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17 November 2016 ASX Announcement FY2017 Trading Update

Updated trading outlook

CSG Limited (ASX: CSV) (the Company) provides the following updated trading outlook for FY2017 and guidance for 1H FY2017:

Guidance (\$m)	PREVIOUS FY2017	UPDATED FY2017	1H FY2017
Revenue	>\$300m	No change	>\$135m
<i>Implied revenue growth %</i>	> 22%	No change	>16% ¹
Underlying EBITDA ²	\$44m - \$48m	\$38m - \$42m	\$14m - \$16m
<i>Implied underlying EBITDA² margin</i>	~14.5% - 16.0%	~12.5% - 14.0%	~10.5% - 12.0%
Start up losses of Direct Sales launch	(\$3.0m)	No change	

The Company reiterates its revenue guidance for full year FY2017 of greater than \$300 million. However, underlying EBITDA² is now likely to be lower than the guidance provided at the full year results in August 2016 and is expected to be in the updated range of \$38 to \$42 million. The decline in EBITDA margin in 1H FY2017 has been impacted by:

- **Ongoing factors**
 - Print service: Decline in print service margin due to volume and price
 - Change in business mix: Enterprise solutions is now a larger proportion of the business and has lower gross margins
- **Short-term factors**
 - NZ print equipment: Increase in lower margin print deals within Business Solutions due to current competitive landscape in New Zealand
 - Display equipment: Higher volume of lower margin large display deals in 1H FY2017 due to new customer acquisition
 - Cost base: Investment in cost base to meet our longer term growth aspirations
- **One-off factors**
 - Samsung print: Sale of Samsung print stock in light of the sale of Samsung's print division to HP Inc.

Underlying EBITDA margin is expected to recover in 2H FY2017 to deliver on the guidance range of approximately 12.5% to 14.0% for the full year.

¹ Excluding PrintSync acquisition, revenue growth of 12% in 1H FY2017 relative to PCP

² Excluding LTIP and start-up losses from launch of Direct Sales channel



More than you expect.

As previously announced at the full year results, we have launched a complementary, direct technology-only sales force within Business Solutions in Brisbane and Melbourne. This is expected to have a start up cost of \$3 million in FY2017 however is expected to be breakeven in FY2018.

A direct sales team will allow us to increase our market penetration, accelerate the sale of our technology bundles and capitalise on our unique value proposition and first mover advantage in our Technology as a Subscription model. CSG will launch a direct sales force in Sydney in early 2H FY2017.

The Board also confirms for FY2017:

- **Capital expenditure is expected to remain in line with previous guidance of \$6.0 - \$6.5 million;**
- **Pre-tax cash flow conversion is expected to be 90% for the full year; and**
- **Plans to return a minimum of \$25 million per annum to shareholders, by way of a dividend and or buy back of shares.**

Additional information is included in the FY2017 Trading Update presentation also lodged with the ASX today.



Investor conference call

The Company will host a conference call for investors and analysts at 9.15am (AEDT) on Thursday, 17 November 2016.

To access the call, you must register by 9.15am (AEDT) on Thursday, 17 November 2016 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: **466282**

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 Question and Answer 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 ON THE CONFERENCE CALL

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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