

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-14112

JACK HENRY & ASSOCIATES, INC.

(Exact name of registrant as specified in its charter)

Delaware

43-1128385

(State or other jurisdiction of incorporation) (I.R.S. Employer Identification No.)

663 Highway 60, P. O. Box 807, Monett, MO 65708

(Address of principal executive offices)

(Zip Code)

417-235-6652

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1997
Common Stock, \$.01 par value	18,214,342

JACK HENRY & ASSOCIATES, INC.

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None

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Part I. Financial Information  
Item 1. Financial StatementsJACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In Thousands of Dollars, Except Share Data)

	March 31, 1997 (Unaudited)	June 30, 1996
ASSETS		
Current assets:		
Cash	\$ 6,502	\$ 4,952
Held-to-maturity securities	5,967	3,128
Receivables	8,293	15,990
Income taxes receivable	496	889
Prepaid expenses and other	3,231	3,187
Total current assets	\$24,489	\$28,146
Property and equipment, net	\$18,938	\$13,612
Other assets:		
Intangible assets, net of amortization	\$15,867	\$16,805
Computer software	1,267	1,375
Investments and other	761	463
Total other assets	\$17,895	\$18,643
Total assets	\$61,322	\$60,401
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,123	\$ 2,238
Accrued expenses	2,114	2,945
Deferred revenue	10,133	16,068
Total current liabilities	\$14,370	\$21,251
Deferred income taxes	1,732	1,732
Total liabilities	\$16,102	\$22,983
Stockholders' equity:		
Preferred stock - \$1.00 par value; 500,000 shares authorized; none issued	-	-
Common stock - \$0.01 par value; 30,000,000 shares authorized; 17,970,719 issued @ 3/31/97		
17,801,389 issued @ 6/30/96 *	\$ 179	\$ 119
Less Treasury Stock 27,902 shares	738	-
Additional paid-in capital	12,743	10,711

Retained earnings	33,036	26,588
Total stockholders' equity	\$45,220	\$37,418
Total liabilities and stockholders' equity	\$61,322	\$60,401

The accompanying notes are an integral part of these consolidated financial statements.

\* Split adjusted

JACK HENRY & ASSOCIATES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)  
(In Thousands, Except Per Share Data)

Revenues	Quarter Ended March 31, *		Nine Months Ended March 31, *		1996
	1997	1996	1997	1996	
Software licensing & installation	\$ 5,072	\$ 4,430	\$16,293	\$ 13,307	
Maintenance/support & service	7,162	5,749	20,169	16,750	
Hardware sales & commissions	9,827	6,382	25,297	19,173	
Total revenues	22,061	16,561	61,759	49,230	
Cost of sales:					
Cost of hardware	7,041	4,551	17,758	12,989	
Cost of services	4,708	4,170	13,844	11,913	
Total cost of sales	\$11,749	\$ 8,721	\$31,602	\$24,902	
Gross profit	\$10,312	\$ 7,840	\$30,157	\$24,328	
	47%	47%	49%	49%	
Operating expenses:					
Selling and marketing	2,279	1,785	6,628	5,424	
Research and development	525	446	1,492	1,371	
General and administrative	1,665	1,338	4,453	4,099	
Total operating expenses	\$ 4,469	\$ 3,569	\$12,573	\$10,894	
Operating income	\$ 5,843	\$ 4,271	\$17,584	\$ 13,434	
Other income (expense):					
Interest and dividend income	172	123	556	410	
Other, net	26	77	155	102	
Total other income	\$ 198	\$ 200	\$ 711	\$ 512	
Income before income taxes	\$ 6,041	\$ 4,471	\$18,295	\$13,946	
Provision for income taxes	2,306	1,710	6,979	5,331	
Net income from continuing operations	\$ 3,735	\$ 2,761	\$11,316	\$ 8,615	
Net loss from discontinued operations	89	-	239	-	
Net income	\$ 3,646	\$ 2,761	\$11,077	\$ 8,615	
Earnings per share from cont. oper.	\$ .20	\$ .15	\$ .59	\$ .46	
Net loss per share from discount. Oper.	-	-	0.01	-	
Earnings per share	\$ .20	\$ .15	\$ .58	\$ .46	
Weighted average shares outstanding	19,136	18,766	19,100	18,650	

\* All prior period per share data have been adjusted for the 50% stock dividend paid March 13, 1997.

