

Results Presentation First Half 2012



Julie-Ann Kerin
Managing Director

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Chief Financial Officer

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Overview: Mixed result across the CSG Group

Financials

- Reported revenue up 7% to \$199.2m
- Reported EBITDA down 28% to \$24.5m
- Normalised EBITDA down 6% to \$28.7m
- Cash flow from operations \$7.8m
- Maintained interim fully franked dividend of 2.5c
- **Technology Solutions**
 - Revenue up 20% to \$88.8m
 - Normalised EBITDA up 15% to \$16.7 million
- **Print Services**
 - Revenue down 1% to \$110.2m
 - Normalised EBITDA down 28% to \$16.4m

Commentary

- Record first half revenue performance
- Decline in overall EBITDA margins, primarily a result of lower margins in Print Australia
- Operating environment challenging with some sectors performing better than others
- Technology Solutions and Print NZ performed well in tough economic environment
- Strong growth in Technology Solutions with major contract wins
- Print New Zealand solid with flat result in 1H12
- Print Services Australia earnings impacted by a number of factors, most significant was the integration of the Canon acquisition



Major Contributing Factors to Mixed Performance

External Factors

- Earthquake in New Zealand and floods in Australia and Thailand
- Fuji Xerox court case
- Tough economic environment

Proposed Takeover

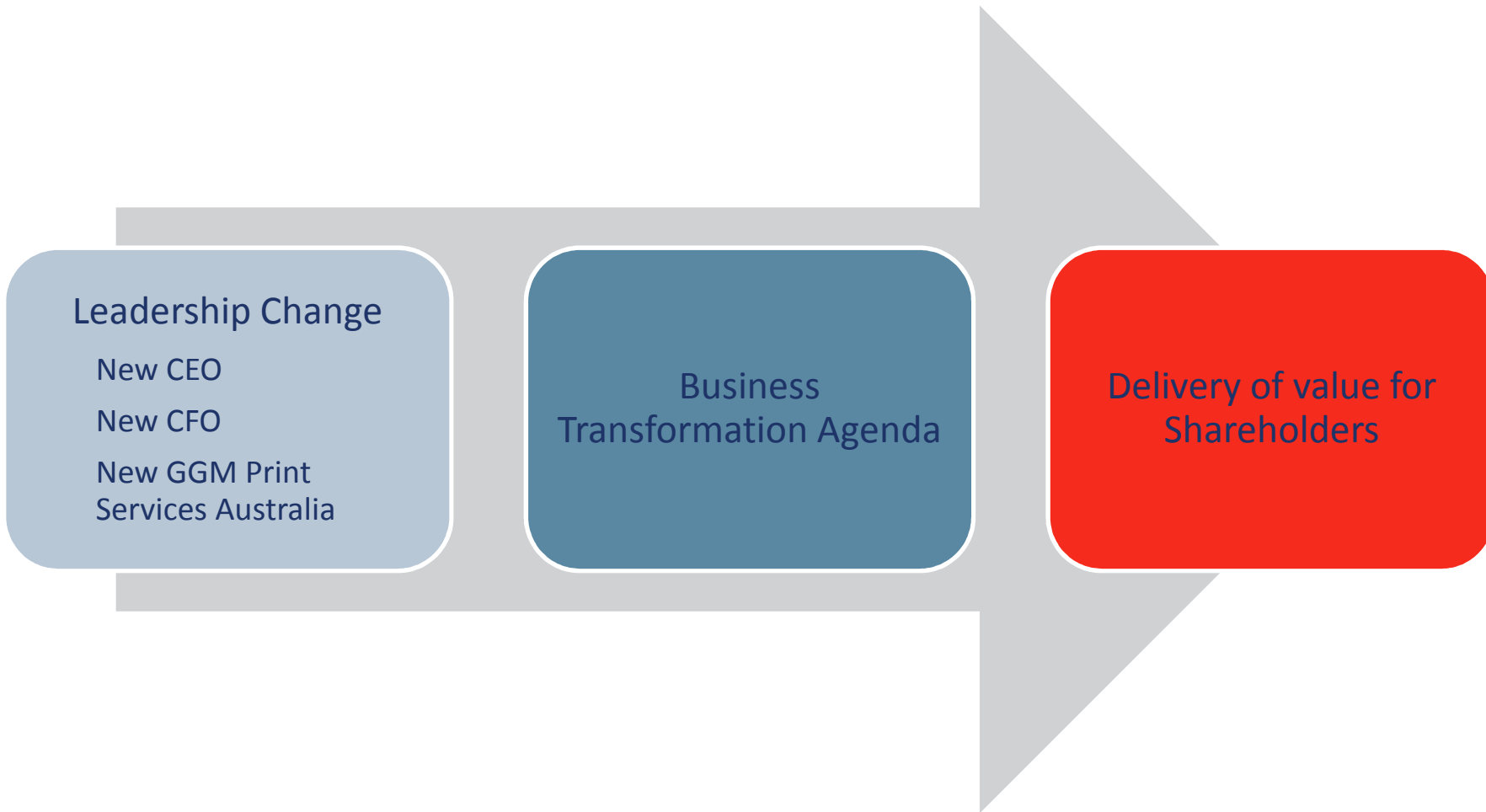
- Management distraction
- Higher attrition rates
- Delays in signing of some contracts
- General interruption to sales activity

