

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, 2025

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 18, 2025, the registrant had 28,042,795 shares of common stock outstanding.

AGILYSYS, INC.

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AGILYSYS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	June 30, 2025 (Unaudited)	March 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 55,564	\$ 73,041
Accounts receivable, net of allowance for expected credit losses of \$925 and \$627, respectively	35,057	31,529
Contract assets	3,814	4,523
Inventories	6,623	5,174
Prepaid expenses and other current assets	7,469	9,260
Total current assets	108,527	123,527
Property and equipment, net	16,200	16,718
Operating lease right-of-use assets	16,154	17,114
Goodwill	136,103	130,640
Intangible assets, net	71,993	70,802
Deferred income taxes, non-current	67,099	66,520
Other non-current assets	9,970	9,049
Total assets	\$ 426,046	\$ 434,370
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 14,279	\$ 12,388
Contract liabilities	65,389	70,654
Accrued liabilities	12,284	22,324
Operating lease liabilities, current	5,602	5,658
Total current liabilities	97,554	111,024
Deferred income taxes, non-current	11,526	10,986
Operating lease liabilities, non-current	16,306	17,304
Debt, non-current	12,000	24,000
Other non-current liabilities	5,441	5,170
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 28,035,462 and 28,015,775 shares outstanding at June 30, 2025 and March 31, 2025, respectively	10,003	10,003
Treasury shares, 5,306,826 and 5,326,513 at June 30, 2025 and March 31, 2025, respectively	(1,595)	(1,600)
Capital in excess of stated value	114,996	109,785
Retained earnings	165,870	160,980
Accumulated other comprehensive loss	(6,055)	(13,282)
Total shareholders' equity	283,219	265,886
Total liabilities and shareholders' equity	\$ 426,046	\$ 434,370

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,	
	2025	2024
Net revenue:		
Products	\$ 9,954	\$ 9,874
Subscription and maintenance	48,623	38,043
Professional services	18,098	15,595
Total net revenue	76,675	63,512
Cost of goods sold:		
Products	6,199	5,226
Subscription and maintenance	9,983	8,108
Professional services	13,199	10,310
Total cost of goods sold	29,381	23,644
Gross profit	47,294	39,868
Gross profit margin	61.7%	62.8%
Operating expenses:		
Product development	17,454	14,720
Sales and marketing	11,793	7,014
General and administrative	10,755	10,483
Depreciation of fixed assets	944	838
Amortization of internal-use software and intangibles	1,457	251
Other charges, net	256	550
Legal settlements	114	265
Total operating expense	42,773	34,121
Operating income	4,521	5,747
Other income (expense):		
Interest income	447	1,782
Interest expense	(217)	—
Other income (expense), net	98	(157)
Income before taxes	4,849	7,372
Income tax benefit	(41)	(6,734)
Net income	\$ 4,890	\$ 14,106
Weighted average shares outstanding - basic	27,794	27,134
Net income per share - basic:	\$ 0.18	\$ 0.52
Weighted average shares outstanding - diluted	28,289	28,127
Net income per share - diluted:	\$ 0.17	\$ 0.50

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,	
	2025	2024
Net income	\$ 4,890	\$ 14,106
Other comprehensive income (loss):		
Unrealized foreign currency translation adjustments	7,227	(158)
Total comprehensive income	\$ 12,117	\$ 13,948

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,	
	2025	2024
Operating activities		
Net income	\$ 4,890	\$ 14,106
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation of fixed assets	944	838
Amortization of internal-use software and intangibles	1,457	213
Amortization of developed technology acquired	166	38
Deferred income taxes	(556)	(8,861)
Share-based compensation	5,029	4,429
Changes in operating assets and liabilities	(16,276)	(9,665)
Net cash (used in) provided by operating activities	(4,346)	1,098
Investing activities		
Capital expenditures	(633)	(869)
Net cash used in investing activities	(633)	(869)
Financing activities		
Debt repayments	(12,000)	—
Repurchase of common shares to satisfy employee tax withholding	(924)	(925)
Net cash used in financing activities	(12,924)	(925)
Effect of exchange rate changes on cash	426	(84)
Net decrease in cash and cash equivalents	(17,477)	(780)
Cash and cash equivalents at beginning of period	73,041	144,891
Cash and cash equivalents at end of period	\$ 55,564	\$ 144,111

See accompanying notes to unaudited condensed consolidated financial statements.

