

REFINITIV

# DELTA REPORT

## 10-Q

CSGS - CSG SYSTEMS INTERNATIONAL

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1675
--------------	------

 CHANGES	420
---	-----

 DELETIONS	922
---	-----

 ADDITIONS	333
---	-----

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June** **September** 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 0-27512

**CSG SYSTEMS INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**47-0783182**

(I.R.S. Employer  
Identification No.)

**169 Inverness Dr W, Suite 300**  
**Englewood, Colorado 80112**

(Address of principal executive offices, including zip code)

**(303) 200-2000**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading	Name of each exchange on which registered
	Symbol(s)	
Common Stock, Par Value \$0.01 Per Share	CSGS	NASDAQ Stock Market LLC

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.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 ☒

As of **August 6, 2024** **November 5, 2024**, there were **29,503,059** **29,092,661** shares of the registrant's common stock outstanding.

CSG SYSTEMS INTERNATIONAL, INC.

FORM 10-Q for the Quarter Ended **June 30, 2024** **September 30, 2024**

INDEX

	<u>Page No.</u>
Part I - FINANCIAL INFORMATION	
Item 1. <a href="#">Condensed Consolidated Balance Sheets as of <b>June 30, 2024</b> <b>September 30, 2024</b> and December 31, 2023 (Unaudited)</a>	3
<a href="#">Condensed Consolidated Statements of Income for the Quarters and <b>Six</b> <b>Nine</b> Months Ended <b>June 30, 2024</b> <b>September 30, 2024</b> and 2023 (Unaudited)</a>	4
<a href="#">Condensed Consolidated Statements of Comprehensive Income for the Quarters and <b>Six</b> <b>Nine</b> Months Ended <b>June 30, 2024</b> <b>September 30, 2024</b> and 2023 (Unaudited)</a>	5
<a href="#">Condensed Consolidated Statements of Stockholders' Equity for the Quarters and <b>Six</b> <b>Nine</b> Months Ended <b>June 30, 2024</b> <b>September 30, 2024</b> and 2023 (Unaudited)</a>	6
<a href="#">Condensed Consolidated Statements of Cash Flows for the <b>Six</b> <b>Nine</b> Months Ended <b>June 30, 2024</b> <b>September 30, 2024</b> and 2023 (Unaudited)</a>	<b>7</b> 8
<a href="#">Notes to Condensed Consolidated Financial Statements (Unaudited)</a>	<b>8</b> 9
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<b>16</b> 17
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<b>24</b> 27
Item 4. <a href="#">Controls and Procedures</a>	<b>25</b> 27
Part II - OTHER INFORMATION	
Item 1. <a href="#">Legal Proceedings</a>	<b>26</b> 29
Item 1A. <a href="#">Risk Factors</a>	<b>26</b> 29
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<b>26</b> 29

Item 5.	<a href="#">Other Information</a>	26 29
Item 6.	<a href="#">Exhibits</a>	26 29
	<a href="#">Exhibit Index</a>	27 30
	<a href="#">Signatures</a>	28 31

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

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 110,435	\$ 186,264	\$ 118,444	\$ 186,264
Settlement and merchant reserve assets	232,054	274,699	240,755	274,699
Trade accounts receivable:				
Billed, net of allowance of \$4,720 and \$5,432	266,214	267,680		
Billed, net of allowance of \$4,810 and \$5,432	279,930	267,680		
Unbilled	84,570	82,163	82,585	82,163
Income taxes receivable	10,028	1,345	13,992	1,345
Other current assets	55,740	50,075	51,534	50,075
Total current assets	759,041	862,226	787,240	862,226
Non-current assets:				
Property and equipment, net of depreciation of \$131,573 and \$121,816	59,111	65,545		
Property and equipment, net of depreciation of \$136,641 and \$121,816	58,353	65,545		
Operating lease right-of-use assets	28,656	34,283	25,842	34,283
Software, net of amortization of \$164,369 and \$157,601	21,408	14,224		
Software, net of amortization of \$168,808 and \$157,601	22,953	14,224		
Goodwill	317,129	308,596	323,449	308,596
Acquired customer contracts, net of amortization of \$128,867 and \$126,469	46,818	35,879		
Customer contract costs, net of amortization of \$44,140 and \$42,094	57,128	54,421		
Acquired customer contracts, net of amortization of \$134,742 and \$126,469	42,786	35,879		
Customer contract costs, net of amortization of \$46,641 and \$42,094	60,490	54,421		
Deferred income taxes	54,934	57,855	57,831	57,855

Other assets	9,063	10,017	8,502	10,017
Total non-current assets	594,247	580,820	600,206	580,820
Total assets	\$ 1,353,288	\$ 1,443,046	\$ 1,387,446	\$ 1,443,046
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>				
Current liabilities:				
Current portion of long-term debt	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Operating lease liabilities	14,841	15,946	14,002	15,946
Customer deposits	35,993	41,035	37,716	41,035
Trade accounts payable	52,862	46,406	51,907	46,406
Accrued employee compensation	49,765	84,380	57,704	84,380
Settlement and merchant reserve liabilities	229,636	273,817	238,783	273,817
Deferred revenue	56,145	54,199	62,797	54,199
Income taxes payable	645	4,104	937	4,104
Other current liabilities	29,057	33,449	28,163	33,449
Total current liabilities	476,444	560,836	499,509	560,836
Non-current liabilities:				
Long-term debt, net of unamortized discounts of \$13,893 and \$15,628	532,982	534,997		
Long-term debt, net of unamortized discounts of \$13,014 and \$15,628	531,986	534,997		
Operating lease liabilities	27,722	34,360	24,427	34,360
Deferred revenue	22,375	23,447	22,968	23,447
Income taxes payable	3,241	3,041	2,684	3,041
Deferred income taxes	122	123	120	123
Other non-current liabilities	17,073	12,916	17,341	12,916
Total non-current liabilities	603,515	608,884	599,526	608,884
Total liabilities	1,079,959	1,169,720	1,099,035	1,169,720
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; 29,591 and 29,541 shares outstanding	717	713		
Common stock, par value \$.01 per share; 100,000 shares authorized; 29,292 and 29,541 shares outstanding	717	713		
Additional paid-in capital	499,995	490,947	509,294	490,947
Treasury stock, at cost; 40,802 and 40,398 shares	(1,155,542)	(1,136,055)		
Treasury stock, at cost; 41,115 and 40,398 shares	(1,170,118)	(1,136,055)		
Accumulated other comprehensive income (loss):				
Unrealized gain on short-term investments, net of tax	-	1	-	1
Cumulative foreign currency translation adjustments	(55,629)	(50,414)	(45,562)	(50,414)
Accumulated earnings	983,788	968,134	994,080	968,134
Total stockholders' equity	273,329	273,326	288,411	273,326
Total liabilities and stockholders' equity	\$ 1,353,288	\$ 1,443,046	\$ 1,387,446	\$ 1,443,046

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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

	Quarter Ended		Six Months Ended		Quarter Ended		Nine Months Ended	
	June 30,	June 30,	June 30,	June 30,	September 30,	September 30,	September 30,	September 30,
	2024	2023	2024	2023	2024	2023	2024	2023
Revenue	\$ 290,318	\$ 286,327	\$ 585,453	\$ 585,066	\$ 295,143	\$ 286,868	\$ 880,596	\$ 871,934
Cost of revenue (exclusive of depreciation, shown separately below)	152,892	151,142	310,779	306,163	149,487	152,734	460,266	458,897
Other operating expenses:								
Research and development	38,411	36,645	74,506	72,109	41,665	35,292	116,171	107,401
Selling, general and administrative	61,159	62,686	122,881	121,833	63,913	59,097	186,794	180,930
Depreciation	5,337	5,573	10,973	11,293	5,313	5,862	16,286	17,155
Restructuring and reorganization charges	7,099	2,075	9,097	7,269	2,943	1,152	12,040	8,421
Total operating expenses	264,898	258,121	528,236	518,667	263,321	254,137	791,557	772,804
Operating income	25,420	28,206	57,217	66,399	31,822	32,731	89,039	99,130
Other income (expense):								
Interest expense	(7,698)	(7,837)	(15,204)	(15,056)	(7,778)	(8,036)	(22,982)	(23,092)
Interest income	2,103	772	4,719	1,341	1,922	1,175	6,641	2,516
Other, net	174	(1,428)	732	(3,860)	(2,187)	813	(1,455)	(3,047)
Total other	(5,421)	(8,493)	(9,753)	(17,575)	(8,043)	(6,048)	(17,796)	(23,623)
Income before income taxes	19,999	19,713	47,464	48,824	23,779	26,683	71,243	75,507
Income tax provision	(6,170)	(5,759)	(14,168)	(13,942)	(4,691)	(7,989)	(18,859)	(21,931)
Net income	\$ 13,829	\$ 13,954	\$ 33,296	\$ 34,882	\$ 19,088	\$ 18,694	\$ 52,384	\$ 53,576
Weighted-average shares outstanding:								
Basic	28,546	30,629	28,531	30,524	28,362	30,097	28,475	30,381
Diluted	28,600	30,726	28,698	30,668	28,468	30,284	28,621	30,540
Earnings per common share:								
Basic	\$ 0.48	\$ 0.46	\$ 1.17	\$ 1.14	\$ 0.67	\$ 0.62	\$ 1.84	\$ 1.76
Diluted	0.48	0.45	1.16	1.14	0.67	0.62	1.83	1.75

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Quarter Ended		Six Months Ended		Quarter Ended		Nine Months Ended	
June 30,	June 30,	June 30,	June 30,	September 30,	September	September	September
2024	2023	2024	2023	2024	30, 2023	30, 2024	30, 2023
\$ 13,829	\$ 13,954	\$ 33,296	\$ 34,882	\$ 19,088	\$ 18,694	\$ 52,384	\$ 53,576
(241)	1,709	(5,216)	4,552	10,067	(6,495)	4,851	(1,943)
(241)	1,709	(5,216)	4,552	10,067	(6,495)	4,851	(1,943)
\$ 13,588	\$ 15,663	\$ 28,080	\$ 39,434	\$ 29,155	\$ 12,199	\$ 57,235	\$ 51,633

5

	Balance Sheet								Income Statement							
	Shares of				Accumulated				Shares of				Accumulated			
	Common		Additional		Other		Total		Common		Additional		Other		Total	
	Stock	Common	Paid-in	Treasury	Comprehensive	Accumulated	Stockholders'	Stock	Common	Paid-in	Treasury	Comprehensive	Accumulated	Stockholders'		
	Outstanding	Stock	Capital	Stock	Income (Loss)	Earnings	Equity	Outstanding	Stock	Capital	Stock	Income (Loss)	Earnings	Equity		
For the Six Months Ended June 30, 2024:																
For the Nine Months Ended September 30, 2024:																
BALANCE, January 1, 2024	29,541	\$ 713	\$ 490,947	\$ (1,136,055)	\$ (50,413)	\$ 968,134	\$ 273,326	29,541	\$ 713	\$ 490,947	\$ (1,136,055)	\$ (50,413)	\$ 968,134	\$ 273,326		
Comprehensive income:																
Net income	-	-	-	-	-	19,467		-	-	-	-	-	19,467			
Foreign currency translation adjustments	-	-	-	-	(4,975)	-		-	-	-	-	(4,975)	-			
Total comprehensive income							14,492							14,492		

Repurchase of common stock	(344)	(2)	(8,538)	(9,683)	-	-	(18,223)	(344)	(2)	(8,538)	(9,683)	-	-	(18,223)
Issuance of common stock pursuant to employee stock purchase plan	20	-	866	-	-	-	866	20	-	866	-	-	-	866
Issuance of restricted common stock pursuant to stock-based compensation plans	573	6	(6)	-	-	-	-	573	6	(6)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(11)	-	-	-	-	-	-	(11)	-	-	-	-	-	-
Stock-based compensation expense	-	-	7,736	-	-	-	7,736	-	-	7,736	-	-	-	7,736
Dividends	-	-	-	-	-	(8,857)	(8,857)	-	-	-	-	-	(8,857)	(8,857)
<b>BALANCE,</b>														
<b>March 31, 2024</b>	29,779	717	491,005	(1,145,738)	(55,388)	978,744	269,340	29,779	717	491,005	(1,145,738)	(55,388)	978,744	269,340
Comprehensive income:														
Net income	-	-	-	-	-	13,829		-	-	-	-	-	13,829	
Foreign currency translation adjustments	-	-	-	-	(241)	-		-	-	-	-	(241)	-	
Total comprehensive income							13,588							13,588
Repurchase of common stock	(228)	-	(397)	(9,804)	-	-	(10,201)	(228)	-	(397)	(9,804)	-	-	(10,201)
Issuance of common stock pursuant to employee stock purchase plan	20	-	752	-	-	-	752	20	-	752	-	-	-	752



Issuance of restricted common stock pursuant to stock-based compensation plans	90	1	(1)	-	-	-	-	90	1	(1)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(70)	(1)	1	-	-	-	-	(70)	(1)	1	-	-	-	-
Stock-based compensation expense	-	-	8,635	-	-	-	8,635	-	-	8,635	-	-	-	8,635
Dividends	-	-	-	-	-	(8,785)	(8,785)	-	-	-	-	-	(8,785)	(8,785)
<b>BALANCE, June 30, 2024</b>	<b>29,591</b>	<b>\$ 717</b>	<b>\$ 499,995</b>	<b>\$ (1,155,542)</b>	<b>\$ (55,629)</b>	<b>\$ 983,788</b>	<b>\$ 273,329</b>	<b>29,591</b>	<b>717</b>	<b>499,995</b>	<b>(1,155,542)</b>	<b>(55,629)</b>	<b>983,788</b>	<b>273,329</b>
Comprehensive income:														
Net income	-	-	-	-	-	-	19,088							
Foreign currency translation adjustments	-	-	-	-	10,067	-								
Total comprehensive income							29,155							
Repurchase of common stock	(317)	-	(151)	(14,576)	-	-	(14,727)							
Issuance of common stock pursuant to employee stock purchase plan	19	-	798	-	-	-	798							
Issuance of restricted common stock pursuant to stock-based compensation plans	22	-	-	-	-	-	-							

Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(23)	-	-	-	-	-	-
Stock-based compensation expense	-	-	8,652	-	-	-	8,652
Dividends	-	-	-	-	-	(8,796)	(8,796)
<b>BALANCE, September 30, 2024</b>	<b>29,292</b>	<b>\$ 717</b>	<b>\$ 509,294</b>	<b>\$ (1,170,118)</b>	<b>\$ (45,562)</b>	<b>\$ 994,080</b>	<b>\$ 288,411</b>

	Shares of Common Stock Outstanding	Common Stock	Additional Paid- in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Stockholders' Equity
<b>For the Six Months Ended June 30, 2023:</b>							
<b>BALANCE, January 1, 2023</b>	31,269	\$ 708	\$ 495,189	\$ (1,018,034)	\$ (58,829)	\$ 936,215	\$ 355,249
Comprehensive income:							
Net income	-	-	-	-	-	20,928	
Foreign currency translation adjustments	-	-	-	-	2,843	-	
Total comprehensive income							23,771
Repurchase of common stock	(166)	(2)	(9,304)	-	-	-	(9,306)
Issuance of common stock pursuant to employee stock purchase plan	19	-	893	-	-	-	893
Issuance of restricted common stock pursuant to stock-based compensation plans	574	6	(6)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(18)	-	-	-	-	-	-
Stock-based compensation expense	-	-	6,412	-	-	-	6,412
Dividends	-	-	-	-	-	(8,796)	(8,796)
<b>BALANCE, March 31, 2023</b>	<b>31,678</b>	<b>712</b>	<b>493,184</b>	<b>(1,018,034)</b>	<b>(55,986)</b>	<b>948,347</b>	<b>368,223</b>
Comprehensive income:							
Net income	-	-	-	-	-	13,954	
Foreign currency translation adjustments	-	-	-	-	1,709	-	
Total comprehensive income							15,663
Repurchase of common stock	(2)	-	(112)	-	-	-	(112)
Issuance of common stock pursuant to employee stock purchase plan	18	-	771	-	-	-	771
Issuance of restricted common stock pursuant to stock-based compensation plans	64	1	(1)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(7)	-	-	-	-	-	-

Stock-based compensation expense	-	-	7,644	-	-	-	7,644
Dividends	-	-	-	-	-	(8,878)	(8,878)
<b>BALANCE, June 30, 2023</b>	<u>31,751</u>	<u>\$ 713</u>	<u>\$ 501,486</u>	<u>\$ (1,018,034)</u>	<u>\$ (54,277)</u>	<u>\$ 953,423</u>	<u>\$ 383,311</u>
	6						

	Shares of				Accumulated		
	Common Stock	Common	Additional Paid-		Other	Accumulated	Total
	Outstanding	Stock	in Capital	Treasury Stock	Comprehensive	Earnings	Stockholders'
					Income (Loss)		Equity
<b>For the Nine Months Ended September 30, 2023:</b>							
<b>BALANCE, January 1, 2023</b>	31,269	\$ 708	\$ 495,189	\$ (1,018,034)	\$ (58,829)	\$ 936,215	\$ 355,249
Comprehensive income:							
Net income	-	-	-	-	-	20,928	
Foreign currency translation adjustments	-	-	-	-	2,843	-	
Total comprehensive income							23,771
Repurchase of common stock	(166)	(2)	(9,304)	-	-	-	(9,306)
Issuance of common stock pursuant to employee stock purchase plan	19	-	893	-	-	-	893
Issuance of restricted common stock pursuant to stock-based compensation plans	574	6	(6)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(18)	-	-	-	-	-	-
Stock-based compensation expense	-	-	6,412	-	-	-	6,412
Dividends	-	-	-	-	-	(8,796)	(8,796)
<b>BALANCE, March 31, 2023</b>	<u>31,678</u>	<u>712</u>	<u>493,184</u>	<u>(1,018,034)</u>	<u>(55,986)</u>	<u>948,347</u>	<u>368,223</u>
Comprehensive income:							
Net income	-	-	-	-	-	13,954	
Foreign currency translation adjustments	-	-	-	-	1,709	-	
Total comprehensive income							15,663
Repurchase of common stock	(2)	-	(112)	-	-	-	(112)
Issuance of common stock pursuant to employee stock purchase plan	18	-	771	-	-	-	771
Issuance of restricted common stock pursuant to stock-based compensation plans	64	1	(1)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(7)	-	-	-	-	-	-
Stock-based compensation expense	-	-	7,644	-	-	-	7,644
Dividends	-	-	-	-	-	(8,878)	(8,878)
<b>BALANCE, June 30, 2023</b>	<u>31,751</u>	<u>713</u>	<u>501,486</u>	<u>(1,018,034)</u>	<u>(54,277)</u>	<u>953,423</u>	<u>383,311</u>
Comprehensive income:							
Net income	-	-	-	-	-	18,694	
Foreign currency translation adjustments	-	-	-	-	(6,495)	-	

Total comprehensive income							12,199
Repurchase of common stock	(1,994)	-	(144)	(107,863)	-	-	(108,007)
Issuance of common stock pursuant to employee stock purchase plan	20	-	877	-	-	-	877
Issuance of restricted common stock pursuant to stock-based compensation plans	12	-	-	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(63)	-	-	-	-	-	-
Stock-based compensation expense	-	-	7,197	-	-	-	7,197
Purchase of capped call transactions (net of tax)	-	-	(26,353)	-	-	-	(26,353)
Dividends	-	-	-	-	-	(8,733)	(8,733)
<b>BALANCE, September 30, 2023</b>	<b>29,726</b>	<b>\$ 713</b>	<b>\$ 483,063</b>	<b>\$ (1,125,897)</b>	<b>\$ (60,772)</b>	<b>\$ 963,384</b>	<b>\$ 260,491</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

67

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

	Six Months Ended		Nine Months Ended	
	June 30, 2024	June 30, 2023	September 30, 2024	September 30, 2023
Cash flows from operating activities:				
Net income	\$ 33,296	\$ 34,882	\$ 52,384	\$ 53,576
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation	11,409	11,506	16,724	17,549
Amortization	24,147	22,808	37,467	34,543
Asset impairment	-	1,689	-	1,689
Gain on lease modifications	-	(3,812)	-	(4,349)
Unrealized foreign currency transaction (gain) loss, net	(254)	241	225	(442)
Deferred income taxes	2,311	(4,673)	(189)	(12,504)
Stock-based compensation	16,371	14,056	25,023	21,253
Changes in operating assets and liabilities, net of acquired amounts:				
Trade accounts receivable, net	892	(7,789)	(7,873)	(33,351)
Other current and non-current assets and liabilities	(11,154)	(16,083)	(12,771)	(11,449)
Income taxes payable/receivable	(11,937)	(7,235)	(16,194)	(4,650)
Trade accounts payable and accrued liabilities	(52,596)	(26,853)	(48,658)	(24,158)
Deferred revenue	1,269	9,046	7,075	14,658
Net cash provided by operating activities	13,754	27,783	53,213	52,365
Cash flows from investing activities:				
Purchases of software, property, and equipment	(9,073)	(16,428)	(16,528)	(22,940)

