



## ASX Announcement

3 February 2017

# Acquisition of Hostworks Delivers Expansion of Cloud-based Offering

- Inabox to acquire managed cloud-hosting, co-location and digital media solution company, Hostworks
- Total consideration of \$7 million, comprising a \$5 million upfront payment and a \$2 million payment deferred to FY18
- Hostworks is expected to contribute in excess of \$3.5m EBITDA in its first full year as part of the Inabox group
- The acquisition is expected to be earnings per share accretive in FY18
- The acquisition expands Inabox's presence in the rapidly growing cloud-hosting and cloud-services markets, expected to be worth \$1.05 billion by 2020<sup>1</sup>
- Strong strategic synergies, providing additional cross-sell opportunities of next-generation products and services to Inabox's customers
- 90% of Hostworks' revenue is recurring and the average tenure of customers is 8.2 years. Hostworks' customer base includes blue-chip clients listed at <https://www.hostworks.com.au/clients/>
- Inabox management has a demonstrated track record of integrating and improving results from acquisitions

### Transaction Overview

Inabox Group Limited (**Inabox**) (ASX:IAB), a national multi-channel, managed IT and communications company, is pleased to announce that it has entered into a binding Share Purchase Agreement to acquire 100% of the shares of Hostworks Group Pty Ltd and its associated companies (**Hostworks**) from BAI Communications Pty Ltd (**BAI**). Completion of the transaction (**Completion**) is subject to the satisfaction or waiver of customary conditions precedent, including formal consent from a number of Hostworks' customers. Inabox and BAI are planning for Completion to occur during the week commencing 30 January 2017.

The acquisition is on a cash free, debt free and tax free basis. The purchase price is \$7 million (subject to adjustment for Hostworks' net debt and working capital as at completion), via an upfront cash payment of \$5 million, with \$2 million as an interest-bearing vendor loan repayable in FY18, issued by BAI.

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<sup>1</sup> Telsyte Australian Infrastructure & Cloud Computing Market Study 2017

The upfront cash payment will be funded via a short and medium term debt facility provided by the Commonwealth Bank of Australia.

### **About Hostworks**

Established in 1999, with a 24/7 network operations centre in Adelaide and a corporate office in Sydney, Hostworks provides managed cloud hosting of high-availability digital platforms, co-location and digital media solutions for a range of blue-chip clients: <https://www.hostworks.com.au/clients/>.

Its offering includes:

- Fully flexible managed hosting and operations across public clouds, hybrid clouds and dedicated environments;
- Digital consulting and support;
- Application development and maintenance;
- Customer insights, end user-experience and performance monitoring, analytics and business intelligence; and
- Platform-as-a-Service for live and on-demand media and rich media.

### **Acquisition Expands Inabox Cloud-based offering in rapidly growing market**

The Hostworks acquisition extends Inabox's existing cloud-based offering.

Hostworks has considerable cloud infrastructure, and strong relationships with key suppliers including AWS, MS Azure, IBM Softlayer and Google Cloud Platform, which are all managed through a 'single pane of glass' dashboard utilised by its blue-chip customer base.

IT expenditure continues to shift globally towards cloud-based services at an annual rate of 17% and cloud-based infrastructure services (IaaS) growing at a rate in excess of 30% p.a. (Gartner, 2016). The addition of Hostworks' complementary offering ensures Inabox leads in meeting its customers' requirements, as organisations move their infrastructure to cost effective, managed cloud services.

In Australia, enterprises continue to increase their usage and expenditure on public cloud IaaS, with Telsyte estimating the total market value for public cloud infrastructure services in Australia will grow to \$1.05 billion by 2020<sup>1</sup>.

### **Strong strategic alignment and growth potential**

Inabox and Hostworks operate in complementary market sectors and share a history of providing communications, hosting and IT development solutions. The acquisition provides an opportunity for both companies to benefit from mutual strengths, and extends the range of complementary products and services available to Inabox and Hostworks' customer bases.

Hostworks' strong presence in South Australia provides an established base for Inabox to increase its existing foothold in the local market in line with its plans for targeted geographic expansion.

Inabox's management is confident in its ability to drive top line revenue growth for Hostworks, via a refocused sales and account management strategy, including cross sell of complementary products and services.

### **Earnings accretive with immediate savings realised**

The acquisition is expected to be earnings per share accretive in FY18.

**Damian Kay, CEO of Inabox** said: "The acquisition of Hostworks fits firmly within Inabox's vision to be a leading managed communications, cloud and IT services provider for SMEs and corporates as the demand for cloud-based services continues to grow. For most companies investment into next generation products and services remains necessary to stay at the forefront of an emerging market.

"Hostworks is a great company. It provides a strong offering of cloud-based products to a range of established, blue-chip customers. The addition of its leading services and products further adds to our offering, ensuring we continue to meet the growing needs of our customers. We look forward to helping Hostworks achieve even greater success by leveraging the Inabox geographic presence and sales capability."

Inabox was advised by Addisons in relation to the acquisition.

**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 IT software, hardware and services through its Anittel brand.

[www.inaboxgroup.com.au](http://www.inaboxgroup.com.au)

### **Inabox contact details:**

Damian Kay, CEO & Managing Director  
E: [damian@inaboxgroup.com.au](mailto:damian@inaboxgroup.com.au) or T: +61 413 888 655

### **Media enquiries:**

Andrew Ramadge, Media & Capital Partners  
E: [andrew.ramadge@mcpartners.com.au](mailto:andrew.ramadge@mcpartners.com.au) or T: +61 475 797 471