

A black and white photograph of a modern office building. The image shows a large glass window that looks into an office interior where three people are standing and talking. The building's facade is made of dark panels and glass.

# CSG International Nasdaq: CSGS

**Q3 2020**



## 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 2020 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)**

## Mission

Trusted global technology partner, delivering innovative customer engagement solutions that help businesses **acquire, monetize, engage** and **retain** customers

## 35+ Year Track Record

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

### Values

Be Customer Obsessed  
Be Authentic  
Be Inventive  
Be a Good Person

**4,400+ EMPLOYEES  
GLOBALLY**



## Strong Business Model

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

## Leading Solutions

- Revenue Management & Digital Monetization
- Customer Experience
- Payments

## Key Customers



# CSG: Key Investment Highlights

**Leading technology provider in markets going through disruption**

**Multiple drivers for growth and revenue diversification**

**Predictable, recurring business model that generates consistent cash flow**



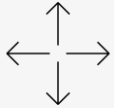
## COMPETITION

New entrants competing for consumer brand loyalty



## CUSTOMERS FIRST

The customer experience is driving action



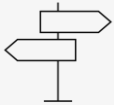
## EXPANDING SCOPE

Customers are being pulled in all directions



## PLATFORMS / TECHNOLOGY

Digital options are becoming cheaper, more prevalent, and evolving faster than ever before



## SERVICE NEEDS

Consumers demand increasingly diverse options

## CSG Solutions enable providers to:



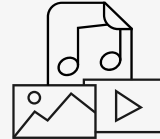
Radically reduce costs



Standardize, simplify and optimize operations



Shift investment to new, innovative services



Trial and launch new services quickly



Create a seamless customer experience

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## Increase spend from existing clients

- Gain more IT spend by helping them solve biggest problems
- Grow as they add or acquire customers, or expand geographically
- Convert software clients to long-term managed services clients

## Add new clients

- Take market share from others
- Increase adoption of next-gen cloud-based platforms
- Leverage domain expertise and platforms for new entrants

## Diversify into new markets

- High-volume transaction processing
- Complex customer engagements
- Via acquisitions or existing solutions



## xfinity ON CAMPUS

### THE CUSTOMER

- Xfinity (Comcast) is one of largest U.S. video, broadband, voice operators
- CSG's largest client for 30+ years
- Large user of full solution suite

### THE PROBLEM

- Attract the cord-resistant college students with streaming service
- Reduce expensive set-top boxes being deployed in dorm rooms

### THE SOLUTION

- Ascendon public-cloud platform

### THE RESULT

- High quality customer experience
- Opportunities for more targeted ad offers and premium upsells
- Seamless deployment
- Rapid expansion across over 100+ university campuses

## TELECOM



### THE CUSTOMER

- Telecom Argentina is a communications service provider serving northern Argentina, including Buenos Aires

### THE PROBLEM

- Dated field service management system using paper worksheets to assign jobs
- Manual, non-standardized work-order management

### THE SOLUTION

- Field Service Management with automated and optimized scheduling, dispatch, and routing

### THE RESULT

- Improved fulfillment of field technician appointment times
- Increased number of jobs per tech, reducing operating costs
- Boosted customer satisfaction



## THE CUSTOMER

- Australia's largest mobile network
- 20+ year CSG client
- 1st managed services client in 2017, now top 10 CSG client

## THE PROBLEM

- Multiple disparate billing / payment systems
- Consolidated systems resulting in cost savings and efficiencies

## THE SOLUTION

- Enterprise billing
- Mediation
- Wholesale billing
- Dedicated team of CSGers on-site

## THE RESULT

- Allowed Telstra to focus on its core business and CSG run day-to-day operations
- Streamlined business processes
- Delivered significant cost savings
- Single platform for ease of operations



## Formula 1™

### THE CUSTOMER

- World's premier single-seater auto racing organization
- Dedicated fan base
- Among top users of CSG's public-cloud solution

