

rhipe Limited (ASX code RHP)

# FY15 Results



**rhipe**  
The Cloud  
Channel Company

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# Agenda

3

Headlines

Business  
Overview

Financial &  
Operating  
Performance

The Cloud  
Marketplace

Outlook

Q&A

# Headlines



## rhipe: the Cloud Channel Company

**Cloud  
First**

**Channel  
First**

Passionate about helping service providers adapt  
and thrive in the emerging cloud economy

## 2015 in Review

Continued 40%+ growth in our traditional Private Cloud licensing business whilst investing in programs, people and systems to launch our Public, Hybrid or “Whole of Cloud” future



From Private to Whole of Cloud

**USD127 Billion**

Global Public Cloud Market 2018

Reference – IDC #251730, Microsoft WPC 2015 Keynote

# FY15 Strategic Achievements

# Preparing for FY16



## Building Exec Team for the Future

### New in FY15

- CEO
- CFO
- CMO
- CTO
- CSO

### Acquisitions

- nSynergy

### Investment

- LiveTiles (12.5%)



## Program & Vendor Expansion

- Microsoft
  - 2-Tier Cloud Solution Provider (CSP) (AU)
- LSP (AU)
- SPLA (IN)
- LiveTiles (APAC)
- Skykick (AU)
- Zimbra (APAC)



## Geographic Reach & People

Region	H/count
ANZ	83
Asia	31
Americas	13
Europe	4



## Business Development Initiatives

- Microsoft
  - 2-Tier CSP in APAC (6 countries so far)
- IBM Cloud
  - Wholesale of SoftLayer services in APAC (7 countries so far)
- VMware
  - vCloud Air in AU, NZ



# FY15 Financial Headlines (AUD)

[unaudited]

