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Market Intelligence



CSG Systems International, Inc.

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Earnings Call

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Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Abby, and I will be your conference operator today. At this time, I would like to welcome everyone to CSG's First Quarter 2025 Earnings Conference Call. [Operator Instructions] Thank you. And I would now like to turn the conference over to John Rea, Senior Vice President of Finance. You may begin.

John Rea

Head of Investor Relations

Thank you, operator, and thanks to everyone for joining us. Like last quarter, we will be working from a slide deck, which can be found on the Investor Relations section of our website. Please take a moment to locate these slides. Today's discussion will contain a number of forward-looking statements. These include, but are not limited to, statements regarding our projected financial results, our ability to meet our clients' needs through our products, services and performance and our ability to successfully integrate and manage acquired businesses in order to achieve their expected strategic, operating and financial goals.

While these risks reflect our best current judgment, they are subject to risks and uncertainties that could cause our actual results to differ materially. Please note that these forward-looking statements reflect our opinions only as of the date of this call, and we undertake no obligation to revise or publicly release any revision to these forward-looking statements in light of new or future events. In addition to factors noted during this call, a more comprehensive discussion of our risk factors can be found in today's press release as well as our most recently filed 10-K and 10-Q, which are all available in the Investor Relations section of our website.

Also, we will discuss certain financial information that is not prepared in accordance with GAAP. We believe that these non-GAAP financial measures, when reviewed in conjunction with our GAAP financial measures, provide investors with greater transparency to the information used by our management team in our financial and operational decision-making. For more information regarding our use of non-GAAP financial measures, we refer you to today's earnings release and non-GAAP reconciliation tables on our website, which will also be furnished to the SEC on Form 8-K.

With me today on the phone are Brian Shepherd, Chief Executive Officer; and Hai Tran, Chief Financial Officer. With that, I'd like to now turn the call over to Brian.

Brian A. Shepherd

CEO, President & Director

Thanks, John. Hi, everyone. Welcome to the call as we begin on Slide 4. Q1 was an excellent start to 2025. We delivered 19.0% non-GAAP operating margin in the quarter, a 240-basis point improvement compared to 16.6% in Q1 2024. Based on the confidence we have from our 90% plus revenue visibility, our success selling higher gross margin SaaS deals and our consistent ability to unlock greater operating efficiencies, we are pleased to raise our 2025 full year profitability and non-GAAP EPS targets that Hai will cover in more detail.

We diversified CSG's revenue even more with 33% of Q1 revenue coming from big faster-growing industry verticals outside of cable and telecom, led by our data-driven CX monetization and payment solutions. This is a new quarterly record for CSG, up from 30% in the first quarter last year. Our top 2 customers, Charter and Comcast, now represent 37% of total Q1 revenue, down from 49% of revenue in 2017. The great news is that this significant improvement in CSG's revenue concentration is not because the revenue we earn from our top 2 customers is declining. In fact, we've grown the annual revenue at Charter and Comcast by approximately \$76 million from 2017 to 2024, representing a 2.6% compound annual growth rate. And yet the revenue concentration from our big 2 customers has significantly improved because the other parts of our business are growing revenue even faster, a trend that we believe will continue in the years ahead.

We reported our best first quarter non-GAAP adjusted free cash flow performance since 2018, generating \$7 million of non-GAAP adjusted free cash flow in Q1, a huge improvement over the negative \$34 million free cash outflow in Q1 2024. And as promised, we rewarded shareholders with even more dividends and more buybacks. We announced a 7% annual dividend increase in Q1 for the 12th consecutive year, and we paid \$9 million in dividends and repurchased \$22 million worth of CSG shares in the first quarter. We hope these results prove that great operating discipline is becoming a trademark of Team CSG that investors can bank on.

Slide 5 highlights the 3 long-term value creation commitments that the CSG leadership team and Board of Directors will hold ourselves accountable to deliver. First, CSG aspires to deliver 2% to 6% pure organic revenue growth and to diversify revenue from bigger, faster-growing new industry verticals to greater than 35% of total CSG revenue by 2026. For 2025, we are reiterating our original full year 2025 revenue guidance range with a midpoint of \$1.23 billion in revenue, which would result in approximately 2.7% revenue growth even in the face of more macroeconomic uncertainty.

