



# Investor Presentation Full Year 2017 Results Presentation August 2017

Leading Managed Telco, IT and Cloud provider to SMEs, corporates and consumer brands across Australia.

We invest in our people, products and automation to make it easy for our customers to do business.

# Disclaimer

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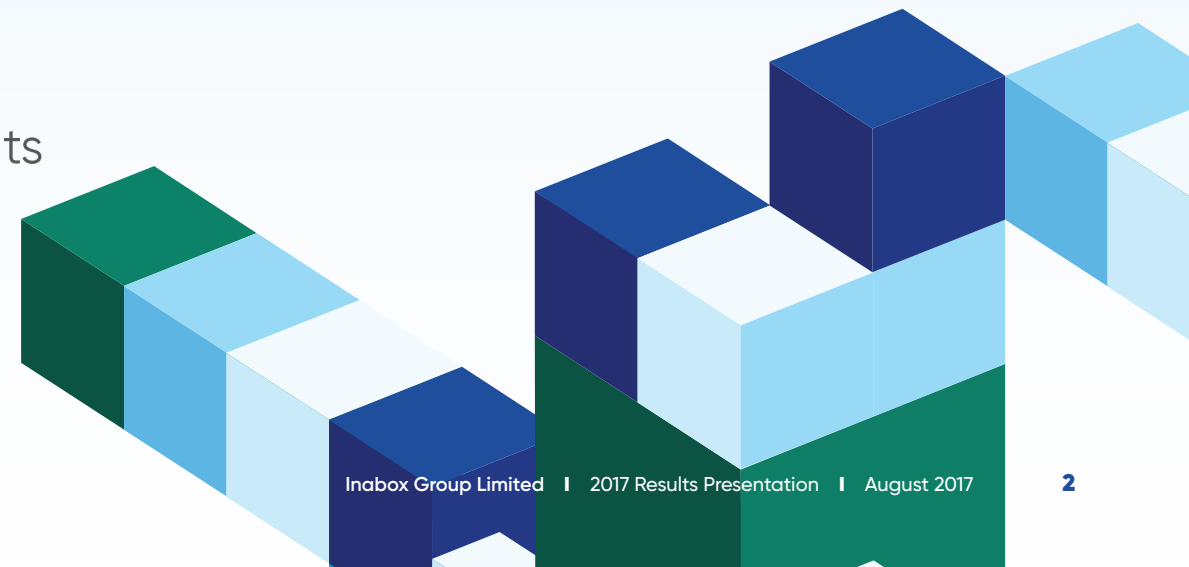
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# Our business



## Indirect



Providing white labelled telecommunications solutions to over 440 retail service providers (RSP)

## Enablement



Enabling large retail brands to provide telecommunications services to their customers

## Direct



Supplying and supporting bespoke IT and connectivity solutions for large SMEs, corporate and Government clients

