



TOGETHER. YOU WIN.

# CSG INTERNATIONAL BAIRD: CSGS

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BAIRD CONFERENCE  
JUNE 2019

# WHO WE ARE



**KEN KENNEDY**

President,  
Technology & Product



**LIZ BAUER**

Chief Investor  
Relations Officer



# SAFE HARBOR

This presentation may contain statements that are forward looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially because of factors mentioned in this presentation, in management's discussion and analysis section of the company's 2018 Form 10-K or in other reports and filings with the Securities and Exchange Commission. CSG undertakes no duty to update or revise any forward looking statements, whether as a result of new information, future events or otherwise. In addition, all non-GAAP/pro-forma numbers are reconciled in the appendix as well as in tables under the Investor Relations section of our website at [www.csgi.com](http://www.csgi.com)

# CSG AT A GLANCE

# CSG OVERVIEW

## 35+ YEAR TRACK RECORD

A provider of software and services that helps companies around the world monetize and digitally enable the customer experience

▪ **3,900+ EMPLOYEES**

▪ **NASDAQ:CSGS**

Small-cap stock

## LEADING SOLUTIONS

- Revenue Management & Digital Monetization
- Customer Experience
- Payments

## STRONG BUSINESS MODEL

- Long-term contracts = visibility
- Recurring revenue = solid cost management
- Strong cash flows = thoughtful capital allocation



# CSG: KEY INVESTMENT HIGHLIGHTS

## **PROVEN LEADER**

empowering success in today's complex, dynamic and challenging business environment

## **MULTIPLE DRIVERS**

for-long term growth & revenue diversification

## **STRONG CASH FLOW**

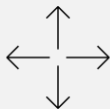
fueling solid investment in business and strong shareholder returns

# MARKETS GOING THROUGH DISRUPTION



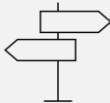
## COMPETITION

New entrants competing for consumer brand loyalty



## EXPANDING SCOPE

Customers are being pulled in all directions



## SERVICE NEEDS

Consumers demand increasingly diverse options



## CUSTOMERS FIRST

The customer experience is driving action



## PLATFORMS

Digital options are becoming cheaper and more prevalent



## TECHNOLOGY

Evolving faster than ever before

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# PROVEN HISTORY OF EXECUTION AND INNOVATION

## CSG SOLUTIONS ENABLE PROVIDERS TO:



Radically reduce costs

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Standardize, simplify and optimize operations

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Shift investment to new, innovative services

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Trial and launch new services quickly

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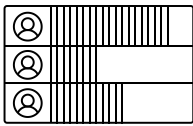


Create a seamless customer experience



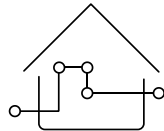
# — WE ARE A PROVEN DIGITAL TRANSFORMATION LEADER

## CSG IS A LEADER IN GARTNER MAGIC QUADRANT WITH GLOBAL BSS SCALE



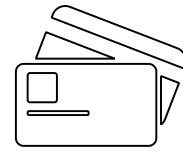
**>425M BSS SUBSCRIBERS**

Wireless/wireline (**>300M**), cable (**>64M**) & OTT (**>62M**) subs supported



**>350 CLIENTS**

**300+** wireless/wireline, **30+** cable & **20+** OTT global customers



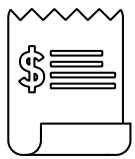
**4.3 BILLION PAYMENTS/YEAR**

Process **280 million** monthly credit card payments & **105 million** ACH payments



**>219 BILLION REAL-TIME TRANS**

Process **>600 million** daily real-time charging transactions



**17.5 TRILLION CDRs/YEAR**

Process **48 billion** daily charging data records (CDRs) for top 10 clients alone



**>180,000 TECHs & CSRs**

Use CSG field force management and customer service software daily

# CSG: KEY INVESTMENT HIGHLIGHTS

**PROVEN LEADER**  
empowering  
success in  
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business  
environment

**MULTIPLE DRIVERS**  
for-long term  
growth & revenue  
diversification

**STRONG CASH FLOW**  
fueling solid  
investment in  
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strong  
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returns

