

about the group

A national end-to-end IT, telco and cloud provider



indirect

Wholesale telco services:

Servicing 445 Retail Service
Providers (RSPs) with white-labelled
wholesale solutions



enablement

Mass market services:

Fastest growing channel segment; enabling large retail brands to resell telecommunications services to consumers





direct

Managed IT/cloud services:

Anittel provides customised IT and connectivity solutions to large SME, corporate and government



financial summary

Half year ended 31 December	\$'000 2014	\$'000 2015	% Change
Revenue from continuing operations	23,308	41,920	79.9%
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	1,056	2,573	143.7%
Net Profit After Tax (NPAT)	327	427	14.8%
Reconciliation of EBITDA and NPAT	\$'000 2014	\$'000 2015	_
Earnings Before Interest, Tax, Depreciation	1,056	2,573	_
Depreciation and amortisation expense	(462)	(1,599)	
Net Finance costs	(50)	(243)	_
Income tax expense	(172)	(248)	_
Net Profit After Tax (NPAT)	372	427	

Growth in revenue from Enablement, Anittel acquisition and indirect customer acquisitions

EBITDA increase is in line with forecasted guidance of \$5M to 30 June 2016

Overall profitability increasing out tempered by amortisation of acquisitions and depreciation relating to HCS platform

integrating communications

balance sheet

	\$'000	\$'000
Financial position as at 31 Dec 2015	31 Dec 2015	30 June 2015
Cash at bank	1,712	3,271
Other Current Assets	10,951	10,966
Intangibles	16,548	15,874
Other Non-current Assets	4,709	4,970
TOTAL ASSETS	33,920	35,081
Current Borrowings	3,694	3,254
Other Current Liabilities	12,500	15,747
Non-Current Borrowings	5,881	4,857
Other Non-current Liabilities	1,211	1,016
TOTAL LIABILITIES	23,286	24,874
NET ASSETS	10,634	10,207

Marginal increase in net assets - investment in intangible and fixed assets funded through new CBA facility and asset financing.
Cash movement due to timing of supplier payments and payment of tax liabilities



cash flow

	\$ 000	\$ 000
Half Year ended 31 December	2015	2014
Customer receipts net of supplier payments (Incl.GST)	(123)	775
Other operating activities	(996)	(296)
Net cash from operating activities	(1,119)	479
Payments for purchase of business	-	(350)
Payments for purchase of PP&E	(584)	(480)
Payments for purchase of intangibles	(1,596)	(26)
Other investing activities	287	(677)
Net cash from investing activities	(1,893)	(1,533)
Net proceeds from borrowings	1,480	415
Other financing activities	(27)	(769)
Net cash from (used in) financing activities	1,453	(354)
Net increase (decrease) in cash and cash equivalents	(1,559)	(1,408)

Timing of cash receipts in the Enablement and Indirect channels and payment of prior year tax impacted cashflow

4,000

4,000

Outgoings in investment activities due to investment in software and acquisitions within the indirect channel

Acquisitions and investments primarily funded through bank and asset financing

The Group secured \$11M of funding from CBA in H2FY15 and has utlised \$5.4M





operational highlights

Enablement

- Contributed \$1.4m of revenue, an increase of 93% compared to 1H-FY15
- Growing on average 3,800 supported services per month
- Business continued to grow strongly during the half year with 23,000 new supported services added and total supported services now in excess of 55,000. This represents an increase of 167% compared to 1H-FY15
- Growth expected to accelerate in 2H-FY16 through its existing customers and from the acquisition of new enablement customers.

Indirect

- Contributed \$24.3m of revenue, an increase of 8% compared to 1H-FY15
- Revenues increased as a result of new customer wins
- Business performed well in a challenging market with competitive pressures restricting the growth of its smaller RSPs.

Direct

- Contributed \$16.2m of revenue
- Restructured and repositioned the business, significantly improving performance and profitability
- Expanded the portfolio to include selling telecommunications products and services to the direct channel
- During 1H-FY16 the main focus was building the sales capabilities of the Direct channel. This will continue to be a major focus during 2H-FY16.



