

20 November 2018 ASX Announcement

2018 Annual General Meeting – MD & CEO Address

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Thank you for the introduction Mark and good afternoon everyone.

I would also like to join Mark in welcoming you to CSG's 2018 Annual General Meeting and thank you for coming today.

In my presentation, I will briefly recap the Company's results from FY18 and will provide an update on our year-to-date trading performance in FY19. Before I do this, I want to first reflect on the transformational journey that CSG has been on.

In July 2015, we set out to build an innovative technology business with our unique, first-to-market Technology as a Subscription solutions. At that time, 100% of the Company's earnings were derived from print services. In FY18, approximately 19% of our total revenue was derived from new, technology solutions that continue to grow as a result of our technology cross-sell strategy.

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FY18 was a challenging year for CSG. The business faced substantial headwinds in our enterprise technology segment that led to a disappointing result. Following decisive action from the Board and Management, CSG is now repositioned for a return to sustainable profitable growth in FY19 and beyond. We have implemented a major cost restructure and simplified our business model into three clear operating segments being Technology, Print & Display and Finance.

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Our plan is underpinned by three key strategic growth pillars:

- 1) Defend by growth of print & finance;
- 2) Expand and cross-sell technology; and
- 3) Extend into new technology business solutions.

With this in mind, a number of specific initiatives underpinning each strategic growth pillar are now underway.

In our Print business, we will work with our key partners to grow in Australia, where we have an estimated market share of approximately 4%. In New Zealand, we will defend our market share through cross-selling additional subscription services. In our Technology business, our focus remains on growing our technology subscription base through cross-selling technology into our existing customer base and focussing on new customer acquisition.



Business Technology Made Easy

We will also look to extend our solutions into new business areas and capabilities and focus on growing our Alibaba cloud transformation practice.

These strategic pillars form the basis of our 2021 growth plan and have helped establish a real sense of shared purpose, energy and commitment amongst the Group.

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Focussing now on Technology, we believe that our value proposition is even more relevant in today's environment, where SMEs deal with up to 15 different suppliers and spend considerable amount of their own time in order to meet their technology needs. We will continue to strive to make Business Technology easy for our customers saving them time, improving their cash flow management and increasing peace of mind. In FY19, we will focus on growing our SME sales force and expanding our customer lifecycle through improved use of our salesforce.com platform.

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Our Technology business is the opportunity for CSG to grow its annuity revenue. We estimate the total addressable market opportunity for our Technology subscription solutions to be 4.2 million seats. Our existing customer base of approximately 14,600 customers represents a potential market of approximately 300,000 seats, of which we have only penetrated approximately 8% to date.

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As Mark mentioned in his address, we have been undergoing a substantial transformation within the business with a strong focus on culture and strategy. We have spent a considerable amount of time reaffirming our growth plans and have created a clear and focused path to deliver sustainable profitable growth.

Our strategic refresh has been built upon our values, in particular, our value of putting the "Customer First", recognising that our customers are and will always remain at the heart of everything we do. We have reaffirmed our 2021 vision, which is to be a business technology leader that attracts and retains the best customers, talent and partners.

I would now like to recap briefly on FY18 and provide an update on year-to-date performance.

FY18 Recap

While Mark has taken us through the high-level financial results, I would like to take you through the Company's performance in more detail. In FY18, we reported revenue of \$225.7 million, which was down 8% relative to the prior corresponding period. Revenue was impacted by lower than expected print equipment sales and print service revenue, primarily within the enterprise segment in Australia and production print in New Zealand.



Business Technology Made Easy

Our Technology business was the stand-out performer in FY18, with High value technology subscription seats growing by 40% to 22,326 seats. High value subscription seats have a Monthly Recurring Revenue of approximately \$95 and are typically contracted for a period of 36 to 60 months. The growth in seats has been driven by a more focused sales effort, increased marketing and improved digital targeting.

The Finance business continued to perform in line with expectations to close lease receivables at \$242.2 million, down 9% relative to the prior corresponding period due to lower than expected print equipment sales. The lease book remains high quality and stable with approximately 57% underlying Return on Equity in FY18 and bad debts remaining below 0.5%.

The Company also continued to deliver high quality customer service, evidenced by a strong in-field NPS score of 72 across the SME segment.

