

rhipe Limited (ASX code RHP)

INVESTOR BRIEFING 1H 2016

Half Year Results Presentation
18th February 2016

DISCLAIMER

This presentation has been prepared by rhipe Limited ACN 112 452 436 (RHP). Each Recipient of this presentation is deemed to have agreed to accept the qualifications, limitations and disclaimers set out below.

None of RHP and or its subsidiaries or their respective directors, officers, employees, advisers or representatives (Beneficiaries) make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this presentation, including any forecast or prospective information. The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Beneficiaries. Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

This presentation is a general overview only and does not purport to contain all the information that may be required to evaluate an investment in RHP. The information in this presentation is provided personally to the Recipient as a matter of interest only. It does not amount to an express or implied recommendation with respect to any investment in RHP nor does it constitute financial product advice.

The Recipient, intending investors and respective advisers, should:

- conduct their own independent review, investigations and analysis of RHP and of the information contained or referred to in this presentation;
- seek professional advice as to whether an investment in RHP is appropriate for them, having regard to their personal objectives, risk profile, financial situation and needs; and/or
- nothing in this presentation is or is to be taken to be an offer, invitation or other proposal to subscribe for shares in RHP.

The Recipient specifically agrees, understands and acknowledges that some of the information contained herein has been provided by third parties (including all information regarding LiveTiles) and the Beneficiaries accept no responsibility for any inaccuracy, misstatement, misrepresentation or omission in relation to that information.

Except insofar as liability under any law cannot be excluded, none of the Beneficiaries shall have any responsibility for the information contained in this presentation or in any other way for errors or omissions (including responsibility to any persons by reason of negligence).

AGENDA

Business
Overview

1HFY16
Highlights

Market
Opportunity

Growth
Update

Detailed
Financials

2HFY16
Outlook

Q & A

Business Overview

RHIPE: THE CLOUD CHANNEL COMPANY

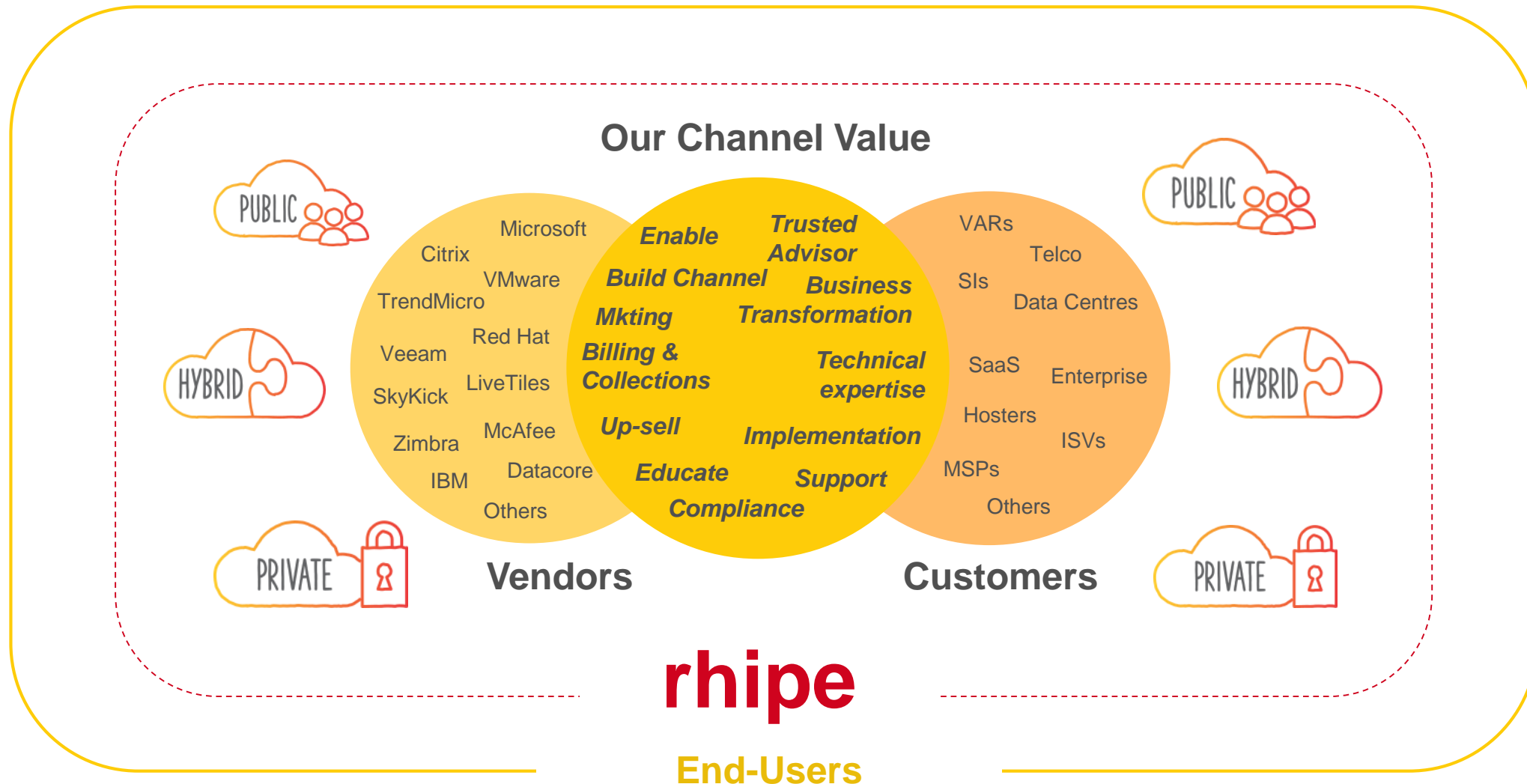
Cloud
First

Channel
First

Passionate about helping service providers adapt
and thrive in the emerging cloud economy

BUSINESS MODEL LEVERAGES THE CHANNEL

For personal use only



STRATEGIC OPERATING DIVISIONS



Cloud Licensing

Software sold and implemented
by service providers.
Pay based on usage

Licensing

Build and expand on cloud
licensing programs. Multi-vendor
and multi region.



Cloud Solutions

Professional services and support
people to help Service Providers
with technical needs

Support

Services and support to
position offerings for new
licensing programs.

