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ASX Announcement

rhipe Limited (ASX:RHP)

rhipe

7 September 2021

COURT APPROVES DISTRIBUTION OF SCHEME BOOKLET AND CONVENING OF SCHEME MEETING AND SCHEME BOOKLET REGISTERED WITH ASIC

The Board of rhipe Limited (**'rhipe'** or the '**Company**') is pleased to provide the following update in relation to the proposed acquisition of rhipe by a wholly-owned subsidiary of Crayon Group Holding ASA, by way of scheme of arrangement (**'Scheme'**).

The Supreme Court of New South Wales (**'Court'**) has today made orders:

- that rhipe convene a meeting of rhipe shareholders to consider and vote on the proposed Scheme (**'Scheme Meeting'**); and
- approving the despatch of an explanatory statement providing information about the Scheme and notice of Scheme Meeting (**'Scheme Booklet'**).

The Scheme Booklet has also today been registered with the Australian Securities and Investments Commission.

Scheme Booklet/Independent Expert's Report

A copy of the Scheme Booklet, which includes the Independent Expert's Report and a Notice of Scheme Meeting, is attached to this announcement. A copy of the proxy form that will be sent to rhipe shareholders and the Scheme Meeting Online Guide is also attached.

The Scheme Booklet provides rhipe shareholders with information about the Scheme. rhipe shareholders are advised to read the Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the Scheme.

The Scheme Booklet includes a copy of the Independent Expert's Report prepared by KPMG Financial Advisory Services (Australia) Pty Ltd (**'Independent Expert'**). The Independent Expert has concluded that the Scheme is in the best interests of rhipe shareholders, in the absence of a superior proposal. The Independent Expert has assessed the full underlying value of rhipe shares at between $2.42 to $2.73 per rhipe share. The Scheme Consideration of $2.50 per rhipe share that is payable to rhipe shareholders (subject to the Scheme becoming effective) is within this range. The Independent Expert's conclusions should be read in context with the full Independent Expert's Report and the Scheme Booklet.

Directors' recommendation

The rhipe Board continues to 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 continuing to conclude that the Scheme is in the best interests of rhipe shareholders. Each rhipe Director intends to vote all of the rhipe shares held or controlled by them in favour of the Scheme, subject to the same qualification.

Accessing the Scheme Booklet

The Scheme Booklet is available for viewing and downloading at https://www.rhipe.com/about/investors/.

In addition, rhipe shareholders who have previously elected to receive communications electronically will receive an email to their nominated email address during the course of this week that will contain instructions about how to view or download a copy of the Scheme Booklet. rhipe shareholders who have not made such an election will receive a letter (sent by post to their registered address) containing details of where they can view and download the Scheme Booklet. This letter will be sent to applicable rhipe shareholders during the course of this week.

rhipe shareholders who wish to receive a printed copy of the Scheme Booklet may request one by calling the rhipe Shareholder Information Line on 1300 970 086 (within Australia) or +64 1300 970 086 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

Scheme Meeting

The Scheme Meeting will be conducted as a virtual meeting at 11.00am (Sydney time) on Monday, 11 October 2021. There will be no physical Scheme Meeting. rhipe shareholders (or their proxies, attorneys or corporate representatives) will be able to attend, vote and ask questions at the Scheme Meeting through an online platform available at https://agmlive.link/RHPSM21.

All rhipe shareholders are encouraged to vote either by attending and voting at the virtual Scheme Meeting, or by lodging a proxy vote ahead of the virtual Scheme Meeting. The Notice of Scheme Meeting provides information on how to lodge your proxy form (if applicable).

Further information

rhipe shareholders can obtain further information in relation to the Scheme Booklet, the Scheme or the Scheme Meeting by visiting https://www.rhipe.com/about/investors/ or calling the rhipe Shareholder Information Line on 1300 970 086 (within Australia) or +64 1300 970 086 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

ENDS

Approved for release by the Board.

About Crayon

Crayon helps customers build the commercial and technical foundation for a successful and secure digital transformation journey. We provide guidance on the best solutions for our clients' business needs and budget to thrive and innovate with software, cloud, AI and big data. Headquartered in Oslo, Norway, Crayon has over 2,000 employees across more than 50 locations and 35 countries worldwide.

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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investorrelations@rhipe.com

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SCHEME BOOKLET

In relation to the proposed acquisition of rhipe Limited (***rhipe***) by Crayon Software Experts Australia Pty Ltd, a Subsidiary of Crayon Group Holding ASA (***Crayon***) by way of Scheme of Arrangement.

VOTE IN FAVOUR

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME IN THE ABSENCE OF A SUPERIOR PROPOSAL, AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONCLUDE THAT THE SCHEME IS IN THE BEST INTERESTS OF RHIPE SHAREHOLDERS.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE SCHEME IS IN THE BEST INTERESTS OF RHIPE SHAREHOLDERS IN THE ABSENCE OF A SUPERIOR PROPOSAL.

As a result of the potential health risks associated with large gatherings, and the ongoing COVID-19 pandemic, the Scheme Meeting is scheduled to be held online at 11:00am (Sydney time) on Monday, 11 October 2021.

This Scheme Booklet is important and requires your prompt attention. You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Scheme. If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.

If you have any questions in relation to this Scheme Booklet or the Scheme, please contact the rhipe Shareholder Information Line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

This Scheme Booklet is prepared for persons shown in the rhipe Share Register as holding rhipe Shares. If you have recently sold all of your rhipe Shares, please disregard this Scheme Booklet.

Financial Adviser

Jefferies

Legal Adviser

Allens > < Linklaters

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Important notices

Nature of this Scheme Booklet

This Scheme Booklet provides rhipe Shareholders with information about the proposed acquisition of rhipe by Crayon SubCo, a Subsidiary of Crayon. You should review all of the information in this Scheme Booklet carefully. Section 1.1 sets out the reasons why you should vote in favour of the Scheme and section 1.2 sets out the reasons why you may wish to vote against the Scheme.

Defined terms

A number of defined terms are used in this Scheme Booklet. These terms are explained in section 9 of this Scheme Booklet.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position or particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

Not an offer

This Scheme Booklet does not constitute or contain an offer to rhipe Shareholders, or a solicitation of an offer from rhipe Shareholders, in any jurisdiction.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside of Australia.

Regulatory information

This Scheme Booklet is the explanatory statement for the scheme of arrangement between rhipe and the Scheme Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet in Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to rhipe Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Notice of Scheme Meeting

The Notice of Meeting is set out in Annexure D.

rhipe Shareholder's right to appear at the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

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Any rhipe Shareholder may appear at the Second Court Hearing, expected to be held at 9:15am (Sydney time) on Wednesday, 13 October 2021 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney.

Any rhipe Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on rhipe a notice of appearance in the prescribed form together with any affidavit that the rhipe Shareholder proposes to rely on.

It is likely that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted by remote access technology, including via a dedicated video conferencing service or telephone conferencing. A rhipe Shareholder seeking to attend the Second Court Hearing should review the Court list (available at https://onlineregistry.lawlink.nsw.gov.au/content) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3:30pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on the ASX (www.asx.com.au) and will also be notified on the rhipe Website.

IMPORTANT NOTICE ASSOCIATED WITH THE COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

The fact that under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has directed that an explanatory statement accompany the Notice of Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how members should vote (members must reach their own decision on this matter); or
- has prepared, or is responsible for, the content of the explanatory statement.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Disclaimer as to forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views, and are held, only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as “believe”, “aim”, “expect”, “anticipate”, “intending”, “foreseeing”, “likely”, “should”, “planned”, “may”, “estimate”, “potential”, or other similar words. Similarly, statements that describe rhipe or Crayon's objectives, plans, goals or expectations are or may be forward-looking statements.

Any statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of rhipe's operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by those forward-looking statements.

The operations and financial performance of rhipe are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of rhipe and/or Crayon. rhipe's Shareholders should note that the historical financial performance of rhipe provides no assurance of the future financial performance of rhipe (whether the Scheme is implemented or not). Those risks and uncertainties include factors and risks specific to the industry in which rhipe operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of rhipe following implementation of the Scheme, as well as the actual advantages of the Scheme, may differ significantly from those that are anticipated and may never be achieved.

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The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Although rhipe believes that the views reflected in any forward-looking statements included in the rhipe Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct. Although Crayon believes that the views reflected in any forward-looking statements included in Crayon Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of the rhipe Group, Crayon Group, rhipe Group's officers, Crayon Group's officers, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

All subsequent written and oral forward-looking statements attributable to any member of the rhipe Group or any member of the Crayon Group or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, the rhipe Group and Crayon Group do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Responsibility statement

rhipe has been solely responsible for preparing the rhipe Information. The rhipe Information concerning rhipe and the intentions, views and opinions of rhipe and the rhipe Directors contained in this Scheme Booklet have been prepared by rhipe and the rhipe Directors and is the responsibility of rhipe. Crayon and its directors and officers do not assume any responsibility for the accuracy or completeness of any rhipe Information or the Independent Expert's Report (or any information contained therein).

Crayon has been solely responsible for preparing the Crayon Information. The Crayon Information concerning Crayon and the intentions, views and opinions of any Crayon Group member contained in this Scheme Booklet have been prepared by Crayon and is the responsibility of Crayon. The rhipe Group and its directors and officers do not assume any responsibility for the accuracy or completeness of any Crayon Information.

KPMG has prepared the Independent Expert’s Report in relation to the Scheme and takes responsibility for that report. The Independent Expert’s Report is set out in Annexure A.

Link Market Services has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the rhipe Share Registry. Link Market Services has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Privacy

rhipe and its agents and representatives may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of rhipe Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist rhipe to conduct the Scheme Meeting and to implement the Scheme. Personal information of the type described above may be disclosed to the rhipe Share Registry, print and mail service providers, authorised securities brokers, any

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member of Crayon, rhipe and its Related Bodies Corporate, and rhipe and Crayon's advisers and service providers. rhipe Shareholders have certain rights to access personal information that has been collected. rhipe Shareholders should contact the rhipe Share Registry in the first instance, if they wish to access their personal information. rhipe Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates are indicative only and are subject to the Court approval process and the satisfaction or, where capable, waiver of the Conditions Precedent to the implementation of the Scheme. The Conditions Precedent are summarised in section 8.11(a) and set out in full in clause 3.1 of the Scheme Implementation Deed.

Currency and exchange

Unless otherwise stated, all dollar amounts in this Scheme Booklet are in Australian Dollars and all share prices and trading volumes refer to rhipe Shares trading on the ASX.

Date of this Scheme Booklet

This Scheme Booklet is dated 7 September 2021.

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Key Dates

EVENT	DATE
Date of this Scheme Booklet	7 September 2021
First Court Date	7 September 2021
Scheme Meeting proxy forms Last date and time for receipt of proxy forms (including proxies lodged online at www.linkmarketservices.com.au), powers of attorney or certificates of appointment of body corporate representatives for the Scheme Meeting	11:00am (Sydney time) on Saturday, 9 October 2021 or if you are a member of the rhipe Employee Share Purchase Plan by no later than 11:00am (Sydney time) on Monday, 4 October 2021
Scheme Meeting Record Date Time and date for determining eligibility to vote at the Scheme Meeting	7:00pm (Sydney time) on Saturday, 9 October 2021
Scheme Meeting As a result of the potential health risks associated with large gatherings and the ongoing COVID-19 pandemic, the Scheme Meeting will be virtual (online only). There will not be a physical meeting where rhipe Shareholders or their proxies, attorneys or corporate representatives can attend in person. Further details relating to the Scheme Meeting are set out in section 3.3(b) of this Scheme Booklet and in the Notice of Meeting in Annexure D.	11:00am (Sydney time) on Monday, 11 October 2021
If the Scheme is approved by eligible rhipe Shareholders at the Scheme Meeting	
Second Court Date For approval of the Scheme	Wednesday, 13 October 2021
Effective Date The date on which the Scheme becomes Effective and is binding on rhipe Shareholders The Court order will be lodged with ASIC and announced on the ASX Last day of trading in rhipe Shares – rhipe suspended from trading on the ASX from close of trading	Thursday, 14 October 2021
If the Scheme is approved by the Court and becomes Effective	
Special Dividend Record Date All rhipe Shareholders who hold rhipe Shares on the Special Dividend Record Date will be entitled to receive any Special Dividend (if the rhipe Directors decide to pay a Special Dividend)	7:00pm (Sydney time) on Monday, 18 October 2021
Special Dividend Payment Date	Monday, 25 October 2021

EVENT	DATE
Date on which any Special Dividend will be paid (if the rhipe Directors decide to pay a Special Dividend)	
Scheme Record Date All rhipe shareholders who hold rhipe Shares on the Scheme Record Date will be entitled to receive the Scheme Consideration	7:00pm (Sydney time) on Wednesday, 27 October 2021
Implementation Date All Scheme Shareholders will be paid the Scheme Consideration to which they are entitled on this date and transfer of Scheme Shares to Crayon	Wednesday, 3 November 2021

All dates are indicative only and, among other things, are subject to all necessary approvals from the Court and any other regulatory authority. In particular, the date of the Scheme Meeting may be postponed or adjourned if satisfaction of the FIRB condition precedent is delayed. Any changes to the above timetable (which may include an earlier or later date for the Scheme Meeting or Second Court Hearing) will be announced through the ASX and notified on rhipe's Website.

All references to time in this Scheme Booklet are references to Sydney, Australia time, unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

rhipe Shareholders who have elected to receive communications electronically will receive an email that contains instructions about how to view or download a copy of this Scheme Booklet, and to lodge their proxy online. This Scheme Booklet will also be available for viewing and downloading on rhipe's Website.

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Letter from the Chairman of rhipe

7 September 2021

Dear rhipe Shareholder,

On behalf of the Board of rhipe Limited (***rhipe***), I am pleased to provide this Scheme Booklet to you, which contains important information for your consideration about the proposed acquisition of rhipe by Crayon Software Experts Australia Pty Ltd (***Crayon SubCo***), an indirect wholly-owned subsidiary of Crayon Group Holding ASA (***Crayon***).

Background to the Scheme

On 6 July 2021, rhipe announced it had entered into a binding Scheme Implementation Deed with Crayon under which it is agreed that Crayon, or a wholly-owned subsidiary of Crayon, will acquire all of the shares in rhipe via scheme of arrangement (the ***Scheme***).

In order for the Scheme to proceed, it must be approved at a meeting of rhipe Shareholders (the ***Scheme Meeting***), and then by the Court. The Scheme is also subject to Foreign Investment Review Board (***FIRB***) approval being obtained, and certain other conditions described in section 8.11(a).

The purpose of this Scheme Booklet is to provide you with information about the Scheme to assist you in voting on the Scheme at the Scheme Meeting.

Overview of the Total Cash Consideration

If the Scheme is implemented, it is intended that rhipe Shareholders will receive a total of $2.50 cash per rhipe Share (***Total Cash Consideration***), comprising:

- a fully franked special dividend of up to $0.13 per rhipe Share for each rhipe Share they hold as at the Special Dividend Record Date that may be declared and paid by rhipe before the Scheme is implemented (***Special Dividend***); and
- cash consideration under the Scheme of $2.50 per rhipe Share they hold as at the Scheme Record Date, less the amount of any Special Dividend that may be declared and paid by rhipe before the Scheme is implemented.

The rhipe Board currently intends to declare a fully franked Special Dividend of up to $0.13 per rhipe Share prior to implementation of the Scheme, conditional on the Scheme being approved and becoming Effective, which will be paid on the Special Dividend Payment Date to rhipe Shareholders who hold rhipe Shares on the Special Dividend Record Date.[1] If the Special Dividend is declared, those rhipe Shareholders who are entitled to the Special Dividend may be entitled to a franking credit of approximately $0.056 per rhipe Share.[2] Whether you will be able to receive the full benefit of the franking credits attached to the Special Dividend will depend on your personal circumstances and whether a favourable class ruling is obtained from the ATO.[3]

[1] 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.
[2] The maximum benefit associated with the franking credits will be less if the Special Dividend is less than $0.13 per rhipe Share.
[3] When assessing the benefit of franking credits attached to any Special Dividend, rhipe Shareholders should seek independent professional taxation advice as to whether or not the receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. Refer to sections 6.3 and 7.3 for further information.

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The Total Cash Consideration of $2.50 per rhipe Share implies an equity value on a 100% fully diluted basis of approximately $409 million and enterprise value of approximately $355 million,[4] and represents:

- a premium of 20% to the undisturbed closing price of a rhipe Share on 28 June 2021 (being the last trading day prior to the announcement of the non-binding indicative proposal from Crayon on 1 July 2021 of $2.50 per rhipe Share);
- a 30% premium to the 1-month volume weighted average price (***VWAP***) to 28 June 2021 of $1.93 per rhipe Share;
- a 37% premium to the 3-month VWAP to 28 June 2021 of $1.82 per rhipe Share;
- an implied EV / Operating Profit multiple of approximately 19.7 (based on rhipe's operating profit for the 12 months ending 30 June 2021); and
- an implied EV / EBITDA multiple of approximately 21.4 (based on rhipe's reported EBITDA for the 12 months ending 30 June 2021).

Recommendation of the rhipe Board

The rhipe Board unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of rhipe Shareholders. Each rhipe Director intends to vote all of the rhipe Shares that he or she holds or controls in favour of the Scheme, subject to that same qualification.

Your Directors, having regard to multiple factors, including the dynamics of the industry within which rhipe operates and the cash premium available to rhipe Shareholders compared to the trading price of rhipe Shares prior to the announcement of the non-binding indicative proposal from Crayon on 1 July 2021, have formed the view that the Scheme is in the best interests of rhipe Shareholders for the following reasons.

- The Total Cash Consideration represents an attractive premium to the closing price of rhipe Shares on 28 June 2021, being the last trading date prior to the announcement of the non-binding indicative proposal from Crayon on 1 July 2021 of $2.50 per rhipe Share.
- The implied EV/EBITDA multiple of 21.4 (based on rhipe's reported EBITDA for FY21) representatives an attractive acquisition multiple, which compares favourably to the multiples of comparable precedent transactions, as set out in section 8.3.2 of the Independent Expert's Report contained in Annexure A.
- The proposal from Crayon is a 100% cash proposal, which provides rhipe Shareholders with the opportunity to realise certain cash value for their rhipe Shares now, which may not be achieved if the Scheme does not proceed. While rhipe has pursued a 'Grow and Diversify' strategy over the past three years and it is currently in a strong position to capitalise on a range of historical and current growth initiatives, it is important for shareholders to recognise that these growth opportunities take time to fully implement and have risks associated with them. Further, margin pressure in recent years (reducing from 15.9% in 2019 to 13.4% in 2020 and 13% in 2021) is likely to continue to some extent as a result of increased competition or reduced vendor incentives in rhipe's traditional licensing business. These risks and uncertainties are discussed further in sections 1.1(c) and 6.4 of this Scheme Booklet.

[4] Implied equity value of $409 million based on the cash proposal of $2.50 per share multiplied by 163,406,723 diluted shares on issue, comprising 161,075,376 ordinary shares outstanding and 2,331,347 performance rights eligible to convert. Enterprise value calculated as implied equity value less net cash balance at 30 June 2021 of approximately $54 million.

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- The Independent Expert has concluded that the Scheme is in the best interests of rhipe Shareholders on the basis that it is both fair and reasonable, in the absence of a Superior Proposal.
- Since the announcement of the Scheme, no Superior Proposal has emerged.
- rhipe's share price will continue to be subject to market volatility and may fall if the Scheme is not implemented and in the absence of a Superior Proposal.
- Those rhipe shareholders who can realise the full benefit of the franking credits attached to the Special Dividend (if declared and provided a favourable class ruling is obtained from the ATO) may receive additional benefit from the value of those franking credits.[5]
- You will not incur any brokerage charges on the transfer of your rhipe Shares if the Scheme proceeds.

In forming their view that the Scheme is in the best interests of rhipe Shareholders, the rhipe Board considered the potential disadvantages of the Scheme proceeding.

In particular:

- you will not be able to participate in any improvement in the performance of the rhipe business, which may occur in the future;
- the tax consequences of the Scheme for you may not suit your financial position; and
- you may consider that there is potential for a Superior Proposal to be made in the near future.

Further details on the recommendation given by the rhipe Board are contained in section 1 of this Scheme Booklet.

Interests of the Chief Executive Officer and Managing Director in outcome of the Scheme

You should note when considering this recommendation that Mr Dominic O'Hanlon (rhipe's Chief Executive Officer and Managing Director):

- holds or controls 2,657,840 rhipe Shares (which have a value of approximately $6,644,600 based on the Total Cash Consideration of $2.50 for each rhipe Share);
- holds 393,467 vested Performance Rights granted pursuant to the 2019-2021 LTIP, the vesting of which occurred in the ordinary course and was not connected to the Scheme (which have a value of approximately $983,668 based on the Total Cash Consideration of $2.50 for each rhipe Share); and
- subject to the Scheme becoming Effective, will be entitled to receive $1,063,523 in connection with the early vesting of 425,409 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP.

These arrangements and the amounts payable on implementation of the Scheme in respect of Mr O'Hanlon's rhipe Performance Rights are described in more detail in section 8.2(b).

Despite this interest in the outcome of the Scheme, Mr O'Hanlon considers that, given the importance of the Scheme, and his role as a rhipe Director, it is important and appropriate for him to provide a recommendation to rhipe Shareholders in relation to voting on the Scheme. The rhipe Board (excluding Mr O'Hanlon) also consider that it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of rhipe and his deep industry knowledge.

[5] The maximum benefit associated with the franking credits will be less if the Special Dividend is less than $0.13 per rhipe Share. When assessing the benefit of franking credits attached to any Special Dividend, rhipe Shareholders should seek independent professional taxation advice as to whether or not the receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. Refer to sections 6.3 and 7.3 for further information.

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Major shareholder support

One of rhipe's major shareholders, Tutus McDonagh Pty Ltd (who owns or controls approximately 14.84% of rhipe Shares on issue), has confirmed that it intends to vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of rhipe Shareholders.

Independent Expert

The rhipe Board appointed KPMG as the Independent Expert to assess the merits of the Scheme.

The Independent Expert has concluded that the Scheme is in the best interests of rhipe Shareholders on the basis that it is both fair and reasonable, in the absence of a Superior Proposal.

The Independent Expert has assessed the fully diluted value of rhipe Shares to be in the range of $2.42 and $2.73 on a 100% controlling interest basis. The Total Cash Consideration of $2.50 per rhipe share is within this range.

A complete copy of the Independent Expert's Report is included as Annexure A to this Scheme Booklet.

How to Vote

Your vote is important and I encourage you to vote on this significant proposed transaction by attending the online Scheme Meeting scheduled to be held at 11:00am (Sydney time) on Monday, 11 October 2021 or alternatively, by appointing a proxy, attorney, or if you are a body corporate, a duly appointed corporate representative to attend and vote on your behalf. If you do not wish to, or are unable to, attend the online Scheme Meeting, I encourage you to submit a directed proxy vote by either completing the proxy form enclosed with this Scheme Booklet or by lodging your proxy online at www.linkmarketservices.com.au in accordance with the instructions there (as applicable) so that it is received by no later than 11:00am (Sydney time) on Saturday, 9 October 2021 or if you are a member of the rhipe Employee Share Purchase Plan by no later than 11:00am (Sydney time) on Monday, 4 October 2021.

Even if you plan to attend the Scheme Meeting online, you are still encouraged to submit a directed proxy in advance of the Scheme Meeting so that your vote can still be counted if you encounter any issues in attending the Scheme Meeting (for example, if there is an issue with your internet connection on the day of the Scheme Meeting).

The Scheme will only be effective and implemented if it is approved by:

- at least 75% of the total number of votes cast on the Scheme Resolution by eligible rhipe Shareholders; and
- more than 50% of eligible rhipe Shareholders present and voting at the Scheme Meeting (unless the Court orders otherwise).

If you wish for the Scheme to proceed, it is important that you vote in favour of the Scheme.

Further Information

This Scheme Booklet sets out important information regarding the Scheme, including the reasons for the rhipe Board's recommendation and the Independent Expert's Report. It also sets out reasons why you may wish to vote against the Scheme.

Please read this document carefully and in its entirety as it will assist you in making an informed decision on how to vote. I would also encourage you to seek independent financial, legal and taxation advice before making any investment decision in relation to your shares.

If you require any further information, please contact the rhipe Shareholder Information Line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

On behalf of the rhipe Board, I would like to take this opportunity to thank you for your ongoing support.

rhipe

I look forward to your participation in the Scheme Meeting and encourage you to vote in favour of the Scheme, which the rhipe Directors believe, and the Independent Expert has concluded, is in the best interests of rhipe Shareholders, in the absence of a Superior Proposal.

Yours sincerely,

Gary Cox
Chairman

rhipe Limited

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1 Key considerations relevant to your vote

The Scheme has a number of advantages and disadvantages which may affect rhipe Shareholders in different ways depending on their individual circumstances. rhipe Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 1.1 provides a summary of some of the reasons why the rhipe Board unanimously recommends that rhipe Shareholders should vote in favour of the Scheme.[6] This should be read in conjunction with section 1.2, which sets out other reasons why you may wish to vote against the Scheme.

You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting.

While rhipe Directors acknowledge the reasons to vote against the Scheme, they believe the advantages of the Scheme outweigh the disadvantages.

1.1 Why you should vote in favour of the Scheme

The rhipe Board has formed the view that the Scheme is in the best interests of rhipe Shareholders for the reasons set out below.

(a) The Total Cash Consideration of $2.50 per rhipe Share represents an **attractive premium to rhipe's recent historical trading price** to 28 June 2021, being the last trading date before the announcement of Crayon's non-binding indicative proposal on 1 July 2021, including:

- 20% premium to the closing price of $2.09 on 28 June 2021;
- 30% premium to the 1-month VWAP to 28 June 2021 of $1.93; and
- 37% premium to the 3-month VWAP to 28 June 2021 of $1.82.

[6] You should note when considering this recommendation that Mr Dominic O'Hanlon (rhipe's Chief Executive Officer and Managing Director):

- holds or controls 2,657,840 rhipe Shares (which have a value of approximately $6,644,600 based on the Total Cash Consideration of $2.50 for each rhipe Share);
- holds 393,467 vested Performance Rights granted pursuant to the 2019-2021 LTIP, the vesting of which occurred in the ordinary course and was not connected to the Scheme (which have a value of approximately $983,668 based on the Total Cash Consideration of $2.50 for each rhipe Share); and
- subject to the Scheme becoming Effective, will be entitled to receive $1,063,523 in connection with the early vesting of 425,409 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP.

These arrangements and the amounts payable on implementation of the Scheme in respect of Mr O'Hanlon's rhipe Performance Rights are described in more detail in section 8.2(b).

Despite this interest in the outcome of the Scheme, Mr O'Hanlon considers that, given the importance of the Scheme, and his role as a rhipe Director, it is important and appropriate for him to provide a recommendation to rhipe Shareholders in relation to voting on the Scheme. The rhipe Board (excluding Mr O'Hanlon) also consider that it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of rhipe and his deep industry knowledge.

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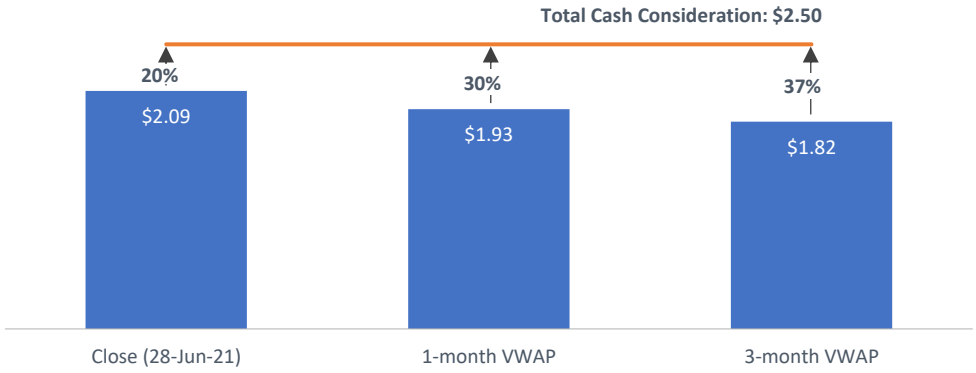

Source: VWAP's based on IRESS data.

(b) **The Total Cash Consideration of $2.50 per share equates to an attractive acquisition multiple, which compares favourably to the multiples of comparable precedent transactions.**

The Scheme Consideration of $2.50 per rhipe Share implies an equity value on a 100% fully diluted basis of approximately $409 million and enterprise value of approximately $355 million,[7] and represents:

- an implied EV / Operating Profit multiple of approximately 19.7 (based on rhipe's operating profit for the 12 months ending 30 June 2021); and
- an implied EV / EBITDA multiple of approximately 21.4 (based on rhipe's reported EBITDA for the 12 months ending 30 June 2021).

This represents an attractive acquisition multiple, which compares favourably to the multiples of comparable precedent transactions, as set out on section 8.3.2 of the Independent Expert's Report contained in Annexure A. Please see section 8.3.2 of the Independent Expert's Report for the Independent Expert's views on this topic.

(c) **If the Scheme proceeds, Scheme Shareholders will receive certain cash value for their investment in rhipe and will avoid ongoing risks and uncertainties associated with rhipe's business.**

The proposal from Crayon is a 100% cash proposal. The Total Cash Consideration of $2.50 per rhipe Share provides rhipe Shareholders with certainty of value for their rhipe Shares (subject to the Scheme becoming Effective) and the opportunity for rhipe Shareholders to realise certain cash value in the near term, which may not be achieved if the Scheme does not proceed. While rhipe has pursued a 'Grow and Diversify' strategy over the past three years and it is currently in a strong position to capitalise on a range of historical and current growth initiatives, it is important for shareholders to recognise that these growth opportunities take time to fully implement and have risks associated with them.

[7] Implied equity value of $409 million based on the cash proposal of $2.50 per share multiplied by 163,406,723 diluted shares on issue, comprising 161,075,376 ordinary shares outstanding and 2,331,347 performance rights eligible to convert. Enterprise value calculated as implied equity value less net cash balance at 30 June 2021 of approximately $54 million.

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Further, the rhipe Board considers that margin pressure in recent years (reducing from 15.9% in 2019 to 13.4% in 2020 and 13% in 2021) may continue to some extent as a result of the following:

- As customers continue to migrate to the cloud, the demand for vendors' products, particularly those cloud-based, will continue to grow and mature, increasing the subsequent bargaining power of vendors. This allows for vendors, such as Microsoft, to set lower incentives for wholesale software distributors, as their products become more mature and well-known and customers become dependent on the vendors product.
- Competitors, including those who had historically built their business upon legacy hardware distribution (ie, bundling traditional licenses with hardware sales), are now seeking to pivot towards a cloud-based subscription licensing model, to ensure they are not left behind as customers move to the cloud. This is both increasing competition in the market and reducing margins earned by market participants.

If the Scheme is approved and implemented, the Scheme removes these risks and uncertainties for rhipe Shareholders for certain cash value, as these risks and uncertainties will be assumed by Crayon as the sole shareholder of rhipe following implementation of the Scheme.

If the Scheme does not proceed, the amount which rhipe Shareholders will be able to realise in terms of price and future dividends will necessarily be uncertain and subject to risk including those related to the ongoing COVID-19 pandemic and general and specific risks relating to the business and operations of rhipe. While rhipe remains well placed to benefit from its recent investments, the ability to realise these benefits remains subject to factors that are outside the control of rhipe. The rhipe Directors believe that the Total Cash Consideration provides an attractive opportunity to realise a certain and immediate outcome that fairly values the growth potential in rhipe. These risks are outlined in greater detail in section 6.

(d) **The Independent Expert has concluded that the Scheme is both fair and reasonable and, therefore, is in the best interests of rhipe Shareholders, in the absence of a Superior Proposal.**

The rhipe Board appointed KPMG as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of rhipe Shareholders, in the absence of a Superior Proposal. The Independent Expert, in arriving at this opinion, has concluded that the Scheme is both fair and reasonable to rhipe Shareholders. The Independent Expert has assessed the fully diluted value of rhipe Shares to be in the range of $2.42 and $2.73 on a 100% controlling interest basis. The Total Cash Consideration of $2.50 per rhipe share is within this range.

(e) **Since the announcement of the Scheme Implementation Deed no Superior Proposal has emerged.**

Since the announcement of entering into the Scheme Implementation Deed with Crayon on 6 July 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the rhipe Board is not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

(f) **rhipe's share price will continue to be subject to market volatility and may fall if the Scheme is not implemented and in the absence of a Superior Proposal.**

If the Scheme is not implemented, rhipe Shares will remain quoted on the ASX and will continue to be subject to market volatility, and the impact of general economic conditions (including the

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prevailing uncertainty with respect to the impact of COVID-19 and the timing of the economic recovery). These factors may have an impact on the rhipe Share price in the short, medium and long term.

If the Scheme is not implemented, and in the absence of a Superior Proposal, the price at which rhipe Shares trade may fall, including to a price that is significantly below the Total Cash Consideration of $2.50 per rhipe Share.

The closing share price on 28 June 2021, being the last trading date before the announcement of Crayon's non-binding indicative proposal on 1 July 2021, was $2.09 per rhipe Share. Refer to section 1.1(a) above for the VWAP of rhipe Shares over the one and three month periods up to and including 28 June 2021.

Source: IRESS, rhipe shares are traded on the ASX.

(g) **If a Special Dividend of up to $0.13 is paid, those rhipe Shareholders who can realise the full benefit of franking credits attached to the Special Dividend could receive an additional value of up to $0.056 per rhipe Share (provided a favourable class ruling is obtained from the ATO).**

The rhipe Board currently intends to declare a fully franked Special Dividend of up to $0.13 per rhipe Share. A determination of whether or not to pay a Special Dividend will be made by the rhipe Directors and depends upon a number of factors. Any declaration of the rhipe Directors will be communicated to rhipe Shareholders by way of an ASX announcement before the Second Court Hearing.

If rhipe pays a Special Dividend of the maximum amount of $0.13 per rhipe Share, those rhipe Shareholders who are entitled to the franking credits attached to the Special Dividend may be

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entitled to a franking credit of up to approximately $0.056 of additional value per rhipe Share.[8] Whether you will be able to receive the full benefit of the franking credits attached to the Special Dividend will depend on your personal circumstances and whether a favourable class ruling is obtained from the ATO.[9]

(h) **You will not incur any brokerage charges on the transfer of your rhipe Shares if the Scheme proceeds.**

You will not incur brokerage charges on the transfer of your rhipe Shares to Crayon SubCo pursuant to the Scheme. If you sell your rhipe Shares on the ASX (rather than disposing of them via the Scheme), you may incur brokerage charges (and, potentially, GST on those charges).

1.2 Why you may wish to vote against the Scheme

Although the Scheme is unanimously recommended by the rhipe Board and the Independent Expert has concluded that the Scheme is in the best interests of rhipe Shareholders in the absence of a Superior Proposal, factors which may lead you to consider voting against the Scheme include the following.

(a) **You may disagree with the rhipe Board's unanimous recommendation and the Independent Expert's conclusion.**

Despite the view of the rhipe Board and the Independent Expert, you may believe that the Scheme is not in the best interests of rhipe Shareholders and not in your individual interest.

(b) **You will not be able to participate in any improvement in the performance of the rhipe business, which may occur in the future.**

If the Scheme is approved and implemented, you will cease to be a rhipe Shareholder. As such, you will no longer be able to participate in any improvement in the performance of the rhipe business, which may occur in the future, or the future prospects of the ongoing rhipe business, including any benefits that may result from being a rhipe Shareholder. However, there is no guarantee as to rhipe's future performance, as with all investments in listed equities.

(c) **You may wish to maintain your investment profile.**

You may wish to maintain your investment in rhipe in order to have an investment in a publicly listed company with the specific characteristics of rhipe in terms of industry and profile.

Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. rhipe Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of rhipe and they may incur transaction costs in undertaking any new investment.

(d) **The tax consequences of the Scheme for you may not suit your financial position.**

Implementation of the Scheme may trigger taxation consequences for rhipe Shareholders, such as the realisation of a capital gain or capital loss. A general guide to the taxation implications of the Scheme is set out in section 7 for certain rhipe Shareholders. This guide is expressed in general terms only and rhipe Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

[8] The maximum benefit associated with the franking credits will be less if the Special Dividend is less than $0.13 per rhipe Share.
[9] When assessing the benefit of franking credits attached to any Special Dividend, rhipe Shareholders should seek independent professional taxation advice as to whether or not the receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. Refer to sections 6.3 and 7.3 for further information.

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(e) **You may consider that there is a potential for a Superior Proposal to be made in the foreseeable future.**

It is possible that, if rhipe were to continue as an independent listed entity, a change of control proposal could materialise in the future, such as a takeover bid with a higher price. Implementation of the Scheme will mean that rhipe Shareholders will not receive the benefit of any such proposal.

However, since the announcement of rhipe's non-binding indicative proposal to the ASX on 1 July 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and, as at the date of this Scheme Booklet, the rhipe Board is not aware of any Superior Proposal that is likely to emerge.

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2 Frequently asked questions

QUESTION	ANSWER	MORE INFORMATION
An Overview of the Scheme		
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent or made available to you because you are a rhipe Shareholder and eligible rhipe Shareholders are being asked to vote on the Scheme, which, if approved, will result in Crayon SubCo, a Subsidiary of Crayon, acquiring all of the Scheme Shares. This Scheme Booklet is intended to help you decide how to vote on the Scheme Resolution which needs to be passed at the Scheme Meeting to allow the Scheme to proceed.	N/A
What is the Scheme?	The Scheme is a scheme of arrangement, which is a statutory procedure that is commonly used to enable one company to acquire another company. The Scheme is between rhipe and the Scheme Shareholders and will effect the acquisition of rhipe by Crayon SubCo.	Section 3.
What do the rhipe Directors recommend and how do they intend to vote?	The rhipe Directors unanimously recommend that rhipe Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of rhipe Shareholders.[10] Each rhipe Director who holds, or controls rhipe Shares intends to vote (or procure the voting of) all rhipe Shares held or controlled by them in favour of the Scheme, subject to the same qualifications. The reasons for the rhipe Directors' recommendation and other matters that you may	Section 1.1 provides a summary of the reasons why the rhipe Directors consider that eligible rhipe Shareholders should vote in favour of the Scheme. Section 1.2 provides a summary of some of the reasons why eligible rhipe Shareholders may wish to vote against the Scheme.

[10] You should note when considering this recommendation that Mr Dominic O'Hanlon (rhipe's Chief Executive Officer and Managing Director):

- holds or controls 2,657,840 rhipe Shares (which have a value of approximately $6,644,600 based on the Total Cash Consideration of $2.50 for each rhipe Share);
- holds 393,467 vested Performance Rights granted pursuant to the 2019-2021 LTIP, the vesting of which occurred in the ordinary course and was not connected to the Scheme (which have a value of approximately $983,668 based on the Total Cash Consideration of $2.50 for each rhipe Share); and
- subject to the Scheme becoming Effective, will be entitled to receive $1,063,523 in connection with the early vesting of 425,409 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP.

These arrangements and the amounts payable on implementation of the Scheme in respect of Mr O'Hanlon's rhipe Performance Rights are described in more detail in section 8.2(b).

Despite this interest in the outcome of the Scheme, Mr O'Hanlon considers that, given the importance of the Scheme, and his role as a rhipe Director, it is important and appropriate for him to provide a recommendation to rhipe Shareholders in relation to voting on the Scheme. The rhipe Board (excluding Mr O'Hanlon) also consider that it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of rhipe and his deep industry knowledge.

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QUESTION	ANSWER	MORE INFORMATION
	wish to consider are outlined in the Chairman's Letter and section 1.	Section 8 sets out further information regarding the interests of the rhipe Directors and benefits they will derive if the Scheme is implemented.
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Scheme is in the best interests of rhipe Shareholders on the basis that it is both fair and reasonable, in the absence of a Superior Proposal.	A copy of the Independent Expert's Report is contained in Annexure A.
Why should I vote in favour of the Scheme?	The reasons to vote in favour of the Scheme are set out in section 1.1.	Section 1.1.
Why may I consider voting against the Scheme?	The reasons why you may wish to vote against the Scheme are set out in section 1.2.	Section 1.2.
Who is Crayon and Crayon SubCo?	Crayon is a leading IT advisory firm in software and digital transformation services with more than 2,000 employees in 50 offices worldwide. With unique intellectual property tools and skilled employees, Crayon helps optimise its clients' return on investment from complex software technology investments. Crayon has long experience within volume software licensing optimisation, digital engineering, and predictive analysis and assists its clients through all phases of the process of a digital transformation. Crayon has been listed on the OSE since 2017 (OSE: CRAYN). Crayon SubCo is a newly incorporated Australian proprietary company incorporated on 23 August 2021 for the purpose of acquiring the Scheme Shares if the Scheme becomes Effective and is implemented.	Section 5.
Can I sell my rhipe Shares now?	You can sell your rhipe Shares on market at any time before the close of trading on the ASX on the Effective Date at the then prevailing market price (which may differ from the Scheme Consideration and Total Cash Consideration). rhipe intends to apply to the ASX for rhipe Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. You will	N/A

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QUESTION	ANSWER	MORE INFORMATION
	not be able to sell your rhipe Shares on-market after this time. In the circumstance where a Special Dividend is declared, you will only receive the Total Cash Consideration in respect of the rhipe Shares that you hold both on the Scheme Record Date and the Special Dividend Record Date. For example, if a Special Dividend is declared and you sell any rhipe Shares through an off-market transfer that is registered after the Special Dividend Record Date but before the Scheme Record Date: • the 'seller' will receive the Special Dividend and may be entitled to the franking credits attached to the Special Dividend (provided a favourable class ruling is obtained from the ATO), and will also receive any consideration for the sale, but will not receive the Scheme Consideration; and • the 'buyer' will receive the Scheme Consideration, but will not receive the Special Dividend nor the franking credits attached to the Special Dividend (which might have otherwise been received, provided a favourable class ruling is obtained from the ATO). However, in the circumstance where a Special Dividend is not declared, you will receive the Total Cash Consideration in respect of the rhipe Shares that you hold on the Scheme Record Date.	
Voting at the Scheme Meeting		
What vote is required to approve the Scheme?	For the Scheme to proceed, the Scheme Resolution must be passed by the Requisite Majorities, being: • at least 75% of the total number of votes cast on the Scheme Resolution by eligible rhipe Shareholders; and • more than 50% of eligible rhipe Shareholders present and voting at the Scheme Meeting (unless the Court orders otherwise). Even if the Scheme is approved by the Requisite Majorities of rhipe Shareholders at the Scheme	Section 3.3(a) and the Notice of Meeting contained in Annexure D set out further details regarding the Requisite Majorities and your entitlement to vote.

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QUESTION	ANSWER	MORE INFORMATION
	Meeting, the Scheme is still subject to the approval of the Court.	
Am I entitled to vote?	Each rhipe Shareholder who is registered on the rhipe Share Register on the Scheme Meeting Record Date (currently expected to be 7:00pm (Sydney time) on Saturday, 9 October 2021) is entitled to vote at the Scheme Meeting.	The Notice of Meeting contained in Annexure D sets out further details on your entitlement to vote.
How do I vote?	You can vote: • in person by attending the online Scheme Meeting; or • by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative, to attend the online Scheme Meeting and vote on your behalf. You can appoint a proxy by completing the proxy form enclosed with this Scheme Booklet or by lodging your proxy online at www.linkmarketservices.com.au in accordance with the instructions there (as applicable) so that it is received by no later than 11:00am (Sydney time) on Saturday, 9 October 2021 or if you are a member of the rhipe Employee Share Purchase Plan by no later than 11:00am (Sydney time) on Monday, 4 October 2021.	The Notice of Meeting contained in Annexure D sets out further details on your entitlement to vote and how to submit a proxy form.
When and where will the Scheme Meeting be held?	Having regard to the uncertainty and potential health risks associated with large gatherings during the COVID-19 pandemic, shareholders will not be able to attend the Scheme Meeting in person. rhipe Shareholders and their authorised proxies, attorneys and corporate representatives may participate in the Scheme Meeting online at https://agmlive.link/RHPSM21. rhipe Shareholders who participate in the Scheme Meeting via the online platform will be able to listen to the Scheme Meeting, cast an online vote and ask questions online. Please monitor rhipe's website and ASX announcements where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the meeting.	The Notice of Meeting contained in Annexure D sets out further details on your entitlement to vote.

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QUESTION	ANSWER	MORE INFORMATION
	Please see the Notice of Scheme Meeting in Annexure D and the Scheme Meeting Online Guide (which has been released to the ASX and will be available at rhipe's Website) for further details relating to the conduct of the Scheme Meeting. The Scheme Meeting may be postponed or adjourned, including if satisfaction of a condition precedent is delayed. Any such postponement or adjournment will be announced by rhipe to the ASX.	
When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be available shortly after the conclusion of the meeting and will be announced to the ASX once available. Even if the Scheme Resolution is passed at the Scheme Meeting, the Scheme is subject to approval by the Court.	N/A
What happens to my rhipe Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective?	If you do not vote, vote against the Scheme or vote in favour of the Scheme, and the Scheme becomes Effective, the outcome for your rhipe Shares will be the same – any rhipe Shares held by you on the Scheme Record Date will be transferred to Crayon SubCo and you will receive the Scheme Consideration, notwithstanding that you may not have voted or voted against the Scheme.	N/A
Can I oppose the Scheme at the Second Court Hearing?	As a rhipe Shareholder, you have a right to appear and make submissions at the Second Court Hearing which is scheduled to be held at 9:15am on Wednesday, 13 October 2021 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney. It is likely that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted by remote access technology, including via a dedicated video conferencing service or telephone conferencing. A rhipe Shareholder seeking to attend the Second Court Hearing should review the Court list (available at https://onlineregistry.lawlink.nsw.gov.au/content/) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3:30pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on	N/A

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QUESTION	ANSWER	MORE INFORMATION
	the ASX (www.asx.com.au) and will also be notified on the rhipe Website.	
Do I have to give any warranties in relation to my Scheme Shares?	Yes. Each Scheme Shareholder will be deemed to have warranted to Crayon that all of their Scheme Shares will, at the date of transfer under the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind; and that they have full power and capacity to sell and transfer their Scheme Shares (together with all rights and entitlements attaching to such shares) to Crayon SubCo.	Section 8.10.
What will rhipe Shareholders receive under the Scheme?		
What will I receive if the Scheme is implemented?	If the Scheme becomes Effective, Scheme Shareholders will be entitled to receive the Total Cash Consideration of $2.50 per rhipe Share held by them on the Scheme Record Date and the Special Dividend Record Date, comprising: • (**if a Special Dividend is paid**) (i) $2.50 in cash per rhipe Share held by them on the Scheme Record Date less the cash amount of the Special Dividend (payable by Crayon SubCo); and (ii) the amount of the Special Dividend in cash per rhipe Share held by them on the Special Dividend Record Date (payable by rhipe); or • (**if a Special Dividend is not paid**) $2.50 in cash per rhipe Share held by them on the Scheme Record Date (payable by Crayon SubCo). Please note that you will only receive the Total Cash Consideration in respect of rhipe Shares held by you on both the Scheme Record Date and the Special Dividend Record Date (if the Special Dividend is declared). If you become a rhipe Shareholder after the Special Dividend Record Date, you will not receive the Special Dividend. Similarly, if you sell your rhipe Shares before the Scheme Record Date, you will not receive the Scheme Consideration. Refer to the question 'Can I sell my rhipe Shares now?' for more information.	Section 3.2.
When and how will I be paid?	If the Scheme becomes Effective:	Section 3.2(b) – (c).

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QUESTION	ANSWER	MORE INFORMATION
	• Scheme Shareholders will be sent the Scheme Consideration on the Implementation Date (currently expected to be Wednesday, 3 November 2021); and • If the rhipe Directors decide to pay a Special Dividend, rhipe Shareholders on the rhipe Share Register as at the Special Dividend Record Date will be paid the Special Dividend on the Special Dividend Payment Date (currently expected to be Monday, 25 October 2021). All payments will be made by direct deposit into your nominated bank account, as advised to the rhipe Share Registry as at the Scheme Record Date. If you have not nominated a bank account, payment will be made by Australian dollar cheque, sent by pre-paid post to your registered address as shown on the rhipe Share Register.	
Will I have to pay brokerage?	You will not have to pay brokerage on the transfer of your rhipe Shares to Crayon SubCo under the Scheme.	Section 1.1(h).
Special Dividend		
What is the Special Dividend?	The rhipe Board currently intends to pay a fully franked Special Dividend of up to $0.13 per rhipe Share prior to the Implementation Date, conditional on the Scheme being approved and becoming Effective. A determination of whether or not to pay a Special Dividend will be made by the rhipe Directors and will depend upon a number of factors. A determination of the rhipe Directors will be communicated to rhipe Shareholders by way of an ASX announcement before the Second Court Hearing.	Section 3.2(b).
Will any Special Dividend be franked?	The rhipe Directors currently intend that, if any Special Dividend is to be paid, it will be fully franked. This means that, depending on the tax status and individual circumstances of each rhipe Shareholder and on the proviso that a favourable class ruling is obtained from the ATO, each rhipe Shareholder on the rhipe Register on the Special Dividend Record	Sections 3.2(b), 6.3 and 7.3.

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QUESTION	ANSWER	MORE INFORMATION
	Date may also receive a franking credit of up to approximately A$0.056 per rhipe Share.[11]	
Am I eligible to receive the Special Dividend and when will I receive the Special Dividend?	If the rhipe Directors decide to pay a Special Dividend, rhipe Shareholders on the rhipe Share Register as at the Special Dividend Record Date (currently expected to be 7:00pm (Sydney time) on Monday, 18 October 2021) will be paid the Special Dividend on the Special Dividend Payment Date (currently expected to be Monday, 25 October 2021).	Section 3.3(e).
Implementation of the Scheme		
What will happen to rhipe if the Scheme becomes Effective and is implemented?	If the Scheme is implemented, Crayon SubCo will acquire all of the rhipe Shares and rhipe will be delisted from the official list of the ASX after implementation of the Scheme.	Section 5.4(b) sets out further details on Crayon and Crayon SubCo's intentions as to rhipe's future.
Are there any conditions to be satisfied?	There are certain conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become Effective. In summary, as at the date of this Scheme Booklet, the outstanding conditions include: • FIRB approval; • approval from eligible rhipe Shareholders at the Scheme Meeting; • Court approval; • no legal or regulatory restraints on, or Orders preventing, the implementation of the Scheme; • no rhipe Material Adverse Change occurring between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date; • no rhipe Prescribed Occurrence occurring between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;	Section 8.11(a).

[11] The maximum benefit associated with the franking credits will be less if the Special Dividend is less than $0.13 per rhipe Share. When assessing the benefit of franking credits attached to any Special Dividend, rhipe Shareholders should seek independent professional taxation advice as to whether or not the receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. Refer to sections 6.3 and 7.3 for further information.

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QUESTION	ANSWER	MORE INFORMATION
	• receipt of counterparty consents, approvals, waivers or confirmations as required under each Specified Contract in respect of the Transaction; and • variation or amendment of certain Earn-out Contracts, such that rhipe has no further obligation to issue any rhipe shares on or after the Scheme Record Date. As at the date of this Scheme Booklet, the rhipe Directors are not aware of any reason why these conditions should not be satisfied or waived (where capable of waiver).	
What happens if the Scheme does not proceed?	If the Scheme is not approved at the Scheme Meeting, or another condition to the Scheme is not satisfied or waived (where capable of waiver), the Scheme will not be implemented. If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration but will retain their rhipe Shares. In these circumstances, rhipe will, in the absence of another proposal, continue to operate as a stand-alone company listed on the ASX and you will continue to hold your rhipe Shares and continue to be exposed to risks and opportunities associated with your investment in rhipe. In addition, if the Scheme is not approved at the Scheme Meeting, rhipe will not declare and pay the Special Dividend.	N/A
Is there a break fee payable?	rhipe has agreed to pay Crayon a Break Fee of $4,000,000 in certain circumstances. However, no Break Fee is payable merely for the reason that eligible rhipe Shareholders do not approve the Scheme at the Scheme Meeting. Likewise, Crayon must pay the Reverse Break Fee of $4,000,000 to rhipe if rhipe terminates the Scheme Implementation Deed due to a material breach by Crayon of any provision of the Scheme Implementation Deed (including a representation and warranty given by Crayon where such breach is material to the Transaction as a whole).	Section 8.11(e).

