CSG SYSTEMS INTERNATIONAL INC

Form 10-Q November 09, 2018		
UNITED STATES		
SECURITIES AND EXCHANGE	E COMMISSION	
Washington, D.C. 20549		
FORM 10-Q		
(Mark One)		
QUARTERLY REPORT PURSU 1934 For the quarterly period ended Se		(d) OF THE SECURITIES EXCHANGE ACT OF
OR		
TRANSITION REPORT PURSU 1934 For the transition period from	JANT TO SECTION 13 OR 15	(d) OF THE SECURITIES EXCHANGE ACT OF
Commission file number 0-27512		
CSG SYSTEMS INTERNATION	JAL, INC.	
(Exact name of registrant as speci	fied in its charter)	
	Delaware (State or other jurisdiction of	47-0783182 (I.R.S. Employer
6175 S. Willow Drive, 10 <sup>th</sup> Floor	incorporation or organization)	Identification No.)
Greenwood Village, Colorado 80	111	

(Address of principal executive offices, including zip code)

(303) 200-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Shares of common stock outstanding at November 2, 2018: 33,328,416

## CSG SYSTEMS INTERNATIONAL, INC.

FORM 10-Q for the Quarter Ended September 30, 2018

INDEX

		Page No.
Part I -F	FINANCIAL INFORMATION	
Item 1.	Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017 (Unaudited)	3
	Condensed Consolidated Statements of Income for the Quarters and Nine Months Ended September 30, 2018 and 2017 (Unaudited)	4
	Condensed Consolidated Statements of Comprehensive Income for the Quarters and Nine Months Ended September 30, 2018 and 2017 (Unaudited)	5
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017 (Unaudited)	<u>8</u> 6
	Notes to Condensed Consolidated Financial Statements (Unaudited)	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4.	Controls and Procedures	34
Part II -	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	35
Item 1A	Risk Factors	35
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 6.	<u>Exhibits</u>	35
	Index to Exhibits	36
	Signatures	37

## CSG SYSTEMS INTERNATIONAL, INC.

#### CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

(in thousands, except per share amounts)

