



FOR IMMEDIATE RELEASE

PRESS RELEASE

**CSG SYSTEMS INTERNATIONAL REPORTS  
THIRD QUARTER 2023 RESULTS**

**YTD Organic Revenue Up 9.0% YoY Representing CSG's Best YTD Results in Nearly Two Decades**

**Raising Non-GAAP EPS Guidance & Reiterating All Other Financial Guidance Metrics**

**Repurchased \$107 Million of Shares in Q3, Most Quarterly Share Repurchases Since Q3 2007**

**Successfully Executed \$425 Million Convertible Debt Raise in Q3**

**DENVER--(November 1, 2023)** — [CSG](#) (NASDAQ: CSGS) today reported results for the quarter ended September 30, 2023.

**Financial Results:**

Third quarter 2023 financial results:

- Total revenue was **\$286.9 million**.
- GAAP operating income was **\$32.7 million**, or an operating margin of **11.4%**, and non-GAAP operating income was **\$45.2 million**, or a non-GAAP adjusted operating margin of **17.0%**.
- GAAP earnings per diluted share (EPS) was **\$0.62** and non-GAAP EPS was **\$0.92**.
- Cash flows from operations were **\$24.6 million**, with non-GAAP free cash flow of **\$18.1 million**.

**Shareholder Returns:**

- CSG declared its quarterly cash dividend of **\$0.28** per share of common stock, or a total of approximately **\$9 million**, to shareholders.
- During the third quarter of 2023, CSG repurchased under its stock repurchase program, approximately **1,991,000 shares** of its common stock for approximately **\$107 million**.

**Business Activities:**

- In September 2023, CSG issued \$425.0 million of convertible notes (2023 Convertible Notes) due in 2028.

“Team CSG had a fantastic first nine months of 2023. We delivered strong financial results across the board highlighted by 9.0% year-over-year organic revenue growth, our strongest first nine-month results in nearly two decades,” said Brian Shepherd, President and Chief Executive Officer of CSG. “During the quarter we completed a successful \$425 million convertible debt raise, which lowered our interest rate to 3.875% and significantly decreased our exposure to floating rate debt. We also completed our previously announced \$100 million stock repurchase program in the quarter, as we bought back \$107 million shares in Q3. Finally, we are raising our non-GAAP EPS guidance and reiterating all other financial targets.”

**Financial Overview (unaudited)**

(in thousands, except per share amounts and percentages):

|                                      | <u>Quarter Ended September 30,</u> |             |                        | <u>Nine Months Ended September 30,</u> |             |                        |
|--------------------------------------|------------------------------------|-------------|------------------------|--|-------------|------------------------|
|                                      | <u>2023</u>                        | <u>2022</u> | <u>Percent Changed</u> | <u>2023</u>                            | <u>2022</u> | <u>Percent Changed</u> |
| <b>GAAP Results:</b>                 |                                    |             |                        |  |             |                        |
| Revenue                              | \$ 286,868                         | \$ 273,308  | 5.0%                   | \$ 871,934                             | \$ 799,876  | 9.0%                   |
| Operating Income                     | 32,731                             | 19,977      | 63.8%                  | 99,130                                 | 43,675      | 127.0%                 |
| Operating Margin Percentage          | 11.4%                              | 7.3%        |                        | 11.4%                                  | 5.5%        |                        |
| EPS                                  | \$ 0.62                            | \$ 0.40     | 55.0%                  | \$ 1.75                                | \$ 0.76     | 130.3%                 |
| <b>Non-GAAP Results:</b>             |                                    |             |                        |  |             |                        |
| Operating Income                     | \$ 45,203                          | \$ 46,747   | (3.3)%                 | \$ 141,664                             | \$ 123,673  | 14.5%                  |
| Adjusted Operating Margin Percentage | 17.0%                              | 18.3%       |                        | 17.5%                                  | 16.6%       |                        |
| EPS                                  | \$ 0.92                            | \$ 1.06     | (13.2)%                | \$ 2.76                                | \$ 2.76     | 0.0%                   |

For additional information and reconciliations regarding CSG’s use of non-GAAP financial measures, please refer to the attached Exhibit 2 and the Investor Relations section of CSG’s website at [csqi.com](http://csqi.com).

**Results of Operations**

**GAAP Results:** Total revenue for the third quarter of 2023 was \$286.9 million, a 5.0% increase when compared to revenue of \$273.3 million for the third quarter of 2022. The year-over-year increase can be mainly attributed to the continued growth of CSG’s revenue management solutions, to include the conversion of customer accounts on CSG solutions, other ancillary services and increased payments volumes.

GAAP operating income for the third quarter of 2023 was \$32.7 million, or 11.4% of total revenue, compared to \$20.0 million, or 7.3% of total revenue, for the third quarter of 2022. The increase in operating income can be mainly attributed to the \$13.0 million decrease in restructuring and reorganization charges between years.

GAAP EPS for the third quarter of 2023 was \$0.62, as compared to \$0.40 for the third quarter of 2022. The increase in GAAP EPS is mainly due to the higher operating income in the third quarter of 2023, discussed above, partially offset by higher interest expense and foreign currency movements.

Non-GAAP Results: Non-GAAP operating income for the third quarter of 2023 was \$45.2 million, or a non-GAAP adjusted operating margin of 17.0%, compared to \$46.7 million, or a non-GAAP adjusted operating margin of 18.3% for the third quarter of 2022.

Non-GAAP EPS for the third quarter of 2023 was \$0.92 compared to \$1.06 for the third quarter of 2022. The decrease in non-GAAP EPS is mainly due to higher interest expense and foreign currency movements.

