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## FOR IMMEDIATE RELEASE

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## CSI REPORTS RECORD RESULTS FOR FISCAL YEAR 2018

### *Net Income Increases for 21<sup>st</sup> Consecutive Year*

PADUCAH, Ky. (April 4, 2018) – Computer Services, Inc. (CSI) (OTCQX: CSVI) today reported record revenues and net income for the fiscal year ended February 28, 2018. CSI's record results for fiscal 2018 marked the company's 18<sup>th</sup> consecutive year of revenue growth and 21<sup>st</sup> consecutive year of growth in net income.

CSI's revenues for fiscal 2018 were a record \$249.6 million and rose 6.2% compared with \$234.9 million for fiscal 2017. Net income for fiscal 2018 was a record \$38.8 million, a 25.6% increase compared with fiscal 2017 net income of \$30.9 million. Net income per share increased 25.8% to \$2.78 compared with \$2.21 in the prior fiscal year.

Fourth quarter revenues rose 3.9% to a record \$62.6 million in fiscal 2018 compared with \$60.3 million for the fourth quarter of fiscal 2017. Net income increased 77.2% to \$13.5 million, or \$0.97 per share, for the fourth quarter of fiscal 2018 compared with \$7.6 million, or \$0.55 per share, for the fourth quarter of fiscal 2017.

“CSI's record results for fiscal 2018 benefited from our high renewal rates on contracts and the high percentage of recurring revenues from long-term customer contracts,” stated Steven A. Powless, chairman and CEO of CSI. “Our fourth quarter and full fiscal year 2018 results also benefited from lower income tax expense arising from the passage of the Tax Cuts and Jobs Act in addition to other tax deductions and credits. Going forward, we expect the lower federal tax rate resulting from the Tax Cuts and Jobs Act to have a positive effect on CSI's earnings and cash flow.”

### ***Fiscal 2018 Results***

Consolidated revenues rose 6.2% to \$249.6 million for fiscal 2018 compared with \$234.9 million for fiscal 2017. The growth in revenues resulted primarily from higher sales of core processing, digital banking, regulatory compliance services and managed services. Early contract termination fees were \$7.3 million for fiscal 2018 compared with \$3.7 million for fiscal 2017. These 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.

Operating expenses rose 9.1% to \$201.8 million for fiscal 2018 compared with \$184.9 million for fiscal 2017. In addition to reflecting strategic investments the company has recently made in personnel and infrastructure expansions within its regulatory compliance group, operating expenses rose significantly in the fourth quarter due to approximately \$6.2 million in one-time bonus payments to non-executive employees and profit-sharing plan contributions for all eligible employees at fiscal year end. CSI's Board of Directors authorized the employee bonuses to recognize the contributions from CSI's team in generating the company's history of record results. The payments were made from tax savings arising from the passage of the Tax Cuts and Jobs Act as well as other tax deductions and credits.

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As a result of the unusual tax-related bonus payments included in operating expenses, operating income declined 4.5% to \$47.7 million for fiscal 2018 compared with \$50.0 million for fiscal 2017. Operating margin decreased to 19.1% for fiscal 2018 compared with 21.3% for fiscal 2017.

The provision for income tax was \$9.0 million for fiscal 2018 compared with \$19.2 million for fiscal 2017. The decline in income tax was partially due to a lower effective tax rate arising from multiple years of certain deductions and credits, and the effect of the Tax Cuts and Jobs Act which generated a one-time \$7.2 million tax benefit arising from a one-time revaluation of the company's net deferred tax liability.

Net income for fiscal 2018 rose 25.6% to \$38.8 million compared with \$30.9 million for fiscal 2017. Net income per share increased 25.8% to \$2.78 for fiscal 2018 compared with \$2.21 for fiscal 2017. On an adjusted basis, net income for fiscal 2018 rose 6.1% to \$32.8 million and earnings per share rose 6.3% to \$2.35 compared with \$30.9 million and \$2.21 per share for fiscal 2017. [See Reconciliation of Generally Accepted Accounting Principles (GAAP), below, for earnings with adjustments for the unusual bonus and profit-sharing plan contributions, and income tax adjustments related to the Tax Cuts and Jobs Act and other tax adjustments that affected the provision for income taxes.] Weighted average shares outstanding declined 0.3% from fiscal 2017 due to CSI share repurchases net of restricted stock grants during the year.

CSI's cash flow from operations was \$46.5 million in fiscal 2018. Cash and cash equivalents increased to \$40.7 million as of February 28, 2018, an increase from \$34.6 million at February 28, 2017.

