ASX Announcement

31 August 2018

Inabox Group Limited (Inabox or the Company) (ASX: IAB) refers to the FY18 Investor Presentation announced earlier today.

The presentation contained an error in the footnotes on pages 9 and 12. The footnote read as follows;

[1] Underlying EBITDA includes contribution from the non-continuing HCS business, but ***includes*** *$11.9m impairment, redundancy costs of $0.4m and $0.5m of legal, tax and other costs associated with business sales and acquisitions*

The corrected version is shown below.

[1] Underlying EBITDA includes contribution from the non-continuing HCS business, but ***excludes*** *$11.9m impairment, redundancy costs of $0.4m and $0.5m of legal, tax and other costs associated with business sales and acquisitions*

A corrected presentation is attached.

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.

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Investor Presentation

Full Year FY18 Results Presentation

August 2018

- Wholesale telecommunications and enablement services to retail service providers and large brands around Australia
- We invest in our people, products and automation to make it easy for our customers to do business

Disclaimer

Some of the statements in this presentation constitute "forward-looking statements" that do not directly or exclusively relate to historical facts. These forward-looking statements reflect Inabox Group Limited's current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside Inabox Group Limited's control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Inabox Group Limited's current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained in this presentation with caution. This investor presentation may not be copied or otherwise reproduced.

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Our Business

INDIRECT

Providing white labelled telecommunications solutions to over 500 retail service providers (RSP)

ENABLEMENT

Enabling large retail brands to provide telecommunications services to their customers

Core Businesses

DIRECT

Supplying and supporting bespoke IT and connectivity solutions for large SMEs, Corporate and Government clients

Sold in August 2018

FY18: Operational Highlights

TELSTRA WHOLESALE WHITE-LABEL ENABLEMENT DEAL SIGNED

- 3 year contract signed in December 2017
- Operational and technical services provided to Telstra Wholesale customers
- Development fees and recurring SaaS revenue
- Development fees are project based and relate to customising, integrating and improving the network and instance of IAB's platform dedicated to Telstra Wholesale
- SaaS revenue is ongoing revenue billed monthly for providing access to IAB's platform, network and support services
- The commencement of SaaS revenue is expected in H1 FY2019

NEW CLIENTS BRING $4M+ ANNUALISED REVENUE

- Net growth of Retail Service Providers (RSP) during the financial year with an increase in revenue per RSP
- Monthly revenue from wholesale business grew to over $4m* in June 2018 (up 16% on June 2017)
- Service and operational challenges faced by some of Telcoinabox's larger competitors drove large RSP migrations to Inabox
- Telstra Wholesale's 4G mobile services and single point access to multiple carriers are key selling points

**June FY18 revenue includes $0.06m of revenue from a small telecommunications customer base acquired in November 17*

SME 'HOSTED VOICE' PRODUCT LAUNCHED

- Following strong demand for Hosted Voice, Inabox launched ConnectYou, its SME focused offering in July 2017
- ConnectYou provides enterprise-level calling features to the SME market through a user-friendly portal on a scalable and reliable platform
- The web-based portal, provides the flexibility for customers to easily manage their system making real-time changes to the number of users and call routing
- Generates high average margins compared to legacy products and increases customers tenure particularly when paired with Inabox's connectivity offerings
- 4,500 services sold in FY18 through Inabox Service Providers

Sale of Direct business

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On 6th August 2018, Inabox announced the sale of its Direct business to 5G Networks Limited (5G)

- The Direct Business trades under the Anittel and Hostworks brands providing IT, hosting and communications products and services to businesses around Australia
- Business unit formed following the acquisition of Anittel in 2014 and Hostworks in 2017
- Employed over 200 staff operating from 12 offices around Australia
- Proved challenging to grow and had a negative impact on FY18 profitability and cash-flow
- Strategic review concluded the sale would materially improve the profitability of Inabox
- Sale would also free-up Inabox management to focus on its core Indirect and Enablement businesses

KEY TERMS AND IMPACT

- ▶ **Sale price $5.7m** on a cash-free and part debt-free basis
- ▶ The **cash proceeds of $2m** will be applied towards repayment of debt
- ▶ Sale resulted in a non-cash **impairment charge of $10.6m*** which is already reflected in FY18 results
- ▶ **No further impairment charges** relating to the sale of the Direct Business expected in FY19

*$10.6m of impairment charges is in addition to the $1.3m recognised in the H1FY18 related to Hostworks customer contracts and Anittel Brand

Snapshot of Inabox in FY2019

Following the sale of the Direct Business, Inabox is a leaner, simpler and more profitable business

- Telcoinabox was established in 2003 and listed on the ASX in 2013
- Trades under Telcoinabox, iVox and Neural Networks brands
- Supplier to 500+ RSPs with a well diversified customer portfolio
- Enablement provider for key brands including Telstra Wholesale
- Significantly leaner, more profitable and with higher cash-conversion following Direct business sale

