

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 June 30, 2026

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: **000-5734**

AGILYSYS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

3655 Brookside Parkway, Suite 300

Alpharetta, Georgia

(Address of principal executive offices)

34-0907152

(I.R.S. Employer
Identification No.)

30022

(Zip Code)

Registrant's telephone number, including area code: **(770) 810-7800**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, without par value	AGYS	Nasdaq Global Select Market

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large Accelerated filer	☒	Accelerated filer	☐
Non-Accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 17, 2026, the registrant had 28,205,788 shares of common stock outstanding.

AGILYSYS, INC.

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AGILYSYS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	June 30, 2026 (Unaudited)	March 31, 2026
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 123,709	\$ 116,894
Accounts receivable, net of allowance for expected credit losses of \$777 and \$1,105, respectively	36,648	43,069
Contract assets	4,663	4,438
Inventories	7,929	7,529
Prepaid expenses and other current assets	9,448	12,201
Total current assets	182,397	184,131
Property and equipment, net	13,374	13,950
Operating lease right-of-use assets	13,398	13,823
Goodwill	131,553	133,908
Intangible assets, net	63,795	66,359
Deferred income taxes, non-current	56,748	58,069
Other non-current assets	11,580	11,288
Total assets	\$ 472,845	\$ 481,528
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 12,634	\$ 12,445
Contract liabilities	72,867	83,009
Accrued liabilities	13,961	24,333
Operating lease liabilities, current	5,318	5,323
Total current liabilities	104,780	125,110
Deferred income taxes, non-current	9,935	10,144
Operating lease liabilities, non-current	13,125	13,721
Other non-current liabilities	6,678	5,762
Commitments and contingencies		
Shareholders' equity:		
Common shares, without par value, at \$0.30 stated value; 80,000,000 shares authorized; 33,342,288 shares issued; and 28,195,558 and 28,166,478 shares outstanding at June 30, 2026 and March 31, 2026, respectively	10,003	10,003
Treasury shares, 5,146,730 and 5,175,840 at June 30, 2026 and March 31, 2026, respectively	(1,545)	(1,554)
Capital in excess of stated value	137,594	131,632
Retained earnings	208,763	199,771
Accumulated other comprehensive loss	(16,488)	(13,061)
Total shareholders' equity	338,327	326,791
Total liabilities and shareholders' equity	\$ 472,845	\$ 481,528

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In thousands, except per share data)	Three Months Ended June 30,	
	2026	2025
Net revenue:		
Subscription and maintenance	\$ 57,742	\$ 48,623
Professional services	19,593	18,098
Products	10,342	9,954
Total net revenue	87,677	76,675
Cost of goods sold:		
Subscription and maintenance	12,726	9,983
Professional services	12,661	13,199
Products	6,633	6,199
Total cost of goods sold	32,020	29,381
Gross profit	55,657	47,294
Gross profit margin	63.5%	61.7%
Operating expenses:		
Product development	20,245	17,454
Sales and marketing	12,195	11,793
General and administrative	11,111	10,755
Depreciation of fixed assets	826	944
Amortization of internal-use software and intangibles	1,427	1,457
Other (gains) charges, net	115	256
Legal settlements, net	—	114
Total operating expense	45,919	42,773
Operating income	9,738	4,521
Other income (expense):		
Interest income	990	447
Interest expense	(70)	(217)
Other income (expense), net	153	98
Income before taxes	10,811	4,849
Income tax provision (benefit)	1,819	(41)
Net income	\$ 8,992	\$ 4,890
Weighted average shares outstanding - basic	28,102	27,794
Net income per share - basic:	\$ 0.32	\$ 0.18
Weighted average shares outstanding - diluted	28,420	28,289
Net income per share - diluted:	\$ 0.32	\$ 0.17

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In thousands)	Three Months Ended June 30,	
	2026	2025
Net income	\$ 8,992	\$ 4,890
Other comprehensive (loss) income:		
Unrealized foreign currency translation adjustments	(3,427)	7,227
Total comprehensive income	\$ 5,565	\$ 12,117

See accompanying notes to unaudited condensed consolidated financial statements.

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

(In thousands)	Three Months Ended June 30,	
	2026	2025
Operating activities		
Net income	\$ 8,992	\$ 4,890
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of fixed assets	826	944
Amortization of internal-use software and intangibles	1,427	1,457
Amortization of developed technology acquired	166	166
Deferred income taxes	1,291	(556)
Share-based compensation	5,988	5,029
Changes in operating assets and liabilities	(10,857)	(16,276)
Net cash provided by (used in) operating activities	7,833	(4,346)
Investing activities		
Capital expenditures	(520)	(633)
Net cash used in investing activities	(520)	(633)
Financing activities		
Debt repayments	—	(12,000)
Repurchase of common shares to satisfy employee tax withholding	(419)	(924)
Net cash used in financing activities	(419)	(12,924)
Effect of exchange rate changes on cash	(79)	426
Net increase (decrease) in cash and cash equivalents	6,815	(17,477)
Cash and cash equivalents at beginning of period	116,894	73,041
Cash and cash equivalents at end of period	\$ 123,709	\$ 55,564

See accompanying notes to unaudited condensed consolidated financial statements.

AGILYSYS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

Three Months Ended June 30, 2026

	Three Months Ended June 30, 2026							
	Common Shares							
	Issued		In Treasury		Capital in excess of		Accumulated other	
(In thousands)	Shares	Stated value	Shares	Stated value	Stated value	Retained earnings	comprehensive income (loss)	Total
Balance at March 31, 2026	33,342	\$ 10,003	(5,176)	\$ (1,554)	\$ 131,632	\$ 199,771	\$ (13,061)	\$ 326,791
Share-based compensation	—	—	—	—	6,396	—	—	6,396
Other common stock issuances, net	—	—	15	4	(4)	—	—	—
Shares issued upon exercise of SSARs	—	—	19	6	(6)	—	—	—
Shares withheld for taxes upon exercise of SSARs or vesting of other grants	—	—	(5)	(1)	(424)	—	—	(425)
Net income	—	—	—	—	—	8,992	—	8,992
Unrealized translation adjustments	—	—	—	—	—	—	(3,427)	(3,427)
Balance at June 30, 2026	33,342	\$ 10,003	(5,147)	\$ (1,545)	\$ 137,594	\$ 208,763	\$ (16,488)	\$ 338,327

Three Months Ended June 30, 2025

	Three Months Ended June 30, 2025							
	Common Shares							
	Issued		In Treasury		Capital in excess of		Accumulated other	
(In thousands)	Shares	Stated value	Shares	Stated value	Stated value	Retained earnings	comprehensive income (loss)	Total
Balance at March 31, 2025	33,342	\$ 10,003	(5,327)	\$ (1,600)	\$ 109,785	\$ 160,980	\$ (13,282)	\$ 265,886
Share-based compensation	—	—	—	—	5,376	—	—	5,376
Other common stock issuances, net	—	—	3	1	(1)	—	—	—
Shares issued upon exercise of SSARs	—	—	18	5	(5)	—	—	—
Shares withheld for taxes upon exercise of SSARs or vesting of other grants	—	—	(1)	(1)	(159)	—	—	(160)
Net income	—	—	—	—	—	4,890	—	4,890
Unrealized translation adjustments	—	—	—	—	—	—	7,227	7,227
Balance at June 30, 2025	33,342	\$ 10,003	(5,307)	\$ (1,595)	\$ 114,996	\$ 165,870	\$ (6,055)	\$ 283,219

See accompanying notes to unaudited condensed consolidated financial statements.

