



On behalf of Nextgen Communications, Inc. (subsidiary)

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April 14, 2023

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 2022 Annual Report. Throughout 2022, 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 2022.

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: <http://www.comtech.com/>.

Respectfully submitted,

Susan Ornstein

Enclosure

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

COMTECH TELECOMMUNICATIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

Assets	January 31, 2023	July 31, 2022
Current assets:		
Cash and cash equivalents	\$ 21,504,000	21,654,000
Accounts receivable, net	134,922,000	123,711,000
Inventories, net	100,130,000	96,317,000
Prepaid expenses and other current assets	19,871,000	21,649,000
Total current assets	<u>276,427,000</u>	<u>263,331,000</u>
Property, plant and equipment, net	54,146,000	50,363,000
Operating lease right-of-use assets, net	47,633,000	49,767,000
Goodwill	347,692,000	347,692,000
Intangibles with finite lives, net	236,605,000	247,303,000
Deferred financing costs, net	3,274,000	1,014,000
Other assets, net	17,895,000	14,827,000
Total assets	<u>\$ 983,672,000</u>	<u>974,297,000</u>
Liabilities, Convertible Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 38,491,000	44,591,000
Accrued expenses and other current liabilities	68,655,000	72,662,000
Current portion of long-term debt	3,125,000	—
Operating lease liabilities, current	8,218,000	8,685,000
Dividends payable	2,775,000	2,746,000
Contract liabilities	63,847,000	64,601,000
Interest payable	1,132,000	172,000
Total current liabilities	<u>186,243,000</u>	<u>193,457,000</u>
Non-current portion of long-term debt	164,385,000	130,000,000
Operating lease liabilities, non-current	42,923,000	44,423,000
Income taxes payable	3,468,000	3,007,000
Deferred tax liability, net	13,603,000	15,355,000
Long-term contract liabilities	13,270,000	9,975,000
Other liabilities	5,033,000	6,291,000
Total liabilities	<u>428,925,000</u>	<u>402,508,000</u>
Commitments and contingencies (See Note 18)		
Convertible preferred stock, par value \$0.10 per share; authorized 125,000 shares; issued 100,000 at January 31, 2023 and July 31, 2022 (includes accrued dividends of \$585,000 and \$566,000, respectively)	108,651,000	105,204,000
Stockholders' equity:		
Preferred stock, par value \$0.10 per share; authorized and unissued 1,875,000 shares	—	—
Common stock, par value \$0.10 per share; authorized 100,000,000 shares; issued 42,900,871 and 42,672,827 shares at January 31, 2023 and July 31, 2022, respectively	4,290,000	4,267,000
Additional paid-in capital	630,233,000	625,484,000
Retained earnings	253,422,000	278,683,000
	<u>887,945,000</u>	<u>908,434,000</u>
Less:		
Treasury stock, at cost (15,033,317 shares at January 31, 2023 and July 31, 2022)	(441,849,000)	(441,849,000)
Total stockholders' equity	<u>446,096,000</u>	<u>466,585,000</u>
Total liabilities, convertible preferred stock and stockholders' equity	<u>\$ 983,672,000</u>	<u>974,297,000</u>

