

CSG HOLDINGS PERFORMANCE IMPACTED BY NEGATIVE ONCE OFF EVENTS

Key Features

Revenue rose 1% to R2,16bn

Operating profit of R62,10m 63% lower

Cash generated decreased to R78,67m

Cash conversion rate increased to 154%

Headline earnings down 74% to R29,17m

Loss after tax of R140,52m

EBITDA R97,88m

HEPS from continuing operations 5,58cps

Pieter Dry commenting on the Group's performance, said, "We had a satisfactory first six months, with a very disappointing second half of the year due to the challenging business environment and trading conditions. This was aggravated by a few negative once-off events relating to bad debts, impairment of goodwill, stock devaluation and losses, fraud and malpractices. However, we feel comfortable with our normalised EBITDA as the base for the 2020 financial year."

He noted, "The board decided to retain cash and reduce debt and therefore, no dividend will be paid for the year. The Group results will be assessed in six months and consideration given to paying an interim dividend."

Revenue in **CSG Facilities** rose by 2% to R773,34m contributing R58,14m to the operating profit of the Group.

CSG Foods and Afriboom Cleaning continued to perform well as a result of a combination of organic growth, cost savings initiatives and effective procurement. The companies in this division have strong management structures in place, are controlling overhead expenditure well, have promising sales pipelines and are investing in various innovative projects to diversify their business models. CSG Foods and Afriboom Cleaning are strong cash generators. CSG Food bought Shesha Film and Event for R8m

CSG Hygiene, a new greenfields project offering an additional service to clients, had a minor negative impact on earnings, but is growing well and should be profitable by the end of the next financial year. Global Industrial Projects' earnings declined significantly from the previous year, due to the non-renewal of a substantial mining contract resulting from some of the new mining charter's requirements. Misrepresentation by a senior manager in BDM Staffing of debtor information of R1,6m led to the debt being written off.

CSG Security's revenue of R457,55m improved by 7% and contributed a loss of R15,04m to the operating profit of the Group. The integration and consolidation of acquisitions in 2018 took longer than anticipated. Pressure on consumer spending and the increase in fuel prices had a significant impact on this sector. In addition, the set-up costs and initial operational losses of ~R5,5m were incurred as a result of the new centralised control room in Pretoria which contributed to the decrease in operating profit.

On the positive side, following the creation of a mining division within the security cluster to provide security services at mines, Revert obtained two mining security contracts with a combined turnover of ~R48m p/a. CSG expects to realise the benefit of these investments in infrastructure and operational capacity over the longer term as we start to build scale

An amount of R21,25m was recorded as extraordinary costs relating to stock theft, debtors and goodwill impairment in this division.

As of 1 April 2018, Revert Risk Management acquired Pinnacle Risk Management for R1,47m. With effect from 1 June 2018, 7Arrows and SOS Protec Secure sold to each other a portion of their respective businesses at a price earnings multiple of 18 times the revenue attributable to the contracts. Subsequent to year-end, the armed response and monitoring business of Hi-Tech White River was sold for R358 000. CSG will remain as a franchisee in the Hi-Tech Group and continued royalties will be received.

Revenue in **CSG People** decreased by 3% to R926,14m contributing R42,36m to the profit of the Group, mainly due to certain infrastructure projects that were completed

The division has diversified away from traditional labour broking into other employee service models such as professional contracting, permanent recruitment, training and B-BBEE consulting. The performance was substantially lower due to fraud and malpractice by a senior manager, the end of a sizable contract, bad debts mostly from within the construction industry written off in both BDM and M&S Projects, as well as the initial adverse effect of management changes in ConinghamLee and CSG Skills Institute.

The new management teams completed overhauls, changed the cultures, structures, systems and processes to improve the efficiencies and position the businesses for growth. M&S Project's performance remains solid and it has been refocused to supply professional contractors mostly to the petrochemical and oil industry. Management is excited about the opportunities in this sector.

Outlook

Security remains an important aspect in all walks of life using of a combination of human resources and technology to curb crime. The centralised control room, Revert and HiTech have promising pipelines, the benefits of which are expected in the 2020 and 2021.

CSG Foods now has a centralised kitchen strategy and will expand its client base. Afriboom is diversifying successfully into the commercial and health markets, while CSG Hygiene is growing exceptionally and should be profitable by the end of the next financial year.

ConinghamLee and CSG Skills Institute are positioned for growth, with BDM Staffing expecting improved financial performance in line with previous years.

Pieter Dry noted "We recently appointed a Group business development manager to lead our aggressive organic growth strategy, ensuring the unlocking of marketing and sales synergies within the group as well as offering and building on a total integrated solution. A security specialist was also appointed and will join the team within the next month to oversee and start building the scale of the security division which already has a very strong support base."

He added, "CSG has been very conservative this year and has done a thorough 'clean-up', to make sure that we are well-positioned for growth as a result of our diversification strategy, implementation of solid growth platforms and new greenfield projects."

Dry concluded, "Our mission, to be a leading strategic outsource partner of choice for staffing solutions, facilities management and security in South Africa, remains unchanged. We have consolidated, and increased the basket of services we offer to our clients."

ENDS

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NOTES TO EDITORS

CSG Group is a multi-disciplinary support services group offering a wide range of services in facilities, security and risk solutions and staffing services in Southern Africa to an array of clients across a multitude of sectors/ industries.

CSG Facilities offers the management of staff restaurants and the supply of meals to students, patients in hospitals, corporate head offices, mines and construction sites. Specialised cleaning is performed in the hospitality, healthcare and

commercial industries. It also offers remote site (camp) services which include accommodation, catering, laundry, cleaning and maintenance.

CSG Securities focuses on providing a full suite of integrated security services to both residential and commercial clients, which includes safety surveillance and access control. Our security services are grouped together under alarm monitoring and armed response and specialised security risk services.

CSG People includes the provision of temporary outsourced personnel, permanent placements, time keeping, payroll services, human resource and industrial relations services as well as outsourced services on a contracting basis.