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FY19 outlook

Turning to year-to-date performance in FY19, the financial performance through to October 2018 has been in line with our plan. However as always, November and December are significant sales months for CSG.

With respect to the cost out program, we announced at the full year that we have completed approximately \$6 million of the \$7.7 million of identified annual savings. We are also on track to deliver a working capital reduction of \$10 million for FY19 through a reduction in inventory.

We continue to execute successfully on our Technology strategy, adding approximately 1,500 seats in YTD FY19, resulting in 23,855 High value technology subscription seats as at 31 October 2018, up 7% since 30 June. Our Technology business remains the stand-out performer and we have a strong pipeline of managed technology opportunities that the business will focus on closing for the remainder of 1H FY19.

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I would now like to move to our FY19 guidance. For the FY19 year, we are reaffirming the previous guidance provided for forecast Underlying EBITDA in the range of \$17 million to \$20 million.

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Positioned for growth in FY19

After a challenging year in FY18, we believe that we have the right strategy and structure to return CSG to growth in FY19 and beyond.

Following our \$18 million capital raise we have a strengthened balance sheet, and together with our reinvigorated team culture, will underpin the Company's return to sustainable, profitable growth.



Business Technology Made Easy

I would like to thank you for patience and continued support as shareholders, and I look forward to working with the CSG team, our partners and customers to grow the business for all stakeholders.

Thank you, ladies and gentlemen. I will now hand back over to Mark to run through the formal part of the meeting.

- END -

Further information

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CSG - FY18 ANNUAL GENERAL MEETING

20 NOVEMBER 2018

Presented by

Mark Bayliss, Executive Director & Chairman
Julie-Ann Kerin, Managing Director & Chief Executive Officer

CSG - Business Technology Made Easy.

EXECUTIVE DIRECTOR & CHAIRMAN'S ADDRESS
MARK BAYLISS

CSG - Business Technology Made Easy.

MD & CEO PRESENTATION
JULIE-ANN KERIN

We have simplified our business model into three clear operating segments



Australia & New Zealand



Print & Display

- Focus on core print and digital display business by servicing existing customers and continuing to add new customers
- ~39,000 print devices under management and >4,500 displays
- Estimated market share of ~4% in Australia and ~23% in NZ



Technology

- ~24,000 High value and ~29,500 Low value technology subscription seats
- Significant opportunity in SME market for Technology as a Subscription solutions with total addressable market of over 4.3 million subscription seats across Australia and New Zealand^{1,2}



Finance

- Build additional capabilities within Print & Display and Technology
- Grow Alibaba cloud transformation practice

1. Based on Australian Bureau of Statistics Data, as at June 2016. Excluded industry groups include Agriculture, Forestry and Fishing; Mining; Manufacturing; Electricity; Gas, Water and Waste Services; Construction; Public Administration and Safety; and Other Services

Included industry groups: Wholesale Trade; Retail Trade; Accommodation and Food Services; Transport, Postal and Warehousing; Information Media and Telecommunications; Financial and Insurance Services; Rental, Hiring and Real Estate Services; Professional, Scientific and Technical Services; Administrative and Support Services; Education and Training; Health Care and Social Assistance; Arts and Recreation Services

CSG's growth strategy is underpinned by three pillars



Business Technology Made Easy

1 **PRINT**
Defence by growth of
print & finance

- Work with key partners to grow market share in Australia
- Defend market share in New Zealand by increasing customer stickiness
- Increase focus on ancillary software & services

