CSG SYSTEMS INTERNATIONAL, INC.
DISCLOSURES FOR NON-GAAP FINANCIAL MEASURES

Use of Non-GAAP Financial Measures and Limitations

To supplement its condensed consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), CSG uses non-GAAP operating income, non-GAAP EPS, non-GAAP adjusted EBITDA, and non-GAAP free cash flow. CSG believes that these non-GAAP financial measures, when reviewed in conjunction with its GAAP financial measures, provide investors with greater transparency to the information used by CSG's management in its financial and operational decision making. CSG uses these non-GAAP financial measures for the following purposes:

- Certain internal financial planning, reporting, and analysis;
- Forecasting and budgeting;
- Certain management compensation incentives; and
- Communications with CSG's Board of Directors, stockholders, financial analysts, and investors.

These non-GAAP financial measures are provided with the intent of providing investors with the following information:

- A more complete understanding of CSG's underlying operational results, trends, and cash generating capabilities;
- Consistency and comparability with CSG's historical financial results; and
- Comparability to similar companies, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures are not measures of performance under GAAP, and therefore should not be considered in isolation or as a substitute for GAAP financial information. Limitations with the use of non-GAAP financial measures include the following items:

- Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles;
- The way in which CSG calculates non-GAAP financial measures may differ from the way in which other companies calculate similar non-GAAP financial measures;
- Non-GAAP financial measures do not include all items of income and expense that affect CSG's operations and that are required by GAAP to be included in financial statements;
- Certain adjustments to CSG's non-GAAP financial measures result in the exclusion of items that are recurring and will be reflected in CSG's financial statements in future periods; and
- Certain charges excluded from CSG's non-GAAP financial measures are cash expenses, and therefore do impact CSG's cash position.

CSG compensates for these limitations by relying primarily on its GAAP results and using non-GAAP financial measures as a supplement only. Additionally, CSG provides specific information regarding the treatment of GAAP amounts considered in preparing the non-GAAP financial measures and reconciles each non-GAAP financial measure to the most directly comparable GAAP measure.

Non-GAAP Financial Measures: Basis of Presentation

The table below outlines the exclusions from CSG's non-GAAP financial measures:

Non-GAAP Exclusions	Operating Income	EPS
Restructuring and reorganization charges	X	X
Acquisition-related charges	X	X
Stock-based compensation	X	X
Amortization of acquired intangible assets	X	X
Amortization of original issue discount ("OID")	—	X
Unusual income tax matters	—	X

CSG believes that excluding certain items in calculating its non-GAAP financial measures provides meaningful supplemental information regarding CSG's performance and these items are excluded for the following reasons:

- Restructuring and reorganization charges are infrequent expenses that result from cost reduction initiatives and/or significant changes to CSG's business, to include such things as involuntary employee terminations, changes in management structure, divestitures of businesses, facility consolidations and abandonments, and fundamental reorganizations impacting operational focus and direction. These charges are not considered reflective of CSG's recurring core business operating results. The exclusion of these items in calculating CSG's non-GAAP financial measures allows management and investors an additional means to compare CSG's current financial results with historical and future periods.
- Acquisition-related charges relate to direct and incremental expenses related to business acquisitions, and thus, are not considered reflective of CSG's recurring core business operating results. These charges typically include expenses related to legal, accounting, and other professional services. The exclusion of these charges in calculating CSG's non-GAAP financial measures allows management and investors an additional means to compare CSG's current financial results with historical and future periods.
- Stock-based compensation results from CSG's issuance of equity awards to its employees under incentive compensation programs. The amount of this incentive compensation in any period is not generally linked to the level of performance by employees or CSG, but instead is more dependent on CSG's stock price at the date the equity award is granted, and the employee service period over which the equity awards vest. The exclusion of these expenses in calculating CSG's non-GAAP financial measures allows management and investors an additional means to evaluate the non-cash expense related to compensation included in CSG's results of operations, and therefore, the exclusion of this item allows investors to further evaluate the cash generating capabilities of CSG's business.
- Amortization of acquired intangible assets is the result of business acquisitions. A portion of the purchase price in an acquisition is allocated to acquired intangible assets (e.g., software, client relationships, etc.), which are then amortized to expense over their estimated useful lives. This annual

amortization expense is generally unchanged from the initial estimates, regardless of performance of the acquired business in any one period. Also, the value assigned to acquired intangible assets in a business combination is based on various estimates and valuation techniques, and does not necessarily represent the costs CSG would incur to develop such capabilities internally. Additionally, amortization of acquired intangible assets can be inconsistent in amount and frequency, and can be significantly affected by the timing and size of an acquisition. The exclusion of these expenses in calculating CSG's non-GAAP financial measures allows management and investors an additional means to evaluate the non-cash expense related to acquisitions included in CSG's results of operations, and therefore, the exclusion of this item allows investors to further evaluate the cash generating capabilities of CSG's business.