AGILYSYS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Operations and Financial Statement Presentation

Nature of Operations

Agilysys has been a leader in hospitality software for more than 45 years, delivering innovative cloud-native SaaS and on-premise solutions for hotels, multi-amenity resorts, cruise lines, casinos, corporate foodservice management, restaurants, universities, stadiums, and healthcare facilities. The Company's software solutions include point-of-sale (POS), property management (PMS), inventory and procurement, payments, and related applications that manage and enhance the entire guest journey. Agilysys is also known for its world-class customer-centric service. Many of the top hospitality companies around the world use Agilysys solutions to improve guest loyalty, drive revenue growth, and increase operational efficiencies. Agilysys operates across the Americas, Europe, the Middle East, Africa, Asia-Pacific, and India with headquarters located in Alpharetta, GA.

The Company has one reportable segment serving the global hospitality industry.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include our accounts consolidated with our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Our fiscal year ends on March 31st. References to a particular year refer to the fiscal year ending in March of that year. For example, fiscal 2027 refers to the fiscal year ending March 31, 2027.

Our unaudited interim financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to the Quarterly Report on Form 10-Q (Quarterly Report) under the Securities Exchange Act of 1934, as amended (the Exchange Act), and Rule 10-01 of Regulation S-X under the Exchange Act. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements.

The Condensed Consolidated Balance Sheet as of June 30, 2026, as well as the Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Comprehensive Income, Condensed Consolidated Statement of Cash Flows, and Condensed Consolidated Statements of Shareholders' Equity for the three months ended June 30, 2026 and 2025, are unaudited. However, these financial statements have been prepared on the same basis as those in the audited annual financial statements. In the opinion of management, all adjustments of a recurring nature necessary to fairly state the results of operations, financial position, and cash flows have been made.

These unaudited interim financial statements should be read together with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2026, filed with the Securities and Exchange Commission (SEC) on May 21, 2026.

Use of estimates

Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

A detailed description of our significant accounting policies can be found in the audited financial statements for the fiscal year ended March 31, 2026, included in our Annual Report on Form 10-K. There have been no material changes to our significant accounting policies from those disclosed therein.

Recently Adopted and Issued Accounting Pronouncements

In December 2025, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements* (“ASU 2025-11”) to clarify current interim disclosure requirements and create a comprehensive list of interim disclosures required under U.S. GAAP. The ASU also incorporates a disclosure principle that requires interim period disclosures of material events or changes that have occurred since the previous year-end. ASU 2025-11 is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, or our fiscal 2029, with early adoption permitted. We are currently assessing the impact on our Condensed Consolidated Financial Statements.

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software* (“ASU 2025-06”), which removes all references to software development stages and clarifies the threshold entities apply to begin capitalizing costs. ASU 2025-06 is effective for annual periods beginning after December 15, 2027, or our fiscal 2029, and interim reporting periods within those annual reporting periods. The ASU may be applied prospectively, retrospectively or through a modified transition approach with early adoption permitted. We are currently evaluating the potential impact the ASU may have on our Consolidated Financial Statements upon adoption.

In November 2024, the FASB issued ASU No. 2024-03 *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures* (“ASU 2024-03”) to expand expense disclosures by requiring disaggregated disclosure of certain income statement expense line items, including those that contain purchases of inventory, employee compensation, depreciation and amortization. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, or our fiscal 2028, and subsequent interim periods, with early adoption permitted. The amendments should be applied prospectively, but retrospective application is permitted. The ASU will likely result in additional disclosures upon adoption.

3. Revenue Recognition

Our customary business practice is to enter into legally enforceable written contracts with our customers. The majority of our contracts are governed by a master service or universal agreement between us and the customer, which sets forth the general terms and conditions of any individual contract between the parties, which is then supplemented by a customer order to specify the different goods and services, the associated prices, and any additional terms for an individual contract. Performance obligations specific to each individual contract are defined within the terms of each order. Each performance obligation is identified based on the goods and services that will be transferred to our customer that are both capable of being distinct and are distinct within the context of the contract. The transaction price is determined based on the consideration to which we will be entitled and expect to receive in exchange for transferring goods or services to the customer. Typically, our contracts do not provide our customer with any right of return or refund; we do not constrain the contract price as it is probable that there will not be a significant revenue reversal due to a return or refund.

Typically, our customer contracts contain one or more of the following goods or services which constitute performance obligations.

Our subscription service revenue is comprised of fees for contracts that provide customers a right to access our software for a subscribed period. We do not provide the customer the contractual right to license the software at any time outside of the subscription period under these contracts. Our subscription service revenue is primarily based on rates per location, including rates per points of sale and per room. We recognize certain subscription service revenue on a per-transaction basis. The customer can only benefit from the software and software maintenance when provided the right to access the software. Accordingly, each of the rights to access the software, the maintenance services, any hosting services, and any transaction-based services are not considered a distinct performance obligation in the context of the contract and should be combined into a single performance obligation to be recognized over the contract period. The Company recognizes subscription revenue over monthly periods based on the typical service, invoicing and renewal cycle in accordance with our customer agreement terms.

We derive maintenance service revenue from providing unspecified updates, upgrades, bug fixes, and technical support services for our proprietary software. These services represent a stand-ready obligation that is concurrently delivered and has the same pattern of transfer to the customer; we account for these maintenance services as a single performance obligation. Maintenance revenue includes the same services provided by third-parties for remarketed software. We recognize substantially all maintenance revenue over the contract period of the maintenance agreement. We also recognize certain maintenance service revenue based on the volume of payment transactions processed by third parties through access to our software.

Professional services revenue primarily consists of fees for consulting, implementation, installation, integration and training and are generally recognized over time as the customer simultaneously receives and consumes the benefits of the professional services as the services are being performed. Certain professional development services are recognized upon delivery of the developed solutions to the customer. At the end of each reporting period, we recognize the most likely amount of variable consideration on any contract holdbacks we expect to bill for development services delivered. Professional services can be provided by internal or external providers, do not significantly affect the customer's ability to access or use other provided goods or services, and provide a measure of benefit beyond that of other promised goods or services in the contract. As a result, professional services are considered distinct in the context of the contract and represent a separate performance obligation. Professional services that are billed on a time and materials basis are recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time using an input method based on labor hours expended to date relative to the total labor hours expected to be required to satisfy the related performance obligation.

Our proprietary software licenses typically provide for a perpetual right to use our software. Generally, our contracts do not provide significant services of integration and customization, and installation services are not required to be purchased directly from us. The software is delivered before related services are provided and is functional without professional services, updates and technical support. We have concluded that the software license is distinct as the customer can benefit from the software on its own. Software revenue is typically recognized when the software is delivered or made available for download to the customer.

