Jack Henry & Associates Reports Second Quarter Revenues Up 13%

Monett, MO -- January 16, 2002. Jack Henry & Associates, Inc. (Nasdaq: JKHY) today reported higher revenues and solid profitability for its fiscal second quarter. Both revenues and profits were above last year's record breaking levels, with total revenues up 13% to $91.5 million and net income increasing 1% to $13.0 million or $.14 per share. Prior period numbers have been adjusted for the March 2001 stock split.

Second Quarter Highlights

"Second quarter results reflect the weakness in the capital goods economy, yet exceeded last year's record results that were fueled by the rebound in demand following the Y2K moratorium,"stated Michael E. Henry, Chairman and CEO. "While some customers appear to have postponed investments in technology this fall, December was a very strong month in all aspects of sales activity. Although the increase in year-end activity was not sufficient to offset the slowdown after the events of September 11th, the increased market activity at the end of the year helped improve our pipeline for potential new business."

Revenue Growth

Non-hardware revenues increased 14% to $64.8 million, accounting for 71% of second quarter 2002 revenues, compared to $56.8 million or 70% of revenues in the second quarter a year ago. "Our outsourcing service bureau and in-house support revenues continue to grow, with strong gains in this area offsetting the 7% decline in software sales and installation,"said Terry W. Thompson, President. Support and services revenues increased 30% to $41.9 million in the second quarter. Hardware sales grew 12% during the second quarter to $26.8 million or 29% of total revenues, compared to $23.9 million or 29% of total revenues in the second quarter of fiscal 2001.

For the first half of fiscal 2002, total revenues grew 13% to $177.7 million compared to $157.7 million in the first half of fiscal 2001. Non-hardware revenues increased 16% to $128.6 million compared to $110.8 million, with software licenses and installation off 6% at $45.1 million and support and services up 33% to $83.5 million. First half hardware sales increased 4% to $49.0 million compared to $47.0 million a year ago.

Backlog and deferred revenues, both measures of future business, improved in the second quarter. Backlog increased to $132.1 million ($52.3 in-house and $79.8 outsourcing) at the end of the quarter compared to $128.9 million ($49.8 in-house and $79.1 outsourcing) at September 30, 2001 and $110.8 million ($44.7 in-house and $66.1 outsourcing) at December 31, 2000. Deferred revenues also increased to $85.9 million compared to $66.3 million at December 31, 2000.

Margin and Operations Review

Second quarter margins were generally steady in comparison to the like period last year, but were lower than the September quarter due to normal seasonal trends. "In addition to the mix of products sold and increasing costs for employee benefits, margins in the December quarter are always impacted by discretionary Christmas bonuses, which reduced gross margin in excess of one percentage point,"stated Kevin D. Williams, CFO. Gross profit was up 12.2% in the second quarter to $39.0 million or 43% of total revenues, compared to $34.8 million or 43% of revenues in the second quarter a year ago. Non-hardware margin was flat at 47% in the quarter. Hardware margin was down to 31% compared to 35% in second quarter a year ago. "The most significant change relates to reduced incentives from hardware suppliers which are based on prior year volumes. This year incentive payments were lower than last year, because the threshold was much higher after the excellent sales year we produced in fiscal 2001,"continued Williams.

For the first half of fiscal 2002, gross profit was up 12% to $78.1 million or 44% of revenues compared to $69.4 million, which was also 44% of first half revenues in fiscal 2001. Non-hardware margin in the first half of fiscal 2002 was 48% compared to 49% in the year ago period. Hardware margin was 32% compared to 33% in the like period of fiscal 2001.

Depreciation and amortization expenses were up substantially for both periods of fiscal 2002 due to higher capital investments made in fiscal 2001 for infrastructure expansion. Depreciation and amortization, included in both cost of services and general and administrative expenses, was up 29% to $6.9 million in the second quarter and increased 33% to $13.2 million in the first six months compared to the same periods in the prior year.

Operating expenses rose 28% to $19.2 million in the second quarter compared to $14.9 million in the like period of fiscal 2001.

For the first half of fiscal 2002, operating expenses increased 17% to $36.2 million compared to $30.9 million in the first half of fiscal 2001. In addition, research and development expenses increased 25% in the quarter and 24% in the first half following the general availability of new imaging products. "Once a new product has been successfully released, the costs associated with development that had been capitalized begin amortizing and the ongoing costs are expensed as incurred,"Williams explained. General and administrative expenses increased 36% in the quarter and 32% in the first six months compared to the prior year, primarily due to increased employee benefit costs and depreciation expense.

About Jack Henry & Associates

Jack Henry & Associates, Inc. provides integrated computer systems and processes ATM and debit card transactions for banks and credit unions. Jack Henry markets and supports its systems throughout the United States and has over 2,800 customers nationwide. For additional information on Jack Henry, visit the company's web site at www.jackhenry.com.

The Company will host a conference call today to discuss second fiscal quarter 2002 results at 7:45 a.m. CDT. The call can be accessed live and for one week thereafter at www.jackhenry.com.

Statements made in this news release that are not historical facts are forward-looking information. Actual results may differ materially from those projected in any forward-looking information. Specifically, there are a number of factors that could cause actual results to differ materially from those anticipated by any forward-looking information. Additional information on these and other factors which could affect the Company's financial results are included in its Securities and Exchange Commission (SEC) filings on Form 10-K. Potential investors should review these statements. Finally, there may be other factors not mentioned above or included in the Company's SEC filings that may cause actual results to differ materially from any forward-looking information.

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