



ASX Announcement

30th June 2016

Telstra Acquires HCS Business Assets for \$4.5m

- Successful sale of HCS Business assets, supplier to the Tasmanian Government, to Telstra for \$4.5m in cash
- Enables Inabox to focus exclusively on core managed communications and IT solutions for the SMB market and consumer brands
- Sale proceeds will be used to reduce debt and further strengthen Inabox's balance sheet

Inabox Group Limited (**Inabox**) is pleased to announce the sale of its Hosted Collaboration Solutions business assets (**HCS Business**) to Telstra Corporation Ltd (**Telstra**) for a total cash consideration of \$4.5m.

The HCS Business was acquired by Inabox as part of its acquisition of Anittel Group Limited in 2014. It provides Cisco hosted collaboration services (**Services**) to the Tasmanian Government under a long-term exclusive supply agreement.

Increased focus on the SMB market and enabling consumer brands

The sale of the HCS Business allows Inabox to focus resources exclusively on its core offering to provide managed communications and IT solutions to small and medium businesses (SMBs) and consumer brands. After turning around the Anittel business to profit shortly after its acquisition, Inabox believes its strategy of targeting these markets through its direct channel (which includes the Anittel business) and its indirect and enablement channels provides strong opportunities for growth.

Transaction details

Telstra will acquire the HCS Business assets and during the transition phase will progressively take over delivery of services to the Tasmanian Government.

The HCS Business generated revenue of \$3.7m, EBITDA of \$1.2m and profit before tax of \$0.3m in FY16.

Inabox will receive a total of \$4.5m in cash for the HCS Business assets upon completion of the transition of Services to Telstra (expected to occur by 30 June 2017), with an adjustment to reflect additional Services deployed by Inabox during FY17.

Use of funds

Part of the cash will be used to pay out Inabox's lease liabilities relating to the HCS Business, with the remainder being used to strengthen Inabox's balance sheet.

Commenting on the sale, Damian Kay, CEO of Inabox said: "The HCS Business is government focused, and while we could have extended further into the enterprise market, this would have required substantial investment, resources and management focus. Inabox's greatest

opportunities and strengths lie in the SMB market where we have over 1,000 customers and support over 400 channel partners around Australia. Divesting the HCS Business allows us to deploy new products that target our core SMB market, and consider new strategic acquisitions.

“We are delighted to have reached an agreement with Telstra and the Tasmanian Government. Telstra is Australia’s largest Cisco hosted collaboration solutions provider and is well positioned to support the Tasmanian Government. We look forward to working with Telstra and the Tasmanian Government during FY17 to ensure the smooth transition of the Services.”

Inabox was advised on the sale by TMT Partners.

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.

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