

ASX Announcement

27 July 2017

Strong momentum leading into FY18 with a record pipeline of opportunities

- Strong platform established in FY17 with unaudited full year revenue expected to be \$90m and underlying EBITDA of \$6m
- Continued positive momentum into FY18 with significant contract renewals and strong growth of Enablement pipeline
- \$4.5m of cash consideration received for sale of HCS Business, strengthening the balance sheet, with the remaining circa \$450k in respect of GST to be paid shortly
- Hostworks integration continues to progress well with new cloud services planned for release in Q2 FY18
- Logic Communications acquisition now fully integrated into Inabox Group in Western Australia

Inabox Group Limited (Inabox or the Company) (ASX:IAB), a national managed IT, cloud and communications provider, is pleased to provide the following update.

FY17 Overview – A year of strengthening capabilities and building strong momentum

Inabox finished FY17 with strong momentum in all areas of its business. During the year, the Company's Enablement business grew to support more than 145,000 services in operation, up from 85,000 in FY16, and Inabox strengthened its cloud and managed services capabilities through the acquisitions of Hostworks (a cloud services and managed hosting business) and Logic Communications (a managed service provider).

Inabox also continued to manage the HCS business (announced in June 2016), providing Cisco hosted collaboration services to the Tasmanian government (sale announced in June 2016), during the Cisco platform's transition to Telstra.

Revenue and Underlying EBITDA in line with management expectations

Inabox's full-year audited financial statements will be released in late August. In the interim, the Company is pleased to provide the following guidance on its anticipated key financial results for the year.

| | FY16 | FY17 (unaudited) |
|---|---------|------------------|
| Revenue | \$88.0m | \$90.0m |
| Revenue (Excluding two unprofitable customers discontinued in FY17) | \$86.0m | \$90.0m |

| | | |
|-------------------|--------|--------|
| Underlying EBITDA | \$5.5m | \$6.0m |
|-------------------|--------|--------|

FY17 revenue grew marginally notwithstanding the discontinuation of relationships with two unprofitable customers during the year. For direct comparison, FY16 revenue excluding contribution from the two customers is provided in the table above.

Underlying EBITDA includes contribution from the HCS business and part period contributions from the acquired Hostworks & Logic Communications businesses but excludes one-off transaction and restructuring costs of over \$1m, relating to the acquisition of Hostworks and Logic Communications and to the sale of HCS.

The one-off costs will impact FY17 statutory net profit after tax and the directors will defer a decision on dividends until the accounts are finalised.

Commenting on the expected results, Damian Kay, CEO of Inabox said: "I am delighted with the progress our teams have made during FY17 and we move to FY18 a much stronger business, confident of achieving record financial results in FY18. With clients added to the Indirect and Direct businesses plus accelerating discussions with potential new Enablement customers, the Group is well placed leading into next year."

FY18: Current momentum expected to result in growth of EBITDA and NPAT

Looking forward to FY18, Inabox is confident that the acquisitions made in both FY16 and FY17 and now integrated into the Inabox business, will bring tangible strategic and financial benefits.

The acquisitions and the deployment of integrated systems supporting greater efficiencies and cross-selling of products and services through Inabox's Direct and Indirect channels are expected to result in strong growth in FY18.

The momentum achieved in H2 FY17 is supported by the announcement of new customer wins and renewals in June 2017. The pleasing rate of contract renewals has continued into the new financial year in both the Direct and Indirect channels.

Additionally, Inabox is advancing discussions with a number of national brands for its Enablement platform-as-a-service.

Payment received for HCS business & debt retired

Inabox has received from Telstra \$4.5m of the balance of cash consideration for the sale of the Company's Tasmanian HCS business, with the remaining \$450,000 in respect of GST expected shortly. This has allowed Inabox to pay down net debt to approximately \$7.8m.

Inabox continues to service and generate revenue from HCS assets, which provide Cisco hosted collaboration services to the Tasmanian Government, now on behalf of Telstra. This will continue until completion of the handover process and transfer of assets, which is expected in Q2 FY18.

Whilst in FY17, the HCS business contributed positively to EBITDA, the impact on EBITDA from the transfer of the HCS to Telstra will be more than offset in the future by the full-year EBITDA contribution from acquisitions and associated organic growth.

Update on Logic and Hostworks Acquisitions

The Company is pleased with the progress made integrating Logic Communications (acquired in March 2017) into its Western Australia business. Logic's staff are now co-located in the Company's Perth offices and working together with Inabox's Western Australian team as a single entity to service a diverse range of customers and provide an expanded range of services, including cloud products from the recent Hostworks acquisition.

The integration of Hostworks (acquired in February 2017) is also proceeding well with the development of new channel-ready cloud products and services well advanced. Inabox expects to launch these new products through its Direct and Indirect channels in Q2 of FY18.

Commenting on the Group's M&A activity Damian Kay, CEO of Inabox said: "We have now received payment for the sale of our HCS asset. Our acquisition of Logic Communications continues a trend of successful M&A integrations, with the team now working alongside our existing WA staff. Hostworks is settling into the Group well and we are excited to be planning the release of innovative new cloud products and services Q2 FY18.

"The Logic and Hostworks acquisitions mean that we have a nationwide footprint, including 6 highly active regional locations, delivering a full suite of telco, managed IT and cloud solutions to corporates, SMEs and consumer brands."

Ends.

About Inabox Group Limited

Inabox supplies wholesale ICT (fixed, mobile, data) and cloud products and associated services, including billing and technical and customer support, to retail service providers around Australia through wholesale brands, Telcoinabox, iVox and Neural Networks. Inabox also enables mass-market consumer brands to enter the telecommunications market by leveraging its network and systems capabilities. Inabox provides nationwide managed IT, cloud and hosting services through its Anittel and Hostworks brands.

www.inaboxgroup.com.au

Inabox contact details:

Damian Kay, CEO & Managing Director
E: damian@inaboxgroup.com.au or T: +61 413 888 655

Media enquiries:

Harrison Polites, Media & Capital Partners

E: harrisonpolites@mcpartners.com.au or T: +61 406 623 618