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## FOR IMMEDIATE RELEASE

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## CSI REPORTS GROWTH IN THIRD QUARTER REVENUES AND NET INCOME

### Net Income Up 34.4% to \$8.3 Million

PADUCAH, Ky. (January 5, 2017) – Computer Services, Inc. (CSI) (OTCQX: CSVI) today reported higher revenues and net income for the third quarter and nine months ended November 30, 2016, compared with the third quarter of the prior fiscal year.

CSI's revenues grew 11.9% to \$60.5 million for the third quarter of fiscal 2017 compared with \$54.1 million for the third quarter of fiscal 2016. Net income increased by 34.4% to \$8.3 million for the third quarter of fiscal 2017 compared with \$6.2 million in the third quarter of fiscal 2016. Net income per share increased by 34.1% to \$0.59 for the third quarter of fiscal 2017 compared with \$0.44 for the prior year's third quarter.

“CSI's revenues picked up momentum in the third quarter and benefited from sales to new customers, increased cross sales and growth in transaction volume,” stated Chief Executive Officer Steven A. Powless. “We expect to report record revenues and net income for fiscal 2017 based on our pipeline of new business, increased cross-sales to existing customers and higher revenue from transaction-based services. We recently signed several prominent customers for our regulatory compliance solutions, and we believe these additions highlight our excellent services and our improved market visibility.”

### *Third Quarter Results*

Consolidated revenues increased 11.9% to \$60.5 million in the third quarter of fiscal 2017 compared with \$54.1 million in the third quarter of fiscal 2016. The growth in revenues was primarily driven by the addition of new customers, cross-sales to existing customers, growth in transaction volume from existing customers, and an increase in early contract termination fees, partially offset by the effect of lost business. Revenues included early contract termination fees of \$1.3 million in the third quarter of fiscal 2017 compared with \$41,000 in the third quarter of 2016. These fees can be generated when an existing customer is acquired by another financial institution and can vary significantly from period to period based on the number and size of customers that are acquired and how early in the contract term a customer is acquired.

Revenues were higher due primarily to growth in mobile and Internet banking services, debit card transaction processing and plastic card replacements, homeland security and fraud prevention services, and infrastructure network and security management services, partially offset by lower transaction item capture revenue and lower non-recurring revenues from third-party equipment, software, and maintenance agreement resale arrangements.

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Operating income increased 31.6% to \$13.5 million for the third quarter of fiscal 2017 compared with \$10.2 million for the third quarter of fiscal 2016. Operating margin rose to 22.2% in the third quarter of fiscal 2017 compared with 18.9% for the third quarter of fiscal 2016 and benefited from the 11.9% growth in revenues and operating expenses that rose only 7.3% compared with the third quarter of last fiscal year.

Net income for the third quarter of fiscal 2017 was up 34.4% to \$8.3 million compared with \$6.2 million for the third quarter of fiscal 2016. Net income per share increased 34.1% to \$0.59 for the third quarter of fiscal 2017 on 14.0 million weighted average shares outstanding compared with \$0.44 for the third quarter of fiscal 2016 on 14.1 million weighted average shares outstanding.

“We ended the third quarter with a very strong balance sheet,” Powless said. “Our cash flow from operations rose 20% to \$44.6 million for the first nine months of fiscal 2017 and contributed to our total cash position rising 119% to \$38.4 million since the same time last year. At the end of the quarter, we had no long-term debt and had available lines of credit to fund future growth opportunities.

“During the first nine months of fiscal 2017, we invested approximately \$11.3 million in new property, equipment and software. We also returned \$10.9 million to shareholders in cash dividends and repurchased \$1.2 million in CSI shares. We will continue to focus on using our cash generated from operations to invest in our business and return a portion of our earnings to shareholders.”

During the third quarter, CSI’s Board of Directors declared a cash dividend of \$0.28 per share. The dividend was paid on December 27, 2016, to shareholders of record as of the close of business on December 1, 2016.”

### ***Nine Months Results***

Consolidated revenues for the first nine months of fiscal 2017 rose 4.3% to \$174.6 million compared with \$167.4 million for the first nine months of fiscal 2016. CSI’s increase in revenues for the first nine months was driven primarily by the addition of new customers, cross-sales to existing customers and increases in transaction volumes from existing customers, partially offset by a decrease in early contract termination fees of \$2.0 million. Early contract termination fees were \$2.3 million for the first nine months of fiscal 2017 compared to \$4.3 million for the first nine months of fiscal 2016. Early contract termination fees generated during the first nine months of fiscal 2016 were unusually high due to a higher level of merger and acquisition activity among community banks that resulted in recognition of these fees as CSI customer banks were acquired and merged into other financial institutions that were not CSI customers.

Operating income increased 6.9% to \$37.6 million for the first nine months of fiscal 2017 compared with \$35.2 million for the first nine months of fiscal 2016. Operating margin rose to 21.6% in the first nine months of fiscal 2017 compared with 21.0% in the first nine months of fiscal 2016.

Net income for the first nine months of fiscal 2017 rose 9.2% to \$23.3 million compared with \$21.3 million in the first nine months of fiscal 2016. Net income per share increased 9.9% to \$1.66 for the first nine months of fiscal 2017 compared with \$1.51 the first nine months of fiscal 2016.

