



More than you expect.

# Results and Outlook Presentation Full Year 2014

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Managing Director

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20 August 2014





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# Agenda

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## Full Year Financial Highlights

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- Revenue (excluding Interest) \$199.2m (FY13: \$181.3m)
- Reported EBITDA \$23.7m (FY13: \$17.4m)
- Underlying EBITDA of \$29.1m before non-recurring costs and LTI expense of \$5.4m
- Reported NPAT \$12.1m (FY13: \$8.7m)
- Underlying NPAT before customer contract amortisation of \$19.0m
- Full year unfranked dividend declared of 5 cents per share
- Finance Solutions receivables of \$161.5m, representing 40% growth on FY13
- Closing cash balance \$27.3m, nil corporate debt.

## Operational Highlights Across the Business

### Innovation & Growth

- Revenue increased by 10%
- Underlying EBITDA increased by 26%
- CSG Finance book increased by 40% through growth in Australia
- Commenced online sales model and doubled the conversion rate of site visitors to leads
- Significant win in Enterprise business using new contract model "print as a service"
- Launched the Samsung relationship and commenced selling products other than print
- Grew sales pipeline in Enterprise in all regions including Singapore

### Customers

- Increased session duration on the website by 31%
- New customer sales in Business Solutions Australia increased to 15.6% of equipment revenue
- Restraint period in New Zealand completed
- Won major contracts in New Zealand and Australian government and corporate sectors
- Commenced rolling out new mobile/Cloud based IT platform
- Net Promoter Score reflective of the high quality of customer service

### People

- Executive team highly motivated by LTI
- Developed Master Agent Equity plan
- Training on new IT platform being rolled out including use of mobile devices in the field
- Sales and Technicians receiving training in new Samsung technology
- Further strengthened leadership team with appointment of CIO and Business Transformation Director
- Added three high calibre new board members

## 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*



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



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



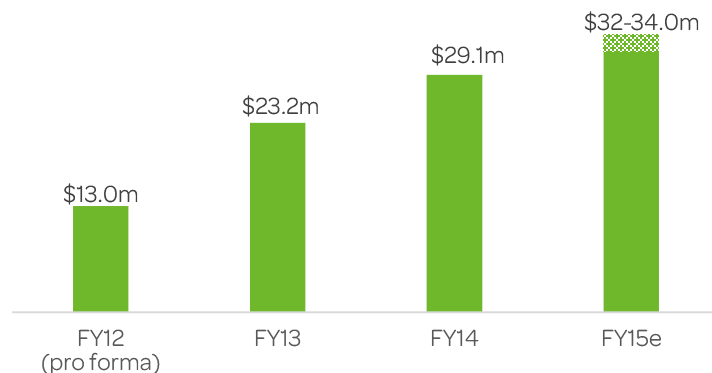
**Stephen Birrell**  
*Enterprise Solutions,  
Executive General  
Manager*

### Key achievements since 2012

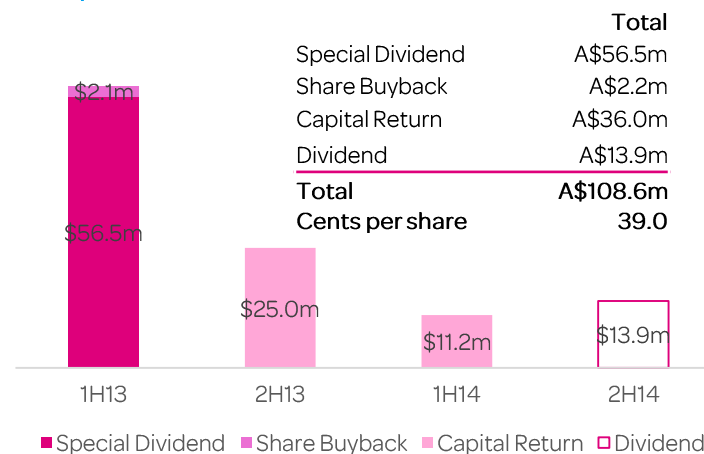
- Delivered solid year-on-year EBITDA and NPAT growth
- \$109m returned to shareholders in two years
- Key business transformation milestones fulfilled
- Significant equity incentive plan for staff introduced
- Strengthened current supplier relationships, and established significant new partnerships

