Investor Presentation

Half Year 2017 Results

February 2017

A leading Managed IT, Cloud and Communications 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.

inabox group

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Contents

Our Business

Enablement

Enabling large retail brands to provide telecommunications services to their customers

Indirect

Providing white labeled telecommunications solutions to over 400 retail services providers (RSP)

Direct

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

H1 FY17 Snapshot

Revenue
$42.8m
Up 2.1% on H1 FY16
70% recurring

Underlying EBITDA[1]
$2.6m
Up 1.4% on H1 FY16
Statutory EBITDA of $2.5m

Underlying NPAT[1]
$0.6m
up 49% on H1 FY16
Statutory NPAT of $0.5m

Maiden Dividend
40% of FY16 NPAT – 1.7c per share

1. Underlying EBITDA and NPAT excludes $104,000 of expenses related to the divestment of the HCS business due to be finalised in June 2017 and $48,000 of expenses related to the purchase of the Hostworks business which was completed in February 2017

Executing our strategic vision

Organic Growth

- ✓ Average SIO growth at increased rate of 5,300 customers a month for H1 FY17, up from 4,400 a month for FY16
- ✓ New and existing enablement customers will continue to drive revenue growth in H2 FY17 and FY18
- ✓ Enhanced cross-selling of telecommunication services to direct customers – four fold increase in H1 FY17
- ✓ H1 FY17 growth in products and services revenue of 9%

Innovation

- ✓ Investment in own infrastructure leading to higher margins, with relaunch of Hosted Voice scheduled for H2 FY17
- ✓ Increased white labelling opportunities for brands as enablement service offering is extended
- ✓ Development of internal platforms and processes to allow seamless integration for our clients

Acquisitions

Acquisition of Hostworks – Feb 17

- ✓ Fast tracks Inabox's next generation Cloud-service and Cloud-hosting offering
- ✓ FY18 Earnings accretive deal with a strong strategic fit with Inabox's current offering
- ✓ Leverages Inabox's core capabilities to increase scale and product and service offering

Other Acquisitions

- ✓ Management continue to assess other potential acquisitions that are EPS accretive and leverage core capabilities and scale

Channel Highlights

Direct

- ✓ Contributed $18.6m of revenue, up 15% on H1 FY16
- ✓ H1 FY17 included $0.4m of revenue reclassified from the Indirect channel
- ✓ Revenue was up 13% on H1 FY16 (excluding reclassification)
- ✓ Direct channel growth of $1.0m in H1FY17 from cross selling of telecommunication services
- ✓ Growth in products and services of $1.4m mainly attributable to contracts within government and education sectors

Indirect

- ✓ Contributed $22.1m of revenue, down 9% on H1 FY16
- ✓ Revenue decline partly attributable to migrating two non profitable customers to Optus ($1.0m) with no impact to margin
- ✓ A customer loss in July also adversely impacted results in the first half ($0.8m)
- ✓ Growth from new and existing customers will contribute further growth in H2 FY17
- ✓ H1 FY17 indirect revenue also impacted by $0.4m of revenue reclassified to the direct channel

Enablement

- ✓ Contributed $2.1m of revenue, up 54% on H1 FY16
- ✓ Growing on average 5,300 supported services a month, increasing from 85,000 to 117,000 in the last 6 months
- ✓ New enablement customers currently being on-boarded
- ✓ Product offering developing to enable full turn key white label solution

Financial Results

Investor Presentation

As at 31 December	2017 $'000	2016 $'000	% Change
Revenue	42,820	41,920	2.1%
EBITDA	2,458	2,573	(4.5%)
Underlying EBITDA [1]	2,610	2,573	1.4%
Net Profit After Tax (NPAT)	485	427	13.6%
Underlying Net Profit After Tax (NPAT) [1]	637	427	49.0%

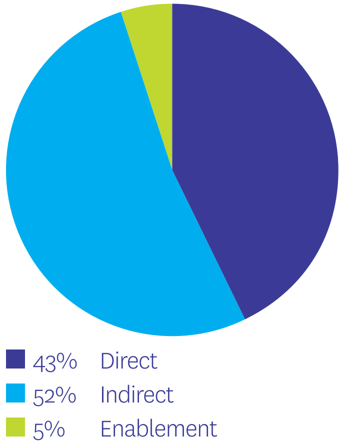
- Revenue up 2.1% on H1 FY16
  - 54% enablement growth
  - direct and indirect channels flat, with large customer loss offset by new customer growth
  - 70% of revenue recurring
- Underlying EBITDA up 1.4% on H1 FY16
  - Increase in sales revenue offset by investment in customer services to retain customers and an increase in sales and product resources to drive future growth
- Underlying NPAT up 49.0%, benefiting from reduced depreciation and amortisation charges predominantly resulting from the disposal of capital intensive HCS assets in the prior half

1. Excludes $104,000 of expenses related to the divestment of the HCS business due to be finalised in June 2017 and $48,000 of expenses related to the purchase of the Hostworks business which was completed in February 2017

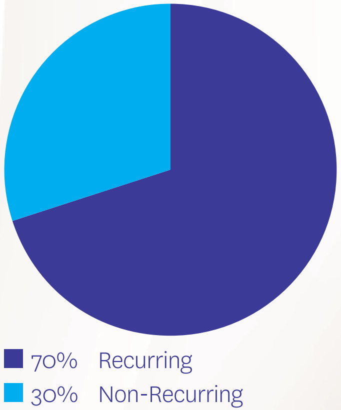
Revenue

H1 FY17 Revenues slightly up on H1 FY16, with management expecting continued growth in H2 plus contribution from the Hostworks acquisition. 70% of revenue is recurring.