Employs
OVER 140 STAFF
In Sydney and Manila

Wholesale Channel
SUPPORTS OVER 500
Retail Service Providers around Australia

Revenue
OVER $52.9M*
95% recurring

Enablement Supports
OVER 260,000
Data and Mobile services

FY19 Guidance
$5M*
Underlying EBITDA

** Relates to continuing Indirect and Enablement businesses. Underlying EBITDA excludes non-continuing Direct Business and associated transaction and restructuring costs.*

FY18 Results

FY18: Financial Results Snapshot

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Revenue

$101.1m

Up 12.2% on FY17

Underlying EBITDA[1]

$5.1m

Down 16% on FY17
Statutory EBITDA of $4.1m
excl. impairment

Statutory Net Loss After Tax

$13.0m

Down from $0.1m
profit in FY17

Net Loss includes full year impairment charges of $11.9m relating to sold Direct Business. Redundancy costs of $0.4m and $0.5m of legal, tax and other costs associated with business sales and divestments have also been included

[1] *Underlying EBITDA includes contribution from the non-continuing HCS business, but excludes $11.9m impairment, redundancy costs of $0.4m and $0.5m of legal, tax and other costs associated with business sales and acquisitions*

FY18 Channel Performance

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INDIRECT

- Contributed $45.0m of revenue, up 6% on FY17
- Contribution Margin $9.2m up 9% on FY17
- Margin improvement resulting from shift in mix towards more profitable products and negotiated reductions in supplier costs
- New clients with large existing customer bases deliver underlying growth in the period through migration of existing customer bases
- Migrations occurred part way through FY18 therefore further growth is expected in FY19

ENABLEMENT

- Contributed $7.9m of revenue, an increase of 61% on FY17
- Contribution Margin $4.4m up 56% on FY17
- 3-year Telstra Wholesale contract to provide enablement services to Telstra Wholesale clients resulted in increase to development fee income
- Existing services grew to 260,000 up from 145,000 at 30 June 17, an average of 9,600 net additions per month. The increased rate of growth has been driven by a key client adding mobile services to its existing broadband services offering
- Strong pipeline of opportunities continue to progress with large national brands

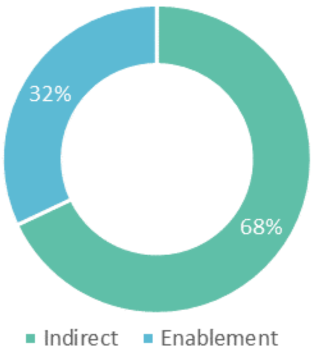
DIRECT

- Contributed $48.1m of revenue up 13%
- Margin contribution of $8.7m, down 1% on FY17
- The increase in revenue was driven by the Hostworks and Logic acquisitions offset by the sale of the HCS business in the prior year
- On an EBITDA basis, the Direct business was marginally loss making however with the depreciation and amortisation burden of $2m, the segment became loss making
- In 31 December 2017, the group recognised impairment losses of $1.3m, a further $10.6m has now been recognised with no further impairment expected post sale
- **Direct Business sold in August 2018**

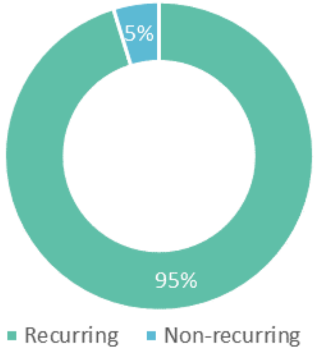
Improving business mix

Revenue mix continues to shift towards higher margin, recurring services revenue
Recurring revenues now account for 95% of total revenues

Margin Contribution by Channel

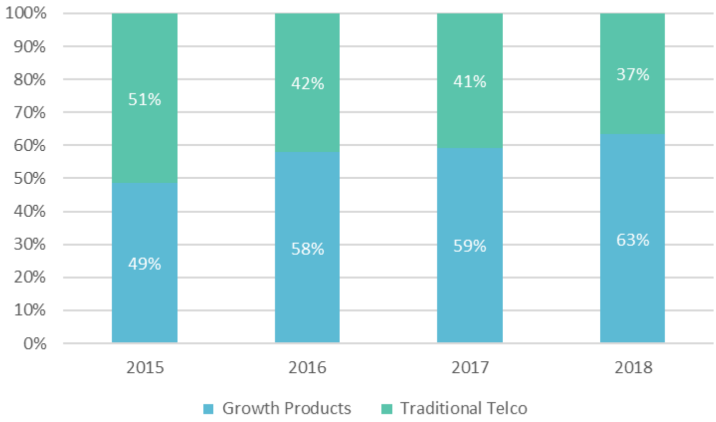


Revenue



Shifting Revenue Mix

Traditional telco v higher margin growth products



Note: figures above show only the businesses continuing in FY19. Excludes direct business

Financial Summary

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IAB Group Year Ended 30 June	$'000 **2018**	$'000 **2017**	% **CHANGE**
Revenue	**101,122**	**90,105**	**12.2%**
EBITDA*	4,012	4,562	(12.0%)
Net (Loss)/Profit After Tax (NPAT)	(12,962)	86	NM
Underlying EBITDA[1]	5,096	6,098	(16.4%)

