



27 February 2017

## Solid 1<sup>st</sup> half delivers significant NPAT growth Inabox well positioned for a strong second half

- H1 FY17 Revenues of \$42.8m, up 2.1% on H1 FY16, with circa 70% of revenues recurring
- H1 FY17 Underlying NPAT of \$637k, up 49.0% on H1 FY16,
- Earnings accretive acquisition of Hostworks Group set to fast track Inabox's cloud-based product offering

**Inabox Group Limited** ('Inabox') (ASX:IAB), a national multi-channel, managed IT and communications company, is pleased to announce its results for the six months ended 31 December 2016 (H1 FY17).

### Financial Overview

Half-year ended 31 December	\$'000 2017	\$'000 2016	% Change
Revenue	42,820	41,920	2.1%
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	2,458	2,573	-4.5%
Underlying* EBITDA	2,610	2,573	1.4%
Underlying* Net Profit After Tax (NPAT)	637	427	49.0%

\* excludes \$104k of expenses related to the divestment of the HCS business (due to be finalised in June 2017) and \$48k of expenses related to the purchase of the Hostworks business in February 2017

Revenue for the period was \$42.8m, up 2.1% on H1 FY16. The Enablement channel continued to grow strongly, with revenues up 54% compared to 1H FY16. Revenues from the Direct and Indirect channels were flat (compared to H1 FY16), with new customer revenue growth offset by the loss of a large customer.

Underlying EBITDA was \$2.6m, broadly in line with the first half of FY16 (H1 FY16) and Underlying NPAT was \$637k, up 49.0% on H1 FY16. NPAT was favourably impacted by the sale of the capital intensive HCS Business in FY16 and the associated reduction in depreciation and amortisation expenses.

### Operational Overview

H1 FY17 has been a period of significant investment into the customer servicing areas of the business. The management team continues to build Inabox's sales and support team's

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capabilities, platforms and processes to allow the seamless integration of new clients and build Inabox's capacity to match growth in the business.

Investment in Inabox's own infrastructure continued during the half year. This investment will generate higher margins for existing products such as Inabox's Hosted Voice service, which is due to be migrated from an external provider and onto Inabox's internal platform during 2H FY17.

During the period, the Enablement channel saw average services in operation (SIO) grow at 5,300 customers per month, up from the prior year's average of 4,400 per month. Inabox is focused on expanding its service offering, which will result in an increase in white-labelling opportunities for brands, and is expected to deliver customer and revenue growth from H2 FY17 onwards.

Inabox continued to drive cross-selling of its telecommunications services to its Direct customers, and saw overall revenue from products and services grow 9% compared to H1 FY16.

#### **Acquisition of Hostworks Group Pty Limited**

As announced on 3 February 2017, Inabox entered into a binding Share Purchase Agreement to acquire 100% of managed cloud-hosting, co-location and digital media solutions company, Hostworks Group Pty Limited and its associated companies (Hostworks).

Total consideration is \$7 million, of which \$5 million was paid on completion (15<sup>th</sup> February 2017) and \$2 million will be paid over 18 months. The acquisition is expected to be earnings per share accretive in FY18, with Hostworks expected to contribute over \$3.6 million EBITDA FY18.

The acquisition fast-tracks Inabox's expansion into the large and rapidly growing cloud-hosting and cloud-services market, estimated to be worth \$1.05 billion by 2020 (*Source: Telsyte Australian Infrastructure & Cloud Computing Market Study 2017*). It brings strong strategic synergies and cross-selling opportunities for next-generation products and services to Inabox's customers. The acquisition also brings across Hostworks' blue-chip customer base, with an average tenure of 8.2 years and a revenue stream of which 90% is recurring.

#### **\$4 million capital raised**

On February 22, Inabox announced it had successfully raised \$4 million via a private placement, in part to repay debt relating to the acquisition of Hostworks. The placement received strong support from new and existing shareholders, which included institutional funds and high net worth investors. Under the placement, 3,636,364 fully paid ordinary shares will be issued at \$1.10 per share. The placement shares are expected to commence trading on the Australian Securities Exchange by 2 March 2017.

#### **Dividend Policy**

The board maintains its stated policy to pay a dividend at the full year, taking into account capital management and strategic growth opportunities that may arise.

## **FY17 Outlook**

Management is pleased with Inabox's progress during H1 FY17 and expects strong performance for the second half.

**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 SME-to-Enterprise cloud hosting, IT software, hardware and services through its Hostworks and Anittel brands.

[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

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