## Financial: Achievements and Track Record

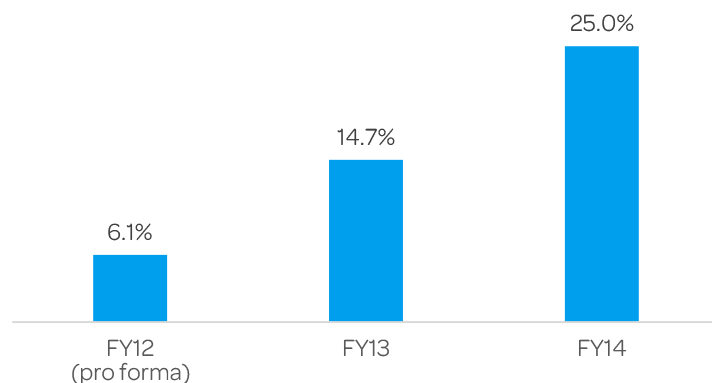
### Strong underlying EBITDA growth



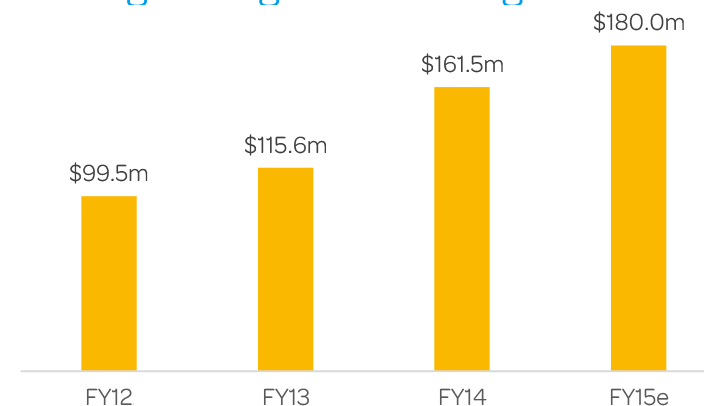
### Capital return to shareholders



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



### Strong leasing receivables growth



FY12 pro forma is calculated excluding the impact of the Technology Business and its sale and applying a normalised corporate overhead cost of \$5m



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# Results Detail



## Income Statement

	FY2014 \$m	FY2013 \$m	
Revenue (excluding Interest)	199.2	181.3	▲ 10%
Underlying EBITDA	29.1	23.2	▲ 26%
Non-recurring Costs	(2.6)	(5.8)	
LTIP	(2.8)		
EBITDA	23.7	17.4	▲ 36%
Depreciation & Amortisation	(5.2)	(6.3)	
Net interest (expense)/income	(0.7)	2.5	
Profit before tax	17.8	13.6	▲ 31%
Income Tax	(5.7)	(4.9)	
NPAT	12.1	8.7	▲ 39%
Underlying NPAT before customer contract amortisation	19.0	15.6	▲ 22%

- Underlying EBITDA of \$29.1m or 26% improvement over FY2013.
- Revenue (excluding Interest) growth of 10% delivered with no increase non-COGS related operating costs
- Continued strength in underlying EBITDA margin to 14.6% (FY13 12.6%)
- Costs excluded in underlying EBITDA are:
  - \$2.8m for LTIP/Employee Share Plan (non cash expense)
  - \$2.4m for restructuring costs
- No further restructuring costs expected going forward
- Depreciation and amortisation includes \$2.3m of customer contract amortisation



## Balance Sheet

	June 14 \$m	June 13 \$m
<b>Assets</b>		
Cash	27.3	40.0
Receivables	23.1	19.3
Lease Receivables	161.5	115.5
Inventory	41.0	35.3
Goodwill & Intangibles	191.0	188.8
Other	10.3	10.6
<b>Total Assets</b>	<b>454.2</b>	<b>409.5</b>
<b>Liabilities</b>		
Trade & other Payables	42.8	38.4
Deferred Consideration	-	7.5
Borrowings	0.7	0.7
Lease Receivable Debt	139.4	97.5
Tax Payable	1.3	1.6
Other	5.0	5.5
<b>Total Liabilities</b>	<b>189.2</b>	<b>151.2</b>
Contributed Equity	161.0	172.3
Retained Earnings & Reserves	104.0	86.1
<b>Total Equity</b>	<b>265.0</b>	<b>258.4</b>

