FY2017 Trading Update

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More than you expect.

FY2017 Trading update

More than you expect.

- CSG provides the following updated trading outlook for FY2017 and further guidance for 1H FY2017:

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

Note:
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

- Capex to remain at $6.0 - $6.5 million.
- Pre-tax cash flow conversion for FY2017 of 90%.
- The Board is committed to return a minimum of $25 million per annum to shareholders, by way of a dividend and or buy back of shares.

FY2017 Trading update – Underlying EBITDA

More than you expect.

- Underlying EBITDA[1] margin is expected to decline to below 14% in FY2017 as a result of decreased Gross Margins and continued investment in the cost base to support future growth
  - 1H FY2017 EBITDA margin is expected to be in the range of 10.5% - 12.0%

- The decline in margin has been impacted by:

  A. 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

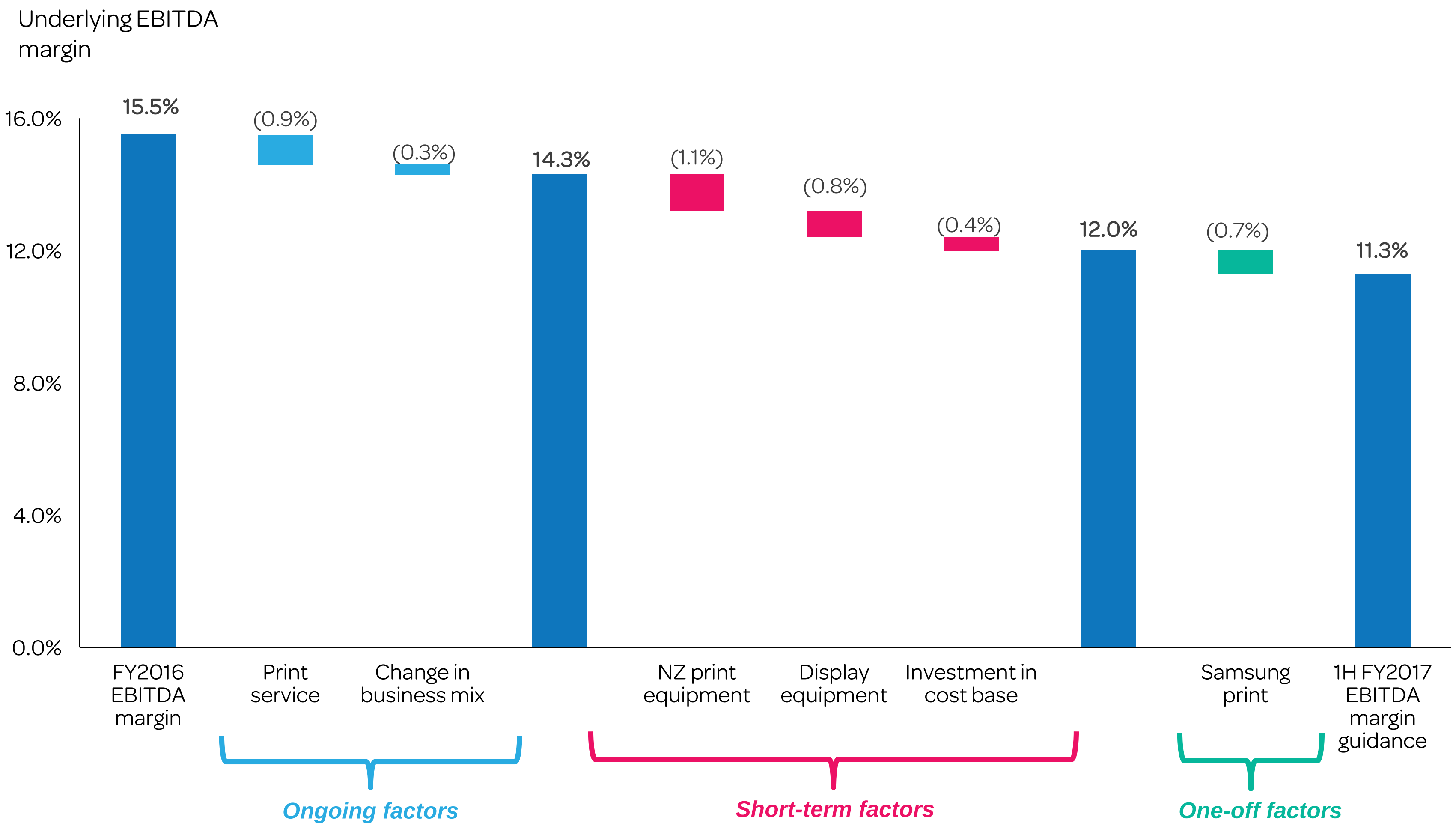
  B. Short-term factors
  - NZ print equipment: Increase in lower margin print deals within Business Solutions due to current competitive landscape in New Zealand
  - Display equipment: Higher volume of lower margin large display deals in 1H FY2017 due to new customer acquisition
  - Cost base: Invested in cost base to meet our longer term growth aspirations

  C. One-off factors
  - Samsung print: Sale of Samsung print stock in light of the sale of Samsung print division to HP Inc.

- Underlying EBITDA[1] margin expected to increase in 2H to achieve FY2017 range of ~12.5% to 14%

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

Underlying EBITDA margin bridge



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

Divisional Update

More than you expect.

