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PRESS RELEASE

CSG SYSTEMS INTERNATIONAL REPORTS FIRST QUARTER 2020 RESULTS

GREENWOOD VILLAGE, COLO. (May 6, 2020) — CSG (NASDAQ: CSGS), the trusted partner to simplify the complexity of [business transformation in the digital age](#), today reported results for the quarter ended March 31, 2020.

Financial Results:

- First quarter 2020 financial results:
 - Total revenue was **\$245.6 million** and total non-GAAP adjusted revenue was **\$227.3 million**.
 - GAAP operating income was **\$33.2 million**, or **13.5%** of total revenue, and non-GAAP operating income was **\$42.2 million**, or **18.5%** of non-GAAP adjusted revenue.
 - GAAP earnings per diluted share (EPS) was **\$0.66** and non-GAAP EPS was **\$0.87**.
 - Cash flows used in operations were **(\$7.2) million**, with non-GAAP free cash flow deficit of **(\$12.0) million**.

Shareholder Returns:

- CSG declared its quarterly cash dividend of **\$0.235** per share of common stock, or a total of approximately **\$8 million**, to shareholders.
- During the first quarter of 2020, CSG repurchased under its stock repurchase program, approximately **142,000 shares** of its common stock for approximately **\$6 million**.

“Our first quarter results were solid, illustrating that, while CSG is not immune from the impact of this pandemic, we are in a good position to weather this storm,” said Bret Griess, president and chief executive officer for CSG International. “We provide business-critical solutions that help service providers acquire, monetize, engage and retain their customers. We do business with some of the largest and most well-established brands. Our solutions are well-entrenched in these companies’ operations. We have long-term recurring contracts that provide us with over 90% visibility entering every year.

“And, throughout our 35-plus year history, we’ve demonstrated that our business model is resilient. We have a healthy balance sheet with low debt levels and access to more funding if necessary, providing us with strength and staying power during challenging times and lots of options during normal times.”

Financial Overview (unaudited)

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

	Quarter Ended March 31,		
	2020	2019	Percent Changed
GAAP Results:			
Revenue.....	\$ 245,617	\$ 244,793	0%
Operating Income	33,159	32,093	3%
Operating Margin Percentage	13.5%	13.1%	
EPS	\$ 0.66	\$ 0.59	12%
Non-GAAP Results:			
Adjusted Revenue	\$ 227,293	\$ 227,661	0%
Operating Income	42,154	41,313	2%
Adjusted Operating Margin Percentage	18.5%	18.1%	
EPS	\$ 0.87	\$ 0.82	6%

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 csgj.com.

Results of Operations

GAAP Results: Total revenue for the first quarter of 2020 was \$245.6 million, a slight increase when compared to revenue of \$244.8 million for the first quarter of 2019, and a 4% decrease when compared to \$254.7 million for the fourth quarter of 2019. The sequential quarterly decrease can be mainly attributed to the higher level of revenue CSG typically experiences in the fourth quarter and the pricing adjustments provided to Comcast in conjunction with the five-year extension signed in December 2019 that became effective January 1, 2020.

GAAP operating income for the first quarter of 2020 was \$33.2 million, or 13.5% of total revenue, compared to \$32.1 million, or 13.1% of total revenue, for the first quarter of 2019, and \$30.3 million, or 11.9% of total revenue, for the fourth quarter of 2019. The sequential quarterly increase in operating income can be mainly attributed to lower employee-related compensation costs in the first quarter of 2020.

GAAP EPS for the first quarter of 2020 was \$0.66 as compared to \$0.59 for the first quarter of 2019, and \$0.70 for the fourth quarter of 2019. The year-over-year quarterly increase in GAAP EPS is primarily due to lower non-operating expense for the first quarter of 2020. In addition, GAAP EPS for the fourth quarter of 2019 was positively impacted by a 7% effective income tax rate for the quarter resulting primarily from an approximate \$4 million net income tax benefit related to Comcast's exercise of 0.4 million vested common stock warrants in December 2019.

Non-GAAP Results: Non-GAAP adjusted revenue for the first quarter of 2020 was \$227.3 million, relatively consistent when compared to \$227.7 million for the first quarter of 2019, and a 4% decrease when compared to \$236.9 million for the fourth quarter of 2019.

