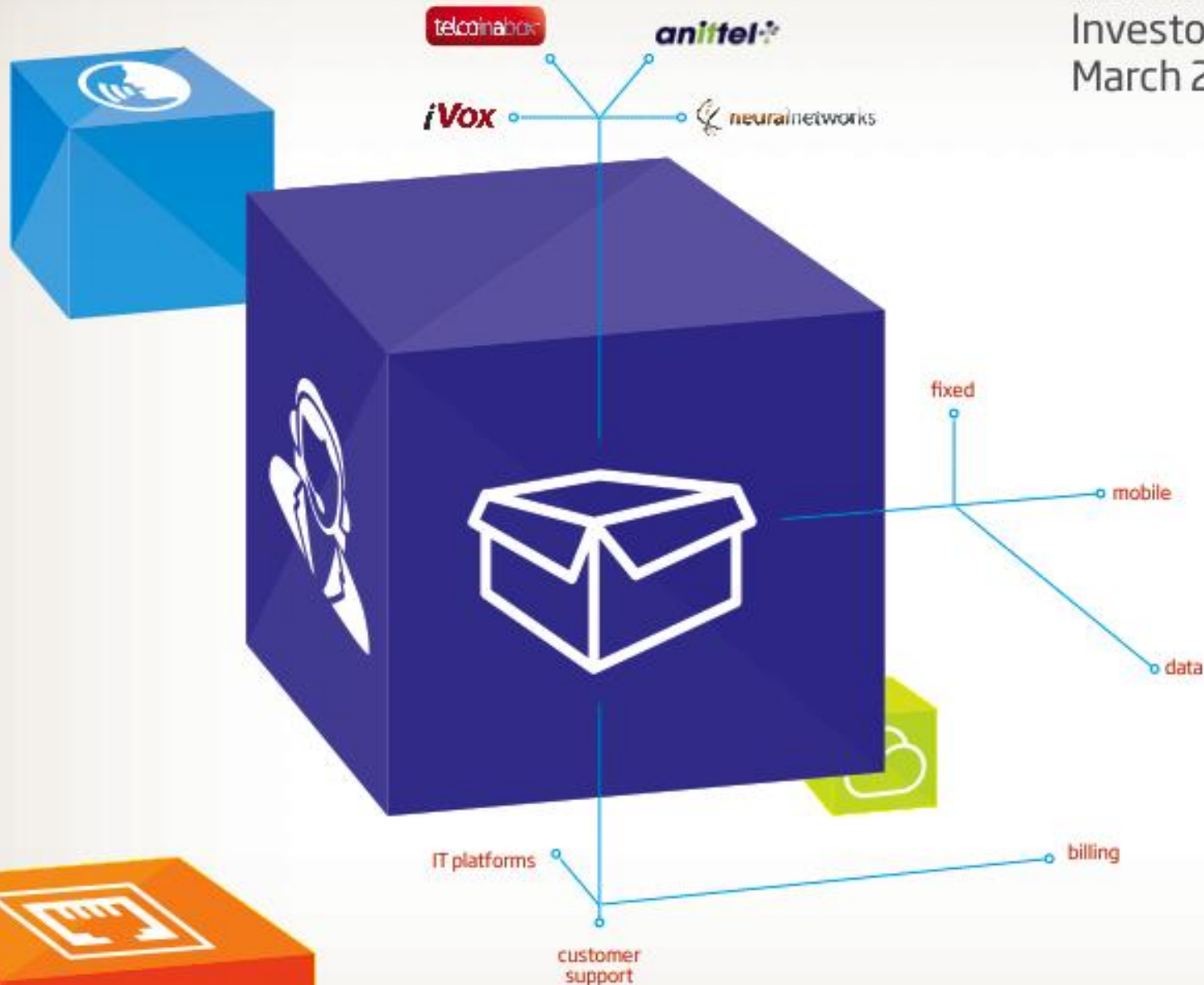


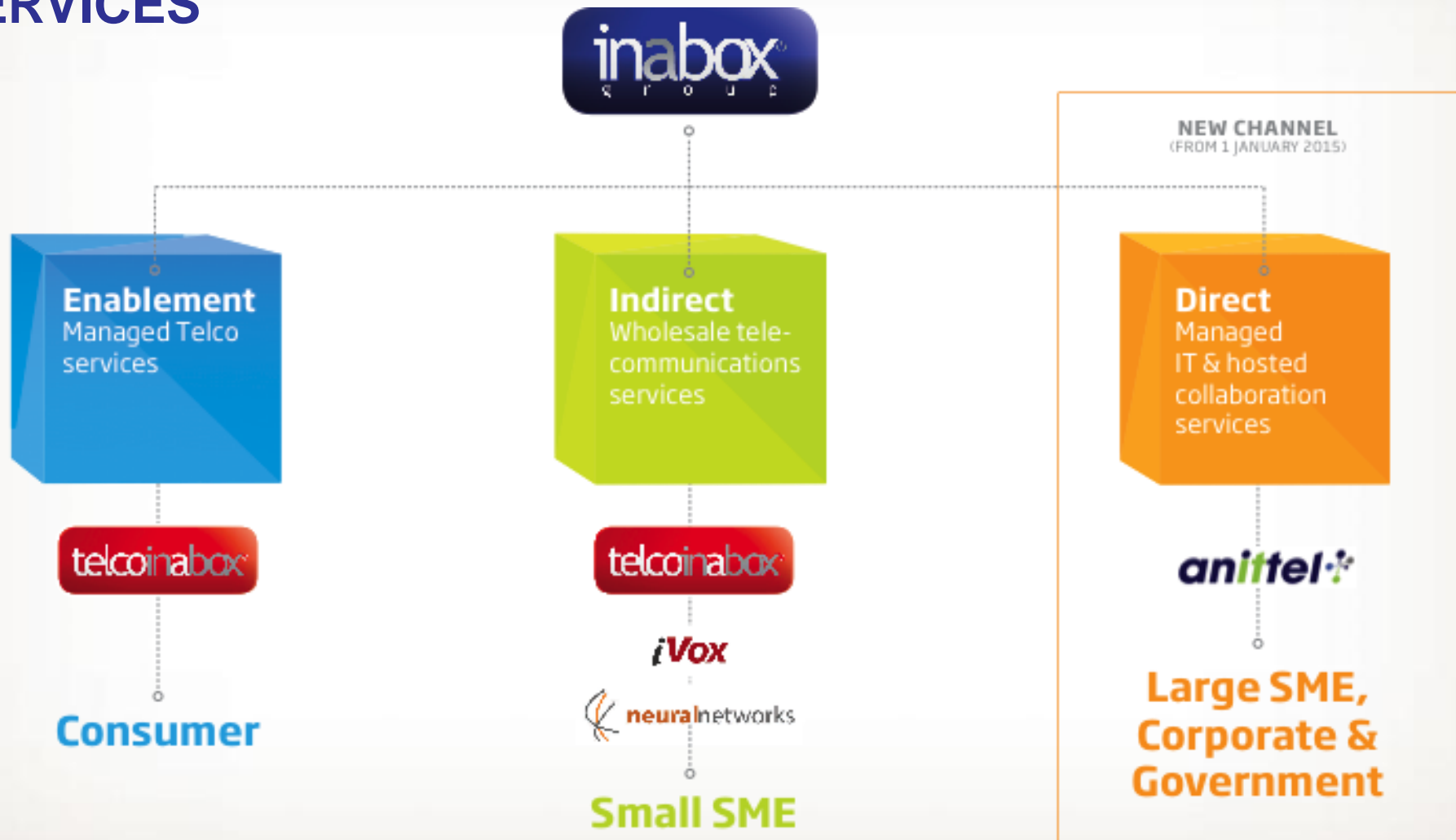
# Inabox Group Limited Investor Presentation March 2015