We recognize revenue for hardware sales when the product is shipped to the customer and when obligations that affect the customer's final acceptance of the arrangement have been fulfilled. Hardware is purchased from suppliers and provided to the end-user customers via drop-ship or from inventory. We are responsible for negotiating price both with the supplier and the customer, payment to the supplier, establishing payment terms and product returns with the customer, and we bear the credit risk if the customer does not pay for the goods. As the principal contact with the customer, we recognize revenue and cost of goods sold when we ship or are notified by the supplier that the product has been shipped. In certain limited instances, as shipping terms dictate, revenue is recognized upon receipt at the point of destination or upon installation at the customer site.

We use the market approach to derive standalone selling price ("SSP") by maximizing observable data points (in the form of recently executed customer contracts) to determine the price customers are willing to pay for the goods and services transferred. Shipping and handling fees billed to customers are recognized as revenue and the related costs are recognized in cost of goods sold. Revenue is recorded net of any applicable taxes collected and remitted to governmental agencies.

Disaggregation of Revenue

We derive and report our revenue from the sale of subscription and maintenance, professional services, and products (proprietary software licenses, third party hardware and operating systems). Subscription and maintenance, and substantially all professional services revenue recognized over time totaled \$77.3 million and \$66.7 million for the three months ended June 30, 2026 and 2025, respectively. Products revenue recognized at a point in time totaled \$10.3 million and \$10.0 million for the three months ended June 30, 2026 and 2025, respectively.

Contract Balances

Contract assets are rights to consideration in exchange for goods or services that we have transferred to a customer when that right is conditional on something other than the passage of time. The majority of our contract assets represent unbilled amounts related to products and professional services. We expect billing and collection of our contract assets to occur within the next twelve months. We receive payments from customers based upon contractual billing schedules and accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities represent consideration received or consideration which is unconditionally due from customers prior to transferring goods or services to the customer under the terms of the contract.

Revenue recognized from amounts included in contract liabilities at the beginning of the period was \$37.8 million and \$33.1 million for the three months ended June 30, 2026 and 2025, respectively. Because the right to the consideration became unconditional, we transferred to accounts receivable from contract assets at the beginning of the period, \$3.9 million and \$3.9 million for the three months ended June 30, 2026 and 2025, respectively.

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of contracts for which products have not been delivered or services have not been performed. As of June 30, 2026, the aggregate amount of the transaction price allocated to remaining performance obligations for contracts greater than one year was approximately \$153.0 million. The Company expects to recognize 42%, 30%, and 18% of the transaction price allocated to remaining performance obligations within the 12, 24, and 36 months following June 30, 2026, and the rest thereafter in our Consolidated Statements of Operations. The majority of our professional services are expected to be recognized over the next 12 months but this is contingent upon a number of factors, including customers' needs and schedules. We exclude remaining performance obligations for contracts where variable consideration is directly allocated based on usage or when the original expected duration is one year or less.

Assets Recognized from Costs to Obtain a Contract

Sales commission expenses that would not have occurred absent the customer contracts are considered incremental costs to obtain a contract. We expense the incremental costs to obtain a contract as incurred when the expected benefit and amortization period is one year or less. For subscription contracts that are renewed monthly based on an agreement term, we capitalize commission expenses and amortize as we satisfy the underlying performance obligations, generally based on the contract terms and anticipated renewals.

We had \$8.4 million and \$6.5 million of capitalized sales incentive costs as of June 30, 2026 and 2025, respectively. These balances are included in other non-current assets on our condensed consolidated balance sheets. During the three months ended June 30, 2026 and 2025, we expensed \$1.3 million and \$1.1 million, respectively, of sales commissions, which included amortization of capitalized amounts of \$0.7 million and \$0.5 million, respectively. These expenses are included in operating expenses – sales and marketing in our condensed consolidated statement of operations. All other costs to obtain a contract are not considered incremental and therefore are expensed as incurred.

4. Additional Balance Sheet Information

Additional information related to the Condensed Consolidated Balance Sheets is as follows:

(In thousands)	June 30, 2026	March 31, 2026
Prepaid expenses and other current assets:		
Prepaid expenses	\$ 6,331	\$ 9,064
Employee retention credits receivable (see Note 6, <i>Income Taxes</i>)	3,020	3,020
Other	97	117
Total	\$ 9,448	\$ 12,201
Accrued liabilities:		
Salaries, wages, employee benefits, and payroll taxes	\$ 10,381	\$ 21,014
Income and indirect taxes payable	2,758	2,059
Other	822	1,260
Total	\$ 13,961	\$ 24,333

5. Supplemental Disclosures of Cash Flow Information

Additional information related to the Condensed Consolidated Statements of Cash Flows is as follows:

(In thousands)	Three Months Ended June 30,	
	2026	2025
Cash receipts for interest	\$ 909	\$ 355
Cash payments for interest	43	219
Cash payments for income tax, net	390	512
Cash payments for operating leases	1,597	1,668
Accrued capital expenditures	—	48

6. Income Taxes

The following table compares our income tax provision and effective tax rates for the three months ended June 30, 2026 and 2025:

(Dollars in thousands)	Three months ended June 30,	
	2026	2025
Income tax provision (benefit)	\$ 1,819	\$ (41)
Effective tax rate	16.8%	nm

nm - not meaningful

For the three months ended June 30, 2026, income tax provision and the effective tax rate were primarily driven by the tax effects of share-based compensation, Net Controlled Foreign Corporation Tested Income (NCTI) and the mix of earnings in the U.S. and India.

For the three months ended June 30, 2025, income tax provision and the effective tax rate were primarily driven by the impact of discrete excess tax benefits associated with share-based compensation.

Our India subsidiary operates in a "Special Economic Zone (SEZ)". One of the benefits associated with the SEZ is that the India subsidiary is not subject to regular India income taxes during its first five years of operations, which included fiscal 2018 through fiscal 2022. The India subsidiary is subject to 50% of regular India income taxes during its second five years of operations, which includes fiscal 2023 through fiscal 2027.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is a stimulus bill which was in response to economic consequences of the COVID-19 pandemic. The CARES Act provided an employee retention credit, which is a refundable tax credit against certain employment taxes. We filed our employee retention credit claims under the CARES Act during January 2024. In accordance with ASU 2025-10, which we adopted early effective as of April 1, 2025 as permitted, we record any credits for which collection is probable after considering all facts and circumstances including whether any statutes of limitations apply. We consider collection probable once we receive confirmation that the Internal Revenue Service has processed our claim for the credit, and we know the amount of the credit plus any associated interest to be refunded. During the three months ended June 30, 2025, we recorded \$0.2 million of employee retention credits including associated interest received or expected to be received in cash as other (gains) charges, net, in the condensed consolidated statements of operations. As of June 30, 2026, we have \$3.0 million of employee retention credits receivable as other current assets on the condensed consolidated balance sheet. During July 2026, we received in cash \$3.0 million of employee retention credits.