QUESTION	ANSWER	MORE INFORMATION
What are the taxation implications of the Scheme?	The tax consequences of the Scheme will depend on your personal situation. A general outline of the main Australian taxation implications of the Scheme for certain rhipe Shareholders is set out in section 7 of this Scheme Booklet. As this outline is general in nature, you should consult with your own taxation advisers for detailed tax advice regarding the Australian and, if applicable, foreign taxation implications for participating in the Scheme in light of the particular circumstances which apply to you before making a decision as to how to vote on the Scheme.	Section 7.
Further information		
Where can I get further information?	For further information, you can call the rhipe Shareholder Information Line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).	N/A

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3 Overview of the Scheme

3.1 Scheme

On 6 July 2021, rhipe announced that it had entered into the Scheme Implementation Deed with Crayon, under which Crayon has agreed to acquire all of the rhipe Shares on issue by way of the Scheme.[12]

For the Scheme to proceed, eligible rhipe Shareholders must vote in favour of the Scheme by the Requisite Majorities set out in section 3.3(a) and the Scheme must be approved by the Court. The Scheme is also subject to the satisfaction or waiver (where capable of waiver) of the other Conditions Precedent described in section 8.11(a).

If the Scheme is approved by eligible rhipe Shareholders and by the Court, and all other Conditions Precedent are satisfied or waived (where capable of waiver), then rhipe will become a wholly-owned subsidiary of Crayon SubCo and it is intended to be removed from the official list of the ASX on or around the Business Day immediately following the Implementation Date.

If the Scheme is not approved:

(a) Scheme Shareholders will not receive the Scheme Consideration;

(b) rhipe Shareholders will not receive the Special Dividend; and

(c) rhipe Shareholders will retain their rhipe Shares.

In these circumstances, rhipe will, in the absence of another proposal, continue to operate as a stand-alone entity listed on the ASX and rhipe Shareholders will retain their rhipe Shares and continue to be exposed to risks and opportunities associated with their current investment in rhipe.

3.2 What you will receive

(a) **Total Cash Consideration**

If the Scheme becomes Effective, Scheme Shareholders will be entitled to receive the Total Cash Consideration of $2.50 per rhipe Share held by them on the Scheme Record Date and the Special Dividend Record Date, comprising:

(i) (**if a Special Dividend is paid**)

(A) $2.50 in cash per rhipe Share held by them on the Scheme Record Date less the cash amount of the Special Dividend (payable by Crayon SubCo); and

(B) the amount of the Special Dividend in cash per rhipe Share held by them on the Special Dividend Record Date (payable by rhipe); or

(ii) (**if a Special Dividend is not paid**) $2.50 in cash per rhipe Share held by them on the Scheme Record Date (payable by Crayon SubCo).

(b) **Special Dividend paid by rhipe**

(i) **Introduction**

The rhipe Board currently intends to pay a fully franked Special Dividend of up to $0.13 per rhipe Share prior to the Implementation Date, conditional on the Scheme being approved and becoming Effective.

[12] Under the Scheme, the acquiring entity will be Crayon's indirect wholly-owned subsidiary, Crayon SubCo.

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(ii) **Requirements of the Special Dividend**

Under section 254T of the Corporations Act, dividends may only be paid by a company if:

(A) the company's assets exceed its liabilities immediately before the dividend and the excess is sufficient for the payment of the dividend;

(B) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and

(C) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

In addition, under the terms of the Scheme Implementation Deed, following the payment of the Special Dividend, the net cash position of rhipe must not be less than $31,000,000.

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.

However, based on the information that is currently available, the rhipe Directors expect to be able to determine that paying a Special Dividend of $0.13 per rhipe Share is:

(A) in the best interests of rhipe;

(B) does not materially prejudice the interests of rhipe or rhipe Shareholders;

(C) does not materially prejudice rhipe's ability to pay its creditors; and

(D) does not prejudice rhipe's obligations under the Scheme Implementation Deed.

(iii) **Announcement regarding any Special Dividend**

A determination of the rhipe Directors regarding the payment of any Special Dividend will be communicated to rhipe Shareholders by way of an ASX announcement before the Second Court Hearing.

(iv) **Impact of any Special Dividend**

If the rhipe Directors decide to pay a Special Dividend and the Scheme is approved by rhipe Shareholders and the Scheme becomes Effective, the Scheme Consideration payable by Crayon SubCo per rhipe Share will be $2.50 less the cash amount of the Special Dividend.

By way of example, if the rhipe Directors decide to pay a Special Dividend of $0.13 per rhipe Share, rhipe Shareholders who are recorded on the rhipe Share Register as at both the Scheme Record Date and the Special Dividend Record Date will receive Total Cash Consideration of $2.50 per rhipe Share, comprising:

(A) an amount of $2.37 in cash per rhipe Share held by them on the Scheme Record Date (payable by Crayon SubCo); and

(B) a fully franked Special Dividend of $0.13 in cash per rhipe Share held by them on the Special Dividend Record Date (payable by rhipe).

The Total Cash Consideration rhipe Shareholders will, if the Scheme is implemented and you hold rhipe Shares on both the Scheme Record Date and the Special Dividend Record Date, be an amount of $2.50 in cash per rhipe Share regardless of whether a Special

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Dividend is paid, or the amount of any Special Dividend. This is because the Scheme Consideration payable by Crayon SubCo per rhipe Share will, if the Scheme is implemented, be $2.50 less the cash amount of any Special Dividend paid by rhipe before the Implementation Date.

Accordingly, if the rhipe Directors decide not to pay any Special Dividend, rhipe Shareholders who are recorded in the rhipe Share Register as at the Scheme Record Date will be paid a cash payment of $2.50 for each rhipe Share held on the Scheme Record Date (payable by Crayon SubCo).

(c) **Provision of the Scheme Consideration and Special Dividend**

If the Scheme becomes Effective, it is intended that the Total Cash Consideration will be paid as follows:

(i) **Scheme Consideration**

The Scheme Consideration will be paid by Crayon to Scheme Shareholders on the Implementation Date (currently expected to be Wednesday, 3 November 2021). Payments will be made by electronic funds transfer into the Scheme Shareholder's nominated bank account as advised to the rhipe Share Registry as at the Scheme Record Date.

It is important to note that you will only receive the Scheme Consideration if you are a Scheme Shareholder. You will be a Scheme Shareholder if you hold rhipe Shares as at the Scheme Record Date (currently expected to be 7:00pm (Sydney time) on Wednesday, 27 October 2021).

(ii) **Special Dividend**

If the rhipe Directors decide to pay a Special Dividend, rhipe Shareholders on the rhipe Share Register as at the Special Dividend Record Date (currently expected to be 7:00pm (Sydney time) on Monday, 18 October 2021) will be paid the Special Dividend on the Special Dividend Payment Date (currently expected to be Monday, 25 October 2021). Payments will be made by electronic funds transfer into the Scheme Shareholder's nominated bank account as advised to the rhipe Share Registry as at the Special Dividend Record Date.

If no bank account has been nominated, payment will be made by sending an Australian dollar cheque, by pre-paid post to the relevant shareholder's registered address, as shown on the rhipe Share Register.

If you are a rhipe Shareholder, you should ensure your personal contact and bank account details are up to date in the records held by the rhipe Share Registry or in your trading account.

If you are a rhipe Shareholder with a registered address in New Zealand, due to new processing rules relating to the abolishment of cheque payments effective May 2021, we anticipate that you will find the presenting of cheque payments increasingly difficult at your selected banking institution. Scheme Shareholders with New Zealand registered addresses may wish to consider updating their Australian bank account details to receive any Scheme Consideration by electronic funds transfer.

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3.3 Key Steps in the Scheme

(a) **Overview of Scheme approval requirements**

The Scheme will become Effective and be implemented only if it is:

- approved by the Requisite Majorities of eligible rhipe Shareholders at the Scheme Meeting to be held at 11:00am (Sydney time) on Monday, 11 October 2021; and
- approved by the Court at the Second Court Hearing to be held on Wednesday, 13 October 2021.

Approval by eligible rhipe Shareholders at the Scheme Meeting requires the Scheme Resolution to be approved by the Requisite Majorities, being:

- at least 75% of the total number of votes cast on the Scheme Resolution by eligible rhipe Shareholders (whether in person or by proxy, attorney or corporate representative); and
- a majority in number (more than 50%) of eligible rhipe Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, attorney or corporate representative) (unless the Court orders otherwise).

The Court has the power to waive the second requirement.

In the event that:

- the Scheme is approved by the Requisite Majorities of eligible rhipe Shareholders at the Scheme Meeting; and
- all other conditions (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then rhipe will apply to the Court for orders approving the Scheme.

Each rhipe Shareholder has the right to appear at the Second Court Hearing.

(b) **Scheme Meeting**

(i) **Date and time of Scheme Meeting**

In accordance with an order of the Court dated 7 September 2021, rhipe has convened the Scheme Meeting to be virtually held through an online platform on Monday, 11 October 2021 commencing at 11:00am (Sydney time). Due to the potential health risks associated with large gatherings, and the ongoing COVID-19 pandemic, there will not be a physical meeting where rhipe Shareholders or their proxies, attorneys or corporate representatives can attend in person.

The notice convening the Scheme Meeting is set out in Annexure D to this Scheme Booklet and the terms of the Scheme are contained in Annexure B to this Scheme Booklet. The purpose of the Scheme Meeting is for eligible rhipe Shareholders to consider whether to approve the Scheme.

The fact that the Court has ordered the Scheme Meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how rhipe Shareholders should vote on the Scheme Resolution. On these matters, rhipe Shareholders must reach their own decision. In any event, the Court must approve the Scheme at the Second Court Hearing before the Scheme can become Effective.

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(ii) **Scheme Resolution**

At the Scheme Meeting, eligible rhipe Shareholders will be asked to consider and, if thought fit, pass the Scheme Resolution to approve the Scheme.

(iii) **Entitlement to vote**

Each rhipe Shareholder who is registered on the rhipe Share Register on the Scheme Meeting Record Date is entitled and eligible to vote at the Scheme Meeting.

(c) **Second Court Hearing**

In the event that:

- the Scheme is approved by the Requisite Majorities of eligible rhipe Shareholders at the Scheme Meeting; and
- all other Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then rhipe will apply to the Court for orders approving the Scheme at the Second Court Hearing.

The Court has a broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act. The Second Court Hearing is scheduled to occur on the Second Court Date (currently expected to be 9:15am (Sydney time) on 13 October 2021). Each rhipe Shareholder has the right to appear at the Second Court Hearing.

It is likely that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted by remote access technology, including via a dedicated video conferencing service or telephone conferencing. A rhipe Shareholder seeking to attend the Second Court Hearing should review the Court list (available at https://onlineregistry.lawlink.nsw.gov.au/content/) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3:30pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on the ASX (www.asx.com.au) and will also be notified on the rhipe Website.

(d) **Effective Date**

If the Court makes orders approving the Scheme and all other conditions have been satisfied or waived (where capable of waiver), then rhipe will lodge a copy of those orders with ASIC under section 411(10) of the Corporations Act. As soon as copies of the Court orders approving the Scheme are lodged with ASIC, the Scheme will become Effective. This is expected to occur on the Effective Date (currently expected to be Thursday, 14 October 2021).

If the Scheme becomes Effective, then rhipe, Crayon and Crayon SubCo will become bound to implement the Scheme in accordance with the terms of the Scheme and the Deed Poll.

rhipe will, on the Scheme becoming Effective, give notice of that event on the ASX. rhipe intends to apply to the ASX for rhipe Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. It is expected that suspension of trading in rhipe Shares on the ASX will occur from the close of trading on the Effective Date.

(e) **Special Dividend Record Date**

If the rhipe Directors decide to pay a Special Dividend, those rhipe Shareholders who are recorded on the rhipe Share Register on the Special Dividend Record Date (currently expected to be 7:00pm on Monday, 18 October 2021) will be entitled to receive the Special Dividend in

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respect of the rhipe Shares they hold at that time and will be paid the Special Dividend on the Special Dividend Payment Date (currently expected to be Monday, 25 October 2021).

(f) **Dealings on or prior to the Special Dividend Record Date**

For the purpose of determining which rhipe Shareholders are eligible to receive the Special Dividend, if the rhipe Board decides to pay the Special Dividend, dealings in rhipe Shares will be recognised only if:

(i) in the case of dealings of the type to be effected using CHESS, the transferee is registered on the rhipe Register as the holder of the relevant rhipe Shares on the Special Dividend Record Date; and

(ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the rhipe Share Registry on or before the Special Dividend Record Date.

For the purposes of determining entitlements to the Special Dividend, rhipe will not accept for registration or recognise any transfer or transmission applications in respect of rhipe Shares received after the Special Dividend Record Date.

(g) **Scheme Record Date**

Scheme Shareholders will be entitled to receive the Scheme Consideration in respect of the rhipe Shares they hold as at the Scheme Record Date (currently expected to be 7:00pm on Wednesday, 27 October 2021).

(h) **Dealings after the Scheme Record Date**

For the purpose of determining which rhipe Shareholders are eligible to participate in the Scheme, dealings in rhipe Shares will be recognised only if:

(i) in the case of dealings of the type to be effected using CHESS, the transferee is registered on the rhipe Share Register as the holder of the relevant rhipe Shares on the Scheme Record Date; and

(ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the rhipe Share Registry on or before the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, rhipe will not accept for registration or recognise any transfer or transmission applications in respect of rhipe Shares received after the Scheme Record Date.

(i) **Implementation Date**

The Implementation Date is, subject to certain conditions set out in the Scheme, the fifth Business Day after the Scheme Record Date. The Implementation Date is currently expected to be Wednesday, 3 November 2021.

By no later than the Business Day prior to the Implementation Date, Crayon SubCo must pay or procure the payment into an Australian dollar denominated trust account held with an Australian bank operated by rhipe (or by the rhipe Share Registry on behalf of rhipe) as trustee for the Scheme Shareholders, the aggregate of the Scheme Consideration payable to Scheme Shareholders.

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On the Implementation Date, subject to the deposit of the aggregate Scheme Consideration being made by Crayon SubCo:

(i) rhipe will pay to each Scheme Shareholder their entitlement to the Scheme Consideration for each rhipe Share held by them as at the Scheme Record Date; and

(ii) the Scheme Shares will be transferred to Crayon SubCo without Scheme Shareholders needing to take any further action.

(j) **Delisting of rhipe**

Following the implementation of the Scheme, rhipe will apply for the termination of the official quotation of rhipe Shares on the ASX and for rhipe to be removed from the official list of the ASX.

(k) **End Date**

The Scheme will lapse and be of no further force or effect (and implementation will not occur) if the Effective Date has not occurred on or before the End Date.

3.4 Conditions Precedent to implementation of the Scheme

The implementation of the Scheme is subject to Conditions Precedent which must be satisfied or waived (where capable of waiver) for the Scheme to proceed. A summary of the Conditions Precedent is included in section 8.11(a) and the Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed, a full copy of which is attached to the rhipe ASX Announcement on 6 July 2021, which can be obtained from the ASX website (www.asx.com.au) or rhipe's Website.

3.5 Timetable

All dates are indicative only and, among other things, are subject to all necessary approvals from the Court and any other regulatory authority. In particular, the date of the Scheme Meeting may be postponed or adjourned if satisfaction of the FIRB condition precedent is delayed. Any changes to the above timetable (which may include an earlier or later date for the Scheme Meeting or Second Court Hearing) will be announced through the ASX and notified on rhipe's Website.

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4 Information about rhipe

4.1 Overview

Established in 2003 and listed on the ASX (ASX:RHP) in 2014, rhipe is a leading wholesale provider of subscription-based cloud licences, infrastructure and services in the Asia Pacific region.

rhipe operates in Australia, New Zealand, Japan, Singapore, Thailand, Malaysia, Philippines, South Korea, Indonesia and Sri Lanka.

rhipe is currently the only globally managed Microsoft Indirect Cloud Solutions Provider headquartered in the Asia Pacific, with approximately 76% of rhipe revenue derived from Microsoft related software licenses, cloud infrastructure, professional services-as-a-service and technical support activities. rhipe also has strong relationships with a number of other software companies including VMware, Citrix, RedHat, Veeam, Acronis and Zimbra.

In FY21, rhipe had operating profit of $18 million and reported EBITDA of $16.6 million.

4.2 Overview of operations

The principal activity of the rhipe Group is the sale and support of subscription software licences to approximately 3,500 IT service provider resellers in the Asia Pacific region, who support the small and medium sized businesses in this region. rhipe has become one of the leading Asia Pacific platforms for monthly Pay-As-You-Go (***PAYG***) cloud software licence subscriptions.

rhipe has three integrated business divisions:

- (**Cloud Licensing**) software sold and implemented by IT service providers which includes monthly PAYG cloud licencing subscriptions for private, public and hybrid cloud IT environments;
- (**Services**) professional services and support personnel to help vendors and service providers with technical needs, including rhipe’s 24x7 technical support desk, consulting services and migration to the cloud services; and
- (**Cloud Operations**) includes the back-office support functions to support Licensing and Services and includes rhipe's internally developed software subscription management platform, the PRISM Platform.

4.3 rhipe's strategy

Over the past three years, rhipe has embarked on a 'Grow and Diversify' strategy based on four key pillars:

- (**geographical reach**) cement and grow partner of choice market position with continued expansion in other markets within the Asia Pacific region;
- (**vendor programs and products**) grow its portfolio of software solutions with innovative, subscription-based cloud and software solutions, providing a margin for wholesalers and retailers;
- (**value-added services**) provide ongoing value-add for vendors and partners via consulting and support-as-a-service while increasing rhipe’s revenue, and
- (**building out intellectual property**) build a greater digital experience for rhipe customers and offer rhipe-owned software products as a stand-alone product or in bundles with vendor-owned products.

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4.4 People

The rhipe Group employs approximately 537 full and part time employees including approximately 165 full and part time employees located across Australia. Approximately 287 employees are based in an office in the Philippines with the remainder of employees based in other countries in the Asia Pacific where rhipe operates.

4.5 Board and Key Management Personnel

(a) **rhipe Board**

As at the date of this Scheme Booklet, the rhipe Board comprises the following directors.

Name	Position
Gary Cox	Non-executive Chairman
Dominic O'Hanlon	Managing Director and Chief Executive Officer
Dawn Edmonds	Non-executive Director
Mark Pierce	Non-executive Director
Michael Tierney	Non-executive Director
Inese Kingsmill	Non-executive Director
Olivier Dispas	Non-executive Director

(b) **rhipe Executive KMP**

As at the date of this Scheme Booklet, rhipe's key management personnel are each of the rhipe Directors and the following individuals.

Name	Position
Dominic O'Hanlon	Managing Director and Chief Executive Officer
Mark McLellan	Chief Financial Officer and Chief Operating Officer
Warren Nolan	Group Executive – Partners and Programs
Marika White	Company Secretary[13]

4.6 Capital structure

(a) **Capital structure and market capitalisation**

As at the date of this Scheme Booklet, rhipe has:

- 161,075,376 rhipe Shares on issue;
- 1,262,472 vested Performance Rights on issue granted pursuant to the 2019-2021 LTIP which have vested in the ordinary course (and not in connection with the Scheme); and
- 2,549,200 unvested rhipe Performance Rights on issue granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP.

See section 8.2 for further information on the intended treatment of the Performance Rights in connection with the Scheme.

[13] Non-key management personnel.

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As at the Last Practicable Trading Date, rhipe had a market capitalisation of approximately $402.69 million (based on a closing price of $2.50 per rhipe Share and 161,075,376 rhipe Shares on issue).

(b) **Substantial shareholders**

As at the Last Practicable Trading Date, based on substantial shareholder notice filings to the ASX,[14] the substantial holders of rhipe Shares are as follows.[15]

Name	Number of rhipe Shares[16]	Percentage
Tutus McDonagh Pty Ltd[17]	23,910,730	14.84%
National Nominees Ltd ACF Australian Ethical Investment Limited[18]	13,959,658	8.67%
UBS Group AG and its related bodies corporate	10,694,442	6.64%
MA Financial Group Limited and its related bodies corporate	8,251,957	5.12%
Clime Investment Management Limited, Clime Asset Management Pty Limited and CBG Asset Management Limited	8,063,840	5.01%

The shareholdings listed in this section 4.6(b) are as disclosed to rhipe by the shareholders in substantial holding notices. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on the ASX website (www.asx.com.au) is not included above.

[14] These substantial holder notices can be found on rhipe's Website.
[15] The table below excludes any shareholdings in a nominee or custodian capacity so far as is known to rhipe.
[16] This refers to the number of rhipe Shares in which the person or any associate has a Relevant Interest as noted in the substantial shareholder notice.
[17] The substantial holding notice provided to rhipe and lodged with the ASX on 28 May 2015 disclosed Tutus McDonagh Pty Ltd as having Voting Power in respect of 24,310,730 rhipe Shares. Based on rhipe's 2021 Annual Report, it has Voting Power in respect of 23,910,730 rhipe Shares.
[18] The substantial holding notice provided to rhipe and lodged with the ASX on 12 December 2019 disclosed National Nominees Pty Ltd has having Voting Power in respect 7,109,460 rhipe Shares. Based on rhipe's 2021 Annual Report, it had Voting Power in respect of 13,959,658 rhipe Shares.

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4.7 Group structure

As at the date of this Scheme Booklet, rhipe was the ultimate holding company of the following Subsidiaries.

Name	Principal place of business / country of incorporation	Ownership interest
rhipe Australia Pty Ltd	Australia	100%
rhipe Dynamics Pty Ltd	Australia	100%
NewLease G2M Pty Ltd[19]	Australia	63%
rhipe Cloud Solutions Pty Ltd	Australia	100%
rhipe Solutions Australia Pty Ltd	Australia	100%
Dynamic Business IT Solutions Pty Limited	Australia	100%
SmartEncrypt Pty Ltd (formerly Network2Share Pty Ltd)	Australia	100%
Data Confidence Solutions Pty Ltd	Australia	100%
Parallo Pty Ltd as trustee for the Parallo Unit Trust	Australia	100%
emt Distribution Pty Ltd	Australia	100%
rhipe Japan K.K.	Japan	80%
rhipe New Zealand Limited	New Zealand	100%
Parallo Limited	New Zealand	100%
rhipe Singapore Pte. Ltd	Singapore	100%
emt Distribution Singapore Pte Ltd	Singapore	100%
rhipe Technology (Thailand) Co., Ltd	Thailand	100%
rhipe Malaysia Sdn Bhd	Malaysia	100%
rhipe Hong Kong Limited[19]	Hong Kong	100%
rhipe Philippines, Inc	Philippines	100%
rhipe Philippines Technology, Inc	Philippines	100%
PT rhipe International Indonesia	Indonesia	100%
rhipe Lanka (Private) Limited	Sri Lanka	100%
rhipe Licencing Technology Korea Ltd.	Republic of Korea	100%
rhipe Solutions LLC (formerly Online SC LLC)	United States	100%

[19] This company is dormant.

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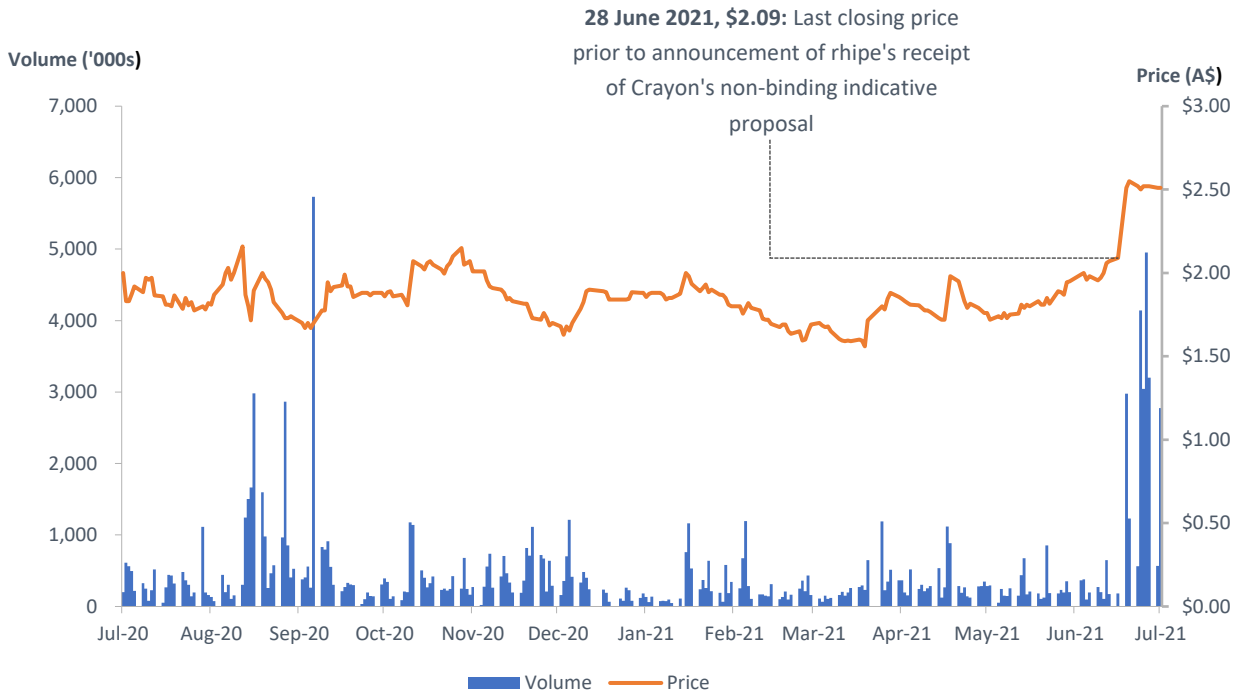
4.8 Recent rhipe Share Price history

rhipe Shares are listed on the ASX under the trading symbol 'RHP'.

On 1 July 2021, rhipe announced its receipt of Crayon's non-binding indicative proposal. The closing share price on 28 June 2021, being the last trading day prior to the announcement of Crayon's non-binding indicative proposal, was $2.09 per rhipe Share.

On 6 July 2021, rhipe announced that it had entered into the Scheme Implementation Deed with Crayon, under which Crayon has agreed to acquire all of the rhipe Shares for the Scheme Consideration, by way of the Scheme.[20] The closing price of rhipe Shares on 5 July 2021 (being the last trading day prior to the announcement of rhipe and Crayon's entry into the Scheme Implementation Deed) was $2.52.

The graph below shows the closing rhipe Share Price over the last 12 months.



Up to and including 30 June 2021:

- the last recorded rhipe Share Price on 28 June 2021 was $2.09;
- the 1-month VWAP of the rhipe Shares was $1.93; and
- the 3-month VWAP of the rhipe Shares was $1.82.

[20] Under the Scheme, the acquiring entity will be Crayon's indirect wholly-owned subsidiary, Crayon SubCo.

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4.9 Historical financial information

(a) **Basis of preparation**

This section sets out historical financial information about the rhipe Group for FY20 and FY21. The financial information in this section is a summary only and is prepared for the purpose of this Scheme Booklet. It does not contain all the disclosures, presentations, statements or comparatives that are usually provided in the annual report prepared in accordance with the Corporations Act. The information has been extracted has been extracted from the audited financial reports of rhipe for FY20 and FY21. The financial information has not been subject to further review by an independent accountant.

Further details on rhipe's financial performance and financial statements for FY21 as announced to the ASX on 31 August 2021 can be found on the ASX website (www.asx.com.au) or rhipe's Website.

(b) **Historical statement of profit or loss and other comprehensive income**

Below is a summary of rhipe's consolidated statements of profit or loss or other comprehensive income for the financial years ended 30 June 2020 and 30 June 2021.

CONSOLIDATED GROUP	2021	2020
	$'000	$'000
Revenue	66,817	55,828
Cost of Sales	(6,432)	(3,448)
Gross Profit	60,385	52,380
Other income	108	3,611
Sales and marketing	(26,592)	(29,015)
General and administration	(22,881)	(16,162)
Impairment expense	-	(3,425)
Other expenses	(234)	(97)
Finance cost	(92)	(142)
Total expenses	(49,799)	(48,841)
Profit before income tax	10,694	7,150
Tax expense	(3,686)	(2,351)
Profit after tax	7,008	4,799
Attributable to:		
Equity holders of the parent	7,295	5,015
Non-controlling interest	(287)	(216)
	7,008	**4,799**

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CONSOLIDATED GROUP	2021	2020
	$'000	$'000
EARNINGS PER SHARE		
- Basic, profit for the year attributable to ordinary equity holders of the parent (cents)	4.54	3.49
- Diluted, profit for the year attributable to ordinary equity holders of the parent (cents)	4.42	3.41
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(783)	2
Other comprehensive income for the period	(783)	2
Total comprehensive income	**6,225**	**4,801**

(c) **Historical statement of financial position**

Below is a summary of rhipe's consolidated statement of financial position as at 30 June 2020 and 30 June 2021.

CONSOLIDATED GROUP	2021	2020
	$'000	$'000
CURRENT ASSETS		
Cash and cash equivalents	53,789	60,925
Trade and other receivables	56,172	42,281
Other assets	2,084	1,504
Total Current Assets	**112,045**	**104,710**
NON-CURRENT ASSETS		
Right of use assets	1,919	3,191
Property, plant and equipment	1,712	1,804
Deferred tax assets	3,722	2,660
Intangible assets	54,059	36,611
Total Non-Current Assets	**61,412**	**44,266**
Total Assets	**173,457**	**148,976**
CURRENT LIABILITIES		
Trade and other payables	65,078	47,947
Unearned revenue	1,928	274
Tax liabilities	3,367	1,688

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CONSOLIDATED GROUP	2021	2020
	$'000	$'000
Lease liability	1,821	1,656
Provisions	1,860	1,158
Deferred contingent consideration	3,739	939
Total Current Liabilities	**77,793**	**53,662**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	780	72
Lease liability	550	2,203
Provisions	670	501
Deferred contingent consideration	2,876	1,878
Total Non-Current Liabilities	**4,876**	**4,654**
Total Liabilities	**82,669**	**58,316**
Net Assets	**90,788**	**90,660**
EQUITY		
Issued capital	77,758	77,438
Treasury shares	(1,533)	(729)
Reserves	5,056	6,044
Accumulated profits	9,522	7,848
Equity attributable to equity holders of the parent	**90,803**	**90,601**
Non-controlling interest	**(15)**	**59**
Total Equity	**90,788**	**90,660**

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(d) **Historical statement of changes in equity**

Below is a summary of rhipe's consolidated statement of changes in equity for the financial years ended 30 June 2020 and 30 June 2021.

	Share Capital			Reserves					
	Ordinary $'000	Treasury $'000	Accumulated Profits / (losses) $'000	Foreign Currency Translation Reserve $'000	Equity Settled Employee Benefits Reserve $'000	Other Equity $'000	Total $'000	Non-controlling Interest $'000	Total equity $'000
CONSOLIDATED GROUP									
Balance at 1 July 2019	43,320	-	5,635	26	2,168	-	51,149	-	51,149
COMPREHENSIVE INCOME									
Profit for the year	-	-	5,015	-	-	-	5,015	(216)	4,799
Exchange differences on translation of subsidiaries	-	-	-	2	-	-	2	-	2
Total comprehensive income for the year	**-**	**-**	**5,015**	**2**	**-**	**-**	**5,017**	**(216)**	**4,801**
TRANSACTION WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS									
Shares issued during the period	34,386	-	-	-	-	-	34,386	-	34,386
Shares purchased on the market by ESS Trust	-	(729)	-	-	-	-	(729)	-	(729)
Transaction costs, net of tax	(1,058)	-	-	-	-	-	(1,058)	-	(1,058)
Deferred tax assets on cost of capital raise	315	-	-	-	-	-	315	-	315
Set up of rhipe Japan	-	-	-	-	-	-	-	275	275
Share based payments	-	-	-	-	37	-	37	-	37
Equity settled deferred consideration	-	-	-	-	-	1,174	1,174	-	1,174
Dividend paid	-	-	(2,802)	-	-	-	(2,802)	-	(2,802)
Share based payments	-	-	-	-	3,112	-	3,112	-	3,112
Transfer from SBP Reserves-options exercised	475	-	-	-	(475)	-	-	-	-
Total transactions with owners and other transfers	34,118	(729)	(2,802)	-	2,674	1,174	34,435	275	34,710
Balance as at 30 June 2020	**77,438**	**(729)**	**7,848**	**28**	**4,842**	**1,174**	**90,601**	**59**	**90,660**
Balance at 1 July 2020	**77,438**	**(729)**	**7,848**	**28**	**4,842**	**1,174**	**90,601**	**59**	**90,660**

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	Share Capital			Reserves					
	Ordinary $'000	Treasury $'000	Accumulated Profits / (losses) $'000	Foreign Currency Translation Reserve $'000	Equity Settled Employee Benefits Reserve $'000	Other Equity $'000	Total $'000	Non-controlling Interest $'000	Total equity $'000
CONSOLIDATED GROUP									
COMPREHENSIVE INCOME									
Profit for the year	-	-	7,295	-	-	-	7,295	(287)	7,008
Exchange differences on translation of subsidiaries	-	-	-	(783)	-	-	(783)	-	(783)
Total comprehensive income for the year	**-**	**-**	**7,295**	**(783)**	**-**	**-**	**6,512**	**(287)**	**6,225**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS									
Shares issued during the period	50	-	-	-	-	-	50	-	50
Shares purchased on the market by ESS Trust	-	(3,175)	-	-	-	-	(3,175)	-	(3,175)
Transaction costs, net of tax	(4)	-	-	-	-	-	(4)	-	(4)
Shares bought back during the period	(117)	-	-	-	-	-	(117)	-	(117)
rhipe Japan non-controlling interest	-	-	-	-	-	-	-	213	213
Share based payments	-	-	-	-	2,531	-	2,531	-	2,531
Equity settled deferred consideration	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	(5,621)	-	-	-	(5,621)	-	(5,621)
Shares distributed to employees	-	26	-	-	-	-	26	-	26
Transfer from SBP Reserves-options exercised	391	2,345	-	-	(2,736)	-	-	-	-
Total transactions with owners and other transfers	320	(804)	(5,621)	-	(205)	-	(6,310)	213	(6,097)
Balance as at 30 June 2021	**77,758**	**(1,533)**	**9,522**	**(755)**	**4,637**	**1,174**	**90,803**	**(15)**	**90,788**

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(e) **Historical statement of cash flows**

Below is a summary of rhipe's consolidated statements of cash flow for the financial years ended 30 June 2020 and 30 June 2021.

CONSOLIDATED GROUP	2021	2020
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from partners	383,242	322,380
Payments to vendors / customers and employees	(359,424)	(304,137)
Interest received	108	111
Interest paid	(92)	(142)
Income tax paid	(3,978)	(4,476)
Net cash provided by operating activities	**19,856**	**13,736**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,047)	(1,371)
Payments for intangibles	(1,626)	(2,906)
Payment for subsidiary on acquisition (net of cash acquired)	(13,531)	(2,000)
Net cash used in investing activities	**(16,204)**	**(6,277)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	50	34,386
Buy back of shares	(117)	-
Investment in Treasury shares	(3,175)	(729)
Payment of principal portion of lease liability	(1,992)	(1,893)
Dividend paid	(5,622)	(2,802)
Costs associated with issue of shares	(4)	(1,058)
Net cash provided by / (used in financing activities)	(10,860)	27,903
Net decrease in cash held	(7,208)	35,362
Cash and cash equivalents at beginning of financial year	60,925	25,530
Effect of exchange rates on cash holdings in foreign currencies	72	33
Cash and cash equivalents at end of financial year	**53,789**	**60,925**

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4.10 Material changes to rhipe's financial position

To the knowledge of the directors of rhipe, the financial position of rhipe has not materially changed since 30 June 2021, being the date of rhipe's consolidated financial report for FY21, other than:

- the accumulation of profits in the ordinary course of trading;
- as disclosed to the ASX by rhipe; or
- as disclosed in this Scheme Booklet.

A copy of the rhipe Appendix 4E and the Financial Report for the year ended 30 June 2021 (released to the ASX on 31 August 2021) is available on the ASX website (www.asx.com.au) or rhipe's Website.

4.11 rhipe Directors' intentions for the business

The Corporations Act requires a statement by the rhipe Directors of their intentions regarding the rhipe Group's business. If the Scheme is implemented, Crayon intends to reconstitute the rhipe Board such that some or all of the rhipe Directors may be replaced (see section 5.4(b)(i)). Accordingly, it is not possible for the rhipe Directors to provide a statement of their intentions after the Scheme is implemented regarding:

- the continuation of the business of the rhipe Group or how the rhipe Group's existing business will be conducted;
- any major changes, if any, to be made to the business of rhipe Group; or
- any future employment of the present employees of rhipe Group.

If the Scheme is implemented, Crayon will own and control all of the rhipe Shares. The rhipe Directors have been advised that the intentions of Crayon SubCo with respect to these matters are set out in section 5.4.

If the Scheme is not implemented, the rhipe Directors intend to continue to operate rhipe in the ordinary course of the business of rhipe.

4.12 Risks relating to the rhipe business

There are existing risks relating to the rhipe Group's business and an investment in rhipe which will continue to be relevant to rhipe Shareholders if the Scheme does not become Effective. A summary of the key risks relating to the rhipe Group's business and an investment in rhipe is set out in section 6.4.

4.13 Publicly available information

rhipe is a listed disclosing entity for the purposes of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Specifically, as a company listed on the ASX, rhipe is subject to the ASX Listing Rules which require (subject to some exceptions) continuous disclosure of any information rhipe has that a reasonable person would expect to have a material effect on the price or value of rhipe Shares.

ASX maintains files containing publicly disclosed information about all companies listed on the ASX. Information disclosed to the ASX by rhipe is available on the ASX website (www.asx.com.au).

In addition, rhipe is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by rhipe may be obtained from an ASIC office.

rhipe Shareholders may obtain a copy of:

- the audited financial statements for the financial year ended 30 June 2021; and
- the 2021 Annual Report,

free of charge, by calling the rhipe Shareholder Information Line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time), or from the ASX website (www.asx.com.au).

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5 Information about Crayon

This section 5 contains information concerning the bidder, Crayon and its group companies, and outlines how it is funding the Scheme Consideration and its intentions in relation to rhipe. This section 5 forms part of the Crayon Information. It has been prepared by Crayon and it is the responsibility of Crayon. rhipe and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

5.1 Overview of Crayon

(a) **Corporate overview, principal activities and operations**

Crayon is a public limited liability company incorporated under the laws of Norway and listed on the OSE (OSE: CRAYN). As at 1 September 2021, Crayon has a market capitalisation of approximately NOK 14.1 billion (which is equivalent to approximately $2.3 billion applying an NOK/AUD exchange rate of NOK 1: $0.16).[21] Crayon is headquartered in Oslo, Norway.

Crayon is a leading IT advisory firm in software and digital transformation services with more than 2,000 employees in 50 offices worldwide. With unique intellectual property tools and skilled employees, Crayon helps optimise its clients' return on investment from complex software technology investments. Crayon has long experience within volume software licensing optimisation, digital engineering, and predictive analysis and assists its clients through all phases of the process of a digital transformation.

More information about Crayon's activities, operations and history can be found at https://www.crayon.com/.

(b) **Directors of Crayon**

As at the date of this Scheme Booklet, the board of Crayon comprises the following directors:

- Rune Syversen, Chairman;
- Jeniffer Lee Koss, Director;
- Camilla Magnus, Director;
- Grethe Viksaas, Director;
- Dagfinn Ringås, Director;
- Eivind Roald, Director;
- Jens Rugseth, Director;
- Brit Smestad, Director and Employee Representative;
- Christian Ødemark, Director and Employee Representative; and
- Mette Wam, Director and Employee Representative.

Profiles of each of the directors of Crayon can be found at https://www.crayon.com/investor-relations/executive-and-operational-management/.

[21] Based on Crayon's closing share price on the Euronext of NOK 166 on 1 September 2021.

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5.2 Overview of Crayon SubCo

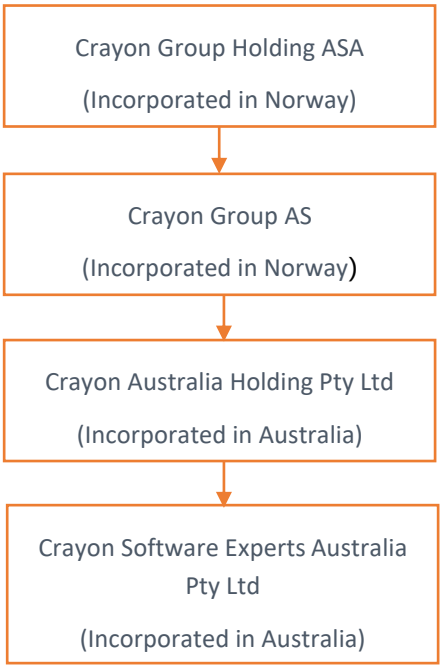
(a) **Corporate overview, principal activities and operations**

Crayon SubCo is an Australian proprietary company incorporated on 23 August 2021 for the purpose of acquiring the Scheme Shares if the Scheme becomes Effective and is implemented.

Crayon SubCo is a direct wholly-owned subsidiary of Crayon HoldCo, which is in turn a direct wholly-owned subsidiary of Crayon Group AS (incorporated in Norway), which is in turn a direct wholly-owned subsidiary of Crayon. Refer to the corporate structure chart below.

Crayon SubCo has not conducted any business and does not own any assets or have any liabilities other than in connection with its incorporation, entry into the Deed Poll and the taking of such other actions as necessary to facilitate the implementation of the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme).

The following structure chart depicts the ownership structure of Crayon SubCo.



(b) **Directors of Crayon SubCo**

As at the date of this Scheme Booklet, the directors of the Crayon SubCo are Melissa Ann Mulholland, Jon Birger Syvertsen and Rhonda Nita Robati. Profiles of these directors are set out below.

Melissa Ann Mulholland
Chief Executive Officer

Melissa Mulholland is the Chief Executive Officer of Crayon Group. She was appointed to the executive management in September 2020 as Chief Services & Solutions Officer and has been responsible for leading the global strategy to drive long-term customer success and innovation in the cloud. An acknowledged global expert in digital transformation, Ms Mulholland joined Crayon Group after a distinguished 12-year career at Microsoft where she led the global strategy and business development on how

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companies can be profitable in the cloud with an additional focus on talent development. Prior to Microsoft, Melissa worked at Intel Corporation as a Finance Manager.

Melissa holds an MA in Business Administration and Strategic Management from Regis University in Colorado and is the author of no less than 12 books focusing on building cloud businesses. A US national, Ms Mulholland lives in Oslo, Norway.

Jon Birger Syvertsen
Chief Financial Officer

Jon Birger Syvertsen joined Crayon Group in March 2018 as Chief Financial Officer (CFO). Before this, Mr Syvertsen was the CFO of Kebony AS and he also held management/business development roles at FMC Health & Nutrition and Epax AS. He was Engagement Manager at McKinsey & Company, where he was a member of the Corporate Finance practice serving clients in multiple industries across Europe. Mr Syvertsen holds a Master of Science degree in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU) and Universität St. Gallen in Switzerland. He is a Norwegian citizen, residing in Oslo, Norway.

Rhonda Nita Robati
Vice President, Sales & Operations Asia Pacific

Rhonda Robati is responsible for leading Crayon Asia Pacific's overall business, accelerating the digital transformation journeys of the company's customers and partners and driving its mission of using the power of technology to drive the greater good. Rhonda has more than 20 years' experience in the technology sector. Before joining Crayon in 2019, she served in a series of senior leadership roles at Oracle, Salesforce.com, Insight Enterprises/Software Spectrum in the EMEA and Asia Pacific regions and most recently founded and led two SaaS start up organisations as their Global Chief Revenue Officer focused on shareholder value and accelerated growth. Rhonda is also a Graduate Member of the Chicago School of Business.

5.3 Rationale for the proposed acquisition of rhipe

The acquisition of rhipe is expected to advance Crayon's position in the Asia Pacific region and contribute to the organic growth and profitability of the Crayon Group. It forms part of Crayon's global expansion strategy and is of strategic importance to Crayon because the Asia Pacific region is expected to become the fastest growing cloud services market globally. The acquisition is expected to generate synergies since Crayon's channel business overlaps completely with rhipe's licensing business. This is expected to enable an efficient integration, to be supplemented by the very similar company cultures that have been developed over parallel growth journeys.

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5.4 The post-acquisition intentions of Crayon SubCo and Crayon

(a) **Overview**

This section 5.4 sets out Crayon's present intentions for rhipe if the Scheme is implemented.

These statements of intention are based on information concerning rhipe, its business and the general business environment that are known to Crayon as at the date of this Scheme Booklet.

Crayon does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions. Decisions regarding these matters will only be made by Crayon in light of all material information and circumstances at the relevant time. Accordingly, the statements set out in this section 5.4 are statements of current intention only, which may change as new information becomes available to Crayon or as circumstances change.

(b) **Intentions upon the Scheme being approved**

(i) **Business continuity and general operational matters**

If the Scheme is implemented, Crayon intends to conduct a broad-based general review of the corporate structure, business, assets and operations of rhipe. This review will focus on ensuring that rhipe's business and assets operate efficiently and competitively, and to identify potential business opportunities generated by the acquisition, areas of cost saving and businesses which may provide overall strategic and operational benefits.

Crayon values the strength of rhipe's brand and its established success in Australia and is committed to preserving rhipe's position as a leading wholesale provider of subscription-based cloud licences, infrastructure and services in the Asia Pacific region. While the process of integrating the two businesses may result in some changes to business operations, Crayon intends to continue the business of rhipe in substantially the same manner as it is presently being conducted. Subject to the actual future demands of rhipe's products, Crayon intends to invest in rhipe's business to ensure the required capacity will be in place to achieve rhipe's future sales growth ambitions in both Australian and international markets.

(ii) **Corporate Structure**

If the Scheme is implemented, Crayon SubCo will become the holder of all rhipe Shares such that it will be rhipe's direct holding company. As part of business-as-usual planning following implementation of the Scheme, Crayon may convert rhipe to a proprietary company and may reorganise the way in which rhipe's subsidiaries are held within the broader Crayon Group.

(iii) **Board of Directors**

Crayon intends to reconstitute the rhipe Board, and the board of directors for each of its Subsidiaries, with effect on and from the Implementation Date. As at the date of this Scheme Booklet, the new directors have not been determined. Final decisions on the composition of the rhipe Board after implementation of the Scheme will be made in light of the circumstances at the relevant time.

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(iv) **Management and employees**

Crayon recognises that rhipe's employees and management team are an integral part, and key to the success, of rhipe's business. Crayon plans to draw on the expertise of rhipe's existing employees and management to ensure that the businesses and cultures of each organisation are integrated effectively.

Crayon may make limited changes to employee and management roles as a result of potential duplication or redundancy of some roles arising from rhipe becoming part of the Crayon Group and no longer being a listed entity, although no determination has been made in respect of such changes.

Accordingly, final decisions on these matters (including any changes to the employment of the present employees of rhipe) will, if necessary, only be made by Crayon following the completion of the post-Transaction review process and will be based on all material facts and circumstances at the relevant time.

(v) **rhipe to be delisted**

If the Scheme is implemented, an application will be made to the ASX for rhipe to be removed from the ASX's official list, with effect from on, or shortly after, the Implementation Date.

5.5 Funding arrangements for the Scheme Consideration

(a) **Cash consideration**

The Scheme Consideration will be paid wholly in cash.

The Scheme Consideration is $2.50 in cash per Scheme Share.

If the Scheme is implemented, Scheme Shareholders will be entitled to receive the Scheme Consideration per Scheme Share held on the Scheme Record Date.

Having regard to the number of rhipe Shares and Performance Rights currently outstanding as at the Last Practicable Trading Date, assuming no Special Dividend is paid, the maximum aggregate amount of cash payable by Crayon SubCo to holders of Scheme Shares (including Scheme Shares to be issued as a result of the vesting of the Performance Rights currently on issue) will be approximately $412.2 million (***Maximum Scheme Consideration***).

Pursuant to the terms of the Scheme, Crayon has agreed to deposit, or procure the deposit of, an amount equal to the Scheme Consideration payable to all Scheme Shareholders into a trust account operated by rhipe as trustee for the Scheme Shareholders by no later than 12:00pm on the Business Day prior to the Implementation Date.

Pursuant to the Deed Poll, each of Crayon and Crayon SubCo have undertaken in favour of each Scheme Shareholder that it will observe and perform all obligations contemplated of Crayon under the Scheme, including the relevant obligations relating to the provision and payment of the Scheme Consideration.

For further details regarding Crayon and Crayon SubCo's obligations under the Deed Poll, see section 8.9. A copy of the Deed Poll is reproduced in Annexure C.

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(b) **Overview of funding arrangements**

Subject to the remainder of this section 5.5, the Maximum Scheme Consideration and any associated transaction costs (***Maximum Funding Requirement***) are proposed to be funded by Crayon through a combination of the following:

- (**Bond Issue**) External debt provided to Crayon under a recently completed 4-year senior unsecured floating rate bond issue, which raised NOK 1,800 million (which is equivalent to approximately $288 million applying an NOK/AUD exchange rate of NOK 1: $0.16) (***Bond Issue***);
- (**Revolving Credit Facility**) External debt provided to Crayon under an extended revolving credit facility agreement (***Extended RCF Agreement***) pursuant to which Danske Bank has agreed to extend Crayon's existing revolving loan facility (***Extended RCF***). Under the Extended RCF, Crayon will have access to funds up to an aggregate amount of NOK 1,000 million (which is equivalent to approximately $160 million applying an NOK/AUD exchange rate of NOK 1: $0.16). Drawdown under the Extended RCF is subject to customary conditions of borrowing, none of which related to the Scheme; and
- (**Cash Reserves**) Existing cash and cash equivalents of Crayon. As at 30 June 2021, Crayon had available internal cash reserves and cash equivalents with an aggregate value of NOK 1,100 million (which is equivalent to approximately $176 million applying an NOK/AUD exchange rate of NOK 1: $0.16) (***Cash Reserves***). The Cash Reserves have not been reserved for any other purpose.

Foreign exchange exposure for Crayon resulting from the Maximum Funding Requirement being denominated in Australian dollars and the Bond Issue, Extended RCF and Cash Reserves being denominated in a currency other than Australian dollars has been hedged using deal-contingent foreign exchange forward transactions.

As at the date of this Scheme Booklet, Crayon and Crayon SubCo have not decided on the exact proportions in which the Maximum Funding Requirement will be satisfied by funding sourced from the Bond Issue, Extended RCF and/or Cash Reserves.

Crayon also reserves the right to enter into other alternative debt financing arrangements to fund the Maximum Funding Requirement and may decide to fund the Maximum Funding Requirement through means other than by way of the Bond Issue, Extended RCF and Cash Reserves.

On the basis of arrangements described in this section 5.5, Crayon SubCo is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will have sufficient funds available to fund the payment of the Scheme Consideration and related transaction costs.

5.6 Other information

(a) **No interests in rhipe Shares**

As at the date of this Scheme Booklet, none of Crayon or any of its Associates has any Relevant Interest or Voting Power in any rhipe Shares.