Cloud Operations

Cloud first, digital first marketing
transformation to drive demand
for channel partners.
Billing, software-asset management
& license optimization

Value

Add value with systems & ease
of trade for Cloud Service Providers.



1H FY16 Highlights

1H 2016 IN REVIEW

GROWTH

44% growth in
Revenue - majority
recurring
subscription income

Investing in new
licensing programs,
people and systems

Launch of Public
Cloud Programs.
MSFT CSP strong
momentum in first 6
months

OPERATIONS

rhipe solutions now
fully integrated into
rhipe licensing to
form one business
unit

Implemented a new
ERP system in 1H
(Navision by MSFT)

Investment in rhipe's
own IP:

- Partner Portal
- Billing Systems



1H 2016 FINANCIAL HIGHLIGHTS

Group Revenue

\$69.5M

+44% growth PCP

Group Gross Margin

18.7%

Up from 16.3% PCP

Underlying EBITDA

\$3.3M

excl. growth investments & abnormals

\$2.8M PCP



**Licensing
Revenue**

\$65.9M

+38% PCP

**SEA Licensing
Revenue**

\$20.4M²

+38% PCP



**Licensing
Gross Margin**

14.5%

16.5% PCP

**Partner
Growth**

+17%

1750+ Partners at
31 Dec 15



**Investments
New Markets
& Programs**

\$2.6M

\$1.2M PCP

Net Assets

\$41.0M

\$38.4M Net Assets
at 30 Jun 2015

1H 2016 FINANCIAL RESULTS

Revenue (\$'000)	FY15 12 mths to 30 Jun 15	1H 2015 6 mths to 31 Dec 14	2H 2015 6 mths to 30 Jun 15	1H 2016 6 mths to 31 Dec 15
Revenue (\$'000)	108,769	48,249	60,520	69,505
Gross Margin	20,083	7,867	12,216	12,967
Gross Margin %	18.5%	16.3%	20.0%	18.7%
Underlying EBITDA ex Growth ⁽¹⁾	4,896	2,805	2,091	3,274
Underlying EBITDA ⁽¹⁾⁽²⁾	1,222	1,560	(338)	697
EBITDA Reported	(1,353)	117	(1,470)	(254)
(Loss)/profit before tax	(1,535)	39	(1,574)	(341)
Comprehensive Income Reported	(2,255)	(158)	(2,097)	1,577

Refer to Financial Results Section for further information on detailed break down to reported EBITDA

1. Growth Investment includes gross cost of operations in South East Asia less any Gross margin contribution plus gross cost of the new licensing programs including Microsoft CSP and LSP plus IBM Softlayer.
2. Non cash costs are share based options expensed in the P&L in accordance with accounting standards, and non recurring costs are recruitment costs for the executive and due diligence costs on acquisition projects.

For personal use only

Market
Opportunity

FROM PRIVATE TO WHOLE OF CLOUD

USD141.2 Billion

Global Public Cloud Market 2019

rhipe is well-positioned to capture this Cloud opportunity.
We have the programs, people and systems today to deliver
our Public, Hybrid or “Whole of Cloud” future



MICROSOFT AND THE PUBLIC CLOUD

Global Public Cloud Growth

2019 PUBLIC CLOUD MARKET FORECAST

2014 – 2019 19.4% CAGR

Still **6X** Overall IT market growth

USD141.2B
Worldwide

USD10.6B
APAC (ex Japan)

24.1% CAGR
APAC (ex Japan)

IDC – #US40709515 Dec 2015

Microsoft Commercial Cloud*

"We continue to advance towards our goals for Fiscal Year 18. Our commercial cloud run rate surpassed \$9.4 billion dollars, up over 70 percent year-over-year and almost half way to our goal of \$20 billion. We've nearly doubled our cloud customers over the last 12 months."

—**Satya Nadella, Microsoft CEO**
(Earnings Release FY16 Q2)

"This quarter, more than 60 percent of customers with enterprise agreements attached commercial cloud services – up 15 percentage points year over year."

—**Amy Hood, Microsoft CFO**
(Earnings Release FY16 Q2)

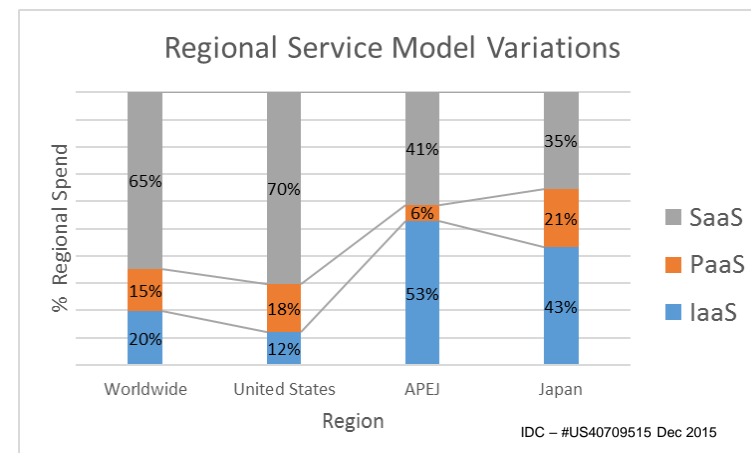
"It's a little mind boggling. We add 90k new subscriptions/month to Azure. There are 1.5m SQL Databases running on Azure. We service 5bn authentications/week with Azure Active Directory."