We have recorded and maintain valuation allowances offsetting the Company's deferred tax assets in certain U.S. States and foreign jurisdictions. The ultimate realization of deferred tax assets depends on various factors including the generation of future taxable income in the periods in which the underlying temporary differences are deductible. We maintain valuation allowances for deferred tax assets until we have sufficient evidence to support the reversal of all or some portion of the allowances.

On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) was signed into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in the Company's fiscal 2026, including the restoration of immediate expensing of domestic research and development expenditures, reinstatement of accelerated fixed asset depreciation and modifications to the international tax framework. We applied the relevant changes to the Company's income tax provision for the period ended June 30, 2026, which did not materially impact the Company's consolidated tax position. We expect future cash tax savings resulting from the full expensing of U.S. research and development expenses under the OBBBA. OBBBA also amended and extended to calendar year 2030 the statute of limitations for employee retention credits under the CARES Act for certain employment taxes incurred during the three months ended September 30, 2021.

7. Commitments and Contingencies

We are involved in legal actions that arise in the ordinary course of business. It is the opinion of management that the resolution of any current pending litigation will not have a material adverse effect on our financial position or results of operations.

As of June 30, 2026, we have one additional operating lease that has not yet commenced of approximately \$0.9 million. This lease is expected to commence in fiscal year 2027 with an initial lease term of approximately 2 years.

8. Earnings per Share

The following data shows the amounts used in computing earnings per share and the effect on earnings and the weighted average number of shares of dilutive potential common shares.

(In thousands, except per share data)	Three Months Ended June 30,	
	2026	2025
Numerator:		
Net income	\$ 8,992	\$ 4,890
Denominator:		
Weighted average shares outstanding - basic	28,102	27,794
Dilutive SSARs	229	297
Dilutive unvested restricted stock units	34	36
Dilutive unvested restricted shares	55	162
Weighted average shares outstanding - diluted	28,420	28,289
Net Income per share - basic:	\$ 0.32	\$ 0.18
Net Income per share - diluted:	\$ 0.32	\$ 0.17
Anti-dilutive restricted shares, restricted stock units, and performance shares	234	138

Basic income per share is computed as net income attributable to common shareholders divided by the weighted average basic shares outstanding. The outstanding shares used to calculate the weighted average basic shares excludes 70,846 and 161,944 of restricted shares at June 30, 2026 and 2025, respectively, as these shares were issued but were not vested and therefore not considered outstanding for purposes of computing basic income per share at the balance sheet dates.

Diluted net income per share includes the effect of all potentially dilutive securities on earnings per share. We have stock-settled appreciation rights (SSARs), unvested restricted shares, restricted stock units, employee stock purchase plan (ESPP) shares, and performance shares, that are potentially dilutive securities.

9. Share-based Compensation

We may grant incentive stock options, non-qualified stock options, SSARs, restricted shares, restricted stock units, and performance shares under our shareholder-approved Amended and Restated 2024 Equity Incentive Plan (the 2024 Plan). We have equity awards outstanding under the 2024 Plan and under our prior 2020 Equity Incentive Plan, as Amended and Restated (the 2020 Plan, together with the 2024 Plan, the Equity Incentive Plans). The maximum aggregate number of common shares available for issuance under the Equity Incentive Plans is 3.2 million. We may also grant shares under our shareholder-approved Employee Stock Purchase Plan (the ESPP) for up to 0.5 million common shares.

We may distribute authorized but unissued shares or treasury shares to satisfy share option and SSAR exercises or grants of restricted shares, restricted stock units, performance shares, or ESPP shares.

For SSARs, the exercise price must be set at least equal to the closing market price of our common shares on the date of grant. The maximum term of SSARs is seven years from the date of grant. The Compensation Committee of the Board of Directors establishes the vesting period over which SSARs are subject to a service condition and the vesting criteria for SSARs subject to a market condition.

Restricted shares and restricted stock units, whether time-vested or performance-based, may be issued at no cost or at a purchase price that may be below their fair market value, but are subject to forfeiture and restrictions on their sale or other transfer. Performance-based grants may be conditioned upon the attainment of specified performance objectives and other conditions, restrictions, and contingencies. Restricted shares have the right to receive dividends, if any, upon vesting, subject to the same forfeiture provisions that apply to the underlying grants.

We record compensation expense related to SSARs, restricted shares, restricted stock units, performance shares, and ESPP shares granted to certain employees and non-employee directors based on the fair value of the awards on the grant date. The fair value of restricted stock unit and restricted share grants subject only to a service condition is based on the closing price of our common shares on the grant date. For stock option and SSAR grants subject only to a service condition, we estimate the fair value on the grant date using the Black-Scholes-Merton option pricing model with inputs including the closing market price at grant date, exercise price and assumptions regarding the risk-free interest rate, expected volatility of our common shares based on historical volatility, and expected term as estimated using the simplified method. We use the simplified method for SSAR grants because we believe historical exercise data does not provide a reasonable basis upon which to estimate the expected term. For restricted stock unit, restricted share, and SSAR grants subject to a market condition, we estimate the fair value on the grant date through a lattice option pricing model that utilizes a Monte Carlo analysis with inputs including the closing market price at grant date, share price threshold, performance period term and assumptions regarding the risk-free interest rate and expected volatility of our common shares based on historical volatility. Inputs for SSAR grants subject to a market condition also include exercise price, remaining contractual term, and suboptimal exercise factor.

We record compensation expense for restricted stock units, restricted shares, and SSAR grants subject to a service condition using the graded vesting method. We record compensation expense for ESPP shares on a straight-line basis over the applicable offering period. We record compensation expense for SSAR grants subject only to a market condition over the derived service period, which is an output of the lattice option pricing model.

The following table summarizes the share-based compensation expense for grants included in the Consolidated Statements of Operations:

(In thousands)	Three Months Ended June 30,	
	2026	2025
Product development	\$ 3,761	\$ 3,074
Sales and marketing	578	498
General and administrative	1,649	1,457
Total share-based compensation expense	\$ 5,988	\$ 5,029

Stock-Settled Appreciation Rights

SSARs are rights granted to an employee to receive value equal to the difference between the price of our common shares on the date of exercise and the exercise price. The value is settled in common shares of Agilysys, Inc.

There were no SSARs granted during the three months ended June 30, 2026 and 2025.

The following table summarizes the activity during the three months ended June 30, 2026 for SSARs awarded under our Equity Incentive Plans:

(In thousands, except share and per share data)	Number of Rights	Weighted-Average Exercise Price (per right)	Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at April 1, 2026	315,983	\$ 20.02		
Granted	—	0.00		
Exercised	(24,690)	20.02		
Forfeited	—	0.00		
Expired	—	0.00		
Outstanding at June 30, 2026	291,293	\$ 20.02	0.9	\$ 24,608
Exercisable at June 30, 2026	291,293	\$ 20.02	0.9	\$ 24,608
Vested at June 30, 2026	291,293	\$ 20.02	0.9	\$ 24,608

As of June 30, 2026, there was no unrecognized share-based compensation expense related to SSARs.