Second, we are committed to consistently expanding non-GAAP adjusted operating margin with a long-term range of 18% to 20% without impeding our ability to deliver mid-single-digit annual organic revenue growth most quarters and years. And we expect this improving profitability to convert nicely into strong double-digit adjusted free cash flow growth in both 2025 and 2026, with the midpoint of our 2025 guidance range sitting at \$130 million, which would represent approximately 15% year-over-year growth in free cash flow.

Third, we are also committed to excellent shareholder capital returns year in, year out as evidenced by the over \$570 million worth of capital returned to shareholders since 2020. And specifically, for 2025, we committed to return more than \$100 million in share repurchases and dividends combined, which we are well on our way towards achieving with \$32 million of capital returned to shareholders in Q1.

On Slide 6, investors can see the exciting revenue growth coming from big new verticals. As a reminder, CSG targets industry verticals that have high-recurring customer relationships powered by complex subscription and consumption-based business models because the business problems and customer pain points are surprisingly similar. With CSG's integrated workflow solutions, our customers sell, monetize and engage better as we help them simplify their complex monetization and customer engagement processes.

The highly sticky, mission-critical nature of our SaaS solutions is also why we enter most years with 90% or greater revenue visibility, and it's why the vast majority of our customers stay with CSG for decades, thereby reducing the risk for us and our investors even in times of greater market volatility. This also explains why we announced so many fantastic new sales wins, including in 2024 with leading brands like Comcast, Formula One, Walgreens, NRC Health, Telenor Denmark, Lyse Norway, One New Zealand, Zain Sudan and many others. CSG's global sales and go-to-market teams continued this momentum with more good sales wins in the first quarter.

I'm excited to announce that we extended our 30-year relationship with Mediacom, the fifth largest cable provider in the United States. Mediacom employs an arsenal of integrated CSG solutions, trusting us to manage their billing, product catalog, order management and provisioning activities, process secure payments with our cloud-based payments platform, optimize their dispatch and field tech ops functions and digitally engage with customers in intuitive and personal ways to reduce call center volumes with CSG Xponent.

I'm also excited to announce that with this extension, Mediacom will continue to leverage CSG Bill Explainer.ai, our leading-edge AI-driven solution that helps eliminate bill confusion and relevant customer engagement to create a clear and engaging customer journey. We look forward to continuing to help Mediacom increase long-term customer loyalty and mitigate call center costs. In April, we announced a fantastic expansion with Liberty Latin America, a long-standing CSG customer and one of the leading communication companies in the region.

Liberty Latin America chose CSG to streamline its wholesale business and unify operations across 21 countries and multiple lines of business. CSG's digital wholesale suite will optimize their wholesale rating, charging and settlement processes by reducing operational costs and simplifying the management of

their B2B partner agreements and business relationships. We won an excellent extension with PLDT, the Philippines' largest fully-integrated telecom company. Team CSG will continue to help PLDT enhance its wireless customer experience by delivering smart invoicing solutions that streamline their billing operations and enable more personalized and transparent billing communications. We are proud to help PLDT strengthen their customer retention as a result of their enhanced subscriber experience.

In financial services, we expanded our relationship with JPMorgan Chase as CSG solutions will now help improve their cardholder overdraft experience. This is another great example of our sales team growing CSG's share of wallet with existing customers. After helping JPMorgan Chase improve its fraud alert cardholder experience with our data-driven CSG Xponent suite, we were able to identify other areas to help them be even easier to do business with and lower their cost to serve. We closed an exciting new win with North Texas Tolling Authority, NTTA selected CSG to provide data-driven customer experience solutions to streamline communications with drivers who use their toll roads.

This win further diversifies CSG's presence in the tolling and transportation industry and comes on the heels of another exciting tolling win we announced in Q4 2024 with the Oklahoma Turnpike Authority. CSG is highly focused on bringing greater value to toll road operators all across the U.S. with opportunities to expand our tolling presence globally over time. Payments also continues to contribute nicely to our revenue diversification success and our revenue growth, where we grew our payments merchant base 13% year-over-year to 135,000 merchants in Q1. We continue to see good business performance and growth in payments.