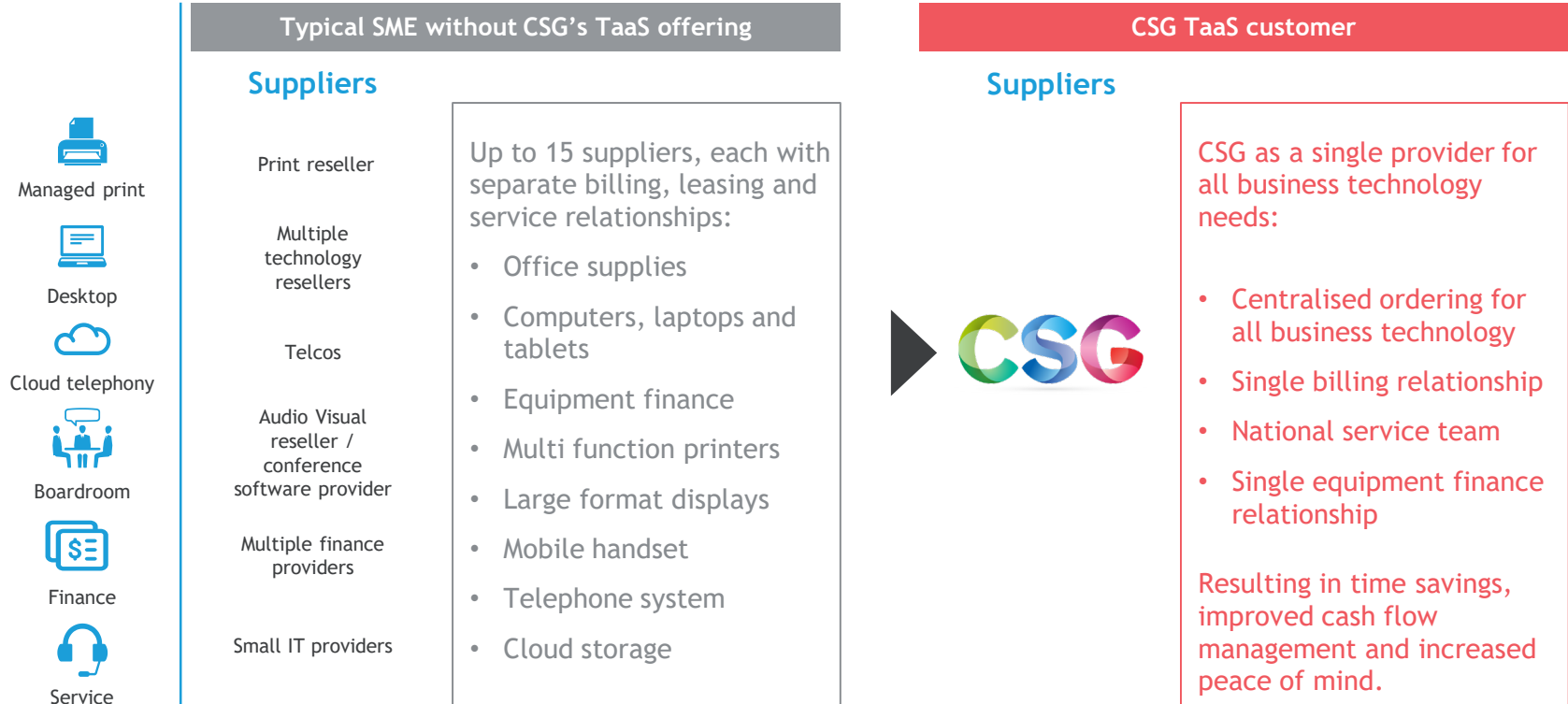
2 **TECHNOLOGY**
Expand and
cross-sell







- Cross-sell Technology as a Subscription solutions to existing CSG customer base
- Focus on new customer acquisition

3 **NEW BUSINESS**
Extend through
new solutions

- Build additional capabilities within Print & Display and Technology
- Grow Alibaba cloud transformation practice

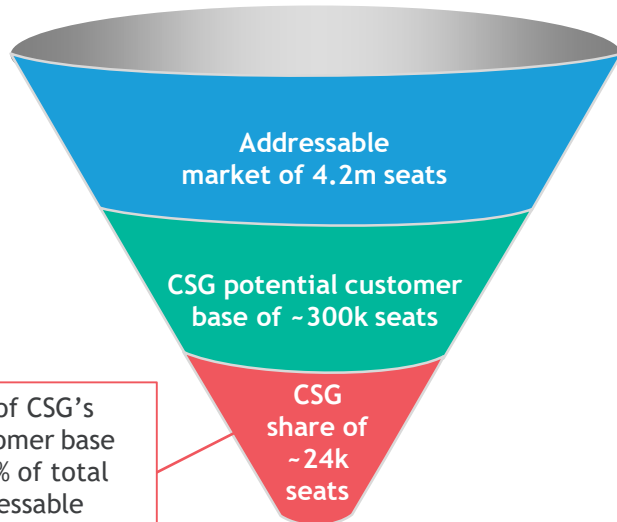
CSG's value proposition combines a broad technology offering, national technical support and finance solutions all on a single bill



-  Managed print
-  Desktop
-  Cloud telephony
-  Boardroom
-  Finance
-  Service

CSG's existing customer base alone presents a very large addressable market opportunity for TaaS

CSG has only penetrated approximately 7% of its existing customer base with Technology solutions, with a potential to increase penetration by 10x, before tapping into new, non-CSG customers.



