More than you expect.

CSG Limited

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ASX Announcement

Expected Asset Impairment and Trading Update

Expected Asset Impairment

CSG Limited (ASX: CSV) (CSG or the Company) is reviewing the carrying value of its assets in the preparation of the financial statements for the full year period to 30 June 2017. In light of this review, the Company expects to recognise a non-cash charge for impairment of approximately $55 million in its results for the year ended 30 June 2017.

The expected impairment relates to the carrying value of the goodwill associated with print assets in Australia and New Zealand acquired by the Company prior to 2011.

The expected impairment will have no impact on current trading and will not impact the Company's debt facilities, compliance with banking covenants or trading terms.

The impairment outcome remains subject to review by CSG's auditor and approval by the Board. Further details will be provided in the Company's full year financial statements for the period ending 30 June 2017 which will be released on Friday, 18 August 2017.

FY2017 Financial and Operational Update

The Company provides the following trading update (unaudited) in relation to FY2017:

- Underlying EBITDA[1] of approximately $30.3 million;
- Revenue of approximately $245 million. This is below expectations in part due to:
    - A $7 million shortfall in Enterprise Solutions transactional revenue. This comprised $4 million in transactional equipment revenue from an enterprise managed print contract in the education sector (which was flagged as a sensitivity at the 1H FY2017 results) and $3 million from an IT managed services contract which remains in the pipeline; and
    - Lower than planned Business Solutions sales heads across the period with an average of 114 (117 as at 31 July 2017) relative to a target of 121 (impact of approximately $3.5 million in transactional revenue). In 2H FY2017, average revenue per transaction was approximately $20,000 and average number of transactions per head was 20;
- There was increased adoption of CSG's Technology as a Subscription product suite with total subscription seats of approximately 27,300 as at 30 June 2017. This

[1] Before non-recurring costs of $2.8 million (including $1.8 million of restructuring charges), costs incurred in Direct Sales team of $3.0 million and LTIP expense of $2.0 million)

includes approximately 16,000 High value[2] technology subscription seats and approximately 11,300 Low value[3] technology subscription seats (including approximately 9,200 subscription seats which were acquired through the purchase of pcMedia Technologies). Excluding the impact of acquisitions (R&G Technologies in January 2017 and pcMedia Technologies in June 2017), total seats grew organically by 104% relative to the prior corresponding period;

- Completed restructure of the New Zealand and parts of the Australian business during 2H FY2017 with approximately $1.2 million of associated cost savings included in FY2017 underlying EBITDA. This restructure is expected to have an annualised benefit of $4.4 million from FY2018 onwards;
- Capex of $6.5 million;
- Pre-tax underlying cash flow conversion for FY2017 is approximately 51%. This was significantly below guidance due to higher than expected inventory levels as a result of lower print sales and increased investment in print consumables in the field (toner) related to new Enterprise Solutions print contracts and signed deals not yet financed; and
- Finance Solutions receivables of $266.3m as at 30 June 2017.

Other business developments

In a significant development for the Company, in June 2017 CSG amended its shareholder and distribution agreements with Konica Minolta Inc. allowing the Company to re-name the business in New Zealand and re-brand as CSG (previously Konica Minolta). Following the change, CSG will operate as a non-exclusive distributor of Konica Minolta products in New Zealand which will allow our sales force to go to market uninhibited by trading under the brand of a print manufacturer.

CSG also acquired pcMedia Technologies (pcMedia) in June 2017. pcMedia is a New Zealand Managed IT services provider in the education sector which was acquired for an upfront consideration of NZ$0.3 million in cash and an additional earn-out amount to the maximum of NZ$1.7 earn-out payable over the next three years, subject to performance hurdles. pcMedia has Tier 1 Microsoft Cloud Solutions Provider status and brings an experienced technical team to deliver cloud services to the New Zealand education and commercial sector.

FY2018 Guidance

CSG remains confident in the Company's unique suite of Technology as a Subscription products and the long term growth in the business. In July 2015, CSG set out to build an

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[2] High value technology subscription seats refers to IT managed services seats incorporating multiple licences per seat relating to cloud communications, Microsoft Office, storage and other services. The monthly recurring revenue (MRR) per seat in FY2017 was approximately $115.

[3] Low value technology subscription seats refers to IT managed services seats with a single licence per seat e.g. Microsoft Office. The MRR per seat in FY2017 was approximately $5.

innovative technology business and in FY2017 this business represented greater than 15% of revenue. We expect this to increase to approximately 25% in FY2018.

In order to achieve the Company's long term growth objectives, there is a need for increased operating expenditure in FY2018. The expenditure will primarily be related to additional technology pre-sales and implementation resources, Enterprise and Business Solutions sales heads, growth in alternate sales channels (e.g. Officeworks) as well as other areas such as marketing.

For the FY2018 period, CSG provides the following guidance:

- Revenue growth of approximately 10%;
- EBITDA (before LTIP expense) to be approximately $30 million;
- High value[4] technology subscription seats of more than 24,000 up from 16,000, representing growth of over 50%;
- Low value[5] technology subscription seats of 16,000 up from 11,300, representing growth of over 45%; and
- Pre-tax underlying cash flow conversion of greater than 100%.

The Company will provide an update on capital management at the release of the FY2017 full year results.

END

Further Information:

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[4] High value technology subscription seats refers to IT managed services seats incorporating multiple licences per seat relating to cloud communications, Microsoft Office, storage and other services. The monthly recurring revenue (MRR) per seat in FY2017 was approximately $115.
[5] Low value technology subscription seats refers to IT managed services seats with a single licence per seat e.g. Microsoft Office. The MRR per seat in FY2017 was approximately $5.