



rhipe Limited
(ASX code RHP)

Microsoft Two Tier CSP

Business Update
13 April, 2015

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rhipe: the Cloud Channel Company

rhipe is passionate about helping service providers to adapt and thrive in the emerging cloud economy.

Microsoft Cloud Solutions Provider (CSP)

rhipe appointed as Two Tier CSP in Australia

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- Business Overview
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Microsoft Australia announces rhipe as Two Tier Cloud Solution Provider Partner

- Authorised wholesaler of Microsoft's public cloud offerings, beginning with Office365, Windows InTune and Enterprise Mobility Suite
- Expanding to Microsoft Azure and CRM Online when available
- rhipe will offer billing, provisioning, management and 24/7 support for these products to the service provider community in Australia
- July 1, 2015 launch date

What is the Microsoft Cloud Solution Provider Program?

- The Microsoft Cloud Solution Provider (CSP) program enables Partners to directly manage the entire Microsoft cloud lifecycle
- Partners can now provide Microsoft public cloud services in addition to hosted private cloud and on-premise software
- Partners can easily package their own tools, products and services and combine them into monthly customer bills.
- There are two designations for Cloud Solution Providers:
 - One Tier Cloud Solution Providers who sell directly to customers at scale
 - Two Tier Cloud Wholesaler Partners who recruit, enable and grow a cloud reseller channel at scale
- According to Microsoft, the vast majority of its Partner channel will be serviced within the Two Tier model

The Cloud shift and the market opportunity

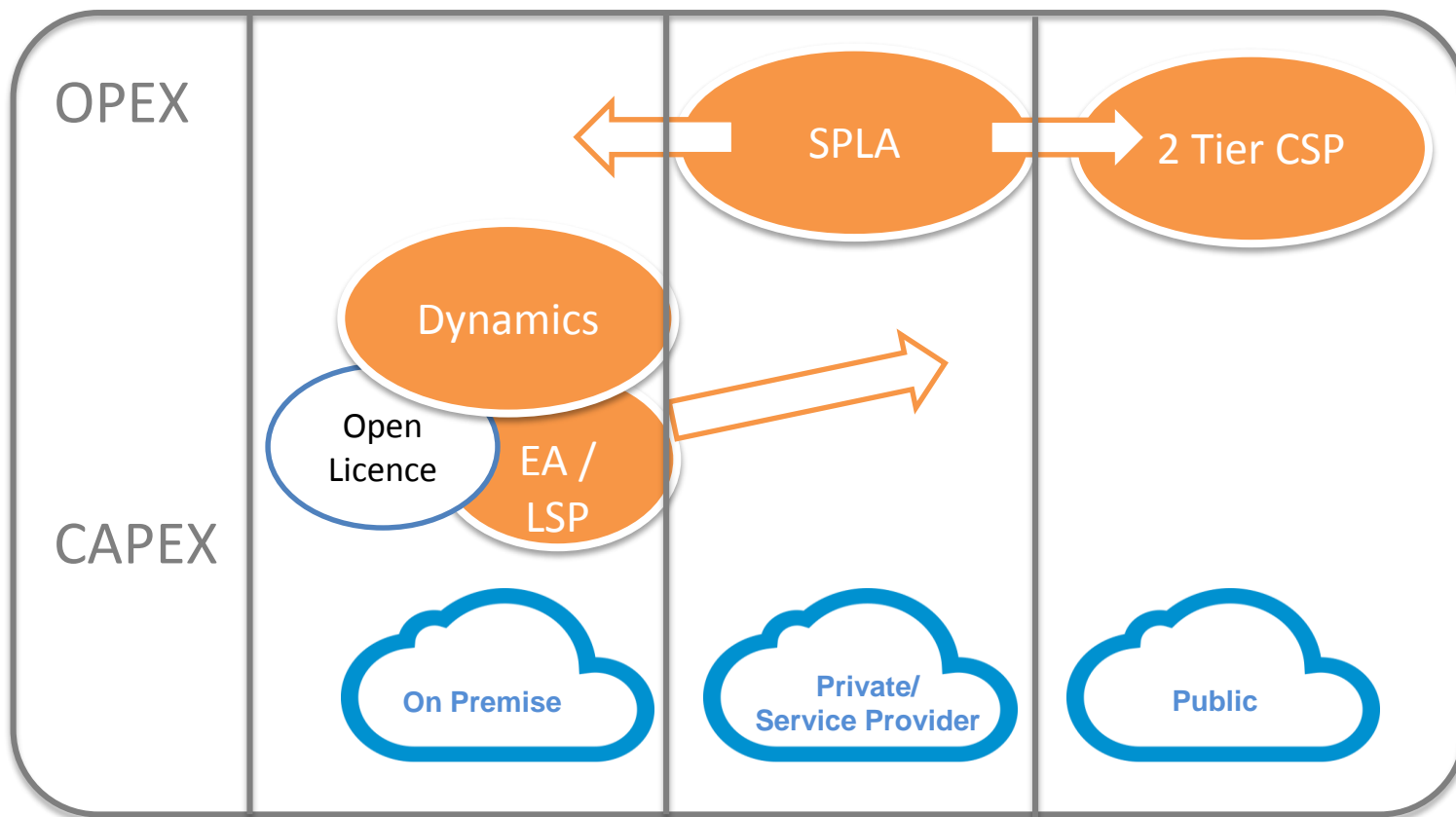
- Australian Public Cloud spend to increase from A\$909m (2014) to A\$1.7b (2018) at CAGR 17.2% (IDC, Jan-15)
- Global Public Cloud Market Will Rise To \$191 Billion By 2020 (Forrester, April-14)
- 84% Australian CIOs intend to increase or maintain Cloud spend in 2015 (Telsyte, Workplace Study 2015)

