

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 September 30, 1996

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 31, 1996
Common Stock, \$.01 par value	11,946,032

JACK HENRY & ASSOCIATES, INC.

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Part I. Financial Information

Item 1. Financial Statements

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars, Except Share Data)

	September 30, 1996 (Unaudited)	June 30, 1996
ASSETS		
Current assets:		
Cash	\$10,662	\$ 4,952
Held-to-maturity securities	3,082	3,128
Receivables	8,429	15,990
Income taxes receivable	-	889
Prepaid expenses and other	3,248	3,187
Total current assets	\$25,421	\$28,146
Property and equipment, net	16,705	13,612
Other assets:		
Intangible assets, net of amortization	\$16,694	\$16,805
Computer software	1,348	1,375
Investments and other	618	463
Total other assets	\$18,660	\$18,643
Total assets	\$60,786	\$60,401

	September 30, 1996 (Unaudited)	June 30, 1996
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,586	\$ 2,238
Accrued expenses	1,716	2,945
Income taxes	1,807	-
Deferred revenue	13,694	16,068
Total current liabilities	\$18,803	\$21,251
Deferred income taxes	1,732	1,732

Total liabilities	\$20,535	\$22,983
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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; 11,937,702 issued @ 9/30/96 11,867,593 issued @ 6/30/96	\$ 119	\$ 119
Additional paid-in capital	12,576	10,711
Retained earnings	27,556	26,588
Total stockholders' equity	\$40,251	\$37,418
Total liabilities and stockholders' equity	\$60,786	\$60,401

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

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

	Quarter Ended September 30,	
	1996	1995
Revenues:		
Software licensing & installation	\$ 5,833	\$ 4,842
Maintenance/support & service	6,277	5,451
Hardware sales & commissions	6,240	5,857
Total revenues	\$18,350	\$16,150
Cost of sales:		
Cost of hardware	4,318	4,007
Cost of services	4,025	3,904
Total cost of sales	\$ 8,343	\$ 7,911
Gross profit	\$10,007	\$ 8,239
	55%	51%
Operating expenses:		
Selling and marketing	2,202	1,832
Research and development	523	454
General and administrative	1,381	1,218
Total operating expenses	\$ 4,106	\$ 3,504
Operating income	5,901	4,735
Other income (expense):		
Interest income	177	163
Other, net	74	76
Total other income	\$ 251	\$ 239
Income before income taxes	\$ 6,152	\$ 4,974
Provision for income taxes	2,349	1,879
Net income	\$ 3,803	\$ 3,095
Net income per share	\$.30	\$.25
Weighted Average Shares Outstanding	12,693	12,342

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)

	Three Months Ended September 30,	
	1996	1995
Cash flows - operating activities:		
Cash received from customers	\$24,315	\$24,093
Cash paid to suppliers and employees	(13,508)	(14,856)
Interest and dividends received, net	222	191
Income taxes paid, net	(343)	(105)
Other, net	26	69
Net cash flow provided by operating activities	\$10,712	\$ 9,392
Cash flows from discontinued operations	(107)	-
Cash flows from investing activities:		
Proceeds on sale of property & equipment	\$ 7	\$ 2
Capital expenditures	(3,524)	(1,978)
Short-term investment activity, net	-	1,023
Capitalized software development	(41)	(101)
Acquisition costs, net	(314)	(5,514)
Net cash used in investing activities	\$(3,872)	\$(6,568)
Cash flows from financing activities:		
Proceeds from issuance of common stock upon exercise of stock options	\$ 276	\$ 229
Dividends paid	(835)	(673)
Payment of long-term debt	(129)	-
Purchase of Treasury Stock	(335)	(791)
Net cash used in financing activities	\$(1,023)	\$ (1,235)
Net increase (decrease) in cash	\$ 5,710	\$ 1,589
Cash at beginning of period	4,952	3,423
Cash at end of period	\$10,662	\$ 5,012

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

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
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. It markets those 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, 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 September 30, 1996 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, 1996 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, 1996:

Effective September 1, 1996, the Company purchased all the outstanding stock of Liberty Banking Services, Inc. (LBSI). LBSI's primary offering is service bureau processing for financial institutions in the Rocky Mountain region. The total consideration paid to LBSI's stockholders was \$2,000,000 in Company stock. The stock transaction was accounted for as a pooling of interests.

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, 1996 and 1995.

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 for banks and related financial institutions. These systems are available for in-house or outsourced applications. The Company was founded in 1976. Its proprietary applications software, which operates on IBM computers, is offered under two systems: CIF 20/20(TM), typically for banks with less than \$300 million in assets, and the Silverlake System(R), for banks with assets up to \$10 billion. 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 worldwide.

