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CSI REPORTS GROWTH IN REVENUES FOR SECOND QUARTER

Revenues Increase 5.7% to \$61.2 Million

PADUCAH, Ky. (October 2, 2017) – Computer Services, Inc. (CSI) (OTCQX: CSVI) today reported growth in revenues for the second quarter ended August 31, 2017.

CSI's revenues rose 5.7% to \$61.2 million for the second quarter of fiscal 2018 compared with \$57.9 million for the second quarter of fiscal 2017. The results for the second quarter of 2018 included approximately \$839,000 in early contract termination fees compared with \$934,000 in the second quarter of fiscal 2017. Excluding the effect of early contract termination fees from both periods, net revenues increased approximately 5.9% compared with the second quarter of fiscal 2017. Early contract termination fees are generated when a customer terminates its contract prior to the end of the contracted term, a circumstance that typically arises when an existing CSI customer is acquired by another financial institution that is not a CSI customer. These fees 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.

Second quarter net income declined 7.0% to \$7.6 million compared with \$8.2 million for the second quarter of fiscal 2017. Net income per share declined 6.8% to \$0.55 compared with \$0.59 for the second quarter of fiscal 2017. Excluding the effect of early contract termination fees from both periods, net income declined approximately 6.6% compared with the second quarter of fiscal 2017. The decline in second quarter net income was due primarily to up-front investments in our regulatory compliance area, which caused operating expense growth to outpace revenue growth for the quarter. We made these investments to position ourselves to expand in one of the fastest growing markets in the financial services industry.

“CSI's revenue growth for the first half of fiscal 2018 benefited from new business and cross-sales to existing customers,” stated Steven A. Powless, CEO of CSI. “Our excellent customer service and strong product platform also continue to contribute to our high renewal rates on contracts and the high percentage of recurring revenues from long-term customer contracts.

“CSI is on track to report higher revenues and net income for fiscal 2018 compared with fiscal 2017 based on the investments we've made in our business, our projections for new business and increased demand from existing customers.”

Second Quarter Results

Consolidated revenues increased 5.7% to \$61.2 million in the second quarter of fiscal 2018 compared with \$57.9 million in the second quarter of fiscal 2017. The growth in revenues benefited from higher sales of core processing, digital banking, regulatory compliance services and managed services. Revenues included approximately \$839,000 in early contract termination fees in the second quarter of fiscal 2018 compared with \$934,000 in the second quarter of fiscal 2017. Excluding the effect of the early contract termination fees from both periods, second quarter fiscal 2018 revenues increased approximately 5.9% compared with the second quarter of last fiscal year.

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“We expect revenue and earnings growth to be lower in the second half of this fiscal year due to headwinds from lower expected early contract termination fees in the third and fourth quarters compared with last fiscal year,” continued Powless.

Operating income declined 5.6% to \$12.5 million for the second quarter of fiscal 2018 compared with \$13.2 million for the second quarter of fiscal 2017. Operating margin was 20.4% in the second quarter of fiscal 2018 compared with 22.9% for the second quarter of fiscal 2017.

Net income for the second quarter of fiscal 2018 declined 7.0% to \$7.6 million compared with \$8.2 million for the second quarter of fiscal 2017. Net income per share declined 6.8% to \$0.55 for the second quarter of fiscal 2018 on 13.98 million weighted average shares outstanding compared with \$0.59 for the second quarter of fiscal 2017 on 14.03 million weighted average shares outstanding.

“CSI returned \$5.0 million to shareholders in cash dividends and repurchases of common stock during the second quarter. We also increased significantly our investments in hardware and software with \$10.9 million invested in the second quarter, up from \$3.6 million in the first quarter of this year. We believe our investments in new hardware, software and new product development will contribute to CSI’s continued growth,” concluded Powless.

Six Months Results

Consolidated revenues for the first six months of fiscal 2018 rose 10.4% to \$125.9 million compared with \$114.1 million for the first six months of fiscal 2017. CSI’s increase in revenues benefited from growth across all major product lines compared with the first six months of fiscal 2017. Fiscal year-to-date revenues also included \$6.1 million in early contract termination fees compared with \$1.0 million in the first six months of fiscal 2017. Excluding the effect of the early contract termination fees from both periods, fiscal year-to-date revenues increased approximately 5.9% compared with the first half of fiscal year 2017.