# MULTIPLE GROWTH OPPORTUNITIES

## EXPAND & DIVERSIFY LEADERSHIP POSITION

- Increase market share in communications, information and content markets
- Expand footprint in fast growing payments vertical
- Expand footprint in new verticals with CX solutions

## CREATE MORE RECURRING RELATIONSHIPS

- Increase adoption of managed services
- Leverage our current client relationships with value-added services and solutions

## SCALE AND MONETIZE DIGITAL SERVICES

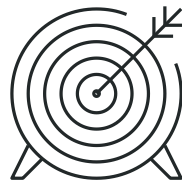
- Increase adoption of next-generation cloud-based platforms
- Pursue new entrants and providers of video, content, wireless and IoT services

# — EXPAND LEADERSHIP POSITION & FOOTPRINT



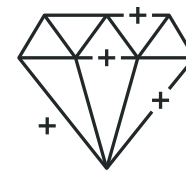
“The ability of our field technicians and dispatchers to make real-time updates and changes will provide a new level of operational efficiency.”

**Simon Tadeo**  
Customer Experience Officer  
Cablevisión Argentina



## GOAL

Affordably acquire and retain customers by delivering quality service at appointment times that work for customers



## SOLUTION

Optimized field technician scheduling and dispatch processes to **reduce service call costs and increase customer satisfaction**

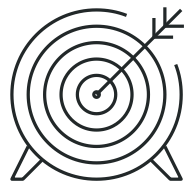
# — EXPAND AND DIVERSIFY INTO NEW VERTICALS



**Buildium**<sup>®</sup>  
Property Managed.

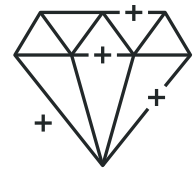
“With some of our other partnerships, there’s a lot of turnover on the partner side. Often we are the ones who end up having to educate the partners on how the relationship works. That hasn’t happened with Forte. Having the same person on our account from nearly the beginning of the relationship has made a huge impact.”

**Dimitris Georgakopoulos**  
Buildium Co-Founder



## GOAL

Buildium were looking for a solution that would increase adoption and provide a comprehensive ACH and card payments solution.



## SOLUTION

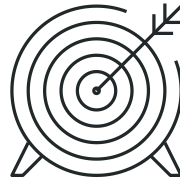
Integration within hours, reduced costs, streamlined customer payment experience, endless scalability and an unparalleled understanding of ACH. As a result, Buildium has had **35% YoY growth in transactions** and a **39% YoY growth in dollars processed**.

# — CREATE MORE RECURRING RELATIONSHIPS



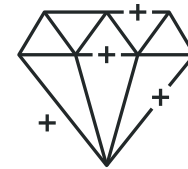
“The extension of the business relationship with CSG will go a long way towards helping MTN to simplify and streamline our operations.”

**Benjamin Marais**  
Chief Information Officer  
MTN South Africa



## GOAL

Reduce time to market and operating costs by implementing a new billing system



## SOLUTION

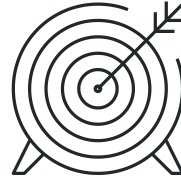
Replace incumbent billing systems for both retail and wholesale billing, letting them focus on competition and expand their offerings

# — SCALE/MONETIZE & DIVERSIFY



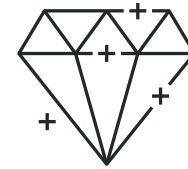
“CSG and the Ascendon platform are critical components of our digital transformation. Simply put, this platform allows us to reimagine business models and do things that we haven’t been able to do before.”

