FY2019 RESULTS

20 August 2019

Presented by

Mark Bayliss, **Acting CEO & Managing Director**
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CSG

Business Technology Made Easy

FY19 Highlights: Transformation and return to sustainable growth

Business Technology Made Easy

$17.1m
EBITDA
within guidance
↑71%

$7.7m
Cost out
Completed

$10m
Inventory Reduction
Completed

↑17%
Growth in technology subscription revenue
~$102 ARPU
↑18% Seat Growth

1.5x
Leverage
↓ from 4.1x in FY18
Balance Sheet repaired

8
Key appointments

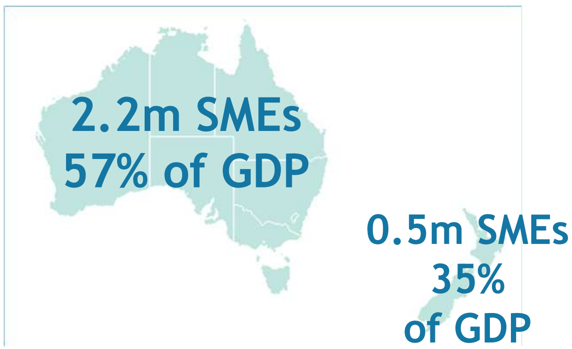
CSG 2021
Culture change program launched
34 Culture Champions

Sustainable growth
Double digit %
Underlying EBITDA growth in FY20[1]

[1] Based on current presentation of underlying EBITDA methodology. Presentation of underlying EBITDA is likely to change in FY20 due to the impact of new lease accounting pursuant to AASB16

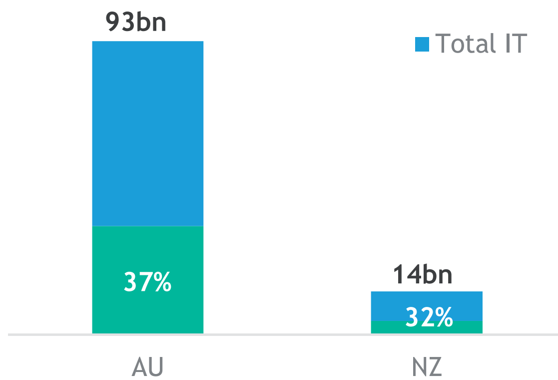
Australia and New Zealand are nations built on SMEs with a growing use of technology

Australia and New Zealand are nations of SMEs[1]



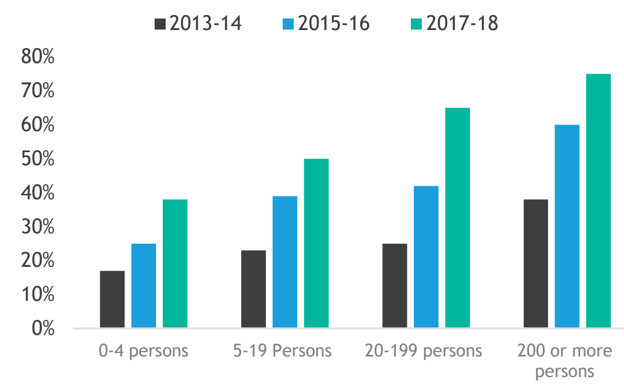
- 2.2m SMEs in Australia representing 99% of Australian businesses[2] and 57% of GDP[3]
- 0.5m SMEs in New Zealand representing 97% of New Zealand businesses[4] and 35% of GDP[5]

IT spend >$100bn across ANZ



- IT services is the largest IT expenditure category across Australia and New Zealand
- Total IT spending forecast of $93bn in Australia for 2019 with 37% on IT services (+4.4% YoY)[6]
- Total IT spending forecast of $13.7bn in New Zealand for 2019 with 32% on IT services (+4.3% YoY)[7]

Paid cloud-based computing services are growing significantly YoY



- The proportion of businesses using paid cloud computing continues to grow in SME[8]
- SMEs identified insufficient knowledge of paid cloud computing services as the greatest factor limiting or preventing its use - opportunity for managed services expertise and support[9]

[1] Businesses with <199 employees. IBISWorld – Australia Market Research Report, 30 June 2018; Australian Bureau of Statistics ('ABS')
[2] ABS, Counts of Australian Businesses, 21 February 2019 [3] NAB / IPSOS: Moments That Matter: Understanding Australian Small to Medium Businesses, 2017 [4/5] NZ Government Ministry of Business, Innovation and Employment, Small Business Fact Sheet,2017
[6] Gartner, October 2018 [7] Gartner, April 2019 [8/9] ABS, Characteristics of Australian Business, 2017-18

CSG is creating the leading Technology as a Subscription service provider to the SME sector across Australia & New Zealand