### **Balance Sheet and Cash Flows**

Cash, cash equivalents, and short-term investments as of September 30, 2023 were \$146.7 million compared to \$146.2 million as of June 30, 2023 and \$150.4 million as of December 31, 2022. CSG had net cash flows provided by operations for the third quarters ended September 30, 2023 and 2022 of \$24.6 million and \$22.8 million, respectively, and had non-GAAP free cash flow of \$18.1 million and \$10.9 million, respectively.

### **Summary of Financial Guidance**

CSG is revising its financial guidance for the full year 2023, as follows:

|                                      | <b>As of November 1,<br/>2023</b> | <b>Previous</b>           |
|--------------------------------------|-----------------------------------|---------------------------|
| <b>GAAP Measures:</b>                |                                   |                           |
| Revenue                              | No change                         | \$1,150 - \$1,175 million |
| <b>Non-GAAP Measures:</b>            |                                   |                           |
| Adjusted Operating Margin Percentage | No change                         | 16.75% - 17.1%            |
| EPS                                  | \$3.50 - \$3.70                   | \$3.42 - \$3.58           |
| Adjusted EBITDA                      | No change                         | \$238 - \$245 million     |
| Free Cash Flow                       | No change                         | \$80 - \$120 million      |

For additional information and reconciliations regarding CSG's use of non-GAAP financial measures, please refer to the attached Exhibit 2 and the Investor Relations section of CSG's website at [csqi.com](http://csqi.com).

### **Conference Call**

CSG will host a conference call on Wednesday, November 1, 2023 at 5:00 p.m. ET, to discuss CSG's third quarter 2023 earnings results. The call will be carried live and archived on the Internet. A link to the conference call is available at <http://ir.csqi.com>. In addition, to reach the conference by phone, call 1-888-412-4131 and use the passcode 2327393.

### **Additional Information**

For information about CSG, please visit CSG's web site at [csqi.com](http://csqi.com). Additional information can be found in the Investor Relations section of the website.

### **About CSG**

CSG empowers companies to build unforgettable experiences, making it easier for people and businesses to connect with, use and pay for the services they value most. Our customer experience, billing and payments solutions help companies of any size make money and make a difference. With our SaaS solutions, company leaders can take control of their future and tap into guidance along the way from our fiercely committed and forward-thinking CSGers around the world.

Want to be future-ready and a change-maker like the global brands that trust CSG? Visit [csgi.com](https://csgi.com) to learn more.

### **Forward-Looking Statements**

This news release contains forward-looking statements as defined under the Securities Act of 1933, as amended, that are based on assumptions about a number of important factors and involve risks and uncertainties that could cause actual results to differ materially from what appears in this news release. Some of these key factors include, but are not limited to the following items:

- CSG derives approximately forty percent of its revenue from its two largest customers;
- Fluctuations in credit market conditions, general global economic and political conditions, and foreign currency exchange rates;
- CSG's ability to maintain a reliable, secure computing environment;
- Continued market acceptance of CSG's products and services;
- CSG's ability to continuously develop and enhance products in a timely, cost-effective, technically advanced and competitive manner;
- CSG's ability to deliver its solutions in a timely fashion within budget, particularly large and complex software implementations;
- CSG's dependency on the global telecommunications industry, and in particular, the North American telecommunications industry;
- CSG's ability to meet its financial expectations;
- Increasing competition in CSG's market from companies of greater size and with broader presence;
- CSG's ability to successfully integrate and manage acquired businesses or assets to achieve expected strategic, operating and financial goals;
- CSG's ability to protect its intellectual property rights;
- CSG's ability to conduct business in the international marketplace;
- CSG's ability to comply with applicable U.S. and International laws and regulations; and
- CSG's business may be disrupted, and its results of operations and cash flows adversely affected by a global pandemic.

This list is not exhaustive, and readers are encouraged to review the additional risks and important factors described in CSG's reports on Forms 10-K and 10-Q and other filings made with the SEC.

For more information, contact:

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**CSG SYSTEMS INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS-UNAUDITED**  
(in thousands)

| <b>ASSETS</b>  | <b>September 30<br/>, 2023</b> | <b>December 31,<br/>2022</b> |
|--|--------------------------------|------------------------------|
| <b>Current assets:</b>   |                                |                              |
| Cash and cash equivalents  | \$ 146,730                     | \$ 150,365                   |
| Short-term investments   | -                              | 71                           |
| Total cash, cash equivalents, and short-term investments   | 146,730                        | 150,436                      |
| Settlement and merchant reserve assets   | 193,371                        | 238,653                      |
| Trade accounts receivable:   |                                |                              |
| Billed, net of allowance of \$4,731 and \$5,528  | 275,161                        | 274,189                      |
| Unbilled   | 83,612                         | 52,830                       |
| Income taxes receivable  | 2,492                          | 1,270                        |
| Other current assets   | 58,701                         | 48,577                       |
| Total current assets   | 760,067                        | 765,955                      |
| <b>Non-current assets:</b>   |                                |                              |
| Property and equipment, net of depreciation of \$118,424 and \$105,466                                   | 68,029                         | 71,787                       |
| Operating lease right-of-use assets  | 37,196                         | 49,687                       |
| Software, net of amortization of \$159,451 and \$150,337   | 16,741                         | 22,774                       |
| Goodwill   | 302,996                        | 304,036                      |
| Acquired customer contracts, net of amortization of \$127,490 and \$120,080                              | 37,932                         | 45,417                       |
| Customer contract costs, net of amortization of \$38,174 and \$30,601                                    | 53,336                         | 54,735                       |
| Deferred income taxes  | 46,271                         | 26,206                       |
| Other assets   | 7,034                          | 7,956                        |
| Total non-current assets   | 569,535                        | 582,598                      |
| Total assets   | \$ 1,329,602                   | \$ 1,348,553                 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                |                              |
| <b>Current liabilities:</b>  |                                |                              |
| Current portion of long-term debt  | \$ 22,500                      | \$ 37,500                    |
| Operating lease liabilities  | 16,915                         | 21,012                       |
| Customer deposits  | 33,084                         | 40,472                       |
| Trade accounts payable   | 42,623                         | 47,720                       |
| Accrued employee compensation  | 64,313                         | 68,321                       |
| Settlement and merchant reserve liabilities  | 191,637                        | 237,810                      |
| Deferred revenue   | 61,419                         | 46,033                       |
| Income taxes payable   | 2,211                          | 5,455                        |
| Other current liabilities  | 26,831                         | 22,886                       |
| Total current liabilities  | 461,533                        | 527,209                      |
| <b>Non-current liabilities:</b>  |                                |                              |
| Long-term debt, net of unamortized discounts of \$16,502 and \$2,656                                     | 535,998                        | 375,469                      |
| Operating lease liabilities  | 37,574                         | 53,207                       |
| Deferred revenue   | 20,828                         | 21,991                       |
| Income taxes payable   | 3,243                          | 3,410                        |
| Deferred income taxes  | 128                            | 117                          |
| Other non-current liabilities  | 9,807                          | 11,901                       |
| Total non-current liabilities  | 607,578                        | 466,095                      |
| Total liabilities  | 1,069,111                      | 993,304                      |
| <b>Stockholders' equity:</b>   |                                |                              |
| Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued and outstanding | -                              | -                            |
| Common stock, par value \$.01 per share; 100,000 shares authorized; 29,726 and 31,269 shares outstanding | 713                            | 708                          |
| Additional paid-in capital   | 483,063                        | 495,189                      |
| Treasury stock, at cost; 40,202 and 38,210 shares  | (1,125,897)                    | (1,018,034)                  |
| Accumulated other comprehensive income (loss):   |                                |                              |
| Unrealized gain on short-term investments, net of tax  | 1                              | 1                            |
| Cumulative foreign currency translation adjustments  | (60,773)                       | (58,830)                     |
| Accumulated earnings   | 963,384                        | 936,215                      |

