

CSG INTERIM RESULTS FOR 6 MONTHS ENDED 30 SEPTEMBER 2019

The CSG Group today reported its interim results for the six months ended 30 September 2019. Says Pieter Dry, CEO of CSG Group, “we had a disappointing six months across all three of our divisions due to the prevailing challenging business environment and worsened by the level of under performance of our security companies, 7 Arrows and Revert”.

Dry noted, “after we became aware of underperformance of these two businesses towards the end of the previous financial year, we immediately commenced an in-depth review. This revealed that the underperformance was worse than initially anticipated and as a result an immediate rationalisation plan was implemented. Part of this plan was to cut down on the senior management- and support team. Retrenchment cost of ~R2m is included in the loss reported for the first six months.”

Dry continued, “Further savings will be achieved by consolidation of operating areas, resulting in a reduction of the number of vehicles and its associated costs. We are also now strictly controlling overtime and implemented other related processes to improve efficiencies. Unfortunately, as the real impact of the mis-management of these two businesses was only discovered in May/June 2019, the positive impact of the rationalisation will only be evident in the second half of the 2020 financial year. A new CEO for our security cluster was recruited from the security industry and appointed on 1 August 2019. We believe that under his leadership the aggressive turnaround plan will deliver positive results.”

CSG Group revenue decreased by 13% to R980m, while the Group delivered an operating loss of R16.68m and a headline earnings loss of R27,42m for the 6 months. Cash generated by operations increased substantially from R13,51m to R49,02m.

CSG Facilities division contributed R17,40m operating profit, despite revenue decreasing by 19% to R332,55m. The performance of this division declined as a result of pressure on margins and the loss or ending of significant contracts.

CSG Security division’s revenue of R241,64m improved by 3% but the division incurred a significant operating loss, which is a result of reasons mentioned above.

CSG People division’s revenue decreased by 15% to R413,62m, contributing R16,65m to the operating profit of the Group. The performance was substantially lower due to a sizable contract coming to an end, bad debts - mostly from the construction industry - being written off and a lower demand for temporary employees in these economic circumstances.

Looking forward, Dry is optimistic, “we have consolidated our operations and increased our basket of services. Our strategy continues to focus on growing into services that are more technology focussed, resulting in CSG providing a full suite of integrated security services as part of our facilities management solutions.”

He adds that security services remain in high demand, with the Group’s centralised control room having a promising pipeline, the benefit of which is expected to flow through in the 2020/2021 financial years.

CSG Foods is implementing a centralised kitchen strategy which is expected to expand its client base and CSG-Afriboom is expanding aggressively through solid organic growth as well as its greenfield project, CSG Hygiene, which is being well received in the market, growing at an exceptional rate.

CSG Recruit and CSG Skills are well positioned for strong and steady growth in the near future.

CSG recently appointed a Group Business Development Executive to head-up our aggressive organic growth strategy, ensuring sales synergies between the various group companies are unlocked, as well as offering clients a total integrated outsourced solution. A strong sales pipeline is being consolidated at Group level to emphasise the importance of internal support, experience and cross selling opportunities.

The CSG Group is steadily becoming a competitive facility management player in the domestic market with opportunities to offer a one stop service to clients. The leadership team is implementing a 2025 strategy to achieve targeted goals in a cohesive and dynamic way.

Dry concludes, “we are well positioned for growth as a result of our successful diversification strategy, various growth initiatives and new greenfield projects.”

ENDS

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NOTES TO EDITORS

CSG Holdings Limited (CSG) 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’s mission to be a leading strategic outsourced partner of choice for staffing solutions, facilities management and security in Southern Africa remains unchanged.

The CSG Group’s vision is to embrace technology and expand organically and acquisitively into a well-recognised leading brand in all chosen specialist outsource sectors. CSG chooses segments with high 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 strategic partnership with its BEE partners continues to add valuable access to expertise and experience, and ensures that the 28% black shareholding is maintained. The CSG Group is a level 2 BEE contributor.

www.csgholdings.co.za