Direct Business Year Ended 30 June	$'000 **2018**
Revenue	**48,174**
EBITDA*	(120)
Net (Loss)/Profit After Tax (NPAT)	(14,128)

- **Revenue of $101.1m up 12.2% on FY17:**
  - Growth from new enablement and new indirect customers
  - FY18 includes a full year of Hostworks and Logic revenues
  - FY18 impacted reduction in revenue following sale of HCS Business
- **NPAT impacted by:**
  - $11.9m asset impairment relating to the valuation and subsequent sale of the Direct Business in August 2018
  - Redundancy costs of $0.4m
  - Other legal, tax and employee costs related to acquisitions and divestments $0.5m
  - Depreciation and amortisation expense relating to Direct business $2.0m
- **Underlying EBITDA of $5.1m, down 16.4% on FY17:**
  - Negative impact from loss of earnings from sold HCS business and degradation of the Hostworks business

** Excluding impairment costs*

[1] Underlying EBITDA includes contribution from the non-continuing HCS business, but excludes $11.9m impairment, redundancy costs of $0.4m and $0.5m of legal, tax and other costs associated with business sales and divestments

Balance Sheet

	$'000 JUN 18	$'000 JUN 17
Cash at bank	1,010	4,998
Other current assets	13,364	13,261
Intangibles	11,677	22,909
Other non current assets	3,939	4,485
Total Assets	**29,990**	**45,653**
Current borrowings	11,791	6,577
Other current liabilities	15,448	16,638
Non current borrowings	8	6,514
Other non current liabilities	889	1,223
Total Liabilities	**28,136**	**30,952**
NET ASSETS	1,854	14,701

- **Cash** - the 30 June 2017 balance includes the receipt of $3.25m ($4.5m total sale price) for the sale of the HCS business, the proceeds of which were used to reduce current borrowings during the FY18 period
- **Intangibles** reduction reflects the $11.9m impairment offset by increased investment in enablement capabilities
- **Current Borrowings** – The FY18 impairment relating the sale of the Direct Business resulted in a technical breach of bank covenants. As a consequence, all of the liabilities relating to the lender are recorded as Current Borrowings. Given the proximity of the sale of the Direct business to the release of results the bank have not been yet been able to formally respond, however they have indicated that the impairment charge will be excluded from the covenant calculations in line with the treatment of previous impairments. The group do not expect a change to the current repayment schedule commencing in January 2019 at the rate of $150,000 per month.
- **Other current liabilities** the 30 June 2017 balances includes equipment purchased to deliver on large client projects in FY17. These were paid post year end
- **Non Current Borrowings** have reduced as outlined above in current borrowings
- **Other Non Current liabilities** have reduced in line with staff reductions

Cash Flow

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	$'000 **2018**	$'000 **2017**
Receipts from customers	112,329	101,189
Payments to suppliers and employees	(108,260)	(96,309)
Other operating activities	(595)	(724)
Net cash from/(used in) operating activities	**3,474**	**4,156**
Payment for purchase of subsidiaries	(499)	(5,634)
Payments to vendors for prior year subsidiary purchase	(2,140)	
Payments for purchase of PP&E	(901)	(387)
Payments for purchase of intangibles	(2,780)	(3,200)
Proceeds from sale of HCS assets		3,250
Other investing activities	(232)	(66)
Net cash used in investing activities	**(6,552)**	**(6,037)**
Net proceeds from issue of shares		3,760
Net proceeds from/(repayment) of borrowings	(2,294)	611
Dividends paid		(341)
Net cash from (used in) financing activities	**(2,294)**	**4,030**
Cash and cash equivalents	**(374)**	**4,998**

- **Cash from operating activities** decreased largely due to increase in payments to employees as a result of redundancy payments
- **Purchase of subsidiaries** FY18 relates to the payment for a small communications company, FY17 relates to the purchase of Hostworks and Logic
- **Vendor repayments** reflects the reduction in debt to the Hostworks parent for the acquisition of Hostworks
- **Purchase of PP&E** increase reflects expenditure in line with upgrade cycle of equipment
- **Purchase of intangibles** reflects the investment in hosted voice assets, enterprise and development of enablement capabilities
- **Proceeds from sale of HCS assets** relates to the sale of contract and equipment to supply services to the Tasmanian government
- **Borrowings** net repayment includes repayment of lease facilities offset by draw down of debt to finance subsidiary purchase

Corporate Update & Outlook

POSSIBLE CORPORATE TRANSACTIONS

- Inabox continues to have confidential discussions regarding the possible sale of its Indirect and Enablement Business
- There is no certainty these discussions will result in a binding transaction
- If these discussions do not lead to a transaction, the directors and management are confident that Inabox will continue to operate successfully and profitably in its current form

FY19 OUTLOOK

Revenues from continuing operations in excess of $54m	Underlying EBITDA* of $5m	Improvement in cash conversion and profitability

** Underlying EBITDA estimated for FY19 excludes any contribution from the Direct Business and related transaction and restructuring costs.*