MEDIA STATEMENT

2 March 2015

A Transformative Half-Year For Inabox Group

- Revenue of $23.31m (1H14: $24.15m)
- EBITDA of $1.09m (1H14: $1.13m)
- Net profit after tax of $0.37m (1H14: $0.47m)
- Underlying EBITDA (excluding transaction costs) of $1.45m, up 28.62%

- Neural Networks acquisition completed, business performing well
- Anittel business acquired 1 January 2015, substantial progress made with integration
- Enablement business revenue grew by 149%.

Inabox Group Limited ('Inabox', ASX: IAB) today reported EBITDA for the half year ended 31st December 2014 of $1.09m and net profit after tax of $0.37m. Underlying EBITDA (excluding one-off costs relating to acquisitions), increased by 28.62% to $1.45m.

Revenue for the enablement business increased by 149% and sales of next generation voice and data products also grew strongly. The Telcoinabox business was negatively impacted by the prior loss of a substantial wholesale customer (acquired by a reseller outside of the Inabox channel). As a result, Group revenue was down by 3.48% to $23.31m (1H14: $24.15m).

Gross margin increased to 34.24% of revenue (1H14: 31.69%), lifted higher by the growth of enablement, increasing sales of higher margin next generation services and a reduction in the ongoing cost of fixed line services.

The directors have determined not to declare an interim dividend.

Inabox's Managing Director, Damian Kay said today: "The first half of FY15 has been a transformative period for Inabox with the acquisition of Neural Networks and the acquisition of Anittel completing on 1 January 2015. They have accelerated our transition from being a wholesaler of legacy telecommunications services into a leading supplier of next generation IT, cloud and communications services.

"We now have 410 active resellers, 1,000+ direct large SME, corporate and government customers and over 200 staff working from 14 offices around Australia. This creates enormous cross selling and upselling opportunities and gives us scope for significant cost savings as we maximize efficiencies.

"While the acquisitions have resulted in some non-recurring transaction costs, which impacted earnings in the first half, we will be a much stronger, more profitable business in FY16.

"I am also pleased that during the first half we successfully extended the contracts of a significant majority of our top 20 wholesale customers, for between 18 months to 5 years. The remainder of the top 20 customer contracts should be extended during 2H15."

Enablement Business Growing Strongly

The enablement business launched in August 2013 and signed its first customer in January 2014. Enablement is the provision of managed telco services to mass market consumer brands that wish to build a communications services business.

 "We supply a bundled platform and network-as-a-service solution which is now supporting over 23,000 ADSL services and generating around $87,000 in monthly revenue for Inabox. Growth has been exceptional with revenue increasing by 149% over the half. Indications are that this growth will continue to accelerate in 2H15," said Mr Kay.

Neural Networks Acquisition

Neural Networks was acquired on 8 July 2014 for an initial consideration of $350,000.

"Neural added IP voice, hosted PBX and cloud capabilities along with over 170 resellers. The business has now been fully integrated and we are delighted with Neural's performance," explained Mr Kay.

Anittel Acquisition

The acquisition of the Anittel business was completed on 1st January 2015. Anittel is an established ICT business that generated $36m in revenue in FY14. It provides IT services, hosted collaboration and cloud services to over 1,000 large SME, corporate and government customers.

"Anittel moves us to a direct sales and service model in segments of the market where we have not traditionally been represented by our resellers," said Mr Kay.

"We welcome 130 highly skilled and dedicated staff operating from 14 locations across metropolitan and regional Australia. Inabox now has a national foot-print and the scale and capabilities to compete effectively in the next generation ICT market.

"Integrating Anittel and structuring our businesses to eliminate duplication and improve efficiency is our top priority throughout 2H15 and FY16. We are encouraged by the progress made to date and I am delighted to report that Anittel has just won a $1m+ sale from a lead generated by our Telcoinabox channel," explained Mr Kay.

Key Objectives For 2H15 and FY16

Key objectives for 2H15 and FY16 include:

- successfully integrating Anittel and maximising cost saving and cross selling opportunities;
- continuing to grow hosted voice and collaboration services on Anittel's Cisco HCS platform in the Tasmanian market (where over 8,000 services are already connected) and extending it to mainland Australia;
- building the enablement and wholesale businesses;
- increasing sales of high margin next generation voice and data services; and
- extending the contracts of the remaining top 20 wholesale resellers.

Significant M&A activities will be limited until the Anittel business is fully integrated and performing to expectations. Small acquisitions will, however, be considered if they are highly complementary, easily integrated and EPS accretive.

Outlook and Guidance

- In 2H15 Anittel will contribute a full 6 months of trading results. Anittel is expected to reach break-even EBITDA, on a monthly basis, during 2H15 and add $2m in EBITDA in FY16.

- Inabox expects its enablement business and next generation products will continue to grow strongly in 2H15.

- Inabox will reduce its remaining mobile-centric business in 2H15. Recent changes in supplier terms make the risk/reward profile of supporting mobile-centric resellers unattractive.

- Inabox expects a substantial reduction in operating expenses following the integration of Anittel. Benefits of the restructure are expected to be realised and lead to significantly higher earnings in FY16 and beyond.

Underlying EBITDA, NPAT and EPS exclude one-off transaction costs and amortisation of acquired customer bases.

About Inabox Group Limited

Inabox supplies wholesale telecommunications (fixed, mobile, data) and cloud products and associated 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. Inabox now owns IT services and cloud provider, Anittel. www.inaboxgroup.com.au

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