



More than you expect.

# Results and Outlook Presentation Half Year 2015



Presented by:  
Julie-Ann Kerin  
Managing Director

Neil Lynch  
Chief Financial Officer

16 February 2015



# Introduction to CSG

Leading business technology provider	<ul style="list-style-type: none"><li>A leading full-service provider of print and business technology solutions in Australia and New Zealand, supported by in house equipment financing business</li></ul>																
Unique in Australia and NZ	<ul style="list-style-type: none"><li>Largest non-manufacturer of print and business technology solutions, with a truly national sales and service footprint in the Australian and NZ marketplace</li></ul>																
Increasingly diversified revenue base	<table><tr><th>1H15</th><th>Revenue</th><th>Profit<sup>1</sup></th><th>Contribution</th></tr><tr><td>Equipment sales (transactional)</td><td>42%</td><td></td><td>24%</td></tr><tr><td>5 year service agreement (annuity)</td><td>48%</td><td></td><td>58%</td></tr><tr><td>Leasing income (annuity)</td><td>10%</td><td></td><td>18%</td></tr></table>	1H15	Revenue	Profit <sup>1</sup>	Contribution	Equipment sales (transactional)	42%		24%	5 year service agreement (annuity)	48%		58%	Leasing income (annuity)	10%		18%
1H15	Revenue	Profit <sup>1</sup>	Contribution														
Equipment sales (transactional)	42%		24%														
5 year service agreement (annuity)	48%		58%														
Leasing income (annuity)	10%		18%														
Strong executive management team in place	<ul style="list-style-type: none"><li>Deeply experienced executive management team with proven track record of successfully meeting it's objectives</li></ul>																
Major business partners (selection)	<div></div>																
Major customers (selection)	<div></div>																



Note 1: Profit represents Operating Profit before Head Office Costs



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## Agenda

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# Performance Highlights



## Half Year Financial Highlights

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- Revenue (excluding Interest) \$108.2m, representing 14% growth on 1H14
  - Reported EBITDA \$13.5m , representing 27% growth on 1H14
  - Underlying EBITDA of \$15.4m (before non-recurring costs and LTI expense of \$1.9m), representing 15% growth on 1H14
  - Reported NPAT \$7.6m, representing 42% growth on 1H14
  - Underlying NPAT before customer contract amortisation of \$10.1m, representing 20% growth on 1H14
  - Interim unfranked dividend declared of 4 cents per share
  - Finance Solutions receivables of \$188.6m, representing 36% growth on 1H14
-

## Operational Highlights Across the Business

### Innovation & Growth

- Revenue increased by 14%
- Underlying EBITDA increased by 15%
- CSG Finance book increased by 36% yoy driven by growth in Australia
- Non print sales represented more than 5% of equipment sales revenue in Australia
- Launched Samsung relationship in New Zealand
- Invested in resources in the Enterprise team to develop new product offerings for FY16
- Continued to grow sales pipeline in the Enterprise business
- Went live with new Cloud based IT platform in Australia

### Customers

- Excellent Customer Survey across Australia and New Zealand
- New business sales in Australia increased to 23%
- Developed some vertical market solutions for non-print technology
- Launched new Konica Minolta Production print range in New Zealand
- Won major contracts in Australia and New Zealand in Education and government
- Acquired \$11 million in lease receivables from Capital Finance Australia Limited (Feb 15)
- Net Promoter Score again reflective of the high quality of customer service

### People

- New Board members providing valuable input to the Executive team
- Added four high calibre resources :
  - CSG Finance Executive General Manager Shailendra Singh
  - CIO Louise Pretty
  - CTO Tasso Mangos to Lead Product and Service Strategy
  - COO Robert Hughes
- Rolled out Master Agent equity incentive plan to key Master Agents to align and reward the high achievers
- Commenced restructure in operations and transactional services as a result of new IT platform rollout
- Moved into new premises in Sydney due to growth in the business

## Executive Team : Achievements and Track Record

The executive team assembled in FY12/13 has proven its ability to execute on its objectives. The team in place is well positioned to drive CSG's next phase of growth



**Julie-Ann Kerin**  
Managing  
Director



**Neil Lynch**  
CFO

### Key achievements since 2012

- Delivered solid year-on-year EBITDA and NPAT growth
- \$120m returned to shareholders within 3 years
- Key business transformation milestones fulfilled
- Significant equity incentive plan for staff introduced
- Driven strategic plans for growth of the business



**Declan Ramsay**  
Business Solutions  
Australia,  
Executive General  
Manager



**Warwick Beban**  
Business Solutions  
New Zealand,  
Executive General  
Manager



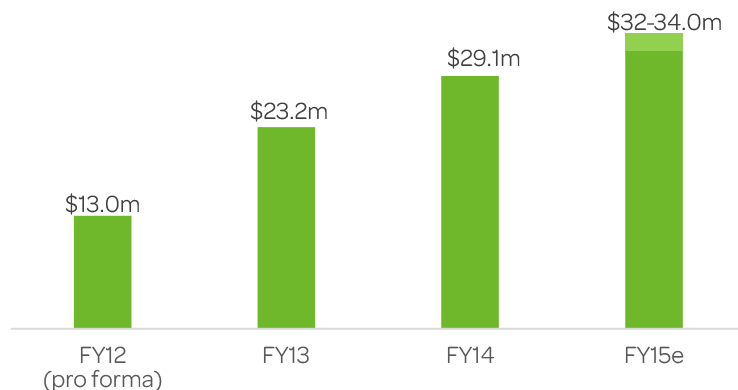
**Stephen Birrell**  
Enterprise Solutions  
Executive General  
Manager