- Cash balance of \$27.3m following settlement of NEC payment (\$7.5m) and capital distribution (\$11.2m)
- Increased inventory by \$5.7m  
Approx \$3.5m due to delays on several contracts (\$1.0m) and a shortfall of sales in Australia (\$2.5m)
- Leasing receivables grew by 40%.
- Leasing expansion has been funded by restructured debt facility that now includes second banking partner (86% v 84% in FY13).
- Zero corporate debt drawn against \$35.0m facility limit

## Cash flow

	FY2014 \$m	FY2013 \$m
Opening Cash	40.0	25.9
Net cash flow (from)/to business	20.5	4.5
Net Interest and Tax paid	(7.4)	(21.0)
<b>Operating cash flows</b>	<b>13.1</b>	<b>(16.5)</b>
Net Investment in Lease book	(4.1)	(9.4)
Capex	(4.4)	(3.9)
Proceeds/(Payments) for business	(8.0)	217.7
<b>Investing Cash flows</b>	<b>(16.5)</b>	<b>204.4</b>
Shareholder distributions	(11.2)	(83.7)
Movement in Debt	-	(91.3)
<b>Financing Cash flows</b>	<b>(11.2)</b>	<b>(175.0)</b>
Other	1.9	1.2
<b>Closing cash</b>	<b>27.3</b>	<b>40.0</b>

- Solid Cash flow conversion at 79% of Underlying EBITDA to Ungeared pre-tax cash flow. Second half result improved to 100%.
- Capital expenditure within guidance at \$4.5m. This is expected to reduce to \$2.5-3.5m in 2015.
- Capital distribution in Dec 13 of 4 cents per share and full year dividend of 5 cents per share.
- Dividend will be unfranked due to New Zealand earnings and tax profile of Australian leasing business.
- Total payments to shareholders of \$109m in past two years



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# Divisional Update



## Business Solutions: Performance Highlights

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- Equipment revenue growth of 11%
- EBITDA growth of 29%
- Grew Professional Services revenue in New Zealand by 8%
- Commenced rolling out the new IT environment and improving the efficiency of the service and operations organisations
- Won the Konica Minolta award for Top Production Print Performance outside of the US and Europe
- Acquired largest HP printer reseller in New Zealand
- Increased heads in the sales team by 18
- Good partnership with Canon in Australia resulted in growth in equipment sales
- Launched the Samsung relationship to be a new platform for growth in FY15
- Sold Samsung products – interactive white boards, tablets, monitors in a pre-launch phase
- In the pre-launch phase, average sale of non –print product was \$30,000 in revenue per customer

## Business Solutions: Online Update

Session  
duration



**31%**



New customer sales  
now **15.6%**



(10.9% last year)



**Pages viewed  
per session**



Conversion of  
web to lead  
**doubled**



Now  
reach  
**more and  
larger  
markets**  
including Tasmania,  
regional NSW, QLD & Vic



