

PRESS RELEASE

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FOR IMMEDIATE RELEASE

Jack Henry & Associates, Inc. Reports First Quarter Fiscal 2022 Results

First quarter summary:

- GAAP revenue increased 8% and operating income increased 14% for the quarter compared to the prior-year quarter.
- Non-GAAP adjusted revenue increased 9% and non-GAAP adjusted operating income increased 16% for the quarter compared to the prior-year quarter.¹
- GAAP EPS was \$1.38 per diluted share for the quarter, compared to \$1.19 per diluted share in the prior-year quarter.
- Cash at September 30, 2021 was \$44.3 million and \$195.3 million at September 30, 2020.
- Debt related to the revolving credit line was \$65 million at September 30, 2021 and zero at September 30, 2020.

Full-year fiscal 2022 guidance:

- GAAP revenue \$1,910 million to \$1,919 million
- GAAP EPS \$4.64 to \$4.73
- Non-GAAP revenue \$1,866 million to \$1,875 million²



First quarter Revenue

GAAP Non-GAAP¹ increased

8% **9**%

First quarter Operating Income

GAAP Non-GAAP¹ increased

14% 16%

Monett, MO, November 8, 2021 – Jack Henry & Associates, Inc. (NASDAQ: JKHY), a leading provider of technology solutions and payment processing services primarily for the financial services industry, today announces results for the first quarter of fiscal 2022 and discusses its continued response to the novel coronavirus (COVID-19) pandemic.³



According to David Foss, Board Chair, President and CEO, "We are very pleased to report another quarter of record revenue and an overall strong performance for the first quarter of our new fiscal year. Our sales teams continue to see strong demand for Jack Henry technology solutions and they are currently working a solid pipeline of requests for proposals and contracts. Today, as a well-rounded financial technology company, we continue to invest in a modern technology infrastructure that is cloud-native, digitally centric, open and scalable in order to deliver the speed and agility that our clients require. This infrastructure, when applied to our digital, payments, lending, risk, and core platforms, helps community and regional financial institutions innovate faster, differentiate strategically, and compete successfully while serving the evolving needs of their accountholders."

First quarter summary 4

Net Income EBITDA¹ increased increased 12%

⁴ See tables below on page 9 reconciling Net Income to non-GAAP EBITDA.



¹See tables below reconciling non-GAAP financial measures to GAAP.

² See tables below reconciling fiscal year 2022 GAAP to non-GAAP guidance.

³ See "COVID-19 Impact and Response" below.

Operating Results

Revenue, operating expenses, operating income, and net income for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, were as follows:

(Unaudited, in thousands)		% ange
	<u>2021</u> <u>2020</u>	
Services and support	\$ 297,494 \$ 280,997	6 %
Percentage of total revenue	61 % 62 %	
Processing	190,562 170,803	12 %
Percentage of total revenue	39 % 38 %	
REVENUE	\$ 488,056 \$ 451,800	8 %

- Processing revenue increased for the first quarter primarily driven by growth in card processing of 9%. Other increases were in remittance revenues and Jack Henry digital. Services and support revenue increased for the first quarter primarily driven by growth in data processing and hosting fees of 12% and increased software usage fees.
- For the first quarter, core segment revenue increased 8%, payments segment revenue increased 8%, complementary segment revenue increased 9%, and corporate and other segment revenue increased 1%. Non-GAAP core segment revenue increased 9%, payments segment revenue increased 9%, complementary segment revenue increased 9%, and corporate and other segment revenue increased 1%.⁵

(Unaudited, in thousands)	Three Mor Septem	% Change	
	<u>2021</u>	<u>2020</u>	
Cost of revenue	\$ 276,636	\$ 262,929	5 %
Percentage of total revenue	57 %	58 %	
Research and development	26,754	26,057	3 %
Percentage of total revenue	5 %	6 %	
Selling, general, and administrative	51,071	45,226	13 %
Percentage of total revenue	 10 %	10 %	
OPERATING EXPENSES	354,461	334,212	6 %
OPERATING INCOME	\$ 133,595	\$ 117,588	14 %
Operating margin ⁶	27 %	26 %	

- Cost of revenue increased for the first quarter primarily due to higher costs associated with our card processing platform, operating licenses and fees, and personnel costs, partially offset by decreased hardware costs.
- Research and development expense increased for the first quarter primarily due to higher professional fees, personnel costs, contract labor, and licenses and fees, partially offset by higher capitalized research and development costs.
- Selling, general, and administrative expense increased for the first quarter primarily due to higher personnel costs and travel
 expenses as COVID-related travel limitations began to lift.⁷

⁷ See "COVID-19 Impact and Response" below.



