Results and Outlook Presentation – Half Year FY2018

21 February 2018

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Agenda

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Operational Update

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1H FY2018 key messages

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Operational update	• Print equipment revenue lower than forecast in 1H FY2018 – Driven by changes to the sales force and sales incentive programs focussed on accelerating growth in the technology business • Earnings also impacted by Enterprise Solutions sales which were below expectations – Building Managed IT pipeline following the appointment of Chief Sales Officer in September 2017 – No major wins in digital display solutions in 1H FY2018 • Growth in the technology business with subscription revenue increasing by ~39% relative to pcp and technology equipment increasing by ~50% relative to pcp • Continued growth in technology subscription seats with 19,703 high value seats and 24,286 low value seats as at 31 Jan 2018
Updated FY2018 guidance	• As announced to the market last week, CSG provides the following updated guidance for FY2018: – Revenue in the range of $253m - $260m – Underlying EBITDA[1] in the range of $18.5m - $21m, after adding back non-recurring items and non-cash LTIP – High value technology subscription seats of 24,000 up from 16,000 as at 30 June 2017, representing growth of ~50% – Low value technology subscription seats of 26,000 up from 11,300 as at 30 June 2017, representing growth of ~130% – Pre-tax underlying cash flow conversion of approximately 100% – Capital expenditure in the range of $5.0 – 6.0 million reflecting increased investment in platforms to accelerate technology growth
Strategic review	• The Board has appointed Morgan Stanley to assist it in reviewing strategic options available to the Company in order to maximise value for shareholders

1. After adding back non-recurring items and non-cash LTIP.

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Revenue breakdown

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Although overall revenue has declined compared to prior periods, subscription revenue continues to grow as more annuity revenue seats are implemented.

Revenue breakdown over time

Revenue ($m)	1H FY2016[1]	2H FY2016[2]	FY2016	1H FY2017	2H FY2017[3]	FY2017	1H FY2018
TRANSACTIONAL							
Print equipment	43.6	39.5	83.1	38.7	39.3	78.0	29.7
Technology equipment	8.4	21.3	29.7	9.2	15.9	25.1	13.8
TOTAL TRANSACTIONAL	52.0	60.8	112.8	47.8	55.2	103.0	43.5
ANNUITY							
Print Service	42.4	41.5	83.9	42.7	39.8	82.5	38.5
Technology Subscription	2.8	5.9	8.7	7.5	9.6	17.2	10.4
Finance	13.0	12.8	25.8	13.5	13.2	26.8	13.4
TOTAL ANNUITY	58.1	60.2	118.4	63.8	62.7	126.4	62.3
Other[4]	6.8	8.5	15.3	9.1	5.9	15.1	11.4
TOTAL REVENUE	116.9	129.6	246.6	120.7	123.8	244.5	117.2

1. 1H FY2016 only includes 4 months of CodeBlue revenue.
2. 2H FY2016 only includes 1 month of PrintSync revenue.
3. 2H FY2017 includes 5 months of R&G Technologies and negligible revenue from pcMedia Technologies.
4. Other revenue includes professional services / consulting revenue, licensee fees, hedging and vendor marketing contributions.

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Key performance indicators

During 1H FY2018, CSG made improvements to its sales force (a number of new staff commenced during 4Q CY2017) and changes to its sales incentive programs. While this resulted in lower productivity in 1H FY2018 (fewer transactions per sales staff), the benefits of the changes implemented are expected to be realised in 2H FY2018.