What does this mean for rhipe?

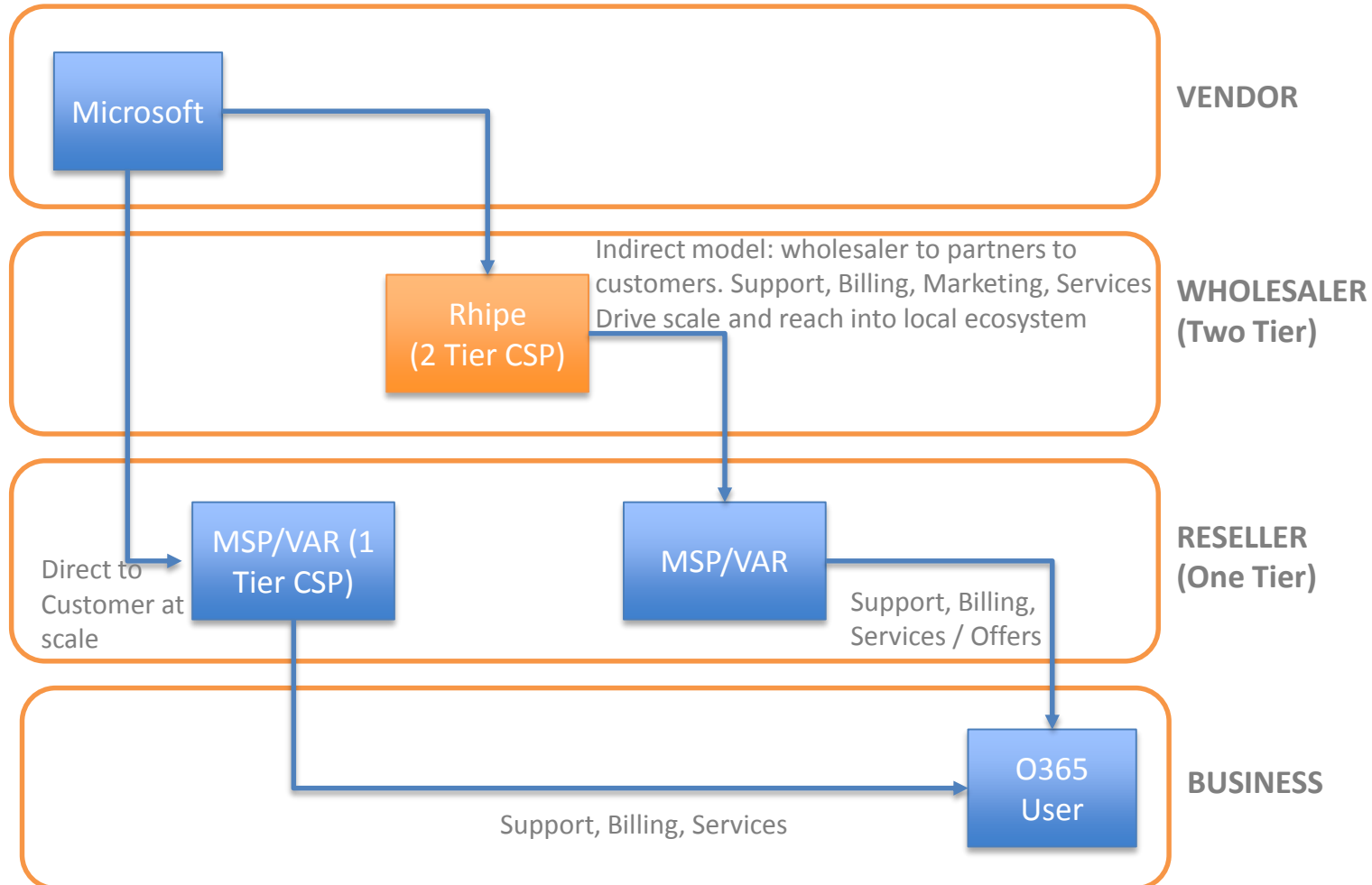
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Microsoft licensing footprint:

- CSP is a licensing program that's a great fit for a born-in-the-cloud wholesaler like rhipe
- rhipe will be first to offer Office365 in the way that our channel wants to consume it; on a monthly billing basis



Two Tier CSP: fully enabling the Cloud channel for access to Microsoft Public Cloud



- Cloud channel now actively engaged across all delivery & billing services
- Two Tier CSP is the volume Cloud channel model
- Compliments rhipe's existing programs

Two Tier CSP: the business opportunity

- The Two Tier CSP program is an addition to rhipe's licensing portfolio
- rhipe will build a dedicated team of CSP specialists to manage the extended product offering
- CSP will progressively grow over time similar to other new licensing programs
- CSP has the potential to grow into a significant business division over time
- Only 2 companies (rhipe and Ingram Micro) have been appointed Two-Tier CSP partner status in Australia

Two Tier CSP: the revenue model

- Revenue and margin will be generated from educating the service provider community to sell, migrate and support end-user enterprise from traditional perpetual licensing programs to Microsoft cloud solutions
- CSP will benefit further over time from additional products that will come online 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
- License revenue generated from this new program will be subscription based annuity income streams
- May provide additional services revenue via rhipe's Cloud Solutions team