—**Brad Anderson, Corp VP Enterprise Client & Mobility, Microsoft**
(Citrix Summit Keynote, Jan 2016)

Microsoft Commercial Cloud: Covers Microsoft's Public Cloud Assets – currently O365, Azure, CRM Online, EMS

Local Opportunity

APAC (ex Japan) Infrastructure focus



CLOUD USAGE MATURING:

56%

Australian orgs using or investigating PaaS for custom s/w deployment

Telsyte, Australian Enterprise Applications Market Study, Oct 15

MSFT CLOUD SHIFT FROM TRADITIONAL OFFICE & SERVER PRODUCTS TOWARDS GROWTH IN AZURE & O365

MSFT Segmentation¹ Commercial Licensing Division

USD M'000 PRODUCT LINE	'13	'14	'15	YOY GROWTH
Windows Enterprise	3,250	3,608	3,675	1.9%
Server & Tools	15,105	16,850	18,209	8.1%
Skype	1,354	591	1,004	70%
Office Business	19,977	21,037	18,206	(13.5%)
Commercial Licensing	<u>39,686</u>	<u>42,085</u>	<u>41,094</u>	<u>(2.4%)</u>
Enterprise Services	4,222	4,606	5,042	9.5%
Azure	290	431	666	54.3%
O365 Pro Dynamics CRM Online	<u>1,148</u>	<u>2,508</u>	<u>5,187</u>	<u>106.8%</u>
Commercial Other	5,660	7,546	10,894	44.4%

Microsoft's "Cloud First, Mobile First" strategy is focused on delivering the Cloud revenue target of USD20B by FY18

"Traditional" licensing

Majority of revenues still derived from traditional Office and Server products

- Commercial Licensing declined - 2.4%

"Commercial Cloud"

High-growth experienced in Cloud product lines

- CSP solutions:
 - O365 & CRM Online +106.8%
 - Azure +54.3%
- Commercial Cloud grew 44.4%

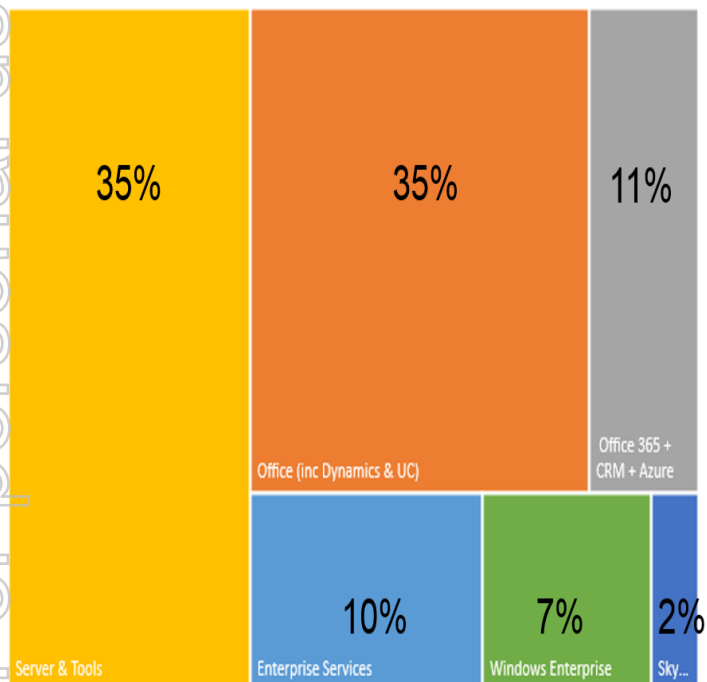
"A Secular Winner with Azure.
Public cloud adoption looks to have reached an inflection point as we exited CY15, with growth rates in Azure and Amazon Web Services both accelerating." ²

1. Morgan Stanley, Microsoft Maintaining Cloud Momentum, July 2015
2. Morgan Stanley, Earnings Primed For Growth, January 2016

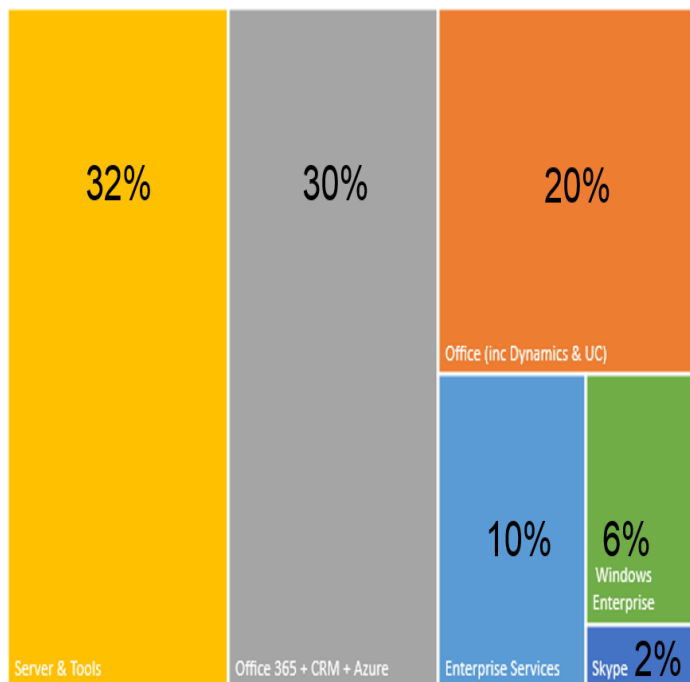
MORGAN STANLEY MSFT CLOUD GROWTH ANALYSIS

- Morgan Stanley forecast Microsoft Cloud products (Office365+CRM+Azure) to represent 30% of revenue by 2018¹
- Microsoft believe new Cloud licensing will be 1.2x to 1.8x the equivalent traditional non-Cloud licensing revenue

