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# Morgan Stanley 2015 Australian Emerging Companies Conference Presentation

Presented by:  
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Managing Director

17 June 2015





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## Agenda

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Introduction to CSG	3
Achievements and Track Record	5
Industry Dynamics	8
Divisional Overview	12
Business Solutions	13
Enterprise Solutions	17
Finance Solutions	19
Growth Opportunities	20
1H15 Performance and Outlook	24



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## Introduction to CSG

Leading business technology provider

- A leading full-service provider of print and business technology solutions in Australia and New Zealand, supported by in house equipment financing business

Unique in Australia and NZ

- Largest non-manufacturer of print and business technology solutions, with a truly national sales and service footprint in the Australian and NZ marketplace

Increasingly diversified revenue base

1H15	Revenue	Profit <sup>1</sup> Contribution
Equipment sales (transactional)	42%	24%
5 year service agreement (annuity)	48%	58%
Leasing income (annuity)	10%	18%

Strong executive management team in place

- Deeply experienced executive management team with proven track record of successfully meeting it's objectives

Major business partners (selection)



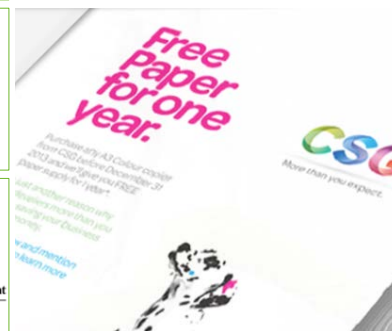
Major customers (selection)



Honda Civic



Holden Commodore Sports Wagon



Note 1: Profit represents Operating Profit before Head Office Costs

## The Vision

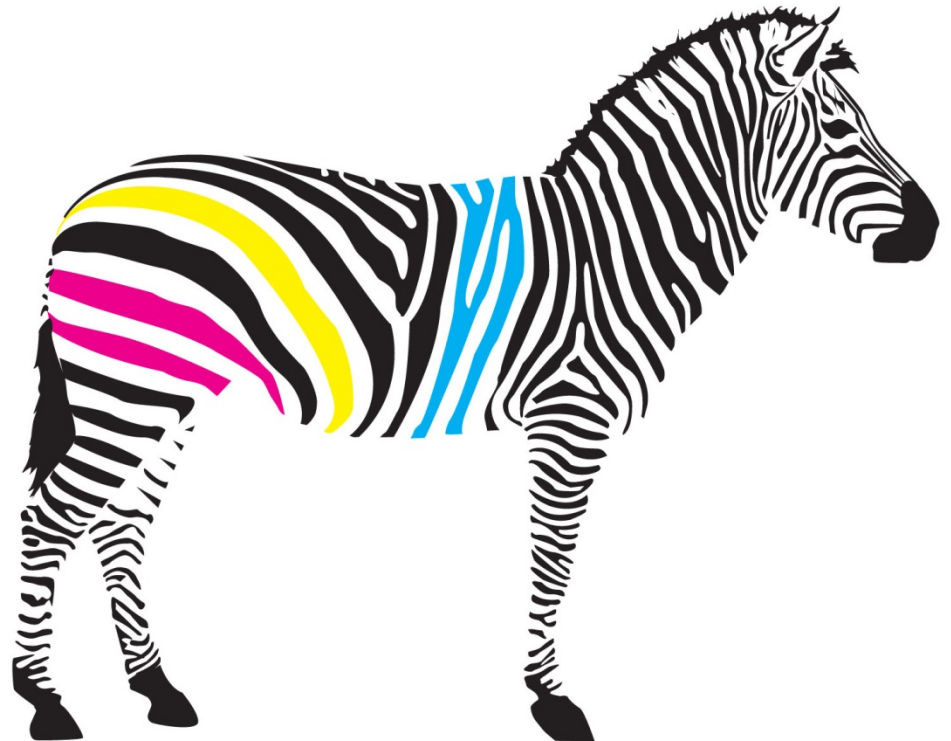
*Be the first choice brand in every market segment we operate. Create sustainable value through innovative products and services, delivered with unrivalled customer care and passion*





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# Achievements and Track Record



## 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

### Key achievements since 2012

- Delivered solid year-on-year EBITDA and NPAT growth
- \$120m returned to shareholders within 3 years
- Key business transformation milestones fulfilled
- Significant equity incentive plan for staff introduced
- Driven strategic plans for growth of the business



