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CSG LIMITED (ASX:CSV):

CSG ENTERS DEALERSHIP AGREEMENT WITH CANON AUSTRALIA

\$40 MILLION UNDERWRITTEN INSTITUTIONAL PLACEMENT AND NON UNDERWRITTEN SHARE PURCHASE PLAN

CSG Limited ("CSG") announces that it has entered into agreements with Canon Australia ("Canon") to become a Canon Multi-Function Device ("MFD") dealer in Sydney, Melbourne, Canberra, Adelaide and Perth. As part of the new agreements, CSG has also acquired sub-contractor rights over an existing portfolio of approximately 10,500 Canon MFD's.

The existing customer contracts to be sub-contracted to CSG operate under multi-year contracts and CSG will acquire other existing infrastructure to enable the customers be serviced immediately. The total consideration will occur in instalments. The first instalment of \$6 million will be paid on 1 July 2010 with the balance paid over two years.

#### Rationale

The transaction with Canon is consistent with CSG's stated long-term growth strategy for its Print Services business in Australia. The transaction presents CSG Print Services with an exciting opportunity to extend its long term earnings and growth potential by providing geographic diversification and access to product outside of its current operating territories.

- **Unique opportunity** – The agreement provides CSG with a unique opportunity to significantly increase the size and scale of CSG Print Services. The Canon agreement provides CSG with immediate access to an installed

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customer base particularly in the large Sydney and Melbourne markets and establishes a long term dealership agreement with a world leading manufacturer.

- **Delivering on our growth strategy** – The transaction is in line with CSG Print Service's long term growth strategy of geographically expanding outside of Northern Territory and Queensland. CSG will take immediate management of a large existing MFD base with contracted revenue, significantly adding to the portion of its earnings derived from annuity income.

In addition, CSG announces today that it intends to become a "Develop" MFD dealer in certain markets in Australia. Combined with the Canon transaction and CSG's existing dealership agreements with Fuji Xerox Australia, this relationship will see CSG become a significant multi-manufacturer dealer in Australia.

- **Significant value creation for shareholders** – The transaction (including the equity raising as detailed below) is expected to be immediately earnings accretive with Earnings Per Share growth of approximately 15% expected in FY11. In the longer term the transaction provides a significant opportunity to increase shareholder value and grow earnings through organic MIF growth in the large Sydney and Melbourne markets, through efficiency gains from the existing portfolio and from the ongoing and well established trend towards colorisation.

#### Equity Raising

CSG intends to partially fund the Canon transaction through a fully underwritten institutional placement ("**Placement**") to raise \$40 million. A full break-down of the use of the proceeds of the Placement is as follows:

- \$10 million to fund the first instalment of the Canon payment and to provide working capital for the Print Services business
- \$20 million to fund the previously announced acquisition of Leasing Solutions Limited ("LSL") (further details below)
- \$2 million for the acquisition of Aaromba Technologies Limited ("Aaromba") (further details below)
- \$8 million to provide additional working capital, increased financial flexibility and to pay for costs of the Placement

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In addition to the Placement, CSG will offer eligible shareholders the right to participate in a non-underwritten Share Purchase Plan ("SPP") to raise a total of up to \$3 million.

Under the SPP, eligible shareholders will be invited to participate at a maximum of \$15,000 per shareholder. The record date for the SPP will be 7.00pm on Friday 14 May 2010. CSG reserves the right (in its absolute discretion) to scale back applications if total demand in the SPP exceeds \$3 million, or persons claiming to be eligible shareholders.<sup>1</sup>

Shares issued under the Placement and SPP will be offered at a fixed price of \$1.90 per share representing a:

- 11.6% discount to last traded price of \$2.15 on Tuesday 11<sup>th</sup> May
- 7.9% discount to 5 day VWAP<sup>2</sup> of \$2.06

The Institutional Placement is fully underwritten by Macquarie Capital Advisers Limited.

#### Placement and SPP Timetable

Placement Bookbuild opens	Tuesday 11 May 2010 (after market)
Placement Bookbuild closes	Tuesday 11 May 2010
Placement Settlement	Monday 17 May 2010
Allotment and listing of new shares under Institutional Placement	Tuesday 18 May 2010
Record date to determine right to participate in SPP	Friday 14 May 2010
SPP opens	Thursday 20 May 2010
SPP closes	Thursday 3 June 2010
SPP Allotment and listing of new shares	Thursday 10 June 2010

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<sup>1</sup> The SPP is subject to the terms set out in the SPP booklet. The SPP is capped at a total of \$3 million with each eligible shareholder able to apply for a maximum of \$15,000 of new shares. CSG reserves the right to scale back the maximum participation amount per shareholder as described in the SPP booklet. The booklet will be mailed to eligible shareholders shortly.

<sup>2</sup> The volume weighted average price for the five trading days to Tuesday 11<sup>th</sup> May 2010

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Note: All times and dates in this announcement refer to Australian Eastern Standard Time (AEST). The timetable above is subject to change without notice. CSG reserves the right to amend any or all of these dates and times, subject to the Corporations Act, the ASX Listing Rules and other applicable laws.

#### **Leasing Solutions Limited**

CSG announced on 9 December 2009 as part of the acquisition of Konica Minolta Business Services, that it was intending to acquire Leasing Solutions Limited ("LSL") an associated financing business for a total consideration of A\$20 million. The repayment by CSG of the vendor note provided as initial funding for this acquisition was initially intended to occur with additional debt facilities prior to 30 June 2010.

As a result of the Canon transaction and the assumption through the outstanding consideration balance of \$25 million of interest bearing obligations, CSG now intends to fund the acquisition of LSL through equity using a portion of the Placement proceeds. Whilst CSG has obtained conditional approval for additional debt finance the Company believes that it is prudent to conservatively fund these initiatives using equity thus providing additional financial flexibility at this exciting stage of its development.

#### **Aaromba Technologies Pty Ltd**

CSG also announces today that it intends to acquire Aaromba Technologies Proprietary Limited, a Sydney based CRM and IT service desk business.

Aaromba is a profitable business that provides CSG Enterprise Services with additional strong capability and sales growth potential in the growing Sydney and Melbourne markets.

#### **Trading update**

CSG's underlying business continues to perform well. The Australian Print Services business is currently performing above budget and has a strong outlook for the remainder of FY10. The IT Services business is also performing strongly and new contract opportunities are emerging.

The recent acquisition of KMBS New Zealand is performing ahead of expectations. LSL is currently performing in-line with CSG internal expectations and is on track to achieve FY10 budgeted financial projections.

#### **Important Notice and Disclaimer**

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The Placement referred to in this announcement will be an excluded offer that does not require disclosure pursuant to section 708 of the Corporations Act and will therefore not be made under prospectus, short form prospectus, profile statement or offer information statement. The Placement will not be subject to the disclosure requirements affecting disclosure documents under Chapter 6D of the Corporations Act and all allottees of new shares in Australia will need to satisfy the excluded offer requirements set out in section 708 of the Corporations Act.

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