The accompanying notes are an integral part of these consolidated financial statements.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES  
CONDENSED STATEMENTS OF CASH FLOWS  
(In Thousands of Dollars)  
(Unaudited)

	Nine Months Ended March 31,	
	1997	1996
Cash flows - operating activities:		
Cash received from customers	\$64,352	\$52,707
Cash paid to suppliers and employees	(42,237)	(36,110)
Interest and dividends received	603	482

Income taxes paid	(7,272)	(4,646)
Other, net	(10)	-
Net cash flow provided by operating activities	\$15,436	\$12,433
Cash flows from discontinued operations	(371)	-
Cash flows from investing activities:		
Proceeds on sale of property & equipment	\$ 15	\$ 2
Capital expenditures	(6,792)	(4,448)
Short-term investment activity, net	(2,887)	1,946
Long-term investment activity, net	2	(3)
Software development	(151)	(327)
Acquisition costs, net	(314)	(5,807)
Net cash used in investing activities	\$(10,127)	\$(8,637)
Cash flows from financing activities:		
Proceeds from issuance of common stock upon exercise of stock options	\$ 1,249	\$ 399
Dividends paid	(2,630)	(2,172)
Payment of acquired long term debt	(132)	-
Purchase of treasury stock	(1,875)	(873)
Net cash used in financing activities	\$(3,388)	\$( 2,646)
Net increase in cash	\$ 1,550	\$ 1,150
Cash at beginning of period	4,952	3,423
Cash at end of period	\$ 6,502	\$ 4,573

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Summary of Significant Accounting Policies

(Unaudited)

1. Summary of Significant Accounting Policies

Description of the Company - Jack Henry & Associates, Inc. ("JHA" or the "Company") is a computer software company which has developed several banking software systems. It markets those systems to financial institutions throughout the United States along with the computer equipment (hardware) and provides the conversion and software services necessary for a financial institution to install a JHA software system. It also provides continuing maintenance and support services to customers using the system. All of these related activities are considered a single business segment.

Consolidation - The consolidated financial statements include the accounts of JHA and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Other Significant Accounting Policies - The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements included in its Annual Report on Form 10-K ("Form 10-K") for the fiscal year ended June 30, 1996.

2. Interim Financial Statements

The accompanying condensed financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission and in accordance with generally accepted accounting principles applicable to interim financial statements, and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the year ended June 30, 1996, which are included in its Form 10-K.

In the opinion of management of the Company, the accompanying condensed financial statements reflect all adjustments necessary (consisting solely of

normal recurring adjustments) to present fairly the financial position of the Company as of March 31, 1997, and the results of its operations and its cash flows for the quarter and nine-month period then ended.

The results of operations for the periods ended March 31, 1997, are not necessarily indicative of the results to be expected for the entire year.

### 3. Additional Interim Footnote Information

The following additional information is provided to update the notes to the Company's annual financial statements for developments during the quarter ended March 31, 1997:

None.

### 4. Income Per Share Information

Earnings per common share are computed by dividing income by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding for the quarters and nine month periods ended March 31, 1997 and 1996.

## Item 2. - Management's Discussion and Analysis of Results of Operations and Financial Condition

### RESULTS OF OPERATIONS

#### Background and Overview

Jack Henry & Associates, Inc. ("JHA" or the "Company"), is a leading provider of integrated computer systems that perform data processing (available for in-house or service bureau installations) for banks and related financial institutions. The Company was founded in 1976. Its proprietary applications software, which operates on IBM computers, is offered under two systems: CIF 20/20, typically for banks with less than \$300 million in assets, and the Silverlake System, for banks with assets up to \$10 billion. Domestically, JHA frequently sells hardware with its software products. It also provides customer support and related services. The Company's software systems have been installed at over 1260 banks and financial institutions.

A detailed discussion of the major components of the results of operations for the quarter and the nine months ended March 31, 1997, as compared to the same periods in the previous year follows.

#### Revenues

Revenues increased 33% to \$22,061,000 in the quarter ended March 31, 1997. Software licensing and installation increased 14%. Maintenance, support and service revenues increased 25%. Hardware sales were up 54% from last year's quarter. The Company's non-hardware products and services (higher margin sales) increased 20% over last year.