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



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



**Stephen Birrell**  
Enterprise Solutions  
Executive General  
Manager

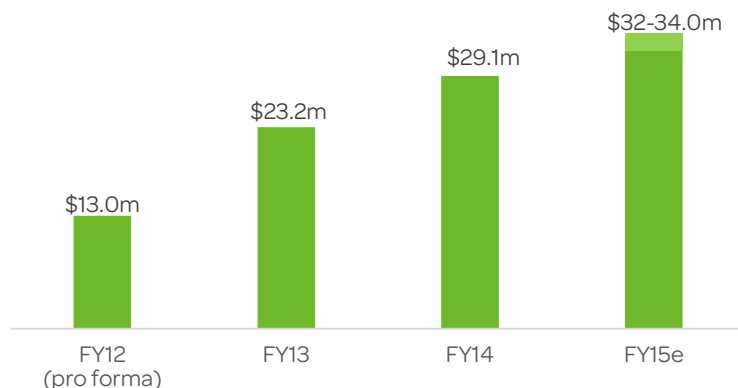


**Shailendra Singh**  
Finance Solutions  
Executive General  
Manager

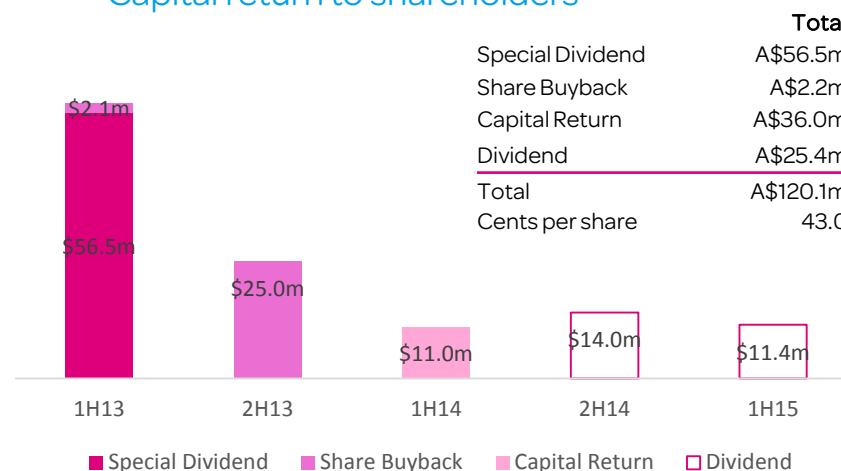


## Financial: Achievements and Track Record

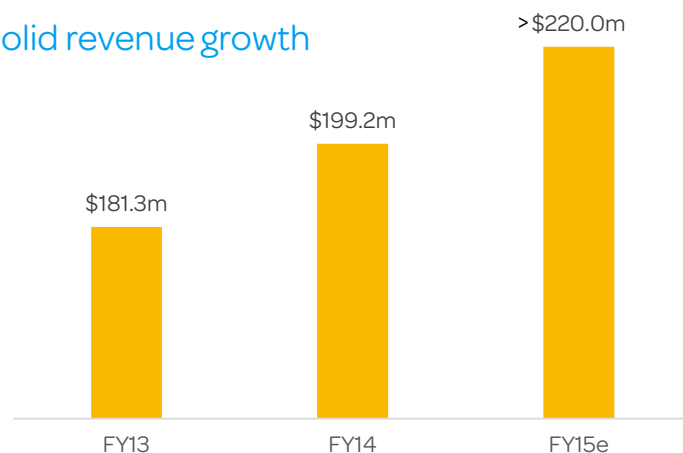
### Strong underlying EBITDA growth



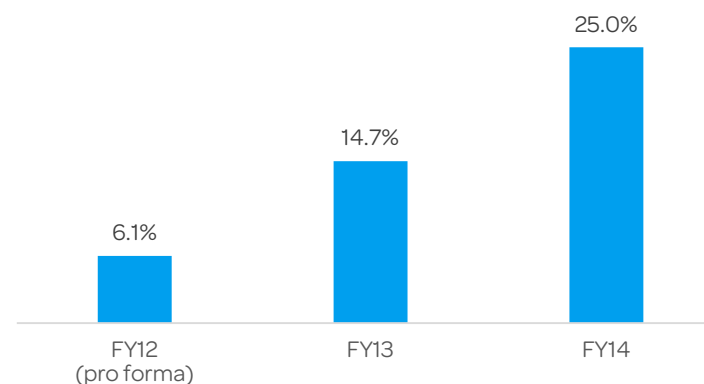
### Capital return to shareholders



### Solid revenue growth



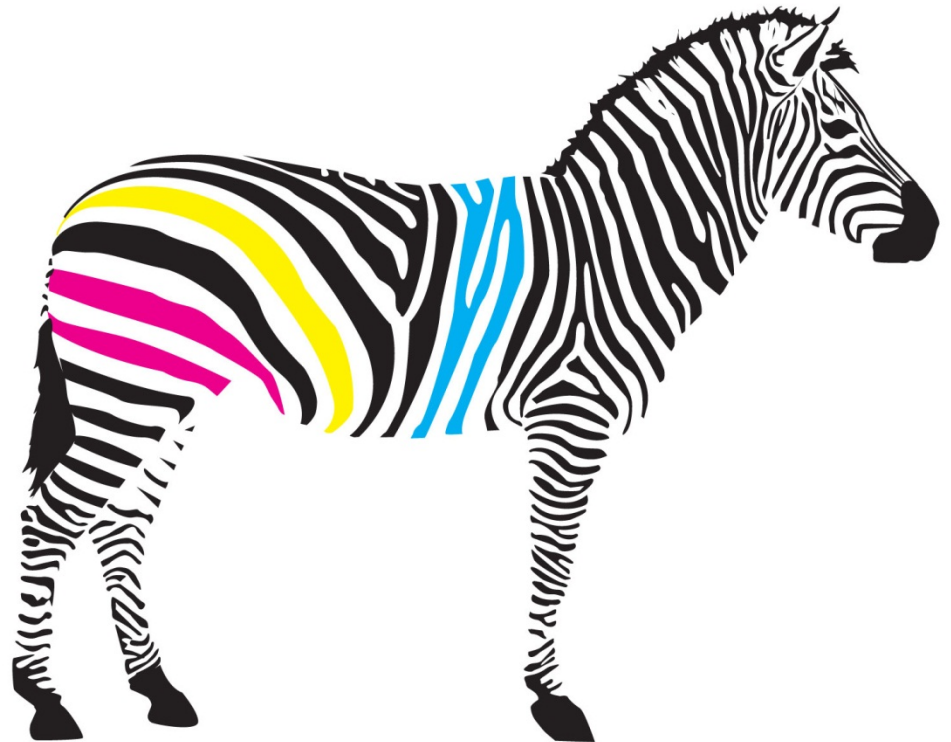
### Increasing return on equity (excl. goodwill)





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# Industry Dynamics





## Competitive Landscape

Whilst a broad set of competitors to CSG exist, the combination of CSG's service offering, scale, reach, independence and leasing capacity provide a strong competitive advantage

	Full spectrum, total solution	Can service all customer sizes	National service team	National sales team	Brandagnostic (Australia)	Leasing
CSG						
Manufacturers						
Office supply retailers						
Technology retailers						
Integrators						
Equipment finance providers						
Independent dealers						
Cloud Service Providers						

