

4 May 2016
Sydney, Australia

ASX Code: RHP

Majority sale of investment in LiveTiles generates a profit of \$2.4m

The board of rhipec is pleased to confirm that it has sold, yesterday, 20,383,844 shares in LiveTiles (ASX: LVT) for \$4,484,445. It has retained an equity stake in LiveTiles of 4,085,380 shares which remain subject to escrow expiring in September, 2017.

Profit on partial sale of investment

rhipec acquired its shareholding in LiveTiles at the time of its acquisition of nSynergy in December 2014 at a cost of \$2.5m. The sale yields a pre-tax profit on the shares sold of approximately \$2.4m.

The strong relationship and commercial distribution arrangement between LiveTiles and rhipec remains in place, where rhipec is LiveTiles' exclusive distribution partner for the cloud channel in the Asia Pacific region.

Cash on hand remains strong

rhipec has generated positive cash returns in Q3 FY16 which have been enhanced by the unwinding of working capital noted in the first half FY16 results presentation on 18 Feb 2016. Funds received from the sale of the LiveTiles investment further strengthens the balance sheet.

Growth and margin remains in line with company outlook YTD 31 March 16

rhipec has invested heavily in the past 18 months in its people and processes to support growth in new products (eg Microsoft CSP T2 and IBM Softlayer) and new regions (South East Asian markets). The company does not expect to incur incremental cost above the current levels in these new products and regions and remains confident of growth delivering returns to the business as a result of this investment. For example, subscription revenue alone from CSP T2 has increased each month since launch in July 15 and March 16 alone was approximately \$400,000. rhipec believes that the size of the CSP T2 market could be larger than the traditional SPLA market over time.

As the industry leader in cloud licencing, rhipec acknowledges that the market place will become more competitive as new entrants affected by the disruption of the traditional hardware and software distribution models seek to gravitate towards cloud adoption.

rhipec will continue to benefit through its growing customer lists (95% of which are subscription revenues) and by developing its new regions and programmes as a first mover of scale in APAC.

The Indirect Cloud Solution Provider 2 Tier (CSP) program is delivering strong growth numbers in terms of seats sold under subscription at good price points and across various geographies.

Together with the strong cash flow generated in its traditional markets, rhipe remains well placed to meet its strategic plan to be the leading “Cloud First, Channel First” company in the Asia Pacific region.

We believe that our deep cloud based knowledge and the understanding we bring to our 1800+ service provider partners will ensure our leadership continues.

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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.

The company has offices has in Melbourne, Sydney, New York, Auckland, Singapore, Bangkok, Manila, Kuala Lumpur and Jakarta.