

# ASX Announcement

**rhipe Limited (ASX: RHP)**

31 August 2021



## FY2021 Full Year Audited Results

**Sydney, 31<sup>st</sup> August 2021** – rhipe Limited has today published its audited financial results for the 12 months ending 30 June 2021 (“FY21”) and operational highlights for the period.

### Introduction

The Board is pleased to present the FY21 financial results for rhipe Limited (“rhipe” or “the Company” or “the Group”). Despite the negative economic impact resulting from the global pandemic, the Company has continued to grow across geographies, products, and services. In FY21, rhipe delivered an operating profit of \$18.0m, reported EBITDA of \$16.6m and net profit after tax of \$7.0m which represented year-on-year growth of 31%, 44% and 46% respectively.

A summary of the financial performance for the financial year ending 30 June 2021 is shown below:

Financial Summary (\$ million)	FY20	FY21	Change
Sales	325.2	376.9	+16%
Revenue	55.8	66.8	+20%
Gross Profit	52.4	60.4	+15%
Operating Expenses	(38.6)	(42.4)	+10%
Operating Profit (1)	13.8	18.0	+31%
Reported EBITDA	11.6	16.6	+44%
Profit After Tax attributable to equity holders	4.8	7.0	+46%

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

### Trading Highlights for FY21

Significant trading highlights from the 2021 Financial Year include:

- Total Group Sales rose 16% to \$376.9m. Software licensing sales rose by 14% to \$356.5m with Services sales rising 51% to \$20.4m;
- Total Group revenue rose 20% to \$66.8m. Software license revenue increased 10% year on year to \$46.4m. Services revenue rose 52% to \$20.4m in FY21. Higher growth in Service revenue is consistent with our diversification strategy and growing our service offerings to our 3,500 customer base;

#### About rhipe

rhipe, (ASX: RHP) is a global leader in cloud and technology solutions, providing partners with business advisory and deep domain technical expertise to thrive in the growing cloud market. rhipe is recognised as an expert in subscription software licensing in Asia Pacific. Its multi-award-winning services and support division is the industry leader in Microsoft Office 365 implementation and other global vendor solutions.

#### For more information, contact:

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- Sales and revenue growth in our Licensing business has been driven by strong momentum in the public cloud via the Microsoft Cloud Solutions Provider (CSP) program, with rhipe's partners now consuming more than 840,000 Office 365 paid seats, up 33% year on year. The growth in Microsoft CSP delivered two-thirds of the licensing sales growth in FY21;
- Sales growth in Australia, our largest market, was strong at 19% compared to sales growth in Asia of 22%. In the prior year sales growth in Australia was 19%, consistent with FY21 whereas sales growth in Asia was 47% in FY20 compared to 22% in FY21. This reduction in growth was predominantly caused by the global pandemic;
- In FY21 we continued to invest and expand in our Service offerings. Our vendor and customer support operations in the Philippines on 30 June 2021 had over 239 full time equivalent employees, up 53% during the year and we continue to make further investment in our Microsoft Dynamics operations and in the SmartEncrypt software product. Services business delivered operating profit of \$3.5m in FY21 compared to \$2.6m in FY20 representing an increase of 35% year on year;
- Operating expenses in FY21 increased by \$3.8m or 10% year on year or \$0.9m (2% YoY) excluding the impact of the acquisitions made in FY21. Excluding acquisitions, Licensing opex was flat year on year mainly due to the impact of covid on marketing and travel expenses and lower bad debt expenses compared to FY20. Service opex, excluding the impact of acquisitions grew by \$1.5m due to additional investment in our technical support, Microsoft Dynamics and SmartEncrypt activities;
- Despite the challenging economic conditions, the Group delivered operating profit of \$18.0m in FY21 up \$4.2m or 31% year on year. Reported EBITDA for FY21 was \$16.6m up 44% year on year; and
- Cash position on 30 June 2021 was \$53.8m, compared to a cash position of \$60.9m at the end of the prior year. Operating cash flow for FY21 was \$19.9m, up 44% in line with the growth in EBITDA. In addition, rhipe invested \$13.5m in acquisitions plus paid \$5.6m in dividends and invested almost \$3m in its key platform PRISM and other fixed assets during FY21.

## Acquisitions in FY21

During FY21, rhipe has completed two strategic acquisitions. In September 2020, New Zealand-based Azure and specialist IT service provider, Parallo, was acquired. This acquisition is part of the strategy to diversify into deeper cloud services and managed services that can complement and deliver more value to rhipe's partners. At the end of April 2021, rhipe also acquired EMT Australia and EMT Singapore ("EMT"), a cyber security distribution specialist that focuses on both on-premise and cloud-based security solutions. The acquisition of EMT is aimed at providing a security-focused team within rhipe that can add expertise for security-based products.

Operating profit contributions for FY21 were \$721k and \$940k from Parallo and EMT respectively.

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## Potential Acquisition by Crayon

On 6 July 2021, rhipe entered into a binding Scheme Implementation Deed with Crayon Group Holding ASA ("Crayon") under which it is proposed that Crayon will acquire 100% of the shares in rhipe by way of a Scheme of Arrangement ("the Scheme"). Crayon is a global leader in software asset management and cloud optimisation localised in over 35 countries, with its head office in Oslo, Norway, with revenues of approximately Kr 19.5 billion (A\$3 billion).

If the Scheme is approved, rhipe shareholders will receive Scheme Consideration of \$2.50 in cash per share (reduced to the extent of any Permitted Special Dividend). In order to maximise the Scheme's benefit to its shareholders, rhipe intends to declare a fully franked special dividend of up to 13 cents per share ('Permitted Special Dividend') to be paid on or shortly before the implementation date of the Scheme, conditional on the Scheme being approved and becoming Effective.<sup>1</sup> The cash component of the Scheme Consideration will be reduced by the amount per share of the Permitted Special Dividend and the overall benefit from the fully franked dividend may be up to an additional \$0.056 per share over and above the Scheme Consideration of \$2.50.

The rhipe Directors unanimously recommend that rhipe shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a superior proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of rhipe's shareholders. Subject to the same qualification, each Director of rhipe who owns or controls any rhipe shares intends to vote those shares in favour of the Scheme at the Scheme Meeting.

It is anticipated that a Scheme Booklet in relation to the proposed Scheme will be sent to rhipe shareholders in September 2021 and that rhipe shareholders will vote on the scheme in October 2021.

ENDS

Approved for by the Board of Directors.

<sup>1</sup> The rhipe Directors will determine (in their absolute discretion) whether to pay any Special Dividend after assessing the rhipe Group's cash position and available funding at the applicable time. Under the agreement signed with Crayon, rhipe needs to have a minimum cash balance of \$31m after the payment of the special dividend. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their individual tax circumstances. If a fully franked special dividend of 13 cents per share was declared and paid, this would reduce the Scheme Consideration to \$2.37.

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