## Industry Drivers and Themes

CSG is well positioned to take advantage of the key trends influencing the business technology and services industry, as well as withstand competition from new market entrants

### 1 New technology driving demand

- Demand for new business technology including mobile printing, smart devices and cloud based software is outstripping the slowdown in demand for incumbent technology
- CSG's new partnership with Samsung and Canon adds to its capacity to provide an end-to-end technology solution to organisations of all sizes

### 2 Business solutions attracting players from adjacent industries

- Attractive industry fundamentals have prompted a number of businesses (including JB Hi-Fi, Vita Group and Staples) from adjacent sectors to look at the commercial sector
- JB Hi-Fi claims that opportunity for them in commercial sales is \$500m<sup>1</sup>

### 3 Market demand for total office solution

- Increasing reliance on technology has resulted in SME's and larger organisations looking for providers able to provide a single point of contact for their entire office technology requirement
- There are currently very few players in the Australian or NZ market of any scale able to provide a true total office solution to their customers

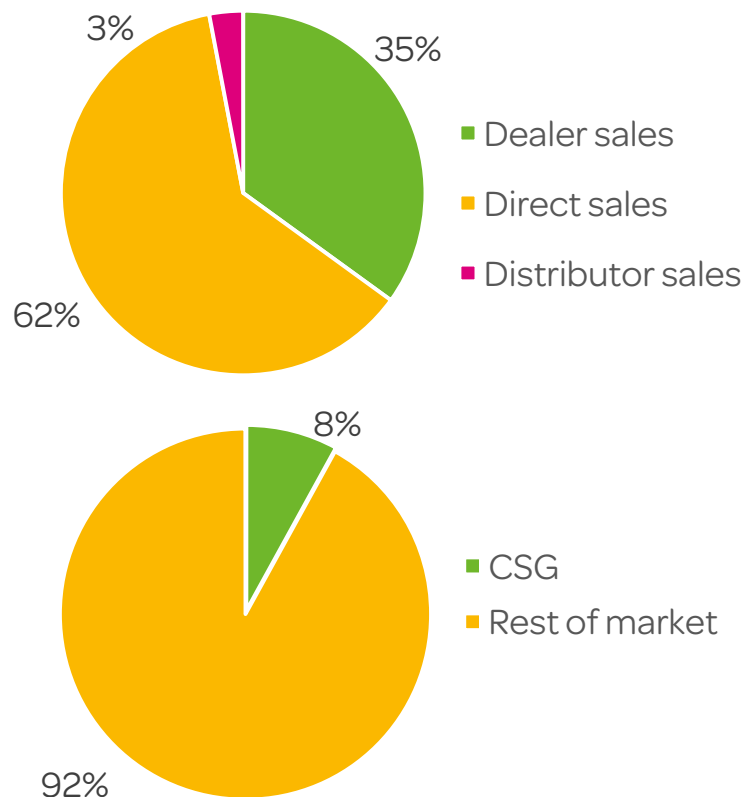
### 4 Strong growth in equipment leasing

