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, 2020

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 incorporation or organization)	(I.R.S. Employer Identification No.)

6175 S. Willow Drive, 10th Floor
Greenwood Village, Colorado 80111
(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 Symbol(s)	Name of each exchange on which registered
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	☒	Accelerated filer	☐
Non-accelerated filer	☐	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 ☒

As of August 3, 2020, there were 33,083,921 shares of the registrant's common stock outstanding.

CSG SYSTEMS INTERNATIONAL, INC.

FORM 10-Q for the Quarter Ended June 30, 2020

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CSG SYSTEMS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(in thousands, except per share amounts)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 144,019	$ 156,548
Short-term investments	27,183	26,109
Total cash, cash equivalents and short-term investments	171,202	182,657
Settlement assets	139,248	169,327
Trade accounts receivable:		
Billed, net of allowance of $4,057 and $3,735	244,413	244,058
Unbilled	35,941	33,450
Income taxes receivable	7,516	4,297
Other current assets	44,448	35,293
Total current assets	642,768	669,082
Non-current assets:		
Property and equipment, net of depreciation of $100,883 and $98,029	84,689	84,429
Operating lease right-of-use assets	117,304	94,847
Software, net of amortization of $131,835 and $125,437	29,141	32,526
Goodwill	262,774	259,164
Acquired client contracts, net of amortization of $96,491 and $93,767	52,776	55,105
Client contract costs, net of amortization of $37,827 and $31,526	41,561	50,746
Deferred income taxes	9,193	9,392
Other assets	29,176	27,739
Total non-current assets	626,614	613,948
Total assets	$ 1,269,382	$ 1,283,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 12,188	$ 10,313
Operating lease liabilities	21,771	22,442
Client deposits	37,278	38,687
Trade accounts payable	34,494	32,704
Accrued employee compensation	45,689	77,527
Settlement liabilities	137,894	168,342
Deferred revenue	52,195	45,094
Income taxes payable	7,632	2,806
Other current liabilities	21,626	20,778
Total current liabilities	370,767	418,693
Non-current liabilities:		
Long-term debt, net of unamortized discounts of $7,726 and $10,053	342,274	346,509
Operating lease liabilities	102,609	78,936
Deferred revenue	16,772	18,552
Income taxes payable	2,706	2,543
Deferred income taxes	13,334	6,376
Other non-current liabilities	23,298	14,759
Total non-current liabilities	500,993	467,675
Total liabilities	871,760	886,368
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; 33,080 and 32,891 shares outstanding	699	696
Additional paid-in capital	458,362	454,663
Treasury stock, at cost; 35,507 and 35,356 shares	(874,592)	(867,817)
Accumulated other comprehensive income (loss):		
Unrealized gains on short-term investments, net of tax	44	16
Cumulative foreign currency translation adjustments	(51,932)	(39,519)
Accumulated earnings	865,041	848,623
Total stockholders' equity	397,622	396,662
Total liabilities and stockholders' equity	$ 1,269,382	$ 1,283,030

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, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	$ 240,321	$ 245,856	$ 485,938	$ 490,649
Cost of revenue (exclusive of depreciation, shown separately below)	138,153	132,234	269,359	261,197
Other operating expenses:				
Research and development	29,263	30,645	59,600	63,236
Selling, general and administrative	44,999	45,372	89,383	91,290
Depreciation	5,634	5,441	11,199	10,554
Restructuring and reorganization charges	2,497	1,826	3,463	1,941
Total operating expenses	220,546	215,518	433,004	428,218
Operating income	19,775	30,338	52,934	62,431
Other income (expense):				
Interest expense	(4,040)	(4,498)	(8,253)	(9,058)
Amortization of original issue discount	(740)	(700)	(1,470)	(1,390)
Interest and investment income, net	303	417	832	936
Other, net	(1,048)	1,280	(1,117)	(231)
Total other	(5,525)	(3,501)	(10,008)	(9,743)
Income before income taxes	14,250	26,837	42,926	52,688
Income tax provision	(3,884)	(7,458)	(11,046)	(14,058)
Net income	$ 10,366	$ 19,379	$ 31,880	$ 38,630
Weighted-average shares outstanding:				
Basic	32,100	32,093	32,047	32,111
Diluted	32,258	32,458	32,308	32,448
Earnings per common share:				
Basic	$ 0.32	$ 0.60	$ 0.99	$ 1.20
Diluted	0.32	0.60	0.99	1.19

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

CSG SYSTEMS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED
(in thousands)

	Quarter Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net income	$ 10,366	$ 19,379	$ 31,880	$ 38,630
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	2,671	(3,818)	(12,413)	29
Unrealized holding gains on short-term investments arising during period	52	10	28	28
Other comprehensive income (loss), net of tax	2,723	(3,808)	(12,385)	57
Total comprehensive income, net of tax	$ 13,089	$ 15,571	$ 19,495	$ 38,687

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

CSG SYSTEMS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - UNAUDITED
(in thousands)

	Shares of Common Stock Outstanding	Common Stock	Common Stock Warrants	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Stockholders' Equity
For the Six Months Ended June 30, 2020:								
BALANCE, January 1, 2020	32,891	$ 696	$ -	$ 454,663	$ (867,817)	$ (39,503)	$ 848,623	$ 396,662
Comprehensive income:								
Net income	-	-	-	-	-	-	21,514	
Unrealized gain on short-term investments, net of tax	-	-	-	-	-	(24)	-	
Foreign currency translation adjustments	-	-	-	-	-	(15,084)	-	
Total comprehensive income								6,406
Repurchase of common stock	(299)	(2)	-	(7,555)	(6,408)	-	-	(13,965)
Issuance of common stock pursuant to employee stock purchase plan	14	-	-	564	-	-	-	564
Issuance of restricted common stock pursuant to stock-based compensation plans	476	5	-	(5)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(7)	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	-	4,857				4,857
Dividends	-	-	-	-	-	-	(7,693)	(7,693)
BALANCE, March 31, 2020	33,075	699	-	452,524	(874,225)	(54,611)	862,444	386,831
Comprehensive income:								
Net income	-	-	-	-	-	-	10,366	
Unrealized gain on short-term investments, net of tax	-	-	-	-	-	52	-	
Foreign currency translation adjustments	-	-	-	-	-	2,671	-	
Total comprehensive income								13,089
Repurchase of common stock	(11)	-	-	(100)	(367)	-	-	(467)
Issuance of common stock pursuant to employee stock purchase plan	18	-	-	683	-	-	-	683
Issuance of restricted common stock pursuant to stock-based compensation plans	12	-	-	-	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(14)	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	-	5,255				5,255
Dividends	-	-	-	-	-	-	(7,769)	(7,769)
BALANCE, June 30, 2020	33,080	$ 699	$ -	$ 458,362	$ (874,592)	$ (51,888)	$ 865,041	$ 397,622
For the Six Months Ended June 30, 2019:								
BALANCE, January 1, 2019	33,158	$ 693	$ 9,082	$ 441,417	$ (842,360)	$ (42,935)	$ 795,127	$ 361,024
Comprehensive income:								
Net income	-	-	-	-	-	-	19,251	
Unrealized gain on short-term investments, net of tax	-	-	-	-	-	18	-	
Foreign currency translation adjustments	-	-	-	-	-	3,847	-	
Total comprehensive income								23,116
Repurchase of common stock	(352)	-	-	(4,134)	(9,290)	-	-	(13,424)
Issuance of common stock pursuant to employee stock purchase plan	15	-	-	512	-	-	-	512
Issuance of restricted common stock pursuant to stock-based compensation plans	462	4	-	(4)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(3)	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	-	3,693				3,693
Dividends	-	-	-	-	-	-	(7,411)	(7,411)
BALANCE, March 31, 2019	33,280	697	9,082	441,484	(851,650)	(39,070)	806,967	367,510
Comprehensive income:								
Net income	-	-	-	-	-	-	19,379	
Unrealized gain on short-term investments, net of tax	-	-	-	-	-	10	-	
Foreign currency translation adjustments	-	-	-	-	-	(3,818)	-	
Total comprehensive income								15,571
Repurchase of common stock	(148)	-	-	(383)	(6,536)	-	-	(6,919)
Issuance of common stock pursuant to employee stock purchase plan	15	-	-	603	-	-	-	603
Issuance of restricted common stock pursuant to stock-based compensation plans	6	-	-	-	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(91)	(1)	-	1	-	-	-	-
Stock-based compensation expense	-	-	-	4,807				4,807
Dividends	-	-	-	-	-	-	(7,248)	(7,248)
BALANCE, June 30, 2019	33,062	$ 696	$ 9,082	$ 446,512	$ (858,186)	$ (42,878)	$ 819,098	$ 374,324