⁵ See revenue lines of segment break-out tables on page 4 below.

⁶ Operating margin is calculated by dividing operating income by revenue.

(Unaudited, in thousands, except shares and per share data)	Three Mor Septen	% Change	
	<u>2021</u>	2020	
Income before income taxes	\$ 133,354	\$ 117,539	13 %
Provision for income taxes	 31,240	 26,323	19 %
NET INCOME	\$ 102,114	\$ 91,216	12 %
Diluted earnings per share	\$ 1.38	\$ 1.19	16 %

- Effective tax rates for the first quarter of fiscal years 2022 and 2021 were 23.4% and 22.4%, respectively.
- The Company's repurchase of 2.8 million shares of common stock during fiscal year 2021 contributed \$0.05 to diluted earnings per share for the first quarter of fiscal year 2022.



According to Kevin Williams, CFO and Treasurer, "For the first quarter of the fiscal year, our private cloud, card processing and digital solutions continue to drive our revenue growth. We continued to have headwinds during the quarter from deconversion, license and hardware revenue, but still saw a very solid 8% GAAP and 9% non-GAAP revenue growth compared to the prior year. There was also good operating margin expansion on both a GAAP and a non-GAAP basis for the quarter. Also, very pleased to report our Return on Invested Capital (ROIC) of 21.5% for the quarter which is up from 20% last year. I want to thank all of our management team and associates for all the contributions to support and continue doing the right thing for our customers."

Non-GAAP Impact of Deconversion Fees, Acquisitions and Divestitures

The table below is our revenue and operating income (in thousands) for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, excluding the impacts of deconversion fees, acquisitions and divestitures.

	Three Mor Septem	% Change		
(Unaudited, in thousands)	2021			
Revenue (GAAP)	\$ 488,056	\$	451,800	8 %
Adjustments:				
Deconversion fee revenue	(3,724)		(5,882)	
Revenue from acquisitions and divestitures	(106)		(1,182)	
NON-GAAP ADJUSTED REVENUE	\$ 484,226	\$	444,736	9 %
Operating income (GAAP)	\$ 133,595	\$	117,588	14 %
Adjustments:				
Operating income from deconversion fees	(3,184)		(5,219)	
Operating (income)/loss from acquisitions and divestitures	45		(369)	
NON-GAAP ADJUSTED OPERATING INCOME	\$ 130,456	\$	112,000	16 %



The tables below are the segment breakdown of revenue and cost of revenue for each period presented, as adjusted for the items above, and include a reconciliation to non-GAAP adjusted operating income presented above.

	Three Months Ended September 30, 2021									
(Unaudited, in thousands)		Core	Р	ayments	Co	mplementary		orporate d Other		Total
REVENUE (GAAP)	\$	165,285	\$	169,622	\$	141,481	\$	11,668	\$	488,056
Deconversion fees		(2,168)		(448)		(1,097)		(11)		(3,724)
Revenue from acquisitions and divestitures		_		_		(106)		_		(106)
NON-GAAP ADJUSTED REVENUE		163,117		169,174		140,278		11,657		484,226
COST OF REVENUE		66,902		93,226		55,485		61,023		276,636
Non-GAAP adjustments		(138)		(45)		(242)		(1)		(426)
NON-GAAP ADJUSTED COST OF REVENUE		66,764		93,181		55,243		61,022		276,210
NON-GAAP ADJUSTED SEGMENT INCOME	\$	96,353	\$	75,993	\$	85,035	\$	(49,365)		
Research and development										26,754
Selling, general, and administrative										51,071
Non-GAAP adjustments unassigned to a segme	ent									(265)
NON-GAAP TOTAL ADJUSTED OPERATING	EXPI	ENSES								353,770
NON-GAAP ADJUSTED OPERATING INCOM	E								\$	130,456