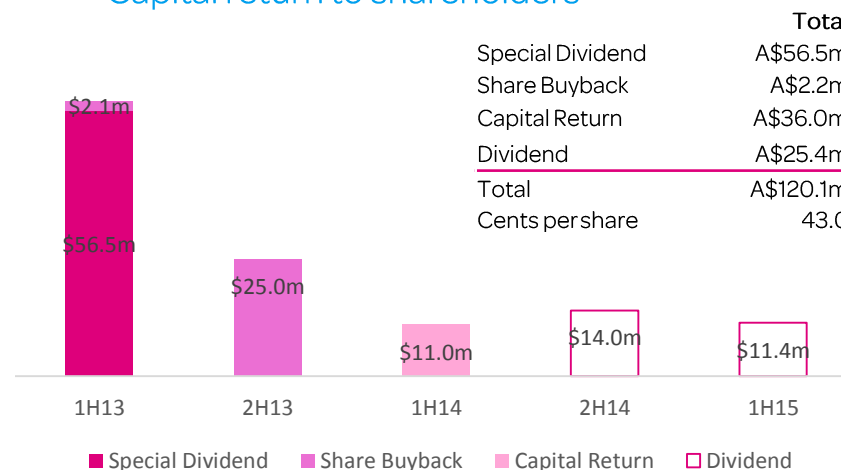
**Shailendra Singh**  
Finance Solutions  
Executive General  
Manager

## Financial: Achievements and Track Record

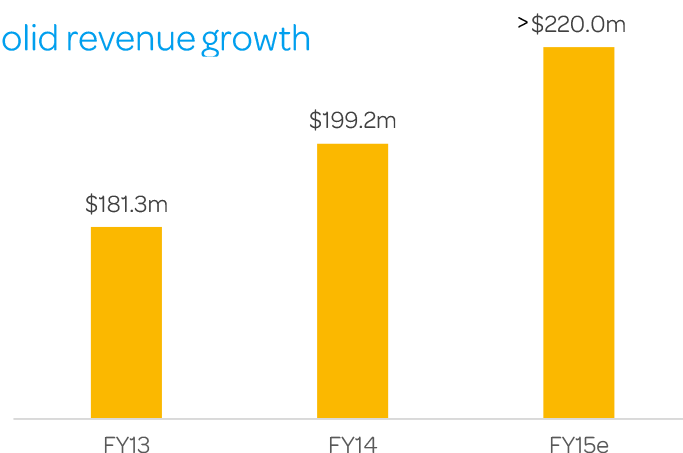
### Strong underlying EBITDA growth



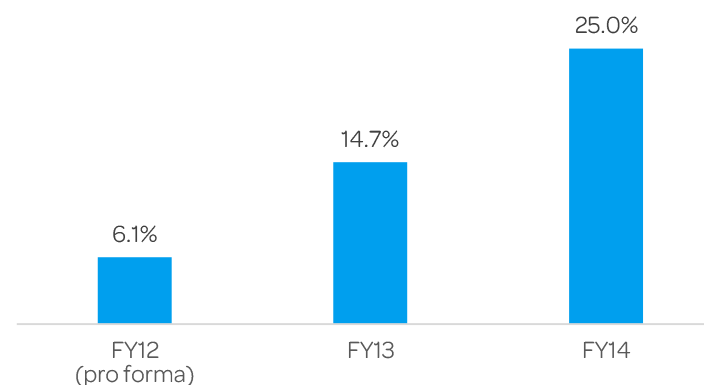
### Capital return to shareholders



### Solid revenue growth



### Increasing return on equity (excl. goodwill)







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# Results Detail



## Income Statement

	1H15 \$m	1H14 \$m	
Revenue (excluding Interest)	108.2	95.2	▲ 14%
Underlying EBITDA	15.4	13.4	▲ 15%
Non-recurring Costs	(0.2)	(1.3)	
LTIP	(1.7)	(1.5)	
EBITDA	13.5	10.6	▲ 27%
Depreciation & Amortisation	(2.3)	(2.7)	
Net interest (expense)/income	(0.5)	(0.2)	
Profit before tax	10.8	7.7	▲ 40%
Income Tax	3.2	2.4	
NPAT	7.6	5.3	▲ 42%
Underlying NPAT before customer contract amortisation	10.1	8.4	▲ 20%

- Underlying EBITDA of \$15.4m or 15% improvement over 1H14.
- Revenue (excluding Interest) growth of 14% delivered while maintaining EBITDA margin (14.2% v pcp 14.1%)
- Costs excluded in underlying EBITDA are:
  - \$1.7m LTIP/Employee Share Plan (non cash expense), and
  - Cinglevue related legal costs of \$0.2m
- Depreciation and amortisation includes \$1.1m of customer contract amortisation