Proceeds from sale/maturity of short-term investments	-	71	-	71
Business combinations, net of cash and settlement assets acquired of \$46,432 and zero	17,293	-	17,293	-
Net cash provided by (used in) investing activities	8,220	(16,357)	765	(22,869)
Cash flows from financing activities:				
Proceeds from issuance of common stock	1,618	1,664	2,416	2,541
Payment of cash dividends	(18,088)	(17,712)	(26,598)	(26,231)
Repurchase of common stock	(27,943)	(9,418)	(42,439)	(116,418)
Deferred acquisition payments	(488)	(1,220)	(2,488)	(3,220)
Proceeds from long-term debt	15,000	30,000	15,000	470,000
Payments on long-term debt	(18,750)	(18,750)	(20,625)	(310,625)
Purchase of capped call transactions related to convertible notes	-	(34,298)		
Payments of deferred financing costs	-	(13,518)		
Payments on financing obligations	(469)	-	(2,191)	-
Settlement and merchant reserve activity	(88,703)	(63,107)	(79,606)	(46,196)
Net cash used in financing activities	(137,823)	(78,543)	(156,531)	(77,965)
Effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash	(2,438)	708	(337)	(448)
Net decrease in cash, cash equivalents, and restricted cash	(118,287)	(66,409)	(102,890)	(48,917)
Cash, cash equivalents, and restricted cash, beginning of period	463,876	389,018	463,876	389,018
Cash, cash equivalents, and restricted cash, end of period	\$ 345,589	\$ 322,609	\$ 360,986	\$ 340,101
Supplemental disclosures of cash flow information:				
Cash paid during the period for-				
Interest	\$ 13,566	\$ 14,672	\$ 24,592	\$ 21,772
Income taxes	23,822	23,720	35,292	39,136
Non-cash investing and financing activities:				
Non-cash investing and financing activities-				
Software, property, and equipment included in current and noncurrent liabilities	9,017	-	9,830	-
Reconciliation of cash, cash equivalents, and restricted cash:				
Cash and cash equivalents	\$ 110,435	\$ 146,212	\$ 118,444	\$ 146,730
Settlement and merchant reserve assets	232,054	176,397	240,755	193,371
Restricted cash included in current and non-current assets	3,100	-	1,787	-
Total cash, cash equivalents, and restricted cash	\$ 345,589	\$ 322,609	\$ 360,986	\$ 340,101

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**CSG SYSTEMS INTERNATIONAL, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. GENERAL**

We have prepared the accompanying unaudited condensed consolidated financial statements as of **June 30, 2024** **September 30, 2024** and December 31, 2023, and for the quarters and **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, in accordance with accounting principles generally accepted in the United States of America ("U.S.") ("GAAP") for interim financial information, and pursuant to the instructions to Form 10-Q and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of our financial position and operating results have been included. The unaudited Condensed Consolidated Financial Statements (the "Financial Statements") should be read in conjunction with the Consolidated Financial Statements and notes thereto, together with Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contained in our Annual Report on Form 10-K for the year ended December 31, 2023 (our "2023 10-K"), filed with the SEC. The results of operations for the quarter and **six nine** months ended **June 30, 2024** **September 30, 2024** are not necessarily indicative of the expected results for the entire year ending December 31, 2024.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Use of Estimates in Preparation of Financial Statements.* The preparation of our Financial Statements requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

*Revenue.* The majority of our future revenue is related to our customer contracts for our SaaS and related solutions that include variable consideration dependent upon a series of monthly volumes and/or daily usage of services and have contractual terms ending from 2024 through 2036. Our customer contracts may include guaranteed minimums and fixed monthly or annual fees. As of **June 30, 2024** **September 30, 2024**, our aggregate amount of the transaction price allocated to the remaining performance obligations was approximately **\$1.4 1.3** billion, which is made up of fixed fee consideration and guaranteed minimums expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied). We expect to recognize **approximately over 75 70%** of this amount by the end of 2026, with the remaining amount recognized by the end of 2036. We have excluded from this amount variable consideration expected to be recognized in the future related to performance obligations that are unsatisfied.

The nature, amount, timing, and uncertainty of our revenue and how revenue and cash flows are affected by economic factors is most appropriately depicted by revenue type, geographic region, and customer vertical.

Revenue by type for the quarters and **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 was as follows (in thousands):

	Quarter Ended		Six Months Ended		Quarter Ended		Nine Months Ended	
	June 30,	June 30,	June 30, 2024	June 30, 2023	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	2024	2023						
SaaS and related solutions	\$ 262,658	\$ 255,600	\$ 524,353	\$ 513,476	\$ 263,701	\$ 250,777	\$ 788,054	\$ 764,253
Software and services	14,681	18,766	37,075	49,657	19,705	23,578	56,780	73,235
Maintenance	12,979	11,961	24,025	21,933	11,737	12,513	35,762	34,446
Total revenue	\$ 290,318	\$ 286,327	\$ 585,453	\$ 585,066	\$ 295,143	\$ 286,868	\$ 880,596	\$ 871,934

We use the location of the customer as the basis of attributing revenue to geographic regions. Revenue by geographic region for the quarters and **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, as a percentage of our total revenue, was as follows:

	Quarter Ended		Six Months Ended		Quarter Ended		Nine Months Ended	
	June 30,	June 30,	June 30,	June 30,	September 30,	September 30,	September 30,	September 30,
	2024	2023	2024	2023	2024	2023	2024	2023
Americas (principally the U.S.)	89 %	87 %	87 %	85 %	88 %	86 %	88 %	86 %
Europe, Middle East, and Africa	6 %	9 %	8 %	11 %	9 %	9 %	8 %	10 %
Asia Pacific	5 %	4 %	5 %	4 %	3 %	5 %	4 %	4 %
Total revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

89

We generate our revenue primarily from the global communications markets; however, we serve an expanding group of customers in other markets including retail, financial services, healthcare, insurance, and government entities. Revenue by customer vertical for the quarters and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, as a percentage of our total revenue, was as follows:

	Quarter Ended		Six Months Ended		Quarter Ended		Nine Months Ended	
	June 30,	June 30,	June 30,	June 30,	September 30,	September 30,	September 30,	September 30,
	2024	2023	2024	2023	2024	2023	2024	2023
Broadband/Cable/Satellite	53 %	54 %	52 %	53 %	53 %	53 %	52 %	53 %
Telecommunications	16 %	18 %	17 %	19 %	18 %	20 %	18 %	20 %
Other	31 %	28 %	31 %	28 %	29 %	27 %	30 %	27 %
Total revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

Deferred revenue recognized during the quarters ended **June 30, 2024** **September 30, 2024** and 2023 was \$**10.7** **8.6** million and \$**11.3** **7.8** million, respectively. Deferred revenue recognized during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023 was \$**29.8** **38.4** million and \$**31.5** **39.3** million, respectively.

**Cash and Cash Equivalents.** We consider all highly liquid investments with original maturities of three months or less as of the date of purchase to be cash equivalents. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, our cash equivalents consist primarily of institutional money market funds and time deposits held at major banks. For the cash and cash equivalents denominated in foreign currencies and/or located outside the U.S., we do not anticipate any material amounts being unavailable for use in running our business, but may face limitations on moving cash out of certain foreign jurisdictions due to currency controls and potential negative economic consequences.

**Restricted Cash.** Restricted cash includes cash that is legally or contractually restricted, as well as our settlement and merchant reserve assets (discussed below). The nature of the restrictions on our settlement and merchant reserve assets consists of contractual restrictions with the merchants and restrictions arising from our policy and intention. It has historically been our policy to segregate settlement and merchant reserve assets from our operating cash balances and our intention is to continue to do so. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, we had \$**3.1** **1.8** million and \$2.9 million, respectively, of restricted cash that mainly serves to collateralize bank and performance guarantees included in other current and non-current assets in our unaudited Condensed Consolidated Balance Sheets ("Balance Sheets" or "Balance Sheet").

**Settlement and Merchant Reserve Assets and Liabilities.** Settlement assets and settlement liabilities represent cash collected on behalf of merchants via payments processing services which is held for an established holding period until settlement with the customer. The holding period is generally one to four business days depending on the payment model and contractual terms with the customer. During the holding period, cash is subject to restriction and segregation based on the nature of our custodial relationship with the merchants. Should we fail to remit these funds to our merchants, the merchant's sole

recourse for payment would be against us. These rights and obligations are set forth in the contracts between us and the merchants. Settlement assets are held with various major financial institutions and a corresponding liability is recorded for the amounts owed to the customer. At any given time, there may be differences between the cash held and the corresponding liability due to the timing of operating-related cash transfers.

Merchant reserve assets/liabilities represent deposits collected from merchants to mitigate our risk of loss due to nonperformance of settlement obligations initiated by those merchants using our payments processing services, or non-payment by customers for services rendered by us. We perform a credit risk evaluation on each customer based on multiple criteria, which provides the basis for the deposit amount required for each merchant. For the duration of our relationship with each merchant, we hold their reserve deposits with major financial institutions. We hold these funds in separate accounts, which are offset by corresponding liabilities.

The following table summarizes our settlement and merchant reserve assets and liabilities as of the indicated periods (in thousands):

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Settlement assets/liabilities	\$ 216,485	\$ 214,067	\$ 260,712	\$ 259,825	\$ 228,679	\$ 226,684	\$ 260,712	\$ 259,825
Merchant reserve assets/liabilities	15,569	15,569	13,987	13,992	12,076	12,099	13,987	13,992
Total	\$ 232,054	\$ 229,636	\$ 274,699	\$ 273,817	\$ 240,755	\$ 238,783	\$ 274,699	\$ 273,817

10

*Financial Instruments.* Our financial instruments as of June 30, 2024, September 30, 2024 and December 31, 2023 include cash and cash equivalents, settlement and merchant reserve assets and liabilities, accounts receivable, accounts payable, and debt. Due to their short maturities, the carrying amounts of cash equivalents, settlement and merchant reserve assets and liabilities, accounts receivable, and accounts payable approximate their fair value.

9

We have chosen not to record our debt at fair value, with changes recognized in earnings each reporting period. The following table indicates the carrying value and estimated fair value of our debt as of the indicated periods (in thousands):

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
2023 Convertible Notes (par value)	\$ 425,000	\$ 396,483	\$ 425,000	\$ 428,506	\$ 425,000	\$ 425,978	\$ 425,000	\$ 428,506
2021 Credit Agreement (carrying value including current maturities)	129,375	129,375	133,125	133,125	127,500	127,500	133,125	133,125

The fair value of our convertible notes was estimated based upon quoted market prices or recent sales activity, while the fair value of our credit agreement was estimated using a discounted cash flow methodology, both of which are considered Level 2 inputs. See Note 4 for a discussion regarding our debt.

*Pillar Two.* Numerous foreign jurisdictions have enacted, or are in the process of enacting, legislation to adopt a minimum effective tax rate. Pillar Two, which was established by the Organization for Economic Co-operation and Development (OECD), generally provides for a 15% minimum effective tax rate for multinational enterprises in every jurisdiction in which they operate. The U.S. has not yet adopted Pillar Two, however, various other governments around the world have.



These rules did not have a material impact on our taxes for the quarter and **six nine** months ended **June 30, 2024** **September 30, 2024**. We continue to monitor evolving tax legislation in the jurisdictions in which we operate.

*Accounting Pronouncements Issued but Not Yet Effective.* In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280)*, ("ASU 2023-07"), which enhances reportable segment disclosure requirements in part by requiring entities to disclose significant expenses related to their reportable segments. ASU 2023-07 also requires disclosure of the title and position of the company's Chief Operating Decision Maker ("CODM") and how the CODM uses financial reporting to assess segment performance and allocate resources. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. **We are in the process** **The adoption of** **evaluating what** **this standard only impacts** **disclosures and is not expected to have a material** **impact** **this ASU will have** on our Financial **Statements and disclosures.** **Statements.**

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires entities to disclose more detailed information about their effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. **We are in the process** **The adoption of** **evaluating what** **this standard only impacts disclosures and is not** **expected to have a material** **impact** **this ASU will have** on our Financial **Statements and disclosures.** **Statements.**

### 3. GOODWILL AND INTANGIBLE ASSETS

*Goodwill.* The changes in the carrying amount of goodwill for the **six nine** months ended **June 30, 2024** **September 30, 2024** were as follows (in thousands):

January 1, 2024, balance	\$	308,596	\$	308,596
Effects of changes in foreign currency exchange rates		(1,705)		4,191
Goodwill acquired during the period		10,238		10,662
June 30, 2024, balance	\$	317,129		
September 30, 2024, balance	\$	323,449		

Goodwill acquired during the period relates to the acquisitions discussed in Note 5.

*Other Intangible Assets.* Our other intangible assets subject to ongoing amortization consist of acquired customer contracts and software. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the carrying values of these assets were as follows (in thousands):

	June 30, 2024			December 31, 2023			September 30, 2024			December 31, 2023		
	Gross			Gross			Gross			Gross		
	Carrying	Accumulated	Net	Carrying	Accumulated	Net	Carrying	Accumulated	Net	Carrying	Accumulated	Net
	Amount	Amortization	Amount	Amount	Amortization	Amount	Amount	Amortization	Amount	Amount	Amortization	Amount
Acquired customer contracts	\$ 175,685	\$ (128,867)	\$ 46,818	\$ 162,348	\$ (126,469)	\$ 35,879	\$ 177,528	\$ (134,742)	\$ 42,786	\$ 162,348	\$ (126,469)	\$ 35,879
Software	185,777	(164,369)	21,408	171,825	(157,601)	14,224	191,761	(168,808)	22,953	171,825	(157,601)	14,224
Total other intangible assets	\$ 361,462	\$ (293,236)	\$ 68,226	\$ 334,173	\$ (284,070)	\$ 50,103	\$ 369,289	\$ (303,550)	\$ 65,739	\$ 334,173	\$ (284,070)	\$ 50,103

Acquired customer contracts **and software** as of **June 30, 2024** **September 30, 2024** include the assets acquired as part of the acquisitions discussed in Note 5.

The total amortization expense related to other intangible assets for the second third quarters of 2024 and 2023 were was \$6.3 7.1 million and \$6.4 million, respectively, and for the six nine months ended June 30, 2024 September 30, 2024 and 2023 were was \$11.7 18.8 million and \$13.0 19.5 million, respectively. Based on the June 30, 2024 September 30, 2024 net carrying value of our intangible assets, the estimated total amortization expense for each of the five succeeding fiscal years ending December 31 are: is: 2024 - \$24.5 25.7 million; 2025 - \$19.8 21.9 million; 2026 - \$14.2 15.1 million; 2027 - \$6.5 7.0 million; and 2028 - \$4.3 million.

10

**Customer Contract Costs.** As of June 30, 2024 September 30, 2024 and December 31, 2023, the carrying values of our customer contract cost assets, related to those contracts with a contractual term greater than one year, were as follows (in thousands):

	June 30, 2024			December 31, 2023		
	Gross Carrying	Accumulated	Net Amount	Gross Carrying	Accumulated	Net Amount
	Amount	Amortization		Amount	Amortization	
Customer contract costs	\$ 101,268	\$ (44,140)	\$ 57,128	\$ 96,515	\$ (42,094)	\$ 54,421

	September 30, 2024			December 31, 2023		
	Gross Carrying	Accumulated	Net Amount	Gross Carrying	Accumulated	Net Amount
	Amount	Amortization		Amount	Amortization	
Customer contract costs	\$ 107,131	\$ (46,641)	\$ 60,490	\$ 96,515	\$ (42,094)	\$ 54,421

The total amortization expense related to customer contract costs for the second third quarters of 2024 and 2023 were was \$5.7 5.4 million and \$4.8 5.0 million, respectively, and for the six nine months ended June 30, 2024 September 30, 2024 and 2023 were was \$10.7 16.1 million and \$9.4 14.4 million, respectively.

#### 4. DEBT

As of June 30, 2024 September 30, 2024 and December 31, 2023, our long-term debt was as follows (in thousands):

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
<b>2023 Convertible Notes:</b>				
2023 Convertible Notes – senior unsecured convertible notes, due September 2028, cash interest at 3.875%	\$ 425,000	\$ 425,000	\$ 425,000	\$ 425,000
Less – deferred financing costs	(11,932)	(13,216)	(11,279)	(13,216)
2023 Convertible Notes, net of unamortized discounts	413,068	411,784	413,721	411,784
<b>2021 Credit Agreement:</b>				
2021 Term Loan, due September 2026, interest at adjusted SOFR plus applicable margin (combined rate of 6.810% at June 30, 2024)	129,375	133,125		
2021 Term Loan, due September 2026, interest at adjusted SOFR plus applicable margin (combined rate of 6.079% at September 30, 2024)	127,500	133,125		
Less – deferred financing costs	(1,961)	(2,412)	(1,735)	(2,412)
2021 Term Loan, net of unamortized discounts	127,414	130,713	125,765	130,713

\$450 million revolving loan facility, due September 2026, interest at adjusted SOFR plus applicable margin	-	-	-	-
Total debt, net of unamortized discounts	540,482	542,497	539,486	542,497
Current portion of long-term debt, net of unamortized discounts	(7,500)	(7,500)		
Current portion of long-term debt	(7,500)	(7,500)		
Long-term debt, net of unamortized discounts	\$ 532,982	\$ 534,997	\$ 531,986	\$ 534,997

**2023 Convertible Notes.** The 2023 Convertible Notes will be convertible at the option of the noteholders before June 15, 2028, upon the occurrence of certain events. On or after June 15, 2028, and until the close of business on the second scheduled trading day immediately preceding September 15, 2028, the maturity date, noteholders may convert all or any portion of their notes at any time regardless of these conditions.

The 2023 Convertible Notes will be convertible at an initial conversion rate of 14.0753 shares of our common stock per \$1,000 principal amount of the 2023 Convertible Notes, which is equivalent to an initial conversion price of \$71.05 per share of our common stock, plus carryforward adjustments not yet effected pursuant to the terms of the indenture governing the 2023 Convertible Notes. Under the terms of the 2023 Convertible Notes, we will adjust the conversion rate for any quarterly dividends exceeding \$0.28 per share.

We are required to satisfy our conversion obligation as follows: (i) paying cash up to the aggregate principal amount of notes to be converted; and (ii) to the extent the value of our conversion obligation exceeds the par value, we will satisfy the remaining conversion obligation in our common stock, cash, or a combination thereof, at our election. As of **June 30, 2024** **September 30, 2024**, none of the conditions to early convert have been met.

We may not redeem the 2023 Convertible Notes prior to September 21, 2026. On or after September 21, 2026, we may redeem for cash all or part of the 2023 Convertible Notes, subject to a partial redemption limitation that requires at least \$100.0 million of the principal amount of the 2023 Convertible Notes to remain outstanding if the last reported sales price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption. The redemption price will equal the principal amount of the 2023 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund has been established for the 2023 Convertible Notes.

12

In connection with the pricing of the 2023 Convertible Notes, we entered into privately negotiated capped call transactions (the "Capped Call Transactions") with certain of the initial purchasers of the 2023 Convertible Notes and other financial institutions (collectively, the "Option Counterparties"). As of **June 30, 2024** **September 30, 2024**, all the Capped Call Transactions were outstanding and cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2023 Convertible Notes, 5.98 million shares of our common stock, the same number of shares of common stock underlying the 2023 Convertible Notes. The Capped Call Transactions will expire upon the maturity of the 2023 Convertible Notes.

11

**2021 Credit Agreement.** During the **six nine** months ended **June 30, 2024** **September 30, 2024**, we made **\$3.8** **5.6** million of principal repayments on our \$150.0 million aggregate principal five-year term loan (the "2021 Term Loan"). As of **June 30, 2024** **September 30, 2024**, we had no borrowings outstanding on our \$450.0 million aggregate principal five-year revolving loan facility (the "2021 Revolver"), and had issued standby letters of credit of \$1.5 million that count against our available 2021 Revolver balance, leaving \$448.5 million available to us.

As of **June 30, 2024** **September 30, 2024**, our interest rate on the 2021 Term Loan was **6.810** **6.079**% (adjusted Secured Overnight Financing Rate ("SOFR"), credit spread adjustment of 0.10%, plus 1.375% per annum), effective through **September** **December** 2024, and our commitment fee on the 2021 Revolver was

0.15%.

The interest rates under the 2021 Credit Agreement are based upon our choice of an adjusted SOFR rate plus an applicable margin of 1.375% - 2.125%, or an alternate base rate ("ABR") plus an applicable margin of 0.375% - 1.125%, with the applicable margin determined in accordance with our then-net secured total leverage ratio. We pay a commitment fee of 0.150% - 0.325% of the average daily unused amount of the 2021 Revolver, with the commitment fee rate also determined in accordance with our then-net secured total leverage ratio.