CSG
Business Technology Made Easy

10,000+
Customers
SME focused

27 offices
Nationwide coverage across Australia & New Zealand

1 invoice
Everything you need, one monthly invoice

Independent
with leading partners
Canon KONICA MINOLTA hp

$217m
Lease receivables
Supporting print & tech subscription model

670
Employees

35,000+
Print devices in field
One of the largest non-OEM fleets globally

24,000+
Technology seats

Technology · Print & Display · Finance

CSG transformation: led by cultural change

CSG's Vision, Mission, Strategy and Values

Cultural changes

- ~100 employees attended group workshops in 2018 to develop and own the CSG vision, mission, strategy and values - "CSG Cloud"
- Executive Chairman, CEO and CFO undertook a strategy and culture roadshow of all major branches in Australia and New Zealand
- 34 "CSG Culture Champions" were nominated by the whole organisation to lead and maintain cultural change in the organisation
- Culture Champions have led cultural workshops with all employees
- All offices now have posters re-enforcing the CSG vision, mission, strategy and values

Operating changes

- Moved to 4PL logistics model in Australia
- Developed and implemented Marketing Strategy
- Developed and implemented People and Culture Strategy
- Revitalised management team
- Launched "Customer Hub"
- CSG Finance implemented enhanced credit processes and has reviewed the lease book to deal with non-core bad debts
- Capital raise completed with strong support from existing shareholders and support provided by bank financiers with extension of facilities

Leadership team strengthened

Mark Bayliss, Acting CEO & Managing Director

- Appointed in March 2019 (previously Executive Chairman)
- Extensive corporate leadership experience including: CEO of Grays eCommerce Group and Quick Service Restaurant Holdings, Exec Chairman of Burger King NZ, CFO of Australian Discount Retail, CFO of Fairfax Media
- Previous partner at Anchorage Capital (Australian private equity fund)

Ashley Conn, Chief Financial Officer

- Appointed in November 2018
- 20 years of investment banking experience in Australia and New York predominately with Goldman Sachs and Morgan Stanley
- Previously held other CFO and CFO advisory roles
- Chartered Accountant, MBA

Chris Mackay, Executive General Manager, NZ

- Appointed in June 2018
- Joined CSG in September 2015 through the acquisition of CodeBlue Limited (CEO)
- Highly experienced leader in the technology industry with over 35 years experience, 16 of those years as CEO of various IT services companies

Gavin Gomes, Executive General Manager, Australia

- Commencing 26 August 2019
- Previously Group Executive Director, Canon Australia and a key member of their Oceania Group leadership team for the past 3 years
- Over 20+ years of experience in building successful customer experience teams, including executive leadership roles with IBM, Procter & Gamble, Telstra and Australia Post

Matthew Manton, Chief Print & Display Solutions Executive, Australia

- Appointed in June 2017
- Joined CSG in 1999 (Previously General Manager of CSG's Queensland operations)
- Over 20 years experience in the print industry, having previously held positions in sales and general management

Gordon Tan, Chief Technology Solutions Executive, Australia

- Appointed in June 2018
- Joined CSG in 2017 through the acquisition of R&G Technologies (MD)
- Grew the business over 12 years to become one of Queensland's largest privately-owned Managed Services providers

Leadership team strengthened (cont)

Craig Bowring, General Manager, Treasury & Leasing

- Appointed in October 2018
- Over 20 years experience in leasing and asset finance at Westpac and Capital Finance

Steve Rowe, Chief People Officer

- Appointed in May 2019
- Over 25 years HR experience across various multinationals in Australia and internationally, including Perpetual, Pfizer and IAG

Howard Edelman, Interim General Counsel and Company Secretary

- Appointed in May 2019
- Over 25 years corporate and commercial experience across a variety of industries including technology and investment banking
- Previously General Counsel and Company Secretary of AUB Group, iSOFT Group and CIMB Australia

Arthur Mitchell, Interim Head of Information Technology

- Appointed in May 2019
- Oversees the IT and business transformation program
- Over 30 years experience across various global and Asia Pacific CIO / Head of IT / IT Director roles, including LafargeHolcim, Dana Automotive and Valmont Industries

Daniel McIvor, Chief Operations Officer, CodeBlue

- Appointed in March 2019
- Joined CSG in September 2015 through the acquisition of CodeBlue Limited
- 20 years of both print and technology experience, having previously held positions in sales and general management

Harold Melnick, General Manager, Marketing

- Commencing 26 August 2019
- Over 20 years experience in technology and communications, holding senior positions at leading corporates including Microsoft, Telstra and Vodafone

FY20: A year of consolidation

FY19 accomplishments

- Restructure the business to focus on SME across Print and Technology underpinned by Finance
- Key management appointments made
- Cost-out initiatives with cost savings of ~$7.7m in FY19
- New commission plans rolled out in Australia
- Personnel changes in NZ to improve profitability
- Improve working capital through a reduction in inventory by $10m in FY19
- Comprehensive customer survey and customer profitability analysis completed

CSG's strategy

- **Defend Print**
- **Expand Technology**
- **Extend Through New Solutions**

Key priorities for FY20

- Ongoing improvements in Print operations efficiency
- Implement Australia and New Zealand Technology Strategy, accelerating technology growth and share of earnings
- Implement marketing plan to improve customer experience and clearly define customer value proposition
- Implement final delivery of Customer Hub and FinancialForce program
- Implement People and Culture Plan with Executive accountability
- Improve cash conversion and deliver further working capital efficiencies
- **Deliver double digit percentage underlying EBITDA growth**

