

AGILYSYS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)

	Three Months Ended		Year Ended	
	March 31,		March 31,	
	2021	2020	2021	2020
Net revenue:				
Products	\$ 7,318	\$ 9,362	\$ 26,714	\$ 44,230
Support, maintenance and subscription services	22,918	22,303	88,565	83,680
Professional services	6,100	7,994	21,897	32,847
Total net revenue	36,336	39,659	137,176	160,757
Cost of goods sold:				
Products (inclusive of developed technology amortization)	3,881	8,371	13,506	36,427
Support, maintenance and subscription services	4,470	5,572	17,985	19,248
Professional services	4,505	6,059	16,309	24,130
Total cost of goods sold	12,856	20,002	47,800	79,805
Gross profit	23,480	19,657	89,376	80,952
Gross profit margin	64.6%	49.6%	65.2%	50.4%
Operating expenses:				
Product development	26,445	9,332	55,345	41,463
Sales and marketing	5,918	5,555	14,196	19,864
General and administrative	14,831	6,376	33,273	24,374
Depreciation of fixed assets	672	801	2,832	2,574
Amortization of intangibles	470	641	1,959	2,541
Impairments	—	23,740	—	23,740
Severance and other charges, net	(233)	150	2,529	582
Legal settlements, net	150	-	200	(125)
Total operating expense	48,253	46,595	110,334	115,013
Operating loss	(24,773)	(26,938)	(20,958)	(34,061)
Other (income) expense:				
Interest income	(31)	(93)	(107)	(380)
Interest expense	7	5	20	9
Other expense, net	50	102	338	176
Loss before taxes	(24,799)	(26,952)	(21,209)	(33,866)
Income tax expense (benefit)	(518)	40	(208)	201
Net loss	\$ (24,281)	\$ (26,992)	\$ (21,001)	\$ (34,067)
Series A convertible preferred stock issuance costs	-	-	(1,031)	-
Series A convertible preferred stock dividends	(459)	-	(1,576)	-
Net loss attributable to common shareholders	\$ (24,740)	\$ (26,992)	\$ (23,608)	\$ (34,067)
Weighted average shares outstanding - basic and diluted	23,574	23,241	23,458	23,233
Net loss per share - basic and diluted:	\$ (1.05)	\$ (1.16)	\$ (1.01)	\$ (1.47)

AGILYSYS, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands, except share data)

	March 31, 2021	March 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 99,180	\$ 46,653
Accounts receivable, net of allowance for expected credit losses of \$1,220 and for doubtful accounts of \$1,634, respectively	25,732	35,869
Contract assets	2,364	2,125
Inventories	1,177	3,887
Prepaid expenses and other current assets	4,797	4,874
Total current assets	133,250	93,408
Property and equipment, net	8,789	12,230
Operating lease right-of-use assets	12,210	13,829
Goodwill	19,622	19,622
Intangible assets, net	8,400	8,400
Deferred income taxes, non-current	1,802	764
Other non-current assets	5,800	6,309
Total assets	\$ 189,873	\$ 154,562
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,346	\$ 13,403
Contract liabilities	38,394	42,244
Accrued liabilities	11,233	9,033
Operating lease liabilities, current	5,009	4,719
Finance lease obligations, current	19	24
Total current liabilities	61,001	69,423
Deferred income taxes, non-current	923	880
Operating lease liabilities, non-current	8,597	10,617
Finance lease obligations, non-current	6	25
Other non-current liabilities	4,011	1,860
Series A convertible preferred stock, no par value	35,459	-
Shareholders' equity:		
Common shares, without par value, at \$0.30 stated value; 80,000,000 shares authorized; 31,606,831 shares issued; and 24,010,727 and 23,609,398 shares outstanding at March 31, 2021 and March 31, 2020, respectively	9,482	9,482
Treasury shares, 7,596,104 and 7,997,433 at March 31, 2021 and March 31, 2020, respectively	(2,278)	(2,401)
Capital in excess of stated value	37,257	5,491
Retained earnings	35,376	58,984
Accumulated other comprehensive income	39	201
Total shareholders' equity	79,876	71,757
Total liabilities and shareholders' equity	\$ 189,873	\$ 154,562