Key performance indicators over time

	1H FY2016	2H FY2016	FY2016	1H FY2017	2H FY2017	FY2017	1H FY2018
BUSINESS SOLUTIONS – SALES PRODUCTIVITY							
Total transactions	~2,300	~1,800	~4,200	~1,900	~2,200	~4,100	~1,600
Average sales staff	116	108	113	110	114	113	111
Transactions / sales staff	**20**	**17**	**37**	**17**	**20**	**37**	**15**
Average equipment revenue per transaction	**~$20,000**	**~$28,800**	**~$24,000**	**~$20,000**	**~$20,000**	**~$20,000**	**~$20,000**
SUBSCRIPTION SEATS							
High value[1] seats	6,085	7,435	7,435	10,665	15,991	15,991	19,184
Low value[2] seats	-	-	-	-	11,288	11,288	21,770
TOTAL SEATS	**6,085**	**7,435**	**7,435**	**10,665**	**27,279**	**27,279**	**40,954**
High value[1] seats –Monthly recurring revenue per seat ($)	nmf	~$145	nmf	~$140	~$120	~$122	~$100
Low value[2] seats – Monthly recurring revenue per seat ($)	nmf	N/A	N/A	N/A	~$5	~$5	~$2

- Decline in average Monthly Recurring Revenue per seat reflects an increased proportion of Communications as a Subscription seats
- Lower Business Solutions transactions per sales staff as a result of changes to the salesforce and sales incentive programs to accelerate growth in the technology business

1. 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.
2. Low value technology subscription seats refers to IT managed services seats with a single licence per seat e.g. Microsoft Office.

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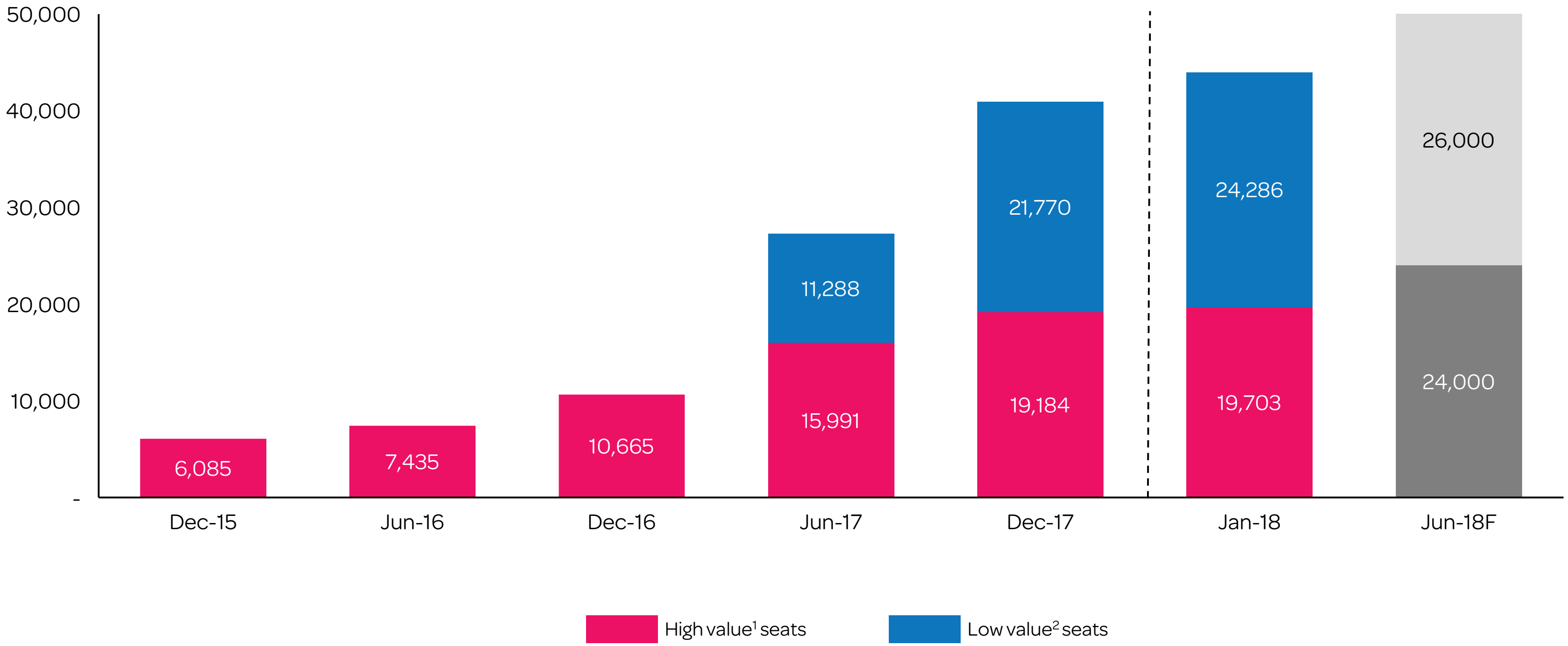
Growth in technology subscription seats

