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The Manager
Company Announcements
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## 2015 Half Year Results

**Sydney, 20 February 2015 –** Rhipe Limited today provided its 2015 half-year financial results and operational highlights.

**Review of operations**

The results presented in this release reflect the operational report of Rhipe Limited and all subsidiaries for the six months from 1 July 2014 to 31 December 2014 (together the "Group").

For the half year ended 31 December 2014, Group revenue was $48.2m, up 45% compared to the prior year comparative period. Group EBITDA prior to growth investment expenses, non-cash share based payments, non-recurring due diligence costs and non-recurring one off costs was $2.8m, up 154% on a like for like basis compared to the prior year comparative period. Gross margin was $7.9m, up 48% compared to the prior year comparative period. The Gross margin % year to date to 31 December 2014 was 16%. The revenue and EBITDA contribution from nSynergy, which was acquired on 15 December 2014 was $459,000 and $217,000 respectively.

Table 1 below highlights the trading performance of the Group for the period to 31 December 2014.

Table 1.

| Financial Summary $'000 | F'15 H1 | F'14 H1 | Change |
|---|---|---|---|
| **Revenue** | 48,249 | 33,318 | + 45% |
| **Gross Margin** | 7,867 | 5,308 | + 48% |
| **Underlying EBITDA pre growth investment**(1) (2) | 2,805 | 1,104 | + 154% |
| **Underlying EBITDA** (2) | 1,560 | 445 | + 251% |
| **(Loss)/profit after tax** | (317)(3) | 289 | N/a |

(1) Growth Investment includes gross cost of operations in South East Asia less any Gross margin contribution plus gross cost of the new Cloud LSP sales team

(2) Non cash costs are share based options expensed in the P&L in accordance with accounting standards, and non recurring costs are recruitment costs for the executive and due diligence costs on the acquisition of nSynergy

(3) Further detail of this is shown in Table 2 below

During this period Rhipe has continued to deliver solid revenue growth over the same comparative period from last year. The significant majority of this revenue is monthly annuity based licensing revenue generated approximately 1,500 technology service providers.

The company has invested in a number of new strategic initiatives in the six month period to 31 December 2014 including:

1. Built a dedicated Cloud Licensing Solution Partner (LSP) team as a result of signing a new pilot cloud licensing program with Microsoft Australia (the Cloud LSP program);

2. Completed the recruitment and necessary expansion of the executive team with a new CEO, CFO, Chief Marketing Officer and VP of Strategy now in place;
3. Opened an office in Indonesia following signing a new SPLA licensing agreement with Microsoft for this region;
4. Completed the acquisition of nSynergy to form Rhipe's new Cloud Solutions business unit;
5. Completed an investment in the cloud software company, LiveTiles; and
6. Signed a new vendor licensing relationship with Zimbra.

Rhipe enables service providers to adapt and thrive in the emerging cloud economy. Rhipe's operating divisions include; Cloud Licensing, Cloud Solutions and Cloud Operations. Rhipe helps multinational software vendors to migrate their traditional I.T. channel customers from on premise software implementations to cloud computing business models with subscription based software as a service (SAAS).

The Cloud Licensing division includes key software vendor relationships with Microsoft, VMWare, Citrix, Datacore, McAfee, Red Hat, Trend Micro, and Veeam. Rhipe sells and manages subscription software to Channel customers including Managed Service Providers (MSPs), Independent Software Vendors (ISVs) and System Integrators (SIs).

The Cloud Solutions division aim to support these channel customers with value-add services, specialist software vendor services and helpdesk functions.

The Cloud Operations division provides business transformation consulting, marketing and lead generation, usage processing and license optimisation and compliance consulting.

The December 2014 acquisition of nSynergy enhanced Rhipe's Cloud Solutions division with a new team of specialists with skills in Microsoft Office365 and Azure, implementation and support. It also paves the way for further licensing opportunities as nSynergy has never sold licenses to its own customers and can now do so as part of the broader Rhipe offering. As part of this transaction, Rhipe also made an investment in LiveTiles. LiveTiles is a drag and drop business application that enables rapid design of SharePoint & Microsoft Azure user interfaces.

Rhipe's growth continues to come from its heritage geographies of Australia and New Zealand which are now complemented with growth from Rhipe's expansion into South East Asia. Rhipe's Asia business continues to build momentum in Cloud licensing and is expanding with vendor relationships across multiple geographies. Microsoft acknowledges Rhipe as a significant and fast growing regional partner for its Cloud Subscription licensing business.

Rhipe opened an office in Indonesia in August 2014 adding to our offices in Melbourne, Sydney, Auckland, Singapore, Bangkok, Kuala Lumpur and Manila. The acquisition of nSynergy in December 2014 added new offices in New York, London, Shanghai and Xi'an.

The table below outlines the underlying EBITDA contribution from the Group for the six month period to 31 December 2014:

Table 2.

| **Earnings reconciliation for 6 month period ending 31 December 2014** | **$'000** |
|---|---|
| **Underlying EBITDA pre growth investment and non cash and non recurring** | 2,805 |
| **Growth Investment expensed:** | |
| Investment in South East Asia (1) | (996) |
| Investment in Cloud LSP Team (1) | (249) |
| **Underlying EBITDA pre non cash and non recurring costs** | 1,560 |
| **Non cash and Non recurring expenses:** | |
| Non recurring transaction costs incurred on acquisition of nSynergy expensed | (434) |
| Non cash share based payments expensed in accordance with accounting standards | (856) |
| Non recurring recruitment costs expensed for CEO | (153) |
| **EBITDA Reported** | 117 |
| **Depreciation** | (78) |
| **Profit before tax** | 39 |
| **Tax expense (2)** | (356) |
| **Loss after tax** | (317) |

(1) The directors believe that the consolidated group is in a strong and stable financial position to continue to expand and grow the business.

(2) The tax expense for period is $356,000 on a profit before income tax of $39,000. Significant non deductible expenses incurred during the period are share based payments expense $856,000 and acquisition costs of $434,000.