CSG - Business Technology Made Easy

GROWING EARNINGS AND STRENGTHENING OUR BALANCE SHEET

Benefits from transformation underpin EBITDA growth of 71% to $17.1m

Profit & loss

$m	FY19	FY18	Variance
Revenue[1]	**217.6**	**223.5**	(3%)
Underlying EBITDA[2]	**17.1**	**10.0**	71%
Underlying EBITDA margin	*7.9%*	*4.5%*	
EBITDA	**12.7**	**(151.0)**	
Depreciation & amortisation[3]	(9.6)	(6.7)	
Net interest expense	(2.9)	(3.8)	
Profit before tax	**0.2**	**(161.5)**	
Income tax	(2.0)	11.4	
Statutory net profit after tax	**(1.8)**	**(150.1)**	
Underlying NPAT[4]	**5.7**	**2.3**	148%
Underlying EPS	0.015	0.007	109%

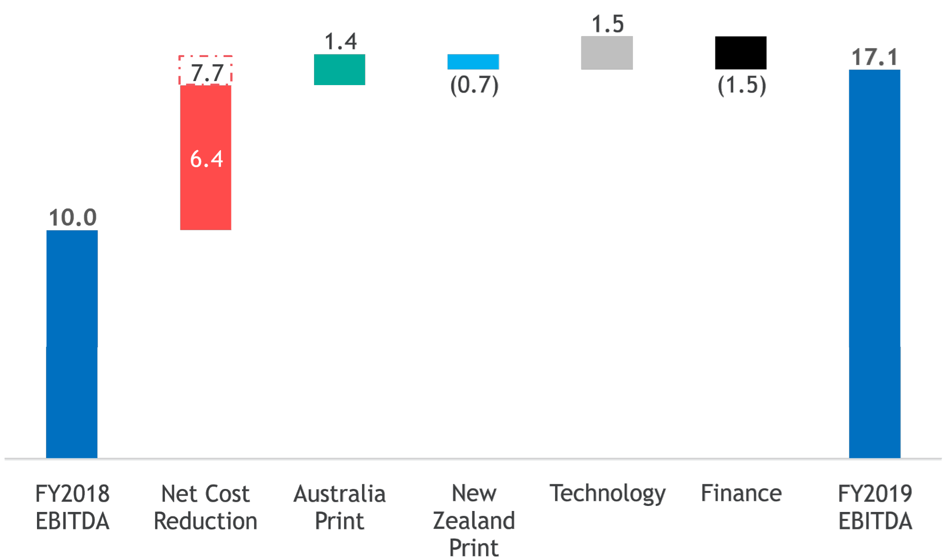
[1] FY18 has been restated to reflect a reclassification of rebates from other revenue to COGS (reduced by $2.2m)
[2] FY19: Before deconsolidation impact of sale of pcMedia ($0.5m), non-cash share issue and LTIP expense $2.5m, one-off non-core bad debts $2.4m; FY18: Before impairment $116.1m, restructuring provision $39.2m, non-cash LTIP $0.4m and non-recurring expenses $5.3m
[3] FY19: Includes additional amortisation of $1.1m in 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] FY19: Before deconsolidation impact of sale of pcMedia ($0.5m), non-cash share issue and LTIP expense $2.5m, one-off non-core bad debts $2.4m, historic commission amortisation $1.1m (before tax effect and as required by AASB 15) and before customer contract amortisation of $3.1m (before tax effect)

- **Focus on generating profitable revenue: Stabilising, but down 3% to $217.6m**
  - Technology revenue continues to grow, with subscription revenue up 17.0% and technology & display equipment revenue up 30.4%
  - Print equipment sales were down 3.5% overall which was predominantly driven by H1 underperformance in New Zealand and an equivalent (~$1.4m) reduced Enterprise contribution
  - Australia SME print equipment sales up 11.5% driven by improved sales team performance and focus on renegotiating unprofitable enterprise print contracts to restore profitability
  - NZ SME print equipment sales, despite being down 11%, were up 30% on H1 FY19 and 11% on H2 FY18
  - Print service revenue decline (6.3%) in line with expectations
- **Focus on improving the quality of revenue**
  - Continued growth of Technology annuity subscription revenue
  - Refocused sales teams by division
  - Implementing strategic initiatives to maintain Print service revenue
- **Underlying EBITDA up 71% to $17.1m**
  - Focus on sustainable and scaleable profit growth
  - Benefits from cost reduction program delivered

FY19 Underlying EBITDA guidance met

Underlying EBITDA Bridge (A$m)[1]

FY18A to FY19A



Underlying EBITDA up 71% on FY18

1 **Identified Reduction in Direct and Overhead Costs**

Significant reduction in costs ($7.7m) was achieved, driven primarily by reduction in labour following cessation of investment in the Enterprise technology segment and further targeted headcount reductions and savings in logistics. However this was offset by one-off transitional expenses ($1.3m) arising from the implementation of the "CSG 2021" strategy and the associated changes in people and operations