Microsoft Commercial Revenue - 2015

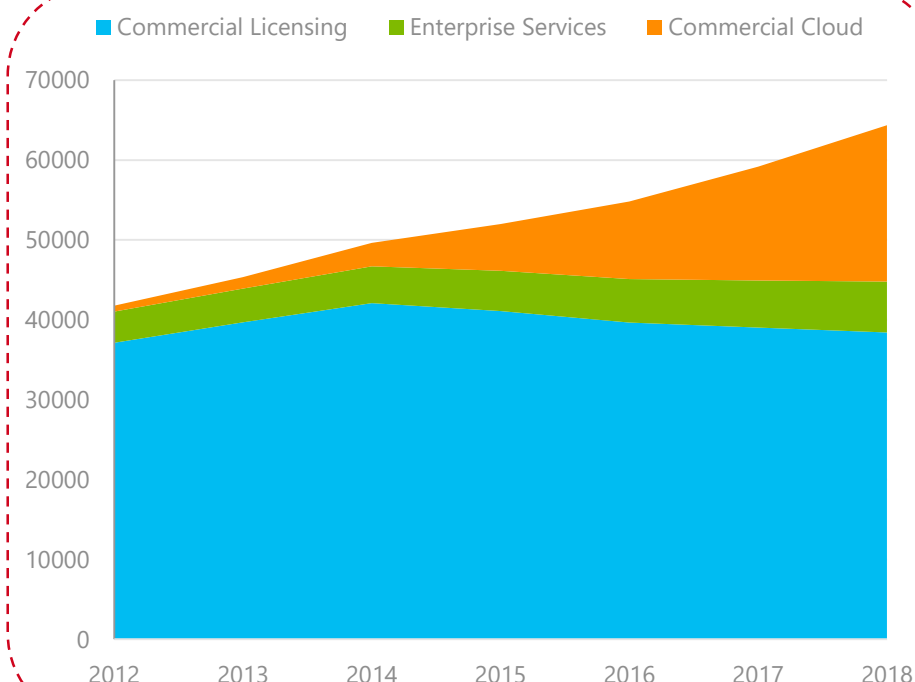


Microsoft Commercial Revenue - 2018



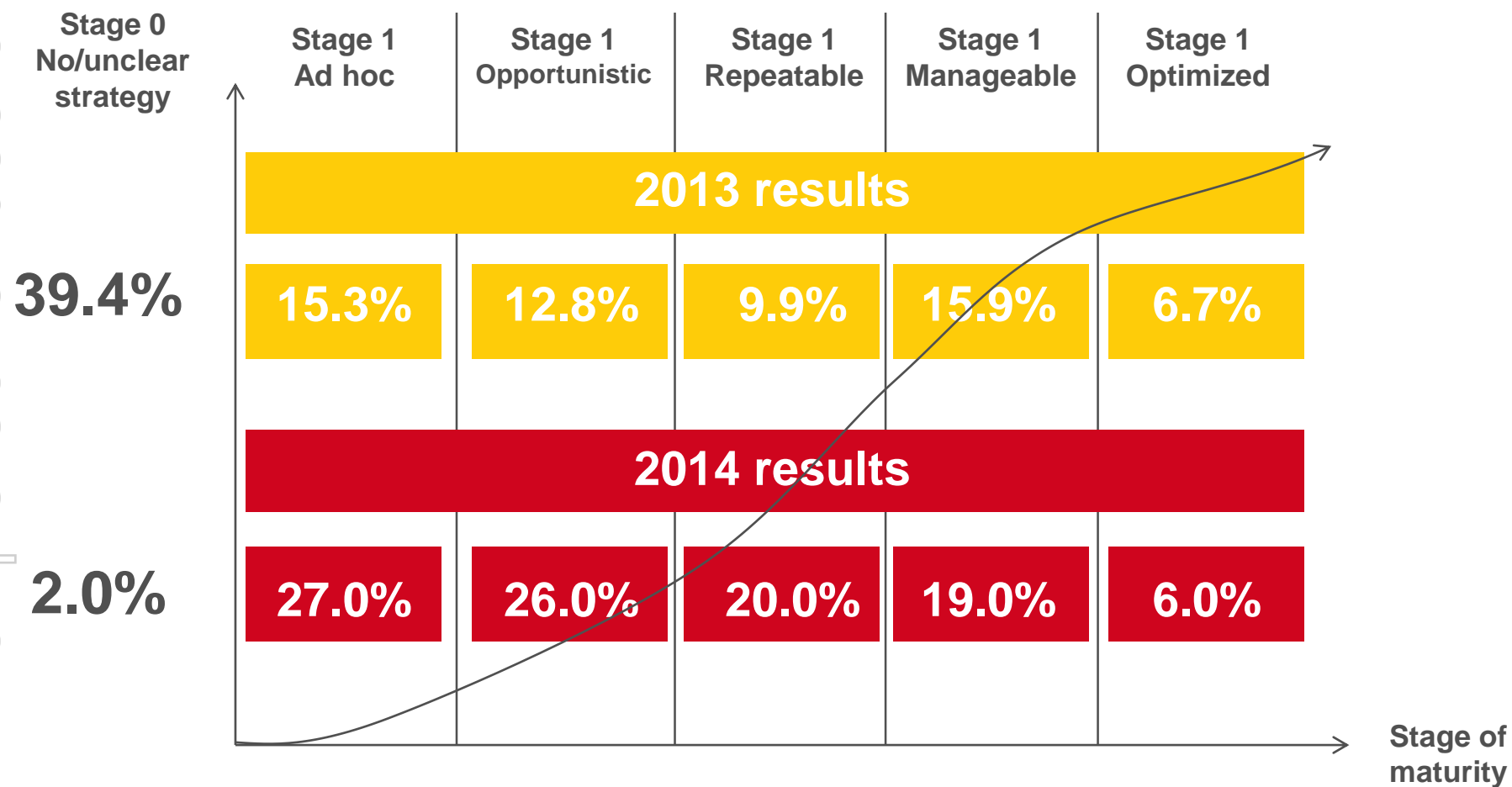
Office 365+ CRM + Azure = Commercial Cloud