Print Services Australia Changes

- Print Australia undergoing significant operational changes: changes in vendor profile, increased geographic MIF spread, increased service requirements, changing customer profile, building a national operation



Immediate Priorities





Financial Performance
Neil Lynch





Income Statement

	Reported			Change	Normalised			Change
	1H11	1H12	%		1H11	1H12	%	
	\$m	\$m	%	\$m	\$m	%		
Revenue	186.4	199.2	7%	186.4	199.2	7%		
Expenses	(152.6)	(174.7)	14%	(155.7)	(170.5)	9%		
EBITDA	33.8	24.5	-28%	30.7	28.7	-6%		
Depreciation & Amortisation	(5.4)	(8.5)	56%	(5.4)	(8.5)	56%		
Net financing costs	(5.4)	(5.4)	0%	(5.4)	(5.4)	0%		
PBT	23.0	10.6	-54%	19.8	14.8	-25%		
Tax effect	(3.8)	(1.3)	-65%	(2.8)	(2.6)	-8%		
NPAT	19.2	9.3	-52%	17.0	12.2	-28%		
EPS (cents)	7.7	3.1	-60%	6.8	4.1	-28%		

- Revenue growth was all organic, driven by Technology Solutions (+20%)
- 1H11 EBITDA included a \$4m non-cash item due to write back of deferred consideration
- Decline in EBITDA is mainly due to Print Services Australia and one off costs



Normalisation Adjustments

	1H11	1H12
	\$m	\$m
Reported NPAT	19.2	9.3
Normalisation Adjustments		
Corporate Advisory & Legal	0.0	2.1
FX Litigation	0.8	0.2
Reversal of Deferred Consideration	(4.0)	(0.2)
Balance sheet adjustments	0.0	1.4
Bad Debts	0.0	0.7
Tax Effect @ 30% of adjustments	0.9	(1.3)
Normalised NPAT	17.0	12.2
Amortisation of goodwill on customer contracts	1.7	1.7
Normalised NPAT adjusted for customer contract amortisation	18.7	13.9



Cash Flow Statement

	1H11	2H11	1H12
EBITDA (\$m)	33.8	36.4	24.5
Tax Paid (\$m)	(1.1)	(1.5)	(3.4)
Interest (\$m)	(5.5)	(6.7)	(4.6)
Working Capital (\$m)	(22.3)	(19.0)	(8.8)
Operating Cash (\$m)	4.9	9.2	7.8
Working Capital	(22.3)	(19.0)	(8.8)
Decrease/(Increase) in Receivables	(9.3)	(12.9)	0.6
(Decrease)/Increase in Payables/Accruals	1.6	(2.5)	(9.3)
Decrease/(Increase) in Inventory	(13.6)	(4.2)	(2.6)
Other	(1.0)	0.6	2.5

➤ Working capital returning to more acceptable levels



Capital Expenditure

(A\$m)	FY10	1H11	2H11	1H12
Print Services	1.8	2.3	0.6	1.2
Technology Solutions	23.6	11.2	4.4	4.9
Software Developed For Resale	8.0	5.0	2.4	2.8
Contract Bid Costs	2.6	3.6	1.7	0.2
Education Contract Fee	4.2	0.0	0.0	0.0
Infrastructure Services Capex	6.7	1.2	0.0	0.7
Internal Capex & Systems Development	2.1	1.4	0.3	1.2
Corporate	1.4	1.2	0.0	0.4
Total	26.8	14.6	5.0	6.5