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|  |                     |                     |
|--|---------------------|---------------------|
| Total stockholders' equity                 | <u>260,491</u>      | <u>355,249</u>      |
| Total liabilities and stockholders' equity | <u>\$ 1,329,602</u> | <u>\$ 1,348,553</u> |

**CSG SYSTEMS INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME-UNAUDITED**  
(in thousands, except per share amounts)

|   | Quarter Ended         |                       | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2023 | September 30,<br>2022 | September 30,<br>2023 | September 30,<br>2022 |
| Revenue   | \$ 286,868            | \$ 273,308            | \$ 871,934            | \$ 799,876            |
| Cost of revenue (exclusive of depreciation, shown separately below) | 152,734               | 138,462               | 458,897               | 415,014               |
| Other operating expenses:   |                       |                       |                       |                       |
| Research and development  | 35,292                | 35,754                | 107,401               | 103,365               |
| Selling, general and administrative                                 | 59,097                | 59,026                | 180,930               | 173,833               |
| Depreciation  | 5,862                 | 5,896                 | 17,155                | 17,685                |
| Restructuring and reorganization charges                            | 1,152                 | 14,193                | 8,421                 | 46,304                |
| Total operating expenses  | <u>254,137</u>        | <u>253,331</u>        | <u>772,804</u>        | <u>756,201</u>        |
| Operating income  | <u>32,731</u>         | <u>19,977</u>         | <u>99,130</u>         | <u>43,675</u>         |
| Other income (expense):   |                       |                       |                       |                       |
| Interest expense  | (8,036)               | (4,328)               | (23,092)              | (10,286)              |
| Interest and investment income, net                                 | 1,175                 | 281                   | 2,516                 | 537                   |
| Loss on derivative liability upon debt conversion                   | -                     | -                     | -                     | (7,456)               |
| Other, net  | 813                   | 2,790                 | (3,047)               | 6,044                 |
| Total other   | <u>(6,048)</u>        | <u>(1,257)</u>        | <u>(23,623)</u>       | <u>(11,161)</u>       |
| Income before income taxes  | 26,683                | 18,720                | 75,507                | 32,514                |
| Income tax provision  | (7,989)               | (6,239)               | (21,931)              | (8,603)               |
| Net income  | <u>\$ 18,694</u>      | <u>\$ 12,481</u>      | <u>\$ 53,576</u>      | <u>\$ 23,911</u>      |
| Weighted-average shares outstanding:                                |                       |                       |                       |                       |
| Basic   | 30,097                | 30,941                | 30,381                | 31,219                |
| Diluted   | 30,284                | 31,159                | 30,540                | 31,487                |
| Earnings per common share:  |                       |                       |                       |                       |
| Basic   | \$ 0.62               | \$ 0.40               | \$ 1.76               | \$ 0.77               |
| Diluted   | 0.62                  | 0.40                  | 1.75                  | 0.76                  |



