

CSG HOLDINGS REPORTS ROBUST RESULTS

HIGHLIGHTS

- Revenue up 43%
- Operating profit up 32%
- Profit before tax up 2%
- Headline earnings up 1%,
- Headline earnings per share down 2%

Says Pieter Dry, CEO of CSG, “*Our growth strategy has paid off as we have benefitted financially during this period from the additional shares we purchased in Ukweza and the security and cleaning companies we acquired late last year and early this year. Our mission to be the leading strategic outsource partner of choice for staffing solutions, facilities management, and industrial, mining and related services in Southern Africa means that we are continually looking for suitable value accretive acquisitions. We will choose segments with higher barriers to entry while offering a full range of quality services domestically and across Africa, providing excellence and value to customers and all stakeholders.*”

The CSG Group reported a 43% improvement in revenue to R832.8 million and operating profit of R61.3 million which increased 32% in the six months to 30 September 2016. The improvement in revenue and operating profit was achieved through both organic and acquisitive growth. Gross profit margin increased to 21.6% up from 19.2% in the comparative period, headline earnings per share and earnings per share decreased by 2%. However if the non-cash non-recurring item relating to ConinghamLee in the comparative period last year is excluded in the calculation, earnings from normal operating operations increased by 30.6%. Earnings per share were diluted by the sale of 35% of shareholding in M&S Projects on 1 June 2016 to non-controlling shareholders to improve the effective black shareholding of M&S Projects. Earnings per share were also diluted by the private placement of ~29.2 million shares in July 2016. The private placement was done primarily to increase liquidity and free float which was necessary to comply with JSE regulations to enable CSG to apply for a main board listing. The R35m raised will also bolster cash reserves for potential acquisitions that are in the pipeline.

Cash generated from operating activities before working capital changes increased to R65.8 million (2015: R22.4 million). Net cash generated from operating activities improved to R 53.8 million, up from R 9.4 million in the comparative period. The cash conversion ratio of the group improved to 107% for the six months ended 30 September 2016.

DIVISIONAL REVIEW

Revenue in the **Staffing Solutions Division** increased by 14% to R355,95 million contributing R26.85 million (representing 38%) to the operating profit of the Group, due to greater stability in the temporary employment industry as companies adapted to the changes in labour legislation.

The **Facilities Management Division** is now the largest division of the Group and represents 40% of the operating profit. This is in line with CSG's strategy to diversify through continued acquisitions in service industries other than Staffing Solutions and also to bolster catering, cleaning and security through organic and acquisitive growth. Revenue increased by 88% to R391.66 million contributing R28.71 million to the operating profit of the Group.

The improvement is as a result of acquiring the minority shares of Ukweza on 1 October 2015, together with the acquisition of Afriboom cleaning, the Hi-Tech and 7Arrows security groups , which are now included for the full six months.

In the **Industrial and Mining Support Division**, revenue of R85.18 million was earned, 32% higher than last year, and contributing R15.24 million to the operating profit of the Group. This is mainly a result of the good performance of Umdeni Maintenance, which provides outsourced services to clients on a contracting basis, as the market moves from temporary employment to outsourced service contracts, as well as additional contracts secured in the mining services division under Global Industrial Projects

On 14 November 2016, the JSE approved the transfer of CSG's listing from the Alternative Exchange of the JSE to the main board of the JSE, effective from 21 November. Since listing on AltX in 2006, CSG has expanded through organic growth and a number of acquisitions, including acquiring the BDM Group resulting in a reverse acquisition, Significant Site Services, ConinghamLee, Afriboom, Hi Tech Security, 7 Arrows and a minority holding in Ukweza and has grown the business from revenue in 2006 of R192m to R1.27bn in 2016. The board believes that the transfer of listing to the JSE main board will be in the best interests of all stakeholders. Benefits include, inter alia, a higher profile, greater coverage by analysts and allowing more institutions to invest in CSG.

CSG welcomed Ms Rojje Kisten, a new independent, non-executive director to the Board. She has joined the Audit and Risk, Social and Ethics and Remuneration and Nomination Committees.

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