- The cash flow and operational flexibility benefits of equipment leasing has seen demand for the service increase rapidly in recent years
- Recent cuts in capital budgets has seen increased demand for leasing solutions
- 95% conversion rate for CSG customers

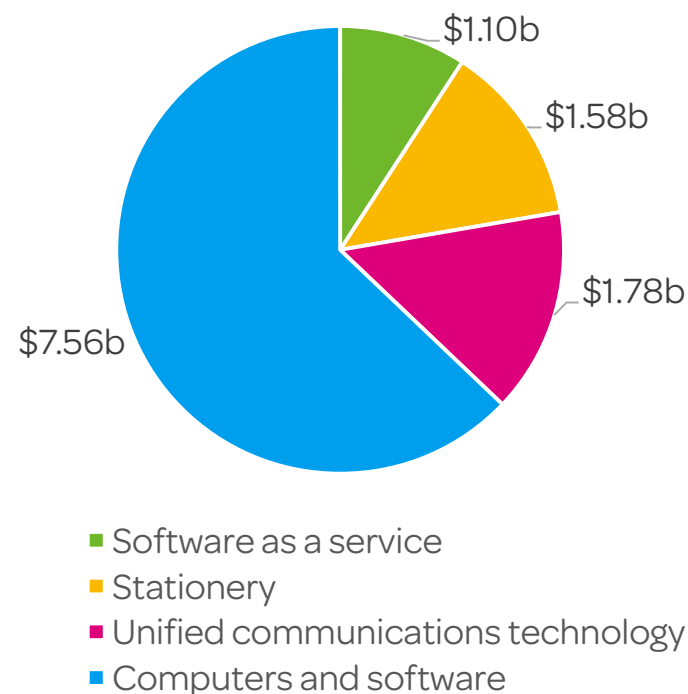
Source (1): JB Hi-Fi Limited – Full Year Results Presentation – 30 June 2013

## Market Size – the opportunity is large

### A\$2.5 billion multi function device market across Australia and NZ



### A\$12 billion business-to-business technology products and services market



Sources: IBISWorld Industry Report Computer and Software Retailing in Australia; Constellation Research Unified Communication Trends; Forrester Software-as-a-service in ANZ; IBISWorld Industry Report Stationary Goods Retailing; IDC