Continued success in technology subscription seats with continued acceleration of sales in 1H18 of both high value and low value seats

- Growth in technology subscription seats in 1H FY2018 with 19,184 high value seats (44% organic growth on pcp) and 21,770 low value seats
- Subscription seats contract terms range up to 60 months

Subscription seats



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Divisional Update

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Business Solutions: Operational update

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- Business Solutions sales productivity in 1H FY2018 lower than expected at 15 transactions per head (versus 17 in pcp) resulted in lower print equipment sales. The lower transactions per head was driven by changes to the salesforce and sales incentive programs to accelerate growth in technology subscription seats
- Business Solutions had strong technology sales with technology subscription seats growing by ~235% in Australia and ~31% in New Zealand, relative to pcp
- Significant investment in marketing during the second quarter that will benefit 2H. New website will be launched with live chat in third quarter, more targeted campaigns and new tag line "Business Technology Made Easy"
- Improvements in distribution and reduction in stock levels by approximately $7 million
- Continued to deliver high quality Customer Service with an In-field NPS[1] score of 71 across the business

1. Net Promoter Score (NPS) is a method of measuring customer loyalty. To calculate NPS, customers are categorised as "Promoters", "Passives" or "Detractors" based on how likely they would be to recommend CSG to a friend or colleague. The percentage of Detractors is then subtracted from the percentage of Promoters.

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Enterprise Solutions: Operational update

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- Enterprise Solutions sales were below expectation in 1H FY2018 as the business continues to build its Managed IT pipeline following the appointment of a Chief Sales Officer in September 2017
- Earnings were also impacted by no major wins in digital display solutions in 1H FY2018
- Key Enterprise customer wins during 1H FY2018 included a Communications as a Subscription contract with an infrastructure company as well as growth in existing managed print contracts in the education, resources and financial services sectors
- Continue to work with Officeworks and focus on education of sales force on driving Technology as a Subscription bundles into their customer base
- Strong growth in low value technology subscription seats in the New Zealand education market through the pcMedia acquisition
- Continued investment in private cloud platform
- FY2018 focus will be to grow Managed IT services business and execute in the Digital Display business

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Customer success stories

THE BODY SHOP.

Display Solutions

"CSG won our digital signage business because they came up with a technology solution that made business sense. Then they stepped up to a fixed price proof of concept, which worked brilliantly. They were easier to deal with than competitors, friendly and helpful and quick to respond"

Cloud Communications

"In only three weeks, the CSG team were able to deliver a fully integrated cloud communications system"

Managed Mobile Print

"CSG's great work on mobile printing has led to conversations around cloud telephony, digital signage and print management.. As Technology converges, we are alert to the opportunity with CSG to explore the 'one supplier, one bill' concept that CSG is delivering"

Total Office Cloud Communications

"Our new IT system just helps us do more of what we do, more easily. Which is exactly what we hoped for"

Cloud Communications

"They are continually looking at new ways to innovate their business and customer experience – and the 8x8 Contact Centre solution is an integral part of that"

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Finance Solutions: Operational update

- High quality and stable lease book with ~55% ROE and $5.1m PBT in 1H FY2018
- Lease receivables book of $255.5m as at 31 December 2017 (2% decline relative to lease receivables book of $259.7m as at 31 December 2016)
  - Lower receivables balance due to lower than expected equipment sales
- Finance Solutions continues to convert a high proportion of customers to CSG finance products
- Diversified industry and geographical exposure resulting in continued lower than industry average bad debts
- Residual value as a proportion of total lease book is less than 1.5%
- Existing facility in Australia and New Zealand have approximately $90m of additional capacity and facility maturity dates of April 2021 and April 2020, respectively