**CSG SYSTEMS INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS-UNAUDITED**  
(in thousands)

|   | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|
|   | September 30,<br>2023 | September 30,<br>2022 |
| Cash flows from operating activities:   |                       |                       |
| Net income  | \$ 53,576             | \$ 23,911             |
| Adjustments to reconcile net income to net cash provided by operating activities-   |                       |                       |
| Depreciation  | 17,549                | 21,817                |
| Amortization  | 34,543                | 36,470                |
| Asset impairment  | 1,689                 | 30,126                |
| Gain on lease modifications   | (4,349)               | -                     |
| Loss on short-term investments and other  | -                     | 19                    |
| Loss on derivative liability upon debt conversion                                   | -                     | 7,456                 |
| Unrealized foreign currency transactions gain, net                                  | (442)                 | (1,700)               |
| Deferred income taxes   | (12,504)              | (16,457)              |
| Stock-based compensation  | 21,253                | 20,778                |
| Subtotal  | <u>111,315</u>        | <u>122,420</u>        |
| Changes in operating assets and liabilities, net of acquired amounts:               |                       |                       |
| Trade accounts receivable, net  | (33,351)              | (22,026)              |
| Other current and non-current assets and liabilities                                | (11,449)              | (16,430)              |
| Income taxes payable/receivable   | (4,650)               | (7,188)               |
| Trade accounts payable and accrued liabilities                                      | (24,158)              | (67,053)              |
| Deferred revenue  | 14,658                | (150)                 |
| Net cash provided by operating activities   | <u>52,365</u>         | <u>9,573</u>          |
| Cash flows from investing activities:   |                       |                       |
| Purchases of software, property and equipment                                       | (22,940)              | (31,564)              |
| Proceeds from sale/maturity of short-term investments                               | 71                    | 27,447                |
| Net cash used in investing activities   | <u>(22,869)</u>       | <u>(4,117)</u>        |
| Cash flows from financing activities:   |                       |                       |
| Proceeds from issuance of common stock  | 2,541                 | 2,217                 |
| Payment of cash dividends   | (26,231)              | (25,396)              |
| Repurchase of common stock  | (116,418)             | (73,380)              |
| Deferred acquisition payments   | (3,220)               | (1,959)               |
| Proceeds from long-term debt  | 470,000               | 290,000               |
| Payments on long-term debt  | (310,625)             | (247,926)             |
| Purchase of capped call transactions related to convertible notes                   | (34,298)              | -                     |
| Payments of deferred financing costs  | (13,518)              | -                     |
| Settlement and merchant reserve activity  | (46,196)              | (13,931)              |
| Net cash used in financing activities   | <u>(77,965)</u>       | <u>(70,375)</u>       |
| Effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash | (448)                 | (7,689)               |
| Net decrease in cash, cash equivalents, and restricted cash                         | (48,917)              | (72,608)              |
| Cash, cash equivalents, and restricted cash, beginning of period                    | 389,018               | 391,902               |
| Cash, cash equivalents, and restricted cash, end of period                          | <u>\$ 340,101</u>     | <u>\$ 319,294</u>     |
| Supplemental disclosures of cash flow information:                                  |                       |                       |
| Cash paid during the period for-  |                       |                       |
| Interest  | \$ 21,772             | \$ 12,367             |

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|  |                   |                   |
|--|-------------------|-------------------|
| Income taxes   | 39,136            | 31,817            |
| Reconciliation of cash, cash equivalents, and restricted cash: |                   |                   |
| Cash and cash equivalents                                      | \$ 146,730        | \$ 146,685        |
| Settlement and merchant reserve assets                         | 193,371           | 172,609           |
| Total cash, cash equivalents, and restricted cash              | <u>\$ 340,101</u> | <u>\$ 319,294</u> |

**EXHIBIT 1**  
**CSG SYSTEMS INTERNATIONAL, INC.**  
**SUPPLEMENTAL REVENUE ANALYSIS**

**Revenue by Significant Customers: 10% or more of Revenue**

|         | <u>Quarter Ended</u><br><u>September 30, 2023</u> |                               | <u>Quarter Ended</u><br><u>June 30, 2023</u> |                               | <u>Quarter Ended</u><br><u>September 30, 2022</u> |                               |
|---------|---|-------------------------------|--|-------------------------------|---|-------------------------------|
|         | <u>Amount</u>                                     | <u>% of</u><br><u>Revenue</u> | <u>Amount</u>                                | <u>% of</u><br><u>Revenue</u> | <u>Amount</u>                                     | <u>% of</u><br><u>Revenue</u> |
|         | Charter   | \$ 59,432                     | 21%  | \$ 60,175                     | 21%   | \$ 57,974                     |
| Comcast | 53,653  | 19%                           | 53,757                                       | 19%                           | 53,533  | 20%                           |

**Revenue by Vertical**

|                           | <u>Quarter Ended</u><br><u>September 30,</u><br><u>2023</u> | <u>Quarter Ended</u><br><u>June 30,</u><br><u>2023</u> | <u>Quarter Ended</u><br><u>September 30,</u><br><u>2022</u> |
|---------------------------|---|--|---|
| Broadband/Cable/Satellite | 53%   | 54%  | 55%   |
| Telecommunications        | 20%   | 18%  | 20%   |
| All other                 | 27%   | 28%  | 25%   |
| Total revenue             | 100%  | 100%   | 100%  |

**Revenue by Geography**

|                                | <u>Quarter Ended</u><br><u>September 30,</u><br><u>2023</u> | <u>Quarter Ended</u><br><u>June 30,</u><br><u>2023</u> | <u>Quarter Ended</u><br><u>September 30,</u><br><u>2022</u> |
|--------------------------------|---|--|---|
| Americas                       | 86%   | 87%  | 86%   |
| Europe, Middle East and Africa | 9%  | 9%   | 10%   |
| Asia Pacific                   | 5%  | 4%   | 4%  |
| Total revenue                  | 100%  | 100%   | 100%  |

**EXHIBIT 2**  
**CSG SYSTEMS INTERNATIONAL, INC.**  
**DISCLOSURES FOR NON-GAAP FINANCIAL MEASURES**

**Use of Non-GAAP Financial Measures and Limitations**

To supplement its condensed consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), CSG uses non-GAAP operating income, non-GAAP adjusted operating margin percentage, non-GAAP EPS, non-GAAP adjusted EBITDA, and non-GAAP free cash flow. CSG believes that these non-GAAP financial measures, when reviewed in conjunction with its GAAP financial measures, provide investors with greater transparency to the information used by CSG's management in its financial and operational decision making. CSG uses these non-GAAP financial measures for the following purposes:

- Certain internal financial planning, reporting, and analysis;
- Forecasting and budgeting;
- Certain management compensation incentives; and
- Communications with CSG's Board of Directors, stockholders, financial analysts, and investors.