### THE PROBLEM

- Declining viewership, decreasing revenue from sponsorships
- Wanted to leverage revenue from pay TV rights
- Wanted to offer new OTT streaming video service

### THE SOLUTION

- Ascendon, public-cloud platform
- Able to scale quickly for race-day activity

### THE RESULT

- New means of connecting with existing fans and fostering a new generation of digital-native fans
- Monetizing content from a variety of sources
- Digital commerce solution on top of OTT video product



## THE CUSTOMER

- Largest U.S. Financial Institution
- Long-term CSG customer
- Largest CSG Financial Services customer

## THE PROBLEM

- Solve for skyrocketing rates of credit card fraud
- Expanded range of fraud verification and notification
- Pre-screen and verify suspicious activity

## THE SOLUTION

- CSG Interactive Messaging for customer notification
- Automated IVR to seamlessly handle customer callbacks

## THE RESULT

- Reduced average cost per call
- Reduced inbound calls
- Supporting millions of monthly transactions, SMS messages and hundreds of thousands of proactive calls to customers
- High rates of confirmed fraud from consumers receiving alerts

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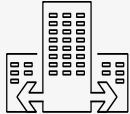
## LONG-TERM CLIENT CONTRACTS

with established providers that generate predictable recurring revenue and profitability



## PLATFORM-BASED DELIVERY MODEL

provides leverage and scale with on-premise and through public/private cloud platforms



## INVESTING CAPITAL BACK INTO BUSINESS

\$120m+ annual R&D spend drives top-line growth supplemented by strategic, targeted acquisitions

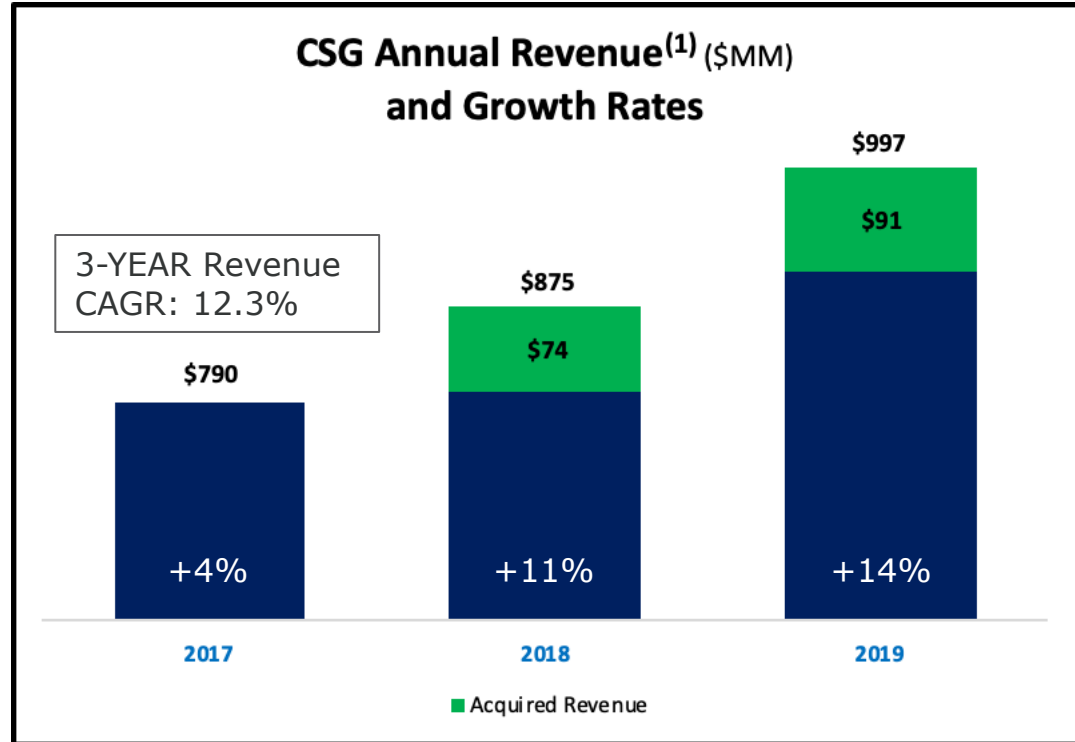


## SHAREHOLDER-FRIENDLY

capital allocation policy that optimizes internal investments with consistent return of cash to shareholders

