



More than you expect.

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18 August 2017 ASX Announcement FY2017 Full Year Results Announcement

Financial Results & Operational Highlights

CSG Limited (ASX: CSV) (the Company) today announced its financial results for the full year ended 30 June 2017. The financial results are as follows:

- Revenue of \$244.5m representing 1% decline (pcp);
- Underlying EBITDA of \$30.3m (before impairment charge of \$55.0m, non-recurring costs¹ of \$2.8m, cost incurred in the Direct Sales team of \$3.0m and LTIP expense of \$2.0m) representing 21% decline (pcp);
- Underlying NPAT² before customer contract amortisation of \$19.4m representing a 24% decline (pcp);
- Reported NPAT of \$(43.7)m, reflecting a non-cash impairment of \$55.0m of intangible assets relating to goodwill associated with the print business³;
- Closing cash balance of \$20.3m (including restricted cash of \$8.4m), \$43.0m corporate debt; and
- Finance Solutions receivables of \$266.3m (closing), representing 2% growth (pcp).

Business Performance

Julie-Ann Kerin, CSG Managing Director & CEO said: "In the FY2017 financial year we have made significant progress against our strategic and operational objectives as we execute on our Technology as a Subscription strategy. We continue to see a strong uptake in technology subscription seats with total contracted seats of approximately 27,300 as at 30 June 2017. This represents a growth of 104% relative to the prior corresponding period (excluding the impact of acquisitions completed during the year). In July 2015, CSG set out to build an innovative technology business and in FY2017 this business represented approximately 17% of revenue. We expect this to increase to approximately 25% in FY2018 and we are confident that our Technology as a Subscription strategy has enormous growth potential."

¹ Comprises costs incurred in restructuring the NZ and parts of the Australian business of (\$1.8m) and non-recurring acquisition and legal costs of (\$1.0m).

² Before impairment charge of \$55.0m, non-recurring costs, non-cash LTIP expense, one-off tax benefit of a favourable tax ruling of LTIP of \$3.6m and customer contract amortisation of \$3.3m (adjusted for tax).

³ Reported NPAT also impacted by a lower tax expense in 1H FY2017 due to a \$3.6m one-off benefit from receipt of a favourable tax ruling of LTIP.



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Business Solutions had flat revenue relative to the prior corresponding period. Equipment sales were impacted due to lower than expected sales heads (average of 114 sales heads versus a target of 121). A key focus for FY2018 will be to continue adding quality additional sales heads to the Business Solutions sales force to drive revenue growth.

Enterprise Solutions Australia had revenue growth of 3% (pcp). This was approximately \$7 million lower than expected due to a shortfall in transactional equipment revenue from two contracts. Key enterprise wins during the second half include Communications as a Subscription contracts with an infrastructure company in Victoria and a domestic retail company. The Company also won a Virtual Contact Centre contract with an Australian hotel chain. Enterprise Solutions continued to add managed print contracts with new wins including an Australian utility company, a financial services organisation based in Queensland and a South Australian health organisation.

In the Finance Solutions division, the lease book increased by 2% (pcp) to close at \$266.3m as at 30 June 2017. CSG continues to convert more than 95% of customers to CSG Finance products.

Changes to Management Structure

During FY2017, CSG completed a restructure of its management team. Key hires in 2H FY2017 include our Chief Financial Officer, General Counsel and Company Secretary and a Group Treasurer & General Manager Finance Solutions.

In addition, in 1H FY2018, we will also be welcoming a Chief Sales Officer who is joining us from IBM where he was most recently Managing Director of its digital, cloud and mobile business solutions across ANZ where he was responsible for \$300m of sales across enterprise and mid-market customers in four key sectors. At CSG, he will have responsibility for Enterprise sales across Australia and New Zealand.

We will also be adding a General Manager Service Delivery who will be responsible for managing service and deployment activities and a General Manager Marketing who will have a strong focus on supporting our sales activities through a data driven and technology focussed capability.