These non-GAAP financial measures are provided with the intent of providing investors with the following information:

- A more complete understanding of CSG's underlying operational results, trends, and cash generating capabilities;
- Consistency and comparability with CSG's historical financial results; and
- Comparability to similar companies, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures are not measures of performance under GAAP, and therefore should not be considered in isolation or as a substitute for GAAP financial information. Limitations with the use of non-GAAP financial measures include the following items:

- Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles;
- The way in which CSG calculates non-GAAP financial measures may differ from the way in which other companies calculate similar non-GAAP financial measures;
- Non-GAAP financial measures do not include all items of income and expense that affect CSG's operations and that are required by GAAP to be included in financial statements;
- Certain adjustments to CSG's non-GAAP financial measures result in the exclusion of items that are recurring and will be reflected in CSG's financial statements in future periods; and
- Certain charges excluded from CSG's non-GAAP financial measures are cash expenses, and therefore do impact CSG's cash position.

CSG compensates for these limitations by relying primarily on its GAAP results and using non-GAAP financial measures as a supplement only. Additionally, CSG provides specific information regarding the treatment of GAAP amounts considered in preparing the non-GAAP financial measures and reconciles each non-GAAP financial measure to the most directly comparable GAAP measure.

**Non-GAAP Financial Measures: Basis of Presentation**

The table below outlines the exclusions from CSG's non-GAAP financial measures:

| <b>Non-GAAP Exclusions</b>                    | <b>Operating Income</b> | <b>Adjusted Operating Margin Percentage</b> | <b>EPS</b> |
|---|-------------------------|---|------------|
| Transaction fees                              | —                       | X   | —          |
| Restructuring and reorganization charges      | X                       | X   | X          |
| Executive transition costs                    | X                       | X   | X          |
| Acquisition-related expenses:                 |                         |   |            |
| Amortization of acquired intangible assets    | X                       | X   | X          |
| Transaction-related costs                     | X                       | X   | X          |
| Stock-based compensation                      | X                       | X   | X          |
| Gain (loss) on debt extinguishment/conversion | —                       | —   | X          |
| Gain (loss) on acquisitions or dispositions   | —                       | —   | X          |
| Unusual income tax matters                    | —                       | —   | X          |

CSG believes that excluding certain items in calculating its non-GAAP financial measures provides meaningful supplemental information regarding CSG's performance and these items are excluded for the following reasons:

- Transaction fees are primarily comprised of fees paid to third-party payment processors and financial institutions and interchange fees under CSG's payment services contracts. Transaction fees are included in revenue in CSG's Income Statement (and not netted against revenue) because CSG maintains control and acts as principal over the integrated service provided under its payment services customer contracts. However, CSG excludes expense associated with transaction fees from the numerator and denominator in calculating its non-GAAP adjusted operating margin percentage in order to provide comparability with historical and future periods and with its peer group and competitors.
- Restructuring and reorganization charges are expenses that result from cost reduction initiatives and/or significant changes to CSG's business, to include such things as involuntary employee terminations, changes in management structure, divestitures of businesses, facility consolidations and abandonments, and fundamental reorganizations impacting operational focus and direction. These charges are not considered reflective of CSG's recurring business operating results. The exclusion of these items in calculating CSG's non-GAAP financial measures allows management and investors an additional means to compare CSG's current financial results with historical and future periods.
- Executive transition costs include expenses incurred related to a departure of a CSG executive officer under the terms of the related separation agreement. These types of costs are not considered reflective of CSG's recurring business operating results. The exclusion of these costs in calculating CSG's non-GAAP financial measures allows management and investors an additional means to compare CSG's current financial results with historical and future periods.

- Acquisition-related expenses include amortization of acquired intangible assets and transaction-related costs, to include earn-out compensation. Transaction-related costs, which typically include expenses related to legal, accounting, and other professional services, are direct and incremental expenses related to business acquisitions, and thus, are not considered reflective of CSG's recurring business operating results. The total amount of acquisition-related expenses can vary significantly between periods based on the number and size of acquisition activities, previously acquired intangible assets becoming fully amortized, and ultimate realization of earn-out compensation. In addition, the timing of these expenses may not directly correlate with underlying performance of the CSG's operations. Therefore, the exclusion of acquisition-related expenses in calculating CSG's non-GAAP financial measures allows management and investors an additional means to compare CSG's current financial results with historical and future periods.
- Stock-based compensation results from CSG's issuance of equity awards to its employees under incentive compensation programs. The amount of this incentive compensation in any period is not generally linked to the level of performance by employees or CSG. The exclusion of these expenses in calculating CSG's non-GAAP financial measures allows management and investors an additional means to evaluate the non-cash expense related to compensation included in CSG's results of operations, and therefore, the exclusion of this item allows investors to further evaluate the cash generating capabilities of CSG's business.
- Gains and losses related to the extinguishment/conversion of debt can be as a result of the refinancing of CSG's credit agreement and/or repurchase, conversion, or settlement of CSG's convertible notes. These activities, to include any derivative activity related to debt conversions, are not considered reflective of CSG's recurring business operating results. Any resulting gain or loss is generally non-cash income or expense, and therefore, the exclusion of these items allows investors to further evaluate the cash impact of these activities for cash flow and liquidity purposes. In addition, the exclusion of these gains and losses in calculating CSG's non-GAAP EPS allows management and investors an additional means to compare CSG's current operating results with historical and future periods.
- Gains or losses related to the acquisition or disposition of certain of CSG's business activities are not considered reflective of CSG's recurring business operating results. Any resulting gain or loss is generally non-cash income or expense, and therefore, the exclusion of these items allows investors to further evaluate the cash impact of these activities for cash flow and liquidity purposes. In addition, the exclusion of these gains and losses in calculating CSG's non-GAAP EPS allows management and investors an additional means to compare CSG's current operating results with historical and future periods.
- Unusual items within CSG's quarterly and/or annual income tax expense can occur from such things as income tax accounting timing matters, income taxes related to unusual events, or as a result of different treatment of certain items for book accounting and income tax purposes. Consideration of such items in calculating CSG's non-GAAP financial measures allows management and investors an additional means to compare CSG's current financial results with historical and future periods.