KEY PERFORMANCE INDICATORS	FY2016		FY2017		FY2018
	1H	2H	1H	2H	1H
Closing Receivables (A$m)	236.1	260.8	259.7	266.3	255.5
Growth - pcp (%)	25%	24%	10%	2%	(2%)
PBT (A$m)	5.5	5.6	5.8	5.0	5.1
Return on Equity (ROE) (%)	46%	44%	43%	52%	55%
Bad Debt (%)	<0.50%	<0.50%	<0.50%	<0.50%	<0.50%

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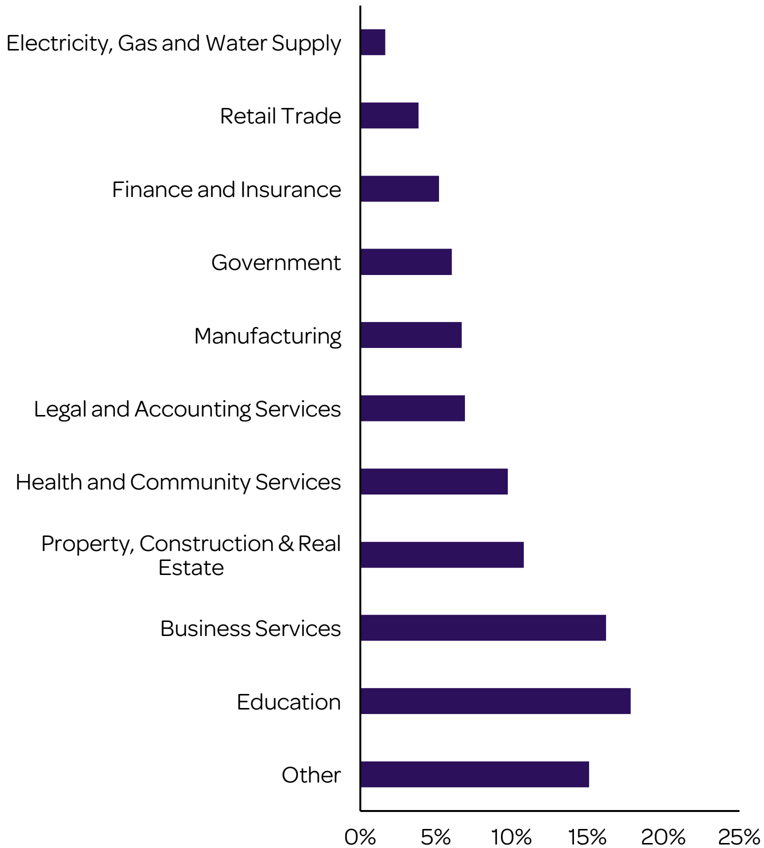
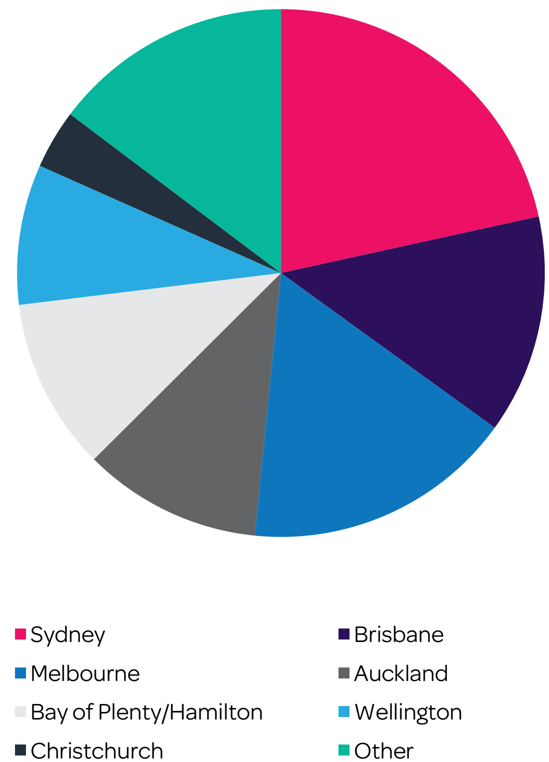
Finance Solutions: Composition of lease book

The CSG Finance lease book continues to be well diversified across industries and geographies.