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(b) **No dealings in rhipe Shares in previous four months**

Apart from Crayon's offer to acquire all rhipe Shares under the Scheme, none of Crayon or any of its Associates has provided, or agreed to provide, consideration for any rhipe Shares under any other transaction during the period of four months before the date of this Scheme Booklet.

(c) **No pre-Scheme benefits**

During the four months before the date of this Scheme Booklet, none of Crayon or any of its Associates gave, offered to give, or agreed to give, a benefit to another person that was likely to induce the other person, or an Associate of the other person, to:

- vote in favour of the Scheme; or
- dispose of rhipe Shares,

where the benefit was not offered to all rhipe Shareholders.

(d) **No payments or benefits to current rhipe Directors**

None of Crayon or any of its Associates will be making any payment or giving any benefit to any current officers of rhipe or any of its Related Bodies Corporate as at the date of this Scheme Booklet as compensation or consideration for, or otherwise in connection with, their retirement from their respective offices if the Scheme is implemented.

(e) **No other information**

Except as set out in this Scheme Booklet, there is no other information regarding Crayon, or its intentions regarding rhipe, that is material to the making of a decision by a rhipe Shareholder in relation to the Scheme, being information that is within the knowledge of Crayon as at the Scheme Record Date, which has not been previously disclosed to rhipe Shareholders.

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6 Risks

6.1 Introduction

The rhipe Board considers that it is appropriate for rhipe Shareholders, in considering the Scheme, to be aware that there are a number of general risk factors as well as risks specific to rhipe and/or the industries in which it operates, which could materially adversely affect the future operating and financial performance of rhipe, as well as the value of rhipe and the potential for any future dividends.

This section outlines:

- general investment risks (refer to section 6.2); and
- specific risks associated with the Special Dividend (refer to section 6.3).
- specific risks associated with your current investment in rhipe (refer to section 6.4).

This section 6 is a summary only and does not purport to list every risk that may be associated with an investment in rhipe now or in the future. There may be additional risks and uncertainties not currently known to rhipe which may also have a material adverse effect on rhipe's financial and operational performance now or in the future.

If the Scheme becomes Effective, rhipe Shareholders will receive the Scheme Consideration, cease to be a rhipe Shareholder and also no longer be exposed to the risks set out below (and other risks to which rhipe may be exposed). If the Scheme does not proceed, rhipe will continue to operate as a stand-alone entity listed on the ASX, you will continue to hold your rhipe Shares and continue to be exposed to risks and opportunities associated with that investment.

In making your decision to vote on the Scheme Resolution, you should read this Scheme Booklet carefully. You should carefully consider the risk factors outlined below and your individual circumstances. This section 6 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs.

While the rhipe Board unanimously recommends that eligible rhipe Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of rhipe Shareholders,[22] rhipe Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme.

[22] You should note when considering this recommendation that Mr Dominic O'Hanlon (rhipe's Chief Executive Officer and Managing Director):

- holds or controls 2,657,840 rhipe Shares (which have a value of approximately $6,644,600 based on the Total Cash Consideration of $2.50 for each rhipe Share);
- holds 393,467 vested Performance Rights granted pursuant to the 2019-2021 LTIP, the vesting of which occurred in the ordinary course and was not connected to the Scheme (which have a value of approximately $983,668 based on the Total Cash Consideration of $2.50 for each rhipe Share); and
- subject to the Scheme becoming Effective, will be entitled to receive $1,063,523 in connection with the early vesting of 425,409 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP.

These arrangements and the amounts payable on implementation of the Scheme in respect of Mr O'Hanlon's rhipe Performance Rights are described in more detail in section 8.2(b).

Despite this interest in the outcome of the Scheme, Mr O'Hanlon considers that, given the importance of the Scheme, and his role as a rhipe Director, it is important and appropriate for him to provide a recommendation to rhipe Shareholders in relation to voting on the Scheme. The rhipe Board (excluding Mr O'Hanlon) also consider that it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of rhipe and his deep industry knowledge.

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6.2 General investment risks

Like many listed companies, the market price of rhipe Shares and the potential for any future dividends to rhipe Shareholders are influenced by a number of factors, including the following:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in sentiment in credit markets;
- changes in general economic and business conditions, including levels of consumer spending, business demand, inflation, interest rates and exchange rates, access to debt and capital markets;
- changes in government fiscal, monetary, taxation and regulatory policies, including foreign investment policies;
- governmental or political intervention in export and import markets (including sanction controls and import duties) and the disruptions this causes to supply and demand dynamics;
- changes to the rate of company income tax or the tax arrangements between Australia and other jurisdictions in which rhipe operates;
- weather conditions, natural disasters, wars or catastrophes (including pandemics), whether in global, regional or local scale;
- changes to accounting standards and reporting standards; and
- loss of key personnel.

6.3 Risks associated with the Special Dividend

(a) **Payment of the Special Dividend**

The rhipe Board currently intends to pay a fully franked Special Dividend of up to $0.13 per rhipe Share prior to the Implementation Date, conditional on the Scheme being approved and becoming Effective.

Under the terms of the Scheme Implementation Deed, following the payment of the Special Dividend, the net cash position of rhipe must not be less than $31,000,000. The rhipe Directors will determine (in their absolute discretion) whether to pay any Special Dividends after assessing the rhipe Group's cash position and available funding at the applicable time.

Based on the information that is currently available, the rhipe Directors expect to be able to determine that paying a Special Dividend of $0.13 per rhipe Share is in the best interests of rhipe, does not materially prejudice the interests of rhipe or rhipe Shareholders, does not materially prejudice rhipe's ability to pay its creditors and does not prejudice rhipe's obligations under the Scheme Implementation Deed.

(b) **Ability to receive the benefit of the franking credits attached to the Special Dividend**

If rhipe pays a Special Dividend of the maximum amount of $0.13 per rhipe Share, those rhipe Shareholders who are entitled to the franking credits attached to the Special Dividend may be entitled to a franking credit of up to approximately $0.056 of additional value per rhipe Share.[23] Whether you will be able to receive the full benefit of the franking credits attached to the Special

[23] The maximum benefit associated with the franking credits will be less if the Special Dividend is less than $0.13 per rhipe Share.

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Dividend will depend on your personal circumstances and whether a favourable class ruling is obtained from the ATO.[24]

There is a risk that the ATO Commissioner may use certain powers in the tax law to deny a rhipe Shareholder the benefit of the franking credits attaching to the Special Dividend. rhipe has sought a class ruling on behalf of rhipe Shareholders in relation to, among other things, whether the ATO Commissioner will exercise his discretion to deny access to the franking credits. However, the final class ruling has not been issued as at the date of this Scheme Booklet and will not be issued prior to the Special Dividend Payment Date. You should consult your own taxation adviser to determine the tax consequences relevant to your specific circumstances. Refer to section 7.3 of this Scheme Booklet for further information regarding the tax implications in respect of the Special Dividend.

6.4 Risks associated with your current investment in rhipe Shares

Risk	Description
Reliance on software vendors and customer concentration	Wholesale software distributors, such as rhipe, have significant reliance on vendors for access to the software licenses that they distribute to customers. rhipe would face significant downside risk if the relationship with the vendors were to be jeopardised or significantly altered. As at the date of this Scheme Booklet, rhipe's largest vendor relationship is with Microsoft with approximately 76% of licencing sales being Microsoft products. As a result, revenue and incentives earned from Microsoft products and services equate to 66% of the rhipe Group's revenue. Excluding Microsoft, no single customer contributed 10% or more to the rhipe Group's revenue for both FY2021 and FY2020. If Microsoft were to amend or terminate their relationship with rhipe, this could have a material adverse effect on the financial performance and/or financial position of rhipe.
Credit risk	With respect to rhipe's customers more broadly, there is potential that rhipe will not receive payments for the provision of its services if a customer fails to provide payment in accordance with its agreement with rhipe.
Competition risk	rhipe's operating performance is influenced by a number of competitive factors including the awareness of its brand, the loyalty of its customers, the scope of its product offering, the pricing strategy of its competitors and its commitment to ongoing innovation. An increasing number of competitors have entered the Asia Pacific region cloud services market, as the momentum of migration towards the cloud continues to accelerate. In particular, competitors who had historically built their business upon legacy hardware distribution (ie,

[24] When assessing the benefit of franking credits attached to any Special Dividend, rhipe Shareholders should seek independent professional taxation advice as to whether or not the receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances.

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Risk	Description
	bundling traditional licenses with hardware sales), are now seeking to pivot towards a cloud-based subscription licensing model, to ensure they are not left behind as customers move to the cloud. There is a risk that an existing or potential competitor allocates more resources to competing in the markets in which rhipe operates, develops a lower cost or more effective business model, responds to changes to regulations, new technologies or changes in customer requirements faster and more effectively or develops new services that compete more directly with rhipe. An increase in competition from one or more of the above factors or consolidation in the technology industry may reduce rhipe's growth, market share and/or margins, one or a combination of which may have a material adverse impact on rhipe's financial position.
Lower incentives	As customers continue to migrate to the cloud, the demand for vendors' products, particularly those cloud-based, will continue to grow, increasing the subsequent bargaining power of vendors. This allows for vendors, such as Microsoft, to set lower incentives for wholesale software distributors, as customers become dependent on the vendors product.
Key person reliance	rhipe is reliant on key people in the business who are subject matter experts for the performance of key client implementation, delivery or strategy development work. In particular, rhipe's Executive KMP are very important to the execution of its business model and growth strategy. Failure to retain current management and employees or recruit suitably qualified key staff as replacements or to support growth, would have an adverse impact on rhipe's future financial performance or position.
Professional reputation and customer loyalty	rhipe's success is heavily reliant on its positive reputation, and particularly its customer satisfaction. The occurrence of any unforeseen issue or event which impacts the performance of rhipe may result in a diminution of customer satisfaction and loyalty and place the reputation of rhipe at risk. These implications bear a risk of adversely impacting the financial performance of rhipe's business and ability to retain and attract customers, shareholders and employees.
Security and data protection	Protection of company, customer, employee and third-party data is important to the rhipe Group and any breaches could have negative financial and reputational ramifications. Customers, employees and third parties have high expectations regarding the protection of this personal information. Additionally, the legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. Failures or breaches of data

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Risk	Description
	protection systems can result in reputational damage, regulatory impositions (such as for breaches of the *Privacy Act 1988* (Cth)) and financial loss, including claims for compensation by customers or penalties by regulators or other authorities. rhipe may be adversely affected by malicious third-party applications that interfere with or exploit any security flaws in its products and platforms. It is possible that the measures taken by rhipe will not be sufficient to prevent unauthorised access to, or disclosure of, confidential and proprietary information about rhipe, its customers, employees or third parties. Any such disclosure, whether accidental or intentional, may subject the rhipe Group to reputational damage, claims from those affected, loss of customers, legal action and increased regulatory scrutiny. Additionally, any cyber-attack on rhipe's network or technical infrastructure may also result in failures, disruptions in rhipe's operations or network, and leakage and unauthorised dissemination of sensitive information about the rhipe Group and its customers. If, as a consequence, rhipe is unable to provide services to its customers, it may experience loss of market share, damage to reputation and brand, customer compensation claims and regulatory action. This may result in rhipe incurring significantly increased expenses or suffering reduced revenue.
Fluctuations in foreign exchange rates	Part of rhipe's revenues, costs and earnings are denominated in foreign currency, in particular in US dollars, and the rhipe Group has investments in foreign subsidiaries in New Zealand, Singapore and other Asian countries. Accordingly, rhipe's future financial performance may be materially adversely affected by sustained movements in exchange rates if foreign denominated results become less valuable in Australian Dollar terms.
Liquidity	Liquidity risk arises from the possibility that the rhipe Group might encounter difficult in settling its debts or otherwise meeting its obligations related to financial liabilities.
Litigation	rhipe notes that in the ordinary course of business it may be exposed to potential claims, disputes, litigation and legal proceedings, which may result in an adverse financial and reputational impact. If the rhipe Group is involved in such claims, disputes, litigation or legal proceedings, this may disrupt the rhipe Group's business operations, cause the rhipe Group to incur significant legal costs and may divert management's attention away from the day-to-day operations of the business.
Past and current acquisitions	In accordance with its growth strategy, rhipe has undertaken a number of acquisitions. At the time of each acquisition, rhipe conducted due diligence enquiries and typically engaged external

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Risk	Description
	legal expertise to assist in its due diligence. Despite this, it is possible that one or more material issues or liabilities may not have been identified, or are of an amount greater than expected, and that the protections negotiated by rhipe prior to the relevant acquisition are inadequate in the circumstances and may materially affect rhipe and its businesses in the future.
Regulatory risk	rhipe is subject to a range of laws, regulations, and government policies in the markets and jurisdictions in which it operates. Any changes in laws, regulations and government policies may have an adverse impact on rhipe's future financial performance and position. In particular, any future increase in the cost of regulatory compliance that is unable to be passed through to customers may have an adverse impact on rhipe's future financial performance and position.
Other risks	• Technological innovation change. • Insufficient resources to manage continued growth. • Workplace health, safety and welfare. • Misalignment of values and employee behaviours or actions. • Adequacy of IT systems including financial systems. • Anti-bribery and corruption. • Modern slavery. • Inadequate process documentation. • Ability to manage operational change in a careful and controlled manner. • Completeness and accuracy of revenue recording, availability and accuracy of systems. • Capitalised software development costs; to date approximately $15 million costs have been capitalised in relation to PRISM and SmartEncrypt and impairment of these assets is possible. • Goodwill impairment. • Tax and compliance risk in certain less developed Asian countries.

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7 Taxation implications

7.1 Introduction

The following is a general summary of the Australian income tax, goods and services tax (***GST***), and stamp duty implications for rhipe Shareholders of any Special Dividend that may be declared and paid by rhipe prior to the implementation of the Scheme, and their disposal of rhipe Shares under the Scheme.

This summary is general in nature only, should be read in conjunction with the rest of this Scheme Booklet, and is not intended to be an authoritative or complete analysis of the tax consequences arising from the Scheme. rhipe Shareholders are advised to seek professional tax advice in relation to their particular circumstances.

This summary is based on the provisions of the Income Tax Assessment Act 1936 (***ITAA 1936***) and the Income Tax Assessment Act 1997 (***ITAA 1997***) as at the date of this Scheme Booklet. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities.

The information provided below is not applicable to all rhipe Shareholders. This tax summary applies to Australian tax resident and non-resident shareholders who hold their shares on capital account. This summary will not apply to rhipe Shareholders who:

- hold their rhipe Shares on 'revenue account' (such as share trading entities or entities who acquired their rhipe Shares for the purposes of resale at a profit) or as 'trading stock';
- hold their rhipe Shares under an employee share scheme offered by rhipe or otherwise hold rhipe Performance Rights that will vest if the Scheme becomes effective where those rights or shares remain subject to deferred taxation under Division 83A of the ITAA 1997;
- may be subject to special tax rules, such as partnerships, tax exempt organisations, insurance companies, dealers in securities or shareholders who change their tax residency while holding their rhipe Shares;
- have a functional currency for Australian tax purposes other than an Australian functional currency; and/or
- are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their rhipe Shares.

7.2 Class Ruling

rhipe has lodged a class ruling application with the ATO to obtain the Commissioner of Taxation's views on specific Australian income tax implications for certain rhipe Shareholders for any Special Dividend that may be declared and paid by rhipe prior to the implementation of the Scheme and their disposal of rhipe Shares under the Scheme.

The Scheme is not conditional on the receipt of the class ruling.

The class ruling has not been issued by the ATO as at the date of this Scheme Booklet. It is not expected to be issued until after the implementation of the Scheme. rhipe Shareholders should refer to the class ruling once it is published. The class ruling will be available at www.ato.gov.au.

It is expected that the class ruling will be issued by the Commissioner of Taxation on the basis of a view which is broadly consistent with this summary. It is important that rhipe Shareholders be aware that the Commissioner of Taxation may reach an alternative view. This summary should be considered in light of that possibility and read together with the class ruling once it is available.

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7.3 Overview of proposed Special Dividend

(a) **Overview of proposed Special Dividend**

rhipe is entitled to pay the Special Dividend to each rhipe Shareholder who is registered as a holder of rhipe Shares on the Special Dividend Record Date. The Special Dividend is expected to be fully franked and will be paid on the Special Dividend Payment Date.

Under Australian tax law, certain rhipe Shareholders who receive a fully franked Special Dividend may be entitled to a 'tax offset' equal to the amount of the franking credit attaching to the dividend, provided they are not prevented from claiming the benefit of the franking credit (see section 7.3(c) below).

If a rhipe Shareholder is entitled to a tax offset, the shareholder may offset or reduce the amount of tax payable on their taxable income. However, certain rhipe Shareholders may not be eligible to receive a tax offset for their franking credits. This is explained further below.

The Australian tax legislation prescribes a number of rules which may prevent rhipe Shareholders from claiming the benefit of franking credits on a Special Dividend, including the requirement that a rhipe Shareholder is not a 'qualified person' (see section 7.3(c) below).

Broadly, these rules are designed to, amongst other things, discourage trading in franking credits, and may deny the benefit of franking credits to rhipe Shareholders generally, or because of their particular circumstances. It is expected that these issues will be addressed in the class ruling requested by rhipe. rhipe Shareholders should refer to the class ruling once published. The commentary below is subject to the Commissioner of Taxation's determination on these matters.

(b) **Assessability of special dividend**

(i) **Australian resident individuals, companies and complying superannuation funds**

Australian tax resident rhipe Shareholders who are individuals, or that are companies or complying superannuation entities:

(A) should include any Special Dividend in their assessable income in the income year in which the dividend is paid, together with any franking credits attached to that dividend; and

(B) should be entitled to a tax offset equal to the franking credits attached to any Special Dividend.

An individual or complying superannuation entity who receives a franking credit tax offset can apply the offset or reduce the tax payable on their taxable income. Where the tax offset exceeds the tax payable on their taxable income, these rhipe Shareholders should be entitled to a tax refund.

Where the rhipe Shareholder is an Australian resident corporate shareholder, franked dividends will generally give rise to a franking credit in the company's franking account.

(ii) **Australian resident trusts and partnerships**

Australian tax resident rhipe Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include any Special Dividend in the net income of the partnership or trust in the income year in which the dividend is paid, together with any franking credits attached to that dividend.

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The tax laws that apply to the treatment of dividends, and in particular franked dividends, for trusts and partnerships are complex. However, subject to satisfying certain conditions, the liability to pay tax on any Special Dividend (and any franking credits) and the tax offset provided by any franking credits can flow through to eligible beneficiaries or partners.

(iii) **Non-Australian resident individuals and corporate rhipe Shareholders**

Dividends paid to rhipe Shareholders who are non-residents of Australia should not be subject to Australian dividend withholding tax on the basis that any Special Dividend will be fully franked.

(c) **Franking credits – shares held at risk**

The benefit of franking credits can be denied where a rhipe Shareholder is not a 'qualified person'. If a rhipe Shareholder is not a 'qualified person', the shareholder would not need to include an amount equal to any franking credits attaching to any Special Dividend in their assessable income but would also not be entitled to a tax offset.

Broadly, to be a ’qualified person', a shareholder must satisfy the 'holding period rules'.

Under these rules, a rhipe Shareholder is required to have held their rhipe Share 'at risk' for a continuous period of at least 45 days (not including the date of acquisition and the date of disposal of the shares) within the relevant 'qualification period'.

A rhipe Share will not be taken to have been held 'at risk' by a rhipe Shareholder where they hold positions (such as hedging positions) that materially diminish the risks of loss or opportunities for gain on their shares by more than 70%. In connection with this Scheme, it is expected that the rhipe Shareholders will be said to cease holding their rhipe Shares at risk from the Scheme Record Date.

The duration of the relevant 'qualification period' depends on whether the rhipe Shareholders will be taken to make a 'related payment' in connection with the Special Dividend. If the scheme shareholders are taken to make a 'related payment' in connection with a special dividend, the more stringent 'secondary qualification period' will apply. If not, the more generous 'primary qualification period' will apply. The payment of the Special Dividend will likely constitute a related payment for the purposes section 160APHN of the ITAA 1936, particularly because the Special Dividend reduces the Scheme Consideration under the Scheme Implementation Deed. Consequently, the secondary qualification period will apply.

The secondary qualification period requires that the scheme shareholder holds the share 'at risk' for a continuous period of at least 45 days during the period that begins on the 45th day before, and ends on the 45th day after, the day on which the share became ex dividend.

As a practical matter, and applying the indicative timetable, a rhipe Shareholder who receives a Special Dividend and holds their rhipe Shares 'at risk' for a continuous period of at least 45 days during the period from 4 September 2021 and 26 October 2021 (inclusive) should satisfy the 'holding period rules' and be eligible for the franking credit and tax offset. This issue is expected to be addressed in the class ruling requested by rhipe. rhipe Shareholders should refer to the class ruling once published.

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7.4 Disposal of rhipe Shares

(a) **Australian tax residents**

Under the proposed Scheme, rhipe Shareholders will dispose of their rhipe Shares to Crayon in exchange for the Scheme Consideration. This disposal will trigger capital gains tax (***CGT***) event A1.

The CGT event should occur when the change of ownership of the rhipe Shares occurs. Under the Scheme, the change of ownership will occur on the Implementation Date.

Broadly, a rhipe Shareholder will:

- make a 'capital gain' if the capital proceeds from the disposal of their rhipe Shares exceeds the cost base of their rhipe Shares; or
- make a 'capital loss' if the capital proceeds from the disposal of their rhipe Shares are less than the reduced cost base of their rhipe Shares.

rhipe Shareholders who make a capital gain on the disposal of their rhipe Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

A capital loss realised on the disposal of the rhipe Shares may be used to offset other capital gains derived by a rhipe Shareholder in the income year in which the capital loss is realised, or may be carried forward to offset capital gains derived by the rhipe Shareholder in future income years. Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. rhipe Shareholders should obtain their own tax advice regarding the operation of these rules.

(i) **Capital Proceeds**

The capital proceeds for the CGT event arising from the disposal of rhipe Shares under the Scheme will consist of the money received, or entitled to be received, by a rhipe Shareholder. Accordingly, the capital proceeds should include the Scheme Consideration (being $2.50 per rhipe Share less the amount of any Special Dividend that may be declared and paid by rhipe) received under the Scheme.

Based on the facts and circumstances of the Scheme, the Special Dividend should not form part of the capital proceeds for the CGT event arising from the disposal of rhipe Shares under the Scheme on the basis that the payment of the Special Dividend should not be characterised as a payment 'in respect of' the disposal of the rhipe Shares to Crayon under the Scheme.

While it is expected that the Commissioner of Taxation will take the same view in the class ruling requested by rhipe, it is possible that the Commissioner of Taxation may adopt the contrary view: that the Special Dividend forms part of the capital proceeds. rhipe Shareholders should refer to the class ruling once published.

If the Special Dividend were ruled to be included in the capital proceeds from the disposal of the rhipe Shares, any capital gain made by a rhipe Shareholder when CGT event A1 happens may be reduced (but not below zero) by the amount of the Special Dividend that is included in the rhipe Shareholder's assessable income.

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(ii) **Cost Base**

The cost base and reduced cost base of rhipe Shares will generally include the amount paid, or the market value of any property given, to acquire the rhipe Shares, plus any incidental costs of acquisition (eg, brokerage fees and stamp duty) that are not otherwise deductible to the rhipe Shareholders. The cost base of each rhipe Share will depend on the individual circumstances of each rhipe Shareholder.

rhipe Shares acquired in different transactions may have different cost bases and therefore capital gains may arise in respect of some rhipe Shares while capital losses may arise in respect of other rhipe Shares.

(iii) **CGT Discount**

Generally, Australian resident rhipe Shareholders who are individuals, trusts, and complying superannuation funds that have held rhipe Shares for at least 12 months at the time of disposal may be entitled to a CGT discount in calculating the amount of capital gain on disposal of their rhipe Shares.

The CGT discount is applied after any available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which would reduce a capital gain arising from the disposal of rhipe Shares is 50% in the case of individuals and trusts or 33⅓% in the case of Australian complying superannuation entities. The CGT discount is not available for rhipe Shareholders that are companies.

As the rules relating to discount capital gains for trusts are complex, rhipe Shareholders who are trustees should seek their own independent advice on how the CGT discount provisions will apply to them and the trust's beneficiaries.

(b) **Non-Australian tax resident rhipe Shareholders**

For a rhipe Shareholder who:

- is a foreign resident, or the trustee of a foreign trust for CGT purposes; and
- has not used their rhipe Shares at any time in carrying on a business through a permanent establishment in Australia,

the disposal of the rhipe Shares should generally only result in Australian CGT implications if, in broad terms:

- that rhipe Shareholder together with their associates held an interest of 10% or more in rhipe at the time of disposal or for a 12-month period within the 24 month period preceding the disposal (referred to as a 'non-portfolio interest'); and
- more than 50% of the market value of rhipe's assets is attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation) (referred to as the 'principal asset test').

On the basis that less than 50% of the market value of rhipe's assets is, and will be on the Implementation Date, attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation), rhipe Shareholders that are non-Australian tax residents should generally be able to disregard any Australian capital gain or loss arising as a result of the disposal of the rhipe Shares.

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However, a non-resident individual rhipe Shareholder who has previously been an Australian tax resident and chose to disregard a capital gain or loss in respect of their rhipe Shares from CGT event A1 on ceasing to be an Australian tax resident, or a rhipe Shareholder who use their rhipe Shares at any time in carrying on a business through a permanent establishment in Australia, may be subject to Australian CGT consequences on disposal of their rhipe Shares.

rhipe Shareholders who are non-Australian tax residents should seek independent tax advice as to the tax implications of the Scheme, including tax implications in their country of residence.

7.5 Foreign Resident Capital Gains Withholding

The foreign resident capital gains withholding regime may impose a 12.5% 'withholding obligation' (calculated by reference to the Scheme Consideration) on Crayon if:

- Crayon considers, or reasonably believes that a rhipe Shareholder is a foreign resident; and
- the disposal of the rhipe Shares satisfies both the principal asset test and the non-portfolio interest (discussed at section 7.4(b) above).

It is expected that Crayon will not withhold any amount from the Scheme Consideration.

7.6 GST

There should be no GST payable in respect of the sale of rhipe Shares under the Scheme. Where a rhipe Shareholder is not registered or required to be registered for GST, the sale will be outside the scope of GST. Otherwise, the sale of the rhipe Shares will be an input taxed financial supply. Where this is the case, rhipe Shareholders should obtain independent advice in relation to whether there is an ability to claim any input tax credits for the costs (such as legal or professional fees) associated with the disposal of the rhipe Shares.

7.7 Stamp Duty

No stamp duty should be payable by rhipe Shareholders on the disposal of rhipe Shares in accordance with the Scheme.

Any stamp duty in connection with the transfer of the rhipe Shares to Crayon, must be paid by Crayon.

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8 Additional Information

8.1 Interests of rhipe Directors in rhipe securities

The table below lists the Relevant Interests of rhipe Directors in rhipe Shares as at the date of this Scheme Booklet.

rhipe Director	Position	Relevant Interest in rhipe Shares
Mr Gary Cox	Non-executive Director and Chairman	None
Mr Dominic O'Hanlon	Managing Director & Chief Executive Officer	2,657,840 ordinary shares
Ms Dawn Edmonds	Non-executive Director	2,702,294 ordinary shares
Mr Mark Pierce	Non-executive Director	320,000 ordinary shares
Mr Michael Tierney	Non-executive Director	1,757,191 ordinary shares
Ms Inese Kingsmill	Non-executive Director	32,904 ordinary shares
Mr Olivier Dispas	Non-executive Director	None

No rhipe Director acquired or disposed of a Relevant Interest in any rhipe Shares during the four months before the date of this Scheme Booklet.

rhipe Directors who hold rhipe Shares will be entitled to vote at the Scheme Meeting and receive the Total Cash Consideration along with the other eligible rhipe Shareholders.

Each rhipe Director intends to vote (or procure the voting of) all rhipe Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of rhipe Shareholders.

8.2 rhipe employee incentive arrangements

(a) **Overview of arrangements**

As set out in rhipe's 2021 Annual Report, rhipe operates the Performance Rights Plan under which rhipe Performance Rights are granted to rhipe's key management personnel and senior executives to ensure alignment between the performance of eligible executives to the long-term overall performance of rhipe. As at the Last Practicable Trading Date, rhipe had 2,549,200 unvested rhipe Performance Rights on issue, comprised of:

- 683,565 unvested Performance Rights (2020-2022 LTIP); and
- 1,865,635 unvested Performance Rights (2021-2023 LTIP).

As at the Last Practicable Trading Date, rhipe also had 1,262,472 vested Performance Rights on issue granted pursuant to the 2019-2021 LTIP which have vested in the ordinary course (and not in connection with the Scheme).

Each rhipe Performance Right confers on its holder the entitlement to acquire one rhipe Share (or an equivalent cash amount) upon satisfaction of the vesting conditions, as determined by the rhipe Board at the end of the relevant performance period. No amount is payable by the holder of the rhipe Performance Right upon vesting.

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rhipe also operates an Employee Share Purchase Plan which allows all employees of rhipe located in Australia and New Zealand (subject to certain service criteria) to salary sacrifice up to $5,000 per annum to purchase rhipe Shares (***Employee Share Purchase Plan Shares***). As at the date of this Scheme Booklet, rhipe has 71,583 Employee Share Purchase Plan Shares on issue.

rhipe does not have any options over any rhipe Shares on issue as at the date of this Scheme Booklet.

Further details about rhipe's employee incentive arrangements can be found in rhipe's 2021 Annual Report which was announced to the ASX on 31 August 2021 and can be found on the ASX website (www.asx.com.au) or rhipe's Website.

(b) **Performance Rights held by rhipe Directors**

The table below shows the number of Performance Rights granted held by Dominic O'Hanlon as at the date of this Scheme Booklet. As set out in section 8.2(b), none of the non-executive rhipe Directors hold any rhipe Performance Rights.

Holder	Current Position	Number of Performance Rights
Mr Dominic O'Hanlon	Managing Director & Chief Executive Officer	1,004,503 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP 393,467 vested Performance Rights granted pursuant to the 2019-2021 LTIP[25]

(c) **Performance Rights held by rhipe's Executive KMP**

The table below lists the number of rhipe Performance Rights held by current rhipe Executive KMP as at the date of this Scheme Booklet.

Holder	Current Position	Number of Performance Rights
Mr Dominic O'Hanlon	Managing Director & Chief Executive Officer	1,004,503 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP 393,467 vested Performance Rights granted pursuant to the 2019-2021 LTIP[25]
Mr Mark McLellan	Chief Financial Officer and Chief Operating Officer	569,171 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP

[25] The vesting of Mr O'Hanlon's 393,467 Performance Rights granted pursuant to the 2019-2021 LTIP occurred in the ordinary course and was not connected with the Scheme.

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Holder	Current Position	Number of Performance Rights
		236,081 vested Performance Rights granted pursuant to the 2019-2021 LTIP
Mr Warren Nolan	Group Executive – Solutions & Professional Services	440,777 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP 196,733 vested Performance Rights granted pursuant to the 2019-2021 LTIP
Ms Marika White	Company Secretary[26]	None

(d) **Implications of the Scheme for participants in the existing incentive arrangements**

Under the Scheme Implementation Deed, rhipe is required to ensure that, by no later than the Scheme Record Date, there are no outstanding Performance Rights on issue. This was a requirement of Crayon, in order for Crayon to ensure that it will own, on implementation of the Scheme, all of the rhipe Shares on a fully diluted basis.

As noted in section 5.4(b)(iv), Crayon recognises that rhipe's employees and management team are an integral part, and key to the success, of rhipe's business. Having regard to a range of considerations, including Crayon's intentions with regard to management and employees and that rhipe will no longer be an ASX listed company following implementation of the Scheme, the rhipe Board (excluding Mr O'Hanlon) has resolved to treat the existing employee incentive arrangements as detailed below.[27]

Discussions regarding the treatment of Performance Rights occurred after negotiations concluded about the price at which Crayon would offer to acquire rhipe Shares. In other words, the outcome for holders of Performance Rights has not impacted on the outcome for rhipe Shareholders.

(i) **Performance Rights**

(A) **2020-2022 LTIP**

Under the terms that govern the 2020-2022 LTIP, in the event of a proposed change of control of rhipe, the rhipe Board has discretion to determine the treatment of any unvested rhipe Performance Rights and the timing of such treatment.

Consistent with the terms of the 2020-2022 LTIP, the rhipe Board (excluding Mr O'Hanlon) has exercised its discretion and determined that all of the at target Performance Rights will, subject to the Scheme becoming Effective, vest and automatically convert into rhipe Shares on the Effective Date. This equates to

[26] Non-key management personnel.
[27] The exercise of discretion by the rhipe Board was approved by the independent non-executive rhipe Directors. Dominic O'Hanlon did not vote on the resolution given his interest in the subject matter of the resolution.

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594,404 Performance Rights converting into an equivalent number of rhipe Shares.

(B) **2021-2023 LTIP**

Under the terms that govern the 2021-2023 LTIP, in the event of a change of control of rhipe:

(1) 75% of at target rhipe Performance Rights will automatically vest; and

(2) the rhipe Board has discretion to determine the treatment of the remaining 25% of unvested at target rhipe Performance Rights; and

(3) the rhipe Board has discretion to bring forward the date of automatic vesting to a date determined by the rhipe Board.

Consistent with the terms of the 2021-2023 LTIP, the rhipe Board (excluding Mr O'Hanlon) has exercised its discretion and determined that, subject to the Scheme becoming Effective:

(1) 75% of at target Performance Rights for those participants who participated in both the 2019-2021 LTIP and 2020-2022 LTIP; and

(2) 100% of at target Performance Rights for those participants who participated only in the 2021-2023 LTIP,

will vest and automatically convert into rhipe Shares on the Effective Date. This equates to 1,248,837 Performance Rights converting into an equivalent number of rhipe Shares.

In total, 1,843,241 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP will convert into rhipe Shares on the Effective Date.

The rhipe shares issued on conversion of the rhipe Performance Rights will be acquired by Crayon SubCo under the Scheme on the Implementation Date and the holders of those rhipe Shares on both the Scheme Record Date and the Special Dividend Record Date will be entitled to receive the Scheme Consideration and the Special Dividend (if declared).

(ii) **Employee Share Purchase Plan Shares**

Employee Share Purchase Plan Shares will have any restrictions on their disposal released prior to the Scheme Record Date. This means that those shares will be acquired by Crayon SubCo under the Scheme on the Implementation Date and the holders of those rhipe Shares on both the Scheme Record Date and the Special Dividend Record Date will be entitled to receive the Scheme Consideration and the Special Dividend (if declared).

8.3 Marketable securities in Crayon held by, or on behalf of, rhipe Directors

No marketable securities of Crayon or Crayon SubCo are held by, or on behalf of, rhipe Directors as at the date of this Scheme Booklet.

8.4 Interests of rhipe Directors in contracts of Crayon

No rhipe Director has an interest in any contract entered into by Crayon or Crayon SubCo.

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8.5 Other interests of rhipe Directors

Other than as noted in section 8.2 above and as set out in section 8.6, no rhipe Director has any other interest, whether as a director, member or creditor of Crayon or Crayon SubCo or otherwise, which is material to the Scheme, other than in their capacity as a holder of rhipe Shares, being their entitlement to receive the Total Cash Consideration for the rhipe Shares they hold.

8.6 Agreements or arrangements with rhipe Directors

As noted in section 8.2 above, Dominic O'Hanlon, Chief Executive Officer and Managing Director:

- holds 393,467 vested Performance Rights granted pursuant to the 2019-2021 LTIP, the vesting of which occurred in the ordinary course and was not connected to the Scheme (which have a value of approximately $983,668 based on the Total Cash Consideration of $2.50 for each rhipe Share); and
- subject to the Scheme becoming Effective, will be entitled to receive $1,063,523 in connection with the early vesting of 425,409 unvested Performance Rights granted pursuant to the 2020-2022 LTIP and 2021-2023 LTIP.

Rule 13.9 of the rhipe Constitution and the non-executive director remuneration policy provide that rhipe's non-executive directors are entitled to claim per diem fees on occasions where approved special work is undertaken outside of expected commitments. Non-executive directors may claim such fees as a result of additional commitments undertaken in connection with the Scheme, however, the total amount payable in those circumstances to all such directors is not material in the context of the Scheme and in any event will not exceed $200,000 in aggregate.

Other than this, there is no agreement or arrangement made between any rhipe Director and any other person, including a member of the Crayon Group, in connection with or conditional upon the outcome of the Scheme.

8.7 Payments and other benefits to directors, secretaries or executive officers of rhipe

No payment or other benefit is proposed to be made or given to a director, secretary or executive officer of rhipe or any member of the rhipe Group as compensation for loss of, or as consideration for or in connection with their retirement from, office in rhipe or any member of rhipe Group as a result of the Scheme.

8.8 Suspension of trading of rhipe Shares

If the Court approves the Scheme, rhipe will notify the ASX. It is expected that suspension of trading on the ASX in rhipe Shares will occur from close of trading on the Effective Date. This is expected to occur on Thursday, 14 October 2021.

8.9 Deed Poll

Crayon and Crayon SubCo have executed the Deed Poll pursuant to which each of them has undertaken in favour of each Scheme Shareholder to procure that each Scheme Shareholder is provided the Scheme Consideration to which they are entitled under the Scheme, in accordance with the terms of the Scheme and subject to the Scheme becoming Effective.

A copy of the Deed Poll is contained in Annexure C.

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8.10 Warranties by Scheme Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to Crayon, and to the extent enforceable, to have appointed and authorised rhipe as that Scheme Shareholder's agent and attorney to warrant to Crayon, that all of their Scheme Shares (including all rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Crayon SubCo pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with all rights and entitlements attaching to such Scheme Shares) to Crayon SubCo pursuant to the Scheme. rhipe undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Crayon SubCo on behalf of that Scheme Shareholder.

8.11 Summary of Scheme Implementation Deed

On 6 July 2021, rhipe announced that it had entered into the Scheme Implementation Deed with Crayon, under which Crayon has agreed to acquire all of the rhipe Shares on issue by way of the Scheme. A full copy of the Scheme Implementation Deed was attached to the rhipe ASX announcement on 6 July 2021, which can be obtained from the ASX website (www.asx.com.au) or rhipe's Website.

A summary of the key terms of the Scheme Implementation Deed is set out in this section 8.11.

(a) **Conditions**

Implementation of the Scheme is subject to satisfaction or waiver (where capable of waiver) of the following conditions:

(i) (**FIRB Approval**) before 8.00am on the Second Court Date, either of the following occur:

(A) the Treasurer of the Commonwealth of Australia (***Treasurer***) (or his or her delegate) provides written notice under the FATA, stating that the Commonwealth Government has no objection to the Transaction either unconditionally or subject only to:

(1) 'standard' tax conditions which are in the form, or substantially in the form, of those set out in items 1 to 6 of Part D of the Australian Foreign Investment Review Board's Guidance Note 12 'Tax Conditions' (in the form last updated on 18 December 2020); and

(2) such other conditions acceptable to Crayon (acting reasonably); or

(B) following Crayon giving notice under the FATA of the Transaction, the Treasurer becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the Transaction;

(ii) (**rhipe Shareholder Approval**) the Requisite Majorities of rhipe Shareholders approve the Scheme at the Scheme Meeting;

(iii) (**Independent Expert**) the Independent Expert issues an Independent Expert's Report which concludes that the Scheme is in the best interests of rhipe Shareholders and does not publicly change or withdraw that conclusion before 8.00am on the Second Court Date;

(iv) (**Court Approval**) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;

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(v) (**No restraints**) no applicable law, regulation or rule shall have been enacted and no Order shall be in effect as at 8.00am on the Second Court Date (or the intended date for the Second Court Date, but for such law, regulation, rule or Order) that prevents, makes illegal or prohibits the implementation of the Scheme;

(vi) (**No rhipe Material Adverse Change**) no rhipe Material Adverse Change occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;

(vii) (**No rhipe Prescribed Occurrence**) no rhipe Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;

(viii) (**Performance Rights**) before 8.00am on the Second Court Date, binding arrangements have been put in place to deal with Performance Rights such that no Performance Rights (or any other securities in rhipe other than rhipe Shares) are in existence on the Scheme Record Date;

(ix) (**Specified Contract**) before 8.00am on the Second Court Date, in respect of the Specified Contract, the relevant counterparty has provided their consent, approval, waiver or confirmation to the change of control or ownership of rhipe (or a Subsidiary of rhipe) that will arise from implementation of the Scheme as required under the relevant Specified Contract and subject only to conditions acceptable to Crayon (acting reasonably); and

(x) (**Earn-out Contracts**) in respect of each Earn-out Contract, rhipe has performed all of its obligations thereunder, or the parties have agreed to such necessary variation or amendment of the relevant Earn-out Contract, such that rhipe has no further obligation to issue any rhipe shares on or after the Scheme Record Date.

(b) **Reasonable steps to implement the Scheme**

rhipe must take all steps necessary to propose and implement, and Crayon must take all steps reasonably necessary to assist rhipe to propose and implement, the Scheme as soon as is reasonably practicable and must use reasonable endeavours to ensure that each step in the indicative timetable in the Scheme Implementation Deed is met by the date set out beside that step.

(c) **Obligation to recommend the Scheme**

rhipe must use reasonable endeavours to ensure that:

(i) the rhipe Board unanimously recommends that rhipe Shareholders vote in favour of the Scheme at the Scheme Meeting (the ***Recommendation***);

(ii) this Scheme Booklet and all public announcements by rhipe in relation to the Scheme (other than announcements relating to administrative matters only) includes a statement by the rhipe Board to that effect, and to the effect that each rhipe Director will, vote (or procure the voting of) all rhipe Shares held or controlled by him or her in favour of the Scheme at the Scheme Meeting (the ***Voting Statement***); and

(iii) no member of the rhipe Board changes, withdraws, modifies or qualifies their Recommendation or Voting Statement or makes a recommendation or statement that is inconsistent with their Recommendation or Voting Statement (including by making any public statement supporting, endorsing or recommending a Competing Proposal and/or to the effect that they no longer support the Scheme),

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in each case, other than:

(iv) where the Independent Expert concludes that the Scheme is not in the best interests of rhipe Shareholders (except in circumstances where the sole or predominant reason for that conclusion is the announcement of a Competing Proposal);

(v) where the rhipe Board has determined (after the matching right process described in the sub-section below has been complied with) that rhipe has received a Superior Proposal;

(vi) where the withdrawal, adverse change, modification or qualification occurs because of a requirement by a Court, ASIC or the Takeovers Panel that a rhipe Director abstains from making a recommendation;

(vii) where rhipe reasonably determines that the relevant the rhipe Director has an interest in the Scheme that renders it inappropriate for him or her to make or maintain any recommendation; or

(viii) as a result of any matter or thing giving rhipe the right to terminate the Scheme Implementation Deed for material breach by Crayon.

(d) **Exclusivity**

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of Crayon. These obligations may be summarised as follows:

(i) (**No current discussions**) rhipe represents and warrants that neither it nor any of its Representatives are in any negotiations or discussions, or party to any agreement or arrangement, in connection with, or that could reasonably be expected to lead to, any Competing Proposal with any Third Party.

(ii) (**No shop**) rhipe must not, and must ensure that each of its Representatives and each of its and their Associates do not, solicit, invite, encourage or initiate any Competing Proposal, or any enquiries, proposals, negotiations or discussions with any Third Party in relation to, or that may reasonably be expected to encourage or lead to, any Competing Proposal, or communicate any intention to do any of those things.

(iii) (**No talk**) rhipe must not, and must ensure that each of its Representatives and each of its and their Associates do not, enter into, continue or participate in negotiations or discussions with, or negotiate or enter any agreement, arrangement or understanding with, any Third Party in relation to, or which may reasonably be expected to encourage or lead to, a Competing Proposal, or offer to agree to do any of those things.

(iv) (**No due diligence**) rhipe must not, and must ensure that each of its Representatives and each of its and their Associates do not, disclose or otherwise make available to any Third Party, any non-public information relating to rhipe or any of its Related Bodies Corporate that may reasonably be expected to encourage or lead to, the formation of a Competing Proposal, or communicate any intention to do any of those things.

(v) (**Notification**) If rhipe or any of its Representatives become aware of any receipt of any Competing Proposal, approach, inquiry or request to initiate any negotiations or discussions in respect of, or that may reasonably be expected to lead to, any Competing Proposal, or provision by rhipe or its Representatives of any material non-public information relating to a member of the rhipe Group to any Third Party in relation to any Competing Proposal, rhipe must, as soon as reasonably practicable, and in any event no

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later than 48 hours, notify Crayon. Such notice must include a summary of the material terms and conditions of the Competing Proposal and the identity of the Third Party making or proposing the Competing Proposal (subject to a fiduciary carve out).

(vi) (**Matching right**) Before rhipe or any member of the rhipe Group enter into a legally binding agreement, arrangement or understanding in relation to a Competing Proposal and any rhipe Director withdraws, changes, modifies or qualifies their Recommendation or Voting Statement in favour of the Scheme, or publicly recommends, supports or endorses a Competing Proposal or makes any public statement to the effect that he or she no longer supports the Scheme, the following conditions must be satisfied:

(A) the rhipe Board determines that the Competing Proposal would be or would be reasonably likely to be an actual, proposed or potential Superior Proposal;

(B) rhipe has provided Crayon with all material terms of the actual, proposed or potential Competing Proposal, including, but not limited to, the price and identity of the Third Party making the actual, proposed or potential Competing Proposal;

(C) rhipe has given Crayon at least 5 Business Days from the date rhipe notifies Crayon for the purposes of Crayon's matching right to provide rhipe a counter proposal to the actual, proposed or potential Competing Proposal (a ***Counter Proposal***); and

(D) Crayon has not announced a Counter Proposal, within 5 Business Days, that the rhipe Board, acting reasonably and in good faith, determines to be superior to the terms of the actual, proposed or potential Competing Proposal.

If Crayon submits a Counter Proposal within 5 Business Days and the rhipe Board, acting reasonably and in good faith, determines the Counter Proposal provides a matching or superior outcome for rhipe Shareholders as a whole compared with the Competing Proposal, then rhipe and Crayon must, as soon as reasonably practicable, use their reasonable endeavours to amend the Scheme Implementation Deed, the Scheme and the Deed Poll (as applicable) that are reasonably necessary to reflect the Counter Proposal and to implement the Counter Proposal. Once agreed, rhipe must use its best endeavours to procure that each rhipe Director continues to recommend the Transaction (as modified by the Counter Proposal) to rhipe Shareholders.

However, rhipe is not required to comply with its obligations under the 'No talk', 'No due diligence' and 'Notification' provisions in the Scheme Implementation Deed in relation to a genuine bona fide Competing Proposal (that was not solicited, invited, encouraged or initiated), provided that:

(vii) the rhipe Board has first determined, in good faith, and in what the rhipe Board considers to be in the interests of rhipe and its shareholders, and after having received written advice from its external financial and legal Advisers that such Competing Proposal is, or could reasonably be expected to lead to, a Superior Proposal and failing to respond to such genuine bona fide Competing Proposal would, or would be reasonably likely to, be contrary to the fiduciary or statutory duties of any rhipe Director;

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(viii) rhipe immediately notifies Crayon, as soon as reasonably practicable, if it proposes to rely on this exception to its obligations under the 'No talk', 'No due diligence' and 'Notification' provisions; and

(ix) before any disclosure of non-public information in relation to the rhipe Group to a Third Party, the Third Party has entered into a confidentiality agreement with rhipe.

(e) **Payment of rhipe Break Fee (payable by rhipe)**

(i) rhipe has agreed to pay Crayon the rhipe Break Fee of $4,000,000 if:

(A) (**Change in recommendation**) any rhipe Director:

(1) fails to make the Recommendation or Voting Statement;

(2) withdraws or adversely changes, modifies or qualifies their Recommendation or Voting Statement; or

(3) makes a public statement that they no longer recommend the Transaction or recommending, supporting or endorsing another transaction (including any Competing Proposal),

in each case, other than:

(4) where the Independent Expert concludes that the Scheme is not in the best interests of rhipe Shareholders (except in circumstances where the sole or predominate reason for that conclusion is the announcement of a Competing Proposal);

(5) where the rhipe Board has determined (after the matching right process described in the sub-section above has been complied with) that rhipe has received a Superior Proposal;

(6) where the withdrawal, adverse change, modification or qualification occurs because of a requirement by a Court, ASIC or the Takeovers Panel that a rhipe Director abstains from making a recommendation;

(7) where rhipe reasonably determines that the relevant rhipe Director has an interest in the Scheme that renders it inappropriate for him or her to make or maintain any recommendation;

(8) as a result of any matter or thing giving rhipe the right to terminate the Scheme Implementation Deed for material breach by Crayon; or

(B) (**Competing Proposal announced and transaction subsequently completed**) a Competing Proposal is announced by a Third Party prior to the earlier of the termination of the Scheme Implementation Deed and the End Date and, within nine months after that occurring, the Third Party or any of its Associates:

(1) complete in all material respects a transaction of the kind referred to in the definition of Competing Proposal; or

(2) have a Relevant Interest in at least 50% of rhipe Shares under a transaction that is or has become wholly unconditional or otherwise come to control rhipe or acquire substantially all of the assets of rhipe; or

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(C) (**Material Breach**) Crayon terminates the Scheme Implementation Deed due to a material breach by rhipe; or

(D) (**rhipe Prescribed Occurrence**) Crayon terminates the Scheme Implementation Deed due to the occurrence of a rhipe Prescribed Occurrence.

However, the Break Fee is not payable if the Scheme nevertheless becomes Effective.

For full details of the Break Fee, see clause 12 of the Scheme Implementation Deed.

(f) **Payment of Reverse Break Fee (payable by Crayon)**

Crayon has agreed to pay rhipe the Reverse Break Fee of $4,000,000 if rhipe terminates the Scheme Implementation Deed due to a material breach by Crayon of any provision of the Scheme Implementation Deed (including a representation and warranty given by Crayon where such breach is material to the Transaction as a whole).

For full details of the Reverse Break Fee, see clause 13 of the Scheme Implementation Deed.

(g) **Termination**

Either rhipe or Crayon may terminate the Scheme Implementation Deed by written notice at any time before 8.00am on the Second Court Date if:

(i) the other party is in material breach of any provision of the Scheme Implementation Deed (including a representation and warranty given by either rhipe or Crayon where such breach is material in the context of the Transaction as a whole) and the relevant circumstances continue to exist for five Business Days from the time the non-breaching party's written notice of intention to terminate is given;

(ii) in certain circumstances where there is:

(A) a breach or non-satisfaction of a Condition Precedent which is not waived in accordance with the Scheme Implementation Deed by the time or date specified in the Scheme Implementation Deed for the satisfaction of the relevant Condition Precedent; or

(B) an act, event or occurrence that would, or does, prevent a Condition Precedent being satisfied by the time and date specified in the Scheme Implementation Deed for the satisfaction of that Condition Precedent, and

after consulting in good faith, rhipe and Crayon are unable to reach an agreement to implement the Scheme by alternative means, extend the relevant time for satisfaction of the Condition Precedent, change the date of the First Court Hearing or the Second Court Hearing or extend the End Date; or

(iii) agreed in writing by rhipe and Crayon.

Crayon may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date if any rhipe Director:

(iv) fails to provide the Recommendation or Voting Statement;

(v) has changed, withdrawn or adversely modified or qualified, or made a public statement that is inconsistent with, their Recommendation or Voting Statement; or

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(vi) has recommended or made a statement that they no longer support the Transaction or is recommending, supporting or endorsing another transaction (including a Competing Proposal).

rhipe may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date if a majority of the rhipe Board withdraws its recommendation that rhipe Shareholders vote in favour of the Scheme at the Scheme Meeting, and, if required to pay the rhipe Break Fee as a result of such withdrawal, rhipe has paid Crayon the rhipe Break Fee.

The Scheme Implementation Deed will terminate automatically if, at the Scheme Meeting, the resolution to approve the Scheme is not passed by the Requisite Majorities of rhipe Shareholders.