### **About Computer Services, Inc.**

Computer Services, Inc. delivers core processing, managed services, mobile and Internet solutions, payments processing, print and electronic distribution, and regulatory compliance solutions to financial institutions and corporate customers across the nation. Exceptional service, dynamic solutions and superior results are the foundation of CSI’s reputation, and have resulted in the company’s inclusion in such top industry-wide rankings as the FinTech 100, Talkin’ Cloud 100 and MSPmentor Top 501 Global Managed Service Providers List. CSI’s stock is traded on OTCQX under the symbol CSVI. For more information about CSI, visit [www.csiweb.com](http://www.csiweb.com).

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**Forward-Looking Statements**

*This news release contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. All statements except historical statements contained herein constitute "forward-looking statements." Forward-looking statements are inherently uncertain and are based only on current expectations and assumptions that are subject to future developments that may cause results to differ materially. Readers should carefully consider: (i) economic, competitive, technological and governmental factors affecting CSI's operations, customers, markets, services, products and prices; (ii) risk factors affecting the financial services information technology industry generally including, but not limited to, cybersecurity risks that may result in increased costs to CSI to protect against the risks, as well as liability or reputational damage to CSI in the event of a breach of our security; and (iii) other factors discussed in CSI's Annual Report, Quarterly Reports, Information and Disclosure Statements and other documents posted from time to time on the OTCQX website ([www.otcqx.com](http://www.otcqx.com)), including without limitation, the description of the nature of CSI's business and its management discussion and analysis of financial condition and results of operations for reported periods. Unless required by law, CSI undertakes no obligation to update, and is not responsible for updating, the information contained in this report beyond the publication date, whether as a result of new information or future events, or to conform the statement to actual results or changes in CSI's expectations, or otherwise or for changes made to this document by wire services or Internet services.*

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**COMPUTER SERVICES, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Income**

*(Unaudited)*

*(in thousands, except share and per share data)*

Three months ended November 30,	2016	2015	Change		Percentage of Revenues	
			Amount	Percentage	2016	2015
Revenues	\$ 60,539	\$ 54,093	\$ 6,446	11.9%	100.0%	100.0%
Operating expenses	47,070	43,861	3,209	7.3%	77.8%	81.1%
Operating income	13,469	10,232	3,237	31.6%	22.2%	18.9%
Interest income (expense), net	26	13	13	nmf	0.0%	0.0%
Income before income taxes	13,495	10,245	3,250	31.7%	22.3%	18.9%
Provision for income taxes	5,162	4,047	1,115	27.6%	8.5%	7.5%
Net income	\$ 8,333	\$ 6,198	\$ 2,135	34.4%	13.8%	11.5%
Earnings per share	\$ 0.59	\$ 0.44	\$ 0.15	34.1%		
Shares used in computing earnings per common share	14,023,840	14,118,406	(94,566)	(0.7%)		

Nine months ended November 30,	2016	2015	Change		Percentage of Revenues	
			Amount	Percentage	2016	2015
Revenues	\$ 174,591	\$ 167,406	\$ 7,185	4.3%	100.0%	100.0%
Operating expenses	136,959	132,191	4,768	3.6%	78.4%	79.0%
Operating income	37,632	35,215	2,417	6.9%	21.6%	21.0%
Interest income (expense), net	65	33	32	nmf	0.0%	0.0%
Income before income taxes	37,697	35,248	2,449	6.9%	21.6%	21.1%
Provision for income taxes	14,419	13,923	496	3.6%	8.3%	8.3%
Net income	\$ 23,278	\$ 21,325	\$ 1,953	9.2%	13.3%	12.7%
Earnings per share	\$ 1.66	\$ 1.51	\$ 0.15	9.9%		
Shares used in computing earnings per common share	14,014,749	14,127,874	(113,125)	(0.8%)		

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**COMPUTER SERVICES, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
*(in thousands, except share data)*

	<b>11/30/2016</b> <i>(Unaudited)</i>	<b>02/29/2016</b> <i>(Audited)</i>	<b>11/30/2015</b> <i>(Unaudited)</i>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 38,397	\$ 17,397	\$ 17,514
Accounts receivable	25,594	28,045	25,484
Income tax receivable	-	78	-
Prepaid expenses and other current assets	12,135	11,978	12,238
Total current assets	76,126	57,498	55,236
Property and equipment, net	35,453	34,655	35,389
Software and software licenses, net	20,916	21,683	22,991
Goodwill	60,115	60,115	60,115
Intangible assets	6,258	6,390	6,546
Other assets	23,080	22,874	21,634
<b>Total assets</b>	<b>\$ 221,948</b>	<b>\$ 203,215</b>	<b>\$ 201,911</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 27,770	\$ 18,709	\$ 25,821
Deferred revenue	8,128	8,402	8,345
Income tax payable	1,321	-	66
Total current liabilities	37,219	27,111	34,232
Long-term liabilities			
Deferred income taxes	18,964	18,964	15,547
Other long-term liabilities	1,558	1,166	963
Total long-term liabilities	20,522	20,130	16,510
Total liabilities	57,741	47,241	50,742
Shareholders' equity			
Preferred stock; shares authorized, 5,000,000; none issued	-	-	-
Common stock, no par; shares authorized, 60,000,000 in fiscal 2017 and 2016; shares issued and outstanding, 14,005,724 at November 30, 2016, 13,992,981 at February 29, 2016, and 14,075,596 at November 30, 2015	24,436	23,118	23,182
Retained earnings	139,771	132,856	127,987
Total shareholders' equity	164,207	155,974	151,169
<b>Total liabilities and shareholders' equity</b>	<b>\$ 221,948</b>	<b>\$ 203,215</b>	<b>\$ 201,911</b>

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