Microsoft Commercial Revenue Growth 2013-18



MATURING APAC CLOUD MARKET - INCREASED ADOPTION & OPPORTUNITY

For personal use only



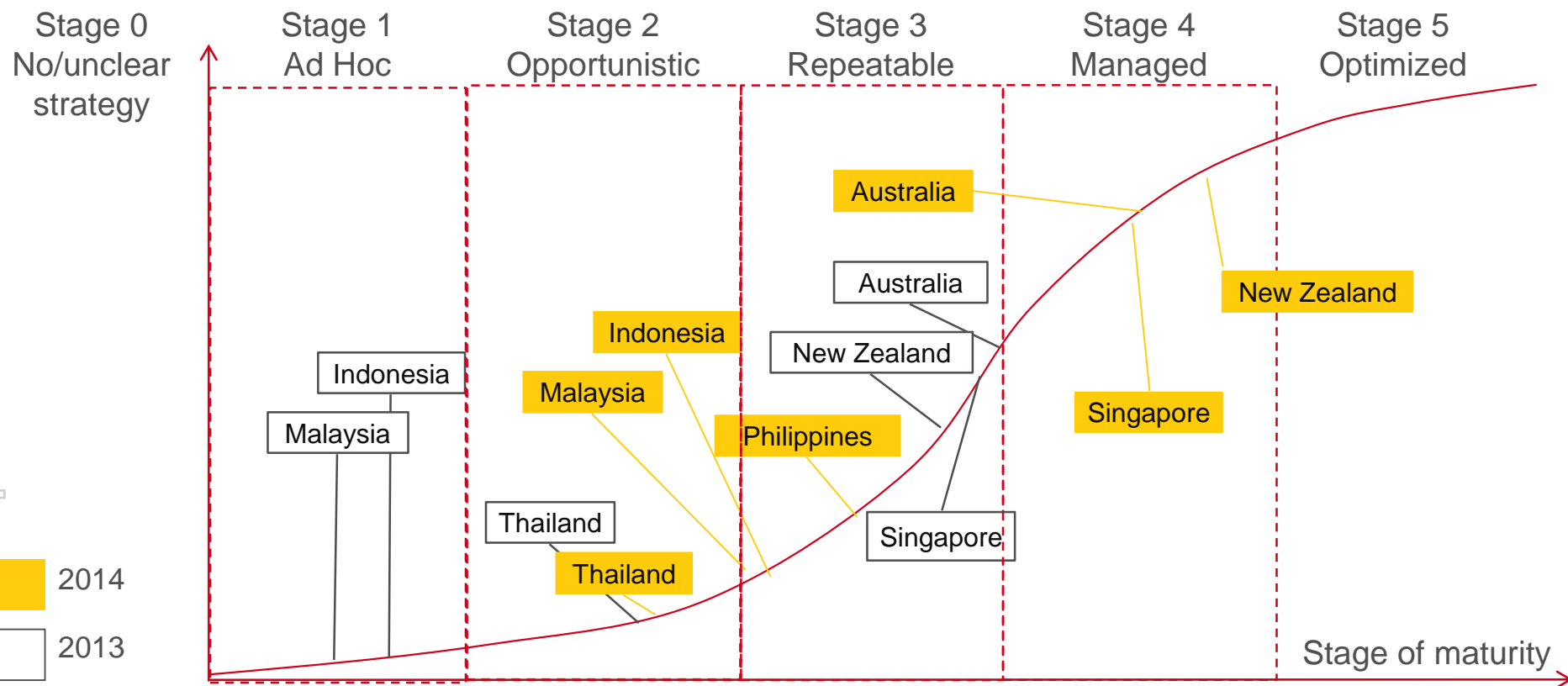
Source: IDC Cloud MaturityScape, September 2014

Significant shift
in cloud awareness
and adoption

Lack of maturity
still creates
significant channel
opportunity

MATURING APAC CLOUD MARKET - INCREASED ADOPTION & OPPORTUNITY

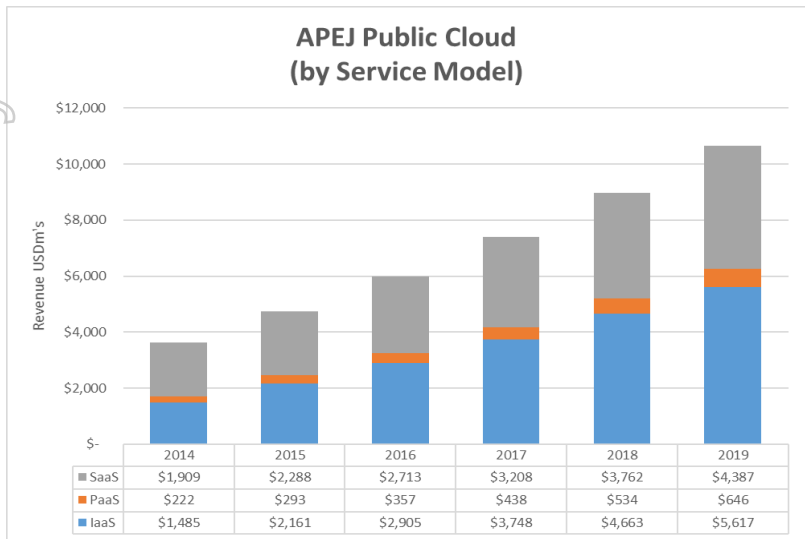
For personal use only



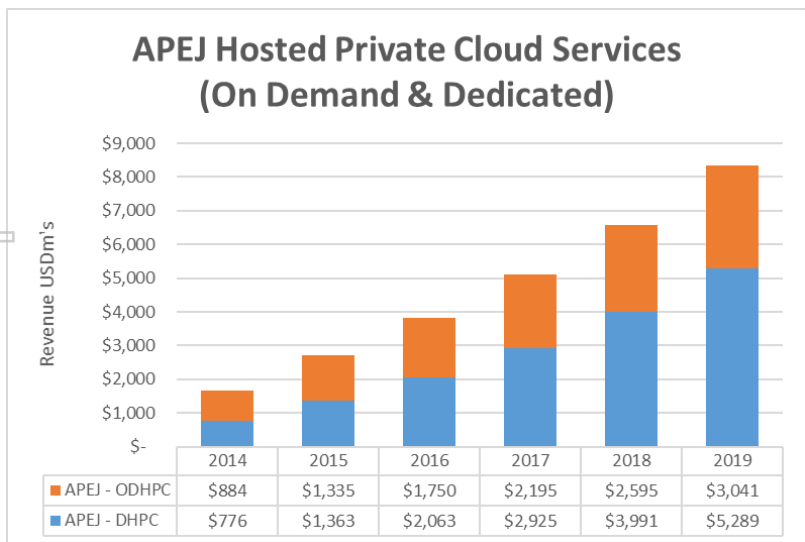
Every country is experiencing uplift in Cloud maturity

Lots of upside and opportunity

APAC CLOUD GROWTH



IDC – #US40709515 Dec 2015



IDC – #259066, Sept 2015

2019 IoT MARKET FORECAST

2014 – 2019 17% CAGR

USD1.3tn
Worldwide

USD618.5bn
47.4% share
APAC (ex Japan)

IDC – #US40983216 Feb 2016

IDC Futurescape (APAC)

2020 – APAC 2bn mobile
first internet users

2020 – 50% AP trans
authorised biometrically
(20% WW)

2018 - 48% (65% WW) IT
assets offsite

2017 – 65% (80% WW)
Ent. IT orgs commit to
Hybrid cloud architectures

For personal use only

rhipe

WHAT SHAPE
IS YOUR CLOUD?