# INTRODUCTION

- Inabox is well advanced in transitioning its business from a legacy telecommunications wholesaler to become a leading supplier of next generation IT, cloud and IP telephony services
- Process accelerated via 3 recent acquisitions and establishment of a new business
  - iVox (2013) – IP voice and hosted voice capabilities
  - Neural Networks (2014) – IP voice, hosted PBX and cloud capabilities
  - Enablement business established in 2014 providing large corporations with managed telco services and bundled Platform and Network as a Service (NaaS)
  - Anittel (2015) – IT managed services, enterprise grade hosted collaboration services and Infrastructure as a Service (IaaS)
- Substantial capital and management resources being spent in FY15 integrating, restructuring and building the businesses
- Benefits expected to be realised in FY16 and beyond with a stronger business and significantly higher earnings

# LEADING SUPPLIER OF IT, CLOUD, TELCO PRODUCTS & SERVICES



# 1H15 KEY DRIVERS

**1** Acquisition of Neural Networks completed adding approx. 178 new wholesale customers and expanding cloud capabilities

**2** Acquisition of Anittel business announced. From 1/1/15, Anittel brings IT expertise, \$36m in annual revenue (FY14), 1,000+ customers and 130 new staff

**3** Enablement business revenue grew by 149% during the half year and continues to grow strongly in H2

**4** Growth in sales of next generation IP Voice, NBN and Business Ethernet accelerated

**5** Revenue fell by approx. 3% (half on half) due to the loss of a significant customer acquired by a retail service provider outside the Inabox channel

**6** 18 of the top 20 Telco customers have signed long term contract extensions. Remainder expected to extend contracts in 2H15

**7** Underlying EBITDA\* increased by 13.1%

*\*Underlying EBITDA excludes one-off transaction and restructuring costs.*

# FINANCIAL RESULTS

<b>SUMMARY</b>	<b>1H15</b>	<b>1H14</b>	<b>VAR %</b>
Revenue	23,310	24,150	(3.5%)
Gross Profit	7,980	7,650	4.3%
EBITDA	1,090	1,130	(3.5%)
NPAT	372	471	(21%)
EPS (cps)	2.67	3.48	(23.3%)
Gross Margin	34.2%	31.7%	

- Small decline in revenue primarily due to loss of a substantial customer.
- Gross margin increased to 34.2% of revenue due to sales of higher margin next generation services, a reduction in the cost price of fixed line services and growth of enablement business
- Neural Networks included from 8/7/14
- Approx. \$254,000 in non-recurring transaction costs relating to the Neural Networks and Anittel acquisitions are included in EBITDA and NPAT

# BALANCE SHEET

	31 DEC 14	30 JUN 14
Cash	2,559	3,659
Receivables	4,449	4,054
Borrowings	(1,309)	(866)
Payables	(5,109)	(5,571)
Employee Benefits	(814)	(740)
Other net current assets/(liabilities)	156	(478)
<b>Net current assets/(liabilities)</b>	<b>(68)</b>	<b>58</b>
Plant & Equipment	946	573
Intangibles	4,362	4,337
Other net non current assets/(liabilities)	(150)	(268)
<b>Net non current assets</b>	<b>5,158</b>	<b>4,641</b>
<b>Net Assets</b>	<b>5,090</b>	<b>4,699</b>
Issued Capital	5,694	5,694
Reserves	(2,305)	(2,324)
Earnings	1,700	1,329
<b>Total Equity</b>	<b>5,090</b>	<b>4,699</b>
Committed Undrawn Borrowings	400	739

- Comparable working capital / net current asset & liability position
- Plant & equipment investment in network platform supporting enablement and IP telephony
- Acquisition of new intangibles (Neural Networks acquisition) broadly comparable to amortisation of existing intangibles
- The Group used part of its cash resources on 1 January 2015 to complete the acquisition of the Anittel business

