

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, 1999

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, 1999
Common Stock, \$.01 par value	20,079,126

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 of Dollars, Except Share Data)

	March 31, 1999 (Unaudited)	June 30, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,085	\$ 24,683
Investments	6,717	3,217
Trade receivables	20,125	42,615
Prepaid expenses and other	10,829	8,174
Total current assets	\$ 51,756	\$ 78,689
Property and equipment, net	\$ 59,094	\$ 30,918
Other assets:		
Intangible assets, net of amortization	\$ 21,946	\$ 15,272
Computer software	3,231	3,616
Other non-current assets	3,265	3,683
Total other assets	\$ 28,442	\$ 22,571
Total assets	\$139,292	\$132,178

	March 31, 1999 (Unaudited)	June 30, 1998
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 414	\$ 8,119
Accrued expenses	4,217	5,634
Accrued income taxes payable	360	136
Deferred revenue	26,599	33,151
Total current liabilities	\$ 31,590	\$ 47,040
Deferred income taxes	2,526	2,526
Total liabilities	\$ 34,116	\$ 49,566

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;		
20,005,370 outstanding @ 3/31/99		
19,777,458 outstanding @ 06/30/98	\$ 200	\$ 198
Additional paid-in capital	29,369	26,206
Retained earnings	75,607	56,208
Total stockholders' equity	\$105,176	\$ 82,612
Total liabilities and stockholders' equity	\$139,292	\$132,178

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

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

CONDENSED STATEMENT OF INCOME	Quarter Ended March 31,		Nine Months Ended March 31,	
	1999	1998	1999	1998
Revenues:				
Software licensing & installation	\$12,343	\$11,365	\$ 40,645	\$28,808
Maintenance/support & service	17,633	11,354	48,745	33,270
Hardware sales & commissions	13,571	12,134	50,172	34,090
Total revenues	\$43,547	\$34,853	\$139,562	\$96,168
Cost of sales:				
Cost of hardware	9,875	8,548	35,856	23,117
Cost of services	13,210	9,366	38,922	27,080
Total cost of sales	\$23,085	\$17,914	\$ 74,778	\$50,197
Gross profit	\$20,462 47%	\$16,939 49%	\$ 64,784 46%	\$45,971 48%
Operating expenses:				
Selling and marketing	3,177	3,937	11,091	10,652
Research and development	1,576	1,233	4,608	3,727
General and administrative	3,566	2,972	12,261	7,727
Total operating expenses	\$ 8,319	\$ 8,142	\$ 27,960	\$22,106
Operating income	\$12,143	\$ 8,797	\$ 36,824	\$23,865
Other income:				
Interest income	432	338	1,409	973
Other, net	171	97	345	293
Total other income	\$ 603	\$ 435	\$ 1,754	\$ 1,266
Income before income taxes	\$12,746	\$ 9,232	\$ 38,578	\$25,131
Provision for income taxes	4,479	3,453	14,421	8,986
Income from continuing operations	\$ 8,267	\$ 5,779	\$ 24,157	\$16,145
Loss from discontinued operations	(531)	(191)	(758)	(398)
Net income	\$ 7,736	\$ 5,588	\$ 23,399	\$15,747
Diluted earnings per share:				
Income from continuing operations	\$.39	\$.28	\$ 1.14	\$.79
Loss from discontinued operations	(.02)	(.01)	(.03)	(.02)
Net income	\$.37	\$.27	\$ 1.11	\$.77
Diluted weighted average shares outstanding	21,189	20,699	21,123	20,492
Basic earnings per share:				
Income from continuing operations	\$.41	\$.29	\$ 1.21	\$.82
Loss from discontinued operations	(.02)	(.01)	(.04)	(.02)
Net income	\$.39	\$.28	\$ 1.17	\$.80
Basic weighted average shares outstanding	20,005	19,697	19,916	19,587

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)
(Unaudited)

