

20 June 2019

ASX Announcement

Progress achieved on “CSG 2021” strategic transformation programme

CSG Limited (ASX: CSV) provides the following update on progress achieved under the Company’s “CSG 2021” strategic transformation programme and growth strategy.

1) Completed a review of the overall business

Nearly 100 days have passed since the appointment of Mark Bayliss as Acting CEO & Managing Director. Under Mark’s leadership a number of initiatives have been implemented:

- Reinvigorated the Company’s culture and values
- Undertaken a detailed customer survey and developed a marketing strategy using the survey findings
- Continued the roll-out and implementation of CSG’s new Salesforce CRM and financial platform “Customer Hub”
- Reviewed the Company’s cost base and customer profitability
- Reviewed CSG Finance’s strategy and credit assessment procedures
- Undertaken a strategic analysis of CSG Technology’s business including opportunities for best practice sharing and synergies across Australia and New Zealand.

2) Substantially delivered cost improvements; on track for \$7.7 million in savings

The targeted cost improvements of \$7.7 million have been substantially delivered through staff reductions as a result of exiting the Enterprise business combined with other operating improvements.

CSG is on track to deliver the targeted \$7.7 million in cost savings in FY19.

3) Substantially delivered inventory reduction; on track for \$10 million

In addition to delivering cost savings, management has also focused on inventory reduction. Initiatives relating to procurement efficiencies, right sizing inventory holding levels, warehouse operating efficiencies and use of third-party logistics services have underpinned this improvement.

CSG is on track to deliver the target of \$10 million in inventory reductions in FY19.

4) Review of CSG Finance completed; identifying \$2.6 million of bad debts

As previously advised, CSG appointed Craig Bowring as General Manager of Treasury and Leasing in October 2018, bringing with him 20 years experience in leasing and asset finance at Westpac and Capital Finance.



Business Technology Made Easy

Craig has led a detailed review of CSG Finance’s strategy and credit assessment procedures as part of “CSG 2021”. During the course of this review three customers that were outside CSG’s core credit segments went into liquidation with a one-off impact of \$2.6 million in FY19. The review has also led to an enhancement of CSG’s credit assessment processes, including ensuring that future credit focuses on core market segments.

5) Revitalising the management team

In May, Steve Rowe was appointed Chief People Officer, bringing with him over 25 years HR experience across various multinationals in Australia and internationally.

The Company’s previous Chief Marketing Officer and Chief Information Officer have left the business and interim external appointments have been made. Search processes are currently underway to appoint suitably experienced senior executives into these roles to further enhance and transform the senior management team on a permanent basis.

These key appointments will continue the transformation of the senior executive team.

On track to deliver underlying FY19 EBITDA guidance

Market conditions have been challenging. However, the successes of the transformation programme are evident in the performance of the underlying business.

Excluding the one-off bad debt expense (discussed above), CSG expects to achieve the lower end of the previous underlying FY19 EBITDA guidance range of \$17 million to \$20 million. This represents growth of at least 70% on FY18 underlying EBITDA.

Well positioned for continued sustainable growth in FY20

Commenting on the performance of CSG, Acting CEO & Managing Director Mark Bayliss said: “Significant efforts have been made to revitalise the Company’s culture and strategy, strengthen its financial position and deliver sustainable growth. The CSG team has worked hard over the last three months with a significant amount of change to enable the Company to deliver its underlying FY19 EBITDA result and be positioned for sustainable growth in FY20.”

CSG plans to release its results for the 12 months ending 30 June 2019 on 20 August 2019.

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