Non-GAAP operating income for the first quarter of 2020 was \$42.2 million, or 18.5% of total non-GAAP adjusted revenue, compared to \$41.3 million, or 18.1% of total non-GAAP adjusted revenue for the first quarter of 2019, and \$41.5 million, or 17.5% of total non-GAAP adjusted revenue for the fourth quarter of 2019.

Non-GAAP EPS for the first quarter of 2020 was \$0.87, compared to \$0.82 for the first quarter of 2019, and \$0.98 for the fourth quarter of 2019.

The changes in non-GAAP adjusted revenue, non-GAAP operating income, and non-GAAP EPS between quarters are primarily due to the factors discussed above.

Balance Sheet and Cash Flows

Cash, cash equivalents and short-term investments as of March 31, 2020 were \$131.3 million compared to \$182.7 million as of December 31, 2019. CSG had net cash flows from operations for the first quarters ended March 31, 2020 and 2019 of (\$7.2) million and \$12.8 million, respectively, and had non-GAAP free cash flow of (\$12.0) million and \$4.5 million, respectively. Cash flows for the first quarter of 2020 were negatively impacted by the timing of two key client payments, totaling approximately \$33 million, that were delayed and received shortly after quarter-end, and the payment of 2019 year-end accrued employee incentive compensation.

Summary of 2020 Financial Guidance

As a result of CSG's current expectations related to the impact of the COVID-19 pandemic on its business, CSG is updating its financial guidance for the full year 2020, as follows:

	As of May 6, 2020	Previous
GAAP Measures:		
Revenue.....	\$960 - \$1,000 million	\$990 - \$1,030 million
Operating Margin Percentage.....	11.4% - 11.9%	11.5% - 12.5%
EPS	\$2.04 - \$2.27	\$2.13 - \$2.46
Cash Flows from Operating Activities..	\$110 - \$135 million	\$130 - \$155 million
Non-GAAP Measures:		
Adjusted Revenue.....	\$891 - \$924 million	\$917 - \$950 million
Adjusted Operating Margin Percentage.....	16.0% - 16.5%	16.0% - 17.0%
EPS	\$2.87 - \$3.10	\$2.96 - \$3.29

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 csgi.com.

Conference Call

CSG will host a conference call on Wednesday, May 6, 2020 at 5:00 p.m. EDT, to discuss CSG's first quarter results for 2020. The call will be carried live and archived on the Internet. A link to the conference call is available at <http://ir.csgi.com>. In addition, to reach the conference by phone, dial 1-888-204-4368 and ask the operator for the CSG conference call and David Banks, chairperson.

Additional Information

For information about CSG, please visit CSG's web site at csgi.com. Additional information can be found in the Investor Relations section of the website.

About CSG

For more than 35 years, CSG has simplified the complexity of business, delivering innovative customer engagement solutions that help companies acquire, monetize, engage and retain customers. Operating across more than 120 countries worldwide, CSG manages billions of critical customer interactions annually, and its award-winning suite of software and services allow companies across dozens of industries to tackle their biggest business challenges and thrive in an ever-changing marketplace. CSG is the trusted partner for driving digital innovation for hundreds of leading global brands, including AT&T, Charter Communications, Comcast, DISH, Eastlink, Formula One, Maximus, MTN and Telstra. To learn more, visit our website at csgi.com and connect with us on [LinkedIn](#), [Twitter](#) and [Facebook](#).

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's business may be disrupted and its results of operations and cash flows adversely affected by the COVID-19 pandemic;
- CSG derives approximately forty percent of its revenue from its two largest clients;
- 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 maintain a reliable, secure computing environment;
- 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
- Fluctuations in credit market conditions, general global economic and political conditions, and foreign currency exchange rates.