Moving to Slide 7. The CSG management team and Board are fully committed to turbocharging our profitability and free cash flow well beyond our good Q1 results. We will hold ourselves accountable to become a more asset-light SaaS company where we generate much greater profit and cash flow from every dollar we invest. While we have relatively low annual CapEx spend ranging from \$20 million to \$30 million, we aspire to reduce our working capital needs and fixed asset levels going forward with the same discipline that we've applied to our profit improvement efforts. With the consistency that we have expanded non-GAAP adjusted operating margin from 16.6% in 2022 to 17.2% in 2023 to 18.1% in 2024, with the midpoint of our revised 2025 guidance now sitting at 18.6%. Looking ahead, we absolutely believe there's a clear pathway for CSG to achieve at or above the upper end of our 18% to 20% non-GAAP adjusted operating margin over the next several years with an aspiration to operate in the 19% to 20% range for 2026. And we are seeing similar improvements in adjusted EBITDA margin, where we grew our adjusted EBITDA margin 220 basis points to 23.7% in Q1 year-over-year, a trend we expect to continue, which is represented in our revised 2025 guidance.

As we work hard to achieve all these improved operating results, one of the metrics we care most about is seeing this better profitability convert nicely into strong double-digit non-GAAP adjusted free cash flow growth in both 2025 and 2026.

Turning to Slide 8. CSG has a strong, healthy balance sheet, a proven ability to unlock shareholder value with disciplined M&A and a commitment to being an excellent, offensive and defensive choice for investors looking for relative safety in today's turbulent markets. We believe CSG's stock price represents an excellent buy for investors and for CSG, so we will stay balanced and disciplined as we focus on any strategic or financial move that the Board of Directors and management believe will deliver excellent value for shareholders.

With respect to M&A, we are very pleased with the two smaller, highly-accretive acquisitions closed in 2024. We were able to acquire both companies at highly attractive multiples with both small tuck-in deals adding highly profitable, high recurring revenue for CSG. We continue to actively search for, vet and potentially close more value-creating M&A deals in 2025.

As I wrap up my opening remarks, we are excited about our good Q1 start as we stay laser-focused on making 2025 a year of breakthrough results that can become the springboard for even bigger growth heading into 2026 and beyond. As we pursue every creative new idea that can help us elevate our performance and accelerate our results, the foundations of our success remain constant. CSG has an unwavering commitment to being a humble culture-first, diverse global leader. CSG will hold ourselves accountable to world-class operating discipline with a relentless drive to constantly learn and get better.

CSG will co-create value with customers all around the world as we help them sell, monetize and engage better with our integrated domain-specific CSG workflow solutions. CSG will put our money where our mouth is by tightly linking management compensation to the business and financial commitments we make to our shareholders. And CSGers all around the world will stay hungry and obsessed because we know growth-oriented relentlessness is an essential ingredient to creating sustained value regardless of the obstacles standing in our way.

With that, I will turn it over to Hai for more details.

Hai V. Tran

Executive VP & CFO

Thanks, Brian. Let's walk through our Q1 2025 financial results, and then I'll wrap up with some key conclusions.

Starting on Slide 10, we generated \$299 million of revenue versus the \$295 million we generated last year and represents the highest first quarter revenue in our company's history. From a phasing perspective, our Q1 results came in slightly better than we had expected and benefited from a couple of million dollars of revenue we had anticipated coming in later in the year. Looking ahead, we now expect to grow revenue in 2025 between 2% and 3%.

Moving on, our Q1 2025 non-GAAP operating income was \$51 million or a non-GAAP adjusted operating margin of 19% as compared to \$45 million or 16.6% in the prior year period. Similarly, our non-GAAP adjusted EBITDA was \$64 million for the first quarter or 23.7% of revenue, excluding transaction fees, as compared to \$58 million or 21.5% in the prior year period. We are excited to see non-GAAP adjusted EBITDA improve over 200 basis points in Q1 of 2025, and we believe we have a clear path to exceed 25% non-GAAP adjusted EBITDA margins in the coming years.

