

ASX Announcement

8th October 2018

Inabox announces the sale of its indirect business to MNF Group

- All operating subsidiaries to be sold to MNF Group for up to \$33.5m in cash
- Total cash distribution to shareholders potentially in excess of \$0.80 per share
- Transaction is subject to shareholder approval at a general meeting, expected to be held in November
- Directors unanimously recommend shareholders vote in favour of the Transaction in the absence of a superior offer

Inabox Group Limited (ASX: IAB) (**Inabox** or the **Company**) is pleased to announce that it has entered into a binding sale agreement (**Sale Agreement** or **Transaction**) to sell its telecommunications and enablement services business (**Indirect Business**), via a sale of all of the shares in its operating subsidiaries, to MNF Group Limited (ASX: MNF) (**MNF Group**).

Under the Sale Agreement, the maximum consideration payable to Inabox is \$33.5m (on a debt-free basis), comprised of \$28.0m payable in cash upon completion, escrow amounts of \$2.5m in aggregate payable in cash by 30 June 2019 and an earn out comprising three tranches and providing up to \$3m in aggregate, the first tranche payable in cash on 31 March 2019 and the second and third tranches payable in cash on 30 June 2019 (**Earn Out**).

The Transaction will require the approval of Inabox's shareholders at a general meeting expected to be held in November 2018.

The Directors unanimously recommend the Transaction to shareholders

The directors of the Company (**Directors**) believe the Transaction will unlock significantly more value for shareholders than might otherwise be expected over the medium-term by continuing to operate the Company in its current form.

Prior to entering into the Transaction, the Company and its advisers held confidential discussions with a number of potential buyers and received several non-binding, indicative offers. The Directors determined MNF's offer to be superior when viewed overall, including because it was all cash and provided a relatively higher degree of completion certainty.

If the Transaction is approved by shareholders and proceeds to completion, the Directors expect that after all debts and transaction and related expenses are paid by the Company:

- the total cash distribution to shareholders is likely to be in excess of \$0.80 per share, assuming the full Earn Out is received; and
- the return to shareholders would represent a premium of at least 70% on the 3-month VWAP of \$0.47 prior to the announcement of possible material transactions on 6th June 2018.

Accordingly, in the absence of a superior offer, the Directors believe the Transaction is in the best interests of shareholders and unanimously recommend shareholders vote to approve the Transaction.

Transaction Summary:

- MNF Group will acquire all of Inabox's operating subsidiaries which trade as Telcoinabox, iVox, Neural Networks, Mobile Service Solutions and Symmetry Networks.
- The maximum consideration payable by MNF Group to Inabox is \$33.5m on a debt free basis, comprised of:
 - \$28.0m in cash payable upon completion of the Sale Agreement;
 - \$2.0m in cash payable into escrow upon completion of the Sale Agreement and applied towards deductions to the purchase price for any working capital shortfall amount at completion and the value of any debt-like items being assumed by MNF Group. Inabox anticipates that the deduction from the escrow amount, could be in the range of \$1.7m to \$1.5m, leaving a balance of the escrow amount of \$0.3m to \$0.5m payable to Inabox;
 - \$0.5m in cash payable into escrow upon completion of the Sale Agreement, to cover contingent risks associated with certain legacy Indirect Business liabilities, and released to Inabox on 30 June 2019 after deducting any amounts to which MNF Group may become entitled under indemnities given by the Company against such risks;
 - an earn out of up to \$3m, comprising three separate tranches of \$500,000 payable on 31 March 2019 (**First Tranche**), \$1,650,000 payable on 30 June 2019 (**Second Tranche**), and \$850,000 payable on 30 June 2019 (**Third Tranche**), each contingent on the successful commercialisation of recently procured enablement service offerings by the Indirect Business.
- The target completion date is 30 November 2018.
- Completion of the Sale Agreement is subject to a number of conditions, including Inabox shareholder approval; no material adverse change to the Indirect Business before completion; the assignment of the Company's office lease; third party approvals under a number of key contracts, including to novate commercial contracts and consents under contractual change of control provisions; and conditions precedent to MNF Group drawing down on its financing facility being satisfied.
- A break-fee of \$0.5m is payable by Inabox to MNF Group if the Transaction does not proceed due to;
 - a competing offer for Inabox or the Indirect Business being announced or made before completion of the Transaction; and
 - any Director failing to recommend, or withdrawing his recommendation, that shareholders approve the Transaction, or the Company otherwise terminating the Transaction.
- MNF Group seeks to acquire the Indirect Business with all of its employees, apart from the Company's CEO and CFO;

- MNF Group will take out a warranty and indemnity insurance policy to cover warranties and certain indemnities given by the Company under the Sale Agreement.

Effect of the Transaction on Inabox

If the Transaction is approved by shareholders, the Company intends to use the consideration received to repay all of its debts and other transaction expenses, retain an amount budgeted to operate and cover the expenses of the listed entity while it pursues a back-door listing or similar transaction, and return all remaining cash to shareholders.

On this basis, the Board estimates that if the transaction proceeds as expected the net amount available for return to Shareholders is likely to be \$16m to \$17m before the Earn-Out with up to a further \$3m assuming all of the Earn-Out conditions are satisfied.

Commenting on the Transaction, Inabox CEO, Damian Kay, said: "We are delighted to present the Sale Agreement to the shareholders of Inabox. The Transaction follows a strategic review by the Inabox board and senior management and over six months of confidential discussions with several interested parties. The Transaction, if completed, offers our shareholders a cash return which represents a significant premium over the recent average market price of our shares.

MNF Group is a natural buyer for our Indirect Business and I am confident that our staff, customers and suppliers will benefit from becoming part of a larger, highly successful company."

Indicative timetable and next steps

Shareholders do not need to take any action at the present time. A notice of general meeting containing information about the Transaction, including reasons for the Directors' recommendation, is expected to be sent to shareholders by 18 October 2018. Inabox shareholders will be given the opportunity to vote on the Transaction at a general meeting expected to be held in November 2018.

Inabox is being advised by TMT Partners as corporate advisor and Addisons Lawyers as legal advisor.

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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, Neural Networks and Mobile Service Solutions. Inabox also enables mass-market consumer brands to enter the telecommunications market by leveraging its network and systems capabilities.

www.inaboxgroup.com.au

About MNF Group Limited

MNF Group Limited, (ASX: MNF) is an integrated telecommunications software and network provider, specialising in Internet communications. MNF Group was founded in 2004 and listed on the ASX in 2006. The company has 73.1 million shares on issue and has operated profitably since 2009 paying dividends to its shareholders every six months since September 2010.

The Group operates a global Smart Network carrying over 6 billion voice minutes per annum, with Points of Presence (POPs) in Los Angeles, New York, Hong Kong, Singapore, London, Frankfurt, Sydney and Auckland. Domestically, the Group operates the largest, fully interconnected IP Voice network in Australia.

MNF Group has a reputation for quality, value and innovation, being the recipient of numerous awards including the ACOMMS award for innovation (2017, 2016), Edison Award (2017), the Australian Growth Company Awards (2016), the iAwards for Innovation (2016), Forbes Asia's 200 Best Under a Billion (2014 & 2015), Deloitte Technology Fast 50 (2008, 2009, 2010, 2012, 2013, 2014) and CeBIT Outstanding Project Award (2013), and many more.

MNF Group companies includes retail brands: MyNetFone, Connexus, CallStream, PennyTel and The Buzz; conferencing brands Ozlink, Eureka, Express Virtual Meetings and wholesale brands TNZI, Symbio Networks and iBoss.

For further information about MNF Group Limited please visit: <http://mnfgroup.limited/>