

21 February 2019
ASX Announcement

CSG's transformation program delivers growth in first half earnings

CSG Limited (ASX: CSV) today announced its financial results for the half year ended 31 December 2018 (H1 FY19), that saw the Company progress its strategic transformation program, return to growth, and strengthen its balance sheet.

Business performance

- Strategic transformation driving strong financial performance:
 - Underlying EBITDA up 76% to \$8.1 million
 - Revenue down 6% to \$109.9 million
 - Underlying NPAT up 74% to \$3.3 million; Reported NPAT of \$1.2 million
 - \$7.7 million cost-out and \$10 million inventory reduction initiatives on track
 - Operating cash flow up 18% to \$9.0 million
- Cultural change 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
- Key Board and 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. Executed in-principle agreement with CBA to extend maturities to 28 February 2020
- On track to achieve previous underlying FY19 EBITDA guidance of \$17-20 million

Commenting on the Company's H1 FY19 performance, CSG's Executive Director and Chairman Mark Bayliss said: *"We are pleased with the progress made in repositioning the Company over the first half. Significant efforts have been made to simplify CSG, revitalise the Company's culture and strategy, and position the business for sustainable growth. We are clearly seeing the benefits of our strategic transformation program flowing through with growth in earnings over the first half contributing to growing operating cash flow. CSG enters the second half of FY19 as a much stronger company, better positioned to deliver on the attractive opportunities we see."*



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Commenting on CSG's H1 FY19 performance, Managing Director and CEO Julie-Ann Kerin added: *"The quality of our revenue continues to improve as momentum builds with our Technology and Display offerings. In addition, cost-out and inventory reduction initiatives are already positively impacting earnings and cash flow. In September, we undertook a capital raising of \$18 million which was supported by our key shareholders. This significantly strengthened our balance sheet, de-risked the business, and has allowed us to embark on a number of strategic initiatives that will support our growth over the medium to long term."*

Momentum in Technology continues to build

The Technology business continued to gain momentum through H1 FY19, with the strategic shift to high value technology subscription seats resulting in 11% growth in total Technology revenue to \$26.1 million, and within this 18% growth in Technology recurring revenue over the period. In line with this strategic shift, the pcMedia business was sold, leading to a decline in total seats over the half. CSG's strategic partnership with Alibaba's cloud offering, put in place during the half, has already led to some initial wins with major corporations and institutions.

The challenging period for Print continued into H1 FY19, with revenue down 10% to \$72.7 million. Weaker print equipment sales in New Zealand were partially offset by higher print and display equipment sales in Australia, which were supported by a refocused sales team. As the number one provider with sizeable market share in New Zealand, the restructure we are progressing in this part of the business is expected to improve its sales performance.

The Finance division remains an important part of the business as it underpins CSG's Technology-as-a-Subscription strategy. The 9% drop in revenue to \$12.2 million in H1 FY19 and 9% drop in receivables balance to \$229.3 million reflected the lower print equipment sales. However, this segment remains well placed to capitalise from the growth initiatives being rolled out.

On track to achieve previous underlying FY19 EBITDA guidance of \$17 million to \$20 million

Commenting on CSG's outlook for H2 FY19, Mr Bayliss said: *"We have put a lot of effort into revitalising the Company's culture, refreshing the Board and management team, streamlining operations, investing in the business and refocusing our sales efforts. Our strategic transformation program is not over yet, and we still*



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have a lot to do in 2019. However, we are well placed to deliver on what we said we would do, being on track to achieve previous underlying FY19 EBITDA guidance of \$17 million to \$20 million.”

Investor conference call

CSG will be hosting a group investor conference call at 10:30am AEDST today (Thursday 21 February 2019) to discuss its H1 FY19 financial results.

Details of the call are:

- Phone number: +61 2 9007 3187
- Conference ID: 895562

To bypass the operator and gain immediate access to the call, participants can preregister via: <https://services.choruscall.com.au/diamondpass/CSG-895562-invite.html>

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Further information

Corporate

Ashley Conn
Chief Financial Officer
P: +61 3 9616 8714

Investors

Eric Kuret
Market Eye
P: +61 3 9591 8900
E: eric.kuret@marketeye.com.au



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Appendix: H1 FY19 financial summary

\$ million	H1 FY19	H1 FY18	Change
Revenue			
Print & Display	72.7	81.1	(10%)
Technology	26.1	23.4	11%
Finance	12.2	13.4	(9%)
Total revenue	109.9	117.2	(6%)
Underlying EBITDA	8.1	4.6	76%
EBITDA	7.5	1.6	369%
Statutory NPAT	1.2	(3.0)	143%
Underlying NPAT	3.3	1.9	74%
Operating cash flow	9.0	7.6	18%