

EXHIBIT 2
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 adjusted operating margin percentage, 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	Adjusted Operating Margin Percentage	EPS
Transaction fees.....	—	X	—
Restructuring and reorganization charges	X	X	X
Executive transition costs	X	X	X
Acquisition-related expenses:			
Amortization of acquired intangible assets	X	X	X
Earn-out compensation	X	X	X
Transaction-related costs.....	X	X	X
Stock-based compensation.....	X	X	X
Gain (loss) on debt extinguishment/conversion	—	—	X
Gain (loss) on acquisitions or dispositions.....	—	—	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:

- Transaction fees are primarily comprised of fees paid to third-party payment processors and financial institutions and interchange fees under CSG's payment services contracts. Transaction fees are included in revenue in CSG's Income Statement (and not netted against revenue) because CSG maintains control and acts as principal over the integrated service provided under its payment services customer contracts. However, CSG excludes expense associated with transaction fees from the numerator and denominator in calculating its non-GAAP adjusted operating margin percentage in order to provide comparability with historical and future periods and with its peer group and competitors.
- Restructuring and reorganization charges are 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 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.
- Executive transition costs include expenses incurred related to a departure of a CSG executive officer under the terms of the related separation agreement. These types of costs are not considered reflective of CSG's recurring business operating results. The exclusion of these costs 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 expenses include amortization of acquired intangible assets, earn-out compensation, and transaction-related costs. Transaction-related costs, which typically include expenses related to legal, accounting, and other professional services, are direct and incremental expenses related to business acquisitions, and thus, are not considered reflective of CSG's recurring business operating results. The total amount of acquisition-related expenses can vary significantly between periods based on the number and size of acquisition activities, previously acquired intangible assets becoming fully amortized, and ultimate realization of earn-out compensation. In addition, the timing of these expenses may not directly correlate with underlying performance of the CSG's operations. Therefore, the exclusion of acquisition-related expenses 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. 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.
- Gains and losses related to the extinguishment/conversion of debt can be as a result of the refinancing of CSG's credit agreement and/or repurchase, conversion, or settlement of CSG's convertible notes. These activities, to include any derivative activity related to debt conversions, are not considered reflective of CSG's recurring business operating results. Any resulting gain or loss is generally non-cash income or expense, and therefore, the exclusion of these items allows investors to further evaluate the cash impact of these activities for cash flow and liquidity purposes. In addition, the exclusion of these gains and losses in calculating CSG's non-GAAP EPS allows management and investors an additional means to compare CSG's current operating results with historical and future periods.
- Gains or losses related to the acquisition or disposition of certain of CSG's business activities are not considered reflective of CSG's recurring business operating results. Any resulting gain or loss is generally non-cash income or expense, and therefore, the exclusion of these items allows investors to further evaluate the cash impact of these activities for cash flow and liquidity purposes. In addition, the exclusion of these gains and losses in calculating CSG's non-GAAP EPS allows management and investors an additional means to compare CSG's current operating results with historical and future periods.
- 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, 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, acquisition-related expenses, and unusual items, such as restructuring and reorganization charges, executive transition costs, gains and losses related to the extinguishment of debt, and gains and losses on acquisitions or dispositions, 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 software, property and equipment.

Non-GAAP Financial Measures

Non-GAAP Operating Income and Non-GAAP Adjusted Operating Margin Percentage:

The reconciliation of GAAP operating income to non-GAAP operating income, and calculation of CSG's non-GAAP adjusted operating margin percentage, for the indicated periods are as follows (in thousands, except percentages):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<u>Non-GAAP Operating Income</u>				
GAAP operating income	\$ 31,822	\$ 32,731	\$ 89,039	\$ 99,130
Restructuring and reorganization charges (1)	2,943	1,152	12,040	8,421
Executive transition costs	-	1,148	352	1,148
Acquisition-related expenses:				
Amortization of acquired intangible assets	3,929	2,996	10,174	9,203
Earn-out compensation	2,591	-	3,416	(14)
Transaction-related costs	32	(40)	243	2,136
Stock-based compensation (1)	8,759	7,216	25,821	21,640
Non-GAAP operating income	<u>\$ 50,076</u>	<u>\$ 45,203</u>	<u>\$ 141,085</u>	<u>\$ 141,664</u>
<u>Non-GAAP Adjusted Operating Margin Percentage</u>				
Revenue	\$ 295,143	\$ 286,868	\$ 880,596	\$ 871,934
Less: Transaction fees (2)	(22,524)	(20,314)	(71,793)	(63,463)
Revenue less transaction fees	<u>\$ 272,619</u>	<u>\$ 266,554</u>	<u>\$ 808,803</u>	<u>\$ 808,471</u>
Non-GAAP adjusted operating margin percentage	18.4%	17.0%	17.4%	17.5%

- (1) Restructuring and reorganization charges include stock-based compensation, which is not included in the stock-based compensation line in the tables above and following, and depreciation, which has not been recorded to the depreciation line item on CSG's Income Statement.
- (2) Transaction fees are primarily comprised of fees paid to third-party payment processors and financial institutions and interchange fees under CSG's payment services contracts. Transaction fees are included in revenue in CSG's Income Statement (and not netted against revenue) because CSG maintains control and acts as principal over the integrated service provided under its payment services customer contracts. However, CSG excludes expense associated with transaction fees from the numerator and denominator in calculating its non-GAAP adjusted operating margin percentage in order to provide comparability with historical and future periods and with its peer group and competitors.