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

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

	Six Months Ended	
	June 30, 2020	June 30, 2019
Cash flows from operating activities:		
Net income	$ 31,880	$ 38,630
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation	11,199	10,554
Amortization	22,043	24,625
Amortization of original issue discount	1,470	1,390
Asset impairment	10,595	365
Gain on short-term investments and other	(110)	(170)
Deferred income taxes	6,771	4,181
Stock-based compensation	10,112	8,500
Changes in operating assets and liabilities, net of acquired amounts:		
Trade accounts receivable, net	(6,286)	(31,751)
Other current and non-current assets and liabilities	(8,951)	(16,222)
Income taxes payable/receivable	1,332	(315)
Trade accounts payable and accrued liabilities	(36,381)	(17,328)
Deferred revenue	6,803	5,970
Net cash provided by operating activities	50,477	28,429
Cash flows from investing activities:		
Purchases of software, property and equipment	(14,334)	(17,858)
Purchases of short-term investments	(35,112)	(22,542)
Proceeds from sale/maturity of short-term investments	34,185	28,753
Acquisition of and investments in business, net of cash acquired	(9,991)	(4,000)
Net cash used in investing activities	(25,252)	(15,647)
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,247	1,115
Payment of cash dividends	(15,856)	(14,808)
Repurchase of common stock	(14,515)	(20,741)
Payments on long-term debt	(4,687)	(3,750)
Net cash used in financing activities	(33,811)	(38,184)
Effect of exchange rate fluctuations on cash	(3,943)	(98)
Net decrease in cash and cash equivalents	(12,529)	(25,500)
Cash and cash equivalents, beginning of period	156,548	139,277
Cash and cash equivalents, end of period	$ 144,019	$ 113,777
Supplemental disclosures of cash flow information:		
Cash paid during the period for-		
Interest	$ 7,327	$ 8,110
Income taxes	2,865	10,244

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

1. GENERAL

We have prepared the accompanying unaudited condensed consolidated financial statements as of June 30, 2020 and December 31, 2019, and for the quarters and six months ended June 30, 2020 and 2019, 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, 2019 (our "2019 10-K"), filed with the SEC. The results of operations for the quarter and six months ended June 30, 2020 are not necessarily indicative of the expected results for the entire year ending December 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparation of Financial Statements. The preparation of the accompanying Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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 revenue management solution client contracts that include variable consideration dependent upon a series of monthly volumes and/or daily usage of services and have contractual terms ending from 2020 through 2028. Our client contracts may also include guaranteed minimums and fixed monthly or annual fees. As of June 30, 2020, our aggregate amount of the transaction price allocated to the remaining performance obligations is approximately $1 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 70% of this amount by the end of 2022, with the remaining amount recognized by the end of 2028. 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 geographic region (using the location of the client as the basis of attributing revenue to the individual regions) as follows (in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Americas (principally the U.S.)	$ 209,926	$ 214,390	$ 426,923	$ 425,120
Europe, Middle East, and Africa	22,134	22,606	43,166	47,232
Asia Pacific	8,261	8,860	15,849	18,297
Total revenue	$ 240,321	$ 245,856	$ 485,938	$ 490,649

Deferred revenue recognized during the quarter and six months ended June 30, 2020 was $9.7 million and $27.4 million, respectively.

Cash and Cash Equivalents. We consider all highly liquid investments with original maturities of three months or less at the date of the purchase to be cash equivalents. As of June 30, 2020 and December 31, 2019, our cash equivalents consist primarily of institutional money market funds, commercial paper, and time deposits held at major banks.

As of June 30, 2020 and December 31, 2019, we had $2.1 million and $2.7 million, respectively, of restricted cash that serves to collateralize outstanding letters of credit. This restricted cash is included in cash and cash equivalents in our Condensed Consolidated Balance Sheets ("Balance Sheets" or "Balance Sheet").

Short-term Investments and Other Financial Instruments. Our financial instruments as of June 30, 2020 and December 31, 2019 include cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and debt. Because of their short maturities, the carrying amounts of cash equivalents, accounts receivable, and accounts payable approximate their fair value.

Our short-term investments and certain of our cash equivalents are considered "available-for-sale" and are reported at fair value in our Balance Sheets, with unrealized gains and losses, net of the related income tax effect, excluded from earnings and reported in a separate component of stockholders' equity. Realized and unrealized gains and losses were not material in any period presented.

Primarily all short-term investments held by us as of June 30, 2020 and December 31, 2019 have contractual maturities of less than two years from the time of acquisition. Our short-term investments as of June 30, 2020 and December 31, 2019 consisted almost entirely of fixed income securities. Proceeds from the sale/maturity of short-term investments for the six months ended June 30, 2020 and 2019 were $34.2 million and $28.8 million, respectively.

Our short-term investments as of June 30, 2020 and December 31, 2019 were $27.2 million and $26.1 million, respectively.

The following table represents the fair value hierarchy based upon three levels of inputs, of which Levels 1 and 2 are considered observable and Level 3 is unobservable, for our financial assets measured at fair value (in thousands):

	June 30, 2020			December 31, 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash equivalents:						
Money market funds	$ 29,240	$ —	$ 29,240	$ 4,847	$ —	$ 4,847
Commercial paper	—	5,797	5,797	—	26,964	26,964
Short-term investments:						
Corporate debt securities	—	24,090	24,090	—	22,159	22,159
Asset-backed securities	—	3,093	3,093	—	3,950	3,950
Total	$ 29,240	$ 32,980	$ 62,220	$ 4,847	$ 53,073	$ 57,920

Valuation inputs used to measure the fair values of our money market funds and corporate equity securities were derived from quoted market prices. The fair values of all other financial instruments are based upon pricing provided by third-party pricing services. These prices were derived from observable market inputs.

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

	June 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2018 Credit Agreement (carrying value including current maturities)	$ 132,188	$ 132,188	$ 136,875	$ 136,875
2016 Convertible debt (par value)	230,000	238,625	230,000	262,775

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

Equity Method Investment. As of June 30, 2020, we held an 8% noncontrolling interest in a payment technology and services company with a carrying value of $6.5 million.

3. LONG-LIVED ASSETS

Goodwill. The changes in the carrying amount of goodwill for the six months ended June 30, 2020 were as follows (in thousands):

January 1, 2020 balance	$ 259,164
Tekzenit, Inc. acquisition	9,154
Adjustments related to prior acquisitions	(30)
Effects of changes in foreign currency exchange rates	(5,514)
June 30, 2020 balance	$ 262,774

See Note 5 for discussion regarding the Tekzenit, Inc. acquisition.

Other Intangible Assets. Our other intangible assets subject to ongoing amortization consist primarily of acquired client contracts and software. As of June 30, 2020 and December 31, 2019, the carrying values of these assets were as follows (in thousands):

	June 30, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Acquired client contracts	$ 149,267	$ (96,491)	$ 52,776	$ 148,872	$ (93,767)	$ 55,105
Software	160,976	(131,835)	29,141	157,963	(125,437)	32,526
Total intangible assets	$ 310,243	$ (228,326)	$ 81,917	$ 306,835	$ (219,204)	$ 87,631

The total amortization expense related to other intangible assets for the second quarters of 2020 and 2019 were $6.3 million and $5.8 million, respectively, and for the six months ended June 30, 2020 and 2019 were $12.6 million and $11.4 million, respectively. Based on the June 30, 2020 net carrying value of our other intangible assets, the estimated total amortization expense for each of the five succeeding fiscal years ending December 31 are: 2020 – $24.5 million; 2021 – $16.9 million; 2022 – $13.1 million; 2023 – $9.6 million; and 2024 – $6.7 million.

Client Contract Costs. As of June 30, 2020 and December 31, 2019, the carrying values of our client contract cost assets, related to those contracts with a contractual term greater than one year, were as follows (in thousands):

	June 30, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Client contract costs	$ 79,388	$ (37,827)	$ 41,561	$ 82,272	$ (31,526)	$ 50,746

During the second quarter of 2020, we recorded an impairment charge of $10.3 million for the write-off of capitalized client contract costs related to a discontinued project implementation. This non-cash impairment charge is included primarily in cost of revenue in our Condensed Consolidated Statements of Income ("Income Statement").

The total amortization expense related to client contract costs for the second quarters of 2020 and 2019 were $4.6 million and $6.4 million, respectively, and for the six months ended June 30, 2020 and 2019 were $8.6 million and $12.4 million, respectively.