Nine month revenues this year were \$61,759,000, up 25% over last year's corresponding period. Each of the three major revenue categories increased by 20% or more with the largest increase (32%) in hardware sales and the smallest in maintenance, support and service revenues.

The backlog of sales at March 31, 1997, was \$22,935,000. Backlog at April 30, 1997 was \$ 23,845,000.

#### Cost of Sales

The 35% increase in cost of sales for the third quarter of FY '97 is relatively consistent with the increase in revenues. A large portion of the increase results from the increase in hardware revenues and the related increase in cost of hardware sales. Cost of services increased 13% primarily due to growth in the Company's core business, less than the 20% increase in non-hardware revenues.

Cost of sales increased 27% for the first nine months of fiscal '97, relatively consistent with the 25% increase in revenues. Cost of hardware increased 37% while cost of services increased 16%, both more favorable than the corresponding revenue increases.

#### Gross Profit

Gross profit increased to \$10,312,000 in the third quarter ended March 31, 1997, a 32% increase over last year. The gross margin percentage was 47% of sales, consistent with last year.

The nine month gross profit this year was up 24% at \$30,157,000. The gross margin percentage for the first nine months was 49%, similar to last year's rate.

## Operating Expenses

Total operating expenses increased 25% in the quarter ended 3/31/97. This continues the favorable trend, considering gross profit increased 32%. Thus, the Company continues to gain efficiencies through growth. Selling expenses increased 28% while research and development expenses increased 18%.

- 1  
CIF 20/20 is a trademark of Jack Henry & Associates, Inc.
- 2  
Silverlake System is a registered trademark of Jack Henry & Associates, Inc.

General and administrative expenses increased by 24%.

Operating expenses were \$12,573,000 in the first nine months of fiscal '97, 15% increase. Since gross profit increased 24%, this continues to reflect the Company's ability to leverage more to the bottom line as revenues increase.

## Other Income and Expense

Other income and expense for the quarter and year-to-date periods ended March 31, 1997, were down when compared to the same periods last year.

## Net Income

Net income from continuing operations for the third quarter was \$3,735,000, or \$.20 per share, an increase of 33%, compared to \$2,761,000, or \$.15 per share in the same period last year.

Net income from continuing operations for the nine months ended March 31, 1997 was \$11,316,000, or \$.59 per share (up 28%), compared to \$8,615,000, or \$.46 per share.

## FINANCIAL CONDITION

### Liquidity

The Company's cash and held-to-maturity securities increased to \$12,469,000 at March 31, 1997, up from \$8,080,000 at June 30, 1996.

JHA has available credit lines totaling \$4,000,000, although the Company expects their use to be minimal during FY '97. The Company currently has no short-term or long-term debt obligations.

### Capital Requirements and Resources

JHA generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures totaling \$6,792,000 for the period ended March 31, 1997, were made for expansion of its facilities and additional equipment. These were funded from cash generated by operations. The consolidated capital expenditures of JHA could exceed \$9,000,000 for FY '97.

The Company paid an \$.08 per share cash dividend on March 13, 1997 to stockholders of record February 21, 1996 which was funded from working capital. Further, the Company's Board of Directors paid a 50% stock dividend on its common stock, effectively a 3 for 2 split, on March 13, 1997 to stockholders of record February 24, 1997. In addition, subsequent to March 31, 1997, the Company's Board of Directors, declared a quarterly cash dividend of \$.055 per share on its common stock payable May 28, 1997 to stockholders of record on May 14, 1997. This will be funded out of working capital.

## CONCLUSION

JHA's results of operations and its financial position continued to be quite favorable during the quarter ended March 31, 1997. This reflects the continuing attitude of cooperation and commitment by each employee, management's ongoing cost control efforts and commitment to deliver top quality products and services to the markets it serves.

## PART II. OTHER INFORMATION

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on behalf by the undersigned thereunto duly authorized.

JACK HENRY & ASSOCIATES, INC.

Date: May 14, 1997

/s/ Michael E. Henry  
Michael E. Henry  
Chairman of the Board and  
Chief Executive Officer

Date: May 14, 1997

/s/ Terry W. Thompson  
Terry W. Thompson  
Vice President and  
Chief Financial Officer

3-MOS  
JUN-30-1997  
MAR-31-1997  
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