- Capital Expenditure has returned to previous ranges
- Full year budget is within prior guidance of \$10-12m



Borrowings

(A\$m)	1H11	2H11	1H12
Borrowings Per Financial Statements	93.6	75.0	84.4
Unamortised Borrowing Costs	3.0	2.7	1.6
Amount Drawn	96.6	77.7	86.0
Cash	18.1	31.0	13.7
Net Debt	78.5	46.7	72.3
Guarantees	4.1	4.1	4.1
Facility Usage	82.6	50.8	76.4
Facility Limit	127.9	125.8	123.6
Headroom + Cash	45.3	75.0	47.2
Net Interest Bearing Debt	106.8	75.0	82.3
Net Debt	78.5	46.7	72.3
Canon Deferred Consideration	28.3	28.3	10.0

- Headroom in debt facility remains prudent given the reduced obligation for deferred consideration.



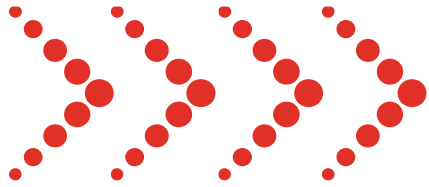
Balance Sheet Comparative

	June 2011	Dec 2011	Change
Current Assets	190.7	169.5	(21.2)
Cash	31.0	13.7	(17.3)
Lease Receivables	39.7	35.8	(3.9)
Other	120.0	120.0	0.0
Non Current Assets	389.3	384.7	(4.6)
Lease Receivables	67.5	65.0	(2.5)
Goodwill & Intangibles	291.7	290.8	(0.9)
Other	30.1	28.9	(1.2)
Total Assets	580.0	554.2	(25.8)
Current Liabilities	120.1	95.6	(24.5)
Trade and other Payables	71.0	56.8	(14.2)
Deferred Consideration	27.7	16.3	(11.4)
Other	21.4	22.5	1.1
Non Current Liabilities	164.3	162.8	(1.5)
Long Term Borrowings	71.0	80.1	9.1
Debt Associated With Lease Receivable	85.3	81.5	(3.8)
Other	8.0	1.2	(6.8)
Total Liabilities	284.4	258.4	(26.0)
Total Equity	295.6	295.8	0.2
*Deferred Consideration	34.7	16.3	(18.4)

➤ Reduction in deferred consideration due to contract payments made to Canon



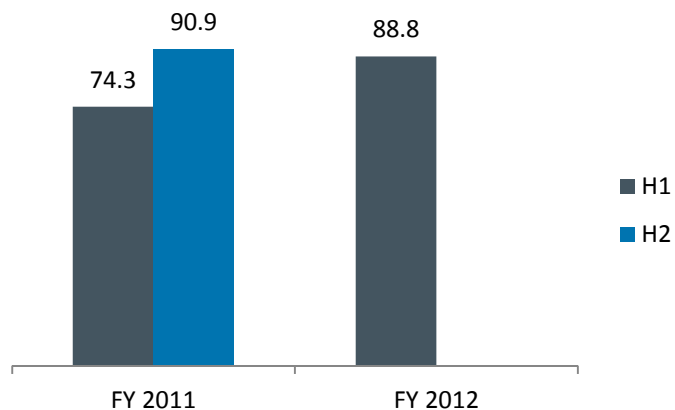
Divisional Reviews: Technology Solutions
Julie-Ann Kerin



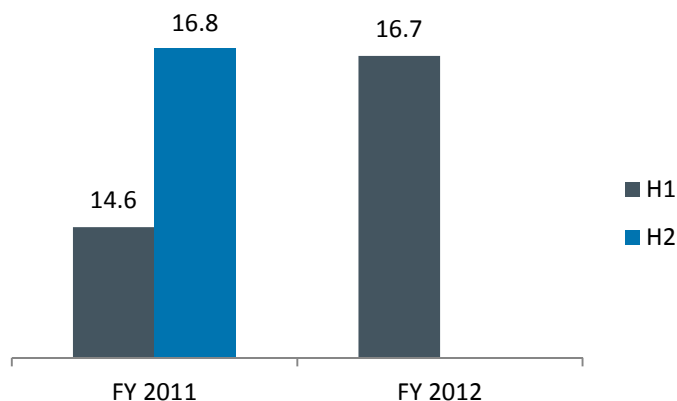


Technology Solutions Financial Highlights: Strong underlying performance

Revenue (\$m)