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

Three Months Ended June 30, 2025

	Common Shares				Capital in excess of Stated value	Retained earnings	Accumulated other comprehensive income (loss)	Total
(In thousands, except share data)	Issued Shares	Stated value	In Treasury Shares	Stated value				
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

Three Months Ended June 30, 2024

	Three Months Ended June 30, 2024							
	Common Shares							
	Issued		In Treasury		Capital in excess of	Retained	Accumulated other	
(In thousands, except share data)	Shares	Stated value	Shares	Stated value	Stated value	earnings	comprehensive income (loss)	Total
Balance at March 31, 2024	33,342	\$ 10,003	(5,965)	\$ (1,791)	\$ 94,680	\$ 137,755	\$ (4,170)	\$ 236,477
Share-based compensation	—	—	—	—	4,850	—	—	4,850
Other common stock issuances, net	—	—	11	3	(3)	—	—	—
Shares issued upon exercise of SSARs	—	—	498	150	(150)	—	—	—
Shares withheld for taxes upon exercise of SSARs or vesting of other grants	—	—	(14)	(4)	(1,100)	—	—	(1,104)
Net income	—	—	—	—	—	14,106	—	14,106
Unrealized translation adjustments	—	—	—	—	—	—	(158)	(158)
Balance at June 30, 2024	33,342	10,003	(5,470)	(1,642)	98,277	151,861	(4,328)	254,171

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, 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 also is 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 North America, Europe, the Middle East, Asia-Pacific, and India, with headquarters in Alpharetta, GA.

The Company has just 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 2026 refers to the fiscal year ending March 31, 2026.

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, 2025, as well as the Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Comprehensive Income, Condensed Consolidated Statements of Cash Flows, and Condensed Consolidated Statements of Shareholders' Equity for the three months ended June 30, 2025 and 2024, 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, 2025, filed with the Securities and Exchange Commission (SEC) on May 23, 2025.

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, 2025, 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 November 2024, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. We are currently assessing the impact on our disclosures.

In December 2023, the FASB issued ASU No. 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”) to update income tax disclosure requirements primarily by requiring specific categories and greater disaggregation within the rate reconciliation and disaggregation of income taxes paid by jurisdiction. The amendments in the ASU also remove disclosures related to certain unrecognized tax benefits and deferred taxes. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, or our fiscal 2026. The amendments may be applied prospectively or retrospectively with early adoption is permitted. We are currently assessing the impact on our disclosures.

In November 2023, the FASB issued ASU No. 2023-07 *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”) to report incremental segment information on an annual and interim basis, primarily through enhanced disclosures about significant segment expenses included within each reported measure of segment profit or loss. ASU 2023-07 applies to entities with a single reportable segment. Annual disclosures are required for fiscal years beginning after December 15, 2023, or our fiscal 2025, and subsequent interim periods. We adopted ASU 2023-07 as of April 1, 2024, with retrospective application for all prior periods presented as required by the standard. Since the standard only impacts disclosure requirements, the adoption of the standard did not impact our consolidated financial statements. See Note 10, *Segment Information*.

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 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 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.

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 is 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 a one-month period based on the typical monthly 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 revenues primarily consist of fees for consulting, implementation, installation, integration, development 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.

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. If the contract contains a single performance obligation, the entire transaction price is allocated to that performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative SSP basis.

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 products (proprietary software licenses, third party hardware and operating systems), subscription and maintenance, and professional services. Products revenue recognized at a point in time totaled \$10.0 million and \$9.9 million for the three months ended June 30, 2025 and 2024, respectively. Subscription, maintenance, and substantially all professional services revenue recognized over time totaled \$66.7 million and \$53.6 million for the three months ended June 30, 2025 and 2024, 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 \$33.1 million and \$26.8 million for the three months ended June 30, 2025 and 2024, 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 \$1.9 million for the three months ended June 30, 2025 and 2024, respectively.