# FY17 Financial Results Snapshot

**inabox**  
GROUP



**Revenue**  
**\$90.1m**

up 2.4% on FY16  
76% recurring



**Underlying**  
**EBITDA<sup>1</sup> \$6.1m**

up 12% on FY16  
Reported EBITDA of \$4.6m



**Underlying**  
**NPAT<sup>1</sup> \$1.1m**

up 27% on FY16



**\$4.5m cash**  
**received**

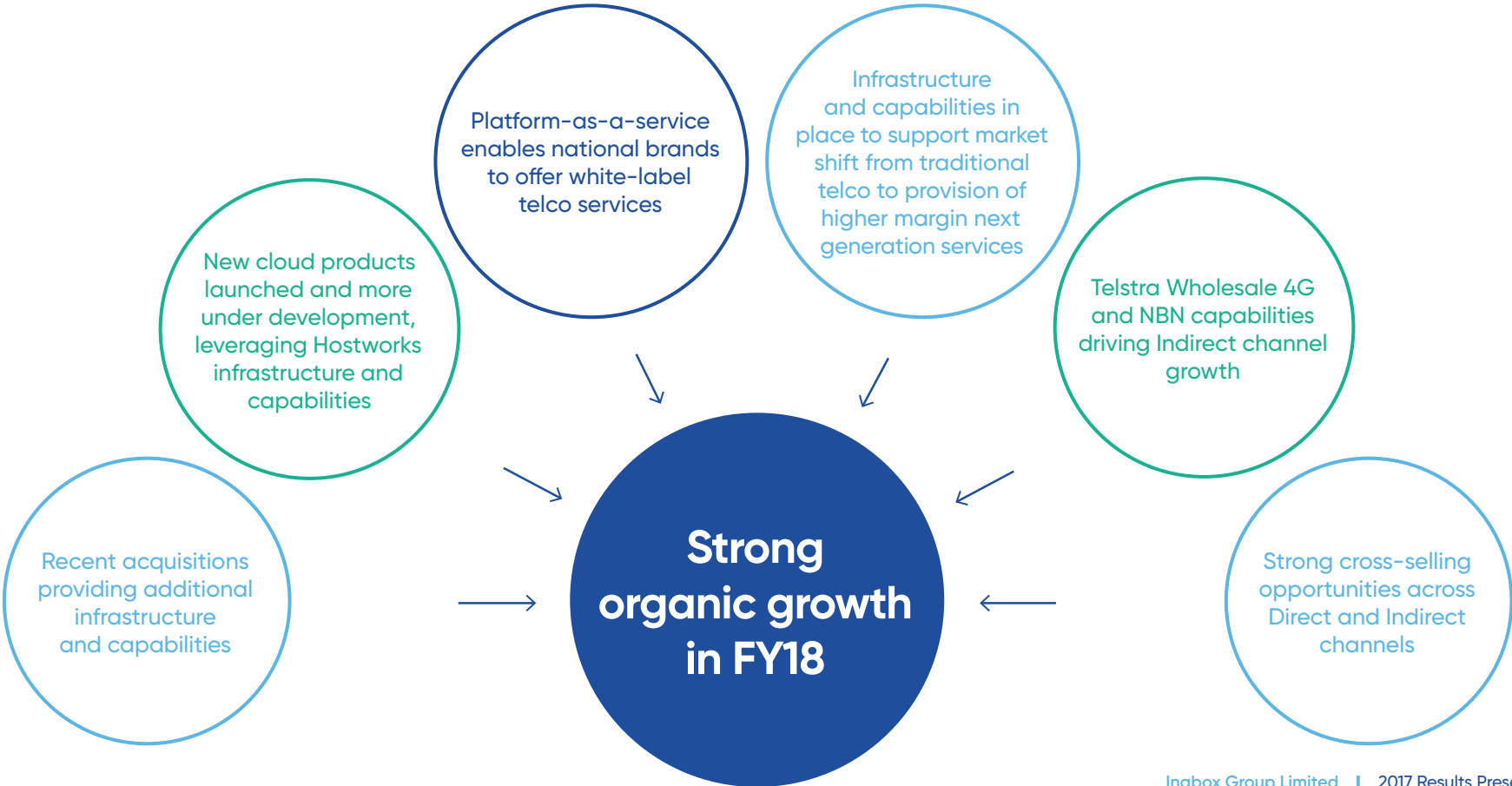
and \$2.5m debt retired  
following sale of HCS  
Business assets

1. Underlying EBITDA and underlying NPAT includes contribution from the HCS business, but excludes one-off transaction and restructuring costs of \$1.5m, relating to the acquisition of Hostworks and Logic Communications, the sale of HCS and the fixed access determination benefit related to FY16.

# Investing for the Future



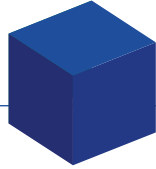
Investment in FY17 will drive strong organic growth in FY18



# Financial Results

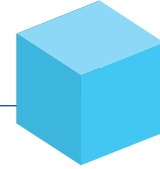


# Channel Highlights



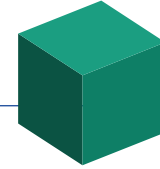
## Direct

- Contributed \$41.0m of revenue, up 23% on FY16
- Margin contribution \$8.8m, up 34% on FY16
- Shift towards higher margin revenues, as company evolves to increase managed IT, cloud and communication services and away from lower margin product sales
- \$6.3m of revenue contributed by Hostworks (4 months of the year)
- \$1.1m of revenue reclassified from the Indirect channel



## Indirect

- Contributed \$44.1m of revenue, a decrease of 10% on FY16
- Margin contribution \$8.5m down 7% on FY16, 3% due to customer loss 3% due to margin reclassified to Direct
- Revenue decline (\$1.9m) partly due to migrating two unprofitable customers to Optus with no impact to margin
- A customer loss in July 2016 also adversely impacted revenue (\$1.5m)
- Indirect revenue also impacted by \$1.1m of revenue reclassified to the Direct channel



