

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 December 31, 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 January 31, 1997
Common Stock, \$.01 par value	11,960,566

JACK HENRY & ASSOCIATES, INC.

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Part I. Financial Information  
Item 1. Financial StatementsJACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In Thousands of Dollars, Except Share Data)

	December 31, 1996 (Unaudited)	June 30, 1996
ASSETS		
Current assets:		
Cash	\$ 5,557	\$ 4,952
Held-to-maturity securities	7,160	3,128
Receivables	9,279	15,990
Income taxes receivable	48	889
Prepaid expenses and other	3,426	3,187
Total current assets	\$25,470	\$28,146
Property and equipment, net	\$17,628	\$13,612
Other assets:		
Intangible assets, net of amortization	\$16,275	\$16,805
Computer software	1,306	1,375
Investments and other	707	463
Total other assets	\$18,288	\$18,643
Total assets	\$61,386	\$60,401

	December 31, 1996 (Unaudited)	June 30, 1996
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,103	\$ 2,238
Accrued expenses	1,871	2,945
Deferred revenue	13,073	16,068
Total current liabilities	\$17,047	\$21,251
Deferred income taxes	1,732	1,732
Total liabilities	\$18,779	\$22,983
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; 11,970,546 issued @ 12/31/96 11,867,593 issued @ 6/30/96	\$ 120	\$ 119
Less Treasury Stock 9,980 shares	388	-
Additional paid-in capital	12,529	10,711
Retained earnings	30,346	26,588
Total stockholders' equity	\$42,607	\$37,418
Total liabilities and stockholders' equity	\$61,386	\$60,401

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

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

	Quarter Ended December 31,		Six Months Ended December 31,	
	1996	1995	1996	1995
Revenues:				
Software licensing & installation	\$ 5,388	\$ 4,035	\$11,221	\$ 8,877
Maintenance/support & service	6,730	5,550	13,007	11,001
Hardware sales & commissions	9,230	6,934	15,470	12,791
Total revenues	\$21,348	\$16,519	\$39,698	\$32,669
Cost of sales:				
Cost of hardware	\$ 6,399	\$ 4,431	\$10,717	\$ 8,438
Cost of services	4,775	3,839	8,800	7,743
Total cost of sales	\$11,174	\$ 8,270	\$19,517	\$16,181
Gross profit	\$10,174	\$ 8,249	\$20,181	\$16,488
	48%	50%	51%	50%
Operating expenses:				
Selling and marketing	\$ 2,147	\$ 1,807	\$ 4,349	\$ 3,639
Research and development	705	471	1,228	925
General and administrative	1,482	1,543	2,863	2,761
Total operating expenses	\$ 4,334	\$ 3,821	\$ 8,440	\$ 7,325
Operating income	\$ 5,840	\$ 4,428	\$11,741	\$ 9,163
Other income (expense):				
Interest and dividend income, net	\$ 207	\$ 124	\$ 384	\$ 287
Other, net	55	(51)	129	25
Total other income	\$ 262	\$ 73	\$ 513	\$ 312
Income before income taxes	\$ 6,102	\$ 4,501	\$12,254	\$ 9,475
Provision for income taxes	2,324	1,742	4,673	3,621
Net income from continuing operations	\$ 3,778	\$ 2,759	\$ 7,581	\$ 5,854
Net loss from discontinued operations	150	-	150	-
Net income	\$ 3,628	\$ 2,759	\$ 7,431	\$ 5,854
Earnings per share from cont. oper.	\$ .30	\$ .22	\$ .60	\$ .47
Net loss per share from discnt. oper.	.01	-	.01	-
Earnings per share	\$ .29	\$ .22	\$ .59	\$ .47
Weighted average shares outstanding	12,750	12,447	12,721	12,394

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)

	Six Months Ended December 31,	
	1996	1995
Cash flows - operating activities:		
Cash received from customers	\$44,235	\$39,752
Cash paid to suppliers and employees	(27,520)	(26,157)
Interest and dividends received	363	348
Income taxes paid	(4,519)	(3,216)
Other, net	1	50
Net cash flow provided by operating activities	\$12,560	\$10,777
Cash flows from discontinued operations	(283)	-
Cash flows from investing activities:		
Proceeds on sale of property & equipment	\$ 7	\$ 2
Capital expenditures	(4,941)	(3,211)
Short-term investment activity, net	(4,012)	2,000
Long-term investment activity, net	2	(3)
Software development	(85)	(215)
Acquisition costs, net	(314)	(5,501)

Net cash used in investing activities	\$(9,343)	\$(6,928)
Cash flows from financing activities:		
Proceeds from issuance of common stock upon exercise of stock options	\$ 929	\$ 312
Dividends paid	(1,673)	(1,350)
Payment of acquired long term debt	(131)	-
Purchase of treasury stock	(1,454)	(873)
Net cash used in financing activities	\$(2,329)	\$ (1,911)
Net increase (decrease) in cash	\$ 605	\$ 1,938
Cash at beginning of period	4,952	3,423
Cash at end of period	\$ 5,557	\$ 5,361

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, 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 December 31, 1996, and the results of its operations and its cash flows for the quarter and six-month period then ended.

