

CSG SYSTEMS INTERNATIONAL INC
Form 10-Q
August 04, 2017

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 30, 2017

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 47-0783182
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

9555 Maroon Circle

Englewood, Colorado 80112

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(Address of principal executive offices, including zip code)

(303) 200-2000

(Registrant's telephone number, including area code)

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

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post 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

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

YES NO

Shares of common stock outstanding at July 31, 2017: 33,584,617

CSG SYSTEMS INTERNATIONAL, INC.

FORM 10-Q for the Quarter Ended June 30, 2017

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CSG SYSTEMS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

(in thousands, except per share amounts)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 125,111	\$ 126,351
Short-term investments	119,843	150,147
Total cash, cash equivalents and short-term investments	244,954	276,498
Trade accounts receivable:		
Billed, net of allowance of \$2,706 and \$3,080	197,486	208,930
Unbilled	37,353	30,828
Income taxes receivable	13,517	11,931
Other current assets	37,633	31,751
Total current assets	530,943	559,938
Non-current assets:		
Property and equipment, net of depreciation of \$129,475 and \$122,866	36,343	33,116
Software, net of amortization of \$104,252 and \$99,316	28,890	30,427
Goodwill	206,634	201,094
Client contracts, net of amortization of \$88,406 and \$96,723	38,089	40,675
Deferred income taxes	13,455	14,218
Other assets	10,040	12,411
Total non-current assets	333,451	331,941
Total assets	\$ 864,394	\$ 891,879
LIABILITIES, CURRENT PORTION OF LONG-TERM DEBT CONVERSION OBLIGATION AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt, net of unamortized discounts of zero and \$296	\$ 18,750	\$ 49,426
Client deposits	32,590	33,916
Trade accounts payable	29,982	35,118
Accrued employee compensation	50,314	65,341
Deferred revenue	57,865	45,064
Income taxes payable	423	822
Other current liabilities	18,960	22,342
Total current liabilities	208,884	252,029
Non-current liabilities:		
Long-term debt, net of unamortized discounts of \$20,652 and \$23,007	318,098	326,993
Deferred revenue	7,710	6,694
Income taxes payable	2,441	2,245
Deferred income taxes	100	99
Other non-current liabilities	12,035	12,618
Total non-current liabilities	340,384	348,649
Total liabilities	549,268	600,678
Current portion of long-term debt conversion obligation	-	39,841
Stockholders' equity:		
Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued and outstanding	-	-

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Common stock, par value \$.01 per share; 100,000 shares authorized; 33,700 and 32,261 shares outstanding	689	672
Common stock warrants; zero and 1,426 warrants vested; 1,425 and 2,851 issued	-	16,007
Additional paid-in capital	421,638	391,209
Treasury stock, at cost; 33,830 and 34,919 shares	(804,650)	(826,002)
Accumulated other comprehensive income (loss):		
Unrealized loss on short-term investments, net of tax	(12)	(159)
Cumulative foreign currency translation adjustments	(35,649)	(45,213)
Accumulated earnings	733,110	714,846
Total stockholders' equity	315,126	251,360
Total liabilities, current portion of long-term debt conversion obligation and stockholders' equity	\$864,394	\$ 891,879

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

CSG SYSTEMS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

(in thousands, except per share amounts)

	Quarter Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues:				
Cloud and related solutions	\$ 157,879	\$ 149,992		