## Balance Sheet

	Dec 14 \$m	Jun 14 \$m
<b>Assets</b>		
Cash	20.6	27.3
Receivables	27.5	23.1
Lease Receivables	188.6	161.5
Inventory	44.7	41.0
Goodwill & Intangibles	191.6	191.0
Other	9.9	10.3
<b>Total Assets</b>	<b>482.9</b>	<b>454.2</b>
<b>Liabilities</b>		
Trade & other Payables	48.6	42.8
Borrowings	5.2	0.7
Lease Receivable Debt	160.9	138.3
Other	7.6	7.4
<b>Total Liabilities</b>	<b>222.3</b>	<b>189.2</b>
Contributed Equity	166.6	160.8
Retained Earnings & Reserves	94.0	104.2
<b>Total Equity</b>	<b>260.6</b>	<b>265.0</b>

- Cash balance of \$20.6m following full year dividend of \$14.0m
- Increased inventory by \$3.7m mainly due to delay in installation of key contract in Australia (\$2.0m)
- Leasing receivables grew by 36% yoy (1H14 \$138.8m)
- Leasing expansion continues to be funded by bank debt facility with advance rate in excess of 85%

## Cash flow

	1H15 \$m	1H14 \$m
Opening Cash	27.3	40.0
Net cash flow from business	11.6	7.9
Net Interest and Tax paid	(3.6)	(3.9)
<b>Operational cash flows</b>	<b>8.0</b>	<b>4.0</b>
Net Investment in Lease book	(3.2)	(3.1)
Capex	(2.6)	(1.0)
Payments for business	-	(7.5)
<b>Business Investments</b>	<b>(5.8)</b>	<b>(11.6)</b>
Shareholder distributions	(13.6)	(11.0)
Movement in Debt	4.9	(2.9)
<b>External movements</b>	<b>(8.7)</b>	<b>(13.9)</b>
Other	(0.2)	1.7
<b>Closing cash</b>	<b>20.6</b>	<b>20.2</b>

- Solid cash flow conversion at 77% of underlying EBITDA to ungeared pre-tax cash flow (pcp 55%)

- Capital expenditure for FY15 expected to be at \$3.5m

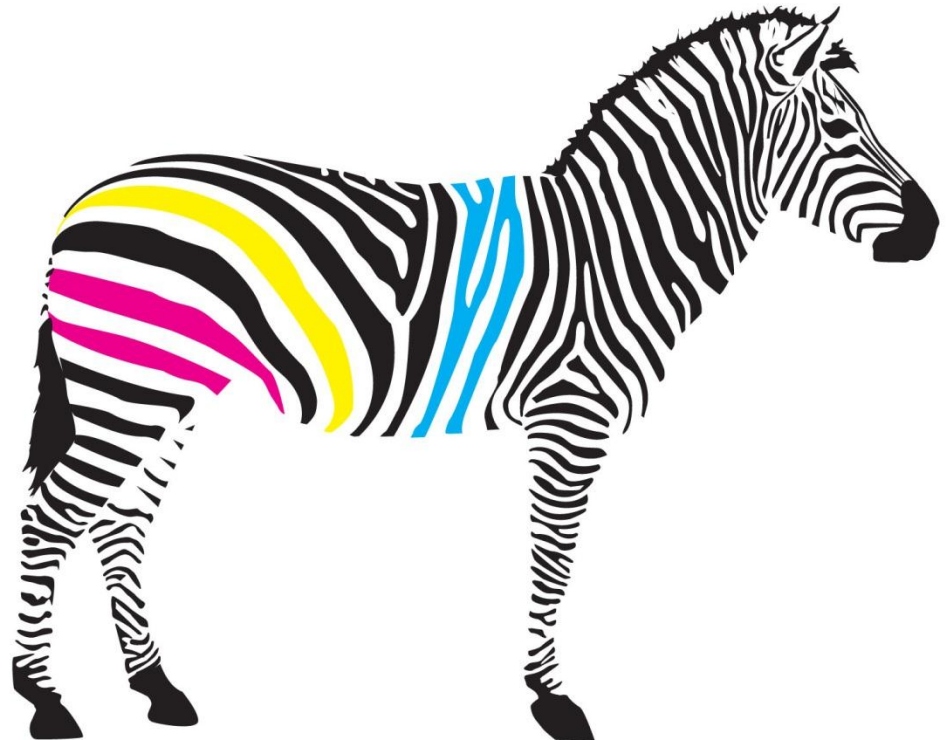
- Dividend will be unfranked due to New Zealand earnings and tax profile of Australian leasing business

- Total payments to shareholders of \$120m (43 cps) since relaunch



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# Divisional Update



## Business Solutions: Performance Highlights

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- Equipment revenue growth (pcp) of 26%
- Profit before tax growth (pcp) of 22%
- Grew Professional Services revenue in New Zealand by 83%
- Commenced rolling out the new IT environment and improving the efficiency of the service and operations organisations
- Improved performance in the Auckland branch with revenue growth of 16%
- Launched 3D Printing and new Production print range from Konica Minolta in New Zealand
- Conducted common customer service survey with outstanding results
- First half of selling non print Samsung products in Australia (August 2014) and prepared to launch in New Zealand in 2H (Feb 2015)
- Average sales of non-print product was approx. \$30k in revenue per customer, consistent with pre-launch in June 2014
- Non print equipment sales represented over 5% of total equipment sales in Australia
- 4% of deals in Australia had an attached non-print equipment sale
- Master Agent Equity Plan looking to align and reward key Master Agents

## Customer Success Stories - Retailer

# Sandler WM Ritchie

### The Requirements

- Customer required displays in store as a more effective way to distribute and manage content

### The CSG Solution

- CSG implemented a Samsung Retail Display Solution
- Cost effective solution for a multi-display digital signage network
- Enables the customer to centrally manage and distribute content directly to displays in multiple stores via VPN
- Roll out to an initial 3 new retail stores with the potential opportunity to refresh 30+ stores around the country
- CSG's differentiator was the attached service contract and the ability to integrate into a single monthly bill along with print devices



### The Benefits

- ✓ Consistent content and marketing messages across stores providing a more professional look and feel
- ✓ Improved efficiency and effectiveness in distribution of content
- ✓ Simple to manage for customer's internal IT team
- ✓ Single monthly bill
- ✓ Service of MFDs and new display solutions managed by one supplier

## Customer Success Stories - Investment Bank

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Independent global investment banking firm focused on mergers & acquisitions, financial restructuring and merchant banking.