## 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



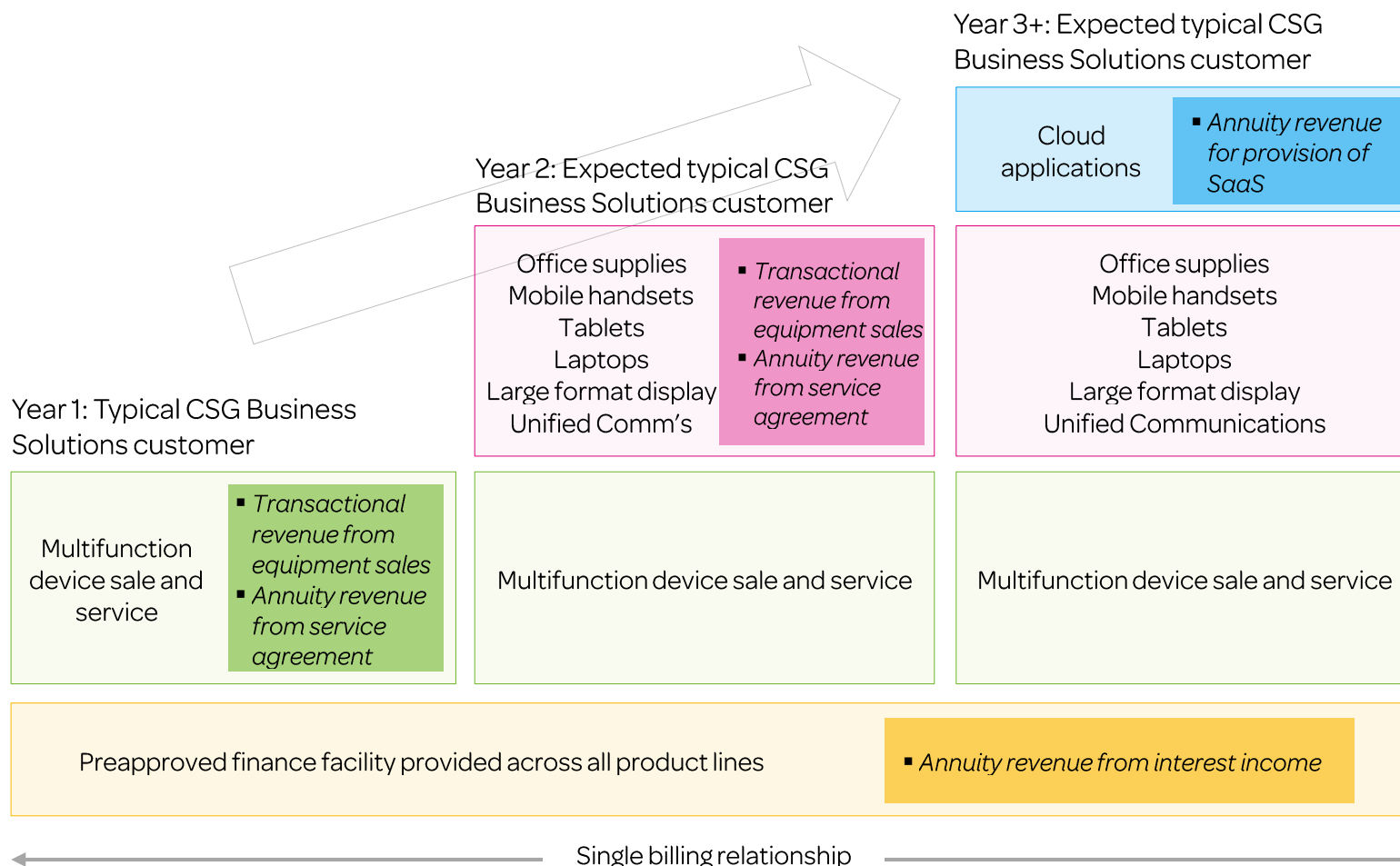
### CSG customer

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 revenue:

Penetration of existing customers with new product

		2%	4%	6%	8%	10%
Annual spend on additional product	\$2,000	\$0.8m	\$1.6m	\$2.4m	\$3.2m	\$4.0m
	\$4,000	\$1.6m	\$3.2m	\$4.8m	\$6.4m	\$8.0m
	\$6,000	\$2.4m	\$4.8m	\$7.2m	\$9.6m	\$12.0m
	\$8,000	\$3.2m	\$6.4m	\$9.6m	\$12.8m	\$16.0m
	\$10,000	\$4.0m	\$8.0m	\$12.0m	\$16.0m	\$20.0m
	\$12,000	\$4.8m	\$9.6m	\$14.4m	\$19.2m	\$24.0m



## Enterprise Solutions: Performance Highlights

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- Won major contracts with:
  - New Zealand Police, Bank of New Zealand, Mirvac
- Re-signed University of Melbourne under a traditional managed print model
- Signed contract with major University under new “print as a service model”
- Built solid pipeline for FY15 in Australia, New Zealand and Singapore
- \$400 million (total contract value) in Australian Enterprise Solutions pipeline for FY15 onwards
- Completed head office rollout, live at a large TAFE and rolled out to a number of schools under education contract in Queensland
- Will actively seek opportunities to expand enterprise relationships into managed IT services in New Zealand by:
  - Expanding services in existing accounts
  - Partnering with leading integrators
  - Employing staff with IT managed service skills into Enterprise division

