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ASX Announcement

FY2018 Trading Update & FY2019 Outlook

Updated trading outlook

CSG Limited (ASX: CSV) (the Company) provides the following updated guidance for FY2018:

- Revenue of approximately $225.0 million.
- Underlying EBITDA in the range of $9.0 million to $11.0 million.
- Estimated non cash impairments and provisions of approximately $150.0 million.

The reduction in expected earnings in FY2018 is due to performance within the Enterprise Solutions business. In addition, there has been lower than expected equipment sales in enterprise print contracts in New Zealand and a greater than expected decline in print service revenue that is more significant in enterprise contracts.

Strategic review and initiatives for FY2019

As announced to the market on 9 February 2018, the Board has appointed Morgan Stanley to assist it in reviewing strategic options available to the Company in order to maximise value for shareholders. The strategic review remains ongoing. As part of this process, CSG has reviewed the performance of the enterprise segment and has decided to cease investment in this segment. A further update in relation to the strategic review will be provided at the FY2018 financial results announcement.

In order to simplify CSG's business model and to return the business earnings growth, the Company will re-align the SME business to a product-led, go-to-market model which will create three distinct operating businesses – print, technology and finance.

CSG will also be undertaking a major restructure of the Australian and New Zealand businesses within sales, service and operations. The Company is also undertaking cost-out initiatives to reduce distribution costs, optimise its motor vehicle fleet and continue realising cost synergies through the integration of recent acquisitions. Together, the restructure and cost-out initiatives will result in one-off restructuring charges of approximately $2.5 million (a majority of which will be recognised in the FY2018 year) and approximately $7.7 million of cost savings in FY2019 underlying EBITDA (annualised cost savings of approximately $10.0 million from FY2020 onwards).

The Company also expects a further reduction in inventory in FY2019 by approximately $10.0m, driven by a reduction in equipment and toner-in-field.

Julie-Ann Kerin, CSG Managing Director & CEO said: "A key focus for the FY2019 year is to simplify the business and return it to earnings growth. While we are disappointed with the expected financial results for FY2018, we are confident that aligning the business to three clear operating segments and implementing the cost-out initiatives will position the business well to return to earnings growth."

Non-cash balance sheet impairments and provisions

In line with year-end reporting procedures, CSG will be undertaking impairment testing of its assets and expects to recognise a non-cash charge for impairment of approximately $120.0 million. The expected impairment relates to the carrying value of the intangibles associated with print assets in Australia and New Zealand.

Given CSG's decision to exit the enterprise segment, the Company will make non-cash provisions of approximately $30.0 million relating to onerous contracts, stock provisions and other items primarily related to the Enterprise business.

FY2019 Outlook

For the FY2019 financial year, CSG is forecasting Underlying EBITDA in the range of $17.0 million to $20.0 million.

END

Further Information:

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