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 September 30, 2024		Quarter Ended September 30, 2023	
	Amounts	EPS (4)	Amounts	EPS (4)
GAAP net income	\$ 19,088	\$ 0.67	\$ 18,694	\$ 0.62
GAAP income tax provision (3)	4,691		7,989	
GAAP income before income taxes	23,779		26,683	
Restructuring and reorganization charges (1)	2,943		1,152	
Executive transition costs	-		1,148	
Acquisition-related costs:				
Amortization of acquired intangible assets	3,929		2,996	
Earn-out compensation	2,591		-	
Transaction-related costs	32		(40)	
Stock-based compensation (1)	8,759		7,216	
Non-GAAP income before income taxes	42,033		39,155	
Non-GAAP income tax provision (3)	(11,979)		(11,159)	
Non-GAAP net income	<u>\$ 30,054</u>	<u>\$ 1.06</u>	<u>\$ 27,996</u>	<u>\$ 0.92</u>

	Nine Months Ended September 30, 2024		Nine Months Ended September 30, 2023	
	Amounts	EPS (4)	Amounts	EPS (4)
GAAP net income	\$ 52,384	\$ 1.83	\$ 53,576	\$ 1.75
GAAP income tax provision (3)	18,859		21,931	
GAAP income before income taxes	71,243		75,507	
Restructuring and reorganization charges (1)	12,040		8,421	
Executive transition costs	352		1,148	
Acquisition-related expenses:				
Amortization of acquired intangible assets	10,174		9,203	
Earn-out compensation	3,416		(14)	
Transaction-related costs	243		2,136	
Stock-based compensation (1)	25,821		21,640	
Non-GAAP income before income taxes	123,289		118,041	
Non-GAAP income tax provision (3)	(35,137)		(33,642)	
Non-GAAP net income	<u>\$ 88,152</u>	<u>\$ 3.08</u>	<u>\$ 84,399</u>	<u>\$ 2.76</u>

- (3) The GAAP effective income tax rates for the third quarters of 2024 and 2023 were approximately 20% and 30%, respectively, and for the nine months ended September 30, 2024 and 2023 were approximately 26% and 29%, respectively. The year-over-year decreases in the GAAP effective income tax rates is due primarily to the revaluation of deferred taxes in the third quarter of 2024.

The non-GAAP effective income tax rates for the third quarters of 2024 and 2023 were 28.5% for both periods, and for the nine months ended September 30, 2024 and 2023 were 28.5% for both periods.

- (4) The outstanding diluted shares for the third quarter and nine months ended September 30, 2024 were 28.5 million and 28.6 million, respectively, and for the third quarter and nine months ended September 30, 2023 were 30.3 and 30.5 million, respectively.

Non-GAAP Adjusted EBITDA:

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
GAAP net income	\$ 19,088	\$ 18,694	\$ 52,384	\$ 53,576
GAAP income tax provision	4,691	7,989	18,859	21,931
Interest expense (5)	7,778	8,036	22,982	23,092
Interest and investment income and other, net	265	(1,988)	(5,186)	531
GAAP operating income	31,822	32,731	89,039	99,130
Restructuring and reorganization charges (1)	2,943	1,152	12,040	8,421
Executive transition costs	-	1,148	352	1,148
Acquisition-related expenses:				
Amortization of acquired intangible assets (6)	3,929	2,996	10,174	9,203
Earn-out compensation	2,591	-	3,416	(14)
Transaction-related costs	32	(40)	243	2,136
Stock-based compensation (1)	8,759	7,216	25,821	21,640
Amortization of other intangible assets (6)	3,139	3,438	8,584	10,274
Amortization of customer contract costs (6)	5,373	4,997	16,095	14,390
Depreciation (1)	5,313	5,862	16,286	17,155
Non-GAAP adjusted EBITDA	<u>\$ 63,901</u>	<u>\$ 59,500</u>	<u>\$ 182,050</u>	<u>\$ 183,483</u>
Non-GAAP adjusted EBITDA as a percentage of revenue less transaction fees (2)	<u>23.4%</u>	<u>22.3%</u>	<u>22.5%</u>	<u>22.7%</u>