Addressable market

It is estimated that there are approximately 4.2m¹ subscription seats in the market that could use Technology as a Subscription solutions

CSG potential customer base

Within its existing customer base of ~14,600 customers, CSG has approximately 300k technology subscription seats - this is prior to acquiring any new customers

Market share

CSG has approximately ~8% of its immediately addressable market or ~0.6% of the total potential market

1. Based on Dun & Bradstreet data extrapolated for New Zealand. Data represents Small to Medium Enterprises within relevant verticals with a range of 5 to 99 seats per customer.

CSG's 2021 vision is to be a business technology leader that attracts and retains the best customers, talent and partners

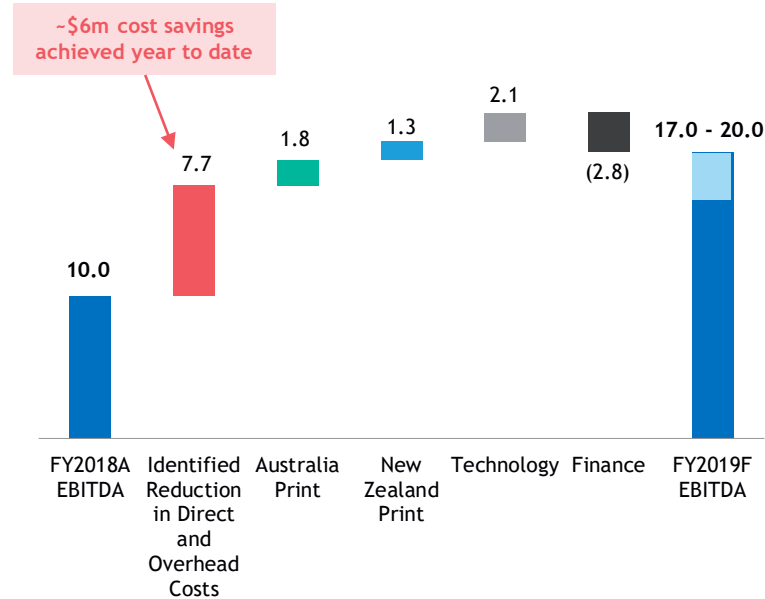


YTD financial performance in line with plan

- CSG earnings are weighted to the second half of the financial year, however YTD performance to October 2018 is on plan
- Cost-out program near complete - \$6m savings out of anticipated \$7.7m savings have been achieved year to date
- Working capital reduction of \$10 million in FY19 is on track
- Continuing to execute on Technology strategy, with High value technology subscription seats growing by ~7% in YTD FY19 to 23,855 seats

FY19 EBITDA guidance reaffirmed

Underlying EBITDA Bridge (A\$m)¹ FY18 Actuals to FY19F



The FY19 Underlying EBITDA guidance will be achieved through the cost-out program and growth in Technology and Print & Display

- 1 Identified Reduction in Direct and Overhead Costs**
 Significant reduction in costs driven by reduction in labour primarily due to cessation of investment in the enterprise technology segment along with reduction in distribution costs, motor vehicle costs and integration of recent acquisitions - \$6m already achieved in YTD Oct FY19
- 2 Australia Print & Display**
 Incremental print and display sales.
- 3 New Zealand Print & Display**
 Revenue for New Zealand assumed flat for FY19. Change in product mix resulting in \$1.2m of additional margin from print equipment sales
- 4 Technology**
 Continued growth of Technology annuity subscription revenue as a result of high value seat growth
- 5 Finance**
 Impacted by higher cost of funding as a result of APS120 Regulatory requirements.

1. Actual divisional buckets vary from the bridge provided on 25 June 2018 following the finalisation of year-end results which were impacted by transactions processed late in the month.

CSG is well positioned to return to growth in FY19

- Recapitalised balance sheet
- Revitalised board and management team
- Reinvigorated team culture
- Focused strategy to build on key business strengths in Technology as we continue to materially grow High value technology subscription seats

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