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ASX Announcement

CSG FINANCIAL RESULTS: FULL YEAR 2015 RESULTS

CSG Limited (ASX:CSV) ('CSG' or 'the Company') today announces the following:

- FY15 Revenue of \$224m representing 13% growth (pcp), FY15 underlying EBITDA¹ of \$33.5m representing 15% growth (pcp) and FY15 underlying NPAT² of \$21.3m representing 12% growth (pcp);
- The launch of a number of new products in 1H FY16. The new CSG product suite has been developed to deliver a single source technology solution to its customers across Business Solutions and Enterprise Solutions;
- An agreement to acquire CodeBlue for NZ\$5.0m in cash and an additional NZ\$2.7m in contingent cash payments and further earn out consideration³. CodeBlue is a leader in the SME market in New Zealand providing IT managed services to customers with up to 300 employees
- Forecast FY16 underlying EBITDA is expected to be in the range of \$38m - \$42m;
- A full year un-franked dividend of 5 cents per share. CSG expects to maintain a 9 cents per share dividend in FY16; and
- An equity raising of at least \$30m to fund the acquisition of CodeBlue and to pursue near-term growth opportunities. The equity raising will be undertaken via an underwritten institutional placement and a non-underwritten share purchase plan (SPP).

Business performance

CSG has achieved another year of strong financial performance in FY15.

A\$ millions	FY15	FY 14	Growth
Revenue	\$224.3	\$199.3	13%
Reported EBITDA	\$28.5	\$23.7	20%
Underlying EBITDA before non-recurring costs and LTIP expense	\$33.5	\$29.1	15%
Reported NPAT	\$14.3	\$12.1	18%
Underlying NPAT before customer contract amortisation	\$21.3	\$19.0	12%

¹ Before non-recurring costs of \$1.0m and LTIP expense of \$4.0m. Non-recurring costs comprise Cinglevue legal costs (\$300k); stamp duty on CFAL assets (\$340k) and transaction advisory costs (\$360k)

² Before non-recurring costs and LTIP expense and customer contract amortisation (adjusted for tax)

³ The earn out consideration is based on FY17 financial performance. The earn out comprises a cash and scrip component and the total consideration (including cash and contingent cash payments) is capped at NZ\$15m



More than you expect.

Julie-Ann Kerin, CSG CEO says, "This year we have executed on our strategy to expand our portfolio of products and services to include non-print offerings. We have had a successful first year in our partnership with Samsung. In 2H FY15, 10% of all of our deals in Business Solutions Australia included the sale of non-print technology."

The Business Solutions division achieved revenue growth of 10% (pcp). In FY15 this division commenced 'technology as a service' sales of subscription software and hardware. The first product to launch was 'Boardroom as a Service' which includes CSG Conferencing software bundled with a Samsung 55 or 75 inch interactive, touch screen smart display.

Business Solutions in Australia grew revenue by 19% (pcp) largely driven by 'technology as a service' sales and continued acquisition of new customers. The average sale of non-print technology was \$32k in revenue per customer in the 2H FY15. Business Solutions in New Zealand grew by 5% largely driven by continued growth of print solutions.

The Enterprise Solutions division achieved 28% revenue growth (pcp) and won three major Print as a Service contracts during FY15. The total contract value of these contracts are in excess of \$40m over five years.

The Finance Solutions division lease receivable book increased by 30% (pcp) to \$210m.

Dividend

The CSG board has declared a dividend of 5 cents per share (unfranked) to be paid on Tuesday 8 September 2015. The record date for this dividend is Monday 24 August 2015.

New products

CSG announces the launch of a number of new products to be available from September 2015. CSG's new suite of products has been developed to deliver a single source technology solution to its customers across Business Solutions and Enterprise Solutions.

From FY16 onwards, a CSG Customer will be able to source print, unified communications, desktop, display, IT infrastructure, data storage and back up all 'as a service'.

Julie-Ann Kerin, CSG CEO says, "The way we will go to market and support these solutions is the real differentiator for our customers. The value proposition is that our customers will be able to source multiple products and solutions from one partner with one simple monthly bill and get access to the latest state of the art technologies for minimal capital outlay."