Two Tier CSP: the investment model

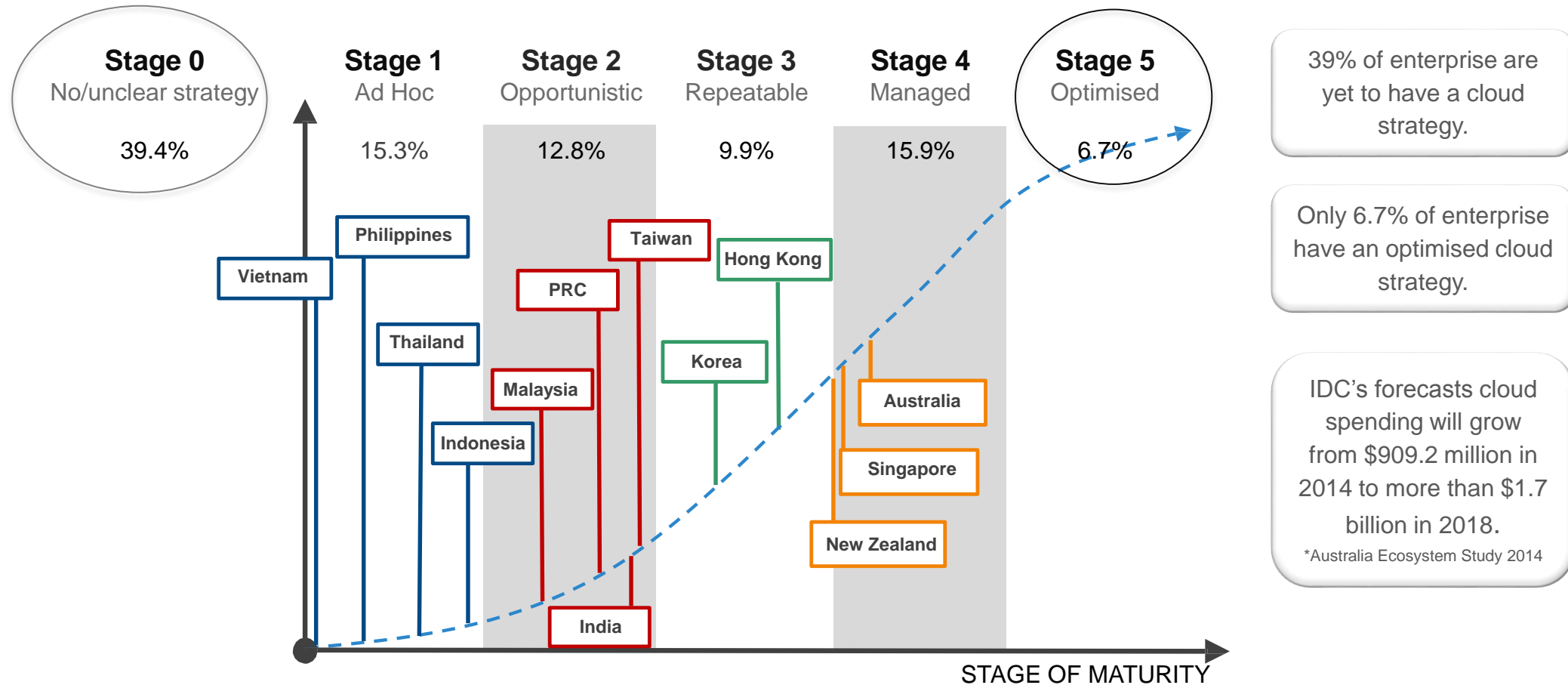
- A team of approximately 20 people (sales, marketing and technical support) will be recruited for CSP
- Management expect up to two years to generate meaningful positive cash flows from this new product offering
- rhipe has sufficient cash generation and reserves to support this new program

Business Overview

Cloud-first marketplace: market maturity

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IDC CLOUD MATURITY-SCAPE



Note: rhipе has subscription licensing programs in AUS, NZ, SGP, THA, PHL, MYS, IDN

Source: IDC Asia/Pacific Cloud Maturity Model, 2014. Presented at Microsoft Worldwide Partner Conference July 2014

Strategic operating divisions



Helping Service Providers to thrive in the emerging Cloud Economy

Cloud Licensing

Software sold and implemented by service providers. Pay based on usage

Licensing

Build and expand on cloud licensing programs. Multi vendor and Multi region

Cloud Solutions

Professional services & support people to help Service Providers with technical needs

Support

Services & Support to position offering for new licensing programs

Cloud Operations

Lead generation marketing for Channel partners.
Billing, Software asset management & license optimization.

