

FY2018 Trading Update

9 February 2018



Business Technology Made Easy

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Business Technology Made Easy

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FY2018 Trading update

- Print equipment revenue lower than forecast in 1H FY2018
 - Driven by changes to the salesforce and sales incentive programs to accelerate growth in the technology business
- Enterprise Solutions sales below expectations
 - Building Managed IT pipeline following the appointment of Chief Sales Officer in September 2017
 - No major wins in digital display solutions in 1H FY2018
- Growth in our technology business with subscription revenue increasing by ~39% relative to pcp and technology equipment increasing by ~50% relative to pcp

Updated FY2018 guidance

- For the FY2018 period, CSG provides the following updated guidance:
 - Revenue in the range of \$253m - \$260m
 - Underlying EBITDA¹ in the range of \$18.5m - \$21m, after adding back non-recurring items
 - 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%
- Closing cash balance of \$21.6m (including restricted cash of \$13.6m) and corporate debt of \$42.5m
- Further detail on the revised FY2018 guidance will be provided in the 1H FY2018 financial results announcement

Strategic review

- The Board has appointed Morgan Stanley to assist it in reviewing strategic options available to the Company in order to maximise value for shareholders

1. After adding back non-recurring items.

Revised FY2018 guidance

CSG provides the following revised guidance for FY2018 and preliminary (unaudited) financials for 1H FY2018¹:

Guidance (\$m)	Previous FY2018F	Revised FY2018F	1H FY2018 ¹
Revenue	~\$269m	\$253m – \$260m	~\$117m
Underlying EBITDA ²	\$30m	\$18.5m – \$21m	~\$4.6m

FY2018 EBITDA Non-recurring items

Non-recurring items (\$m)	1H FY2018	2H FY2018F	FY2018F
Reported EBITDA	\$1.5m	\$12m - \$14m	\$13.5m - \$16m
Legal & acquisition related costs	\$1.1m	\$0.4m	\$1.5m
Redundancy costs	\$0.4m	\$0.3m	\$0.7m
Digital display implementation overrun	\$1.3m	\$0.8m	\$2.1m
Print equipment write-off	\$0.2m	\$0.3m	\$0.5m
Total non-recurring items	\$3.0m	\$1.8m	\$4.8m
Underlying EBITDA¹	\$4.6m	\$14m - \$16m	\$18.5m - \$21m

Note:

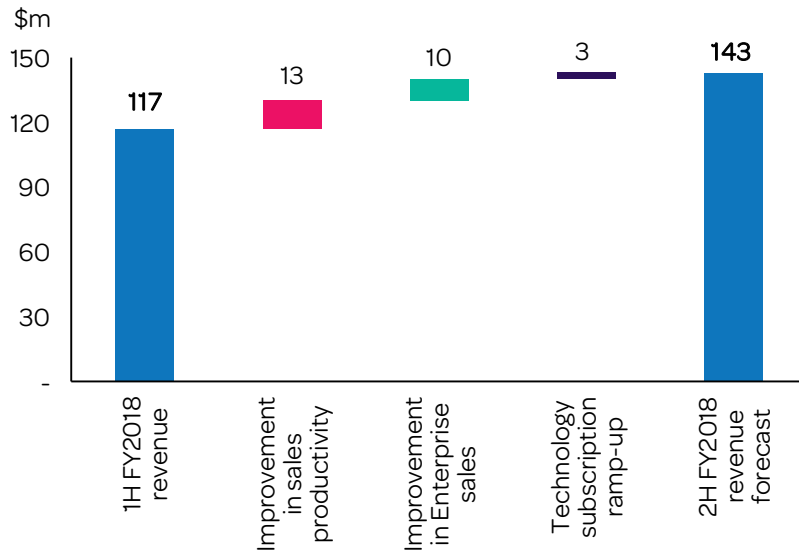
1. 1H FY2018 financials remain subject to review by CSG's auditor and approval by the Board.