Growth
Update



rhipe
The Cloud
Channel Company

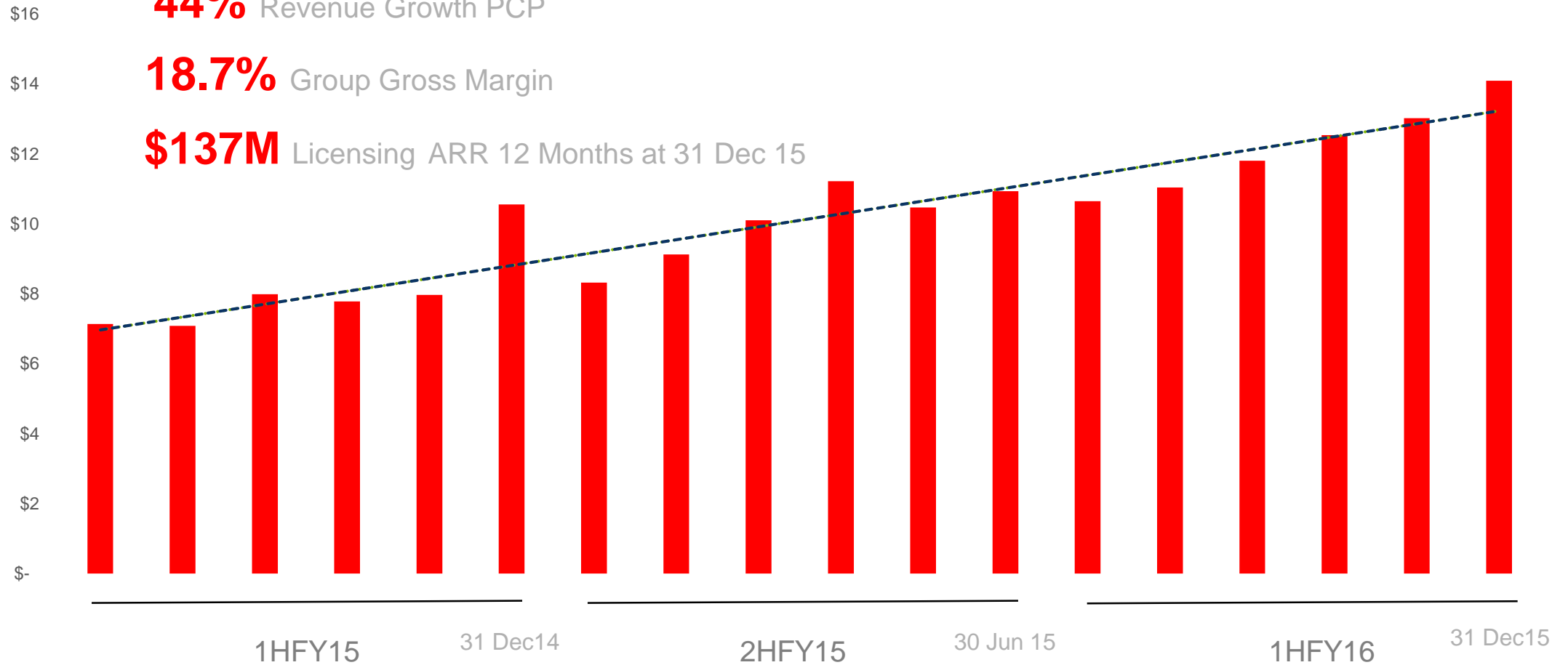
MONTHLY REVENUES CONTINUE TO GROW

A\$M

44% Revenue Growth PCP

18.7% Group Gross Margin

\$137M Licensing ARR 12 Months at 31 Dec 15

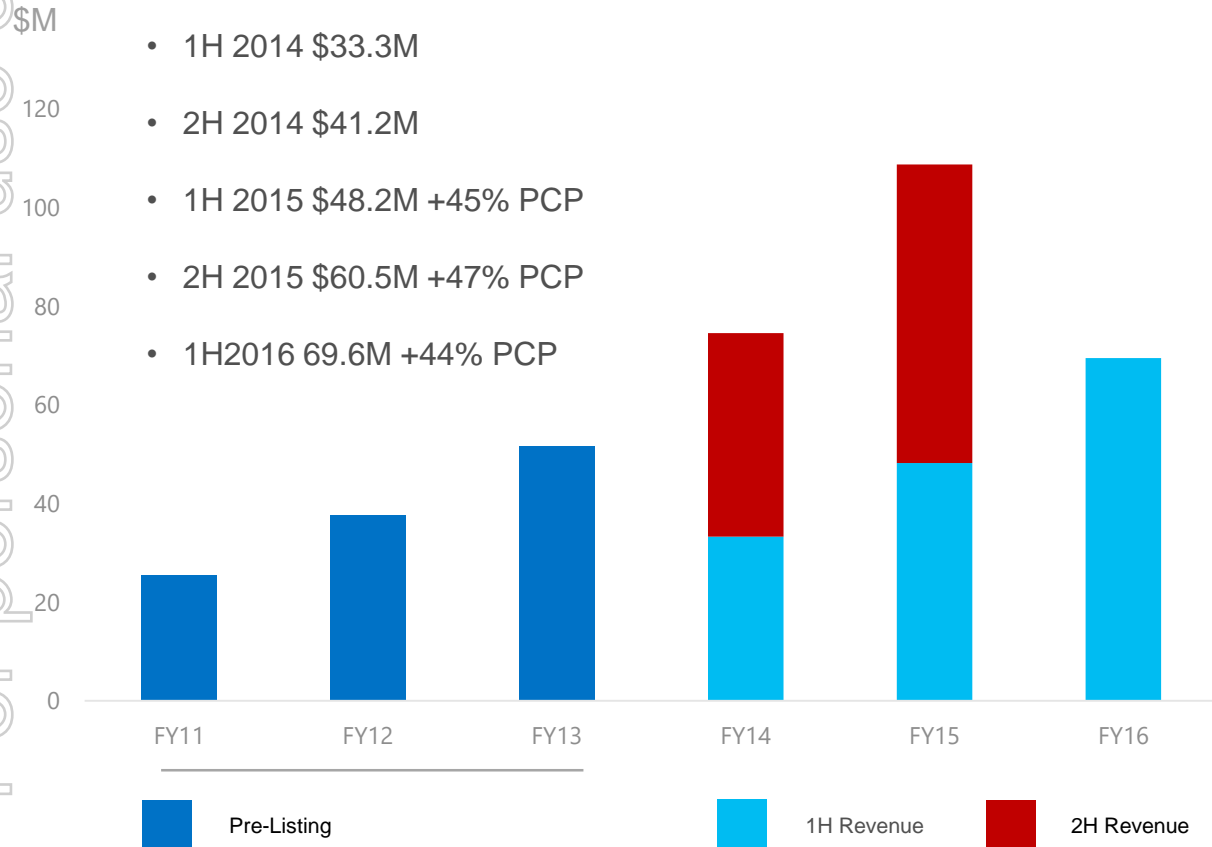


95% of all revenue is subscription based licensing revenue

ANNUAL REVENUE GROWTH

+40% Growth in Revenue continues

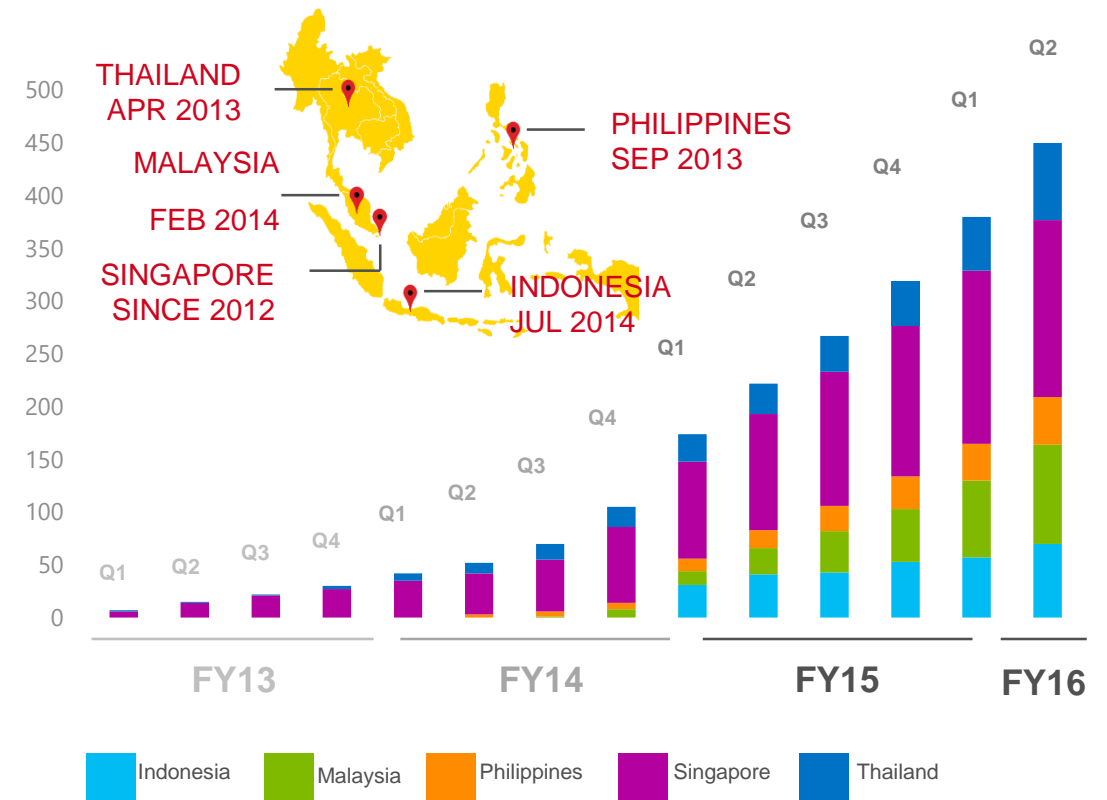
- 1H 2014 \$33.3M
- 2H 2014 \$41.2M
- 1H 2015 \$48.2M +45% PCP
- 2H 2015 \$60.5M +47% PCP
- 1H2016 69.6M +44% PCP



Average historic 1H Revenue represents approximately 45% of full year

SOUTH EAST ASIA GROWTH

Cumulative partner agreements in SEA



RHIPE 2 TIER MICROSOFT CLOUD SOLUTIONS PROVIDER

Program Launches

Australia

Launched July 1 2015

South East Asia

SG, ML & TH Launched Oct 2015

PH Launched Nov 2015

rhipe exceeds **20K** seats in 6 months

MSFT CSP Key Stats



Ave revenue per seat: **\$13***

2T Competitive Ranking

Asia Ranked #1

Global by Company #7

Global by Territory #11

As at 15th February 2016

253
partners on-boarding
to CSP
(190 at Nov 15)

482
signed partners
(266 at Nov 15)

357
signed and now
transacting
(Activation ratio 74%)
(185 at Nov 15)