Our margin expansion is being driven by our increasing success in selling sticky SaaS revenue solutions, combined with operating leverage enhancing initiatives that include improved procurement, increased productivity and process reengineering. Specifically, we were able to grow Q1 non-GAAP adjusted operating income and non-GAAP adjusted EBITDA at 15% and 11%, respectively, against the prior year period. We expect to maintain our higher profitability metrics as we have taken significant cost-efficiency actions to optimize our capacity and better align CSG's resources to areas of our business that will deliver faster growth. I'll share more on our revised 2025 guidance targets momentarily.

Lastly, our Q1 2025 non-GAAP EPS was \$1.14, a 13% increase as compared to \$1.01 in the prior year period. The increase in non-GAAP EPS is mainly due to the higher non-GAAP adjusted operating income, partially offset by adverse foreign currency movements. As investors can see, Team CSG is delivering on our commitment to consistently grow non-GAAP adjusted EBITDA, non-GAAP adjusted operating margin and non-GAAP EPS much faster than revenue growth in 2025 and 2026.

Turning to Slide 11. I will go through the balance sheet, our cash flow performance and shareholder return. Our Q1 2025 cash flow from operations was \$11 million as compared to cash used in operations of \$29 million in Q1 of the prior year. Further, we had non-GAAP adjusted free cash flow of \$7 million in Q1 of 2025 as compared to \$34 million of non-GAAP adjusted free cash outflows in Q1 of 2024. This represents our strongest Q1 non-GAAP adjusted free cash flow result in 7 years and is driven primarily by our increased operating margins, improvements in our working capital, including changes in our variable incentive compensation and active management of vendor relationships.

Moving on, we ended the first quarter of 2025 with \$136 million of cash and cash equivalents. That, along with our outstanding debt at March 31, 2025, results in \$415 million of net debt, and our net debt leverage ratio sits at 1.6x adjusted EBITDA. Further, we have \$610 million in liquidity as of the end of the quarter. I'm also pleased to share that in March, we entered into a new 5-year revolving credit facility. With this transaction, we were able to consolidate our term loan and revolver into one highly flexible and capital-efficient \$600 million revolving credit facility. This transaction had multiple benefits, including our ability to secure borrowing rates identical to our former 2021 credit facility terms, an overall covenant-light package and greater flexibility with 100% revolving line of credit structure.

Turning to the page, I'll revisit our 2025 guidance targets. In summary, we are raising profitability and non-GAAP EPS targets. Further, we still expect approximately 48% of our revenue to be generated in the first half of 2025 and the remaining 52% in the second half. We continue to see strong demand for our solutions, and we intend to capitalize on those opportunities to realize both near-term and longer-term growth with timing being our biggest challenge and not underlying demand. We remain committed to our 2% to 6% long-term annual revenue growth range with the expectation to be at the midpoint or higher in most years. As part of our commitment, I want to highlight CSG's focus on sticky, high-quality recurring revenue that continues to support our improved margin expansion and non-GAAP adjusted free cash flow growth.

Wrapping up, we love what we see in our business, powered by our operating discipline, R&D innovation and ongoing sales wins. CSG will continue to relentlessly prioritize every investment we make and stay very disciplined in the allocation of resources and the use of capital. Innovation, including how we leverage the transformative power of AI across CSG and an adherence to a risk/reward framework with continuous learning are key cornerstones of how we have and will continue to grow top and bottom results even faster.

CSG is well-positioned with a strong sales pipeline and a high-quality recurring revenue customer base. We remain committed to accelerating and diversifying our revenue growth, which may include closing and integrating disciplined value-adding acquisitions. We believe this approach, combined with our consistent capital distribution will serve our shareholders well.

With that, I will turn it over to the operator to facilitate the question-and-answer session.

Question and Answer

Operator

[Operator Instructions] And our first question comes from the line of Dan Bergstrom with RBC Capital Markets.

Daniel Robert Bergstrom

RBC Capital Markets, Research Division

Any thoughts you could share as far as what you're hearing from customers around the end of the quarter? Anything to note around those last couple of weeks? We've heard different views across software so far as to whether it was a normal close or there were some elevated uncertainty. And then maybe could you talk to the tone of business through the first month of the new quarter here?