*Other.* We finance certain of our internal use software. During the second quarter of 2024, nine months ended September 30, 2024, we entered into an two additional financing agreement agreements at a total cost of \$8.4 10.7 million with payments through 2027. As a result, as of June 30, 2024 September 30, 2024, we had \$9.0 9.8 million outstanding under these agreements, of which \$3.2 4.8 million was included in other current liabilities and \$5.8 5.0 million was included in other noncurrent non-current liabilities in our Balance Sheet. These arrangements are treated as a non-cash investing and financing activity activities for purposes of our Condensed Consolidated Statements of Cash Flows ("Statements of Cash Flows").

## 5. ACQUISITIONS

*Prior Years Acquisition.* On October 4, 2021, we acquired DGIT Systems Pty Ltd ("DGIT"), a provider of configure, price and quote (CPQ), and order management solutions for the telecommunications industry. We acquired 100% of the equity of DGIT for a purchase price of approximately \$16 million, approximately \$14 million paid upon close and the remaining consideration of approximately \$2 million to be paid through 2025, subject to certain reductions, as applicable. During the six nine months ended June 30, 2024 September 30, 2024, we made deferred purchase price payments of \$0.5 million.

The DGIT acquisition includes provisions for up to approximately \$13 million of potential future earn-out payments. The earn-out payments are tied to performance-based goals and a defined service period and are accounted for as post-acquisition compensation, as applicable. The earn-out period is was originally through September 30, 2025, but during the third quarter of 2024 was extended through December 31, 2026. As of September 30, 2024, we have accrued \$0.1 million related to the potential earn-out payments.

*Current Year Acquisitions.* On April 1, 2024, we acquired a customer communication services business that operates in multiple industry verticals. The acquisition date fair value of the consideration transferred was \$15.0 million, which consisted of \$11.5 million in cash paid upfront and a non-cash settlement of working capital items of \$3.5 million. The results of this acquisition are included in our results of operations for the period subsequent to the acquisition date.

The preliminary estimated fair values of assets acquired primarily include goodwill of \$6.4 million, acquired customer contracts of \$4.3 million, trade accounts receivable of \$2.1 million, and liabilities assumed of \$2.7 million. The estimated fair values are considered provisional and are based on the information that was available as of the acquisition date. The provisional measurements of fair value are subject to change, however, such changes are not expected to be significant. We expect to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date. The amount allocated to goodwill is deductible for income tax purposes.

On June 3, 2024, we acquired 100% of the equity of iCheckGateway.com, LLC ("iCG Pay"), an ACH and credit card payment processing company. We acquired iCG Pay to further expand the industry verticals we serve and to provide opportunities for the continued growth of our business. The acquisition date fair value of the consideration transferred was \$17.6 million in cash paid, subject to customary working capital adjustments.

The iCG Pay acquisition includes provisions for up to \$15.0 million of potential future earn-out payments. The earn-out payments are tied to performance-based goals and a defined service period and are accounted for as post-acquisition compensation, as applicable. The earn-out period is through June 3, 2027. As of June 30, 2024 September 30, 2024, we accrued \$0.9 3.5 million related to the potential earn-out payments. The results of iCG Pay are included in our results of operations for the period subsequent to the acquisition date.

13

---

The preliminary estimated fair values of assets acquired primarily include settlement assets of \$45.9 million, acquired customer contracts of \$11.8 10.7 million, goodwill of \$3.8 4.2 million, and settlement liabilities assumed of \$44.7 million. The estimated fair values are considered provisional and are based on the information that was available as of the acquisition date. The provisional measurements of fair value are subject to change, however, such changes are not

expected to be significant. We expect to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date. The amount allocated to goodwill is deductible for income tax purposes.

The cash paid for the acquisitions discussed above, less cash and settlement assets acquired, resulted in net cash provided by business combinations for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** of \$17.3 million on our Statement of Cash Flows.

12

## 6. RESTRUCTURING AND REORGANIZATION CHARGES

During the **second** **third** quarters of 2024 and 2023, we recorded restructuring and reorganization charges of **\$7.1** **2.9** million and **\$2.1** **1.2** million, respectively, and for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we recorded restructuring and reorganization charges of **\$9.1** **12.0** million and **\$7.3** **8.4** million, respectively.

During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we reduced our global workforce by **over** **approximately** **200** **300** employees, **mainly in the U.S.**, as part of initiatives to better align and allocate resources to areas of the business where we have identified growth opportunities. As a result, we incurred restructuring charges related to involuntary terminations of **\$7.4** **9.6** million.

The activity in the restructuring and reorganization reserves during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** was as follows (in thousands):

	Termination Benefits	Other	Total	Termination Benefits	Other	Total
January 1, 2024, balance	\$ 1,434	\$ 8,100	\$ 9,534	\$ 1,434	\$ 8,100	\$ 9,534
Charged to expense during period	7,385	1,712	9,097	9,593	2,447	12,040
Cash payments	(7,050)	(6,856)	(13,906)	(10,311)	(7,589)	(17,900)
Adjustment for accelerated depreciation	-	(436)	(436)	-	(438)	(438)
Other	802	-	802	1,180	-	1,180
June 30, 2024, balance	\$ 2,571	\$ 2,520	\$ 5,091			
September 30, 2024, balance	\$ 1,896	\$ 2,520	\$ 4,416			

During the nine months ended September 30, 2024, we paid \$5.6 million related to the exit of two reseller agreements that were acquired with the acquisition of Forte Payment Systems, Inc. in 2018.

As of **June 30, 2024** **September 30, 2024**, **\$3.8** **3.2** million of the restructuring and reorganization reserves were included in current liabilities.

## 7. COMMITMENTS, GUARANTEES AND CONTINGENCIES

**Guarantees.** In the ordinary course of business, we may provide guarantees in the form of bid bonds or performance bonds. As of **June 30, 2024** **September 30, 2024**, we had **\$3.1** **1.8** million of restricted assets used to collateralize these guarantees, **with \$0.9 million included in other current assets and \$2.2 million which are included in other non-current assets.** **assets in our Balance Sheet.**

We have performance guarantees in the form of surety bonds and standby letters of credit, along with money transmitter bonds, issued through third-parties that are not required to be reflected on our Balance Sheets. As of **June 30, 2024** **September 30, 2024**, we had performance guarantees of **\$7.3** **7.4** million, which includes \$1.5 million in standby letters of credit and \$1.0 million in bid bonds. We are ultimately liable for claims that may occur against these guarantees. We have no history of material claims or are aware of circumstances that would require us to pay under any of these arrangements. We also believe that the resolution of any claim that may arise in the future, either individually or in the aggregate, would not be material to our Financial Statements. As of **June 30, 2024** **September 30, 2024**, we had total aggregate money transmitter bonds of **\$19.6** **22.0** million outstanding. These money transmitter bonds are for the benefit of various states to comply with the states' financial requirements and industry regulations for money transmitter licenses.

*Warranties.* We generally warrant that our solutions and related offerings will conform to published specifications, or to specifications provided in an individual customer arrangement, as applicable. The typical warranty period is 90 days from the date of acceptance of the solution or offering. For certain service offerings we provide a warranty for the duration of the services provided. We generally warrant that those services will be performed in a professional and skillful manner. The typical remedy for breach of warranty is to correct or replace any defective deliverable, and if not possible or practical, we will accept the return of the defective deliverable and refund the amount paid under the customer arrangement that is allocable to the defective deliverable. Our contracts also generally contain limitation of damages provisions in an effort to reduce our exposure to monetary damages arising from breach of warranty claims. Historically, we have incurred minimal warranty costs, and as a result, do not maintain a warranty reserve.

*Solution and Services Indemnifications.* Arrangements with our customers generally include an indemnification provision that will indemnify and defend a customer in actions brought against the customer that claim our products and/or services infringe upon a copyright, trade secret, or valid patent. Historically, we have not incurred any significant costs related to such indemnification claims, and as a result, do not maintain a reserve for such exposure.

14

*Claims for Company Non-performance.* Our arrangements with our customers typically limit our liability for breach to a specified amount of the direct damages incurred by the customer resulting from the breach. From time-to-time, these arrangements may also include provisions for possible liquidated damages or other financial remedies for our non-performance, or in the case of certain of our solutions, provisions for damages related to service level performance requirements. The service level performance requirements typically relate to system availability and timeliness of service delivery. As of June 30, 2024 September 30, 2024, we believe we have adequate reserves, based on our historical experience, to cover any reasonably anticipated exposure as a result of our nonperformance for any past or current arrangements with our customers.

13

*Indemnifications Related to Officers and the Board of Directors.* Other guarantees include promises to indemnify, defend, and hold harmless our directors, and certain officers. Such indemnification covers any expenses and liabilities reasonably incurred by a person, by reason of the fact that such person is, was, or has agreed to be a director or officer, in connection with the investigation, defense, and settlement of any threatened, pending, or contemplated action, suit, proceeding, or claim. We maintain directors' and officers' ("D&O") insurance coverage to protect against such losses. We have not historically incurred any losses related to these types of indemnifications and are not aware of any pending or threatened actions or claims against any officer or member of our Board of Directors (the "Board"). As a result, we have not recorded any liabilities related to such indemnifications as of June 30, 2024 September 30, 2024. In addition, as a result of the insurance policy coverage, we believe these indemnification agreements are not significant to our results of operations.

*Legal Proceedings.* From time to time, we are involved in litigation relating to claims arising out of our operations in the normal course of business.

8. EARNINGS PER COMMON SHARE

Basic and diluted earnings per common share ("EPS") amounts are presented on the face of our unaudited Condensed Consolidated Statements of Income (the "Income Statements").

The reconciliation of the basic and diluted EPS denominators related to common shares is included in the following table (in thousands):

Quarter Ended		Six Months Ended		Quarter Ended		Nine Months Ended	
June 30,	June 30,	June 30,	June 30,	September 30,	September 30,	September 30,	September
2024	2023	2024	2023	2024	2023	2024	30, 2023

Basic weighted-average common shares	28,546	30,629	28,531	30,524	28,362	30,097	28,475	30,381
Dilutive effect of restricted common stock	54	97	167	144	106	187	146	159
Diluted weighted-average common shares	28,600	30,726	28,698	30,668	28,468	30,284	28,621	30,540

The dilutive effect of restricted common stock is computed using the treasury stock method. The dilutive effect of the 2023 Convertible Notes is computed using the if-converted method and will only have an effect in those quarterly periods in which our average stock price exceeds the current effective conversion price.

Potentially dilutive common shares related to non-participating unvested restricted stock and stock warrants were excluded from the computation of diluted EPS, as the effect was anti-dilutive, and were not material in any period presented.

## 9. STOCKHOLDERS' EQUITY AND EQUITY COMPENSATION PLANS

**Stock Repurchase Program.** We currently have a stock repurchase program, approved by our Board, authorizing us to repurchase shares of our common stock from time-to-time as market and business conditions warrant (the "Stock Repurchase Program"). During the **second third** quarter and **six nine** months ended **June 30, 2024** **September 30, 2024**, we repurchased approximately **219,000** **313,000** shares of our common stock for **\$9.7** **14.4** million (weighted-average price of **\$44.32** **46.11** per share), and approximately **404,000** **716,000** shares of our common stock for **\$19.3** **33.7** million (weighted-average price of **\$47.82** **47.07** per share), respectively, under a SEC Rule 10b5-1 Plan. **We did not make any share repurchases during** **During** the **second third** quarter and **six nine** months ended **June 30, 2023**. **September 30, 2023**, we repurchased approximately 1,991,000 shares of our common stock for \$107.0 million (weighted-average price of \$53.73 per share), which includes approximately 311,000 shares of our common stock that were repurchased for \$16.9 million (weighted average price of \$54.36 per share) under a SEC Rule 10b5-1 Plan, and approximately 1,680,000 shares of our common stock that were repurchased for \$90.1 million (weighted-average price of \$53.62 per share) concurrent with the pricing of the offering of the 2023 Convertible Notes.

The excise tax imposed as part of the 2022 Inflation Reduction Act, which is included as a cost of treasury stock, is not reflected in the share repurchase amounts above.

**As of June 30, 2024**, the total remaining value of shares available for repurchase under the Stock Repurchase Program totaled **\$76.5** million. In August 2024, our Board authorized an additional \$100.0 million of repurchases under the Stock Repurchase **Program** **Program**. **This, combined with the remaining value from the prior Board authorization in addition to the August 2023**, leaves **\$76.5** **162.0** million **that remained as** **remaining value of June 30, 2024** shares available for repurchase at **September 30, 2024**, with the **combined total now amount** authorized for repurchase through December 31, 2025.

15

**Stock Repurchases for Tax Withholdings.** In addition to the above-mentioned stock repurchases, during the **second third** quarters of 2024 and 2023, we repurchased and then cancelled approximately **9,000** **3,000** shares of common stock for **\$0.4** **0.2** million and approximately **2,000** **3,000** shares of common stock for \$0.1 million, respectively, and during the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we repurchased and then cancelled approximately **168,000** **172,000** shares of common stock for **\$8.9** **9.1** million and approximately **168,000** **171,000** shares of common stock for **\$9.4** **9.6** million, respectively, in connection with minimum tax withholding requirements resulting from the vesting of restricted common stock under our stock incentive plan.

**Cash Dividends.** During the **second third** quarter of 2024, our Board approved a quarterly cash dividend of \$0.30 per share of common stock, totaling \$8.8 million. During the **second third** quarter of 2023, our Board approved a quarterly cash dividend of \$0.28 per share of common stock, totaling **\$8.9** **8.7** million. Dividends declared for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 totaled **\$17.6** **26.4** million **and \$** **for both periods**.

**Warrants.** **17.7** million, respectively.

14



---

**Warrants.** In July 2014, in conjunction with the execution of an amendment to our agreement with Comcast Corporation (“Comcast”), we issued stock warrants (the “Warrant Agreement”) for the right to purchase up to 2.9 million shares of our common stock (the “Stock Warrants”) with an exercise price of \$26.68 per warrant as an additional incentive for Comcast to convert customer accounts onto our solutions based on various milestones. As of June 30, 2024, 1.0 million Stock Warrants remained issued and unvested. The Stock Warrants had a ten-year term and expired in July 2024. 2024, the remaining 1.0 million issued and unvested Stock Warrants expired.

**Stock-Based Awards.** During the six nine months ended June 30, 2024 September 30, 2024 we granted restricted stock awards to key members of management in the form of: (i) performance-based awards of approximately 155,000 restricted common stock shares, which vest in the first quarter of 2026 upon meeting certain pre-established financial performance objectives over a two-year performance period; and (ii) market-based awards of approximately 52,000 restricted common stock shares, which vest in the first quarter of 2027 upon meeting a relative total shareholder return performance achievement tier. Certain of these awards may vest (i.e., vesting accelerates) upon the involuntary termination of employment or a change in control (as defined) and the subsequent involuntary termination of employment.

During the six nine months ended June 30, 2024 September 30, 2024, we also granted restricted stock awards to key members of management in the form of time-based awards of approximately 473,000 496,000 restricted common stock shares, which vest annually over three years with no restrictions other than the passage of time. Certain of these awards may vest (i.e., vesting accelerates) upon the involuntary termination of employment, a change in control (as defined) and the subsequent involuntary termination of employment, or death.

We recorded stock-based compensation expense for the second third quarters of 2024 and 2023 of \$8.6 8.7 million and \$7.6 7.2 million, respectively, and for the six nine months ended June 30, 2024 September 30, 2024 and 2023 of \$16.4 25.0 million and \$14.1 21.3 million, respectively.

15 16

---

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this MD&A should be read in conjunction with the Financial Statements and Notes thereto included in this Form 10-Q and the audited consolidated financial statements and notes thereto in our 2023 10-K.

### Forward-Looking Statements

This report contains a number of forward-looking statements relative to our future plans and our expectations concerning our business and the industries we serve. These forward-looking statements are based on assumptions about a number of important factors and involve risks and uncertainties that could cause actual results to differ materially from estimates contained in the forward-looking statements. Some of the risks that are foreseen by management are outlined within Part I, Item 1A. Risk Factors of our 2023 10-K. Readers are strongly encouraged to review that section closely in conjunction with MD&A.

### Company Overview

We are a purpose-driven SaaS platform company that enables global companies in a wide variety of industry verticals to tackle the ever-growing complexity of business in the digital age. Our industry leading revenue management and digital monetization, customer experience, and payments solutions make ordinary customer experiences extraordinary. Our cloud-first architecture and customer-centric approach help companies around the world acquire, monetize, engage, and retain the B2B (business-to-business), B2C (business-to-consumer), and B2B2X (business-to-business-to-consumer) customers. As brands reimagine their



engagement strategies in an increasingly connected world, we sit at the center of a complex, multi-sided business model ensuring monetization and customer engagement is handled at all levels of the ecosystem.

We leverage 40 years of experience to deliver innovative customer engagement solutions for every stage of the customer lifecycle so our customers can deliver an outstanding customer experience that adapts to their customers' rapidly changing demands. Our diverse, worldwide workforce draws from real-world knowledge and extensive expertise to design and implement business solutions that make our customers' hardest decisions simpler so that they can focus on delivering differentiated and real-time experiences to their customers. As a global technology leader, we aspire to envision, invent, and shape a better, more future-ready world.

We focus our research and development ("R&D") and acquisition investments on expanding our offerings in a timely and efficient manner to address the complex, transformative needs of our customers. Our scalable, modular, and flexible solutions combined with our domain expertise and our ability to effectively migrate customers to our solutions, provide the industry with proven solutions to improve their profitability and consumers' experiences. We have specifically architected our solutions to offer a phased, incremental approach to transforming our customers' businesses, thereby reducing the business interruption risk associated with this evolution.

As discussed in Note 2 to our Financial Statements, we generate a majority of our revenue from the global communications markets; however, we serve an expanding group of customers in other markets including retail, financial services, healthcare, insurance, and government entities.

We are a member of the S&P Small Cap 600 and Russell 2000 indices.

16 17

## Management Overview of Quarterly Results

**Second Third Quarter Highlights.** A summary of our results of operations for the **second third** quarter of 2024, when compared to the **second third** quarter of 2023, is as follows (in thousands, except per share amounts and percentages):

	Quarter Ended		Quarter Ended	
	June 30, 2024	June 30, 2023	September 30, 2024	September 30, 2023
Revenue	\$ 290,318	\$ 286,327	\$ 295,143	\$ 286,868
Transaction fees (1)	24,207	21,176	22,524	20,314
Operating Results:				
Operating income	\$ 25,420	\$ 28,206	\$ 31,822	\$ 32,731
Operating margin percentage	8.8%	9.9%	10.8%	11.4%
Diluted EPS	\$ 0.48	\$ 0.45	\$ 0.67	\$ 0.62
Supplemental Data:				
Restructuring and reorganization charges (2)	\$ 7,099	\$ 2,075	\$ 2,943	\$ 1,152
Executive transition costs	-	1,148		
Acquisition-related costs:				
Amortization of acquired intangible assets	3,393	2,998	3,929	2,996
Earn-out compensation	2,591	-		
Transaction-related costs	1,036	2,004	32	(40)

Stock-based compensation (2)	9,193	7,667	8,759	7,216
<p>(1) Transaction fees are primarily comprised of fees paid to third-party payment processors and financial institutions and interchange fees under our payment services contracts. Transaction fees are included in revenue in our Income Statement (and not netted against revenue) because we maintain control and act as the principal over the integrated service provided under our payment services customer contracts.</p> <p>(2) Restructuring and reorganization charges include stock-based compensation, which is not included in the stock-based compensation line in the table above, and depreciation, which has not been recorded to the depreciation line on our Income Statement.</p>				

**Revenue.** Revenue for the **second third** quarter of 2024 was **\$290.3 million** **\$295.1 million**, a **1.4%** **2.9%** increase when compared to revenue of **\$286.3 million** **\$286.9 million** for the **second third** quarter of 2023. The increase in revenue is primarily attributed to continued growth of our SaaS and related solutions revenue **in addition to** **include** the revenue generated from the **businesses** **businesses**, **in the second quarter of 2024**, which **more than** offset lower software and services revenue for the quarter.

**Operating Results.** Operating income for the **second third** quarter of 2024 was **\$25.4 million** **\$31.8 million**, or **an 8.8%** **a 10.8%** operating margin percentage, compared to **\$28.2 million** **\$32.7 million**, or **a 9.9%** **an 11.4%** operating margin percentage for the **second third** quarter of 2023. The decrease in operating income is mainly attributed to the **\$5.0 million** increase in **restructuring and reorganization charges** **acquisition-related expenses** in the **second third** quarter of 2024, related to a reduction in our global workforce. This workforce reduction is **part** **include** earn-out compensation and amortization of **an initiative to better align and allocate our resources in areas of the business with growth opportunities.** **acquired intangible assets.**

**Diluted EPS.** Diluted EPS for the **second third** quarter of 2024 was **\$0.48** **\$0.67** compared to **\$0.45** **\$0.62** for the **second third** quarter of 2023, with the **second third** quarter of 2024 benefiting **primarily** from a lower **effective income tax rate and a lower share** **count.** **count**, partially offset by foreign currency movements.