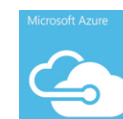
34%
net new partners to
rhipe



AU since 1 July 2015
SEA launched Oct 2015



Launched Q2 FY16



Launched Feb 16' (50+
partners recruited 1st month)

rhipe's combined Cloud business continues to grow in all countries with a solid start in 1H FY16

*Includes licence software sold as part of rhipe CSP bundles

IBM CLOUD, SOFTLAYER



Business Opportunity

- Public IaaS market¹
 - WW \$27.7B CAGR 27.0%
 - APEJ \$ 5.6B CAGR 30.5%
- Hosted Private Cloud²
 - WW \$40.6B CAGR 35.4%
 - APEJ \$ 8.3B CAGR 38.1%
- **Margins similar to other rhipe licensing programs**

Launch & Investment

- Internal enablement and pilot-partner program across Q2 FY16
- 200 partners identified and in pre-launch pipeline
- Public launch Feb 2016, via digital: rhipe.com, rhipe Intelligence series & search engine marketing
- Thought leadership and demand generation via ARN Roundtable and rhipe's APAC-wide Cloud Channel Summit

Offering Overview

- Wholesale of bare metal & virtualised servers in APAC creating Private & public cloud capability
- Unique global network with unmetered data complementary to current rhipe subscription programs
- Good, Better, Best offerings delivering Data Centre-as-a-service SKUs for partners