8.12 Status of FIRB approval

As at the date of this Scheme Booklet, the Treasurer of the Commonwealth of Australia has not yet provided notice that the Commonwealth Government has no objection to the Transaction under the FATA.

While rhipe is not aware of any circumstances which would cause the FIRB condition precedent not to be satisfied as at the date of this Scheme Booklet, it is possible that the requirement for approval from FIRB for the Scheme to proceed may be delayed and that this may result in a delay to the date of the Scheme Meeting. rhipe Shareholders should note that the FIRB condition precedent will need to be satisfied in order for the Scheme to proceed. The Scheme is not conditional on any other regulatory approvals.

8.13 Status of Specified Contract consent

As at the date of this Scheme Booklet, rhipe has received all of the consents, approvals, waivers and confirmations required under the Specified Contract in respect of the Transaction.

8.14 Status of Earn-Out Contracts variations

As at the date of this Scheme Booklet, rhipe has entered into such necessary variations or amendments or secured waivers (as applicable) of the Earn-out Contracts, to ensure that rhipe has no further obligation to issue any rhipe Shares on or after the Scheme Record Date.

8.15 Consents and disclosures

(a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:

(i) Jefferies (Australia) Pty Ltd as financial adviser to rhipe;

(ii) Link Market Services as the manager of the rhipe Share Register; and

(iii) Allens as legal adviser to rhipe in relation to the Scheme, and taxation adviser in relation to the Special Dividend.

(b) The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Annexure A to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.

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(c) Crayon and Crayon SubCo have each given, and neither have withdrawn, its consent to be named in this Scheme Booklet and in relation to the inclusion of the Crayon Information in this Scheme Booklet in the form and context in which that information is included.

(d) Tutus McDonagh Pty Ltd has given and has not withdrawn its consent to be named in this Scheme Booklet and in relation to the inclusion of its voting intention statement in the Letter from the Chairman of rhipe in this Scheme Booklet in the form and context in which that information is included.

(e) Each person named in this section 8.15:

(i) has not authorised or caused the issue of this Scheme Booklet;

(ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this section 8.15; and

(iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 8.15.

8.16 No unacceptable circumstances

rhipe believes that the Scheme does not involve any circumstances in relation to the affairs of rhipe that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

8.17 No other information material to the making of a decision in relation to the Scheme

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Annexures to this Scheme Booklet, there is no other information that is material to the making of a decision by a rhipe Shareholder whether or not to vote in favour of the Scheme Resolution to approve the Scheme, being information that is known to any rhipe Director and which has not previously been disclosed to rhipe Shareholders.

8.18 Supplementary information

If rhipe becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Court Approval Date:

- a material statement in this Scheme Booklet is false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, rhipe may circulate and publish any supplementary document by:

- making an announcement to the ASX;

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- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to rhipe Shareholders at their registered address as shown in the rhipe Share Register; or
- posting a statement on rhipe's Website,

as rhipe in its absolute discretion considers appropriate.

8.19 Transaction costs

rhipe will incur external transaction costs in connection with the Scheme. Certain of these costs are conditional on the Scheme proceeding, and if the Scheme is implemented, these will effectively be borne by Crayon who will have acquired rhipe from implementation. If the Scheme is implemented, rhipe expects to pay an aggregate of approximately $6 million (excluding GST) in external transaction costs in connection with the Scheme. If the Scheme is not implemented, rhipe expects that external transaction costs will be approximately $1.2 million (excluding GST). These transaction costs are primarily payable to rhipe's financial, legal and tax advisors, the Independent Expert and rhipe's Share Registry.

These transaction costs do not include any Break Fee that may be payable by rhipe (see section 8.11(e) for information on the circumstances in which a Break Fee may be payable by rhipe).

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9 Glossary and interpretation

9.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below.

Term	Meaning
2019-2021 LTIP	the rhipe Performance Rights Plan operated by the rhipe group in respect of the performance period between 1 July 2019 and 30 June 2021.
2020-2022 LTIP	the rhipe Performance Rights Plan operated by the rhipe group in respect of the performance period between 1 July 2020 and 30 June 2022.
2021-2023 LTIP	the rhipe Performance Rights Plan operated by the rhipe group in respect of the performance period between 1 July 2021 and 30 June 2023.
ACCC	Australian Competition and Consumer Commission.
Adviser	in relation to an entity, a financial, corporate, legal, or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Transaction by the entity.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12(2)(b) and (c) of the Corporations Act, where for the purposes of section 12, the 'designated body' is rhipe or Crayon (as applicable).
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
ASX Listing Rules	the official listing rules of the ASX.
ATO	Australian Tax Office.
Break Fee	$4,000,000.
Business Day	any day that is each of the following: • a Business Day within the meaning given in the ASX Listing Rules; and • a day that banks are open for business in Sydney, Australia and Oslo, Norway.
CHESS	Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).
Competing Proposal	any expression of interest, offer, proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in a Third Party (either alone or together with any Associate):

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Term	Meaning
	• directly or indirectly acquiring a Relevant Interest in, becoming the holder of, or otherwise having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of rhipe Shares; • directly or indirectly acquiring control within the meaning of section 50AA of the Corporations Act of rhipe or a material Subsidiary of rhipe; • directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantially part of rhipe's business or assets or the business or assets of the rhipe Group; or • otherwise directly or indirectly acquiring or merging with rhipe or a material Subsidiary of rhipe, whether by way of takeover offer or bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition or other transaction, capital reduction, buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger) or other transaction or arrangement.
Conditions Precedent	each of the conditions set out in clause 3.1 of the Scheme Implementation Deed.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	the *Corporations Act 2001* (Cth), as modified or varied by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.
Court	the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing between rhipe and Crayon.
Court Approval Date	the date when the Court grants its approval to the Scheme under section 411(4) of the Corporations Act.
COVID-19 or Coronavirus	the Novel Coronavirus (COVID-19) pandemic.
Crayon	Crayon Group Holding ASA (incorporated in Norway).
Crayon Group	Crayon and each of its Related Bodies Corporate (excluding, at any time, rhipe and its Subsidiaries to the extent that rhipe and its Subsidiaries are subsidiaries of rhipe at that time). A reference to a ***member of the Crayon Group*** is a reference to Crayon or any such Related Bodies Corporate.
Crayon Group AS	Crayon Group Holding AS (incorporated in Norway).

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Term	Meaning
Crayon HoldCo	Crayon Australia Holding Pty Ltd (ACN 653 041 313), being an Australian indirect wholly-owned subsidiary of Crayon.
Crayon Information	information about the Crayon Group provided or approved by Crayon or any of its Advisers to rhipe in writing for inclusion in this Scheme Booklet.
Crayon Party	any member of the Crayon Group or any officer, employee or Adviser of any of them.
Crayon SubCo	Crayon Software Experts Australia Pty Ltd (ACN 653 041 788), being an Australian indirect wholly-owned subsidiary of Crayon.
Data Room Materials	the information disclosed by or on behalf of the rhipe Group (including in response to requests for information) to a Crayon Party through the electronic data room as at 8:00am on 5 July 2021, as included on one USB drive delivered to Crayon on or around the date of the Scheme Implementation Deed.
Disclosure Letter	the letter identified as such provided by rhipe to Crayon and countersigned by or on behalf of Crayon on or prior to the date of the Scheme Implementation Deed and any document identified in that letter as having been disclosed to Crayon subject to such document having been Fairly Disclosed in the Due Diligence Material on or prior to the date of that letter.
Due Diligence Material	the Data Room Materials and any information disclosed by or on behalf of the rhipe Group (including in response to requests for information) to a Crayon Party, including any written information disclosed to Crayon and its Advisers during management presentations held via teleconference on 17 June 2021, 23 June 2021 and 24 June 2021.
Earn-out Contract	means each of the following: • the share purchase agreement dated 2 August 2019 between rhipe, rhipe Australia Pty Ltd, SmartEncrypt Pty Ltd (formerly Network2share Pty Ltd) and Gary Howard McKay; • the securities purchase agreement between dated 21 September 2020, amongst others, rhipe, rhipe Australia Pty Ltd, rhipe NZ Limited, the Sellers and the Sellers Guarantor (as each term is defined therein) in respect of, amongst other things, the issued shares in the capital of Parallo Pty Ltd and the units of the Parallo Unit Trust; and • the share purchase agreement dated 1 April 2021 between, amongst others, rhipe, rhipe Australia Pty Ltd, the Sellers and Guarantor (as each term is defined therein) in respect of the issued shares in the capital of emt Distribution Pty Ltd and emt Distribution Pte Limited.

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Term	Meaning
EBITDA	earnings before interest, tax, depreciation and amortisation.
Effective	the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	the date on which the Scheme becomes Effective.
End Date	the date that is six months after the date of the Scheme Implementation Deed, which is 6 January 2022, or such other date as may be agreed in writing between rhipe and Crayon.
Employee Share Purchase Plan	the Employee Share Purchase Plan adopted by the rhipe Board on 17 February 2020.
Exclusivity Period	the period from and including the date of the Scheme Implementation Deed, which is 6 July 2021, to the earlier of: • the termination of the Scheme Implementation Deed in accordance with its terms; and • the End Date.
Executive KMP	as at the date of this Scheme Booklet, those employees listed in section 4.5(b).
Fairly Disclosed	in relation to a matter, that sufficient information about the matter is disclosed in sufficient detail to enable a reasonable person experienced in the industries in which the rhipe Group operates or transactions similar to the Transaction to identify the nature, substance and scope of the relevant matter.
FATA	the *Foreign Acquisitions and Takeovers Act 1975* (Cth).
FIRB	the Australian Foreign Investment Review Board.
First Court Date	the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meeting be convened is heard or, if the application is adjourned for any reason, the day on which the adjourned application is heard.
FY19	the financial year ending 30 June 2019.
FY20	the financial year ending 30 June 2020.
FY21	the financial year ending 30 June 2021.
Government Agency	any Australian or foreign government or governmental, semi-governmental or judicial entity or authority. It also includes any government minister (and his or her delegate), any self-regulatory organisation established under statute or any securities exchange and, for the avoidance of doubt, includes ASIC, ASX, OSE, FIRB, ACCC and equivalent bodies in jurisdictions outside Australia.

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Term	Meaning
GST	goods and services tax or similar value added tax levied or imposed in Australia on a supply.
Implementation Date	the fifth Business Day after the Scheme Record Date or such other date agreed to in writing between rhipe and Crayon.
Independent Expert	KPMG, the independent expert engaged by rhipe.
Independent Expert's Report	a report (including any written updates to such report) of the Independent Expert stating whether or not in its opinion the Scheme is in the best interests of rhipe Shareholders.

Insolvency Event	in the case of any entity,
	• it ceases, suspends, or threatens to cease or suspend the conduct of all or a substantial part of its business or disposes of or threatens to dispose of all or a substantial part of its assets;
	• it stops or suspends, or threatens to stop or suspend, payment of all or a class of its debts;
	• it is, or under legislation is presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or claim the subject of a good faith dispute);
	• it has an administrator, controller or similar officer appointed, or any step preliminary to the appointment of such an officer is taken;
	• an application or an order is made, proceedings are commenced, or a resolution is passed (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days) for:
	  • its winding up, dissolution or administration; or
	  • it entering into an arrangement, compromise or composition with, or assignment for, the benefit of its creditors or a class of them;
	• a:
	  • receiver, receiver and manager, administrative receiver or similar officer is appointed to;
	  • security interest becomes enforceable or is enforced over; or
	  • distress, attachment or other execution is levied or enforced or applied for over,
	all or a substantial part of its assets; or

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Term	Meaning
	• anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurs with respect to it, including under any foreign law.
KPMG	KPMG Financial Advisory Services (Australia) Pty Ltd (ACN 007 363 215).
Last Practicable Trading Date	2 September 2021, being the last practicable trading date before the date of this Scheme Booklet.
Link Market Services	Link Market Services Limited (ACN 083 214 537).
Listing Rules	the official listing rules of the ASX.
Order	any decree, judgment, injunction, direction, writ or other order, whether temporary, preliminary or permanent, made or given by an Australian court of competent jurisdiction or by another Australian government agency.
OSE	Oslo Stock Exchange (Oslo Børs).
Performance Right	a performance right granted by rhipe under the rhipe Performance Rights Plan, which entitles the holder to receive a rhipe Share in certain circumstances.
Related Bodies Corporate	has the meaning set out in section 50 of the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	in relation to rhipe or Crayon: • each other member of the rhipe Group or Crayon Group (as applicable); • an officer or employee of a member of the rhipe Group or Crayon Group (as applicable); or • an Adviser to a member of the rhipe Group or Crayon Group (as applicable).
Requisite Majority	in relation to the Scheme Resolution, a resolution passed by: • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by eligible rhipe Shareholders present and voting (whether in person or by duly appointed proxy, attorney or corporate representative); and • unless the Court orders otherwise, a majority in number (more than 50%) of eligible rhipe Shareholders present and voting at the Scheme Meeting (whether in person or by duly appointed proxy, attorney or corporate representative).

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Term	Meaning
	A reference to the ***Requisite Majorities*** is a reference to both of the above majorities.
Reverse Break Fee	$4,000,000.
rhipe	rhipe Limited (ACN 112 452 436).
rhipe Board	the board of directors of rhipe.
rhipe Break Fee	$4,000,000.
rhipe Director	a member of the rhipe Board.
rhipe Group	rhipe and each of its Subsidiaries. A reference to a ***member of the rhipe Group*** is a reference to rhipe or any such Subsidiary.
rhipe Information	the information contained in this Scheme Booklet, other than the Crayon Information and the Independent Expert's Report (excluding the information provided by rhipe to the Independent Expert).
rhipe Material Adverse Change	any event, occurrence, circumstance or matter that occurs, if discovered or is announced (each a ***Specified Event***) on or after the date of the Scheme Implementation Deed, which has resulted in, or is reasonably likely to result in, either individually or when aggregated with all such events, occurrences, circumstances or matters of a like kind or category: (a) a reduction in the consolidated annual operating profit of the rhipe Group (on a recurring basis) by an amount more than $1,800,000 (calculated in a manner consistent with the rhipe Group's annual accounts and after taking into account any Specified Event after the date of the Scheme Implementation Deed that has or could reasonably be expected to have a positive effect on consolidated annual operating profit), as compared to what the consolidated annual operating profit of the rhipe Group could reasonably be expected to have been but for Specified Event; or (b) a diminution in the consolidated net assets of the rhipe Group by an amount equal to $9,852,000 or more, as compared to what the consolidated net assets of the rhipe Group could reasonably be expected to have been but for the Specified Event, in each case other than any event, occurrence, circumstance or matter: (c) required or expressly permitted by the Scheme Implementation Deed or the Scheme (including the payment of any Special Dividend); (d) which Crayon has previously approved or requested in writing;

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Term	Meaning
	(e) to the extent that it was Fairly Disclosed in the Due Diligence Material or the Disclosure Letter; (f) Fairly Disclosed to ASX within three years prior to the date of the Scheme Implementation Deed or Fairly Disclosed in a document lodged with ASIC that is publicly available by or on behalf of rhipe within 12 months prior the date of the Scheme Implementation Deed; (g) that is (including its likely impact) within the actual knowledge of Crayon as at the date of the Scheme Implementation Deed; (h) arising from any actual or proposed change in any law, rule or regulation, generally accepted accounting standards or principles or the interpretation of any such standards or principles or other change in accounting standards, after the date of the Scheme Implementation Deed; (i) arising from general economic, business or financial market conditions or changes in those conditions that impact Australian businesses generally; (j) arising from an act of terrorism, war (whether or not declared), natural disaster, epidemic, pandemic or adverse weather conditions, cyber security incident or the like after the date of the Scheme Implementation Deed; (k) arising from the Coronavirus or COVID-19 pandemic (or any mutation, variation or derivative), including the outbreak, escalation or any impact of, or recovery from, the Coronavirus or COVID-19 pandemic, including as a result of lockdowns, travel restrictions, social distancing and restrictions of and on activities, venues and gatherings; (l) that is the effect of any applicable laws, orders, rules or regulations of any Governmental Agency, including the effect of any Australian government directions, in respect of the Coronavirus or COVID-19 pandemic (or any mutation, variation or derivative); (m) relating to third party costs and expenses incurred by rhipe associated with the Transaction, including any fees payable to external Advisers of rhipe, to the extent such amounts are Fairly Disclosed in the Due Diligence Material or Disclosure Letter; or (n) arising from the announcement of, or entry into, or performance of obligations under, the Scheme Implementation Deed and consummation of the transactions

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Term	Meaning
	contemplated by the Scheme Implementation Deed (including, to the extent it arises out of the entry into or performance of those obligations, the loss of any contract).
rhipe Performance Rights Plan	the long-term incentive plan of rhipe governed by the rhipe Performance Rights Plan Rules dated 2 November 2017, as amended and replaced on 26 November 2020.
rhipe Prescribed Occurrence	any of the following occurrences: 1 Any member of the rhipe Group reclassifies, consolidates, splits or redeems, directly or indirectly, all or any of its shares. 2 Any member of the rhipe Group resolves to reduce its share capital in any way. 3 rhipe: (a) enters into a buy-back agreement; or (b) resolves to approve the terms of a buy-back agreement under the Corporations Act. 4 Any member of the rhipe Group issues shares or other securities to a person, or grants an option over or a right to receive its shares or other securities, or agrees to make such an issue or grant such an option or right, other than: (a) where the shares or other securities are issued, or where the options are granted, by a member of the rhipe Group (other than rhipe) to another member of the rhipe Group; or (b) the issue of rhipe Shares upon the exercise or vesting of Performance Rights which are on issue as at the date of the Scheme Implementation Deed. 5 Any member of the rhipe Group issues, or agrees to issue, convertible notes or any other instrument or security convertible into shares or securities in or of any member of the rhipe Group, other than to another member of the rhipe Group. 6 Any member of the rhipe Group makes any change to its constitution. 7 rhipe disposes, or agrees to dispose, of the whole or a substantial part of the business or property of the rhipe Group (whether by way of a single transaction or series of related transactions). 8 Any member of the rhipe Group agrees to pay, declares, determines, pays or makes, or incurs a liability to pay or

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Term	Meaning
	make, a dividend or any other form of distribution of profits or capital (whether in case or in specie), other than any Special Dividend. 9 rhipe Shares cease to be quoted, or are suspended from quotation, on the ASX. 10 The rhipe Representation and Warranty (as that term is defined in the Scheme Implementation Deed) in paragraph 6 (Capital Structure) and 7 (Diluted Capital) of Schedule 2 of the Scheme Implementation Deed being inaccurate (other than a breach arising as a result of nominal variations in the number of rhipe Shares or Performance Rights on issue). 11 rhipe grants, or agrees to grant, a security interest in or over the whole or a substantial part of the business or property of the rhipe Group. 12 Any member of the rhipe Group resolves to be wound up. 13 A liquidator or provisional liquidator of any member of the rhipe Group is appointed. 14 A court makes an order for the winding up of any member of the rhipe Group. 15 An administrator of any member of the rhipe Group is appointed under section 436A, 436B or 436C of the Corporations Act. 16 Any member of the rhipe Group executes a deed of company arrangement. 17 A receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any member of the rhipe Group.
rhipe Share or Share	a fully paid ordinary share in the capital of rhipe.
rhipe Shareholder or Shareholder	each person who is registered as the holder of a rhipe Share in the rhipe Share Register.
rhipe Share Price	the price of rhipe Shares as quoted on the ASX.
rhipe Share Register	the register of the members of rhipe maintained in accordance with the Corporations Act.
rhipe Share Registry	Link Market Services.
rhipe's Website	https://www.rhipe.com/about/investors/
Scheme or Scheme of Arrangement	the scheme of arrangement under Part 5.1 of the Corporations Act between rhipe and the Scheme Shareholders in the form of Annexure B (or such other form agreed to in writing between rhipe and Crayon).

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Term	Meaning
Scheme Booklet	this document being the explanatory statement in respect of the Scheme, which has been prepared by rhipe in accordance with section 412 of the Corporations Act.
Scheme Consideration	the consideration to be provided by Crayon SubCo to each Scheme Shareholder for the transfer to Crayon SubCo of each Scheme Share, being the Total Cash Consideration.
Scheme Implementation Deed	the Scheme Implementation Deed between rhipe and Crayon dated 6 July 2021. A summary is set out in section 8.11, and a full copy can be obtained from rhipe's Website.
Scheme Meeting	the meeting of rhipe Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act. The Scheme Meeting will be held virtually through an online platform, details of which are set out in the Notice of Meeting in Annexure D.
Scheme Meeting Record Date	7:00pm (Sydney time) on Saturday, 9 October 2021.
Scheme Record Date	7.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between rhipe and Crayon.
Scheme Resolution	a resolution of eligible rhipe Shareholders to approve the Scheme, the form of which is set out in the Notice of Meeting in Annexure D of this Scheme Booklet.
Scheme Shareholder	a person registered in the rhipe Share Register as the holder of one or more Scheme Shares at the Scheme Record Date.
Scheme Shares	the rhipe Shares on issue as at the Scheme Record Date.
Second Court Hearing or Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the day on which the adjourned application is heard.
Special Dividend	a fully franked special dividend declared or determined by the rhipe Board of up to $0.13 per rhipe Share held by a rhipe Shareholder as at the Special Dividend Record Date, which rhipe may in its discretion determine to declare or pay.
Special Dividend Payment Date	the date of payment of the Special Dividend (if any), as determined by the rhipe Directors in their sole discretion, currently expected to be Monday, 25 October 2021.
Special Dividend Record Date	the record date for the Special Dividend (if any), as determined by the rhipe Directors in their sole discretion, currently expected to be 7:00pm (Sydney time) on Monday, 18 October 2021.
Specified Contract	the contract for the provision of services between members of the rhipe Group and a customer agreed in writing by rhipe and Crayon for the purposes of this definition.

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Term	Meaning
Subsidiary	has the meaning given in the Corporations Act, provided that an entity will also be taken to be a Subsidiary of another entity if it is controlled by that entity (as 'control' is defined in section 50AA of the Corporations Act) and, without limitation: • a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; • an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and • an entity will also be deemed to be a Subsidiary of an entity if that entity is required by the accounting standards to be consolidated with that entity.
Superior Proposal	a bona fide written Competing Proposal received by rhipe (and not received as a result of a breach by rhipe of its obligations under clause 11 of the Scheme Implementation Deed) after the date of the Scheme Implementation Deed that that the rhipe Board considers, acting in good faith and in order to satisfy what the rhipe Board considers to be its fiduciary and statutory duties (after having obtained written advice with rhipe's legal adviser and financial advisers): • is reasonably capable of being valued and reasonably capable of being completed in accordance with its terms; and • would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to rhipe Shareholders than the Transaction (as the Transaction may be amended or varied following application of the matching right set out in clause 11.4 of the Scheme Implementation Deed), taking into account all material terms and conditions of the Competing Proposal (including consideration, conditionality, funding, certainty and timing) and the identity of the relevant Third Party.
Third Party	a person other than any member of the Crayon Group.
Total Cash Consideration	$2.50 in cash per rhipe Share comprising: • (**if a Special Dividend is paid**) (i) an amount of $2.50 cash per rhipe Share held on the Scheme Record Date less the cash amount of the Special Dividend (payable by Crayon SubCo); and (ii) the amount of the Special Dividend in cash per rhipe Share held on the Special Dividend Record Date (payable by rhipe); or • (**if a Special Dividend is not paid**) an amount of $2.50 in cash per rhipe Share held on the Scheme Record Date (payable by Crayon SubCo).

Term	Meaning
Transaction	the acquisition of the Scheme Shares by Crayon SubCo through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed.
Voting Power	has the meaning given in the Corporations Act.

9.2 Interpretation

In this Scheme Booklet:

(a) words of any gender include all genders;

(b) words importing the singular include the plural and vice versa;

(c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

(d) a reference to a section or annexure, is a reference to a section of or annexure of, this Scheme Booklet as relevant;

(e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;

(f) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;

(g) a reference to time is a reference to Sydney, Australia time unless otherwise specified;

(h) a reference to dollars and $ is to Australian currency;

(i) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and

(j) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

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Annexure A

Independent Expert's Report

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The Directors
rhipe Limited
Level 19
100 Miller St
North Sydney NSW 2060

2 September 2021

Dear Directors

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

PART ONE –INDEPENDENT EXPERT REPORT

1 Introduction

On 6 July 2021, rhipe Limited (**rhipe**) announced that it had entered into a Scheme Implementation Deed with Crayon Group Holding ASA (**Crayon**) under which Crayon or a wholly owned subsidiary of Crayon (**Crayon SubCo**), would acquire 100% of rhipe shares for cash consideration of $2.50 per rhipe share (less the cash amount of any special dividend) (**Consideration**) by way of a scheme of arrangement (**the Scheme**). The Scheme Implementation Deed was also executed on 6 July 2021.

This followed the announcement on 1 July 2021 of the non-binding indicative proposal received from Crayon (**indicative proposal**), also for $2.50 per rhipe share (less the cash amount of any special dividend).

The rhipe Board intends to declare a fully franked special dividend (**Special Dividend**) of up to 13 cents per rhipe share before the implementation of the Scheme, conditional on the Scheme being approved and becoming effective, which will be paid on the Special Dividend Payment Date[1] to rhipe shareholders who hold rhipe shares on the Special Dividend Record Date.[2,3] If the Special Dividend is declared, those rhipe

[1] 25 October 2021.

[2] 7 pm (Sydney time) on 18 October 2021.

[3] 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.

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shareholders who are entitled to the Special Dividend may be entitled to receive up to 5.6 cents per rhipe share of additional benefit from franking credits.[4]

rhipe is an ASX Limited (**ASX**)-listed cloud channel company providing sale and support of subscription software licences to approximately 3,500 IT service providers, system integrators and software resellers, who support small to medium enterprises (**SME**s) in the Asia Pacific (**APAC**) region. rhipe's business model is focused on pay-as-you-go (**PAYG**) cloud software subscriptions and maximising clients' investment in cloud software. The cloud products that rhipe sells are not built by rhipe but are distributed on behalf of international software vendors like Microsoft, VMWare and Citrix. rhipe also provides value added services to resellers which are aimed at driving the ongoing growth in consumption of cloud software products. As at 28 June 2021, the last trading day prior to the announcement of the indicative proposal, rhipe had a market capitalisation of $336.6 million.[5]

Crayon is an Oslo Stock Exchange (**OSE**)-listed IT advisory firm in direct and indirect software licensing and digital transformation. Headquartered in Oslo, Norway, Crayon has over 2,000 employees across more than 55 locations and 35 countries worldwide. As at 1 September 2021, Crayon had a market capitalisation of $2.2 billion.[6]

Completion of the Scheme is subject to customary conditions precedent including approval of rhipe shareholders, approval by the Court, an independent expert determining that the Scheme is in the best interests of rhipe shareholders and receipt of Foreign Investment Review Board (**FIRB**) approval. Further details in relation to the Scheme and its conditions precedent are set out in the Scheme Implementation Deed which was announced to the ASX on 6 July 2021, the explanatory statement in respect of the Scheme (**Scheme Booklet**) to be sent to the rhipe shareholders and in Section 4 of this report.

The Directors of rhipe unanimously recommend that rhipe shareholders vote in favour of the Scheme in the absence of a superior proposal and an independent expert concluding and continuing to conclude that the Scheme is in the best interests of rhipe 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.[7]

Whilst there is no technical requirement for an independent expert report to be prepared for the Scheme, it is a condition precedent of the Scheme as set out in the Scheme Implementation Deed. Therefore, the Directors have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) to prepare an independent expert report for rhipe shareholders in relation to the Scheme.

The purpose of the report is to set out whether or not, in our opinion, the Scheme is in the best interests of rhipe shareholders taken as a whole. This report should be considered in conjunction with and not independently of the information set out in the Scheme Booklet.

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[4] Whether a rhipe shareholder will be able to receive the full benefit of the franking credits attached to the Special Dividend will be dependent on a rhipe shareholders personal circumstances and whether a favourable class ruling is obtained from the Australian Tax Office (**ATO**).

[5] Calculated as closing price $2.09 multiplied by 161,075,376 ordinary shares on issue.

[6] Calculated as 83,968,764 ordinary shares multiplied by the closing price on 1 September 2021 of Norwegian Krone of 166.3 per share converted to Australian dollars at an exchange rate of approximately 1 NOK = A$0.16.

[7] Scheme Meeting is expected to be held virtually through an online platform at 11 am (Sydney time) on 11 October 2021.

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Further information regarding KPMG Corporate Finance, as it pertains to the preparation of this report, is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Requirements for our report

Section 412(1) of the Corporations Act 2001 (**the Corporations Act**) requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Corporations Act, include information that is material to the making of a decision by a member as to whether or not to agree with the relevant proposal. Whilst there is no technical requirement for an independent expert report to be prepared for the Scheme, it is a condition precedent of the Scheme as set out in the Scheme Implementation Deed. In this regard, the Directors have requested KPMG Corporate Finance to prepare an independent expert report to satisfy the requirements of Section 411 and to assist rhipe shareholders in assessing the merits of the Scheme.

In undertaking our work, we have referred to guidance provided by the Australian Securities and Investments Commission (**ASIC**) in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an independent expert report to consider and 'Regulatory Guide 112 Independence of experts' (**RG 112**).

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 5 of this report.

3 Opinion

In our opinion, the Scheme is **in the best interests of rhipe shareholders** in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Scheme is:

- fair, by comparing the Consideration to our assessed value of a rhipe share on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111, and
- reasonable, by assessing the implications of the Scheme for rhipe shareholders, the alternatives to the Scheme which are available to rhipe and the consequences for rhipe shareholders of not approving the Scheme.

Our assessment has concluded that the Scheme is fair and reasonable. As such, in accordance with RG 111, we have concluded that the Scheme is in the best interests of rhipe shareholders.

rhipe is a well performing company that has established itself as an important partner for Microsoft and other software vendors in the APAC region. With the software industry's continuing migration to cloud based solutions and the expansion of its Services capabilities, opportunities exist for rhipe to continue its profile of strong sales growth, maintain its position as a leading participant in the IT distribution industry in Australia and New Zealand (**ANZ**) and expand its presence further in the growing APAC region.

However, the growth opportunities present in the IT distribution industry are not of a similar scale to those that exist in many other technology sectors. As a result, the industry challenges that have slowly eroded rhipe's licensing margin performance in recent years are likely to have a more material impact on the performance of the business in the future, particularly given rhipe's relatively small size and its significant sales reliance on Microsoft products. The challenges include the changing business dynamics between vendors, distributors and the end-customer due to the commoditisation of the cloud, the growing power of the customer in an increasingly competitive environment and the potential for the current vendor

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model to change or pricing and/or incentives to be scaled back, all of which represent genuine threats to rhipe's long-term success.

The offer from Crayon has come at a time of consolidation in the IT distribution industry, as participants seek to build scale in their businesses to combat the industry challenges. Whilst rhipe is not in a position where it is compelled to engage in the industry consolidation, the alignment of the Crayon and rhipe businesses would create a strong platform to combat the challenges facing the industry. However, as rhipe shareholders would no longer hold an interest in the improved platform, our assessment has focussed on whether the Scheme consideration adequately compensates rhipe shareholders for giving up the value inherent in the rhipe business that will pass to Crayon shareholders post acquisition.

Assessment of fairness

In forming our view as to the value of rhipe, we have considered a series of factors including rhipe's earnings profile, market position and growth prospects. As required by RG 111 we have valued rhipe on a controlling interest basis.

We have assessed the value of a rhipe share to be in the range of $2.42 to $2.73. Our assessment of value has been based on a discounted cash flow (**DCF**) methodology and has been cross-checked utilising a capitalisation of earnings (**Capitalised Earnings**) methodology. The valuation incorporates synergies and benefits that would generally be available to a pool of purchasers. It does not include other potential synergies available to any particular acquirer.

As the Consideration of $2.50 per rhipe share falls within our assessed value range for a rhipe share, we consider the Scheme to be fair.

Our analysis of the fairness of the Scheme is detailed further in Section 3.1 below.

Assessment of reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, this means that the Scheme is reasonable. Notwithstanding this requirement, we have also considered a number of factors that rhipe shareholders may wish to consider in assessing whether to approve the Scheme. These include:

- the Consideration represents a moderate premium to recent trading prices of rhipe shares up until 28 June 2021.[8] Therefore, the Scheme represents the best opportunity for rhipe shareholders to realise a control value for their securities in the absence of a superior proposal
- the Consideration allows rhipe shareholders to immediately realise the value of their investment for cash and without incurring transaction costs. It provides certainty as to the pre-tax amount rhipe shareholders will receive and to the extent that a Special Dividend is declared, this dividend will be fully franked, which may provide a benefit to rhipe shareholders depending on their personal tax situation
- rhipe shareholders who receive the Consideration are no longer exposed to the risks to which rhipe is exposed, including the risks of vendor reliance, the potential for a reduction in incentives, lower margin product and region mix, ongoing COVID-19 headwinds in Asia, and continued intensifying competition in the APAC region, which may impact customer and reseller retention as well as pricing
- if the Scheme is approved, rhipe shareholders will not participate in the potential long-term benefits from any future growth in the business, specifically if the momentum of cloud adoption accelerates

[8] The last trading day prior to the announcement of the indicative proposal.

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and the customers' need for complementary value-add services and support continues to grow, resulting in growth in revenues beyond that assumed in our analysis. In this regard, rhipe has made significant investment in its Services business in recent years, the benefit of which is expected to increase the Services portion of total revenue moving forward

- in the period since the Scheme was announced, no superior proposal has emerged. Whilst there will continue to be an opportunity for interested parties to put forward a superior proposal until the Scheme Meeting, no alternative may be forthcoming, and
- in the absence of the Scheme or a superior alternative proposal, the rhipe share price is likely to fall to levels at which it was trading prior to the announcement of the indicative proposal (i.e. prices that do not include a control premium), subject to any market or company specific events since that date.

rhipe shareholders should also consider the general tax implications associated with the Scheme, the number of conditions which if not satisfied will result in the Scheme not being implemented and the transaction costs that will be incurred irrespective of whether the Scheme is implemented.

Our analysis of the reasonableness considerations is detailed further in Section 3.2 of this report.

The decision of whether or not to approve the Scheme is a matter for individual rhipe shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including their investment strategy and portfolio, risk profile and tax position. If in doubt, rhipe shareholders should consult their own professional adviser regarding the action they should take in relation to the Scheme.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of this report. We have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 5.3 of our report.

3.1 The Scheme is fair

We have valued 100% of the equity in rhipe in the range of $396 million to $446 million, which corresponds to a value of $2.42 to $2.73 per rhipe share. As the Consideration of $2.50 per rhipe share is within our assessed value range for a rhipe share, we consider the Scheme to be fair.

Our valuation of rhipe is set out in Section 8 of this report and is summarised below.

Table 1: rhipe valuation summary

$ million	Section Reference	Low	High
Value of operating business	8.3	350.0	400.0
Enterprise value		**350.0**	**400.0**
Add: Net cash	8.4	53.8	53.8
Less: Contingent consideration	8.5	(7.8)	(7.8)
Value of equity (100% basis)		**396.0**	**446.0**
Diluted number of shares on issue (million)	8.6	163.4	163.4
Value per rhipe share ($)		**2.42**	**2.73**

Source: KPMG Corporate Finance analysis.
Note: Table may not add due to rounding.

Our valuation reflects 100% ownership of rhipe and, therefore, incorporates a control premium. As a result, we would expect the value to be in excess of the price at which rhipe shares would trade on the

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ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have considered synergies that may be available to a pool of potential purchasers.

The value of rhipe's operating business is based on a DCF methodology and has been cross-checked utilising a Capitalised Earnings methodology, taking into account multiples at which selected listed global IT distribution companies are trading and transactions involving companies operating globally in the IT distribution industry. We have then added the net cash as at 30 June 2021 and subtracted contingent consideration.

The key factors considered in our assessment of the value of rhipe are:

- the commoditisation of the cloud and complementary support services is expected to continue to reduce barriers to entry and increase competition in the APAC market, as well as reduce the incentives that are offered by software vendors
- the strong industry growth outlook for the cloud services market in the APAC region, as customers continue to migrate to the cloud
- rhipe's strategic focus, which was updated as part of a strategic review undertaken in early 2021, to expand into other markets within the APAC region, grow its portfolio of solutions, provide ongoing value-add services for vendors/partners and build a greater digital experience for customers through its own platform and software products. Furthermore, rhipe is seeking to increase its non-Microsoft portion of Licensing revenue and its Services portion of total revenue, hence limiting its reliance on Microsoft's O365 and Azure products
- the advantages provided by scale (e.g. negotiating power, economies of scale) and the time required and challenges of building scale
- rhipe's declining licensing margin trend since FY19 and an expectation that its licensing margin will decline further, driven by lower incentives and increasing competition, as customers' bargaining power grows and competitors look to diversify their operations to gain exposure to the momentum of the cloud
- rhipe's reliance on vendors to access the software licenses that they distribute to customers
- potential for further COVID-19 pandemic outbreaks impacting rhipe's ability to expand and invest further in the APAC region
- the minimal switching costs for customers of rhipe, who gain bargaining power as they increase scale and will seek to minimise IT expenditure
- the lack of differentiation between competitors in a saturated market
- rhipe's relatively low operating leverage and minor capital expenditure requirements
- the makeup of rhipe's product and geographical mix, and
- synergies available to a pool of potential purchasers.[9]

We have considered the potential impact of the above factors on rhipe when completing the scenario analysis which forms part of our DCF assessment.

[9] Refer to Section 8.2.3 of this report.

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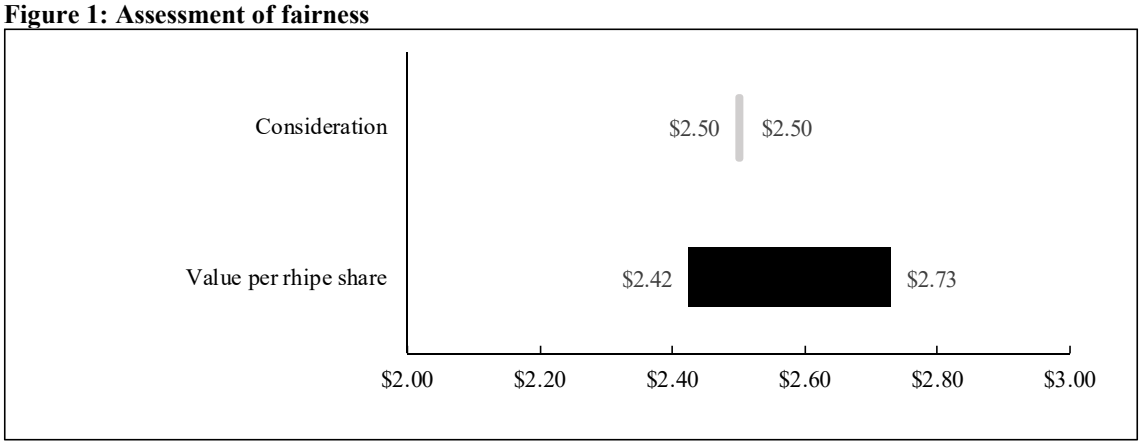
A comparison of our assessed value per rhipe share on a control basis to the Consideration is illustrated below.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance analysis.

As the Consideration of $2.50 per rhipe share is within our assessed value range for a rhipe share of $2.42 to $2.73, we consider the Scheme to be fair.

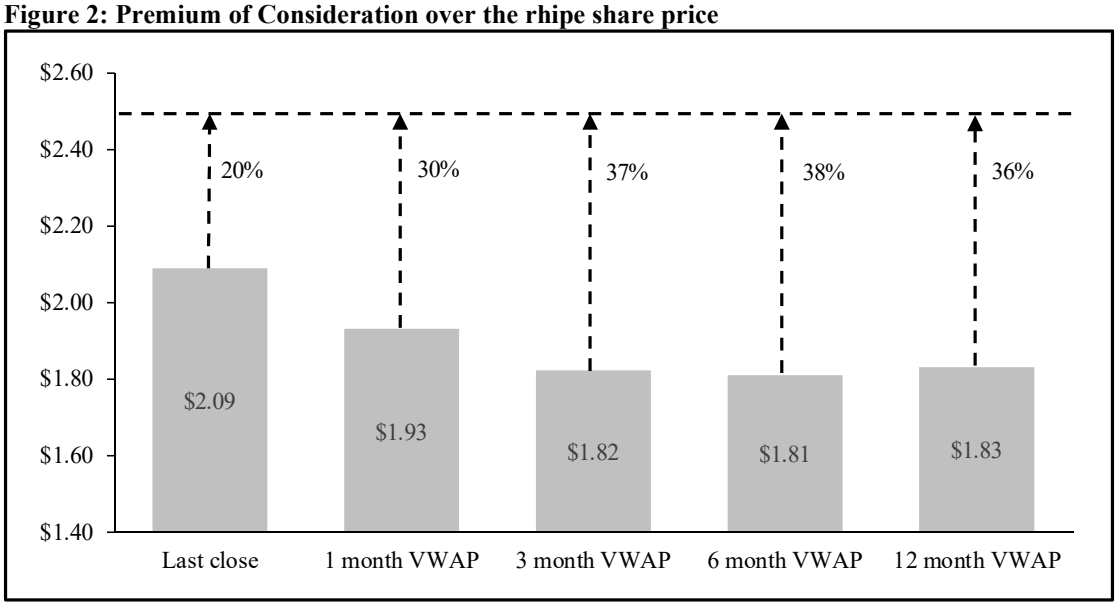
3.2 The Scheme is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, this means that it is reasonable. Notwithstanding this requirement, we have also considered the following factors that rhipe shareholders may wish to consider in assessing whether to approve the Scheme.

The Consideration represents a moderate premium to the trading price of rhipe shares prior to the announcement of the Scheme

The premia of the Consideration relative to the trading prices of rhipe shares over various periods to 28 June 2021, the last trading day prior to the announcement of the indicative proposal, are illustrated below.

Figure 2: Premium of Consideration over the rhipe share price



Source: S&P Capital IQ and KPMG Corporate Finance analysis.
*Note: Volume weighted average price (**VWAP**).*

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With regard to our assessment of the premia implied by the Consideration, we note:

- acquirers of 100% of a company often pay a premium over the value implied by the trading price of a share, to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. Observations from transaction evidence indicate that takeover premiums concentrate around a range between 25% and 40%[10] for completed takeovers, depending on the individual circumstances of the specific transaction. In transactions where it was estimated that significant synergies could be achieved, the takeover premium was frequently estimated to be at the high end of this range or greater
- the observed premiums over recent share trading prices are towards the low end of the range of premiums indicated by transaction evidence, however, premiums are towards the high end of the range when calculated over a longer period of time
- the premium offered by Crayon over rhipe's trading prices may reflect the strategic value associated with rhipe's customer relationships, the ability to obtain a larger market presence across the APAC region and benefit from economies of scale, and
- it should be noted that from June 2019 to November 2019, rhipe shares broadly traded above the Consideration. Since that time, however, certain risks to rhipe's business have become apparent, most notably the decline in vendor incentives, increased bargaining power of customers and increased levels of competition in the market.

Cash nature of Consideration provides certainty

The Scheme offers rhipe shareholders an opportunity to exit their investment in rhipe at a price that is certain and which incorporates a premium for control and, to the extent that a Special Dividend is declared, may include a franking credit benefit. In the absence of the Scheme or a similar transaction, rhipe shareholders could only realise their investment by selling on market at a price that does not include a premium for control and would incur transaction costs (e.g. brokerage).

There is no certainty as to the price at which rhipe shareholders would be able to realise their investment in the future.

rhipe shareholders who receive the Consideration will no longer be exposed to the risks to which rhipe is exposed

There are a number of risks associated with an investment in rhipe shares, including:

- ***vendor reliance:*** rhipe relies significantly on vendors, specifically Microsoft, for the software licenses that it distributes to customers. If rhipe's relationship with the vendors was to be jeopardised or significantly altered, through a direct sales model for example, rhipe would face significant downside risk
- ***lower incentives:*** The bargaining power of vendors, IT resellers and end customers are expected to continue to grow, as the demand for vendors' products, particularly those cloud-based, increases. This allows for vendors, such as Microsoft, to set lower incentives for rhipe as customers become dependent on the vendors product, hence pressuring the licensing margins of rhipe

[10] KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2019, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

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- ***competition:*** increasing competition in the APAC region as cloud adoption accelerates, which places further pressure on rhipe's licensing margins and increases potential vendor, reseller and end customer turnover, as well as reducing new customer wins
- ***product and geographical mix:*** rhipe has experienced significant growth in lower margin products (Azure) and regions (Asia) recently, which has placed pressure on licensing margins. Further unfavourable growth in lower margin products and regions is likely to further exacerbate the pressure on rhipe's licensing margins, and
- ***COVID-19 pandemic:*** continued impact of the COVID-19 pandemic on the rhipe Japan business and expansion into the APAC region, with continued weak economic conditions, reduced client activity and a reduced ability to travel to local markets, potentially impacting operational efficiencies and project execution.

Special Dividend

Conditional on the Scheme being approved and becoming effective, the rhipe Board currently intends to declare a fully franked Special Dividend of up to 13 cents per rhipe share prior to the implementation of the Scheme, which will be paid on the Special Dividend Payment Date to rhipe shareholders who hold rhipe shares on the Special Dividend Record Date.[11] If the Special Dividend is declared and depending on their tax position, rhipe shareholders may be entitled to receive up to 5.6 cents per rhipe share of additional benefit from franking credits.[12,13]

We note that rhipe shareholders should consider their individual circumstances, review Section 7.3 of the Scheme Booklet for further information on the Special Dividend and consult their own taxation adviser to determine the tax consequences relevant to their specific circumstances.

rhipe shareholders will not participate in the potential long-term benefits from any future growth of the business

By exiting their investment in rhipe, rhipe shareholders will not participate in the potential long-term benefits of the business. In this regard, rhipe has made significant investment in its Services division in recent years, the benefit of which is expected to increase the Services portion of total revenue moving forward, as customers continue to migrate to the cloud. rhipe also has a strategic focus to enter markets in the APAC region where cloud adoption has historically lagged, as well as grow its portfolio of solutions and continue its investment in value-add services and rhipe's own platform and software products. We note, however, that the consideration under the Scheme already captures significant future growth.

No superior alternative proposal has been received

No superior alternative proposal has emerged since the Scheme was announced and rhipe Directors are not aware of any superior proposal that is likely to emerge. There will, however, continue to be opportunity for interested parties to put forward a superior proposal until the Scheme Meeting.

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[11] 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.

[12] The maximum benefit associated with the franking credits will be less if the Special Dividend is less than 13 cents per rhipe share.

[13] Whether a rhipe shareholder will be able to receive the full benefit of the franking credits attached to the Special Dividend will be dependent on a rhipe shareholders personal circumstances and whether a favourable class ruling is obtained from the ATO.

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There are no substantial interests held in rhipe which could represent a blocking stake in the Scheme. One of rhipe's major shareholders, Tutus McDonagh Pty Ltd and Jennifer Lea McDonagh, owners of approximately 14.84% of rhipe shares, have confirmed they intend to vote in favour of the Scheme.[14]

The Scheme Implementation Deed is subject to customary exclusivity provisions including no shop, no talk and no due diligence, notification obligations (no talk, no due diligence and notification obligations are subject to a fiduciary carve out) and matching rights. A break fee of $4 million is payable by rhipe to Crayon in certain circumstances and a reverse break fee of $4 million is payable by Crayon to rhipe in other specified circumstances.

Although the likelihood of a superior alternative proposal is impacted by these terms, it does not preclude an alternative proposal from being presented. We note that rhipe Directors would be required under their fiduciary duties to consider the merits of an alternative proposal should one arise.

Since the announcement of the indicative proposal, rhipe shares have broadly traded above Crayon's $2.50 offer, in the range of $2.50 to $2.55, however, this may reflect the tax benefit associated with the Special Dividend, rather than an expectation that a higher offer will be made.

rhipe's share price will likely fall in the absence of the Scheme

The current rhipe share price[15] reflects the terms of the Scheme and, therefore, includes a control premium. As such, in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the rhipe share price is likely to fall from current levels to levels consistent with the trading prices prior to the announcement of the indicative proposal,[16] with allowance for any company specific events (positive or negative) and the impact of trends in the broader equity market.

3.3 Other considerations

In forming our opinion, we have also considered a number of other factors, as detailed below. While these factors do not impact on our opinion, we consider it appropriate for rhipe shareholders to consider these factors in assessing the Scheme.

Transaction costs associated with the Scheme

Management has estimated that rhipe will incur costs in relation to the Scheme of approximately $6.0 million (excluding GST and disbursement), of which $1.2 million will be incurred in the event the Scheme does not proceed. One-off transaction costs associated with the Scheme primarily relate to adviser, legal and expert fees.

The Scheme is subject to the satisfaction of a number of conditions

There are certain conditions which, if not satisfied, will result in the Scheme not being implemented. If the Scheme is not implemented, rhipe shareholders will continue to hold their existing rhipe shares.

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[14] In the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of rhipe shareholders.

[15] From the announcement of the indicative proposal on 1 July 2021 until 1 September 2021, rhipe shares traded at a VWAP of $2.51.

[16] The one month and three month VWAPs up until 28 June 2021, the last trading day prior to the announcement of the indicative proposal, were $1.93 and $1.82, respectively, and rhipe shares closed at $2.09 on 28 June 2021.

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Taxation implications for rhipe shareholders

Section 7 of the Scheme Booklet sets out a general description of the tax consequences for rhipe shareholders who hold their rhipe shares on capital account. If the Scheme is implemented, those Australian resident rhipe shareholders who receive the Consideration will be deemed to have disposed of their rhipe shares and the disposal will constitute a capital gains tax event. rhipe shareholders will make a capital gain or loss depending on the cost base of their rhipe shares and whether or not a fully franked Special Dividend (expected to be 13 cents per rhipe share) is declared:

- if not declared, the capital proceeds should include the Consideration of $2.50 per rhipe share, and
- if declared, and subject to the Class Ruling, the Special Dividend should not form part of the capital proceeds and the capital proceeds should include the remaining Consideration of $2.37 per rhipe share.[17]

If declared, the Special Dividend should form part of rhipe shareholders assessable income and is expected to be fully franked.[18]

rhipe shareholders who are not Australian residents and who hold portfolio interests are generally not subject to Australian capital gains tax and are not subject to Australian dividend withholding tax on the basis that any Special Dividend will be fully franked.

Foreign residents may be subject to capital gains withholding tax on the capital proceeds. Refer to Section 7.5 of the Scheme Booklet.

We note that rhipe shareholders should consider their individual circumstances, review Section 7 of the Scheme Booklet for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

3.4 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved or any conditions precedent prevent the Scheme from being implemented, rhipe will continue to operate in its current form and remain listed on the ASX. As a consequence:

- rhipe will continue to operate as a standalone entity and execute on its strategy. This strategy includes expanding into other markets within the APAC region, growing its portfolio of solutions, providing ongoing value-add services for vendors/partners and building a greater digital experience for rhipe customers through its own platform and software products. rhipe will also continue to seek to increase its non-Microsoft portion of Licensing revenue and its Services portion of total revenue, hence limiting its reliance on Microsoft's O365 and Azure products
- rhipe shareholders will not receive the Consideration and the implications of the Scheme, as summarised above, will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Scheme Meeting. rhipe would also likely not be liable to pay a reimbursement fee
- rhipe shareholders will not receive any Special Dividend declared

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[17] Equal to the Consideration ($2.50) less the expected Special Dividend of 13 cents per rhipe share.

[18] Whether a rhipe shareholder will be able to receive the full benefit of the franking credits attached to the Special Dividend will be dependent on a rhipe shareholders personal circumstances and whether a favourable class ruling is obtained from the ATO.