- The convertible debt securities OID is the result of allocating a portion of the principal balance of the debt at issuance to the equity component of the instrument, as required under current accounting rules. This OID is then amortized to interest expense over the life of the respective convertible debt instrument. The interest expense related to the amortization of the OID is a non-cash expense, and therefore, the exclusion of this item allows investors to further evaluate the cash interest costs of CSG's convertible debt securities for cash flow, liquidity, and debt service purposes.
- Unusual items within CSG's quarterly and/or annual income tax expense can occur from such things as income tax accounting timing matters, income taxes related to unusual events, or as a result of different treatment of certain items for book accounting and income tax purposes. Consideration of such items in calculating CSG's non-GAAP financial measures allows management and investors an additional means to compare CSG's current financial results with historical and future periods.

CSG also reports non-GAAP adjusted EBITDA and non-GAAP free cash flow. Management believes non-GAAP adjusted EBITDA is a useful measure to investors in evaluating CSG's operating performance, liquidity, debt servicing capabilities, and enterprise valuation. CSG defines non-GAAP adjusted EBITDA as income before interest, income taxes, depreciation, amortization, stock-based compensation, foreign currency transaction adjustments, and unusual items, such as restructuring and reorganization charges, as discussed above. Additionally, management uses non-GAAP free cash flow, among other measures, to assess its financial performance and cash generating capabilities, and believes that it is useful to investors because it shows CSG's cash available to service debt, make strategic acquisitions and investments, repurchase its common stock, pay cash dividends, and fund ongoing operations. CSG defines non-GAAP free cash flow as net cash flows from operating activities less the purchases of property and equipment.

Non-GAAP Financial Measures

Non-GAAP Operating Income:

The reconciliations of GAAP operating income to non-GAAP operating income for the indicated periods are as follows (in thousands, except percentages):

	Quarter Ended December 31, 2014		Quarter Ended December 31, 2013	
	Amounts	% of Revenues	Amounts	% of Revenues
GAAP operating income	$ 19,125	9.9%	$ 16,435	8.4%
Restructuring and reorganization charges	4,928	2.5%	11,466	5.9%
Acquisition-related charges	-	-%	62	0.0%
Stock-based compensation	4,405	2.3%	3,299	1.7%
Amortization of acquired intangible assets	3,624	1.9%	4,550	2.4%
Non-GAAP operating income	$ 32,082	16.6%	$ 35,812	18.4%

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Amounts	% of Revenues	Amounts	% of Revenues
GAAP operating income	$ 75,690	10.1%	$ 76,704	10.3%
Restructuring and reorganization charges	13,969	1.9%	12,405	1.7%
Acquisition-related charges	-	-%	62	0.0%
Stock-based compensation	16,655	2.2%	14,796	2.0%
Amortization of acquired intangible assets	15,408	2.0%	19,220	2.5%
Non-GAAP operating income	$ 121,722	16.2%	$ 123,187	16.5%

Non-GAAP EPS:

The reconciliations of GAAP EPS to non-GAAP EPS for the indicated periods are as follows (in thousands, except per share amounts):

	Quarter Ended December 31, 2014		Quarter Ended December 31, 2013	
	Pretax Amount (1)	EPS (3)	Pretax Amount (1)	EPS (4)
GAAP income before income taxes	$ 16,715	$ 0.38	$ 12,482	$ 0.27
Restructuring and reorganization charges	4,928		11,466	
Acquisition-related charges	-		62	
Stock-based compensation	4,405		3,299	
Amortization of acquired intangible assets	3,624		4,550	
Amortization of OID	1,487		1,377	
Non-GAAP income before income taxes (2)	$ 31,159	$ 0.61	$ 33,236	$ 0.63

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Pretax Amount (1)	EPS (3)	Pretax Amount (1)	EPS (4)
GAAP income before income taxes	$ 61,522	$ 1.10	$ 61,519	$ 1.56
Restructuring and reorganization charges	13,969		12,405	
Acquisition-related charges	-		62	
Stock-based compensation	16,655		14,796	
Amortization of acquired intangible assets	15,408		19,220	
Amortization of OID	5,781		5,352	
Non-GAAP income before income taxes (2)	$ 113,335	$ 2.12	$ 113,354	$ 2.21

(1) These items (on a pretax basis) are calculated in accordance with GAAP, and are reflected as part of the results of operations in the accompanying Unaudited Condensed Consolidated Statements of Income.