"CSI's financial position remained very strong with \$40.7 million in cash and no long-term debt at fiscal year end. We returned \$19.5 million to shareholders in cash dividends and repurchases of common stock during fiscal 2018. We also invested \$20.6 million in hardware and software in fiscal 2018, a 50.4% increase compared with fiscal 2017. We expect to increase our investments in hardware, software and facilities in fiscal 2019, and believe our investments will contribute to CSI's future growth," Powless concluded.

### *Fourth Quarter Results*

For the fourth quarter of fiscal 2018, consolidated revenues rose 3.9% to a record \$62.6 million compared with \$60.3 million for the fourth quarter of fiscal 2017. The growth in revenues resulted primarily from higher sales of core processing, digital banking, regulatory compliance services and managed services, offset by a \$1.1 million reduction in early contract termination fees to \$379,000 for the fourth quarter of fiscal 2018 from \$1.4 million for the fourth quarter of fiscal 2017. Excluding the effect of the early contract termination fees on both periods, fourth quarter revenues increased approximately 5.7% compared with the same quarter of the prior fiscal year.

Operating expenses rose to \$56.3 million for the fourth quarter of fiscal 2018 compared with \$48.0 million for the fourth quarter of fiscal 2017. The increase included approximately \$6.2 million in the unusual tax-related compensation expenses and the compensation effects of other tax deductions and credits. Of this amount, approximately \$3.7 million was due to a one-time bonus paid to non-executive employees and an unusual retirement plan contribution made to eligible employees from the estimated \$7.2 million in fourth quarter tax benefit related to the effects of the Tax Cuts and Jobs Act. Approximately \$2.5 million in increased compensation and profit-sharing plan contributions was related to other deductions and credits that further lowered the company's effective tax rate. The company has also made strategic investments in infrastructure and personnel to expand capacity and talent supporting its regulatory compliance solutions. As a result of the higher personnel expenses, operating income decreased 48.9% to \$6.3 million for the fourth quarter of fiscal 2018 compared with \$12.3 million for the fourth quarter of fiscal 2017. Operating margin was 10.1% for the fourth quarter of fiscal 2018 compared with 20.5% for the fourth quarter of fiscal 2017.

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After taking account of the consequences for the company of the Tax Cuts and Jobs Act, income before taxes decreased 48.8% to \$6.3 million for the fourth quarter of fiscal 2018 compared with \$12.4 million for the same quarter of fiscal 2017. The provision for income taxes decreased \$11.9 million to a negative \$7.2 million for the fourth quarter of fiscal 2018 compared with \$4.7 million for the fourth quarter of fiscal 2017. Fourth quarter fiscal 2018 taxes were reduced by a one-time \$7.2 million tax benefit arising from the revaluation of the company's net deferred tax liability, and \$4.9 million arising from additional tax deductions and credits claimed for the current and past fiscal years, as well as lower taxes due to the unusual bonus and profit-sharing plan contributions.

Correspondingly, net income for the fourth quarter of fiscal 2018 increased by 77.2% to \$13.5 million compared with \$7.6 million for the fourth quarter of fiscal 2017. Net income per share rose 76.4% to \$0.97 per share for the fourth quarter of fiscal 2018 compared with \$0.55 for the fourth quarter of fiscal 2017. However, on an adjusted basis, net income for the fourth quarter of fiscal 2018 was down 0.5% to \$7.6 million and earnings per share were even at \$0.55 compared with \$7.6 million and \$0.55 per share for the fourth quarter of fiscal 2017. [See Reconciliation of Generally Accepted Accounting Principles (GAAP), below, for earnings with adjustments for the unusual bonus and profit sharing plan contributions and income tax adjustments related to the Tax Cuts and Jobs Act and other tax adjustments that affected the provision for income taxes.]

### **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](http://www.csiweb.com).

### ***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](http://www.otcmarkets.com) or [www.otcq.com](http://www.otcq.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)

	Three Months Ended February 28,		Change		Year Ended February 28,		Change	
	2018	2017	Amount	Percent	2018	2017	Amount	Percent
Total Revenues	\$ 62,643	\$ 60,310	\$ 2,333	3.9%	\$ 249,558	\$ 234,901	\$ 14,657	6.2%
Operating expenses	56,338	47,961	8,377	17.5%	201,839	184,920	16,919	9.1%
Operating income	6,305	12,349	(6,044)	-48.9%	47,719	49,981	(2,262)	-4.5%
Interest income, net	34	28	6	21.4%	124	93	31	33.3%
Income before income taxes	6,339	12,377	(6,038)	-48.8%	47,843	50,074	(2,231)	-4.5%
Provision for income taxes	(7,202)	4,734	(11,936)	-252.1%	9,012	19,153	(10,141)	-52.9%
Net income	\$ 13,541	\$ 7,643	\$ 5,898	77.2%	\$ 38,831	\$ 30,921	\$ 7,910	25.6%
Earnings per share	\$ 0.97	\$ 0.55	\$ 0.42	76.4%	\$ 2.78	\$ 2.21	\$ 0.57	25.8%
Shares used in computing earnings per common and common equivalent share	13,948,853	13,984,062	(35,209)	-0.3%	13,963,394	14,007,182	(43,788)	-0.3%

