

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 September 30, 1998

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 October 29, 1998
Common Stock, \$.01 par value	19,071,779

JACK HENRY & ASSOCIATES, INC.

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Part I. Financial Information  
Item 1. Financial Statements

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In Thousands, Except Share and Per Share Data)

	September 30, 1998 (Unaudited)	June 30, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 39,025	\$ 23,306
Investments	3,145	3,217
Trade receivables	22,314	36,826
Prepaid expenses and other	7,520	5,789
Total	\$ 72,004	\$ 69,138
Property and equipment, net	\$ 33,888	\$ 26,855
Other assets:		
Intangible assets, net of amortization	\$ 19,721	\$ 15,272
Computer software	2,762	2,838
Other non-current assets	1,323	1,183
Total	\$ 23,806	\$ 19,293
Total assets	\$129,698	\$115,286
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,207	\$ 6,854
Accrued expenses	6,591	3,968
Accrued income taxes	4,834	136
Deferred revenues	28,527	28,302
Total	\$ 45,159	\$ 39,260
Deferred income taxes	2,526	2,526
Total liabilities	\$ 47,685	\$ 41,786
Stockholders' equity:		
Preferred stock - \$1 par value; 500,000 shares authorized; none issued	-	-
Common stock - \$0.01 par value; 50,000,000 shares authorized; 19,034,279 issued @ 9/30/98 18,950,527 issued @ 6/30/98	\$ 190	\$ 189
Additional paid-in capital	20,051	18,599
Retained earnings	61,772	54,712

Total stockholders' equity	\$ 82,013	\$ 73,500
Total liabilities and stockholders' equity	\$129,698	\$115,286

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

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

	Quarter Ended September 30,	
	1998	1997
Revenues:		
Software licensing & installation	\$11,659	\$ 6,122
Maintenance/support & service	11,550	8,509
Hardware sales & commissions	17,519	5,428
Total revenues	\$40,728	\$20,059
Cost of sales:		
Cost of hardware	\$12,691	\$ 3,395
Cost of services	8,192	5,423
Total cost of sales	\$20,883	\$ 8,818
Gross profit	\$19,845	\$11,241
	49%	56%
Operating expenses:		
Selling and marketing	\$ 3,512	\$ 2,172
Research and development	952	671
General and administrative	2,439	1,800
Total operating expenses	\$ 6,903	\$ 4,643
Operating income from continuing operations	\$12,942	\$ 6,598
Other income (expense):		
Interest income	\$ 445	\$ 278
Other, net	35	111
Total other income	\$ 480	\$ 389
Income before income taxes	\$13,422	\$ 6,987
Provision for income taxes	5,148	2,560
Income from continuing operations	\$ 8,274	\$ 4,427
Income (loss) from discontinued operations	22	(261)
Net income	\$ 8,296	\$ 4,166
Diluted earnings per share:		
Income from continuing operations	\$ .41	\$ .23
Loss from discontinued operations	-	.02
Net income per share	\$ .41	\$ .21
Diluted weighted average shares outstanding	20,154	19,533
Basic earnings per share:		
Income from continuing operations	\$ .44	\$ .24
Loss from discontinued operations	-	.02
Net income per share	\$ .44	\$ .22
Basic weighted average shares outstanding	18,982	18,744

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

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

Three Months Ended  
September 30,  
1998                      1997

Cash flows - operating activities:		
Cash received from customers	\$ 55,619	\$27,714
Cash paid to suppliers and employees	(27,109)	(14,971)
Interest and dividends received, net	558	345
Income taxes paid, net	(450)	1,423
Other, net	(136)	10
Net cash flow provided by operating activities	\$ 28,482	\$14,521
Cash flows from discontinued operations	(118)	(397)
Cash flows from investing activities:		
Proceeds on sale of property & equipment	\$ 2	\$ 51
Capital expenditures	(7,274)	(1,424)
Proceeds from sales of investments	-	2,000
Computer software development cost	(90)	(36)
Business acquisitions, net	(4,867)	25
Net cash provided by (used in) investing activities	\$(12,229)	\$ 616
Cash flows from financing activities:		
Principal payment on notes payable	\$ (633)	\$ (119)
Proceeds from issuance of common stock upon exercise of stock options	1,386	222
Proceeds from sale of common stock	67	46
Dividends paid	(1,236)	(1,033)
Net cash used in financing activities	\$ (416)	\$ (884)
Net increase in cash and cash equivalents	\$15,719	\$13,856
Cash and cash equivalents at beginning of period	23,306	7,948
Cash and cash equivalents at end of period	\$39,025	\$21,804

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(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. The Company markets these systems to financial institutions in the United States along with the computer equipment (hardware), and provides the conversion and software customization services necessary for a financial institution to install a JHA software system. It also provides continuing support and maintenance services to customers using the system. The Company also processes ATM transactions for financial institutions in the U.S. 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, 1998.

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 Company's audited consolidated financial statements and accompanying notes which are included in its Form 10-K, for the year ended

June 30, 1998.

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 September 30, 1998 and the results of its operations and its cash flows for the three month period then ended. The results of operations for the period ended September 30, 1998 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 three months ended September 30, 1998:

Effective July 1, 1998, the Company purchased all the outstanding stock of Hewlett Computer Services, Inc. (HCS). HCS was a privately owned company engaged in the business of providing a variety of service bureau options to community banks. The total consideration paid to HCS's stockholders was \$2,250,000 in cash. The transaction was accounted for using the purchase method of accounting.

