



On behalf of Nextgen Communications, Inc. (subsidiary)

Susan C. Ornstein
Senior Director – Legal & Regulatory Affairs
Phone: 202-794-4102 susan.ornstein@comtechtel.com

April 23, 2020

VIA U.S. Mail

Mr. Reece McAlister
Executive Secretary
Georgia Public Service Commission
244 Washington Street, SW
Atlanta GA, 30334-9052

RE: Ga Comp. R. & Regs. 515-3-1-.04
NextGen Communication, Inc. Annual Report

Dear Mr. McAlister:

NextGen Communications, Inc. (“NextGen”) hereby respectfully submits and original and two (2) copies of its 2019 Annual Report.

Throughout 2019, NextGen did not operate or provide any relevant telecommunications services in the State of Georgia, and did not have any relevant revenue in Georgia in 2019.

NextGen, a wholly-owned subsidiary of TeleCommunication Systems, Inc. does not produce separate annual reports. TeleCommunication Systems, Inc. is a wholly-owned subsidiary of Comtech Telecommunications Corp. Pursuant to Rule 15-3-1-.04(1), a telephone company, “...may substitute to the Commission their annual certified report to their stockholders, if any is so issued, for the financial schedules specified in this rule.”

Please find the most recent income statement and balance sheet for Comtech Telecommunications Corp. attached. The entire annual report may be found online at: www.comtechtel.com.

Respectfully submitted,

Susan Ornstein

Enclosures

COMTECH TELECOMMUNICATIONS CORP.
AND SUBSIDIARIES
Consolidated Balance Sheets
As of July 31, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 45,576,000	43,484,000
Accounts receivable, net	145,032,000	147,439,000
Inventories, net	74,839,000	75,076,000
Prepaid expenses and other current assets	14,867,000	13,794,000
Total current assets	<u>280,314,000</u>	<u>279,793,000</u>
Property, plant and equipment, net	28,026,000	28,987,000
Goodwill	310,489,000	290,633,000
Intangibles with finite lives, net	261,890,000	240,796,000
Deferred financing costs, net	3,128,000	2,205,000
Other assets, net	3,864,000	2,743,000
Total assets	<u>\$ 887,711,000</u>	<u>845,157,000</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 24,330,000	43,928,000
Accrued expenses and other current liabilities	78,584,000	65,034,000
Dividends payable	2,406,000	2,356,000
Contract liabilities	38,682,000	34,452,000
Current portion of long-term debt	—	17,211,000
Current portion of capital lease and other obligations	757,000	1,836,000
Interest payable	588,000	499,000
Total current liabilities	<u>145,347,000</u>	<u>165,316,000</u>
Non-current portion of long-term debt, net	165,000,000	148,087,000
Non-current portion of capital lease and other obligations	—	765,000
Income taxes payable	325,000	2,572,000
Deferred tax liability, net	12,481,000	10,927,000
Long-term contract liabilities	10,654,000	7,689,000
Other liabilities	18,822,000	4,117,000
Total liabilities	<u>352,629,000</u>	<u>339,473,000</u>
Commitments and contingencies (See Note 13)		
Stockholders' equity:		
Preferred stock, par value \$.10 per share; shares authorized and unissued 2,000,000	—	—
Common stock, par value \$.10 per share; authorized 100,000,000 shares; issued 39,276,161 shares and 38,860,571 shares at July 31, 2019 and 2018, respectively	3,928,000	3,886,000
Additional paid-in capital	552,670,000	538,453,000
Retained earnings	420,333,000	405,194,000
	<u>976,931,000</u>	<u>947,533,000</u>
Less:		
Treasury stock, at cost (15,033,317 shares at July 31, 2019 and 2018)	(441,849,000)	(441,849,000)
Total stockholders' equity	<u>535,082,000</u>	<u>505,684,000</u>
Total liabilities and stockholders' equity	<u>\$ 887,711,000</u>	<u>845,157,000</u>

See accompanying notes to consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP.
AND SUBSIDIARIES
Consolidated Statements of Operations
Fiscal Years Ended July 31, 2019, 2018 and 2017