(2) Non-GAAP EPS is calculated by taking the non-GAAP income before income taxes and deducting from this amount non-GAAP income taxes calculated by using the non-GAAP effective income tax rate for the period, and then dividing the result of this calculation by the outstanding diluted shares for the period.

(3) For the fourth quarter and year ended December 31, 2014, the GAAP effective income tax rate was 24% and 40%, respectively, the non-GAAP effective income tax rate was approximately 34% and 37%, respectively, and the outstanding diluted shares were 33.4 million and 33.7 million, respectively. The fourth quarter difference between the GAAP and the non-GAAP effective income tax rate relates primarily to the timing of the 2014 R&D tax credit legislation. The anticipated quarterly benefit of the credits is included in each of the quarters of 2014 for non-GAAP purposes; however, the fourth quarter GAAP tax rate reflects the entire benefit of the full year impact of the R&D tax credits, as the legislation was not passed until December.

(4) For the fourth quarter and year ended December 31, 2013, the GAAP effective income tax rate was 27% and 17%, respectively, the non-GAAP effective income tax rate was approximately 36% for both periods, and the outstanding diluted shares were 33.8 million and 32.9 million, respectively.

The GAAP effective income tax rate for the quarter and year ended December 31, 2013 benefited from the following items, which are excluded from our non-GAAP effective income tax rates for these same periods:

- the reduction of certain tax allowances related to foreign operations, which provided a benefit of approximately $0.08 per diluted share for the quarter and the year ended December 31, 2013;
- incremental R&D income tax credits claimed in the third quarter of 2013 for development activities from previous years, which provided a benefit of approximately $0.17 per diluted share for the year ended December 31, 2013; and
- the recognition of the 2012 R&D tax credits of approximately $0.17 per diluted share for the year ended December 31, 2013, that were recognized for GAAP purposes in the first quarter of 2013 since the credit legislation was passed by Congress in January 2013.

Non-GAAP Adjusted EBITDA:

CSG's calculation of non-GAAP adjusted EBITDA and the reconciliation of CSG's non-GAAP adjusted EBITDA measure to net income and cash flows from operating activities are provided below for the indicated periods (in thousands, except percentages):

	Quarter Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
GAAP operating income	$ 19,125	$ 16,435	$ 75,690	$ 76,704
Restructuring and reorganization charges	4,928	11,466	13,969	12,405
Acquisition-related charges	-	62	-	62
Depreciation	3,605	4,254	14,084	18,633
Amortization of acquired intangible assets (5)	3,624	4,550	15,408	19,220
Amortization of other intangible assets (5)	4,152	4,262	15,820	16,179
Stock-based compensation	4,405	3,299	16,655	14,796
Adjusted EBITDA	$ 39,839	$ 44,328	$ 151,626	$ 157,999
Adjusted EBITDA as a percentage of revenues	21%	23%	20%	21%

	Quarter Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
Net income	$ 12,632	$ 9,081	$ 36,959	$ 51,351
Interest expense (6)	2,553	2,897	10,453	11,621
Amortization of OID	1,487	1,377	5,781	5,352
Interest and investment income and other, net	(1,630)	(321)	(2,066)	(1,788)
Income tax provision	4,083	3,401	24,563	10,168
Depreciation	3,605	4,254	14,084	18,633
Amortization of acquired intangible assets (5)	3,624	4,550	15,408	19,220
Amortization of other intangible assets (5)	4,152	4,262	15,820	16,179
Stock-based compensation	4,405	3,299	16,655	14,796
Acquisition-related charges	-	62	-	62
Restructuring and reorganization charges	4,928	11,466	13,969	12,405
Adjusted EBITDA	$ 39,839	$ 44,328	$ 151,626	$ 157,999

	Quarter Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
Cash flows from operating activities	$ 47,745	$ 40,052	$ 83,651	$ 126,634
Income tax provision	4,083	3,401	24,563	10,168
Changes in operating assets and liabilities and deferred taxes	(17,136)	(6,809)	22,222	7,788
Interest expense (6)	2,553	2,897	10,453	11,621
Interest and investment income and other, net	(1,630)	(321)	(2,066)	(1,788)
Loss on disposition of business operations	-	(3,017)	222	(3,017)
Acquisition-related charges	-	62	-	62
Restructuring and reorganization charges	4,928	9,127	13,969	9,184
Other	(704)	(1,064)	(1,388)	(2,653)
Adjusted EBITDA	$ 39,839	$ 44,328	$ 151,626	$ 157,999

(5) Amortization on the statement of cash flows is made up of the following items for the indicated periods (in thousands):

	Quarter Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
Amortization of acquired intangible assets	$ 3,624	$ 4,550	$ 15,408	$ 19,220
Amortization of other intangible assets	4,152	4,262	15,820	16,179
Amortization of deferred financing costs	570	594	2,325	2,420
Total amortization	$ 8,346	$ 9,406	$ 33,553	$ 37,819

(6) Interest expense includes amortization of deferred financing costs as provided in Note 5 above.