Restricted Shares

We granted shares to certain of our Directors, executives and key employees, the vesting of which is service-based. The following table summarizes the activity during the three months ended June 30, 2026 for restricted shares awarded under our Equity Incentive Plans:

	Number of Shares	Weighted-Average Grant-Date Fair Value (per share)
Outstanding at April 1, 2026	74,792	\$ 94.58
Granted	7,570	79.25
Vested	(11,141)	76.92
Forfeited	(375)	90.85
Expected to vest at June 30, 2026	70,846	\$ 95.75

As of June 30, 2026, total unrecognized share-based compensation expense related to unvested restricted shares was \$1.2 million, which is expected to be recognized over a weighted-average vesting period of 0.8 years.

Restricted Stock Units

We granted restricted stock units to certain of our Directors, executives and key employees, the vesting of which is service-based. Certain restricted stock units are also subject to a market condition. The following table summarizes the activity during three months ended June 30, 2026 for restricted stock units awarded under our Equity Incentive Plans:

	Number of Shares	Weighted-Average Grant-Date Fair Value (per share)
Outstanding at April 1, 2026	290,955	\$ 128.87
Granted	89,298	77.51
Vested	(7,091)	103.36
Forfeited	(2,074)	130.85
Expected to vest at June 30, 2026	371,088	\$ 116.99

We use a lattice option pricing model to estimate the fair value of restricted stock units subject to a market condition. There were no restricted stock units subject to a market condition granted in fiscal 2026. The following table summarizes the principal valuation assumptions utilized and the resulting fair value of restricted stock units subject to a market condition granted in fiscal 2027:

	2026
Risk-free interest rate over contractual term	4.2%
Expected volatility	49.0%
Weighted-average grant date fair value	\$60.33 - \$73.76

As of June 30, 2026, total unrecognized share-based compensation expense related to non-vested restricted stock units was \$25.4 million, which is expected to be recognized over the weighted-average vesting period of 2.3 years.

Performance Shares

Upon approval of the Compensation Committee of our Board of Directors, after achieving the performance conditions associated with our annual bonus plan, we granted 7,570 common shares to our Chief Executive Officer in May 2026 that vested immediately for a total value of \$0.6 million.

Employee Stock Purchase Plan Shares

The ESPP permits participants to purchase common stock through regular payroll deductions, up to a specified percentage of their eligible compensation. The ESPP is compensatory because, among other provisions, it currently allows participants to purchase stock at up to a 15% discount from the lower of the closing price of a share of our common stock on the first or last trading day of the ESPP offering period. We measure share-based compensation expense for the ESPP based on the fair value of the ESPP grant at the beginning of the offering period. The fair value includes the value of the discount and the value associated with the call and put options that take advantage of the variability in the common stock price during the

offering period. We estimate the value of the call and put options using the Black-Scholes-Merton option pricing model with inputs including the closing market price of our common stock on the first date of the offering period and assumptions regarding the risk-free interest rate, expected term, and expected volatility of our common shares over the offering period based on historical volatility. We used the following inputs including principal assumptions for the following offering period reflected in our consolidated financial statements:

	Offering Period Ended June 30, 2026	Offering Period Ended December 31, 2025	Offering Period Ended June 30, 2025
Grant date fair value	\$ 118.84	\$ 115.19	\$ 131.71
Risk-free interest rate over contractual term	3.62%	4.30%	4.31%
Expected term (in years)	0.49	0.50	0.49
Expected volatility	45.17%	60.10%	42.40%

The risk-free interest rate is based on the yield of a zero coupon U.S. Treasury bond whose maturity period approximates the expected term of the ESPP shares. The expected term is the offering period, which is typically six months.

We record amounts withheld from participants during each offering period in accrued salaries, wages and related benefits in the consolidated balance sheets until such shares are purchased. Amounts withheld from participants for the offering period ended June 30, 2026 totaled \$0.7 million as of June 30, 2026.

As of June 30, 2026, there was no unrecognized share-based compensation expense related to the offering period ended June 30, 2026.

10. Segment Information

Operating segments represent components of an entity for which discrete financial information is available to the entity's chief operating decision maker ("CODM"). Our Chief Executive Officer is our CODM.

We operate as a single reporting segment providing software solutions to the global hospitality industry as our CODM reviews the financial information presented on a consolidated basis to allocate resources, assess financial performance, and make operating decisions. During our budgeting and forecasting process, our CODM allocates resources including employees, equipment and financial resources. Our CODM regularly considers forecast-to-actual variances to assess financial performance and to make operating decisions around product development, pricing, employee compensation, and for investments in information security and technology infrastructure, and in market development. The Company's measure of segment profit or loss is net income as shown in our Consolidated Statements of Operations.

Our CODM reviews segment assets, reported as total assets on our Consolidated Balance Sheets, and capital expenditures, as reported in our Consolidated Statements of Cash Flows.

The segment accounting policies are the same as those we describe in Note 2, *Summary of Significant Accounting Policies*, except that certain expense allocations we make for presentation of Cost of goods sold as reported in our Consolidated Statements of Operations in accordance with U.S. GAAP, primarily for employee compensation, are not applied to cost of revenue as reported in the table below.

The significant expense categories and consolidated net income provided to the CODM for the three months ended June 30, 2026 and 2025 are as follows:

(In thousands)	Three Months Ended June 30,	
	2026	2025
Net revenue:		
Subscription and maintenance	\$ 57,742	\$ 48,623
Professional services	19,593	18,098
Products	10,342	9,954
Total net revenue	87,677	76,675
Cost of revenue ⁽¹⁾	15,113	12,503
Product development expenses ⁽¹⁾	17,485	16,304
Sales and marketing expenses ⁽¹⁾	11,791	11,457
Professional services expenses ⁽¹⁾	11,365	10,761
Customer support expenses ⁽¹⁾	4,214	3,834
General and administrative expenses ⁽¹⁾	9,591	9,452
Share-based compensation	5,988	5,029
Other segment items ⁽²⁾	3,138	2,445
Net income	\$ 8,992	\$ 4,890

(1) Exclusive of share-based compensation shown separately

(2) Other segment items include depreciation, amortization of internal-use software and intangibles, legal settlements, interest income and expense, other non-operating income and expense, income tax benefit, and other (gains) charges, net

For the three months ended June 30, 2026 and 2025, revenue from external customers attributed to the U.S. was 88% and 86%, respectively, of total revenue. Revenue from external customers attributed to any individual foreign country is immaterial. We attribute revenue from external customers based on their ship to location. Our customer base is highly fragmented.

The following table lists long-lived assets by geographical area, which includes property and equipment, net and operating lease right-of-use assets as of June 30, 2026 and March 31, 2026:

(In thousands)	June 30, 2026		March 31, 2026	
United States	\$	14,896	\$	15,327
India		11,155		11,727
Rest of world ⁽¹⁾		721		719
Total long-lived assets	\$	26,772	\$	27,773

(1) No individual country other than the United States and India exceeded 10% of our total long-lived assets for any period presented

11. Debt

Revolving Credit Facility

On August 16, 2024 (the “Credit Agreement Closing Date”), we entered into a credit agreement (the “Credit Agreement”) with the lenders party thereto and Bank of America, N.A., as lender and administrative agent (in such capacity, the “Agent”). The Credit Agreement provides for a revolving credit facility in the initial maximum aggregate principal amount of \$75.0 million (the “Revolving Facility”). The Revolving Facility includes the ability for the Company to request an increase to the commitments under the Revolving Facility by an additional aggregate principal amount of up to \$25.0 million. There is no principal balance outstanding as of June 30, 2026.