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# Divisional Overview



## Business Solutions: CSG's value proposition

*"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



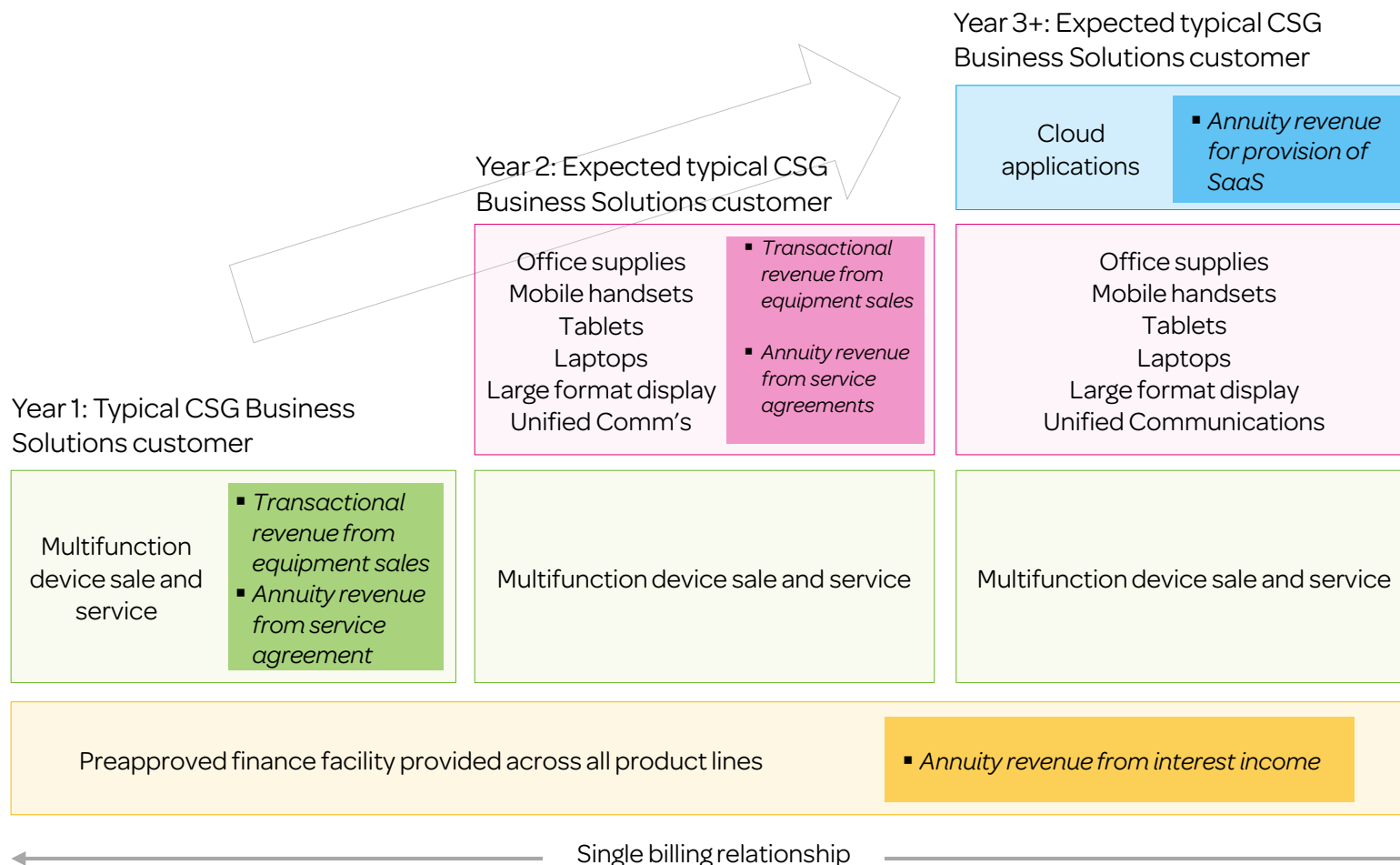
### CSG customer

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





## Customer Success Stories - Retailer

# Sandler

 WM Ritchie

## The Requirements

- Customer required displays in store as a more effective way to distribute and manage content

## The CSG Solution

- CSG implemented a Samsung Retail Display Solution
- Cost effective solution for a multi-display digital signage network
- Enables the customer to centrally manage and distribute content directly to displays in multiple stores via VPN
- Roll out to an initial 3 new retail stores with the potential opportunity to refresh 30+ stores around the country
- CSG's differentiator was the attached service contract and the ability to integrate into a single monthly bill along with print devices



## The Benefits

- ✓ Consistent content and marketing messages across stores providing a more professional look and feel
- ✓ Improved efficiency and effectiveness in distribution of content
- ✓ Simple to manage for customer's internal IT team
- ✓ Single monthly bill
- ✓ Service of MFDs and new display solutions managed by one supplier