ASSETS Current assets: Cash and cash equivalents Short-term investments 199,302 261,360 Trade accounts receivable: Billed, net of allowance of \$4,182 and \$4,149 Unbilled 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net of allowance of \$4,182 and \$4,149 10, billed 10, net or allowance of \$4,182 and \$4,149 10, billed 10, net or allowance of \$4,182 and \$4,149 10, billed 10, net or allowance of \$4,182 and \$4,149 10, billed 10, net or allowance of \$4,182 and \$4,149 10, billed 10, net or allowance of \$4,182 and \$4,149 10, billed 10, net or allowance or all \$4,142 10, significant of \$4,142 11, and \$4,145 11,		September 30, 2018	December 31, 2017
Cash and cash equivalents         \$ 197,172         \$ 122,243           Short-term investments         2,130         139,117           Total cash, cash equivalents and short-term investments         199,302         261,360           Trade accounts receivable:         8181ed, net of allowance of \$4,182 and \$4,149         246,731         219,531           Income taxes receivable         7,452         13,839           Income taxes receivable         7,452         13,839           Other current assets         38,706         28,349           Total current assets         529,038         554,266           Non-current assets:         529,038         554,266           Non-current assets.         31,953         26,096           Software, net of amortization of \$116,761 and \$108,986         31,953         26,906           Goodwill         210,697         210,080           Client contracts, net of amortization of zero and \$97,109         -         43,626           Acquired client contracts, net of amortization of \$81,286 and zero         39,863         -           Client contract costs, net of amortization of \$81,286 and zero         35,584         -           Other assets         10,898         10,948           Total assets         \$94,730         \$904,534	ASSETS		
Short-term investments         2,130         139,117           Total cash, cash equivalents and short-term investments         199,302         261,360           Trade accounts receivable:         1818d, net of allowance of \$4,182 and \$4,149         246,731         219,531           Unbilled         36,847         31,187         13,839           Other current assets         38,706         28,349           Total current assets         529,038         554,266           Non-current assets         529,038         554,266           Non-current assets         529,038         554,266           Software, net of amortization of \$108,266 and \$123,126         78,265         44,651           Software, net of amortization of \$116,761 and \$108,986         31,953         26,906           Goodwill         210,697         210,080           Client contracts, net of amortization of \$200 and \$97,109         -         43,626           Acquired client contracts, net of amortization of \$37,038 and zero         35,584         -           Client contracts, net of amortization of \$37,038 and zero         35,584         -           Other assets         10,898         10,948           Total on-current assets         \$947,309         \$904,534           LIABILITIES AND STOCKHOLDERS' EQUITY         Curr	Current assets:		
Total cash, cash equivalents and short-term investments   199,302   261,360     Trade accounts receivable:   246,731   219,531     Unbilled   36,847   31,187     Income taxes receivable   7,452   13,839     Other current assets   38,706   28,349     Total current assets   529,038   554,266     Non-current assets   529,038   554,266     Non-current assets   529,038   554,266     Non-current assets   720,000     Total current assets   720,000     Total contracts, net of amortization of \$116,761 and \$108,986   31,953     Total contract costs, net of amortization of \$81,286 and zero   39,863   -	Cash and cash equivalents	\$ 197,172	\$ 122,243
Trade accounts receivable:   Billed, net of allowance of \$4,182 and \$4,149		2,130	139,117
Billed, net of allowance of \$4,182 and \$4,149         246,731         219,531           Unbilled         36,847         31,187           Income taxes receivable         7,452         13,839           Other current assets         38,706         28,349           Total current assets         529,038         554,266           Non-current assets         529,038         554,266           Non-current assets         78,265         44,651           Software, net of amortization of \$116,761 and \$108,986         31,953         26,906           Goodwill         210,697         210,080           Client contracts, net of amortization of \$81,286 and zero         39,863         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Deferred income taxes         10,898         10,948           Total anon-current assets         10,898         10,948           Total assets         \$947,309         \$94,534           LIABILITIES AND STOCKHOLDERS' EQUITY         Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053           Trade accounts payable         \$7,500         \$22,500           Accrued employee compensation         56,578	Total cash, cash equivalents and short-term investments	199,302	261,360
Unbilled         36,847         31,187           Income taxes receivable         7,452         13,839           Other current assets         529,038         554,266           Non-current assets         31,953         26,906           Goodwill         210,697         210,080           Cleint contracts, net of amortization of \$81,286 and zero         39,863         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Client contract costs, part of amortization of \$37,038 and zero         31,607         39,4			
Income taxes receivable	Billed, net of allowance of \$4,182 and \$4,149	246,731	219,531
Other current assets         38,706         28,349           Total current assets         529,038         554,266           Non-current assets         78,265         44,651           Property and equipment, net of depreciation of \$108,266 and \$123,126         78,265         44,651           Software, net of amortization of \$116,761 and \$108,986         31,953         26,906           Goodwill         210,697         210,080           Client contracts, net of amortization of \$81,286 and zero         39,863         -           Acquired client contracts, net of amortization of \$37,038 and zero         35,584         -           Deferred income taxes         11,011         14,057           Other assets         10,898         10,948           Total non-current assets         418,271         350,268           Total assets         \$947,309         \$904,534           LIABILITIES AND STOCKHOLDERS' EQUITY         Current liabilities:         200,000           Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388	Unbilled	36,847	31,187
Total current assets   S29,038   S54,266   Non-current assets   Non-current liabilities	Income taxes receivable	7,452	13,839
