

AGILYSYS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)

	Three Months Ended June 30,	
	2021	2020
Net revenue:		
Products	\$ 8,844	\$ 5,239
Support, maintenance and subscription services	23,207	20,497
Professional services	6,674	4,071
Total net revenue	<u>38,725</u>	<u>29,807</u>
Cost of goods sold:		
Products	4,360	3,015
Support, maintenance and subscription services	4,744	4,306
Professional services	4,754	3,936
Total cost of goods sold	<u>13,858</u>	<u>11,257</u>
Gross profit	<u>24,867</u>	<u>18,550</u>
Gross profit margin	64.2%	62.2%
Operating expenses:		
Product development	11,485	8,266
Sales and marketing	3,052	2,601
General and administrative	7,003	5,719
Depreciation of fixed assets	566	723
Amortization of intangibles	465	461
Severance and other charges	225	1,203
Legal settlements, net	30	-
Total operating expense	<u>22,826</u>	<u>18,973</u>
Operating income (loss)	<u>2,041</u>	<u>(423)</u>
Other (income) expense:		
Interest income	(22)	(21)
Interest expense	1	1
Other (income) expense, net	(103)	106
Income (loss) before taxes	<u>2,165</u>	<u>(509)</u>
Income tax expense	193	8
Net income (loss)	<u>\$ 1,972</u>	<u>\$ (517)</u>
Series A convertible preferred stock issuance costs	-	(937)
Series A convertible preferred stock dividends	(459)	(199)
Net income (loss) attributable to common shareholders	<u>\$ 1,513</u>	<u>\$ (1,653)</u>
Weighted average shares outstanding - basic	<u>24,014</u>	<u>23,405</u>
Net income (loss) per share - basic:	<u>\$ 0.06</u>	<u>\$ (0.07)</u>
Weighted average shares outstanding - diluted	<u>25,178</u>	<u>23,405</u>
Net income (loss) per share - diluted:	<u>\$ 0.06</u>	<u>\$ (0.07)</u>

AGILYSYS, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands, except share data)

	June 30, 2021	March 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 103,911	\$ 99,180
Accounts receivable, net of allowance for expected credit losses of \$1,002 and \$1,220, respectively	22,812	25,732
Contract assets	2,081	2,364
Inventories	1,186	1,177
Prepaid expenses and other current assets	4,837	4,797
Total current assets	134,827	133,250
Property and equipment, net	7,746	8,789
Operating lease right-of-use assets	11,367	12,210
Goodwill	19,622	19,622
Intangible assets, net	8,400	8,400
Deferred income taxes, non-current	1,885	1,802
Other non-current assets	5,638	5,800
Total assets	\$ 189,485	\$ 189,873
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,388	\$ 6,346
Contract liabilities	34,763	38,394
Accrued liabilities	10,148	11,233
Operating lease liabilities, current	4,705	5,009
Finance lease obligations, current	15	19
Total current liabilities	57,019	61,001
Deferred income taxes, non-current	928	923
Operating lease liabilities, non-current	7,868	8,597
Finance lease obligations, non-current	5	6
Other non-current liabilities	4,178	4,011
Series A convertible preferred stock, no par value	35,000	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 24,568,661 and 24,010,727 shares outstanding at June 30, 2021 and March 31, 2021, respectively	9,482	9,482
Treasury shares, 7,038,170 and 7,596,104 at June 30, 2021 and March 31, 2021, respectively	(2,111)	(2,278)
Capital in excess of stated value	40,190	37,257
Retained earnings	36,889	35,376
Accumulated other comprehensive income	37	39
Total shareholders' equity	84,487	79,876
Total liabilities and shareholders' equity	\$ 189,485	\$ 189,873

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

<i>(In thousands)</i>	Three Months Ended June 30,	
	2021	2020
Operating activities		
Net income (loss)	\$ 1,972	\$ (517)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Loss on disposal of property & equipment	123	—
Depreciation	566	723
Amortization of intangibles	465	461
Deferred income taxes	(108)	(84)
Share-based compensation	3,621	1,426
Changes in operating assets and liabilities	1,356	(6,938)
Net cash provided by (used in) operating activities	7,995	(4,929)
Investing activities		
Capital expenditures	(274)	(243)
Additional investments in corporate-owned life insurance policies	(2)	(2)
Net cash used in investing activities	(276)	(245)
Financing activities		
Repurchase of common shares to satisfy employee tax withholding	(2,070)	(934)
Series A convertible preferred stock issuance proceeds, net of issuance costs	-	34,063
Payment of preferred stock dividends	(918)	—
Principal payments under long-term obligations	(6)	(6)
Net cash (used in) provided by financing activities	(2,994)	33,123
Effect of exchange rate changes on cash	6	2
Net increase in cash and cash equivalents	4,731	27,951
Cash and cash equivalents at beginning of period	99,180	46,653
Cash and cash equivalents at end of period	\$ 103,911	\$ 74,604

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

<i>(In thousands)</i>	Three Months Ended		
	2021	June 30, 2020	2019
Net income (loss)	\$ 1,972	\$ (517)	\$ (1,575)
Income tax expense	193	8	25
Income (loss) before taxes	2,165	(509)	(1,550)
Depreciation of fixed assets	566	723	213
Amortization of intangibles	465	461	678
Amortization of developed technology	—	—	3,175
Interest (income), net	(21)	(20)	(79)
EBITDA (a)	3,175	655	2,437
Share-based compensation	3,621	1,426	482
Severance and other charges, net	225	1,203	231
Other non-operating (income) expense, net	(103)	106	85
Legal settlements, net	30	—	—
Adjusted EBITDA (b)	\$ 6,948	\$ 3,390	\$ 3,235

(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 INCOME (LOSS) TO ADJUSTED NET INCOME FOR ADJUSTED EARNINGS PER SHARE
(UNAUDITED)

(In thousands, except per share data)

	Three Months Ended		
		June 30,	
	2021	2020	2019
Net income (loss) attributable to common shareholders	\$ 1,513	\$ (1,653)	\$ (1,575)
Amortization of intangibles	465	461	678
Amortization of developed technology	—	—	3,175
Share-based compensation	3,621	1,426	482
Series A convertible preferred stock issuance costs	—	937	—
Severance and other charges, net	225	1,203	231
Legal settlements, net	30	—	—
Income tax adjustments	(655)	(456)	(1,047)
Adjusted net income (a)	\$ 5,199	\$ 1,918	\$ 1,944
Basic weighted average shares outstanding	24,014	23,405	23,212
Diluted weighted average shares outstanding	25,178	23,820	23,681
Adjusted basic earnings per share (b)	\$ 0.22	\$ 0.08	\$ 0.08
Adjusted diluted earnings per share (b)	\$ 0.21	\$ 0.08	\$ 0.08

(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 (USED IN) OPERATING ACTIVITIES TO FREE CASH FLOW
(UNAUDITED)

<i>(In thousands)</i>	Three Months Ended		
	2021	June 30, 2020	2019
Net cash provided by (used in) operating activities	\$ 7,995	\$ (4,929)	\$ (1,913)
Capital expenditures	(274)	(243)	(571)
Free cash flow (a)	\$ 7,721	\$ (5,172)	\$ (2,484)

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