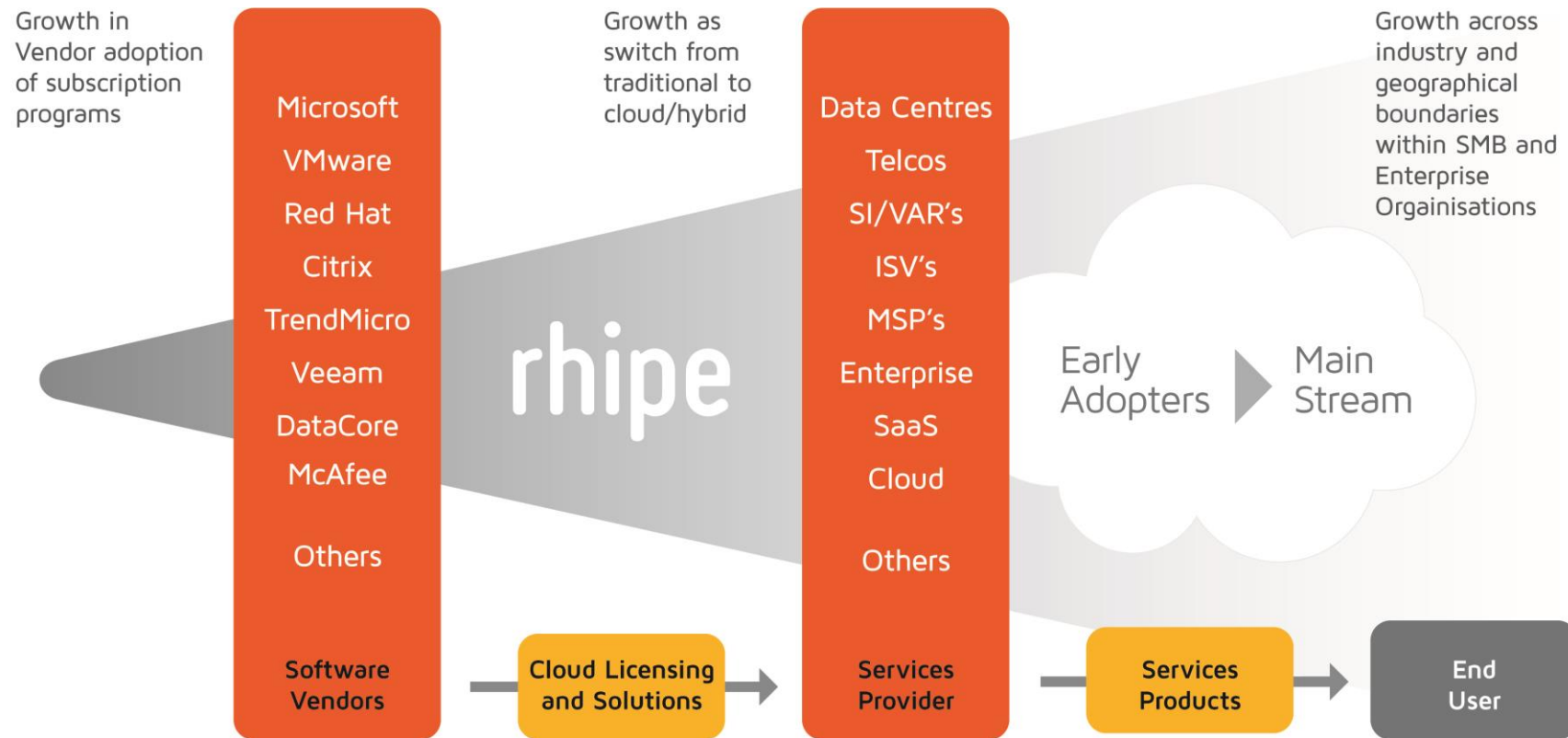
Retain & accelerate

Add Value with systems and ease of trade for Cloud Service Providers. Use digital marketing to accelerate leads & opportunities



rhipe licensing business model

rhipe sells & aggregates subscription licensing programs for global software vendors