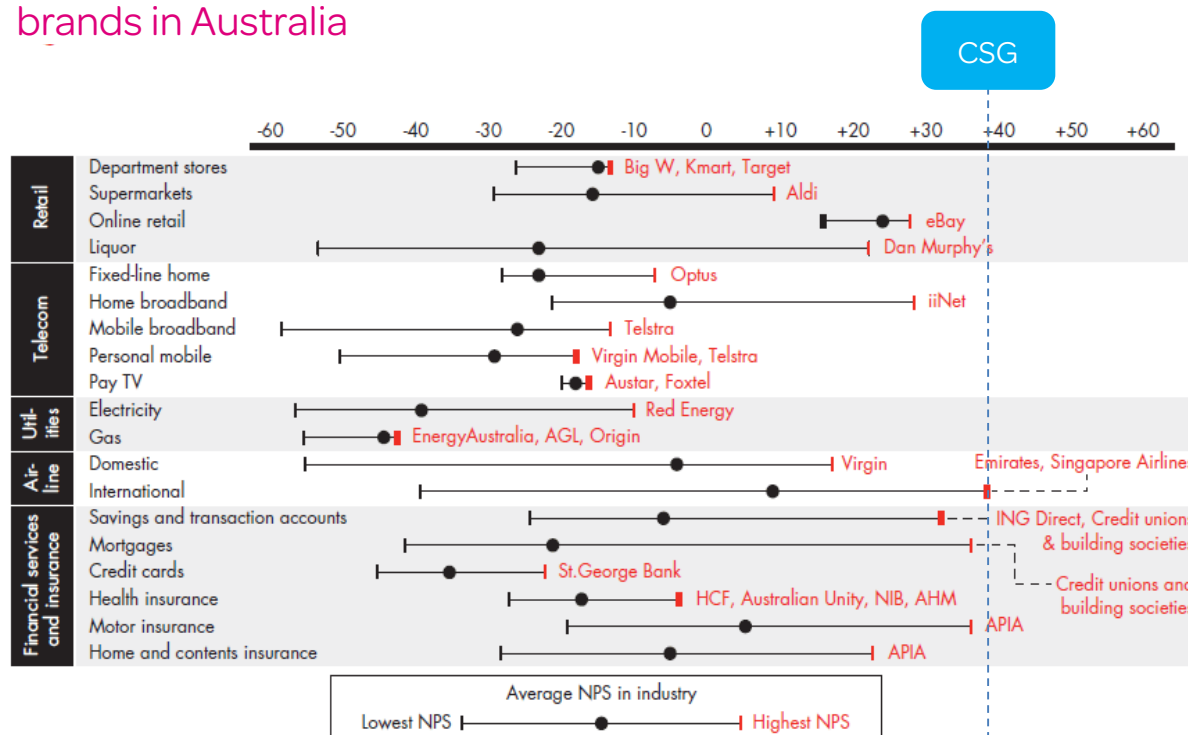


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## Customer Engagement Survey

CSG Net Promoter Score (NPS) - 38 across Australia and New Zealand

The table below shows the NPS scores across different brands in Australia



Note: Excludes brands with fewer than 100 respondents. Some industries have more than one leader, because differences in NPS scores are within the margin of error.  
Source: Bain & Company NPS Consumer survey, December 2012

*"As a service provider, CSG is a leader. Your staff are courteous and efficient and always helpful. I can't think of any way to improve on such great service"*

Customer Australia

*"Great service. Great company. Pleasure to do business with"*

Customer Australia

*"Excellent service, knowledge and the team are extremely helpful. Couldn't ask for better"*

Customer New Zealand

## 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



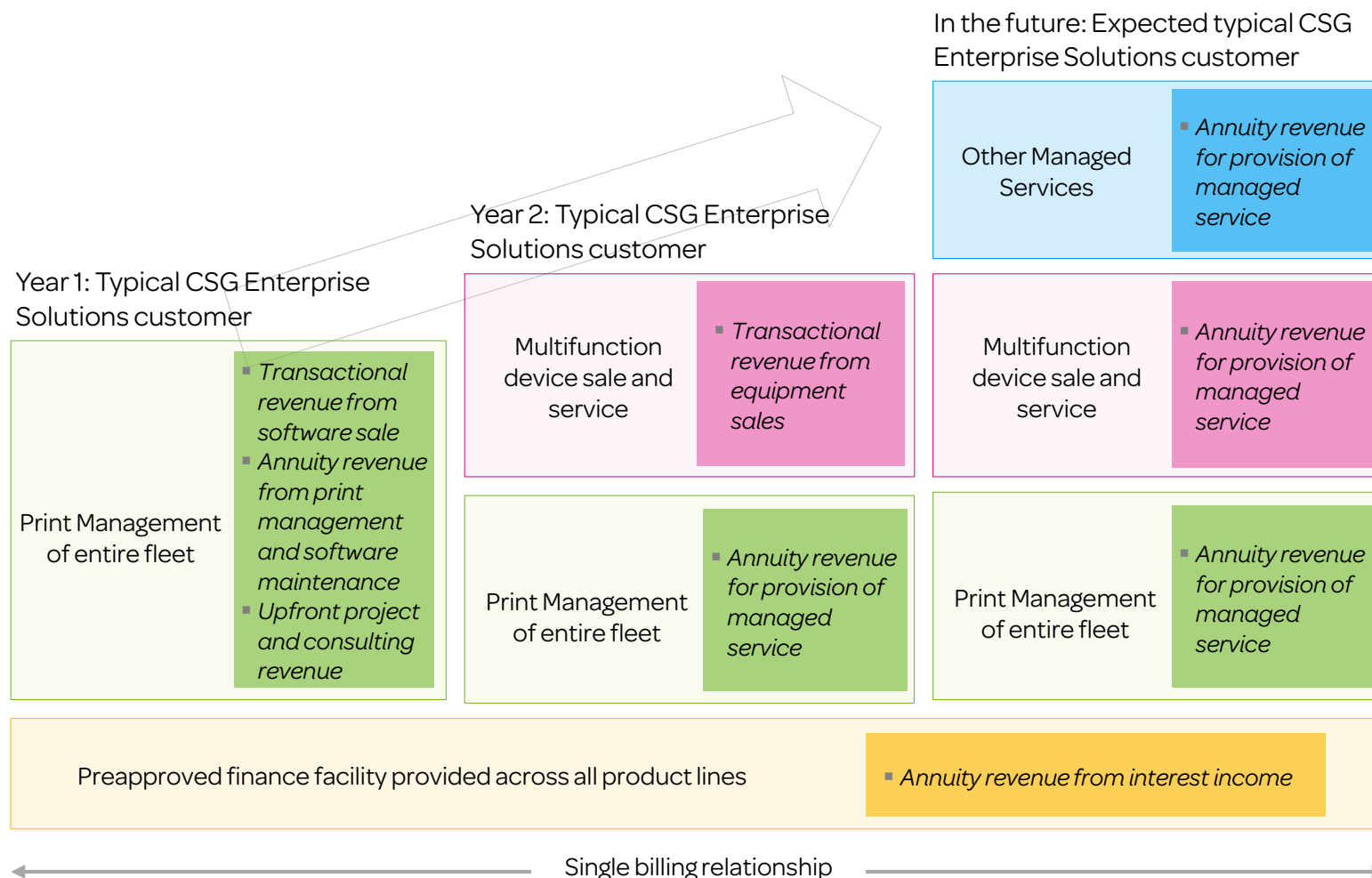
Ability to leverage Konica Minolta's strong brand presence and significant market share in NZ