2 **Australia Print & Display**

Underlying improvement in Australia Print and Display before net cost reduction benefit. SME print equipment sales up 11.5% and unprofitable enterprise print contracts renegotiated to restore profitability. Display equipment sales up 25%. SME Print service revenue decline in line with expectations at 6.0%. Margins in line with FY18

3 **New Zealand Print & Display**

First half underperformance in New Zealand Print and Display before net cost reduction benefit. Print equipment sales were down 11%, driven by H1 underperformance. Sales in H2 FY19 were up 30% on H1 FY19 and 11% on H2 FY18. Display equipment sales up 58%. Print service revenue decline of 9.6%, with focus on improving customer profitability in FY20. Margins in line with FY18

3 **Technology**

Continued growth of Technology annuity subscription revenue driven by Managed IT seats growth

4 **Finance**

Impacted by higher cost of funding as a result of APS120 Regulatory requirements and decline in lease receivables

[1] EBITDA Bridge provided for comparison purposes to guidance provided in FY18 results presentation. Actual divisional variances may vary slightly to the segment results that follow

$12m positive turnaround in operating cashflow

Cash Flow

$m	FY19	FY18
Underlying EBITDA	**17.1**	**10.0**
Cash impact of non-recurring items	(2.4)	(7.4)
Net lease book working capital	2.5	11.1
Change in inventory	9.6	8.6
Change in other working capital	(12.7)	(18.6)
Net interest and tax paid	(3.6)	(5.3)
Operating cash flows	**10.4**	**(1.6)**
Capex	(6.1)	(5.4)
Payments for businesses	(1.7)	(3.7)
Investing cash flows	**(7.8)**	**(9.1)**
Equity raising / shareholder distributions	17.1	-
Proceeds / repayment of borrowings	(7.4)	5.0
Financing cash flows	**9.7**	**5.0**
FX / Other	-	(0.5)
Net movement in cash	**12.3**	**(6.1)**
Opening cash	**14.2**	**20.3**
Closing cash	**26.6**	**14.2**
Cash conversion[1]	**80%**	**0%**

[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

- **Operating cash flow up $12.0m to $10.4m**
  - Inventory levels reduced by $9.6m as a result of improved operational management and forecasting. In line with inventory reduction target of approximately $10m by 30 June 2019
  - Working capital impact of ($12.7m) due to:
    - $2m one-off restructure-related payments in H1 FY19
    - $2.6m in one-off non-core bad debts
    - Run-down in OEM creditor balances and one-time catch-up of creditors to get back on terms post-capital raise
    - System billing issues that resulted in a working capital build up (e.g. Debtors)
    - Seasonal increase in debtors at year-end
  - Reduction in net lease book working capital reflecting lower print equipment sales
- Cash conversion 80% compared to 0% in FY18
- Capex of $6.1m driven by investment in technology enablers (e.g. Customer Hub) to promote efficiency in sales, operations process and enhanced customer experience. Capex is expected to reduce in FY20
- Payments for businesses consists of deferred payments to complete the acquisition of CodeBlue in New Zealand
- Financing cash flows of $9.7m reflects the September capital raise (net $17.1m)[2], partially offset by senior debt repayment

Strengthened balance sheet with reduced leverage

Balance Sheet

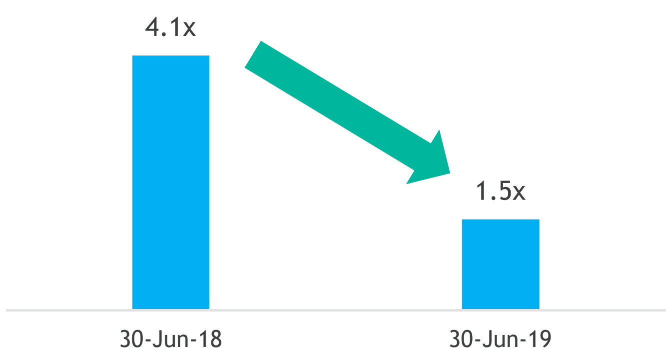
$m	30 June 2019	30 June 2018	Movement
Assets			
Cash	26.6	14.2	12.4
Receivables	34.6	38.1	(3.5)
Lease receivables	217.9	242.2	(24.3)
Inventory	39.1	48.7	(9.6)
Goodwill & intangibles	56.1	58.2	(2.2)
Other	15.0	13.2	1.8
Total Assets	**389.3**	**414.6**	**(25.3)**
Liabilities			
Trade & other payables[1]	48.8	62.6	(13.8)
Corporate borrowings	41.0	48.3	(7.3)
Deferred consideration	1.2	5.4	(4.2)
Lease receivable debt	192.0	213.0	(21.0)
Other	5.3	2.9	2.4
Total Liabilities	**288.5**	**332.2**	**(43.7)**
Equity			
Contributed equity	232.3	213.4	18.9
Retained earnings & reserves	(147.4)	(145.9)	(1.5)
Minority Interest	15.9	14.9	1.0
Total Equity	**100.8**	**82.4**	**18.4**

