

AGILYSYS INC  
Form 10-Q  
November 05, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(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, 2015

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 0-5734

AGILYSYS, INC.  
(Exact name of registrant as specified in its charter)

Ohio  
(State or other jurisdiction of  
incorporation or organization)

34-0907152  
(I.R.S. Employer  
Identification No.)

425 Walnut Street, Suite 1800,  
Cincinnati, Ohio  
(Address of principal executive offices)

45202  
(ZIP Code)

(770) 810-7800  
(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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer            Accelerated filer       x

Non-accelerated filer            (Do not check if a smaller reporting company)      Smaller reporting company     

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No  x

The number of Common Shares of the registrant outstanding as of November 2, 2015 was 22,940,975.

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## AGILYSYS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2015	March 31, 2015
(In thousands, except share data)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$62,101	\$75,067
Accounts receivable, net of allowance for doubtful accounts of \$762 and \$888, respectively	17,034	25,481
Inventories	1,219	641
Prepaid expenses and other current assets	3,706	3,828
Total current assets	84,060	105,017
Property and equipment, net	13,777	11,929
Goodwill	19,622	19,622
Intangible assets, net	8,922	9,006
Software development costs, net	38,472	31,818
Other non-current assets	4,382	4,133
Total assets	\$169,235	\$181,525
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$8,514	\$16,586
Deferred revenue	18,109	23,881
Accrued liabilities	10,035	10,001
Capital lease obligations, current	139	142
Total current liabilities	36,797	50,610
Deferred income taxes, non-current	3,129	3,053
Capital lease obligations, non-current	31	47
Other non-current liabilities	4,290	3,627
Commitments and contingencies (see Note 8)		
Shareholders' equity:		
Common shares, without par value, at \$0.30 stated value; 80,000,000 shares authorized; 31,606,831 shares issued; and 22,944,100 and 22,789,355 shares outstanding at September 30, 2015 and March 31, 2015, respectively	9,482	9,482
Treasury shares, 8,662,731 and 8,817,477 at September 30, 2015 and March 31, 2015, respectively	(2,599)	(2,646)
Capital in excess of stated value	(9,349)	(10,675)
Retained earnings	127,624	128,178
Accumulated other comprehensive loss	(170)	(151)
Total shareholders' equity	124,988	124,188
Total liabilities and shareholders' equity	\$169,235	\$181,525

See accompanying notes to condensed consolidated financial statements.



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AGILYSYS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

(In thousands, except share data)	Three months ended September 30,		Six months ended September 30,		
	2015	2014	2015	2014	
Net revenue:					
Products	\$9,943	\$7,649	\$18,754	\$13,701	
Support, maintenance and subscription services	14,665	13,775	29,564	27,594	
Professional services	5,036	4,894	8,817	8,769	
Total net revenue	29,644	26,318	57,135	50,064	
Cost of goods sold:					
Products	5,122	3,502	10,044	7,001	
Support, maintenance and subscription services	3,842	2,961	7,337	6,091	
Professional services	3,089	3,186	5,765	5,629	
Total cost of goods sold	12,053	9,649	23,146	18,721	
Gross profit	17,591	16,669	33,989	31,343	
	59.3	% 63.3	% 59.5	% 62.6	%
Operating expenses:					
Product development	6,784	6,191	13,052	12,056	
Sales and marketing	5,315	3,825	9,775	7,710	
General and administrative	5,202	6,079	10,380	11,196	
Depreciation of fixed assets	541	532	1,059	1,146	
Amortization of intangibles	318	594	616	2,377	
Restructuring, severance and other charges	(15	) 448	(62	) 818	
Asset write-offs and other fair value adjustments	(175	) —	(175	) —	
Legal settlements	—	54	—	203	
Operating loss	(379	) (1,054	) (656	) (4,163	)
Other (income) expense:					
Interest income	(4	) (21	) (48	) (74	)
Interest expense	5	14	13	27	
Other expense (income), net	9	(1	) (23	) (46	)
Loss before taxes	(389	) (1,046	) (598	) (4,070	)
Income tax (benefit) expense	(19	) 81	(44	) (714	)
Net loss	\$(370	) \$(1,127	) \$(554	) \$(3,356	)
Weighted average shares outstanding	22,476	22,340	22,472	22,332	
Loss per share - basic and diluted:					
Loss per share	\$(0.02	) \$(0.05	) \$(0.02	) \$(0.15	)

See accompanying notes to condensed consolidated financial statements.

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AGILYSYS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
 (Unaudited)

(In thousands)	Three months ended September 30,		Six months ended September 30,	
	2015	2014	2015	2014
Net loss	\$ (370	) \$ (1,127	) \$ (554	) \$ (3,356
Other comprehensive loss, net of tax:				
Unrealized foreign currency translation adjustments	(8	) (1	) (18	) (4
Unrealized loss on sale of securities	—	(1	) —	(5
Total comprehensive loss	\$ (378	) \$ (1,129	) \$ (572	) \$ (3,365

See accompanying notes to condensed consolidated financial statements.

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AGILYSYS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

(In thousands)	Six months ended	
	September 30, 2015	2014
Operating activities		
Net loss	\$(554	) \$(3,356
Adjustments to reconcile loss from operations to net cash used in operating activities		
Restructuring, severance and other charges	(62	) 818
Payments for restructuring, severance and other charges	(381	) (823
Asset write-offs and other fair value adjustments	(175	) —
Legal settlements	—	203
Payments for legal settlements	—	(1,714
Depreciation	1,059	1,146
Amortization	1,127	2,987
Deferred income taxes	76	—
Share-based compensation	1,400	1,067
Changes in operating assets and liabilities:		
Accounts receivable	8,398	104
Inventories	(583	) (237
Prepaid expense	119	400
Accounts payable	(7,110	) (1,432
Deferred revenue	(5,748	) (5,503
Accrued liabilities	2,582	(2,255
Income taxes payable	(59	) (892
Other changes, net		