## Revenue Growth at or Above Industry Levels

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

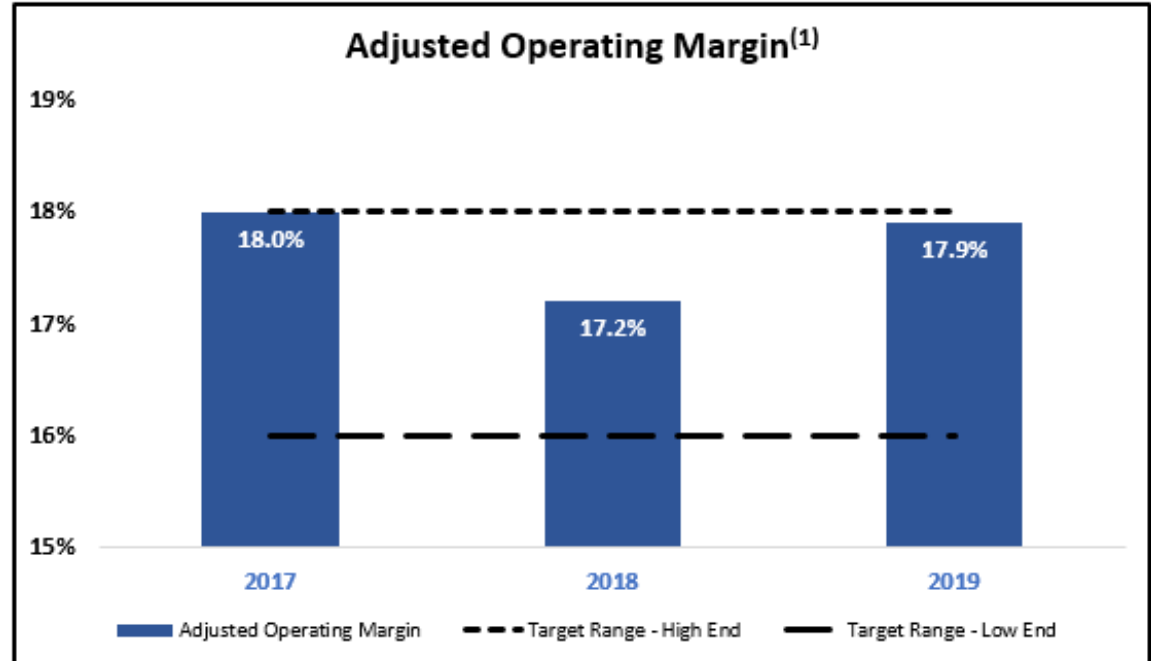


(1) Based on GAAP revenue; \$ in millions.