The Revolving Facility matures on August 16, 2027, the three-year anniversary of the Credit Agreement Closing Date, at which time any and all outstanding principal balance will be due and payable. The Company may voluntarily repay outstanding loans and terminate commitments under the Revolving Facility at any time without premium or penalty. There are no repayments required before August 16, 2027. Debt issuance costs relating to the Revolving Facility of \$0.3 million, included in other non-current assets on our condensed consolidated balance sheet, amortize into interest expense over the three-year life of the Credit Agreement.

Our obligations under the Revolving Facility are guaranteed by certain of the Company’s subsidiaries (the “Subsidiary Guarantors”), subject to certain customary exceptions and limitations. Pursuant to a security and pledge agreement, dated as of the Credit Agreement Closing Date, among the Company, the Subsidiary Guarantors and the Agent, the Revolving Facility is secured by a first-priority lien on substantially all of the Company’s and the Subsidiary Guarantors’ present and future personal assets and intangible assets and the outstanding capital stock of the Company’s subsidiaries owned by the Company or any Subsidiary Guarantor, in each case, subject to certain customary exceptions and limitations.

The initial amounts drawn on the Revolving Facility bore interest at the SOFR Daily Floating Rate (as defined in the Credit Agreement), plus an initial margin of 1.625%, which was subject to adjustment as of each fiscal quarter end within the ranges set forth in the Credit Agreement. We are to pay a commitment fee under the Revolving Facility in respect of any unutilized commitments thereunder, which is determined on a leverage-based sliding scale ranging from 0.225% to 0.325% per annum. We record the commitment fee as a component of interest expense. Interest and commitment fees are payable quarterly as applicable.

The Credit Agreement contains certain restrictive covenants, including financial covenants that require the Company to maintain a consolidated interest coverage ratio and a consolidated leverage ratio determined at the end of each fiscal quarter as defined in the Credit Agreement. We were in compliance with all financial covenants of the Credit Agreement as of June 30, 2026.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), management explains the general financial condition and results of operations for Agilysys and subsidiaries including:

- what factors affect our business;*
- what our earnings and costs were;*
- why those earnings and costs were different from the year before;*
- where the earnings came from;*
- how our financial condition was affected; and*
- where the cash will come from to fund future operations.*

The MD&A analyzes changes in specific line items in the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows and provides information that management believes is important to assessing and understanding our consolidated financial condition and results of operations. This Quarterly Report on Form 10-Q updates information included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2026, filed with the Securities and Exchange Commission (SEC). This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and related Notes that appear in Item 1 of this Quarterly Report as well as our Annual Report for the year ended March 31, 2026. Information provided in the MD&A may include forward-looking statements that involve risks and uncertainties. Many factors could cause actual results to be materially different from those contained in the forward-looking statements. See "Forward-Looking Information" on page 25 of this Quarterly Report, Item 1A "Risk Factors" in Part II of this Quarterly Report, and Item 1A "Risk Factors" in Part I of our Annual Report for the fiscal year ended March 31, 2026 for additional information concerning these items. Management believes that this information, discussion, and disclosure is important in making decisions about investing in Agilysys.

Overview

Recent Developments

Macroeconomic Conditions

During the three months ended June 30, 2026, global macroeconomic and geopolitical conditions were, and continue to be, shaped by a number of factors, including, but not limited to, changes in global tariff and other trade policies, new and existing domestic and foreign laws and regulations, armed conflicts, foreign currency fluctuations, labor shortages and natural disasters. We believe such factors are negatively influencing customer spending and provider pricing decisions resulting in decreased demand, increased costs, and reduced margins with varying impact across our markets.

Our Business

Agilysys has been a leader in hospitality software for more than 45 years, delivering innovative cloud-native SaaS and on-premise solutions for hotels, multi-amenity resorts, cruise lines, casinos, corporate foodservice management, restaurants, universities, stadiums, and healthcare facilities. The Company's software solutions include point-of-sale (POS), property management (PMS), inventory and procurement, payments, and related applications that manage and enhance the entire guest journey. Agilysys is also known for its world-class customer-centric service. Many of the top hospitality companies around the world use Agilysys solutions to improve guest loyalty, drive revenue growth, and increase operational efficiencies.

The Company has one reportable segment serving the global hospitality industry. Agilysys operates across the Americas, Europe, the Middle East, Africa, Asia-Pacific, and India with headquarters located in Alpharetta, GA.

Our top priority is increasing shareholder value by improving operating and financial performance and profitably growing the business through superior products and services. To that end, we expect to invest a certain portion of our cash on hand to fund enhancements to existing software products, to develop and market new software products, and to expand our customer breadth, both vertically and geographically.

Our strategic plan specifically focuses on:

- Putting the customer first
- Focusing on product innovation and development
- Improving our liquidity

- Increasing organizational efficiency and teamwork
- Developing our employees and leaders
- Growing revenue by improving the breadth and depth of our product set across both point-of-sale and property management applications
- Growing revenue through international expansion

The primary objective of our ongoing strategic planning process is to create shareholder value by capitalizing on growth opportunities, increasing profitability and strengthening our competitive position within the specific technology solutions and end markets we serve. Profitability and industry-leading growth will be achieved through tighter management of operating expenses and sharpening the focus of our investments to concentrate on growth opportunities that offer the highest returns.

Revenue - Defined

As required by the SEC, we separately present revenue earned as subscription and maintenance revenue, professional services revenue or products revenue in our condensed consolidated statements of operations. In addition to the SEC requirements, we may, at times, also refer to revenue as defined below. The terminology, definitions, and applications of terms we use to describe our revenue may be different from those used by other companies and caution should be used when comparing these financial measures to those of other companies. We use the following terms to describe revenue:

- Revenue – We present revenue net of sales returns and allowances.
- Subscription and maintenance revenue – Revenue earned from the ongoing delivery of software updates, upgrades, bug fixes, technical support, and transaction-based fees over the period covered by subscription or maintenance agreements with our customers for both proprietary and remarketed solutions.
- Professional services revenue – Revenue earned from the delivery of implementation, integration, development and installation services for proprietary and remarketed products.
- Products revenue – Revenue earned from the sales of software licenses, third party hardware and operating systems.