4. DEBT

Our long-term debt, as of June 30, 2020 and December 31, 2019, was as follows (in thousands):

	June 30, 2020	December 31, 2019
2018 Credit Agreement:		
Term loan, due March 2023, interest at adjusted LIBOR plus 1.5% (combined rate of 1.81% at June 30, 2020 and 3.44% at December 31, 2019)	$ 132,188	$ 136,875
Less – deferred financing costs	(1,433)	(1,715)
2018 term loan, net of unamortized discounts	130,755	135,160
$200 million revolving loan facility, due March 2023, interest at adjusted LIBOR plus applicable margin	—	—
Convertible Notes:		
2016 Convertible Notes – Senior convertible notes; due March 15, 2036; cash interest at 4.25%	230,000	230,000
Less – unamortized original issue discount	(4,534)	(6,004)
Less – deferred financing costs	(1,759)	(2,334)
2016 Convertible Notes, net of unamortized discounts	223,707	221,662
Total debt, net of unamortized discounts	354,462	356,822
Current portion of long-term debt, net of unamortized discounts	(12,188)	(10,313)
Long-term debt, net of unamortized discounts	$ 342,274	$ 346,509

2018 Credit Agreement

During the six months ended June 30, 2020, we made $4.7 million of principal repayments on our $150 million aggregate principal five-year term loan (the "2018 Term Loan"). As of June 30, 2020, our interest rate on the 2018 Term Loan is 1.81% (adjusted LIBOR plus 1.50% per annum), effective through September 2020, and our commitment fee on the unused $200 million aggregate principal five-year revolving loan facility (the "2018 Revolver") is 0.20%. As of June 30, 2020, we had no borrowings outstanding on our 2018 Revolver and had the entire $200.0 million available to us.

The interest rates under the 2018 Credit Agreement are based upon our choice of an adjusted LIBOR rate plus an applicable margin of 1.50% – 2.50%, or an alternate base rate plus an applicable margin of 0.50% – 1.50%, with the applicable margin, depending on our then-net secured total leverage ratio. We will pay a commitment fee of 0.200% – 0.375% of the average daily unused amount of the 2018 Revolver, with the commitment fee rate also dependent upon our then-net secured total leverage ratio. If the LIBOR rate is no longer available, then our interest rate under the Credit Agreement will be determined by the alternate base rate plus an applicable margin as discussed above.

2016 Convertible Notes

Upon conversion of the 2016 Convertible Notes, we will settle our conversion obligation by paying or delivering, as the case may be, cash, shares of our common stock, or a combination thereof, at our election. It is our current intent and policy to settle our conversion obligations as follows: (i) pay cash for 100% of the par value of the 2016 Convertible Notes that are converted; and (ii) to the extent the value of our conversion obligation exceeds the par value, we can satisfy the remaining conversion obligation in cash, shares of our common stock, or a combination thereof, at our election.

The 2016 Convertible Notes will be convertible at the option of the note holders upon the satisfaction of specified conditions and during certain periods. During the period from, and including, December 15, 2021 to the close of business on the business day immediately preceding March 15, 2022 and on or after December 15, 2035, holders may convert all or any portion of their 2016 Convertible Notes at the conversion rate then in effect at any time regardless of these conditions.

As a result of our quarterly dividend in June 2020 (see Note 8), the previous conversion rate for the 2016 Convertible Notes of 17.6036 shares of our common stock per $1,000 principal amount of the 2016 Convertible Notes, which is equivalent to an initial conversion price of $56.81 per share of our common stock, has been adjusted to 17.6222 shares of our common stock per $1,000 principal amount of the 2016 Convertible Notes, which is equivalent to an initial conversion price of $56.75 per share of our common stock.

Holders may require us to repurchase the 2016 Convertible Notes for cash on each of March 15, 2022, March 15, 2026, and March 15, 2031, or upon the occurrence of a fundamental change (as defined in the 2016 Convertible Notes Indenture) in each case at a purchase price equal to the principal amount thereof plus accrued and unpaid interest.

We may redeem for cash all or part of the 2016 Convertible Notes if the last reported sale 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. On or after March 15, 2022, we may redeem for cash all or part of the 2016 Convertible Notes regardless of the sales price condition described in the preceding sentence. In each case, the redemption price will equal the principal amount of the 2016 Convertible Notes to be redeemed, plus accrued and unpaid interest.

As of June 30, 2020, none of the conversion features have been achieved, and thus, the 2016 Convertible Notes are not convertible by the holders.

5. ACQUISITION

On January 2, 2020, we acquired Tekzenit Inc. ("Tekzenit") for a purchase price of approximately $10 million. This acquisition will allow us to accelerate our go-to-market approach serving clients who are focused on improving their customers' experience while transforming their business. The purchase agreement includes provisions for additional purchase price ("Provisional Purchase Price") payments in the form of earn-out and qualified sales payments for up to $10 million over a three-year measurement period upon meeting certain financial and sales criteria. Of the Provisional Purchase Price amount, $6 million is considered contingent purchase price payments, of which $1.5 million was accrued upon acquisition. The remaining $4 million is tied to certain financial and sales criteria over a defined service period by the eligible recipients, and is therefore accounted for as post-acquisition compensation. As of June 30, 2020, we have not accrued any amounts related to the post-acquisition compensation payments due to the uncertainty of payment.

The preliminary estimated fair values of assets acquired primarily include goodwill of $9.2 million and acquired client contracts of $2.9 million and liabilities assumed primarily include the contingent purchase price liabilities of $1.5 million. The estimated fair values are considered provisional and are based on the information that was available as of the date of the Tekzenit acquisition. Thus, the provisional measurements of fair value set forth above are subject to change. 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 not later than one year from the acquisition date.

6. COMMITMENTS, GUARANTEES AND CONTINGENCIES

Warranties. We generally warrant that our solutions and related offerings will conform to published specifications, or to specifications provided in an individual client 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 services will be performed in a professional and workmanlike 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 client 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. Our arrangements with our clients generally include an indemnification provision that will indemnify and defend a client in actions brought against the client 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.

Claims for Company Non-performance. Our arrangements with our clients typically cap our liability for breach to a specified amount of the direct damages incurred by the client 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 outsourced customer care and billing 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, 2020, 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 clients.

Indemnifications Related to Officers and the Board of Directors. We have agreed to indemnify members of our Board of Directors (the "Board") and certain of our officers if they are named or threatened to be named as a party to any proceeding by reason of the fact that they acted in such capacity. 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. As a result, we have not recorded any liabilities related to such indemnifications as of June 30, 2020. 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.

7. EARNINGS PER COMMON SHARE

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

No reconciliation of the basic and diluted EPS numerators is necessary as net income is used as the numerators for all periods presented. The reconciliation of the basic and diluted EPS denominators related to the common shares is included in the following table (in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Basic weighted-average common shares	32,100	32,093	32,047	32,111
Dilutive effect of restricted common stock	158	182	261	178
Dilutive effect of Stock Warrants	-	183	-	159
Diluted weighted-average common shares	32,258	32,458	32,308	32,448

The Convertible Notes have a dilutive effect only in those quarterly periods in which our average stock price exceeds the current effective conversion price (see Note 4).

The stock warrants have a dilutive effect only in those quarterly periods in which our average stock price exceeds the exercise price of $26.68 per warrant (under the treasury stock method), and are not subject to performance vesting conditions (see Note 8).

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

8. STOCKHOLDERS' EQUITY AND EQUITY COMPENSATION PLANS

Stock Repurchase Program. We currently have a stock repurchase program, approved by our Board, authorizing us to repurchase our common stock from time-to-time as market and business conditions warrant (the "Stock Repurchase Program"). During the second quarters of 2020 and 2019 we repurchased approximately 9,000 shares of our common stock for $0.4 million (weighted-average price of $40.74 per share) and approximately 144,000 shares of our common stock for $6.5 million (weighted-average price of $45.39 per share), respectively, and during the six months ended June 30, 2020 and 2019 we repurchased approximately 151,000 shares of our common stock for $6.8 million (weighted-average price of $44.99 per share) and approximately 393,000 shares of our common stock for $15.8 million (weighted-average price of $40.31 per share), respectively, under a SEC Rule 10b5-1 Plan. In early April 2020, we suspended stock repurchases under the Stock Repurchase Program and terminated our existing SEC Rule 10b5-1 Plan.

As of June 30, 2020, the total remaining number of shares available for repurchase under the Stock Repurchase Program totaled 4.8 million shares.

Stock Repurchases for Tax Withholdings. In addition to the above-mentioned stock repurchases, during the second quarters of 2020 and 2019 we repurchased and then cancelled approximately 2,000 shares of common stock for $0.1 million and approximately 4,000 shares of common stock for $0.4 million, respectively, and during the six months ended June 30, 2020 and 2019 we repurchased and then cancelled approximately 159,000 shares of common stock for $7.7 million and approximately 107,000 shares of common stock for $4.5 million, respectively, in connection with minimum tax withholding requirements resulting from the vesting of restricted common stock under our stock incentive plans.

Stock Incentive Plan. In May 2020, our stockholders approved an increase of 3.6 million shares authorized for issuance under the Amended and Restated 2005 Stock Incentive Plan, from 21.4 million shares to 25.0 million shares.