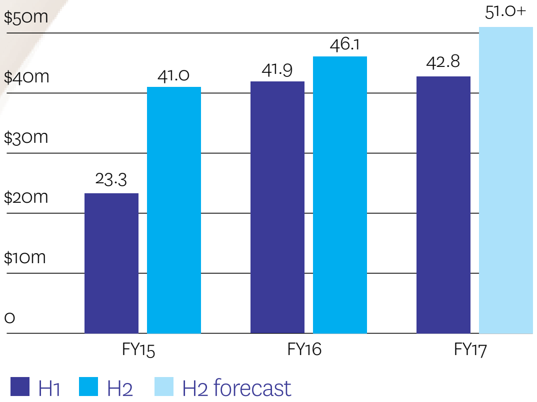
Revenue by Channel



Recurring Revenues



Revenues H1 v H2[1]



1. Revenues historically stronger in H2 compared to H1

Balance Sheet

As at 31 December	2016 $'000	2015 $'000
Cash at bank	2,113	2,849
Other current assets	10,885	12,637
Assets held for sale	4,480	4,085
Intangibles	15,497	13,976
Other non-current assets	2,682	2,772
Total assets	**35,657**	**36,319**
Current borrowings	6,420	6,897
Other current liabilities	13,410	13,661
Non-current borrowings	3,554	3,642
Other non-current liabilities	1,100	1,090
Total liabilities	**24,484**	**25,290**
Net assets	**11,173**	**11,029**

- **Cash** impacted by lease payments relating to HCS business which has been sold to Telstra. Lease payments relating to these assets will cease from June 2017
- **Other current assets** due to improved debtor position compared to June 2016
- **Assets held for sale** relates to the sale of the HCS Business for $4.5m, due to complete in H2 FY17, net debt position will improve as assets exceed value of lease liabilities
- **Intangibles** growth of $1.5m in customer contracts due to acquisition of small customer bases from retail service providers. Revenue from acquisitions not fully reflected in H1 result due to timing of completion.
- **Current Borrowings** will decrease by $1.5m upon the completion of sale of the HCS Business in H2 FY17

Cash Flow

As at 31 December	2016 $'000	2015 $'000
Receipts from customers	48,992	44,985
Payments to suppliers and employees	(45,908)	(45,108)
Other operating activities	(402)	(996)
Net cash from/(used in) operating activities	**2,682**	**(1,119)**
Payments for purchase of PPE	(210)	(584)
Payments for purchase of intangibles	(2,004)	(1,596)
Other investing activities	(298)	287
Net cash used in investing activities	**(2,512)**	**(1,896)**
Net proceeds from borrowings	760	1,480
Dividends paid	(341)	—
Repayment of borrowings	(1,415)	(27)
Net cash from (used in) financing activities	**(996)**	**1,453**
Cash and cash equivalents as at 31 December	**2,023**	**1,712**

- **Cash received from operating activities** increased significantly due to significant reduction in debtors from year end position
- **Purchase of intangibles** relates to the purchase of an indirect customer base for $1m, as well as investment in hosted voice assets, 4G mobile product and enterprise architecture to fast track integration of current and future acquisitions
- **Borrowings** increased to purchase customer base as above
- **Repayment of borrowings** predominantly relates to HCS equipment which is lease funded. Leasing arrangement will cease in June 2017 with the completion of the sale of the HCS assets to Telstra
- **Maiden dividend** of 1.7 cps paid for 2016 financial year

Summary

Underlying NPAT of $0.6m

up 49% on H1 FY16

Continuing organic growth

revenue of $42.8m
up 2.1% on H1 FY16

70% of revenue is recurring

EPS accretive acquisitions

Hostworks acquisition expected to add $3.6m EBITDA in FY18

Actively assessing other opportunities

Maiden dividend

FY16 of 1.7c per share paid in October 2016

Enablement business continues to grow rapidly

Investment in innovation and new products

Update – H2 FY17

Acquisition of Hostworks

completed 15th Feb 2017

- Will expand Inabox's cloud-based offering in a deal expected to contribute an additional $3.6M EBITDA and $1.2m NPAT in FY18
- EPS accretion of approximately 6 cents in FY18
- Will contribute to Direct channel revenues and bring additional two-way cross-selling opportunities
- Strengthens cloud offering and fast tracks cloud strategy
- Positions IAB to capture share of rapidly growing market

Capital raise

21st Feb 2017

- Group announced the issue of 3.6m new ordinary shares at $1.10 with proceeds of $4m
- Proceeds will be used to repay the short term loan facility associated with the Hostworks acquisition and fund future acquisitions