Results of Operations

First Fiscal Quarter 2026 Compared to First Fiscal Quarter 2025

Net Revenue and Operating Income

The following table presents our consolidated revenue and operating results for the three months ended June 30, 2026 and 2025:

(In thousands)	Three Months Ended June 30,		Increase (decrease)	
	2026	2025	\$	%
Net revenue:				
Subscription and maintenance	\$ 57,742	\$ 48,623	\$ 9,119	18.8%
Professional services	19,593	18,098	1,495	8.3%
Products	10,342	9,954	388	3.9%
Total net revenue	87,677	76,675	11,002	14.3%
Cost of goods sold:				
Subscription and maintenance	12,726	9,983	2,743	27.5%
Professional services	12,661	13,199	(538)	(4.1)%
Products	6,633	6,199	434	7.0%
Total cost of goods sold	32,020	29,381	2,639	9.0%
Gross profit	\$ 55,657	\$ 47,294	\$ 8,363	17.7%
Gross profit margin	63.5%	61.7%		
Operating expenses:				
Product development	\$ 20,245	\$ 17,454	\$ 2,791	16.0%
Sales and marketing	12,195	11,793	402	3.4%
General and administrative	11,111	10,755	356	3.3%
Depreciation of fixed assets	826	944	(118)	(12.5)%
Amortization of internal-use software and intangibles	1,427	1,457	(30)	(2.1)%
Other (gains) charges, net	115	256	(141)	(55.1)%
Legal settlements	—	114	(114)	nm
Operating income	\$ 9,738	\$ 4,521	\$ 5,217	115.4%
Operating income percentage	11.1%	5.9%		

nm - not meaningful

The following table presents the percentage relationship of our condensed consolidated statement of operations line items to our consolidated net revenues for the periods presented:

	Three Months Ended June 30,	
	2026	2025
Net revenue:		
Subscription and maintenance	65.9 %	63.4 %
Professional services	22.3	23.6
Products	11.8	13.0
Total net revenue	100.0 %	100.0 %
Cost of goods sold:		
Subscription and maintenance	14.5 %	13.0 %
Professional services	14.4	17.2
Products	7.6	8.1
Total cost of goods sold	36.5 %	38.3 %
Gross profit	63.5 %	61.7 %
Operating expenses:		
Product development	23.1 %	22.8 %
Sales and marketing	13.9	15.4
General and administrative	12.7	14.0
Depreciation of fixed assets	1.0	1.2
Amortization of internal-use software and intangibles	1.6	1.9
Other (gains) charges, net	0.1	0.4
Legal settlements	0.0	0.1
Operating income	11.1 %	5.9 %

Net revenue. Total net revenue increased \$11.0 million, or 14.3%, during the first quarter of fiscal 2027 compared to the first quarter of fiscal 2026. Subscription and maintenance revenue increased \$9.1 million, or 18.8%, compared to the first quarter of fiscal 2026 driven by continued growth in subscription-based service revenue. Total subscription revenue increased 26.1% during the first quarter of fiscal 2027 compared to the first quarter of fiscal 2026. Professional services revenue increased \$1.5 million, or 8.3%, due to higher service activity as our new and existing customers continue implementing technology to improve their operations. Products revenue increased \$0.4 million, or 3.9%, due to the fulfillment of perpetual software licenses compared to the prior year quarter.

Gross profit and gross profit margin. Our total gross profit increased \$8.4 million, or 17.7%, during the first quarter of fiscal 2027 and total gross profit margin increased from 61.7% to 63.5% compared to the first quarter of fiscal 2026 driven by changes in the composition of revenue by category. Subscription and maintenance gross profit increased \$6.4 million, or 16.5%, and gross profit margin decreased from 79.5% to 78.0% as certain variable costs increased ahead of related subscription revenue. Professional services gross profit increased \$2.0 million, or 41.5%, and gross profit margin increased from 27.1% to 35.4% reflecting improved utilization rates from efficiency gains on multi-solution implementations. Products gross profit decreased 1.2%, and products gross profit margin decreased from 37.7% to 35.9% due to the composition of hardware and proprietary software products delivered.

Operating Expenses

Operating expenses, excluding other (gains) charges, net, and legal settlements, net, increased \$3.4 million, or 8.0%, during the first quarter of fiscal 2027 compared with the first quarter of fiscal 2026.

Product development. Product development increased \$2.8 million, or 16.0%, in the first quarter of fiscal 2027 compared with the first quarter of fiscal 2026 due to hiring and increased salary, incentive and employee benefits rates across our development teams.

Sales and marketing. Sales and marketing increased \$0.4 million, or 3.4%, in the first quarter of fiscal 2027 compared with the first quarter of fiscal 2026 due to hiring and increased compensation rates across our sales teams offset by timing of marketing event and trade show activity.

General and administrative. General and administrative increased \$0.4 million, or 3.3%, in the first quarter of fiscal 2027 compared with the first quarter of fiscal 2026 due to increased compensation rates across our administrative teams.

Depreciation of fixed assets. Depreciation of fixed assets remained consistent with the first quarter of fiscal 2026.

Amortization of internal-use software and intangibles. Amortization of internal-use software and intangibles remained consistent with the first quarter of fiscal 2026.

Other (gains) charges, net. Other (gains) charges, net, consist of losses on asset disposals, severance costs, charitable contributions, employee retention credits, and acquisition costs related to business combinations.

Legal settlements, net. Legal settlements, net, consist of certain customer and employment settlements and other business-related matters net of any recoveries.

Other income (expense), net

(In thousands)	Three Months Ended June 30,		Favorable (unfavorable)	
	2026	2025	\$	%
Other income (expense):				
Interest income	\$ 990	\$ 447	\$ 543	121.5%
Interest expense	(70)	(217)	147	nm
Other income (expense), net	153	98	55	nm
Total other income, net	\$ 1,073	\$ 328	\$ 745	227.1%

Interest income. Interest income consists of interest earned on cash equivalents including short-term investments in commercial paper, treasury bills and money market funds.

Interest expense. Interest expense consists of interest charges under our Credit Agreement and amortization of related debt issuance costs.

Other income (expense), net. Other income (expense), net, mainly consists of movement of foreign currencies against the U.S. dollar.

Income Taxes

(In thousands)	Three Months Ended June 30,		Unfavorable	
	2026	2025	\$	%
Income tax benefit	\$ 1,819	\$ (41)	\$ 1,860	nm
Effective tax rate	16.8%	nm		

nm - not meaningful

For the three months ended June 30, 2026, income tax provision and the effective tax rate were primarily driven by the tax effects of share-based compensation, Net Controlled Foreign Corporation Tested Income (NCTI) and the mix of earnings in the U.S. and India.

For the three months ended June 30, 2025, income tax provision and the effective tax rate were primarily driven by the impact of discrete excess tax benefits associated with share-based compensation.

We are consistently subject to tax audits. Due to the nature of examinations in multiple jurisdictions, changes could occur in the amount of gross unrecognized tax benefits during the next 12 months that we cannot anticipate.

We have recorded and maintain valuation allowances offsetting the Company's deferred tax assets in certain U.S. States and foreign jurisdictions. The ultimate realization of deferred tax assets depends on various factors including the generation of future taxable income in the periods in which the underlying temporary differences are deductible. We maintain valuation allowances for deferred tax assets until we have sufficient evidence to support the reversal of all or some portion of the allowances.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is a stimulus bill which was in response to economic consequences of the COVID-19 pandemic. The CARES Act provided an employee retention credit, which is a refundable tax credit against certain employment taxes. During the three months ended June 30, 2025, we recorded \$0.2 million of employee retention credits under the CARES Act including associated interest received or expected to be received in cash as other (gains) charges, net, in the condensed consolidated statements of operations. As of June 30, 2026, we have recorded \$3.0 million of employee retention credits receivable as other current assets on the condensed consolidated balance sheet.

