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21 February 2018

ASX Announcement

FY2018 Half Year Results Announcement

Financial Results & Operational Highlights

CSG Limited (ASX: CSV) (the Company) today announced its financial results for the half year ended 31 December 2017. The financial results are as follows:

- Revenue of \$117.2 million representing 3% decline (pcp);
- Underlying EBITDA of \$4.6 million (after adding back non-recurring items¹ of \$3.0 million and non-cash LTIP) representing 67% decline (pcp);
- Underlying NPAT² of \$1.4 million representing a 83% decline (pcp);
- Reported NPAT of (\$3.0 million), representing 136% decline (pcp);
- Closing cash balance of \$21.6 million (including restricted cash of \$13.6 million), \$43.2 million corporate debt; and
- Finance Solutions receivables of \$255.5 million (closing), representing 2% decline (pcp).

Business Performance

Julie-Ann Kerin, CSG Managing Director & CEO said: "Although the financial results in 1H FY2018 are disappointing, CSG continues to execute against its strategic and operational objectives to become a leading Technology as a Subscription provider in Australia and New Zealand. We are pleased with the strong growth that we continue to see in technology with high value subscription seats closing at 19,184 as at 31 December 2017, representing organic growth of 44% relative to the prior corresponding period. We expect the technology business to represent approximately 25% of revenue in FY2018 and we are confident that our Technology as a Subscription strategy has enormous growth potential."

Business Solutions revenue declined by 7% relative to the prior corresponding period, primarily driven by lower than expected equipment sales. Print equipment revenue was impacted by changes to the sales force and sales incentive programs to drive growth in the technology business. A key focus for 2H FY2018 will be to increase transactions per sales head from 15 in 1H FY2018 to 20 in 2H FY2018, which is in line with previous second half performance.

¹ Includes legal & acquisition related costs (\$1.1 million), redundancy costs (\$0.4 million), digital display overrun costs (\$1.3 million), write-off of print equipment (\$0.2 million) and non-cash LTIP (\$0.1 million).

² After adding back non-recurring items, non-cash LTIP and before customer contract amortisation of \$2.0 million (adjusted for tax).



Business Technology Made Easy

Sales in Enterprise Solutions Australia were below expectations as the business continues to build its Managed IT pipeline following the appointment of a Chief Sales Officer in September 2017. Equipment sales were also lower due to no major wins in digital display solutions in 1H FY2018. In Enterprise Solutions New Zealand, CSG continues to see strong growth in low value subscription seats in the education market through pcMedia Technologies. The key focus for 2H FY2018 will be to grow the Managed IT services business and execute in the Digital Display business.

In the Finance Solutions division, the lease book decreased by 2% (pcp) to close at \$255.5m as at 31 December 2017, due to lower than expected print equipment sales. CSG continues to convert more than 95% of customers to CSG Finance products.

Strategic Review

As announced to the market on 9 February 2018, the Board has appointed Morgan Stanley to assist it in reviewing strategic options available to the Company in order to maximise value for shareholders.

FY2018 Guidance

For the FY2018 financial year, CSG provides the following guidance:

- Revenue in the range of \$253 – \$260 million;
- Underlying EBITDA³ in the range of \$18.5 – \$21 million, after adding back non-recurring items and non-cash LTIP;
- High value technology subscription seats of 24,000 up from 16,000 as at 30 June 2017, representing growth of ~50%;
- Low value technology subscription seats of 26,000 up from 11,300 as at 30 June 2017, representing growth of ~130%;
- Pre-tax underlying cash flow conversion of approximately 100%; and
- Capital expenditure in the range of \$5.0 – 6.0 million reflecting increased investment in platforms to accelerate technology growth.

Investor conference call

A presentation and a discussion will be hosted by Julie-Ann Kerin (Managing Director & CEO) and Gary Brown (CFO) at 10.00am (AEDT) on Wednesday, 21 February 2018.

To access the call, you must register by 10.00am (AEDT) through the link provided [here](#).

Once you have registered, you will be provided with the information you need to join the teleconference, including dial-in numbers and a passcode.

³ After adding back non-recurring items and non-cash LTIP of \$4.8 million which comprises legal & acquisition costs (\$1.5 million), redundancy costs (\$0.7 million), digital display implementation overrun (\$2.1 million) and write-off of print equipment (\$0.5 million).



Business Technology Made Easy

If you are unable to pre-register, please use the dial-in details provided below to access the teleconference on the day. Participants are asked to dial-in 15 minutes prior to complete the registration process.

CONFERENCE ID: **856935**

DIAL IN NUMBERS:

Country	Toll number	Toll-free number
Australia	+61 2 9007 8048	1800 908 299
New Zealand	+64 9 929 3905	0800 452 795
Singapore		800 101 2702
Malaysia		1800 816 441
Hong Kong		800 968 273
Japan		0066 3386 8000
USA / Canada		1855 624 0077
UK		0800 051 1453

Q&A Instructions

In order to ask a question during the live Q&A session:

Press * then 1 on your telephone keypad to enter the Q&A queue

Press * then 2 on your telephone keypad to withdraw your question

Further Assistance

If you need assistance while on the teleconference, press * then 0 on your telephone, and an operator will be happy to assist you.

END

Further Information:

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