## Enablement

- Contributed \$4.9m of revenue, a decrease of 14% on FY16
- Margin contribution of \$2.8m up 19% on FY16
- Revenue reduction due to the reduction in sales of lower margin network equipment offset by an increase in higher margin enablement services leading to higher overall margins
- Growing on average 5,000 supported services a month, services increased during FY17 from 85,000 to 145,000
- Innovative and unique turnkey white label solution developed
- Strong pipeline of opportunities being pursued with large national brands



# Strategic initiatives driving profitable growth



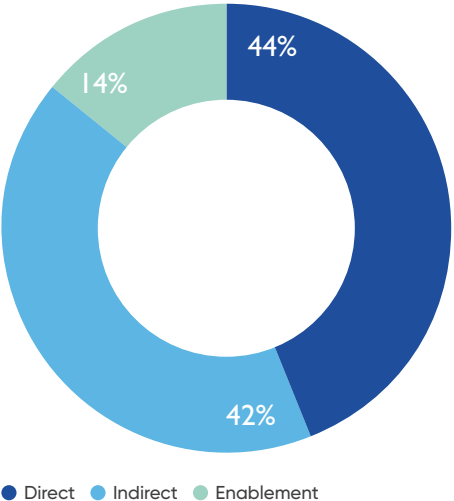
	Strategy	FY17	FY18
<b>New products</b>	<ul style="list-style-type: none"> <li>– Productise and cross-sell cloud-products leveraging Hostworks</li> <li>– Build own-infrastructure, leading to higher margins and extended capabilities</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Microsoft Office 365 Fast Lane</b> launched, winning 2017 ACCOM award for Cloud Sales Assist service</li> <li>– <b>Telstra Wholesale 4G &amp; NBN</b> capabilities drove record customer growth: 440 RSPs</li> <li>– <b>'ConnectYou' Hosted Voice</b> relaunched, on own-infrastructure, driving higher margins</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Re-launch Managed IT</b> with new cloud backup service</li> <li>– Productise SME/mid-market focused <b>'cloud in a box' product</b></li> </ul>
<b>Sales capabilities</b>	<ul style="list-style-type: none"> <li>– Enhance existing sales capabilities to drive strong growth across all channels</li> <li>– Support and promote cross-selling between channels</li> <li>– Promote organic growth with existing customers</li> </ul>	<ul style="list-style-type: none"> <li>– New Cloud dedicated sales staff on eastern seaboard</li> <li>– Marketing program leading to record number of new retail service providers will drive further organic growth</li> </ul>	<ul style="list-style-type: none"> <li>– Sales Propeller Program providing dedicated Indirect sales staff focused on cross selling IT and telco</li> <li>– Pipeline of Enablement customers extending their brand to telecommunications, with a number at contract stage</li> <li>– Investment in sales capabilities, productivity and enhanced commissions structure</li> </ul>
<b>Productivity initiatives</b>	<ul style="list-style-type: none"> <li>– Increase productivity with implementation of enterprise wide systems and platforms</li> <li>– Increased capabilities driven by increased efficiency</li> </ul>	<ul style="list-style-type: none"> <li>– Implementation of enterprise wide ITSM platform – streamlining product support and ticketing and case management by combining 7 existing platforms into 1</li> <li>– Implementation of new Business Intelligence platform, providing better insights into product performance</li> </ul>	

# Improving business mix

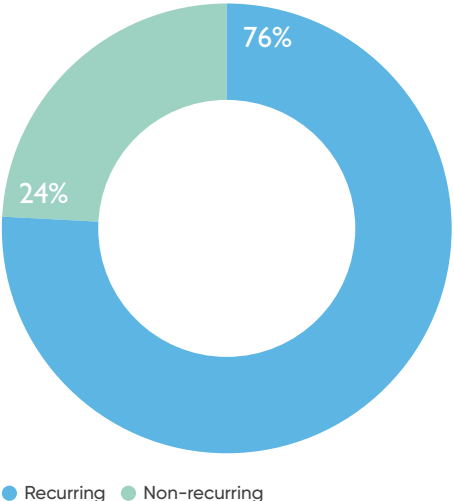


Revenue mix continues to shift towards higher margin, services revenue  
 Strong recurring revenues of 76%