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- rhipe will incur transaction costs of $1.2 million
- rhipe shareholders will continue to be exposed to the benefits and risks associated with an investment in rhipe as discussed previously, and
- in the absence of a superior alternative proposal, rhipe's ordinary share price will likely fall to a similar level to those prices at which rhipe shares were traded prior to the announcement of the indicative proposal.

3.5 Other matters

In forming our opinion, we have considered the interests of rhipe shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual rhipe shareholders. It is not practical or possible to assess the implications of the Scheme on individual rhipe shareholders as their financial circumstances are not known.

The decision of rhipe shareholders as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual rhipe shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual rhipe shareholders seek their own independent professional advice.

Our report has been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting rhipe shareholders in considering the merits of the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our opinion should not be construed to represent a recommendation as to whether or not rhipe shareholders should elect to vote in favour of the Scheme.

Neither the whole nor any part of our report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Booklet to be sent to rhipe shareholders in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of our report in the form and context in which it appears in the Scheme Booklet.

All references to **$** refers to Australian dollars, financial year is abbreviated as **FY**, calendar year is abbreviated as **CY**, half year is abbreviated as **H** and quarter is abbreviated as **Q**.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours sincerely

Sean Collins
Authorised Representative

Adele Thomas
Authorised Representative

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4 Summary of the Scheme

On 6 July 2021, rhipe announced that it had entered into a Scheme Implementation Deed with Crayon under which Crayon or Crayon SubCo would acquire 100% of rhipe shares for cash consideration of $2.50 per rhipe share (less the cash amount of any Special Dividend) by way of the Scheme. The Scheme Implementation Deed was also executed on 6 July 2021.

This followed the announcement on 1 July 2021 of the non-binding indicative proposal received from Crayon, also for $2.50 per rhipe share (less the cash amount of any Special Dividend).

If the Scheme is implemented, rhipe shareholders will receive $2.50 cash per rhipe share, comprising:

- a Special Dividend of up to 13 cents per rhipe share that they hold as at the Special Dividend Record Date that may be declared and paid by rhipe before the Scheme is implemented, and
- consideration under the Scheme of $2.50 per rhipe share they hold as the Scheme Record Date,[19] less the amount of any Special Dividend that may be declared and paid by rhipe before the Scheme is implemented.

The rhipe Board intends to declare a Special Dividend of up to 13 cents per rhipe share shortly before implementation of the Scheme, conditional on the Scheme being approved and becoming effective, which will be paid on the Special Dividend Payment Date to rhipe shareholders who hold rhipe shares on the Special Dividend Record Date.[20]

If the Special Dividend is declared, rhipe shareholders who are entitled to the Special Dividend may be entitled to a franking credit of up to 5.6 cents per rhipe share.[21] Whether a rhipe shareholder will be able to receive the full benefit of the franking credits attached to the Special Dividend will be dependent on the rhipe shareholder's personal circumstances and whether a favourable class ruling is obtained from the ATO.

If a Special Dividend is not declared and paid, rhipe shareholders will receive $2.50 cash per rhipe share held on the Special Dividend Record Date.

4.1 Conditions precedent

Completion of the Scheme is subject to certain conditions precedent as set out in Clause 3.1 of the Scheme Implementation Deed, including:

- receipt of FIRB approval
- rhipe shareholders approving the Scheme by the requisite majorities
- an independent expert concluding at all times prior to the Second Court date that the Scheme is in the best interests of rhipe shareholders
- Court approval
- no material adverse change in respect of rhipe, prescribing occurrence and no restraints

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[19] 7 pm (Sydney time) on 9 October 2021.

[20] 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.

[21] The maximum benefit associated with the franking credits will be less if the Special Dividend is less than 13 cents per rhipe share.

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- no Performance Rights are in existence on the Scheme Record Date
- the counterparty to the Specified Contract[22] has provided consent, approval, waiver or confirmation to the change of control or ownership of rhipe, and
- rhipe has no further obligations to issue any rhipe shares with respect to certain earn-out contracts.

The Scheme Implementation Deed is subject to customary exclusivity provisions including no shop, no talk and no due diligence, notification obligations (no talk, no due diligence and notification obligations are subject to a fiduciary carve out) and matching rights. A break fee of $4 million is payable by rhipe to Crayon in certain circumstances and a reverse break fee of $4 million is payable by Crayon to rhipe in other specified circumstances.

Further details in relation to the Scheme, are set out in the Scheme Booklet to which this report is attached and also in the Scheme Implementation Deed included with rhipe's announcement of the Scheme to ASX on 6 July 2021.

[22] The contract for the provision of services between members of the rhipe Group and a customer agreed between the parties in writing.

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5 Scope of Report

5.1 Purpose

The transaction is to be implemented by way of a scheme of arrangement under Section 411 of the Corporations Act and requires approval of rhipe shareholders. Section 412(1) of the Corporations Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement include information that is material to the making of a decision by a member as to whether or not to approve the scheme.

Part 3 Schedule 8 of the Corporations Regulations specifies that the information to be lodged with ASIC must include a report prepared by an expert:

- if the other party to a reconstruction in a scheme of arrangement holds at least 30% of the company; or
- where the parties to the reconstruction have common Directors.

The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

Whilst there is no technical requirement for an independent expert report to be prepared for the Scheme, it is a condition precedent of the Scheme as set out in the Scheme Implementation Deed. It is also not uncommon for Directors to commission an independent expert report to ensure they are providing the information that is material to the making of a decision by a creditor or member. In this regard, the Directors have requested KPMG Corporate Finance prepare an independent expert report for the Scheme.

5.2 Basis of assessment

RG 111 "Content of expert reports", issued by ASIC, indicates the principles and matters which it expects a person preparing an independent expert to consider.

RG 111 distinguishes between the analysis required for control transactions and other transactions. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid even though the wording of the opinion will also be whether the proposed scheme is 'in the best interests of the members of the company'. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value.

In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison, and
- an offer is 'reasonable' if it is 'fair'.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company.

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In the circumstance of a 'not fair but reasonable' outcome, RG 111.21 states that the expert can also conclude that the scheme is 'in the best interests' on the basis that it clearly states that the consideration is less than the value of the securities subject to the scheme but that there are sufficient reasons for members to vote in favour of the scheme in the absence of a higher offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis).

In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer. Accordingly, when assessing the full underlying value of rhipe we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of rhipe. Accordingly, our valuation of rhipe has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target's securities
- tax losses, cash flow or other benefits through achieving 100% ownership of the target
- any special value of the target to the bidder
- the likely market price of the target's securities in the absence of the offer and any other consequences of not accepting the offer
- the likelihood of an alternative offer being made, and
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of rhipe shareholders as a whole. As an individual rhipe shareholder's decision to vote for or against the resolutions may be influenced by their individual circumstances, we recommend they each consult their own financial advisor.

5.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of rhipe for the purposes of this report.

Furthermore, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of rhipe management (**Management**). In addition, we have also had discussions with Management in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been

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evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

rhipe has been responsible for ensuring that information provided by them or their representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included a cash flow model for the period from 1 July 2021 to 30 June 2026 (**Cash Flow Model**).

KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report and rhipe remains responsible for all aspects of this forward looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information or tested the mathematical integrity of the models.

KPMG Corporate Finance has undertaken various enquiries in relation to the Cash Flow Model, including holding discussions with Management in regard to the commercial assumptions underlying the Cash Flow Model and their bases. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. industry growth rates). KPMG Corporate Finance is of the view that the forward looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuation. In making this assessment, we have taken into account the following:

- the Cash Flow Model was prepared by Management and is utilised in the day-to-day operations of the business
- the Cash Flow Model was updated by Management following the announcement of the indicative proposal and subsequently, for the FY21 actual results and draft FY22 budget
- Cloud Licensing revenue is largely recurring. Revenue growth (excluding EMT Distribution Pty Ltd (**EMT Distribution**)) is broadly consistent with historical trends and independent industry growth forecasts
- the Cash Flow Model has not assumed any future acquisitions, hence the Services revenue forecasts are in line with Management's expectation, when not assuming any future acquisitions to grow Services revenue
- Management have considered the historical trends of declining licensing margins over time (with respect to rhipe's mature private cloud offerings) for the licensing margins of rhipe's other cloud offerings
- a significant portion of operating costs are variable in nature, reducing the operating leverage of the business
- capex requirements are relatively minor and broadly consistent with historical experience, and
- working capital requirements are predominately driven by accounts receivable and accounts payable, which are based on accounts receivable and accounts payables days, that have consideration of

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historical debtor and creditor balances. Working capital requirements also considers prepayments, unearned revenue and current tax liabilities.

Where significant uncertainty exists (i.e. in relation to licensing margin pressures), various scenarios have been developed by Management to illustrate the impact of potential outcomes on value.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results that will actually be achieved during the forecast period. Any variations in the forward-looking financial information may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

5.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. rhipe has requested KPMG Corporate Finance limit the disclosure of certain commercially sensitive information relating to rhipe. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising rhipe. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by rhipe.

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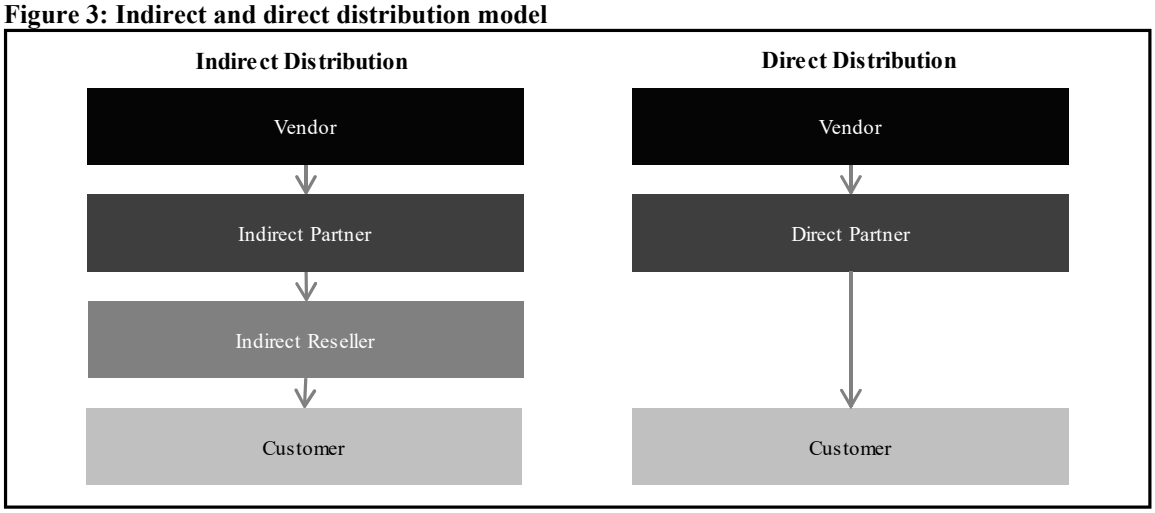
6 Industry

6.1 Overview

rhipe operates in the cloud services market as a wholesale software distributor in the APAC region. rhipe distributes cloud-based subscription licenses and solutions to a network of resellers, whilst also providing cloud-based value-add services such as technical advice, marketing, consulting and 24/7 support-as-a-service.

Wholesale software distributors sell vendors' software products, including cloud licenses, to a network of customers across a variety of industries and sectors. Wholesale software distributors are typically classified as either an indirect or direct partner. An indirect partner, such as rhipe, will establish and maintain a relationship with a vendor, before selling the vendors' product to an indirect reseller who will then manage and provide the product to the customer. A direct partner does not have a relationship with an indirect reseller and directly sells the product to the customer. A summary of the indirect and direct distribution model is shown in the following figure.

Figure 3: Indirect and direct distribution model



Source: KPMG Corporate Finance analysis.

Some vendors prefer to sell their products through wholesale distributors, as it allows them to maintain a focus on their core operations of software development and enhancement, rather than deal with the large and fragmented global reseller network. Wholesale distributors often allow vendors to access the rapidly growing SME segment, enter new geographical markets whilst minimising capital expenditure (**capex**) investment and increase the appeal of their product through the complementary value-added services that are offered by distributors to the customer (e.g. technical training/assistance and marketing services). In summary wholesale distributors provide software vendors with additional scale.

The rise of cloud computing, Internet of Things (**IoT**) and data solutions has fundamentally changed the way in which software products are being distributed. Wholesale software distributors are now predominately distributing software through cloud-based subscription licenses as opposed to perpetual licenses. There is, therefore, a greater need for customers to understand the cloud, and which cloud service and cloud deployment model best suits their requirements. As more and more customers look to switch to cloud computing, vendors have preferred to sell their products and offer incentives to wholesale software distributors, to ensure their focus remains on software development and enhancement, hence the cloud services market has emerged.

The key thematics impacting wholesale software distributors in the cloud services market, being licensing models, cloud service models, cloud deployment models and incentives, are elaborated on further below.

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Licensing models

Traditionally, software had been sold through perpetual licenses, with customers paying for the software upfront for a pre-specified number of users or devices. The software was installed on premise with internal IT teams managing the software for the duration of the licensing agreement, as minimal support services were provided as part of the license agreement. IT distributors such as Ingram Micro Inc. (**Ingram Micro**) and SYNNEX Corporation[23] (**TD SYNNEX**) established themselves as premier players in the market by bundling the software in with hardware sales.

For many international software vendors perpetual licenses are now being superseded by the more flexible licensing options that are being offered through the cloud, where customers can meet their software obligations on a PAYG basis, without the need for the high upfront cost associated with a perpetual license. Many vendors prefer to offer cloud-based subscription licenses to customers, as they better align with the customers' needs, give them better control of their software plus allows vendors to create a valuable annuity-based income stream.

Cloud Services Models

Cloud services can be broadly classified as one the following:[24]

- ***Infrastructure-as-a-service (IaaS),*** is a cloud computing service where the cloud provider manages the infrastructure (e.g. networking, hardware and storage) and the customer manages the platform (e.g. operating systems, development tools and database management) and software (e.g. data and applications)
- ***Platform-as-a-service (PaaS),*** is a cloud computing service where the cloud provider manages the infrastructure and platform, whilst the customer managers the software, and
- ***Software-as-a-service (SaaS),*** is a cloud computing service where the cloud provider manages the infrastructure, platform and software.

Cloud Deployment Models

The aforementioned cloud services can be broadly deployed through the following:[25]

- ***Public cloud,*** is a cloud computing service that is operated and owned by a third-party cloud service provider and which is delivered over the Internet and shared across organisations
- ***Private cloud***, is a cloud computing service that is used exclusively by a single business or organisation and which can be physically located at the organisation's on-site datacentre or hosted by a third-party service provider and where the user knows where its data is located, and
- ***Hybrid cloud***, which is a combination of both public and private clouds that share applications and data.

The choice of deployment model will depend on an organisation's computing, networking, storage and security requirements. The following table highlights some of the advantages and disadvantages of the public, private and hybrid cloud deployment models.

---

[23] Renamed TD SYNNEX after the merger of SYNNEX Corporation and Tech Data

[24] Microsoft Azure: What is cloud computing?

[25] Microsoft Azure: What are public, private and hybrid clouds?

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Table 2: Cloud Deployment Models Advantages and Disadvantages

Cloud Deployment Model	Advantages	Disadvantages
Public Cloud	- PAYG pricing - No hardware maintenance requirement - High reliability due to vast network of servers - Unlimited scalability - Ability to leverage up to date technology from large scale public cloud providers	- Inability to offer security and compliance for certain customers e.g. if there are government policies or industry standards to abide by - Ownership, don't own the hardware, hence unable to make changes to the hardware - Unable to cater for unique business requirements
Private Cloud	- Flexibility to customise cloud environment - Higher levels of privacy and control - Meet security & compliance requirements	- Initial capex investment - Hardware maintenance requirement - Agility limited by IT skills & expertise
Hybrid Cloud	- Ability to use resources in the public cloud ad hoc - Adequately meet all security and compliance requirements - Greater flexibility	- Comparative cost - Complicated to manage - Agility limited by IT skills & expertise

Source: KPMG Corporate Finance analysis.

Incentives

Vendors typically offer incentives to partners (i.e. indirect partners) as a reward for growing revenues with new and existing customers. Microsoft, in particular, offers numerous incentives to distributors who participate in their Cloud Service Provider (**CSP**) program. These incentives form a significant part of the licensing margins which are earned by partners like rhipe, hence meeting and attaining incentive benchmarks is imperative for licensing margins and net revenue growth. A majority of the incentives that are earned by partners are the core incentives which are tied to the percentage of billed sales. Other incentives such as strategic product accelerators are used by vendors to increase the focus and demand for products they are looking to drive traction for in the market.

Incentives are recorded as either rebate earnings or marketing co-op funds. Rebate earnings are revenues that partners will keep, whilst marketing co-op funds are monies that a partner must allocate towards marketing strategies and activities to drive additional consumption.

For illustrative purposes, a summary of the incentives offered by Microsoft to partners in the CSP program is shown below.

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Table 3: Microsoft CSP Program Incentives[26]

Incentive	Description	Direct Partner	Indirect Partner	Indirect Reseller
Core incentives	Standard incentive paid to CSP partner as a % of CSP billed revenue	✓	✓	✓
Customer Add Accelerators	Additional incentive paid to CSP partner once a customer's billed revenue rises above a defined threshold	✓		✓
Strategic Product Accelerators	Additional incentive paid to CSP partner for sales of select strategic products, paid in addition to Core incentives	✓	✓	✓
Azure Reservation incentives	Standard incentive paid to CSP partner as a % of customer's Azure consumption revenue on an Azure Reservation	✓	✓	✓
Commercial marketplace incentives	Standard incentive paid to CSP partners transacting eligible third party offers through Partner Centre or Azure portal	✓	✓	
Software incentives	Standard incentive paid to CSP partner as a % of billed revenue on select software products transacted via CSP	✓	✓	✓

Source: Microsoft.

6.2 APAC cloud services market

Barriers to entry

The APAC cloud services market historically had significant barriers to entry, as customers were initially cautious about cloud adoption given concerns about data security, information leakage, IT costs, legal and regulatory challenges. However, over time, barriers to entry have been eroded by the emergence of a number of key trends:

- commoditisation of the cloud and complementary support services
- accessible distribution channels and customers for distributors
- ability for distributors to outsource labour to foreign markets
- low customer loyalty, as customers have bargaining power in selecting a distributor
- minimal switching costs, the customer will seek to minimise IT expenditure
- growing number of competitors entering the cloud services market, and
- establishment of cross-regional distributors driven by growing and acquisitive multi-nationals.

Competition

As a result of barriers to entry being eroded, the level of competition has increased significantly in the APAC cloud services market. Competitors, including those who had historically built their business upon legacy hardware distribution (i.e. bundling traditional licenses with hardware sales), are now seeking to pivot towards a cloud-based subscription licensing model, to ensure they are not left behind as customers move to the cloud.

[26] Microsoft: Cloud Solution Provider Program Guidebook.

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A majority of the competitors are offshore global IT distributors including Crayon, TD SYNNEX, and Ingram Micro. A number of ASX-listed IT distributors also have a presence in the market, such as Dicker Data Limited (**Dicker Data**), Data#3 Limited (**Data#3**) and rhipe. Unlike rhipe, Dicker Data's turnover is predominately driven by the wholesale distribution of hardware, with a smaller focus on cloud services, whilst Data#3 historically has had a highly concentrated customer base of enterprises for their cloud services (as opposed to rhipe's SMEs). Refer to Appendix 6 for further discussion on the comparable companies of rhipe.

Risks

Wholesale software distributors in the APAC region are exposed to the following risks:

- ***Vendor reliance:*** Wholesale software distributors such as rhipe, have a significant reliance on vendors for access to the software licenses that they distribute to customers. Hence, if the relationship with the vendors was to be jeopardised or significantly altered, through a direct sales model for example, the wholesale software distributor would face significant downside risk
- ***Lower incentives:*** As customers continue to migrate to the cloud, the demand for vendors' products, particularly those cloud-based, will continue to grow, increasing the subsequent bargaining power of vendors, IT resellers and end customers. This allows for vendors, such as Microsoft, to set lower incentives for wholesale software distributors, as customers become dependent on the vendors product
- ***Competition:*** An increasing number of competitors have entered the APAC cloud services market, as the momentum of migration towards the cloud continues to accelerate. A number of these competitors also distribute IT hardware and therefore can potentially offer lower pricing by bundling hardware and software. The ability for competitors to establish a strong market share has diminished as the market has become saturated
- ***Lack of differentiation between competitors***: Although there has been an influx of competitors into the market, differentiation between competitors is lacking, as is their ability to cause disruption. This, combined with the focus of customers to minimise IT expenditure, has limited the ability for competitors to establish a point of competitive advantage in the market. As a result, many competitors have become highly acquisitive in nature, as they look to strengthen their market share by addressing new opportunities and entering new geographical markets through accretive acquisitions, as highlighted by SYNNEX Corporation's acquisition of Tech Data (announced in March 2021) and SoftwareONE AG's acquisition of COMPAREX AG in January 2019. Those competitors who aren't acquired or don't have the financial strength to complete acquisitions face a significant risk of being left behind in the market, and
- ***Licensing margin pressures***: Lower incentives and increasing competition will place pressure on the licensing margins of wholesale software distributors in the APAC cloud services market. Further licensing margin pressure will arise from customers and resellers, whose bargaining power will grow, as the cloud becomes commoditised and their subsequent cloud consumption increases.

Market size and growth

Gartner forecasts that public cloud services spending in Asia[28] (excluding Japan), ANZ and Japan will reach US$10.1 billion, US$10.6 billion and US$14.2 billion, respectively, by 2021,[29] representing a two-year compounded annual growth rate (**CAGR**) from 2019 to 2021 of 32.0%, 25.4% and 22.8%. This

[28] Includes Indonesia, Malaysia, Singapore, South Korea and Thailand.

[29] Gartner: Forecast Public Cloud Services, Worldwide, 2019-2025, 2Q21 Update

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highlights the strong public cloud services spending trends of customers who have sought to rapidly accelerate their migration to the cloud in recent years.

Gartner forecasts that cloud security spending in Asia[30] (excluding Japan), ANZ and Japan will reach US$22 million, US$19 million and US$74 million, respectively, by 2021,[31] representing a two-year CAGR from 2019 to 2021 of 35.0%, 34.5% and 34.5%. This highlights the significant cloud security spending trends of customers in recent years, who have sought to reinforce their cloud security as they migrate towards the cloud. The worldwide cloud security spending forecast for 2021 is US$3.0 billion, which indicates that cloud security spending in Asia[32] (excluding Japan), ANZ and Japan is at a relatively early stage.

Outlook

Customers are expected to rapidly accelerate their digital transformation plans due to the global acceptance of the cloud, as highlighted during the current COVID-19 pandemic where remote workforces were efficiently and effectively established through the cloud. The migration towards the cloud is also expected to lead to an increase in the adoption of cloud-based subscription licenses by customers, as opposed to traditional perpetual licenses.

Public cloud services spending in Asia[33] (excluding Japan) is forecast to grow at an average annual growth rate of 27.8%[34] over 2021 to reach US$26.3 billion in 2025, highlighting the strong growth potential of the market moving forwards, where cloud adoption has historically lagged. Growth in ANZ, which is more mature than Asia[35] (excluding Japan), and Japan is forecast to average 21.5% and 22.0% over the same period, to reach US$22.7 billion and US$31.1 billion, respectively. Although public cloud services spending growth in ANZ and Japan is forecast to be broadly the same over 2021 to 2025, Japan is a significantly larger market than ANZ, hence the Japanese market may have greater potential upside than the ANZ market in the short to medium term.

Considerable public cloud services spending growth is forecast across Asia[36] (excluding Japan), ANZ and Japan from 2021 to 2025, albeit the year-on-year (**YoY**) growth rate is slowing as public cloud services spending continues to normalise towards a higher base dollar amount. Growth in Asia[37] (excluding Japan) is expected to decline gradually from 30.7% in 2021 to 25.2% in 2025 and from 23.8% to 18.3% in ANZ and from 23.3% to 17.8% in Japan over the same period, respectively.[38] The forecast public cloud services customer spend for the APAC region is shown in the following figure.

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[30] Includes Indonesia, Malaysia, Singapore, South Korea and Thailand.

[31] Gartner: Forecast: Information Security and Risk Management, Worldwide, 2019-2025, 2Q21 Update.

[32] Includes Indonesia, Malaysia, Singapore, South Korea and Thailand.

[33] Includes Indonesia, Malaysia, Singapore, South Korea and Thailand.

[34] Gartner: Forecast Public Cloud Services, Worldwide, 2019-2025, 2Q21 Update.

[35] Includes Indonesia, Malaysia, Singapore, South Korea and Thailand.

[36] Includes Indonesia, Malaysia, Singapore, South Korea and Thailand.

[37] Includes Indonesia, Malaysia, Singapore, South Korea and Thailand.

[38] Gartner: Forecast Public Cloud Services, Worldwide, 2019-2025, 2Q21 Update.

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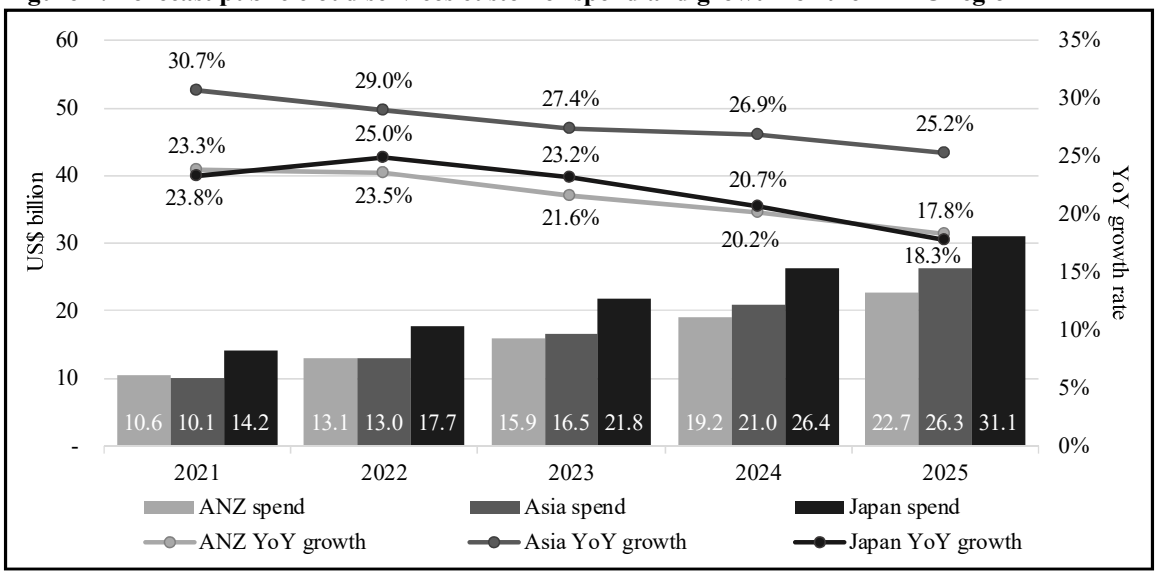
Figure 4: Forecast public cloud services customer spend and growth for the APAC region



Source: Gartner and KPMG Corporate Finance analysis.

The focus on automation and speed of implementing the cloud, as well as the services/support that accompany cloud adoption are expected to be key themes for customers moving forwards. The importance of wholesale software distributors maintaining relationships with leading vendors and developing their services/support offerings will therefore be key factors in the establishment of a robust wholesale software distribution business model.

Over the next 5 to 10 years, spurred by the experience of the COVID-19 pandemic, wholesale software distributors are anticipated to target investments in emerging economies where the growth in cloud adoption is expected to have significant upside potential. Consolidation amongst the industry is therefore likely to continue as competitors seek to enter new geographical markets through accretive acquisitions, whilst mitigating the impact of licensing margins pressures, from lower incentives and increasing competition.

As customers continue to migrate to the cloud, an increased investment in cloud security will be required to ensure customers meet the security and regulatory demands associated with the adoption of the cloud. Customers will focus on maintaining safe interactions between cloud applications and unmanaged devices, as well as efficiently managing threat detection and response activities. Gartner forecasts that cloud security spending in Asia[39] (excluding Japan), ANZ and Japan will reach US$71 million, US$64 million and US$216 million, respectively, by 2025.[40] This reflects average annual growth from 2021 to 2025 of 33.2%, 33.1% and 30.2%, respectively, for Asia[41] (excluding Japan), ANZ and Japan, and highlights the emphasis that customers are expected to place on cloud security moving forward.

[39] Includes Indonesia, Malaysia, Singapore, South Korea and Thailand.

[40] Gartner: Forecast: Information Security and Risk Management, Worldwide, 2019-2025, 2Q21 Update.

[41] Includes Indonesia, Malaysia, Singapore, South Korea and Thailand.

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7 Profile of rhipe

7.1 Background

rhipe is a cloud channel company providing sale and support of subscription software licences to IT service providers, system integrators and software vendors, who support SMEs in the APAC region. Founded in 2003 as NewLease, the company specialised in supporting the IT service provider community in their adoption of the cloud. This was initially focused on the provision of private cloud (data centers) software licences from Microsoft to SMEs through a subscription model. It was appointed a Microsoft Services Provider Licence Agreement (**SPLA**) reseller in Australia in 2005 and entered into agreements with additional vendors for distribution in ANZ.[42]

In 2012 and 2013, it expanded into South East Asia with operations commencing in Singapore, Thailand, Philippines and Malaysia.[43] The business grew rapidly in vendor, customer and geographic scope to become one of the leading cloud software licensing providers in the APAC region.

NewLease was listed on the ASX in April 2014 at $0.20 per share through a backdoor listing and was subsequently rebranded as rhipe. At the time, it had 42 staff providing sale and support of subscription software licenses from eight vendors to over 1,200 IT service provider resellers. In FY13, it generated $51.3 million in gross sales and $1.6 million operating profit.[44] Its operations are located in Melbourne and Sydney in Australia, as well as in New Zealand, Singapore, Thailand, Philippines, South Korea, Indonesia, Sri Lanka and Malaysia.

Since listing, rhipe has:

- been appointed as a Microsoft Licensing Solution Partner (**LSP**) in June 2014, allowing the company to sell Enterprise Agreements with a specific focus on enabling businesses as they adopt cloud-based solutions
- in July 2015, been appointed by Microsoft as an Indirect CSP to build a channel of resellers for Microsoft's key public cloud products, primarily Microsoft Office 365 (**Microsoft O365**) and Microsoft Azure (**Microsoft Azure**)
- internally developed its Platform for Recurring Subscription Management (**PRISM**), a platform used by IT resellers to buy, provision and bill their end user clients for monthly cloud software subscriptions
- entered Indonesia in July 2014, South Korea in February 2017 and Sri Lanka in 2019. It established a presence in Japan by entering into a joint venture with Japan Business Systems Inc. (**JBS**) in August 2019. rhipe holds 80% of the joint venture, JBS holds 20%
- expanded its technical support offering to one of its software vendors in 2017
- undertaken a number of bolt-on acquisitions to expand its IT services capability and enhance its security software offering, including:

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[42] It became a TrendMicro e Distributor in Australia in 2005, VMware VSPP Aggregator in ANZ in 2007, Microsoft SPLA Reseller in New Zealand in 2008, Citrix CSP and Veeam VSP Distributors in ANZ in 2010. It added Datacore (August 2013), McAfee (December 2013) and Zimbra (June 2014).

[43] In 2012, it expanded into South East Asia with operations commencing in Singapore and was appointed Citrix CSP and Microsoft SPLA Reseller in Singapore. It entered and was appointed Microsoft SPLA Reseller in Thailand in March 2013, Philippines in August 2013, Malaysia in November 2013. Throughout 2013, it was appointed reseller for VMware, Veeam and Citrix reseller in additional Asian territories.

[44] After adding back growth investment expenditure expensed.

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- nSynergy Pty Ltd (**nSynergy**), an IT services company focused on Microsoft SharePoint and Microsoft O365 in December 2014 for $21.0 million in cash and scrip
- Dynamic Business IT Solutions Pty Limited (**Dynamic Business**), an IT services company focused on Microsoft Dynamics NAV, Microsoft Dynamics CRM and Microsoft Office 365 in February 2019 for upfront consideration of $4.5 million in cash and scrip
- Network2Share Pty Ltd (**Network2Share**) and Data Confidence Pty Ltd (**Data Confidence**), an Australian security software company that developed a user-friendly encryption product (**SmartEncrypt**) in August 2019 for upfront cash consideration of $2 million and contingent consideration of up to $3 million in cash and scrip, plus a further earn out
- New Zealand based Parallo Limited (**Parallo**), a managed service provider focused on Microsoft Azure and VMware software in September 2020 for upfront cash consideration of NZ$4.65 million and contingent consideration of up to NZ$4.07 million in cash and scrip
- EMT Distribution, a cyber security distribution specialist in April 2021 for upfront cash consideration of $11 million and additional payments of up to $2 million in cash tied to financial targets, and

- completed a $33.8 million placement in April 2020 in order to strengthen the company's balance sheet to allow it to pursue acquisitions that are complementary to its existing cloud software subscription business.

Today, rhipe has 537 staff and provides sale and support of subscription software licences to approximately 3,500 IT service provider resellers throughout the APAC region, who support SMEs in this region. In FY21, it generated $66.8 million in revenue and $18.0 million in operating profit (pre-AASB16 Leases (**AASB16**)). As at 28 June 2021, the last trading day prior to the announcement of the indicative proposal, rhipe had a market capitalisation of $336.6 million.[45]

7.2 Strategy

rhipe's business strategy is focused on four key pillars:

- ***geographical reach***: cement and grow partner of choice market position with continued expansion in other markets within the APAC region
- ***vendor programs and products***: grow its portfolio of solutions with innovative, subscription-based cloud software solutions, providing a margin for wholesalers and retailers
- ***value-added services***: provide ongoing value-add for vendors and partners via consulting and support-as-a-service while increasing rhipe's revenue, and
- ***building out intellectual property***: build a greater digital experience for rhipe customers through its PRISM platform and offer rhipe-owned software products, such as SmartEncrypt, as a stand-alone product or in bundles with vendor-owned products.

rhipe's annuity model, underpinned by subscription revenue, allows the company to consider various investments to support sustainable growth in both revenue and profit. The focus of such investments is on geographic expansion, solution offerings, as well as vendor and partner expansion.

In the medium term rhipe is targeting 50% of revenue to be sourced from licensing products and programs and 50% to be derived from cloud solutions and professional services. rhipe is also targeting to diversify its

[45] Calculated as closing price $2.09 multiplied by 161,075,376 ordinary shares on issue.

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licensing revenue mix earned from software vendors to reduce its reliance on Microsoft. The challenges in meeting this target include an increase in rhipe's organic growth rate to secure additional sales from non-Microsoft licensing vendors, which is made even more challenging given the strong growth experienced in Microsoft's public cloud products and the potential acquisition of services revenue to double the current organic growth plan.

7.3 Operations

Overview

rhipe's business model is focused on PAYG cloud software subscriptions and maximising clients' investment in cloud software. rhipe also provides value added services to resellers which are aimed at driving the ongoing growth in consumption of cloud software subscriptions. In providing these products and services, rhipe helps vendors migrate their traditional IT channel customers from an on-premises software infrastructure to cloud computing business models with subscription-based SaaS.

rhipe is an established player in the cloud services market in ANZ and has held a Microsoft CSP license in Australia since July 2015 and in New Zealand since July 2018. rhipe has been investing in Asia since 2012, as highlighted by the recent establishment of rhipe Japan through a binding joint venture agreement with JBS in August 2019. rhipe has also placed an emphasis on investing in countries such as Indonesia, Malaysia, Singapore, South Korea and Thailand. Although expansion plans have slowed due to the COVID-19 pandemic, rhipe still has a strategic focus on entering markets in Asia in the long term, where cloud penetration has lagged, and public cloud spending is expected to be an emerging trend post-COVID-19 pandemic.

Geographical presence

rhipe's head office is in Sydney and the company has presence across 12 cities in the APAC region. In June 2021, rhipe had 537 full-time equivalent (**FTE**) staff, representing an increase of 138 since June 2020. Services personnel are primarily located in Manila. The rhipe office locations and staff presence as at June 2021 are provided in the following figure.

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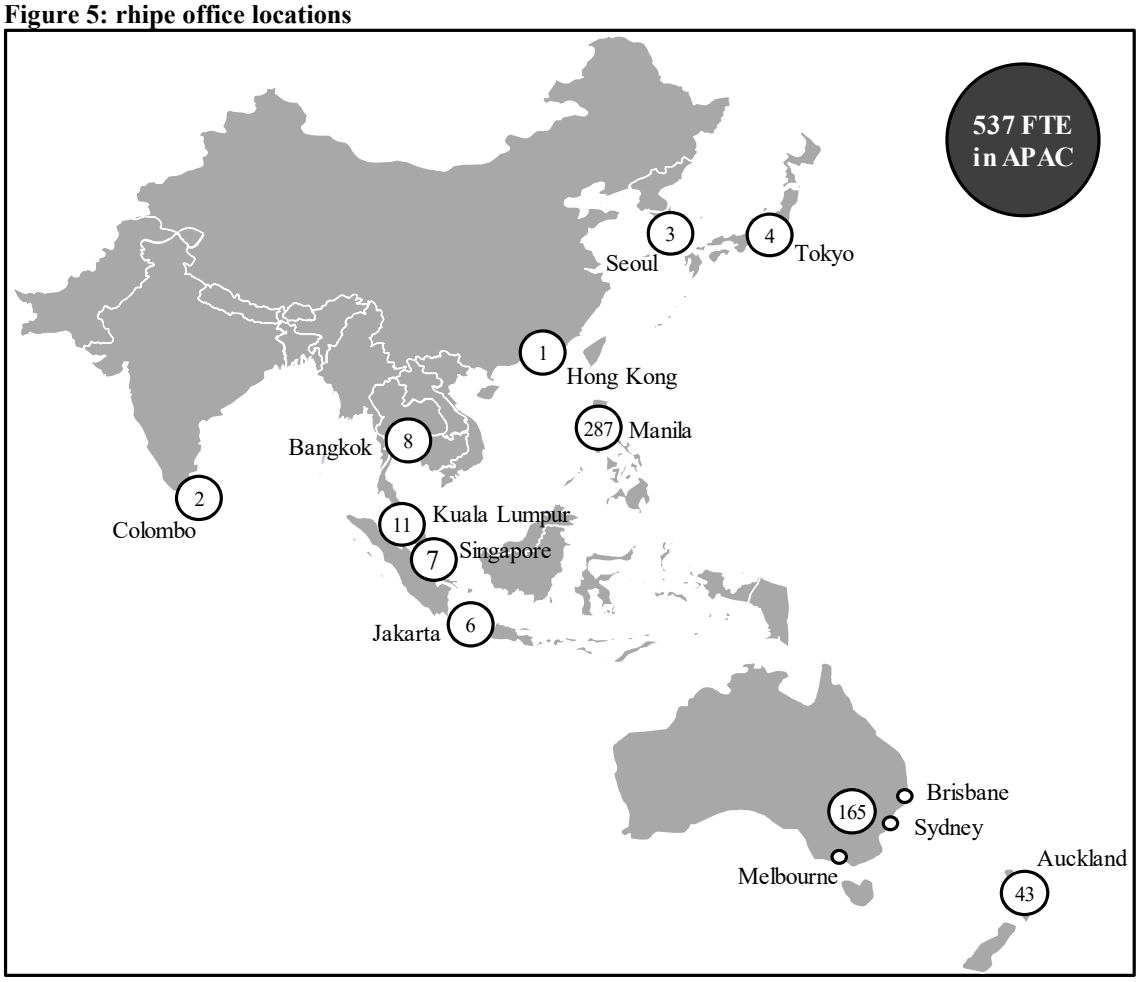
Figure 5: rhipe office locations

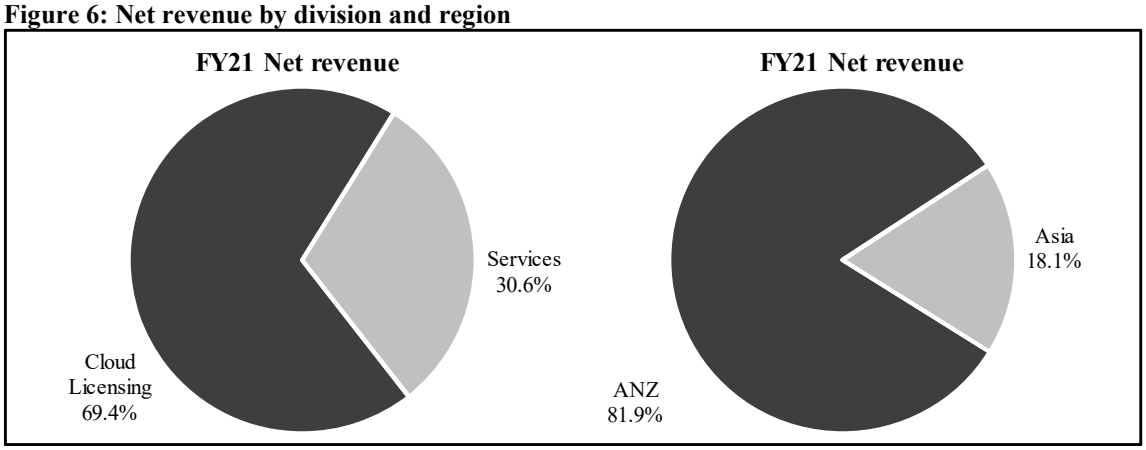


Source: rhipe FY21 Investor Presentation.

Business divisions

rhipe has three integrated business divisions: Cloud Licensing, Services and Cloud Operations. The relative contribution to net revenue (net of software costs) by division and region in FY21 is illustrated in the following figure.

Figure 6: Net revenue by division and region



Source: Management and KPMG Corporate Finance analysis.

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Cloud Licensing made up 69.4% of overall net operating revenue in FY21, down from 80.6% in FY18 as Services revenues have increased more rapidly than Cloud Licensing revenue in line with the company strategy around diversification. A majority (81.9% in FY21) of rhipe's operating revenue is sourced from ANZ, up from 81.0% in FY20 as the growth in Asia slowed down in FY21 due to the COVID-19 pandemic. Over the period FY18 to FY20, revenue from ANZ decreased from 83.4% of total net revenue as rhipe rapidly expanded its Asian operations.

7.3.1 Cloud Licensing

rhipe's Cloud Licensing division generates revenue from software that is distributed to indirect software resellers. rhipe's revenue is primarily derived from PAYG cloud-based subscription licenses from its public, private and hybrid cloud IT offerings. A large portion of their revenues are generated from products such as Microsoft O365 and Microsoft Azure. As part of their licensing offering, rhipe also offers cloud licenses to enterprise customers through products such as Microsoft LSP.

rhipe's business strategy emphasises continued investment in innovative, cloud-based subscription and software solutions. This strategy aligns with the ongoing consumption and demand for cloud-based subscription licenses by customers, as highlighted by the larger revenues that Microsoft, one of the top cloud providers globally, generates from their could-based subscription licenses (e.g. Microsoft O365 and Microsoft Azure), as opposed to their perpetual licenses.

Microsoft

In FY21, Microsoft products contributed approximately 76% of rhipe's Licensing sales (or 71% of gross sales) with the margin and incentives earned on Microsoft products equating to approximately 68% of rhipe's Licensing net revenue (or 47% of total net revenue). In FY21, for the first time in the company's history, sales of Microsoft public cloud products exceeded licensing sales from Microsoft private cloud products.

rhipe offers services across the public, private and hybrid cloud, however, its current sales growth driver is the public cloud through the Microsoft O365 and Microsoft Azure product offerings. The key products sold by rhipe through the private cloud is SPLA and LSP.

The main Microsoft subscription offerings under rhipe's Cloud Licensing business are summarised in the following table.

Table 4: Microsoft Cloud Licensing offerings

Microsoft products	Description
Microsoft SPLA	Private or hybrid cloud licensing agreement under which access to Microsoft apps can be granted to users of private cloud data centres.
Microsoft CSP program	Monthly and annual subscription program for public cloud solutions, Microsoft O365 and Microsoft Azure.
Microsoft LSP licensing	Provision of Enterprise Agreements via private and hybrid cloud.
Microsoft Dynamics Licensing	Application for customer relationship management (**CRM**), and enterprise resource planning systems for SME and large corporates.

Source: rhipe website.

Since FY16, rhipe's revenue growth has been underpinned by the growth in public cloud products, Microsoft O365 and Microsoft Azure, reflecting the increasing acceptance and adoption of public cloud computing in the APAC region. The historical sales performance for Microsoft O365 and Microsoft Azure and paid CSP Microsoft O365 seat count is illustrated in the following figure.

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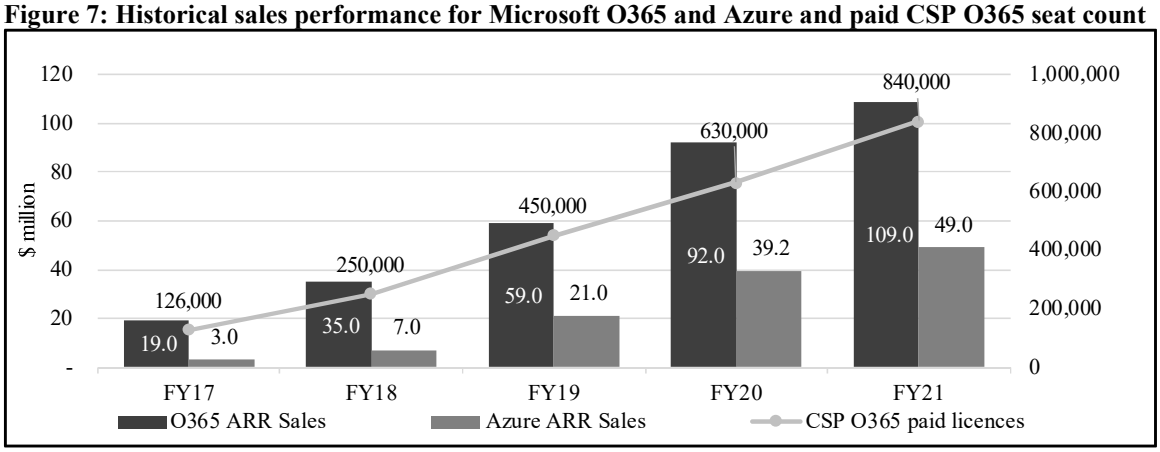
Figure 7: Historical sales performance for Microsoft O365 and Azure and paid CSP O365 seat count



Source: rhipe results presentations for FY18, FY19, FY20, and FY21, and KPMG Corporate Finance analysis.
*Note: Annual run rate (**ARR**).*

From FY17 to FY21, rhipe's number of paid Microsoft O365 licences or 'seats' increased by a CAGR of approximately 60.8% to 840,000 and the annual run rate sales of Microsoft O365 increased by 54.8% to $109.0 million. Annual run rate sales from Microsoft Azure increased by a CAGR of 101.0% to $49.0 million.

rhipe's cloud subscription position was further strengthened during the COVID-19 pandemic as the demand for new work from home infrastructure and business continuity solutions increased. The two key public cloud products offered under rhipe's Cloud Licensing business, Microsoft O365 and Microsoft Azure, contributed to approximately 41% of rhipe's gross licensing sales in FY21 and were responsible for around 70% of gross licensing sales growth in FY21.

Microsoft O365 seats in Japan grew from 200 to 13,400 in FY21 with sales increasing from $14,000 to $2.3 million.

SPLA (private/hybrid cloud) sales increased more slowly, at a YoY growth rate of 12% in FY18, and consistently at a growth rate of 8% in FY19 and FY20. In FY21, SPLA sales declined by 4.1%, driven by slower growth across the APAC region as the industry trend of moving to public cloud gained momentum.

Non-Microsoft vendors

Consistent with its growth strategy, rhipe is continuing to invest in non-Microsoft vendors in order to reduce single vendor dependency. In FY21, however, licensing sales generated from non-Microsoft products (excluding EMT Distribution) decreased by approximately 1% to represent approximately 21% of Cloud Licensing sales, down from 24% in FY20.

In FY21, rhipe launched a number of new software vendor programs on behalf of Zoom and Adobe in South East Asia, with Access4, Nerdio, RuneCast, ESET and Octopus Cloud across rhipe's APAC locations. These new vendors are expected to drive rhipe's growth in future financial years and underpin the ongoing investment in vendor diversification. However, these vendors are very small in comparison to Microsoft, hence rhipe will seek to invest in much larger vendor distribution programs in order to have a significant impact on diversifying its vendor base.

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Table 5: Non-Microsoft Cloud Licensing subscription offerings

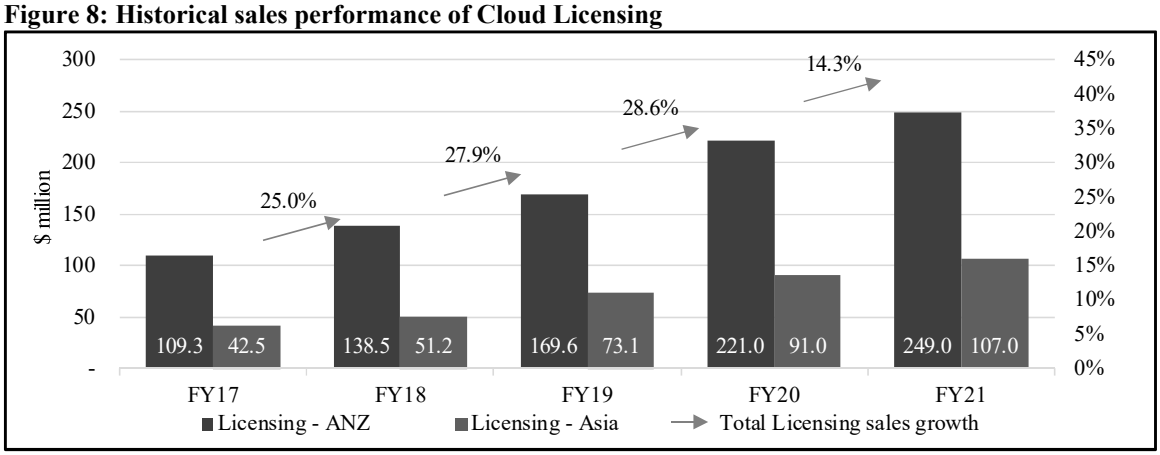
Non-Microsoft products	Description
VMware	Program which allows businesses to run multiple application and operating system workloads on the one server.
Veeam	Management platform for cloud data, providing solutions for backup, hybrid cloud acceleration and data security.
Red Hat Certified Cloud and Service Provider	IT infrastructure program including various cloud, system integrator and managed service providers, along with software developers and hardware manufacturers.
Citrix	Program to deliver hosted service portfolios and virtualise Windows applications, desktops and resources to hosted desktops and hosted applications.
Zimbra	Collaboration software which includes an email server and a web client.
Nerdio	Tool for Managed Service Providers (**MSP**) to deploy, manage and optimise Windows Virtual Desktop in Microsoft Azure.
Access4	Channel only, all-in-one collaboration application that delivers communication solutions, such as Unified Comms, Microsoft Teams, Contact Centre, and Hosted Voice.
AvePoint	SaaS platform provider for the Microsoft 365 channel, providing for migration, operations management, security and backup products.
ESET	Management console with antivirus and internet security solutions for home and business devices including Windows PC, Android, Mac or Linux OS.
RuneCast	Predictive analytics and security compliance tool for AWS, Microsoft Azure, Kubernetes and VMware.
Octopus Cloud	SPLA reporting solution which optimises revenue through fast and intelligent reporting.

Source: rhipe website.

Licensing sales composition

Cloud Licensing sales from FY17 to FY21 are summarised in the following figure.

Figure 8: Historical sales performance of Cloud Licensing



Source: rhipe investor presentations.