**Cash and Cash Flows.** As of **June 30, 2024** **September 30, 2024**, we had cash and cash equivalents of **\$110.4 million** **\$118.4 million**, as compared to **\$120.8 million** **\$110.4 million** as of **March 31, 2024** **June 30, 2024** and \$186.3 million as of December 31, 2023. Our cash flows provided by operating activities for the **second third** quarter of 2024 were **\$43.1 million** **\$39.5 million**. See the Liquidity section below for further discussion of our cash flows.

## Significant Customer Relationships

A large percentage of our revenue is generated from a limited number of customers in the global communications industry, with our three largest customers being Charter Communications Inc. ("Charter"), Comcast, and DISH Network L.L.C.

**Customer Concentration.** We have significant customer concentration, with the following two customers exceeding 10% of our revenue (in thousands, except percentages):

	Quarter Ended						Quarter Ended					
	June 30, 2024		March 31, 2024		June 30, 2023		September 30, 2024		June 30, 2024		September 30, 2023	
	% of		% of		% of		% of		% of		% of	
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
Charter	\$ 60,629	21 %	\$ 60,849	21 %	\$ 60,175	21 %	\$ 59,070	20 %	\$ 60,629	21 %	\$ 59,432	21 %
Comcast	54,576	19 %	52,804	18 %	53,757	19 %	58,688	20 %	54,576	19 %	53,653	19 %

17 18

The percentages of net billed accounts receivable balances attributable to these customers as of the **dates** **indicated** **dates** were as follows:

	As of			As of		
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2024	June 30, 2024	December 31, 2023
Charter	22 %	21 %	23 %	20 %	22 %	23 %
Comcast	18 %	18 %	17 %	16 %	18 %	17 %

See our 2023 10-K for additional discussion of our business relationships and contractual terms with Charter and Comcast.

**Comcast.** On October 30, 2024, we entered into an amendment to our current agreement with Comcast (the “Amended Agreement”). The key terms of the Amended Agreement are as follows:

- The Amended Agreement extends our contractual relationship with Comcast through December 31, 2030.
- The fees to be generated under the Amended Agreement will be based primarily on monthly charges for SaaS and related solutions per Comcast residential customer account, and various other ancillary services based on actual usage. The Amended Agreement includes annual price escalators beginning in 2026 and certain of the per-unit fees include volume-based pricing tiers. We did not provide a renewal discount to Comcast in the Amended Agreement.
- The Amended Agreement contains certain financial commitments associated with the number of Comcast residential customer accounts that are to be processed on our solutions.
- We maintain the exclusive right to provide print and mail services to all Comcast residential customer accounts through the term of the Amended Agreement.
- The Amended Agreement contains certain rights and obligations of both parties, including the following key items: (i) the termination of the agreement under certain conditions; (ii) various service level commitments; and (iii) remedies and limitations on liabilities associated with specified breaches of contractual obligations.

A copy of the Amended Agreement, with confidential information redacted, will be filed as an exhibit to our Form 10-K for the year ended December 31, 2024.

**Risk of Customer Concentration.** We expect to continue to generate a large percentage of our future revenue from a limited number of customers. There are inherent risks whenever a large percentage of total revenue is concentrated with a limited number of customers. Should a significant customer: (i) terminate or fail to renew their contracts with us, in whole or in part, for any reason; (ii) significantly reduce the number of customer accounts processed on our solutions, the price paid for our services, or the scope of services that we provide; or (iii) experience financial or operating difficulties, it could have a material adverse effect on our financial position and results of operations.

## Critical Accounting Policies

The preparation of our Financial Statements in conformity with U.S. GAAP requires us to select appropriate accounting policies, and to make judgments and estimates affecting the application of those accounting policies. In applying our accounting policies, different business conditions or the use of different assumptions may result in materially different amounts reported in our Financial Statements.

We have identified the most critical accounting policies that affect our financial position and the results of our operations. Those critical accounting policies were determined by considering the accounting policies that involve the most complex or subjective decisions or assessments. The most critical accounting policies identified relate to the following items: (i) revenue recognition; (ii) impairment assessments of long-lived assets; (iii) income taxes; and (iv) loss contingencies. These critical accounting policies, as well as our other significant accounting policies, are discussed in our 2023 10-K.

## Results of Operations

**Revenue.** Total revenue for the: (i) **second third** quarter of 2024 was **\$290.3 million** **\$295.1 million**, a **1.4%** **2.9%** increase when compared to **\$286.3 million** **\$286.9 million** for the **second third** quarter of 2023; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** was **\$585.5 million** **\$880.6 million**, a **0.1%** **1.0%** increase when compared to **\$585.1 million** **\$871.9 million** for the **six nine** months ended **June 30, 2023** **September 30, 2023**.

Revenue by type for the **second third** quarters and **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 was as follows (in thousands):

	Quarter Ended		Six Months Ended		Quarter Ended		Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
SaaS and related solutions	\$ 262,658	\$ 255,600	\$ 524,353	\$ 513,476	\$ 263,701	\$ 250,777	\$ 788,054	\$ 764,253
Software and services	14,681	18,766	37,075	49,657	19,705	23,578	56,780	73,235
Maintenance	12,979	11,961	24,025	21,933	11,737	12,513	35,762	34,446
Total revenue	\$ 290,318	\$ 286,327	\$ 585,453	\$ 585,066	\$ 295,143	\$ 286,868	\$ 880,596	\$ 871,934

The increases in revenue are primarily attributed to continued growth of our SaaS and related solutions revenue, to include **our payments solutions**, in addition to the **approximately \$3 million of** revenue generated from the businesses acquired during the second quarter of 2024 (see Note 5 to our Financial Statements). **This was** These acquired businesses contributed approximately \$6 million and \$9 million, respectively, of revenue during the third quarter and nine months ended **September 30, 2024**. These increases were offset to a certain degree by lower software and services revenue, **for the six months ended June 30, 2024**, to include the software license revenue resulting from the closure of approximately \$10 million of license upgrades in the first quarter of 2023.

We use the location of the customer as the basis of attributing revenue to individual countries. Revenue by geographic regions for the **second third** quarters and **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 was as follows (in thousands):

	Quarter Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Americas (principally the U.S.)	\$ 258,035	\$ 248,443	\$ 512,573	\$ 499,419
Europe, Middle East, and Africa	18,989	26,620	45,818	63,293
Asia Pacific	13,294	11,264	27,062	22,354
Total revenue	\$ 290,318	\$ 286,327	\$ 585,453	\$ 585,066

18

	Quarter Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Americas (principally the U.S.)	\$ 258,620	\$ 246,880	\$ 771,193	\$ 746,299
Europe, Middle East, and Africa	26,381	25,502	72,199	88,795
Asia Pacific	10,142	14,486	37,204	36,840
Total revenue	\$ 295,143	\$ 286,868	\$ 880,596	\$ 871,934

**Total Operating Expenses.** Total operating expenses for the: (i) **second third** quarter of 2024 were **\$264.9 million** **\$263.3 million**, a **2.6%** **3.6%** increase when compared to **\$258.1 million** **\$254.1 million** for the **second third** quarter of 2023; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** were **\$528.2 million** **\$791.6 million**, a **1.8%** **2.4%** increase when compared to **\$518.7 million** **\$772.8 million** for the **six nine** months ended **June 30, 2023** **September 30, 2023**. The increases in total operating expenses are **reflective a result** of the higher SaaS and related solutions revenue between periods **to include** and the additional costs from the acquired businesses, **to include acquired intangible asset amortization and earn-out compensation**, in addition to the increases in restructuring and reorganization charges, discussed below.

The components of total operating expenses are discussed in more detail below.

*Cost of Revenue (Exclusive of Depreciation).* The cost of revenue for the: (i) **second third** quarter of 2024 was **\$152.9 million** **\$149.5 million**, a **1.2% increase** **2.1% decrease** when compared to **\$151.1 million** **\$152.7 million** for the **second third** quarter of 2023; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** was **\$310.8 million** **\$460.3 million**, a **1.5%** **0.3%** increase when compared to **\$306.2 million** **\$458.9 million** for the **six nine** months ended **June 30, 2023** **September 30, 2023**.

- The **increases** decrease in cost of revenue **between periods** are during the third quarter of 2024 is mainly attributed to lower employee-related costs, to the reallocation of resources to development projects and an increase in deferred costs related to SaaS implementation projects. This decrease is partially offset by the increased costs reflective of the **increases** increase in SaaS and related solutions revenue **year-over-year**. between periods, to include the acquired businesses.
- The increase in cost of revenue during the nine months ended September 30, 2024 is reflective of the increase in SaaS and related solutions revenue year-over-year, to include the acquired businesses, offset by a decrease in employee-related costs, due to the reallocation of resources to development projects, and an increase in deferred costs related to SaaS implementation projects.

Total cost of revenue as a percentage of revenue for the: (i) **second third** quarters of 2024 and 2023 was **52.7%** **50.6%** and **52.8%** **53.2%**, respectively; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 was **53.1%** **52.3%** and **52.3%** **52.6%**, respectively.

20

*R&D Expense (Exclusive of Depreciation).* R&D expense for the: (i) **second third** quarter of 2024 was **\$38.4 million** **\$41.7 million**, a **4.8%** **an 18.1%** increase when compared to **\$36.6 million** **\$35.3 million** for the **second third** quarter of 2023; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** was **\$74.5 million** **\$116.2 million**, a **3.3%** **an 8.2%** increase when compared to **\$72.1 million** **\$107.4 million** for the **six nine** months ended **June 30, 2023** **September 30, 2023**. The increases in R&D expense between periods are mainly attributed to increased employee-related costs. **Our** During 2024 our R&D **efforts** investment increased from prior periods as a result of the continued development of our SaaS platforms as we gain further traction in new industry verticals along with the integration of the recently acquired businesses into our solutions. These investments are focused on the continued evolution of our solutions that enable us to launch, monetize, and scale new digital services quickly and across any channel, while delivering an exceptional customer **experience**, as well as the integration of the recently acquired assets into our solutions. **experience**.

As a percentage of total revenue, R&D expense for the: (i) **second third** quarters of 2024 and 2023 was **13.2%** **14.1%** and **12.8%** **12.3%**, respectively; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 was **12.7%** **13.2%** and **12.3%**, respectively.

*Selling, General, and Administrative ("SG&A") Expense (Exclusive of Depreciation).* SG&A expense for the: (i) **second third** quarter of 2024 was **\$61.2 million** **\$63.9 million**, a **2.4% decrease** **an 8.1% increase** when compared to **\$62.7 million** **\$59.1 million** for the **second third** quarter of 2023; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** was **\$122.9 million** **\$186.8 million**, a **0.9%** **3.2%** increase when compared to **\$121.8 million** **\$180.9 million** for the **six nine** months ended **June 30, 2023** **September 30, 2023**. The **decrease** **increases** in SG&A expense during the second quarter of 2024 is primarily attributed to lower 2024 incentive compensation. The increase in SG&A expense during the six months ended June 30, 2024 is primarily **are mainly** attributed to increased **sales** employee-related costs, to include stock-based compensation and **marketing costs**. **acquisition-related** earn-out compensation.

As a percentage of total revenue, SG&A expense for the: (i) **second third** quarters of 2024 and 2023 was **21.1%** **21.7%** and **21.9%** **20.6%**, respectively; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 was **21.0%** **21.2%** and **20.8%**, respectively.

*Restructuring and Reorganization Charges.* Restructuring and reorganization charges for the: (i) **second third** quarter of 2024 was **\$7.1 million** **\$2.9 million**, a **\$5.0 million** **\$1.7 million** increase when compared to **\$2.1 million** **\$1.2 million** for the **second third** quarter of 2023; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** was **\$9.1 million** **\$12.0 million**, a **\$1.8 million** **\$3.6 million** increase when compared to **\$7.3 million** **\$8.4 million** for the **six nine** months ended **June 30, 2023** **September 30, 2023**. The restructuring and reorganization charges for the **six nine** months ended **June 30, 2024** **September 30, 2024** relate mainly to initiatives to better align and allocate resources to areas of the business where we have identified growth opportunities, which have resulted in restructuring charges related to involuntary terminations of **\$7.4 million** **\$9.6 million**.

See Note 6 to our Financial Statements for additional discussion.

**Operating Income.** Operating income for the: (i) **second third** quarter of 2024 was **\$25.4 million** **\$31.8 million**, or **8.8%** **10.8%** of total revenue, compared to **\$28.2 million** **\$32.7 million**, or **9.9%** **11.4%** of total revenue for the **second third** quarter of 2023; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** was **\$57.2 million** **\$89.0 million**, or **9.8%** **10.1%** of total revenue, compared to **\$66.4 million** **\$99.1 million**, of **11.3%** or **11.4%** of total revenue, for the **six nine** months ended **June 30, 2023** **September 30, 2023**.

- The decrease in operating income for the **second third** quarter of 2024 is **primarily due mainly** attributed to the **higher restructuring** increase in acquisition-related expenses in the third quarter of 2024, to include earn-out compensation and reorganization charges, discussed above. amortization of acquired intangible assets.
  - The decrease in operating income for the **six nine** months ended **June 30, 2024** **September 30, 2024** is mainly attributed to to: (i) the higher software license revenue recognized during the **six months ended June 30, 2023**, first quarter of 2023, as the cost associated with this revenue is not generally dependent upon on the timing of deal closures.
- closures; (ii) the increase in acquisition-related expenses to include earn-out compensation and amortization of acquired intangible assets; and (iii) h restructuring and reorganization charges.

**Interest Income.** Interest income for the: (i) **second third** quarter of 2024 was **\$2.1 million** **\$1.9 million**, a **\$1.3 million** **\$0.7 million** increase when compared to **\$0.8 million** **\$1.2 million** for the **second third** quarter of 2023; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** was **\$4.7 million** **\$6.6 million**, a **\$3.4 million** **\$4.1 million** increase when compared to **\$1.3 million** **\$2.5 million** for the **six nine** months ended **June 30, 2023** **September 30, 2023**, with the increase primarily attributed to certain settlement assets being swept into overnight money market accounts on a daily basis.

**Other, net.** Other, net for the: (i) **second third** quarter of 2024 was **\$0.2 million** **\$2.2 million** of other income, expense, a **\$1.6 million** **\$3.0 million** change when compared to **\$1.4 million** **\$0.8 million** of other income for the third quarter of 2023; and (ii) nine months ended September 30, 2024 was \$1.5 million of other expense, a \$1.5 million change when compared to \$3.0 million of other expense for the **second quarter of 2023**; and (ii) **six nine** months ended **June 30, 2024** was \$0.7 million of other income, a \$4.6 million change when compared to \$3.9 million of other expense for the six months ended **June 30, 2023** **September 30, 2023**, with the **change changes** primarily attributed to foreign currency movements.

**Income Tax Provision.** The effective income tax rates for the: (i) **second third** quarters of 2024 and 2023 were **31%** **20%** and **29%** **30%**, respectively; and (ii) **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 were **30%** **26%** and 29%, respectively. The third quarter of 2024 effective income tax rate benefited from the revaluation of certain deferred income taxes. Our estimated full year 2024 effective income tax rate is approximately **29%** **28%**, a slight increase when compared to consistent with our 2023 full year rate of approximately 28%, effective income tax rate.

19 21

## Liquidity

**Cash and Liquidity.** As of **June 30, 2024** **September 30, 2024**, our principal sources of liquidity included cash and cash equivalents of **\$110.4 million** **\$118.4 million**, compared to **\$120.8 million** **\$110.4 million** as of **March 31, 2024** **June 30, 2024**, and \$186.3 million as of December 31, 2023.

As part of our 2021 Credit Agreement, we have a \$450.0 million senior secured revolving loan facility with a syndicate of financial institutions that expires in September 2026, the 2021 Revolver. As of **June 30, 2024** **September 30, 2024**, we had no borrowings outstanding on the 2021 Revolver balance, and have issued standby letters of credit for \$1.5 million that count against the available 2021 Revolver balance, leaving \$448.5 million available to us. The 2021 Credit Agreement contains customary affirmative, negative, and financial covenants. As of **June 30, 2024** **September 30, 2024**, and the date of this filing, we believe we are in compliance with the provisions of the 2021 Credit Agreement.

Our cash and cash equivalents balances as of the end of the indicated periods were located in the following geographical regions (in thousands):

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Americas (principally the U.S.)	\$ 78,391	\$ 142,515	\$ 82,183	\$ 142,515
Europe, Middle East, and Africa	22,211	32,974	24,113	32,974

Asia Pacific	9,833	10,775	12,148	10,775
Total cash and cash equivalents	\$ 110,435	\$ 186,264	\$ 118,444	\$ 186,264

We generally have ready access to substantially all of our cash and cash equivalents, but may face limitations on moving cash out of certain foreign jurisdictions due to currency controls and potential negative economic consequences.

As of **June 30, 2024** **September 30, 2024** and December 31, 2023, we had **\$3.1 million** **\$1.8 million** and \$2.9 million, respectively, of cash restricted as to use primarily to collateralize guarantees **and outstanding letters of credit** included in our other current and non-current asset balances. In addition, as of **June 30, 2024** **September 30, 2024** and December 31, 2023, we had **\$232.1 million** **\$240.8 million** and \$274.7 million, respectively, of settlement and merchant reserve assets which are deemed restricted due to contractual restrictions with the merchants and restrictions arising from our policy and intention. It has historically been our policy to segregate settlement and merchant reserve assets from our operating cash balances and we intend to continue to do so.

**Cash Flows from Operating Activities.** We calculate our cash flows from operating activities beginning with net income, adding back the impact of non-cash items or non-operating activity (e.g., depreciation, amortization, impairments, gain/loss on items such as investments, lease modifications, and debt extinguishments/conversions, unrealized foreign currency transactions gain/loss, deferred income taxes, stock-based compensation, etc.), and then factoring in the impact of changes in operating assets and liabilities. See our 2023 10-K for a description of the primary uses and sources of our cash flows from operating activities.

Our cash flows from operating activities, broken out between operations and changes in operating assets and liabilities, for the indicated quarterly periods are as follows (in thousands):

	Operations	Changes in Operating Asset and Liabilities	Net Cash Provided by (Used In) Operating Activities – Totals	Operations	Changes in Operating Asset and Liabilities	Net Cash Provided by (Used In) Operating Activities – Totals
<b>Cash Flows from Operating Activities:</b>						
<b>2024:</b>						
March 31 (1)	\$ 51,655	\$ (81,006)	\$ (29,351)	\$ 51,655	\$ (81,006)	\$ (29,351)
June 30	35,625	7,480	43,105	35,625	7,480	43,105
September 30	44,354	(4,895)	39,459			
Total	\$ 87,280	\$ (73,526)	\$ 13,754	\$ 131,634	\$ (78,421)	\$ 53,213
<b>2023:</b>						
March 31 (2)	\$ 50,158	\$ (34,761)	\$ 15,397	\$ 50,158	\$ (34,761)	\$ 15,397
June 30	26,539	(14,153)	12,386	26,539	(14,153)	12,386
September 30	34,618	(10,036)	24,582			
Total	\$ 76,697	\$ (48,914)	\$ 27,783	\$ 111,315	\$ (58,950)	\$ 52,365

- (1) Cash flows from operating activities for the first quarter of 2024 were negatively impacted by unfavorable working capital changes, to include the impact of the payment of the 2023 year-end accrued employee incentive compensation and timing of trade accounts receivable.
- (2) Cash flows from operating activities for the first quarter 2023 reflect the impact of the payment of the 2022 year-end accrued employee incentive compensation.

Variations in our net cash provided by/(used in) operating activities are generally related to the changes in our operating assets and liabilities (related mostly to fluctuations in timing at quarter-end of customer payments, billing milestones, and changes in accrued expenses), and generally over longer periods of time, do not significantly impact our cash flows from operations.



Significant fluctuations in key operating assets and liabilities between 2024 and 2023 that impacted our cash flows from operating activities are as follows:

#### Billed Trade Accounts Receivable

Management of our billed trade accounts receivable is one of the primary factors in maintaining strong cash flows from operating activities. These balances include significant billings for several non-revenue items (primarily postage, sales tax, and deferred revenue items). As a result, we evaluate our performance in collecting our billed trade accounts receivable through our calculation of Days Billings Outstanding ("DBO") rather than a typical Days Sales Outstanding ("DSO") calculation.