## Total Revenue

**\$108.8M**

+46% growth

## Group Gross Margin

**18.46%**

## Underlying EBITDA

**\$4.9M**

excl. growth investments  
& abnormals



### Licensing Revenue

**\$105.1M**

+41% growth

### SEA Revenue

**\$32.2M<sup>1</sup>**

+66% growth



### Licensing Gross Margin

**15.66%**

### Partner Growth

**+23%**



### Investments New Markets & Programs

**\$3.6M**

### Non-cash & non-recurring expenses

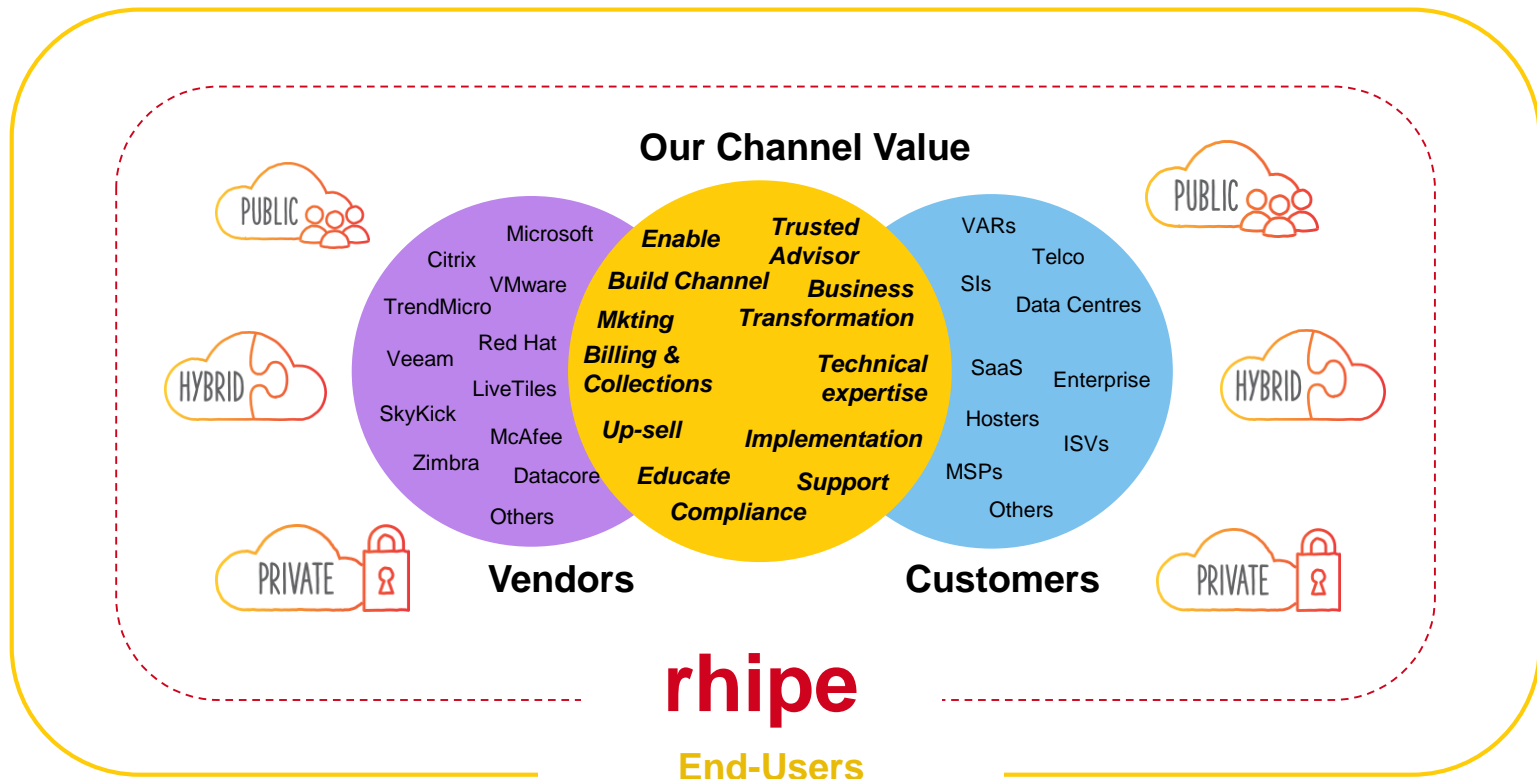
**\$2.5M**

1. SEA revenue including arbitrage

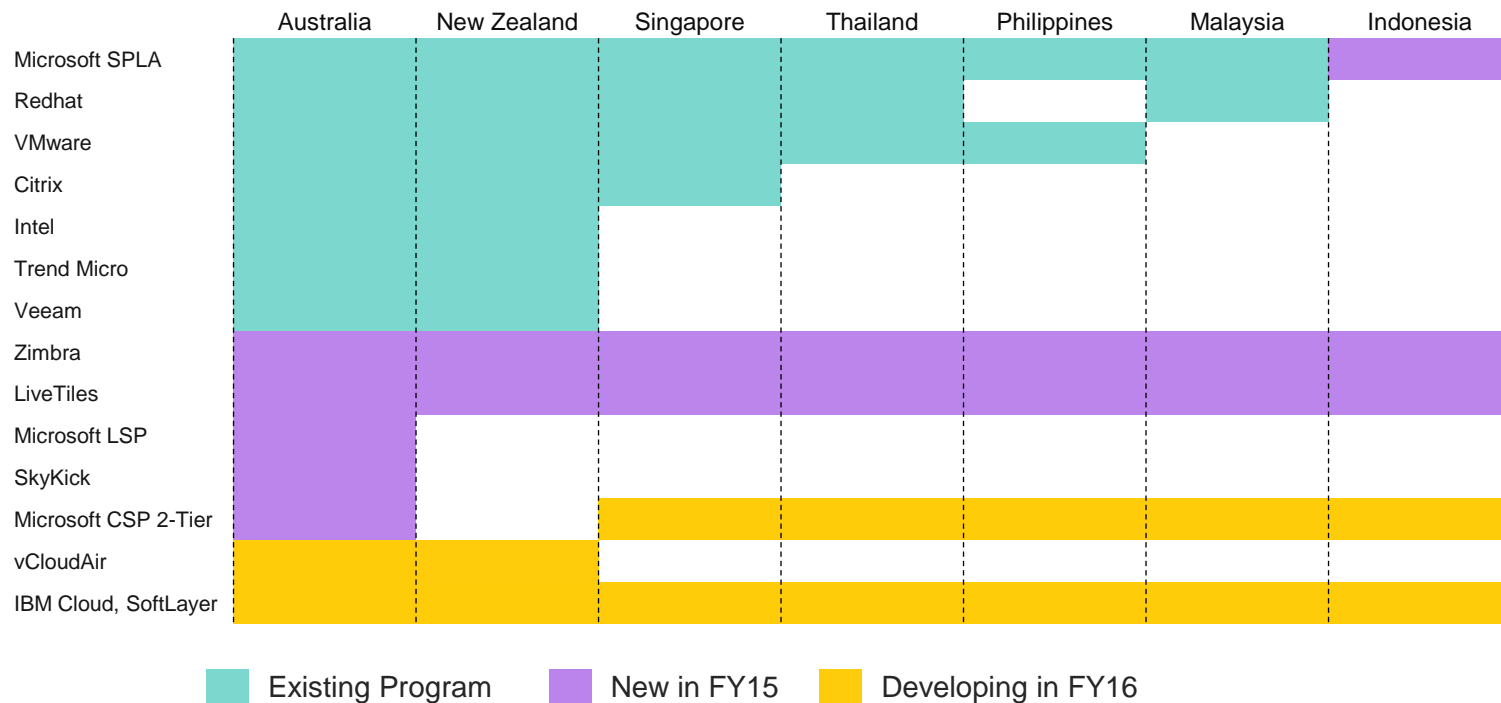
# Business Overview



# Business Model Leverages the Channel



# Program Reach & Growth

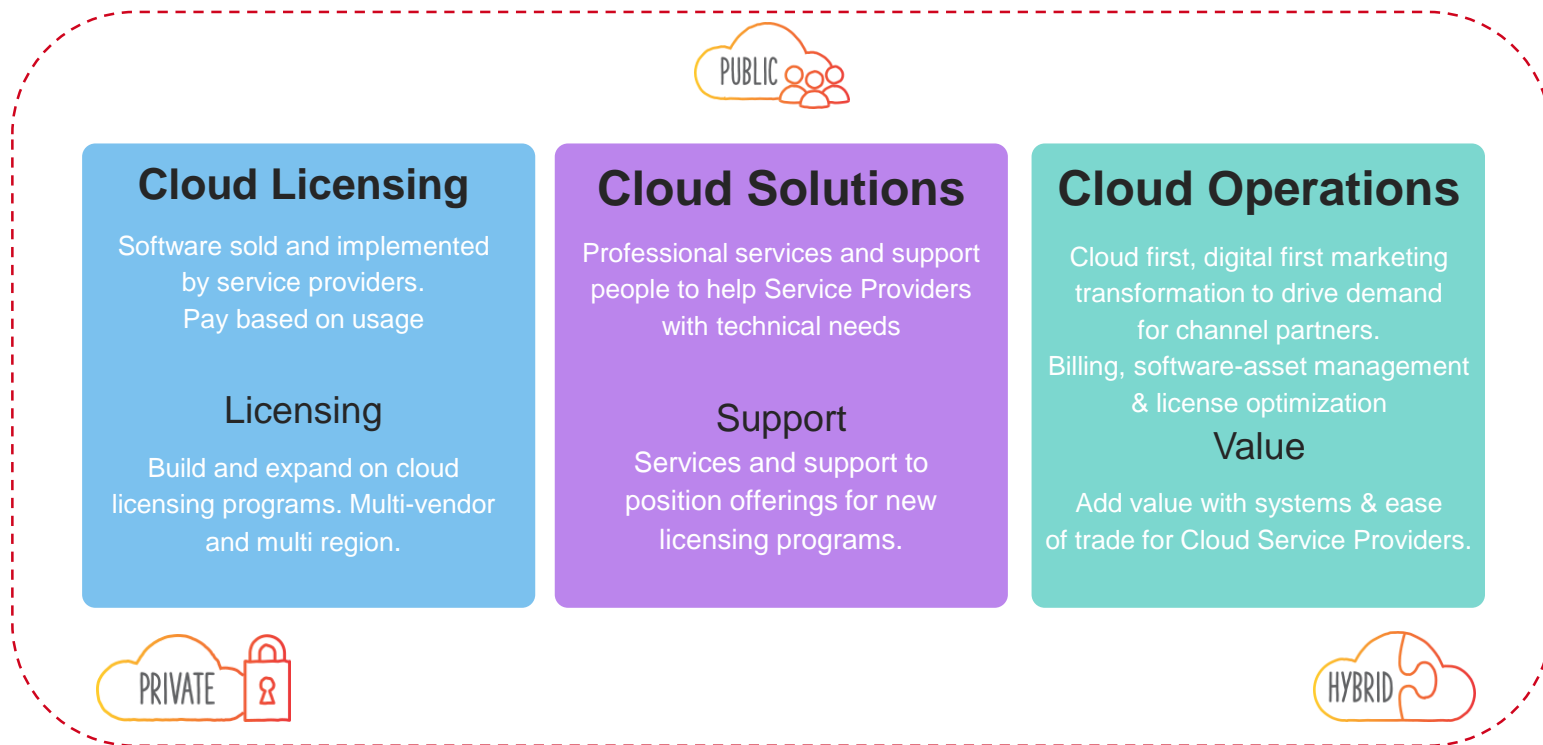


# Competitive Landscape

13

	Australia	New Zealand	Singapore	Thailand	Philippines	Malaysia	Indonesia
Microsoft SPLA	Dicker Data	Dicker Data, Ingram	ECS, Crayon	ECS	Exclusive	Crayon	Crayon
Redhat	Exclusive	Exclusive	Exclusive	Exclusive		Exclusive	
VMware	Westcon	Westcon	Ingram	Westcon, Comstor	Westcon, Comstor		
Citrix	Exclusive	Dicker Data	Crayon				
Intel	Westcon	Westcon					
Trend Micro	Exclusive	Soft Solutions					
Veeam	Exclusive	Westcon					
Zimbra	Exclusive	Exclusive	Software One	Software One	Software One	Software One	Software One
LiveTiles	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive	Exclusive
Microsoft LSP	Multiple						
SkyKick	Multiple						
Microsoft CSP 2-Tier	Ingram		Ingram, Crayon	ECS	WSI, Crayon	Ingram, Crayon	Crayon
vCloudAir							
IBM Cloud, SoftLayer							