Normalised EBITDA (\$m)



- Strong organic revenue growth in 1H12, well positioned for 2H12
- Major contract win with mining services company
- Signed \$7m Managed Services contract for east coast utility in Dec
- Extension to NT education contract
- Rollout of cloud platform commenced with no capital cost
- New managed services contracts in SA and QLD
- \$5m project order in Dec from major Federal Government agency



Technology Solutions – Key Metrics

	1H11	1H12
Revenue (excl Inter-Segment)	74.3	88.8
Multi-Year	47.6	66.9
Transaction	26.7	21.8
Multi-Year %	64%	75%
Transaction %	36%	25%
Normalised EBITDA (\$m)	14.6	16.7
EBITDA %	20%	19%

Rolling 12 month forward look Order Book as at 31 Dec

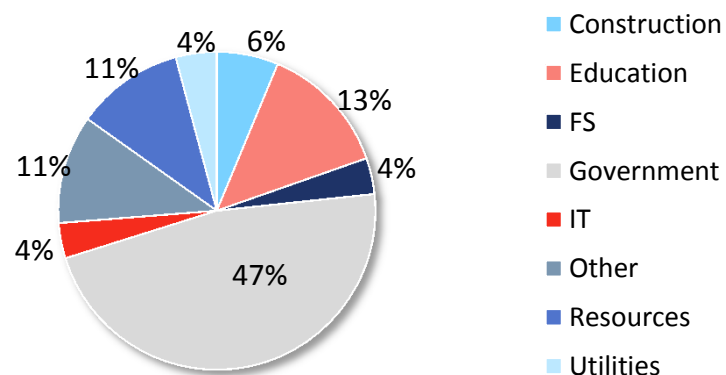
	Jun-11	Dec-11	Variance
Open order book (\$m)	45.4	43.7	- 1.7
Managed Services Annuity (\$m)	76.0	77.2	1.2
TOTAL (\$m)	121.4	120.9	- 0.5

- Strategy to shift from one-off transactions to multi-year and annuity income up 41%
- Closed sales of \$51.4m, greater than 2H11 by \$9.9m
- Active proposals of \$206m
- Total pipeline in multi-year contract opportunities \$438m
- Strong pipeline of CSG IP owned solutions
- Order book remains solid
- Focus on reducing costs and improving margins across the business
- Project revenue in Managed Services contracts still to flow and impact margins

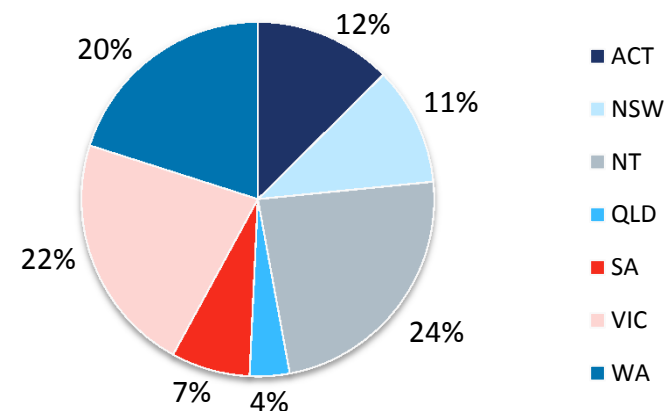


Technology Solutions: Sector and Geographic Diversification

1H12 Revenue by Industry

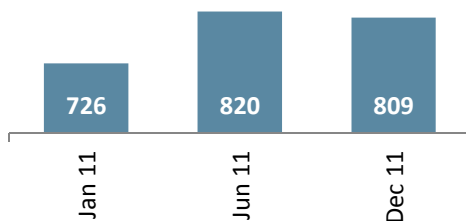


1H12 Revenue by State



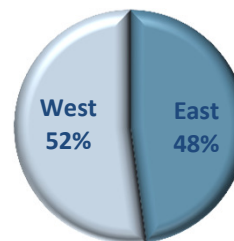
Staff Analysis

TS Head Count Trend



Headcount breakdown - by Region

Headcount by Region



Region	No. employees	% of workforce
Eastern Region (inc ACT, NSW, QLD, TAS, & VIC)	387	47.1
Western Region (inc NT, SA & WA)	422	52.9