Cloud Licensing sales increased by a CAGR of 23.8% from FY17 to FY21. Most of this growth was in Asia, where sales increased by a CAGR of 26.0% from FY17 to FY21, compared to the more established ANZ market, where sales increased by a CAGR of 22.9% over the same period.

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7.3.2 Services

Services generates revenue from the provision of value-added services to help vendors and service providers with technical needs and digital transformation. These services are aimed at driving the ongoing growth in consumption of cloud software subscriptions and include:

- technical consulting and implementation services centred on products like Microsoft Sharepoint, Microsoft Azure and Dynamics
- Microsoft Azure managed services provided to ISV and SaaS companies by Parallo
- cyber security professional services related to rhipe's cyber security vendors, and
- professional services such as marketing as-a-service and 24/7 support-as-a-service.

rhipe works in collaboration with its clients to fill capability and capacity gaps with the aim of expanding their cloud offering.

7.3.3 Cloud Operations

rhipe's Cloud Operations division focuses on supporting Cloud Licensing and Services. Cloud Operations focuses on the development of rhipe-owned software products, which complements rhipe's other product offerings and is aimed at driving demand for channel partners. rhipe-owned software includes:

- ***PRISM:*** internally developed software subscription management platform. PRISM is a self-service portal where customers of rhipe can manage subscription and billing information and further differentiates rhipe from its competitors
- ***SmartEncrypt:*** this acquisition was an important step in supporting the company's strategy of developing intellectual property. SmartEncrypt has been acquired and developed with the aim of distributing it to rhipe's reseller community and SME target market. The success of the acquisition is as yet unproven, and
- ***Parallo:*** New Zealand-based managed service provider with a focus in the Microsoft Azure and VMware software products. This acquisition allows rhipe to support the expansion of their partner's Microsoft Azure capabilities to their end customers.

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7.4 Financial performance

The financial performance of rhipe for FY18, FY19, FY20, and FY21 is set out below.

Table 6: Financial performance of rhipe

Period $ million unless otherwise stated	FY18 Restated	FY19 Audited	FY20 Audited	FY21 Audited
Sales:				
Cloud Licensing	189.7	242.7	312.0	356.5
Services	6.9	9.8	13.5	20.4
Total sales	**196.6**	**252.5**	**325.2**	**377.0**
Purchases of software products	(161.0)	(204.2)	(269.4)	(310.2)
Net revenue:				
Cloud Licensing	28.7	38.7	42.4	46.4
Services	6.9	9.7	13.5	20.4
Total net revenue	**35.6**	**48.4**	**55.8**	**66.8**
Cost of sales	(1.6)	(2.5)	(3.4)	(6.4)
Gross profit	**34.1**	**45.9**	**52.4**	**60.4**
Operating costs	(26.3)	(33.0)	(38.6)	(42.4)
Operating profit:				
Cloud Licensing	6.1	9.1	11.2	14.5
Services	1.7	3.8	2.6	3.5
Operating profit (pre-AASB16)[1]	**7.8**	**12.8**	**13.8**	**18.0**
AASB16 adjustment[2]	-	-	2.0	1.8
Operating profit (post-AASB16)	**7.8**	**12.8**	**15.8**	**19.8**
Significant and non-recurring items and other income/(expense)	(1.4)	(2.8)	(4.2)	(3.2)
Reported EBITDA (post-AASB16)[3]	**6.4**	**10.0**	**11.6**	**16.6**
Depreciation and amortisation	(1.2)	(1.8)	(2.3)	(4.0)
Amortisation of right of use asset (AASB16 adjustment)	-	-	(1.9)	(1.7)
EBIT	**5.2**	**8.2**	**7.4**	**11.0**
Interest income	0.0	0.3	0.1	0.1
Interest on leases	-	-	(0.1)	(0.1)
Profit before tax	**5.2**	**8.5**	**7.4**	**11.0**
Income tax expense	(2.1)	(2.3)	(2.4)	(3.7)
NPAT	**3.1**	**6.2**	**5.0**	**7.3**
Non-controlling interest	-	-	(0.2)	(0.3)
NPAT attributable to rhipe shareholders	**3.1**	**6.2**	**4.8**	**7.0**
Statistics				
Sales growth (%)	*n/a*	*28.4%*	*28.8%*	*15.9%*
Cloud Licensing margin (%)	*15.1%*	*15.9%*	*13.6%*	*13.0%*
Net revenue growth - Cloud Licensing (%)	*n/a*	*34.9%*	*9.5%*	*9.5%*
Net revenue growth - Services (%)	*n/a*	*39.4%*	*39.5%*	*51.8%*
Net revenue growth - total (%)	*n/a*	*35.7%*	*15.5%*	*19.7%*
Operating costs as a percentage of net revenue (%)	*73.9%*	*68.3%*	*69.2%*	*63.4%*
Operating profit growth (pre-AASB16) (%)	*n/a*	*65.5%*	*7.1%*	*30.9%*
Operating profit margin (pre-AASB16) (%)	*21.8%*	*26.6%*	*24.6%*	*27.0%*
Reported EBITDA margin (post-AASB16) (%)	*17.9%*	*20.7%*	*20.7%*	*24.9%*
EBIT margin (%)	*14.6%*	*17.0%*	*13.2%*	*16.4%*

Source: rhipe Annual Reports and results presentations for FY18, FY19, FY20, and FY21, and KPMG Corporate Finance analysis.

1. *Operating profit (pre-AASB16) represents earnings before net interest, tax, depreciation and amortisation excluding non-cash share-based expenses, foreign exchange gains or losses, due diligence costs, non-operational gains or losses, and AASB16 adjustments.*
2. *AASB16 Leases was applied by rhipe on 1 July 2019, using the modified retrospective method.*
3. *Reported EBITDA (post-AASB16) represents EBITDA adjusted for significant and non-recurring items and other income and expenses.*

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FY18 to FY21

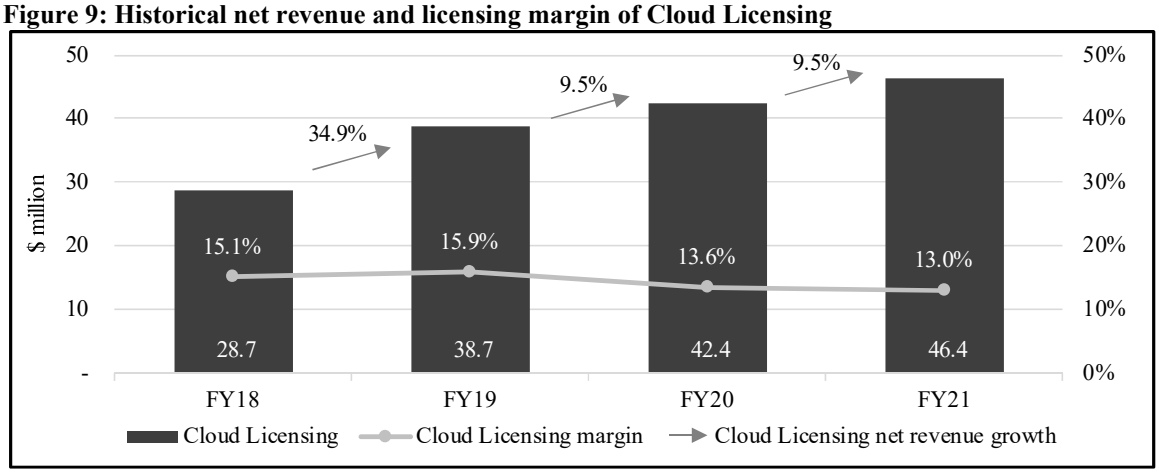
In relation to the financial performance of rhipe over the period FY18 to FY21, we note:

- ***total sales:*** increased by a CAGR of 28.6% from FY18 to FY20, underpinned by the demand for cloud-based software licensing products in the APAC region and acquisitions. Specifically, Cloud Licensing gross sales increased by a CAGR 28.2%, reflecting the uptake in public cloud, particularly in Asia, and Services gross sales increased by a CAGR of 39.9%, underpinned by the expansion in support services and investment in the Dynamic Business. Gross sales growth slowed to 15.9% in FY21, as Licensing sales were impacted by lower demand from IT resellers and end-user clients as a result of the COVID-19 pandemic, particularly in less developed countries across Asia, offsetting increased demand for new work from home infrastructure and business continuity solutions
- ***net revenue:*** despite relatively consistent sales growth up to FY20, overall net revenue growth slowed to 15.5% in FY20, although Services growth remained strong (39.5%), Cloud Licensing net revenue growth declined to 9.5%, reflecting a reduction in licensing margins from 15.9% to 13.6% as a result of the following:
  - lower vendor incentives from Microsoft as their products become more mainstream with more distributors and lower growth rebates
  - increasing bargaining power from large resellers as their spend with rhipe grows over time
  - increasing competition from large traditional software distributors who are pivoting towards cloud-based subscription licensing, and
  - changing product and geographical growth mix, which is underpinned by the growth from Microsoft Azure which is a lower margin product than software licences and the growth in lower margin Asia region.

  In FY21, net revenue growth of 19.7% reflects strong (51.8%) growth in Services revenue (including the impact of the Parallo acquisition) and continued lower growth in Licensing net revenue of 9.5% (reflecting the lower sales growth and further declines in licensing margin to 13.0%, offset by the impact of the EMT Distribution acquisition in the last two months of FY21).

  The net revenue, net revenue growth and licensing margins achieved by Cloud Licensing from FY18 to FY21 is summarised in the following figure.

Figure 9: Historical net revenue and licensing margin of Cloud Licensing



Source: Management and KPMG Corporate Finance analysis.

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- ***operating costs:*** include sales, marketing and general administration expenses and have generally declined as a percentage of sales reflecting operating leverage and in FY20 and FY21, lower travel, marketing and employee costs as a result of the COVID-19 pandemic, and
- ***operating profit (pre-AASB16):*** increased over the period FY18 to FY21. In FY20, despite strong growth in Services revenue, operating profit for Services declined as a result of increased expenditure on establishing the Microsoft Dynamics 365 channel business, investment in the SmartEncrypt product, as well as other support operations. Cloud Licensing FY20 operating profit includes $1.2 million of losses from the Japan joint venture (which commenced operations in August 2019), for which the expansion plans were slowed due to the COVID-19 pandemic.

  In FY21, operating profit increased strongly as a result of growth in revenue and lower operating costs as a percentage of sales plus nine months of contribution from the recently acquired Parallo business ($0.7 million) and two months contribution from the EMT Distribution business ($0.9 million). Further, despite the significant impact that the COVID-19 pandemic had on Japanese business operations, Microsoft O365 paid licences grew from 200 to 13,400, underpinning the increase in sales and lower operating loss for rhipe Japan.

AASB16

In FY20, the adoption of AASB16 resulted in a $2.0 million increase in operating EBITDA (post AASB16), $1.9 million increase in lease depreciation and $0.1 million increase in interest on leases.

Significant and non-recurring items and other income or expenses

rhipe has identified the following significant and non-recurring items and other income or expenses.

Table 7: Significant and non-recurring items and other income or expenses

Period $ million unless otherwise stated	FY18 Restated	FY19 Audited	FY20 Audited	FY21 Audited
Foreign exchange (loss)/gain	(0.3)	0.3	(0.1)	(0.2)
Restructuring and transaction costs	(0.4)	(0.5)	(1.1)	(0.6)
Impairment expense	-	(0.0)	(3.4)	-
Fair value adjustments to deferred consideration	-	-	3.5	-
Share based payments expense	(1.0)	(2.6)	(3.1)	(2.3)
Gain on sale of investments	0.3	-	-	-
Total	**(1.4)**	**(2.8)**	**(4.2)**	**(3.2)**

Source: rhipe Annual Reports and results presentations for FY18, FY19, FY20, and FY21.

In relation to the table above, we note:

- rhipe incurred restructuring and transaction costs over the period FY18 to FY21 for due diligence and other business combination costs incurred in relation to rhipe's acquisitions and in FY20, the company incurred redundancy cost of $0.5 million following an internal restructure
- rhipe recorded an impairment of goodwill $3.4 million in FY20, associated with the acquisition of Dynamic Business. The company underperformed during FY20 due to the COVID-19 pandemic, and the significant impacts on Dynamic Business were expected to continue into FY21, resulting in the recognition of an impairment loss
- the fair value adjustment to deferred consideration of $3.5 million recorded in FY20 was in relation to non-triggering of the earn out payment for Dynamic Business, and
- share-based payments are in relation to non-cash long term incentives awarded to management.

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Reported NPAT

As a result of higher significant and non-recurring items in FY20, NPAT attributable to rhipe shareholders declined in FY20, before increasing in FY21.

Earnings per share and distributions

rhipe's earnings per share (**EPS**) and distributions are set out in the following table.

Table 8: Per share statistics

Period $ million unless otherwise stated	FY18 Restated	FY19 Audited	FY20 Audited	FY21 Audited
Weighted average number of ordinary shares (millions)	135.8	137.3	143.8	160.7
Weighted average number of options and performance rights (millions)	2.1	3.4	3.2	4.2
Weighted average number of ordinary shares (diluted) (millions)	137.9	140.7	147.1	164.9
Basic EPS (cents)[1]	2.26	4.53	3.49	4.54
Diluted EPS (cents)[2]	2.22	4.42	3.41	4.42
Dividends per share (cents)	1.50	3.00	2.00	1.50
Payout ratio (%) [3]	*66%*	*66%*	*57%*	*33%*
Franked (%)	*100%*	*100%*	*100%*	*967%*

Source: rhipe Annual Reports and results presentations for FY18, FY19, FY20, and FY21, and KPMG Corporate Finance analysis.
Notes:
1. *Basic EPS is calculated by dividing reported NPAT by the weighted average number of ordinary shares outstanding during the year.*
2. *Diluted EPS is calculated by dividing reported NPAT by the weighted average number of ordinary shares plus options and performance rights during the year.*
3. *Payout ratio is calculated as dividends per share divided by basic EPS.*

In FY20, the reduction in NPAT resulted in a reduction in EPS. In March 2020, the interim 1H20 dividend of 1.2 cents was cancelled as a precautionary measure in order to maintain strong liquidity following the onset of the COVID-19 pandemic. A final FY20 dividend of 2 cents was paid.

FY21 dividends include an interim dividend of 1.5 cents with the rhipe Board intending to declare a Special Dividend of 13 cents subject to rhipe shareholder approval of the Scheme, which is expected to be paid in October 2021 and reduces rhipe's franking account balance to $1.5 million at 30 June 2021. All dividends are fully franked subject to ATO's approval for the Special Dividend.

rhipe does not have a fixed dividend policy, however, the dividend payout ratio ranged from 57% to 66% (other than in FY21 where a Special Dividend is intending to be declared).

Taxation

rhipe had $0.3 million of overseas losses not recognised in June 2021, up from $0.2 million in June 2020.

7.5 Financial position

The audited financial position of rhipe as at 30 June 2018, 30 June 2019, 30 June 2020 and 30 June 2021 are summarised in the following table.

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Table 9: Financial position of rhipe

As at $ million unless otherwise stated	30-Jun-18 Restated	30-Jun-19 Audited	30-Jun-20 Audited	30-Jun-21 Audited
Receivables and prepayments	29.8	40.3	43.3	57.7
Trade and other payables, unearned revenue, current tax liabilities	(31.5)	(44.5)	(49.9)	(70.4)
Net working capital	**(1.7)**	**(4.2)**	**(6.6)**	**(12.7)**
Prepayments and rental bonds	0.2	0.3	0.5	0.6
Right of use assets	-	-	3.2	1.9
Property, plant and equipment	0.9	1.1	1.8	1.7
Deferred tax assets (net)	(0.7)	0.9	2.6	2.9
Intangible assets	23.5	32.7	36.6	54.1
Provisions	(0.9)	(1.3)	(1.7)	(2.5)
Deferred contingent consideration	-	(3.5)	(2.8)	(6.6)
Total funds employed	**21.3**	**25.9**	**33.6**	**39.4**
Cash and cash equivalents	22.7	25.5	60.9	53.8
Borrowings	-	-	-	-
Lease liability	-	-	(3.9)	(2.4)
Net borrowings	**22.7**	**25.5**	**57.1**	**51.4**
Net assets	**44.0**	**51.4**	**90.7**	**90.8**
Total equity	**44.0**	**51.4**	**90.7**	**90.8**
Non-controlling interest	-	-	0.1	(0.0)
Equity attributable to rhipe shareholders	**44.0**	**51.4**	**90.7**	**90.8**
Statistics				
Shares on issue at period end ('millions)	*135.4*	*139.0*	*161.1*	*161.1*
Net assets per share ($) [1]	*0.32*	*0.37*	*0.56*	*0.56*
Net working capital as a percentage of sales (%) [2]	*(0.9%)*	*(1.7%)*	*(2.0%)*	*(3.4%)*

Source: rhipe Annual Reports and results presentations for FY18, FY19, FY20, and FY21, and KPMG Corporate Finance analysis.
Notes:
1. *Net assets per share is calculated as net assets divided by the number of rhipe shares at period end.*
2. *Net working capital as a percentage of sales is calculated based on gross sales of rhipe.*

rhipe's net assets and net assets per share increased from 30 June 2018 to 30 June 2020, mainly reflecting the increase in intangible assets and cash as a result of partially scrip funded acquisitions, retained earnings and the capital raising in FY20. Net assets and net assets per share remained steady at 30 June 2021 as cash was used to fund acquisitions.

A majority of rhipe's assets are comprised of intangible assets, acquired through business combinations and internally developed software (PRISM and SmartEncrypt), and rhipe has relatively low fixed asset and working capital requirements. As at 30 June 2021, intangibles of $54.1 million comprised goodwill ($38.6 million), software development ($9.7 million), work-in-progress software development ($0.5 million) and customer relationships ($5.2 million).

rhipe's net working capital requirements are negative due to rhipe's timing of receipts from customers and payments to vendors. Net working capital consistently increased in each period as a percentage of sales as a result of higher sales driving higher receipts from customers compared to timing of vendor payments.

The adoption of AASB16 has added right of use assets to the balance sheet, which are offset by corresponding lease liabilities.

rhipe has made a number of acquisitions over the period presented for which contingent consideration is payable. Contingent consideration at 30 June 2021 of up to $7.8 million will be paid in a number of instalments and includes cash and shares. The cash portion of $6.6 million is disclosed in the balance sheet and is re-measured each reporting period in accordance with AASB9 Financial Instruments. The equity

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portion of $1.2 million, which relates to the Network2Share and Data Confidence, is included in equity and is not remeasured.[46] The $6.6 million deferred cash consideration as at 30 June 2021 relates to the acquisition of Parallo ($5.1 million) and Network2Share and Data Confidence ($1.5 million).

All provisions as at 30 June 2021 are operating in nature and relate to employee benefits.

As at 30 June 2021, rhipe had nil borrowings and cash of $53.8 million following the $32.5 million capital raising in FY20.

7.6 Cash flows

The audited cash flow statements for rhipe for FY18, FY19, FY20 and FY21 are summarised in the following table.

Table 10: Cash flow statement of rhipe

Period $ million unless otherwise stated	FY18 Restated	FY19 Audited	FY20 Audited	FY21 Audited
Operating profit (pre-AASB16)	**7.8**	**12.8**	**13.8**	**18.0**
Payment for property, plant and equipment	(0.5)	(0.7)	(1.4)	(1.0)
Payment for intangibles	(2.4)	(2.3)	(2.9)	(1.6)
(Increase)/decrease in net working capital	0.9	1.2	4.5	5.8
Operating cash flows	**5.7**	**11.1**	**14.0**	**21.1**
Interest received	0.0	0.3	0.1	0.1
Interest paid	-	-	(0.1)	(0.1)
Income taxes paid	(0.9)	(2.3)	(4.5)	(4.0)
Payment for subsidiary on acquisition	-	(3.0)	(2.0)	(13.5)
Proceeds from sale of investments	0.7	-	-	-
Proceeds from issue of shares	0.3	1.6	34.4	0.1
Payment for share buy back	(2.3)	(2.1)	-	(0.1)
Investment in Treasury shares	-	-	(0.7)	(3.2)
Payment of principal portion of lease liability	-	-	(1.9)	(2.0)
Dividend paid	(0.7)	(2.7)	(2.8)	(5.6)
Costs associated with issue of shares	-	-	(1.1)	(0.0)
Net cash generated/(used)	**2.9**	**2.9**	**35.4**	**(7.2)**
Effect of exchange rates on cash holdings in foreign currencies	0.0	(0.1)	0.0	0.1
Net cash flow	**2.9**	**2.8**	**35.4**	**(7.1)**
Cash and cash equivalent at the beginning of financial period	*19.8*	*22.7*	*25.5*	*60.9*
Cash and cash equivalent at the end of financial period	*22.7*	*25.5*	*60.9*	*53.8*

Source: rhipe Annual Reports and results presentations for FY18, FY19, FY20, and FY21, and KPMG Corporate Finance analysis.

Throughout the periods presented, rhipe generated increasing, positive operating cash flows as a result of growth in operating profits and increasing, negative working capital requirements.

In FY18 and FY19, cash inflows were utilised to fund internally generated and purchased software intangibles and capital expenditure, buy back shares and pay dividends. The Dynamic Business acquisition in FY19 was funded by a combination of cash and scrip.

In FY20 and FY21, cash inflows were utilised to fund internally generated and purchased software intangibles and capital expenditure, pay dividends and purchase Treasury shares. A capital raising of $32.5

[46] In accordance with the Scheme Implementation Deed, upon implementation of the Scheme, any scrip deferred consideration will be paid in cash.

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million (net of transaction costs) in April 2020 was utilised to fund acquisitions and strengthen rhipe's cash balance.

7.7 Share capital and ownership

As at 2 September 2021, rhipe's issued capital comprised:

- 161,075,376 ordinary shares, including 845,750 shares held in the Employee Share Trust, and
- 3,811,672 Performance Rights with various vesting dates.

As at 30 July 2021, rhipe had 4,434 registered shareholders. The top 20 registered rhipe shareholders accounted for approximately 76% of shares on issue and included Tutus McDonagh Pty Ltd as well as individuals, nominees and custodian companies. As at 30 July 2021, retail investors (holdings of up to 100,000 shares) accounted for 98% of rhipe shareholders and 17% of rhipe shares on issue.

As at 2 September 2021, rhipe had received notices from the following substantial shareholders.[47]

Table 11: Substantial shareholder notices as at 2 September 2021

Name of substantial shareholder	Date of notice	Number of shares held[1]	Percentage of issued capital[1]
Tutus McDonagh Pty Ltd and Jennifer Lea McDonagh	27 May 2015[2]	23,910,730	14.84%
National Nominees Ltd ACF Australian Ethical Investment Limited	12 December 2019[3]	13,959,658	8.67%
UBS Group AG	15 July 2021	10,694,442	6.64%
MA Financial Group Limited	16 June 2021	8,251,957	5.12%
Clime Investment Management and associates	2 July 2021	8,063,840	5.01%

Source: Substantial shareholder notices on ASX website.
Notes:
1. *Issued capital is as at date of notice except for Tutus McDonagh Pty Ltd and Jennifer Lea McDonagh and National Nominees Ltd ACF Australian Ethical Investment Limited, which are based on the rhipe FY21 Annual Report.*
2. *Substantial shareholder notice dated 27 May 2015 disclosed Tutus McDonagh Pty Ltd and Jennifer Lea McDonagh interest of 24,310,730.*
3. *Substantial shareholder notice dated 12 December 2019 disclosed National Nominees Ltd ACF Australian Ethical Investment Limited interest of 7,109,460.*

rhipe operates a Long Term Incentive Plan under which Performance Rights are granted to key management personnel. Each right confers on its holder the entitlement to acquire one rhipe share (or an equivalent cash amount) at various vesting dates upon achievement of certain performance criteria. The Performance Rights outstanding as at 2 September 2021 under the plan are as follows.

Table 12: Share based incentives

Type	Date of grant	Vesting date	On issue	Vested	Unvested
Performance rights:					
FY19	31 May '19	1 Jul '20/1 Jul '21	1,262,472	1,262,472	-
FY20	30 Jan '20	1 Jul '22	683,565	-	683,565
FY21	15 Jan '21	1 Jul '23	1,865,635	-	1,865,635
Sub total			**3,811,672**	**1,262,472**	**2,549,200**

Source: Management.

All of the FY19 Performance Rights have vested and will be exercised in the ordinary course of business prior to implementation of the Scheme. They will result in the issue of 488,106 new rhipe shares, after 774,366 rights are satisfied by shares held in the Employee Share Trust.

[47] The table below excludes any shareholdings in a nominee or custodian capacity so far as is known to rhipe.

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Under the Scheme Implementation Deed, rhipe is required to ensure that, by no later than the Scheme Record Date, there are no outstanding Performance Rights on issue. Under the terms of the rhipe Long Term Incentive Plan that governs the FY20 grants, in the event of a proposed change of control of rhipe, the rhipe Board has discretion to determine the treatment of any unvested rhipe Performance Rights and the timing of such treatment.

Under the terms of the rhipe Long Term Incentive Plan that governs the FY21 grants, in the event of a change of control, 75% of unvested at target rhipe Performance Rights will vest. The rhipe Board retains discretion to determine the treatment of the remaining 25% of unvested at target rhipe Performance Rights.

As a result of the Scheme, the rhipe Board will exercise its discretion to ensure that of the 2,549,200 unvested Performance Rights, 1,843,241 will vest and 705,959 will be forfeited. The vested rights will be satisfied through the issue of new rhipe shares. As such, the diluted number of rhipe shares as a result of the Scheme will be 163,406,723 (including the shares issued as a result of the FY19 Performance Rights).

rhipe also operates an Employee Share Purchase Plan which allows employees to salary sacrifice up to $5,000 per annum to purchase rhipe shares. There are presently 71,583 Employee Share Purchase Plan shares on issue that are held by the Employee Share Trust.

7.8 Share price performance

In assessing rhipe's share price performance we have:

- analysed the share price and volume performance of rhipe over the period from 1 September 2018 to 1 September 2021
- compared the share price movement to the S&P/ASX All Ordinaries Index (**All Ordinaries Index**), S&P/ASX 300 Information Technology (Sector) Index (**Information Technology Index**), as well as the most comparable company, Dicker Data, over the same period, and
- assessed the VWAP and trading liquidity of rhipe shares for various periods ending 28 June 2021 (the last trading day prior to the announcement of the indicative proposal).

7.8.1 Recent trading in rhipe shares

The share price and volume of rhipe shares from 1 September 2018 to 1 September 2021 is illustrated in the following chart.

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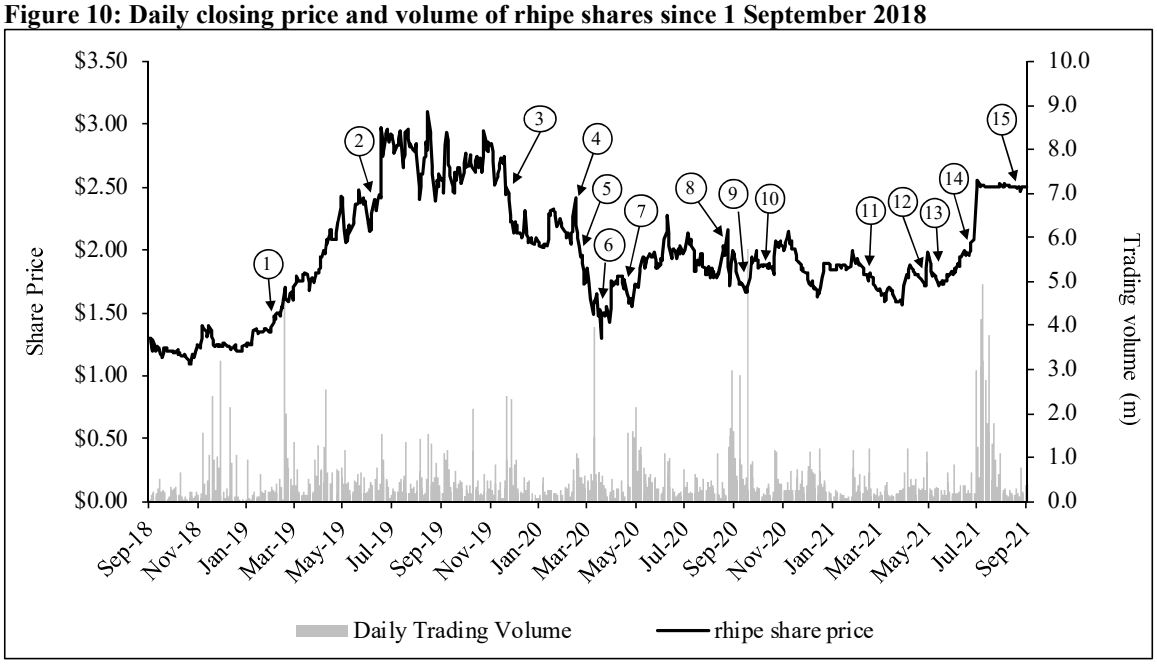
Figure 10: Daily closing price and volume of rhipe shares since 1 September 2018



Source: S&P Capital IQ and KPMG Corporate Finance analysis.

As illustrated above, rhipe's closing share price and volume has been relatively volatile over the period presented. Significant announcements made by rhipe over this period that may have had an impact on its share price include:

1. On 18 February 2019, rhipe released its 1H19 results, which indicated strong growth in operating profit (~79%) compared to 1H18, and announced operating profit guidance for FY19 of $11.5 million to $12.0 million. The share price increased by 10% to close at $1.70 on the day of the announcement.
2. On 19 June 2019, rhipe upgraded its FY19 operating profit guidance for FY19 to $12.5 million, with preliminary guidance for FY20 of $16 million excluding any investment in rhipe Japan. The share price increased by 23.1% to close at $2.98 on the day of the announcement.
3. On 21 November 2019, the 2019 Annual General Meeting CEO Presentation highlighted that despite there being significant growth in sales and net revenue in 1Q20, licensing margins declined to 14.0%, impacted by higher growth in lower margin products (Microsoft Azure) and lower margin regions (Asia), changes to vendor rebates and to a lesser extent competitive pressures. The share price declined by 11.3% to close at $2.44 on the day of the announcement.
4. On 18 February 2020, rhipe released its 1H20 results, which indicated that although sales from software products increased by 32%, net licensing revenue growth was lower at 18% as licensing margins declined from 15.6% in the prior period to 14% as a result of changes in vendor incentives and competition. The share price declined by 9.1% to close at $2.20 on the day of the announcement.
5. From late February to March 2020, the rhipe share price declined in line with the overall share market as a result of the outbreak of the COVID-19 pandemic.
6. On 26 March 2020, as a result of the COVID-19 pandemic, rhipe announced that it had withdrawn its FY20 guidance and cancelled the interim dividend of 1.2 cents per rhipe share to ensure the company was able to maintain appropriate liquidity during the COVID-19 pandemic. The share price closed at $1.55 and declined by 4.4% on the subsequent three-day period after the announcement.

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7. On 21 April 2020, rhipe announced that it had successfully completed a $34 million capital raising at $1.60, a 9.6% discount to the closing price of $1.77 on 17 April 2020. rhipe confirmed that the proceeds would strengthen the balance sheet to allow the company to purse complementary bolt-on acquisitions to its existing cloud software subscription business. The share price declined by 6.8% to close at $1.65 on the day of the announcement.
8. On 25 August 2020, rhipe released its FY20 results, which indicated that net licensing revenue increased by 10%, lower than growth in sales from software products of 28%, as a result of licensing margin for the year reducing from 15.9% in FY19 to 13.6% in FY20 due to lower vendor incentives, product mix, geographical mix and competition. The share price declined by 13.4% to close at $1.87 on the day of the announcement.
9. On 21 September 2020, rhipe announced that it had entered into a binding agreement to acquire Microsoft Azure specialist IT service provider, Parallo, for an initial purchase price of NZ$4.25 million. rhipe confirmed that the acquisition reinforces its commitment to provide partners with the latest infrastructure technology support to assist their growth. The share price increased by 17.1% in the week following the announcement.
10. On 22 October 2020, rhipe released a 1Q21 trading update, highlighting that the group recorded strong growth in their Microsoft public cloud products and Services business despite the impact of the COVID-19 pandemic, and that licensing margin had remained stable. The share price increased by 14.7% over the two-day period following the announcement.
11. On 16 February 2021, rhipe released its 1H21 results, confirming that despite the impact of the COVID-19 pandemic on many of the SMEs, revenue and operating profit increased YoY, as strong sales growth was realised in the Microsoft O365 and Microsoft Azure products. Licensing margin declined from 13.6% in FY20 to 12.7% in 1H21, predominantly driven by changes in vendor incentives. rhipe announced that it was targeting full year operating profit for FY21 of $17.5 million (~27% growth compared to PcP). The share price remained relatively stable after the announcement, decreasing by 0.6% over the subsequent four-day period.
12. On 1 April 2021, rhipe announced that it had entered into a binding legal agreement to acquire cyber security distribution specialist EMT Distribution Pty Ltd (Australia), highlighting its commitment to expand its service offering to the enterprise market. The share price increased by 15.4% over the following two-day period after the announcement.
13. On 29 April 2021, rhipe provided a trading update, which highlighted that rhipe's revenue and operating profit had experienced solid YoY growth in YTD 31 March 2021 (~15% and ~36% respectively). rhipe announced that it expected full year operating profit for FY21 to be in excess of $18 million including any Japan investment, ahead of the previously disclosed guidance of $17.5 million. The share price increased by 15.1% over the subsequent two-day period, before ending the following week up 5.5%.
14. On 1 July 2021, rhipe announced and confirmed that it had received a confidential, non-binding, conditional proposal from Crayon to acquire 100% of the shares in rhipe by way of a scheme of arrangement for $2.50 per rhipe share.[48] The share price increased by 20.1% to close at $2.51 on the day of the announcement.

[48] Less any dividends or distributions declared by rhipe after the date of the proposal.

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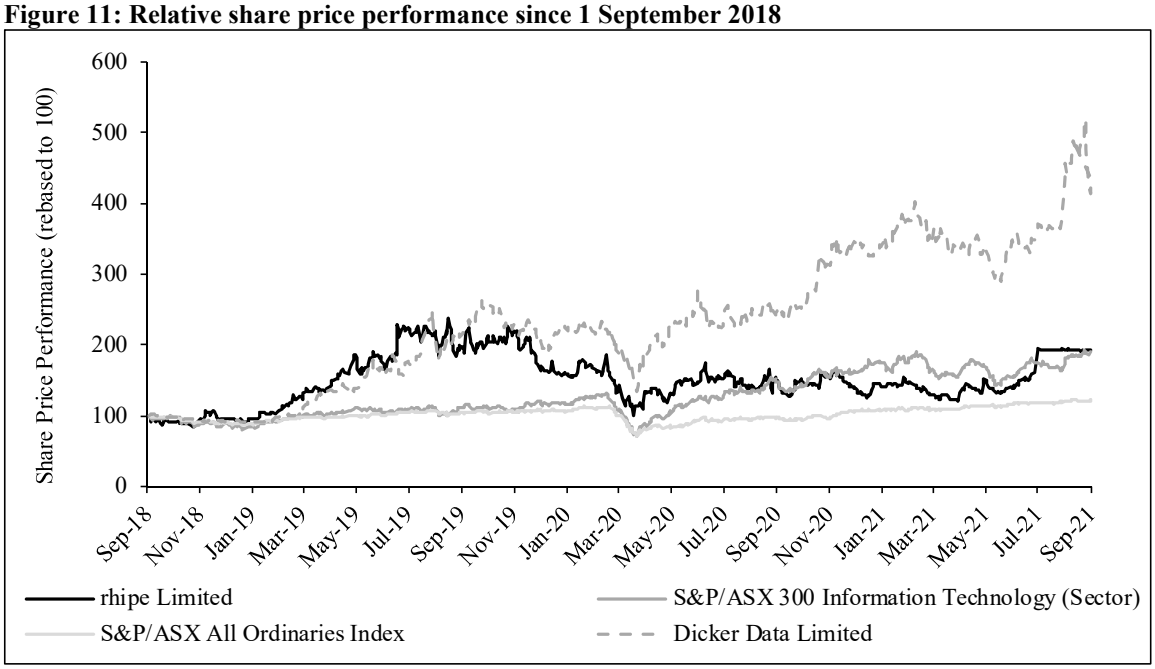
15. On 31 August 2021, rhipe released its FY21 results, which indicated a 20% increase in revenue, 44% increase in reported EBITDA and 46% increase in net profit after tax. The share price did not change on the day of the announcement.

In the month to 28 June 2021 (the last trading day prior to the announcement of the indicative proposal), rhipe shares traded in the range of $1.78 to $2.10, at a VWAP of $1.93, and closed at $2.09.

7.8.2 Relative share price performance

The performance of the rhipe share price from 1 September 2018 to 1 September 2021, relative to the All Ordinaries Index, Information Technology Index and Dicker Data (rebased to 100) is illustrated below.

Figure 11: Relative share price performance since 1 September 2018



Source: S&P Capital IQ and KPMG Corporate Finance analysis.

The rhipe and Dicker Data share prices outperformed the indices from January to July 2019, reflecting strong earnings growth as a result of their leverage to the cloud. The rhipe and Dicker Data share prices broadly tracked the indices from August to October 2019, albeit whilst there was trading volatility in both shares.

The rhipe and Dicker Data share prices underperformed the indices from November 2019 until the onset of the COVID-19 pandemic in March 2020, as licensing margins were impacted by changes to vendor rebates and competitive pressures. The rhipe share price underperformed Dicker Data in December 2019, following Dicker Data's announcement of a significant increase in their final dividend for FY19 following strong trading results.

From April 2020, the rhipe share price remained broadly stable as licencing margins compressed, underperforming Dicker Data, which increased strongly until February 2021 on consecutive announcements of strong earnings performance driven by a significant increase in the demand for IT hardware as a result of the COVID-19 pandemic, the Information Technology Index, which also increased strongly until February 2021, and the All Ordinaries Index, which recovered slowly.

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7.8.3 Liquidity

An analysis of the volume of trading in rhipe shares, including the VWAP for the period up to 28 June 2021 (the last trading day prior to the announcement of the indicative proposal) is set out in the following table.

Table 13: Volume of trading in rhipe shares

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
1 day	2.04	2.10	2.07	0.4	0.2	0.1%
1 week	1.94	2.10	2.04	2.67	1.3	0.8%
1 month	1.78	2.10	1.93	10.1	5.2	3.3%
3 months	1.56	2.10	1.82	36.1	19.8	12.3%
6 months	1.55	2.10	1.81	63.2	34.9	21.6%
12 months	1.55	2.19	1.83	183.7	100.2	62.2%

Source: S&P Capital IQ and KPMG Corporate Finance analysis.

During the 12 month period to 28 June 2021 (the last trading day prior to the announcement of the indicative proposal), 62.2% of the issued shares were traded (approximately 79% of free float[49]). This level of trading indicates that rhipe shares are reasonably liquid.

7.8.4 Outlook

Management has not provided specific guidance for FY22 and beyond. In order to provide an indication of the expected future financial performance of rhipe, KPMG Corporate Finance has considered brokers' forecasts for rhipe. As far as KPMG Corporate Finance is aware, rhipe is followed by five brokers, four of which have provided earnings forecasts following the 29 April 2021 release of rhipe's 3Q21 trading update and upgraded operating profit guidance for FY21 of in excess of $18 million (previously $17.5 million). As such, the four brokers' forecasts published post 29 April 2021 have been included below.

The brokers' forecasts are summarised in the following table and set out in detail in Appendix 3.

[49] Free float is approximately 79% after taking into account Tutus McDonagh Pty Ltd's 14.88% interest and interests of employees and Directors of 6%.

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Table 14: Broker consensus forecast

Period	Actual	Broker Consensus (median)	
$ million unless otherwise stated	FY21	FY22	FY23
Gross sales	377.0	474.1	567.9
Net revenue	66.8	81.0	94.3
Operating profit (pre-AASB16)	**18.0**	**23.8**	**29.2**
Reported EBITDA (post AASB16)	**16.6**	**21.5**	**27.5**
NPAT	**7.0**	**12.1**	**16.2**
Statistics:			
Sales growth (%)	*15.9%*	*25.8%*	*19.8%*
Net revenue growth (%)	*19.7%*	*21.2%*	*16.4%*
Operating profit (pre-AASB16) growth (%)	*30.9%*	*32.1%*	*22.7%*
Operating profit (pre-AASB16) margin (%)	*27.0%*	*29.4%*	*31.0%*
EBITDA growth (%)	*43.6%*	*29.4%*	*27.9%*
NPAT growth (%)	*46.0%*	*71.9%*	*34.4%*
Basic EPS (cents)	*4.5*	*7.8*	*10.3*
DPS (cents)	*14.5*	*4.8*	*5.8*

Source: Broker reports for rhipe, rhipe Annual Report for FY21 and KPMG Corporate Finance analysis.

Brokers are forecasting significant continued earnings growth in FY22 and FY23. The brokers noted:

- rhipe is to benefit from continued cloud software adoption across the APAC region
- improving business conditions in Asia are expected to accelerate sales growth
- cost management and operating leverage
- $2 million of incremental operating profit in FY22 from the acquisition of EMT Distribution on 30 April 2021, as well as cross selling opportunities and an opportunity to acquire the Middle East business ($0.5 million operating profit), and
- further accretive, bolt-on acquisitions.

Further, the brokers projected a median share price target of $2.59 for rhipe.

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8 Valuation of rhipe

8.1 Summary

We have valued 100% of the equity in rhipe in the range of $396 million to $446 million, which corresponds to a value of $2.42 to $2.73 per rhipe share. Our valuation assumes 100% ownership of rhipe and, therefore, incorporates a control premium.

We have the assessed the value of rhipe's operating business to be in the range of $350 million to $400 million. We have then added the net cash as at 30 June 2021 and subtracted contingent consideration to determine the equity value.

In assessing the value of rhipe's operating business, KPMG Corporate Finance has adopted a DCF analysis as a primary methodology. The value derived from the DCF analysis has been cross-checked using multiples of EBITDA for comparable globally listed IT distribution companies and transactions involving IT distribution companies. The valuation of rhipe's operating business is set out in Section 8.3 of this report.

Our valuation of rhipe has been prepared on the basis of 'market value'. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay. However, our valuation has had regard to the additional value resulting from synergies that would generally be available to a 'pool' of potential purchasers, being IT distribution companies of sufficient scale.

The valuation of rhipe is summarised in the table below.

Table 15: Valuation summary

$ million	Section Reference	Low	High
Value of operating business	8.3	350.0	400.0
Enterprise value		**350.0**	**400.0**
Add: Net cash	8.4	53.8	53.8
Less: Contingent consideration	8.5	(7.8)	(7.8)
Value of equity (100% basis)		**396.0**	**446.0**
Diluted number of shares on issue (million)	8.6	163.4	163.4
Value per rhipe share ($)		**2.42**	**2.73**

Source: KPMG Corporate Finance analysis.

Our valuation range of $2.42 to $2.73 per rhipe share reflects a premium over the $2.09 closing price on the last trading day immediately prior to the announcement of the indicative proposal of between 15.8% and 30.6% and a premium to the one month VWAP of $1.93 in the range of 25.4% to 41.4%. Premiums calculated over a one month period are consistent with the range of premiums that are typically observed, and reflect value associated with public company and other cost savings available to a pool of potential purchasers and the benefits of control.

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8.2 Valuation methodology

8.2.1 Overview

In the absence of any market distortion, the most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. Where direct market evidence is unavailable, estimates of value are made using methodologies that infer value from other available evidence. Commonly used valuation methodologies for estimating the value of a business include:

- Capitalised Earnings
- DCF, and
- estimated net proceeds from an orderly realisation of assets (**Net Assets**).

These methodologies are discussed in further detail in Appendix 4.

Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as DCF and Capitalised Earnings are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any.

8.2.2 Selection of methodology

A discussion of the rationale for the selection of the valuation methodologies is set out below.

DCF methodology

A DCF approach was adopted as our primary methodology for rhipe's operating business. This approach allows for analysis of key assumptions and for a range of scenarios to be modelled (e.g. with regard to the licensing margins of rhipe's business). The DCF analysis was based on a medium-term financial model developed by KPMG Corporate Finance on the basis of a Cash Flow Model provided by rhipe.

KPMG Corporate Finance has undertaken various enquiries in relation to the Cash Flow Model, including holding discussions with Management in regard to the commercial assumptions underlying the Cash Flow Model and their bases. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. industry growth rates). KPMG Corporate Finance is of the view that the forward-looking information included in the Cash Flow Model has been prepared on a reasonable basis and, therefore, is suitable as a starting point for our valuation.

Where significant uncertainty exists (i.e. in relation to licensing margins), various scenarios have been developed to understand the potential impact on value of a variety of outcomes.

We have not, however, tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, or tested the mathematical integrity of the models. We have however made sufficient enquires, including discussing the Cash Flow Model key assumptions with Management, to confirm that the assumptions have a reasonable basis for adoption and where considered necessary, have made adjustments to reflect our judgement.

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Capitalised Earnings methodology

A Capitalised Earnings methodology is appropriate for businesses with a long operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. rhipe has experienced fairly consistent earnings growth in recent years, as customers have accelerated their migration to the cloud. Consequently, multiples of earnings have been used as a cross-check.

Multiples applied in a Capitalised Earnings methodology are generally based on data from listed companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

A Capitalised Earnings approach can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBITA and EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result. However, we note that EBITDA is commonly used in capital intensive industries, as differences in depreciation policies adopted by market participants can otherwise make direct comparisons between companies difficult. EBITDA or EBITA are also commonly used in industries where participants have made a large number of acquisitions and, therefore, companies have large amortisation expenses that vary between companies and countries. Consequently, multiples of EBITDA have been used as a cross-check.

Determination of the appropriate earnings multiple is usually the most judgemental element of a Capitalised Earnings valuation. With regard to the multiples applied in a Capitalised Earnings approach, they are generally based, where sufficient evidence exists, on implied multiples paid in recent actual transactions in a comparable sector and/or on the multiples implied by trading in comparable listed companies, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

rhipe has not provided specific guidance for FY22 or beyond. Accordingly, the implied forward multiples have been calculated based on broker consensus forecasts for rhipe. As far as KPMG Corporate Finance is aware, rhipe is followed by five brokers, four of which have provided earnings forecasts following the 29 April 2021 release of rhipe's Q3 FY21 trading update and upgraded operating profit guidance for FY21. These estimates have been compared to Management's forecasts and we have concluded that the broker forecasts for FY22 and FY23 are sufficiently close to Management's forecasts to be useful for analytical purposes.

Net Assets

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Such an approach does not capture growth potential or internally generated intangible value associated with rhipe's business and consequently, has not been applied.

8.2.3 Control premium considerations

It is generally acknowledged that, in order to acquire a 100% controlling interest in a company, the acquirer is often required to pay a premium over and above the traded price of a minority or portfolio interest.

Observations from transaction evidence indicate that takeover premiums generally range from 25% to 40%[50] for completed takeovers depending on the individual circumstances. In considering the evidence provided by actual transactions, it is important to recognise, however, that the observed premium for

[50] KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2019, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

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control is an outcome of the valuation process, not a determinant of value and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including:

- pure control premium in respect of the acquirer's ability to utilise full control over the strategy and cash flows of the target entity
- the level of synergies available to all acquirers, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- the expected costs to integrate and the uncertainties associated with timing of realising the targeted synergies
- synergistic or special value that may be unique to a specific acquirer
- the nature of the bidder i.e. financial investor vs trade participant
- the stake acquired in the transaction and the bidder's pre-existing shareholding in the target
- the stage of the market cycle and the prevailing conditions of the economy and capital markets at the time of the transaction
- desire (or anxiety) for the acquirer to complete the transaction
- whether the acquisition is competitive, and
- the extent the target company's share price already reflects a degree of takeover speculation.

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing rhipe and, therefore, our valuation is inclusive of a premium for control. KPMG Corporate Finance has considered other synergies available to a 'pool' of potential acquirers and note there are limited number of IT distribution companies in both Australia and worldwide that would have the sufficient scale to acquire rhipe.

More specifically, a number of potential strategic buyers of 100% of rhipe would be able to save all of rhipe's public company costs and other costs such as insurance, property and certain management personnel. Total cost synergies, as per Management, are approximately $2 million per annum (on a pre-tax basis).

The net impact of any other potential operational or financing synergies (e.g. systems and revenue synergies) would likely only be available to a very limited number of potential buyers and is difficult to quantify, as are the associated risks and dis-synergies that a potential acquiror could encounter (e.g. competing for the same customers in the market).

We have considered a premium for control when assessing our Capitalised Earnings based cross-check. The multiples derived for listed comparable companies are generally based on share prices and reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated in such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

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8.3 Value of operating business

8.3.1 Discounted cash flow analysis

Assumptions

The DCF analysis was based on a medium-term financial model developed by KPMG Corporate Finance on the basis of a Cash Flow Model provided by rhipe. The DCF analysis projects nominal, after tax cash flows from 1 July 2021 to 30 June 2026, a period of five years. A terminal value is calculated by capitalising net after tax cash flows based on a Gordon Growth formula[51] and a terminal growth rate of 3.0% per annum (**p.a.**). The terminal value is equivalent to a multiple of 9.5 to 11.2 times FY26 operating profit (pre AASB16). Ungeared, after tax cash flows are discounted by a weighted average cost of capital (**WACC**) in the range of 8.5% to 9.5% per annum (refer to Appendix 5). rhipe's estimated effective tax rate (based on the jurisdictions in which it operates) has been utilised across each of the forecast years, with a terminal year effective tax rate of 26%.

Scenario A forms the base line for our DCF analysis. Scenario A assumes:

- ***acquisitions***: no further acquisitions have been considered in the Cash Flow Model
- ***vendors***: no new vendors other than those signed in FY22
- ***Licensing sales***: Licensing sales are as follows:
  - ***ANZ (excluding EMT Distribution):*** increases by a CAGR of 8.2% (which is consistent with rhipe's historical organic growth rates)
  - ***Asia (excluding Japan):*** increases by a CAGR of 16.2% (which is consistent with rhipe's historical organic growth rates)
  - ***Japan:*** increases by 180% in FY22, reflecting the early growth stage of the business, as well as the expected strong recovery of rhipe Japan following a period of subdued trading due to the negative impacts of COVID-19. Sales are expected to grow at 70% YoY from FY23 to FY26, as rhipe Japan significantly expands and establishes its presence in the substantial market
  - ***EMT Distribution:*** increases by 56% in FY23 (first full comparable year of YoY trading) following significant investment in the business and the proposed acquisition of EMT Distribution's Middle East operations in FY22, before growing at 25% YoY from FY24 to FY25, and 15% in FY26
- ***licensing margin***: overall margin declines from 13.0% in FY21 to 12.0% in FY26, consistent with the historical experience of declining licensing margins, which is partially offset by the higher margin EMT Distribution contribution
- ***Services revenue***: increases by 37.6% YoY in FY22 following significant investment in the division. From FY22 to FY26, growth declines off a higher base, with Services revenue growing at a CAGR of 13.6%
- ***operating costs (variable and fixed):*** variable operating costs are approximately 9% of sales, consistent with historical experience. Fixed operating costs increase by a CAGR of 3.7% from FY22 to FY26.

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[51] $V_0 = \frac{D_0 x(1+g)}{r-g}$

where D_0=cash flow, g=long-term growth rate, r=required rate of return.

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Operating costs include cash outlays with respect to leases, performance incentives[52] and are net of $2.0 million of cost synergies

- ***capital expenditure***: comprises property, plant and equipment (**PPE**) and capitalised and purchased IT costs. PPE expenditure remains constant at $0.8 million p.a. over the forecast period, whilst capitalised IT costs increase by $0.1 million p.a., from FY21 requirements of $1.6 million to $2.0 million in FY26
- ***depreciation:*** PPE is depreciated on a straight line basis over three years. Software is amortised on a straight line basis over five years, and
- ***working capital***: rhipe continues to operate with a net working capital deficit over the forecast period as days receivable are substantially lower than days payable. The working capital deficit decreases over time as a greater proportion of sales are generated in Asia (where receivables days are greater).