A detailed discussion of the major components of the results of operations for the quarter ended September 30, 1996, as compared to the same period in the previous year follows.

Revenues

Revenues increased 14% to \$18,350,000 in the quarter ended September 30, 1996. Software licensing and installation increased 20%. Maintenance, support and service revenues increased 15%. Hardware sales were up 7% from last year's quarter. The Company's non-hardware products and services (higher margin sales)

increased 18% over last year.

The backlog of sales at September 30, 1996 was \$16,547,000. This is down from the record June 30, 1996 level, and is consistent with management's expectations for the first quarter. Backlog at October 31, 1996 was \$16,744,000.

Cost of Sales

The 5% increase in cost of sales for the first 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 significantly due to growth in the Company's core business.

Gross Profit

Gross profit increased to \$10,007,000 in the first quarter ended September 30, 1996, a 21% increase over last year. The gross margin percentage was 55% of sales compared to 51% last year.

Operating Expenses

Total operating expenses increased 17%. This is a favorable picture, since gross profit increased 21%. Thus, the Company continues to gain efficiencies through growth. Selling expenses increased 20% while research & development and general & administrative expenses increased 15% and 13%, respectively.

Other Income and Expense

Other income for the quarter ended September 30, 1996 reflects a small increase when compared to the same period last year.

Net Income

Net income from continuing operations for the first quarter was \$3,803,000, or \$.30 earnings per share compared to \$3,095,000, or \$.25 earnings per share in the same period last year.

FINANCIAL CONDITION

Liquidity

The Company's cash and held-to-maturity securities increased to \$13,744,000 at September 30, 1996, from \$8,080,000 at June 30, 1996.

JHA has available credit lines totaling \$2,215,000, 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 \$3,524,000 for the quarter ended September 30, 1996, were made for additional equipment. These were funded from cash generated by operations. The consolidated capital expenditures of JHA could exceed \$4,500,000 for FY '97.

The Company paid a \$.07 per share cash dividend on September 24, 1996 to stockholders of record September 9, 1996 which was funded from working capital. In addition, the Company's Board of Directors, subsequent to September 30, 1996, declared a quarterly cash dividend of \$.07 per share on its common stock payable December 10, 1996 to stockholders of record on November 19, 1996. 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, 1996. 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 served.

Silverlake System(R) is a registered trademark of Jack Henry & Associates, Inc. CIF 20/20(TM) is a trademark of Jack Henry & Associates, Inc.

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, 1996, for the purpose of electing a board of directors, to approve the adoption of the 1996 Stock Option Plan, to amend the Certificate of Incorporation to require two-thirds stockholder vote for stockholder amendment of By-Laws, to amend the Certificate of Incorporation to prohibit stockholder action by written consent and to amend the Certificate of Incorporation regarding consideration of relevant factors in certain business combinations. 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	10,286,767	283,833
Jerry D. Hall	10,286,767	283,833
Michael E. Henry	10,286,767	283,833
James J. Ellis	10,285,067	285,533
Burton O. George	10,286,717	283,883
George R. Curry	10,284,917	285,683
Michael R. Wallace	10,286,767	283,833

Also approved was the adoption of the 1996 Stock Option Plan with the number of votes as indicated below:

For	Against	Withheld	Broker Non-Votes
6,076,401	2,177,685	50,880	2,265,634

Also approved was to amend the Certificate of Incorporation to require two-thirds stockholder vote for stockholder amendment of By-Laws with the number of votes as indicated below:

For	Against	Withheld	Broker Non-Votes
7,200,120	1,063,116	41,730	2,265,634

Also approved was to amend the Certificate of Incorporation to prohibit stockholder action by written consent with the number of votes as indicated below:

For	Against	Withheld	Broker Non-Votes
6,206,673	2,082,110	54,410	2,227,407

Also approved was to amend the Certificate of Incorporation regarding consideration of relevant factors in certain business combinations with the number of votes as indicated below:

For	Against	Withheld	Broker Non-Votes
6,214,456	2,073,632	112,735	2,169,777

SIGNATURES

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

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 of the undersigned thereunto duly authorized.

JACK HENRY & ASSOCIATES, INC.

Date: November 13, 1996

/s/ Michael E. Henry
Michael E. Henry

Chairman of the Board
Chief Executive Officer

Date: November 13, 1996

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

3-MOS

JUN-30-1997

SEP-30-1996

10662

3082

8429

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25421

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6499

60786

18803

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119

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40132

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18350

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