



HALF YEAR FY2019 RESULTS

21 February 2019

Presented by

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Business Technology Made Easy

Key highlights: Transformation delivering growth in H1 earnings

- Underlying EBITDA of \$8.1m; Increase of 76% vs PCP¹ of \$4.6m
- Transformation program being successfully implemented:
 - Right sizing on track: \$10m working capital reduction + \$7.7m of cost-outs
 - Organisation realigned with the closure of the Enterprise IT business, and focus on SME sector
 - Restructured business into Print, Technology and Finance
 - CSG 2021 Program launched: Cultural transformation underway and 14 key strategic initiatives in progress
- Technology momentum building with high value technology subscription seats at 24,617 and initial wins with Alibaba partnership
- Print underpinned by positive performance in Australia, while focus is still on improving performance in New Zealand
- Key board & executive appointments; Mark Bayliss (Executive Chairman), Ashley Conn (CFO), Chris Mackay (NZ Country Manager), Craig Bowring (Treasury & Leasing) and currently recruiting a new Head of People and Culture
- Strengthened balance sheet with leverage reduced to ~1x underlying EBITDA guidance
- On track to achieve previous underlying FY19 EBITDA guidance of \$17.0m - \$20.0m

¹ All comparisons to H1 FY18 unless otherwise stated

Delivering commitments in FY19

Our Commitments	Our Actions	Status
<ul style="list-style-type: none"> Restructure the business to focus on SME across Print and Technology underpinned by Finance 	<ul style="list-style-type: none"> Business divisions realigned, with Enterprise IT workforce exited 	Complete
<ul style="list-style-type: none"> Personnel changes in NZ to improve profitability 	<ul style="list-style-type: none"> New NZ Country Manager, Head of Service, Auckland Sales Manager and removed under-performing sales heads 	Complete
<ul style="list-style-type: none"> Cost-out initiatives with total net expected cost savings of ~\$7.7m in FY19 	<ul style="list-style-type: none"> Delivered cost savings of ~\$5.0m in H1 	In Progress
<ul style="list-style-type: none"> Development and rollout of next generation salesforce.com (Customer Hub) platform delivering best in class customer experience and significant operating efficiencies 	<ul style="list-style-type: none"> Customer Hub live in Australia New Zealand go live planned for H2 FY19 	In Progress
<ul style="list-style-type: none"> Drive technology cross-sales through integrated digital marketing campaigns and a 'single view' of the customer. 	<ul style="list-style-type: none"> Guided Selling module in Customer Hub completed and rolled out to create a single view of the customer 	In Progress
<ul style="list-style-type: none"> Update commission plans to reward cross-sell between Print and Technology 	<ul style="list-style-type: none"> Australia New Zealand 	Complete In Progress
<ul style="list-style-type: none"> Grow lease receivables by driving equipment sales and improve approval efficiency 	<ul style="list-style-type: none"> Automation of finance approvals rolled out in Guided Selling 	In Progress
<ul style="list-style-type: none"> Focus on customer acquisition with our major partners in both Print and Technology 	<ul style="list-style-type: none"> Key initiatives are underway 	In Progress
<ul style="list-style-type: none"> Experienced key appointments 	<ul style="list-style-type: none"> CFO with extensive advisory experience NZ Country Manager with greater autonomy and accountability Head of Treasury and Leasing Head of People and Culture 	Complete Complete Complete In Progress
<ul style="list-style-type: none"> Improve working capital through a reduction in inventory by ~\$10.0m in FY19 	<ul style="list-style-type: none"> \$3.9m reduction achieved in H1, on track for FY19 	In Progress

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FINANCIAL OVERVIEW

Benefits from transformation underpin EBITDA growth of 76% to \$8.1m

Profit & Loss

\$m	H1 FY19	H1 FY18	
Revenue	109.9	117.2	▼ (6%)
Underlying EBITDA ¹	8.1	4.6	▲ 76%
<i>Underlying EBITDA margin</i>	7.4%	3.9%	
EBITDA ²	7.5	1.6	▲ 369%
Depreciation & amortisation ³	(4.3)	(3.5)	
Net interest expense	(1.4)	(1.7)	
Profit before tax	1.7	(3.6)	▲ 147%
Income tax	(0.5)	0.7	
Statutory net profit after tax	1.2	(3.0)	▲ 143%
Underlying NPAT ⁴	3.3	1.9	▲ 74%