On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) was signed into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in the Company's fiscal 2026, including the restoration of immediate expensing of domestic research and development expenditures, reinstatement of accelerated fixed asset depreciation and modifications to the international tax framework. We applied the relevant changes to the Company's income tax provision for the period ended June 30, 2026, which did not materially impact the Company's consolidated tax position. We expect future cash tax savings resulting from the full expensing of U.S. research and development expenses under the OBBBA. OBBBA also amended and extended to calendar year 2030 the statute of limitations for employee retention credits under the CARES Act for certain employment taxes incurred during the three months ended September 30, 2021.

Liquidity and Capital Resources

Overview

Our primary recurring source of cash is the collection of proceeds from the sale of products and services to our customers, including cash periodically collected in advance of delivery or performance.

Our cash requirements consist primarily of working capital needs, capital expenditures, and payments of contractual obligations. Our contractual obligations consist primarily of operating leases for office space and a credit agreement (the "Credit Agreement") we entered into on August 16, 2024, with the lenders party thereto and Bank of America, N.A., as lender and administrative agent, as further described in Note 11, *Debt*, to our condensed consolidated financial statements included under Part I, Item 1 of this quarterly report.

The Credit Agreement provides for a revolving credit facility in the initial maximum aggregate principal amount of \$75 million (the "Revolving Facility"). The Revolving Facility includes the ability for the Company to request an increase to the commitments under the Revolving Facility by an additional aggregate principal amount of up to \$25 million. There is no principal balance outstanding as of June 30, 2026.

We have expanded our business in part by investing in strategic growth through business acquisitions. We have used cash as consideration in our business acquisitions partially funded by our Revolving Facility. We completed no business combinations during the three months ended June 30, 2026 and 2025, respectively.

At June 30, 2026, 100% of our cash and cash equivalents, of which 90% were located in the United States, were deposited in bank accounts or invested in highly liquid investments including commercial paper and treasury bills with original maturity from the date of acquisition of three months or less and money market funds. We determine the fair value of commercial paper using significant other observable inputs based on pricing from independent sources that use quoted prices in active markets for identical assets or other observable inputs including benchmark yields and interest rates. We believe credit risk is limited with respect to our cash and cash equivalents.

We believe that cash flow from operating activities, cash on hand of \$123.7 million as of June 30, 2026, and access to capital markets will provide adequate funds to meet our short- and long-term liquidity requirements.

Cash Flow

(In thousands)	Three Months Ended June 30,			
	2026		2025	
Net cash provided by (used in):				
Operating activities	\$	7,833	\$	(4,346)
Investing activities		(520)		(633)
Financing activities		(419)		(12,924)
Effect of exchange rate changes on cash		(79)		426
Increase (decrease) in cash	\$	6,815	\$	(17,477)

Cash flow provided by (used in) operating activities. Due to cash-based earnings of \$18.7 million and a decrease of \$10.9 million due to changes in net operating assets and liabilities. Cash-based earnings is net income of \$9.0 million and \$9.7 million of non-cash adjustments.

Cash flow used in investing activities. Consists of property and equipment purchases.

Cash flow used in financing activities. Consists of the repurchase of shares to satisfy employee tax withholding on share-based compensation and, for the three months ended June 30, 2025, \$12.0 million in debt repayments.

Contractual Obligations

As of June 30, 2026, there were no significant changes to our contractual obligations as presented in our Annual Report for the year ended March 31, 2026.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements that have had or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies

A detailed description of our significant accounting policies is included in our Annual Report for the year ended March 31, 2026. There have been no material changes in our significant accounting policies and estimates since March 31, 2026.

Forward-Looking Information

This Quarterly Report and other publicly available documents, including the documents incorporated herein and therein by reference, contain, and our officers and representatives may from time to time make, "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "outlook," "forecast," "preliminary," "estimate," "expect," "strategy," "future," "likely," "may," "would," "could," "should," "will" and similar references to future periods. These statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict. These statements are based on management's current expectations, intentions, or beliefs and are subject to a number of factors, assumptions, and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include the risk factors set forth in Item 1A in Part II of this Quarterly Report and Item 1A of our Annual Report for the fiscal year ended March 31, 2026. We undertake no obligation to update any such factor or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events, or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk affecting us, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," contained in our Annual Report for the fiscal year ended March 31, 2026. There have been no material changes in our market risk exposures since March 31, 2026.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision of and with the participation of our Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Corporate Controller and Treasurer, as Principal Accounting Officer ("PAO"), management evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report. Based on that evaluation, the CEO, CFO and PAO concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting occurred during the three months ended June 30, 2026 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO, CFO and PAO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be achieved. Further, the design of a control system must reflect the impact of resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the possibility that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors. Additionally, controls can be circumvented by individual acts, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all possible future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes in the risk factors included in our Annual Report for the fiscal year ended March 31, 2026 that may materially affect our business, results of operations, or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

On June 12, 2026, William David Wood III, Chief Financial Officer of the Company, adopted a Rule 10b5-1 trading plan (the “Wood Plan”) for the sale of up to 4,536 shares of common stock. The Wood Plan will terminate on December 31, 2026, unless terminated earlier in accordance with its terms.

Item 6. Exhibits

- 10.1* [Employment Agreement, dated as of June 18, 2026, by and between Agilysys, Inc. and Ramesh Srinivasan \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 22, 2026\).](#)
- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)
- 31.3 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Corporate Controller and Treasurer.](#)
- 32 [Certification of Chief Executive Officer, Chief Financial Officer and Corporate Controller and Treasurer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.](#)
- 101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)
- * Denotes a management contract or compensatory plan or arrangement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

AGILYSYS, INC.

Date: July 27, 2026

/s/ William David Wood III
William David Wood III
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Ramesh Srinivasan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Agilysys, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2026

By: /s/ Ramesh Srinivasan
Ramesh Srinivasan
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, William David Wood III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Agilysys, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2026

By: /s/ William David Wood III
William David Wood III
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Chris J. Robertson
Chris J. Robertson
Corporate Controller and Treasurer
(Principal Accounting Officer)

CERTIFICATION

Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Ramesh Srinivasan, the Chief Executive Officer, William David Wood III, the Chief Financial Officer, and Chris J. Robertson, the Corporate Controller and Treasurer, of Agilysys, Inc. (the “Company”), hereby certify, that, to their knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2026 (the “ **Report** ”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 27, 2026

By: /s/ Ramesh Srinivasan
Ramesh Srinivasan
President and Chief Executive Officer
(Principal Executive Officer)

/s/ William David Wood III
William David Wood III
Chief Financial Officer
(Principal Financial Officer)

/s/ Chris J. Robertson
Chris J. Robertson
Corporate Controller and Treasurer
(Principal Accounting Officer)