# Strategic Operating Divisions



# Financial & Operating Performance



# Detailed Financial Results

	H1-2014	H2-2014	FY 2014 (Audited \$000s)	H1-2015	H2-2015	FY 2015 (Unaudited \$000s)	FY 2015 Growth %
Operating Revenue	33,318	41,230	<b>74,548</b>	48,249	60,520	<b>108,769</b>	<b>46%</b>
Group Gross Margin	5,308	6,683	<b>11,991</b>	7,867	12,217	<b>20,084</b>	<b>67%</b>
License Gross Margin	5,308	6,683	<b>11,991</b>	7,867	8,585	<b>16,452</b>	<b>37%</b>
Underlying EBITDA pre growth investment and non-cash and non-recurring <sup>1</sup>	1,136	2,196	<b>3,332</b>	2,805	2,091	<b>4,896</b>	<b>47%</b>
SEA Growth Costs	(659)	(841)	<b>(1,500)</b>	(996)	(1,463)	<b>(2,459)</b>	
LSP Growth Costs	0	0	<b>0</b>	(249)	(235)	<b>(484)</b>	
CSP Growth Costs	0	0	<b>0</b>	0	(610)	<b>(610)</b>	
Group Support Costs <sup>2</sup>	0	0	<b>0</b>	0	(121)	<b>(121)</b>	
Subtotal	(659)	(841)	<b>(1,500)</b>	(1,245)	(2,429)	<b>(3,674)</b>	
Underlying EBITDA pre non-cash and non-recurring <sup>3</sup>	477	1,355	<b>1,832</b>	1,560	(338)	<b>1,222</b>	
Non-cash share based payments expenses in accordance with accounting stds	0	(310)	<b>(310)</b>	(856)	(931)	<b>(1,787)</b>	
Non-recurring impairment write-down for MineCamp	0	0	<b>0</b>	0	(157)	<b>(157)</b>	
Non-recurring transaction costs and integration costs expensed	0	0	<b>0</b>	(434)	(44)	<b>(478)</b>	
Non recurring costs expensed for exec recruitment	0	(54)	<b>(54)</b>	(153)	0	<b>(153)</b>	
Subtotal	0	(364)	<b>(364)</b>	(1,443)	(1,132)	<b>(2,575)</b>	
Reported EBITDA	477	991	<b>1,468</b>	117	(1,470)	<b>(1,353)</b>	
Depreciation and Amortization	(38)	(60)	<b>(98)</b>	(78)	(104)	<b>(182)</b>	
Reported EBIT	439	931	<b>1,370</b>	39	(1,574)	<b>(1,535)</b>	
Cash at Bank			<b>4,457</b>			<b>12,423</b>	

1. Underlying EBITDA pre growth excludes Net Investment in SEA and Cloud LSP after local gross margin contribution, CSP teams and Group Support Costs

2. Incremental cost of executive recruitment and new personnel

3. 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 (Dec14), executive team recruitment and impairment write down for MineCamp



# Cloud Licensing

## Cloud Subscription

- From 1300+ to 1600+ partners
  - +23% growth
- 26k+ orders processed
- Vendor performance on track

## Microsoft LSP

- 40 deals (200% of MSFT measure of success)
- Deal Value \$2.73m
- 60% sell through channel
- FY15 net-growth cost \$484k
- Trial period over, officially appointed full LSP FY16 in AU

## Microsoft T2 CSP

- Appointed Microsoft CSP 2-Tier in Australia
- Launched July 1st
- Demand tracking above forecast in FY16<sup>1</sup>
  - 90 signed partners
  - 2,294 users

1. As at 3rd August 2015

## South-East Asia

- Revenue \$32.2m<sup>2</sup>
  - +66% growth
- 319 partner agreements
  - +303% growth
- Strong performance from Singapore and Indonesia
- Strategic wins with Zimbra and VMware

2. SEA revenue including arbitrage

# Cloud Solutions

## Results and Achievements

- Acquired nSynergy Dec 19, 2014 to enable rhipe to:
  - Provide value added services to our service provider channel
  - Qualify rhipe to be able to be appointed a 2-Tier Microsoft CSP
- Strategically successful with rhipe being now appointed for CSP in 6 countries
- nSynergy integrated into broader rhipe business
  - Re-branded to “rhipe solutions” June 2015
  - Revenue of \$3.72m and EBIT \$0.23m for circa 6 months to June 2015
  - Expect improvement in second half of 2015 based on current pipeline
- Purchase price of nSynergy, post finalising completion accounts and agreement with the vendors, reduced from headline figure of \$25.35m as announced on 28th November to \$14.35m, which comprises:
  - \$10m cash paid at completion in December 2014
    - \$3m of the initial \$13m cash component retained by rhipe to meet working capital of the nSynergy business
  - \$4.35m stock in rhipe issued, escrowed to December 2015
  - Replacement of the earn out for 2016 and 2017 with rhipe bonus plans as per other team members
    - represented a potential payout of \$8m based on certain profit estimates being achieved

## Major Projects



# Cloud Operations

## Marketing

- Appointment of Digital/Social Lead and CSP Marketing Lead
- Investments in customer-lifecycle marketing automation and digital/ social infrastructure key to CSP T2 AU appointment
- Incremental marketing investment for CSP AU launch
- Developing best-in-class marketing impact

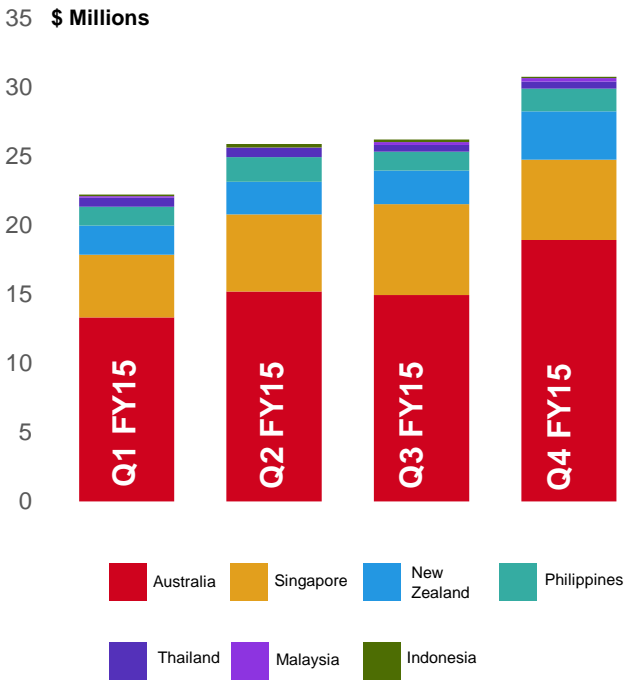
## Operations & Finance

- Appointment of CFO, Business Systems Manager
- Global ERP project live Sept 2015
- Integration of nSynergy and rhipe finance functions