Cash Dividends. During the second quarter of 2020, the Board approved a quarterly cash dividend of $0.235 per share of common stock, totaling $7.8 million. During the second quarter of 2019, the Board approved a quarterly cash dividend of $0.2225 per share of common stock, totaling $7.4 million. Dividends declared for the six months ended June 30, 2020 and 2019 totaled $15.5 million and $14.7 million, respectively.

Warrants. In 2014, in conjunction with the execution of an amendment to our current 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") as an additional incentive for Comcast to convert customer accounts onto our Advanced Convergent Platform ("ACP") based on various milestones. The Stock Warrants have a ten-year term and an exercise price of $26.68 per warrant.

As of June 30, 2020, 1.0 million Stock Warrants remain issued, none of which were vested. The remaining unvested Stock Warrants will be accounted for as a client contract cost asset once the performance conditions necessary for vesting are considered probable.

Stock-Based Awards. A summary of our unvested restricted common stock activity during the quarter and six months ended June 30, 2020 is as follows (shares in thousands):

	Quarter Ended June 30, 2020		Six Months Ended June 30, 2020	
	Shares	**Weighted-Average Grant Date Fair Value**	**Shares**	**Weighted-Average Grant Date Fair Value**
Unvested awards, beginning	1,153	$ 41.98	1,117	$ 42.60
Awards granted	14	46.31	512	41.50
Awards forfeited/cancelled	(14)	44.21	(28)	42.75
Awards vested	(10)	46.88	(458)	43.31
Unvested awards, ending	1,143	$ 41.98	1,143	$ 41.98

Included in the awards granted during the six months ended June 30, 2020 are performance-based awards for 0.1 million restricted common stock shares issued to members of executive management and certain key employees, which vest in the first quarter of 2022 upon meeting certain pre-established financial performance objectives over a two-year performance period. Certain performance-based awards become fully vested upon a change in control, as defined, and the subsequent involuntary termination of employment, or death.

The other restricted common stock shares granted during the six months ended June 30, 2020 are primarily time-based awards, which vest annually over four years with no restrictions other than the passage of time. Certain shares of the restricted common stock become fully vested upon a change in control, as defined, and the subsequent involuntary termination of employment, or death.

We recorded stock-based compensation expense for the second quarters of 2020 and 2019 of $5.2 million and $4.8 million, respectively, and for six months ended June 30, 2020 and 2019 of $10.1 million and $8.5 million, respectively.

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 2019 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 II Item 1A. Risk Factors of this report and in Part I Item 1A. Risk Factors of our 2019 10-K. Readers are strongly encouraged to review those sections closely in conjunction with MD&A.

Company Overview

We are one of the world's leading providers of revenue management, customer experience, and payment solutions that enable a growing list of companies around the world to monetize relationships with their customers in an era of rapid change and digital transformation. We leverage more than 35 years of experience to deliver innovative customer engagement solutions that help our clients acquire, monetize, engage, and retain their customers. Our diverse worldwide workforce draws from real-world knowledge and extensive expertise to design and implement business solutions that make our clients' hardest decisions simpler so that they can focus on delivering differentiated and real-time experiences to their customers.

We offer revenue management, customer experience, and payment solutions for every stage of the customer lifecycle so service providers can deliver an outstanding customer experience that adapts to their customers' rapidly changing demands. Our proven solutions are built on a combination of on-premise, public and private cloud platforms, either customized or pre-integrated, as well as managed services models that adapt to fit our clients' unique business needs and enable the transformative change required to create personalized experiences that drive loyalty and retention.

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 service providers. Our scalable, modular, and flexible solutions combined with our domain expertise and our ability to effectively migrate clients to our solutions, provide the industry with proven solutions to improve their profitability and consumers' experiences. We have specifically architected our solutions to offer service providers a phased, incremental approach to transforming their businesses, thereby reducing the business interruption risk associated with this evolution.

We generate our revenue primarily from the global communications markets; however, we serve an expanding group of clients in other markets including financial services, healthcare, media and entertainment companies, and government entities. A summary of our revenue by industry for the indicated periods was as follows:

	Quarter Ended		
	June 30, 2020	**March 31, 2020**	**June 30, 2019**
Broadband/Cable/Satellite	60%	58%	58%
Telecommunications	18%	17%	19%
Other	22%	25%	23%
Total revenue	100%	100%	100%

Revenue by geographic regions for the indicated periods was as follows:

	Quarter Ended		
	June 30, 2020	**March 31, 2020**	**June 30, 2019**
Americas (principally the U.S.)	87%	88%	87%
Europe, Middle East, and Africa	9%	9%	9%
Asia Pacific	4%	3%	4%
Total revenue	100%	100%	100%

We are a S&P Small Cap 600 company.

Impact of COVID-19

In March 2020, the World Health Organization declared a global pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak which has led to a global health emergency. This outbreak has negatively affected the U.S. and the global economy, created a significant disruption of the financial markets, disrupted global supply chains, and has resulted in mandated closures, orders to shelter-in-place, and significant travel restrictions. While we have taken measures to protect the health and safety of our employees, to include work from home options for those employees whom are able to conduct business from home and significantly reduced travel, we are still conducting business as usual and are working with our clients to minimize any potential disruption. At this time, we do not believe that our work from home options and limited staffing in select office locations have adversely impacted our internal controls, financial reporting systems, or our operations.

The full extent of the impact of the COVID-19 pandemic on our business, operations, and financial results will depend on numerous evolving factors that we may not be able to accurately predict. See Part II Item 1A. Risk Factors of this report for additional details. While the outbreak did not negatively impact our operating results for the first quarter of 2020, we began to realize these impacts to revenue during the second quarter of 2020 as we began to experience extended sales and implementation cycles related to our revenue management and customer experience solutions, as well as processing volume reductions. In addition, we are also experiencing some revenue headwinds as a result of continued foreign currency fluctuations. We anticipate that these impacts to revenue will continue for the remainder of 2020, or until economic conditions improve. We will continue to diligently monitor and manage our expense levels in line with our anticipated revenue profile for the remainder of 2020.

As we continue to manage our business in this uncertain environment, our priorities will remain the health and safety of our employees, providing our clients with world-class services and solutions, and prudently managing our liquidity to ensure our continued financial strength. As of June 30, 2020, we had approximately $171 million in cash, cash equivalents and short-term investments, and an additional $200 million available to borrow under our revolving credit facility. Given our financial strength, we expect to be able to maintain adequate liquidity as we manage through the current environment, though we cannot reasonably estimate the duration and severity of this global pandemic or its ultimate impact on the global economy and our business results.

Management Overview of Quarterly Results

Second Quarter Highlights. A summary of our results of operations for the second quarter of 2020, when compared to the second quarter of 2019, is as follows (in thousands, except per share amounts and percentages):

	Quarter Ended	
	June 30, 2020	June 30, 2019
Revenue	$ 240,321	$ 245,856
Transaction fees (1)	15,695	17,778
Operating Results:		
Operating income	$ 19,775	$ 30,338
Operating income margin	8.2%	12.3%
Diluted EPS	$ 0.32	$ 0.60
Supplemental Data:		
Restructuring and reorganization charges	$ 2,497	$ 1,826
Acquisition-related costs:		
Amortization of acquired intangible assets	3,033	3,174
Transaction-related costs	73	-
Stock-based compensation (2)	5,255	4,807
Amortization of OID	740	700

(1) Transaction fees are primarily comprised of interchange and other payment-related fees that we pay, in conjunction with the delivery of service to clients under our payment services contracts, to third-party payment processors and financial institutions. Because we control the integrated service provided under our payment services client contracts, these transaction fees are presented gross, and not netted against revenue.

(2) Stock-based compensation included in the table above excludes amounts that have been recorded in restructuring and reorganization charges.

Revenue. Revenue for the second quarter of 2020 was $240.3 million, a 2% decrease when compared to revenue of $245.9 million for the second quarter of 2019, with the decrease primarily attributed to extended sales and implementation cycles and processing volume reductions as a result of the impact of the COVID-19 pandemic, discussed above, as well as foreign currency headwinds.

Operating Results. Operating income for the second quarter of 2020 was $19.8 million, or an 8.2% operating margin percentage, compared to $30.3 million, or a 12.3% operating margin percentage for the second quarter of 2019. The decrease in operating income is primarily due to an approximately $10 million impairment charge recorded in the second quarter of 2020 for the write-off of capitalized client contract costs related to a discontinued project implementation.

Diluted EPS. Diluted EPS for the second quarter of 2020 was $0.32 compared to $0.60 for the second quarter of 2019, with the decrease mainly attributed the impairment charge, discussed above.

Cash and Cash Flows. As of June 30, 2020, we had cash, cash equivalents and short-term investments of $171.2 million, as compared to $131.3 million as of March 31, 2020 and $182.7 million as of December 31, 2019. Our cash flows from operating activities for the quarter ended June 30, 2020 were $57.7 million. See the Liquidity section below for further discussion of our cash flows.