AGILYSYS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<i>(In thousands)</i>	Year Ended March 31,	
	2021	2020
Operating activities		
Net loss	\$ (21,001)	\$ (34,067)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Impairments	—	23,740
Loss (gain) on disposal of property & equipment	44	(5)
Depreciation	2,832	2,574
Amortization of intangibles	1,959	2,541
Amortization of developed technology	—	12,561
Deferred income taxes	(959)	(356)
Share-based compensation	40,093	5,205
Changes in operating assets and liabilities:		
Accounts receivable	10,363	(8,974)
Contract assets	(228)	794
Inventory	2,746	(1,830)
Prepays and other current assets	(201)	1,545
Accounts payable	(7,016)	8,585
Contract liabilities	(3,971)	3,563
Accrued liabilities	1,187	(4,227)
Income taxes payable	340	(153)
Other changes, net	2,219	(921)
Net cash provided by operating activities	28,407	10,575
Investing activities		
Capital expenditures	(1,389)	(3,420)
Additional investments in corporate-owned life insurance policies	(2)	(27)
Net cash used in investing activities	(1,391)	(3,447)
Financing activities		
Preferred stock issuance proceeds, net of issuance costs	33,969	—
Payment of preferred dividends	(1,117)	—
Repurchase of common shares to satisfy employee tax withholding	(7,512)	(1,092)
Principal payments under long-term obligations	(24)	(24)
Net cash provided by (used in) financing activities	25,316	(1,116)
Effect of exchange rate changes on cash	195	(130)
Net increase in cash and cash equivalents	52,527	5,882
Cash and cash equivalents at beginning of period	46,653	40,771
Cash and cash equivalents at end of period	\$ 99,180	\$ 46,653

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES:

Accrued capital expenditures	103	187
------------------------------	-----	-----

AGILYSYS, INC.
RECONCILIATION OF NET LOSS TO EBITDA AND ADJUSTED EBITDA
(UNAUDITED)

<i>(In thousands)</i>	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
Net loss	\$ (24,281)	\$ (26,992)	\$ (21,001)	\$ (34,067)
Income tax (benefit) expense	(518)	40	(208)	201
Loss before taxes	(24,799)	(26,952)	(21,209)	(33,866)
Depreciation of fixed assets	672	801	2,832	2,574
Amortization of intangibles	470	641	1,959	2,541
Amortization of developed technology	—	3,129	—	12,561
Interest (income), net	(24)	(88)	(87)	(371)
EBITDA (a)	(23,681)	(22,469)	(16,505)	(16,561)
Share-based compensation	30,781	2,049	40,093	5,205
Severance and other charges, net	(233)	150	2,529	582
Impairments	—	23,740	—	23,740
Other non-operating expense	50	102	338	176
Legal settlements, net	150	—	200	(125)
Adjusted EBITDA (b)	\$ 7,067	\$ 3,572	\$ 26,655	\$ 13,017

(a) EBITDA, a non-GAAP financial measure, is defined as net income (loss) before income taxes, interest expense (net of interest income), depreciation and amortization

(b) Adjusted EBITDA, a non-GAAP financial measure, is defined as net income (loss) before income taxes, interest expense (net of interest income), depreciation and amortization (including amortization of developed technology), and excluding charges relating to i) legal settlements, ii) severance and other charges, iii) impairments, iv) share-based compensation, and v) other non-operating (income) expense

AGILYSYS, INC.
RECONCILIATION OF NET LOSS TO ADJUSTED NET INCOME FOR ADJUSTED EARNINGS PER SHARE
(UNAUDITED)

(In thousands, except per share data)

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
Net loss attributable to common shareholders	\$ (24,740)	\$ (26,992)	\$ (23,608)	\$ (34,067)
Amortization of intangibles	470	641	1,959	2,541
Amortization of developed technology	—	3,129	—	12,561
Share-based compensation	30,781	2,049	40,093	5,205
Series A convertible preferred stock issuance costs	—	—	1,031	—
Severance and other charges, net	(233)	150	2,529	582
Impairments	—	23,740	—	23,740
Legal settlements, net	150	—	200	(125)
Income tax adjustments	(1,190)	(1,405)	(2,710)	(4,904)
Adjusted net income (a)	\$ 5,238	\$ 1,312	\$ 19,494	\$ 5,533
Basic weighted average shares outstanding	23,574	23,241	23,458	23,233
Diluted weighted average shares outstanding	24,806	23,927	24,016	23,821
Adjusted basic earnings per share (b)	\$ 0.22	\$ 0.06	\$ 0.83	\$ 0.24
Adjusted diluted earnings per share (b)	\$ 0.21	\$ 0.05	\$ 0.81	\$ 0.23

(a) Adjusted net income, a non-GAAP financial measure, is defined as net income (loss) attributable to common shareholders before amortization expense (including amortization of developed technology), share-based compensation, and one-time charges including severance and other charges, impairments and legal settlements, less the related income tax effect of these adjustments, as applicable, at the Company's current combined federal and state income statutory tax rate. No income tax effect applies to one-time charges when a valuation allowance offsets their related deferred tax assets.

(b) Adjusted earnings per share, a non-GAAP financial measure, is defined as adjusted net income (loss) divided by basic and diluted weighted average shares outstanding

AGILYSYS, INC.
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW
(UNAUDITED)

<i>(In thousands)</i>	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 13,323	\$ 5,302	\$ 28,407	\$ 10,575
Capital expenditures	(313)	(411)	(1,389)	(3,420)
Free cash flow (a)	\$ 13,010	\$ 4,891	\$ 27,018	\$ 7,155

(a) Free cash flow, a non-GAAP financial measure, is defined as net cash provided by operating activities, less capital expenditures