

rhipe appointed Microsoft CSP in Australia



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ASX Code: RHP

rhipe Appointed to Microsoft Australia's Cloud Solution Provider (CSP) Program

The board of rhipe is pleased to announce its appointment to the Microsoft Cloud Solution Provider (CSP) Program. rhipe will now become a "Two Tier CSP" provider of Microsoft's public-cloud offerings, beginning with Office365, Windows InTune and Enterprise Mobility Suite, and later expanding to Microsoft Azure and CRM Online. rhipe will offer billing, provisioning, management and support services for these products to the service-provider community in Australia.

*"This is an important milestone for rhipe and our partners here in Australia," said **Dominic O'Hanlon, rhipe's Chief Executive Officer**. "Two Tier CSP is a great fit for our business today, and beyond. rhipe is the Cloud Channel company; we're all about enabling service-providers across Australia to harness the Cloud opportunity and this is a positive step in our long-term strategy. Our appointment to CSP means that for the very first time rhipe will be able to offer public, private and hybrid cloud solutions from Microsoft."*

New Licensing Program

rhipe's appointment as a Two Tier Cloud Solution Provider adds to the portfolio of Microsoft cloud licensing it offers to the Australian channel. From July 1 2015, when the Two Tier CSP program starts, Australian channel partners can access a range of Microsoft licensing programs through rhipe: from hosted software via Services Provider Licensing Agreements (SPLA) to Cloud-based enterprise agreements via the Licensing Solution Provider program (LSP) and now to public-cloud offerings such as Office365 via the Cloud Solutions Provider program (CSP).

*“To meet the growing demand of our cloud-based solutions, we’re thrilled to expand the capabilities for cloud partners under the Microsoft Cloud Solution Provider Program,” said **Phil Goldie, director of partner business and development, Microsoft Australia.** “By joining the Microsoft Cloud Solution Provider Program, rhipe will grow their Cloud ready channel, deepen customer relationships and expand business opportunities in the cloud.”*

One Tier CSP Difference to Two Tier CSP

The CSP program was designed as part of Microsoft’s stated “cloud-first, mobile-first” strategy, and is a new program with two tiers:

- One Tier Cloud Solution Providers who sell directly to customers (ie Microsoft selected partners who can sell Office365 to their own end customers); and
- Two Tier Cloud Solution Providers who recruit, enable and grow a Partner Cloud Reseller channel (ie selected CSP wholesale partners who will take Microsoft’s public cloud offerings to a broad channel of resellers).

According to Microsoft, the vast majority of volume will be serviced within the Two Tier CSP model through a channel.

Cloud Continues to Grow Rapidly

Recent findings from IDC, Forrester and Telyste Research point to continued growth in the Cloud economy. Representing a decisive shift in the global IT sector, Cloud disruption and transformation represents a significant opportunity for the channel:

- According to IDC Australian Public Cloud spend is forecast to increase from AUD\$909M in 2014 to AUD\$1.7B by 2018 with a CAGR of 17.2% (IDC, Jan-15)
- The Global Public Cloud market will rise to USD\$191B by 2020 (Forrester, April-14)
- 84% Australian CIOs intend to increase or maintain Cloud spend in 2015 (Telsyste, Workplace Study 2015)

Outlook For rhipe Through This New Program

This new Two Tier CSP program is an addition to rhipe’s licensing product portfolio. rhipe will continue to sell and aggregate subscription-licensing models for Service Providers from many of the world's leading software vendors including Microsoft, VMware, Red Hat, Citrix, Veeam, Trend Micro, McAfee, DataCore, and Zimbra.

rhipe will build a dedicated team of CSP specialists to manage the extended product offering. The financial assumptions can be summarised as follows:

- Similar to rhipe's experience with the SPLA program, which has taken 10 years to build to its current position, management expect that CSP will progressively grow. However, it is acknowledged that with Microsoft's commitment to promote "cloud-first mobile-first", management believe CSP has the potential to grow into a significant business division over a shorter period of time;
- Revenue and margin will be generated from educating the service-provider community to understand how the channel can participate through rhipe to sell, migrate and support end-user enterprises from traditional perpetual-licensing programs to Microsoft cloud solutions:
 - rhipe's business case for deploying CSP is expected to benefit from additional products that will come online in future periods such as Azure and CRM Online.
 - Margins will depend on the mix of service providers adopting the program within the channel, however, overall are expected to be similar to margins to other rhipe licensing programs.
 - All revenue generated from this new program will be subscription-based annuity income streams.
- The CSP program requires an investment in people to support the program. rhipe is already in progress to recruit the best team to service this new and exciting product offering:
 - It is anticipated that a team of approximately 20 people (sales, marketing and technical support) will be needed to manage the growth in rhipe's CSP business.
 - rhipe has sufficient cash generation and reserves to support this new program.
 - Similar to other new licensing programs, it is expected it will take a period of up to two years to generate meaningful positive cash flows from this new product offering.
- Only rhipe and Ingram Micro have been appointed Two-Tier CSP partner status in Australia.
- Management estimate that approximately 20% of Microsoft's installed enterprise customer base in Australia are using Microsoft cloud such as O365. This program is designed to accelerate the adoption rates across the remaining market.

The board of rhipe is pleased to announce this product extension with Microsoft and shares the ambitious outlook for its success in this region as cloud adoption continues to gain momentum. *“We congratulate the management team and all employees who worked tirelessly on the strategy and presentations to enable the company to be awarded this new CSP program,”* said Mike Hill, Executive Chairman of rhipe Limited.

Trading Update (Unaudited)

Rhipe is pleased to advise that revenue generation and gross margin continue to meet expectations of +40% pcg and 14-16% GM respectively for the YTD period to 31 March 2015.

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Additional information

About rhipe

rhipe, (ASX:RHP) is the cloud channel company. It provides its partners with a complete end to end cloud solution, helping them to grow and thrive in the emerging Cloud economy. As Cloud 1st, channel 1st company, rhipe is recognised as the leading expert in subscription software licensing in Asia Pacific and its multi-award winning services and support division is the industry leader in Microsoft Office365 implementation.

Formerly known as NewLease, the company rebranded to rhipe in 2014 and has offices has in Melbourne, Sydney, London, New York, Shanghai, Auckland, Singapore, Bangkok, Manila, Mexico, Kuala Lumpur and Jakarta.