**Jake Harris**  
Director, Connectivity Services  
Arrow Electronics



## GOAL

Manage the activation of devices, track and invoice at **high volumes** across a **rapidly growing** number of global IoT partners and clients, and provide a proven path to **program monetization**



## SOLUTION

Launched in less than 90 days, CSG provides Arrow a complete offering to **deploy, manage, monitor, invoice and monetize** connected devices **globally**

# CSG: KEY INVESTMENT HIGHLIGHTS

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## MULTIPLE DRIVERS

for-long term  
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## STRONG CASH FLOW

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# OUR BUSINESS MODEL CREATES VALUE



**LONG-TERM CLIENT CONTRACTS**  
with established providers



**CLOUD DELIVERY MODEL**  
provides leverage and scale



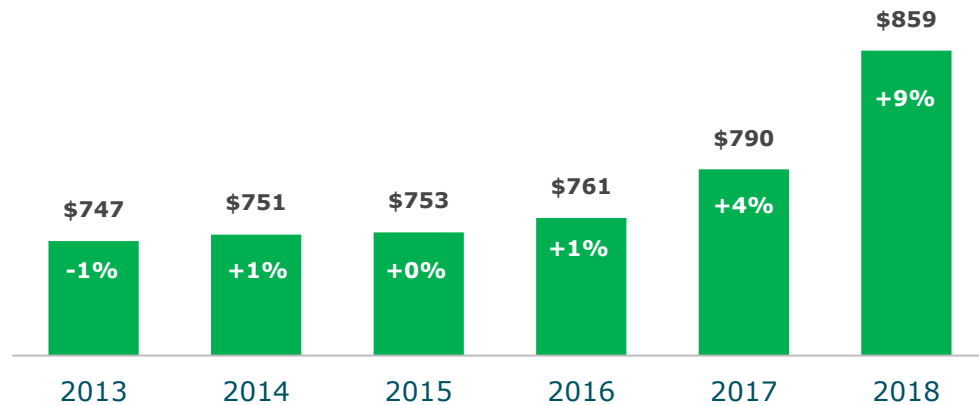
**INVESTING CAPITAL BACK INTO BUSINESS**  
to drive top-line growth



**SHAREHOLDER-FRIENDLY**  
capital allocation policy

# — SOLID BUSINESS MODEL

## INVESTING TO DRIVE REVENUE GROWTH (1)



### Revenue growth at/above industry levels

- Long-term contracts generates recurring revenues
- High renewal rates
- High-cost of switching/high risk
- Annual revenue visibility of 90+%

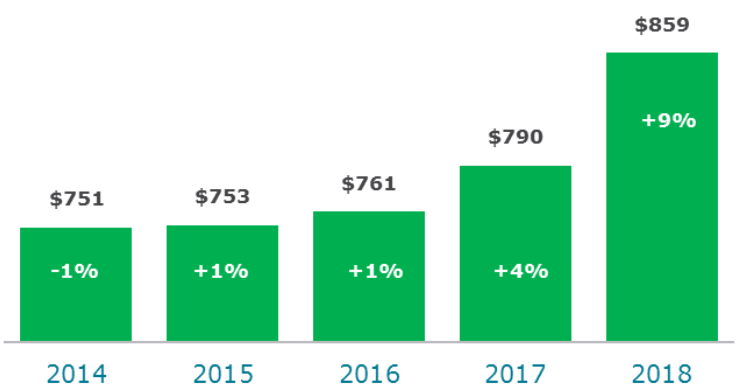
### Profitable business model

- SaaS, cloud-based solutions built upon scalable, cost-effective delivery model
- Strategic investments to drive top-line revenue growth and long-term business value
- Profitable, industry-leading operating margins