### The Requirements

- Equipment for new premises

### The CSG Solution

- In addition to a multi function device refresh CSG was able to provide the customer
  - Boardroom as a service with 75" Samsung Interactive display
  - Multiple Samsung Smart TVs
  - High Definition monitors for staff in both Sydney and Melbourne offices
- Differentiator was CSG's expanded portfolio of hardware and associated service

### The Benefits

- ✓ New SMART display solutions in the office
- ✓ Integrated Samsung solution all on the Android platform
- ✓ Service of MFDs and new display solutions managed by one supplier



## Business Solutions: CSG's value proposition

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*"Be the most innovative, affordable and enterprising single source provider of business solutions to deliver incremental profits to our customer's bottom line. Make every CSG customer a lifetime customer."*

CSG's full-spectrum product offering provides a clear value proposition to its broad SME customer base. We create genuine value for our customers by providing a one-stop total business solutions offering – saving the customer their most valued assets: time and money

### Typical SME without CSG's offering

Up to 15 suppliers, each with separate billing, leasing and service relationships

- Office supplies
- Computers, laptops and tablets
- Equipment finance
- Multi function printers
- Large format displays
- Mobile handset
- Telephone system
- Cloud storage



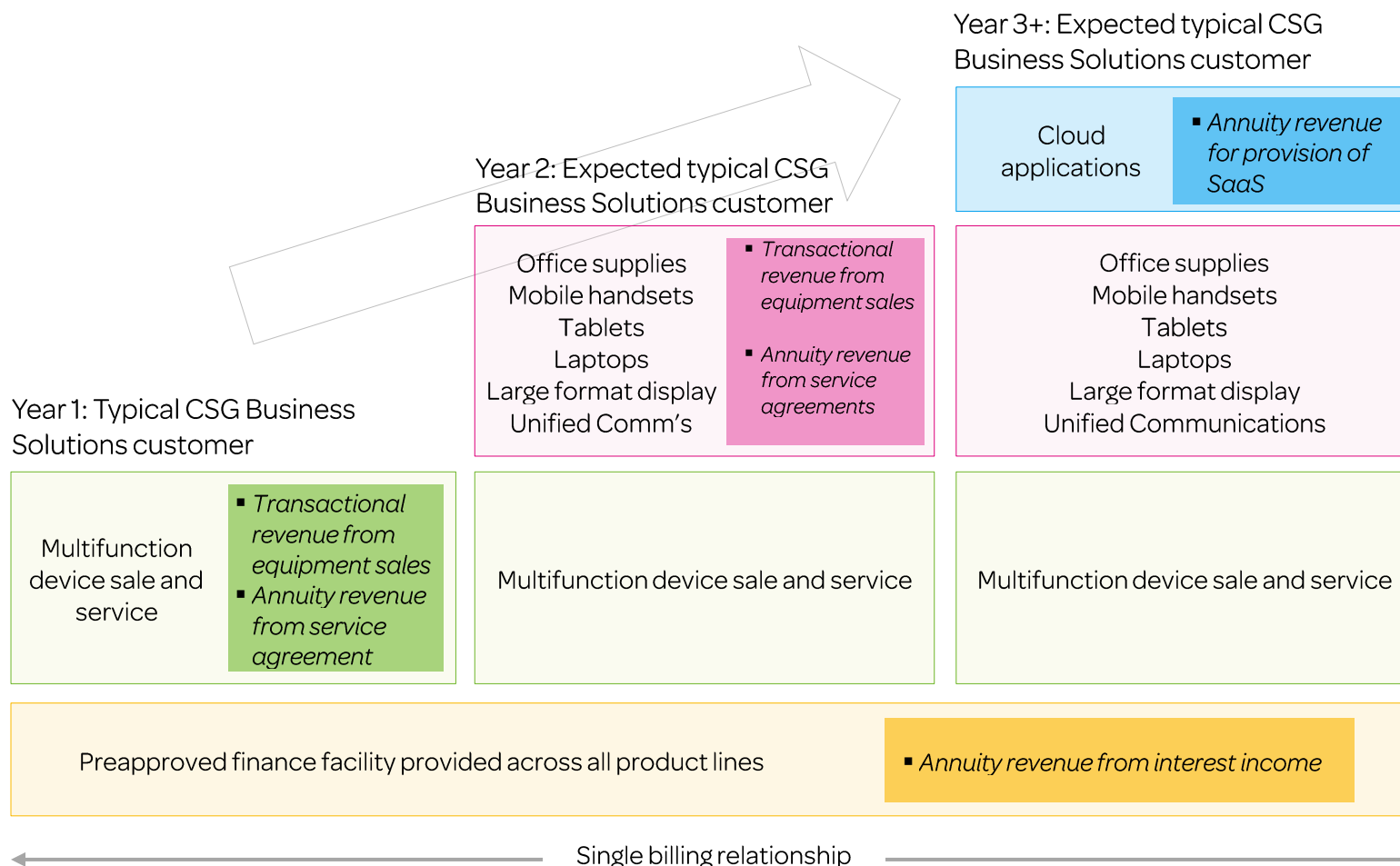
### CSG customer

CSG as a single provider for all business technology needs

- Centralised ordering for all business technology
- Single billing relationship
- National service team
- Single equipment finance relationship