	2019	2018	2017
Net sales	\$ 671,797,000	570,589,000	550,368,000
Cost of sales	424,357,000	346,648,000	332,183,000
Gross profit	<u>247,440,000</u>	<u>223,941,000</u>	<u>218,185,000</u>
Expenses:			
Selling, general and administrative	128,639,000	113,922,000	116,080,000
Research and development	56,407,000	53,869,000	54,260,000
Amortization of intangibles	18,320,000	21,075,000	22,823,000
Settlement of intellectual property litigation	(3,204,000)	—	(12,020,000)
Acquisition plan expenses	5,871,000	—	—
	<u>206,033,000</u>	<u>188,866,000</u>	<u>181,143,000</u>
Operating income	41,407,000	35,075,000	37,042,000
Other expenses (income):			
Interest expense	9,245,000	10,195,000	11,629,000
Write-off of deferred financing costs	3,217,000	—	—
Interest (income) and other	35,000	254,000	(68,000)
	<u>12,500,000</u>	<u>10,449,000</u>	<u>11,561,000</u>
Income before provision for (benefit from) income taxes	28,910,000	24,626,000	25,481,000
Provision for (benefit from) income taxes	3,869,000	(5,143,000)	9,654,000
Net income	<u>\$ 25,041,000</u>	<u>29,769,000</u>	<u>15,827,000</u>
Net income per share:			
Basic	<u>\$ 1.04</u>	<u>1.25</u>	<u>0.68</u>
Diluted	<u>\$ 1.03</u>	<u>1.24</u>	<u>0.67</u>
Weighted average number of common shares outstanding – basic	<u>24,124,000</u>	<u>23,825,000</u>	<u>23,433,000</u>
Weighted average number of common and common equivalent shares outstanding – diluted	<u>24,302,000</u>	<u>24,040,000</u>	<u>23,489,000</u>

See accompanying notes to consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP.
AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
Fiscal Years Ended July 31, 2019, 2018 and 2017

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Stockholders' Equity
	Shares	Amount			Shares	Amount	
Balance as of July 31, 2016	38,367,997	\$ 3,837,000	\$ 524,797,000	\$ 383,616,000	15,033,317	\$ (441,849,000)	\$ 470,401,000
Equity-classified stock award compensation	—	—	8,467,000	—	—	—	8,467,000
Proceeds from issuance of employee stock purchase plan shares	64,367	7,000	687,000	—	—	—	694,000
Issuance of restricted stock, net	144,988	14,000	(14,000)	—	—	—	—
Net settlement of stock-based awards	42,115	4,000	(266,000)	—	—	—	(262,000)
Cash dividends declared (\$0.60 per share)	—	—	—	(14,034,000)	—	—	(14,034,000)
Accrual of dividend equivalents, net of reversal (\$0.60 per share)	—	—	—	(273,000)	—	—	(273,000)
Net income tax shortfall from settlement of stock-based awards	—	—	(248,000)	—	—	—	(248,000)
Reversal of deferred tax assets associated with expired and unexercised stock-based awards	—	—	(422,000)	—	—	—	(422,000)
Net income	—	—	—	15,827,000	—	—	15,827,000
Balance as of July 31, 2017	38,619,467	3,862,000	533,001,000	385,136,000	15,033,317	(441,849,000)	480,150,000
Equity-classified stock award compensation	—	—	8,605,000	—	—	—	8,605,000
Proceeds from exercises of stock options	13,100	1,000	325,000	—	—	—	326,000
Proceeds from issuance of employee stock purchase plan shares	44,996	5,000	850,000	—	—	—	855,000
Forfeiture of restricted stock	(10,254)	(1,000)	1,000	—	—	—	—
Net settlement of stock-based awards	193,262	19,000	(4,329,000)	—	—	—	(4,310,000)
Cash dividends declared (\$0.40 per share)	—	—	—	(9,411,000)	—	—	(9,411,000)
Accrual of dividend equivalents, net of reversal (\$0.40 per share)	—	—	—	(300,000)	—	—	(300,000)
Net income	—	—	—	29,769,000	—	—	29,769,000
Balance as of July 31, 2018	38,860,571	3,886,000	538,453,000	405,194,000	15,033,317	(441,849,000)	505,684,000
Equity-classified stock award compensation	—	—	11,427,000	—	—	—	11,427,000
Proceeds from exercises of stock options	8,100	1,000	215,000	—	—	—	216,000
Proceeds from issuance of employee stock purchase plan shares	43,316	4,000	922,000	—	—	—	926,000
Issuance of restricted stock	10,386	1,000	(1,000)	—	—	—	—
Net settlement of stock-based awards	145,119	15,000	(3,931,000)	—	—	—	(3,916,000)
Common stock issued for acquisition of Solacom Technologies, Inc.	208,669	21,000	5,585,000	—	—	—	5,606,000
Cash dividends declared, net (\$0.40 per share)	—	—	—	(9,575,000)	—	—	(9,575,000)
Accrual of dividend equivalents, net of reversal (\$0.40 per share)	—	—	—	(327,000)	—	—	(327,000)
Net income	—	—	—	25,041,000	—	—	25,041,000
Balance as of July 31, 2019	39,276,161	\$ 3,928,000	\$ 552,670,000	\$ 420,333,000	15,033,317	\$ (441,849,000)	\$ 535,082,000

See accompanying notes to consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Fiscal Years Ended July 31, 2019, 2018 and 2017