CSG lease book – Composition by industry (%)[1]



CSG lease book – Composition by geography[1]



1. As at 31 December 2017.

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Results Detail

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Income statement

	1H FY2018 $m	1H FY2017 $m	
Revenue	117.2	120.7	▼(3%)
Underlying EBITDA[1]	4.6	14.1	▼(67%)
Non-recurring costs	(3.0)	(1.4)	
Non-cash LTIP	(0.1)	(1.0)	
EBITDA	1.5	11.6	
Depreciation & amortisation	(3.5)	(3.3)	
Net interest (expense)/income	(1.7)	(1.0)	
Profit before tax	(3.6)	7.3	
Income tax	0.7	1.0	
NPAT	(3.0)	8.3	
Underlying NPAT[2]	1.4	8.3	▼(83%)

1. After adding back non-recurring items and non-cash LTIP.
2. After adding back non-recurring costs, non-cash LTIP and before customer contract amortisation (adjusted for tax).

Key Insights

- Revenue decline of 3% (pcp)
  - Print equipment revenue lower than forecast in 1H FY2018, driven by changes to the salesforce and sales incentive programs to accelerate growth in the technology business
- Underlying EBITDA of $4.6m or a 67% decline (pcp)
  - Underlying EBITDA impacted by Enterprise Solutions sales below expectations. This business continues to build its Managed IT pipeline following the appointment of Chief Sales Officer in September 2017
  - No major wins in digital display solutions in 1H FY2018
  - Underlying EBITDA margin of 3.9%
- Underlying EBITDA is after adding back non-cash LTIP and $3.0m of non-recurring items which comprise:
  - $1.1m of legal & acquisition costs;
  - $0.4m of redundancy costs;
  - $1.3m of costs relating to digital display implementation overrun; and
  - $0.2m write-off of print equipment
- Depreciation and amortisation includes $2.0m of customer contract amortisation (up from $1.8m in 1H FY2017 due to acquisitions)

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Balance sheet

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	Dec 17 $m	Jun 17 $m
ASSETS		
Cash	21.6	20.3
Receivables	36.5	35.8
Lease receivables	255.5	266.3
Inventory	58.5	65.8
Goodwill & intangibles	174.5	175.9
Other	12.9	13.8
Total Assets	559.5	577.8
LIABILITIES		
Trade & other payables[1]	48.5	56.2
Corporate borrowing	43.2	43.0
Deferred consideration	8.7	12.6
Lease receivable debt	225.7	225.4
Other	9.8	12.4
Total Liabilities	336.0	349.5
EQUITY		
Contributed equity	207.6	205.7
Retained earnings & reserves	1.2	7.9
Minority Interest	14.7	14.7
Total Equity	223.6	228.3

1. Net of provisions.

Key Insights

- Cash balance of $21.6m ($13.6m is restricted)
- Corporate debt of $43.2m ($43.0m at 30 June 2017)
- Decrease in inventory by ~$7m in the half to $58.5m in line with market guidance. CSG will continue to work on reducing its inventory balance in 2H FY2018
- Decrease in payables by ~$8m in 1H FY2018 is driven by a reduction in payment terms with key suppliers
- Lease receivables reduced to $255.5m ($266.3m as at 30 June 2017) due to lower than expected equipment sales and associated amortisation of existing book