Resulting in time savings, improved cash flow management and increased peace of mind

## Business Solutions: Revenue Model



## Business Solutions: Indicative Growth Potential

Indicative growth achievable in Business Solutions by increasing 'wallet share' of current customer base via the sale of additional business technology products

Indicative annual equipment revenue:

Penetration of print deals with non-print product

		5%	10%	15%	20%	25%
Annual spend on additional product	\$15,000	\$3.0m	\$6.0m	\$9.0m	\$12.0m	\$15.0m
	\$20,000	\$4.0m	\$8.0m	\$12.0m	\$16.0m	\$20.0m
	\$25,000	\$5.0m	\$10.0m	\$15.0m	\$20.0m	\$25.0m
	\$30,000	\$6.0m	\$12.0m	\$18.0m	\$24.0m	\$30.0m
	\$35,000	\$7.0m	\$14.0m	\$21.0m	\$28.0m	\$35.0m
	\$40,000	\$8.0m	\$16.0m	\$24.0m	\$32.0m	\$40.0m

## Enterprise Solutions: Performance Highlights

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- Won major contracts with:
  - Victoria University, Auckland District Health Board, Fonterra
- Appointed to Whole of Queensland Government's Standing Offer Arrangement for the provision of print and imaging as a service.
- Appointed CTO to develop strategy for new products and services
- \$420 million (total contract value) in Enterprise Solutions pipeline for FY15 onwards
- Enterprise Solutions Australia revenue growth of 84% on previous corresponding period
- Queensland Department of Education and Training
  - Continued to rollout in Queensland Education with head office and regional office 100% complete, 200 devices under management and customer benefit of more than \$500 000 in cost savings
  - Schools (SE QLD) – Roll out continuing. 16 more schools rolled out during the half, 337 devices now under management & volume increased by 149% during the half.
  - New cumulative monthly volumes for both Head Office & Schools expected to exceed 3M.
- Added resources to team to ensure highest quality delivery on major contract
- Successful partnership with Samsung has led to increased opportunities to integrate Samsung solution offerings



## Enterprise Solutions: CSG's value proposition

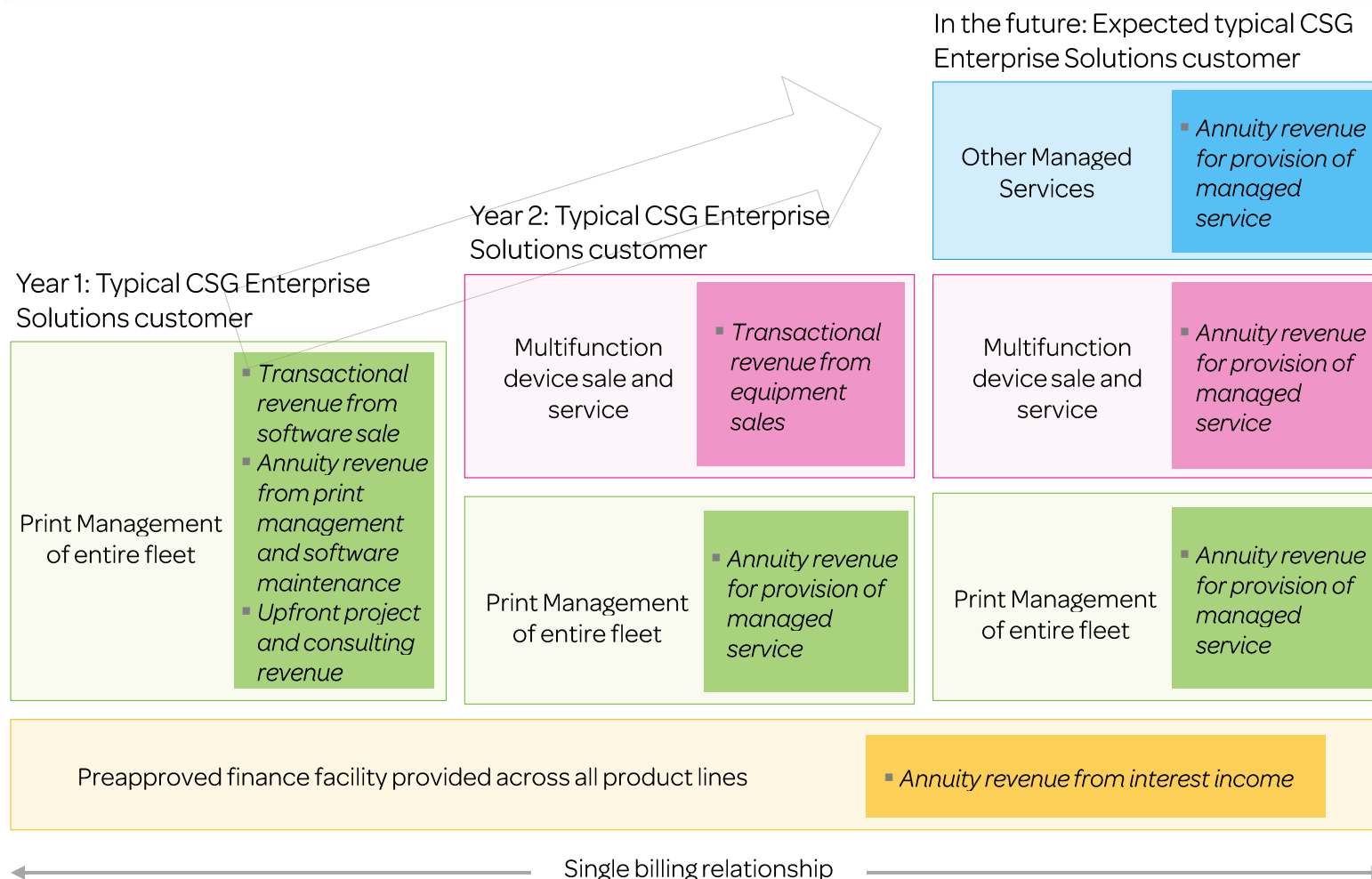
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*"To be the most innovative partner in managed technology solutions to reduce cost and increase productivity for enterprise and government."*