[1] Includes provisions

- Cash balance $26.6m up 88% ($10.4m restricted cash relating to the finance business). Significant progress made to reduce leverage in the business
  - Corporate debt of $41.0m; down from $48.3m as at 30 June 2018
  - Net Debt of $24.9m vs $40.8m as at 30 June 2018
  - Signed in principle agreement with CBA to extend maturities to 21 August 2020
- Decrease in receivables of $3.5m reflects focus on working capital management
- Decrease in lease receivables of $24.3m reflects lower print equipment sales
- Inventory initiatives successful, with $10m reduction materially achieved
- Trade & other payables reduced by $13.8m due to one-time catch-up of creditors to get back on terms post-capital raise, a $5.5m pay-out to finance company relating to a material sale recorded in June 2018 and $2.0m in one-off restructure related payments
- Deferred consideration reduced in H1 FY19 as final CodeBlue earn-outs paid and pcMedia business sold. Remaining balance cleared in July with payment of PrintSync earn-out

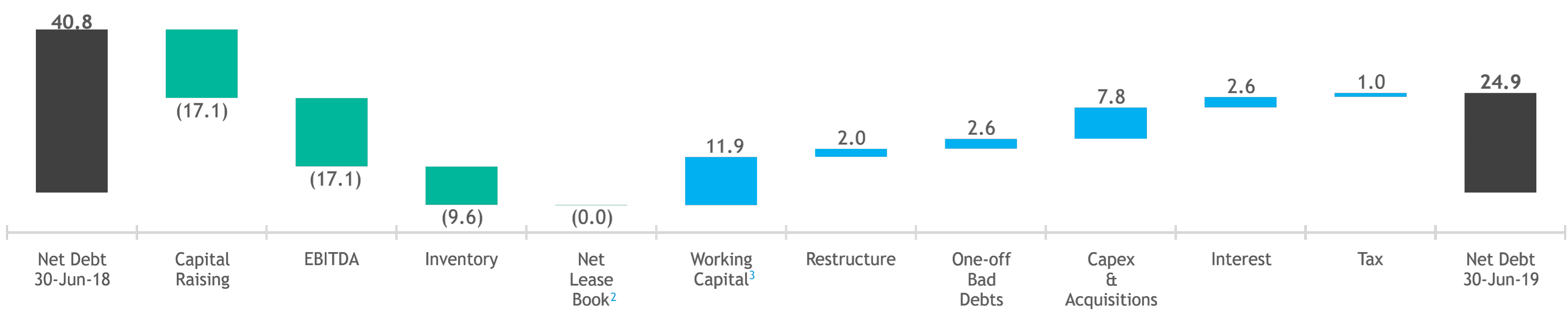
Balance sheet strengthened

Net Debt Leverage



- Net debt of $24.9m as at 30 June 2019
  - Represents 1.5x net debt leverage based on $17.1m underlying EBITDA
- Further deleveraging to occur in FY20 led by delivering earnings, lower restructuring costs, reduced capex and ongoing working capital improvements
- Build up in working capital over the year the result of systems implementation issues primarily impacting billing
- In principle agreement signed with the CBA to extend maturity of the debt facility to 21 August 2020.

Net Debt[1] Bridge



[1] Net Debt excluding restricted cash of $10.4m
[2] Adjusted for $2.5m movement in restricted cash
[3] Includes receivables seasonal movement and excludes restructure related payments and one-off Bad Debts

CSG - Business Technology Made Easy

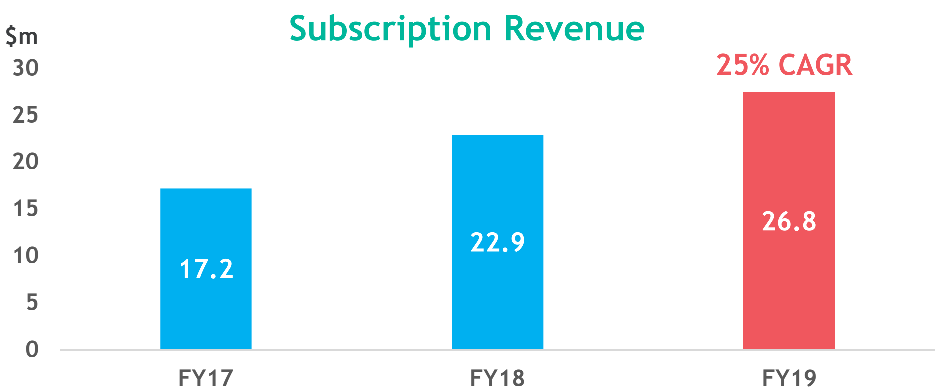
A RENEWED FOCUS ON EACH OF OUR BUSINESS SEGMENTS

In FY19 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 FY18 information is provided for comparative purposes, the business was not operated along these segmental lines in FY18. In order to present comparative information, Management has prepared FY18 segmental information consistent with FY19. Segment revenues for FY18 may differ to what was presented in the 21 August 2018 FY18 Results and Fully Underwritten Capital Raising presentation, where segments were shown inclusive of intercompany eliminations