	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 25,041,000	29,769,000	15,827,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	11,927,000	13,655,000	14,354,000
Amortization of intangible assets with finite lives	18,320,000	21,075,000	22,823,000
Amortization of stock-based compensation	11,427,000	8,569,000	8,506,000
Amortization of deferred financing costs	1,099,000	2,196,000	1,977,000
Estimated contract settlement costs	6,351,000	—	—
Settlement of intellectual property litigation	(3,204,000)	—	(12,020,000)
Write-off of deferred financing costs	3,217,000	—	—
Changes in other liabilities	(1,056,000)	—	—
Loss (gain) on disposal of property, plant and equipment	144,000	79,000	(126,000)
Provision for allowance for doubtful accounts	1,136,000	573,000	497,000
Provision for excess and obsolete inventory	6,015,000	5,628,000	2,900,000
Deferred income tax expense (benefit)	4,283,000	(6,379,000)	9,056,000
Excess income tax benefit from stock-based award exercises	—	—	(82,000)
Changes in assets and liabilities, net of effects of business acquisition:			
Accounts receivable	6,315,000	(24,578,000)	25,508,000
Inventories	(3,787,000)	(20,065,000)	7,812,000
Prepaid expenses and other current assets	915,000	787,000	(956,000)
Other assets	102,000	(140,000)	666,000
Accounts payable	(21,290,000)	13,728,000	(4,472,000)
Accrued expenses and other current liabilities	3,554,000	(3,374,000)	(21,796,000)
Contract liabilities	(127,000)	9,143,000	(2,431,000)
Other liabilities, non-current	(84,000)	(682,000)	(1,442,000)
Interest payable	151,000	234,000	(1,039,000)
Income taxes payable	(2,418,000)	126,000	1,355,000
Net cash provided by operating activities	<u>68,031,000</u>	<u>50,344,000</u>	<u>66,917,000</u>
Cash flows from investing activities:			
Payment for acquisition of Solacom Technologies Inc., net of cash acquired	(25,883,000)	—	—
Payment for acquisition of the GD NG-911 business	(10,000,000)	—	—
Purchases of property, plant and equipment	(8,785,000)	(8,642,000)	(8,150,000)
Net cash used in investing activities	<u>(44,668,000)</u>	<u>(8,642,000)</u>	<u>(8,150,000)</u>
Cash flows from financing activities:			
Net borrowings of long-term debt under Credit Facility	165,000,000	—	—
Repayment of debt under Term Loan portion of Prior Credit Facility	(120,121,000)	(18,960,000)	(33,567,000)
Net payments under Revolving Loan portion of Prior Credit Facility	(48,603,000)	(8,800,000)	(26,500,000)
Cash dividends paid	(9,789,000)	(9,538,000)	(18,872,000)
Remittance of employees' statutory tax withholdings for stock awards	(5,042,000)	(1,143,000)	(262,000)
Repayment of principal amounts under capital lease and other obligations	(1,906,000)	(2,802,000)	(3,592,000)
Payment of deferred financing costs	(1,813,000)	—	(1,085,000)
Proceeds from issuance of employee stock purchase plan shares	935,000	855,000	694,000
Proceeds from exercises of stock options	216,000	326,000	—
Payment of shelf registration costs and equity issuance costs	(148,000)	—	(626,000)
Excess income tax benefit from stock-based award exercises	—	—	82,000
Net cash used in financing activities	<u>(21,271,000)</u>	<u>(40,062,000)</u>	<u>(83,728,000)</u>

(Continued)

COMTECH TELECOMMUNICATIONS CORP.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
Fiscal Years Ended July 31, 2019, 2018 and 2017

	2019	2018	2017
Net increase (decrease) in cash and cash equivalents	\$ 2,092,000	1,640,000	(24,961,000)
Cash and cash equivalents at beginning of year	43,484,000	41,844,000	66,805,000
Cash and cash equivalents at end of year	\$ 45,576,000	43,484,000	41,844,000
<u>Supplemental cash flow disclosure</u>			
Cash paid (received) during the year for:			
Interest	\$ 7,669,000	7,291,000	10,424,000
Income taxes, net	\$ 2,005,000	1,112,000	(758,000)
Non-cash investing and financing activities:			
Accrued remittance of employees' statutory tax withholdings for fully-vested share units	\$ 1,787,000	2,963,000	—
Cash dividends declared but unpaid (including accrual of dividend equivalents)	\$ 2,733,000	2,656,000	2,616,000
Capital lease and other obligations incurred	\$ —	1,306,000	68,000
Accrued additions to property, plant and equipment	\$ 902,000	719,000	1,221,000
Issuance (forfeiture) of restricted stock	\$ 1,000	(1,000)	14,000
Common stock issued for acquisition of Solacom Technologies Inc.	\$ 5,606,000	—	—

See accompanying notes to consolidated financial statements.