## Profitable Business Model

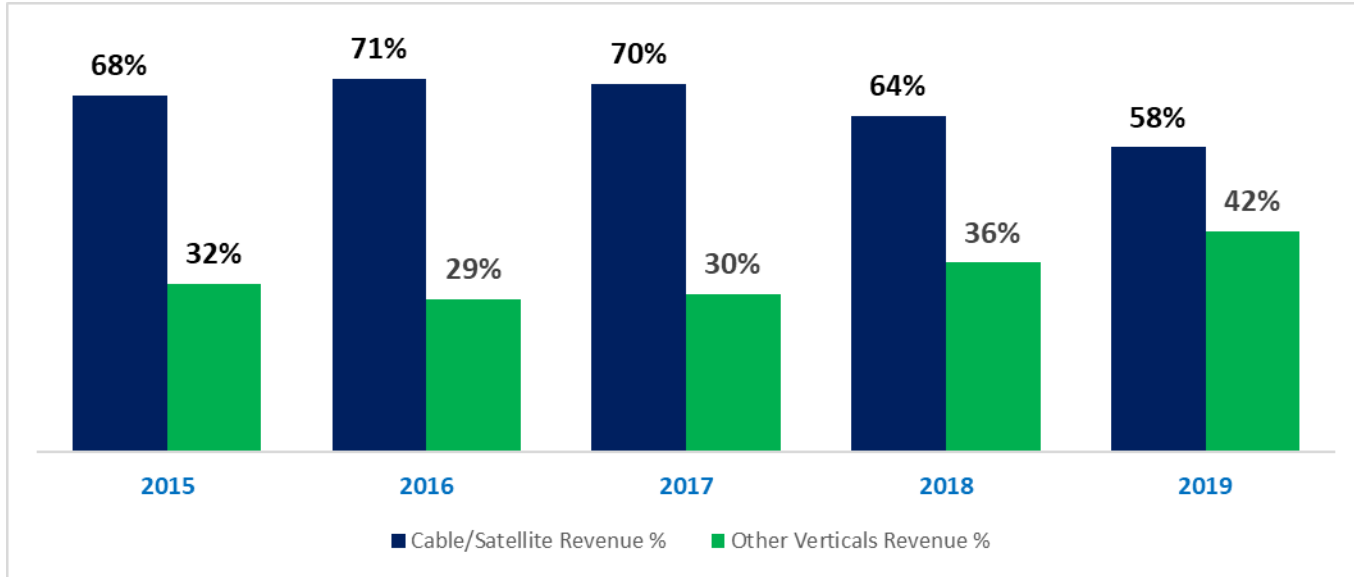
- Long-term contracts allow us to manage expenses and deliver a strong margin profile
- Long-term adjusted operating margin goal of 16–18%



(1) Based on non-GAAP adjusted margin; \$ in millions. See appendix for reconciliation

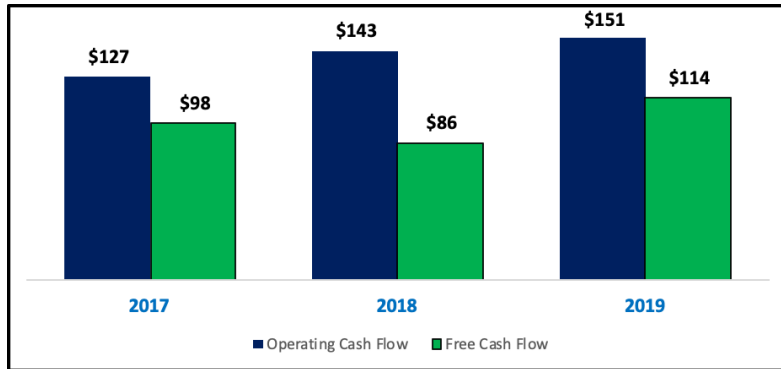
# Increasing Revenue Diversification

Diversifying revenues into faster growing markets



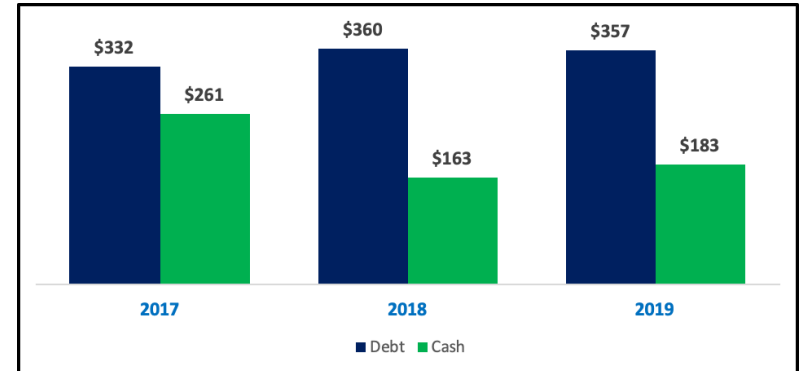
## Consistent Cash Flow <sup>(1)</sup>

- Profitable conversion of revenue and earnings to cash
- Modest capital expenditures