Technology as a Subscription gains momentum

Technology – Summary financials

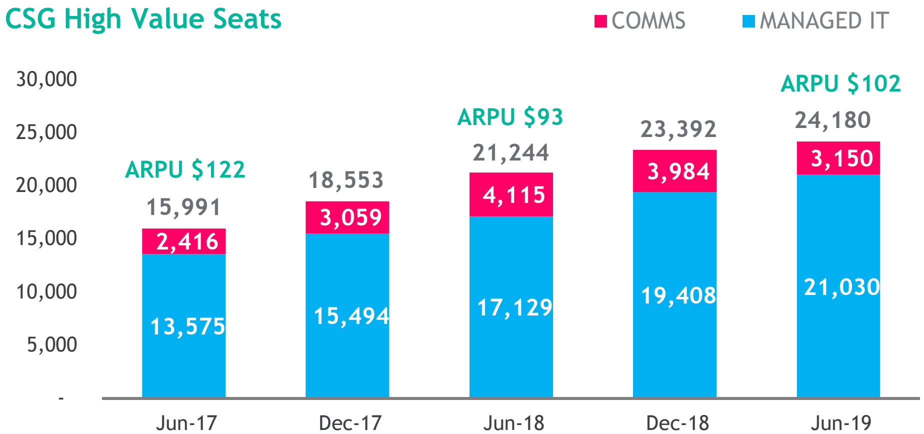
$m	FY19	FY18	Variance
Technology subscription	26.8	22.9	⌃ 17.0%
Technology equipment	11.8	13.5	⌄ (12.3%)
Technology other	7.9	7.6	⌃ 4.4%
Total Technology revenue	**46.6**	**44.0**	**⌃ 5.8%**
Underlying EBITDA[1]	**4.4**	**3.7**	**⌃ 19.6%**
EBITDA margin	*9.5%*	*8.4%*	
EBIT	**3.9**	**3.3**	**⌃ 17.7%**
EBIT margin	*8.4%*	*7.6%*	



- CSG's innovative Technology as a Subscription model continues to gain momentum with year on year subscription revenue increasing $3.9m (growth of 17%). Subscription revenue grew at a 2-year CAGR of 25%
- Technology other, predominantly professional services related to implementation and consulting services up 4.4%
- Technology Equipment was down slightly with transition to cloud impacting demand for network hardware
- Earnings impacted by investment in the Australian technology sales team after the closure of the Enterprise Technology business, which is expected to significantly improve profitability in FY20
- Several initiatives are underway as part of the Australia and New Zealand Technology Strategy, to accelerate technology growth and share of earnings through best practice sharing, standardised solution offering and operations consolidation

[1] FY19: Before deconsolidation impact of sale of pcMedia ($0.2m)

Technology continues to gain traction in the SME space



CSG Group Subscription Seats	Jun-17	Dec-17	Jun-18	Dec-18	Jun-19
5 Year Term Annuity Seat Value[1]	$117.0m	$117.8m	$124.6m	$135.9m	$148.0m
Exiting MRR[2]	$2.0m	$2.0m	$2.1m	$2.3m	$2.5m
Seats[3]	15,991	19,635	22,326	24,617	24,180
ARPU	~$122	~$100	~$93	~$92	~$102
Churn rate %				1.0%	0.9%

- 5 Year Term Annuity Subscription Value has increased by 19% to $148.0m
- Increase in ARPU to ~$102 (10% increase) in FY19 primarily due to higher mix of Managed IT subscriptions, consistent with sales strategy focusing on Managed IT
- High value Managed IT subscriptions grew by 23%, with exiting MRR up 17%
- Net subscription seats added in FY19 were 3,689 (18% increase), adjusting for the sale of pcMedia and the transitioning of CaaS seats in NZ to third party support, to focus on high value Managed IT
  - 1,225 high value seats no longer counted due to the sale of pcMedia on 31 December 2018
  - 753 CaaS seats in NZ no longer counted as they have been transitioned to third party support in H2 FY19
- Churn[4] remains low at <1.0%

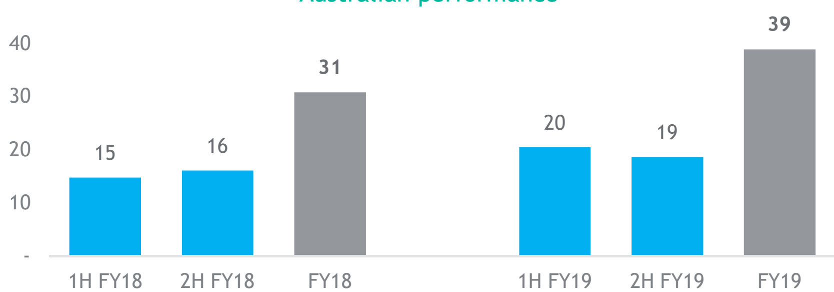
[1] 5 Year Term Annuity Subscription Value calculated as number of subscriptions multiplied by the ARPU (average revenue per subscription) multiplied by average contract term of 5 years
[2] MRR calculated as number of subscriptions at the end of the period multiplied by the ARPU. Excludes Cloud Hosting revenue (revenue not calculated with reference to “seats”)
[3] Including pcMedia high value seats. High value seats chart adjusted to exclude pcMedia
[4] Churn is the number of seats ended in the month as a percentage of the opening balance. YTD churn is an average of each month in the period