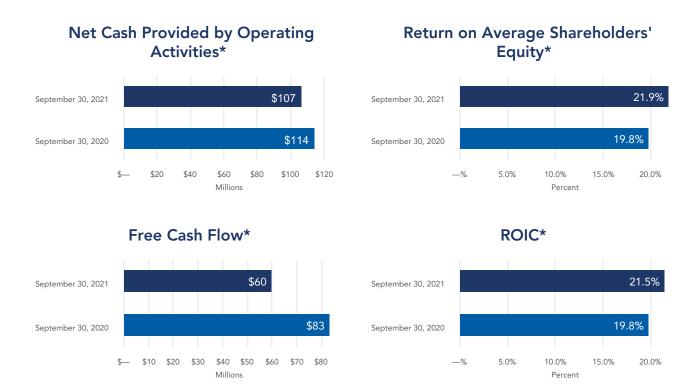
	Three Months Ended September 30, 2020									
(Unaudited, in thousands)		Core	P	ayments	Co	omplementary		orporate nd Other		Total
REVENUE (GAAP)	\$	153,155	\$	156,733	\$	130,355	\$	11,557	\$	451,800
Deconversion fees		(2,052)		(1,847)		(2,000)		17		(5,882)
Revenue from acquisitions and divestitures		(1,182)	_					_		(1,182)
NON-GAAP ADJUSTED REVENUE		149,921		154,886		128,355		11,574		444,736
COST OF REVENUE		63,861		86,328		52,024		60,716		262,929
Non-GAAP adjustments		(794)		(60)		(180)		(39)		(1,073)
NON-GAAP ADJUSTED COST OF REVENUE		63,067		86,268		51,844		60,677		261,856
NON-GAAP ADJUSTED SEGMENT INCOME	\$	86,854	\$	68,618	\$	76,511	\$	(49,103)		
Research and development										26,057
Selling, general, and administrative										45,226
Non-GAAP adjustments unassigned to a segme	ent									(403)
NON-GAAP TOTAL ADJUSTED OPERATING	EXPI	ENSES								332,736
NON-GAAP ADJUSTED OPERATING INCOM	E								\$	112,000



The table below is our GAAP to non-GAAP guidance for fiscal 2022. Non-GAAP guidance excludes the impacts of deconversion fee, acquisition and divestiture revenue.

GAAP to Non-GAAP GUIDANCE (in millions, except per share data)	Annual FY22				
		Low		<u>High</u>	_
REVENUE (GAAP)	\$	1,910	\$	1,919	
Growth		8.6 %		9.1	%
Deconversion fee, acquisition and divestiture revenue		44		44	
NON-GAAP ADJUSTED REVENUE	\$	1,866	\$	1,875	
Non-GAAP adjusted growth*		7.5 %		8.0	%
EPS (GAAP)	\$	4.64	\$	4.73	
Growth		12.8 %		14.8	%

Balance Sheet and Cash Flow Review



- At September 30, 2021, cash and cash equivalents decreased to \$44.3 million from \$195.3 million at September 30, 2020.**
- Trade receivables totaled \$253.2 million at September 30, 2021 compared to \$223.0 million at September 30, 2020.
- The Company had \$65 million of borrowings at September 30, 2021 and no borrowings at September 30, 2020.**
- Total deferred revenue increased to \$334.9 million at September 30, 2021, compared to \$322.5 million a year ago.
- Stockholders' equity decreased to \$1,395.7 million at September 30, 2021, compared to \$1,543.8 million a year ago.**
- * See tables below on page 6 for Net Cash Provided by Operating Activities and on page 10 for Return on Average Shareholders' Equity. Tables reconciling the non-GAAP measures Free Cash Flow and return on invested capital (ROIC) to GAAP measures are also on page 10. See "Use of Non-GAAP Financial Information" below for definition of Free Cash Flow and ROIC.
- ** The changes in cash and cash equivalents, borrowings and stockholders' equity, quarter over quarter, were primarily due to the Company's repurchases of common stock during fiscal 2021 for the treasury.