Our gross and net billed trade accounts receivable and related allowance for expected losses ("Allowance") as of the end of the indicated quarterly periods, and the related DBOs for the quarters then ended, are as follows (in thousands, except DBOs):

Quarter Ended	Gross	Allowance	Net Billed	DBOs	Gross	Allowance	Net Billed	DBOs
<b>2024:</b>								
March 31	\$ 281,051	\$ (5,692)	\$ 275,359	67	\$ 281,051	\$ (5,692)	\$ 275,359	67
June 30	270,934	(4,720)	266,214	66	270,934	(4,720)	266,214	66
September 30	284,740	(4,810)	279,930	64				
<b>2023:</b>								
March 31	\$ 261,028	\$ (5,254)	\$ 255,774	68	\$ 261,028	\$ (5,254)	\$ 255,774	68
June 30	260,928	(4,618)	256,310	65	260,928	(4,618)	256,310	65
September 30	279,892	(4,731)	275,161	66				

As of **June 30, 2024** **September 30, 2024** and 2023, approximately 95% and 93%, respectively, of our net billed trade accounts receivable balances were less than 60 days past due.

We may experience adverse impacts to our DBOs if and when customer payment delays occur. However, the recurring monthly payments that cross a reporting period-end do not raise collectability concerns, as payment is generally received subsequent to quarter-end. All other changes in our gross and net billed accounts receivable reflect the normal fluctuations in the timing of customer payments at quarter-end, as evidenced by our relatively consistent DBO metric.

As a global provider of solutions and services, a portion of our trade accounts receivable balance relates to international customers. This diversity in the geographic composition of our customer base may adversely impact our DBOs as longer billing cycles (i.e., billing terms and cash collection cycles) are an inherent characteristic of international software and professional services transactions. As a result, we may experience fluctuations in our trade accounts receivable balance as our ability to invoice and collect arrangement fees is dependent upon, among other things: (i) the completion of various customer administrative matters, local country billing protocols and processes (including local cultural differences), and non-customer administrative matters; (ii) meeting certain contractual invoicing milestones and dates; (iii) the overall project status in certain situations in which we act as a subcontractor to another vendor on a project; or (iv) currency controls in certain foreign jurisdictions.

#### Unbilled Trade Accounts Receivable

Unbilled trade accounts receivable increased **\$2.4 million** **\$0.4 million** to **\$84.6 million** **\$82.6 million** as of **June 30, 2024** **September 30, 2024**, from \$82.2 million as of December 31, 2023. These unbilled trade accounts receivable balances relate primarily to large implementation projects where various milestone and contractual billing dates have not yet been reached or **are** delayed. Unbilled trade accounts receivable are an inherent characteristic of certain software and services transactions and may fluctuate between quarters, as these types of transactions typically have scheduled invoicing terms over several quarters, as well as certain milestone billing events.



#### Income Taxes Payable/Receivable

Net income taxes payable/receivable (current and non-current) as of **June 30, 2024** **September 30, 2024** was a net income taxes receivable balance of **\$6.1 million** **\$10.4 million**, compared to a net income taxes payable balance of \$5.8 million as of December 31, 2023. This net **\$11.9 million** **\$16.2 million** change is primarily due to the timing of our estimated federal and state income tax payments.

23

---

#### Accrued Employee Compensation

Accrued employee compensation decreased **\$34.6 million** **\$26.7 million** to **\$49.8 million** **\$57.7 million** as of **June 30, 2024** **September 30, 2024**, from \$84.4 million as of December 31, 2023, due primarily to the payment of the 2023 employee incentive compensation during the first quarter of 2024 that was fully accrued at December 31, 2023, **and the timing of accrued wages, partially offset by the accruals for the 2024 employee incentive compensation.**

21

---

*Cash Flows From Investing Activities.* Our typical investing activities consist of purchases of software, property, and equipment, **and in 2024, our business combination activities,** which are discussed below.

#### Purchases of Software, Property, and Equipment

Our capital expenditures for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 for software, property, and equipment were **\$9.1 million** **\$16.5 million** and **\$16.4 million** **\$22.9 million**, respectively, and consisted principally of investments in: (i) communication design and delivery center equipment and infrastructure; (ii) software and related equipment; **and (iii) computer hardware. hardware; and (iv) lease improvements.**

#### Business Combinations. Net net of Cash and Settlement Assets Acquired

The cash paid for the acquisitions discussed in Note 5 to our Financial Statements, less cash and settlement assets acquired, resulted in net cash provided by business combinations for the **six nine** months ended **June 30, 2024** **September 30, 2024** of \$17.3 million.

*Cash Flows From Financing Activities.* Our financing activities typically consist of activities with our common stock, various debt-related transactions, and settlement and merchant reserve activity.

#### Cash Dividends Paid on Common Stock

During the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, our Board approved dividends totaling **\$17.6 million and \$17.7 million, respectively,** **\$26.4 million for both periods,** and we made dividend payments of **\$18.1 million** **\$26.6 million** and **\$17.7 million** **\$26.2 million**, respectively, with the differences between the amount approved and paid attributed to dividends accrued on unvested incentive shares that are paid upon vesting.

#### Repurchase of Common Stock

During the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we repurchased approximately **404,000** **716,000** and **1,991,000** shares of our common stock, **respectively,** under our Stock Repurchase Program for **\$19.3 million. We did not make any share repurchases during the six months ended June 30, 2023.** **\$33.7 million and \$107.0 million, respectively.**

Additionally, outside of our Stock Repurchase Program, during the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we repurchased from our employees and then canceled approximately **168,000** **172,000** and **171,000** shares of our common stock, **respectively,** for **both periods, for \$8.9**

million \$9.1 million and \$9.4 million \$9.6 million, respectively, in connection with minimum tax withholding requirements resulting from the vesting of restricted stock under our stock incentive plans.

Through the six nine months ended June 30, 2024 September 30, 2024 and 2023, we have paid \$27.9 million \$42.4 million and \$9.4 million \$116.4 million, respectively, for our total repurchases of common stock, with any differences when compared to the amounts purchased attributed to the timing of the settlement. settlement and the accrued excise tax imposed as part of the 2022 Inflation Reduction Act.

See Note 9 to our Financial Statements for additional discussion of our repurchases of common stock.

#### Long-Term Debt

During the six nine months ended June 30, 2024 September 30, 2024 and 2023, we made principal repayments on our 2021 Term Loan of \$3.8 million \$5.6 million during each period. Additionally, during the six nine months ended June 30, 2024 September 30, 2024, we borrowed and subsequently repaid \$15.0 million from our 2021 Revolver for general corporate purposes.

During the six nine months ended June 30, 2023 September 30, 2023, we borrowed \$30.0 million from \$45.0 million under our 2021 Revolver for general corporate purposes and subsequently repaid \$15.0 million \$30.0 million. In September 2023, we issued the 2023 Convertible Notes offering and received proceeds of \$425.0 million. We used a portion of these proceeds to repay \$275.0 million of our 2021 Revolver balance and pay the \$34.3 million premiums for the Capped Call Transactions. Additionally, during the nine months ended September 30, 2023, we paid deferred financing costs of \$13.5 million.

See Note 4 to our Financial Statements for additional discussion of our long-term debt.

24

---

#### Settlement and Merchant Reserve Activity

During the six nine months ended June 30, 2024 September 30, 2024 and 2023, we had net settlement and merchant reserve activity of \$(88.7) \$(79.6) million and \$(63.1) \$(46.2) million, respectively, related to the cash collected, held on behalf, and paid to our merchants related to our payments services and the net change in deposits held on behalf of our merchants. These balances can significantly fluctuate between periods due to activity at the end of the period and the day in which the period ends.

See Note 2 to our Financial Statements for additional discussion of our settlement and merchant reserves.

#### **Off-Balance Sheet Arrangements**

Our off-balance sheet arrangements are mainly limited to money transmitter bonds, bid bonds, performance bonds, and standby letters of credit. These arrangements do not have a material impact and are not reasonably likely to have a material future impact to our financial condition, results of operations, liquidity, capital expenditures, or capital resources. See Note 7 to our Financial Statements for additional information on these guarantees.

22

---

#### **Capital Resources**

The following are the key items to consider in assessing our sources and uses of capital resources:

*Current Sources of Capital Resources.* Below are the key items to consider in assessing our current sources of capital resources:

- Cash and Cash Equivalents. As of **June 30, 2024** **September 30, 2024**, we had cash and cash equivalents of **\$110.4 million** **\$118.4 million**, of which approximately **63%** **is 62%** **was** in U.S. dollars and held in the U.S. For the remainder of the monies denominated in foreign currencies and/or located outside the U.S., we do not anticipate any material amounts being unavailable for use in funding our business, but may face limitations on moving cash out of certain foreign jurisdictions due to currency controls and potential negative economic consequences.
- Operating Cash Flows. As described in the Liquidity section above, we believe we have the ability to generate strong cash flows to fund our operating activities and act as a source of funds for our capital resource needs, although we may experience quarterly variations in our cash flows from operations related to the changes in our operating assets and liabilities.
- Revolving Loan Facility. As part of our 2021 Credit Agreement, we have a \$450.0 million revolving loan facility, the 2021 Revolver. As of **June 30, 2024** **September 30, 2024**, we had no borrowings outstanding on the 2021 Revolver and issued standby letters of credit for \$1.5 million that count against the available 2021 Revolver balance, currently leaving \$448.5 million available to us. Our long-term debt obligations are discussed in more detail in Note 4 to our Financial Statements.

*Uses/Potential Uses of Capital Resources.* Below are the key items to consider in assessing our uses/potential uses of capital resources:

- Common Stock Repurchases, Repurchases and Cash Dividends. We have made repurchases of our common stock in the past **under our Stock Repurchase Program**. As of **June 30, 2024**, we had **\$76.5 million authorized for repurchase remaining** under our Stock Repurchase Program. In August of 2024, our Board authorized an additional \$100.0 million of repurchases under our Stock Repurchase Program, with all outstanding authorized repurchases to be completed by December 31, 2025. **As of September 30, 2024, we had \$162.0 million authorized for repurchase remaining under our Stock Repurchase Program.** Our 2021 Credit Agreement places certain limitations on our ability to repurchase our common stock.

Under our Stock Repurchase Program, we may repurchase shares in the open market or in privately negotiated transactions, including through an accelerated stock repurchase plan or under a SEC Rule 10b5-1 plan. The actual timing and amount of share repurchases are dependent on the current market conditions and other business-related factors. Our common stock repurchases are discussed in more detail in Note 9 to our Financial Statements.

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, we repurchased approximately **404,000** **716,000** shares of our common stock for **\$19.3 million** **\$33.7 million** (weighted-average price of **\$47.82** **\$47.07** per share).

Outside of our Stock Repurchase Program, during the **six nine** months ended **June 30, 2024** **September 30, 2024**, we repurchased from our employees and then cancelled approximately **168,000** **172,000** shares of our common stock for **\$8.9 million** **\$9.1 million** in connection with minimum tax withholding requirements resulting from the vesting of restricted common stock under our stock incentive plans.

• 25

---

#### Cash Dividends.

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, the Board declared dividends totaling **\$17.6 million** **\$26.4 million**. Going forward, we expect to pay cash dividends each year in March, June, September, and December, with the amount and timing subject to our Board's approval.

**We expect to return a total of \$100.0 million to our shareholders through combined common stock repurchases and cash dividends in each of 2024 and 2025.**

- Acquisitions. As a result of our previous acquisition activity, during the **six nine** months ended **June 30, 2024** **September 30, 2024** we made **\$0.5 million** **\$2.5 million** of deferred acquisition payments. We expect to pay **an additional \$2.0 million in 2024 and \$0.3 million in 2025** related to these past acquisitions. Additionally, there are provisions for up to approximately \$13 million of potential future earn-out payments. The earn-out period **is was originally** through September 30, 2025, **but during the third quarter of 2024 was extended through December 31, 2026.** **As of September 30, 2024, we have accrued \$0.1 million related to potential earn-out payments.**

During the second quarter of 2024, we acquired two businesses, discussed in further detail in Note 5 to our Financial Statements. The acquisition date fair value of the consideration transferred totaled \$32.6 million, subject to customary working capital adjustments. One of the The iCG Pay purchase agreements agreement includes provisions for up to \$15.0 million of potential future earn-out payments tied to performance-based goals and a defined service period. The earn-out period is through June 3, 2027. As of September 30, 2024, we have accrued \$3.5 million related to potential earn-out payments. These acquisitions were funded from currently with available cash.

As part of our growth strategy, we are continually evaluating potential business and/or asset acquisitions and investments in market share expansion with our existing and potential new customers and expansion into verticals outside the global communications market.

23

- Exit of Reseller Agreements. During 2023, we exited out of two reseller agreements that were acquired with the 2018 acquisition of Forte Payment Systems, Inc. in 2018, at a total cost of \$9.9 million, of which \$1.8 million was paid in 2023. We paid an additional \$5.6 million during the six nine months ended June 30, 2024 September 30, 2024. Of the remaining \$2.5 million, \$1.3 million will be paid in 2025 and \$1.2 million will be paid in 2026.
- Capital Expenditures. During the six nine months ended June 30, 2024 September 30, 2024, we spent \$9.1 million \$16.5 million on capital expenditures.
- Financing Agreements. We have financing agreements for certain of our internal use software. During the six nine months ended June 30, 2024 September 30, 2024, we paid \$0.5 million \$2.2 million related to these financing agreements, with an additional \$2.5 million \$1.4 million to be paid in 2024, \$3.9 million \$4.6 million to be paid in in 2025, \$2.8 million \$3.6 million to be paid in 2026, and \$0.9 million to be paid in 2027.
- Long-Term Debt. As of June 30, 2024 September 30, 2024, our long-term debt consisted of the following: (i) 2023 Convertible Notes in the principal aggregate amount of \$425.0 million; and (ii) 2021 Credit Agreement term loan borrowings of \$129.4 million \$127.5 million.

*2023 Convertible Notes.* The 2023 Convertible Notes are convertible at the option of the note holders before June 15, 2028 upon the occurrence of certain events, however, there are no scheduled conversion triggers over the next twelve months. As a result, we expect our required debt service cash outlay during the next twelve months for the 2023 Convertible Notes to be limited to interest payments of \$16.5 million.

*2021 Credit Agreement.* The mandatory repayments under our 2021 Credit Agreement for the next twelve months are \$7.5 million and the cash interest expense (based upon then-current interest rates) for the 2021 Term Loan is \$8.8 million \$7.7 million. We have the ability to make prepayments without penalties on our 2021 Credit Agreement.

Our long-term debt obligations are discussed in more detail in Note 4 to our Financial Statements.

In summary, we expect to continue to have material needs for capital resources going forward, as noted above. We believe that our current cash and cash equivalents balances and our 2021 Revolver, together with cash expected to be generated in the future from our current operating activities, will be sufficient to meet our anticipated capital resource requirements for at least the next twelve months. We believe we could obtain additional capital through other debt sources which may be available to us if deemed appropriate.

26

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices. As of **June 30, 2024** **September 30, 2024**, we are exposed to various market risks, including changes in interest rates, fluctuations and changes in the market value of our cash equivalents and settlement and merchant reserve assets, and changes in foreign currency exchange rates. We have not historically entered into derivatives or other financial instruments for trading or speculative purposes.

#### *Interest Rate Risk*

Long-Term Debt. The interest rate on our 2023 Convertible Notes is fixed, and thus, as it relates to our convertible debt borrowings, we are not exposed to changes in interest rates.

The interest rates on our 2021 Credit Agreement are based upon an adjusted SOFR rate (including a 0.10% credit spread adjustment) plus an applicable margin, or an ABR plus an applicable margin. See Note 4 to our Financial Statements for further details related to our long-term debt.

A hypothetical adverse change of 10% in the **June 30, 2024** **September 30, 2024** adjusted SOFR rate would not have a material impact upon our results of operations.

#### *Market Risk*

Cash and Cash Equivalents. Our cash and cash equivalents as of **June 30, 2024** **September 30, 2024** and December 31, 2023 were **\$110.4 million** **\$118.4 million** and \$186.3 million, respectively. Certain of our cash balances are swept into overnight money market accounts on a daily basis, and at times, any excess funds are invested in low-risk, somewhat longer term, cash equivalent instruments. Our cash equivalents are invested primarily in institutional money market funds held at major banks. We have minimal market risk for our cash and cash equivalents due to the relatively short maturities of the instruments.

24

---

Settlement and Merchant Reserve Assets. We are exposed to market risk associated with cash held on behalf of our merchants related to our payment processing services. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, we had **\$232.1 million** **\$240.8 million** and \$274.7 million, respectively, of cash collected on behalf of our merchants. The cash is held in accounts with various major financial institutions in the U.S. and Canada in an amount equal to at least 100% of the aggregate amount owed to our merchants. These balances can significantly fluctuate between periods due to activity at the end of the period and the day in which the period ends. Certain settlement assets are swept into overnight money market accounts on a daily basis.

Long-Term Debt. The fair value of our convertible debt is exposed to market risk. We do not carry our convertible debt at fair value but present the fair value for disclosure purposes (see Note 2 to our Financial Statements). Generally, the fair value of our convertible debt is impacted by changes in interest rates and changes in the price and volatility of our common stock. As of **June 30, 2024** **September 30, 2024**, the fair value of the 2023 Convertible Notes was estimated at **\$396.5 million** **\$426.0 million**, using quoted market prices.

#### *Foreign Currency Exchange Rate Risk*

Due to foreign operations around the world, our financial statements are exposed to foreign currency exchange risk due to the fluctuations in the value of currencies in which we conduct business. Our principal currency exposures include the British Pound, Euro, Australian Dollar, Saudi Riyal, and South African Rand. While we attempt to maximize natural hedges by incurring expenses in the same currency in which we contract revenue, the related expenses for that revenue could be in one or more differing currencies than the revenue stream. In particular, if the U.S. Dollar were to strengthen it would reduce the reported amount of our foreign-denominated cash, cash equivalents, trade receivables, revenue, and expenses that we translate into U.S. Dollars and report in our consolidated financial statements for, and as of the end of, each reporting period.

During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we generated approximately 90% of our revenue in U.S. dollars. We expect that, in the foreseeable future, we will continue to generate a very large percentage of our revenue in U.S. dollars.

We have analyzed our foreign currency exposure as of **June 30, 2024** **September 30, 2024**. A hypothetical adverse change of 10% in the **June 30, 2024** **September 30, 2024** exchange rates would not have had a material impact upon our results of operations.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

As required by Rule 13a-15(b), our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), conducted an evaluation as of the end of the period covered by this report of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e). Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

27

(b) Internal Control Over Financial Reporting

As required by Rule 13a-15(d), our management, including the CEO and CFO, also conducted an evaluation of our internal control over financial reporting, as defined by Rule 13a-15(f), to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, the CEO and CFO concluded that there has been no such change during the quarter covered by this report.

25 28

CSG SYSTEMS INTERNATIONAL, INC.  
PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time-to-time, we are involved in litigation relating to claims arising out of our operations in the normal course of business. In the opinion of our management, we are not presently a party to any material pending or threatened legal proceedings.

Item 1A. Risk Factors

A discussion of our risk factors can be found in Item 1A. Risk Factors in our 2023 10-K. There were no material changes to the risk factors disclosed in our 2023 10-K during the second third quarter of 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information with respect to purchases of our common stock made during the second third quarter of 2024 by CSG Systems International, Inc. or any “affiliated purchaser” of CSG Systems International, Inc., as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended.

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (2) (3)
April 1 - April 30	76,042	\$ 48.89	75,500	\$ 82,481,606

May 1 - May 31	84,564	42.73	77,000	79,186,126
June 1 - June 30	67,799	40.89	66,500	76,466,056
Total	228,405	\$ 44.23	219,000	

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (2) (3)
July 1 - July 31	77,932	\$ 43.21	77,000	\$ 73,135,900
August 1 - August 31 (3)	78,726	46.50	77,000	169,553,935
September 1 - September 30	159,695	47.31	158,947	162,034,521
Total	316,353	\$ 46.10	312,947	

- (1) The total number of shares repurchased that are not part of the Stock Repurchase Program represents shares purchased and cancelled in connection with stock incentive plans.
- (2) See Note 9 to our Financial Statements for additional information regarding our share repurchases under our Stock Repurchase Program.
- (3) In August 2024, we announced that our Board had authorized the repurchase of an additional \$100.0 million of common stock under our Stock Repurchase Program, with all outstanding authorized repurchases to be completed by December 31, 2025.

### Item 3. Defaults Upon Senior Securities

None

### Item 4. Mine Safety Disclosures

None

### Item 5. Other Information

#### (c) Rule 10b5-1 Trading Plans

During the **second third** quarter of 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, **modified**, or terminated any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

### Item 6. Exhibits

The Exhibits filed or incorporated by reference herewith are as specified in the Exhibit Index.

**26** **29**

## CSG SYSTEMS INTERNATIONAL, INC.

### EXHIBIT INDEX

Exhibit  
Number

Description

**10.27Y\*** **10.27Z\***

[First Amendment to Encompass Addendum to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC](#)

10.28F*	<a href="#">Seventh Amendment to the Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</a>
31.01	<a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.02	<a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.01	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

---

\* Portions of the exhibit have been omitted pursuant to SEC rules regarding confidential information.