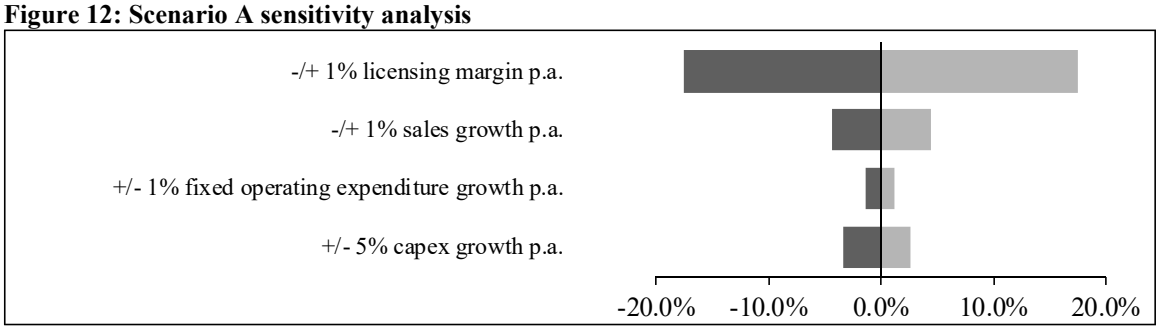
Sensitivity analysis

Scenario A produces a mid-point net present value (**NPV**) of $393.2 million. KPMG Corporate Finance has analysed Scenario A to assess the sensitivity of the net present value (**NPV**) outcomes to changes in the following key variables:

- licensing margin: -/+ 1% p.a.
- sales growth: -/+ 1% p.a.
- fixed operating expenditure growth: +/- 1% p.a., and
- capex growth: +/- 5% p.a.

The output of this sensitivity analysis is summarised below:

Figure 12: Scenario A sensitivity analysis



Source: KPMG Corporate Finance analysis.

The chart highlights the sensitivity of NPV outcomes to selected movements in a range of key variables. The analysis indicates that:

- the NPV outcomes are highly sensitive to changes in licensing margins. Licensing margins are the key value driver for rhipe's business, as they determine the portion of software sales that rhipe retains and hence the portion of revenue that flows through to free cash flow
- the NPV outcomes are reasonably sensitive to changes in sales growth. rhipe's relatively low operating leverage reduces the sensitivity of changes in sales to changes in NPV outcomes

[52] Are a non-cash item, however the performance incentives have a dilutionary impact on rhipe shareholders. If performance incentives are not paid out in rhipe shares, they would be paid in cash.

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- the NPV outcomes are not particularly sensitive to changes in fixed operating expenditure growth. This is because fixed costs are relatively low compared to variable costs, which consist mainly of employment costs attributable to rhipe's Services division, and
- the NPV outcomes are only modestly sensitive to changes in capital expenditure as rhipe's capex requirements are not substantial.

As illustrated above, small changes in certain assumptions can have a disproportionate impact on value. In addition, there are inherent uncertainties about future events and a range of potential outcomes for key assumptions, including:

- ***vendor reliance:*** If rhipe's relationship with vendors, specifically Microsoft, was to be jeopardised or significantly altered, through a direct sales model for example, there may be a significant reduction in sales and subsequently revenue
- ***lower incentives:*** as customers continue to migrate to the cloud, the bargaining power of vendors, IT resellers and end customers will continue to grow, as the demand for vendors' products, particularly those that are cloud-based, increases. Vendors are likely to set lower incentives for rhipe, as customers become dependent on the vendors product, hence rhipe's licensing margins will likely fall
- ***competition:*** an increasing number of competitors have entered the APAC cloud services market. A number of these competitors also distribute IT hardware and therefore can potentially offer lower pricing by bundling hardware and software products. Increased competition may result in a loss of key vendors, resellers and end customers, which could potentially reduce rhipe's sales, as well as place downward pressure on licensing margins
- ***product and geographical mix***: rhipe's product and geographical mix has the potential to significantly impact licensing margins. rhipe has experienced significant growth in lower margin products (Azure) and regions (Asia) recently, which has placed pressure on licensing margins. Further growth in lower margin products and regions is likely to further exacerbate the pressure on licensing margins, and
- ***COVID-19 pandemic:*** further COVID-19 pandemic outbreaks and restrictions on travel in Asia may impact rhipe's ability to expand and invest in the region, as highlighted by the impact that the COVID-19 pandemic had on rhipe's operations in South East Asia and Japan.

We have not developed any scenarios based on movements in fixed operating expenses or capital expenditure as NPV outcomes are not sensitive to movement in these variables.

The Cash Flow Model (upon which KPMG Corporate Finance's DCF analysis is based) is not fully integrated and as such, whilst it flexes variable elements, it does not take into consideration interrelationships between certain key variables (e.g. capex and sales growth). Nor does it take into account Management's ability to mitigate adverse outcomes.

Scenario analysis

KPMG Corporate Finance has developed the following scenarios for the rhipe operations in order to illustrate the impact on value of potential changes in key variables. It should be noted that there is a wide range of other potential outcomes for each variable and even more combinations of those outcomes. The scenarios developed by KPMG Corporate Finance are as follows.

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Table 16: rhipe scenario analysis

Scenario	Description
Scenario A	Base case assumptions as set out above.
Scenario B	Scenario A, except the licensing margins for ANZ, Asia (excluding Japan) and EMT Distribution are lower by 1.0%, 0.5% and 2.0% in each year, respectively.
Scenario C	Scenario A, except the sales growth for ANZ, Asia (excluding Japan), EMT Distribution and Services is 1.0% lower in each year. Variable operating costs move in line with the sales growth assumption.
Scenario D	A combination of Scenarios B and C i.e. licensing margins for ANZ, Asia (excluding Japan) and EMT Distribution are lower by 1.0%, 0.5% and 2.0% in each year, respectively, whilst the sales growth is 1.0% lower in each year. Variable operating costs move in line with the sales growth assumption.
Scenario E	Scenario A, except the sales growth for ANZ, Asia (excluding Japan), EMT Distribution and Services is 1.0% higher in each year. Variable operating costs move in line with the sales growth assumption.
Scenario F	Scenario A, except the sales growth for ANZ, Asia (excluding Japan) and EMT Distribution is 1.0% lower each year whilst the sales growth for Services is 1.0% higher in each year. Variable operating costs move in line with the sales growth assumption.

Source: KPMG Corporate Finance analysis.

The output of the DCF analysis for a range of discount rates is summarised as follows.

Table 17: rhipe scenario analysis

	NPV Outcomes ($ million) - WACC Sensitivity					
Scenario	10.50%	10.00%	9.50%	9.00%	8.50%	8.00%
Scenario A	310.4	333.2	359.6	390.4	426.8	470.4
Scenario B	260.1	279.2	301.3	327.1	357.6	394.3
Scenario C	301.1	323.2	348.8	378.6	413.8	456.1
Scenario D	253.0	271.6	293.1	318.1	347.8	383.3
Scenario E	320.0	343.6	370.8	402.5	440.1	485.3
Scenario F	302.8	325.0	350.6	380.6	416.0	458.5

Source: KPMG Corporate Finance analysis.

The range of values for each scenario (based on a discount rate range of 8.5% to 9.5%) and KPMG Corporate Finance's selected value range are illustrated in the following chart.

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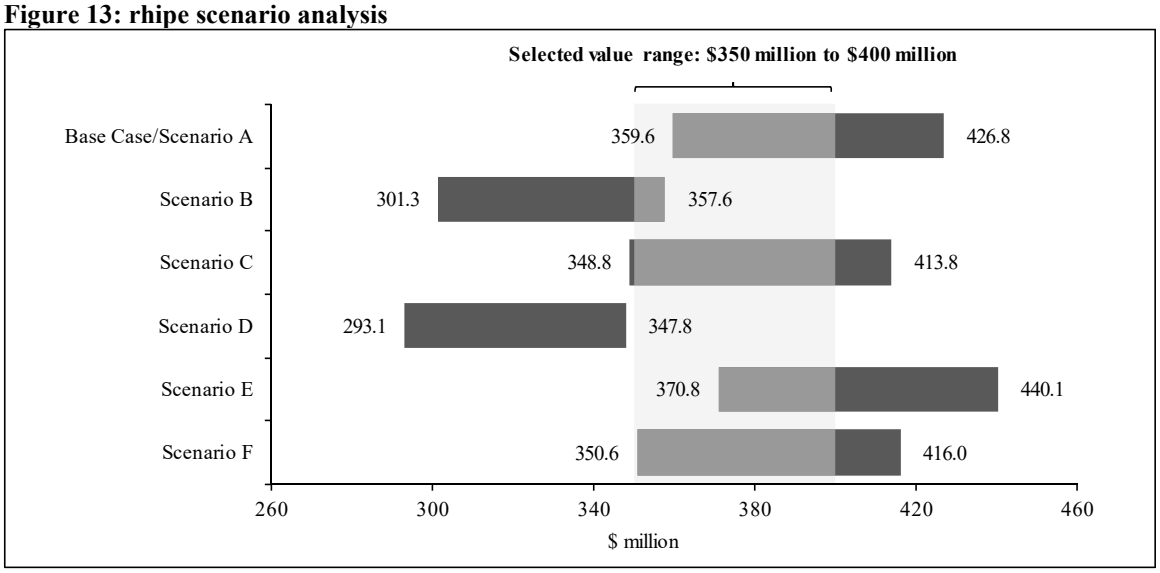
Figure 13: rhipe scenario analysis



Source: KPMG Corporate Finance analysis.

Scenario A, the base case scenario, assumes that Management's expectations of business performance for rhipe is achieved. Sales and revenue growth remain strong, whilst operating profit also increases strongly over the forecast period. Licensing margins decline slower than the historical declines, indicating the competitive pressures and declining vendor incentives are mitigated moving forward.

Scenario B represents the impact of heightened vendor pressures. The bargaining power of IT resellers, end customers and, particularly, vendors is expected to continue to grow as cloud adoption accelerates. It is expected that vendors, such as Microsoft, will be able to set lower incentives for rhipe as customers become dependent on their products.

Scenario C reflects the impact of lower industry growth or loss of a non-Microsoft vendor relationship, whilst Scenario E reflects the impact of higher industry growth. Significant growth is forecasted for the cloud services market in the APAC region (see Section 6.2), however risks, such as economic (e.g. due to the COVID-19 pandemic) and business-specific risks have the potential to alter the forecasted industry growth profile.

Scenario D reflects the impact of increased competitive pressure in the cloud services market in the APAC region, reducing licensing margin and sales growth.

Scenario F illustrates the impact of a changing sales mix for rhipe's business. rhipe has a strategic focus to expand its value-add services offering to customers and grow its Services portion of total sales moving forward. Subsequently, Scenario F reflects the impact of licensing sales declining for rhipe's ANZ and Asia (excluding Japan) operations and EMT Distribution, as well as the sales increasing for rhipe's Services division.

Analysis of the scenarios above indicates that there is limited upside and further downside risk. This is because Scenario A assumes that rhipe operates efficiently and there is no substantial decrease in sales or licensing margins as a result of competitive pressures and falling vendor incentives. As such, in determining a value range, KPMG Corporate Finance has selected a value for the rhipe operating business (after consideration of the various Scenarios and the various factors impacting each of them) to be in the range of $350 million and $400 million. The selected value range overlaps with the NPV range under Scenario A, as well as the value ranges produced by Scenarios B, C, E and F. On this basis, we consider the selected value range appropriately takes into consideration the risks inherent in the cash flows.

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8.3.2 Cross-check

KPMG Corporate Finance's selected value range for the rhipe's operating business has been cross-checked having regard to multiples of EBITDA for selected listed global IT distribution companies and transactions involving companies operating globally in the IT distribution industry. These multiples are summarised below and set out in detail in Appendix 6.

Sharemarket evidence

The following table sets out the implied EBITDA multiples for the selected listed companies operating in the global IT distribution industry.

Table 18: Sharemarket evidence

Company[1]	Country	Market capitalisation[2] (A$ million)	EBITDA growth CAGR -4Y	EBITDA growth CAGR +3Y	EBITDA multiple[4] FY[3]	EBITDA multiple FY+1	EBITDA multiple FY+2	EBITDA multiple FY+3
rhipe Limited	**Australia**	**403**	**41.2%**	**n/a**	**21.5**	**15.2**	**12.4**	**n/a**
Crayon Group Holding ASA	Norway	2,207	42.9%	27.6%	42.9	22.7	19.3	16.2
Data#3 Limited	Australia	824	12.9%	11.6%	16.4	13.0	11.4	10.8
Dicker Data Limited[5]	Australia	2,196	17.9%	17.0%	25.8	18.8	17.1	15.6
TD SYNNEX	United States	9,032	27.0%	(4.7%)	4.9	9.3	8.7	8.4

Source: S&P Capital IQ (data as at 31 August 2021), KPMG Corporate Finance analysis.
Notes:
1. *Brokers identified for the selected comparable companies were smaller or boutique in nature and had limited disclosure of some matters, notably whether the analysis undertaken was on a pre or post-AASB 16 basis*
2. *Market capitalisation is calculated using closing prices on 31 August 2021.*
3. *FY refers to the last reported financial year. FY +1, FY+2 and FY+3 refers to the first, second and third forecast periods.*
4. *EBITDA multiple is calculated by dividing enterprise value by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items. The enterprise value is the market capitalisation plus net debt, preferred equity and minority interest less investments accounted for using the equity method.*
5. *The broker forecast for Dicker Data was prepared in February 2021, and did not include Dicker Data's acquisition of Exeed Limited, announced in July 2021. Hence, we have made an adjustment to Dicker Data's Enterprise Value and FY+1, FY+2 & FY+3 forecast EBITDA to account for the $65 million cash consideration of the transaction and Exeed's expected normalised FY21 EBITDA of $14 million.*[53]

With respect to the above, we note:

- multiples are based on sharemarket prices and, therefore, do not typically include a control premium
- the most comparable peers to rhipe are Crayon, Data#3 and Dicker Data. Operationally, Crayon is akin to rhipe, as it generates a significant amount of its revenue through the cloud. Geographically, Data#3 and Dicker Data, are most similar to rhipe, as they are both players in the APAC cloud services market, albeit predominately in ANZ. Unlike rhipe, Dicker Data's turnover is predominately driven by the wholesale distribution of hardware, with a smaller focus on cloud services, whilst Data#3 historically has had a highly concentrated customer base of enterprises for its cloud services
- similar to rhipe, Crayon is expected to experience strong EBITDA growth over the next three years (a CAGR of 27.6%). Also similar to rhipe, Crayon generates a majority of revenue from its Software & Cloud and Services[54] segments (96.1% in CY20). Crayon has a greater share of services revenue (50% of total revenue) than rhipe (30%), although rhipe is targeting an increase in services revenue to 50% in

[53] Expected normalised FY21 EBITDA of NZD $15 million has been converted to AUD using an exchange rate of 1AUD = NZD$1.07 as at 30 June 2021.

[54] With reference to Software & Cloud Economics only.

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the future. On the other hand, Crayon has a mix of direct and indirect relationships with customers, whereas rhipe principally operates an indirect business model.

Crayon is significantly larger than rhipe and, therefore, would benefit from greater economies of scale. It also has an established presence in a wider range of regions than rhipe. Consequently, we would expect Crayon to trade at a higher multiple

- Data#3 is moderately larger in scale relative to rhipe, however, it has a more mature product offering and a lower earnings growth profile, with EBITDA expected to increase by a CAGR of 11.6% over the next three years. Consequently, we would expect Data#3 to trade at a broadly similar multiple to rhipe
- Dicker Data is significantly larger than rhipe, suggesting a higher multiple is appropriate. It has faced less severe headwinds in relation to licensing margin pressures, as it generates a significant share of revenue from legacy hardware, which is bundled with cloud-based software. However, Dicker Data announced the acquisition of Exceed Limited, a New Zealand-based IT distributor in July 2021 and consequently, its earnings are expected to increase strongly. As brokers have not yet updated their analysis for the acquisition, KPMG Corporate Finance has increased the enterprise value for the consideration paid and included the impact of earnings from the acquisition based on Exceed Limited's FY21, FY22 and FY23 earnings, and
- TD SYNNEX has more diversified and mature operations than rhipe, whilst operating in a wider range of geographic markets. Albeit significantly larger than rhipe, TD SYNNEX has a lower proportion of revenues generated from cloud-based services and is expected to have significantly lower forecast EBITDA growth than rhipe at -4.7% CAGR over the next three years, which is predominately due to the lower margins that are recorded for TD SYNNEX's IT products and hardware. We therefore consider it reasonable for TD SYNNEX to have a lower multiple than rhipe.

Transaction evidence

We have identified transactions involving global IT distribution companies and IT services companies comparable to rhipe. The table below sets out the EBITDA multiples implied by recent transactions for which sufficient financial data is publicly available.

Table 19: Transaction evidence

Announce-ment date	Target	Acquirer	% acquired	Enterprise Value (A$ million)[1]	EBITDA multiple LTM[2]
Jul-21	Exeed Limited	Dicker Data Limited	100%	65	4.6
Jul-21	Empired Limited	Capgemini Australia Pty Limited	100%	243	13.3
Mar-21	Tiger Parent (AP) Corporation[3]	TD SYNNEX	100%	9,775	10.3
Dec-20	Ingram Micro Inc.	Platinum Equity, LLC	100%	9,213	5.7
Sep-20	DWS Limited	HCL Australia Services Pty Limited	100%	189	9.5
Nov-19	Tiger Parent (AP) Corporation[3]	Apollo Global Management, Inc.	100%	8,527	8.0
Low					**4.6**
High					**13.3**
Median					**8.8**
Average					**8.6**

Source: Company financial statements and announcements, S&P Capital IQ and KPMG Corporate Finance analysis.
Notes:
1. *Enterprise value of the company as at the date of announcement.*
2. *LTM multiples calculated based on EBITDA from most recent financial results as at the transaction announcement date.*
3. *Parent company of Tech Data.*
4. *Given insufficient data, the EBITDA multiples have not been adjusted to reflect any impacts of AASB16.*

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In assessing the comparability of the transaction multiples, it is necessary to consider the particular attributes of the target companies and the specific circumstances surrounding each transaction, including:

- Although they are substantially larger than rhipe, Tech Data and Ingram Micro are both traditional IT distributors and bundle together software with hardware sales and their operating margins (1.2% and 1.9%, respectively) are much lower than those of rhipe (27.0% in FY21)
- DWS Limited, which predominately provides IT solutions in ANZ, also offers cloud services through products such as Microsoft Azure, Google Cloud and Amazon Web Services. rhipe, whose revenue mix is weighted more heavily towards the cloud, operates across the APAC region and is also moderately larger than DWS Limited. HCL Australia Services Pty Ltd, whose parent company is HCL Technologies Limited, an established global technology company, is looking to enhance its presence in ANZ, hence the acquisition is accretive in nature
- similar to rhipe, Exeed Limited is an IT distributor in Australia (since 2016) and New Zealand (since 2002) and represents a number of vendors, including Apple and Microsoft. rhipe, however, which has operations across the APAC region, is larger and more diversified than Exeed Limited, and consequently, a higher multiple would be expected for rhipe. Dicker Data, the acquiror, already had a competitive presence in New Zealand, hence the acquisition will be complementary to its existing operations, and
- Empired Limited, which is a Tier 1 CSP, provides end to end capabilities in cloud services and offers products such as Microsoft Azure, Microsoft O365 and Dynamics 365. Empired Limited operates in ANZ and is of moderately smaller size compared to rhipe, whilst being predominately a direct software distributor, as opposed to an indirect software distributor like rhipe. Capgemini Australia Pty Ltd, the acquiror, is seeking to expand its capabilities in cloud and in the ANZ region, hence the acquisition is accretive in nature.

Summary

In summary, EBITDA multiples are generally correlated with EBITDA growth and scale. Crayon and Dicker Data are of significantly greater scale than rhipe, which provides them with economies of scale. Data#3, which albeit operates predominately in Australia, is moderately larger than rhipe, however, has a lower earnings growth forecast. Consequently, we would expect Data#3 to trade at a similar multiple to rhipe. The most relevant transaction, the acquisition of Empired announced in July 2021, occurred at a multiple of 13.3 times historical earnings, although we note that Empired is of relatively smaller scale.

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Implied multiples

The value attributed to the operating business of rhipe of $350 to $400 million implies the following multiples of EBITDA:

Table 20: rhipe implied multiples

	Operating profit (pre-AASB16) ($ million)[1]	Value range	
		Low	High
Value of rhipe operating business		**350.0**	**400.0**
Multiple of operating profit (pre-AASB16)[1]			
FY21 (actual)	18.0	19.4	22.2
FY22 (broker consensus)[2]	23.8	14.7	16.8
FY23 (broker consensus)[2]	29.2	12.0	13.7

Source: KPMG Corporate Finance analysis.
Notes:
1. *Excludes share-based payments, significant and non-recurring items and other income and expenses.*
2. *Refer to Section 7.8.4.*

rhipe has not released specific earnings forecasts for FY22 or beyond. Accordingly, the implied forecast multiples set out above are based on the broker forecasts for rhipe (refer to Section 7.8.4 of this report).

The implied forecast and historical EBITDA multiples for rhipe are higher than the multiples for Data#3 and lower than those for Crayon and Dicker Data, as expected. Additionally, the implied forecast and historical EBITDA multiples for rhipe are above the multiple implied by the acquisition of Empired. This is reasonable since:

- multiples for rhipe include a premium for control whereas multiples based on prices at which shares are trading reflect minority interests, and
- scale is imperative in the financial durability of a cloud services competitor. Crayon and Dicker Data are substantially larger than rhipe. Differentiation between competitors is lacking and as a result, many competitors have become highly acquisitive in nature as they look to strengthen their market share by addressing new opportunities and entering new geographical markets through accretive acquisitions. Competitors who are of significant size and financially strong have the ability to complete acquisitions (e.g. Crayon and Dicker Data), whilst those who are not as established or financially robust face the risk of being left behind in the market.

On this basis, the market-based cross-check, in our view, supports the valuation of the rhipe business derived under the primary DCF analysis.

8.4 Net cash

As at 30 June 2021, rhipe had a cash balance of $53.8 million and nil borrowings.

8.5 Contingent consideration

rhipe has $7.8 million of contingent consideration at 30 June 2021, comprised of a cash component of $6.6 million[55] and scrip component of $1.2 million.[56] Upon implementation of the Scheme, any scrip deferred

[55] $5.1 million for the Parallo acquisition and $1.5 million for the Network2Share and Data Confidence acquisition.

[56] $1.2 million for the Network2Share and Data Confidence acquisition.

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consideration will become cash. For the purposes of our valuation we have considered the contingent consideration of $7.8 million on a cash basis.

8.6 Number of shares on issue

rhipe has 161,075,376 ordinary shares on issue and 3,811,672 Performance Rights with various vesting dates.

All of the FY19 Performance Rights have vested and will be exercised in the ordinary course of business prior to implementation of the Scheme. They will result in the issue of 488,106 new rhipe shares, after 774,366 rights are satisfied by shares held in the Employee Share Trust.

As a result of the Scheme, the rhipe Board will exercise its discretion to ensure that of the 2,549,200 unvested FY20 Performance Rights, 1,843,241 will vest and 705,959 will be forfeited. The vested rights will be satisfied through the issue of new rhipe shares. As such, the diluted number of rhipe shares as a result of the Scheme will be 163,406,723 (including the rhipe shares issued as a result of the FY19 Performance Rights).

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Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Sean Collins and Adele Thomas. Each has a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of rhipe shareholders. KPMG Corporate Finance expressly disclaims any liability to any rhipe shareholders who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

We note that the forward-looking financial information prepared by rhipe does not include estimates as to the potential impact of any future changes in taxation legislation in Australia. Future taxation changes are unable to be reliably determined at this time.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of rhipe for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to the shareholders of rhipe. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

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Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- the Scheme Booklet (including earlier drafts)
- the Scheme Implementation Deed released to the ASX on 6 July 2021
- annual reports of rhipe for FY17, FY18, FY19, FY20 and FY21
- press releases, public announcements, media and analyst presentations material and other public filings by rhipe, including information available on each company's website
- brokers' reports and recent press articles on rhipe
- Gartner: Forecast Public Cloud Services, Worldwide, 2019-2025, 2Q21 Update
- Gartner: Forecast Information Security and Risk Management, Worldwide, 2019-2025, 2Q21 Update, and
- financial information from S&P Capital IQ, Bloomberg, ThomsonONE and Connect4.

Non-public information

- Board papers, presentations, working papers and other confidential documents of rhipe.

In addition, we have held discussions with, and obtained information from, the senior management and Directors of rhipe and its advisors.

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Appendix 3 – Broker Consensus

The brokers' forecasts are set out in the following tables.

Table 21: Broker sales and net revenue forecasts for rhipe

		Sales ($ million)			Net revenue ($ million)		
Broker	**Report date**	**FY21**	**FY22**	**FY23**	**FY21**	**FY22**	**FY23**
Broker 1	2/07/2021	376.5	474.1	567.9	63.3	81.0	94.3
Broker 2	1/07/2021				62.0	75.0	84.0
Broker 3	29/04/2021	372.6	451.4	502.4			
Broker 4	28/04/2021	382.0	520.0	610.0	66.0	100.7	116.0
Median		**376.5**	**474.1**	**567.9**	**63.3**	**81.0**	**94.3**
Average		**377.0**	**481.8**	**560.1**	**63.8**	**85.6**	**98.1**

Source: Broker reports for rhipe, rhipe Annual Report for FY21 and KPMG Corporate Finance analysis.
Note 1: shaded cells indicate data is not available.

Table 22: Broker operating profit, reported EBITDA and NPAT forecasts for rhipe

		Operating profit ($ million)			Reported EBITDA ($ million)			Reported NPAT ($ million)		
Broker	**Report date**	**FY21**	**FY22**	**FY23**	**FY21**	**FY22**	**FY23**	**FY21**	**FY22**	**FY23**
Broker 1	2/07/2021	18.0	23.7	28.7	16.3	22.2	27.3	8.0	12.1	15.4
Broker 2	1/07/2021	17.5	22.8	29.5	15.3	20.8	27.5	8.0	12.0	17.0
Broker 3	29/04/2021	18.0	23.9	28.9				10.0	17.1	22.0
Broker 4	28/04/2021	18.5	24.5	32.0	16.8	21.5	27.5	8.1	11.5	15.3
Median		**18.0**	**23.8**	**29.2**	**16.3**	**21.5**	**27.5**	**8.1**	**12.1**	**16.2**
Average		**18.0**	**23.7**	**29.8**	**16.1**	**21.5**	**27.4**	**8.5**	**13.2**	**17.4**

Source: Broker reports for rhipe, rhipe Annual Report for FY21 and KPMG Corporate Finance analysis.
Note 1: shaded cells indicate data is not available.

Table 23: Broker basic EPS and DPS forecasts for rhipe

		Basic EPS (cents)			DPS (cents)			
Broker	**Report date**	**FY21**	**FY22**	**FY23**	**FY21**	**FY22**	**FY23**	**Share price target**
Broker 1	2/07/2021	4.9	7.5	9.6	3.5	4.5	5.5	2.60
Broker 2	1/07/2021	5.0	8.0	11.0	3.0	5.0	6.0	2.57
Broker 3	29/04/2021	6.2	10.6	13.6	4.0	5.6	6.8	3.04
Broker 4	28/04/2021	4.9	7.0	9.3	3.0	4.0	4.0	2.25
Median		**5.0**	**7.8**	**10.3**	**3.3**	**4.8**	**5.8**	**2.59**
Average		**4.2**	**8.3**	**10.9**	**14.5**	**4.8**	**5.6**	**2.62**
Statistics:								
Average growth		*21.4%*	*95.4%*	*31.4%*	*625.0%*	*(67.1%)*	*16.8%*	

Source: Broker reports for rhipe, rhipe Annual Report for FY21 and KPMG Corporate Finance analysis.
Note 1: shaded cells indicate data is not available.

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Appendix 4 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

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Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

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Appendix 5 – Discount rate

Where cash flow forecasts consist of free cash flows to all providers of funding, the WACC is commonly employed as the basis for determining an appropriate discount rate. For the purposes of our DCF analysis for rhipe, we have adopted a discount rate in the range of 8.5% to 9.5%.

We consider the selected range appropriate in reflecting the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with rhipe's operations.

The selection of an appropriate discount rate to apply to the forecast cash flows of any asset or business operation is fundamentally a matter of judgement rather than a precise calculated outcome. Whilst there is commonly adopted theory that provides a framework for the derivation of an appropriate discount rate, it is important to recognise that given the level of subjectivity involved, the calculated discount rate should be treated as guidance rather than objective truth. Furthermore, discount rate assessments need to consider both current market conditions and future expectations, and to the extent that there are any changes in conditions and expectations over time, an adjustment to the discount rate at a future point in time may be warranted.

In selecting appropriate discount rates to apply to the cash flows of rhipe, we have determined a nominal WACC to align with the forecast nominal ungeared cash flows being used to derive the resultant DCF values. A WACC represents an estimate of the weighted average required return from both debt holders and equity investors. The WACC is derived using the following formula:

$$\mathrm{WACC} = \mathrm{Wd} * \mathrm{Kd} * (1 - \mathrm{t}) + \left(\mathrm{We} * \mathrm{Ke} * \frac{1 - \mathrm{t}}{1 - \mathrm{t} * (1 - \gamma)}\right)$$

Table 24: WACC parameters

Parameter	Description
Kd	Pre-tax Cost of debt
Wd	Percentage of debt in capital structure
Ke	Pre-tax Cost of equity
We	Percentage of equity in capital structure
t	Company tax rate
γ	Gamma (The value of franking credits)

Source: KPMG Corporate Finance analysis.

The WACC calculation is typically based on assumptions that may not hold in practice, including:

- a constant optimal capital structure, and
- interest payments on debt being tax deductible.

Cost of equity

The cost of equity can be derived using a modified Capital Asset Pricing Model (**CAPM**) as follows:

Ke = Rf + ß * (Rm - Rf) + α

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Table 25: Cost of equity parameters

Parameter	Description
Rf	Risk free rate, representing the return on risk-free assets
Rm	Market rate of return, representing the expected average return on a market portfolio
(Rm - Rf)	Market risk premium, representing the excess return that a market portfolio is expected to generate over the risk free rate
B	Beta factor, being a measure of the systematic risk of a particular asset relative to the risk of a market portfolio
α	Specific risk factor, which may be included to compensate for risks which are not adequately captured in either the other discount rate parameters or the cash flows being discounted

Source: KPMG Corporate Finance analysis.

WACC – rhipe

KPMG Corporate Finance's rationale for the selection of each of the variables in developing a WACC for rhipe is discussed below.

Risk free rate

The relevant risk-free rate of return is the return on a risk-free security, typically for a long-term period. In practice, long dated government bonds are accepted as a benchmark for a risk free security. In Australia, the spot yield to maturity of 10 year Australian Government Bonds has traditionally been accepted as a proxy for the risk free rate in determining a cost of equity under the CAPM. Further, the market in 10 year Australian Government Bonds is liquid such that, in our view, the current yield on Government Bonds represents the best indicator of the risk free opportunity cost of the assets for the forthcoming 10 year period at any particular point in time.

Continued market volatility and ongoing global economic uncertainty as governments seek to manage the impact of the COVID-19 pandemic, has contributed to bond yields continuing to trade significantly below long-term averages. With market evidence indicating that bond yields and the market risk premium (**MRP**) are inversely correlated, it is important that any assessment of the risk free rate should be made with respect to the position adopted in deriving the MRP. On balance, we consider adopting the spot Government Bond yield in isolation of a change in the MRP (as discussed below) to be inappropriate and therefore have applied an adjusted risk free rate to reflect the adoption of a long-term view and represent an appropriate return in the current investment environment.

In our view, it is appropriate to take into account both the current yield on 10 year Australian Government Bonds, as well as the longer term expected yield, in order to calculate a long term blended risk free rate consistent with the approach adopted in deriving the MRP (as discussed below). In this regard, we have assessed a blended risk free rate estimate of 2.8% per annum.

Market Risk Premium

The MRP represents the additional return that investors expect in return for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index) over risk free assets (such as Government bonds). In this context, the required MRP needs to be distinguished from the historical MRP and the expected MRP. In this regard, asset pricing theory holds that:

- the required MRP forms part of the CAPM
- the historical MRP is the same for all investors and reflects the historical differential return of the stock market over Government bonds, and

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- the expected MRP reflects the expected differential return of the stock market over Government bonds. The CAPM assumes the required MRP equals the expected MRP.

As it is difficult to observe the expected/required MRP, it is common practice to base the estimate of the MRP upon historical data. In these circumstances, long term averages may not, in our opinion, reflect market conditions and investor sentiment at any specific valuation date as perceptions that equities are more or less risky than at other times may prevail. In this regard, we note that the expected MRP is a function of expected earnings, the expected growth in those earnings and the risk free rate of return at any given point in time.

We have considered the historical relationship between the risk free rate and the MRP, and consider the general observation of an inverse correlation between the risk free rate and the equity MRP generally applies to all developed markets. Consequently, in our view it is important to consider the risk free rate in conjunction with, and not in isolation of, the expected equity MRP in order to reflect the inverse relationship between the MRP and the absolute level of the risk free rate. In this regard, two relevant options are available:

- adopt a long-term historical MRP as a proxy for the expected MRP and apply a higher risk free rate than the spot government bond yield to take into account the relationship highlighted above; or
- adopt the spot government bond yield as the risk free rate and adjust the MRP for the perceived additional risks attached to equity investments implicit from historically low (or high as the case may be) bond yields to reflect the current investment environment and the inverse relationship between the two variables.

For the purposes of our analysis, we have adopted the former approach and applied a long term historical estimate of the MRP and applied a higher risk free rate than spot government bond yields, accordingly.

Based on the adopted approach, a MRP of 6.0% is regarded as appropriate by KPMG Corporate Finance for the long term investment climate in Australia at the Valuation Date.

Beta

In selecting an appropriate unlevered beta to apply to rhipe, KPMG Corporate Finance has considered rhipe's beta as well as betas for selected globally listed IT distribution companies, as provided below.

Table 26: Betas and gearing for selected IT distribution companies

Company name	Market Cap A$ million	Levered beta 2-year weekly	Unlevered beta 2-year weekly	Debt to value 2-year avg	Levered beta 5-year monthly	Unlevered beta 5-year monthly	Debt to value 5-year avg
rhipe Limited	**403**	**0.82**	**0.82**	**0.0%**	**0.81**	**0.81**	**0.0%**
Crayon Group Holding ASA	2,183	1.18	1.18	0.0%	n/a	n/a	n/a
Data#3 Limited	818	0.95	0.95	0.0%	0.93	0.93	0.0%
Dicker Data Limited	2,316	1.15	1.11	5.0%	0.77	0.72	9.0%
TD SYNNEX	8,997	1.18	0.95	25.0%	1.41	1.19	21.0%
Mean (excl. outliers)		**1.12**	**1.05**	**7.5%**	**1.04**	**0.95**	**10.0%**
Median (excl. outliers)		**1.17**	**1.03**	**2.5%**	**0.93**	**0.93**	**9.0%**

Source: S&P Capital IQ, KPMG Corporate Finance analysis.
Notes:
1. *Data as at 31 August 2021.*
2. *Outliers have been shaded in grey and excluded from calculation of the mean and median (where specified).*
3. *n/a represents not available and shaded data represents not statistically significant.*

In assessing an appropriate unlevered beta for rhipe, unlevered betas that have a low statistical significance, or for which there are insufficient data points have been excluded from the calculation of the mean and

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median. We have considered 5-year monthly betas to be more appropriate than 2-year weekly betas to minimise the impacts of the COVID-19 pandemic on the estimated betas.

Unlevered 5-year betas for the selected IT distribution companies have a mean of 0.95 and a median of 0.93 (excluding outliers). In selecting an appropriate unlevered asset beta range, we note that particular emphasis was placed on the betas of Data#3 and Dicker Data given they operate in similar geographies to rhipe, whereas Crayon and TD SYNNEX primarily operate in Europe and the US, respectively. KPMG Corporate Finance has selected an ungeared asset beta range of between 0.90 and 1.05 for rhipe. Based on KPMG Corporate Finance's selected gearing of 5% (net debt to value), this results in a levered beta in the range of 0.94 and 1.09.

Gearing

The selected IT distributors, excluding outliers, have a mean gearing (over a 5-year period) of 10% and median gearing of 9%. We also note that these companies are generally larger and more diversified than rhipe. On this basis, we have applied an optimal gearing for rhipe of 5%.

Tax rate

We have adopted a corporate tax rate of 26%, which is rhipe's estimate of the long-term effective tax rate across its ANZ and Asian operations.

Size premium

As small companies tend to be more exposed to risk than large companies, an adjustment needs to be incorporated into the discount rate to reflect the inherent risk of smaller companies. Based on rhipe's market capitalisation of $336.6 million at 28 June 2021 (the last trading day prior to the announcement of the indicative proposal), we have adopted a small stock premium of 0.5% on the low and high end of the cost of equity range, which is considered appropriate for an ASX listed company with an equity value between $200 million and $650 million, as guided by Ibbotson and KPMG Corporate Finance analysis.

Company specific risk premium

We note that the specific risks of rhipe have been captured in the forecast cash flows and through our Scenario analysis which best account for these company specific risks. Accordingly, to avoid double counting, no further allowance for company specific risk has been included in the determination of the discount rate.

Pre-tax cost of debt

We have estimated a blended pre-tax cost of debt having regard to the current spot yield of 5-year BBB-rated Australian corporate bonds, the implied credit spread between 5-year BBB-rated Australian corporate bonds and 5-year Australian government bonds, and long-term estimates of the 5-year Australian government bond yield from economic forecasters (such as Oxford Economics), consistent with our methodology for calculating the blended risk free rate. We have included an additional 50bps at the high end of the range to account for debt refinancing costs and downside risk in relation to Australian corporates' ability to sustain BBB credit ratings in the long term. The methodology derived a blended pre-tax cost of debt in the range of 3.3% to 3.8% per annum as at the Valuation Date. We note that rhipe does not have any debt outstanding as at 30 June 2021 and we have therefore not applied an additional margin to reflect the expected below investment grade nature of rhipe debt.

Franking credits (Gamma)

Represented by the parameter gamma, the inclusion of franking credits when calculating the discount rate is subject to considerable debate. The value of gamma to an investor will be determined by the extent that the

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franking credits can be utilised against the investor's tax liability, and the result will be a value between nil and full value.

However, in assessing the use of a gamma factor for rhipe, we note that assessing the value of the franking credits requires an understanding of the personal tax circumstances of the shareholders, including the ability to utilise the franking credits. Given that the prevailing tax laws in Australia prevent trading in franking credits, thereby eliminating any open market in franking credits from which the value of such credits can be observed, it is difficult to yield a precise estimate of the value of franking credits.

Consequently, we have not factored any value for franking credits into the determination of the discount rate by assuming a nil value for gamma.

WACC conclusion – rhipe

The selected parameters result in a calculated WACC for rhipe in the range of 8.5% to 9.5% per annum as set out as follows.

Table 27: Selected WACC parameters for rhipe

	Parameter	Low	High
Cost of Equity			
Risk free rate	Rf	2.8%	2.8%
Equity market risk premium	MRP	6.0%	6.0%
Ungeared beta		0.90	1.05
Tax rate		26%	26%
Gearing (debt/equity)		5.3%	5.3%
Geared beta	ß	0.94	1.09
Company specific risk premium (alpha)	α	0.5%	0.5%
Cost of equity (post-tax)	**Ke**	**8.9%**	**9.8%**
Cost of Debt			
KPMG BBB pre-tax cost of debt		3.3%	3.8%
Additional margin for sub-investment grade	DM	0.0%	0.0%
All in rate (pre-tax)		3.3%	3.8%
Tax rate	T	26.0%	26.0%
Cost of debt (post-tax)	**Kd**	**2.4%**	**2.8%**
Capital Structure			
Estimated market value of equity as % of value	We	95.0%	95.0%
Estimated market value of debt as % of value	Wd	5.0%	5.0%
Post-tax WACC			
Calculated range (rounded)		**8.6%**	**9.5%**
Midpoint (rounded)		**9.0%**	
Selected range		**8.5%**	**9.5%**

Source: S&P Capital IQ, KPMG Corporate Finance analysis.

Based on the above analysis, KPMG Corporate Finance has selected a WACC to apply to the post tax, nominal cash flows of rhipe in the range of 8.5% to 9.5% per annum.

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Appendix 6 – Market evidence

Sharemarket evidence

The following table sets out the implied EBITDA multiples for selected listed companies operating in the global IT distribution industry.

Table 28: Sharemarket evidence

Company[1]	Country	Market capitalisation[2] (A$ million)	EBITDA growth CAGR -4Y	EBITDA growth CAGR +3Y	EBITDA multiple[4] FY[3]	EBITDA multiple FY+1	EBITDA multiple FY+2	EBITDA multiple FY+3
rhipe Limited	**Australia**	**403**	**41.2%**	**n/a**	**21.5**	**15.2**	**12.4**	**n/a**
Crayon Group Holding ASA	Norway	2,207	42.9%	27.6%	42.9	22.7	19.3	16.2
Data#3 Limited	Australia	824	12.9%	11.6%	16.4	13.0	11.4	10.8
Dicker Data Limited[5]	Australia	2,196	17.9%	17.0%	25.8	18.8	17.1	15.6
TD SYNNEX	United States	9,032	27.0%	(4.7%)	4.9	9.3	8.7	8.4

Source: S&P Capital IQ (data as at 31 August 2021), KPMG Corporate Finance analysis.
Notes:
1. *Brokers identified for the selected comparable companies were smaller or boutique in nature and had limited disclosure of some matters, notably whether the analysis undertaken was on a pre or post-AASB 16 basis*
2. *Market capitalisation is calculated using closing prices on 31 August 2021.*
3. *FY refers to the last reported financial year. FY +1, FY+2 and FY+3 refers to the first, second and third forecast periods.*
4. *EBITDA multiple is calculated by dividing enterprise value by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items. The enterprise value is the market capitalisation plus net debt, preferred equity and minority interest less investments accounted for using the equity method.*
5. *The broker forecast for Dicker Data was made in February 2021, which did not consider Dicker Data's acquisition of Exeed Limited, announced in July 2021. Hence, we have made an adjustment to Dicker Data's Enterprise Value and FY+1, FY+2 & FY+3 forecast EBITDA to account for the $65 million cash consideration of the transaction and Exeed's expected normalised FY21 EBITDA of $14 million.*[57]

The multiples are based on sharemarket prices as at 31 August 2021 and do not typically include a control premium. A brief description of each company is provided below.

Crayon Group Holding ASA

Crayon operates as an IT advisory firm in direct and indirect software licensing and digital transformation. The company partners with software vendors such as Microsoft to provide clients with cloud-based capabilities such as cost optimisation, data, artificial intelligence and cloud migration either directly or through an IT reseller. Crayon generates 96.1% of its revenue their Software & Cloud and Services[58] segments (for the year ending 31 December 2020), with its remaining revenue coming from consulting. The company has operations in Europe[59] (64.3% of revenue for the year ending 31 December 2020), APAC, Middle East & Africa (21.7%) and the US (15.6%).[60]

Data#3 Limited

Data#3 is an IT services and solutions provider which operates predominately in Australia. The company partners with vendors such as Microsoft, Cisco and Dell to provide services to customers across cloud, modern workplace, security, data & analytics and connectivity. Data#3 generated 36.2% of its FY21

[57] Expected normalised FY21 EBITDA of NZD $15 million has been converted to AUD using an exchange rate of 1AUD = NZD$1.07 as at 30 June 2021.

[58] With reference to Software & Cloud Economics only.

[59] Including Nordics.

[60] Revenue attributable to HQ and Eliminations has not been disclosed.

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revenue from cloud-based services, with the remainder primarily derived from its infrastructure solutions, services, business aspect and discovery technology segments.

Dicker Data Limited

Dicker Data, which primarily operates in ANZ, is a distributor of IT hardware, software and cloud solutions to IT resellers. For the year ended 31 December 2020, the company generated 24.8% of its revenue from cloud-based software and 74.6% from legacy hardware and virtual services, with the remainder derived from its services and other segments.

TD SYNNEX

TD SYNNEX, formed through the merger of SYNNEX Corporation and Tech Data, is a distributor of software products, peripherals, equipment for networking, communications and security, system components and consumer electronics to a range of resellers, system integrators and resellers. The company also provides systems design and integration solutions. TD SYNNEX's Concentrix segment (spun-off subsequent to the end its 2020 financial year) provided outsourced technology-based solutions focused on customer experience to a broad range of clients. The company operates in the US (66% of revenue for the year ending 30 November 2020), with the remaining revenue generated across Canada, Japan, Mexico, Central and South America. TD SYNNEX's EBITDA multiples are lower than those observed for the rest of the comparable companies due to TD SYNNEX having a lower proportion of revenues generated from cloud-based services and a higher portion from lower margin products (e.g. hardware).

Transaction evidence

The following table sets out a summary of transactions involving businesses operating globally in the IT distribution industry since 2019.

Table 29: Transaction Evidence

Announce-ment date	Target	Acquirer	% acquired	Enterprise Value (A$ million)[1]	EBITDA multiple LTM[2]
Jul-21	Exeed Limited	Dicker Data Limited	100%	65	4.6
Jul-21	Empired Limited	Capgemini Australia Pty Limited	100%	243	13.3
Mar-21	Tiger Parent (AP) Corporation[3]	TD SYNNEX	100%	9,775	10.3
Dec-20	Ingram Micro Inc.	Platinum Equity, LLC	100%	9,213	5.7
Sep-20	DWS Limited	HCL Australia Services Pty Limited	100%	189	9.5
Nov-19	Tiger Parent (AP) Corporation[3]	Apollo Global Management, Inc.	100%	8,527	8.0
Low					**4.6**
High					**13.3**
Median					**8.8**
Average					**8.6**

Source: Company financial statements and announcements, S&P Capital IQ and KPMG Corporate Finance analysis.
Notes:
1. *Enterprise value of the company as at the date of announcement.*
2. *LTM multiples calculated based on EBITDA from most recent financial results as at the transaction announcement date.*
3. *Parent company of Tech Data.*
4. *Given insufficient data, the EBITDA multiples have not been adjusted to reflect any impacts of AASB16.*

A brief description of the selected comparable transactions is provided below.

Acquisition of Exeed Limited by Dicker Data Limited

In July 2021, Dicker Data entered into a binding sale and purchase agreement to acquire Exeed Limited. The transaction closed in August 2021 for a transaction value of approximately $65 million, with 100% of

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the consideration provided in cash. Exeed Limited operates primarily in Australia (since 2016) and New Zealand (since 2002) and is an IT distributor of key technology brands including Apple, HP and Microsoft, with exclusive distributorships in New Zealand for Motorola, Ruckus and Webroot. The company also has operations in Australia, across a vendor base that has no overlap with Dicker Data's existing Australian vendors. Exeed Limited has an expected normalised FY21 EBITDA of $14 million.[61]

Acquisition of Empired Limited by Capgemini Australia Pty Ltd

In July 2021, Capgemini Australia Pty Ltd entered into a scheme implementation agreement to acquire Empired Limited for approximately $245 million. Empired Limited is based in Australia and operates in New Zealand through a subsidiary, Intergen Limited. The company, who is a Tier 1 CSP, partners with vendors, in particular Microsoft, to provide IT solutions across the cloud and data to assist clients with digital transformation. The consideration will be provided in cash and the transaction is expected to close in November 2021.

Acquisition of Tiger Parent (AP) Corporation (Tech Data) by SYNNEX Corporation

In March 2021, SYNNEX Corporation and Tech Data entered into a definitive merger agreement under which SYNNEX Corporation and Tech Data will combine to form TD SYNNEX in a transaction valued at approximately $9,757 million. Under the terms of the agreement, Apollo Global Management, the parent company of Tech Data, will receive refinancing of its existing debt, TD SYNNEX common stock and redeemable preference shares in TD SYNNEX. Upon closing of the transaction, which is expected at the end of 2021, SYNNEX Corporation shareholders will own approximately 55% of the combined TD SYNNEX entity and Apollo Global Management will own approximately 45%. TD SYNNEX will be a significant global distributor of cloud, data, cybersecurity and IoT technologies to resellers and end customers.

Acquisition of Ingram Micro Inc. by Platinum Equity, LLC

In December 2020, Platinum Equity, LLC entered into a definitive agreement to acquire Ingram Micro from HNA Technology Co., Ltd. The transaction closed in July 2021 for a transaction value of approximately $9,213 million, with 100% of the consideration provided in cash. Ingram Micro is an IT distributor, providing cloud, mobility and supply chain solutions to IT resellers in North America, Europe, APAC and Latin America.

Acquisition of DWS Limited by HCL Australia Services Pty Ltd

In September 2020, HCL Australia Services Pty Ltd entered into a scheme implementation deed to acquire DWS Limited. The transaction closed in December 2020 for a transaction value of approximately $189 million, with 100% of the consideration provided in cash. DWS Limited provides IT solutions including digital transformation, managed application, program and project management, customer driven innovation, strategic advisory and productivity, data and business analytics and robotic process automation services to private and public sector clients in ANZ.

Acquisition of Tiger Parent (AP) Corporation (Tech Data) by Apollo Global Management, Inc.

In November 2019, Apollo Global Management entered into a definitive agreement to acquire Tech Data. The transaction closed in June 2020 for a transaction value of approximately $8,527 million, with the consideration funded through a combination of equity and debt. Tech Data is an IT distributor, which

[61] Expected normalised FY21 EBITDA of NZD $15 million has been converted to AUD using an exchange rate of 1AUD = NZD$1.07 as at 30 June 2021.

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partners which vendors such as HP, Apple, Cisco and Microsoft to supply hardware and software to IT resellers. The company also provides technical and business support services.

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PART TWO – FINANCIAL SERVICES GUIDE

Dated 2 September 2021

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This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 and Adele Thomas as an authorised representative of KPMG Corporate Finance, authorised representative number 404180 **(Authorised Representative)**.

This FSG includes information about:

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- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

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- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

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KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged rhipe Limited (Client) to provide general financial product advice in the form of a Report to be included in Scheme Booklet (Document) prepared by the Client in relation to scheme of arrangement involving Crayon Group Holdings ASA (Transaction).
You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.
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No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Independence

Prior to accepting this engagement, KPMG Corporate Finance considered its independence with respect to the Scheme with reference to RG 112.

KPMG Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Scheme other than that of an independent expert. KPMG Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, KPMG Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Scheme.

In our opinion, KPMG Corporate Finance is independent of rhipe and its directors and all other relevant parties of the Scheme.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.
Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:
Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399 Email: info@fos.org.au.
The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:
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Annexure B

Scheme of Arrangement

Scheme of Arrangement pursuant to section 411 of the *Corporations Act 2001* (Cth)

Between

rhipe Limited (ABN 91 112 452 436) of Level 19, 100 Miller Street, North Sydney NSW 2060, Australia (***rhipe***).

And

Each holder of rhipe Shares recorded in the rhipe Share Register as at the Scheme Record Date (each a ***Scheme Shareholder*** and, together, the ***Scheme Shareholders***).

Recitals

A rhipe is an Australian public company limited by shares, registered under the Corporations Act, and has been admitted to the official list of the ASX. rhipe Shares are quoted for trading on the ASX.

B Bidder is a company incorporated in Norway (***Bidder***) listed on the Oslo Stock Exchange, and its indirectly wholly owned subsidiary, Bidder Sub, is an Australian proprietary company limited by shares.