Print & Display: Australia leading, NZ transformation delivering

Print & Display - Summary financials

$m	FY19	FY18	Variance
Print equipment	65.3	67.7	(3.5%)
Display equipment	12.0	9.2	30.4%
Print service	70.5	75.2	(6.3%)
Other print & display	1.5	2.1	(24.7%)
Total Print & Display revenue	**149.3**	**154.2**	**(3.1%)**
Underlying EBITDA[1]	**11.7**	**5.1**	**130.2%**
EBITDA margin	*7.8%*	*3.3%*	
EBIT	**6.2**	**(2.9)**	
EBIT margin	*4.1%*	*(1.8%)*	

Transactions per sales head has increased driven by Australian performance



- Transformation of sales structure and cost-out program have contributed to segment EBITDA increasing $6.6m
- Key positives:
  - Display equipment sales up 30%
  - Australia SME print equipment sales up 11.5% and unprofitable Enterprise print contracts renegotiated to restore profitability
  - NZ SME print equipment sales, despite being down 11% in FY19, were up 30% on H1 FY19 and 11% on H2 FY18
  - Print and Display SME transactions per sales staff are up 25% on FY18, reflecting improved productivity of 'print and display only' sales force
  - New Head of Sales in Auckland appointed and NZ sales teams have been restructured and are recruiting additional sales resources
  - Continued to deliver high quality customer service with a strong in-field NPS[2] score of 74
- Areas for ongoing improvement:
  - Print equipment sales were down 3.5% overall which was predominantly driven by H1 underperformance in New Zealand and an equivalent (~$1.4m) reduced Enterprise contribution
  - Print service revenue decline in line with expectations at 6.3%, but initiatives in place to mitigate decline. Print service margins have maintained in line with FY18

[1] FY19: Before one-off bad debt impact of $1.1m. FY18: Before non-recurring expenses of $4.5m

[2] 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	FY19	FY18	Variance
Finance revenue	**23.5**	**26.4**	**(11.0%)**
Underlying EBITDA[1]	**8.2**	**9.7**	**(16.1%)**
EBITDA margin	*34.8%*	*36.9%*	
EBIT	**3.8**	**8.5**	**(55.3%)**
EBIT margin	*16.2%*	*32.3%*	
Closing receivables ($m)	217.9	242.2	(11.0%)
Bad debts	<1.50%	<0.50%	

[1] FY19: Before one-off bad debt impact of $1.3m and Group transfer price recharge of $2.9m. FY18: Group transfer price recharge of $0.9m

[2] $1.3m of non-core bad debts recognised in CSG Finance, with remaining $1.1m on recourse to Print & Display

- Lower revenue and receivables balance reflects lower print equipment sales
- One-off EBITDA impact of $2.4m for non-core bad debts in CSG. $1.3m relating to the Australian lease book in H2 FY19[2]
- Diversified industry and geographical exposure resulting in underlying bad debts as a percentage of average lease receivables of <1.50% in FY19
- The Group completed a restructure of the New Zealand lease financing facilities, with the introduction of a mezzanine investor into the CSG Finance New Zealand Trust
- Existing facilities in Australia and New Zealand have $55m of additional capacity and the availability period for new business was extended to April 2020, with a final maturity date of April 2022
- Further efficiencies to be pursued in FY20 through greater automation of the finance approval process via Customer Hub
- New Head of Treasury and Leasing appointed in October 2018, Craig Bowring (Formerly of Westpac and Capital Finance)

Australia and New Zealand Segment Information

Australia

A$m	FY19	FY18	Variance
Print & Display			
Total revenue	85.2	86.7	⌄ (1.8%)
Underlying EBITDA	7.0	0.5	^ 1306.0%
EBITDA margin	*8.3%*	*0.6%*	
Technology			
Total revenue	12.6	11.2	^ 12.4%
Underlying EBITDA	(0.1)	(0.4)	^ 65.8%
EBITDA margin	*(1.2%)*	*(3.8%)*	

Print

- SME print equipment sales up 11.5% and unprofitable Enterprise print contracts renegotiated to restore profitability
- Display equipment sales up 25%
- SME Print service revenue decline in line with expectations at 6.0%. Margins in line with FY18
- Cost out initiatives in salaries and logistics delivered

Technology

- Earnings impacted by investment in the Australian technology sales team after the closure of the Enterprise Technology business.

New Zealand

A$m	FY19	FY18	Variance
Print & Display			
Total revenue	64.2	67.4	⌄ (4.8%)
Underlying EBITDA	4.7	4.6	^ 1.5%
EBITDA margin	*7.3%*	*6.8%*	
Technology			
Total revenue	34.0	32.8	^ 3.7%
Underlying EBITDA	4.5	4.1	^ 9.2%
EBITDA margin	*13.3%*	*12.6%*	

Print

- Print equipment sales were down 11%, driven by H1 underperformance. Sales in H2 FY19 were up 30% on H1 FY19 and 11% on H2 FY18
- Display equipment sales up 58%
- Print service revenue decline of 9.6%, with focus on improving customer profitability in FY20. Margins in line with FY18
- Cost out initiatives in salaries and logistics delivered