■ Revenue down 6.2% to \$109.9m (up 1.3% vs H2 FY18)

- Technology equipment and subscription revenue up 11.4%
- Lower print equipment sales (17.5%) predominantly driven by New Zealand and (-\$1.5m) reduced Enterprise contribution
- Print service revenue decline (-5.4%) in line with expectations

■ Focus on improving the quality of revenue

- Refocused sales teams by division
- Continued growth of Technology annuity subscription revenue
- Implementing initiatives to maintain Print service revenue

■ Underlying EBITDA up 76% to \$8.1m

- Focus on sustainable and scaleable profit growth
- Benefits from cost reduction program

¹ H1 FY19: Before deconsolidation impact of sale of pcMedia (\$0.6m), non-cash share issue and LTIP expense \$1.3m, and non-recurring expenses of \$0.1m; H1 FY18: non-cash LTIP (\$0.1m) and non-recurring expenses (\$2.9)

² H1 FY18: Includes -\$1.5m of one-off costs relating to digital display implementation overrun, -\$0.9m of one-off acquisition and legal costs and -\$0.4m of restructuring charges and related costs

³ H1 FY19: Includes additional amortisation of \$0.5m in H1 FY19 (before tax effect) in relation to an asset created for historic commissions paid that will be amortised over the next 3 years (as required by AASB 15)

⁴ H1 FY19: Before deconsolidation impact of sale of pcMedia (\$0.6m), non-cash share issue and LTIP expense \$1.3m, and non-recurring expenses of \$0.1m, historic commission amortisation \$0.5m (before tax effect and as required by AASB 15) and before customer contract amortisation of \$1.5m (before tax effect)

Earnings growth underpinning operating cash flow growth

Cash Flow

\$m	H1 FY19	H1 FY18
Underlying EBITDA	8.1	4.6
Cash impact of non-recurring items	(0.2)	(2.5)
Net lease book working capital	6.4	10.4
Change in inventory	3.9	7.3
Change in other working capital	(7.7)	(10.7)
Net interest and tax paid	(1.6)	(1.5)
Operating cash flows	9.0	7.6
Capex	(2.5)	(2.1)
Payments for businesses	(0.6)	(3.6)
Investing cash flows	(3.1)	(5.7)
Equity raising / shareholder distributions	17.1	(0.2)
Proceeds / repayment of borrowings	(4.1)	0.2
Financing cash flows	13.0	(0.0)
FX / Other	0.6	(0.6)
Net movement in cash	19.5	1.3
Opening cash	14.2	20.3
Closing cash	33.7	21.6
Cash conversion¹	54%	25%

- Operating cash flow up 18.4% to \$9.0m
 - Reduction in inventory levels by \$3.9m as a result of improved operational management and forecasting
 - On track to achieve inventory reduction of \$10m by 30 June 2019
 - Working capital impact of (\$7.7m) due to seasonal timing of creditor payments post 30 June and \$2.0m in restructure-related payments
 - Reduction in net lease book working capital reflecting lower print equipment sales
- Capex of \$2.5m driven by investment in technology enablers (e.g. Customer Hub) to promote efficiency in sales, operations process and enhanced customer experience
- Payments for businesses consists of deferred payments to complete the acquisition of CodeBlue in New Zealand
- Financing cash flows of \$13.0m reflects the September capital raise (net \$17.1m)², partially offset by senior debt repayment

¹ Cash 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 book working capital

² Gross proceeds from capital raising were \$18m, \$17.1m net of associated fees and costs

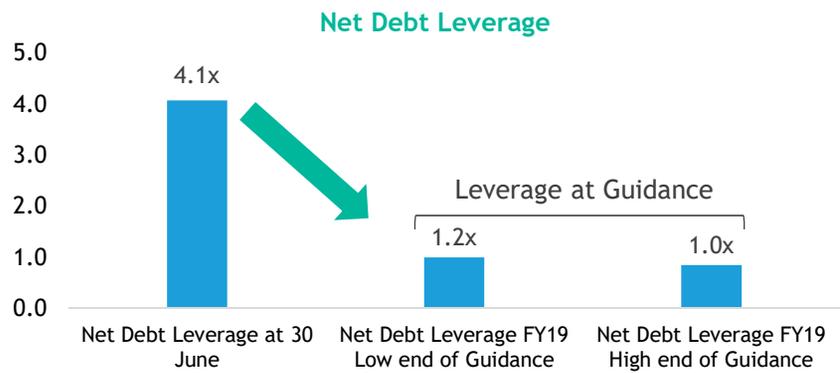
Strengthened balance sheet with reduced leverage