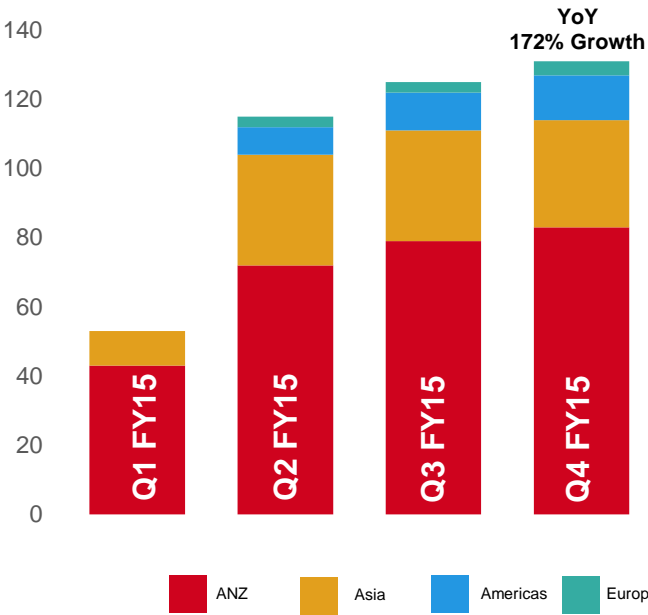
## Systems

- Appointment of new CTO and Global IT Manager
- CSP portal launched July 1
- Multiple-reporting portal developments
- Order-to-cash system now supporting 4 new vendor programs.