Service provider licensing

rhipe sells & aggregates subscription licensing to IT service providers for global software vendors

Leading aggregator in ANZ
& SEA of service provider
programs for:

Microsoft, VMware, Veeam,
Citrix, TrendMicro

2014 New vendor programs*

DataCore, McAfee & Zimbra

Exclusive aggregator agreements:

Australia: Citrix, DataCore, RedHat, TrendMicro,
Veeam, Zimbra

Malaysia: RedHat, Zimbra

New Zealand: TrendMicro, RedHat, Zimbra

Philippines: Microsoft, Zimbra

Thailand: RedHat, Zimbra

Singapore: RedHat, Zimbra

Competitor matrix

Subscription licensing programs (excludes the new CSP program**)

	Microsoft	Zimbra	LiveTiles*	Red Hat	VMware	Citrix	McAfee	Veeam	Trend Micro
Australia	Express Data	Exclusivity	Exclusivity	Exclusivity	Westcon	Exclusivity	Westcon	Exclusivity	Exclusivity
New Zealand	Express Data Ingram	Exclusivity	Exclusivity	Exclusivity	Westcon Datashore	Express Data	Westcon Datashore	Westcon	Exclusivity
Singapore	ECS Atria	Software One	Exclusivity	Exclusivity	Ingram	Atria			
Thailand	ECS	Software One	Exclusivity	Exclusivity	Westcon Comstor				
Philippines	Exclusivity	Software One	Exclusivity		Westcon Comstor				
Malaysia	Atria	Software One	Exclusivity	Exclusivity					
Indonesia	Atria	Software One	Exclusivity						

*rhipec owns 12.5% of LiveTiles. Purchased as part of the nSynergy acquisition. ** Ingram Micro is the second Two-Tier CSP for Microsoft in Australia

Aggregation by region

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rhipe is the largest multi-vendor subscription aggregator in Asia Pacific

	North America							EMEA							Asia Pacific							Latin America								
	MICROSOFT	CITRIX	VMWARE	MCAFEES	RED HAT	TREND MICRO	VEEAM	MICROSOFT	CITRIX	VMWARE	MCAFEES	RED HAT	TREND MICRO	VEEAM	MICROSOFT	CITRIX	VMWARE	MCAFEES	RED HAT	VEEAM	TREND MICRO	ZIMBRA	DATACORE	MICROSOFT	CITRIX	VMWARE	MCAFEES	RED HAT	TREND MICRO	VEEAM
rhipe															X	X	X	X	X	X	X	X	X							
Arrow ECS								X	X	X	X																			
Comparex								X	X	X																				
Crayon								X	X						X															
HP	X	X						X																						
Ingram Micro	X	X	X	X				X	X	X					X		X										X			
Insight	X	X	X					X	X	X																				
Licencias Online																								X	X	X				
Software ONE	X							X	X	X					X										X					

Strategy

- Grow RHP with new cloud offerings and new geographical presence
- Provide our service provider community with ability to sell and support products without needing to hire their own team of skilled people
- Inherit well established overseas locations including China and the USA
- Obtain distribution agreement of LiveTiles software for our service providers
- Great cultural fit with current RHP team
- Investment into LiveTiles provides upside in terms of exposure to a very high growth product-centric business

nSynergy

- A multi-award winning Microsoft-centric business:
- Go-to partner for major compete deals for Microsoft in US and Australia

nSynergy projects will drive more licensing opportunity

LiveTiles

- Compliment our current offerings with rapidly growing LiveTiles software
- Support service provider community with value add solutions

Cloud software & services

- ☑ nSynergy operates a profitable global modern consulting/solutions business
- ☑ nSynergy can provide non-competitive services to and through our rapidly expanding service-provider community, in addition to nSynergy's traditional global revenue streams
- ☑ nSynergy run a modern support offering called LiveTeam to support strategic programs with Microsoft that Rhipe are targeting
- ☑ Opens up global market opportunity in rapidly growing Microsoft Azure and Office 365 space

WHY NSYNERGY ?

