



On behalf of Nextgen Communications, Inc. (subsidiary)

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April 20, 2021

VIA Alternative

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 its 2020 Annual Report.

Throughout 2020, 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 2020.

NextGen, a wholly-owned subsidiary of TeleCommunication Systems, Inc., does not produce separate annual financial 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, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 47,878,000	45,576,000
Accounts receivable, net	126,816,000	145,032,000
Inventories, net	82,302,000	74,839,000
Prepaid expenses and other current assets	20,101,000	14,867,000
Total current assets	<u>277,097,000</u>	<u>280,314,000</u>
Property, plant and equipment, net	27,037,000	28,026,000
Operating lease right-of-use assets, net	30,033,000	—
Goodwill	330,519,000	310,489,000
Intangibles with finite lives, net	258,019,000	261,890,000
Deferred financing costs, net	2,391,000	3,128,000
Other assets, net	4,551,000	3,864,000
Total assets	<u>\$ 929,647,000</u>	<u>887,711,000</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 23,423,000	24,330,000
Accrued expenses and other current liabilities	85,104,000	78,584,000
Operating lease liabilities, current	8,247,000	—
Finance lease and other obligations, current	57,000	757,000
Dividends payable	2,468,000	2,406,000
Contract liabilities	40,250,000	38,682,000
Interest payable	163,000	588,000
Total current liabilities	<u>159,712,000</u>	<u>145,347,000</u>
Non-current portion of long-term debt, net	149,500,000	165,000,000
Operating lease liabilities, non-current	24,109,000	—
Income taxes payable	1,963,000	325,000
Deferred tax liability, net	17,637,000	12,481,000
Long-term contract liabilities	9,596,000	10,654,000
Other liabilities	17,831,000	18,822,000
Total liabilities	<u>380,348,000</u>	<u>352,629,000</u>
Commitments and contingencies (See Note 13)		
Stockholders' equity:		
Preferred stock, par value \$0.10 per share; shares authorized and unissued 2,000,000	—	—
Common stock, par value \$0.10 per share; authorized 100,000,000 shares; issued 39,924,439 shares and 39,276,161 shares at July 31, 2020 and 2019, respectively	3,992,000	3,928,000
Additional paid-in capital	569,891,000	552,670,000
Retained earnings	417,265,000	420,333,000
	<u>991,148,000</u>	<u>976,931,000</u>
Less:		
Treasury stock, at cost (15,033,317 shares at July 31, 2020 and 2019)	<u>(441,849,000)</u>	<u>(441,849,000)</u>
Total stockholders' equity	<u>549,299,000</u>	<u>535,082,000</u>
Total liabilities and stockholders' equity	<u>\$ 929,647,000</u>	<u>887,711,000</u>

See accompanying notes to consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP.
AND SUBSIDIARIES
Consolidated Statements of Operations
Fiscal Years Ended July 31, 2020, 2019 and 2018

	2020	2019	2018
Net sales	\$ 616,715,000	671,797,000	570,589,000
Cost of sales	389,882,000	424,357,000	346,648,000
Gross profit	<u>226,833,000</u>	<u>247,440,000</u>	<u>223,941,000</u>
Expenses:			
Selling, general and administrative	117,130,000	128,639,000	113,922,000
Research and development	52,180,000	56,407,000	53,869,000
Amortization of intangibles	21,595,000	18,320,000	21,075,000
Settlement of intellectual property litigation	—	(3,204,000)	—
Acquisition plan expenses	20,754,000	5,871,000	—
	<u>211,659,000</u>	<u>206,033,000</u>	<u>188,866,000</u>
Operating income	15,174,000	41,407,000	35,075,000
Other expenses (income):			
Interest expense	6,054,000	9,245,000	10,195,000
Write-off of deferred financing costs	—	3,217,000	—
Interest (income) and other	(190,000)	35,000	254,000
	<u>9,310,000</u>	<u>28,910,000</u>	<u>24,626,000</u>
Income before provision for (benefit from) income taxes	9,310,000	28,910,000	24,626,000
Provision for (benefit from) income taxes	<u>2,290,000</u>	<u>3,869,000</u>	<u>(5,143,000)</u>
Net income	<u>\$ 7,020,000</u>	<u>25,041,000</u>	<u>29,769,000</u>
Net income per share:			
Basic	<u>\$ 0.28</u>	<u>1.04</u>	<u>1.25</u>
Diluted	<u>\$ 0.28</u>	<u>1.03</u>	<u>1.24</u>
Weighted average number of common shares outstanding – basic			
	<u>24,798,000</u>	<u>24,124,000</u>	<u>23,825,000</u>
Weighted average number of common and common equivalent shares outstanding – diluted			
	<u>24,899,000</u>	<u>24,302,000</u>	<u>24,040,000</u>

See accompanying notes to consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP.
AND SUBSIDIARIES

NextGen does not have separately prepared financial statements
NextGen is an indirect, wholly-owned subsidiary of Comtech.