Outlook Technology Solutions

- Confirm our leadership position
- Continue to focus on replicable solutions
- Expect further growth in Managed Services on East Coast
- Major focus on Application Support contracts
- Nationalisation of Professional Services business – focus on expansion
- Mobility Solutions – Apple relationship
- Platform and Infrastructure as a service is ready to roll out
- Improve back office systems and reduce overhead cost

ORACLE Platinum Partner

2011 Asia Pacific BI / EPM Partner of the Year
2010 Asia Pacific Applications Partner of the Year
2010 Asia Pacific Identity Management Partner of the Year



Dynamics
Customer Relationship
Manager (CRM)
Partner of the Year



Public Sector
Solution
Partner of the Year





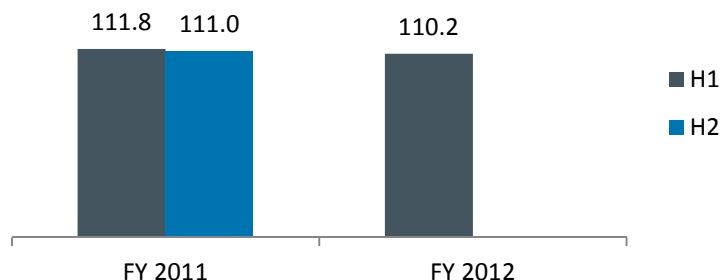
Divisional Reviews: Print Services
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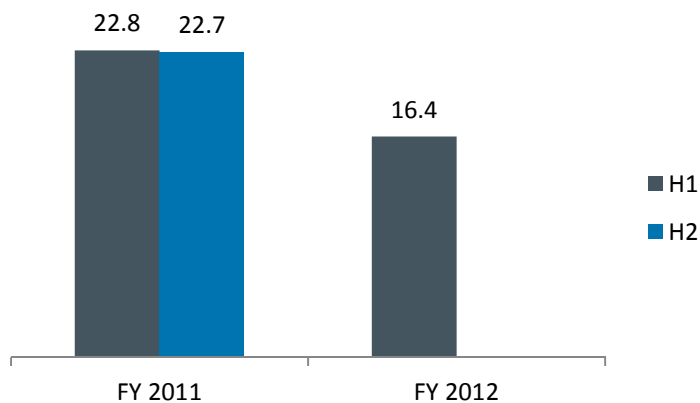


Print Services (Australia and New Zealand) Financial Overview

Revenue (\$m)



Normalised EBITDA (\$m)



- Solid performance from Print Services New Zealand given Christchurch earthquake, flat New Zealand economy and decline in Government sector spending
- Strong equipment sales revenue growth in Australia signals strengthening of the Canon business in key Metro branches
- Challenging operating environment in Print Services Australia from combined effects of geographic expansion, integration of Canon business and impact of Fuji Xerox MIF novation
- New contract signings in Australia more impacted by uncertainty and disruption from proposed transaction than other parts of the business
- Service revenue declined due to integration of Canon business, loss of FX MIF in Queensland branches and replacement of higher price colour MIFs to lower price new colour devices in keeping with strategy to grow colour volumes
- Managed Print slower than expected, increased sales focus in 2H12