Non-current assets:         Property and equipment, net of depreciation of \$108,266 and \$123,126         78,265         44,651           Software, net of amortization of \$116,761 and \$108,986         31,953         26,906           Goodwill         210,697         210,080           Client contracts, net of amortization of zero and \$97,109         -         43,626           Acquired client contracts, net of amortization of \$81,286 and zero         39,863         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Deferred income taxes         11,011         14,057           Other assets         10,898         10,948           Total anon-current assets         418,271         350,268           Total assets         947,309         \$904,534           LIABILITIES AND STOCKHOLDERS' EQUITY         ***Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053         ***Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984         ***Deferred revenue         41,388         41,885           Income taxes payable         448         1,216         ***Other current liabilities         20,637         222,593           <	Other current assets	38,706	28,349
Property and equipment, net of depreciation of \$108,266 and \$123,126         78,265         44,651           Software, net of amortization of \$116,761 and \$108,986         31,953         26,906           Goodwill         210,697         210,080           Client contracts, net of amortization of zero and \$97,109         -         43,626           Acquired client contracts, net of amortization of \$81,286 and zero         39,863         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Deferred income taxes         11,011         14,057           Other assets         10,898         10,948           Total non-current assets         418,271         350,268           Total assets         \$947,309         \$904,534           LIABILITIES AND STOCKHOLDERS' EQUITY         **Current liabilities**           Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         <	Total current assets	529,038	554,266
Software, net of amortization of \$116,761 and \$108,986         31,953         26,906           Goodwill         210,697         210,080           Client contracts, net of amortization of zero and \$97,109         -         43,626           Acquired client contracts, net of amortization of \$81,286 and zero         39,863         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Deferred income taxes         11,011         14,057           Other assets         10,898         10,948           Total non-current assets         418,271         350,268           Total assets         \$ 947,309         \$ 904,534           LLABILITIES AND STOCKHOLDERS' EQUITY         Current portion of long-term debt         \$ 7,500         \$ 22,500           Client deposits         36,079         31,053         33,420           Current portion of long-term debt         \$ 7,500         \$ 22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Othe	Non-current assets:		
Goodwill         210,697         210,080           Client contracts, net of amortization of \$81,286 and zero         -         43,626           Acquired client contracts, net of amortization of \$81,286 and zero         35,584         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Deferred income taxes         11,011         14,057           Other assets         10,898         10,948           Total non-current assets         418,271         350,268           Total assets         947,309         \$904,534           LLABILITIES AND STOCKHOLDERS' EQUITY         Urrent liabilities:           Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employce compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         202,637         222,593           Non-current liabilities         202,637         222,593           Income taxes payable         2,372         2,415           Deferred rev	Property and equipment, net of depreciation of \$108,266 and \$123,126	78,265	44,651
Client contracts, net of amortization of zero and \$97,109         -         43,626           Acquired client contracts, net of amortization of \$81,286 and zero         39,863         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Deferred income taxes         11,011         14,057           Other assets         10,898         10,948           Total non-current assets         418,271         350,268           Total assets         \$947,309         \$904,534           LLABILITIES AND STOCKHOLDERS' EQUITY         Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         20,637         222,593           Non-current liabilities         20,2637         222,593           Non-current debt, net of unamortized discounts of \$15,641 and \$18,264         353,109         309,236           Deferred revenue         13,578         12,346 <t< td=""><td>Software, net of amortization of \$116,761 and \$108,986</td><td>31,953</td><td>26,906</td></t<>	Software, net of amortization of \$116,761 and \$108,986	31,953	26,906
Acquired client contracts, net of amortization of \$81,286 and zero         39,863         -           Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Deferred income taxes         11,011         14,057           Other assets         10,898         10,948           Total non-current assets         418,271         350,268           Total assets         \$947,309         \$904,534           LIABILITIES AND STOCKHOLDERS' EQUITY         ***Current liabilities**         ***Current portion of long-term debt**         \$7,500         \$22,500           Client deposits         36,079         31,053         36,079         31,053           Trade accounts payable         39,054         38,420         38,420           Accrued employee compensation         56,578         62,984         62,984           Deferred revenue         41,388         41,885         11,216           Other current liabilities         21,590         24,535         24,535           Total current liabilities         202,637         222,593           Non-current liabilities         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415 <t< td=""><td>Goodwill</td><td>210,697</td><td>210,080</td></t<>	Goodwill	210,697	210,080
Client contract costs, net of amortization of \$37,038 and zero         35,584         -           Deferred income taxes         11,011         14,057           Other assets         10,898         10,948           Total non-current assets         418,271         350,268           Total assets         \$947,309         \$904,534           LLABILITIES AND STOCKHOLDERS' EQUITY         Current liabilities:           Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         21,590         24,535           Total current liabilities         202,637         222,593           Non-current liabilities         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415           Deferred income taxes         5,881         4,584           Other non-current liabilities         386,253	Client contracts, net of amortization of zero and \$97,109	-	43,626