Significant Client Relationships

Client Concentration. A large percentage of our historical revenue have been generated from our two largest clients, which are Comcast and Charter Corporation Inc. ("Charter").

Revenue from these clients for the indicated periods were as follows (in thousands, except percentages):

	Quarter Ended					
	June 30, 2020		March 31, 2020		June 30, 2019	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Comcast	$ 53,282	22%	$ 52,679	21%	$ 55,439	23%
Charter	51,364	21%	50,712	21%	48,455	20%

The percentages of net billed accounts receivable balances attributable to our largest clients as of the indicated dates were as follows:

	As of		
	June 30, 2020	March 31, 2020	June 30, 2019
Comcast	20%	20%	22%
Charter	31%	30%	29%

See our 2019 10-K for additional discussion of our business relationships and contractual terms with Comcast and Charter.

Risk of Client Concentration. We expect to continue to generate a significant percentage of our future revenue from our largest clients mentioned above. There are inherent risks whenever a large percentage of total revenue are concentrated with a limited number of clients. Should a significant client: (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 significant financial or operating difficulties, it could have a material adverse effect on our financial condition 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 2019 10-K.

Results of Operations

Revenue. Total revenue for the: (i) second quarter of 2020 was $240.3 million, a 2% decrease when compared to $245.9 million for the second quarter of 2019; and (ii) six months ended June 30, 2020 was $485.9 million, a 1% decrease when compared to $490.6 million for the six months ended June 30, 2019. These decreases are mainly attributed to the extended sales and implementation cycles related to our revenue management and customer experience solutions as well as processing volume reductions at certain payment solutions clients as a result of the impact of the COVID-19 pandemic, as well as foreign currency headwinds. The year-over-year decreases also reflect pricing adjustments associated with the five-year Comcast extension effective January 1, 2020, discussed in our 2019 Form 10-K; however, this was offset mainly by the year-over-year growth in our revenue management solutions.

We use the location of the client as the basis of attributing revenue to individual countries. Revenue by geographic regions for the second quarters and six months ended June 30, 2020 and 2019 were as follows (in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Americas (principally the U.S.)	$ 209,926	$ 214,390	$ 426,923	$ 425,120
Europe, Middle East, and Africa	22,134	22,606	43,166	47,232
Asia Pacific	8,261	8,860	15,849	18,297
Total revenue	$ 240,321	$ 245,856	$ 485,938	$ 490,649

Total Operating Expenses. Our operating expenses for the: (i) second quarter of 2020 were $220.5 million, a 2% increase when compared to $215.5 million for the second quarter of 2019; and (ii) six months ended June 30, 2020 were $433.0 million, a 1% increase when compared to $428.2 million for the six months ended June 30, 2019. These increases in operating expenses are primarily due to an approximately $10 million impairment charge discussed above, offset to a certain degree by lower employee-related costs and transaction fees, reflective of the lower revenue.

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

Cost of Revenue (Exclusive of Depreciation). The cost of revenue for the: (i) second quarter of 2020 was $138.2 million, a 4% increase when compared to $132.2 million for the second quarter of 2019; and (ii) six months ended June 30, 2020 was $269.4 million, a 3% increase when compared to $261.2 million for the six months ended June 30, 2019. These increases can be mainly attributed to the approximately $10 million impairment charge, discussed above, offset to a certain degree by lower employee-related costs and transaction fees, reflective of the lower revenue. Total cost of revenue as a percentage of revenue for the: (i) second quarters of 2020 and 2019 was 57.5% and 53.8%, respectively; and (ii) six months ended June 30, 2020 *were 55.4% and 53.2%, respectively.*

R&D Expense. R&D expense for the (i) second quarter of 2020 decreased 5% to $29.3 million, from $30.6 million for the second quarter of 2019; and (ii) six months ended June 30, 2020 was $59.6 million, a 6% decrease when compared to $63.2 million for the six months ended June 30, 2019. The decrease in R&D expense is mainly attributed to lower employee-related costs, to include personnel and the related costs previously assigned to R&D projects being reassigned to cost of revenue projects. As a percentage of total revenue, R&D expense for the second quarters of 2020 and 2019 were 12.2% and 12.5%, respectively.

Our R&D efforts are focused on the continued evolution of our solutions that enable service providers worldwide to provide a more personalized customer experience while introducing new digital products and services. This includes the continued investment in our cloud-based solutions.

Selling, General and Administrative ("SG&A") Expense. SG&A expense for the: (i) second quarter of 2020 was $45.0 million, a slight decrease from $45.4 million for the second quarter of 2019; and (ii) six months ended June 30, 2020 decreased 2% to $89.4 million, from $91.3 million for the six months ended June 30, 2019. These decreases can be primarily attributed to lower employee-related costs. Our SG&A costs as a percentage of total revenue for the second quarters of 2020 and 2019 were 18.7% and 18.5%, respectively.

Depreciation. Depreciation expense for the: (i) second quarter of 2020 was $5.6 million, a slight increase from the $5.4 million for the second quarter of 2019; and (ii) six months ended June 30, 2020 was $11.2 million, a 6% increase when compared to $10.6 million for the six months ended June 30, 2019. These increases can be primarily attributed to the increased level of capital expenditures on items such as technology, security, infrastructure, and modernization of equipment.

Operating Income. Operating income for the: (i) second quarter of 2020 was $19.8 million, or 8.2% of total revenue, compared to $30.3 million, or 12.3% of total revenue for the second quarter of 2019; and (ii) six months ended June 30, 2020 was $52.9 million, or 10.9% of total revenue, compared to $62.4 million, or 12.7% of total revenue for the six months ended June 30, 2019. These decreases in operating income can be mainly attributed to the impairment charge, discussed above.

Other, Net. Other expense for the: (i) second quarter of 2020 was $1.0 million, compared to other income of $1.3 million for the second quarter of 2019; and (ii) six months ended June 30, 2020 was $1.1 million, compared to $0.2 million for the six months ended June 30, 2019, with the amounts mainly attributed to foreign currency losses.

Income Tax Provision. The effective income tax rates for the second quarters and six months ended June 30, 2020 and 2019 were as follows:

Quarter Ended June 30,		Six Months Ended June 30,	
2020	2019	2020	2019
27%	28%	26%	27%

Our estimated full year 2020 effective income tax rate is approximately 27%.

Liquidity

Cash and Liquidity

As of June 30, 2020, our principal sources of liquidity included cash, cash equivalents and short-term investments of $171.2 million, as compared to $131.3 million as of March 31, 2020, and $182.7 million as of December 31, 2019. We generally invest our excess cash balances in low-risk, short-term investments to limit our exposure to market and credit risks.

As part of our 2018 Credit Agreement, we have a $200 million senior secured revolving loan facility with a syndicate of financial institutions that expires in March 2023. As of June 30, 2020, there were no borrowings outstanding on the 2018 Revolver. The 2018 Credit Agreement contains customary affirmative covenants and financial covenants. As of June 30, 2020, and the date of this filing, we believe that we are in compliance with the provisions of the 2018 Credit Agreement.

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

	June 30, 2020	December 31, 2019
Americas (principally the U.S.)	$ 119,639	$ 125,309
Europe, Middle East and Africa	42,439	50,477
Asia Pacific	9,124	6,871
Total cash, equivalents and short-term investments	$ 171,202	$ 182,657

We generally have ready access to substantially all of our cash, cash equivalents, and short-term investment balances, but may face limitations on moving cash out of certain foreign jurisdictions due to currency controls. As of June 30, 2020, we had $2.1 million of cash restricted as to use primarily to collateralize outstanding letters of credit.

Cash Flows from Operating Activities

We calculate our cash flows from operating activities in accordance with U.S. GAAP, beginning with net income, adding back the impact of non-cash items or non-operating activity (e.g., depreciation, amortization, amortization of OID, impairments, gain/loss from debt extinguishments, deferred income taxes, stock-based compensation, etc.), and then factoring in the impact of changes in operating assets and liabilities. See our 2019 10-K for a description of the primary uses and sources of our cash flows from operating activities.

Our 2020 and 2019 net 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 Assets and Liabilities	Net Cash Provided by (Used In) Operating Activities – Totals
Cash Flows from Operating Activities:			
2020:			
March 31	$ 52,938	$ (60,151)	$ (7,213)
June 30	41,022	16,668	57,690
Total	$ 93,960	$ (43,483)	$ 50,477
2019:			
March 31	$ 42,003	$ (29,177)	$ 12,826
June 30	46,072	(30,469)	15,603
Total	$ 88,075	$ (59,646)	$ 28,429

Cash flows from operating activities for the first quarters of 2020 and 2019 reflect the negative impacts of the payment of the 2019 and 2018 year-end accrued employee incentive compensation in the first quarter subsequent to the year-end accrual for these items. Additionally, cash flows from operating activities for the first and second quarters of 2020 and 2019 were negatively impacted by the timing of certain recurring key client payments that were delayed and received subsequent to quarter-end, of approximately $33 million and $26 million for the first and second quarters of 2020, respectively, and $14 million and $25 million for the first and second quarters of 2019, respectively.

