



ASX Announcement

28 August 2017

Underlying EBITDA increased 12%, revenue mix improving

- Revenue of \$90.1m for FY17, with marginal increase of 2.4% on FY16 due to the reduction of low margin product resale and the exit of two unprofitable customers
- Revenue mix successfully shifting to higher margin cloud and managed services with net contribution % increasing to 22.3%
- Underlying EBITDA¹ of \$6.1m, up 11.6% on FY16
- Significant contract renewals and record pipeline of Enablement opportunities continues strong momentum into FY18
- \$2.5m of debt retired following completion of HCS business sale
- Hostworks and Logic acquisitions substantially integrated, with synergies to directly benefit FY18 and new cloud services planned for release in Q2 FY18

Inabox Group Limited (Inabox or the Company) (ASX:IAB), a national managed IT, cloud and communications provider, is pleased to announce its results for the full year ended 30 June 2017.

Financial Overview

Inabox is pleased to announce a record result of \$6.1 million underlying EBITDA and revenue of \$90.1 million for the year ended 30 June 2017.

Year ended 30 June	2017	2016	% Change
Revenue from continuing operations	\$90.1M	\$88.0M	2%
Revenue (Excluding unprofitable customers divested in FY17)	\$90.1M	\$86.1M	5%
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	\$4.6M	\$5.5M	-16%
Net Profit After Tax (NPAT)	\$0.1M	\$0.9M	-90%
Underlying EBITDA ¹	\$6.1M	\$5.5M	12%
Underlying NPAT ²	\$1.1M	\$0.9M	27%

1. Underlying EBITDA includes contribution from the HCS business, but excludes one-off transaction and restructuring costs \$1.5m, relating to the acquisition of Hostworks and Logic Communications, and the sale of HCS

2. Underlying NPAT includes contribution from the HCS business, but excludes one-off transaction and restructuring costs of \$1m, relating to the acquisition of Hostworks and Logic Communications the sale of HCS and prior year tax adjustments

In FY17, revenue increased marginally and was impacted by the loss of one major customer as well as our divestment of two unprofitable customers. In addition Inabox reduced the revenue from low margin hardware sales within both the Direct and Enablement channels. Hostworks and Logic Communications, which were acquired in Q3 2017, contributed \$7.4m of revenue over a five month period. This continues the company's strategy to shift its revenue mix

towards higher margin, service and cloud-based offerings and away from traditional telco services which resulted in an increased net contribution from 20.5% in FY16 to 22.3% in FY17.

The Company will leverage Hostworks' cloud-infrastructure and is developing additional cloud products for the SME market. Management expects the shift towards infrastructure, cloud and managed IT services to continue and our healthy sales pipeline gives confidence that the investment made in Inabox's infrastructure and cloud-capabilities has positioned the Company for strong organic growth in FY18.

FY17 statutory net profit after tax (NPAT) includes one-off transaction and restructuring costs of \$1 million, relating primarily to the acquisitions of Hostworks and Logic Communications and the sale of the HCS Business. After adjusting for these items, underlying NPAT was \$1.1 million, up on FY16 by 27%.

Operational Overview

It has been a significant year of investment in the Company's products and capabilities, with the acquisitions of Hostworks and Logic Communications plus the development of a range of new products resulting in a much stronger business and commercial offering. Inabox added new Indirect and Direct clients this year, with its Telstra 4G Wholesale and NBN offerings strong drawcards for new and existing customers. Importantly, Inabox is well positioned to sell a range of cloud-based products and services to its Indirect and Direct channels and its Enablement platform-as-a-service to national brands.

Debt retired, following receipt of \$4.5 million cash for sale of HCS Business

Inabox received \$4.5 million of cash consideration for the sale of the HCS Business. The funds were used to retire \$2.5m of debt. Inabox continued to provide Cisco hosted collaboration services to the Tasmanian Government during the year and the transformation of the Cisco platform to Telstra is ongoing. The transition to Telstra is expected to complete in Q2 FY18, at which point, Inabox will cease to manage the HCS assets or generate associated revenue.

New products launched, utilising Hostworks' cloud-infrastructure

The integration of Hostworks continues to progress well, the synergy benefits of which will be fully realised in FY18.

During the year, Inabox launched its Microsoft Office 365 Fast Lane (365 Fast Lane) product providing its indirect channel with a unique, market ready packaged solution for selling Microsoft's fastest growing, cloud-hosted product. Inabox remains focused on providing additional products and services that complement traditional telco offerings without the need for technical expertise to resell or implement. In recognition of this innovative offering aimed at the SME market, the Company's Cloud Sales Assist service, which helps the indirect channel easily sell and support the transition of their customers onto 365 Fast Lane, was awarded with a 2017 ACOMM industry award.

Inabox continues to leverage Hostworks' cloud infrastructure to develop cloud products for its SME customers. A number of products are under development and will be distributed via Inabox's Direct and Indirect channels, once launched in Q2 FY18.

Logic Communications integration complete

Following its acquisition in March 2017, Logic Communications has been successfully integrated with Inabox's Western Australia business to provide an expanded range of services, which includes cloud products acquired with the Hostworks business, to a diverse range of customers.

FY18 Outlook

Inabox commences FY18 with strong momentum, a significant pipeline of opportunities and contract renewals. Discussions with national brands interested in the Enablement platform-as-a-service offering are currently underway.

Management expects FY18 will see a continued shift towards higher margin managed IT and communications services revenue, as traditional telco services become less significant to businesses (67%/33% respectively). Inabox is poised to capitalise on its investment to build infrastructure, cloud-capabilities and develop new cloud products that will support this demand and drive organic growth in FY18.

Ends.

About Inabox Group Limited

Inabox supplies wholesale ICT (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 provides nationwide managed IT, cloud and hosting services through its Anittel and Hostworks brands.

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