- ✓ Modern consulting/solutions provider
- ✓ 5 countries
- ✓ Primary focus - delivering cloud solutions
- ✓ Similar values to original rhipe business
- ✓ Strong focus on customer service
- ✓ Delivered over 600 projects globally
- ✓ 70% of revenue derived from cloud based engagements
- ✓ Broad customers base with focus on mid-market and enterprise
- ✓ Well known customer base, (including Tiffany's, CBA, Westpac, Nike)
- ✓ Able to provide services to partner channel in a non-compete model
- ✓ Specialist provider of Office 365, SharePoint and Azure services and solutions
- ✓ Strategic go-to partner for Microsoft for major compete deals

INDUSTRY RECOGNITION

Winner – MS Education Partner of the Year 2014

Finalist - Partner of the Year 2014 MS Collaboration and Content

Finalist - MS Cloud Packaged Solutions Partner of the Year 2014

Winner - MS Collaboration Content Partner of the Year 2013

Finalist - MS Global Enterprise Cloud Partner of the Year 2013

Inaugural winner - Microsoft Online Services Partner of the Year

Cloud Solutions products

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rhipe cloud solutions provides solutions built on Microsoft technologies - Office 365, Microsoft SharePoint & Azure

	Intranets, extranets & portals	Work flow	Document Management	Mobility Solutions	Cloud strategy & migration	Reporting dashboards	Document Management solutions
Aust.	✓	✓	✓	✓	✓	✓	✓
USA	✓	✓	✓	✓	✓	✓	✓
UK	✓	✓	✓	✓	✓	✓	✓
Mexico*	✓	✓	✓	✓	✓	✓	✓

Further opportunities for revenue growth :

- Provide a bench of skilled resources for Service Providers to leverage and add value to their end customers

* rhipe cloud solutions has a sales presence in Mexico and is supported by the US office.

LiveTiles

Cloud user interface platform

Key Company Details

- Significant global growth since launch in 2014
- Used by organisations with up to 3.7M members. Led by award winning Mosaic Education solution built on LiveTiles.
- Fully Microsoft endorsed to help drive their key FY15 metrics
- 2014 LiveTiles established as new company and HQ in New York City Use sister-company nSynergy to do key implementation work

LiveTiles highlights

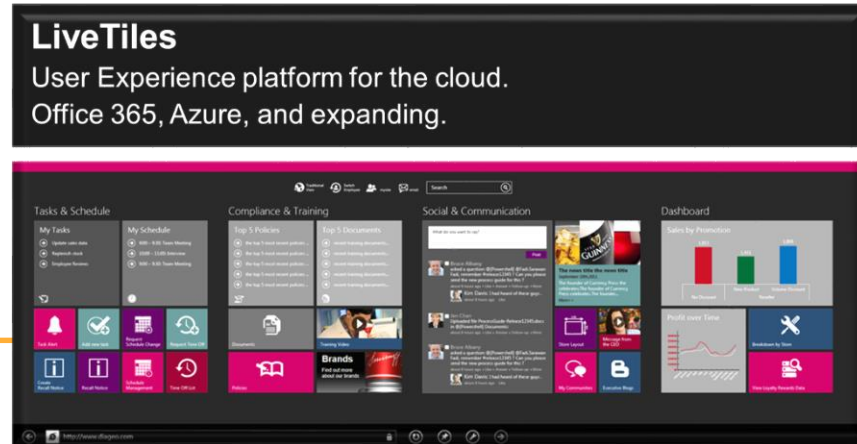
- Initially built in Office 365
- Now supports Azure and native .NET apps
- Plans to extend into other platforms to scale market opportunity
- Subscription billing model