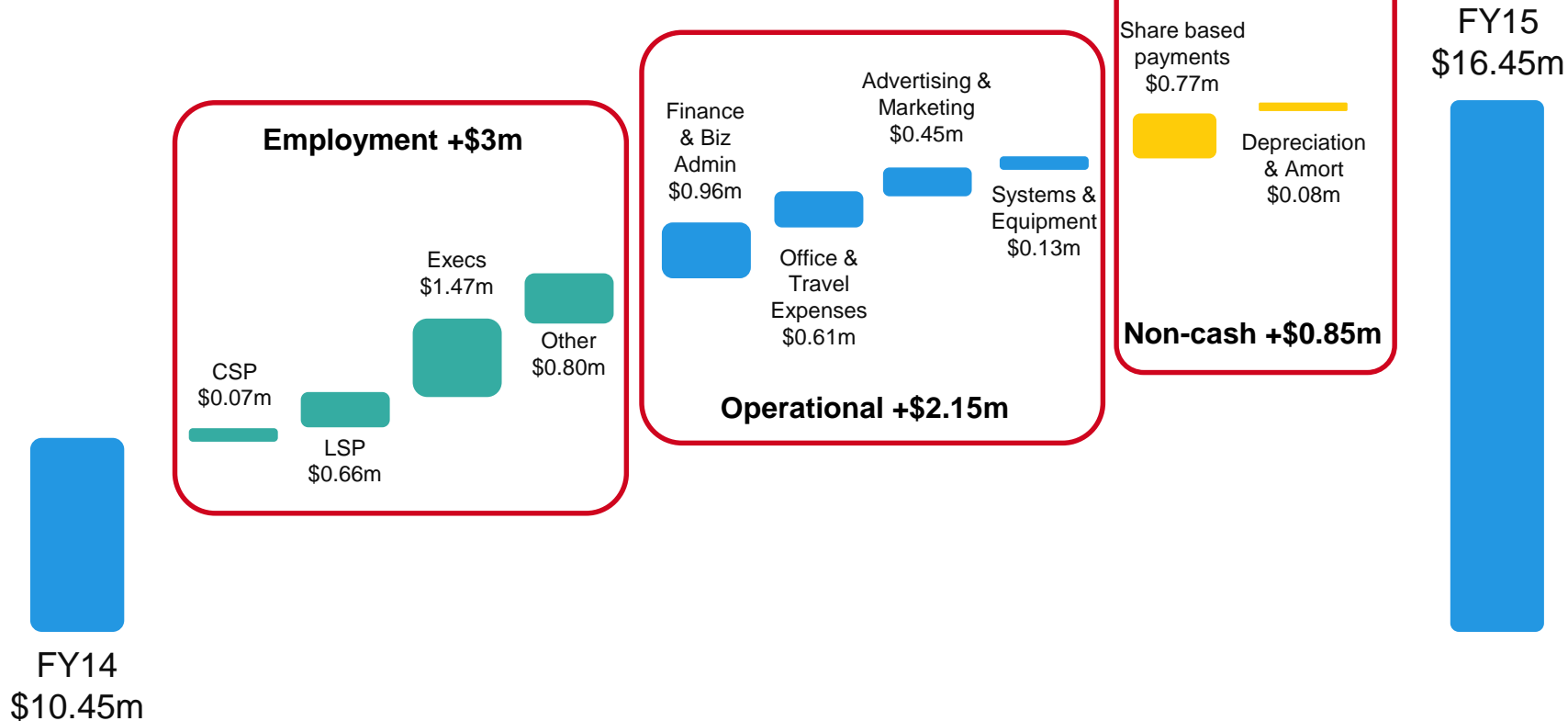
# Licensing Revenue



# Headcount by Region



# FY14 – FY15 OPEX Bridge<sup>1</sup>



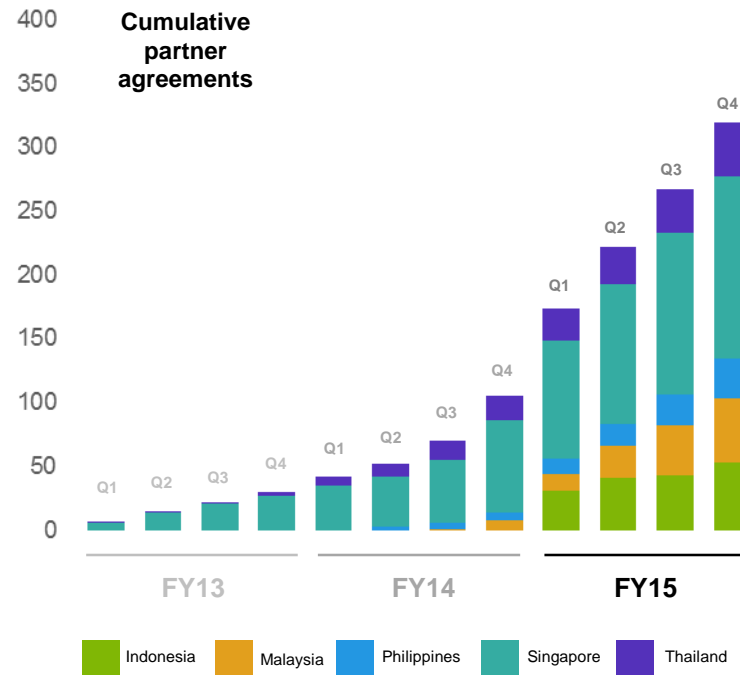
1. rhipe Licensing and Operations OPEX – does not include rhipe Solutions

## SE Asia Locations



## SE Asia Performance

22



# Balance Sheet

- \$12.4m cash on hand
- No remaining deferred consideration or earn out payments remain on nSynergy deal
- No debt
- Unaudited balance sheet still subject to tax accounting entries

	FY 2014 (Audited \$000s)	FY 2015 (Unaudited \$000s)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents <sup>1</sup>	4,457	12,423
Trade and other receivables	15,061	27,332
Other assets	281	3,253
Non-current assets held for sale	507	350
<b>TOTAL CURRENT ASSETS</b>	<b>20,306</b>	<b>43,358</b>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	10	2,510
Property, plant and equipment	171	519
Deferred tax assets	329	1,220
Intangible assets	5,876	23,082
<b>TOTAL NON-CURRENT ASSETS</b>	<b>6,386</b>	<b>27,331</b>
<b>TOTAL ASSETS</b>	<b>26,692</b>	<b>70,689</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	17,162	27,151
Current tax liabilities	527	0
Deferred consideration <sup>1</sup>	0	3,000
Liabilities associated with assets held for sale	158	158
<b>TOTAL CURRENT LIABILITIES</b>	<b>17,847</b>	<b>30,309</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	205	508
Provisions	211	253
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>416</b>	<b>761</b>
<b>TOTAL LIABILITIES</b>	<b>18,263</b>	<b>31,070</b>
<b>NET ASSETS</b>	<b>8,429</b>	<b>39,619</b>
<b>EQUITY</b>		
Issued capital	8,103	38,602
Reserves	214	2,076
Retained earnings	112	(1,059)
<b>TOTAL EQUITY</b>	<b>8,429</b>	<b>39,619</b>