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:

Liz Bauer, Chief Communications and Investor Relations Officer

(303) 804-4065

E-mail: liz.bauer@csgi.com

CSG SYSTEMS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS-UNAUDITED
(in thousands, except per share amounts)

	March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 107,744	\$ 156,548
Short-term investments.....	23,529	26,109
Total cash, cash equivalents and short-term investments	131,273	182,657
Settlement assets	122,624	169,327
Trade accounts receivable:		
Billed, net of allowance of \$3,888 and \$3,735.....	260,713	244,058
Unbilled	35,557	33,450
Income taxes receivable	5,435	4,297
Other current assets	42,702	35,293
Total current assets	598,304	669,082
Non-current assets:		
Property and equipment, net of depreciation of \$97,700 and \$98,029.....	80,754	84,429
Operating lease right-of-use assets	107,009	94,847
Software, net of amortization of \$128,662 and \$125,437	30,645	32,526
Goodwill	262,833	259,164
Acquired client contracts, net of amortization of \$93,866 and \$93,767.....	55,329	55,105
Client contract costs, net of amortization of \$34,644 and \$31,526	51,967	50,746
Deferred income taxes.....	8,653	9,392
Other assets	28,963	27,739
Total non-current assets	626,153	613,948
Total assets	<u>\$ 1,224,457</u>	<u>\$ 1,283,030</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt.....	\$ 11,250	\$ 10,313
Operating lease liabilities.....	22,085	22,442
Client deposits	36,717	38,687
Trade accounts payable	37,960	32,704
Accrued employee compensation	46,448	77,527
Settlement liabilities	121,416	168,342
Deferred revenue.....	50,320	45,094
Income taxes payable.....	1,155	2,806
Other current liabilities	17,452	20,778
Total current liabilities	344,803	418,693
Non-current liabilities:		
Long-term debt, net of unamortized discounts of \$8,897 and \$10,053	344,853	346,509
Operating lease liabilities	91,620	78,936
Deferred revenue.....	18,575	18,552
Income taxes payable.....	2,651	2,543
Deferred income taxes.....	15,786	6,376
Other non-current liabilities	19,338	14,759
Total non-current liabilities	492,823	467,675
Total liabilities	837,626	886,368
Stockholders' equity:		
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; 33,075 and 32,891 shares outstanding.....	699	696
Additional paid-in capital.....	452,524	454,663
Treasury stock, at cost; 35,498 and 35,356 shares	(874,225)	(867,817)
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on short-term investments, net of tax	(8)	16
Cumulative foreign currency translation adjustments	(54,603)	(39,519)
Accumulated earnings	862,444	848,623
Total stockholders' equity	386,831	396,662
Total liabilities and stockholders' equity	<u>\$ 1,224,457</u>	<u>\$ 1,283,030</u>

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

	Quarter Ended	
	March 31, 2020	March 31, 2019
Revenue	\$ 245,617	\$ 244,793
Cost of revenue (exclusive of depreciation, shown separately below)	131,206	128,963
Other operating expenses:		
Research and development	30,337	32,591
Selling, general and administrative	44,384	45,918
Depreciation	5,565	5,113
Restructuring and reorganization charges	966	115
Total operating expenses	212,458	212,700
Operating income	33,159	32,093
Other income (expense):		
Interest expense	(4,213)	(4,560)
Amortization of original issue discount	(730)	(690)
Interest and investment income, net	529	519
Other, net	(69)	(1,511)
Total other	(4,483)	(6,242)
Income before income taxes	28,676	25,851
Income tax provision	(7,162)	(6,600)
Net income	<u>\$ 21,514</u>	<u>\$ 19,251</u>
Weighted-average shares outstanding:		
Basic	31,994	32,128
Diluted	32,358	32,438
Earnings per common share:		
Basic	\$ 0.67	\$ 0.60
Diluted	0.66	0.59

