

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, 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 April 30, 1998
Common Stock, \$.01 par value	18,937,006

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)

	March 31, 1998 (Unaudited)	June 30, 1997
ASSETS		
Current assets:		
Cash	\$20,260	\$ 7,948
Held-to-maturity securities	3,018	5,919
Receivables	14,103	22,703
Income taxes receivable	0	1,982
Prepaid expenses and other	5,131	4,177
Total current assets	\$42,512	\$42,729
Property and equipment, net	24,605	21,869
Other assets:		
Intangible assets, net of amortization	\$15,642	\$15,469
Computer software	2,813	1,226
Investments and other	1,168	776
Total other assets	\$19,623	\$17,471
Total assets	\$86,740	\$82,069

	March 31, 1998 (Unaudited)	June 30, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,876	\$ 2,911
Accrued expenses	2,872	3,648
Accrued income taxes payable	651	0
Deferred revenue	12,754	20,680
Total current liabilities	\$18,153	\$27,239
Deferred income taxes	2,048	2,048
Total liabilities	\$20,201	\$29,287

Stockholders' equity:		
Preferred stock - \$1.00 par value;		
500,000 shares authorized;		
none issued	-	-
Common stock - \$0.01 par value;		
50,000,000 shares authorized;		
18,935,458 issued @ 3/31/98		
18,517,309 issued @ 6/30/97	\$ 189	\$ 185
Less Treasury Stock shares	0	(293)
Additional paid-in capital	17,477	14,744
Retained earnings	48,873	38,146
Total stockholders' equity	\$66,539	\$52,782
Total liabilities and stockholders' equity	\$86,740	\$82,069

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

JACK HENRY & ASSOCIATES, INC.
CONSOLIDATED FINANCIAL INFORMATION
(Unaudited)
(In Thousands, Except Per Share Data)

STATEMENTS OF INCOME	Quarter Ended		Nine Months Ended	
	March 31		March 31	
	1998	1997	1998	1997
Revenues				
Software licensing & installation	\$ 8,931	\$ 5,072	\$22,077	\$16,293
Maintenance/support & services	8,938	7,162	26,156	20,169
Hardware sales & commissions	9,378	9,827	26,457	25,297
Total revenues	27,247	22,061	74,690	61,759
Cost of sales:				
Cost of hardware	6,450	7,041	17,270	17,758
Cost of services	6,281	4,708	18,022	13,844
Total cost of sales	\$12,731	\$11,749	\$35,292	\$31,602
Gross profit	\$14,516	\$10,312	\$39,398	\$30,157
	53%	47%	53%	49%
Operating expenses:				
Selling and marketing	3,125	2,279	8,327	6,628
Research and development	789	525	2,286	1,492
General and administrative	2,388	1,665	6,238	4,453
Total operating expenses	\$ 6,302	\$ 4,469	\$16,851	\$12,573
Operating income	\$ 8,214	\$ 5,843	\$22,547	\$17,584
Other income (expense):				
Interest and dividend income	297	172	883	556
Other, net	101	26	307	155
Total other income	\$ 398	\$ 198	\$ 1,190	\$ 711
Income before income taxes	\$ 8,612	\$ 6,041	\$23,737	\$18,295
Provision for income taxes	3,215	2,306	8,840	6,979
Net income from continuing operations	\$ 5,397	\$ 3,735	\$14,897	\$11,316
Net loss from discontinued operations	191	89	398	239
Net income	\$ 5,206	\$ 3,646	\$14,499	\$11,077
Diluted earnings per share: *				
Income from continuing operations	\$.27	\$.20	\$.76	\$.59
Income (loss) from discontinued operations	(.01)	(.01)	(.02)	(.01)
Net income	\$.26	\$.19	\$.74	\$.58
Diluted weighted average shares outstanding	19,886	19,155	19,677	19,100
Basic earnings per share: *				

Income from continuing operations	\$.29	\$.21	\$.79	\$.63
Income (loss) from discontinued operations	(.01)	-	(.02)	(.01)
Net income	\$.28	\$.21	\$.77	\$.62