27 30

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 8, 2024 November 7, 2024

### CSG SYSTEMS INTERNATIONAL, INC.

/s/ Brian A. Shepherd

\_\_\_\_\_  
 Brian A. Shepherd  
 President and Chief Executive Officer  
 (Principal Executive Officer)

/s/ Hai Tran

\_\_\_\_\_  
 Hai Tran  
 Executive Vice President and Chief Financial Officer  
 (Principal Financial Officer)

/s/ Lori J. Szwaneck

\_\_\_\_\_  
 Lori J. Szwaneck  
 Chief Accounting Officer  
 (Principal Accounting Officer)

28 31



**THIS DOCUMENT CONTAINS INFORMATION WHICH HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED. SUCH EXCLUDED INFORMATION IS IDENTIFIED BY BRACKETS AND MARKED WITH (\*\*\*).**

## SEVENTH AMENDMENT

## TO First Amendment to Encompass Addendum

## CONSOLIDATED to the

## CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT

## BETWEEN

## CSG SYSTEMS, INC.

## AND

## CHARTER COMMUNICATIONS OPERATING, LLC

This **Seventh Amendment** (the "Amendment") is made by and between **CSG Systems, Inc.**, a Delaware corporation ("CSG"), and **Charter Communications Operating, LLC**, a Delaware limited liability company ("Customer"). CSG and Customer entered into that certain Amended and Restated CSG Master Subscriber Management System Agreement effective as of January 1, 2022 (CSG document no. 44754), as amended (the "Agreement"), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement

between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG Systems, Inc.

and

Comcast Cable Communications Management, LLC

WHEREAS, This First Amendment to Encompass Addendum ("CSG and Customer acknowledge and agree to amend the Agreement to allow certain Customer subscriber account records to be [\*\*\*\*\*], and not be subject to the [\*\*\*\*\*].

NOW, THEREFORE, Amendment in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which") is hereby acknowledged, CSG and Customer agree to the following as of the Amendment Effective Date (defined below).

1. Section 10.5 of the Agreement, entitled "Additional Requirements with Respect to Charter Customer Information", subsection (b), shall be deleted in its entirety and replaced as follows:

**10.5 Additional Requirements with Respect to Charter Customer Information.**

(b) CSG shall, on a [\*\*\*\*\*] basis, [\*\*\*\*\*] Charter Customer Information for disconnected subscribers who, as of the date that they are [\*\*\*\*\*], have been disconnected for [\*\*\*\*\*] or more (the "Disconnected Subscriber Data"). Customer and CSG agree, after the date Disconnected Subscriber Data is to be [\*\*\*\*\*], CSG shall retain Disconnected Subscriber Data only as is reasonably necessary to complete the purposes for which the Charter Customer Information has been disclosed to CSG or as required by any applicable law, unless otherwise specified by a mutual written agreement of the Parties. Notwithstanding the foregoing requirement for CSG to [\*\*\*\*\*] Disconnected Subscriber Data, the Parties may, from time to time, mutually agree in an applicable SOW to create exception(s) to the [\*\*\*\*\*] of Disconnected Subscriber Data by implementing an enhancement to CSG's Advanced Convergent Platform to allow certain subscriber account records for any disconnected subscriber with which Customer has an ongoing relationship to be flagged for [\*\*\*\*\*] and not be subject to the [\*\*\*\*\*] (the "[\*\*\*\*\*] Subscriber Accounts"); as further described in the applicable SOW; provided, however, (i) Customer acknowledges and agrees that the number of [\*\*\*\*\*] Subscriber Accounts shall not exceed [\*\*\*\*\*] [(\*\*\*)] of Customer's then current total Connected Subscriber accounts, and (ii) if, at any time, the number of [\*\*\*\*\*] Subscriber Accounts exceeds [\*\*\*\*\*] (\*\*\*), the Parties agree to work together, within a [\*\*\*\*\*]

(\*\*) (\*\*\*) period, to reduce the number of [\*\*\*\*\*] Subscriber Accounts so as not to exceed such [\*\*\*\*\*] threshold of Customer's then current total Connected Subscriber accounts.

[Signature Page Follows]

THIS AMENDMENT is executed on the days and year last signed below to be effective as of the date of the last signed Party's signature below (the "Amendment Effective Date").

CHARTER COMMUNICATIONS OPERATING, LLC ("CUSTOMER")

CSG SYSTEMS, INC. ("CSG")

By: Charter Communications, Inc., its Manager

By: /s/ Michael Woods

By: /s/ Scott Ortiz

Name: Michael Woods

Name: Scott Ortiz

Title: President, CMT

Title: Vice President Billing Design

Date: Apr 9, 2024

Date: Apr 10, 2024

EXHIBIT 10.27Y

THIS DOCUMENT CONTAINS INFORMATION WHICH HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED. SUCH EXCLUDED INFORMATION IS IDENTIFIED BY BRACKETS AND MARKED

WITH (\*\*\*).

ENCOMPASS ADDENDUM

TO THE

CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT

BETWEEN

CSG SYSTEMS, INC.

AND

COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC

THIS ENCOMPASS ADDENDUM (this "Encompass Addendum") and is made by and between CSG Systems, Inc. ("CSG") and Comcast Cable Communications Management, LLC ("Comcast"), on behalf of itself and its Affiliates (collectively, "Customer"). The effective date of this Encompass Addendum is the date last signed below (the "Encompass Addendum Effective Date" Customer). CSG and Customer may sometimes be hereinafter referred to individually as a "Party" and/or collectively as the "Parties".

RECITALS

WHEREAS, CSG and Customer are parties to that certain Encompass Addendum (CSG Doc. #50011.0) effective as of June 17, 2024 (the "Encompass Addendum") and that certain Encompass Order Document (CSG Doc. #50034.0) effective as of June 20, 2024 (the "Encompass Order Document") that prescribes the fees, terms and conditions by which CSG agreed to provide Customer a specialized licensed software offering known as CSG Encompass and related Services as prescribed by such Encompass Addendum and Encompass Order Document.

WHEREAS, the Encompass Addendum and the Encompass Order Document were entered into pursuant to the terms of that certain CSG Master Subscriber Management System Agreement (Document (CSG Doc. #4131273) entered into between the Parties with an effective date of January 1, 2020, as amended to date (the "Agreement").

WHEREAS, CSG and now Customer desire to describe amend the Encompass Addendum to clarify the terms and conditions under upon which certain [\*\*\*\*\*] software components will be procured by Customer through CSG will make available a certain specialized licensed product to Customer, and be [\*\*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*] as further set forth in this Encompass Addendum and that certain Encompass Order Document (as defined therein) being entered into between the Parties contemporaneously with this Encompass Addendum. Any terms in initial capital letters or all capital letters used as a defined such term but not is defined in this Encompass Addendum shall have the meaning set forth in the Agreement or the Encompass Order Document, as the case may be. Upon execution of this Encompass Addendum by the Parties, any subsequent reference to the Agreement between the Parties shall mean the Agreement as amended by this Encompass Addendum. Except as amended by this Encompass Addendum, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms. Agreement.

WHEREAS, Customer has requested that CSG make CSG's licensed software offering, CSG Encompass, and certain services related to CSG Encompass available to Customer under the Agreement; and

WHEREAS, the Parties are entering into this Encompass Addendum to (i) prescribe the terms and conditions by which CSG shall make CSG Encompass and related services available to Customer pursuant to the Agreement including this Encompass Addendum, the Encompass Order Document and any Letters of Agreement and/or Statements of Work entered into by the Parties pursuant to this Encompass Addendum or Encompass Order Document, and (ii) conform the form and terms of this Encompass Addendum to the form and terms of the Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, CSG and Customer agree to the following as of the Encompass Addendum Amendment Effective Date:

1. **General. Definitions.** This Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Encompass Addendum, together with the Encompass Order Document and the Agreement, provides Agreement.
2. **Amendments to Encompass Addendum.** As of the terms Amendment Effective Date, the Encompass Addendum is amended as follows:
  - 2.1 Section 3.6 (entitled "Embedded Third Party Software") of Attachment 3 to Encompass Addendum (General Terms and conditions upon Conditions) s deleted in its entirety and replaced with the following:

**3.6 Embedded Third Party Software.** The [\*\*\*\*\*] software components described in Attachment 1 – Description, which is distributed by CSG shall provide, and to Customer shall procure, together with the CSG Licensed Offering described in Attachment 1 (Description).
2. **Attachments.** The CSG Licensed Offering described in Attachment 1 (Description) shall be subject the general terms and conditions set forth in Attachment 3 (General Terms and Conditions), and the Support Services terms and conditions set forth in Attachment 4 (Support Services Terms and Conditions). The following documents are attached to under this Encompass Addendum, is sublicensed to Customer on a non-exclusive and made a part hereof:
  - non-transferable basis, to use in object code form only at the Site. In its use of such [\*\*\*\*\*] software, Customer agrees to be bound by the terms of th [\*\*\*\*\*] EULA identified in Exhibit A of Attachment 1 – Description
  - Attachment 2 – (Reserved)
  - Attachment 3 – General Terms and Conditions

further agrees to execute any additional documents that the licensor may reasonably require enabling CSG to deliver and Customer to use the [\*\*\*\*\*] software. Such [\*\*\*\*\*] software shall be [\*\*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*] as such term in defined in the Agreement.

- 2.2 Subsection 1.7 of Section 2 (CSG Encompass – Support Services) of Attachment 4 – Support to Encompass Addendum (Support Services Term Conditions Conditions) shall be deleted in its entirety and replaced with the following:

**1.7** Customer acknowledges that the [\*\*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*] may be impacted in certain limited scenarios where CSG cannot feasibly or commercially reasonably create a [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*] and is therefore [\*\*\*\*\* \*\* \* \*\*\*\*\* \*\*\*\* \*]

\*\*\*\*\*/\*\*\*\*\* \*\* \*\*\* \*\*\*\*\*) software that is being distributed by CSG to Customer together with the CSG Licensed Offering under this Encompass Addendum.

- 2.3 Attachment 1 to Encompass Addendum (Description) shall be deleted in its entirety and replaced with Attachment 1 to Encompass Addendum (Description) which is attached hereto as Amendment Exhibit A.
- 2.4 Appendix A of Exhibit A ([\*\*\*\*\*) EULA) of Attachment 1 to Encompass Addendum (Description) shall be deleted in its entirety and replaced with Appendix A to Exhibit A ([\*\*\*\*\*) EULA) of Attachment 1 to Encompass Addendum (Description) which is attached hereto as Amendment Exhibit B.
3. **Encompass Order Document Addendum Remains in Effect.** The Software License herein granted requires the Parties to mutually execute the Encompass Order Document contemporaneously with the Parties' mutual execution this Encompass Addendum.
4. **Ancillary Agreements.** This Encompass Addendum Except as amended and the Encompass Order Document shall be considered Ancillary Agreements as such term is used throughout the Agreement and the definition of "Ancillary Agreement" is hereby amended to reference this Encompass Addendum and the Encompass Order Document.
5. **Encompass Addendum; Scope and Conflict.** This Encompass Addendum, including but not limited to, the terms of Attachment 1, Attachment 3 and Attachment 4 hereto and the Schedules and Exhibits attached thereto specifically applies to CSG's performance and/or provision of CSG Encompass and related Services to Customer. Unless otherwise expressly provided modified in this Encompass Addendum, in no event will any terms, conditions set forth in this Encompass Addendum apply to CSG's performance of the Agreement other than with respect to CSG Encompass and related Services, or to CSG's provision and/or performance of Recurring Services or any optional and ancillary services or product under the Agreement that are not CSG Encompass and related Services. Except as provided in this Encompass Addendum, all other terms of the Agreement which are not in conflict with this Encompass Addendum shall be given full force and effect (including with respect to each Party's performance under this Encompass Addendum). In the event of a conflict between the terms of the Agreement and the terms of this Encompass Addendum, the terms of this Encompass Addendum shall control and take precedence with respect to CSG's provision of CSG Encompass and related Services.
6. **References to "Products" Under the Agreement Shall Apply to the CSG Licensed Offering.** The Parties acknowledge and agree that except as otherwise provided in this Encompass Addendum, all references to "Product(s)" under the Agreement shall apply to the CSG Licensed Offering even though the CSG Licensed Offering does not meet the definition of a "Product" under the Agreement.
7. **Changes to Encompass Addendum.** This Encompass Addendum, including but not limited to, the terms of Attachment 1, Attachment 3, and Attachment 4 hereto and the Schedules and Exhibits attached thereto may be amended upon agreement of the Parties and execution of a written amendment hereto. Until such time as a written amendment to this Encompass Addendum has been executed by the Parties, the Parties shall continue to fulfill their obligations as originally agreed in this Encompass Addendum.
8. **CSG Affiliate as Provider.** Customer acknowledges and consents that the CSG Licensed Offering may be provided and/or performed, partially or in their entirety, on behalf of CSG by a CSG Affiliate. CSG acknowledges that where CSG Affiliates are acting as a provider for CSG it is responsible for each CSG Affiliate's compliance with Amendment, the terms and conditions of this the Encompass Addendum remain in full force and the Agreement and that CSG shall be liable to Customer for the acts and omissions of each CSG Affiliate. effect.
- 9.4. **Counterparts and Facsimile.** This Encompass Addendum Amendment may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. A document signed, scanned and transmitted electronically and verifiably is to be treated as an original and shall have the same binding effect as an original signature on an original document.

IN WITNESS WHEREOF, the parties hereto have caused this Encompass Addendum Amendment to be executed by their duly authorized representatives.

COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC  
("CUSTOMER")

CSG SYSTEMS, INC. ("CSG")

By: /s/ Michael J Woods

Name: Michael J. Woods

Title: President, CMT

Date: Jun 13, 2024 12-Sep-24

Territory	Customer shall be entitled to use the standard CSG Licensed Offering identified above solely for Customer's business in the following Territory: [***** *****]
License Term	Upon the mutual execution of the Encompass Order Document, Customer shall be entitled to use the CSG Licensed Offering for the License Term. The License Term commences upon the [***** ***** ****] (as defined in the Encompass Order Document) and remains in effect through [***** **, ****].
Site	The Site of the CSG Licensed Offering shall be at the following physical location: Hosted in [*****] cgs-comcast.com and [***** ***** ****] environments hosted in the [** **].
License Unit Volumes	The Software License under this Encompass Addendum is limited to allow the processing of the following maximum number of Service Units: [****, ****] Service Units.

(End of Attachment 1)

Amendment Exhibit B

Appendix A

to

Exhibit A of Attachment 1

[\*\*\*\*\*] EULA

Third Party Software Licensing Terms

TERMS AND CONDITIONS

FOR SUBLICENSE OF [\*\*\*\*\*] SOFTWARE TO COMMERCIAL END USERS

This Exhibit A provides for the terms and conditions applicable to the Customer for its use of the [\*\*\*\*\*] Software as described in Appendix A to this Exhibit A ("[\*\*\*\*\*] Software") licensed to Customer along with the CSG Licensed Offering identified in Appendix A, in addition to any licensing terms and conditions applicable to the CSG Licensed Offering as provided for in the CSG Master Subscriber Management System Agreement, Encompass Addendum and Encompass Order Document concluded between the Parties (collectively, the "Agreement") (the Agreement and this Exhibit A shall be jointly referred to as the "end user license agreement"). Customer is hereinafter referred to as "End User", or "end user". Notwithstanding section 5 (Encompass Addendum; Scope and Conflict) of the Agreement, should there be any inconsistency between the terms of this Exhibit A and those of the Agreement, the terms of this Exhibit A shall prevail in governing the licensing terms of the [\*\*\*\*\*] Software only.

- (1) The use of the [\*\*\*\*\*] Software is limited to the legal entity that executed the Agreement ("signing entity") and any wholly or majority-owned subsidiaries and affiliates of the signing entity that the signing entity has contractually bound, and such signing entity shall be liable for actions of such subsidiary or affiliate. "Affiliates", as used in the foregoing sentence, means a wholly or majority-owned subsidiary of the entity controlling the legal entity that executed the Agreement.
- (2) [\*\*\*\*\*] grants the end user a right to use the [\*\*\*\*\*] Software together with the CSG Licensed Offering only and for the internal business operations of the end user. End user is allowed to permit agents or contractors (including, without limitation, outsourcers) to use the application package on the applicable end user's behalf for the end user's internal business operations as described above, subject to the terms of this Exhibit A and the Agreement. Nothing in the preceding sentence is intended to restrict CSG from providing outsourcing services to CSG's end users in connection with the use of the application package(s). For an application package that includes [\*\*\*\*\*] Software that is specifically designed to facilitate interactions between the end user and the end user's customers and suppliers, the end user may permit its customers and suppliers to use the application package in furtherance of such interactions subject to the end user license agreement. End User shall be responsible for its agent's, contractor's, outsourcer's, customer's and supplier's use of the [\*\*\*\*\*] Software (as part of CSG's

Licensed Offering) and compliance with the terms of this Exhibit A and the Agreement. The term "application package", as used in this Exhibit A, refers to the CSG Licensed Offering, coupled with the [\*\*\*\*\*] Software and distributed to the end user.

(3) [\*\*\*\*\*] or its licensor retains all ownership and intellectual property rights to the [\*\*\*\*\*] Software.

(4) End user shall not assign, give, or transfer the [\*\*\*\*\*] Software and/or any services ordered or an interest in them to another individual or entity (in the event the end user grants a security interest in the [\*\*\*\*\*] Software and/or any services, the secured party has no right to use or transfer the [\*\*\*\*\*] Software and/or any services).

(5) The end user is expressly prohibited from:

(a) using the [\*\*\*\*\*] Software for rental, timesharing, subscription service, hosting, or outsourcing;

(b) removing or modifying any program markings or any notice of [\*\*\*\*\*] or its licensors' proprietary rights;

(c) making the [\*\*\*\*\*] Software available in any manner to any third party for use in the third party's business operations (unless such access is expressly permitted for the specific [\*\*\*\*\*] Software's license); and

(d) obtaining title to the [\*\*\*\*\*] Software or passing it to any other party.

(6) The end user shall not reverse engineer (unless required by law for interoperability), disassemble or decompile the [\*\*\*\*\*] Software (the foregoing prohibition includes but is not limited to review of data structures or similar materials produced by the [\*\*\*\*\*] Software) nor duplicate the [\*\*\*\*\*] Software except for a sufficient number of copies of each program for the end user's licensed use and one copy of each program media.

---

(7) To the extent permitted by applicable law, [\*\*\*\*\*] disclaims its liability for (a) any damages, whether direct, indirect, incidental, special, punitive or consequential, and (b) any loss of profits, revenue, data or data use, arising from the use of the programs.

(8) Upon termination of this end user license agreement, End User shall discontinue use and destroy or return to CSG all copies of the [\*\*\*\*\*] Software and documentation.

(9) End user shall not publish any results of benchmark tests run on the [\*\*\*\*\*] Software.

(10) End User must comply fully with all relevant export laws and regulations of the United States and other applicable export and import laws to assure that neither the [\*\*\*\*\*] Software, nor any direct product thereof, are exported, directly or indirectly, in violation of applicable laws.

(11) The [\*\*\*\*\*] Software is subject to a restricted license and can only be used in conjunction with the CSG Licensed Offering.

(12) End User shall not have the right to require [\*\*\*\*\*] to perform any obligations or incur any liability not previously agreed to between CSG and [\*\*\*\*\*].

(13) End User shall permit CSG to audit the end user's use of the [\*\*\*\*\*] Software. End User shall provide reasonable assistance and access to information in the course of such audit and permit CSG (i) to report the audit results to [\*\*\*\*\*] or (ii) to assign CSG's right to audit the end user's use of the [\*\*\*\*\*] Software to [\*\*\*\*\*]. Where CSG assigns its right to audit to [\*\*\*\*\*] then [\*\*\*\*\*] shall not be responsible for any of CSG's or the end user's costs incurred in cooperating with the audit.

(14) [\*\*\*\*\*] is a third party beneficiary of the end user license agreement.

(15) The parties hereby expressly exclude the application of the Uniform Computer Information Transactions Act.

(16) The [\*\*\*\*\*] Software may include source code that [\*\*\*\*\*] may provide as part of its standard shipment of such [\*\*\*\*\*] Software, which source code shall be governed by the terms of this end user license agreement.

(17) Third party technology that may be appropriate or necessary for use with the [\*\*\*\*\*] Software is specified in the application package documentation, or as otherwise notified by CSG. Such third party technology is licensed to the end user only for use with the application package under the terms of the third party

license agreement specified in the application package documentation or as otherwise notified by CSG and not under the terms of the end user license agreement.