CSG also reports non-GAAP adjusted EBITDA and non-GAAP free cash flow. Management believes non-GAAP adjusted EBITDA is a useful measure to investors in evaluating CSG's operating performance, debt servicing capabilities, and enterprise valuation. CSG defines non-GAAP adjusted EBITDA as income before interest, income taxes, depreciation, amortization, stock-based compensation, foreign currency transaction adjustments, acquisition-related expenses, and unusual items, such as restructuring and reorganization charges, executive transition costs, gains and losses related to the extinguishment of debt, and gains and losses on acquisitions or dispositions, as discussed above. Additionally, management uses non-GAAP free cash flow, among other measures, to assess its financial performance and cash generating capabilities, and believes that it is useful to investors because it shows CSG's cash available to service debt, make strategic acquisitions and investments, repurchase its common stock, pay cash dividends, and fund ongoing operations. CSG defines non-GAAP free cash flow as net cash flows from operating activities less the purchases of software, property and equipment.

**Non-GAAP Financial Measures**

**Non-GAAP Operating Income and Non-GAAP Adjusted Operating Margin Percentage:**

The reconciliation of GAAP operating income to non-GAAP operating income, and calculation of CSG's non-GAAP adjusted operating margin percentage, for the indicated periods are as follows (in thousands, except percentages):

|  | Quarter Ended<br>September 30, |                   | Nine Months Ended<br>September 30, |                   |
|--|--------------------------------|-------------------|------------------------------------|-------------------|
|  | 2023                           | 2022              | 2023                               | 2022              |
| <b>Non-GAAP Operating Income</b>                     |                                |                   |                                    |                   |
| GAAP operating income                                | \$ 32,731                      | \$ 19,977         | \$ 99,130                          | \$ 43,675         |
| Restructuring and reorganization charges (1)         | 1,152                          | 14,193            | 8,421                              | 46,304            |
| Executive transition costs                           | 1,148                          | 27                | 1,148                              | 1,302             |
| Acquisition-related expenses:                        |                                |                   |                                    |                   |
| Amortization of acquired intangible assets           | 2,996                          | 3,405             | 9,203                              | 11,017            |
| Transaction-related costs                            | (40)                           | 495               | 2,122                              | 469               |
| Stock-based compensation (1)                         | 7,216                          | 8,650             | 21,640                             | 20,906            |
| Non-GAAP operating income                            | <u>\$ 45,203</u>               | <u>\$ 46,747</u>  | <u>\$ 141,664</u>                  | <u>\$ 123,673</u> |
| <b>Non-GAAP Adjusted Operating Margin Percentage</b> |                                |                   |                                    |                   |
| Revenue  | \$ 286,868                     | \$ 273,308        | \$ 871,934                         | \$ 799,876        |
| Less: Transaction fees (2)                           | <u>(20,314)</u>                | <u>(18,177)</u>   | <u>(63,463)</u>                    | <u>(54,928)</u>   |
| Revenue less transaction fees                        | <u>\$ 266,554</u>              | <u>\$ 255,131</u> | <u>\$ 808,471</u>                  | <u>\$ 744,948</u> |
| Non-GAAP adjusted operating margin percentage        | 17.0%                          | 18.3%             | 17.5%                              | 16.6%             |

- (1) Restructuring and reorganization charges include stock-based compensation, which is not included in the stock-based compensation line in the tables above and following, and depreciation, which has not been recorded to the depreciation line item on CSG's Income Statement.
- (2) Transaction fees are primarily comprised of fees paid to third-party payment processors and financial institutions and interchange fees under CSG's payment services contracts. Transaction fees are included in revenue in CSG's Income Statement (and not netted against revenue) because CSG maintains control and acts as principal over the integrated service provided under its payment services customer contracts. However, CSG excludes expense associated with transaction fees from the numerator and denominator in calculating its non-GAAP adjusted operating margin percentage in order to provide comparability with historical and future periods and with its peer group and competitors.

Non-GAAP EPS:

The reconciliations of GAAP EPS to non-GAAP EPS for the indicated periods are as follows (in thousands, except per share amounts):

|  | Quarter Ended<br>September 30, 2023 |         | Quarter Ended<br>September 30, 2022 |         |
|--|-------------------------------------|---------|-------------------------------------|---------|
|  | Amounts                             | EPS (4) | Amounts                             | EPS (4) |
| GAAP net income                            | \$ 18,694                           | \$ 0.62 | \$ 12,481                           | \$ 0.40 |
| GAAP income tax provision (3)              | 7,989                               |         | 6,239                               |         |
| GAAP income before income taxes            | 26,683                              |         | 18,720                              |         |
| Restructuring and reorganization charges   | 1,152                               |         | 14,193                              |         |
| Executive transition costs                 | 1,148                               |         | 27                                  |         |
| Acquisition-related costs:                 |                                     |         |                                     |         |
| Amortization of acquired intangible assets | 2,996                               |         | 3,405                               |         |
| Transaction-related costs                  | (40)                                |         | 495                                 |         |
| Stock-based compensation (1)               | 7,216                               |         | 8,650                               |         |
| Non-GAAP income before income taxes        | 39,155                              |         | 45,490                              |         |
| Non-GAAP income tax provision (3)          | (11,159)                            |         | (12,510)                            |         |
| Non-GAAP net income                        | \$ 27,996                           | \$ 0.92 | \$ 32,980                           | \$ 1.06 |