1. IDC #US40709515 Dec 2015
2. IDC #259066, Sept 2015

RHIPE'S DIGITAL & SOCIAL MARKETING PLAN

Newsletter

Website/Blog
landing destination

Webinar Series
rhipe Intelligence

Partner Events
Cloud Summit

Breadth & Net New Partners

Managed partners

Rhipe partner newsletter/ blog

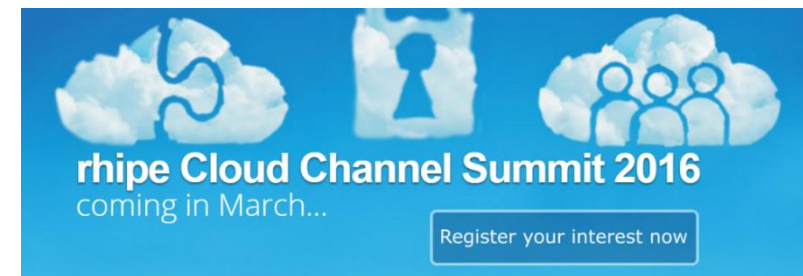
- Conversational & easy to digest
- "Sectioned" into bite-sized content
 - Vendor news/updates
 - rhipe news/ updates
 - Insights / Industry news
 - **Communicated through social media updates as well as email**

rhipe INTELLIGENCE Webinars

- Weekly webinars – calendar published in advance
- Lead by rhipe Strategy team
- Interactive "chat" with participants
- Solution lead topics covering latest innovation within Cloud industry

Cloud Channel Summit

- Face-to-face forum for enablement and networking
- Industry leading cloud technology roadshow
- Expert key note speaker and solution focused break out sessions.
- "CSP Lounge!"



For personal use only

rhipe

WHAT SHAPE
IS YOUR CLOUD?

THE CLOUD CHANNEL COMPANY

Detailed
Financial
Results

rhipe
The Cloud
Channel Company

DETAILED FINANCIAL RESULTS P&L

Revenue (\$'000)		1H FY14	2H FY14	1H FY15	2H FY15	1H FY16
		6 mths to 31 Dec 13	6 mths to 30 Jun 15	6 mths to 31 Dec 14	6 mths to 30 Jun 15	6 mths to 31 Dec 15
Revenue		33,318	41,230	48,249	60,520	69,505
	Includes Solutions revenue ⁽¹⁾	-	-	458	3,259	3,642
Gross Margin		5,308	6,683	7,867	12,216	12,967
	Licensing Gross Margin	5,308	6,683	7,867	8,585	9,574
Gross Margin %		15.9%	16.2%	16.3%	20.2%	18.7%
	Licensing Gross Margin	15.9%	16.2%	16.3%	15.0%	14.5%
Underlying EBITDA ex Growth⁽²⁾		1,136	2,196	2,805	2,091	3,274
	Investment in South East Asia	659	841	996	1,463	1,214
	Investment in New Programs (CSP, IBM, LSP)	-	-	249	966	1,363
Underlying EBITDA^{(2) (3)}		477	1,355	1,560	(338)	697
	Non cash share options expense ⁽²⁾	-	310	856	931	569
	Non recurring costs	-	54	587	201	382
Reported EBITDA		477	991	117	(1,470)	(254)
Interest		-	-	-	-	67
Depreciation		38	60	78	104	154
EBIT Reported		439	931	39	(1,574)	(341)
Tax Expense		(150)	(336)	(356)	(430)	(431)
Comprehensive Reported Income		248	585	(158)	(2,097)	1,577

1. 1H FY15 only 15 days of Solutions Revenue

2. Growth Investment includes gross cost of operations in South East Asia less any Gross margin contribution plus gross cost of the new licensing programs including Microsoft CSP and LSP plus IBM Softlayer.

3. Non cash costs are share based options expensed in the P&L in accordance with accounting standards, and non recurring costs are recruitment costs for the executive and due diligence costs on acquisition projects.

1H 2016 BALANCE SHEET & WORKING CAPITAL

Balance Sheet \$'M

	31 Dec 15	30 Jun 15	Change
Cash	6.8	12.4	(5.6)
Trade receivables	31.6	27.3	+4.3
Other Current Assets	3.6	3.6	-
Total Current Assets	42.0	43.3	(1.3)
Investments - LVT	5.8	2.5	+3.3
Goodwill	20.3	23.1	(2.8)
Other	1.7	1.3	+0.4
Total Assets	69.8	70.2	(0.4)
Trade Payables	22.7	23.9	(1.2)
Other Current Liabilities	4.6	7.3	(2.7)
Total Current Liabilities	27.3	31.2	(3.9)
Other Non Current Liabilities	1.5	0.6	+0.9
Debt	-	-	-
Total Liabilities	28.8	31.8	(3.0)
Net Assets	41.0	38.5	+2.5

rhipe has no debt liabilities

Cashflow \$'M

Loss after tax reported	(0.8)
Add back	
Non cash share options expense	0.6
Non cash Mining Camp disposed of	0.1
Depreciation	0.2
Trading Cashflow reported	0.1
Changes in Working Capital	
Less	
Trade receivables increase	4.3
Trade payables decrease	1.2
Other net Balance Sheet movements	(0.2)
Change in cash on hand	(5.6)

Commentary

- Positive cash generated from trading despite significant new investment of circa \$2.6m
- New ERP System installed to capture benefits targeted in working capital improvements
- Working Capital timing improvements in Jan and Feb 16 already +\$2.8M

For personal use only

rhipe
The Cloud
Channel Company

2HFY16 Outlook

2H 2016 OUTLOOK - UPDATED SUMMARY

For personal use only

Financial

Reconfirming Guidance

Revenue

- Target 40% growth

Gross Licensing Margin

- Target 14-16%

Investment

- People, Systems and Marketing
- Microsoft 2-Tier CSP & LSP
- Wholesale IBM Cloud

Vendor & Geographic

Microsoft CSP

- Will include Azure & CRM Online
- Expansion to Philippines and possibly Indonesia

IBM Cloud

- Wholesale SoftLayer services across APAC (India and Korea based on performance)

Other

- vCloud Air Network AU, NZ
- Ongoing vendor opportunities

Operational

Intellectual Property

- Packaging IP solutions
- LiveTiles industry solutions

rhipe Support

- White label help desk
- Services as a Service

Marketing

- Digital marketing automation
- Social media campaigns
- Marketing as a Service