"With CSG's cloud first approach, the SME customer will benefit from the ease and simplicity of preconfigured, rapidly deployable technology bundles that will help them save time and money. The solutions also scale up to suit the needs of the enterprise customer that requires a tailored approach", she says.

Further information on CSG's new products is available in the "Full Year 2015 Results and Outlook Presentation".

Acquisition overview

CSG has signed an agreement to acquire CodeBlue for NZ\$5.0m in cash and an additional NZ\$2.7m in contingent cash payments.



More than you expect.

CodeBlue is a leader in the SME market in New Zealand providing IT managed services to customers with up to 300 employees. CodeBlue provides desktop, server (on and off premise) and support through a centralised service desk and network operations centre in Auckland. CodeBlue owns 100% of the Auckland and Wellington branches and has licensed its business model to 7 other branches in New Zealand.

The acquisition of CodeBlue provides an attractive platform to support the CSG strategy in Australia and New Zealand. The rationale for the acquisition is as follows:

- CodeBlue enhances CSG's expertise in delivering IT support capabilities. It is proposed CodeBlue will provide the ongoing support service delivery unit for CSG technology customers across Australia and New Zealand
- CodeBlue branches (owned and licensed) have managed IT contracts with over 350 customers (6,700 seats) in New Zealand
- CodeBlue has a highly experienced management team with a successful track record of delivering IT managed services and migrating customers to cloud-based products

The acquisition of CodeBlue also includes an earn out consideration based on FY17 financial performance. The earn out comprises a cash and scrip component and the total consideration (including cash and contingent cash payments) is capped at NZ\$15m.

FY16 outlook

For the FY16 financial year, CSG is providing the following guidance:

- Forecast underlying EBITDA (excluding LTIP expense) to be in the range of \$38m - \$42m. This represents 13% to 25% growth on FY15
- Forecast revenue of greater than \$255m. This represents more than 14% growth on FY15
- Capital expenditure to be in the range of \$3.5m - \$4.5m
- CSG will maintain its 9 cents per share dividend

Equity raising overview

CSG will undertake an equity raising of at least \$30m to fund the acquisition of CodeBlue and to pursue near term growth opportunities. The equity raising will comprise an underwritten institutional placement and a non-underwritten share purchase plan (SPP) to be offered to eligible shareholders.

- New shares issued at \$1.42 per share, implying a 7.5% discount to the closing price on 14 August adjusted for the dividend
- Total of 21.1 million shares to be issued via the institutional placement. New shares will rank equally with existing shares. New shares will not be entitled to CSG's full year dividend of 5 cent per share
- CSG will have Pro forma FY15 net cash of \$38m (including \$13.9m of restricted cash) following the equity raising and post the acquisition of Code Blue⁴

⁴ Assumes CodeBlue cash consideration and contingent cash payments (NZ\$7.7m) at 0.90 NZD:AUD and before equity raising transaction costs



More than you expect.

- Morgan Stanley is acting as Sole Bookrunner and Joint Lead Manager and CBA Equities is acting as Joint Lead Manager on the institutional placement. The institutional placement will be fully underwritten by Morgan Stanley

Share purchase plan (SPP)

- The SPP enables eligible shareholders to apply for up to \$15,000 of new shares at the placement price and will be conducted subsequent to the Placement
- SPP proceeds may be scaled back depending on demand
- The SPP will be open to eligible Australian and New Zealand resident shareholders on the CSG register as at Friday 14 August 2015 who are eligible to participate under the terms of the SPP
- Detail of the SPP will be sent to eligible shareholders in the near future

Equity raising timetable

Trading halt, Announcement, Institutional Bookbuild	Monday, 17 August 2015
Bookbuild opens	Monday, 17 August 2015
Existing shares recommence trading	Tuesday, 18 August 2015
Existing shares trading ex-dividend	Thursday, 20 August 2015
Placement settlement date	Friday, 21 August 2015
New shares allotted and commence trading	Monday, 24 August 2015
Share purchase plan	Detail, including timetable, of the SPP will be sent to shareholders in the near future

Further information:

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