The Manager
Company Announcements
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Dear Sir or Madam,

ASX Code: RHP

FY19 Half Year Results

Sydney, 18th February 2019 – rhipe Limited ("rhipe" or "the Company") today provided its FY19 half-year financial results and operational highlights for the period.

Overview of Financial Results

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 2018 to 31 December 2018 ("1H FY19").

For the half year ended 31 December 2018, the summary financial highlights include:

Financial

- Group revenue and gross profit growth + 30%;
- Licensing margin of 15.6% versus 15.5% pcp;
- Group operating profit of $5.6m, + 79%;
- Group reported EBITDA of $4.6m, + 66%;
- Net profit after tax of $3.0m, + 181%;
- Earnings per share of 2.22 cents per share ('cps') compared to 0.79cps in 1H FY18 an increase of 181%;

Operational

- CSP Office365 seats at 31 December 2018 were +385,000, up 125,000 since 30 June 2018;
- CSP $27m sales, +100% pcp;
- CSP ARR $47.2m;
- Azure ARR $14.9m;
- Asian local sales growth +53%;

Treasury

- Cash at 31 Dec 2018 was $23.2m versus $17.3m at 31 Dec 2017;
- Buy back for 1H bought 1.63m shares (avg. price $1.19 per share); and
- Interim fully franked dividend of 1.0 cent per share, up 100%.

Overall it was a strong financial performance in 1H FY19 with net profit for this six-month period of $3.0m equating to the net profit that the Company delivered in the previous full financial year.

For the half year ended 31 December 2018, the summary financial highlights include:

Financial Summary $'000	1H FY18	1H FY19	Change
Sales from software products	85.0	110.4	+30%
Services sales	3.3	4.3	+29%
Gross sales	88.3	114.7	+30%
Licensing revenue	13.2	17.2	+30%
Services revenue	3.3	4.3	+29%
Revenue	16.5	21.5	+30%
Licensing margin	15.5%	15.6%	+10bps
Gross Profit	15.7	20.5	+30%
Operating Profit (1)	3.1	5.6	+79%
Reported EBITDA	2.8	4.6	+66%
Profit/(loss) after tax	1.1	3.0	+181%

(1) Operating profit is Revenue less cost of sales and operating expenses and excludes any FX gains or losses ($0.3m gain), share based payments ($1.1m) and one-off cost including restructuring or due diligence costs ($0.2m).

The Group's strong operating profit and net profit after tax improvement for the six months to 31 December 2018 follows a period of further investment in a number of key strategic initiatives including an expansion in operations across South East Asia, Korea, New Zealand and Australia, investment in the Indirect Microsoft Cloud Solutions Provider ("CSP") program for Office365 and an investment in operations to support the expansion of Microsoft's Public Cloud Infrastructure platform, Microsoft Azure.

These investments have under pinned the strong growth in sales and revenue for the Group whilst lower growth rates in operating expenses, despite the need for continued investment across multiple areas of the business, has resulted in the delivery of improved operating profit. The Group continues to invest in these future growth areas to ensure we maintain our competitiveness in the rapidly expanding cloud industry.

In addition, the Company has seen increasing return from its investment in its service and support operations with an increase in sales in this area of $1m to $4.3m up 29% versus the pcp.

Key operating highlights in the half-year to 31 December 2018 included:

- Group sales from software products and services was $115m for the period, up 30% or $26m compared to the prior year comparative period. Overall rhipe's Sales from Software products were $110m for 1H FY19, up 30% year on year driven by strong growth in Office365 and Azure sales and also continued strong growth in our Asian footprint with local sales up 53% versus pcp.

- Strong growth in CSP operations (Office365 and Azure) with sales of circa $27m in the 6 months to 31 December 2018 compared to $13m in the pcp, an increase of +100%. The current annualised run-rate sales ("ARR") for CSP is now $62m up 100% compared to ARR in pcp. At 31 December 2018 rhipe had approximately 385,000[1] CSP O365 seats compared to ~186,000 CSP O365 seats at 31 December 2017 and 260,000 at 30 June 2018.