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### Reconciliation of Generally Accepted Accounting Principles (GAAP)

This news release contains Non-GAAP financial measures such as adjusted operating expenses, adjusted operating income, adjusted earnings before taxes, adjusted provision for income taxes, adjusted net income, and adjusted earnings per share. These Non-GAAP financial measures are measurements of operational performance that are not prepared and presented in accordance with GAAP. Accordingly, these measures should not be considered as a substitute for data prepared and presented in accordance with GAAP. These Non-GAAP financial measures are used by the management of Computer Services, Inc. when evaluating results of operations. The company's management believes these measures also provide users of the financial statements with additional and useful comparisons of current results of operations with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. Please refer to the Non-GAAP Income Statement Reconciliation contained in this news release.

**COMPUTER SERVICES, INC. AND SUBSIDIARIES**  
**Fourth Quarter and Fiscal 2018 Reconciliation of GAAP and Adjusted Earnings**  
**(Unaudited)**  
(In thousands except earnings per share data)

Q4FY2018	Change from		Adjustments	Change from	
	GAAP	Prior Year %		Adjusted	Prior Year %
Total Revenues	\$ 62,643	3.9%	-	\$ 62,643	3.9%
Operating expenses <sup>1</sup>	56,338	17.5%	(6,184)	50,154	4.6%
Operating Income	6,305	-48.9%	6,184	12,489	1.1%
Interest income, net	34	21.4%	-	34	21.4%
Earnings Before Taxes	6,339	-48.8%	6,184	12,523	1.2%
Provision for income taxes <sup>2</sup>	(7,202)	-252.1%	12,117	4,915	3.8%
Net Income	13,541	77.2%	(5,933)	7,608	-0.5%
Earnings per share	\$ 0.97	76.4%	\$ (0.43)	\$ 0.55	0.0%

  

FY2018	Change from		Adjustments	Change from	
	GAAP	Prior Year %		Adjusted	Prior Year %
Total Revenues	\$ 249,558	6.2%	-	\$ 249,558	6.2%
Operating expenses <sup>1</sup>	201,839	9.1%	(6,184)	195,655	5.8%
Operating Income	47,719	-4.5%	6,184	53,903	7.8%
Interest income, net	124	33.3%	-	124	33.3%
Earnings Before Taxes	47,843	-4.5%	6,184	54,027	7.9%
Provision for income taxes <sup>2</sup>	9,012	-52.9%	12,194	21,206	10.7%
Net Income	38,831	25.6%	(6,010)	32,821	6.1%
Earnings per share	\$ 2.78	25.8%	\$ (0.43)	\$ 2.35	6.3%

<sup>1</sup> Operating expense adjustments remove a one-time bonus to non-executive employees, a one-time special contribution to the employee profit sharing plan, and additional compensation and profit sharing plan expense related to other attained tax savings.

<sup>2</sup> Income tax adjustments add back the deferred liability position valuation adjustment related to the Tax Cuts and Jobs Act, the tax savings associated with other deductions and credits, and the tax effects of the compensation and benefit items subtracted above.

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**COMPUTER SERVICES, INC. AND SUBSIDIARIES**  
**Reconciliation of Fiscal 2018 GAAP EPS to Adjusted EPS**  
**(Unaudited)**

	Earnings per Share	Change from Prior Year
<b>GAAP earnings per share</b>	\$ 2.78	25.8%
Effects of TCJA <sup>1</sup> , net	(0.36)	
<b>Adjusted EPS excluding TCJA<sup>2</sup></b>	\$ 2.43	10.0%
Other tax deductions & credits, net <sup>3</sup>	(0.08)	
<b>Adjusted earnings per share<sup>4</sup></b>	\$ 2.35	6.3%

<sup>1</sup> Tax Cuts and Jobs Act, net of related personnel expense effects

<sup>2</sup> Excludes only the tax expense and related personnel expense consequences for the company of TCJA

<sup>3</sup> Domestic Production Activities Deduction (2 years), net of related personnel expense effects

<sup>4</sup> Excludes all tax reductions and related personnel expense effects