We believe the above table illustrates our ability to generate recurring quarterly cash flows from our operations, and the importance of managing our working capital items. Variations in our net cash provided by operating activities are generally related to the changes in our operating assets and liabilities (related mostly to fluctuations in timing at quarter-end of client payments 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 2020 and 2019 that impacted our cash flows from operating activities are as follows:

Billed Trade Accounts Receivable

Management of our billed accounts receivable is one of the primary factors in maintaining strong quarterly cash flows from operating activities. Our billed trade accounts receivable balance includes 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 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 doubtful accounts receivable (“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
2020:				
March 31	$ 264,601	$ (3,888)	$ 260,713	72
June 30	248,470	(4,057)	244,413	73
2019:				
March 31	$ 247,833	$ (2,897)	$ 244,936	65
June 30	268,656	(2,861)	265,795	67

As of June 30, 2020 and 2019, approximately 93% and 95%, respectively, of our billed accounts receivable balance were less than 60 days past due.

The year-over-year increase in DBOs can be directly attributed to the increase key client delays of their recurring payments, as noted above. We may experience future adverse impacts to our DBOs if we experience payment delays, which may be exacerbated as a result of the impact of the COVID-19 pandemic on our clients and their ability to pay in a timely manner. Additionally, as a global company, our ability to invoice certain clients outside of the U.S. may be dependent upon completion of local country billing protocols and processes which may be impacted or delayed due to the global pandemic. While we currently do not expect the impact to our net accounts receivable to be significant, the duration and severity of this global pandemic are still evolving and uncertain.

Accrued Employee Compensation

Accrued employee compensation decreased $31.8 million to $45.7 million as of June 30, 2020, from $77.5 million as of December 31, 2019, due primarily to the payment of the 2019 employee incentive compensation that was fully accrued at December 31, 2019, offset to a certain degree by the accrual for the 2020 employee incentive compensation.

Cash Flows from Investing Activities

Our typical investing activities consist of purchases/sales of short-term investments and purchases of software, property and equipment, which are discussed below. Additionally, during the first quarter of 2020 we acquired Tekzenit for approximately $10 million, which is included in our cash flows from investing activities.

Purchases/Sales of Short-term Investments. For the six months ended June 30, 2020 and 2019, we purchased $35.1 million and $22.5 million, respectively, and sold (or had mature) $34.2 million and $28.8 million, respectively, of short-term investments. We continually evaluate the appropriate mix of our investment of excess cash balances between cash equivalents and short-term investments in order to maximize our investment returns and liquidity, and will likely purchase and sell additional short-term investments in the future.

Software, Property and Equipment. Our capital expenditures for the six months ended June 30, 2020 and 2019 for software, property and equipment were $14.3 million and $17.9 million, respectively, and consisted principally of investments in: (i) statement production equipment; (ii) computer hardware, software, and related equipment; and (iii) facilities and internal infrastructure items.

Cash Flows from Financing Activities

Our financing activities typically consist of activities associated with our common stock and our long-term debt.

Cash Dividends Paid on Common Stock. During the six months ended June 30, 2020 and 2019, the Board approved dividends totaling $15.5 million and $14.7 million, respectively, and made dividend payments of $15.9 million and $14.8 million, respectively, through June 30, 2020 and 2019, with the differences attributed to unvested incentive shares that are paid upon vesting.

Repurchase of Common Stock. During the six months ended June 30, 2020 and 2019, we repurchased approximately 151,000 and 393,000 shares of our common stock, respectively, under the guidelines of our Stock Repurchase Program for $6.8 million and $15.8 million, respectively, and paid $6.9 million and $16.2 million, respectively, through June 30, 2020 and 2019, with the differences attributed to the timing of share settlement.

Outside of our Stock Repurchase Program, during the six months ended June 30, 2020 and 2019, we repurchased from our employees and then cancelled approximately 159,000 and 107,000 shares of our common stock, respectively, for $7.7 million and $4.5 million, respectively, in connection with minimum tax withholding requirements resulting from the vesting of restricted common stock under our stock incentive plans.

Long-term Debt. During the six months ended June 30, 2020 and 2019, we made principal repayments of $4.7 million and $3.8 million, respectively.

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

Capital Resources

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

Current Sources of Capital Resources.

- Cash, Cash Equivalents and Short-term Investments. As of June 30, 2020, we had cash, cash equivalents, and short-term investments of $171.2 million, of which approximately 67% is in U.S. dollars and held in the U.S. We have $2.1 million of restricted cash, used primarily to collateralize outstanding letters of credit. 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.

- 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.

- Revolving Credit Facility. We currently have a $200 million revolving loan facility, our 2018 Revolver. As of June 30, 2020, we had no borrowing outstanding on our 2018 Revolver and had the entire $200 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. We have made repurchases of our common stock in the past under our Stock Repurchase Program. As of June 30, 2020, we had 4.8 million shares authorized for repurchase remaining under our Stock Repurchase Program. Our 2018 Credit Agreement may place 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 future share repurchases will be dependent on then current market conditions and other business-related factors. Our common stock repurchases are discussed in more detail in Note 8 to our Financial Statements.

  During the six months ended June 30, 2020, we repurchased approximately 151,000 shares of our common stock for $6.8 million (weighted-average price of $44.99 per share). In early April 2020, we suspended stock repurchases under the Stock Repurchase Plan and terminated our existing SEC Rule 10b5-1 Plan.

  Outside of our Stock Repurchase Program, during the six months ended June 30, 2020, we repurchased from our employees and then cancelled approximately 159,000 shares of our common stock for $7.7 million in connection with minimum tax withholding requirements resulting from the vesting of restricted common stock under our stock incentive plans.

- Cash Dividends. During the six months ended June 30, 2020, the Board declared dividends totaling $15.5 million. Going forward, we expect to pay cash dividends each year in March, June, September, and December, with the amount and timing subject to the Board's approval.

- Acquisition. The 2018 Forte acquisition purchase agreement includes provisions for $18.8 million of potential future earn-out payments over a four-year measurement period. The earn-out payments are tied to performance-based goals and continued employment by the eligible recipients. As of June 30, 2020, we have made no earn-out payments.

  In January 2020, we acquired certain assets of Tekzenit, Inc. ("Tekzenit") for a purchase price of approximately $10 million. The purchase agreement includes provisions for additional purchase price payments in the form of earn-out and qualified sales payments for up to $10 million over a three-year measurement period upon meeting certain financial and sales criteria.

  These acquisitions were funded from currently available cash. Our acquisition of Tekzenit is discussed in more detail in Note 5 to our Financial Statements. 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 clients and expansion into verticals outside the global communications market.

- Capital Expenditures. During the six months ended June 30, 2020, we spent $14.3 million on capital expenditures. As of June 30, 2020, we had committed to purchase $2.8 million of equipment.

- Stock Warrants. We have issued Stock Warrants with an exercise price of $26.68 per warrant to Comcast as an incentive for Comcast to convert new customer accounts to ACP. Once vested, Comcast may exercise the Stock Warrants and elect either physical delivery of common shares or net share settlement (cashless exercise). Alternatively, the exercise of the Stock Warrants may be settled with cash based solely on our approval, or if Comcast were to beneficially own or control in excess of 19.99% of the common stock or voting of the Company. As of June 30, 2020, approximately 1.0 million Stock Warrants remain issued, none of which are vested.

  The Stock Warrants are discussed in more detail in Note 8 to our Financial Statements.

- Long-Term Debt. As of June 30, 2020, our long-term debt consisted of the following: (i) 2016 Convertible Notes with a par value of $230.0 million; and (ii) 2018 Credit Agreement with term loan borrowings of $132.2 million.

  2016 Convertible Notes

  During the next twelve months, there are no scheduled conversion triggers on our 2016 Convertible Notes. As a result, we expect our required debt service cash outlay during the next twelve months for the 2016 Convertible Notes to be limited to interest payments of $9.8 million.

  2018 Credit Agreement

  Our 2018 Credit Agreement mandatory repayments and the cash interest expense (based upon current interest rates) for the next twelve months is $12.2 million, and $2.3 million, respectively. We have the ability to make prepayments on our 2018 Credit Agreement without penalty.

  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, cash equivalents and short-term investments balances and our 2018 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 also believe we could obtain additional capital through other debt sources which may be available to us if deemed appropriate.

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, 2020, we are exposed to various market risks, including changes in interest rates, fluctuations and changes in the market value of our cash equivalents and short-term investments, 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 2016 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 2018 Credit Agreement are based upon an adjusted LIBOR rate plus an applicable margin, or an alternate base rate plus an applicable margin. See Note 4 to our Financial Statements for further details of our long-term debt.