See accompanying notes to condensed consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended January 31,		Six months ended January 31,	
	2023	2022	2023	2022
Net sales	\$ 133,725,000	120,381,000	\$ 264,864,000	237,140,000
Cost of sales	87,801,000	74,523,000	172,137,000	149,547,000
Gross profit	45,924,000	45,858,000	92,727,000	87,593,000
Expenses:				
Selling, general and administrative	28,915,000	29,827,000	58,252,000	58,069,000
Research and development	12,441,000	12,632,000	25,192,000	25,129,000
Amortization of intangibles	5,349,000	5,349,000	10,698,000	10,698,000
CEO transition costs	—	13,554,000	9,090,000	13,554,000
Proxy solicitation costs	—	9,086,000	—	11,248,000
	46,705,000	70,448,000	103,232,000	118,698,000
Operating loss	(781,000)	(24,590,000)	(10,505,000)	(31,105,000)
Other expenses (income):				
Interest expense	3,791,000	988,000	6,026,000	2,595,000
Interest (income) and other	455,000	(30,000)	200,000	189,000
Change in fair value of convertible preferred stock purchase option liability	—	(398,000)	—	(702,000)
Loss before benefit from income taxes	(5,027,000)	(25,150,000)	(16,731,000)	(33,187,000)
Benefit from income taxes	(222,000)	(3,276,000)	(830,000)	(5,329,000)
Net loss	\$ (4,805,000)	(21,874,000)	\$ (15,901,000)	(27,858,000)
Adjustments to reflect redemption value of convertible preferred stock:				
Dividend on convertible preferred stock	(1,737,000)	(1,632,000)	(3,447,000)	(1,867,000)
Convertible preferred stock issuance costs	—	—	—	(4,007,000)
Establishment of initial convertible preferred stock purchase option liability	—	—	—	(1,005,000)
Net loss attributable to common stockholders	\$ (6,542,000)	(23,506,000)	\$ (19,348,000)	(34,737,000)
Net loss per common share (See Note 5):				
Basic	\$ (0.23)	(0.89)	\$ (0.69)	(1.31)
Diluted	\$ (0.23)	(0.89)	\$ (0.69)	(1.31)
Weighted average number of common shares outstanding – basic				
	27,954,000	26,472,000	27,892,000	26,449,000
Weighted average number of common and common equivalent shares outstanding – diluted				
	27,954,000	26,472,000	27,892,000	26,449,000

See accompanying notes to condensed consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(Unaudited)

	Three months ended January 31, 2023 and 2022								
	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Stockholders' Equity
	Shares	Amount	Shares	Amount			Shares	Amount	
Balance as of October 31, 2021	100,000	\$ 100,235,000	41,380,241	\$ 4,138,000	\$ 604,452,000	\$ 319,053,000	15,033,317	\$(441,849,000)	\$ 485,794,000
Equity-classified stock award compensation	—	—	—	—	1,983,000	—	—	—	1,983,000
CEO transition costs related to equity-classified stock-based awards (See Note 1)	—	—	—	—	7,388,000	—	—	—	7,388,000
Issuance of employee stock purchase plan shares	—	—	11,136	1,000	224,000	—	—	—	225,000
Issuance of restricted stock, net of forfeiture	—	—	119,426	12,000	(12,000)	—	—	—	—
Net settlement of stock-based awards	—	—	42,441	4,000	(1,255,000)	—	—	—	(1,251,000)
Adjustment to reflect redemption value of convertible preferred stock (including accrued dividends)	—	1,632,000	—	—	—	(1,632,000)	—	—	(1,632,000)
Cash dividends declared, net (\$0.10 per share)	—	—	—	—	—	(2,640,000)	—	—	(2,640,000)
Accrual of dividend equivalents, net of reversal (\$0.10 per share)	—	—	—	—	—	(129,000)	—	—	(129,000)
Net loss	—	—	—	—	—	(21,874,000)	—	—	(21,874,000)
Balance as of January 31, 2022	<u>100,000</u>	<u>\$ 101,867,000</u>	<u>41,553,244</u>	<u>\$ 4,155,000</u>	<u>\$ 612,780,000</u>	<u>\$ 292,778,000</u>	<u>15,033,317</u>	<u>\$(441,849,000)</u>	<u>\$ 467,864,000</u>
Balance as of October 31, 2022	100,000	\$ 106,914,000	42,810,846	\$ 4,281,000	\$ 629,027,000	\$ 262,902,000	15,033,317	\$(441,849,000)	\$ 454,361,000
Equity-classified stock award compensation	—	—	—	—	1,268,000	—	—	—	1,268,000
Issuance of employee stock purchase plan shares	—	—	14,443	1,000	87,000	—	—	—	88,000
Issuance of restricted stock, net of forfeiture	—	—	82,373	8,000	(8,000)	—	—	—	—
Net settlement of stock-based awards	—	—	(6,791)	—	(141,000)	—	—	—	(141,000)
Adjustment to reflect redemption value of convertible preferred stock (including accrued dividends)	—	1,737,000	—	—	—	(1,737,000)	—	—	(1,737,000)
Cash dividends declared, net (\$0.10 per share)	—	—	—	—	—	(2,775,000)	—	—	(2,775,000)
Accrual of dividend equivalents, net of reversal (\$0.10 per share)	—	—	—	—	—	(163,000)	—	—	(163,000)
Net loss	—	—	—	—	—	(4,805,000)	—	—	(4,805,000)
Balance as of January 31, 2023	<u>100,000</u>	<u>\$ 108,651,000</u>	<u>42,900,871</u>	<u>\$ 4,290,000</u>	<u>\$ 630,233,000</u>	<u>\$ 253,422,000</u>	<u>15,033,317</u>	<u>\$(441,849,000)</u>	<u>\$ 446,096,000</u>