Scale with flexibility



CSG has the ability to service customers of all sizes, and the flexibility to service a broad range of customer types

## Enterprise Solutions: Revenue Model



## Finance Solutions: CSG's Value Proposition

*"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
- Finance company will support transactional website by allowing a streamlined finance approval process
- Following acquisition of CFAL contracts 80% of CSG existing customers will be financed by CSG Finance



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## 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 with direct link to Samsung website
- 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 develop growth strategy
- Achieve growth through the success of the Enterprise Solutions team
- Soft launch new IT services in New Zealand
- 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 acquisition
- Look for partnerships with innovative cloud vendors
- Continue to develop IT platform to deliver premium customer service
- Extend digital presence and grow online transactions
- International expansion

## Indicative Growth Potential – Business Solutions

Indicative growth achievable in Business Solutions by increasing 'wallet share' of current customer base via the sale of additional business technology products

Indicative annual equipment revenue:

Penetration of print deals with non-print product

		5%	10%	15%	20%	25%
Annual spend on additional product	\$15,000	\$3.0m	\$6.0m	\$9.0m	\$12.0m	\$15.0m
	\$20,000	\$4.0m	\$8.0m	\$12.0m	\$16.0m	\$20.0m
	\$25,000	\$5.0m	\$10.0m	\$15.0m	\$20.0m	\$25.0m
	\$30,000	\$6.0m	\$12.0m	\$18.0m	\$24.0m	\$30.0m
	\$35,000	\$7.0m	\$14.0m	\$21.0m	\$28.0m	\$35.0m
	\$40,000	\$8.0m	\$16.0m	\$24.0m	\$32.0m	\$40.0m

## Indicative Growth Potential – Enterprise Solutions

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



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## 1H15 Performance & Outlook



## 1H15 Operational Highlights Across the Business

### Innovation & Growth

- Revenue increased by 14%
- Underlying EBITDA increased by 15%
- CSG Finance book increased by 36% yoy driven by growth in Australia
- Non print sales represented more than 5% of equipment sales revenue in Australia
- Launched Samsung relationship in New Zealand
- Invested in resources in the Enterprise team to develop new product offerings for FY16
- Continued to grow sales pipeline in the Enterprise business
- Went live with new Cloud based IT platform in Australia

### Customers

- Excellent Customer Survey across Australia and New Zealand
- New business sales in Australia increased to 23%
- Developed some vertical market solutions for non-print technology
- Launched new Konica Minolta Production print range in New Zealand
- Won major contracts in Australia and New Zealand in Education and government
- Acquired \$11 million in lease receivables from Capital Finance Australia Limited (Feb 15)
- Net Promoter Score again reflective of the high quality of customer service

### People

- New Board members providing valuable input to the Executive team
- Added four high calibre resources :
  - CSG Finance Executive General Manager Shailendra Singh
  - CIO Louise Pretty
  - CTO Tasso Mangos to Lead Product and Service Strategy
  - COO Robert Hughes
- Rolled out Master Agent equity incentive plan to key Master Agents to align and reward the high achievers
- Commenced restructure in operations and transactional services as a result of new IT platform rollout
- Moved into new premises in Sydney due to growth in the business

