

The Manager
Company Announcements
Australian Securities Exchange
Level 5, 20 Bridge Street
SYDNEY NSW 2000

Dear Sirs,

ASX Code: RHP

FY18 Half Year Results

Sydney, 5th February 2018 – rhipe Limited today provided its FY18 half-year financial results and operational highlights for the period.

Review of operations

The results presented in these financial statements reflect the operations of rhipe Limited and all subsidiaries (together the “Group”) for the six months from 1 July 2017 to 31 December 2017. The results for the comparative period reflect the operations of rhipe Limited and all its subsidiaries.

For the half year ended 31 December 2017, rhipe Group delivered strong revenue growth of 22% which combined with modest operating expense growth of 7%, produced operating profit of \$3.1m, up 117% and reported EBITDA of \$2.8m, up over 300% compared to the previous corresponding period (‘pcp’). Net profit after tax increased to \$1.1m from a broadly break-even position in the pcp.

Group revenue was \$88.3m for the period, up 22% or \$16m compared to the prior year comparative period. The significant majority of rhipe’s revenue growth during the half year ended 31 December 2017 is in the form of monthly subscription based licensing revenue generated from more than 2,500 technology service provider customers across Asia Pacific. rhipe’s Licensing revenue was \$85m for the six months to 31 December 2017, up 21% year on year. Revenue from our services and support activities was \$3.3m for the period, up 37% on the pcp driven by growth in our support activities.

Gross profit for the period was \$15.7m up \$2.5m or 19% for the period with Group gross margin being 17.8% compared to 18.3% in the pcp.

Operating profit, which represents reported EBITDA excluding non-cash share based payments, FX gains or losses, non-recurring due diligence costs and non-recurring one-off costs of \$0.4m (pcp \$0.8m), was up 117% to \$3.1m compared to the prior year. Group reported EBITDA for the six months ended 31 December 2017 has increased by 304% to \$3.1m from \$0.7m pcp.

rhipec delivered a positive net profit after tax of \$1.1m compared to a net profit after tax of \$15k in the prior year comparative period.

Table 1.

Financial Summary \$'000	1H FY18	1H FY17	Change
Revenue	88,314	72,451	+22%
Gross Profit	15,741	13,282	+19%
Operating Profit ⁽¹⁾	3,129	1,442	+117%
Reported EBITDA	2,762	684	+304%
Profit/(loss) after tax	1,077	15	+7,080%

⁽¹⁾ Operating profit is gross margin less operating expenses and excludes any FX gains or losses, share base payments and one-off cost including restructuring or due diligence costs. Further details provided in table 2

The Company's strong operating profit and net profit after tax improvement for the six months to 31 December 2017 follows a period of significant investment in a number of key strategic initiatives including an expansion in operations across South East Asia and Korea, investment in the Indirect Microsoft Cloud Solutions Provider (CSP) program for Office365, and an investment in its operations to support the expansion of Microsoft's Public Cloud Infrastructure platform, Microsoft Azure. These investments have underpinned the strong growth in revenue and gross profit for the Company whilst modest growth in operating expenses has resulted in the delivery of improved operating profit. The Company continues to invest in these future growth areas to ensure we maintain our competitiveness in the rapidly expanding cloud industry.

Key operating highlights in the six months to 31 December 2017 included:

- Licensing revenue growth of 21% year on year driven by strong growth in Office365 and Azure revenue (see below) and in our South-East Asia operations of 85% compared to the pcp;
- Strong growth in CSP operations (Office365 and Azure) with revenue in excess of \$13m in the 6 months to 31 December 2017 compared to \$5m in the pcp, with a current annualised run-rate revenue of more than \$31m. At 31 December 2017 rhipec had over 186,000 CSP Office365 seats compared to 126,000 at 30 June 2017.
- Licensing gross profit grew 19% year on year to \$13.2m for the period with gross margin remaining broadly stable at around 15.5%;
- rhipec Solutions, our services and support activities, increased its revenue by 37% to \$3.3m and its gross profit by 14% to \$2.6m following the restructure of the business in the prior financial year and expansion of its technical support offering;
- Group operating expenses increased by a modest 7% year on year due to careful cost management and allocation of spend to growth areas;
- Investment of \$0.3m in the six months to 31 December 2017 in our new operations in South Korea following award of Microsoft SPLA and CSP licences for South Korea in early 2017, a market which is second only in size to Australia in Asia Pacific (excluding Japan) for SPLA. We signed our first customers in Korea in the second quarter of FY18.

- Continued investment in rhipe’s Platform for Reporting and Subscription Management (‘PRISM’) of \$1.3m compared to \$0.7m in pcp;
- Cash at 31 December 2017 was \$17.3m up \$5.9m or 52% compared to 31 December 2016 and after the share buyback of \$2.3m (see below) and PRISM investment of \$1.3m. For the six months to 31 December 2017 net operating cashflow was \$0.6m compared to a net operating cash outflow of \$2.1m in the pcp; and
- rhipe continues to evaluate new geographic markets and also new vendor licensing relationships with a number of smaller complementary software vendors to allow strategic bundled offers to our customer base. For example, we announced in November a new partnership with Symantec, a global leader in security software.

In August 2017, rhipe Group announced an on-market share buyback program and by the end of 2017 rhipe had acquired 3.4m or 2.5% of its own ordinary shares from the market. Total cash spent on the share buyback program up to 31 December 2017 was \$2.3m at an average buy back price of 67 cents.

Earnings per share for the six months to 31 December 2017 was AUD 0.79 cents per share versus AUD 0.01 cents in pcp.

Dividend

As a result of the continued improvement in operating results and a strong cash position the Board of rhipe is pleased to announce a maiden fully franked interim dividend of AUD 0.5 cents per share.

Outlook

rhipe’s overall financial performance was strong in the six months to 31 December 2017 and is consistent with our FY18 operating profit guidance of +\$7m which we reaffirm.

ENDS

This summary should be read in conjunction with the Appendix 4D and results presentation lodged with ASX today.

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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 Cloud economy. As the 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. Formerly known as NewLease, the company rebranded to rhipe in 2014 and has offices has in Melbourne, Sydney, Auckland, Singapore, Bangkok, Manila, Kuala Lumpur, Jakarta and New York.