Balance Sheet

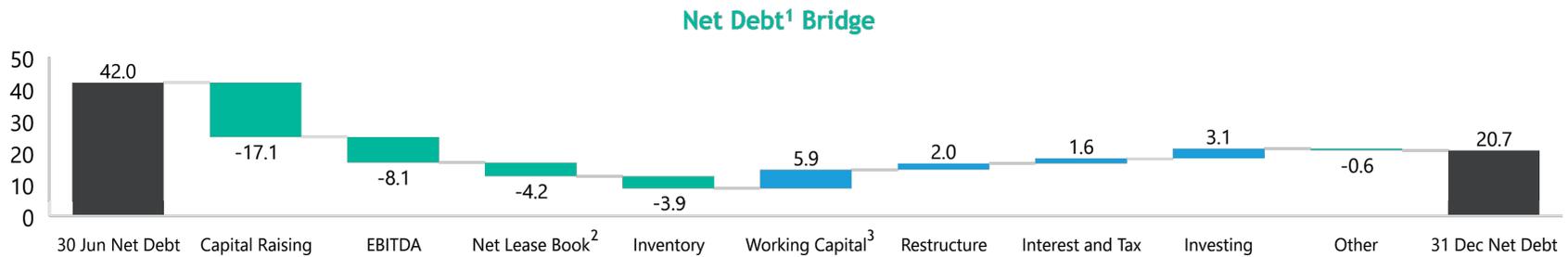
\$m	31 DEC 2018	30 JUN 2018	Movement
Assets			
Cash	33.7	14.2	19.5
Receivables	27.8	38.1	(10.3)
Lease receivables	229.4	242.2	(12.8)
Inventory	44.8	48.7	(3.9)
Goodwill & intangibles	57.3	58.2	(0.9)
Other	12.7	13.2	(0.5)
Total Assets	405.7	414.6	(8.9)
Liabilities			
Trade & other payables ¹	46.3	62.6	(16.3)
Corporate borrowings	44.4	48.3	(3.9)
Deferred consideration	1.2	5.4	(4.2)
Lease receivable debt	206.1	213.0	(6.9)
Other	3.5	2.9	0.6
Total Liabilities	301.5	332.2	(30.7)
Equity			
Contributed equity	232.2	213.4	18.8
Retained earnings & reserves	(143.0)	(145.9)	2.9
Minority Interest	15.1	14.9	0.2
Total Equity	104.2	82.4	21.7

- Cash balance \$33.7m (\$10.0m restricted cash relating to the finance business)
- Significant progress made to reduce leverage in the business over the half
 - Corporate debt of \$44.4m; down from \$48.3m as at 30 June 2018
 - Net Debt of \$20.7m vs \$42.0m as of 30 June 2018
 - Signed in-principle agreement with CBA to extend maturities to 28 Feb 2020
- Decrease in receivables to \$27.8m driven by period cross-over for a receipt from the finance company for a material sale in June 2018
- Decrease in lease receivables to \$229.4m reflecting lower print equipment sales
- Successfully executing inventory initiatives, on track to achieve \$10m reduction by 30 June 2019
- Trade & other payables reduced to \$46.3m due to seasonal timing of creditor payments post 30 June, a \$5.5m pay-out to finance company relating to material sale noted in Receivables and \$2.0m in restructure related payments
- Deferred consideration reduced as final CodeBlue earn-outs paid and pcMedia business sold

Cash flow focused on reducing leverage



- Net debt of \$20.7m as at 31 December 2018
 - Represents ~1.0x net debt leverage based on reaffirmed underlying EBITDA guidance
- Further deleveraging to occur led by the achievement of the underlying EBITDA guidance and ongoing inventory reductions



¹ Net Debt excluding restricted cash of \$10.0m

² Adjusted for \$2.1m movement in restricted cash

³ Includes trade & other payables seasonal movement and to bring creditors back to terms, and excludes restructure related payments



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SEGMENT PERFORMANCE

In the H1 FY19 result, CSG has for the first time reported its segments as Technology, Print, Finance and Other given the operating restructure announced in July 2018. The operating restructure included the closure of certain Enterprise operations and a strategic refocus on the SME sector. While H1 FY18 information is provided for comparative purposes, the business was not operated along these segmental lines in H1 FY18. In order to present comparative information, Management has prepared H1 FY18 segmental information consistent with H1 FY19.