Business Solutions

- Continuing to grow annuity Technology as a Subscription revenue in line with stated strategy
  - Strong growth in New Zealand (through CodeBlue)
  - Positive customer feedback from initial technology sales
- 1Q FY2017 impacted by restructuring regional management to align with our broader product suite
- Direct Sales channel launched to accelerate technology sales in Melbourne and Brisbane, with Sydney to be launched in early 2H FY2017

Enterprise Solutions

- Growing in line with expectations with two new print contract wins in 1H FY2017 to date (including a new University)
- Growth in Communication as a Subscription sales and a strong pipeline of opportunities
- Invested in additional sales personnel to capitalize on growing technology pipeline

Finance Solutions

- Performing in line with expectations
- $5m of the $8m unfinanced deals flagged at the FY2016 full results has now been financed and we expect to further reduce this over the balance of 1H FY2017
- Increase in the leasing facility limit in Australia by $60 million to $180 million and increased flexibility in portfolio criteria
- CSG has also extended the facility duration by a further 12 months with a maturity date of April 2021

Key revenue drivers

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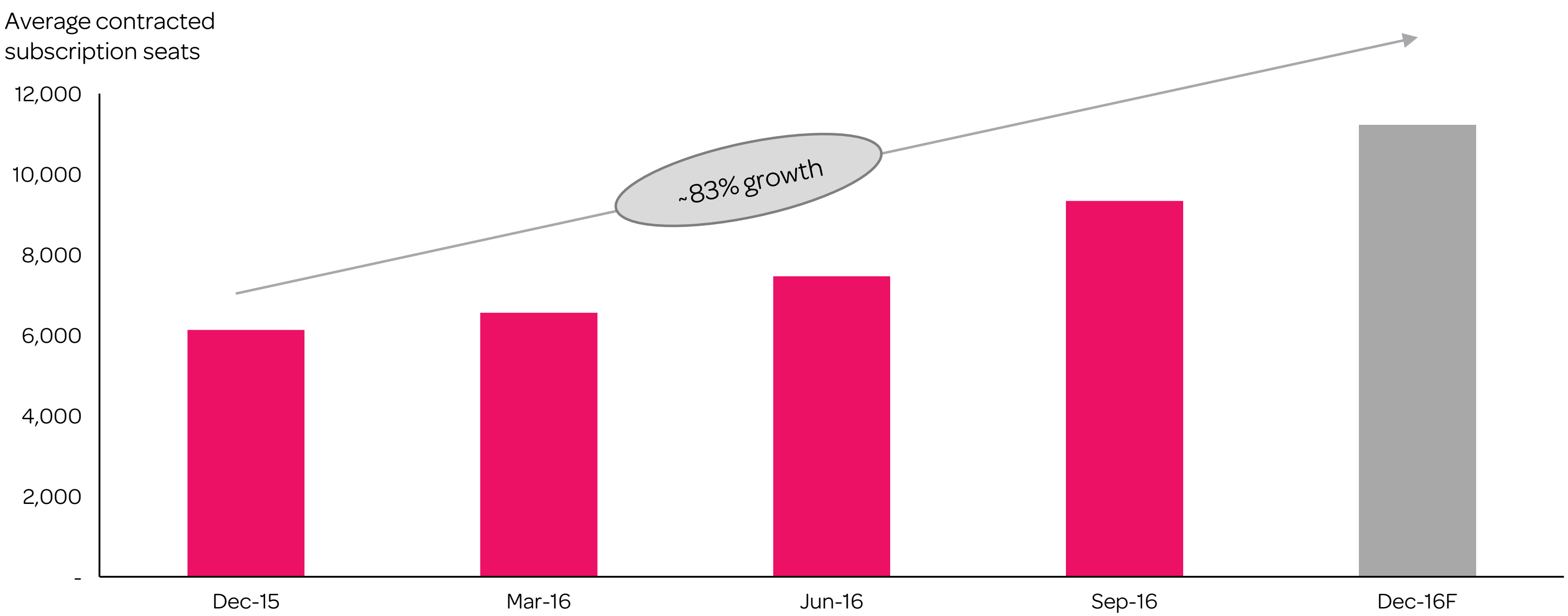
- In line with the guidance provided at CSG's FY2016 full year results announcement, CSG expects revenue to be greater than $300million in FY2017 (22% increase on PCP)

- The increase in revenue will largely be driven by:
  - Growth in the Enterprise Solutions
    - Further new contract wins in 2H FY2017
    - Growth in Communications as a Subscription seats
  - Improved large format display equipment sales in Business Solutions in 2H FY2017
  - Continued ramp-up in annuity, subscription seats – on track to deliver over 11,000 by 1H FY2017
  - Improved sales productivity as sales force continues its transition to selling full product suite
  - Annualised impact of PrintSync acquisition completed in May 2016

Growth in subscription revenue

- Material organic growth in Technology as a Subscription sales with total contracted subscription seats forecast to exceed 11,000 seats by 1H FY2017 (represents a growth of approximately 83% relative to PCP)
- On average, a subscription seat is contracted for a **term of 60 months** with an **average revenue of $80 per seat per month**

Subscription seats[1] over time (#)



1. Includes Business Solutions and Enterprise Solutions subscription seats

Recap

- CSG has developed a full suite of technology as a subscription products delivering a ‘One Partner, One Bill, One Cloud’ proposition for customers in Australia and New Zealand
- Positive feedback from customers on new technology bundles. New annuity technology sales will continue to grow as a proportion of the business going forward
- New Direct Sales channel launched in Australia and expected to accelerate sales to new customers
- Underlying EBITDA[1] margin expected to increase in 2H to achieve FY2017 range of ~12.5% to 14%
- Remain confident in long term growth opportunity for the business

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

More than you expect.

Thank You

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