|  | Nine Months Ended<br>September 30, 2023 |         | Nine Months Ended<br>September 30, 2022 |         |
|--|---|---------|---|---------|
|  | Amounts                                 | EPS (4) | Amounts                                 | EPS (4) |
| GAAP net income                            | \$ 53,576                               | \$ 1.75 | \$ 23,911                               | \$ 0.76 |
| GAAP income tax provision (3)              | 21,931                                  |         | 8,603                                   |         |
| GAAP income before income taxes            | 75,507                                  |         | 32,514                                  |         |
| Restructuring and reorganization charges   | 8,421                                   |         | 46,304                                  |         |
| Executive transition costs                 | 1,148                                   |         | 1,302                                   |         |
| Acquisition-related expenses:              |   |         |   |         |
| Amortization of acquired intangible assets | 9,203                                   |         | 11,017                                  |         |
| Transaction-related costs                  | 2,122                                   |         | 469                                     |         |
| Stock-based compensation (1)               | 21,640                                  |         | 20,906                                  |         |
| Loss on extinguishment of debt             | -                                       |         | 7,456                                   |         |
| Non-GAAP income before income taxes        | 118,041                                 |         | 119,968                                 |         |
| Non-GAAP income tax provision (3)          | (33,642)                                |         | (32,991)                                |         |
| Non-GAAP net income                        | \$ 84,399                               | \$ 2.76 | \$ 86,977                               | \$ 2.76 |

- (3) For the third quarter and nine months ended September 30, 2023, the GAAP effective income tax rates were approximately 30% and 29%, respectively, and the non-GAAP effective income tax rates were 28.5% for both periods. For the third quarter and nine months ended September 30, 2022 the GAAP effective income tax rates were approximately 33% and 26%, respectively, and the non-GAAP effective income tax rates were 27.5% for both periods.
- (4) The outstanding diluted shares for the third quarter and nine months ended September 30, 2023 were 30.3 million and 30.5, respectively, and for the third quarter and nine months ended September 30, 2022 were 31.2 million and 31.5 million, respectively.

Non-GAAP Adjusted EBITDA:

CSG's calculation of non-GAAP adjusted EBITDA and the reconciliation of CSG's non-GAAP adjusted EBITDA measure to GAAP net income is provided below for the indicated periods (in thousands, except percentages):

|  | Quarter Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|--|--------------------------------|-----------|------------------------------------|------------|
|  | 2023                           | 2022      | 2023                               | 2022       |
| GAAP net income  | \$ 18,694                      | \$ 12,481 | \$ 53,576                          | \$ 23,911  |
| GAAP income tax provision  | 7,989                          | 6,239     | 21,931                             | 8,603      |
| Interest expense (5)   | 8,036                          | 4,328     | 23,092                             | 10,286     |
| Loss on derivative liability upon debt conversion                                | -                              | -         | -                                  | 7,456      |
| Interest and investment income and other, net                                    | (1,988)                        | (3,071)   | 531                                | (6,581)    |
| GAAP operating income  | 32,731                         | 19,977    | 99,130                             | 43,675     |
| Restructuring and reorganization charges (1)                                     | 1,152                          | 14,193    | 8,421                              | 46,304     |
| Executive transition costs   | 1,148                          | 27        | 1,148                              | 1,302      |
| Acquisition-related expenses:  |                                |           |                                    |            |
| Amortization of acquired intangible assets (6)                                   | 2,996                          | 3,405     | 9,203                              | 11,017     |
| Transaction-related costs  | (40)                           | 495       | 2,122                              | 469        |
| Stock-based compensation (1)   | 7,216                          | 8,650     | 21,640                             | 20,906     |
| Amortization of other intangible assets (6)                                      | 3,438                          | 3,530     | 10,274                             | 10,741     |
| Amortization of customer contract costs (6)                                      | 4,997                          | 3,829     | 14,390                             | 14,150     |
| Depreciation (1)   | 5,862                          | 5,896     | 17,155                             | 17,685     |
| Non-GAAP adjusted EBITDA   | \$ 59,500                      | \$ 60,002 | \$ 183,483                         | \$ 166,249 |
| Non-GAAP adjusted EBITDA as a percentage of<br>revenue less transaction fees (2) | 22.3%                          | 23.5%     | 22.7%                              | 22.3%      |

(5) Interest expense includes amortization of deferred financing costs as provided in Note 6 below.

(6) Amortization on the statement of cash flows is made up of the following items for the indicated periods (in thousands):

|  | Quarter Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|--------------------------------|-----------|------------------------------------|-----------|
|  | 2023                           | 2022      | 2023                               | 2022      |
| Amortization of acquired intangible assets | \$ 2,996                       | \$ 3,405  | \$ 9,203                           | \$ 11,017 |
| Amortization of other intangible assets    | 3,438                          | 3,530     | 10,274                             | 10,741    |
| Amortization of customer contract costs    | 4,997                          | 3,829     | 14,390                             | 14,150    |
| Amortization of deferred financing costs   | 304                            | 186       | 676                                | 562       |
| Total amortization                         | \$ 11,735                      | \$ 10,950 | \$ 34,543                          | \$ 36,470 |

Non-GAAP Free Cash Flow:

CSG's calculation of non-GAAP free cash flow and the reconciliation of CSG's non-GAAP free cash flow measure to cash flows from operating activities are provided below for the indicated periods (in thousands):

|   | Quarter Ended<br>September 30, |           | Nine Months Ended<br>September 30, |             |
|---|--------------------------------|-----------|------------------------------------|-------------|
|   | 2023                           | 2022      | 2023                               | 2022        |
| Cash flows from operating activities          | \$ 24,582                      | \$ 22,838 | \$ 52,365                          | \$ 9,573    |
| Purchases of software, property and equipment | (6,512)                        | (11,917)  | (22,940)                           | (31,564)    |
| Non-GAAP free cash flow                       | \$ 18,070                      | \$ 10,921 | \$ 29,425                          | \$ (21,991) |

