>	<b>(5.9)</b>	<b>(6.3)</b>	<b>(16.2)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	0.2	1.5	34.4	0.1
Costs associated with issue of shares	-	-	(1.1)	-
Payment of principal portion of lease liability	-	-	(1.9)	(2.0)
Investment in Treasury shares	-	-	(0.7)	(3.2)
Buy back of shares	(2.3)	(2.1)	-	(0.1)
Dividends paid	(0.6)	(2.7)	(2.8)	(5.6)
<b>Net cash provided by financing activities</b>	<b>(2.7)</b>	<b>(3.2)</b>	<b>27.9</b>	<b>(10.9)</b>
Net increase/(decrease) in cash	2.8	2.9	35.4	(7.2)
Opening cash	19.8	22.7	25.5	60.9
<b>Closing cash</b>	<b>22.7</b>	<b>25.5</b>	<b>60.9</b>	<b>53.8</b>

## FY21 HIGHLIGHTS

**\$19.9m**

Cash from  
Operating Activities

**+45% PCP**

**\$5.6m**

Returned to  
Shareholders  
via Dividends

**\$13.5m**

Spent on  
Acquisitions

Up to  
**\$21m**

Special Dividend  
if Scheme Approved

# Questions





# rhipe

**Expertise that Empowers**