National service and sales team	▶ CSG is the only print and business technology provider with truly national capacity
ASX listed	▶ ASX reporting and regulatory standards appeals to Government and Government related entities
Financing capability	▶ CSG's internal financing capability provides customers with greater flexibility and fast tracked approval
Brand agnostic (Australia)	▶ Ability to sell, install, service and repair all major brands ensures the optimal customised offering can be delivered to all customers
Strong relationship with Konica Minolta in NZ	▶ Ability to leverage Konica Minolta's strong brand presence and significant market share in NZ
Scale with flexibility	▶ CSG has the ability to service customers of all sizes, and the flexibility to service a broad range of customer types

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## Enterprise Solutions: Revenue Model



## Enterprise Solutions: Indicative Growth Potential

Indicative total contract value growth achievable in Enterprise Solutions, achieved by:

- Increasing pipeline size of potential contracts
- Increasing close rate on potential contracts

Indicative annual revenue:

		Close Rate					
		5%	10%	15%	20%	25%	30%
Value of Pipeline (TCV)	\$100m	\$1.3m	\$2.5m	\$3.8m	\$5.0m	\$6.3m	\$7.5m
	\$200m	\$2.5m	\$5.0m	\$7.5m	\$10.0m	\$12.5m	\$15.0m
	\$300m	\$3.8m	\$7.5m	\$11.3m	\$15.0m	\$18.8m	\$22.5m
	\$400m	\$5.0m	\$10.0m	\$15.0m	\$20.0m	\$25.0m	\$30.0m
	\$500m	\$6.3m	\$12.5m	\$18.8m	\$25.0m	\$31.3m	\$37.5m

## Finance Solutions

- Lease receivables book increased year on year by 36% to \$188.6m (\$138.8m in 1H14)
- Australian business continues to convert 95% of customers to CSG Finance products
- Strong growth in the lease book has come at lower margin
- Interest rate hedging benefits from prior years now at an end
- Recently executed an agreement for the acquisition of the balance of CSG contracts from CFAL (\$11m)
- Additional products such as laptops and large format displays have been financed from March 2014

	1H13	1H14	1H15
Closing Receivables (A\$m)	101.6	138.8	188.6
Growth YOY %		37%	36%
PBT (A\$m)	3.5	4.4	4.5
Return On Equity (ROE)	54.4%	43.3%	38.6%
Bad Debt	<0.50%	<0.50%	<0.50%

# calculated for Australia and New Zealand including credit enhancement



## Finance Solutions: CSG's Value Proposition

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*"CSG Finance Solutions' value proposition is to provide a single source of leasing finance for our customers."*

- As a trusted supplier of equipment and services to our customers we have an intimate knowledge of their businesses, allowing us to manage their need for liquidity against our underwriting risk.

### New Zealand

- Profitable, established business with strong performance driven by sustained low bad debts, operational efficiencies and low interest rates
- Provides finance solutions for more than 95% of all devices sold by CSG
- Broad distribution of equipment throughout New Zealand with 18 office locations on the North and South islands
- Opportunities to grow the business with increased product offerings
- Existing staff and systems leveraged to support Australian business

### Australia

- Successfully launched 15th March 2013, with rapid sales uptake
- Book driven by 95% conversion rate of customers and includes healthy spread of Government, Corporate and Commercial Business across Australia
- Sale of additional products from the Samsung product range will drive book growth
- Finance company will support transactional website by allowing a streamlined finance approval process
- Following acquisition of CFAL contracts 80% of CSG existing customers will be financed by CSG Finance



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# Customer Engagement Survey