2. After adding back non-recurring items.

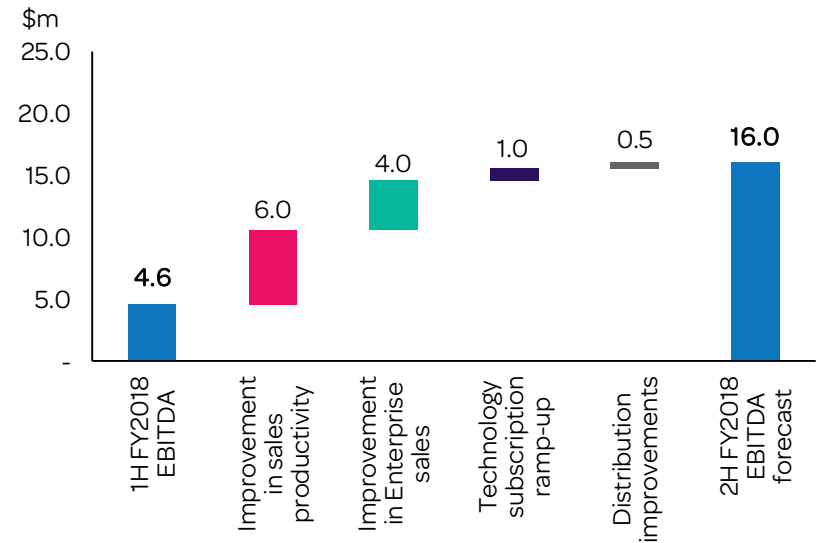
FY2018 revenue and underlying EBITDA bridges

- The revised guidance assumes 2H FY2018 revenue in the range of \$136m to \$143m. The incremental revenue in the second half is driven by:
 1. Increased productivity in the Business Solutions sales team from 15 transactions per sales head in 1H FY2017 to 20 in 2H FY2018 (in line with previous second half performance). The benefits of the new sales incentive program are expected to lead to improved sales productivity in print equipment transactions in 2H FY2018. It is also anticipated that our new partnership with HP for print technology will drive equipment sales: ~\$13m increase
 2. Improvement in technology and digital sales within Enterprise Solutions: ~\$10m increase
 3. Incremental technology subscription revenue driven by an increase in subscription seats: ~\$3m increase
- Increase in revenue noted above has an EBITDA impact of ~\$11m; EBITDA also benefits from distribution improvements of \$0.5m

2H FY2018 revenue bridge to ~\$143m (FY \$260m)



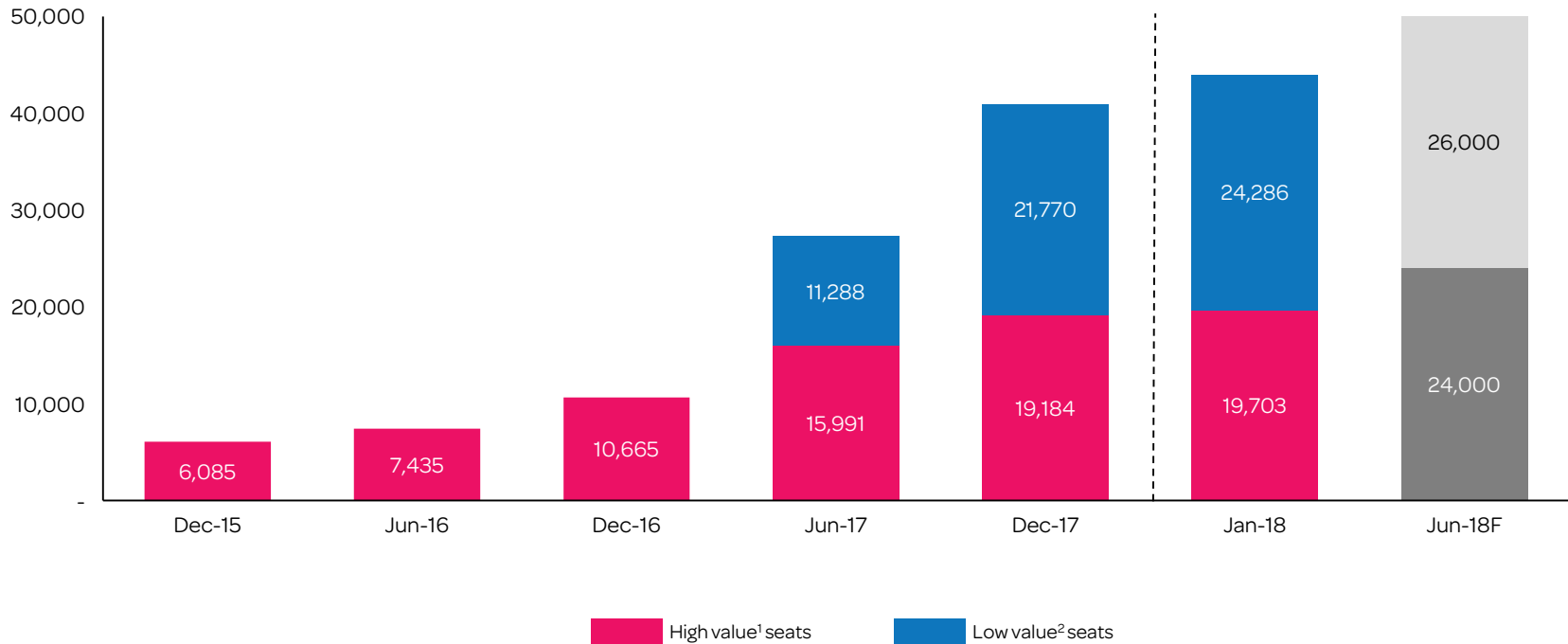
2H FY2018 underlying EBITDA¹ bridge to ~\$16m (FY \$21m)