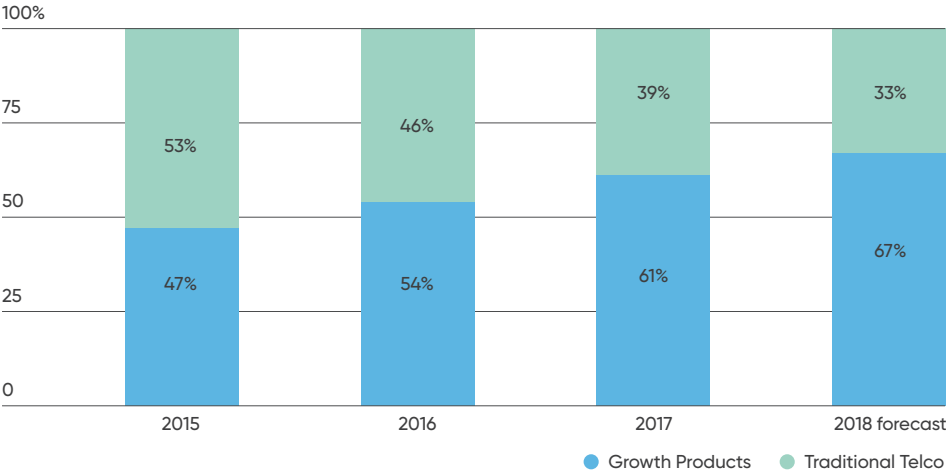
Contribution by Channel



Recurring Revenue



Shifting Revenue Mix Traditional Telco v higher margin growth products



# Financial Summary

Year ended 30 June	\$'000 2017	\$'000 2016	% Change
Revenue from continuing operations	90,105	88,005	2.4%
Net contribution	20,087	18,038	11.4%
Net contribution %	22.3%	20.5%	1.8%
EBITDA	4,562	5,465	-16.5%
Underlying EBITDA <sup>1</sup>	6,098	5,465	11.6%
Net Profit After Tax (NPAT)	86	859	-90.0%
Underlying Net Profit After Tax (NPAT) <sup>1</sup>	1,091	859	27.0%
Underlying NPATA <sup>2</sup>	2,630	1,573	67.2%

## Revenue marginally up 2.4% on FY16

- Revenue impacted by the exit of two unprofitable customers and a reduction in low margin product resale
- 76% of revenue is recurring

## Net contribution up 11.4% on FY16

- Continued shift towards higher margin products and services

## Underlying EBITDA, up 12% on FY16

- Increased margin contribution was driven by higher margin product sales, offset in part by the investment in customer care, sales and product development resources to drive future growth

## Underlying NPAT up 27%, on FY16

- Underlying NPATA up 67% on FY16, and excludes the amortisation of customer contracts related to acquisitions

1. Underlying EBITDA and underlying NPAT includes contribution from the HCS business, but excludes one-off transaction and restructuring costs of \$1.5m, relating to the acquisition of Hostworks and Logic Communications, the sale of HCS and the FAD (fixed access determination) benefit related to FY16

2. Underlying NPATA – NPAT excluding one off acquisition and divestment costs and amortisation related to acquired customer contract values

# Reconciliation of reported to underlying results

As at 30 June	\$'000 2017
<b>Reported EBITDA</b>	<b>4,562</b>
Redundancy costs	1,188
Due diligence and legal costs	284
HCS divestment costs	229
Provision for non trade receivables	123
FY16 fixed access determination benefit	-288
<b>Underlying EBITDA</b>	<b>6,098</b>

- Underlying EBITDA adjusted by \$1.5m of one off costs and benefits
- Underlying NPAT adjusted by \$1.0m of one off costs and benefits
  - > \$1.1m relates to the one off costs above less taxation impact
  - > Cancellation fees in relation to leases for HCS \$0.2m
  - > Offset by taxation adjustments in relation to prior years \$0.3m benefit

# Balance Sheet

As at 30 June	\$'000 2017	\$'000 2016
Cash at bank	4,998	2,849
Other Current Assets	13,261	12,637
Assets held for sale	-	4,085
Intangibles	23,193	14,089
Other Non-Current Assets	4,415	2,659
<b>Total Assets</b>	<b>45,867</b>	<b>36,319</b>
Current borrowings	7,077	6,897
Other Current Liabilities	16,352	13,661
Non-Current borrowings	6,514	3,642
Other Non-Current Liabilities	1,223	1,090
<b>Total Liabilities</b>	<b>31,166</b>	<b>25,290</b>
<b>Net Assets</b>	<b>14,701</b>	<b>11,029</b>