See accompanying notes to condensed consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

(Unaudited)

	Six months ended January 31, 2023 and 2022								
	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Stockholders' Equity
	Shares	Amount	Shares	Amount			Shares	Amount	
Balance as of July 31, 2021	—	\$ —	41,281,812	\$ 4,128,000	\$ 605,439,000	\$ 333,001,000	15,033,317	\$(441,849,000)	\$ 500,719,000
Equity-classified stock award compensation	—	—	—	—	2,904,000	—	—	—	2,904,000
CEO transition costs related to equity-classified stock-based awards (See Note 1)	—	—	—	—	7,388,000	—	—	—	7,388,000
Issuance of employee stock purchase plan shares	—	—	21,676	2,000	452,000	—	—	—	454,000
Issuance of restricted stock, net of forfeiture	—	—	132,854	13,000	(13,000)	—	—	—	—
Net settlement of stock-based awards	—	—	116,902	12,000	(3,390,000)	—	—	—	(3,378,000)
Issuance of convertible preferred stock	100,000	100,000,000	—	—	—	—	—	—	—
Convertible preferred stock issuance costs	—	(4,007,000)	—	—	—	—	—	—	—
Establishment of initial convertible preferred stock purchase option liability	—	(1,005,000)	—	—	—	—	—	—	—
Adjustment to reflect redemption value of convertible preferred stock (including accrued dividends)	—	6,879,000	—	—	—	(6,879,000)	—	—	(6,879,000)
Cash dividends declared, net (\$0.20 per share)	—	—	—	—	—	(5,269,000)	—	—	(5,269,000)
Accrual of dividend equivalents, net of reversal (\$0.20 per share)	—	—	—	—	—	(217,000)	—	—	(217,000)
Net loss	—	—	—	—	—	(27,858,000)	—	—	(27,858,000)
Balance as of January 31, 2022	<u>100,000</u>	<u>\$ 101,867,000</u>	<u>41,553,244</u>	<u>\$ 4,155,000</u>	<u>\$ 612,780,000</u>	<u>\$ 292,778,000</u>	<u>15,033,317</u>	<u>\$(441,849,000)</u>	<u>\$ 467,864,000</u>
Balance as of July 31, 2022	100,000	\$ 105,204,000	42,672,827	\$ 4,267,000	\$ 625,484,000	\$ 278,683,000	15,033,317	\$(441,849,000)	\$ 466,585,000
Equity-classified stock award compensation	—	—	—	—	2,172,000	—	—	—	2,172,000
CEO transition costs related to equity-classified stock-based awards (See Note 1)	—	—	—	—	3,764,000	—	—	—	3,764,000
Issuance of employee stock purchase plan shares	—	—	29,460	3,000	204,000	—	—	—	207,000
Issuance of restricted stock, net of forfeiture	—	—	93,091	9,000	(9,000)	—	—	—	—
Net settlement of stock-based awards	—	—	105,493	11,000	(1,382,000)	—	—	—	(1,371,000)
Adjustment to reflect redemption value of convertible preferred stock (including accrued dividends)	—	3,447,000	—	—	—	(3,447,000)	—	—	(3,447,000)
Cash dividends declared, net (\$0.20 per share)	—	—	—	—	—	(5,549,000)	—	—	(5,549,000)
Accrual of dividend equivalents, net of reversal (\$0.20 per share)	—	—	—	—	—	(364,000)	—	—	(364,000)
Net loss	—	—	—	—	—	(15,901,000)	—	—	(15,901,000)
Balance as of January 31, 2023	<u>100,000</u>	<u>\$ 108,651,000</u>	<u>42,900,871</u>	<u>\$ 4,290,000</u>	<u>\$ 630,233,000</u>	<u>\$ 253,422,000</u>	<u>15,033,317</u>	<u>\$(441,849,000)</u>	<u>\$ 446,096,000</u>