[1] including 30,000 seats from a one-off transaction in 1H FY19 involving academic O365 products sold at zero value

- Group revenue for 1H FY19 was $21.5m compared to $16.5m in the pcp, up 30% in line with sales growth.

- Licensing revenue of $17.2m for 1H FY19 was up 30% compared to pcp with Licensing net sales margin remaining stable at 15.6% compared to 15.5% in the pcp.

- The net license revenue in the first half of FY19 comprised of the following key components:

    1. Margin earned on sales to customers;
    2. Standard rebates and incentives provided by software vendors to drive the sale of subscription licenses; and
    3. Accelerator incentives from one software vendor to speed up the adoption of their cloud services.

- Despite increased competition and ongoing changes to standard rebates and incentives, rhipe was able to maintain license revenue within the range of 14% to 16% of sales (1H FY19 was 15.6).

- Revenue from our services and support activities was $4.3m for the period, up 29% on the pcp driven by growth in our support activities.

- Group gross profit for 1H FY19 was $20.5m up $4.8m or 30% year on year. Licensing gross profit grew 30% year on year to $17.2m for the period and gross profit from our services and support operations grew by 29% to $3.3m following the restructure of the business in FY17 and expansion of its technical support offering;

- Group operating expenses increased by 18% or $2.3m year on year to $14.9m;

- 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 was up 79% to $5.6m compared to pcp.

- Group reported EBITDA for the six months ended 31 December 2018 increased by 66% to $4.6m. rhipe delivered a positive net profit after tax of $3.0m compared to a net profit after tax of $1.1m in pcp.

- The Company delivered the same net profit after tax in 1H FY19 than it delivered in the whole of FY18.

Balance Sheet and Capital Management

Cash at 31 December 2018 was $23.2m versus $17.3m at 31 December 2017, up $5.9m or 34% compared to twelve months ago. For 1H FY19 net operating cashflow was $3.8m compared to $0.6m in the pcp. At the same time rhipe has invested $1.9m in its share buyback in 1H FY19, paid dividends of $1.3m and invested a further $1.3m in our key platform, PRISM.

Our share buyback program, which was originally announced in August 2017, continued during 1H FY19 with rhipe acquiring 1.63m shares in the current financial year at a total cost of $1.9m and an average buyback price of $1.19 per share. Since the program was launched the Company has acquired 5.1m or 3.8% of its own ordinary shares from the market at a total cash outlay of $4.35m and at an average buy back price of 85 cents.

Earnings per share

Earnings per share for the six months to 31 December 2018 was 2.22 cps versus 0.79 cps in the pcp an increase of 181%.

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 doubling of the fully franked interim dividend from 0.5 cents per share in FY18 to 1.0 cents per share. Dividends will be paid in May 2019.

Outlook

As a result of the strong 1H FY19 performance the Company expects to deliver operating profit for the full financial year to 30 June 2019 in the range of $11.5m to $12.0m.

Adoption of AASB 15 "Revenue from Contracts with Customers

The new accounting standard "AASB 15 Revenue from Contracts with Customers" has now been adopted by the Company. The Company will now recognise, in accordance with the standard, its software licensing revenue on an 'agent' basis rather than a principal basis. The impact of this change is to reclassify "Revenue" to "Sales" and 'Licensing Gross Margin to "Licensing Revenue".

The Group has elected to adopt the fully retrospective approach to adoption and as a result, the prior year comparatives have been adjusted to be on a consistent basis with the current year treatment.

There is no impact on gross profit, operating profit or net profit after tax for the Group.

ENDS

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

For more information contact:

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Additional information about rhipe

rhipe (ASX: RHP) is the Cloud Channel Company whose mission is to provide the best platform, enablement and 24 x 7 support services so that partners of all sizes can derive value from their cloud investments. rhipe 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. Rhipe has offices in Sydney, Melbourne, Brisbane, Auckland, Singapore, Bangkok, Manila, Kuala Lumpur, Jakarta and Seoul.