Deferred income taxes         11,011         14,057           Other assets         10,898         10,948           Total non-current assets         418,271         350,268           Total assets         \$947,309         \$904,534           LIABILITIES AND STOCKHOLDERS' EQUITY           Current liabilities:           Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         202,637         222,593           Non-current liabilities         202,637         222,593           Non-current lebt, net of unamortized discounts of \$15,641 and \$18,264         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415           Deferred income taxes         5,881         4,584           Other non-current liabilities         11,313         10,614	Acquired client contracts, net of amortization of \$81,286 and zero	39,863	-
Other assets         10,898         10,948           Total non-current assets         418,271         350,268           Total assets         \$947,309         \$904,534           LIABILITIES AND STOCKHOLDERS' EQUITY           Current portion of long-term debt         \$7,500         \$22,500           Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         20,2637         222,593           Non-current liabilities         202,637         222,593           Non-current liabilities         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415           Deferred income taxes         5,881         4,584           Other non-current liabilities         11,313         10,614           Total non-current liabilities         386,253         339,195     <	Client contract costs, net of amortization of \$37,038 and zero	35,584	-
Total non-current assets         418,271         350,268           Total assets         \$ 947,309         \$ 904,534           LIABILITIES AND STOCKHOLDERS' EQUITY           Current liabilities:           Current portion of long-term debt         \$ 7,500         \$ 22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         20,637         222,593           Non-current liabilities         202,637         222,593           Non-current liabilities         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415           Deferred income taxes         5,881         4,584           Other non-current liabilities         11,313         10,614           Total liabilities         386,253         339,195           Total liabilities         588,890         561,788           Stockholders' equity:	Deferred income taxes	11,011	14,057
Total assets         \$ 947,309         \$ 904,534           LIABILITIES AND STOCKHOLDERS' EQUITY           Current liabilities:           Current portion of long-term debt         \$ 7,500         \$ 22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         202,637         222,593           Non-current liabilities:         202,637         222,593           Long-term debt, net of unamortized discounts of \$15,641 and \$18,264         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415           Deferred income taxes         5,881         4,584           Other non-current liabilities         386,253         339,195           Total liabilities         588,890         561,788           Stockholders' equity:           Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Other assets	10,898	10,948
LIABILITIES AND STOCKHOLDERS' EQUITY           Current liabilities:           Current portion of long-term debt         \$7,500         \$22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         21,590         24,535           Total current liabilities:         202,637         222,593           Non-current liabilities:         202,637         222,593           Long-term debt, net of unamortized discounts of \$15,641 and \$18,264         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415           Deferred income taxes         5,881         4,584           Other non-current liabilities         11,313         10,614           Total non-current liabilities         386,253         339,195           Total liabilities         588,890         561,788           Stockholders' equity:         7         7         7         7	Total non-current assets	418,271	350,268
Current liabilities:         \$7,500         \$22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         21,590         24,535           Total current liabilities         202,637         222,593           Non-current liabilities         353,109         309,236           Long-term debt, net of unamortized discounts of \$15,641 and \$18,264         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415           Deferred income taxes         5,881         4,584           Other non-current liabilities         11,313         10,614           Total non-current liabilities         386,253         339,195           Total liabilities         588,890         561,788           Stockholders' equity:         Yereferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Total assets	\$ 947,309	\$ 904,534
Current portion of long-term debt         \$ 7,500         \$ 22,500           Client deposits         36,079         31,053           Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         21,590         24,535           Total current liabilities         202,637         222,593           Non-current debt, net of unamortized discounts of \$15,641 and \$18,264         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415           Deferred income taxes         5,881         4,584           Other non-current liabilities         11,313         10,614           Total non-current liabilities         386,253         339,195           Total liabilities         588,890         561,788           Stockholders' equity:         Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued         ***	LIABILITIES AND STOCKHOLDERS' EQUITY		
Client deposits       36,079       31,053         Trade accounts payable       39,054       38,420         Accrued employee compensation       56,578       62,984         Deferred revenue       41,388       41,885         Income taxes payable       448       1,216         Other current liabilities       21,590       24,535         Total current liabilities       202,637       222,593         Non-current liabilities:       202,637       222,593         Long-term debt, net of unamortized discounts of \$15,641 and \$18,264       353,109       309,236         Deferred revenue       13,578       12,346         Income taxes payable       2,372       2,415         Deferred income taxes       5,881       4,584         Other non-current liabilities       11,313       10,614         Total non-current liabilities       386,253       339,195         Total liabilities       588,890       561,788         Stockholders' equity:         Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Current liabilities:		