Brian A. Shepherd

CEO, President & Director

Yes, sure. Dan, appreciate the question. I wouldn't say there's anything unique in Q1 or the first month of this quarter. I think just the global macroeconomic uncertainty in general that's been around for a couple of quarters, we see that continuing. And so, what we see in most industry verticals are some belt tightening. And therefore, any solution that can actually improve experience can help drive cross-sell or upsell on their half or cut their operating costs and has a short ROI payback, you're seeing those deals still move through even with some of the, I'd just say, the heightened concern that most customers and most companies are operating with today.

I think the second thing that we see is if there's a strategic longer-term transformation horizon that can really move the business and put it in a better competitive position, we still see those bigger deals coming to the market. We still see deals getting signed as we've announced a bunch of those. But I would say people are thoughtful and they're measuring 2 or 3 times before they move forward with those bigger transformations. But we see them. It's just they're being thoughtful. Hai, anything else you'd add to that?

Operator

Mr. Tran's line did disconnect.

Brian A. Shepherd

CEO, President & Director

All right. Thanks.

Daniel Robert Bergstrom

RBC Capital Markets, Research Division

Will just ask a follow-up then on the margin side, really impressive here in the first quarter, and I appreciate the added color in the script around guidance. The presentation pointed to constantly optimizing and reinventing how you do business around the expense side. Maybe, Brian, could you take a step back and maybe expand on those concepts a bit and then talk to your philosophy around constantly optimizing costs?

Brian A. Shepherd

CEO, President & Director

Yes. No, I love that question. You're going to hear us just talk nonstop for every quarter to come about operating discipline. And one of the things I'm most proud of is the way the CSG teams are taking a hard look at everything we do. Anything that doesn't add value to a customer and doesn't add value to our business and our shareholders, then stop doing it or reinvent it. That's everything from AI, that's looking at just good old-fashioned operational improvement. We talk about these quarter turns the wrench. I think

you're seeing CSG now starts to do half turns the wrench. And I think we're just getting started on the ability to continue to expand our EBITDA and our op margin.

But it's not just the efficiency, it's also taking -- using innovation. You see as our margins go up, you actually see R&D growing at a much faster rate because we believe as a mission-critical technology company, innovation has to be the foundation both to ensure the existing platforms and the future platforms we build will be there for our customers today, 5 years from now and 10 years from now. And so, I think this investment in innovation and squeezing less productive spend and redirecting it to a more value-added use, I think that's something I'm pretty pleased that's moved -- come a long way in the last 2 years. And then part of it has -- part of the margin expansion has nothing to do with operational efficiency. It has to do with our revenue mix shift that Hai talks a lot about.

We're just -- as we sell more SaaS, higher gross margin deals, as we diversify into other faster-growing industry verticals, that's also just giving us operating leverage across the business. You're seeing that at the gross margin line as well as at the operating margin and EBITDA line and the free cash flow. The part that I am most excited about is what I think we could do with free cash flow. And I think we're finally now starting to see the improved profitability really convert into free cash flow. And we've got a real focus on becoming more asset-light and generating double-digit returns through 2026. Stay tuned for what happens after 2026, but we don't want that music to stop.

Operator

And your next question comes from the line of Greg Burns with Sidoti & Company.

Gregory John Burns
Sidoti & Company, LLC

Can you just talk about the revenue trends at Charter and Comcast? It looks like Charter -- sorry, Comcast was flat year-over-year, but down sequentially. Maybe that's just a seasonality thing and Charter was down a little bit year-over-year and quarter-over-quarter. So maybe if we could just talk about what's driving that and the general demand dynamics within the cable market?

Brian A. Shepherd
CEO, President & Director

Sure. Greg, I hope you're doing well. I think there's a couple of things. I think if you look at what we've tended to see with our big 2 is you look at that trend that we shared in the script that we've seen a compounded annual growth rate of about 2.6% going back from 2017 to now. Over the medium- to longer-term, we still see and believe that you could kind of see annual growth in that range. There's price escalators built into the contracts. There's new solutions and new land mass we could sell and help them with.