## Enterprise Solutions: CSG's value proposition

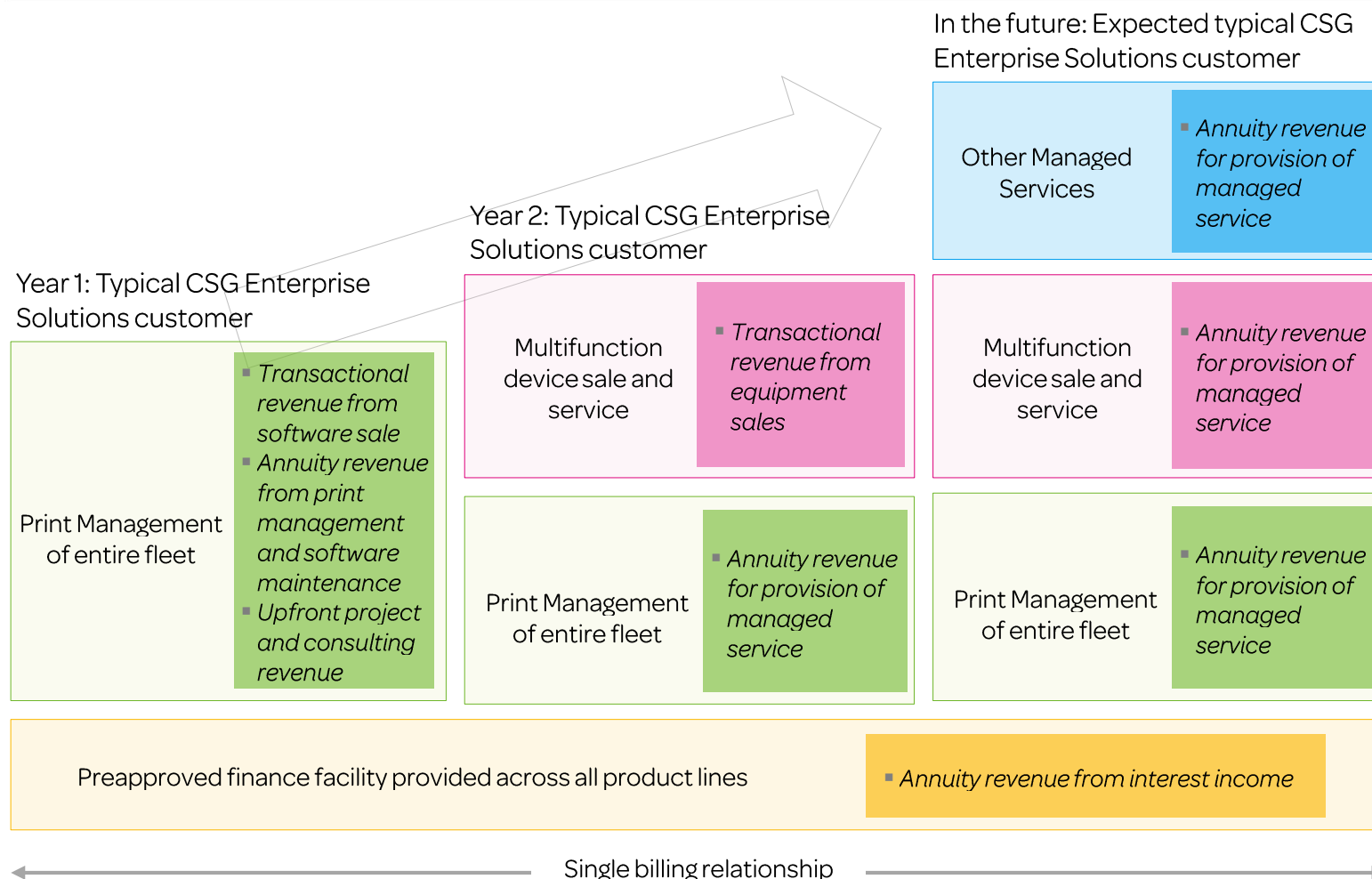
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*"To be the most innovative partner in managed technology solutions to reduce cost and increase productivity for enterprise and government."*