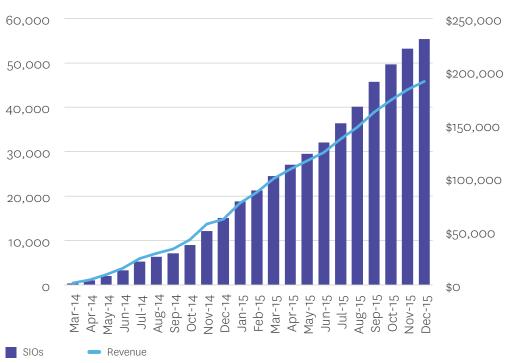
half-vear report 2016

channel overview

_	enablement	indirect	direct
Revenue (000's)	\$1,388	\$24,338	\$16,168
Contribution margin (000's)	\$736	\$5,687	\$4,931
Staff	11	39	125
Customers	3	445	1000

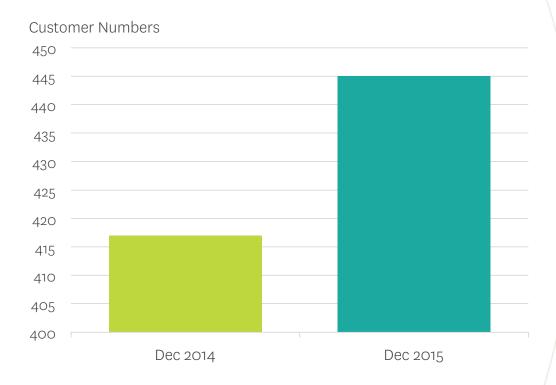
business update – enablement

Monthly Enablement Revenue and Services in Operation (SIO)



- Enablement channel added 36,000 customers in first half of FY16 (1 Jul-31 Dec 15)
- Growing on average 4,500 (net) customers per month in FY16
- Revenue grew to over \$190,000 by December.

business update - indirect

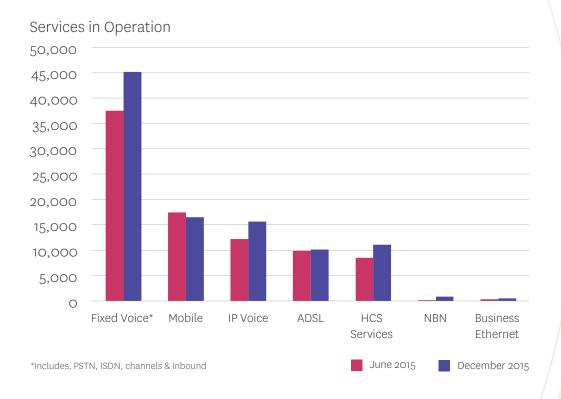


- The Indirect channel continued to grow the number of customers mostly through acquiring smaller wholesale providers
- Unique customers billed

	417	445
Neural	180	188
iVox	117	118
Telcoinabox	120	139
	Dec-14	Dec-15

integrating communications

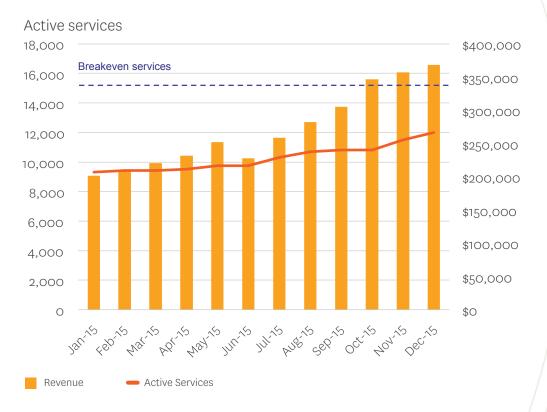
SIO client end point connections



- Fixed Voice went against industry trend increasing substantially and showing a gain in market share
- Mobile services continue to reflect the lack of support by the major mobile networks.
 A new deal with Telstra should reverse this decline
- Hosted Voice continues to perform strongly amongst all the 3 indirect brands (Telcoinabox, iVox, Neural Networks)
- HCS continues to grow towards the 15,000 breakeven point.



Tasmanian Government contract (HCS)



- Breakeven services = 15,300
- 12000 services deployed as at end
 December
- Major rollout at the Royal Hobart Hospital commenced in December. Due to complete end March
- Video conferencing services launched in December. Tasmanian Health preparing for major rollout 2nd Half F16.

section 03 FY16 priorities

priorities by channel

enablement

Invest in systems to improve enterprise efficiencies

License with DGIT (Telflow) to improve automation and shorten provisioning times for NBN

Look for enablement M&A opportunities.

Continue to acquire smaller wholesale providers as part of consolidating the aggregation space

Continue to build on next generation products - VoIP, NBN Ethernet and hosted unified communications

Focus on improving service and delivery with the existing customers.

indirect

direct

Build sales capabilities nationally and scale up the eastern seaboard

Improve customer facing resources to help sales teams create a premium customer experience

Acquire strategically in key markets.



disclaimer

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half-year report 2016