See accompanying notes to condensed consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended January 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (15,901,000)	(27,858,000)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization of property, plant and equipment	5,765,000	4,575,000
Amortization of intangible assets with finite lives	10,698,000	10,698,000
Amortization of stock-based compensation	2,172,000	2,904,000
Amortization of cost to fulfill assets	480,000	—
CEO transition costs related to equity-classified stock-based awards	3,764,000	7,388,000
Amortization of deferred financing costs	664,000	405,000
Change in fair value of convertible preferred stock purchase option liability	—	(702,000)
Changes in other liabilities	(2,067,000)	(2,066,000)
Loss (gain) on disposal of property, plant and equipment	78,000	(147,000)
Provision for allowance for doubtful accounts	553,000	12,000
Provision for excess and obsolete inventory	1,276,000	2,241,000
Deferred income tax benefit	(2,034,000)	(2,049,000)
Changes in assets and liabilities, net of effects of business acquisitions:		
Accounts receivable	(11,764,000)	19,337,000
Inventories	(5,725,000)	(12,157,000)
Prepaid expenses and other current assets	1,781,000	602,000
Other assets	(3,319,000)	(765,000)
Accounts payable	(6,939,000)	(4,501,000)
Accrued expenses and other current liabilities	(693,000)	7,028,000
Contract liabilities	2,541,000	12,617,000
Other liabilities, non-current	465,000	(3,443,000)
Interest payable	961,000	(56,000)
Income taxes payable	458,000	(4,512,000)
Net cash (used in) provided by operating activities	(16,786,000)	9,551,000
Cash flows from investing activities:		
Purchases of property, plant and equipment	(9,918,000)	(8,811,000)
Net cash used in investing activities	(9,918,000)	(8,811,000)
Cash flows from financing activities:		
Net borrowings (payments) of long-term debt under Revolving Loan Facility	39,000,000	(86,500,000)
Repayment of debt under Term Loan	(625,000)	—
Cash dividends paid on common stock	(5,870,000)	(5,755,000)
Payment of deferred financing costs	(3,616,000)	(140,000)
Remittance of employees' statutory tax withholding for stock awards	(2,473,000)	(4,724,000)
Proceeds from issuance of employee stock purchase plan shares	243,000	454,000
Payment of shelf registration costs	(101,000)	—
Repayment of principal amounts under finance lease liabilities	(4,000)	(11,000)
Proceeds from issuance of convertible preferred stock	—	100,000,000
Payment of convertible preferred stock issuance costs	—	(4,007,000)
Net cash provided by (used in) financing activities	26,554,000	(683,000)
Net (decrease) increase in cash and cash equivalents	(150,000)	57,000
Cash and cash equivalents at beginning of period	21,654,000	30,861,000
Cash and cash equivalents at end of period	\$ 21,504,000	30,918,000

See accompanying notes to condensed consolidated financial statements.