## Solid Balance Sheet <sup>(1)</sup>

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

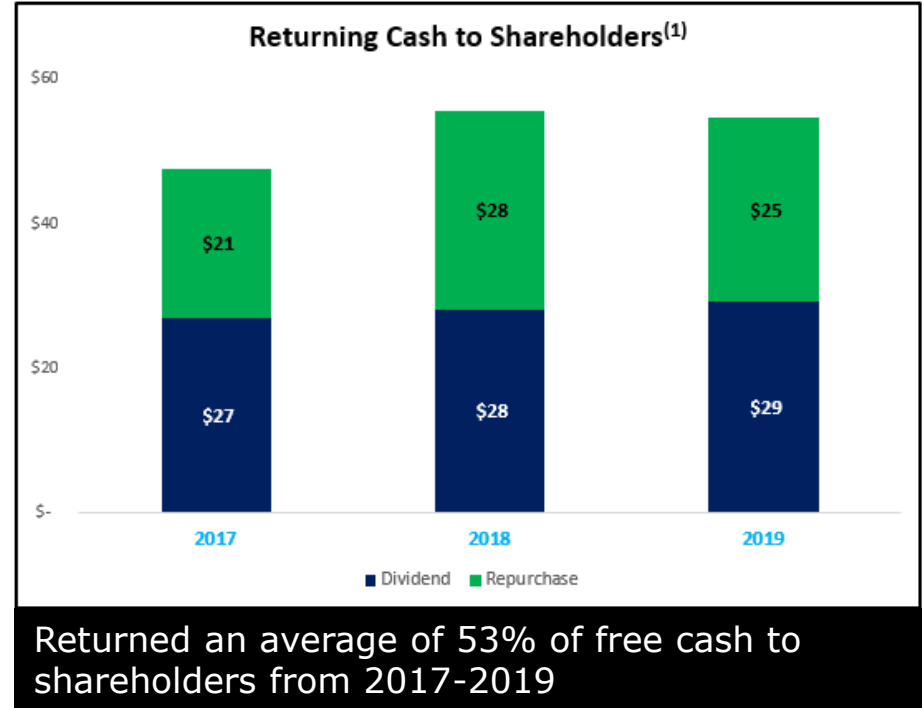


Note: \$ in millions.  
 (1) See Appendix for reconciliation.

# Balanced Capital Allocation Approach

## Multiple levers to generate shareholder value

- **Internal Investment** to drive sustainable, above-average growth:
  - ✓ R&D investments of ~\$120m annually
  - ✓ Targeted cap-ex of ~\$30-\$40 annually
- Consistent **Return of Cash** to shareholders:
  - ✓ Dividend with yield of ~2% increasing annually by 6% since 2013
  - ✓ Opportunistic share repurchase
- Strategic, **Targeted M&A** to expand / accelerate solutions, or enter / expand into new markets



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

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# Questions?