Print Services (Australia and New Zealand) – Situation Analysis

Highlights

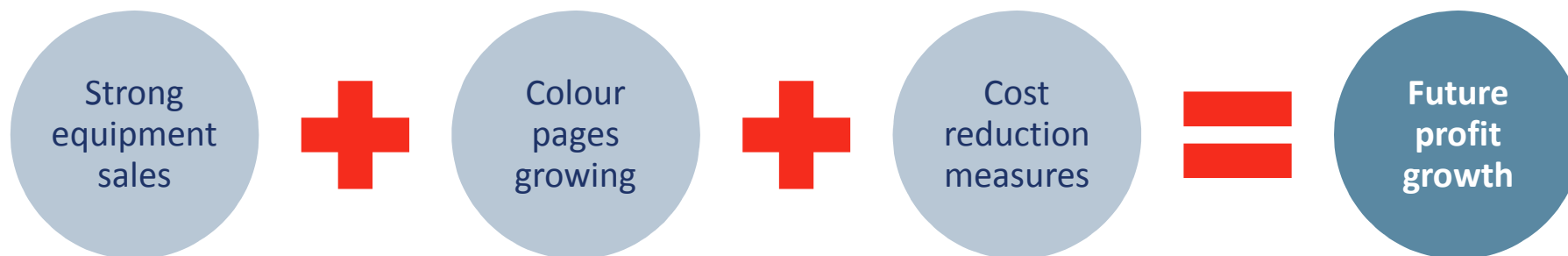
- Extended reach through increased sales coverage and aggressive market growth strategy
- Solid sales performance in Canon branches indicates growth strategy sound
- Strong growth in revenue from production equipment sales in New Zealand on the back of launch of new product range
- Increased sales of office colour devices in New Zealand in line with colourisation strategy
- Enterprise Print Services installation pipeline significantly stronger in 2H12
- Implementation of new IT systems and operational processes expected to contribute to lower operating costs, reduction in overheads and more efficient operation
- New Zealand is delivering stable returns with strong performance despite economic factors

Challenges

- Queensland branches still recovering from impact of FX contract novations and increased competitive activity
- Underestimated the complexities of fully integrating Canon machines with:
 - Increased geographic spread
 - Increased level of servicing requirements
 - Change in customer profile
 - Impact on operational systems and support functions
- Continued impact expected in short term in Queensland and Darwin branches



Print Services (Australia and New Zealand) – Opportunities and Focus



Focus

- Appointed a new Group General Manager in Print Services Australia
- Currently conducting review of Print Services Australia business
- Modeling businesses to determine where there are synergies and opportunities for improved strategic focus
- Focus on improving operational efficiency and productivity to reduce cost base
- Continued focus on growing Colour MIF and print base
- Roll out UBIX business in New Zealand