A hypothetical adverse change of 10% in the June 30, 2020 adjusted LIBOR rate would not have had a material impact upon our results of operations.

Market Risk

Cash Equivalents and Short-term Investments. Our cash and cash equivalents as of June 30, 2020 and December 31, 2019 were $144.0 million and $156.5 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 and short-term investments. Our cash equivalents are invested primarily in institutional money market funds, commercial paper, and time deposits held at major banks. We have minimal market risk for our cash and cash equivalents due to the relatively short maturities of the instruments.

Our short-term investments as of June 30, 2020 and December 31, 2019 were $27.2 million and $26.1 million, respectively. Currently, we utilize short-term investments as a means to invest our excess cash only in the U.S. The day-to-day management of our short-term investments is performed by a large financial institution in the U.S., using strict and formal investment guidelines approved by our Board. Under these guidelines, short-term investments are limited to certain acceptable investments with: (i) a maximum maturity; (ii) a maximum concentration and diversification; and (iii) a minimum acceptable credit quality. At this time, we believe we have minimal liquidity risk associated with the short-term investments included in our portfolio.

Settlement Assets. We are exposed to market risk associated with cash held on behalf of our clients related to our payment processing services. As of June 30, 2020 *and December 31, 2019*, we had $139.2 million and $169.3 million, respectively, of cash collected on behalf of our clients which is held for an established holding period until settlement with the client. The holding period is generally one to four business days depending on the payment model and contractual terms with the client. During the holding period, cash is held in accounts with various major financial institutions in the U.S. in an amount equal to at least 100% of the aggregate amount owed to our clients. These balances can significantly fluctuate between periods due to activity at the end of the period and the day in which the period ends.

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, 2020, the fair value of the 2016 Convertible Notes was estimated at $238.6 million, using quoted market prices.

Foreign Currency Exchange Rate Risk

Due to foreign operations around the world, our balance sheet and income statement are exposed to foreign currency exchange risk due to the fluctuations in the value of currencies in which we conduct business. 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.

During the six months ended June 30, 2020, we generated approximately 89% 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.

As of June 30, 2020 and December 31, 2019, the carrying amounts of our monetary assets and monetary liabilities on the books of our non-U.S. subsidiaries in currencies denominated in a currency other than the functional currency of those non-U.S. subsidiaries are as follows (in thousands, in U.S. dollar equivalents):

	June 30, 2020		December 31, 2019	
	Monetary Liabilities	Monetary Assets	Monetary Liabilities	Monetary Assets
Pounds sterling	$ (43)	$ 925	$ (30)	$ 1,786
Euro	(620)	7,323	(76)	11,284
U.S. Dollar	(106)	18,826	(117)	18,890
South African Rand	-	52	-	7,602
Other	-	1,231	(6)	1,065
Totals	$ (769)	$ 28,357	$ (229)	$ 40,627

A hypothetical adverse change of 10% in the June 30, 2020 exchange rates would not have had a material impact upon our results of operations based on the monetary assets and liabilities as of June 30, 2020.

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.

(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.

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. 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 2019 Form 10-K. There were no material changes to the risk factors disclosed in our 2019 Form 10-K during the second quarter of 2020, other than the addition of the following below.

Our Business May be Disrupted and Our Results of Operations and Cash Flows May be Adversely Affected by the Recent Coronavirus (COVID-19) Pandemic.

In March 2020, the World Health Organization declared a global pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak which has led to a global health emergency. This outbreak has adversely affected workforces, clients, economies, and financial markets globally. The significance of the impact on our operations is not yet certain and depends on numerous evolving factors that we may not be able to accurately predict or effectively respond to, including, among others:

- the duration and scope of the pandemic;
- the effect on global economic activity and the resulting impact on our client's businesses, their credit and liquidity, and their demand for our solutions and services, as well as their ability to pay;
- our ability to deliver and implement our solutions in a timely manner, including as a result of supply chain challenges, one or more print and mail facility closures for an extended period, restrictions on travel for our and client personnel, as well as shelter-in-place orders; and
- actions taken by U.S., foreign, state, and local governments, suppliers, and individuals in response to the outbreak.

While we have significant sources of cash and liquidity and access to a committed credit line, a prolonged period of generating lower cash from operations could adversely affect our financial condition and the achievement of our strategic objectives.

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 quarter of 2020 by CSG Systems International, Inc. or any "affiliated purchaser" of CSG Systems International, Inc., as defined in Rule 10b-18(a)(3) under the Exchange Act.

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 Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs (2)
April 1 - April 30	9,821	$ 41.21	9,000	4,810,967
May 1 - May 31	321	46.79	-	4,810,967
June 1 - June 30	998	47.59	-	4,810,967
Total	11,140	$ 41.94	9,000	

(1) The total number of shares purchased that are not part of the Stock Repurchase Program represents shares purchased and cancelled in connection with stock incentive plans.

(2) See Note 8 to our Financial Statements for additional information regarding our share repurchases.

Item 3. ***Defaults Upon Senior Securities***

None

Item 4. ***Mine Safety Disclosures***

None

Item 5. ***Other Information***

None

Item 6. ***Exhibits***

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

CSG SYSTEMS INTERNATIONAL, INC.
INDEX TO EXHIBITS

Exhibit Number	Description
10.26AH*	Twenty-First Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC
10.26AI*	Thirty-Ninth Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC
10.26AJ*	Fortieth Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC
31.01	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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 Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
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.

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 6, 2020

CSG SYSTEMS INTERNATIONAL, INC.

/s/ Bret C. Griess

Bret C. Griess
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Rolland B. Johns

Rolland B. Johns
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ David N. Schaaf

David N. Schaaf
Chief Accounting Officer
(Principal Accounting Officer)

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 (***).

TWENTY-FIRST AMENDMENT TO CONSOLIDATED CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT BETWEEN CSG SYSTEMS, INC. AND CHARTER COMMUNICATIONS OPERATING, LLC

SCHEDULE AMENDMENT

This Twenty-first 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 Consolidated CSG Master Subscriber Management System Agreement effective as of August 1, 2017 (CSG document no. 4114281), 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. The effective date of this Amendment is the date last signed below (the "Effective Date").

1. **Customer desires and CSG agrees to provide a process, pursuant to Customer's specifications, to support Customer's platform for processing recurring payment files to be provided to CSG by Customer ("Company-wide Payment Services").**

2. **As a result, upon execution of this Amendment and pursuant to the terms and conditions of the Agreement, Schedule F, "Fees," Section 1, "CSG SERVICES," Subsection X., "Custom Implementation Services," is amended to add a new subsection P, "Company-wide Payment Services," as follows:**

P. Company-wide Payment Services ("CPS")

Description	Frequency	Fee
1. Implementation and Set Up Fee **(Note 1)**	[********]	[*****]
2. Maintenance and Support Fee **(Note 2) (Note 3) (Note 4)**	[*******]	$[*********]

Note 1: Implementation and set up to integrate with Customer's Company-wide Payment Services platform was mutually agreed upon and documented in that certain Statement of Work, "Implement Integration to Enterprise Payment Services" (CSG document no. 4125497) executed by CSG and Customer, effective as of October 29, 2018.

Note 2: Maintenance and Support Fees will include (i) generation and delivery of the Recurring Payments daily files which will include Customer's Connected Subscribers that are scheduled to have accounts debited on such day; (ii) availability of the Recurring Payment Audit Report specifying the type of Recurring Payments daily files sent and whether such daily files were sent to Customer or Customer's processor and the total number of records on each such daily file; and (iii) up to [*** ******* ***** (***) ***** per *****] of production support and maintenance. Any unused production support and maintenance hours in a month may not be carried over to a subsequent month and are forfeited. In the event additional production support and maintenance hours are necessary in a given month, Customer shall be invoiced at the then current Technical Service hourly rate.

Note 3: Maintenance and Support Fees will be invoiced [*******] commencing with the first full month after completion of the first production migration of Customer's recurring payment files to Customer's Company-wide Payment Services, pursuant to that certain Statement of Work, "Provide Migration Support Services to Company Wide Payment Service" (CSG document no. 4133998).

Note 4: Customer shall provide no less than [****** (**) *****] written notice (email is sufficient), including the specific termination date, prior to discontinuing the Company-wide Payment Service. The Maintenance and Support Fee for the [***** *****] of the Maintenance and Support services will be due in full for the [*****] of the Customer specified termination date.

[Signature Page Follows]

THIS AMENDMENT is executed on the days and year last signed below to be effective as of the Effective Date (defined above).

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC ("CUSTOMER")	**CSG SYSTEMS, INC. ("CSG")**
By: Charter Communications, Inc., its Manager	
By: /s/ Michael Ciszek	By: /s/ Gregory L. Cannon
Title: SVP Billing Strategy & Ops	Title: SVP, General Counsel & Secretary
Name: Michael Ciszek	Name: Gregory L. Cannon
Date: May 6, 2020	Date: May 6, 2020

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 (***).