## Strong Operating Cash and Debt Reduction

- **Cash** increase reflects receipt of \$3.25m for the sale of the HCS Business (with remaining \$1.25m received in July 2017), partially offset by integration costs relating to recent acquisitions
- **Other current assets** reflects debtors position at balance date and R&D tax receivable
- **Assets held for sale** now nil, after the sale of the HCS Business completed
- **Other non current assets and intangibles** increased significantly, reflecting growth in goodwill and customer contracts resulting from recent acquisitions
- **Current Borrowings** subsequent to year end, decreased by \$2.5m as the proceeds received from sale of the HCS Business were used to pay down lease liabilities
- **Other current liabilities** reflects increased creditor positions and employee and make good liabilities resulting from recent acquisitions
- **Non Current Borrowings** have increased as a result of debt financing for the purchase of Hostworks and Logic Communications

# Cash Flow

Year ended 30 June	\$'000 2017	\$'000 2016
Receipts from customers	101,189	93,341
Payments to suppliers and employees	(96,309)	(91,045)
Other operating activities	(724)	(1,677)
<b>Net cash from/(used in) operating activities</b>	<b>4,156</b>	<b>619</b>
Payment for purchase of subsidiaries	(5,634)	
Payments for purchase of PPE	(746)	(1,891)
Payments for purchase of intangibles	(3,200)	(2,570)
Other investing activities	(66)	122
Proceeds from assets held for resale/asset disposal	3,250	848
<b>Net cash used in investing activities</b>	<b>(6,396)</b>	<b>(3,491)</b>
Net proceeds from issue of shares	3,760	
Net proceeds from borrowings	8,760	2,450
Dividends paid	(341)	-
Repayment of borrowings	(7,790)	-
<b>Net cash from (used in) financing activities</b>	<b>(4,389)</b>	<b>2,450</b>
<b>Cash and cash equivalents as at 30 June</b>	<b>4,998</b>	<b>2,849</b>

## – Cash received from operating activities

increased significantly, driven by an increase in sales, an improvement in working capital and a reduction in tax paid

## – Purchase of subsidiaries

includes the payments for Hostworks and Logic Communications acquisitions  
 > \$2.6m of the total \$7.6m of consideration paid for Hostworks will be payable in FY18

## – Purchase of intangibles

reflects the purchase of customer contracts and investment in hosted voice assets, 4G mobile products and enterprise architecture to enable the seamless integration of new products and services

## – Proceeds from assets held for sale

\$3.25m received for sale of the HCS business with the remaining \$1.25m received subsequent to year end in July 2017

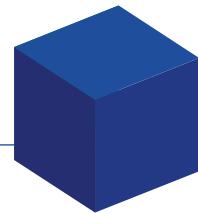
## – Equity and borrowings

\$4m of equity raised to fund recent acquisitions with the remainder funded by borrowings

# Acquisition Update

Successful acquisitions expand Inabox's products and capabilities and strengthens national footprint

## Hostworks



Acquired in February 2017

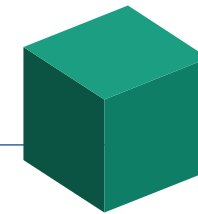
### New products and capabilities

- Additional cloud-capabilities acquired
- New Microsoft Office 365 Fast Lane product launched for SME market, utilising cloud-infrastructure
- New cloud-products under development for launch in Q2 FY18 for Direct and Indirect channels



Annualised synergies realised, with full impact to benefit FY18

## Logic Communications



Acquired in March 2017

### Strengthened WA presence

- Additional customers added, diversifying customer base and adding complementary services
- Successfully integrated with Inabox's Western Australian business
- Providing expanded range of services to WA customers, including cloud products from recent Hostworks acquisition



Annualised EBITDA contribution of \$1m expected in FY18



Strong momentum leading into FY18



Significant contract renewals and pipeline of opportunities, with national brands interested in Inabox's Enablement services



Management expects revenue mix to continue to shift towards higher-margin, service based revenue



Investment in FY17 infrastructure, cloud-capabilities and products expected to drive strong organic growth in FY18



