

CSG SYSTEMS INTERNATIONAL INC

Form 10-Q/A

November 18, 2004

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q/A**

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(Mark One)

- AMENDMENT NO. 1 TO THE QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2004

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

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**CSG SYSTEMS INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**47-0783182**  
(I.R.S. Employer  
Identification No.)

**7887 East Belleview, Suite 1000**

**Englewood, Colorado 80111**

(Address of principal executive offices, including zip code)

**(303) 796-2850**

(Registrant's telephone number, including area code)

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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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES  NO

Shares of common stock outstanding at August 4, 2004: 52,034,990.

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**CSG SYSTEMS INTERNATIONAL, INC.**

**FORM 10-Q/A For the Quarter Ended June 30, 2004**

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**EXPLANATORY NOTE**

CSG Systems International, Inc. (the "Company" or forms of the pronoun "we") is filing this amendment to remove a reference to independent outside valuation firms and experts in Note 9 to our Condensed Consolidated Financial Statements, and this amendment does not result in the restatement of our previously reported financial position or results of operations for the periods covered in the report. This report continues to speak as of the date of the original filing, and the Company has not updated the disclosure in this report to speak as of a later date. All information contained in this report and the original filing is subject to updating and supplementing as provided in the Company's periodic reports filed with the Commission.

**Table of Contents****CSG SYSTEMS INTERNATIONAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

	June 30, 2004	December 31, 2003
	(unaudited)	
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 129,004	\$ 105,397
Short-term investments	2,197	
	<u>131,201</u>	<u>105,397</u>
Total cash, cash equivalents and short-term investments	131,201	105,397
Trade accounts receivable-		
Billed, net of allowance of \$6,942 and \$11,145	123,720	130,691
Unbilled and other	13,756	18,042
Deferred income taxes	5,971	9,134
Income taxes receivable	4,353	35,076
Other current assets	12,000	11,697
	<u>291,001</u>	<u>310,037</u>
Total current assets	291,001	310,037
Property and equipment, net of depreciation of \$94,134 and \$89,529	33,827	38,218
Software, net of amortization of \$70,069 and \$62,957	31,414	37,780
Goodwill	217,778	219,199
Client contracts, net of amortization of \$56,143 and \$50,973	52,772	57,458
Deferred income taxes	49,485	53,327
Other assets	8,893	8,756
	<u>685,170</u>	<u>724,775</u>
Total assets	\$ 685,170	\$ 724,775
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Current maturities of long-term debt	\$	\$ 45,137
Client deposits	19,317	17,175
Trade accounts payable	21,187	21,291
Accrued employee compensation	28,129	32,415
Deferred revenue	57,870	52,655
Income taxes payable	15,894	20,723
Arbitration charge payable		25,181
Other current liabilities	20,725	25,818
	<u>163,122</u>	<u>240,395</u>
Total current liabilities	163,122	240,395
Non-current liabilities:		
Long-term debt, net of current maturities	230,000	183,788
Deferred revenue	4,381	3,270
Other non-current liabilities	5,306	6,537
	<u>239,687</u>	<u>193,595</u>
Total non-current liabilities	239,687	193,595

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Stockholders' equity:		
Preferred stock, par value \$.01 per share; 10,000,000 shares authorized; zero shares issued and outstanding		
Common stock, par value \$.01 per share; 100,000,000 shares authorized; 17,526,955 and 8,911,634 shares reserved for employee stock purchase plan, stock incentive plans, and convertible debt securities; 52,029,424 and 53,788,062 shares outstanding	597	593
Additional paid-in capital	292,721	281,784
Deferred employee compensation	(2,646)	(4,458)
Accumulated other comprehensive income:		
Unrealized gain (loss) on short-term investments, net of tax	(2)	1
Cumulative translation adjustments	6,755	6,519
Treasury stock, at cost, 7,636,496 and 5,499,796 shares	(211,110)	(171,111)
Accumulated earnings	196,046	177,457
	<hr/>	<hr/>
Total stockholders' equity	282,361	290,785
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Total liabilities and stockholders' equity	\$ 685,170	\$ 724,775
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The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****CSG SYSTEMS INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
	(unaudited)		(unaudited)	
<b>Revenues:</b>				
Processing and related services	\$ 80,895	\$ 91,041	\$ 162,027	\$ 182,217
Software	8,109	12,148	15,746	22,312
Maintenance	23,653	22,828	48,704	45,231
Professional services	17,006	16,344	33,550	34,533
<b>Total revenues</b>	<b>129,663</b>	<b>142,361</b>	<b>260,027</b>	<b>284,293</b>
<b>Cost of revenues:</b>				
Cost of processing and related services	34,619	35,557	68,425	69,676
Cost of software and maintenance	17,162	17,395	33,436	35,705
Cost of professional services	15,616	14,673	29,766	33,228
<b>Total cost of revenues</b>	<b>67,397</b>	<b>67,625</b>	<b>131,627</b>	<b>138,609</b>
<b>Gross margin (exclusive of depreciation)</b>	<b>62,266</b>	<b>74,736</b>	<b>128,400</b>	<b>145,684</b>
<b>Operating expenses:</b>				
Research and development	14,382	16,922	30,222	32,420
Selling, general and administrative	22,242	32,184	45,465	62,020
Depreciation	3,517	4,334	7,153	8,933
Restructuring charges	145	993	2,296	4,152
<b>Total operating expenses</b>	<b>40,286</b>	<b>54,433</b>	<b>85,136</b>	<b>107,525</b>
<b>Operating income</b>	<b>21,980</b>	<b>20,303</b>	<b>43,264</b>	<b>38,159</b>
<b>Other income (expense):</b>				
Interest expense	(2,684)	(3,482)	(6,238)	(7,356)
Write-off of deferred financing costs	(6,569)		(6,569)	
Interest and investment income, net	273	443	556	731
Other, net	(537)	2,443	(1,050)	2,829
<b>Total other</b>	<b>(9,517)</b>	<b>(596)</b>	<b>(13,301)</b>	<b>(3,796)</b>
<b>Income before income taxes</b>	<b>12,463</b>	<b>19,707</b>	<b>29,963</b>	<b>34,363</b>
<b>Income tax provision</b>	<b>(4,707)</b>	<b>(7,988)</b>	<b>(11,374)</b>	<b>(13,937)</b>
<b>Net income</b>	<b>\$ 7,756</b>	<b>\$ 11,719</b>	<b>\$ 18,589</b>	<b>\$ 20,426</b>

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Basic net income per common share:				
Net income available to common stockholders	\$ 0.15	\$ 0.23	\$ 0.36	\$ 0.40
Weighted average common shares	51,285	51,355	51,483	51,330
Diluted net income per common share:				&nbs