

Results Presentation Full Year 2012

Julie-Ann Kerin
Managing Director

Neil Lynch
Chief Financial Officer

Tom Cowan
Chairman

Date: 23 August 2012



Overview

Financials - Combined

- Reported NPAT \$51.7m
- Gain on Sale of Technology Solutions pre tax \$92.2m

Financials – Continuing Operations

- Reported revenue \$202.8m
- Reported EBITDA (\$17.0m)
- Normalised EBITDA pre head office costs \$18.2m
- One off items \$25.9m

Commentary

- Sale of Technology Solutions completed 2 July \$227.5m
- NZ flat performance on prior comparable period
- Australia break even as a result of high cost structure in second half 2012
- Leasing Solutions (LSL) NZ performed above expectations
- Restructure commenced with \$13m annualised savings on track
- Final \$7 m payment made to Canon
- Settlement reached with Delexian for \$2.8m



01

Capital Management

Sale of Technology Solutions

- Sale of Technology Solutions completed on 2nd July 2012
- Sale consideration of \$227.5m
- Net proceeds after capital gains tax and other transaction related costs of A\$187m
- Successful separation of the Technology Solutions business

	(\$m)
Cash Balance as at 30 June 2012	25.9
Proceeds from sale of Technology Solutions	227.5
Total cash balance including sale proceeds	253.4
Debt and vendor repayments	(101.0)
Transaction and separation costs	(6.3)
Tax payable	(19.0)
Net working capital payment to NEC	(5.6)
Total Payments	131.9
Total Cash less Payments	\$121.5
Cash not available for distribution (included in above cash balance)	\$17.6

Capital Management

**18
September
2012**

\$56 million fully franked special dividend (maximum allowed) which equates to 20 cents per share

On market buy-back of up to 10% of shares on issue over next 12 months

**December
2012**

\$40 million capital return subject to:

- **ATO review and shareholder approval**
- **Formalising satisfactory banking terms**
- **Business performance in 1Q FY13**

The Board will announce a dividend payout policy and assess whether there is capacity for further capital management in February 2013



02

Financial Performance

Income Statement – Continuing Operations

	Reported	
	FY12	FY11
	\$m	\$m
Revenue	202.8	222.0
Expenses	219.8	186.7
EBITDA	(17.0)	35.3
Depreciation & Amortisation	(5.6)	(6.9)
Net financing costs	(10.9)	(12.0)
Profit/(Loss) Before Tax	(33.4)	16.4
Tax effect	11.2	2.6
NPAT	(22.2)	19.0
NPAT from Discontinued Operations	73.9	21.6
NPAT for combined Group	51.7	40.5

- FY11 and FY12 has been restated to reflect the Continuing Operations of the Group i.e. removal of Technology Solutions business
- Revenue decline is a result of
 - Reducing hardware prices
 - Loss of some managed machines in Darwin during 2H due to end of agency
 - Challenging fourth quarter in New Zealand equipment sales, partly due to delay of installation of large signed contracts
 - Annualised impact of loss of previous vendor machines in FY11
- Expenses include non-recurring items for:
 - Reorganisation and impairment
 - Corporate overhead for TS inclusive group
- Depreciation and amortisation includes customer contract related amortisation of \$2.3 m in FY12 and \$2.9m in FY11

One off Items

	FY12	FY11
	\$m	\$m
Print Business		
Balance Sheet Impairment	9.6	
Print Reorganisation	4.8	n/a
Bad Debts	1.0	
Other	3.1	
Corporate		
Litigation & advisory costs	1.8	1.8
Deferred Consideration	2.8	(2.5)
Balance Sheet Impairment	2.0	
Other	0.8	
Total one off items	25.9	(0.7)

- **Balance sheet impairment** includes one-off charges following a complete review of all carrying values:
 - Inventory and stock values
 - Intangible Assets
 - Non-listed investment

- **Print reorganisation items** include:
 - Redundancy costs
 - IT system refresh
 - Property consolidation

- **Litigation & Advisory costs** include:
 - FX cases
 - Earn-out contract matters including Delexian
 - Indirect transaction related advisory costs

Normalised Income Statement

	Reported		Variance
	FY12	FY11	%
	\$m	\$m	
Equipment Revenue	86.1	92.1	-6%
Service Revenue	96.2	108.9	-12%
Other Revenue	20.3	20.3	0%
Total Revenue	202.6	221.3	-8%
Expenses	184.4	178.9	4%
EBITDA (pre corporate overhead)	18.2	42.4	-61%
Depreciation	(3.6)	(3.2)	25%
EBIT (pre corporate overhead)	14.6	39.2	-67%
Capital expenditure	2.9	3.9	-25%

➤ Equipment Revenue

- Unit sales increased year on year
- Delay in some major installations in NZ operations impacted 4th quarter

➤ Service Revenue

- Decline due to MIF reconciliation in NZ
- Decline in Australia as a result of vendor transition

