

4th December 2017

Inabox finalises cost reduction plan for over \$2m in annualised savings

- Cost reduction plan to be implemented in H1 FY18 with over \$2m in annualised cost savings expected
- Favourable change to CBA financing facilities support growth initiatives and one-off restructuring costs

Inabox Group Limited (Inabox or the Company) (ASX: IAB) is pleased to provide a progress update on its cost reduction plan and a change to its CBA financing facilities.

Cost reduction plan

In the Trading Update released to the market on 9th November, Inabox announced that it intended to put in place a cost reduction plan to significantly improve profitability.

The cost reduction plan has now been finalised and will result in annualised cost savings in excess of \$2m.

Under the plan:

- two of the Company's operations centres will be merged reducing duplication and improving service efficiency and responsiveness;
- management of the Company's engineering field force will be centralised around the country to allocate engineering resources on a national basis driving efficiency and creating capacity within the function;
- the Company's monitoring and maintenance function will be centralised and taken offshore, creating further capacity within the engineering field force thereby increasing chargeable time; and
- the staffing levels across all areas of the business have been reviewed and right-sized, including the executive team. As a result, Inabox's total staff numbers will be reduced by around 10% to better align its personnel costs to the revised forecast revenue expected in H2 FY18.

The changes will be largely complete by the end of December 2017 however some of the affected staff will remain until February 2018 to ensure continuity in customer service.

The Company will spend approx. \$0.7m to implement the cost reduction plan. These restructuring costs will be incurred in the second and third quarters of FY18.

Having carefully reviewed the cost reduction plan, the Board is confident that Inabox remains well positioned to execute on its growth strategies and continue to deliver a high level of customer service.

Change to financing facilities

The Company is also pleased to announce that it has negotiated a favourable change to its financing arrangements with the Commonwealth Bank of Australia. While the total limit of the financing facilities remains unchanged, the new structure allows the Company to extend its overdraft facility by utilising unused capacity in its bank guarantee facility.

The extended overdraft facility will provide additional support for Inabox's growth initiatives and help fund the one-off costs associated with implementing the cost reduction plan. In addition, the loan facility maturity dates have been extended out to 2020.

Damian Kay, CEO of Inabox commented: *"The Board and senior management team have spent considerable time over the last few weeks reviewing every part of the business and we are confident that these changes will materially improve profitability and our operating cash flow in H2 FY18 and beyond. Our pipeline of opportunities remains strong and we continue to win new business from new and existing customers across our Indirect, Direct and Enablement divisions. We regret the impact of the changes to the staff who are affected and will be ensuring that they are offered support throughout this period"*.

Ends.

About Inabox Group Limited

Inabox provides technology platforms and solutions that deliver next-gen telco, IT and cloud services. We do this via highly automated systems, a national team of over 320 knowledgeable and engaged people, plus over 15 years of experience.

TelcoInabox, Hostworks, Anittel, iVox and Neural Networks are all part of the Inabox Group.

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