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

	Quarter Ended	
	March 31, 2020	March 31, 2019
Cash flows from operating activities:		
Net income.....	\$ 21,514	\$ 19,251
Adjustments to reconcile net income to net cash provided by (used in) operating activities-		
Depreciation	5,565	5,113
Amortization	10,788	11,949
Amortization of original issue discount	730	690
Asset impairment.....	259	69
Gain on short-term investments and other	(85)	(157)
Deferred income taxes	9,310	1,395
Stock-based compensation	4,857	3,693
Subtotal	52,938	42,003
Changes in operating assets and liabilities, net of acquired amounts:		
Trade accounts receivable, net.....	(23,304)	(12,018)
Other current and non-current assets and liabilities.....	(8,452)	(1,575)
Income taxes payable/receivable.....	(3,092)	3,886
Trade accounts payable and accrued liabilities.....	(32,455)	(25,594)
Deferred revenue	7,152	6,124
Net cash provided by (used in) operating activities	(7,213)	12,826
Cash flows from investing activities:		
Purchases of software, property and equipment.....	(4,822)	(8,286)
Purchases of short-term investments.....	(16,037)	(14,168)
Proceeds from sale/maturity of short-term investments	18,670	19,619
Acquisition of and investments in business, net of cash acquired	(9,991)	(4,000)
Net cash used in investing activities	(12,180)	(6,835)
Cash flows from financing activities:		
Proceeds from issuance of common stock	564	512
Payment of cash dividends	(8,277)	(7,641)
Repurchase of common stock	(13,876)	(13,568)
Payments on long-term debt.....	(1,875)	(1,875)
Net cash used in financing activities	(23,464)	(22,572)
Effect of exchange rate fluctuations on cash	(5,947)	876
Net decrease in cash and cash equivalents	(48,804)	(15,705)
Cash and cash equivalents, beginning of period.....	156,548	139,277
Cash and cash equivalents, end of period	\$ 107,744	\$ 123,572
Supplemental disclosures of cash flow information:		
Cash paid during the period for-		
Interest	\$ 6,194	\$ 6,506
Income taxes	857	1,374

EXHIBIT 1
CSG SYSTEMS INTERNATIONAL, INC.
SUPPLEMENTAL REVENUE ANALYSIS

Revenue by Significant Customers: 10% or more of Revenue

	Quarter Ended March 31, 2020		Quarter Ended December 31, 2019		Quarter Ended March 31, 2019	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Comcast.....	\$ 52,679	21%	\$ 60,049	24%	\$ 55,027	22%
Charter	50,712	21%	50,617	20%	46,347	19%

Revenue by Vertical

	Quarter Ended March 31, 2020	Quarter Ended December 31, 2019	Quarter Ended March 31, 2019
Broadband/Cable/Satellite	58%	59%	58%
Telecommunications	17%	18%	19%
All other	25%	23%	23%
Total revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>

Revenue by Geography

	Quarter Ended March 31, 2020	Quarter Ended December 31, 2019	Quarter Ended March 31, 2019
Americas	88%	88%	86%
Europe, Middle East and Africa	9%	8%	10%
Asia Pacific	3%	4%	4%
Total revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>

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 adjusted revenue, 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:

Non-GAAP Exclusions	Adjusted Revenue	Operating Income	Adjusted Operating Margin Percentage	EPS
Transaction fees	X	—	X	—
Restructuring and reorganization charges.....	—	X	X	X
Acquisition-related expenses:				
Amortization of acquired intangible assets	—	X	X	X
Earn-out compensation.....	—	X	X	X
Transaction-related costs	—	X	X	X
Stock-based compensation	—	X	X	X
Amortization of original issue discount ("OID")	—	—	—	X
Gain (loss) on extinguishment of debt	—	—	—	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 interchange and other payment-related fees paid, in conjunction with the delivery of service to clients under CSG's payment services contracts, to third-party payment processors and financial institutions by CSG. Because CSG controls the integrated service provided under its payment services client contracts, these transaction fees are presented gross, and not netted against revenue; however, other payments companies who do not provide and/or control an integrated service present their revenue net of transaction fees. The exclusion of these fees in calculating CSG's non-GAAP adjusted revenue provides management and investors an additional means to use to compare CSG's current revenue with historical and future periods, as well as with other payments companies.
- 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 core 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.
- Acquisition-related expenses include amortization of acquired intangible assets, earn-out compensation, and transaction-related costs. 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 core 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.
- The convertible notes OID is the result of allocating a portion of the principal balance of the debt at issuance to the equity component of the instrument, as required under current accounting rules. This OID is then amortized to interest expense over the life of the respective convertible debt instrument. The interest expense related to the amortization of the OID is a non-cash expense, and therefore, the exclusion of this item allows investors to further evaluate the cash interest costs of CSG's convertible notes for cash flow, liquidity, and debt service purposes.
- Gains and losses related to the extinguishment of debt are a result of the refinancing of CSG's credit agreement and/or repurchase of CSG's convertible notes. These activities are not considered reflective of CSG's recurring core business operating results. Any resulting gain or loss is generally non-cash income or expense, and therefore, the exclusion of this item allows investors to further evaluate the cash impact of these repurchases 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, and gains and losses related to the extinguishment of debt, 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 Adjusted Revenue:

The reconciliations of GAAP revenue to non-GAAP adjusted revenue for the indicated periods are as follows (in thousands):

	Quarter Ended March 31,	
	2020	2019
GAAP revenue	\$ 245,617	\$ 244,793
Less: Transaction fees	(18,324)	(17,132)
Non-GAAP adjusted revenue	<u>\$ 227,293</u>	<u>\$ 227,661</u>

Non-GAAP Operating Income:

The reconciliations of GAAP operating income to non-GAAP operating income for the indicated periods are as follows (in thousands, except percentages):

	Quarter Ended March 31,	
	2020	2019
GAAP operating income	\$ 33,159	\$ 32,093
Restructuring and reorganization charges (1)	966	115
Acquisition-related expenses:		
Amortization of acquired intangible assets	3,051	3,181
Earn-out compensation	-	1,260
Transaction-related costs	53	-
Stock-based compensation (1)	4,925	4,664
Non-GAAP operating income	<u>\$ 42,154</u>	<u>\$ 41,313</u>
Non-GAAP adjusted revenue	\$ 227,293	\$ 227,661
Non-GAAP adjusted operating margin percentage	18.5%	18.1%

- (1) Stock-based compensation included in the tables above and following excludes amounts that have been recorded in restructuring and reorganization charges.

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 March 31, 2020		Quarter Ended March 31, 2019	
	Amounts	EPS (3)	Amounts	EPS (3)
GAAP net income	\$ 21,514	\$ 0.66	\$ 19,251	\$ 0.59
GAAP income tax provision (2)	7,162		6,600	
GAAP income before income taxes	28,676		25,851	
Restructuring and reorganization charges (1)	966		115	
Acquisition-related costs:				
Amortization of acquired intangible assets	3,051		3,181	
Earn-out compensation	-		1,260	
Transaction-related costs	53		-	
Stock-based compensation (1)	4,925		4,664	
Amortization of OID	730		690	
Non-GAAP income before income taxes	38,401		35,761	
Non-GAAP income tax provision (2)	(10,176)		(9,298)	
Non-GAAP net income	<u>\$ 28,225</u>	<u>\$ 0.87</u>	<u>\$ 26,463</u>	<u>\$ 0.82</u>

- (2) For the quarter ended March 31, 2020 and 2019 the GAAP effective income tax rates were approximately 25% and 26%, respectively, and the non-GAAP effective income tax rates were approximately 27% and 26%, respectively.
- (3) The outstanding diluted shares for the quarter ended March 31, 2020 and 2019 were 32.3 million and 32.4 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 March 31,	
	2020	2019
GAAP net income	\$ 21,514	\$ 19,251
GAAP income tax provision (2).....	7,162	6,600
Interest expense (4).....	4,213	4,560
Amortization of OID	730	690
Loss on extinguishment of debt	-	-
Interest and investment income and other, net	(460)	992
GAAP operating income.....	33,159	32,093
Restructuring and reorganization charges (1)	966	115
Acquisition-related expenses:		
Amortization of acquired intangible assets (5).....	3,051	3,181
Earn-out compensation.....	-	1,260
Transaction-related costs	53	-
Stock-based compensation (1).....	4,925	4,664
Amortization of other intangible assets (5)	3,285	2,374
Amortization of client contract costs (5).....	4,026	5,979
Depreciation.....	5,565	5,113
Non-GAAP adjusted EBITDA.....	\$ 55,030	\$ 54,779
Non-GAAP adjusted EBITDA as a percentage of non-GAAP adjusted revenue	24%	24%

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

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

	Quarter Ended March 31,	
	2020	2019
Amortization of acquired intangible assets	\$ 3,051	\$ 3,181
Amortization of other intangible assets	3,285	2,374
Amortization of client contract costs	4,026	5,979
Amortization of deferred financing costs	426	415
Total amortization	\$ 10,788	\$ 11,949