---

## Appendix A

[\*\*\*\*\* \*\*\*\*\*]

CSG Licensed Offering: Encompass Version [\*\*]

---

### Attachment 3

to

### Encompass Addendum

#### GENERAL TERMS AND CONDITIONS

1. **DEFINITIONS.** Except as provided in this Encompass Addendum, capitalized terms used herein shall have the meaning ascribed to such terms in the Agreement.

**Acceptance** means, with respect to the CSG Encompass, the earlier of (i) CSG's receipt of Customer's written notice of acceptance (email acceptable) of CSG Encompass, or (ii) first use of CSG Encompass within the Production Environment.

**CSG Licensed Offering** means the CSG proprietary standard core unmodified computer software, applications, programs and modules expressly listed in this Attachment 1 – Description, in object code, and shall include any Emergency Release, Minor Release and/or Major Release thereof made available by CSG as part of the Support Services (as such terms are defined in this Encompass Addendum).

**Customer Dependency Deliverable** means an item identified in an applicable Statement of Work which CSG requires Customer or its affiliates, agents, vendors or subcontractors to provide a tangible deliverable, comments or approval so that CSG may in turn perform and deliver its Services and Deliverables under such Statement of Work.

**Customer Material** means any information, software, data, materials, services or website, provided by Customer.

**Customer System** means any computers, communications systems, solutions, applications (including applications provided by Customer or a Customer Vendor that accesses or integrates with the CSG Licensed Offering) and products (including hardware or software components of each of the foregoing) of Customer or its Affiliates.

**Customer Vendor(s)** means any consultant, contractor, agent, or vendor that has supplied, is supplying, or is contractually obligated to supply products (including hardware, software, equipment, systems and solutions) and services to Customer or its Affiliates.

**Delaying Event** means any event that prevents a Party from performing an obligation set forth in this Encompass Addendum, the Encompass Order Document or any related Statement of Work or LOA, which event is outside the control of such Party and occurs without its fault or negligence, including but not limited to (a) the failure of the other Party to perform any of its obligations, including Customer's failure to complete a Customer Dependency Deliverable, or a Party's failure to provide the other Party with timely, accurate and complete information; (b) any delay, act or failure to



**Emergency Release** means a patch release of the CSG Licensed Offering which includes an unscheduled

**Specifications** means the standard functional capabilities for the CSG Licensed Offering as described in the Documentation.

**Support Fees** means the fees for CSG's Support Services as specified in the Encompass Order Document.

**Support Services** means the maintenance and support services performed by CSG for a CSG Licensed Offering as described in this Encompass Addendum.

**Territory** means the geographical area within which the Customer is entitled to Use the CSG Licensed Offering at the Site to process its data as specified in Attachment 1.

**Test Environment** for a CSG Licensed Offering means [\*\*\* (\*) \*\*\*\*\*] instance of the CSG Licensed Offering installed as [\*\*\* (\*) \*\*\*\*\*] environment at the same location as the Production Environment of the CSG Licensed Offering for use only for testing purposes such as new agreements, new patches, Updates.

**Training Environment** means [\*\*\* (\*) \*\*\*\*\*] instance of the CSG Licensed Offering installed as [\*\*\* (\*) \*\*\*\*\*] environment at the same Site as the Production Environment for use only for training purposes.

**Update** means updates which CSG may in its entire discretion, from time to time, make available to the Customer for Emergency Releases, Major Releases and Minor Releases of the CSG Licensed Offering.

**Use** means the Customer's copying or loading any portion of the CSG Licensed Offering at the Site for the processing of Customer data by the CSG Licensed Offering, or the Customer's operation of any procedure or machine instruction utilizing any portion of the CSG Licensed Offering or Documentation supplied with the CSG Licensed Offering.

**Warranty Period** means with respect to Encompass, [\*\*\*\*\* (\*) \*\*\*\*\*] days from the [\*\*\*\*\*] of (i) Customer's [\*\*\*\*\*] of CSG Encompass, (ii) Customer's [\*\*\*] of CSG Encompass in a [\*\*\*\*\*], or (iii) the date of [\*\*\*\*\*] of [\*\*\*\*\*] of the project to [\*\*\*\*\*] CSG Encompass, as described in that certain Statement of Work (CSG document no. [\*\*\*\*\*]), which date of [\*\*\*\*\*] shall be memorialized via CSG's provision of written notice (email acceptable) to Customer of such date.

## 2. TERM; TERMINATION

**2.1 Encompass Addendum Term:** The term of this Encompass Addendum shall begin on the [\*\*\*\*\*] and continue until the Agreement [\*\*\*\*\*] as set forth in Article 6 the Agreement ("Termination"). If CSG Encompass is still being licensed pursuant to the Encompass Order Document at the time the Agreement [\*\*\*\*\*], the Encompass Order Document shall [\*\*\*\*\*] pursuant to the terms and conditions of this Encompass Addendum and the Agreement, and any terms identified in the Encompass Order Document [\*\*\*\*\*] such Encompass Order Document [\*\*\*\*\*].

## 3. SOFTWARE LICENSE; RIGHT TO USE; CUSTOMER OBLIGATIONS; BACK UP; DELAYING EVENTS; RESTRICTIONS; LIMITATIONS; EMBEDDED THIRD PARTY SOFTWARE

**3.1 Software:** Upon the payment to CSG of the Software License Fees described in the Encompass Order Document, CSG agrees to grant a Software License, solely for Customer's own internal business and benefit, subject to the limitations contained in this Encompass Addendum, the Encompass Order Document and the Agreement.

### 3.2 Customer Obligations:

**3.2.1** Customer shall reasonably make available resources and perform obligations within Customer's control including the timely provision of a maintenance, and installation of all necessary equipment to utilize the CSG Licensed Offering, access and technical inputs that are necessary for be able to perform under this Encompass Addendum including but not limited to all Customer Dependency Deliverables.

**3.2.2** Customer will not permit direct or indirect access or use of the CSG Licensed Offering in a way that circumvents a contractual usage limit.

- 3.2.3** Customer will not knowingly use the CSG Licensed Offering to store or transmit infringing, libelous, or otherwise unlawful or tortious material, or to transmit material in violation of third-party privacy rights.
- 3.2.4** Customer knowingly will not use the CSG Licensed Offering to store or transmit codes, files, scripts, agents, or programs intended to do harm. Customer shall also use all reasonable efforts to prevent the introduction or proliferation of same. Customer must notify CSG promptly in writing of any occurrence of this.
- 3.3 Back Up and Recovery:**
- 3.3.1** Any Customer documents and files located at Customer's site(s) are and shall remain Customer's property; and therefore, Customer is solely responsible for its own backup and recovery plan(s).
- 3.3.2** Provided that CSG complies with any backup procedures defined in this Encompass Addendum, it shall be deemed to have satisfied all obligations with respect to backup and recovery plans and shall not be [\*\*\*\*\*] resulting from the [\*\*\*\*\*] of any Customer information or data.
- 3.4 Delaying Events:** The Parties recognize that the performance of one Party during the provision of Services is dependent on the performance by the other Party of certain preparatory or other acts. Where a Statement of Work includes milestones, each Party is responsible for the completion of each milestone allocated to it by the specified milestone date in the Statement of Work issued pursuant to this Encompass Addendum, the Encompass Order Document or the Agreement. In the event of a Delaying Event for which one Party is responsible, the other Party reserves the right to charge, and the responsible Party agrees to pay, the time and material rates and expenses specified in the relevant Statement of Work, or if not specified in the relevant Statement of Work, CSG's then-current applicable rates for such Services, while being unable to start or continue performance due to such Delaying Event, provided always that the other Party shall use reasonable efforts to mitigate any loss.
- 3.5 Limitations and Restrictions:** The Software License described herein is subject to all of the following limitations and restrictions:
- 3.5.1** To the extent indicated in Attachment 1, Customer may only use the CSG Licensed Offering during the License Term and any mutually agreed extensions thereof.
- 3.5.2** Customer may only Use the CSG Licensed Offering at a [\*\*\*\*\*] Production Environment, [\*\*\*\*\*] Test Environment, and [\*\*\*\*\*] DR Environment at the Site specified in Attachment 1.
- 3.5.3** Customer shall only be entitled to Use the CSG Licensed Offering to process its own data and records.
- 3.5.4** Customer shall only be entitled to Use the CSG Licensed Offering within the Territory.
- 3.5.5** Customer shall only be entitled to Use the CSG Licensed Offering to process the maximum number of License Unit volumes as set forth in Attachment 1, and Customer may only exceed such volumes upon payment by the Customer of the applicable additional Software License Fees set forth in the Encompass Order Document.

- 3.5.6** In addition to the restrictions set forth in Section 8 of Schedule B (Product Licenses, Maintenance and Support) of the Agreement, Customer agrees that it shall not itself or through any Affiliate, agent or other third party carry out any of the following actions which would constitute a [\*\*\*\*\*] of this Agreement:
- a) Copy, translate, adapt, vary, modify, transfer, reverse engineer, decompile or disassemble, or attempt to reconstruct any of the CSG Licensed Offering, or Deliverables provided by CSG, in whole or in part, prepare derivative works incorporating, using or based on the CSG Licensed Offering, or use the CSG Licensed Offering for any purpose other than as specifically authorized in this Encompass Addendum or an applicable Statement of Work;
  - b) Sell, lease, license or sublicense any access to the CSG Licensed Offering or Deliverables;
  - c) Publish any results of benchmark tests on the CSG Licensed Offering;
  - d) Create, write or develop any derivative software or any other software program based on the CSG Licensed Offering or Deliverables for any purpose other than as specifically authorized in this Encompass Addendum, the Encompass Order Document or an applicable Statement of Work;
  - e) Use the CSG Licensed Offering or the Deliverables to provide any service to or on behalf of any third parties in a service bureau capacity;
  - f) Install the CSG Licensed Offering or Deliverables on a network or other multi-user computer system unless CSG specifically authorizes it in writing;
  - g) If the CSG Licensed Offerings have been licensed as a duplex or load-shared system, Customer shall not take any action,

whether by assignment or otherwise, which would have the effect of splitting the system into two or more independent systems; and/or

- h) Customer may not, without the prior written consent of CSG, make available, provide access to, allow the use of or otherwise provide the CSG Licensed Offering, in whole or in part, in any form, or otherwise to any person other than the Customer's employees and subcontractors who have the need to use the CSG Licensed Offering on Customer's behalf.

**3.6 Embedded Third Party Software.** The [\*\*\*\*\*] software components described in Attachment 1 – Description, which is distributed by CSG to Customer together with the CSG Licensed Offering under this Encompass Addendum, is sublicensed to Customer on a non-exclusive and non-transferable basis, to Use in object code form only at the Site. The [\*\*\*\*\*] software components shall be treated as [\*\*\*\*\*] as such term is defined in the Agreement.

#### **4. LIMITED WARRANTY**

**4.1 Limited Warranty:** For purposes of this Encompass Addendum only, the first sentence of Section 8.1 of the Agreement, entitled "Limited Warranty," shall be deleted in its entirety and replaced with the following:

"CSG warrants that CSG Encompass will, for the applicable Warranty Period (as defined in the Encompass Addendum), conform to CSG's Specifications for CSG Encompass. This warranty is conditioned on the following: (a) CSG Encompass remains, consistent with the terms and conditions of this Encompass Addendum, supported by CSG; (b) CSG Encompass has always been used properly and in accordance with the provisions of the Specifications, this Encompass Addendum, the Encompass Order Document and the Agreement; (c) All Updates provided by CSG have been installed and put into use by Customer; and no alteration, modification or addition has been made to CSG Encompass without CSG's prior written consent; (d) The limited warranty does not apply to CSG Encompass conditions resulting from improper use, accident, neglect or any other causes external to CSG Encompass, including without limitation, installation, service or modifications not performed by CSG, or operation outside the

environmental parameters specified or authorized by CSG for CSG Encompass; (e) CSG will not be responsible for compatibility of software not developed or supplied by CSG; and (f) Performance standards or characteristics relating to the volume of transactions or speed of transaction handling are not warranted regardless of any prior statements or discussions between the Parties unless such standards or characteristics are expressly included in the Specifications for CSG Encompass."

#### **5. RECORD KEEPING; AUDITS; ADDITIONAL SOFTWARE LICENSE FEES**

##### **5.1 Record Keeping, Software Use Audits:**

**5.1.1** Customer will maintain adequate records matching the Use of the CSG Licensed Offering to the license grant and will make such records available for review and copying, subject to reasonable notice and the confidentiality provisions of the Agreement.

**5.1.2** As part of Customer's obligations hereunder, Customer will carry out audits of its [\*\*\*\*\*] using the following procedure:

- (i) Customer will collate usage reports from all installed production copies of the CSG Licensed Offering to show overall [\*\*\*\*\*] period in a format acceptable to CSG.
- (ii) Customer will submit the collated reports to CSG no later than [\*\*\* (\*\*\*)] days after the respective audit.

(iii) If the [\*\*\*\*\*] reflected in the reports [\*\*\*\*\*] by the existing Software License over the [\*\*\*\*\*] set out, Customer shall immediately notify CSG and CSG shall [\*\*\*\*\*] Customer for the [\*\*\*\*\*] and the rele [\*\*\*\*\*], and Customer shall [\*\*\*\*\*] the same.

**5.1.3** CSG shall have the right, in its discretion, to carry out an independent audit of the License Unit volumes upon reasonable prior notice by remote access in accordance with the mutually agreed upon remote access plan. CSG shall also be entitled, upon giving at least seven (7) calendar days prior written notice to Customer, to conduct an audit of the use of the CSG Licensed Offering during normal business hours, provided, however, that such audit shall not interfere with Customer's production processing.

**5.2 Additional Software License Fees:** Customer acknowledges that the amount of the Software License Fees payable for the CSG Licensed Offering may depend upon the [\*\*\*\*\*] processed by the CSG Licensed Offering over the [\*\*\*\*\*] set out in the Encompass Order Document and / or the [\*\*\*\*\*] of Sites at which the CSG Licensed Offering is installed in the Territory, Customer subscriber numbers, transactions, or certain other factors as set out in this Encompass Addendum or the Encompass Order Document. An additional Software License Fee will become due and payable as soon as Customer reaches or exceeds a pricing threshold which is higher than the threshold for which Customer is currently authorized in this Encompass Addendum or the Encompass Order Document. In such event, CSG will notify Customer and invoice Customer for the additional charges. Customer shall then issue a purchase order and pay to CSG the additional Software License Fee for the corresponding higher pricing level in the next monthly billing cycle. Customer shall not be entitled to a refund, credit, or other repayment of fees previously paid if audited License Unit volume levels decrease or Customer otherwise reduces its use of the CSG Licensed Offering.

## **6. OWNERSHIP**

**6.1 Ownership by CSG:** As between Customer and CSG, CSG shall own all right, title and interest (including all associated Intellectual Property Rights) in and to the CSG Licensed Offering and related Services, CSG Confidential Information and all other Intellectual Property owned or licensed by CSG and made available to Customer by CSG under this Encompass Addendum, and of any improvements, adaptations, derivations, enhancements, and other such modifications of the same that are developed by or for CSG (but specifically excluding any Consumer Information, Customer's Confidential Information, and other Intellectual Property owned by Customer). Customer will execute any instruments that may be appropriate or necessary to give full legal effect to the ownership rights granted to CSG herein.

**6.2 Ownership by Customer:** As between Customer and CSG, Customer shall own all right, title and interest (including all associated Intellectual Property Rights) in and to the Consumer Information, Customer's Confidential Information, and Intellectual Property owned or licensed by Customer and any improvements, adaptations and other such modifications of the same that are developed by or for Customer (but specifically excluding the CSG Licensed Offering, related Services, CSG Confidential Information, any Deliverables) (unless otherwise expressly agreed in an effective Statement of Work) and any other Intellectual Property owned by CSG) ("Customer Intellectual Property").

**6.3 Ownership of Deliverables:** As between Customer and CSG, unless otherwise expressly agreed in an effective Statement of Work, CSG will own all rights, title and interests (including all Intellectual Property Rights) in and to any Deliverables, subject always to Customer's ownership of Customer Intellectual Property and any portions or derivatives thereof that may be reproduced, stored, displayed, performed or otherwise contained within any part of the Deliverables.

## **7. SUPPLEMENTAL TERMS**

**7.1 Additional Safeguarding Requirements:** In the event that (i) CSG accesses [\*\*\*\*\*] in providing the CSG Licensed Offering and related Services to Customer, (ii) CSG's access to such information is not [\*\*\*\*\*], and (iii) CSG's access is [\*\*\*\*\*] in order for CSG to provide the CSG Licensed Offering and related Services to Customer, then CSG shall use commercially reasonable efforts to comply with the following clauses, as applicable, until such time that the Parties are able to provide an alternative approach, after working in good faith, under which CSG's access to such information is no longer [\*\*\*\*\*] in order for CSG to provide the CSG Licensed Offering and related Services to Customer:

- [\*\*\*\*\* (\*\*\* \*\*\*) (\*\*\*\*\* \*\*\*)]
- [\*\*\*\*\* (\*\*\* \*\*\*) (\*\*\*\*\* \*\*\*)]

**7.2 Supplemental Vendor Representations and Certifications:** Additionally, Comcast requires all suppliers to comply with the Supplemental Vendor Representations and Certifications as set forth in Comcast's Supplier Policies Portal, located at <https://cvpp319.com/Policies.html>.

(End of Attachment 3)

---

#### Attachment 4

To

#### Encompass Addendum

### SUPPORT SERVICES TERMS AND CONDITIONS

#### 1. Definitions

**DR Environment** means one (1) single instance of the CSG Licensed Offering installed as one (1) single environment which can be used by Customer for disaster recovery purposes only, however this environment must be an exact copy of the Production Environment and as such no Support Services will be supplied for the DR Environment unless expressly agreed in advance and paid for separately.

**Emergency Release** means a patch release of the CSG Licensed Offering which includes an unscheduled or temporary fix or work around to fix an Incident, but which may not necessarily correct or resolve the root cause of the Incident.

**Error** with respect to the CSG Licensed Offering means a reported, identifiable, and reproducible error in the CSG Licensed Offering resulting in an Incident causing the CSG Licensed Offering to fail to perform in all material respects in accordance with the applicable Specifications of the CSG Licensed Offering.

**Incident** means any failure in the operation or use of the CSG Licensed Offering to perform in all material respects in accordance with the applicable Specifications for the CSG Licensed Offering.

**Incident Report** means a notification by Customer to CSG in which Customer identifies a suspected Incident with sufficient detail and particularity to enable CSG to effectively initiate a Response, Restoration and Resolution.

**Incident Response Time ("Response")** means the time within which CSG will provide a Response to Customer after Customer (or CSG on Customer's behalf) has logged an Incident Report with CSG.

**Initial Maintenance Period** means the initial period for the provision of the Support Services by CSG commencing on Acceptance of the CSG Licensed Offering and continuing for the period indicated in Attachment 4.

**Major Release** means an important release of a version of the CSG Licensed Offering which, in most cases, includes a considerable expansion and enhancement of the functionality of the CSG Licensed Offering.

**Minor Release** means a maintenance release of the CSG Licensed Offering which consists of a number of minor improvements, fixes and/or work arounds to the CSG Licensed Offering, some of which may consist of prior Emergency Releases, but which are consolidated within the Minor Release as part of the Support Services.

**Resolution** means the permanent correction and resolution of an Incident.

**Restoration** means a temporary non-scheduled fix to resolve an Incident, or where CSG and Customer agree to the implementation of a defined workaround pending Resolution of the Incident.

**Support Fees** means the fees for CSG's Support Services as specified in the Encompass Order Document.

**Support Package** means the pre-packaged Support Services for the CSG Licensed Software further described in Attachment 4 Exhibit B.

**Support Services** has the meaning given to it in the Encompass Addendum.

**Updates** means updates which CSG may in its entire discretion, from time to time, make available to the Customer for Emergency Releases, Major Releases and Minor Releases of the CSG Licensed Offering.

2. **CSG ENCOMPASS – SUPPORT SERVICES**

1. Support Services:

**1.1** For so long as CSG provides support for a particular Update of the CSG Licensed Offering acquired by Customer to its customers generally, and Customer pays for the annual Support Fees set out in the Encompass Order Document for the Maintenance and Support Package for the CSG Licensed Offering purchased by the Customer identified in the Encompass Order Document, CSG will, for the periods set forth in Section 1.2 below, provide the Support Services described in this Encompass Addendum for the CSG Licensed Offering.

**1.2** The Initial Maintenance Period shall be [\*\*\*\*\*].

The Initial Maintenance Period shall automatically renew for [\*\*\*\*\*] (“Renewal Term”) unless a party notifies the other in writing at least [\*\*\*\*\* (\*\*)] days prior to the expiration of the Initial Maintenance Period or any Renewal Term thereafter of its intent not to renew the Support Services for the subsequent Renewal Term. In the event Customer fails to continually renew the Support Services for any CSG Licensed Offering, Customer acknowledges that it will be required to pay CSG’s then applicable reinstatement fee in the event the Customer wishes to subsequently renew the Support Services for such CSG Licensed Offering.