Operating income rose to 18.8% to \$28.7 million for the first six months of fiscal 2018 compared with \$24.2 million for the first six months of fiscal 2017. Operating margin rose to 22.8% in the first six months of fiscal 2018 compared with 21.2% in the first six months of fiscal 2017.

CSI’s cash flow from operations declined 16.8% to \$26.8 million for the first six months of fiscal 2018 compared with \$32.2 million in the first six months of fiscal 2017. Cash and cash equivalents increased 9.4% to \$37.6 million as of August 31, 2017, from \$34.3 million as of August 31, 2016.

Net income for the first six months of fiscal 2018 increased by 17.4% to \$17.5 million compared with \$14.9 million in the first six months of fiscal 2017. Net income per share rose 17.8% to \$1.26 per share for the first six months of fiscal 2018 compared with \$1.07 for the first six months of fiscal 2017. Excluding the effect of early contract termination fees from both periods, net income declined approximately 3.5% compared with the first half of fiscal 2017.

About Computer Services, Inc.

Computer Services, Inc. delivers core processing, managed services, digital banking, 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. CSVI meets the financial media’s “Dividend Aristocrats” criterion of having 25+ years of consecutive annual dividend increases. For more information about CSI, visit 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 for us 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 Reports, Quarterly Reports, Information and Disclosure Statements and other documents posted from time to time on the OTCQX website (available either at www.otcmarkets.com or 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. Except as required by law or OTC Markets Group, Inc., CSI undertakes no obligation to update, and is not responsible for updating, the information contained or incorporated by reference in this report beyond the publication date, whether as a result of new information or future events, or to conform this document to actual results or changes in CSI's expectations, or for changes made to this document by wire services or Internet services or otherwise.

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COMPUTER SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)
(in thousands, except share and per share data)

	<u>Three Months Ended August 31,</u>		<u>Six Months Ended August 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Total revenues	\$ 61,204	\$ 57,929	\$ 125,869	\$ 114,052
Operating expenses	48,710	44,691	97,175	89,889
Operating income	12,494	13,238	28,694	24,163
Interest income, net	33	20	64	39
Income before income taxes	12,527	13,258	28,758	24,202
Provision for income taxes	4,917	5,071	11,211	9,257
Net income	\$ 7,610	\$ 8,187	\$ 17,547	\$ 14,945
Earnings per share	\$ 0.55	\$ 0.59	\$ 1.26	\$ 1.07
Shares used in computing earnings per common share	13,981,024	14,025,285	13,973,192	14,010,253

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

	08/31/2017	02/28/2017	08/31/2016
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 37,559	\$ 34,552	\$ 34,327
Accounts receivable	27,112	28,249	23,151
Income tax receivable	-	1,121	-
Prepaid expenses and other current assets	15,430	13,143	11,610
Total current assets	80,101	77,065	69,088
Property and equipment, net of accumulated depreciation	36,625	35,420	35,049
Software and software licenses, net of accumulated amortization	25,284	19,778	21,437
Goodwill	60,115	60,115	60,115
Intangible assets	5,732	6,082	6,433
Other assets	27,808	26,709	21,561
Total assets	\$ 235,665	\$ 225,169	\$ 213,683
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 7,053	\$ 8,094	\$ 8,102
Accrued expenses	21,860	14,639	15,969
Deferred revenue	8,629	10,315	7,585
Income tax payable	19	-	901
Total current liabilities	37,561	33,048	32,557
Long-term liabilities			
Deferred income taxes	20,583	20,583	18,964
Other long-term liabilities	2,282	1,588	1,544
Total long-term liabilities	22,865	22,171	20,508
Total liabilities	60,426	55,219	53,065
Shareholders' equity			
Preferred stock; shares authorized, 5,000,000; none issued	-	-	-
Common stock, no par; 60,000,000 shares authorized; 13,966,897 shares issued as of August 31, 2017; 13,955,403 shares issued as of February 28, 2017; 14,027,304 shares issued as of August 31, 2016;	25,750	24,409	24,401
Retained earnings	149,489	145,541	136,217
Total shareholders' equity	175,239	169,950	160,618
Total liabilities and shareholders' equity	\$ 235,665	\$ 225,169	\$ 213,683

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