The results of operations for the periods ended December 31, 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 quarter ended December 31, 1996:

None.

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 quarters and six month periods ended December 31, 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 (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 1, typically for banks with less than \$300 million in assets, and the Silverlake System 2, 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 1260 banks and financial institutions.

A detailed discussion of the major components of the results of operations for the quarter and the six months ended December 31, 1996, as compared to the same periods in the previous year follows.

#### Revenues

<sup>1</sup>CIF 20/20 is a trademark of Jack Henry & Associates, Inc.

<sup>2</sup>Silverlake System is a registered trademark of Jack Henry & Associates, Inc.

Revenues increased 29% to \$21,348,000 in the quarter ended December 31, 1996. Software licensing and installation increased 34%. Maintenance, support and service revenues increased 21%. Hardware sales were up 33% from last year's quarter. The Company's non-hardware products and services (higher margin sales) increased 26% over last year.

Six month revenues this year were \$39,698,000, up 22% over the last year's corresponding period. Each of the three major revenue categories increased by 18% or more with the largest increase (26%) in software and installation and the smallest in maintenance, support and service revenues.

The backlog of sales at December 31, 1996, was \$20,465,000. Backlog at January 30, 1997 was \$22,870,000.

#### Cost of Sales

The 35% increase in cost of sales for the second 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 24% primarily due to growth in the Company's core business, less than the 26% increase in non-hardware revenues.

Cost of sales increased 21% for the first six months of fiscal '97, relatively consistent with the 22% increase in revenues. Cost of hardware increased 27% while cost of services increased 14%.

#### Gross Profit

Gross profit increased to \$10,174,000 in the second quarter ended December 31, 1996, a 23% increase over last year. The gross margin percentage was 48% of sales compared to 50% last year.

The six month gross profit this year was up 22% at \$20,181,000. The gross margin percentage for the first six months was 51%, similar to last year's rate.

#### Operating Expenses

Total operating expenses increased 13% in the quarter ended 12/31/96. This provides a favorable picture, considering gross profit increased 23%. Thus, the Company continues to gain efficiencies through growth. Selling expenses increased 19% while research and development expenses increased 50%. General and administrative expenses decreased by 4%.

The \$8,440,000 in the first six months of fiscal '97 for operating expenses was a 15% increase. Since gross profit increased 22%, this continues to reflect the Company's ability to leverage more to the bottom line as revenues increase.

#### Other Income and Expense

Other income for the quarter ended December 31, 1996, was up when compared to the same period last year. This results from increased interest income because the Company had more cash invested and an increase in other, net. The year-to-date increase is due to the same reasons as the second quarter.

#### Net Income

Net income from continuing operations for the second quarter was \$3,778,000, or \$.30 per share, an increase of 36%, compared to \$2,759,000, or \$.22 per share in the same period last year.

Net income from continuing operations for the six months ended December 31, 1996 was \$7,581,000, or \$.60 per share (up 28%), compared to \$5,854,000, or \$.47 per share.

#### FINANCIAL CONDITION

##### Liquidity

The Company's cash and held-to-maturity securities increased to \$12,717,000 at December 31, 1996, up 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 \$4,941,000 for the quarter ended December 31, 1996, 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 \$5,500,000 for FY '97.

The Company paid a \$.07 per share cash dividend on December 10, 1996 to stockholders of record November 19, 1996 which was funded from working capital. In addition, the Company's Board of Directors, subsequent to December 31, 1996, declared a quarterly cash dividend of \$.08 per share on its common stock payable March 13, 1997 to stockholders of record on February 21, 1997. This will be funded out of working capital. Further, the Company's Board of Directors declared a 50% stock dividend on its common stock, effectively a 3 for 2 split, to be paid March 13, 1997 to stockholders of record February 24, 1997.

#### CONCLUSION

JHA's results of operations and its financial position continued to be quite favorable during the quarter ended December 31, 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 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: February 14, 1997 /s/ Michael E. Henry  
Michael E. Henry  
Chairman of the Board and  
Chief Executive Officer

Date: February 14, 1997 /s/ Terry W. Thompson  
Terry W. Thompson  
Vice President and  
Chief Financial Officer

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