Basic weighted average shares outstanding	18,908	17,942	18,818	17,898
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* All EPS and share data are calculated in accordance with FASB #128. 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,	
	1998	1997
Cash flows - operating activities:		
Cash received from customers	\$75,371	\$ 64,352
Cash paid to suppliers and employees	(52,132)	(42,237)
Interest and dividends received, net	1,010	603
Income taxes paid, net	(6,247)	(7,272)
Other, net	57	(10)
Net cash flow provided by operating activities	\$18,059	\$ 15,436
Cash flows from discontinued operations	(790)	(371)
Cash flows from investing activities:		
Proceeds on sale of property & equipment	\$ 104	\$ 15
Capital expenditures	(4,649)	(6,792)
Short-term investment activity, net	2,871	(2,887)
Long-term investment activity, net	-	2
Computer software development	(90)	(151)
Acquisition costs, net	(867)	(314)
Net cash used in investing activities	\$(2,631)	\$(10,127)
Cash flows from financing activities:		
Proceeds from issuance of common stock upon exercise of stock options	\$ 995	\$ 1,249
Proceeds from sale of common stock	122	0
Dividends paid	(3,297)	(2,630)
Principle payments on notes payable	(146)	(132)
Purchase of treasury stock	-	(1,875)
Net cash used in financing activities	\$(2,326)	\$ (3,388)
Net increase in cash	\$12,312	\$ 1,550
Cash at beginning of period	7,948	4,952
Cash at end of period	\$20,260	\$ 6,502

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 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, 1997.

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, 1997, 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, 1998, 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, 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 quarter ended March 31, 1998:

None.

4. Income Per Share Information

Earnings per common share are computed by dividing income by the basic and diluted (as required by FASB #128) weighted average number of shares of common stock and dilutive common stock equivalents outstanding for the quarter and nine month periods ended March 31, 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 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 1515 banks and financial institutions.

Year 2000

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 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 financials.

A detailed discussion of the major components of the results of operations for the quarter and the nine months ended March 31, 1998, as compared to the same periods in the previous year follows.

Revenues

Revenues increased 24% to \$27,247,000 in the quarter ended March 31, 1998. Software licensing and installation increased 76%. Maintenance, support and service revenues increased 25%. Hardware sales were down from last year's quarter. The Company's non-hardware products and services (higher margin sales) increased 46% over last year.

Nine month revenues this year were \$74,690,000, up 21% over last year's corresponding period. Each of the three major revenue categories increased with the largest in maintenance, support and service revenues. Sales increased only slightly, primarily due to the lower margin hardware mix and timing of sales and the overall trend of hardware prices reducing on a long term basis. The Company continues to maintain its margin levels on the hardware it sells.

The backlog of sales at March 31, 1998, was \$47,821,000. Backlog at April 30, 1998 was \$47,602,000

Cost of Sales

The 8% increase in cost of sales for the third quarter of FY '98 is relatively consistent with the increase in revenues considering the sales mix. 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 33% primarily due to growth in the Company's core business, less than the 46% increase in non-hardware revenues. Cost of hardware decreased slightly,

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CIF 20/20 is a trademark of Jack Henry & Associates, Inc.

2

Silverlake System is a registered trademark of Jack Henry & Associates, Inc.

consistent with the small decrease in hardware revenue.

Cost of sales increased 12% for the first nine months of fiscal '98, relatively consistent with the 21% increase in revenues considering the sales mix. Cost of hardware decreased 3% while cost of services increased 30%, both more favorable than the corresponding revenue increases.

Gross Profit

Gross profit increased to \$14,516,000 in the third quarter ended March 31, 1998, a 41% increase over last year. The gross margin percentage was 53% of sales reasonably consistent with last year.

The nine month gross profit this year was up 31% at \$39,398,000. The gross margin percentage for the first nine months was 53%, similar to last year's rate.

Operating Expenses

Total operating expenses increased 41% in the quarter ended 3/31/98. Selling expenses increased 37% while research and development expenses increased 50%. General and administrative expenses increased by 43%.

Operating expenses were \$16,851,000 in the first nine months of fiscal '98, a 34% increase.

Other Income and Expense

Other income and expense for the quarter and year-to-date periods ended March 31, 1998, were up when compared to the same periods last year.

Net Income

Net income from continuing operations for the third quarter was \$5,397,000, or \$.27 per share, an increase of 35%, compared to \$3,735,000, or \$.20 per share in the same period last year.

Net income from continuing operations for the nine months ended March 31, 1998 was \$14,897,000, or \$.76 per share (up 29%), compared to \$11,316,000, or \$.59 per share.

FINANCIAL CONDITION

Liquidity

The Company's cash and held-to-maturity securities increased to \$23,278,000 at March 31, 1998, up from \$13,867,000 at June 30, 1997.

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 \$4,649,000 for the nine months ended March 31, 1998, 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 \$6,000,000 for FY '98.

The Company paid an \$.065 per share cash dividend on March 12, 1998 to stockholders of record February 19, 1998 which was funded from working capital. In addition, subsequent to March 31, 1998, the Company's Board of Directors, declared a quarterly cash dividend of \$.065 per share on its common stock payable May 27, 1998 to stockholders of record on May 12, 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 March 31, 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

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, 1998

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

Date: May 14, 1998

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

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