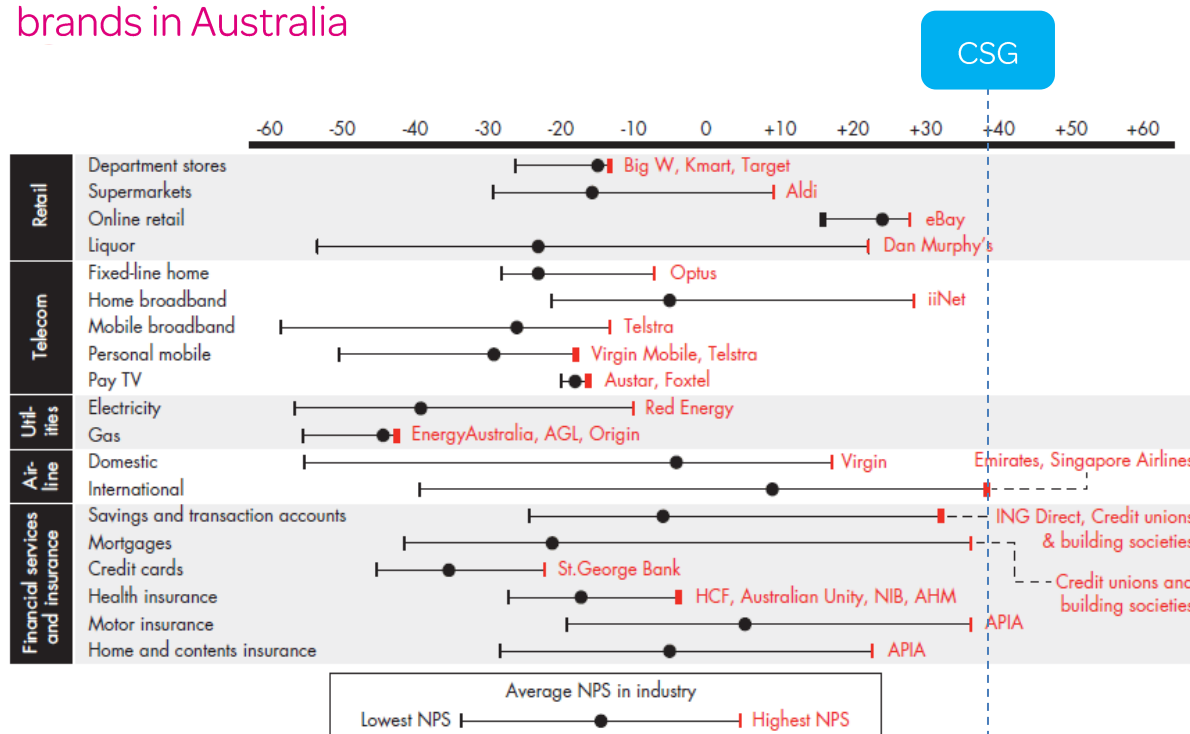


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## Customer Engagement Survey

CSG Net Promoter Score (NPS) - 38 across Australia and New Zealand

The table below shows the NPS scores across different brands in Australia



Note: Excludes brands with fewer than 100 respondents. Some industries have more than one leader, because differences in NPS scores are within the margin of error.  
Source: Bain & Company NPS Consumer survey, December 2012

*"As a service provider, CSG is a leader. Your staff are courteous and efficient and always helpful. I can't think of any way to improve on such great service"*

Customer Australia

*"Great service. Great company. Pleasure to do business with"*

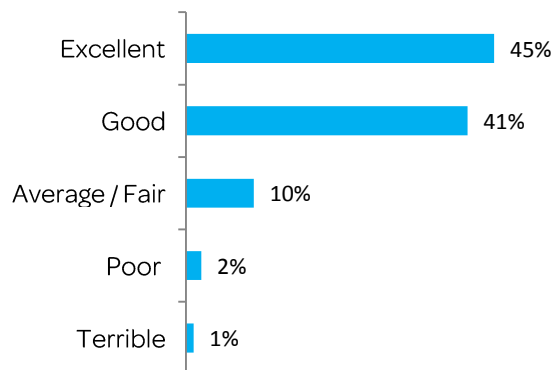
Customer Australia

*"Excellent service, knowledge and the team are extremely helpful. Couldn't ask for better"*

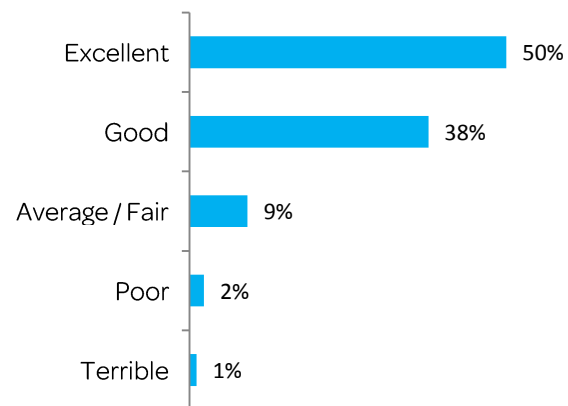
Customer New Zealand

## Customer Engagement Survey Results

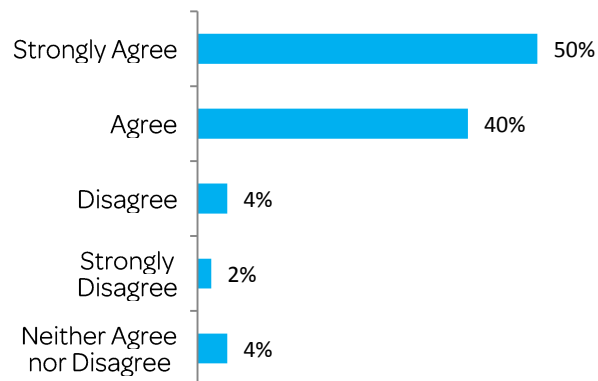
Taking everything into consideration how would you rate CSG as one of your suppliers overall?