# CASHFLOW

	31 DEC 14	31 DEC 13
EBITDA	1,055	1,108
Less interest & tax	(288)	(292)
Working capital movement	129	(175)
Operating cashflow	896	642
Interest & tax paid	(296)	(13)
Free cashflow	600	629
Neural acquisition	(350)	
iVox acquisition		(483)
Acquisition-related costs	(121)	(32)
Capital expenditure	(506)	(205)
Loans to service providers (net)	(542)	-
Security deposits	(135)	-
	(1,054)	(91)
Share issue	-	2,513
Borrowings	676	(182)
Former related party loan repaid	(720)	(206)
Net cash movement	(1,098)	2,034
Opening balance	3,657	409
<b>Closing balance</b>	<b>2,559</b>	<b>2,443</b>

- Operating cashflow increased by 39.6% during the half
- Loans to service providers are to support growth of their business with IAB
- Capital expenditure supports enablement platform and growth in IP telephony
- Former related party loan repaid – final payment of liability assumed on acquisition of Telcoinabox business in FY13

# BUSINESS UPDATE — SERVICES IN OPERATION

<b>SERVICES IN OPERATION</b>	<b>DEC 13</b>	<b>DEC 14</b>	<b>VAR %</b>
Fixed Voice	43,471	36,577	<b>(16%)</b>
IP Voice	9,830	13,680	<b>39%</b>
Mobile	20,231	18,073	<b>(11%)</b>
ADSL	9,917	9,839	<b>(1%)</b>
NBN	11	292	<b>2,555%</b>
Business Ethernet	111	281	<b>153%</b>

- Next generation NBN, Business Ethernet and IP Voice services growing rapidly
- Fixed Voice, Mobile and ADSL services impacted by the loss of a substantial customer in 2H FY14

