

**ASX ANNOUNCEMENT
RHIPE LIMITED (ASX: RHP)**

2019 FULL YEAR AUDITED RESULTS

Sydney, 19 August 2019 – rhipe Limited has today published its audited financial results for the 12 months ending 30 June 2019 (“FY19”) and operational highlights for the period.

Introduction

The Board is pleased to present the financial results for FY19 for rhipe Limited (“rhipe” or “the Company” or “the Group”). The financial results for FY19 show the Company has continued its strong growth trajectory. Importantly, the Company has grown across geographies, products and licensing programs throughout FY19 and delivered an operating profit of \$12.8m and reported EBITDA of \$10.0m, a year on year increase of 65% and 56% respectively.

In addition, rhipe is pleased to report that our year end cash position was \$25.5m, up almost \$3m despite a \$2.1m share buyback, \$2.7m paid in dividends and \$3m cash payment in relation our acquisition in March 2019 of Dynamics Business IT Solutions Pty Limited (“DBITS”). In addition, the Company continues to invest in its Platform for Recurring Subscription Management (“PRISM”) which many partners and vendors use to help build and grow consumption of their cloud licences in Asia Pacific. The Directors believe that the cash position of the business will continue to be strong and as a result the Board announced a final dividend of 2 cent per share to be paid in October 2019 up 100% from FY18.

Trading Highlights for FY19

Significant trading highlights from the 2019 Financial Year include:

- Total Group Sales rose 28% to \$253m. Software licensing sales rose by 28% to \$243m with Solutions sales rising 45% to \$10m or increasing 27% excluding the impact of DBITS;
- Total Group revenue rose 36% to \$48.4m. Software license revenue increased 35% year on year to \$38.7m. Solutions revenue rose 40% to \$9.7m in FY19;
- Revenue growth has been driven by strong momentum in public cloud via the Microsoft Cloud Solutions Provider (CSP) program with rhipe’s partners now consuming more than 450,000 Office365 paid seats, up approximately 80% year on year and more than 600,000 Office365 seats in total including zero fee academic seats. Annual Run Rate (ARR) sales from Microsoft CSP, including Office365 and Microsoft Azure, reached \$80m at the end of FY19 compared to \$42m at end of FY18 and \$22m at the end of FY17;
- Local Asian sales have grown by 75% excluding sales from ANZ customers buying through Asia. Revenue billed in Asia in FY19 was circa \$9m, broadly similar to rhipe group’s revenue at the time of listing in early 2014;
- Expansion and increased profitability of our vendor and customer support operations in the Philippines which at the end of June 2019 had over 135 full time equivalent employees and helped Solutions deliver operating profit of \$3.8m in FY19;
- A strong increase in group profitability with operating profit increasing from \$7.8m in the prior year to \$12.8m for FY19, up 65% year on year. Reported EBITDA for FY18 was \$10m compared to an EBITDA of \$6.4m in the prior year, an increase of 56% year on year; and

- A cash balance of \$25.5m at the year-end up almost \$3m even after \$2.1m share buyback, \$2.7m dividend payments, and \$3m cash funding for the DBITS acquisition.

A summary of the financial performance for the financial year ending 30 June 2019 is shown below:

Financial Summary (\$ million)	FY18	FY19	Change
Sales	196.6	252.5	+28%
Revenue	35.6	48.4	+36%
Gross Profit	34.1	45.9	+35%
Operating Expenses	(26.3)	(33.0)	+25%
Operating Profit ⁽¹⁾	7.8	12.8	+65%
Reported EBITDA	6.4	10.0	+56%
Profit/(Loss) After Tax	3.1	6.2	+103%

(1) Operating profit excludes share-based payments, FX gains or losses, restructuring and due diligence transaction costs.

Sales and Revenue

FY19 sales and revenue growth was driven by the areas of the business where we have made material investments. Sales in our public cloud business under the Microsoft CSP program (Office 365 and Microsoft Azure) contributed to around 60% of the \$56m sales growth in FY19. In addition, the growth in revenue generated from clients in our Asian footprint contributed to circa 38% of overall sales growth.

rhipe continues to see revenue growth in its traditional private cloud (data centre) licensing business, particularly in Asia. Growth in the more mature markets of Australia and New Zealand are weighted more towards public cloud platforms (Microsoft Azure and CSP). Overall growth in sales of Microsoft's private cloud datacentre licensing program (SPLA) was 8% in FY19 or 12% after removing one off sales in the prior year. SPLA now represents 44% of total group sales in FY19 down from circa 52% in the prior year. However, from a revenue perspective, SPLA contributed approximately 29% to group revenue with CSP contributing circa 37%.

Operating expenses

Operating expenses in FY19 increased by \$6.7m or 26% year on year as a result of investment in additional headcount to support growth. Overall headcount grew by 110 employees, up more than 50% in FY19. The increase in headcount costs accounted for approximately 80% of the cost increase in FY19. The additional investment in headcount is aimed at supporting the strong growth that the Company is experiencing. Approximately 46 of these new employees were added to the licensing business with 64 added to the rhipe solutions team.

Investment and Capital Expenditure

rhipec continues to invest in its core subscription management platform (PRISM) to support the Company's leadership position in Asia Pacific as the platform of choice for monthly Pay-As-You-Go cloud license subscriptions. In FY19 the Group invested \$2.2 m in PRISM which is a key part of the Company's intellectual property.

Dividend and Share Buyback

In early FY19 the Company invested \$2.1m in a share buyback of ordinary shares. The average price of shares purchased during the buyback was \$1.19.

As a result of the strong cash position at 30 June 2019 of \$25.5m, the Board has announced the payment of a final dividend of 2.0 cents per share. Total dividends declared for FY19 are 3.0 cents per share which represents an increase of 100% year on year.

Outlook for FY20

In FY 2020, rhipec expects its public cloud business to continue to be the growth engine for the business, with sales and revenue continuing to grow as more businesses in Asia Pacific transition their I.T. workloads to public cloud infrastructure. To support this growth, rhipec expects to continue investing in a number of areas and countries in FY20 including:

- Front office sales, marketing and technical staff to support increased customer numbers in all countries
- Microsoft Dynamics channel staff, initially focusing on helping I.T. resellers with Dynamics sales and implementation opportunities in Australia
- Continuous investment in the development of Prism plus development of 'SmartEncrypt', our recently acquired encryption software product, and
- An expansion in other rhipec solutions staff to capitalise on growth opportunities such as 24/7 Support and reseller focused lead generation.

The Board of rhipec maintains estimated guidance for FY20 to be approximately \$16M in operating profit excluding any changes in market conditions or major expansion initiatives such as geographical or vendor expansion opportunities. Over the coming months rhipec will be working with Microsoft Japan and JBS to quantify the timing and degree of investment required for rhipec Japan. There will no material impact in Q1 of FY20 and rhipec will provide an update to shareholders at the rhipec Annual General Meeting (AGM) of shareholders in November 2019.

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About rhipec

rhipec, (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, rhipec 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.