And so, you will get some quarterly fluctuation. As we've talked a lot about, we really don't -- our revenue is driven very little by the number of broadband adds or total adds they have. So therefore, that headwind, I would say, that they face isn't really impacting as much. The one comp around Q1 I would call out that you asked about was the reminder, we won a really exciting new deal with Comcast in a new area of billing outside the core triple play. And I think we gave insights last year that, that drove about \$10 million of onetime revenue that will make the comp comparison on growth from 2024 to 2025 look a little questionable.

The second thing is that fantastic 6-year renewal we did with Comcast. The only thing we did give was no price increase in 2025. And so therefore, we won't get the benefit this year of a price increase at Comcast, but it's part of that fantastic 6-year deal we did. So, I think a couple of those things are what's driving a little bit of the quarter-over-quarter comp that you asked about.

Operator

And your next question comes from the line of Matthew Harrigan with Benchmark.

Matthew Joseph Harrigan

The Benchmark Company, LLC, Research Division

Congratulations on the guidance. I'm curious on the M&A side as you look to be more active and maybe some larger assets get dislodged. I know every circumstance is a little unique and sometimes idiosyncratic. But what are you really looking for? Is it IP? Is it channels? Is it incremental market share right out of the blocks? And generally, what sort of disparity are you seeing in the parent seller versus buyer multiples when you layer in synergies? I know some of it's on the revenue side and it's realized over time, and it's tricky. But just kind of general thoughts more specifically on your ideal M&A candidate. I know probably different companies have different possibilities.

And then secondly, also on the thing 1 and thing 2, otherwise known as Charter and Comcast, you've seen some divergence in results. I mean, Charter, I think, has done a better job on bundling and pricing sometimes even though there's a lot of commonalities on the product. But it feels like broadband is just becoming more of a unified category between mobile and fixed line and the walls are breaking down. And it feels like there's even more maybe of an imperative for these companies to have unified billing on a competitive vantage point. So those are my 2 quick questions, I guess, fairly broad.

Brian A. Shepherd
CEO, President & Director

Thanks so much, Matt. Appreciate it. On the M&A side, there's a couple of great aspects we can dig into. First, we feel 0 pressure to do any deal. This concept of operating discipline is going to just drive us through. And yet, we do see kind of the market of M&A as active as it's ever been. We see good deals with pricing coming down that could make for very value-creating opportunities. And yet, you're going to see us stay very disciplined with no pressure to do a deal just to do a deal.

Maybe to give a little more color on what we're looking at is we really see in this world where across industry vertical, one of the things that really drives sustained growth and sustained profit expansion and cash generation is the ability to provide an end-to-end integrated domain-specific solution that includes things like product catalog, order management, monetization, digital CX, integrated customer engagement. And so, we love that sticky integrated aspect of it. And so, if we have an opportunity, what we want to spend 2/3 of our M&A capital buying companies better than us. SaaS technologies and verticals that focus where we do, which is simplified complex customer engagement and monetization. When we find assets like that with good gross margins, good double-digit organic growth, good profitability that could actually accelerate what we're doing and have high attach rate with cross-sell, we would love the opportunity to buy companies like that inside our core markets or increasingly in some of these other industry verticals. And we think that could be a fantastic opportunity that can extend the good performance we've been having the last couple of years.

But on the 1/3 side, we also see scale and portfolio expansion deals that could be highly-accretive on a pre-synergy basis, integrate into our portfolio, get sold by our global sales teams in telecom or cable in the core. And on a post-synergy basis, we could print money with those acquisitions. We also see -- we refer to those more as scale and portfolio expansion. And we see a number of opportunities that could come up that could be quite attractive for our shareholders. So, we're really looking at both those sets of opportunities to deploy capital in a way that's smart, that's very well risk-adjusted and that could really accelerate on top of the double-digit organic growth that we're seeing. So that's on the M&A side, and we could dig into that more if we wanted to.