LiveTiles future

- Negotiating several significant multi-million user LiveTiles deals
- Grow Mosaic product rapidly with Microsoft into education sector

Scale Strategy

- Distribute through strategic partnerships
- Sell solution through large industry bodies such as education institutes and aggregators



Financial results extract

1H FY15 (refer ASX release for full presentation)

Highlights: 1H 2015 half-year results

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Trading

H1 - 2015
Revenue growth **+45%**

ARR Revenue
Milestone ⁽¹⁾ **\$100m**

H1-2015 Gross
Margin **16.3%**

H1- 2015
Underlying
EBITDA ex-growth **+154%**

New investments

New cloud LSP program
signed with Microsoft Australia

New Executive Team
CEO and CFO

**New Microsoft licensing
region** Indonesia: Jakarta
office opened July 14

New Acquisition
nSynergy acquired and
12.5% investment in LiveTiles

Recent Awards

**Microsoft Platinum
Partner Club***
Australia, Singapore &
Indonesia - SPLA category
LiveTiles - Microsoft Platinum
Partner Club ISV category

**Microsoft Aust.
Education Partner
of the year, 2014**
nSynergy

(1) ARR is Annualised Recurring Revenue which is a metric for SaaS companies. It is the most recent recurring revenue multiplied by 12.

* Microsoft Platinum Partner Club is collective winners of their program that recognizes top partners in APAC. Winners are selected based on the following performance criteria for the 3 quarters up to Dec 31, 2014. "Qtr.-on-Qtr." revenue growth & "Qtr.-on-Qtr." growth of # of Net New Active Partners that are generating revenue. Results are measured over the period: FY14Q4, FY15Q1 & Q2

Detailed results

	FY13 Audited (\$000s)	FY14 Audited (\$000s)	H1 - 2014	H1 - 2015	% change
Operating Revenue	51,514	74,548	33,318	48,249	+45%
Gross Margin	8,317	11,991	5,270	7,867	+49%
Underlying EBITDA ex Growth (1) (2)	1,642	1,998	1,104	2,805	+154%
SEA Growth costs	760	1,500	659	996	
LSP Growth costs	-	-	-	249	
Underlying EBITDA (2)	882	1,998	445	1,560	+251%
Non cash share option expense (2)	-	530	-	856	-
Offer non recurring cost (3)	-	-	-	587	-
Reported EBITDA	882	1,468	445	117	
Depreciation & Amortisation	46	98	38	78	
Reported EBIT	835	1370	439	39	
Cash at bank (4)	\$2.0M	\$4.5M	3.0M	6.7M	
Partner #	900+	1,350+	1,100+	c.1,500	+36%

(1) Underlying EBITDA ex Growth excludes Net Investment in SEA expansion after local GM contribution and new Cloud LSP team

(2) Underlying EBITDA excludes non-cash expenses relating to share based payments for executive options issued and non recurring expenses such as transaction costs associated with nSynergy acquisition (Nov14) and executive team recruitment (July14).

(3) Non recurring costs include transaction costs for acquisition of \$434k and executive team recruitment cost of \$153k

(4) Cash at bank at 31/12/14 excludes part of placement of \$5M which was paid and received in Jan 15

Outlook

Subscription licensing revenue continues to grow at historical rates +40%

- Compounding revenue from new and existing service providers
- SEA region opened to replicate licensing programs in AU & NZ
- Cloud maturity adoption still relatively low but growing
- Existing service providers customers continue to migrate higher IT workloads to cloud environments
- GM licensing business 14-16%. New service provider growth

CSP new program

- Awarded CSP April 2015

Cloud LSP new business division

- Run rate ahead of expectations
- 5 FTE staff with strong pipeline for 2H 2015

Cloud Solutions - nSynergy

- Strong pipeline focused on O365, Azure & SharePoint solutions for the cloud channel
- Integration in progress
- LiveTiles distribution and lead in

Trading Update (Unaudited)

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