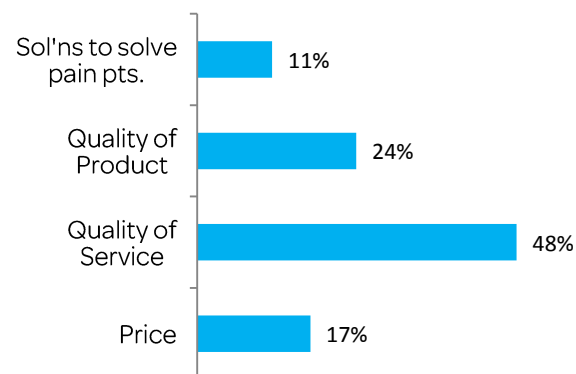
Overall I would consider the CSG quality of service to be:



Our service requests are always dealt with in a timely and professional manner within the promised timeframes.



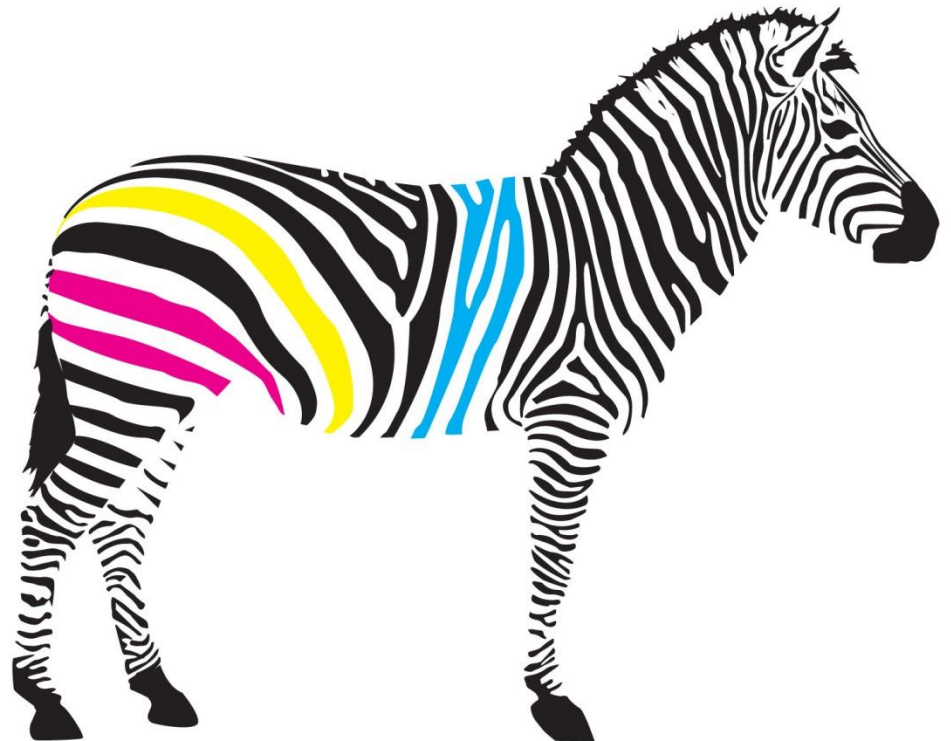
The highest priority for my business in terms of our relationship with CSG is





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# Outlook and Growth Opportunities



## Priorities for Growth

### FY14 achieved

- ✓ Cost out exercise completed
- ✓ Expanded use of the customer portal
- ✓ Increase new product offering for office products
- ✓ Refine offering for Enterprise Solutions and Government customers – Disruptive model
- ✓ New sales model introduced
- ✓ Continue to grow CSG Finance Solutions in Australia
- ✓ New IT platform implemented
- ✓ Shared Services Model fully functional
- ✓ Introduce multiple measures of customer satisfaction and
- ✓ Analyse and refine transactional website
- ✓ Closing leasing receivables greater than \$150m

### FY15

- Further develop online transactional model with direct link to Samsung website
- Grow the non MFD sales as well as the MFD sales channel
- Automated processes across the business as a result of the new IT platform
- New offices in large regional areas of Australia
- CSG Finance to develop growth strategy
- Achieve growth through the success of the Enterprise Solutions team
- Soft launch new IT services in New Zealand
- Recruit IT Managed Services skilled staff into the Enterprise business

### FY16 and Beyond

- Grow Business Solutions business as a full service provider of IT Solutions
- Grow Enterprise Solutions business as an IT Managed Services provider to government, education and enterprise in all regions
- Pursue opportunities to grow the leasing book through organic growth and potential acquisition
- Look for partnerships with innovative cloud vendors
- Continue to develop IT platform to deliver premium customer service
- Extend digital presence and grow online transactions
- International expansion

## FY 2015 Outlook

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- Forecast underlying EBITDA (excluding LTIP) to be in the range of \$32m - \$34m.  
This represents 10% to 17% growth on FY14
- Revenue is expected to exceed \$220m (growth of at least 10%)
- Finance receivables expected to exceed \$210m (growth of at least 30%)
- Capital expenditure expected to be approx. \$3.5m
- Maintain \$25m return to shareholders



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Thank you





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