Consolidated Statements of Stockholders' Equity
Fiscal Years Ended July 31, 2020, 2019 and 2018

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Stockholders' Equity
	Shares	Amount			Shares	Amount	
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. ("Solacom")	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
Equity-classified stock award compensation	—	—	9,275,000	—	—	—	9,275,000
Proceeds from exercises of stock options	16,700	2,000	466,000	—	—	—	468,000
Proceeds from issuance of employee stock purchase plan shares	52,958	5,000	850,000	—	—	—	855,000
Issuance of restricted stock	3,319	—	—	—	—	—	—
Net settlement of stock-based awards	251,797	25,000	(4,913,000)	—	—	—	(4,888,000)
Common stock issued for acquisition of CGC Technology Limited ("CGC")	323,504	32,000	11,543,000	—	—	—	11,575,000
Cash dividends declared, net (\$0.40 per share)	—	—	—	(9,794,000)	—	—	(9,794,000)
Accrual of dividend equivalents, net of reversal (\$0.40 per share)	—	—	—	(294,000)	—	—	(294,000)
Net income	—	—	—	7,020,000	—	—	7,020,000
Balance as of July 31, 2020	39,924,439	\$ 3,992,000	\$ 569,891,000	\$ 417,265,000	15,033,317	\$ (441,849,000)	\$ 549,299,000

See accompanying notes to consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP.
 AND SUBSIDIARIES
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 Consolidated Statements of Cash Flows
 Fiscal Years Ended July 31, 2020, 2019 and 2018

	2020	2019	2018
Cash flows from operating activities:			
Net income	\$ 7,020,000	25,041,000	29,769,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	10,561,000	11,927,000	13,655,000
Amortization of intangible assets with finite lives	21,595,000	18,320,000	21,075,000
Amortization of stock-based compensation	9,275,000	11,427,000	8,569,000
Amortization of deferred financing costs	737,000	1,099,000	2,196,000
Estimated contract settlement costs	444,000	6,351,000	—
Write-off of deferred financing costs	—	3,217,000	—
Settlement of intellectual property litigation	—	(3,204,000)	—
Changes in other liabilities	(4,133,000)	(1,056,000)	—
Loss on disposal of property, plant and equipment	—	144,000	79,000
(Benefit from) provision for allowance for doubtful accounts	(431,000)	1,136,000	573,000
Provision for excess and obsolete inventory	1,647,000	6,015,000	5,628,000
Deferred income tax expense (benefit)	860,000	4,283,000	(6,379,000)
Changes in assets and liabilities, net of effects of business acquisitions:			
Accounts receivable	20,929,000	6,315,000	(24,578,000)
Inventories	(9,132,000)	(3,787,000)	(20,065,000)
Prepaid expenses and other current assets	(2,261,000)	915,000	787,000
Other assets	(719,000)	102,000	(140,000)
Accounts payable	(2,206,000)	(21,290,000)	13,728,000
Accrued expenses and other current liabilities	4,292,000	3,554,000	(3,374,000)
Contract liabilities	(6,312,000)	(127,000)	9,143,000
Other liabilities, non-current	2,422,000	(84,000)	(682,000)
Interest payable	(397,000)	151,000	234,000
Income taxes payable	(1,427,000)	(2,418,000)	126,000
Net cash provided by operating activities	<u>52,764,000</u>	<u>68,031,000</u>	<u>50,344,000</u>
Cash flows from investing activities:			
Payment for acquisition of CGC, net of cash acquired	(11,165,000)	—	—
Payment for acquisition of Solacom, net of cash acquired	—	(25,883,000)	—
Payment for acquisition of the GD NG-911 business	(1,013,000)	(10,000,000)	—
Payment for acquisition of NG-911 Inc.	(781,000)	—	—
Purchases of property, plant and equipment	(7,225,000)	(8,785,000)	(8,642,000)
Net cash used in investing activities	<u>(20,184,000)</u>	<u>(44,668,000)</u>	<u>(8,642,000)</u>
Cash flows from financing activities:			
Net (payments) borrowings of long-term debt under Credit Facility	(15,500,000)	165,000,000	—
Net payments under Revolving Loan portion of Prior Credit Facility	—	(48,603,000)	(8,800,000)
Repayment of debt under Term Loan portion of Prior Credit Facility	—	(120,121,000)	(18,960,000)
Remittance of employees' statutory tax withholdings for stock awards	(5,276,000)	(5,042,000)	(1,143,000)
Cash dividends paid	(10,020,000)	(9,789,000)	(9,538,000)
Repayment of principal amounts under finance lease and other obligations	(805,000)	(1,906,000)	(2,802,000)
Payment of deferred financing costs	—	(1,813,000)	—
Proceeds from issuance of employee stock purchase plan shares	855,000	935,000	855,000
Proceeds from exercises of stock options	468,000	216,000	326,000
Payment of shelf registration costs	—	(148,000)	—
Net cash used in financing activities	<u>(30,278,000)</u>	<u>(21,271,000)</u>	<u>(40,062,000)</u>

(Continued)

COMTECH TELECOMMUNICATIONS CORP.
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 Consolidated Statements of Cash Flows (continued)
 Fiscal Years Ended July 31, 2020, 2019 and 2018

	2020	2019	2018
Net increase in cash and cash equivalents	\$ 2,302,000	2,092,000	1,640,000
Cash and cash equivalents at beginning of year	45,576,000	43,484,000	41,844,000
Cash and cash equivalents at end of year	\$ 47,878,000	45,576,000	43,484,000
<u>Supplemental cash flow disclosure</u>			
Cash paid (received) during the year for:			
Interest	\$ 5,549,000	7,669,000	7,291,000
Income taxes, net	\$ 2,875,000	2,005,000	1,112,000
Non-cash investing and financing activities:			
Reclass of finance lease right-of-use assets to property, plant and equipment	\$ 698,000	—	—
Accrued remittance of employees' statutory tax withholdings for fully-vested share units	\$ 1,399,000	1,787,000	2,963,000
Cash dividends declared but unpaid (including accrual of dividend equivalents)	\$ 2,762,000	2,733,000	2,656,000
Finance lease and other obligations incurred	\$ —	—	1,306,000
Accrued additions to property, plant and equipment	\$ 1,408,000	902,000	719,000
Issuance (forfeiture) of restricted stock	\$ —	1,000	(1,000)
Common stock issued for acquisitions	\$ 11,575,000	5,606,000	—
Accruals related to acquisitions	\$ 1,157,000	—	—

See accompanying notes to consolidated financial statements.