

Announcement

RPM to commence offering rental options for its software

11 October 2017

RPMGlobal Holdings Limited (ASX: RUL) [RPM] has commenced providing rental options for users of its software as an alternative to its customary perpetual licensing approach.

Commenting on this strategic change, RPM's CEO and Managing Director Richard Mathews said "After extensive consultation with our investors we have decided to evolve our conventional licensing approach, which sees the company's annual results heavily impacted by 'once off' perpetual software license sales that historically occur during our fourth quarter each year, to include a software rental option for our customers."

"Whilst the key objective of this change is to transition the company towards a recurring revenue stream and reduce our reliance on fourth quarter software sales, we do believe our customers will be appreciative of the flexibility to consider more than one way to gain access to our software."

"Technical mining software vendors have been slow to provide rental or subscription type offerings to their customers due to the strain this approach puts on the company's balance sheet with the licence revenue, development costs and potential infrastructure costs spread across multiple years. Our already strong balance sheet coupled with the timing of the company's annual maintenance invoicing to its customers which occurs at the beginning of each calendar year, means the time is right financially to make this important structural change."

"Software users across all industries have for some time considered renting software as the way of the future. However mining is usually carried out in isolated regions of the world which have connectivity challenges not seen in other industries. This is why miners have traditionally struck with on premise software applications operating on their own infrastructure. We have of course been monitoring this trend over time and the improvements in connectivity and technology advances mean different methods of software interaction are now becoming more commercially and technically feasible."

"In the mining industry traditional "cloud competing" offerings will not always make sense – especially where there are data intensive applications, usage at remote sites where network connectivity is poor or non-existent or where the software needs to be interfaced with different products that may not be network or server enabled. Because of this RPM will continue to offer the ability to procure licenses to its software that can be installed on the customer's own IT systems at site."

"RPM's new rental models will enable our customers to scale software usage up and down over time according to their actual requirements with minimal upfront risk or capital outlay. We will also be offering a number of different licensing options for our software products to provide our customers with alternatives to the traditional "user" type license restriction with a "unit of measure" more applicable to our customers' operations. For example, in the case of our AMT asset management software, we are considering offering options where the customer's license is linked to their number of "assets under maintenance"."

Mr Mathews concluded by saying "While this change will affect many aspects of our business including sales, marketing and product development, the main impact will be a timing one as traditional upfront revenue will instead be spread across future years. Whilst the annuity revenue delivered by software rentals will result in a stronger underlying business our reported annual financial results will understandably be impacted in the first couple of years for the benefit of future years."

For further information please contact:

James O'Neill
Company Secretary
+61 7 3100 7200
companysecretary@rpmglobal.com

About RPM:

RPMGlobal Holdings Limited (ASX: RUL) [RPM] is a global leader in the provision and development of mining software solutions, advisory services and professional development. With history stretching back to 1968, RPM's experienced global team are the largest publicly traded independent group of technical experts in the world.

Listed on the Australian Securities Exchange on 27 May 2008, RPM is a global leader in the provision of software solutions, advisory consulting and professional development solutions to the mining industry. We have global expertise achieved through our work in over 118 countries and our approach to the business of mining is strongly grounded in economic principles.

For personal use only