During the quarter ended September 30, 1998, the Company entered into contracts with multiple banks to provide products and services through one of its service bureaus. Pursuant to an agreement, the Company pays the prior service bureau provider an amount based on each customer's revenues. Total purchase price for customer contracts signed in the quarter was \$2,611,000 in cash.

After the close of business on August 18, 1998, the Company entered a definitive agreement to acquire Peerless Group, Inc. (NASDAQ:PLSS), through a merger agreement expected to close in the fourth calendar quarter of 1998, pending regulatory and PLSS shareholder approval. PLSS is a publicly owned company that installs and supports integrated information systems for community banks and credit unions throughout the United States. The price is approximately \$36 million, or \$7.25 per PLSS share to be paid with Company stock. Peerless Group generated profits of \$1.9 million on revenues of \$30.1 million in calendar 1997.

### 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 three month period ended September 30, 1998 and 1997.

## 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 AS/400 computers, is offered under two systems: CIF 1 20/20, typically for banks with less than \$300 million in assets, and the 2 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 1560 banks and financial institutions.

The Company has established a Year 2000 (Y2K) Committee. This Committee has prepared a documented, systematic approach (the Y2K Plan) to review all products and internal systems for Y2K compliance. The Company's Board of Directors have reviewed and approved the Plan as required by the banking regulators of all

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

service bureau providers. The Company believes the products it currently sells to be Y2K ready and that the majority, if not all, of its internal systems will be Y2K ready by December 31, 1998. The estimated cost of the above efforts is not reasonably determinable at the current time and is not expected to be material to the Company's financial condition.

A detailed discussion of the major components of the results of operations for

the quarter ended September 30, 1998, as compared to the same period in the previous year follows.

#### Revenues

Revenues increased 103% to \$40,728,000 in the quarter ended September 30, 1998. Software licensing and installation increased 90%. Maintenance, support and service revenues increased 36%. Hardware sales increased 223% from last year's quarter. The Company's non-hardware products and services (higher margin sales) increased 59% over last year. The increases reflect continued growth and demand for the Company's products and services.

The backlog of sales at September 30, 1998 was \$64,132,000. This is up from the June 30, 1998 level, and is consistent with management's expectations for the first quarter. Backlog at October 30, 1998 was \$64,058,000.

#### Cost of Sales

The 137% increase in cost of sales for the first quarter of FY '99 is relatively consistent with the increase in revenues. Cost of hardware increased 274% while cost of services increased 51%, both mirroring the related revenue.

#### Gross Profit

Gross profit increased to \$19,845,000 in the first quarter ended September 30, 1998, a 77% increase over last year. The gross margin percentage was 49% of sales compared to 56% last year due to hardware (lower margin sales) representing 43% of total revenues compared to 27% last year.

#### Operating Expenses

Total operating expenses increased 49%. This is less than the gross profit increase of 77%. Selling expenses increased 62%, research & development increased 42% and general & administrative expenses increased 36%.

#### Other Income and Expense

Other income for the quarter ended September 30, 1998 reflects an increase when compared to the same period last year due primarily to the level of cash and cash equivalents invested being much higher this year than last.

#### Net Income

Net income from continuing operations for the first quarter was \$8,274,000, or \$.41 earnings per share compared to \$4,427,000, or \$.23 earnings per share in the same period last year.

#### FINANCIAL CONDITION

##### Liquidity

The Company's cash and cash equivalents and investments increased to \$42,170,000 at September 30, 1998, from \$26,523,000 at June 30, 1998. This is reflecting the seasonal influx of cash due to the receipt in the first quarter of annual maintenance fees billed June 30, 1998.

JHA has an available credit line totaling \$5,000,000, although the Company expects its use to be minimal during FY '99. 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 \$7,274,000 for the quarter ended September 30, 1998, were made for expansion of facilities and additional equipment. These were funded from cash generated by operations. The consolidated capital expenditures of JHA could exceed \$11,000,000 for FY '99.

The Company paid a \$.065 per share cash dividend on September 24, 1998 to stockholders of record September 8, 1998 which was funded from working capital. In addition, the Company's Board of Directors, subsequent to September 30, 1998, declared a quarterly cash dividend of \$.065 per share on its common stock payable December 10, 1998 to stockholders of record on November 19, 1998. 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 September 30, 1998. 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

### Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of the Stockholders of Jack Henry & Associates, Inc. was held on October 29, 1998, for the purpose of electing a board of directors. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities and Exchange Act of 1934 and there was no solicitation in opposition to management's solicitations. Management's nominees for director, all incumbents, were elected with the number of votes for and withheld as indicated below:

	For	Withheld
John W. Henry	16,590,944	64,850
Jerry D. Hall	16,590,910	64,884
Michael E. Henry	16,590,944	64,850
James J. Ellis	16,591,245	64,549
Burton O. George	16,587,615	68,179
George R. Curry	16,587,840	67,954
Michael R. Wallace	16,590,794	65,000

## 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 of the undersigned thereunto duly authorized.

JACK HENRY & ASSOCIATES, INC.

Date: November 12, 1998

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

Date: November 12, 1998

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

3-MOS

JUN-30-1999

SEP-30-1998

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