Jack Henry & Associates Reports Fiscal 2000 Second Quarter Profits

Monett, MO -- January 19, 2000. Jack Henry & Associates, Inc. (Nasdaq: JKHY) today reported second quarter profits declined, in line with industry trends and the Company's December announcement that Y2K spending moratoriums would reduce profits.

Net income totaled $4.0 million or $.19 per diluted share in the second quarter ended December 31, 1999, compared to $6.9 million or $.33 per diluted share in the second quarter a year ago. For the first half of fiscal 2000, net income totaled $12.5 million or $.59 per diluted share compared with $15.7 million or $.74 per diluted share in the like period a year ago.

Total second quarter revenues increased 8% to $51.5 million, due to a 37% growth in maintenance, support and services, offsetting a 23% decline in software licensing and installation, and flat hardware sales. Software licensing and installations, JKHY's most profitable revenue component, declined to $9.1 million compared to $11.7 million, as financial institutions curtailed system upgrades awaiting the turn of the century. Hardware sales, which were up 1% year- over-year to $18.7 million, grew 76% compared to sales in the September quarter. Maintenance, support and services increased to $23.6 million compared to $17.3 million due primarily to increased service bureau fees, in-house maintenances fees and increased ATM switching fees. The Open Systems Group ("OSG"), which was acquired in September 1999, contributed $6.9 million in revenues.

"The rebound in our hardware sales, coupled with growing backlog, are clear signals that the fundamentals in the bank technology business are moving beyond Y2K and are exceptionally strong," said Michael E. Henry, Chairman and CEO. "Accelerating popularity of the Internet, especially for financial services, continues to fuel demand for technology solutions and bodes well for our future. This quarter we introduced two new Internet offerings, online brokerage services and our bank-branded portal. These further strengthen our leadership in the online banking technology arena and both will be fully integrated with our online banking products."

For the first half of fiscal 2000, total revenues declined slightly to $93.8 million compared to $96.7 million in the first half a year ago. First half software licensing and installation dropped 17% to $20.6 million and hardware sales were down 25% to $29.4 million. Maintenance, support and services increased 34% to $43.8 million. "Backlog was $90.2 million, reflecting strong growth in our in-house component, at December 31, 1999, compared to $80.2 million a year ago. The backlog also grew from September up 9%, in-line with our expectations that demand would come back and continue to grow," stated Terry Thompson, CFO.

Due to the anticipated changes in the mix of revenues, gross margin decreased to 34% in the second quarter compared to 46% in the same quarter last year. Second quarter gross profit declined 19% to $17.6 million compared to $21.7 million in the second quarter of fiscal 1999. In the first half, gross margin was 40% compared to 45% in the first half of fiscal 1999. First half gross profit was $37.8 million compared to $43.9 million in the like period a year ago.

Second quarter operating expenses increased to $11.4 million (reflecting the first full quarter from the OSG acquisition) compared to $10.7 million (which included $2 million in acquisition costs) in the year ago period. First half operating expenses increased 4% to $20.1 million compared to $19.2 million in the first half of fiscal 1999. "We have expanded our research and development efforts in several areas, including Internet technology and in adapting our ancillary products to integrate into the UNIX and NT-based core products recently acquired," said Michael R. Wallace, President and COO.

Second quarter operating income was $6.2 million compared to $11 million last year. First half income was $17.8 million compared to $24.7 million in the first half of fiscal 1999. Pre-tax income was $6.1 million in the second quarter compared to $11.6 million in the like quarter a year ago. First half pre-tax income, augmented by a $1.1 million gain on sale of stock acquired in the Peerless acquisition last year, was $19.2 million compared to $25.8 million in the like period a year ago.

Second quarter income from continuing operations was $4.0 million or $.19 per diluted share compared to $7.1 million or $.34 per share in the like quarter a year ago. For the first half of fiscal 1999, income from continuing operations was $12.8 million or $.61 per diluted share compared to $15.9 million or $.75 per diluted share. Discontinued operations, which were sold in the first quarter of fiscal 2000, generated losses per share of $.02 in the first half of fiscal 2000, and $.01 in both the second quarter and first half a year ago.

Jack Henry & Associates, Inc. provides integrated computer systems and ATM networking products for banks and credit unions. Jack Henry markets and supports its systems throughout the United States and has over 2,600 customers nationwide. For additional information on Jack Henry, visit the company's web site 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 important 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, and these statements should be reviewed by potential investors. 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.