The following table summarizes net cash from operating activities (Unaudited, in thousands):

	Three Months Ended September 30,						
	<u>2021</u>			<u>2020</u>			
Net income	\$	102,114	\$	91,216			
Depreciation		13,157		13,391			
Amortization		31,016		30,352			
Change in deferred income taxes		6,088		2,393			
Other non-cash expenses		6,237		4,466			
Change in receivables		53,404		77,439			
Change in deferred revenue		(60,662)		(67,113)			
Change in other assets and liabilities		(44,805)		(37,667)			
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	106,549	\$	114,477			

The following table summarizes net cash from investing activities (Unaudited, in thousands):

	Three Months Ended September 30,					
		<u>2021</u>	<u>.</u>	2020		
Capital expenditures	\$	(9,273)	\$	(4,478)		
Proceeds from dispositions		14		6,115		
Purchased software		(1,221)		(1,374)		
Computer software developed		(35,971)		(31,451)		
NET CASH FROM INVESTING ACTIVITIES	\$	(46,451)	\$	(31,188)		

The following table summarizes net cash from financing activities (Unaudited, in thousands):

	Three Months Ended September 30,						
		<u>2021</u>	<u>2020</u>				
Repayments on credit facilities and financing leases	\$	(35,027)	\$ (28)				
Purchase of treasury stock*		_	(65,873)				
Dividends paid		(34,036)	(32,815)				
Net cash from issuance of stock and tax related to stock-based compensation		2,224	(2,598)				
NET CASH FROM FINANCING ACTIVITIES	\$	(66,839)	\$ (101,314)				

^{*} For the three months ended September 30, 2021, the Company repurchased no common stock compared to the three months ended September 30, 2020, when the Company repurchased 400 shares of common stock.

Use of Non-GAAP Financial Information

Generally Accepted Accounting Principles (GAAP) is the term used to refer to the standard framework of guidelines for financial accounting in the United States. GAAP include the standards, conventions, and rules accountants follow in recording and summarizing transactions in the preparation of financial statements. In addition to reporting financial results in accordance with GAAP, we have provided certain non-GAAP financial measures, including adjusted revenue, adjusted operating income, adjusted segment income, adjusted cost of revenue, adjusted operating expenses, non-GAAP earnings before interest, taxes, depreciation, and amortization (non-GAAP EBITDA), free cash flow, and return on invested capital (ROIC).

We believe non-GAAP financial measures help investors better understand the underlying fundamentals and true operations of our business. The non-GAAP financial measures adjusted revenue, adjusted operating income, adjusted segment income, adjusted cost of revenue, and adjusted operating expenses presented eliminate one-time deconversion fees, acquisitions and divestitures, all of which management believes are not indicative of the Company's operating performance. Such adjustments give investors further insight into our performance. Non-GAAP EBITDA is defined as net income attributable to the Company before the effect of interest expense, taxes, depreciation, and amortization, adjusted for net income before the effect of interest expense, taxes, depreciation, and amortization attributable to eliminated one-time deconversion fees, acquisitions and divestitures. Free cash flow is defined as net cash from operating activities, less capitalized expenditures, internal use software, and capitalized software, plus proceeds from the sale of assets. ROIC is defined as net income divided by average invested



capital, which is the average of beginning and ending long-term debt and stockholders' equity for a given period. Management believes that non-GAAP EBITDA is an important measure of the Company's overall operating performance and excludes certain costs and other transactions that management deems one time or non-operational in nature; free cash flow is useful to measure the funds generated in a given period that are available for debt service requirements and strategic capital decisions; and ROIC is a measure of the Company's allocation efficiency and effectiveness of its invested capital. For these reasons, management also uses these non-GAAP financial measures in its assessment and management of the Company's performance.

Non-GAAP measures used by the Company may not be comparable to similarly titled non-GAAP measures used by other companies. Non-GAAP financial measures have no standardized meaning prescribed by GAAP and therefore, are unlikely to be comparable with calculations of similar measures for other companies.