Technology as a Subscription gains momentum

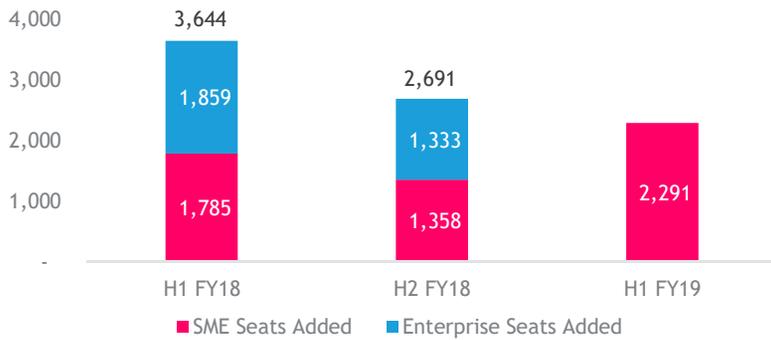
Technology - Summary financials

Revenue (\$m)	H1 FY19	H1 FY18	Variance
Technology equipment	7.0	7.1	(7.9%)
Technology subscription	13.7	12.0	18.1%
Technology other	5.4	4.2	10.2%
Total Technology revenue	26.1	23.4	11.4%
EBITDA	1.8	2.2	(19.8%)
<i>EBITDA margin</i>	<i>6.9%</i>	<i>9.4%</i>	
EBIT	1.5	2.1	(28.4%)
<i>EBIT margin</i>	<i>5.8%</i>	<i>9.0%</i>	

- CSG's innovative Technology as a Subscription model continues to gain momentum with subscription revenue growth of 18%
- Technology Other, predominantly professional services related to implementation and consulting services, grew 10%
- Continue to invest in the Australian technology sales team following closure of the Enterprise IT business
- This investment will have a short term EBITDA margin impact for FY19, with a plan in place to restore EBITDA margin to FY18 levels in FY20

Technology continues to gain traction in the SME space

Seats Added



Subscription Seats	Dec 2018	Jun 2018	Dec 2017
5 Year Term Annuity Subscription Value ¹	\$135.9m	\$124.6m	\$117.8m
Exiting MRR ²	\$2.3m	\$2.1m	\$2.0m
Seats	24,617	22,326	19,635
ARPU	-\$92	-\$93	-\$100

¹ 5 Year Term Annuity Subscription Value calculated as number of subscriptions multiplied by the ARPU (average revenue per subscription) multiplied by average contract term of 5 years

² MRR calculated as number of subscriptions at the end of the period multiplied by the ARPU

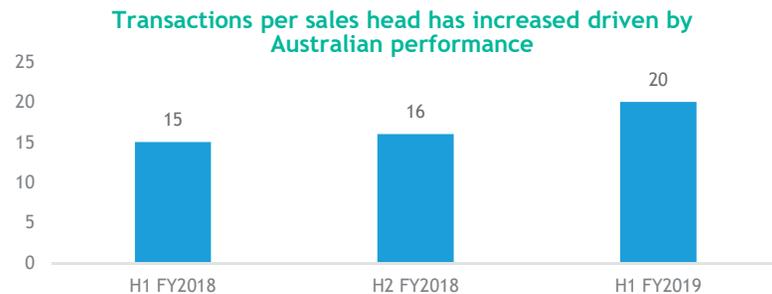
³ Sale of pcMedia results in reduction in low value seats of ~30,000 low value seats and ~1,200 high value seats

