

ASX Announcement

**9 November 2017**

## **Trading Update and Revised FY18 Outlook**

**Inabox Group Limited (Inabox or the Company)** (ASX:IAB) provides the following trading update to the market.

Despite an encouraging start to FY18 in its Enablement and Indirect business units, Inabox's Hostworks business will perform well below expectations during FY18 and this will have a significant negative impact on Inabox's financial performance for the year.

As announced in September, the Indirect business signed three new retail service providers (RSPs) during Q1 adding over \$4m in annualised revenue. The Indirect business unit continues to perform well and has a record number of prospects in its sales pipeline.

The Enablement business unit is also performing well with the number of supported services in operation (SIOs) increasing by over 14,000 to more than 165,000 during Q1 and advanced-stage discussions in progress with several well-known Australian brands interested in reselling telecommunications services.

### **Hostworks**

Hostworks provides managed cloud-hosting, cloud solutions and co-location services.

Inabox acquired Hostworks in February 2017 to fast-track the Company's cloud strategy and expand its cloud capabilities and services, which can be cross-sold to Inabox's existing 2,000+ managed IT and wholesale customers.

At the time of announcing the acquisition, Inabox estimated that Hostworks would contribute in excess of \$21.8m in revenue, \$3.5m EBITDA and \$1.2m of Net Profit after Tax for FY18.

Good progress has been made integrating Hostworks' operations and staff, with realised annualised savings of \$3m announced in April 2017.

However, having just completed a further review of the Hostworks' business, Inabox now expects that Hostworks will not contribute material earnings in FY18.

This significant change to the FY18 outlook for Hostworks is due to a small number of enterprise clients rationalising their services and three other enterprise clients recently giving notice of their intention to move their services away.

As a result, Inabox now expects Hostworks will contribute more than \$15m of revenue but negligible EBITDA for FY18.

While the current FY18 outlook for Hostworks is extremely disappointing, Inabox believes the business will contribute meaningfully to earnings during FY19 as new customers are added and Hostworks' services are cross-sold through the Indirect and Direct business units.

A recovery in revenue will contribute significantly to EBITDA due to the high operating leverage in the Hostworks business.

### **Plans to Improve Overall Profitability**

To improve profitability while rebuilding the Hostworks business, Inabox will take the following actions to align costs to revenue, while not impairing operational and sales activity:

- Maintaining a strong focus on growing high-margin revenue in areas such as managed voice, hosted cloud, managed IT and Enablement
- Strengthening and diversifying the Hostworks business through the launch of a cross-sold SME cloud product, "Clouidinabox"
- A cost reduction program expected to result in annualised savings of more than \$2m.

### **FY18 Outlook**

The Company estimates that revenue for 1HFY18 will be in excess of \$50m with EBITDA in excess of \$2m, including one-off costs of approximately \$300,000 associated with right-sizing the business. Inabox expects to make a Net Loss after Tax for 1HFY18.

In addition, the Company is currently reviewing the carrying value of its intangible assets and is likely to record a non-cash impairment charge.

For the full FY18 year, revenue is expected to be at least \$100m and EBITDA for the second half of FY18 is expected to be stronger than the first.

Damian Kay, CEO of Inabox commented: *"While we are encouraged by strong performance and prospects for our other business units, it is very disappointing that the performance of Hostworks has been so significantly impacted for FY18.*

*We remain highly confident that Hostworks will prove to be a valuable addition to Inabox and our clients and that it will generate significant value in the years ahead. In the meantime, however, we intend to focus on structuring our business to improve profitability and to ensure we move into the second half of FY18 in a much stronger position."*

**Ends.**

## About Inabox Group Limited

Inabox provides technology platforms and solutions that deliver next gen telco, IT and cloud services. We do this via highly automated systems, a national team of over 320 knowledgeable and engaged people, plus over 15 years of experience.

Telcoinabox, Hostworks, Anittel, iVox and Neural Networks are all part of the Inabox Group.

[www.inaboxgroup.com.au](http://www.inaboxgroup.com.au)

### Inabox contact details:

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

### Media enquiries:

Daniel Paproth, Media & Capital Partners  
E: [daniel.paproth@mcpartners.com.au](mailto:daniel.paproth@mcpartners.com.au) or T: +61 421 858 982