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

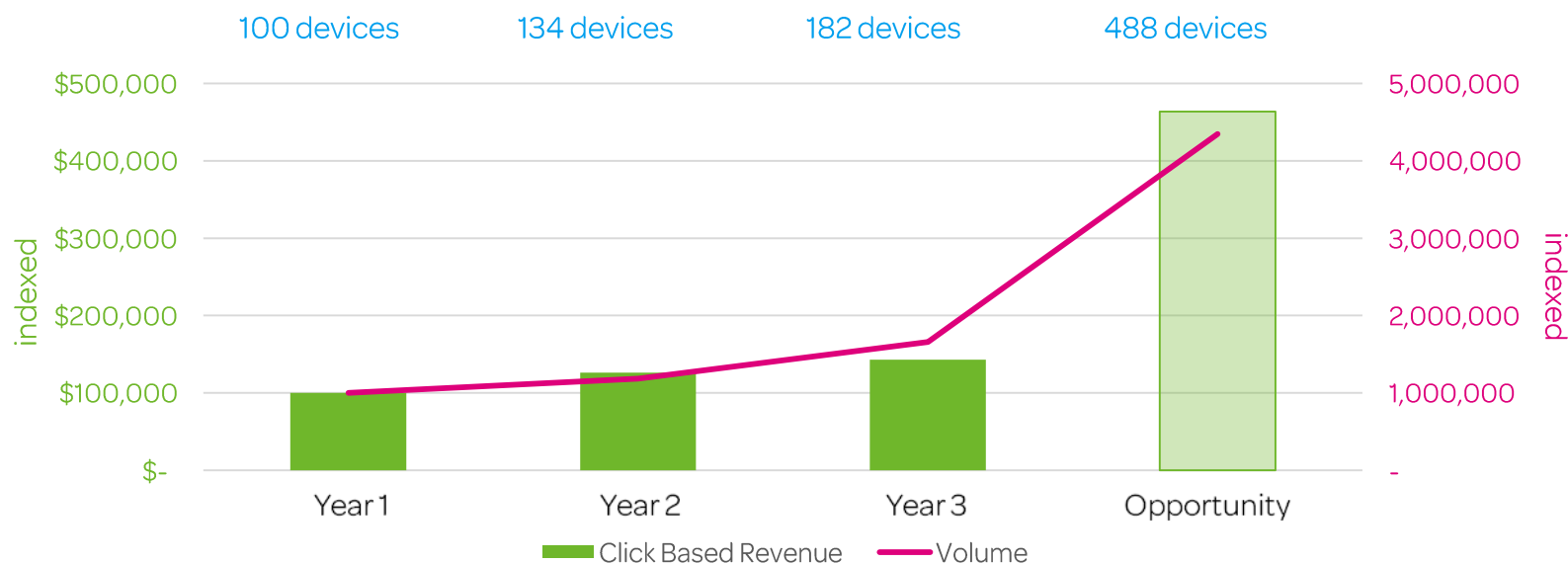
Indicative annual revenue:

		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

## Enterprise Solutions: Education Case Study

- Leading tertiary education provider was one of the first managed print service contracts that CSG signed in Australia in 2012
- The scope of the contract was to provide new equipment that optimises cost vs performance as well as the ongoing technical support and maintenance of new and existing devices
- CSG provides on premises training and service infrastructure as new devices are installed
- Current penetration rate of 37%

### Key metrics (indexed)



## Finance Solutions

- Lease Receivables book increased 40% to \$161.5m
- Strong performance in New Zealand driven by continued low level of bad debts, operational efficiencies and low interest rates
- Australian business continues to convert 95% of customers to CSG Finance products
- Additional products such as laptops and large format displays were financed from March 2014
- Refinancing completed across all facilities with two major banks
- Finance company will support transactional website and allow for a simple finance approval process

	FY12	FY13	FY14
Closing Receivables (A\$m)	99.9	115.5	161.5
Growth YOY %		16%	40%
PBT (A\$m)	5.1	6.6	9.0
Return on Equity (ROE)	54.6%	48.4%	47.7%
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
- Will provide a positive contribution in the second year of operation, and a similar return on equity to New Zealand once book matures in four years
- Finance company will support transactional website by allowing a streamlined finance approval process



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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
- 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 work with other originators
- Achieve growth through the success of the Enterprise Solutions team
- Explore other regional markets (Singapore)
- Restraint in New Zealand complete and will now look for IT managed services opportunities
- 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 acquisitions
- Look for partnerships with innovative cloud vendors
- Continue to develop IT platform to deliver premium customer service
- Extend digital presence and grow online transactions

## 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
- Targeting revenue of greater than \$220m
- Finance receivables expected to exceed \$180m (growth of at least 10%)
- Capital expenditure to be in the range of \$2.5m-\$3.5m
- Maintain \$25m (9 cents per share) return to shareholders



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Thank you



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