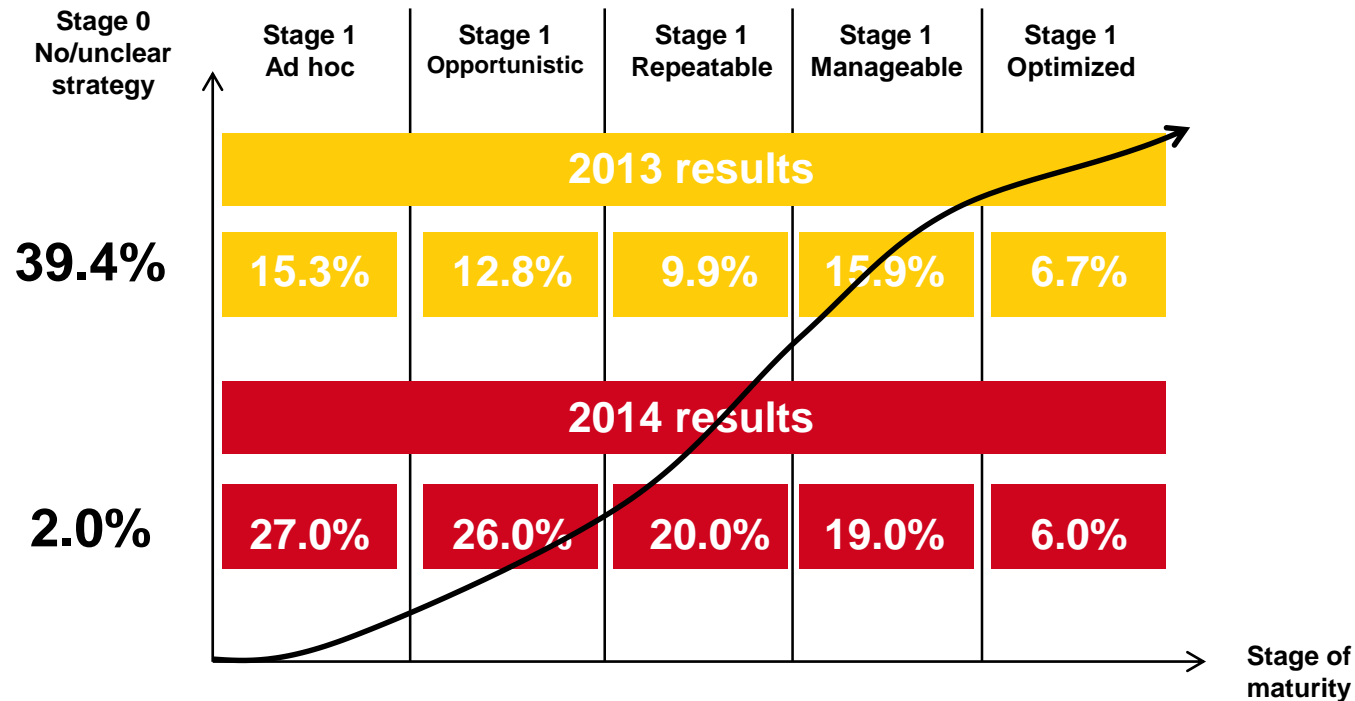
1. Cash includes previous retention for acquisition of \$3m

# The Cloud Marketplace

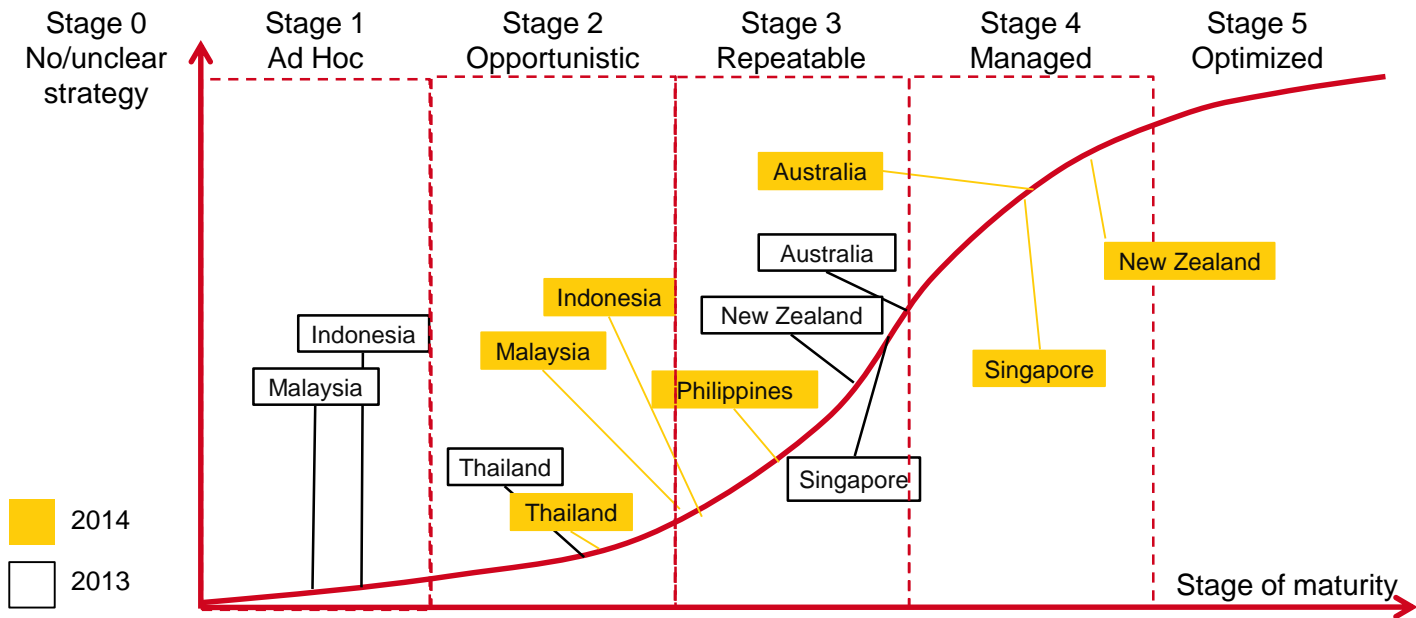




# Maturing APAC Cloud Market - increased adoption & opportunity



# Maturing APAC Cloud Market - increased adoption & opportunity



Every country is experiencing uplift in Cloud maturity

Lots of upside and opportunity

Source: IDC Oct 2014 #AP250869

## Global Public Cloud Growth

### 2018 PUBLIC CLOUD MARKET FORECAST

2013 – 2018 22.8% CAGR

**6X** Overall IT market growth

**USD127B**  
Worldwide

**USD8B**  
APAC (ex Japan)

**USD1.8B**  
Australia

IDC – #251730 Oct 2014/#AP250883 Apr 2015

## Microsoft Commercial Cloud\*

"We have an ambition to get to \$20 billion of annualized run rate in the cloud in FY18. And this, by the way, is about really the combination of what we today have in Office 365, Dynamics, EMS, Azure"

—Satya Nadella, Microsoft CEO  
(Financial Analyst Briefing, Apr 2015)

"I hope you realize this (CSP) is the single biggest investment we're making in expanding our channel for cloud, and we hope you participate with us."