	Nine Months Ended March 31,	
	1999	1998
Cash flows from operating activities:		
Income from continuing operations	\$ 24,157	\$16,145
Adjustments to reconcile income from continuing operations to cash provided by operating activities		
Depreciation and amortization	6,207	4,573
(Gain) loss on sale of fixed assets	7	(12)
(Gain) loss on sale of investment	(78)	-
Changes in:		
Trade receivables	22,907	10,285
Prepaid expenses and other	(2,532)	(2,343)
Accounts payable	(8,966)	(1,708)
Accrued expenses	(380)	(1,023)
Income taxes	224	610
Deferred revenues	(6,550)	(6,254)
Net cash provided by operating activities	\$ 34,996	\$20,273
Cash flows from discontinued operations	(306)	(790)
Cash flows from investing activities:		
Proceeds on sale of property & equipment	\$ 4	\$ 104
Capital expenditures	(31,435)	(5,939)
Short-term investment activity, net	(3,422)	2,871
Computer software developed/purchased	(362)	(90)
Acquisition costs, net	(8,129)	(867)
Net cash used in investing activities	\$(43,344)	\$(3,921)
Cash flows from financing activities:		
Proceeds from issuance of common stock upon exercise of stock options	\$ 2,734	\$ 995
Proceeds from sale of common stock	225	323
Dividends paid	(4,075)	(3,297)
Principal payments on notes payable	(822)	(146)
Purchase of treasury stock	(6)	(422)
Net cash used in financing activities	\$ (1,944)	\$(2,547)
Net increase (decrease) in cash	\$(10,598)	\$13,015
Cash at beginning of period	24,683	11,108
Cash at end of period	\$ 14,085	\$24,123

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. 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, 1998.

SFAS No. 130, Reporting Comprehensive Income, became effective for companies whose fiscal year began after December 15, 1997. SFAS 130 establishes standards for the display of comprehensive income. The Company has no reportable items to be included in comprehensive income and therefore comprehensive income and net income are the same.

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, 1998, 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, 1999, and the results of its operations and its cash flows for the quarter and nine month periods then ended.

The results of operations for the periods ended March 31, 1999, 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, 1999:

Acquisition of Peerless Group, Inc. - As reported in the second quarter 10-Q on December 16, 1998, JHA acquired all the outstanding shares of Peerless Group, Inc. (Peerless). This acquisition was accounted for as a pooling-of-interests and all prior periods have been adjusted to reflect the acquisition as if it had occurred at the beginning of the period reported.

Discontinued Operations - The Company continues to honor prior commitments to existing customers and anticipates final resolution regarding its discontinued operations by third quarter fiscal 2000. Adjustments have been made to the carrying value of the discontinued operations to their current estimated net realizable value.

4. Income Per Share Information

Earnings per common share are computed by dividing income by the basic and diluted weighted average number of shares of common stock and dilutive common stock equivalents outstanding for the quarter and nine month periods ended March 31, 1999 and 1998. The difference between basic and diluted weighted average shares outstanding is due to employee stock options.

5. Recently Issued Accounting Standards

SFAS No. 131, Disclosure about Segment of an Enterprise and Related Information was issued by Financial Accounting Standards Board, effective for years beginning after December 15, 1997. SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual and interim financial statements.

During 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Management believes that adoption of this standard is not expected to have a material impact on the Company's balance sheet or results of operations.

Item 2. - Management's Discussion and Analysis of Results of Operations and Financial Condition

RESULTS OF OPERATIONS

Background and Overview

The Company is a leading provider of integrated computer systems and ATM networking products that perform data processing (available for in-house or service bureau installations) for banks and credit unions. The Company was founded in 1976. Its proprietary applications software, which operates on IBM 1 computers, is offered under two systems: CIF 20/20¹, typically for banks with 2 less than \$300 million in assets, and the Silverlake System², 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 and products have been installed at over 1800 banks and credit unions.