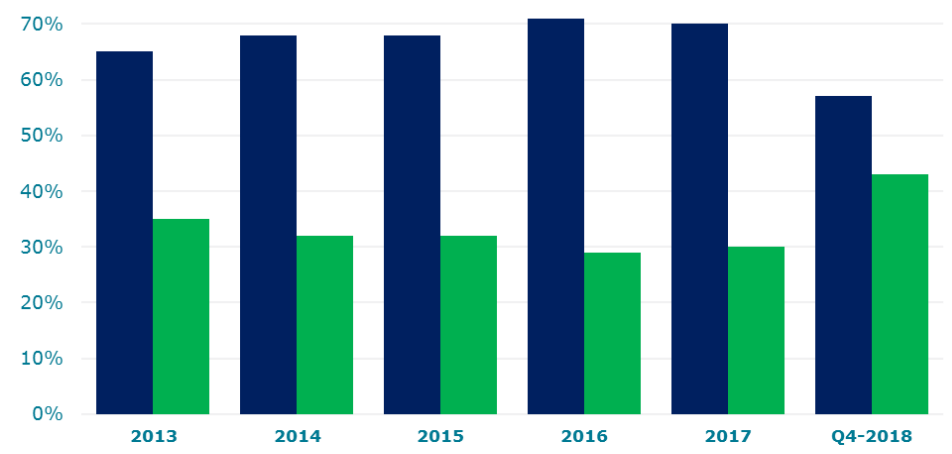
(1) \$ in millions. Reflects Adjusted Revenue.  
Please see Appendix and IR website for reconciliations.

# — VALUE CREATING BUSINESS MODEL

Revenues growing faster than the market <sup>(1)</sup>



Diversifying revenues into faster growing markets



% of Total Revenues

■ % Cable/Satellite ■ % Other Verticals

(1) \$ in millions. Reflects Adjusted Revenue. Please see Appendix and IR website for reconciliations.

# — STRONG CASH GENERATION

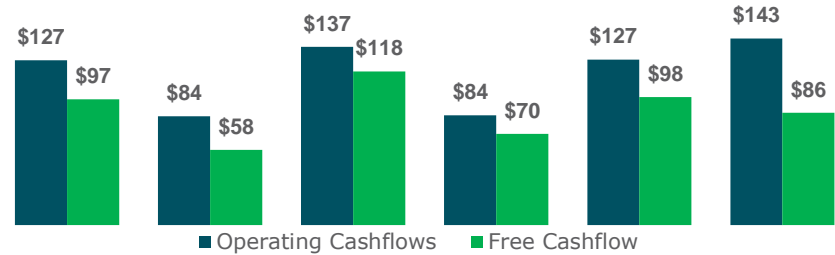
## STRONG CASH GENERATION

- Profitable earnings conversion to strong cash flows
- Modest capital expenditures

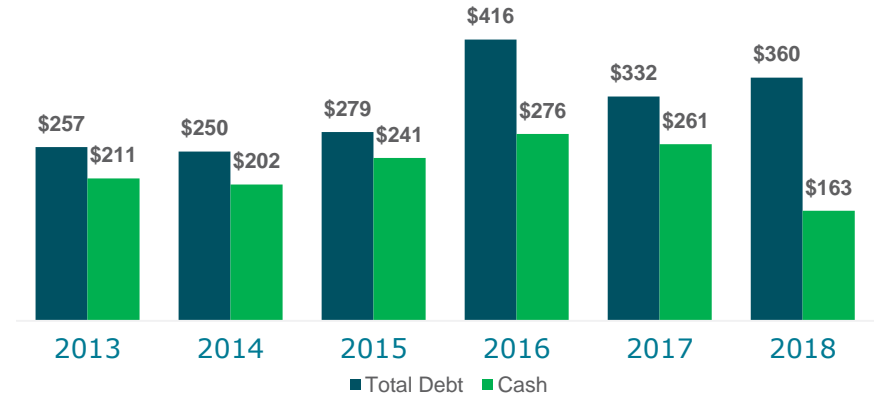
## SOLID BALANCE SHEET

- Cashflow generation maintains healthy balance sheet
- Leverage available to utilize as needed to optimize our balance sheet for long-term shareholder value

### Operating / Free Cash Flows<sup>(1)</sup>



### Balance Sheet



Note: \$ in millions. (1) See Appendix for reconciliation.