- **Capex** in current and prior years includes system development costs and Canon launch

- **Colourisation** growth trend continues

- Amortisation of customer contracts recorded in Corporate

Balance Sheet Comparative

	FY12 \$m	FY11 \$m
Current Assets	335.4	190.7
Cash	25.9	31.0
Receivables	241.6	71.9
Lease Receivables	35.6	39.7
Other	32.3	48.1
Non Current Assets	267.7	389.3
Lease Receivables	63.9	67.5
Goodwill & Intangibles	191.7	291.7
Other	12.1	30.1
Total Assets	603.1	580.0
Current Liabilities	187.8	120.2
Trade and other Payables	45.2	71.0
Deferred Consideration	16.1	27.7
Short term borrowings	91.1	4.3
Other	35.4	17.2
Non Current Liabilities	83.5	164.3
Long Term Borrowings	0.1	71
Debt Associated With Lease Receivable	83.0	85.3
Other	0.4	8
Total Liabilities	271.3	284.5
Total Equity	331.8	295.5
Canon Deferred Consideration	7.0	28.3

- Receivables includes \$221.9m for TS sale
- Reduction in Goodwill is result of sale of TS
- Increase in borrowings offset by decrease in Canon deferred consideration. All Canon payments now paid.
- Bank Debt moved to current liability, was repaid on 2 July





03

Business Update

Overview

Performance

- New Zealand flat overall
- Print Australia break even in FY12
- Final Canon payment made
- Fuji Xerox Finance case found in CSG's favour
- Managed Print Services working on a number of large contracts
- Large multi-year contracts signed :
 - Local Government agency: \$18m over 6 years
 - Engineering firm: \$8m over 4 years
 - Employment agency: \$4.4m over 4 years
 - NT successful transition to Canon
 - Extension of NT Govt Panel contract for 1 year

Business Transformation Update

- Annualised \$13m savings by Sept 2012 on track through:
 - Head count reduction
 - Reduction in selling costs
 - Other reductions
- Further \$4m annualised savings by June 2013 through:
 - Consolidation of shared functions between Australia and New Zealand
 - IT and systems efficiencies
 - System solution and scoping process already commenced on 3 major projects

Leasing Business

Despite challenging economic circumstances in New Zealand, business continued to show growth including:


- Return on equity of circa 30%
- Bad debt rate of less than 1% for the last 5 years
- S&P AA rated book
- Key funding partnerships with ASB and Equigroup, both part of the CBA group
- Business has benefited through lower interest rates
- Commencement of LSL Australia targeted for this financial year.
 - Key objective to be enabler to Australian sales team
 - Discussions are well advanced with potential funding partners



04

Outlook


Outlook



Phase 1: Consolidation 90 Days

- Implement data reporting systems for improved analysis of productivity and efficiency
- Further review of cost savings
- Consolidate operations
 - Phase 1 Shared Services between Aust & NZ in HR, IT, Finance and Service
- Restructuring costs
- Reduce discretionary spend
- Focus on new customer acquisition
- Evaluate establishment of LSL in Australia
- Enterprise Print Services (EPS) and major bids team


- **\$13m annualised cost savings on track**
- **Corporate costs \$5m before any abnormal legal expenses**



Phase 2: Growth by end June 2013

- Growth in EPS business
- Establish Print Professional Services team
- Further review of consolidated business functions
- Focus on service improvement and customer retention
- Increase production business
- Relaunch brand and update company positioning
- Environmental footprint

- **Additional \$4m savings by June 2013**
- **Capital expenditure \$4m to \$5m as a result of IT infrastructure projects**



Phase 3: Differentiation 2014 and beyond

- Extend billing relationship with customer to cloud based services
- Review new model for sales business

- **Recurring capital expenditure between \$2m and \$3m per annum**



05

Appendices

Key Metrics – Print Services Australia and New Zealand

	1H09	2H09	1H10	2H10	1H11	2H11	1H12	2H12
Total Revenue	28.6	33.7	31.3	88.9	111.8	111.0	108.0	94.8
Service Revenue (\$m)	12.8	13.8	14.6	38.6	57.2	52.7	50.0	46.2
Equipment Sales (\$m)	12.9	14.2	12.1	32.9	35.9	43.5	41.4	34.9
Other Revenue (\$m)	2.9	5.7	4.6	17.4	18.7	14.8	16.6	13.7
Average MIF (000)	5.3	5.4	5.7	25.9	36.6	36.0	35.6	33.9
Service Revenue Per MIF\Mth (\$)	408	424	424	249	261	244	234	227
% of Total Prints that are Colour	19.2%	20.5%	23.1%	14.0%	15.8%	16.5%	17.6%	18.5%
Australia	19.2%	20.5%	23.1%	24.4%	19.2%	20.3%	21.6%	23.2%
NZ				10.9%	12.9%	13.5%	14.9%	15.9%

^ correction in 1H12 from \$244 to \$236