Any non-GAAP financial measures should be considered in context with the GAAP financial presentation and should not be considered in isolation or as a substitute for GAAP measures. Reconciliations of the non-GAAP financial measures to related GAAP measures are included.

COVID-19 Impact and Response

Since its outbreak in early 2020, COVID-19 has rapidly spread and continues to represent a public health concern. The health, safety, and well-being of our employees and customers is of paramount importance to us. In March 2020, we established an internal task force composed of executive officers and other members of management to frequently assess updates to the COVID-19 situation and recommend Company actions. We offered remote working as a recommended option to employees whose job duties allowed them to work off-site and we suspended all non-essential business travel. This company-wide recommendation extended until July 1, 2021, at which point we began transition to a return to our facilities and normalization of travel activities. Individual decisions on returning to the office were manager-coordinated and based on conversations with specific teams and departments. A large number of our employees requested to remain fully remote or participate in a hybrid approach where they would split their time between remote and in-person working. We have not required employees who return to our facilities to receive vaccinations, but we have provided information on vaccine providers, as well as hosted on-site COVID-19 vaccination clinics at several of our facilities for our employees and their families. On August 3, 2021, we reimplemented our company-wide recommendation for remote work based on the spread of the Delta variant and increased infection rates. For those employees who are at our facilities, we have introduced enhanced sanitation procedures and we require face masks for both vaccinated and unvaccinated employees. As of November 5, 2021, the majority of our employees were continuing to work remotely either full time or in a hybrid capacity. While our business travel has increased in recent months, we continue to encourage a cautious approach to business travel activities. On November 4, 2021, the Occupational Safety and Health Administration announced a new emergency temporary standard that requires employers with 100 or more employees, which includes Jack Henry, to require employees to either receive a COVID-19 vaccination or else undergo regular testing. We are developing our plan to comply with this new standard.

Customers

We work closely with our customers who are scheduled for on-site visits to ensure their needs are met while taking necessary safety precautions when our employees are required to be at a customer site. Delays of customer system installations due to COVID-19 have been limited, and we have developed processes to handle remote installations when available. We expect these processes to provide flexibility and value both during and after the COVID-19 pandemic. Even though a substantial portion of our workforce has worked remotely during the outbreak and business travel has been curtailed, we have not yet experienced significant disruption to our operations. We believe our technological capabilities are well positioned to allow our employees to work remotely without materially impacting our business.

Financial impact

Despite the changes and restrictions caused by COVID-19, the overall financial and operational impact on our business has been limited and our liquidity, balance sheet, and business trends remain strong. We experienced positive operating cash flows during fiscal 2021 and the first three months of fiscal 2022, and we do not expect that to change in the near term. However, we are unable to accurately predict the future impact of COVID-19 due to a number of uncertainties, including further government actions; the duration, severity and recurrence of the outbreak, including the onset of variants of the virus; the speed and effectiveness of vaccine and treatment developments; the speed of economic recovery; the potential impact to our customers, vendors, and employees; and how the potential impact might affect future customer services, processing and installation-related revenue, and processes and efficiencies within the Company directly or indirectly impacting financial results. We will continue to monitor COVID-19 and its possible impact on the Company and to take steps necessary to protect the health and safety of our employees and customers.



About Jack Henry & Associates, Inc.®

Jack Henry (NASDAQ: JKHY) is a leading provider of technology solutions primarily for the financial services industry. We are an S&P 500 company that serves approximately 8,100 clients nationwide through three divisions: Jack Henry Banking® supports banks ranging from community banks to multi-billion-dollar institutions; Symitar® provides industry-leading solutions to credit unions of all sizes; and ProfitStars® offers highly specialized solutions to financial institutions of every asset size, as well as diverse corporate entities outside of the financial services industry. With a heritage that has been dedicated to openness, partnership, and user centricity for more than 40 years, we are well-positioned as a driving market force in future-ready digital solutions and payment processing services. We empower our clients and consumers with the human-centered, tech-forward, and insights-driven solutions that will get them where they want to go. Are you future ready? Additional information is available at www.jackhenry.com.