# — OUR CAPITAL ALLOCATION

## BALANCED APPROACH TO CAPITAL ALLOCATION

- Create long-term sustainable shareholder value
  - Investing in business to drive above-industry growth
  - Return cash to shareholders

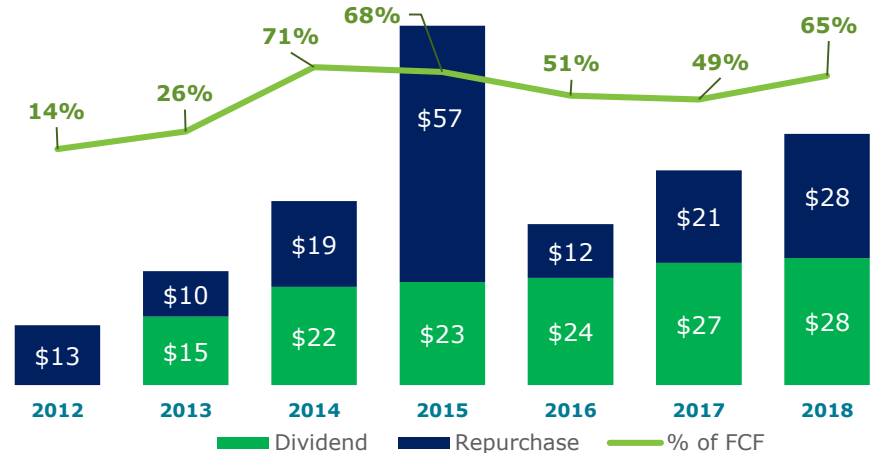
## OPTIMIZING SHAREHOLDER RETURN

- Dividend initiated in 2013
  - Yield of 2%
  - Increased annually by mid-single digit rate (6% in Feb-2019)
- Share repurchases
  - 3-year \$150m share repurchase plan announced Sep-2018

## INVESTING IN BUSINESS

- Consistent R&D investment of 13-15% of revenues
- Capital expenditures for technology and equipment to run large-scale operations (approx. \$30-40 million annually)
- M&A to expand/accelerate solutions or expand into new markets

## Returning Cash to Shareholders (1)



Note: \$ in millions. (1) See Appendix for reconciliation.

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## STRONG CASH FLOW

supporting  
investments and  
shareholder  
returns

# APPENDIX

# GAAP INCOME STATEMENT

	Year Ended December 31,					
	2013	2014	2015	2016	2017	2018
<b>Revenue</b>	<b>\$ 747.5</b>	<b>\$ 751.3</b>	<b>\$ 752.5</b>	<b>\$ 761.0</b>	<b>\$ 789.6</b>	<b>\$ 875.1</b>
Cost of revenues	377.2	389.3	379.7	375.1	394.8	448.9
Other operating expenses						
Research and development	110.0	104.7	102.0	98.7	113.2	124.9
Selling, general and administrative	152.6	153.5	139.8	140.5	153.7	169.3
Depreciation	18.6	14.1	14.8	13.6	13.4	18.3
Restructuring and reorganization charges	12.4	14.0	3.1	0.4	8.8	8.7
<b>Total operating expenses</b>	<b>670.8</b>	<b>675.6</b>	<b>639.4</b>	<b>628.3</b>	<b>683.9</b>	<b>770.1</b>
<b>Operating Income</b>	<b>\$ 76.7</b>	<b>\$ 75.7</b>	<b>\$ 113.1</b>	<b>\$ 132.6</b>	<b>\$ 105.7</b>	<b>\$ 104.9</b>
Other income (expense)	(15.2)	(14.2)	(16.8)	(32.6)	(18.0)	(17.9)
Income before income taxes	61.5	61.5	96.3	100.0	87.7	87.0
Income tax provision	(16.3)	(25.8)	(33.8)	(37.1)	(26.3)	(20.9)
<b>Net Income</b>	<b>\$ 45.3</b>	<b>\$ 35.7</b>	<b>\$ 62.6</b>	<b>\$ 62.9</b>	<b>\$ 61.4</b>	<b>\$ 66.1</b>
Weighted-average shares outstanding						
Basic	32.1	32.4	31.1	31.0	32.4	32.5
Diluted	32.9	33.7	33.4	33.0	32.9	32.9
Earnings per common share						
Basic	1.41	1.10	2.01	2.03	1.89	2.04
Diluted	1.38	1.06	1.87	1.90	1.87	2.01