On the big 2, I think we've been talking a little bit. First, we love and are honored to serve both Charter and Comcast and everything they're doing. They are the 2 fastest-growing wireless companies in the U.S. market, and we think that will continue. They face some headwinds on the broadband, and I think they're both taking their own approaches on how they'll respond. I've talked several quarters about -- I never underestimate the competitive response of either Comcast or Charter when they're faced with some market challenges and headwinds. So, we love what's going on. And what we do is we just try to stay mission-critical, deliver every day for them and bring them innovative ideas that could maybe improve their convert experience, help them lower cost so that they could get even more aggressive on their pricing and their customer acquisition because that's good for them, and it would be good for us. And so, I think you'll continue to see probably slightly different but strong competitive responses from both those

companies in the coming quarters and years ahead. And CSG is going to try to be helpful to their efforts in that.

Matthew Joseph Harrigan

The Benchmark Company, LLC, Research Division

And since you clearly have a purview even outside the U.S., if that's the right word on telecom, I would think that even if you look at Europe or Africa or India, you're seeing more of an imperative on companies to kind of break down the walls on the separate billing for broadband and mobile. I know you can't be too specific on Charter and Comcast, but it just feels like it's -- that's ever more of an imperative. And how tricky is it? I mean, how fast could you do that? I mean, based on what you're doing in Africa, for instance, I would think you could probably do that -- implement that pretty fast because you certainly have the experience internationally.

Brian A. Shepherd

CEO, President & Director

I mean, obviously, what we've seen in markets outside the U.S., where I think there was much more price pressure and intense competition across cable and wireless, that drove a level of maybe reinventing a more radical reinvention of business process. It doesn't start with the tech stack. If you want to radically reduce your cost, have an easier digital experience. And so, what we saw in other markets is them simplifying their business process, driving a converged experience exactly like you're talking about, that therefore, enabled a lower-cost tech stack to actually be part of the winning strategy for a lot of these operators. That's been a core tenet in both consumer wireless and enterprise wireless that's caused a big part of our growth in that part of the market.

I think that pressure now has clearly finally come to the U.S. market. We see that with T-Mobile and Verizon and AT&T getting the lion's share of the broadband adds. You see that in the U.S. market with Comcast and Charter being the fastest-growing wireless by a landslide. And so therefore, I think being more intentional about simplifying business process and product offers, simplifying the pricing and lowering the cost to serve, we think is fundamental to winning big in the U.S. market or in the global markets, and we're trying to do our part. So obviously, we have our view that a converged experience on broadband and wireless could drive significant consumer benefits and significant cost-saving advantage. When some of our customers may decide to take advantage of that, that's clearly their decision. We're just trying to bring them ideas and solutions.

Operator

And your next question comes from the line of Michael Berg with Wells Fargo.

Michael H. Berg

Wells Fargo Securities, LLC, Research Division

I just wanted to dig in a little bit differently on the telco angle. There look to some weakness in that vertical there. Is that strictly a function of the Charter degradation here in Q1? And maybe you can just dig into both the dynamics of the weakness in Charter and telco and the relationship there.

Brian A. Shepherd

CEO, President & Director

Yes. Hai, have you joined? Do you want to talk anything about the telco side?

Hai V. Tran

Executive VP & CFO

Yes. No, I mean it isn't specific to Charter. It is, generally speaking, the part and parcel of the natural cycles that we're seeing across the board. As Brian said, the global telco business has undergone a multiyear transformation and continues to undergo a multiyear transformation. It's highly competitive. And we are battling for our fair share of that business, and we're winning a number of opportunities. But what we are seeing and one of the reasons we pointed to kind of that 2% to 3% growth rate is the normal

anxiety given the uncertainty in the marketplace that does slow down some of the decision-making, but nothing abnormal with regards to what we're seeing in that global telco business, except maybe an extension of the decision-making.

Brian A. Shepherd

CEO, President & Director

Yes. Maybe the thing I would add on top of that as well, Michael, to your good question is you're also seeing it as part of the strategic focus that we believe could enable a big transformation in global telecom, but over a little longer time horizon, which is with the big wins we've announced with our SaaS AWS platform, Ascendant in telecom, 6 or 7 fantastic wins in telecom. We're being intentional about selling more of a less services heavy, much more SaaS out-of-the-box, lower-cost solution with our SaaS billing and quote and order CPQ and our digital CX, because we think the way operators globally really win is going to be taking those radical costs out and adopting newer technologies.