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 March 31,	
	2020	2019
Cash flows from (used in) operating activities.....	\$ (7,213)	\$ 12,826
Purchases of software, property and equipment	(4,822)	(8,286)
Non-GAAP free cash flow	\$ (12,035)	\$ 4,540

Non-GAAP Financial Measures – 2020 Financial Guidance

Non-GAAP Adjusted Revenue:

The reconciliation of GAAP revenue to non-GAAP adjusted revenue, as included in CSG's 2020 full year financial guidance, is as follows:

	2020 Guidance Range	
	Low Range	High Range
GAAP revenues	\$ 960,000	\$ 1,000,000
Less: Transaction fees	(69,000)	(76,000)
Non-GAAP adjusted revenues	<u>\$ 891,000</u>	<u>\$ 924,000</u>

Non-GAAP Operating Income:

The reconciliation of GAAP operating income to non-GAAP operating income, as included in CSG's 2020 full year financial guidance, is as follows (in thousands, except percentages):

	2020 Guidance Range	
	Low Range	High Range
<u>Operating Income</u>		
GAAP operating income	\$ 109,000	\$ 119,200
Restructuring and reorganization charges	1,000	1,000
Acquisition-related expenses:		
Amortization of acquired intangible assets	11,400	11,400
Transaction-related costs	100	100
Stock-based compensation	20,800	20,800
Non-GAAP operating income	<u>\$ 142,300</u>	<u>\$ 152,500</u>
<u>Operating Margin Percentage</u>		
GAAP revenue	\$ 960,000	\$ 1,000,000
GAAP operating margin percentage	11.4%	11.9%
Non-GAAP adjusted revenue	\$ 891,000	\$ 924,000
Non-GAAP adjusted operating margin percentage	16.0%	16.5%

Non-GAAP EPS:

The reconciliation of GAAP EPS to non-GAAP EPS as included in CSG's 2020 full year financial guidance is as follows (in thousands, except per share amounts):

	2020 Guidance Range			
	Low Range		High Range	
	Amounts	EPS (7)	Amounts	EPS (7)
GAAP net income	\$ 65,700	\$ 2.04	\$ 73,100	\$ 2.27
GAAP income tax provision (6)	23,900		26,700	
GAAP income before income taxes	89,600		99,800	
Restructuring and reorganization charges	1,000		1,000	
Acquisition-related expenses:				
Amortization of acquired intangible assets	11,400		11,400	
Transaction-related costs	100		100	
Stock-based compensation	20,800		20,800	
Amortization of OID	3,000		3,000	
Non-GAAP income before income taxes	125,900		136,100	
Non-GAAP income tax provision (6)	(33,400)		(36,100)	
Non-GAAP net income	<u>\$ 92,500</u>	<u>\$ 2.87</u>	<u>\$ 100,000</u>	<u>\$ 3.10</u>

(6) For 2020, the estimated effective income tax rate for GAAP and non-GAAP purposes is expected to be approximately 27%.

(7) The weighted-average diluted shares outstanding are expected to be approximately 32 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 2020 full year financial guidance (in thousands, except percentages):

	2020 Guidance Range	
	Low Range	High Range
GAAP net income	\$ 65,700	\$ 73,100
GAAP income tax provision (6)	23,900	26,700
Interest expense	16,900	16,900
Amortization of OID	3,000	3,000
Interest and investment income and other, net	(500)	(500)
GAAP operating income	109,000	119,200
Restructuring and reorganization charges	1,000	1,000
Acquisition-related expenses:		
Amortization of acquired intangible assets	11,400	11,400
Transaction-related costs	100	100
Stock-based compensation	20,800	20,800
Amortization of other intangible assets	10,900	10,900
Amortization of client contract costs	18,700	18,700
Depreciation	25,600	25,600
Non-GAAP adjusted EBITDA	<u>\$ 197,500</u>	<u>\$ 207,700</u>
Non-GAAP adjusted EBITDA as a percentage of non-GAAP adjusted revenues	<u>22%</u>	<u>22%</u>

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 the indicated period (in thousands):

	2020 Guidance Range	
	Low Range	High Range
Cash flows from operating activities	\$ 110,000	\$ 135,000
Purchases of software, property and equipment	(25,000)	(35,000)
Non-GAAP free cash flow	<u>\$ 85,000</u>	<u>\$ 100,000</u>