**1.3 CSG Global Service Desk and Incident Reporting**

**1.3.1** CSG has a global service desk (“GSD”) and Customer shall be required to submit all Incident Reports to the GSD. CSG will provide the GSD remotely by telephone or other electronic communication, which may include, where applicable, self-service based upon the Support Package procured by Customer.

**1.3.2** [\*\*\*\*\*]

**1.3.3** [\*\*\*\*\*]

**1.4 Exceptions:** The following services are specifically excluded from the scope of Support Services. CSG will not be responsible for attending to, responding to, advising on and/or resolving any of the below excluded items nor any other problems or issues which are not caused by or are external to the CSG Licensed Offering, or which are outside of CSG's control:



**1.5 Customer's Responsibilities:** CSG requires the cooperation of Customer in order for CSG to provide Support Services. The Customer, therefore, agrees to provide:

**1.5.1 Designated Contacts and Trained Personnel:** Customer shall appoint certain technical contacts in accordance with the terms set forth in Exhibit A.

**1.5.2 Remote Access:** Customer shall provide CSG with remote access to the CSG Licensed Offering in accordance with the terms of Exhibit A.

**1.5.3 Malfunction Correction of Non-supported Components:** Customer shall provide for the correction of malfunctions of any software or hardware components of its system which, at the time, are not covered by a warranty or maintenance contract issued through CSG.

**1.5.4 Project and Operational Managers:** Customer shall provide a project manager who will have the primary responsibility for interfacing with CSG and also for keeping the Customer's organization and personnel informed about decisions regarding the status of the CSG Licensed Offering. Customer will also provide an operational manager who will provide guidance to its users of the CSG Licensed Offering and will also be responsible for authorizing Emergency service calls to CSG.

**1.5.5 Modifications to CSG Licensed Offering or Environment:** If CSG becomes aware that Customer or a third party has modified the CSG supported CSG Licensed Offering or changed the operating environment in such a manner that requires an increase in the level of Support Services, CSG will notify Customer of such an occurrence. Until the Parties reach an agreement regarding appropriate modifications to the Support Services (including price adjustments) to be provided by CSG or Customer restores the CSG supported CSG Licensed Offering or operating environment to its original condition, CSG shall be relieved of all support obligations.

**1.5.6 Uninstalled Updates:** Customer is responsible for installing Updates in a timely manner. CSG shall not be responsible for correcting any alleged problem in an unsupported version of the CSG Licensed Offering (as defined in Section 1.6.1 below).

**1.5.7 Installation of Fixes:** The Customer agrees to promptly install any fixes that CSG provides to resolve Incidents. Customer acknowledges that temporary fixes may be provided by CSG without full testing of such temporary fix.

**1.5.8** Customer will not be permitted to designate individual CSG personnel that will perform system support and thus require access. Furthermore, CSG personnel will not be required to submit to any personnel checks, sign any Customer agreement including individual NDAs, nor will CSG divulge any private data regarding CSG personnel that may perform support. Except as otherwise provided in a Statement of Work, CSG personnel will not be required to maintain citizenship with any specific country, nor will the CSG personnel be required to work from any specific jurisdiction. Except as otherwise provided in a Statement of Work, CSG specifically disclaims any representation that CSG and the CSG personnel hold any specific security authorization including, but not limited to, [\*\*\*\*\*] authorized.

**1.6 Update Services for the CSG Licensed Offering:**

**1.6.1** CSG may in its entire discretion, from time to time, make Updates available to the Customer.

Any other software or products developed or published by CSG will be offered to Customer at CSG's then current published rates. The above Updates shall not include new or separate software or products that CSG offers generally to its customers for an additional cost, regardless of whether or not those customers have current Support Services agreements.

**1.6.2** The Updates may include, without limitation and at the sole discretion of CSG, software code which: improves performance or operations; adds diagnostic routines; adds new features; provides more efficient user interfaces; makes data retrieval or entry easier; or updates Documentation of the CSG Licensed Offering, all of which shall, subject to CSG's receipt of the Support Fees for the CSG Licensed Offering payable for the applicable period, upon installation, be considered to form part of the CSG Licensed Offering and shall not be licensed separately by CSG.

**1.6.3** Where an Update requires a new version of the CPU operating system software, an additional manufacturer's license fee may apply and is the responsibility of Customer.

**1.6.4** Major Releases may contain optional new modules that are licensed separately. Customer can choose not to purchase these modules and yet remain current with the latest CSG Licensed Offering release.

**1.6.5** CSG supports the [\*\*\*\*\* \*\*] Major Release of the CSG Licensed Offering. At the sole discretion of CSG, CSG may charge additional fees or discontinue Support Services of prior Major Releases after the current Major Release of the CSG Licensed Offering has been available to Customer for more than a [\*\*\*\*\* (\*\*)] period.

**1.6.6** Emergency Releases can be downloaded and installed by Customer via CSG's ftp site. However, if any installation of the CSG Licensed Offering by CSG is necessary or requested by Customer, it will be at additional charge. If a Customer is not on a supported Minor Release of the CSG Licensed Offering, they will be required to upgrade to at least the latest supported Minor Release prior to receiving an Emergency Release.

**1.6.7** All transition, migration, installation, integration, testing and any other services required by Customer to implement any Updates shall not form part of the Support Services, and shall be charged separately by CSG.

**1.6.8** Installation and license fees for new releases of CPU operating system software or patches as required by their manufacturers are not included in Support Fees. Furthermore, services in connection with the integration of the CSG Licensed Offering with new CPU operating system software are not included in the Support Services, and, if requested by Customer and if CSG agrees in writing to provide such services, they will be charged separately by CSG.

**1.7** Customer acknowledges that the [\*\*\*\*\* \*\*] may be impacted in certain limited scenarios where CSG cannot feasibly or commercially reasonably create a Resolution solely within [\*\*\* \*\*] and is therefore reliant on a change from [\*\*\* \*\*] software that is being distributed by CSG to Customer together with the CSG Licensed Offering under this Encompass Addendum.

**1.8 Exhibits: The following Exhibits are attached to and form an integral part of this Attachment 4:**

**Exhibit A: Operational Manual for Support Services**

**Exhibit B: Support Packages - CSG Licensed Offering**

## Exhibit A of Attachment 4

### Operational Manual for Support Services

#### 1. Global Service Desk

CSG's GSD serves as the initial contact and entry point within CSG for the logging of Incident Reports by Customers and for CSG to provide Customers with advice, consultation, and assistance with the Use of the CSG Licensed Offering and dispense technical services (if applicable), and the Restoration and Resolution of Incidents with the CSG Licensed Offering. As part of the Support Services CSG will provide the GSD remotely by telephone or other electronic communication, which may include, where applicable, self-service.

#### 2. Contacting the GSD

##### 2.1 Incident Reporting Requirements

When contacting CSG and logging an Incident Report, the Customer representative should provide detailed information regarding the suspected Incident and the extent of any adverse impact on the operations of the Customer. Customer will need to provide CSG with sufficient particularity and details of the suspected Incident to enable CSG to initiate Incident identification, including but not limited to:

- Customer's full name.
- The name, telephone number, pager number or mobile number and e-mail address of the individual reporting the Incident on behalf of the Customer.
- The Customer's designated contact name, phone number, pager number or mobile number and e-mail address, if different from the individual report suspected Incident.
- The date and time the Incident was identified by the Customer.
- The details of the CSG Licensed Offering experiencing the suspected Incident, including the specific CSG Licensed Offering product, version number(s), and/or licensed CSG Licensed Offering package.
- The details of the hardware and the CSG Licensed Offering environment on which the Incident was detected (including database version and CPU operating system version).
- A detailed description of the suspected Incident, including:
  - The area of the CSG Licensed Offering product that is failing or faulty.
  - The expected behavior or level of performance of the CSG Licensed Offering (as detailed in the documentation) vs. the actual behavior or level of performance of the CSG Licensed Offering.
- Any specific conditions under which the Incident does or does not occur.
- Where applicable, the exact GUI error messages, server log file messages and task output that are produced as a result of the Incident occurring.
- Details of the Customer's investigations done to date to isolate the Incident and to confirm that it is an Incident in the CSG Licensed Offering.
- Details of the Customer's attempt to reproduce the reported Incident and the outcome.
- If the Incident is reproducible, the specific steps required to reproduce it.
- Any configuration files and sample output that would assist in identification and resolution of the Incident.
- Customer assessment of scope and business impact.

##### 2.2 GSD Actions

On receipt of an Incident Report as set forth in Section 2.1 above, the GSD will provide a Response within the corresponding Response times for the Support Package purchased by the Customer (as set forth Exhibit B of Attachment 4), and to the extent appropriate, the Response will include the following:

- Logging of the respective Incident Report details and impacts, including delivery of a reference number (trouble ticket system number).
- Incident diagnosis.
- Assistance to Customer representative to mitigate any material adverse business impact to the Customer operations directly caused by the Incident.
- Assignment of a severity level to all Incidents in accordance with the level of severity set forth in Section 2.3 below. Incidents are resolved according to assigned severity. CSG may, upon notice to Customer, change a designated severity level of any Incident if, after investigation, the impact of the problem on the Customer's business operations is determined to be more or less severe than the initial designation. In all cases, final determination of Incident severity will be at the sole discretion of CSG.
- For incidents reported via the specific Customer self-service website that require immediate response, Customer MUST ALSO contact the GSD by telephone and advise GSD of the extent of the failure and consequent adverse impact to the Customer's operations.

## 2.3 Incident Severity Designation

The severity of an Incident will be determined and based upon the following criteria:

- **Critical Incident:** [\*\*\*\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
- **High Incident:** [\*\*\*\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
- **Medium Incident:** [\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
  - [\*\*\*\*\*]
- **Low Incident:** [\*\*]
  - [\*\*\*\*\*]

The severity of Incidents may be adjusted depending on the urgency (timeframe within which the impact will occur) as determined by the GSD during the process of Restoration and Resolution.

## 2.4 Designated Contacts

For CSG to provide the Support Services, the number of representatives of the Customer designated by the Customer as technical contacts for the Customer is limited to the corresponding amount allocated to the Customer and determined by the Support Package selected and purchased by the Customer as set forth in Exhibit B.

The Customer must [\*] [\*\*\*\*\*] notify CSG in writing of the names of their designated contact representatives, and their contact details, and by no later than [\*\*\*\*\* (\*\*)] days after the effective date of the Encompass Addendum ("Customer Technical Contact"). The Customer may change the Customer Technical Contacts from time to time upon written notice to CSG by e-mail or formal letter to the GSD. The Customer shall provide adequately trained English speaking Customer Technical Contacts (unless otherwise specified) to work with CSG who know the location of the CSG or Customer System or can operate the CSG Licensed Offering, have access to the appropriate Documentation and able to operate any applicable diagnostic software and equipment.

## 2.5 Customer's Technical Contact Access

Any lack of availability of the Customer Technical Contacts or delay by the Customer Technical Contacts to provide the GSD with any information requested by GSD which is reasonably required by CSG in order to be able to provide a Response or carry out a Restoration or Resolution may adversely affect CSG's ability to achieve the respective Response, Restoration and/or Resolution times as specified Exhibit B of Attachment 4, and as such the respective times will be adjusted accordingly.

## 2.6 Remote Access

CSG requires a mutually agreed upon remote access plan providing CSG with sufficient remote access to provide the Support Services to the CSG Licensed Offering in the Test Environment. Regardless of the remote access plan agreed to by the Parties, CSG shall provide the Support Services in accordance with the Information Security Requirements and the following additional requirements:

- Upon logging an Incident Report with GSD, which would likely necessitate access by CSG to the CSG Licensed Offering to provide a Response, Rest and/or Resolution, Customer shall provide remote access to the CSG Licensed Offering to CSG's GSD personnel whom CSG has identified as needing access to the CSG Licensed Offering ("GSD Personnel"). Customer and CSG will work in good faith to agree upon mutually acceptable remote mechanisms to provide the GSD Personnel with Customer authorized remote access.
- In addition, Customer Technical Contacts must have access to a voice line to be able to effectively communicate and discuss the suspected Incidents with GSD.

Upon logging an Incident Report with CSG, Customer will provide CSG with necessary system access to enable diagnosis and troubleshooting of the suspected Incidents.

If CSG is [\*\*\*\*\*] [\*\*\*\*\*]

[\*\*\*\*\*] [\*\*\*\*\*] are required in a manner described in this Attachment, CSG will be released of any further obligations under the Agreement with respect to the Incident identified in the respective Incident Report, until the [\*\*\*\*\*] is provided to GSD or alternative arrangements have been effected and agreed between the Customer Technical Contact and the GSD.

## 2.7 Test Environment of the Software

Customer, at its expense, will be required to grant CSG access to a Test Environment of the CSG Licensed Offering, which mirrors the Production Environment as closely as possible, to enable CSG to effectively carry out troubleshooting of Incidents and testing of any Restorations and Resolutions.

For the avoidance of doubt, the Support Services only applies to Incidents arising within the [\*\*\*\*] [\*\*\*\*\*] of the CSG Licensed Offering, and any Support Services performed by CSG in relation to any Incident within any other [\*\*\*\*\*] of the CSG Licensed Offering is provided at CSG's entire discretion in good faith and using CSG's commercially reasonable efforts.

Any changes to the CSG Licensed Offering in the Offering: Encompass Version [\*\*\*\*\*] that are made and/or implemented by the Customer or at the request of the Customer without first being [\*\*\*\*\*] will be done at the Customer's own risk, and CSG shall not be liable for any Incidents resulting from such changes, and the Restoration and Resolution of any such Incidents is expressly excluded from CSG's Support Service obligations.

## 2.8 Customer System Security

Customer accepts full responsibility for the security of the Customer's operating system, including all Customer Systems and Third Party Systems, and any adverse impact to the operation or use of the CSG Licensed Offering which may arise as a result of any breach of the Customer security, except where such breach of the Customer security is solely and directly caused by CSG's intentional acts or omissions to cause the Customer harm.

## 2.9 Provision of Facilities, Materials & Consumables

The Customer agrees to provide all Customer facilities, materials and consumables (such as backup media) as may be necessary for both the Customer and CSG staff to carry out activities described herein on the Customer Site.

## **2.10 Malfunction Correction of Non-supported Components**

Unless expressly included and paid for by the Customer as part of the Support Services, Customer shall be responsible for the correction of malfunctions of any software, Customer Systems or Third Party Systems components of its operating systems or any other system which is external to and does not form part of the CSG Licensed Offering.

## **2.11 Customer Modifications to Software and/or Production Environment**

The Support Services do not include the provision of Support Services for Incidents which arise in the CSG Licensed Offering because of any Third Party Modifications, including changes made to the operating environment within which the CSG Licensed Offering was originally installed and specified by CSG, or for software that does not have a valid license or sublicense, or has a license which has been breached.

If CSG becomes aware that the Customer or any Customer contractor, agent or representative and/or any third party has in any way modified the CSG Licensed Offering or changed or modified the operating environment without prior CSG authorization in such a manner that requires an increase in the level of Support Services, CSG will notify Customer thereof, and CSG shall be relieved of providing Support Services in relation to such CSG Licensed Offering until the Customer and CSG reach a written agreement regarding what appropriate modifications to the Support Services (including possible price adjustments) would be required by CSG to restore the CSG Licensed Offering to the condition in which it was originally implemented or subsequently authorized by CSG.

## **3. Incident Restoration and Resolution**

Once an Incident Report has been logged by the Customer and received by GSD, CSG will proceed to provide the Support Services in order to achieve Restoration and Resolution of the Incident within the times specified for the corresponding Support Package purchased by the Customer as set forth in Exhibit B of Attachment 4, and during which period the GSD will perform the following:

- Where appropriate, assign the Incident to any expert CSG teams necessary to carry out Restoration and Resolution;
- Provide periodic status updates to Customer as determined by the respective Support Package purchased by the Customer;
- Upon Restoration and subsequent Resolution of the particular Incident, the GSD will validate Restoration and/or Resolution with the Customer;
- Provide details of the root cause of the Incident if known at the time of Restoration and/or Resolution; and
- Provide and document Restoration and/or Restoration details and corrective actions.
- After Resolution confirm the closure of the Incident ("**Incident Closure**").

## **4. Problem Management**

CSG will be prepared to supply Problem Management (as defined in Section 4.1 and 4.2 below) to the Customer provided that the Customer has purchased it as a supplementary services or as part of the [\*\*\*\*\*] Support Package as set forth in Exhibit B of Attachment 4.

### **4.1 Reactive Problem Management**

Critical Incidents will have a problem investigation opened and conducted between the GSD and CSG internal technical support teams to determine full root cause and preventative remediation actions to identify any problem ("**Problem**") and remove the Problem ("**Problem Management**"). At the conclusion of the Problem investigation, CSG will provide the following additional details to the Customer:

- Preventive remediation details and actions; and
- Root cause diagnosis.

4.2 Proactive Problem Management

The GSD will also routinely perform trending analysis against Incidents occurring with the CSG Licensed Offering to determine if unidentified Problems exist within the CSG Licensed Offering. When these Problems are discovered, a Problem investigation will be opened and conducted between the GSD and technical support teams to determine full root cause and preventative remediation actions to remove the Problem. At the conclusion of the Problem investigation, CSG will provide the following additional details to the Customer:

- Preventive remediation details and actions
- Root cause diagnosis

5. Maintenance and Support Service Exclusions

The Support Services do not include those services which are expressly excluded above. In the event the Customer wishes to purchase any such excluded services from CSG, CSG and Customer shall negotiate in good faith and mutually agree to the purchase and supply of such excluded services under and in accordance with the procedure for the execution of a Change Order.

Exhibit B – of Attachment 4

Support Packages – CSG Licensed Offering

Customer has agreed to purchase and CSG has agreed to supply to Customer the Support Package expressly listed in the Encompass Order Document. The following terms used in the table below have the following meaning:

**Incident Response Time** means the times within which CSG will provide a Response to Customer after Customer has logged an Incident Report with CSG.  
**Restoration Time** means the duration of time that elapses from the time an Incident Report has been logged by Customer and received by CSG, and the time of Restoration of the particular Incident.  
**Resolution Time** means the period from when an Incident Report is logged by Customer and received by CSG, and when a Resolution of the Incident is made available by CSG.

	Support Item	***** ** ***** *****
Supported Items	Core Product Support & Maintenance	*****
	Pro Active Support - Custom built Service Design	[* ***** ** ***** ** ** ***** *****]
Response Times	Severity of Incident	[** ***** ***** **]

	Critical Incident	[***** (***** ***** ***)]
	High Incident	[***** (***** ***** ***)]
	Medium Incident	[*****]
	Low Incident	[*****]
Restoration Times	Severity of Incident	[** ***** ***** ***)]
	Critical Incident	[** *****]
	High Incident	[** *****]
	Medium Incident	[***** *****]
	Low Incident	[***** *****]
Resolution Times	Severity of Incident	[** ***** ***** ***)]
	Critical Incident	[** ***** ***)]

	Support Item	[***** ***) *****]
	High Incident	[** ***** ***)]
	Medium Incident	[***** *****]
	Low Incident	[***** *****]

**Note:** The above table outlines the Support Services which shall be performed and supplied by CSG as part of the corresponding Support Package, and which is standard CSG Documentation which shall be updated and released by CSG to its customers generally, from time to time, at CSG's sole discretion.

Service Component Descriptions	
Support Item	Comment
Last word on Incident Priority	<ul style="list-style-type: none"> <li>Incident priority is derived by CSG based on the impact and urgency communicated by the client in alignment with CSG's defined Incident priority definitions.</li> </ul>
Temporary Incident Restoration Times	<ul style="list-style-type: none"> <li>Restoration time is the duration from the time an Incident is logged to the time business impact is mitigated.</li> <li>The duration of time that elapses from the point a system failure has been reported and responded to by CSG and the point service has been restored, an agreed workaround is defined or the client agrees the service interruption can be tolerated until a more permanent solution can be defined.</li> </ul>





2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024 November 7, 2024

/s/ Brian A. Shepherd

Brian A. Shepherd

President and Chief Executive Officer

EXHIBIT 31.02

**CERTIFICATION PURSUANT TO  
SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Hai Tran, certify that:

1. I have reviewed this report on Form 10-Q of CSG Systems International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act

Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024 November 7, 2024

/s/ Hai Tran

Hai Tran

Executive Vice President and Chief Financial Officer

EXHIBIT 32.01

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Brian A. Shepherd, the Chief Executive Officer and Hai Tran, the Chief Financial Officer of CSG Systems International Inc., each certifies that, to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CSG Systems International, Inc.

August 8, November 7, 2024

/s/ Brian A. Shepherd

Brian A. Shepherd

President and Chief Executive Officer

August 8, November 7, 2024

/s/ Hai Tran

---

Hai Tran

Executive Vice President and Chief Financial Officer

#### DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.