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Cash flow

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	1H FY2018 $m	1H FY2017 $m
Opening cash	20.3	14.5
Net cash flow (from)/to business	(1.2)	4.5
Net interest and tax paid	(1.6)	(3.3)
Operating cash flows	**(2.8)**	**1.2**
Net investment in lease receivables	6.1	4.4
Capex	(2.1)	(3.6)
Payments for businesses	(3.7)	(0.6)
Investing cash flows	**0.4**	**0.2**
Shareholder distributions	-	(15.9)
Buyback	-	(5.2)
Movement in debt	4.5	24.2
Financing cash flows	**4.5**	**3.1**
Other	(0.8)	0.1
Closing cash	**21.6**	**19.0**

Key Insights

- Cash flow conversion[1] at 25% of Underlying EBITDA to ungeared pre-tax cash flow (48% in 1H FY2017). Key impact was a reduction in payment terms with key suppliers
- Pre-tax underlying cash flow conversion for FY2018 expected to be approximately 100%
- Capital expenditure of $2.1m for the half was within guidance and primarily related to growth capex

1. Cash flow conversion calculated as adjusted pre-tax operating cash flow / underlying EBITDA. Adjusted pre-tax operating cash flow calculated as reported operating cash flow adjusted for tax paid, net interest paid, non-recurring cash items and change in lease receivables.

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FY2018 Guidance & Priorities for Growth

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FY2018 guidance

For the FY2018 period, CSG provides the following guidance:

- Revenue in the range of $253m - $260m
- Underlying EBITDA[1] in the range of $18.5m - $21m, after adding back non-recurring items and non-cash LTIP
- High value technology subscription seats of 24,000 up from 16,000 as at 30 June 2017, representing growth of ~50%
- Low value technology subscription seats of 26,000 up from 11,300 as at 30 June 2017, representing growth of ~130%
- Pre-tax underlying cash flow conversion of approximately 100%; and
- Capital expenditure of $5.0 – 6.0m reflecting increased investment in platforms to accelerate technology growth.

1. After adding back non-recurring items of $4.8m which comprises legal & acquisition costs ($1.5m), redundancy costs ($0.7m), digital display implementation overrun ($2.1 million), write-off of print equipment ($0.5m) and non-cash LTIP of $0.1m.

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FY2018 revenue and underlying EBITDA bridges

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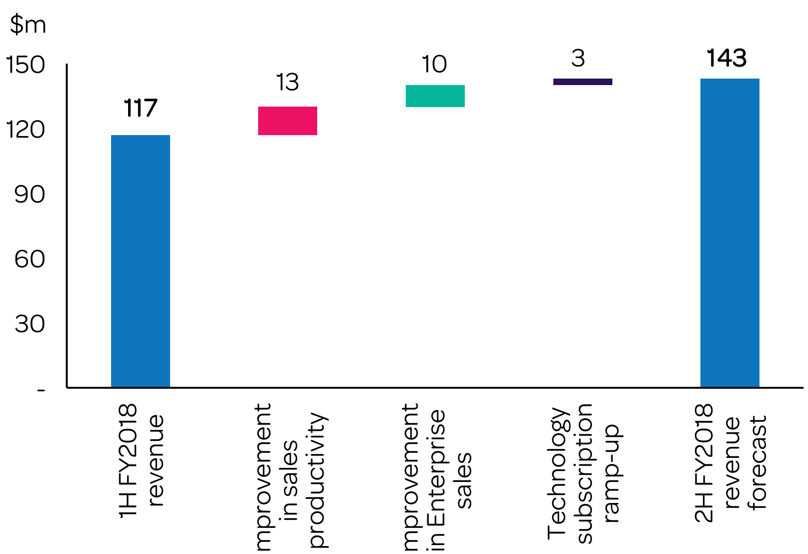
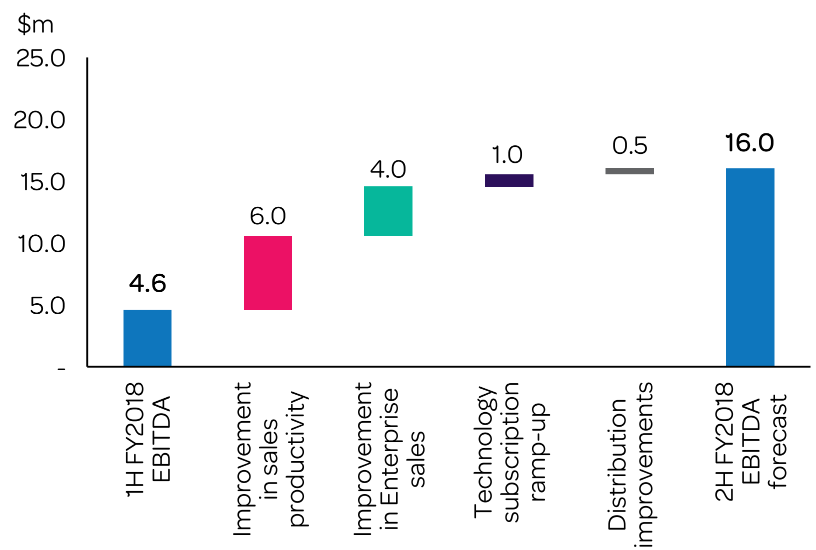
Revenue growth and associated margin will be delivered primarily through a combination of increased sales productivity and stabilisation in the management of the Enterprise division