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

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Amortization of acquired intangible assets	\$ 3,929	\$ 2,996	\$ 10,174	\$ 9,203
Amortization of other intangible assets	3,139	3,438	8,584	10,274
Amortization of customer contract costs	5,373	4,997	16,095	14,390
Amortization of deferred financing costs	879	304	2,614	676
Total amortization	<u>\$ 13,320</u>	<u>\$ 11,735</u>	<u>\$ 37,467</u>	<u>\$ 34,543</u>

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cash flows from operating activities	\$ 39,459	\$ 24,582	\$ 53,213	\$ 52,365
Purchases of software, property and equipment ...	(7,455)	(6,512)	(16,528)	(22,940)
Non-GAAP free cash flow	<u>\$ 32,004</u>	<u>\$ 18,070</u>	<u>\$ 36,685</u>	<u>\$ 29,425</u>

Non-GAAP Financial Measures – 2024 Financial Guidance

Non-GAAP Operating Income and Non-GAAP Adjusted Operating Margin Percentage:

The reconciliation of GAAP operating income to non-GAAP operating income, and calculation of non-GAAP adjusted operating margin percentage, as included in CSG's 2024 full year financial guidance, is as follows (in thousands, except percentages):

	2024 Guidance Range	
	Low Range	High Range
<u>Non-GAAP Operating Income</u>		
GAAP operating income	\$ 129,300	\$ 139,300
Restructuring and reorganization charges.....	12,000	12,000
Executive transition costs	400	400
Acquisition-related expenses:		
Amortization of acquired intangible assets	14,000	14,000
Earn-out compensation.....	5,600	5,600
Transaction-related costs	400	400
Stock-based compensation	33,600	33,600
Non-GAAP operating income	<u>\$ 195,300</u>	<u>\$ 205,300</u>
<u>Non-GAAP Operating Margin Percentage</u>		
Revenue	\$ 1,200,000	\$ 1,240,000
Less: Transaction fees.....	(98,000)	(103,000)
Revenue less transaction fees	<u>\$ 1,102,000</u>	<u>\$ 1,137,000</u>
Non-GAAP adjusted operating margin percentage	17.7%	18.1%

Non-GAAP EPS:

The reconciliation of GAAP EPS to non-GAAP EPS as included in CSG's 2024 full year financial guidance is as follows (in thousands, except per share amounts):

	2024 Guidance Range			
	Low Range		High Range	
	Amounts	EPS (8)	Amounts	EPS (8)
GAAP net income	\$ 76,500	\$ 2.64	\$ 83,700	\$ 2.91
GAAP income tax provision (7).....	30,400		33,200	
GAAP income before income taxes	106,900		116,900	
Restructuring and reorganization charges	12,000		12,000	
Executive transition costs	400		400	
Acquisition-related expenses:				
Amortization of acquired intangible assets	14,000		14,000	
Earn-out compensation	5,600		5,600	
Transaction-related costs.....	400		400	
Stock-based compensation.....	33,600		33,600	
Non-GAAP income before income taxes	172,900		182,900	
Non-GAAP income tax provision (7)	(49,300)		(52,200)	
Non-GAAP net income.....	<u>\$ 123,600</u>	<u>\$ 4.25</u>	<u>\$ 130,700</u>	<u>\$ 4.55</u>

- (7) For 2024, the estimated effective income tax rates for GAAP and non-GAAP purposes are expected to be approximately 28% and 29%, respectively.
- (8) The weighted-average diluted shares outstanding are expected to be approximately 29 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 GAAP net income is provided below for CSG's 2024 full year financial guidance (in thousands, except percentages):

	2024 Guidance Range	
	Low Range	High Range
GAAP net income	\$ 76,500	\$ 83,700
GAAP income tax provision (7)	30,400	33,200
Interest expense.....	30,700	30,700
Interest and investment income	(8,300)	(8,300)
GAAP operating income	129,300	139,300
Restructuring and reorganization charges	12,000	12,000
Executive transition costs.....	400	400
Acquisition-related expenses:		
Amortization of acquired intangible assets	14,000	14,000
Earn-out compensation	5,600	5,600
Transaction-related costs	400	400
Stock-based compensation	33,600	33,600
Amortization of other intangible assets	11,400	11,400
Amortization of client contract costs.....	22,000	22,000
Depreciation	22,300	22,300
Non-GAAP adjusted EBITDA	\$ 251,000	\$ 261,000
Non-GAAP adjusted EBITDA as a percentage of revenue less transaction fees (2)	22.8%	23.0%

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 CSG's 2024 full year financial guidance (in thousands):

	2024 Guidance Range	
	Low Range	High Range
Cash flows from operating activities	\$ 120,000	\$ 170,000
Purchases of software, property and equipment	(25,000)	(35,000)
Non-GAAP free cash flow.....	\$ 95,000	\$ 135,000