Technology

- CodeBlue is a stable business well positioned for future growth

CSG - Business Technology Made Easy

CSG 2021 IS UNDERPINNING OUR TRANSFORMATION AND GROWTH

FY20: Consolidating the transformation to drive sustainable growth

FY19: Doing what we said we would do

- ✓ CSG 2021 Culture Change Program launched
- ✓ Strategy is in place: Defend, Expand, Extend
- ✓ EBITDA guidance met, with strong growth in earnings
- ✓ Continued growth in Technology subscription revenue
- ✓ Cost out and inventory reduction completed
- ✓ Balance sheet repaired following successful capital raising

FY20: A year of consolidation

- Accelerate growth in Technology subscription revenue and EBITDA
- Implement operational initiatives to enhance customer value
- Improve cash conversion and deliver further working capital efficiencies
- Deliver double digit percentage underlying EBITDA growth[1]

[1] Based on current presentation of underlying EBITDA methodology. Presentation of underlying EBITDA is likely to change in FY20 due to the impact of new lease accounting pursuant to AASB16

APPENDICES

CSG: How we look today

Business Technology Made Easy

Print & Display

Multifunction Devices
Print, copy, scan

Managed Print
(including on going service)

Video Conferencing
Zoom software

Digital Displays
Print, copy, scan

Interactive Whiteboard

- 35,000+ MIF
- 10,000+ customers
- One of the largest non-OEM fleets in the world
- National presence in Australia (~4% market share) and New Zealand (~23% market share)

Finance

Equipment Finance
In-house equipment financing for print and technology

- Lease receivables of $217m
- ~95% of all Print and Technology transactions financed by CSG finance company

Technology

Managed IT
Laptop, Microsoft Office software, storage, phone handset, cloud communications and operational support

Desktop as a Subscription
Laptop, Microsoft Office software& storage and service & operational support

Boardroom as a Subscription
Zoom conferencing software

Cloud Telephony
Unified communications solutions including national and international call through 8x8

- Leading provider of technology as a subscription to the SME sector
- 24,000+ high value technology subscriptions
- Partnering with leading global vendors, e.g. HP, Samsung, Alibaba, Zoom

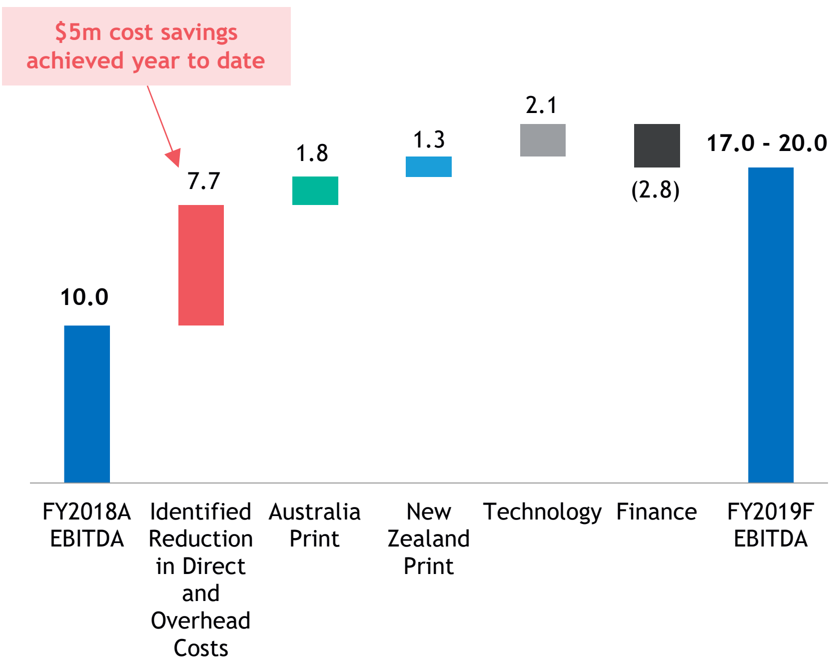
CSG Partners

Canon | hp | KONICA MINOLTA | Microsoft | 8x8 | Alibaba Cloud | SAMSUNG | zoom

FY19 Underlying EBITDA guidance will be achieved through the cost-out program and growth in Tech and Print & Display

Underlying EBITDA Bridge (A$m)[1]

FY18 Actuals to FY19F



Commentary

1. **Identified Reduction in Direct and Overhead Costs**
   Significant reduction in costs driven by reduction in labour primarily due to cessation of investment in the enterprise technology segment along with reduction in distribution costs, motor vehicle costs and integration of recent acquisitions - **$5m already achieved in June and July 2018**

2. **Australia Print & Display**
   Incremental print and display sales.

3. **New Zealand Print & Display**
   Revenue for New Zealand assumed flat for FY19. Change in product mix resulting in $1.2m of additional margin from print equipment sales

4. **Technology**
   Continued growth of Technology annuity subscription revenue as a result of high value seat growth

5. **Finance**
   Impacted by higher cost of funding as a result of APS120 Regulatory requirements.

[1] Actual divisional variances vary from the bridge provided on 25 June 2018 following the finalisation of year-end results, which were impacted by transactions processed late in the month.

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