Trade accounts payable         39,054         38,420           Accrued employee compensation         56,578         62,984           Deferred revenue         41,388         41,885           Income taxes payable         448         1,216           Other current liabilities         21,590         24,535           Total current liabilities:         202,637         222,593           Non-current liabilities:         13,578         12,346           Long-term debt, net of unamortized discounts of \$15,641 and \$18,264         353,109         309,236           Deferred revenue         13,578         12,346           Income taxes payable         2,372         2,415           Deferred income taxes         5,881         4,584           Other non-current liabilities         11,313         10,614           Total non-current liabilities         386,253         339,195           Total liabilities         588,890         561,788           Stockholders' equity:         Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Current portion of long-term debt	\$ 7,500	\$ 22,500
Accrued employee compensation       56,578       62,984         Deferred revenue       41,388       41,885         Income taxes payable       448       1,216         Other current liabilities       21,590       24,535         Total current liabilities:       202,637       222,593         Non-current liabilities:       353,109       309,236         Deferred revenue       13,578       12,346         Income taxes payable       2,372       2,415         Deferred income taxes       5,881       4,584         Other non-current liabilities       11,313       10,614         Total non-current liabilities       386,253       339,195         Total liabilities       588,890       561,788         Stockholders' equity:       Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Client deposits	36,079	31,053
Deferred revenue       41,388       41,885         Income taxes payable       448       1,216         Other current liabilities       21,590       24,535         Total current liabilities:       202,637       222,593         Non-current liabilities:       353,109       309,236         Deferred revenue       13,578       12,346         Income taxes payable       2,372       2,415         Deferred income taxes       5,881       4,584         Other non-current liabilities       11,313       10,614         Total non-current liabilities       386,253       339,195         Total liabilities       588,890       561,788         Stockholders' equity:         Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Trade accounts payable	39,054	38,420
Income taxes payable       448       1,216         Other current liabilities       21,590       24,535         Total current liabilities       202,637       222,593         Non-current liabilities:       353,109       309,236         Deferred revenue       13,578       12,346         Income taxes payable       2,372       2,415         Deferred income taxes       5,881       4,584         Other non-current liabilities       11,313       10,614         Total non-current liabilities       386,253       339,195         Total liabilities       588,890       561,788         Stockholders' equity:         Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Accrued employee compensation	56,578	62,984
Other current liabilities       21,590       24,535         Total current liabilities       202,637       222,593         Non-current liabilities:       353,109       309,236         Long-term debt, net of unamortized discounts of \$15,641 and \$18,264       353,109       309,236         Deferred revenue       13,578       12,346         Income taxes payable       2,372       2,415         Deferred income taxes       5,881       4,584         Other non-current liabilities       11,313       10,614         Total non-current liabilities       386,253       339,195         Total liabilities       588,890       561,788         Stockholders' equity:         Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Deferred revenue	41,388	41,885
Total current liabilities       202,637       222,593         Non-current liabilities:       202,637       222,593         Long-term debt, net of unamortized discounts of \$15,641 and \$18,264       353,109       309,236         Deferred revenue       13,578       12,346         Income taxes payable       2,372       2,415         Deferred income taxes       5,881       4,584         Other non-current liabilities       11,313       10,614         Total non-current liabilities       386,253       339,195         Total liabilities       588,890       561,788         Stockholders' equity:         Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Income taxes payable	448	1,216
Non-current liabilities:  Long-term debt, net of unamortized discounts of \$15,641 and \$18,264  Deferred revenue  13,578  12,346  Income taxes payable  2,372  2,415  Deferred income taxes  5,881  4,584  Other non-current liabilities  11,313  10,614  Total non-current liabilities  386,253  339,195  Total liabilities  588,890  561,788  Stockholders' equity:  Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Other current liabilities	21,590	24,535
Long-term debt, net of unamortized discounts of \$15,641 and \$18,264       353,109       309,236         Deferred revenue       13,578       12,346         Income taxes payable       2,372       2,415         Deferred income taxes       5,881       4,584         Other non-current liabilities       11,313       10,614         Total non-current liabilities       386,253       339,195         Total liabilities       588,890       561,788         Stockholders' equity:         Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Total current liabilities	202,637	222,593
Deferred revenue13,57812,346Income taxes payable2,3722,415Deferred income taxes5,8814,584Other non-current liabilities11,31310,614Total non-current liabilities386,253339,195Total liabilities588,890561,788Stockholders' equity:Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Non-current liabilities:		
Income taxes payable 2,372 2,415 Deferred income taxes 5,881 4,584 Other non-current liabilities 11,313 10,614 Total non-current liabilities 386,253 339,195 Total liabilities 588,890 561,788 Stockholders' equity: Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Long-term debt, net of unamortized discounts of \$15,641 and \$18,264	353,109	309,236
Deferred income taxes 5,881 4,584 Other non-current liabilities 11,313 10,614 Total non-current liabilities 386,253 339,195 Total liabilities 588,890 561,788 Stockholders' equity: Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Deferred revenue	13,578	12,346
Deferred income taxes 5,881 4,584 Other non-current liabilities 11,313 10,614 Total non-current liabilities 386,253 339,195 Total liabilities 588,890 561,788 Stockholders' equity: Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Income taxes payable	2,372	2,415
Total non-current liabilities 386,253 339,195 Total liabilities 588,890 561,788 Stockholders' equity: Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued		5,881	4,584
Total liabilities 588,890 561,788 Stockholders' equity: Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Other non-current liabilities	11,313	10,614
Stockholders' equity: Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Total non-current liabilities	386,253	339,195
Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Total liabilities	588,890	561,788
Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued	Stockholders' equity:		
•			
<b>C</b>	and outstanding	-	-

