

AGILYSYS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<i>(In thousands, except share data)</i>	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Net revenue:				
Products	\$ 7,299	\$ 6,559	\$ 16,143	\$ 11,798
Support, maintenance and subscription services	24,027	22,304	47,234	42,801
Professional services	6,566	5,497	13,240	9,567
Total net revenue	37,892	34,360	76,617	64,166
Cost of goods sold:				
Products	3,660	2,950	8,020	5,965
Support, maintenance and subscription services	5,019	4,555	9,763	8,860
Professional services	4,958	3,701	9,711	7,638
Total cost of goods sold	13,637	11,206	27,494	22,463
Gross profit	24,255	23,154	49,123	41,703
Gross profit margin	64.0%	67.4%	64.1%	65.0%
Operating expenses:				
Product development	11,379	8,257	22,864	16,524
Sales and marketing	3,423	2,350	6,475	4,951
General and administrative	6,523	5,217	13,526	10,936
Depreciation of fixed assets	548	715	1,114	1,438
Amortization of internal-use software	345	508	810	968
Severance and other charges	580	7	805	1,210
Legal settlements, net	337	50	367	50
Total operating expense	23,135	17,104	45,961	36,077
Operating income	1,120	6,050	3,162	5,626
Other (income) expense:				
Interest income	(14)	(28)	(35)	(49)
Interest expense	1	2	2	3
Other (income) expense, net	103	88	-	194
Income before taxes	1,030	5,988	3,195	5,478
Income tax expense	48	121	241	128
Net income	\$ 982	\$ 5,867	\$ 2,954	\$ 5,350
Series A convertible preferred stock issuance costs	-	(94)	-	(1,031)
Series A convertible preferred stock dividends	(459)	(459)	(918)	(658)
Net income attributable to common shareholders	\$ 523	\$ 5,314	\$ 2,036	\$ 3,661
Weighted average shares outstanding - basic	24,451	23,424	24,233	23,415
Net income per share - basic:	\$ 0.02	\$ 0.23	\$ 0.08	\$ 0.16
Weighted average shares outstanding - diluted	25,409	23,866	25,296	23,849
Net income per share - diluted:	\$ 0.02	\$ 0.22	\$ 0.08	\$ 0.15

AGILYSYS, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<i>(In thousands, except share data)</i>	September 30, 2021 (Unaudited)	March 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 106,389	\$ 99,180
Accounts receivable, net of allowance for expected credit losses of \$666 and \$1,220, respectively	19,269	25,732
Contract assets	1,846	2,364
Inventories	1,881	1,177
Prepaid expenses and other current assets	4,838	4,797
Total current assets	134,223	133,250
Property and equipment, net	7,372	8,789
Operating lease right-of-use assets	10,495	12,210
Goodwill	19,622	19,622
Intangible assets, net	8,400	8,400
Deferred income taxes, non-current	2,090	1,802
Other non-current assets	5,898	5,800
Total assets	\$ 188,100	\$ 189,873
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 9,009	\$ 6,346
Contract liabilities	30,640	38,394
Accrued liabilities	8,215	11,233
Operating lease liabilities, current	4,325	5,009
Finance lease obligations, current	10	19
Total current liabilities	52,199	61,001
Deferred income taxes, non-current	933	923
Operating lease liabilities, non-current	7,331	8,597
Finance lease obligations, non-current	4	6
Other non-current liabilities	4,456	4,011
Commitments and contingencies		
Series A convertible preferred stock, no par value	35,459	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 24,607,173 and 24,010,727 shares outstanding at September 30, 2021 and March 31, 2021, respectively	9,482	9,482
Treasury shares, 6,999,658 and 7,596,104 at September 30, 2021 and March 31, 2021, respectively	(2,100)	(2,278)
Capital in excess of stated value	42,867	37,257
Retained earnings	37,412	35,376
Accumulated other comprehensive income	57	39
Total shareholders' equity	87,718	79,876
Total liabilities and shareholders' equity	\$ 188,100	\$ 189,873

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

<i>(In thousands)</i>	Six Months Ended September 30,	
	2021	2020
Operating activities		
Net income	\$ 2,954	\$ 5,350
Adjustments to reconcile net income to net cash provided by operating activities		
Loss on disposal of property & equipment	123	—
Depreciation	1,114	1,438
Amortization of internal-use software	810	968
Deferred income taxes	(303)	(269)
Share-based compensation	6,963	2,682
Changes in operating assets and liabilities	12	(3,527)
Net cash provided by operating activities	11,673	6,642
Investing activities		
Capital expenditures	(786)	(471)
Additional investments in corporate-owned life insurance policies	(2)	(2)
Net cash used in investing activities	(788)	(473)
Financing activities		
Repurchase of common shares to satisfy employee tax withholding	(2,709)	(959)
Series A convertible preferred stock issuance proceeds, net of issuance costs	—	33,969
Payment of preferred stock dividends	(918)	(199)
Principal payments under long-term obligations	(11)	(12)
Net cash (used in) provided by financing activities	(3,638)	32,799
Effect of exchange rate changes on cash	(38)	85
Net increase in cash and cash equivalents	7,209	39,053
Cash and cash equivalents at beginning of period	99,180	46,653
Cash and cash equivalents at end of period	\$ 106,389	\$ 85,706

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

<i>(In thousands)</i>	Three months ended September 30,		Six months ended September 30,	
	2021	2020	2021	2020
	Net income	\$ 982	\$ 5,867	\$ 2,954
Income tax expense	48	121	241	128
Income before taxes	1,030	5,988	3,195	5,478
Depreciation of fixed assets	548	715	1,114	1,438
Amortization of internal-use software	345	508	810	968
Interest (income), net	(13)	(26)	(33)	(46)
EBITDA (a)	1,910	7,185	5,086	7,838
Share-based compensation	3,342	1,256	6,963	2,682
Severance and other charges	580	7	805	1,210
Other non-operating expense	103	88	-	194
Legal settlements, net	337	50	367	50
Adjusted EBITDA (b)	\$ 6,272	\$ 8,586	\$ 13,221	\$ 11,974

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

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

(In thousands, except per share data)

	Three months ended September 30,		Six months ended September 30,	
	2021	2020	2021	2020
Net income attributable to common shareholders	\$ 523	\$ 5,314	\$ 2,036	\$ 3,661
Amortization of internal-use software	345	508	810	968
Share-based compensation	3,342	1,256	6,963	2,682
Series A convertible preferred stock issuance costs	—	94	—	1,031
Severance and other charges, net	580	7	805	1,210
Legal settlements, net	337	50	367	50
Income tax adjustments	(555)	(426)	(1,211)	(881)
Adjusted net income (a)	\$ 4,572	\$ 6,803	\$ 9,770	\$ 8,721
Basic weighted average shares outstanding	24,451	23,424	24,233	23,415
Diluted weighted average shares outstanding	25,409	23,866	25,296	23,849
Adjusted basic earnings per share (b)	\$ 0.19	\$ 0.29	\$ 0.40	\$ 0.37
Adjusted diluted earnings per share (b)	\$ 0.18	\$ 0.29	\$ 0.39	\$ 0.37

(a) Adjusted net income, a non-GAAP financial measure, is defined as net income attributable to common shareholders before amortization expense, share-based compensation, and one-time charges including severance and other charges 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 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 September 30,		Six months ended September 30,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 3,678	\$ 11,571	\$ 11,673	\$ 6,642
Capital expenditures	(512)	(228)	(786)	(471)
Free cash flow (a)	\$ 3,166	\$ 11,343	\$ 10,887	\$ 6,171

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