## Half Year Financial Highlights

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- Revenue (excluding Interest) \$108.2m, representing 14% growth on 1H14
  - Reported EBITDA \$13.5m , representing 27% growth on 1H14
  - Underlying EBITDA of \$15.4m (before non-recurring costs and LTI expense of \$1.9m), representing 15% growth on 1H14
  - Reported NPAT \$7.6m, representing 42% growth on 1H14
  - Underlying NPAT before customer contract amortisation of \$10.1m, representing 20% growth on 1H14
  - Interim unfranked dividend declared of 4 cents per share
  - Finance Solutions receivables of \$188.6m, representing 36% growth on 1H14
-



## Income Statement

	1H15 \$m	1H14 \$m	
Revenue (excluding Interest)	108.2	95.2	▲ 14%
Underlying EBITDA	15.4	13.4	▲ 15%
Non-recurring Costs	(0.2)	(1.3)	
LTIP	(1.7)	(1.5)	
EBITDA	13.5	10.6	▲ 27%
Depreciation & Amortisation	(2.3)	(2.7)	
Net interest (expense)/income	(0.5)	(0.2)	
Profit before tax	10.8	7.7	▲ 40%
Income Tax	3.2	2.4	
NPAT	7.6	5.3	▲ 42%
Underlying NPAT before customer contract amortisation	10.1	8.4	▲ 20%

- Underlying EBITDA of \$15.4m or 15% improvement over 1H14.
- Revenue (excluding Interest) growth of 14% delivered while maintaining EBITDA margin (14.2% v pc 14.1%)
- Costs excluded in underlying EBITDA are:
  - \$1.7m LTIP/Employee Share Plan (non cash expense), and
  - Cinglevue related legal costs of \$0.2m
- Depreciation and amortisation includes \$1.1m of customer contract amortisation

## Balance Sheet

	Dec 14 \$m	Jun 14 \$m
<b>Assets</b>		
Cash	20.6	27.3
Receivables	27.5	23.1
Lease Receivables	188.6	161.5
Inventory	44.7	41.0
Goodwill & Intangibles	191.6	191.0
Other	9.9	10.3
<b>Total Assets</b>	<b>482.9</b>	<b>454.2</b>
<b>Liabilities</b>		
Trade & other Payables	48.6	42.8
Borrowings	5.2	0.7
Lease Receivable Debt	160.9	138.3
Other	7.6	7.4
<b>Total Liabilities</b>	<b>222.3</b>	<b>189.2</b>
Contributed Equity	166.6	160.8
Retained Earnings & Reserves	94.0	104.2
<b>Total Equity</b>	<b>260.6</b>	<b>265.0</b>

- Cash balance of \$20.6m following full year dividend of \$14.0m
- Increased inventory by \$3.7m mainly due to delay in installation of key contract in Australia (\$2.0m)
- Leasing receivables grew by 36% yoy (1H14 \$138.8m)
- Leasing expansion continues to be funded by bank debt facility with advance rate in excess of 85%

## Cash Flow

	1H15 \$m	1H14 \$m
<b>Opening Cash</b>	<b>27.3</b>	<b>40.0</b>
Net cash flow from business	11.6	7.9
Net Interest and Tax paid	(3.6)	(3.9)
<b>Operational cash flows</b>	<b>8.0</b>	<b>4.0</b>
Net Investment in Lease book	(3.2)	(3.1)
Capex	(2.6)	(1.0)
Payments for business	-	(7.5)
<b>Business Investments</b>	<b>(5.8)</b>	<b>(11.6)</b>
Shareholder distributions	(13.6)	(11.0)
Movement in Debt	4.9	(2.9)
<b>External movements</b>	<b>(8.7)</b>	<b>(13.9)</b>
Other	(0.2)	1.7
<b>Closing cash</b>	<b>20.6</b>	<b>20.2</b>

- Solid cash flow conversion at 77% of underlying EBITDA to ungeared pre-tax cash flow (pcp 55%)
- Capital expenditure for FY15 expected to be at \$3.5m
- Dividend will be unfranked due to New Zealand earnings and tax profile of Australian leasing business
- Total payments to shareholders of \$120m (43 cps) since relaunch

## 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
- Revenue is expected to exceed \$220m (growth of at least 10%)
- Finance receivables expected to exceed \$210m (growth of at least 30%)
- Capital expenditure expected to be approx. \$3.5m
- Maintain \$25m return to shareholders



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Thank you



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