Statements made in this news release that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Because forward-looking statements relate to the future, they are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, those discussed in the Company's Securities and Exchange Commission filings, including the Company's most recent reports on Form 10-K and Form 10-Q, particularly under the heading "Risk Factors." Any forward-looking statement made in this news release speaks only as of the date of the news release, and the Company expressly disclaims any obligation to publicly update or revise any forward-looking statement, whether because of new information, future events or otherwise.



Quarterly Conference Call

The Company will hold a conference call on November 9, 2021; at 7:45 a.m. Central Time and investors are invited to listen at www.jackhenry.com.



For More Information

To directly access the Company's press releases, go to <u>ir.jackhenry.com/press-releases</u>.

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Condensed Consolidated Statements of Income

	Three Mon Septeml				% Change
(Unaudited, in thousands, except per share data)		<u>2021</u>		2020	
REVENUE	\$	488,056	\$	451,800	8 %
Cost of revenue		276,636		262,929	5 %
Research and development		26,754		26,057	3 %
Selling, general, and administrative		51,071		45,226	13 %
EXPENSES		354,461		334,212	6 %
OPERATING INCOME		122 505		117 500	1 / 9/
OPERATING INCOME		133,595		117,588	14 %
Interest income		7		68	(90)%
Interest expense		(248)		(117)	112 %
Interest income (expense)		(241)		(49)	392 %
INCOME BEFORE INCOME TAXES		133,354		117,539	13 %
Provision for income taxes		31,240		26,323	19 %
NET INCOME	\$	102,114	\$	91,216	12 %
Diluted net income per share	\$	1.38	\$	1.19	
Diluted weighted average shares outstanding		74,142		76,713	
Condensed Consolidated Balance Sheet Highlights					
		Septen	nber	30,	
(Unaudited, in thousands)		2021		<u>2020</u>	
Cash and cash equivalents	\$	44,251	\$	195,320	
Receivables		253,160		223,013	
Total assets		2,280,911		2,335,076	
Accounts payable and accrued expenses	\$	161,088	\$	151,609	
Current and long-term debt		65,166		295	
Deferred revenue		334,939		322,509	
Stockholders' equity		1,395,665		1,543,750	

Calculation of Non-GAAP Earnings Before Income Taxes, Depreciation and Amortization (Non-GAAP EBITDA)

Three Months Ended September 30,			% Change	
	<u>2021</u>		<u>2020</u>	
\$	102,114	\$	91,216	
	248		118	
	31,240		26,323	
	44,173		43,743	
	(3,157)		(5,946)	
\$	174,618	\$	155,454	12 %
	\$	\$ 102,114 248 31,240 44,173 (3,157)	September 2021 \$ 102,114 \$ 248 31,240 44,173 (3,157)	2021 2020 \$ 102,114 \$ 91,216 248 118 31,240 26,323 44,173 43,743 (3,157) (5,946)



Calculation of Free Cash Flow (Non-GAAP)

	Three Months Ended September 30,			
(in thousands)		2021		2020
Net cash from operating activities	\$	106,549	\$	114,477
Capitalized expenditures		(9,273)		(4,478)
Internal use software		(1,221)		(1,374)
Proceeds from sale of assets		14		6,115
Capitalized software		(35,971)		(31,451)
FREE CASH FLOW	\$	60,098	\$	83,289

Calculation of the Return on Average Shareholders' Equity

	 September 30,		
(in thousands)	<u>2021</u>		2020
Net income (trailing four quarters)	\$ 322,366	\$	298,514
Average stockholder's equity (trailing four quarters)	1,469,708		1,510,205
RETURN ON AVERAGE SHAREHOLDERS' EQUITY	21.9%		19.8%

Calculation of Return on Invested Capital (ROIC) (Non-GAAP)

· ·		September 30,			
(in thousands)		2021		2020	
Net income (trailing four quarters)	\$	322,366	\$	298,514	
Average stockholder's equity (trailing four quarters)		1,469,708		1,510,205	
Average current maturities of long-term debt (trailing four quarters)		118		63	
Average long-term debt (trailing four quarters)		32,613		85	
Average invested capital	\$	1,502,439	\$	1,510,353	
ROIC		21.5%		19.8%	