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 are Y2K compliant and its internal systems will be Y2K compliant by June 30, 1999. The estimated cost of the above efforts is not reasonably determinable at the current time but it 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, 1999, as compared to the same periods in the previous year follows.

Revenues

Revenues increased 25% to \$43,547,000 in the quarter ended March 31, 1999. The Company's non-hardware products and services (higher margin sales) increased 32% over last year.

Nine month revenues this year were \$139,562,000, up 45% over the last year's corresponding period. Software licensing and installation increased 41%. Maintenance, support and service revenues increased 47%. Hardware sales were up 47% over last year.

1

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

2

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

The backlog of sales at March 31, 1999, was \$79,158,000. Backlog at April 30, 1999 was \$74,882,000.

Cost of Sales

The 29% increase in cost of sales for the third quarter of fiscal '99 is relatively consistent with the increase in revenues. A portion of the increase results from the increase in hardware revenues and the related increase in cost of hardware sales. Cost of services increased 41% primarily due to growth and future growth expected in the Company's core business, slightly more than the 32% increase in non-hardware revenues.

Cost of sales increased 49% for the first nine months of fiscal '99, relatively consistent with the 45% increase in revenues. Cost of hardware increased 55%, slightly more than the 47% increase in hardware revenue. Cost of services increased 44% compared to a 44% increase in non-hardware revenues.

Gross Profit

Gross profit increased to \$20,462,000 in the third quarter ended March 31, 1999, a 21% increase over last year. The gross margin percentage was 47% of sales compared to 49% last year.

The nine month gross profit this year was up 41% at \$64,784,000. The gross margin percentage for the first nine months was 46%, similar to last year's rate of 48%.

Operating Expenses

Total operating expenses increased 2% in the quarter compared to last year's period. This is significantly less than the gross profit increase of 21%. Selling expenses decreased 19% while research and development expenses increased 28%. General and administrative expenses increased by 20%.

The \$27,960,000 in the first nine months of fiscal '99 for operating expenses was a 17% increase without one time transaction costs of \$2,040,000 relating to the acquisition of Peerless Group, Inc. This is relatively consistent with the 21% increase in gross profits.

Other Income and Expense

Other income for the quarter ended March 31, 1999, was up 39% when compared to the same period last year. This results primarily from increased interest income because the Company had more cash invested during the period. The year-to-date 39% increase is due to the same reasons.

Net Income

Net income from continuing operations for the third quarter was \$8,267,000, or \$.39 per diluted share, an increase of 43%, compared to \$5,779,000, or \$.28 per diluted share in the same period last year.

Net income from continuing operations for the nine months ended March 31, 1999 was \$24,157,000, or \$1.14 per share, an increase of 50%, compared to \$16,145,000, or \$.79 per share during the same period last year.

FINANCIAL CONDITION

Liquidity

The Company's cash and cash equivalents and investments decreased to \$20,802,000 at March 31, 1999, down from \$27,900,000 at June 30, 1998. The decrease is primarily due to capital expenditures.

JHA has available credit lines totaling \$8,000,000, although the Company expects their 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 \$31,435,000 for the nine months ended March 31, 1999, 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 \$35,000,000 for FY '99.

The Company paid a \$.08 per share cash dividend on March 10, 1999 to stockholders of record February 17, 1999 which was funded from working capital. In addition, the Company's Board of Directors, subsequent to March 31, 1999, declared a quarterly cash dividend of \$.08 per share on its common stock payable May 20, 1999 to stockholders of record on May 5, 1999. 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, 1999. This reflects the continuing attitude of cooperation and commitment by each employee, management's ongoing cost control efforts and the Company's commitment to deliver top quality products and services to the markets it serves.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (b) The Company filed a current report on Form 8-K/A on January 26, 1999, amending the Company's Current Report on Form 8-K dated December 17, 1998, for the purpose of filing the financial statements of Peerless

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, 1999

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

Date: May 14, 1999

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

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