**Non-GAAP Financial Measures – 2023 Financial Guidance**

Non-GAAP Operating Income and Non-GAAP Adjusted Operating Margin Percentage:

The reconciliation of GAAP operating income to non-GAAP operating income, and calculation of non-GAAP adjusted operating margin percentage, as included in CSG's 2023 full year financial guidance, is as follows (in thousands, except percentages):

|   | 2023 Guidance Range |                     |
|---|---------------------|---------------------|
|   | Low Range           | High Range          |
| <b>Non- GAAP Operating Income</b>             |                     |                     |
| GAAP operating income                         | \$ 124,200          | \$ 131,400          |
| Restructuring and reorganization charges      | 8,400               | 8,400               |
| Executive Transition Costs                    | 1,300               | 1,300               |
| Acquisition-related expenses:                 |                     |                     |
| Amortization of acquired intangible assets    | 12,200              | 12,200              |
| Transaction-related costs                     | 2,100               | 2,100               |
| Stock-based compensation                      | 30,700              | 30,700              |
| Non-GAAP operating income                     | <u>\$ 178,900</u>   | <u>\$ 186,100</u>   |
| <b>Non-GAAP Operating Margin Percentage</b>   |                     |                     |
| Revenue                                       | \$ 1,150,000        | \$ 1,175,000        |
| Less: Transaction fees                        | <u>(82,000)</u>     | <u>(87,000)</u>     |
| Revenue less transaction fees                 | <u>\$ 1,068,000</u> | <u>\$ 1,088,000</u> |
| Non-GAAP adjusted operating margin percentage | 16.75%              | 17.1%               |

Non-GAAP EPS:

The reconciliation of GAAP EPS to non-GAAP EPS as included in CSG's 2023 full year financial guidance is as follows (in thousands, except per share amounts):

|  | 2023 Guidance Range |                |                   |                |
|--|---------------------|----------------|-------------------|----------------|
|  | Low Range           |                | High Range        |                |
|  | Amounts             | EPS (8)        | Amounts           | EPS (8)        |
| GAAP net income                            | \$ 66,200           | \$ 2.19        | \$ 71,200         | \$ 2.35        |
| GAAP income tax provision (7)              | <u>27,200</u>       |                | <u>29,400</u>     |                |
| GAAP income before income taxes            | 93,400              |                | 100,600           |                |
| Restructuring and reorganization charges   | 8,400               |                | 8,400             |                |
| Executive Transition Costs                 | 1,300               |                | 1,300             |                |
| Acquisition-related expenses:              |                     |                |                   |                |
| Amortization of acquired intangible assets | 12,200              |                | 12,200            |                |
| Transaction-related costs                  | 2,100               |                | 2,100             |                |
| Stock-based compensation                   | <u>30,700</u>       |                | <u>30,700</u>     |                |
| Non-GAAP income before income taxes        | 148,100             |                | 155,300           |                |
| Non-GAAP income tax provision (7)          | <u>(42,200)</u>     |                | <u>(43,400)</u>   |                |
| Non-GAAP net income                        | <u>\$ 105,900</u>   | <u>\$ 3.50</u> | <u>\$ 111,900</u> | <u>\$ 3.70</u> |

(7) For 2023, the estimated GAAP and non-GAAP effective income tax rates are expected to be approximately 29% and approximately 28% - 28.5%, respectively.

(8) The weighted-average diluted shares outstanding are expected to be approximately 30 million.

Non-GAAP Adjusted EBITDA:

CSG's calculation of non-GAAP adjusted EBITDA and the reconciliation of CSG's non-GAAP adjusted EBITDA measure to GAAP net income is provided below for CSG's 2023 full year financial guidance (in thousands, except percentages):

|   | <b>2023 Guidance Range</b> |                   |
|---|----------------------------|-------------------|
|   | <b>Low Range</b>           | <b>High Range</b> |
| GAAP net income   | \$ 66,200                  | \$ 71,200         |
| GAAP income tax provision (7)   | 27,200                     | 29,400            |
| Interest expense  | 30,900                     | 30,900            |
| Interest and investment income  | (3,100)                    | (3,100)           |
| Other, net  | 3,000                      | 3,000             |
| GAAP operating income   | 124,200                    | 131,400           |
| Restructuring and reorganization charges                                      | 8,400                      | 8,400             |
| Executive transition costs  | 1,300                      | 1,300             |
| Acquisition-related expenses:   |                            |                   |
| Amortization of acquired intangible assets                                    | 12,200                     | 12,200            |
| Transaction-related costs   | 2,100                      | 2,100             |
| Stock-based compensation  | 30,700                     | 30,700            |
| Amortization of other intangible assets                                       | 13,500                     | 13,500            |
| Amortization of client contract costs   | 20,300                     | 20,300            |
| Depreciation  | 24,800                     | 24,800            |
| Non-GAAP adjusted EBITDA  | \$ 237,500                 | \$ 244,700        |
| Non-GAAP adjusted EBITDA as a percentage of revenue less transaction fees (2) | 22.2%                      | 22.5%             |

Non-GAAP Free Cash Flow:

CSG's calculation of non-GAAP free cash flow and the reconciliation of CSG's non-GAAP free cash flow measure to cash flows from operating activities is provided below for CSG's 2023 full year financial guidance (in thousands):

|   | <b>2023 Guidance Range</b> |                   |
|---|----------------------------|-------------------|
|   | <b>Low Range</b>           | <b>High Range</b> |
| Cash flows from operating activities          | \$ 102,000                 | \$ 148,000        |
| Purchases of software, property and equipment | (22,000)                   | (28,000)          |
| Non-GAAP free cash flow                       | \$ 80,000                  | \$ 120,000        |