- Total subscription seats added in H1 FY19 were lower than prior periods following the closure of the Enterprise IT business
- In FY18 Enterprise contributed ~1,600 seats per half
- The Technology business was refocused on subscription sales to the SME market in Australia and New Zealand:
 - New SME seats up 69% on H2 FY18
 - New SME seats up 28% on H1 FY18
- 5 Year Term Annuity Subscription Value has increased by:
 - 9.1% on June 2018
 - 18.1% on December 2017
- Decline in ARPU since Dec 2017 primarily due to mix of new subscriptions sold including Enterprise Comms sales which have a lower ARPU than Managed IT subscriptions
- pcMedia sold³ to focus on high value subscriptions

Print & Display: Australia leading, New Zealand transformation underway

Print & Display - Summary financials

Revenue (\$m)	H1 FY19	H1 FY18	Variance
Print equipment	24.5	29.7	(17.5%)
Display equipment	7.5	6.7	12.0%
Print service	36.0	38.0	(5.4%)
Other print & display	4.7	6.7	(29.0%)
Total Print & Display revenue	72.7	81.1	(10.3%)
EBITDA	4.3	(2.1)	304.8%
<i>EBITDA margin</i>	5.8%	(2.6%)	
EBIT	2.2	(3.8)	157.9%
<i>EBIT margin</i>	3.1%	(4.7%)	



- Lower print equipment sales, with the reduction driven by New Zealand and the exit of the Enterprise business in Australia
- Transformation of New Zealand print sales force is underway. The sales force has been restructured to remove underperformers and recruit additional high performing print sales resources
- Australia is performing well with higher margin SME print equipment sales up 8%, offset by reduced contribution from the Enterprise business
- Higher display equipment sales being driven by focused sales team in Australia and a deeper referenceable display base
- Some key wins in Display with multi-location retail and food and beverage customers
- Print and Display SME transactions per sales staff are up 25% on H2 FY18, reflecting improved productivity of focused print and display only sales force
- The gains have been driven in the Australian sales force with transactions per sales staff up 31% on H2 FY18
- Print service revenue decline in line with expectations but initiatives in place to mitigate decline in revenue and margin
- Continued to deliver high quality customer service with a strong in-field NPS¹ score of 73

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.

Finance: Enabling customer ownership and “technology as a subscription” strategy

Finance - Summary financials

KPIs	H1 FY19	H1 FY18	Variance
Finance revenue	12.2	13.4	(8.7%)
EBITDA	3.6	3.8	(6.4%)
<i>EBITDA margin</i>	29.5%	28.4%	
EBIT	3.5	3.6	(4.0%)
<i>EBIT margin</i>	28.6%	27.2%	
Closing receivables (\$m)	229.3	251.9	(9.0%)
Underlying PBT	4.3	4.8	(12.5%)
Underlying ROE	53%	55%	
Bad debt	<0.50%	<0.50%	-

- Lower revenue and receivables balance reflects lower print equipment sales
- Diversified industry and geographical exposure resulting in underlying bad debts as a percentage of average lease receivables continuing at less than 0.50% in FY19
- Existing facilities in Australia and New Zealand have approximately \$60m of additional capacity and both facilities have maturity dates in April 2021
- Improve efficiency through automation of the approval process, that has been rolled out in Customer Hub Guided Selling
- New head of Treasury and Leasing appointed in October 2018, Craig Bowring (Formerly of Westpac and Capital Finance)

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STRATEGIC INITIATIVES
UNDERPINNING GROWTH

CSG 2021 Transformation Program



Cultural change program underway



- Following the completion of the FY18 strategic review, the need to re-invigorate our culture and better engage with our staff was identified
- A series of “Head” and “Heart” programs have been launched
- Executive Chairman, CEO and CFO undertook a strategy and culture roadshow of all major branches in Australia and New Zealand
- ~100 employees attended 2 group workshops to develop and own the CSG strategy, vision, mission and values
- Key strategic initiatives action plan implemented with 14 major projects currently underway
- “CSG Champions” and “CSG Gurus” to lead and maintain cultural change
- Workshops being delivered in H2 FY19 on mission and values by CSG Champions