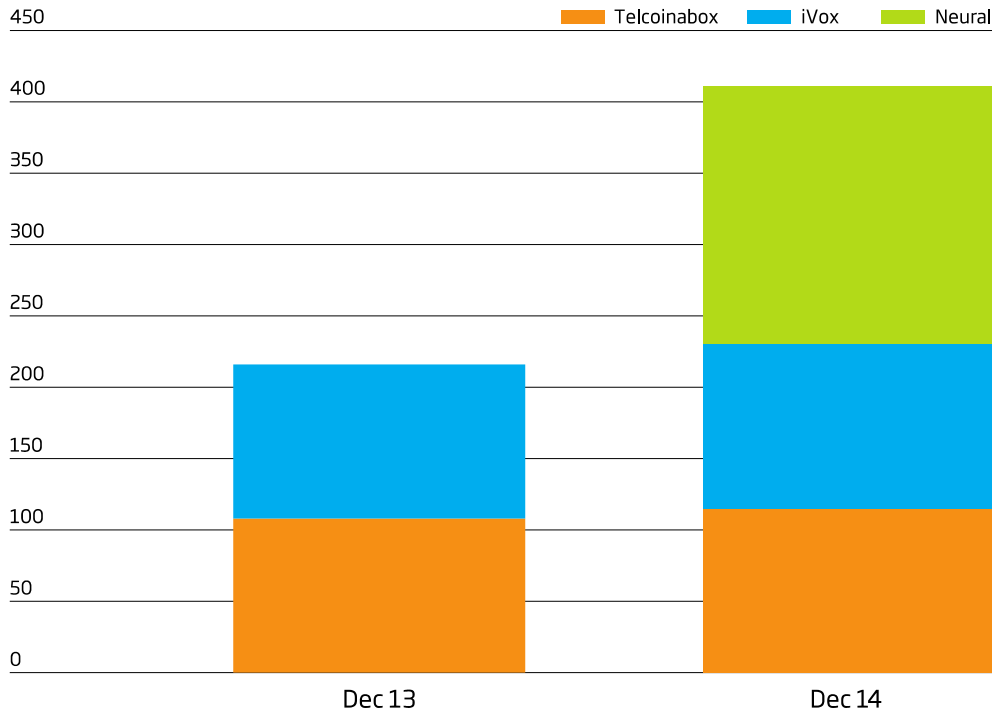
↑ **39%**  
IP VOICE

↑ **153%**  
BUSINESS ETHERNET



# BUSINESS UPDATE — WHOLESALE CHANNELS GROWING

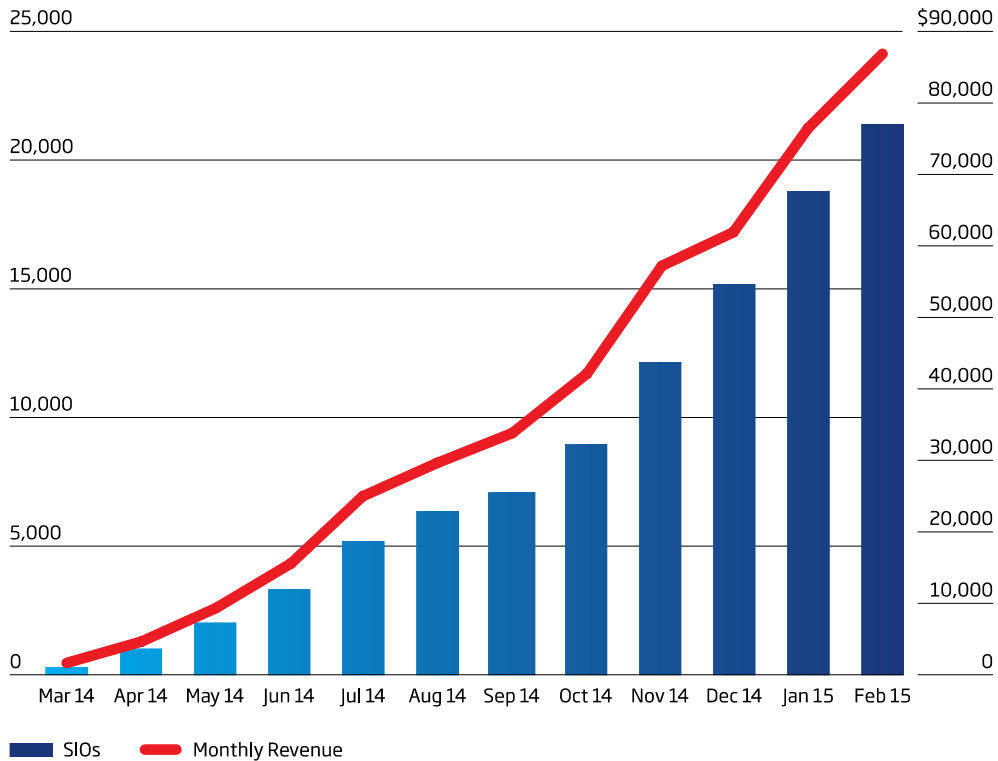
## Number of Active Resellers



- Wholesale channel has almost doubled to 410 active resellers following the acquisition of Neural Networks
- Resellers are located all over Australia and they include telecommunications retail service providers, IT companies and PBX dealers
- Cross selling initiatives planned for 2H15 and FY16
- First \$1m+ sale made for Anittel in Feb 15 as a result of cross-selling by IAB's wholesale channel

# BUSINESS UPDATE — ENABLEMENT CONTINUES TO GROW

## Monthly Enablement Revenue and SIOs



- Enablement is the provision of managed Telco services to mass market consumer brands selling telecommunications services to their customers
- Launched in August 2013, first customer signed January 2014
- Leverages Inabox’s existing infrastructure, systems and support staff
- Currently supporting over 23,000 active services and billing approx. \$87,000 per month for bundled platform and “network as-a-service”
- Growth accelerating in 2H15