## CORPORATE HEADQUARTERS

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# Appendix

# GAAP Income Statement

	Year Ended December 31,		
	2017	2018	2019
<i>\$ In Millions except per share amounts</i>			
<b>Revenue</b>	<b>\$ 789.6</b>	<b>\$ 875.1</b>	<b>\$ 996.8</b>
Cost of Revenue	\$ 394.8	\$ 449.8	\$ 525.1
Other Operating Expenses			
Research and Development	\$ 113.2	\$ 124.0	\$ 128.0
Selling, General and Administrative	\$ 153.7	\$ 169.3	\$ 191.3
Depreciation	\$ 13.4	\$ 18.3	\$ 21.4
Restructuring and Reorganization Charges	\$ 8.8	\$ 8.7	\$ 4.8
<b>Total Operating Expenses</b>	<b>\$ 683.9</b>	<b>\$ 770.1</b>	<b>\$ 870.7</b>
<b>Operating Income</b>	<b>\$ 105.7</b>	<b>\$ 104.9</b>	<b>\$ 126.1</b>
Other income (expense)	\$ (18.0)	\$ (17.9)	\$ (20.4)
Income before income taxes	\$ 87.7	\$ 87.0	\$ 105.7
Income tax provision	\$ (26.3)	\$ (20.9)	\$ (23.0)
<b>Net Income</b>	<b>\$ 61.4</b>	<b>\$ 66.1</b>	<b>\$ 82.8</b>
Weighted-average shares outstanding			
Basic (MM)	32.4	32.5	32.1
Diluted (MM)	32.9	32.9	32.5
Earnings per common share			
Basic	\$ 1.89	\$ 2.04	\$ 2.58
Diluted	\$ 1.87	\$ 2.01	\$ 2.55



# Non-GAAP Reconciliation

	Year Ended December 31,		
	2017	2018	2019
<i>\$ In Millions</i>			
<b>Revenue</b>	<b>\$ 789.6</b>	<b>\$ 875.1</b>	<b>\$ 996.8</b>
Transaction Fees	\$ -	\$ (15.6)	\$ (69.1)
<b>Non-GAAP Adjusted Revenue</b>	<b>\$ 789.6</b>	<b>\$ 859.5</b>	<b>\$ 927.7</b>
<b>GAAP Operating Income</b>	<b>\$ 105.7</b>	<b>\$ 104.9</b>	<b>\$ 126.1</b>
Restructuring and Reorganization Charges	\$ 8.8	\$ 8.7	\$ 4.8
Acquisition-related costs	\$ -	\$ 4.9	\$ 1.3
Stock-based compensation	\$ 20.8	\$ 19.7	\$ 20.9
Amortization of acquired intangible assets	\$ 6.9	\$ 9.7	\$ 12.6
<b>Non-GAAP Adjusted Operating Income</b>	<b>\$ 142.2</b>	<b>\$ 147.9</b>	<b>\$ 165.7</b>
<b>Non-GAAP Adjusted Operating Income Margin</b>	<b>18.0%</b>	<b>17.2%</b>	<b>17.9%</b>
<b>GAAP Operating Income</b>	<b>\$ 105.7</b>	<b>\$ 104.9</b>	<b>\$ 126.1</b>
Depreciation	\$ 13.4	\$ 18.3	\$ 21.4
Restructuring and Reorganization Charges	\$ 8.8	\$ 8.7	\$ 4.8
Acquisition-related costs	\$ -	\$ 4.9	\$ 1.3
Stock-based compensation	\$ 20.8	\$ 19.7	\$ 20.9
Amortization of acquired intangible assets	\$ 6.9	\$ 9.7	\$ 12.6
Amortization of other intangible assets	\$ 20.4	\$ 9.5	\$ 10.6
Amortization of client contract costs	\$ -	\$ 23.4	\$ 20.8
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 175.9</b>	<b>\$ 199.1</b>	<b>\$ 218.5</b>
<b>Non-GAAP Adjusted EBITDA Margin</b>	<b>22.3%</b>	<b>23.2%</b>	<b>23.6%</b>
<b>Cash Flow from Operating Activities</b>	<b>\$ 127.2</b>	<b>\$ 143.3</b>	<b>\$ 151.1</b>
<b>Non-GAAP Operating Cash Flow Margin</b>	<b>16.1%</b>	<b>16.4%</b>	<b>15.2%</b>
Purchases of PP&E	\$ 28.9	\$ 57.1	\$ 37.3
<b>Non-GAAP Free Cash Flow</b>	<b>\$ 98.3</b>	<b>\$ 86.2</b>	<b>\$ 113.8</b>
<b>Non-GAAP Free Cash Flow Margin</b>	<b>12.4%</b>	<b>10.0%</b>	<b>12.3%</b>