

ASX Announcement

6th August 2018

Inabox reaffirms strategic direction and announces sale of direct business to 5G Networks Limited

Inabox Group Limited (**Inabox or the Company**) is pleased to announce that it has sold its Direct business unit (**Direct Business**) to 5G Networks Limited (**5G**).

The sale clears the way for Inabox to maximise the contribution from its most profitable growth engine, its Indirect business (**Indirect Business**). This leaves the Company more focused, with lower costs, higher margins, higher overall net profit after tax and lower debt levels.

Key points:

- Sale of Inabox's Direct business unit, trading under the Anittel and Hostworks brands, to 5G Networks Limited (ASX: 5GN) for \$5.7m
- Sale follows a strategic review and allows Inabox to fully focus on its growing and profitable Indirect telecommunications and enablement business
- The sale proceeds will be used to reduce debt and strengthen Inabox's balance sheet

Transaction details

The Direct Business trades under the Anittel and Hostworks brands and employs approximately 200 staff across 12 offices around Australia. For FY2018 it generated revenues of \$45m, contributed positively at the contribution line as a business segment but overall had a negative impact on the profitability of Inabox.

5G has acquired the Direct Business for a total price of \$5.7m on a cash-free and part debt-free basis. After allowing for working capital and debt-like items assumed by 5G, Inabox will receive cash consideration of \$2.0m.

The net proceeds from the sale, after transaction costs, will be applied to the repayment of Inabox's debt facilities.

Sale follows a strategic review

The sale of the Direct Business follows a strategic review carried out by the Board, senior management and the Company's advisors. It concluded that the sale of the Direct Business would materially improve the profitability of Inabox and allow management to fully focus on its growing and market-leading telecommunications wholesale and enablement business.

Inabox, with its advisors, held confidential discussions with a number of potential buyers of the Direct Business prior to agreeing terms with 5G.

The remaining Indirect Business

The Indirect Business supplies wholesale, white-labelled telecommunications, billing and support services to over 450 retail service providers around Australia. It also enables large retail brands to provide telecommunications services to their customers.

The Indirect Business generates revenues in excess of \$50m per year (80% recurring) and a run rate annualised EBITDA of at least \$5m*.

** EBITDA reflects the normalised business-as-usual run rate of the Indirect Business at the end of FY2018*

Discussions relating to other possible corporate transactions

As announced by Inabox on 6th June 2018, the Company had received a number of informal approaches from parties interested in a range of possible transactions which included the possible sale of the entire Company as well as interest in the Indirect Business separately.

Inabox continues to have confidential discussions regarding the possible sale of the Indirect Business however there is no certainty that these discussions will result in a binding transaction.

If these discussions do not lead to a transaction, then the directors and management are confident that they can continue to operate a very focussed business delivering at least \$5m of underlying EBITDA in 2019 with a greater flow through to NPAT.

Commenting on the sale, Damian Kay, CEO of Inabox said:

"We are delighted to have reached an agreement with 5G who seemed like a natural buyer for the Direct Business. 5G's leadership team has deep experience working in the IT and communications technology sector and their business seems very complementary to the Direct Business.

The sale of the Direct Business will allow us to focus all of our attention on our core Indirect Business which is growing well and now generates around 12% EBITDA margin and a higher cash conversion rate.

Our Telcoinabox brand is well known in the market and it is regarded as a leader in providing wholesale, white-labelled telecommunications, billing and support services. The wholesale channel has grown to over 450 service providers and our enablement business, which supports around 300,000 services in operation, recently announced a 3-year agreement with Telstra Wholesale to provide operational and technical services to Telstra Wholesale customers.

We are greatly encouraged by the momentum in our Indirect Business and look forward to announcing other significant wins in our Enablement business during FY2019".

About Inabox Group Limited

Inabox supplies wholesale telecommunications and enablement 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.

About 5G Networks Limited

5G Networks Limited (ASX:5GN) is an ASX listed company headquartered in Melbourne. As a licenced telecommunications carrier, 5G Networks has an innovative take on network access, offering a super high-speed network and the cloud infrastructure required by modern businesses today. 5G views the Inabox Direct business as an ideal addition to its core cloud and network offering.

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