THIRTY-NINTH AMENDMENT
TO
CONSOLIDATED
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
CHARTER COMMUNICATIONS OPERATING, LLC

This Thirty-ninth 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 Consolidated CSG Master Subscriber Management System Agreement effective as of August 1, 2017 (CSG document no. 4114281), 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. The effective date of the Amendment shall be the date last signed below (the "Amendment Effective Date")

WHEREAS, as a result of discussions between the Parties, the Parties agree to amend the terms of Section 12.12 of the Agreement; and

WHEREAS, Pursuant to the terms of the Agreement, CSG provides and Customer consumes CSG Vantage® Users/IDs/Sessions for up to [*** ******** ***** ******* ********** (*****)] Vantage User IDs/Sessions, including [*** ******* ******* (***)] Discounted Vantage User IDs/Sessions; and

WHEREAS, Customer, subsequent to April 30, 2019, has requested and CSG has provided, pursuant to Technical Service Requests and Statements of Work executed from time to time by the Parties commencing on or after [*** *], 2019, through [***** **], 2020, for which Customer has been provided and paid associated fees pursuant to the Agreement, [*** ******* ****** (***)] additional Vantage UserIDs/Sessions to bring the aggregate number of Vantage UserIDs/Sessions to [***** ******** *** (*****)] Vantage User IDs/Sessions as of [***** **], 2020; and

NOW, THEREFORE, 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:

1. **Effective upon the Effective Date of the Agreement, Customer and CSG mutually agree that Section 12.12, "Counterparts and Facsimile," shall be deleted in its entirety and replaced as follows:**

    "**Counterparts, Electronic Signatures and Electronically Transmitted.** This Agreement may be executed in two (2) or more counterparts, which may be electronically signed, each of which shall be deemed an original, but all of which shall constitute one and the same Agreement. A document signed electronically or otherwise and transmitted electronically by facsimile or electronic mail is to be treated as an original and shall have the same binding effect as an original signature on an original document. Each Party agrees that the electronic signatures of the Parties used to execute legal documents provided under this Agreement are intended to authenticate such documents and to have the same force and effect as manual signatures. Electronic signature means any electronic symbol or process attached to or logically associated with a record and executed and adopted by a Party with the intent to sign such record."

2. Effective upon the Amendment Effective Date, CSG and Customer agree that as of [*** **], 2020, the number of Vantage UserIDs/Sessions for which CSG invoices Customer is [***** ******** *** (*****)] and, further, as a result, Schedule F of the Agreement, Section 1, "CSG Services," Subsection III, "Payment Procurement," Subsection V., Advanced Reporting, Subsection A., "CSG Vantage®," Notes 9 and 10 are deleted in their entirety and replaced as follows to reflect the updated number of Vantage UserIDs/Sessions invoiced by CSG and utilized by Customer as of [***** **], 2020, as follows:**

Note 9: CSG and Customer agree that as of [***** **], 2020, Customer has requested and is utilizing [***** ******** *** (*****)] Vantage UserIDs/Sessions. Therefore, CSG will invoice and Customer agrees to pay the annual maintenance pursuant to section A.2 of the table above in accordance with the Agreement for [***** ******** *** (*****)] Vantage UserIDs/Sessions. In the event Customer requests additional Vantage User IDs/Sessions, the fees as set forth in sections A.1 and A.2 of the table above shall apply.
Note 10: Notwithstanding the foregoing in Note 9 above, CSG agrees to provide [*** ******* ******* (***)] Vantage User IDs/Sessions of such [***** ******** *** (*****)] Vantage User IDs/Sessions at the rate of [******** (***)] of the Annual Vantage User Maintenance for the Term of the Agreement ("[**********] Vantage User IDs/Sessions"). CSG and Customer acknowledge and agree that it is the intent of the Parties that the [**********] Vantage User IDs/Sessions hereunder will be utilized concurrently with the [*** ******* ******* (***)] current Customer Vantage IDs/Sessions to allow users to query Customer's Vantage data on two (2) database instances.

THIS AMENDMENT is executed on the days and year last signed below to be effective as of the Amendment Effective Date (defined above).

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC ("CUSTOMER")	**CSG SYSTEMS, INC. ("CSG")**
By: Charter Communications, Inc., its Manager	
By: /s/ Michael Ciszek	By: /s/ Gregory L. Cannon
Title: SVP Billing Strategy & Ops	Title: SVP, General Counsel & Secretary
Name: Michael Ciszek	Name: Gregory L. Cannon
Date: Apr 29, 2020	Date: Apr 30, 2020

Exhibit 10.26AJ

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 (***).

FORTIETH AMENDMENT
TO
CONSOLIDATED
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
CHARTER COMMUNICATIONS OPERATING, LLC

SCHEDULE AMENDMENT

This Fortieth 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 Consolidated CSG Master Subscriber Management System Agreement effective as of August 1, 2017 (CSG document no. 4114281), 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. The effective date of this Amendment is the date last signed below (the "Amendment Effective Date").

1. Customer desires to convert those certain Customer's subscribers associated with Customers "[****** ****] Market," currently receiving billing services from Customer's third party biller platform to the CSG billing platform as soon as reasonably possible, as a pilot, (for purposes of this Amendment, the "Pilot Converted Subscribers"), under the terms of the Agreement and pursuant to that certain Statement of Work, "Programmatic Data Conversion of Pilot Market Non-ACP Subscribers to the Advanced Convergent Platform," to be executed by the Parties (CSG document no. 4134123 the "Pilot Conversion SOW").

2. CSG's Services shall commence upon the Conversion Date, as defined in the Agreement.

3. CSG agrees to amend the first paragraph under Conversion Incentive Bonus of Schedule F, by deleting it in its entirety and replacing it with the following, to include conversions resulting from the Pilot Conversion SOW:

> As an [********* ** ******* *********** to CSG **** * ****** ***** **** ***] and thus make such subscribers Connected Subscribers under this Agreement (for purposes of the [********** ********* *****] and the **BSC Rate Table,** the "Converted Connected Subscribers"), CSG agrees, unless otherwise provided in <u>Schedule F</u>. "Fees," under the **BSC Rate Table**, to provide Customer with an [********* ***** ***** to $****** *** ***** for each ********* ********* ********** ("********** ********* *****"). The ********** ********* ***** shall be payable with respect to **** ********* ********* ********** ** **** ***** **** *** ***** ** ***** *** ********** ********** **** ****** through ******** *** **** ("********* Term") and such ******* ****** will be ******* ** ** ******* ****** ******* ********** **** in the **** ********** *****. Upon the expiration of the ********* ****, the ********** ********* ***** ***** *****. ********** ********* ***** ******* ******* may be ********** as ********** ********** *********** for which the ********* **** ****** in the ****, ****, **** ******** ***** and in the **** ******** ****, ****** ** ** ******* ** *********** ********** ******** to the ***** ********** ***, in which

the ********** ********* ***** is applicable. The ********** ********* ***** may only be earned during the ****, ****, **** ******** ***** of the Agreement and in the **** ******** ****, ****** ** ** ******* ** *********** ********** ******** to the ***** ********** ***, and except for *********** ********* ******** to the ***** ********** *** in ******** **** ****, will no longer be applicable to ********** *********** that occur ***** ******** *** ****. The ********** ********* ***** is only applicable to ********* ********* ***********. For clarification purposes, ********* ********* *********** shall not include ******** *********** which ******** ****** ***** this ********* for the provision of ***** *** **** ********.]

THIS AMENDMENT is executed on the days and year last signed below to be effective as of the Amendment Effective Date (defined above).

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC ("CUSTOMER")	**CSG SYSTEMS, INC. ("CSG")**
By: Charter Communications, Inc., its Manager	
By: /s/ Michael Ciszek	By: /s/ Gregory L. Cannon
Title: SVP Billing Strategy & Ops	Title: SVP, General Counsel & Secretary
Name: Michael Ciszek	Name: Gregory L. Cannon
Date: May 13, 2020	Date: May 13, 2020

EXHIBIT 31.01

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

I, Bret C. Griess, 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 statements 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 6, 2020

/s/ Bret C. Griess
Bret C. Griess
President and Chief Executive Officer

EXHIBIT 31.02

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

I, Rolland B. Johns, 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 statements 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 6, 2020

/s/ Rolland B. Johns
Rolland B. Johns
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.

Bret C. Griess, the Chief Executive Officer and Rolland B. Johns, 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 6, 2020

s/ Bret C. Griess

Bret C. Griess
President and Chief Executive Officer

August 6, 2020

s/ Rolland B. Johns

Rolland B. Johns
Executive Vice President and Chief Financial Officer