Growth in technology subscription seats

- Growth in technology subscription seats in 1H FY2018 with 19,184 high value seats (44% organic growth on pcp) and 21,770 low value seats
- Subscription seats contract terms range up to 60 months

Subscription seats



1. High value technology subscription seats refers to IT managed services seats incorporating multiple licences per seat relating to cloud communications, Microsoft Office, storage and other services.

2. Low value technology subscription seats refers to IT managed services seats with a single licence per seat e.g. Microsoft Office.

Revenue breakdown

Revenue breakdown over time

Revenue (\$m)	1H FY2016 ¹	2H FY2016 ²	FY2016	1H FY2017	2H FY2017 ³	FY2017	1H FY2018 ⁴
TRANSACTIONAL							
Print equipment	43.6	39.5	83.1	38.7	39.3	78.0	29.7
Technology equipment	8.4	21.3	29.7	9.2	15.9	25.1	13.8
TOTAL TRANSACTIONAL	52.0	60.8	112.8	47.8	55.2	103.0	43.5
ANNUITY							
Print Service	42.4	41.5	83.9	42.7	39.8	82.5	38.5
Technology Subscription	2.8	5.9	8.7	7.5	9.6	17.2	10.4
Finance	13.0	12.8	25.8	13.5	13.2	26.8	13.4
TOTAL ANNUITY	58.1	60.2	118.4	63.8	62.7	126.4	62.3
Other ⁵	6.8	8.5	15.3	9.1	5.9	15.1	11.4
TOTAL REVENUE	116.9	129.6	246.6	120.7	123.8	244.5	117.2

1. 1H FY2016 only includes 4 months of CodeBlue revenue.

2. 2H FY2016 only includes 1 month of PrintSync revenue.

3. 2H FY2017 includes 5 months of R&G Technologies and negligible revenue from pcMedia Technologies.

4. 1H FY2018 financials remain subject to review by CSG's auditor and approval by the Board.

5. Other revenue includes professional services / consulting revenue, licensee fees, hedging and vendor marketing contributions.

Key performance indicators

Key performance indicators over time

	1H FY2016	2H FY2016	FY2016	1H FY2017	2H FY2017	FY2017	1H FY2018
BUSINESS SOLUTIONS – SALES PRODUCTIVITY							
Total transactions	~2,300	~1,800	~4,200	~1,900	~2,200	~4,100	~1,600
Average sales staff	116	108	113	110	114	113	111
Transactions / sales staff	20	17	37	17	20	37	15
Average equipment revenue per transaction	~\$20,000	~\$28,800	~\$24,000	~\$20,000	~\$20,000	~\$20,000	~\$20,000
SUBSCRIPTION SEATS							
High value ¹ seats	6,085	7,435	7,435	10,665	15,991	15,991	19,184
Low value ² seats	-	-	-	-	11,288	11,288	21,770
TOTAL SEATS	6,085	7,435	7,435	10,665	27,279	27,279	40,954
High value ¹ seats – Monthly recurring revenue per seat (\$)	nmf	~\$145	nmf	~\$140	~\$120	~\$122	~\$100
Low value ² seats – Monthly recurring revenue per seat (\$)	nmf	N/A	N/A	N/A	~\$5	~\$5	~\$2

- Decline in average Monthly Recurring Revenue per seat reflects an increased proportion of Communications as a Subscription seats
- Lower Business Solutions transactions per sales staff as a result of changes to the salesforce and sales incentive programs to accelerate growth in the technology business

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2. Low value technology subscription seats refers to IT managed services seats with a single licence per seat e.g. Microsoft Office.