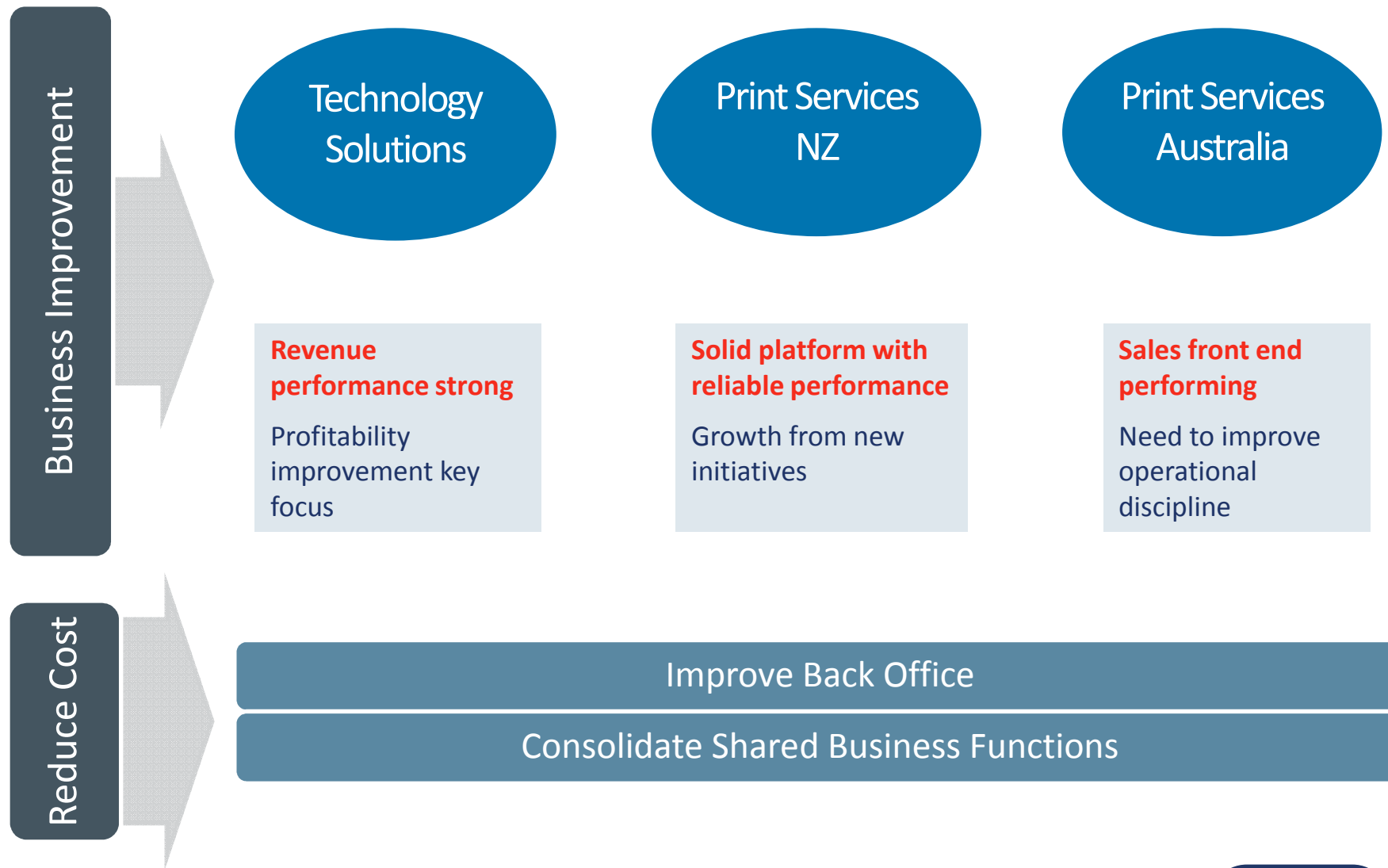


Summary and Outlook
Julie-Ann Kerin





Three Headline Initiatives





Summary and Outlook

On-track for improved underlying second-half performance

- Strong momentum in Technology Solutions, on track for growth in revenue and earnings in second half
- Print New Zealand on track for flat performance in second half
- Improved performance in Print Services Australia will take further time. Management are conducting a review focused on operational efficiency

Focus for three businesses is

- Technology Solutions - improve profitability
- Print Services New Zealand - growth through new initiatives
- Print Australia – improve operational performance

Long-term growth drivers remain compelling

- Technology Solutions - leveraging national platform to grow pipeline, expand margins through efficiency in delivery and sales of replicable products
- Print Services – increasing number of Machines In Field, drive towards increased colour penetration, expansion of services into light production and Major Enterprise

Questions?



Appendix





Technology Solutions – Key Metrics

	1H09	2H09	1H10	2H10	1H11	2H11	1H12
Revenue (Excl. Inter-Segment)	56.2	78.4	80.5	76.8	74.3	90.9	88.8
Multi-year %	59%	74%	74%	63%	64%	70%	75%
Transaction %	41%	26%	26%	37%	36%	30%	25%
Normalised EBITDA (\$m)	18.3	24.3	19.8	22.9	14.6	16.8	16.7
EBITDA Margin %	33%	31%	25%	30%	20%	18%	19%



Print Services - Key Metrics

	1H09	2H09	1H10	2H10	1H11	2H11	1H12
Total Revenue	28.6	33.7	31.3	88.9	111.8	111.0	110.2
Service Revenue (\$m)	12.8	13.8	14.6	38.6	57.2	52.7	52.2
Equipment Sales (\$m)	12.9	14.2	12.1	32.9	35.9	43.5	41.4
Other Revenue (\$m)	2.9	5.7	4.6	17.4	18.7	14.8	16.6
Average MIF (000)	5.3	5.4	5.7	25.9	36.6	36.0	35.6
Service Revenue Per MIF\Mth (\$)	408	424	424	249	261	244	244
Normalised EBITDA (\$m)	4.9	7.2	7.3	17.2	22.8	22.7	16.4
% of Total Prints that are Colour	19.2%	20.5%	23.1%	14.0%	15.8%	16.5%	18.6%
Australia	19.2%	20.5%	23.1%	24.4%	19.2%	20.3%	21.6%
NZ				10.9%	12.9%	13.7%	16.3%