C rhipe and Bidder have entered into a Scheme Implementation Deed dated 6 July 2021 (the ***Scheme Implementation Deed***) pursuant to which:

(a) rhipe has agreed to propose this Scheme to rhipe Shareholders; and

(b) rhipe and Bidder have agreed to take certain steps to give effect to this Scheme.

D If this Scheme becomes Effective, then:

(a) all of the Scheme Shares and all of the rights and entitlements attaching to them on the Implementation Date will be transferred to Bidder Sub; and

(b) the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and

(c) rhipe will enter the name and address of Bidder Sub in the rhipe Share Register as the holder of all of the Scheme Shares.

E By executing the Scheme Implementation Deed, rhipe has agreed to propose and implement this Scheme, and Bidder has agreed to assist with that proposal and implementation, on and subject to the terms of the Scheme Implementation Deed.

F Bidder and Bidder Sub have each entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that Bidder and Bidder Sub will observe and perform the obligations contemplated of it under this Scheme.

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

In this document, unless the context requires otherwise:

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ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as 'ASX' operated by it.

ASX Listing Rules means the official listing rules of ASX.

Bidder Sub means Crayon Software Experts Australia Pty Ltd (ACN 653 041 788), an indirectly wholly owned subsidiary of Bidder.

Business Day means any day that is each of the following:

(a) a Business Day within the meaning given in the ASX Listing Rules; and

(b) a day that banks are open for business in Sydney, Australia and Oslo, Norway.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Constitution means the constitution of rhipe, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.

Court means the Supreme Court of New South Wales Court or such other court of competent jurisdiction under the Corporations Act agreed to in writing between rhipe and Bidder.

Deed Poll means the deed poll executed on 2 September 2021 by Bidder and Bidder Sub in favour of the Scheme Shareholders.

Effective means, when used in relation to this Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means the date which is six months after the date of the Scheme Implementation Deed, subject to any extension under clause 3.7 of the Scheme Implementation Deed.

Implementation Date means the fifth Business Day after the Scheme Record Date, or such other date as rhipe and Bidder may agree in writing.

Permitted Special Dividend has the meaning given to that term in the Scheme Implementation Deed.

Registered Address means, in relation to a Scheme Shareholder, the address of that Scheme Shareholder shown in the rhipe Share Register as at the Scheme Record Date.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between rhipe and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court and agreed to by Bidder and rhipe (such agreement not to be unreasonably withheld or delayed) made or required by the Court under section 411(6) of the Corporations Act and agreed to by rhipe and Bidder.

Scheme Consideration means the consideration to be provided to each rhipe Shareholder for the transfer to Bidder Sub of each Scheme Share being, in respect of each Scheme Share, a cash amount of $2.50, less the cash amount per rhipe Share paid by rhipe as a Permitted Special Dividend in accordance with clauses 4.3, 4.5 and 4.6 of the Scheme Implementation Deed.

Scheme Meeting means the meeting of rhipe Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to this Scheme, and includes any adjournment or

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postponement of that meeting.

Scheme Orders means the orders of the Court made under section 411(4)(b) of the Corporations Act (and if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

Scheme Record Date means 7:00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between rhipe and Bidder.

Scheme Shares means the rhipe Shares on issue as at the Scheme Record Date.

Scheme Transfer means, in relation to each Scheme Shareholder, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the Corporations Act.

Second Court Date means the first day of hearing of an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Trust Account means an Australian dollar denominated trust account held with an Australian bank operated by rhipe (or by the rhipe Share Registry on behalf of rhipe) as trustee for the Scheme Shareholders.

rhipe Share Register means the register of members of rhipe maintained in accordance with the Corporations Act.

rhipe Share Registry means Link Market Services Limited or any replacement provider of share registry services to rhipe.

rhipe Shareholder means a person who is registered in the rhipe Share Register as a holder of rhipe Shares.

rhipe Shares means fully paid ordinary shares issued in the capital of rhipe.

1.2 Interpretation

(a) Headings are for convenience only and do not affect interpretation.

(b) Mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included.

(c) The following rules apply unless the context requires otherwise.

(i) The singular includes the plural, and the converse also applies.

(ii) A gender includes all genders.

(iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

(v) A reference to a clause is a reference to a clause of this Scheme.

(vi) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.

(vii) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.

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(viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).

(ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(x) A reference to *dollars* or *$* is to Australian currency.

(xi) Words and phrases not specifically defined in this Scheme have the same meanings (if any) given to them in the Corporations Act.

(xii) A reference to time is to Sydney, Australia time.

(xiii) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.

2 Conditions

2.1 Conditions Precedent

This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) as at 8:00am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the Scheme Implementation Deed (other than the condition precedent relating to the approval of the Court set out in clause 3.1(d) of the Scheme Implementation Deed) has been satisfied or waived in accordance with the Scheme Implementation Deed;

(b) as at 8:00am on the Second Court Date, neither the Scheme Implementation Deed nor the Deed Poll has been terminated in accordance with its terms;

(c) the Court makes orders approving this Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act and that are agreed to rhipe and Bidder (such agreement not to be unreasonably withheld or delayed);

(d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and that are agreed to rhipe and Bidder (such agreement not to be unreasonably withheld or delayed); and

(e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme come into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date.

2.2 Lapsing

This Scheme will lapse and be of no further force or effect if:

(a) the Effective Date does not occur on or before the End Date; or

(b) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms unless rhipe and Bidder otherwise agree in writing.

3 Scheme becoming Effective

Subject to clause 2, this Scheme will take effect on and from the Effective Date.

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4 Implementation of Scheme

(a) If the conditions precedent in clause 2.1 are satisfied or waived, rhipe must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Scheme Orders as soon as possible and in any event before 5:00pm on the Business Day immediately following the day on which the Scheme Orders are entered, or such other date as agreed by rhipe and Bidder.

(b) On the Implementation Date, subject to Bidder having satisfied its obligations in clause 5.2, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder Sub, without the need for any further act by any Scheme Shareholder (other than acts performed by rhipe or any of its directors and officers as attorney and agent for Scheme Shareholders under this Scheme), by:

(i) rhipe delivering to Bidder for execution duly completed (and, if necessary, stamped) Scheme Transfers to transfer all of the Scheme Shares to Bidder Sub (and one or more Scheme Transfers can be a master transfer of all or part of all of the Scheme Shares), duly executed by rhipe (or any of its directors and officers) as the attorney and agent of each Scheme Shareholder as transferor under clause 8.3;

(ii) Bidder Sub executing the Scheme Transfers as transferee and delivering them to rhipe for registration; and

(iii) rhipe, immediately after receipt of the Scheme Transfers under clause 4(b)(ii), entering, or procuring the entry of, the name and address of Bidder Sub in the rhipe Share Register as the holder of all of the Scheme Shares.

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, each Scheme Shareholder will be entitled to the Scheme Consideration for each Scheme Share held by that Scheme Shareholder.

5.2 Deposit of Scheme Consideration

Bidder must, by no later than 12:00pm on the date that is one Business Day before the Implementation Date, deposit (or procure the deposit) in cleared funds into the Trust Account an amount at least equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account.

5.3 Payment to Scheme Shareholders

(a) On the Implementation Date, subject to Bidder having satisfied its obligations in clause 5.2, rhipe must pay or procure the payment, from the Trust Account, to each Scheme Shareholder the Scheme Consideration as that Scheme Shareholder is entitled under this clause 5.

(b) The obligations of rhipe under clause 5.3(a) will be satisfied by rhipe (in its absolute discretion):

(i) where a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the rhipe Share Registry to receive dividend payments from rhipe by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or

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(ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 5.3(b)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.4).

5.4 Joint holders

In the case of Scheme Shares held in joint names:

(a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of rhipe, the holder whose name appears first in the rhipe Share Register as at the Scheme Record Date or to the joint holders; and

(b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of rhipe, the holder whose name appears first in the rhipe Share Register as at the Scheme Record Date or to the joint holders.

5.5 Cancellation and re-issue of cheques

(a) rhipe may cancel a cheque issued under this clause 5 if the cheque:

(i) is returned to rhipe or the rhipe Share Registry; or

(ii) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to rhipe or the rhipe Share Registry (which request may not be made until the date which is 20 Business Days after the Implementation Date), rhipe must reissue a cheque that was previously cancelled under clause 5.5(a).

5.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be paid to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.7 Unclaimed monies

(a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

(b) rhipe may cancel a cheque issued under this clause 5 if the cheque:

(i) is returned to rhipe; or

(ii) has not been presented for payment within six months after the date on which the cheque was sent.

(c) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to rhipe (or the rhipe Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), rhipe must reissue a cheque that was previously cancelled under this clause 5.7.

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5.8 Remaining monies (if any) in Trust Account

To the extent that, following satisfaction of rhipe's obligations under the other provisions of this clause 5 and provided Bidder Sub has by that time acquired the Scheme Shares in accordance with this Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of this Scheme, the Deed Poll and the Scheme Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by rhipe (or the rhipe Share Registry on rhipe's behalf) to Bidder.

5.9 Orders of a court

(a) If written notice is given to rhipe (or the rhipe Share Registry) of an order or direction made by a court that:

(i) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by rhipe in accordance with this clause 5, then rhipe shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

(ii) prevents rhipe from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibitive by applicable law, rhipe shall be entitled to (as applicable) retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration, until such time as payment in accordance with this clause 5 is permitted by that (or another) court or direction or otherwise by law.

(b) To the extent that amounts are so deducted or withheld in accordance with clause 5.9(a), such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted as required.

6 Dealings in rhipe Shares

6.1 Dealings in rhipe Shares by Scheme Shareholders

For the purpose of establishing the persons who are Scheme Shareholders, dealings in rhipe Shares will be recognised by rhipe provided that:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the rhipe Share Register as the holder of the relevant rhipe Shares by the Scheme Record Date; and

(b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the rhipe Share Registry by 5:00pm on the day which is the Scheme Record Date at the place where the rhipe Share Register is located (in which case rhipe must register such transfers or transmission applications before 7:00pm on that day),

and rhipe will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders nor for any other purpose (other than to transfer to Bidder Sub pursuant to this Scheme and any subsequent transfers by Bidder Sub and its successors in title), any transfer or transmission application in respect of rhipe Shares received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

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6.2 Register

(a) rhipe will, until the Scheme Consideration has been provided and the name and address of Bidder Sub has been entered in the rhipe Share Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the rhipe Share Register in accordance with this clause 6, and the rhipe Share Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.

(b) As from the Scheme Record Date (and other than for Bidder Sub following the Implementation Date), each entry in the rhipe Share Register as at the Scheme Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Scheme Shares.

(c) As soon as possible on or after the Scheme Record Date, and in any event within two Business Days after the Scheme Record Date, rhipe will ensure that details of the names, Registered Addresses and holdings of rhipe Shares for each Scheme Shareholder as shown in the rhipe Share Register are available to Bidder.

6.3 Effect of share certificates and holding statements

As from the Scheme Record Date (and other than for Bidder Sub following the Implementation Date), all share certificates and holding statements for Scheme Shares (other than statements of holding in favour of Bidder Sub) will cease to have effect as documents of title in respect of those Scheme Shares.

6.4 No disposals after Record Date

If this Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after 5:00pm on the Scheme Record Date (other than to Bidder Sub in accordance with this Scheme and any subsequent transfers by Bidder Sub and its successors in title), and any attempt to do so will have no effect and rhipe shall be entitled to disregard any such disposal, purported disposal or agreement.

7 Suspension and termination of quotation of rhipe Shares

(a) rhipe must use best endeavours to ensure that ASX suspends trading of the rhipe Shares on ASX with effect from the close of business on the Effective Date.

(b) On a date after the Implementation Date to be determined by Bidder, rhipe must apply to ASX for termination of official quotation of the rhipe Shares on ASX and the removal of rhipe from the official list of ASX.

8 General provisions

8.1 Further assurances

(a) Each Scheme Shareholder and rhipe will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it.

(b) Without limiting rhipe's other powers under this Scheme, rhipe has power to do all things that it considers necessary or desirable to give effect to this Scheme and the transactions contemplated by it.

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8.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

(a) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares (other than any right to receive the Permitted Special Dividend (if any)), to Bidder Sub in accordance with the terms of this Scheme; and

(b) acknowledges and agrees that this Scheme binds rhipe and all Scheme Shareholders (including those that did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting) and, to the extent of any inconsistency, overrides the Constitution; and

(c) irrevocably consents to rhipe, Bidder and Bidder Sub doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Shareholder.

8.3 Appointment of rhipe as attorney for implementation of Scheme

Each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints rhipe as that Scheme Shareholder's agent and attorney for the purpose of:

(a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4(b)(i); and

(b) enforcing the Deed Poll against Bidder or Bidder Sub,

and rhipe accepts such appointment. rhipe, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 8.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

8.4 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Bidder, and, to the extent enforceable, to have appointed and authorised rhipe as that Scheme Shareholder's agent and attorney to warrant to Bidder, that all of their Scheme Shares (including all rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Bidder Sub pursuant to this Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to Bidder Sub pursuant to this Scheme. rhipe undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidder Sub on behalf of that Scheme Shareholder.

8.5 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder Sub will, at the time of transfer of them to Bidder Sub, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of

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section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.

(b) Immediately upon the deposit of the Scheme Consideration in the manner contemplated by clause 5.2, Bidder Sub will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by rhipe of the name and address of Bidder Sub in the rhipe Share Register as the holder of the Scheme Shares.

8.6 Appointment of Bidder as attorney and agent for Scheme Shares

(a) From the time that Bidder has satisfied its obligations in clause 5.2 until Bidder Sub is registered in the rhipe Share Register as the holder of all Scheme Shares, each rhipe Shareholder:

(i) without the need for any further act by that rhipe Shareholder, irrevocably appoints Bidder as its proxy to (and irrevocably appoints Bidder Sub as its agent and attorney for the purpose of appointing any director or officer of Bidder Sub as that rhipe Shareholder's proxy and, where appropriate, its corporate representative to):

(A) attend shareholders' meetings of rhipe;

(B) exercise the votes attaching to the rhipe Shares registered in the name of the rhipe Shareholder; and

(C) sign any rhipe Shareholders' resolution;

(ii) must take all other action in the capacity of a rhipe Shareholder as Bidder Sub reasonably directs; and

(iii) acknowledges and agrees that in exercising the powers referred to in clause 8.6(a), Bidder Sub and any person nominated by Bidder Sub under clause 8.6(a) may act in the best interests of Bidder Sub as the intended registered holder of the Scheme Shares.

(b) From the time that Bidder has satisfied its obligations in clause 5.2 until Bidder Sub is registered in the rhipe Share Register as the holder of all Scheme Shares, no rhipe Shareholder may attend or vote at any meetings of rhipe Shareholders or sign any rhipe Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 8.6.

8.7 Alterations and conditions to Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions, rhipe may, by its counsel or solicitors, and with the prior written consent of Bidder:

(a) consent on behalf of all persons concerned, including each rhipe Shareholder, to those alterations or conditions; and

(b) each Scheme Shareholder agrees to any such alterations or conditions which rhipe has consented to.

8.8 Enforcement of Deed Poll

rhipe undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder and Bidder Sub on behalf of and as agent and attorney for the Scheme Shareholders.

8.9 Consent

Each of the Scheme Shareholders consents to rhipe doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, rhipe or otherwise.

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8.10 Notices

(a) Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to rhipe, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at rhipe's registered office or by the rhipe Share Registry, as the case may be.

(b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a rhipe Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.11 Duty

Bidder will:

(a) pay all duty (including stamp duty and any related fines, penalties and interest) payable on the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to this Scheme; and

(b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 8.11(a).

8.12 Governing law and jurisdiction

This document is governed by the laws of New South Wales. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there and courts of appeal from them in connection with matters concerning this document. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

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Annexure C

Deed Poll

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Deed Poll

This Deed Poll is made on 2 September 2021

By

Crayon Group Holding ASA of Sandakerveien 114 A, NO-0484 Oslo, Norway (***Bidder***)

Crayon Software Experts Australia Pty Limited (ACN 653 041 788) of c/- Baker & McKenzie, Tower One - International Towers Sydney, Level 46, 100 Barangaroo Avenue, Sydney NSW 2000 (***Bidder Sub***)

In favour of

Each Scheme Shareholder

Recitals

A Bidder and **Rhipe Limited** (ABN 91 112 452 436) of Level 19, 100 Miller Street, North Sydney NSW 2060, Australia (***Rhipe***) have entered into a Scheme Implementation Deed dated 6 July 2021 (the ***Scheme Implementation Deed***).

B Rhipe has agreed in the Scheme Implementation Deed to propose the Scheme, pursuant to which, subject to the satisfaction or waiver of certain conditions precedent, Bidder Sub will acquire all of the Scheme Shares from Scheme Shareholders for the payment by Bidder of the Scheme Consideration.

C In accordance with the Scheme Implementation Deed, Bidder and Bidder Sub are entering into this Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that they will observe and perform the obligations contemplated of it under the Scheme.

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

Terms defined in the Scheme Implementation Deed have the same meaning in this Deed Poll, unless the context requires otherwise.

1.2 Interpretation

The provisions of clause 1.2 of the Scheme Implementation Deed form part of this Deed Poll as if set out in full in this Deed Poll, and on the basis that references to 'this deed' in that clause are references to 'this Deed Poll'.

2 Nature of Deed Poll

Each of Bidder and Bidder Sub acknowledges that:

(a) this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms, even though the Scheme Shareholders are not party to it; and

(b) under the Scheme, each Scheme Shareholder appoints Rhipe as its agent and attorney to enforce this Deed Poll against Bidder and Bidder Sub on behalf of that Scheme Shareholder.

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3 Conditions precedent and termination

3.1 Conditions precedent

The obligations of Bidder and Bidder Sub under this Deed Poll are subject to the Scheme becoming Effective.

3.2 Termination

If the Scheme Implementation Deed is terminated before the Effective Date or the Scheme does not become Effective on or before the End Date, the obligations of Bidder and Bidder Sub under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect, unless Rhipe, Bidder and Bidder Sub otherwise agree.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) Bidder and Bidder Sub are released from their obligations under this Deed Poll, except those obligations under clause 8.6; and

(b) each Scheme Shareholder retains any rights, powers or remedies that Scheme Shareholder has against Bidder and Bidder Sub in respect of any breach of their obligations under this Deed Poll that occurred before termination of this Deed Poll.

4 Compliance with Scheme obligations

4.1 Obligations of Bidder

Subject to clause 3, each of Bidder and Bidder Sub covenants in favour of each Scheme Shareholder that it will observe and perform all obligations contemplated of Bidder under the Scheme, including the relevant obligations relating to the provision of the Scheme Consideration in accordance with the terms of the Scheme.

5 Representations and warranties

Each of Bidder and Bidder Sub makes the following representations and warranties in respect of itself.

(a) (**Status**) It is a corporation duly incorporated and validly existing under the laws of the place of its incorporation.

(b) (**Power**) It has the power to enter into and perform its obligations under this Deed, and to carry out the transactions contemplated by this Deed.

(c) (**Corporate authorisations**) It has taken all necessary corporate action to authorise the entry into and performance of this Deed Poll by it and to carry out the transactions contemplated by this Deed Poll.

(d) (**Document binding**) This Deed Poll is its valid and binding obligation enforceable in accordance with its terms.

(e) (**Transactions permitted**) The execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not and will not violate in any respect a provision of:

(i) a law or treaty or a judgment, ruling, order or decree binding on it; or

(ii) its constitution or other constituent documents.

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6 Continuing obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

(a) each of Bidder and Bidder Sub having fully performed its obligations under this Deed Poll; and

(b) termination of this Deed Poll under clause 3.

7 Further assurances

Each of Bidder and Bidder Sub will, on its own behalf and, to the extent authorised by the Scheme, on behalf of each Scheme Shareholder, do all things and execute all deeds, instruments, transfers or other documents as may be necessary to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

8 General

8.1 Notices

Any notice, demand, consent or other communication (a ***Notice***) given or made under this Deed Poll:

(a) must be in writing and signed by the sender or a person duly authorised by the sender;

(b) must be sent by regular ordinary post (airmail if appropriate) to the addresses referred to below, or sent by email to the addresses referred to below:

(i)	to Bidder or Bidder Sub:	Address:	Crayon Group AS Sandakerveiein 114A, 0484 Oslo, Norway
		Email:	Jon.Birger.Syvertsen@crayon.com; and Andreas.Rafen@crayon.com
		Attention:	Jon Birger Syvertsen and Andreas Rafen

(c) will be conclusively taken to be duly given or made:

(i) in the case of delivery in person, when delivered;

(ii) in the case of delivery by post, six Business Days after the date of posting (if posted to an address in the same country) or ten Business Days after the date of posting (if posted to an address in another country); and

(iii) in the case of email, at the earliest of:

(A) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;

(B) the time that the intended recipient confirms receipt of the email by reply email; and

(C) two hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, within that two hour period, an automated message that the email has not been delivered,

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but if the result is that a Notice would be taken to be given or made:

(iv) in the case of delivery by hand or post, at a time that is later than 5pm;

(v) in the case of delivery by email, at a time that is later than 7pm; or

(vi) on a day that is not a Business Day,

in the place specified by the intended recipient as its postal address under clause 8.1(b), it will be conclusively taken to have been duly given or made at the start of business on the next Business Day in that place.

8.2 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by Bidder, Bidder Sub or by any Scheme Shareholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

8.3 Remedies cumulative

The rights, powers and remedies of Bidder, Bidder Sub and of each Scheme Shareholder under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

8.4 Amendment

No amendment or variation of this Deed Poll is valid or binding unless:

(a) either:

(i) before the Second Court Date, the amendment or variation is agreed to in writing by Rhipe, Bidder and Bidder Sub (which such agreement may be given or withheld without reference to or approval by any Scheme Shareholder); or

(ii) on or after the Second Court Date, the amendment or variation is agreed to in writing by Rhipe, Bidder and Bidder Sub (which such agreement may be given or withheld without reference to or approval by any Scheme Shareholder), and is approved by the Court; and

(b) Bidder and Bidder Sub enter into a further deed poll in favour of the Scheme Shareholders giving effect to that amendment or variation.

8.5 Assignment

The rights and obligations of Bidder, Bidder Sub and of each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior consent of Bidder, Bidder Sub and Rhipe.

8.6 Duty

Bidder will:

(a) pay all duty (including stamp duty and any related fines, penalties and interest) payable on the transfer by Scheme Shareholders of the Scheme Shares to Bidder Sub pursuant to the Scheme; and

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(b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 8.6(a).

8.7 Process Agent

Each of Bidder and Bidder Sub irrevocably appoints the Sydney office of Baker & McKenzie of Tower One, International Towers Sydney, Level 46, 100 Barangaroo Avenue to receive on its behalf service of process issued out of the courts of New South Wales or courts exercising jurisdiction in New South Wales in relation to any dispute, claim, legal action or proceeding arising out of or in any way related to this deed and related non-contractual matters, and agrees that service of any process or documents on the agent will be sufficient service on it.

8.8 Governing law and jurisdiction

This Deed Poll is governed by the laws of New South Wales. Bidder submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Deed Poll.

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Executed and delivered as a Deed Poll.

Signed Sealed and Delivered by **CRAYON GROUP HOLDING ASA** by its Authorised Signatory:

Seal

Signature of Authorised Signatory

Rune Syversen

Name of Authorised Signatory

Signed Sealed and Delivered by **CRAYON SOFTWARE EXPERTS AUSTRALIA PTY LIMITED** in accordance with section 127 of the *Corporations Act 2001* (Cth):

Seal

Director Signature

Melissa Mulholland

Print Name

Director Signature

Jon Birger Syvertsen

Print Name

405865968-v1\AP_DMS

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Annexure D

Notice of Meeting

rhipe Limited

NOTICE OF MEETING OF REGISTERED HOLDERS OF FULLY PAID ORDINARY SHARES IN RHIPE.

NOTICE IS HEREBY GIVEN, that a Scheme Meeting of rhipe Shareholders will be held virtually at 11:00am (Sydney time) on Monday, 11 October 2021.

As a result of the potential health risks associated with large gatherings and the ongoing COVID-19 pandemic, the Scheme Meeting will be a virtual (online only) meeting. The health of rhipe Shareholders, employees and other meeting attendees is of paramount importance and, therefore, there will not be a physical meeting where rhipe Shareholders or their proxies, attorneys or corporate representatives can attend in person.

Instead, rhipe Shareholders are invited to participate in the Scheme Meeting using an online platform or via telephone. This online platform will enable participants to view the Scheme Meeting live, ask questions online or via telephone and vote on the Scheme Resolution in real time.

Further details on how to participate in the Scheme Meeting via the online platform are set out in the explanatory note that accompany and form part of this Notice of Meeting and in the Scheme Meeting Online Guide.

BUSINESS

The purpose of the Scheme Meeting to be held pursuant to this Notice of Meeting is to consider, and if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between rhipe and rhipe Shareholders.

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part. Additional information about the Scheme Meeting is set out in the explanatory notes that accompany and form part of this notice.

SCHEME RESOLUTION

To consider and, if thought fit, to pass the following resolution:

> *That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between rhipe Limited ("rhipe") and the holders of its fully paid ordinary shares, the terms of which are contained in and more particularly described in the Scheme Booklet of which the notice convening the Scheme Meeting forms part, is approved (with or without alteration or conditions as approved by the Supreme Court of New South Wales and agreed to by rhipe) and, subject to approval of the Scheme by the Court, the rhipe Board is authorised to implement the Scheme with any such alterations or conditions.*

There are no relevant voting exclusions that apply to this Scheme Meeting.

CHAIRMAN

The Court has directed that Gary Cox is to act as chair of the Scheme Meeting (and that, if Mr Cox is unable or unwilling to attend, Mark Pierce is to act as chair of the Scheme Meeting) and has directed the chair to report the result of the meeting to the Court.

SCHEME MEETING FORMAT

rhipe Shareholders and their authorised proxies, attorneys and corporate representatives may participate in the Scheme Meeting via the online platform at https://agmlive.link/RHPSM21 or via telephone.

Further details on how to participate in the Scheme Meeting are set out in the explanatory notes that accompany and form part of this Notice of Scheme Meeting and in the Scheme Meeting Online Guide which has been released to the ASX and will be available at rhipe's Website.

rhipe Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting, or will not have access to a device or the internet, are encouraged to submit a directed proxy vote by either completing the proxy form enclosed with this Scheme Booklet or by lodging your proxy online at www.linkmarketservices.com.au in accordance with the instructions there (as applicable) so that it is received by no later than 11:00am (Sydney time) on Saturday, 9 October 2021 or if you are a member of the rhipe Employee Share Purchase Plan by no later than 11:00am (Sydney time) on Monday, 4 October 2021.

WEBCASTING

In addition to the above, an archived recording of the webcast will also be available to rhipe Shareholders after the Scheme Meeting at https://www.rhipe.com/about/investors/.

By order of the Court and the rhipe Limited Board

Marika White

Company Secretary

rhipe Limited

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EXPLANATORY NOTES TO THE NOTICE OF MEETING

These explanatory notes relate to the Scheme and should be read in conjunction with the Notice of Meeting and the information in the Scheme Booklet of which that notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

Unless the context requires otherwise, terms used in the Notice of Meeting and in these notes have the same meaning as set out in section 9 (*Glossary and interpretation*) of the Scheme Booklet.

1 Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be passed by:

- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by eligible rhipe Shareholders present and voting (either in person or by proxy, attorney or, in the case of a corporation, by its duly appointed corporate representative); and
- more than 50% in number (unless the Court orders otherwise) of eligible rhipe Shareholders present and voting (either in person or by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative) at the Scheme Meeting.

2 Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the Scheme Resolution put to this Scheme Meeting is passed by the Requisite Majorities and the other conditions are satisfied or waived (if applicable), rhipe intends to apply to the Court on or around Wednesday, 13 October 2021 for approval of the Scheme.

3 Entitlement to vote

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 7:00pm (Sydney time) on Saturday, 9 October 2021 (being the Scheme Meeting Record Date).

Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

4 Participation in the Scheme Meeting

rhipe Shareholders and their authorised proxies, attorneys and duly appointed corporate representatives can participate in and vote at the Scheme Meeting via the online platform at https://agmlive.link/RHPSM21.The online platform may be accessed via a computer or mobile or tablet device with internet access. The online platform will allow rhipe Shareholders and their authorised proxies, attorneys and duly appointed corporate representatives to listen to the Scheme Meeting, cast an online vote and ask questions online.

To participate and vote online, rhipe Shareholders will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of their holding statement or proxy form), and their postcode (or country code if outside Australia). The rhipe Share Registry will email proxyholders their login details 24 hours prior to the Scheme Meeting. Attorneys and duly appointed corporate representatives can obtain an online voting card, or ask questions via the telephone line, by entering the SRN/HIN and postcode of the relevant rhipe Shareholder.

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rhipe Shareholders and their authorised proxies, attorneys and corporate representatives who would prefer to attend the Scheme Meeting by telephone can do so by dialling +61 1800 875 033 or +61 2 9189 8867 (outside of Australia). For verification purposes, rhipe Shareholders will require a unique PIN. To obtain this unique PIN, please contact Link Market Services on 1800 990 363 or +61 1800 990 363 (outside of Australia) by **5:00pm (Sydney time) on Friday, 8 October 2021**.

It is recommended that rhipe Shareholders login to the online platform at least 15 minutes prior to the scheduled start time for the Scheme Meeting. The Scheme Meeting Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The Scheme Meeting Online Guide has been released to the ASX and will be available at rhipe's Website.

Please monitor rhipe's website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meeting.

5 How to vote

Voting at the Scheme Meeting will be conducted by poll.

If you are a rhipe Shareholder entitled to vote at the meeting, you may vote:

- online, by participating and voting via the virtual meeting online platform at https://agmlive.link/RHPSM21;
- by proxy, by lodging a proxy form online at www.linkmarketservices.com.au or by completing and submitting the proxy form in accordance with the instructions on that form. To be effective, your proxy appointment must be received by the rhipe Share Registry by 11:00am (Sydney time) on Saturday, 9 October 2021;
- by attorney, by appointing an attorney to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the rhipe Share Registry by 11:00am (Sydney time) on Saturday, 9 October 2021 or if you are a member of the rhipe Employee Share Purchase Plan by no later than 11:00am (Sydney time) on Monday, 4 October 2021; or
- by corporate representative, in the case of a body corporate, appointing a body corporate representative to participate in and vote at the Scheme Meeting on your behalf, and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the Scheme Meeting in accordance with section 7.4 below.

Please note that rhipe Shareholders do not have the option to vote at the Scheme Meeting by telephone.

6 Jointly held securities

If you hold rhipe Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote at the meeting, only the vote of the holder whose name appears first on the rhipe Share Register will be counted.

See also the comments in section 7.2 below regarding the appointment of a proxy by persons who jointly hold rhipe Shares.

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7 Voting

7.1 Voting online

To vote online, you must participate in the Scheme Meeting via the virtual meeting online platform at https://agmlive.link/RHPSM21.

Online voting will be open between the start of the Scheme Meeting and the closing of voting as announced by the chair during the Scheme Meeting.

7.2 Voting by proxy

A rhipe Shareholder entitled to participate in and vote at the Scheme Meeting may appoint a person to participate in and vote at the Scheme Meeting as their proxy. To do so, either they should mark the box 'Appoint a Proxy' in step 1 of the proxy form to appoint the chair of the Scheme Meeting as their proxy, or insert the name and email address of their alternative proxy in the space provided. Please refer to section 7.5 of this Notice of Scheme Meeting below for further details in relation to how to submit a proxy form.

The following applies to proxy appointments:

- a proxy need not be another rhipe Shareholder, and may be an individual or a body corporate. If a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative in accordance with sections 250D and 253B of the Corporations Act to exercise its powers as proxy at the Scheme Meeting;
- a rhipe Shareholder who is entitled to cast two or more votes at the Scheme Meeting may appoint one or two proxies. If you wish to appoint a second proxy, a second hard copy proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. Both proxy forms should be returned together in the same envelope. If you wish to appoint two proxies using hard copy proxy forms, you will need to obtain a second proxy form. Please contact the rhipe Share Registry on 1300 970 086 to obtain an additional proxy form. You cannot appoint a second proxy using the online platform. Where two proxies are appointed, each proxy should be appointed to represent a specified proportion of the rhipe Shareholder's voting rights. If a rhipe Shareholder appoints two proxies and the appointment does not specify the proportion or number of the rhipe Shareholder's votes, each proxy may exercise half of that rhipe Shareholder's votes with any fractions of votes disregarded;
- if you hold rhipe Shares jointly with one or more other persons, in order for your proxy appointment to be valid, either rhipe Shareholder may sign the proxy form; and
- each proxy will have the right to vote on the poll and also to ask questions at the meeting.

A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority.

If you have appointed a proxy, when logging in to the live webcast of the Scheme Meeting, you will have the option to either revoke your proxy or view the Scheme Meeting as a 'visitor'. If you revoke your proxy when logging in, you will be able to participate in and vote at the Scheme Meeting. However, if you do not revoke your proxy, then you will only be able to view the live webcast of the Scheme Meeting, and will not be able to vote on the resolutions.

A vote given in accordance with the terms of a proxy appointment is valid unless the shareholder revokes the proxy when logging into the Scheme Meeting, or provides written notice of the revocation of that appointment to the rhipe Share Registry, and such notice has been received by the rhipe Share Registry

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before the start of the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways in section 7.5 below.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on the Scheme Resolution, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chair of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not participate in the meeting, the chair of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form. The chair of the meeting intends to vote all available undirected proxies in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of rhipe Shareholders.

7.3 Voting by attorney

You may appoint an attorney to participate in and vote at the meeting on your behalf. Your attorney need not be another rhipe Shareholder. Each attorney will have the right to vote on the poll and also to speak at the Scheme Meeting.

The power of attorney appointing your attorney to participate in and vote at the meeting must be duly executed by you and specify your name, the company (that is, rhipe), details of the holding the power of attorney is representing and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be received by the rhipe Registry before 11:00am (Sydney time) on Saturday, 9 October 2021 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of ways specified for proxy forms in section 7.5 below, except that the power of attorney or a certified copy of the power of attorney cannot be lodged online or by mobile device.

A validly appointed attorney wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing rhipe Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform.

7.4 Voting by corporate representative

A body corporate that is a rhipe Shareholder, or that has been appointed as a proxy, must appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D and 253B of the Corporations Act. A form of certificate may be downloaded via www.linkmarketservices.com.au or obtained from the rhipe Share Registry by calling 1300 554 474 between 9.00am to 5.00pm (Sydney time). The certificate of appointment may set out restrictions on the representative's powers.

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The certificate must be received the rhipe Share Registry prior to the Scheme Meeting. rhipe Shareholders may submit the certificate:

- via email, by sending it to vote@linkmarketservices.com.au; or
- in any of the ways specified for proxy forms in section 7.5 of this Notice of Scheme Meeting, except that a certificate of appointment of corporate representative cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the rhipe Share Registry.

A validly appointed corporate representative wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing rhipe Shareholder's name and postcode and the SRN/HIN of the holding in order to access the online platform.

7.5 How to submit a proxy form

To appoint a proxy, you should complete and submit the proxy form in accordance with the instructions on that form or lodge your proxy online at www.linkmarketservices.com.au in accordance with the instructions there (as applicable).

To be effective, proxy appointments must be received by way of completed proxy forms by the rhipe Share Registry by 11:00am (Sydney time) on Saturday, 9 October 2021 or if you are a member of the rhipe Employee Share Purchase Plan by no later than 11:00am (Sydney time) on Monday, 4 October 2021 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways.

- **Online**: at www.linkmarketservices.com.au and follow the prompts.
- **By mobile device**: If you have a smart phone, you can now lodge your vote via the Link website www.linkmarketservices.com.au or by scanning the QR code on the proxy form. To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device. Log-in using the SRN/HIN and postcode for your shareholding.
- **By post in the provided reply paid envelope to the rhipe Registry at the following address**: Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia.
- **By hand delivery (during normal business hours) to the rhipe Share Registry at the following address:**
  Level 12, 680 George Street
  Sydney NSW 2000
- **By fax to the rhipe Share Registry on**: +61 2 9287 0309.

Proxy forms received after this time will be invalid.

If a proxy form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been received by the rhipe Share Registry.

For more information concerning the appointment of proxies and ways to lodge the proxy form, please refer to the proxy form.

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8 Questions

rhipe Shareholders and proxyholders will have a reasonable opportunity to ask questions during the Scheme Meeting via the online platform or via telephone.

rhipe Shareholders participating in the Scheme Meeting via telephone will be able ask questions during the Scheme Meeting. When the chair of the Scheme Meeting calls for questions, you will receive instructions on how to raise your virtual hand to ask a question during the Scheme Meeting. The call moderator will then introduce themselves to ask you what item of business your question relates to, and will assist with submitting the question to the meeting at the appropriate time.

rhipe Shareholders who prefer to register questions in advance of the Scheme Meeting are also invited to do so by submitting questions online at www.linkmarketservices.com.au.

The chair of the Scheme Meeting will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the Scheme Meeting. However, there may not be sufficient time available during the Scheme Meeting to address all of the questions raised. Please note that individual responses will not be sent to rhipe Shareholders.

Questions must be submitted to the rhipe Share Registry by **11:00am (Sydney time) on Saturday, 9 October 2021.**

9 Technical difficulties

Technical difficulties may arise during the course of the Scheme Meeting. The chair has discretion as to whether and how the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the chair will have regard to the number of rhipe Shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the chair considers it appropriate, the chair may continue to hold the Scheme Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

rhipe

Corporate Directory

Registered office and principal place of business	**rhipe Limited** Level 19, 100 Miller Street North Sydney NSW 2060
Legal adviser	**Allens** Deutsche Bank Place Corner Hunter and Philip Streets Sydney NSW 2000
Financial adviser	**Jefferies (Australia) Pty Ltd** Level 22, 60 Martin Place Sydney NSW 2000
Independent Expert	**KPMG Financial Advisory Services (Australia) Pty Ltd** Level 38 Tower Three 300 Barangaroo Avenue Sydney NSW 2000
rhipe Share Registry	**Link Market Services Limited** Level 12, 680 George Street Sydney NSW 2000 Investor Enquiries: 1300 554 474
Stock exchange listing	rhipe Limited shares are listed on the Australian Securities Exchange (ASX Code: RHP)
Company Website	https://www.rhipe.com/
Investor Website	https://www.rhipe.com/about/investors/

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rhipe

rhipe Limited
ACN 112 452 436

This proxy form should be read in conjunction with the scheme booklet dated 7 September 2021 issued by rhipe Limited (**Scheme Booklet**). Words and expressions used in this proxy form have the same meaning given to them in the Scheme Booklet, unless the context requires otherwise.

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
rhipe Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474

X99999999999

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SAMPLE

PROXY FORM

I/We being a member(s) of rhipe Limited (the **Company**) and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chair of the Scheme Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Scheme Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Scheme Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **11:00am on Monday, 11 October 2021** and at any postponement or adjournment of the Scheme Meeting.

rhipe Shareholders and their authorised proxies, attorneys and corporate representatives can participate and vote online at **https://agmlive.link/RHPSM21** (refer to details in the Notice of Scheme Meeting and Virtual Scheme Meeting Online Guide).

The Chair of the Scheme Meeting intends to vote all available undirected proxies in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of rhipe Shareholders.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Scheme Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolution

		For	Against	Abstain*
1	To consider and, if thought fit, to pass the following resolution: That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between rhipe Limited ("rhipe") and the holders of its fully paid ordinary shares, the terms of which are contained in and more particularly described in the Scheme Booklet of which the notice convening the Scheme Meeting forms part, is approved (with or without alteration or conditions as approved by the Supreme Court of New South Wales and agreed to by rhipe) and, subject to approval of the Scheme by the Court, the rhipe Board is authorised to implement the Scheme with any such alterations or conditions.	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Scheme Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Scheme Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE SCHEME MEETING

Any directed proxies that are not voted on a poll at the Scheme Meeting will default to the Chair of the Scheme Meeting, who is required to vote those proxies as directed. The Chair of the Scheme Meeting intends to vote all available undirected proxies in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of rhipe Shareholders.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the Scheme Resolution. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Scheme Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the Scheme Resolution, your proxy may vote as he or she chooses. If you mark more than one box on an item, your vote on the Scheme Resolution will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Scheme Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Saturday, 9 October 2021,** being not later than 48 hours before the commencement of the Scheme Meeting. Any Proxy Form received after that time will not be valid for the scheduled Scheme Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

rhipe Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

*during business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions

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rhipe

rhipe Limited
ACN 112 452 436

This proxy form should be read in conjunction with the scheme booklet dated 7 September 2021 issued by rhipe Limited (**Scheme Booklet**). Words and expressions used in this proxy form have the same meaning given to them in the Scheme Booklet, unless the context requires otherwise.

LODGE YOUR DIRECTION

ONLINE
www.linkmarketservices.com.au

BY MAIL
rhipe Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474

X99999999999

VOTING DIRECTION FORM

STEP 1

DIRECTION TO THE TRUSTEE OF THE PLAN

I, being a participant of the rhipe 5K Share Purchase Plan direct the Trustee of the Plan (the **Plan**) to vote on my behalf in respect of any voting rights attaching to shares held for my benefit under the Plan at the Scheme Meeting of the Company to be held at **11:00am on Monday, 11 October 2021** and at any adjournment of that meeting. Forms will only be valid and accepted by the Company if they are signed and received no later than **11:00am (Sydney time) on Monday, 4 October 2021.**

STEP 2

VOTING DIRECTIONS

This form will only be used for the purpose of voting on the resolutions specified below.
To direct the Trustee on how to vote on any resolution, please insert ☒ in the appropriate box.
In the absence of a direction by you, the Trustee has no direction and your votes will not be counted.

Resolution

	For	Against	Abstain*
1 To consider and, if thought fit, to pass the following resolution: That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between rhipe Limited ("rhipe") and the holders of its fully paid ordinary shares, the terms of which are contained in and more particularly described in the Scheme Booklet of which the notice convening the Scheme Meeting forms part, is approved (with or without alteration or conditions as approved by the Supreme Court of New South Wales and agreed to by rhipe) and, subject to approval of the Scheme by the Court, the rhipe Board is authorised to implement the Scheme with any such alterations or conditions.			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF PARTICIPANT – THIS MUST BE COMPLETED

Signature of Participant

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LINK Group

Virtual Meeting Online Guide

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Before you begin

Ensure your browser is compatible. Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up

To attend and vote you must have your securityholder number and postcode.

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

Please make sure you have this information before proceeding.

Corporate Markets

Virtual Meeting Online Guide

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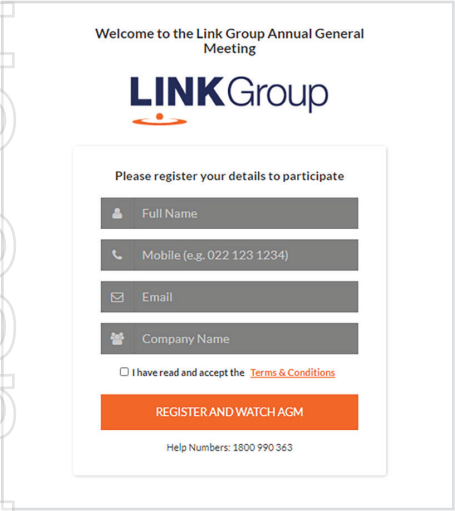


Step 1

Open your web browser and go to https://agmlive.link/RHPSM21

Step 2

Log in to the portal using your full name, mobile number, email address, and company name (if applicable).

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

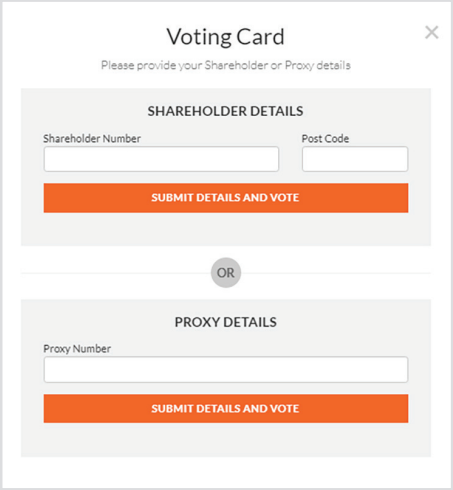
- On the left – a live video webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.

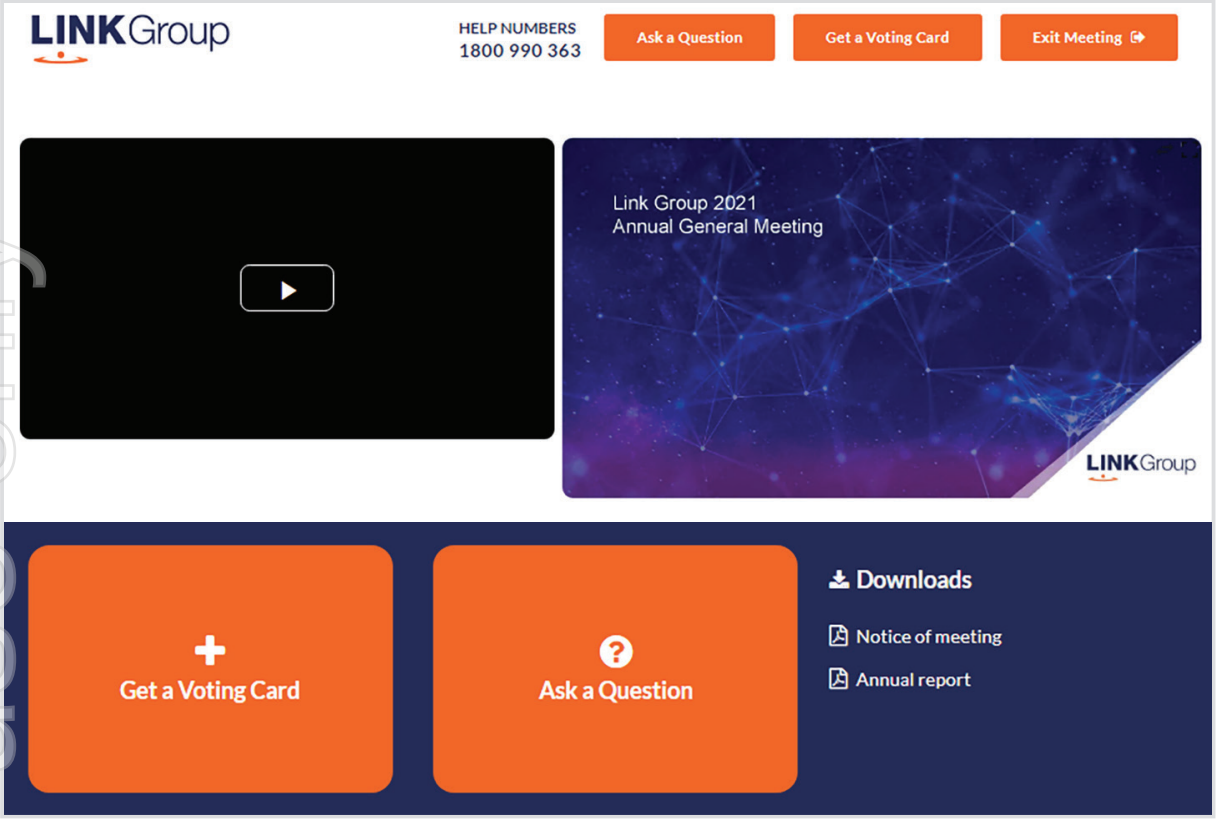


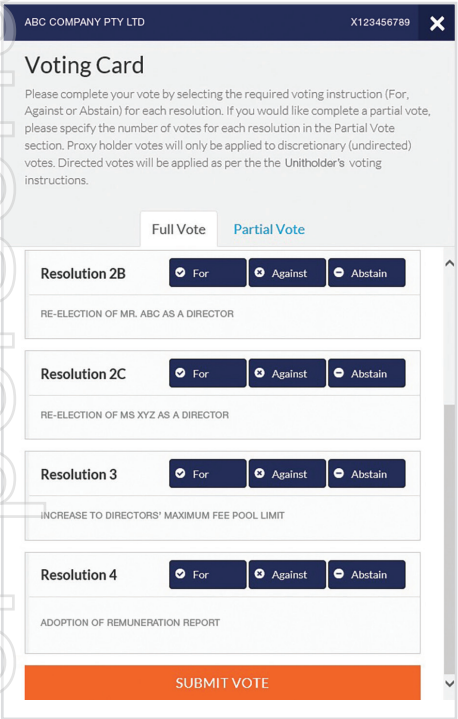
If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.





Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

Once voting has been closed all submitted voting cards cannot be changed.

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Virtual Meeting Online Guide *continued*

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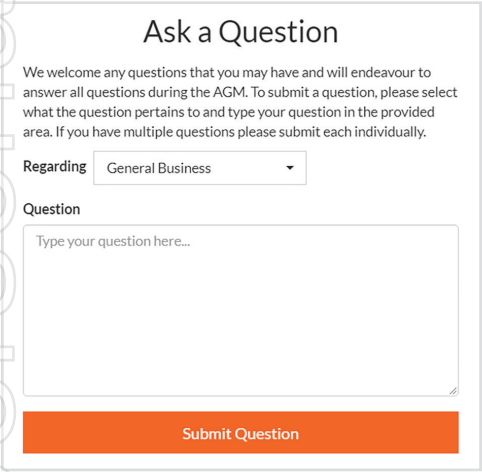
2. How to ask a question

Note: Only securityholders are eligible to ask questions.

If you have yet to obtain a voting card, you will be prompted to enter your security holder number or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The **'Ask a Question'** box will then pop up with two sections for completion.



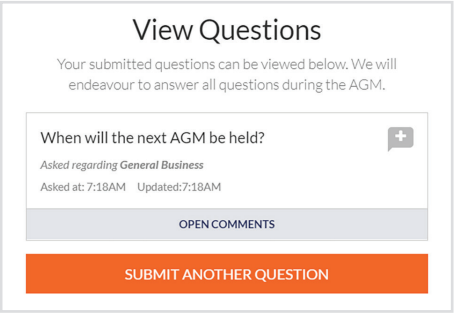
In the **'Regarding'** section click on the drop down arrow and select the category/resolution for your question.

Click in the **'Question'** section and type your question and click on 'Submit'.

A **'View Questions'** box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.



3. Downloads

View relevant documentation in the Downloads section.

4. Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

5. Phone Participation

What you will need

a) Land line or mobile phone

b) The name and securityholder number of your holding/s

c) To obtain your unique PIN, please contact Link Market Services on +61 1800 990 363 by 5:00PM on 8 October 2021.

Joining the Meeting via Phone

Step 1

From your land line or mobile device,
call: +61 1800 875 033 or +61 2 9189 8867

Step 2

You will be greeted with a welcome message and provided with instructions on how to participate in the Meeting. Please listen to the instructions carefully.

At the end of the welcome message you will be asked to provide your PIN by the moderator. This will verify you as a securityholder and allow you to ask a question.

Step 3

Once the moderator has verified your details you will be placed into a waiting room where you will hear music playing.

Note: If your holding cannot be verified by the moderator, you will attend the Meeting as a visitor and will not be able to ask a question.

Step 4

At the commencement of the Meeting, you will be admitted to the Meeting where you will be able to listen to proceedings.

Asking a Question

Step 1

When the Chairman calls for questions on each resolution, you will be asked to **press *1** on your keypad if you wish to raise your hand to ask a question.

Step 2

Please advise if your question relates to an item of business or General Business. The moderator will make a note and ask if you have any additional questions.

Step 3

When it is time to ask your question, the moderator will introduce you to the meeting, your line will be unmuted and you can then start speaking.

Note: If at any time you no longer wish to ask your question, you can lower your hand by **pressing *2** on your key pad. If you have also joined the Meeting Online, we ask that you mute your laptop, desktop, tablet or mobile device while you ask your question.

Step 4

Your line will be muted once your question has been answered.

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Contact us

Australia
T +61 1800 990 363
E info@linkmarketservices.com.au

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