Key strategic initiatives

	1. DEFEND Through growth of Print and Finance	2. EXPAND Through cross sell technology	3. EXTEND Through new business solutions	KEY HIGHLIGHTS
Strategic growth pillars	<ul style="list-style-type: none"> 1.1 Increase market share & growth in Australia and New Zealand through customer acquisition programs with key vendors 1.2 Defend existing customer base through increasing customer stickiness by cross selling technology 1.3 Increase service revenue and margin through key initiatives 1.4 Increase business process automation software sales and implementation 	<ul style="list-style-type: none"> 2.1 Initiate territory sales planning with print sales teams 2.2 Improve sales productivity of technology sales team 2.3 Continue to source world class vendor relationships 	<ul style="list-style-type: none"> 3.1 Develop security practice 3.2 Build or acquire new adjacent practices (e.g. professional services and/or CRM) 3.3 Grow Alibaba practice 	<ul style="list-style-type: none"> 1.1 Target geographies for market share growth finalised 2.1 Team business plans completed 3.1 Security practice project initiated 4.1 Go live of Customer Hub 4.2 Culture Champions trained and spreading the message 4.3 Customer data project initiated
Enablers	<ul style="list-style-type: none"> 4.1 Systems & processes (Customer Hub) - Implement and adopt best in class systems and processes 4.2 Culture - Define and embed an improved culture to bring our vision, strategy and values to life 4.3 Customer Data Project 4.4 Brand Evolution 			

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OUTLOOK

Key priorities for H2 FY19

- Continue to invest in the Technology practice:
 - Grow revenue by promoting cross-sell into print customer base with unified geography based plans across the print and technology sales force
 - Leverage key industry partnerships like Alibaba
- Increase New Zealand print equipment performance through the addition of high performing sales heads
- Continue to develop Customer Hub platform to deliver premium customer service and operational efficiencies
- Maintain CSG 2021 momentum:
 - Continue our cultural change journey
 - Execute our 14 strategic initiatives
- Finalise customer data survey and leverage insights to better align products and sales strategies
- Deliver FY19 cost savings of \$7.7m
- Deliver FY19 working capital benefit through \$10m inventory reduction
- Appoint new Head of People and Culture and make further key appointments across the business

FY19 guidance reaffirmed

- Reaffirmed FY19 underlying EBITDA guidance of \$17.0m to \$20.0m
- Other initiatives on track:
 - \$7.7m cost saving initiative
 - \$10m inventory reduction
 - \$22.5m to \$25.5m net movement in cash (including equity raising proceeds)

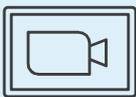
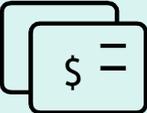
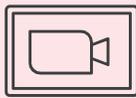
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QUESTIONS

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APPENDICES

CSG's Technology as a Subscription solution suite is unique and first-to-market

Print & Display			Finance	Technology	
 <p>Multifunction Devices Print, copy, scan</p>	 <p>Video Conferencing Zoom software</p>	 <p>Managed Print (including on going service)</p>	 <p>Equipment Finance In-house equipment financing for print and technology</p>	 <p>Total Office Laptop, Microsoft Office software, storage, phone handset, cloud communications and operational support</p>	 <p>Desktop as a Subscription Laptop, Microsoft Office software & storage and service & operational support</p>
 <p>Digital Displays Print, copy, scan</p>		 <p>Interactive Whiteboard</p>		 <p>Boardroom as a Subscription Zoom conferencing software</p>	 <p>Cloud Telephony Unified communications solutions including national and international call through 8x8</p>

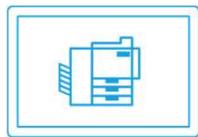
CSG Partners



Australia and New Zealand



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Print & Display

- Over 39,000 devices under management
- ~15,000 customers
- One of the largest non-OEM fleets in the world
- National presence in Australia (~4% market share) and New Zealand (~25% market share)

- Maintain print service decline at current levels (~-6%)
- Acquire new customers by developing new sales channels
- Improve print equipment performance in New Zealand by increasing sales productivity



Technology

- Leading provider of technology as a subscription to the SME sector
- 24,617 high value technology subscriptions
- Partnering with leading global vendors, e.g. HP, Samsung, Alibaba, Zoom

- Contribute 50% of Revenue and EBITDA
- Sustainable annuity revenue
- Improve Cross-selling to existing customers
- EBITDA Margins to increase with leverage of sales force



Finance

- Enabler of the Print and Technology Strategy
- Lease receivables currently at \$229m
- ~95% of all Print and Technology transactions financed by CSG finance company
- White label finance provider for partners

- Continue to support growth in technology and print equipment sales

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