—John Case, Corporate Vice President,  
Microsoft Office (Worldwide Partner Conference 2015)

"Our annualized commercial cloud run rate surpassed \$8 billion this quarter, and revenue grew 88% year over year. We're on a strong trajectory toward our goal of \$20 billion in fiscal year 18."

—Satya Nadella, Microsoft CEO  
(Earnings Release FY15 Q4)

Microsoft Commercial Cloud: Covers Microsoft's Public Cloud Assets – currently O365, Azure, CRM Online, EMS

## Local Opportunity

27

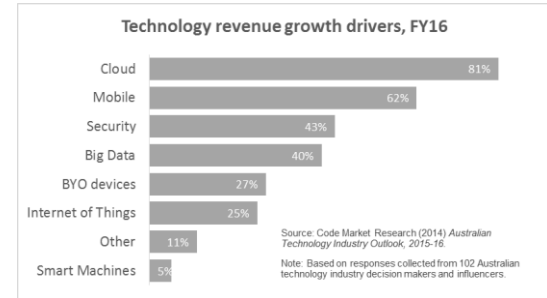
### CLOUD INTENTIONS STILL STRONG:

**84%**

Intend to increase, or maintain, Cloud spending in 2015

Telsyte, Australian Digital Workplace Study 2015

### Growth driven by Cloud & Mobile



# FY16 Outlook



# FY16: Microsoft Cloud Solution Provider

- Official Launch Australia – July 1st
- Awarded Microsoft CSP in Indonesia, Malaysia, Philippines, Singapore, Thailand
- Program expands with Azure, CRM Online & others
- EMS<sup>1</sup> – 700% growth, heading to \$1bn business
- O365 E5 SKU added – USD56Bn opportunity

1. Enterprise Mobility Suite

## rhipe Australia Performance<sup>1</sup>

- 2,294 users
- 90 signed partners
- 57 active partners
- 48 in-process partners

1. As at 3<sup>rd</sup> Aug 2015

"There is no other ecosystem that is primarily and solely built to help customers achieve greatness."

**–Satya Nadella, CEO**

"We are re-orienting all our cloud competencies and our partner incentives to be based on active usage as opposed to the sale, which is an incredible shift."

**–John Case, Corporate Vice President, Microsoft Office**

"92 percent of all Microsoft revenue is through our partner ecosystem versus 39 percent for the rest of the IT market."

**–Phil Sorgen, Corporate Vice President, Worldwide Partner Group**

"In our commercial business we continue to transform the product mix to annuity cloud solutions and now have 75,000 partners transacting in our cloud."

**–Kevin Turner, CTO**

# FY16: IBM Cloud, SoftLayer Services

30

## Offering Overview

- Wholesale of SoftLayer, an IBM Company, services (bare metal & virtualised servers)
- Geographic scope is APAC
- Private & public cloud capability
- IBM quality & innovative business models
- Complementary to current rhipe subscription programs

## Launch & Investment

- APAC launch Sept 2015
- Initiated in AU, NZ, SG
- Scaled to rest of APAC in H1
- Existing team +12 new heads FY16
- Focus on service provider business transformation & expansion
- Two year window for meaningful positive cash flow
- Expected FY16 investment \$1.5M

## Business Opportunity

- IaaS market<sup>1</sup>
  - WW \$11B 32% AGR
  - APAC \$1.8B 40% AGR
  - AUS \$265M 45% AGR
- 50% of rhipe partners are the target audience
- Margins dependent on services mix, but overall similar to other rhipe licensing programs

1. IDC IaaS Market estimate, 2015

# FY16 Outlook – Summary

## Financial

### Revenue

- Target +40% growth

### Gross Margin

- Maintained at 14-16%

### Investment

- People, Systems and Marketing
  - Microsoft 2-Tier CSP & LSP
  - Wholesale IBM Cloud

## Vendor & Geographic

### Microsoft CSP

- Will include Azure & CRM Online
- Expansion to APAC (Indonesia, Malaysia, Philippines, Singapore, Thailand)

### Microsoft LSP

- 31 Azure/SCE deals in July

### IBM Cloud

- Wholesale SoftLayer services across APAC (India and Korea based on performance)

### VMware

- vCloud Air Network AU, NZ

## Operational

### Microsoft CSP

- Investment across SEA

### rhipe Solutions

- Packaging IP solutions
- LiveTiles industry solutions

### Maturing Cloud Market

- New vendors & programs
- Competitive landscape
- Increasing co-opetition

### Operations

- Marketing & Systems investment for scale & reach