These exciting changes to our management structure will strengthen our ability to scale and accelerate our growth in delivering Technology as a Subscription to our customers.

Strategic Initiatives

As announced to the market last week, in a significant development for the Company, CSG amended its shareholder and distribution agreements with Konica Minolta Inc. in June 2017. This will allow the Company to re-name the business in New Zealand and re-brand as CSG (previously Konica Minolta). Following the change, CSG will operate as a non-exclusive distributor of Konica Minolta products in New Zealand which will allow our sales force to go to market uninhibited by trading under the brand of a print manufacturer.



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During FY2017, CSG also completed the acquisitions of the acquisitions of R&G Technologies in Brisbane (January 2017) and pcMedia Technologies in New Zealand (June 2017). Together, these acquisitions bring additional Managed IT capabilities (including Tier 1 Microsoft Cloud Solutions Provider Status in New Zealand) and materially increase the number of subscription seats we have under management.

In FY2017, the Company entered into a partnership with Officeworks to provide technology subscription bundles to its customer base in Australia. We are currently undertaking a soft launch with Officeworks and look forward to progressing this relationship.

CSG has also entered into a partnership with BNZ where CSG will become a member of its Business Essentials Program to recommend Technology as a Subscription offerings to BNZ Small-to-Medium Enterprise customers. A key priority for FY2018 will be to support our new channel partners and we believe these opportunities can increase the market adoption for CSG's innovative technology solutions.

FY2018 Guidance and Capital Management

In order to achieve the Company's long term growth objectives, there is a need for increased operating expenditure in FY2018. The expenditure will primarily be related to additional technology pre-sales and implementation resources, Enterprise and Business Solutions sales heads, growth in alternate sales channels (e.g. Officeworks) as well as other areas such as marketing.

For the FY2018 financial year, CSG provides the following guidance:

- **Revenue growth of approximately 10%;**
- **EBITDA (before LTIP expense) to be approximately \$30 million;**
- **High value⁴ technology subscription seats of more than 24,000 up from 16,000, representing growth of over 50%;**
- **Low value⁵ technology subscription seats of 16,000 up from 11,300, representing growth of over 45%;**
- **Pre-tax underlying cash flow conversion of > 100%; and**
- **Capital expenditure of \$7.5 million reflecting increased investment in platforms to accelerate technology growth.**

⁴ High value technology subscription seats refers to IT managed services seats incorporating multiple licences per seat relating to cloud communications, Microsoft Office, storage and other services. In FY2018, CSG anticipates an average recurring revenue per seat per month of ~\$115.

⁵ Low value technology subscription seats refers to IT managed services seats with a single licence per seat e.g. Microsoft Office. In FY2018, CSG anticipates an average recurring revenue per seat per month of ~\$5.



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Investor conference call

A presentation and a discussion will be hosted by Julie-Ann Kerin (Managing Director & CEO) and Gary Brown (CFO) at 11.00am (AEST) on Friday, 18 August 2017.

To access the call, you must register by 11.00am (AEST) through the link provided [here](#).

Once you have registered, you will be provided with the information you need to join the teleconference, including dial-in numbers and a passcode.

If you are unable to pre-register, please use the dial-in details provided below to access the teleconference on the day. Participants are asked to dial-in 15 minutes prior to complete the registration process.

CONFERENCE ID: **698250**

DIAL IN NUMBERS:

Country	Toll number	Toll-free number
Australia	+61 2 9007 8048	1800 908 299
New Zealand	+64 9 929 3905	0800 452 795
Singapore		800 101 2702
Malaysia		1800 816 441
Hong Kong		800 968 273
Japan		0066 3386 8000
USA / Canada		1855 624 0077
UK		0800 051 1453

Q&A Instructions

In order to ask a question during the live Q&A session:

Press * then 1 on your telephone keypad to enter the Q&A queue

Press * then 2 on your telephone keypad to withdraw your question

Further Assistance

If you need assistance while on the teleconference, press * then 0 on your telephone, and an operator will be happy to assist you.

END

Further Information:

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