Non-GAAP Free Cash Flow:

CSG's calculation of non-GAAP free cash flow and the reconciliation of CSG's non-GAAP free cash flow measure to cash flows from operating activities are provided below for the indicated periods (in thousands):

	Quarter Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
Cash flows from operating activities	$ 47,745	$ 40,052	$ 83,651	$ 126,634
Purchases of property and equipment	(4,579)	(11,090)	(25,985)	(30,076)
Non-GAAP free cash flow	$ 43,166	$ 28,962	$ 57,666	$ 96,558

Non-GAAP Financial Measures – 2015 Financial Guidance

Non-GAAP Operating Income Margin:

The reconciliation of GAAP operating income margin to non-GAAP operating income margin, as included in CSG's 2015 full year financial guidance, is as follows:

	2015 Guidance
GAAP operating income margin	12.0%
Stock-based compensation (7)	3.0%
Amortization of acquired intangible assets (8)	1.5%
Non-GAAP operating income margin ("approximately 16.5%")	16.5%

(7) This represents the pretax impact of stock-based compensation expense of an estimated $22 million on CSG's operating income margin as a percentage of the midpoint of 2015 revenue guidance.

(8) This represents the pretax impact of amortization of acquired intangible assets expense of an estimated $12 million on CSG's operating income margin as a percentage of the midpoint of 2015 revenue guidance.

Non-GAAP EPS:

The reconciliation of GAAP EPS to non-GAAP EPS as included in CSG's 2015 full year financial guidance is as follows (in thousands, except per share amounts):

	2015 Guidance Range			
	Low Range		High Range	
	Pretax Amount (9)	EPS (11)	Pretax Amount (9)	EPS (11)
GAAP income before income taxes	$ 72,000	$ 1.36	$ 77,000	$ 1.45
Stock-based compensation	22,000		22,000	
Amortization of acquired intangible assets	12,000		12,000	
Amortization of OID	6,000		6,000	
Non-GAAP income before income taxes (10)	$ 112,000	$ 2.20	$ 117,000	$ 2.30

(9) These items (on a pretax basis) are calculated in accordance with GAAP, and will be reflected as part of the results of operations in CSG's Unaudited Condensed Consolidated Statements of Income.

(10) Non-GAAP EPS is calculated by taking the non-GAAP income before income taxes and deducting from this amount non-GAAP income taxes calculated by using the non-GAAP effective income tax rate for the period, and then dividing the result of this calculation by the outstanding diluted shares for the period.

(11) For 2015, the estimated effective income tax rate for non-GAAP purposes is expected to be approximately 37%, which assumes Congress will approve the 2015 R&D income tax credit legislation prior to the end of 2015. The weighted-average diluted shares outstanding are expected to be 32.0 million.

Non-GAAP Adjusted EBITDA:

CSG's calculation of non-GAAP adjusted EBITDA and the reconciliation of CSG's non-GAAP adjusted EBITDA measure to net income and cash flows from operations are provided below for CSG's 2015 full year financial guidance at the mid-point (in thousands, except percentages):

	2015
GAAP operating income	$ 92,000
Depreciation	17,000
Amortization of acquired intangible assets	12,000
Amortization of other intangible assets	13,000
Stock-based compensation	22,000
Non-GAAP Adjusted EBITDA	$ 156,000
Non-GAAP Adjusted EBITDA as a percentage of revenues	21%

	2015
Net income	$ 45,000
Interest expense	11,000
Amortization of OID	6,000
Income tax provision	30,000
Depreciation	17,000
Amortization of acquired of intangible assets	12,000
Amortization of other intangible assets	13,000
Stock-based compensation	22,000
Non-GAAP Adjusted EBITDA	$ 156,000

	2015
Cash flows from operating activities (midpoint of guidance)	$ 108,000
Income tax provision	30,000
Changes in operating assets and liabilities and deferred taxes	7,000
Interest expense	11,000
Non-GAAP Adjusted EBITDA	$ 156,000

Non-GAAP Free Cash Flow:

CSG's calculation of non-GAAP free cash flow and the reconciliation of CSG's non-GAAP free cash flow measure to cash flows from operating activities is provided below for the indicated period (in thousands):

	2015
Cash flows from operating activities (midpoint of guidance)	$ 108,000
Purchases of property and equipment	(30,000)
Non-GAAP free cash flow	$ 78,000