Therefore, we are purposely shifting and pivoting some to a more -- less services heavy, and you're seeing a little bit of a SaaS revenue play out in the numbers. We haven't seen any slowdown in telecom. In fact, the opposite. We've announced more wins than ever, but you will also see a little bit of a shift from an on-prem implementation services accounting to more of a SaaS that will play out, I think, over the next 3 to 5 years.

Operator

[Operator Instructions] And your next question comes from Nehal Chokshi with Northland Capital Markets.

Nehal Sushil Chokshi

Northland Capital Markets, Research Division

A couple of questions here. First question is that in the prepared commentary towards the end, you commented on a strong pipeline. Can you give a little bit of characterization as far as what that means numerically? I mean, like does that mean better growth than at least what you're putting up revenue-wise? Or just what does strong pipeline mean?

Brian A. Shepherd

CEO, President & Director

Hai, are you on or did we lose you? It sounds like we lost Hai. I can take that, Nehal, and I appreciate you joining and appreciate the question. When we look at it, we track -- like most companies, we track overall size of the pipeline on a weighted and unweighted basis, both annual contract value and TCV. We track the progression through our 6 stages of our sales pipeline. We look at where deals are falling out, where we're able to accelerate. We also look at the win rate and the loss rate once we get to Stage 5 and 6 around it.

And overall, I would tell you the overall size of the pipeline is a little bigger than it was this time last year. The shape is healthy. We still see good win rates and progressions through. So, when Hai gives color like that, we see the overall size and shape in a very good shape, and we should be able to announce good wins in the coming quarters as we just execute that. So, from an overall, we don't break out the specifics on that, but that's what Hai was referring to. And we like what we're seeing kind of across the board.

Nehal Sushil Chokshi

Northland Capital Markets, Research Division

And is that shape skewed towards the Ascendant platform?

Brian A. Shepherd

CEO, President & Director

We have seen an increase, especially in global telecom, in media and one of the exciting things is actually in financial services, where we announced a really exciting deal with Australia on our AWS SaaS Ascendant platform. We also see it in quote and order, our CPQ side of the business. We see a strong pipeline on the -- in the payments business. And we also like what we're seeing. There are small, mid and large telecom

deals on consumer wireless and enterprise in our mid and late stages of our sales pipeline. So, it's kind of across the board on that.

Nehal Sushil Chokshi

Northland Capital Markets, Research Division

And then the other question I had was on cash from operations, definitely much stronger than what we expected. It looks like stronger than consensus. Is it fair to say that it was also stronger than what you guys are expecting?

Brian A. Shepherd

CEO, President & Director

I think as Hai said, we came in, in general, Q1 due to some timing and just also strong performance, came in slightly ahead of our expectations. So, we were super pleased with that. But as we've been talking, we gave -- we tend to focus a lot on midpoint in the ranges that we give. So, with -- going from something like \$113 last year to a midpoint of \$130 million showed strong double digits. So, we expect to have a very strong double-digit free cash flow year. And yes, we still got off to a slightly better start in Q1, but -- so that was good to see.

John Rea

Head of Investor Relations

And Nehal, it's John. Maybe just from a phasing perspective because it was such a beat versus kind of estimates. We still expect Q1 to be the low point of the year. So, this was not the case where we had significant pull forward from other quarters. We still expect it to be the low point of the year and to grow free cash flow from here as we progress through the next 3 quarters.

Operator

And there are no further questions at this time. I will now turn the conference back over to Mr. Brian Shepherd for closing remarks.

Brian A. Shepherd

CEO, President & Director

Thanks, everyone, for attending. As you heard, we are proud of the Q1 start, but we're not satisfied at all. We think Team CSG is just getting started on this operating discipline, constantly putting up results that we're proud of. And we think we can do a lot better, and we're holding ourselves accountable to ensure we do that in the coming quarters. So, thanks for joining, and I look forward to talking to you this time next quarter.

Operator

And ladies and gentlemen, this concludes today's call, and we thank you for your participation. You may now disconnect.

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