# NON-GAAP RECONCILIATION

	Year Ended December 31,					
	2013	2014	2015	2016	2017	2018
Revenue	\$ 747.5	\$ 751.3	\$ 752.5	\$ 761.0	\$ 789.6	\$ 875.1
Transaction Fees	-	-	-	-	-	(15.6)
<b>Non-GAAP Adjusted Revenue</b>	<b>\$ 747.5</b>	<b>\$ 751.3</b>	<b>\$ 752.5</b>	<b>\$ 761.0</b>	<b>\$ 789.6</b>	<b>\$ 859.5</b>
<b>GAAP Operating Income</b>	<b>\$ 76.7</b>	<b>\$ 75.7</b>	<b>\$ 113.1</b>	<b>\$ 132.6</b>	<b>\$ 105.7</b>	<b>\$ 104.9</b>
Restructuring and reorganization changes	12.4	14.0	3.1	0.4	8.8	8.7
Acquisition-related costs	0.1	-	-	-	-	4.9
Stock-based compensation	14.8	16.7	21.4	22.8	20.8	19.7
Amortization of acquired intangible assets	19.2	15.4	12.0	8.5	6.9	9.7
<b>Non-GAAP Operating Income</b>	<b>\$ 123.2</b>	<b>\$ 121.7</b>	<b>\$ 149.6</b>	<b>\$ 164.3</b>	<b>\$ 142.1</b>	<b>\$ 147.9</b>
<i>Non-GAAP Adjusted Operating Income Margin</i>	<i>16.5%</i>	<i>16.2%</i>	<i>19.9%</i>	<i>21.6%</i>	<i>18.0%</i>	<i>17.2%</i>
<b>GAAP Operating Income</b>	<b>\$ 76.7</b>	<b>\$ 75.7</b>	<b>\$ 113.1</b>	<b>\$ 132.6</b>	<b>\$ 105.7</b>	<b>\$ 104.9</b>
Depreciation	18.6	14.1	14.8	13.6	13.4	18.3
Restructuring and reorganization changes	12.4	14.0	3.1	0.4	8.8	8.7
Acquisition-related costs	0.1	-	-	-	-	4.9
Stock-based compensation	14.8	16.7	21.4	22.8	20.8	19.7
Amortization of acquired intangible assets	19.2	15.4	12.0	8.5	6.9	9.7
Amortization of other intangible assets	16.2	15.8	14.5	16.9	20.4	9.5
Amortization of client contract costs	-	-	-	-	-	23.4
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 158.0</b>	<b>\$ 151.6</b>	<b>\$ 178.9</b>	<b>\$ 194.8</b>	<b>\$ 175.9</b>	<b>\$ 199.1</b>
<i>Non-GAAP Adjusted EBITDA Margin</i>	<i>21.1%</i>	<i>20.2%</i>	<i>23.8%</i>	<i>25.6%</i>	<i>22.3%</i>	<i>23.2%</i>
<b>Cash Flow from Operating Activities</b>	<b>\$ 126.6</b>	<b>\$ 83.7</b>	<b>\$ 137.0</b>	<b>\$ 84.2</b>	<b>\$ 127.2</b>	<b>\$ 143.3</b>
<i>Non-GAAP Operating Cash Flow Margin</i>	<i>16.9%</i>	<i>11.1%</i>	<i>18.2%</i>	<i>11.1%</i>	<i>16.1%</i>	<i>16.4%</i>
Purchases of PP&E	(30.1)	(26.0)	(18.8)	(14.3)	(28.9)	(57.1)
<b>Non-GAAP Free Cash Flow</b>	<b>\$ 96.6</b>	<b>\$ 57.7</b>	<b>\$ 118.1</b>	<b>\$ 69.9</b>	<b>\$ 98.3</b>	<b>\$ 86.2</b>
<i>Non-GAAP Free Cash Flow Margin</i>	<i>12.9%</i>	<i>7.7%</i>	<i>15.7%</i>	<i>9.2%</i>	<i>12.4%</i>	<i>10.0%</i>

Note: \$ in millions.

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# QUESTIONS?

## **CORPORATE HEADQUARTERS**

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