- The revised guidance assumes 2H FY2018 revenue in the range of $136m to $143m. The incremental revenue in the second half is driven by:
  1. Increased productivity in the Business Solutions sales team from 15 transactions per sales head in 1H FY2017 to 20 in 2H FY2018 (in line with previous second half performance). The benefits of the new sales incentive program are expected to lead to improved sales productivity in print equipment transactions in 2H FY2018. It is also anticipated that our new partnership with HP for print technology will drive equipment sales: ~$13m increase
  2. Improvement in technology and digital sales within Enterprise Solutions: ~$10m increase
  3. Incremental technology subscription revenue driven by an increase in subscription seats: ~$3m increase
- Increase in revenue noted above has an EBITDA impact of ~$11m; EBITDA also benefits from distribution improvements of $0.5m

2H FY2018 revenue bridge to ~$143m (FY $260m)



2H FY2018 underlying EBITDA[1] bridge to ~$16m (FY $21m)



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Priorities for Growth: FY2018 and Beyond

FY2018

- Focus Enterprise Solutions sales team on converting IT managed services pipeline and reduce focus on transactional print revenue
- Continue cross-selling Technology as a Subscription bundles to existing SME customer base – total addressable opportunity of ~300,000 seats
- Support channel partners (Officeworks, BNZ) with the roll-out of Technology as a Subscription bundles into their customers
- Implement a revised approach to stock management and distribution with the objective of reducing inventory balance
- Invest in sales and implementation resources to support accelerated seat growth
- Become the primary Microsoft Cloud Solutions provider to the education sector in New Zealand
- Re-brand in New Zealand from Konica Minolta to CSG
- Develop partnership with HP across ANZ
- Seek new channels to white label Technology as a Subscription solutions under a formal channel program
- Improve forecasting and data driven decision making processes through business analytics
- Develop additional partnerships with global software vendors

FY2019 and Beyond

- Seek out additional partnerships with global software vendors to add to CSG Cloud Marketplace
- Improve customer interaction through rolling out online experience and self service
- Explore new geographic territories
- Evolve Customer Hub platform to deliver increased productivity and innovation in customer service
- Grow contact centre practice to be a leader across Australia and New Zealand
- Grow partnership channel particularly in large regional areas by partnering with local IT services providers
- Investigate adding mobile and other add-ons to core bundles
- Develop partnerships with key systems integrators to grow managed services business in government and larger enterprise
- Develop inside sales function to guide smaller customers through transactions online
- Automate finance approval process
- Explore opportunities to sell subscription bundles on online marketplaces

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Thank You