Edgar Filing: CSG SYSTEMS INTERNATIONAL INC - Form 10-Q

Common stock, par value \$.01 per share; 100,000 shares authorized; 33,451 and				
33,516 shares outstanding	693		689	
Common stock warrants; 439 warrants vested; 1,425 issued	9,082		9,082	
Additional paid-in capital	436,412		427,091	
Treasury stock, at cost; 34,470 and 34,075 shares	(831,585	)	(814,732	)
Accumulated other comprehensive income (loss):				
Unrealized loss on short-term investments, net of tax	(7	)	(88)	)
Cumulative foreign currency translation adjustments	(37,364	)	(28,734	)
Accumulated earnings	781,188		749,438	
Total stockholders' equity	358,419		342,746	
Total liabilities and stockholders' equity	\$ 947,309		\$ 904,534	
The accompanying notes are an integral part of these condensed consolidated financial statements.				

## CSG SYSTEMS INTERNATIONAL, INC.

#### CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

(in thousands, except per share amounts)

	Quarter Ended September 30, 2018 2017	Nine Months Ended September 30, September 30, 2018 2017
Revenues:		
Cloud and related solutions	\$186,473 \$ 164,789	\$ 551,390 \$ 481,445
Software and services	14,283 15,726	39,573 46,680
Maintenance	12,299 18,680	36,829 56,253
Total revenues	213,055 199,195	627,792 584,378
Cost of revenues (exclusive of depreciation, shown		
separately below):		
Cloud and related solutions	95,092 79,856	277,212 233,194
Software and services	8,669 9,725	25,816 31,404
Maintenance	5,291 10,136	16,612 30,487
Total cost of revenues	109,052 99,717	319,640 295,085
Other operating expenses:		
Research and development	31,477 30,324	91,809 85,103
Selling, general and administrative	39,243 35,816	120,515 109,981
Depreciation	4,831 3,344	13,293 9,975
Restructuring and reorganization charges	2,799 1,618	7,028 4,597
Total operating expenses	187,402 170,819	552,285 504,741
Operating income	25,653 28,376	75,507 79,637
Other income (expense):		
Interest expense	(4,456 ) (4,186 )	(13,202 ) (12,638 )
Amortization of original issue discount	(671 ) (634 )	(1,984 ) (2,147 )
Interest and investment income, net	675 800	2,256 2,310
Loss on extinguishment of debt		(810 ) -
Other, net	(709 ) (970 )	(347 ) (1,123 )
Total other	(5,161) (4,990)	(14,087 ) (13,598 )
Income before income taxes	20,492 23,386	61,420 66,039
Income tax provision	(4,391 ) (8,806 )	(16,188 ) (19,641 )
Net income	\$16,101 \$ 14,580	\$ 45,232 \$ 46,398
Weighted-average shares outstanding:		
Basic	32,507 32,561	32,541 32,383
Diluted	32,806 32,901	32,939 32,825
Earnings per common share:		
Basic	\$0.50 \$ 0.45	\$ 1.39 \$ 1.43
Diluted	0.49 0.44	1.37 1.41
Till 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1 11 1 1 1 1 1	1.37

CSG SYSTEMS INTERNATIONAL, INC.

# CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED

(in thousands)

	Quarter Ended		Nine Months Ended	
	September September 30,		September 30,	
	2018	2017	2018	2017
Net income	\$16,101	\$ 14,580	\$45,232	\$ 46,398
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(109	)		