# BUSINESS UPDATE — ACQUISITION OF ANITTEL BUSINESS

- Completed 1/1/15: Acquired the operating businesses of Anittel Group Ltd (now Axxis Technology Group Ltd, ASX:AYG)
- Rationale: Creation of a complete end-to-end IT, cloud and communications solutions provider with a physical presence in 14 locations across metropolitan and regional Australia
- Consideration:
  - \$500,000 in cash paid and 6,153,846 new IAB ordinary shares issued on completion
  - Up to \$1.5m deferred conditional cash consideration payable in November 2015
  - Assumed lease liabilities of approx. \$4.6m relating to the Cisco Hosted Collaboration System supplied to Tasmanian Govt. under a long term contract
- Integration: Operates within the IAB structure under the Anittel brand with reduced staff and management. Substantial cost savings expected as the business is integrated into Inabox Group
- Opportunities: Extensive cross-sell and up-sell opportunities through Inabox's 400+ channel partners and Anittel's 1,000+ clients which include SMEs, corporations, not-for-profits and Government departments.
- In February 2015, cross-selling from IAB's other channels generated the first \$1m+ sale for Anittel
- Financial Impact: Expected to break even on a monthly EBITDA basis in 2H15 and contribute approx. \$2m in EBITDA in FY16

# WHAT DOES ANITTEL BRING INABOX?

## New Markets

- Combined group offers clients end-to-end IT, cloud and communications solutions
- Moves IAB to a direct sales and service model in the large SME, corporate & Government segments
- Enhanced regional presence to support NBN connection, Hosted Voice and cloud adoption

## Increased Scale

- Historical (FY14) combined revenues in excess of \$80m
- Combined group has over 200 staff
- National footprint - 14 locations across metropolitan and regional Australia

## Complementary Services

- Cross-sell and up-sell through Inabox's existing 400+ wholesale partners and Anittel's 1,000+ clients (SMEs, corporations, not-for-profit organisations and Government departments)
- National IT services capability, supports the roll out of Hosted Voice by Inabox's resellers
- IT products and services able to be sold through the Inabox voice sales channels

## New Platform

- Enterprise grade Cisco HCS platform already deployed with over 8,000 end points
- Extends Inabox's Hosted Voice offering to corporate, enterprise and Government through Anittel's direct sales force and Inabox's channel partners
- Expected to provide significant further annuity revenue growth for Inabox

## Financial Strength

- Increased equity base supports assumed debt and provides scope for further growth
- FY14 revenues of \$47m and \$36m (for IAB and Anittel) provides greater scale for future profitability
- Significant savings in back office and corporate overhead

# KEY OBJECTIVES FOR 2H15 AND FY16



- Successful integration of Anittel will be a major focus throughout 2H15 and FY16
- Continue to build the Enablement business by signing new customers and supporting the growth of existing partners
- Increase sales of high margin next generation NBN, Business Ethernet and IP Voice products
- Continue to grow hosted voice and collaboration services on Anittel's Cisco HCS platform in the Tasmanian market where over 8,000 services have been connected and extend the platform to mainland Australia
- Extend contracts of remaining 2 of top 20 wholesale clients (18 already extended)
- Maximise cross selling opportunities through wholesale channels and Anittel customer base
- Limited M&A activities until Anittel business fully integrated and performing to expectations.

# OUTLOOK FOR 2H15



- Anittel will contribute a full 6 months of trading results. Its monthly EBITDA is expected to reach break-even during the half
- In 2H15, Enablement business and next generation products will continue to grow strongly
- In 2H15, IAB will reduce its remaining mobile-centric wholesale business. Recent changes in supplier terms make the risk/reward profile of supporting mobile-centric resellers unattractive.

# OUTLOOK FOR FY16



- Anittel is expected to contribute around \$2m in EBITDA
- Substantial reduction (circa \$3m) in operating expenses is expected following the integration of synergies in the Inabox and Anittel businesses.
- Inabox will reinvest circa \$1 million of these savings to support new sales and growth initiatives, including adding new sales staff.
- Synergies and initiatives expected to lead to a stronger, significantly more profitable Inabox in FY16 and beyond.

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