Substantially all of our arrangements are for a period of one year or less. As a result, unsatisfied performance obligations as of June 30, 2025 are expected to be satisfied and the allocated transaction price recognized in revenue within a period of 12 months 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 \$6.5 million and \$4.8 million of capitalized sales incentive costs as of June 30, 2025 and 2024, respectively. These balances are included in other non-current assets on our condensed consolidated balance sheets. During the three months ended June 30, 2025 and 2024, we expensed \$1.1 million and \$0.9 million, respectively, of sales commissions, which included amortization of capitalized amounts of \$0.5 million and \$0.4 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, 2025	March 31, 2025
Prepaid expenses and other current assets:		
Prepaid expenses	\$ 6,911	\$ 8,059
Other	558	1,201
Total	\$ 7,469	\$ 9,260
Accrued liabilities:		
Salaries, wages, employee benefits, and payroll taxes	\$ 8,568	\$ 17,007
Income and indirect taxes payable	1,984	1,512
Other	1,732	3,805
Total	\$ 12,284	\$ 22,324

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,	
	2025	2024
Cash receipts for interest	\$ 355	\$ 1,424
Cash payments for interest	219	—
Cash payments for income tax, net	512	578
Cash payments for operating leases	1,668	912
Accrued capital expenditures	48	181

6. Income Taxes

The following table compares our income tax provision and effective tax rates for the three months ended June 30, 2025 and 2024:

(Dollars in thousands)	Three months ended June 30,	
	2025	2024
Income tax benefit	\$ (41)	\$ (6,734)
Effective tax rate	nm	nm

nm - not meaningful

For the three months ended June 30, 2025 and 2024, income tax benefit was 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. During the three months ended June 30, 2025, we recorded \$0.2 million of employee retention credits received in cash as other charges, net, in the condensed consolidated statements of operations.

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 was signed into law in the U.S., which contains a broad range of tax reform provisions affecting businesses. We are evaluating the full effects of the legislation on our estimated annual effective tax rate and cash tax. As the legislation became law after the close of our first quarter, the impacts are not included in our operating results for the three months ended June 30, 2025.

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, 2025, we have additional operating leases that have not yet commenced of approximately \$1.1 million. These leases are expected to commence in fiscal year 2026 and in fiscal year 2027 with initial lease terms of approximately 3 to 2 years, respectively.

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,	
	2025	2024
Numerator:		
Net income	\$ 4,890	\$ 14,106
Denominator:		
Weighted average shares outstanding - basic	27,794	27,134
Dilutive SSARs	297	710
Dilutive unvested restricted stock units	36	13
Dilutive unvested restricted shares	162	270
Weighted average shares outstanding - diluted	28,289	28,127
Income per share - basic:	\$ 0.18	\$ 0.52
Income per share - diluted:	\$ 0.17	\$ 0.50
Anti-dilutive restricted shares, restricted stock units, and performance shares	138	7

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 161,944 and 367,271 of restricted shares at June 30, 2025 and 2024, 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 income per share includes the impact of all potentially dilutive securities on earnings per share. We have stock-settled appreciation rights (SSARs), restricted shares, and restricted stock units 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) for up to three million common shares, plus 237,080 common shares, the number of shares that were remaining for grant under the 2020 Equity Incentive Plan, as Amended and Restated (the 2020 Plan) as of the effective date of the 2024 Plan, plus the number of shares remaining for grant under the 2020 Plan that are forfeited, settled in cash, canceled or expired. The maximum aggregate number of common shares available for issuance under the 2024 Plan 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 period over which SSARs are subject to a service condition vest 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 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 condensed consolidated statements of operations:

(In thousands)	Three Months Ended June 30,	
	2025	2024
Product development	\$ 3,074	\$ 2,636
Sales and marketing	498	331
General and administrative	1,457	1,462
Total share-based compensation expense	\$ 5,029	\$ 4,429

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.

We use a Black-Scholes-Merton option pricing model to estimate the fair value of service condition SSARs and a lattice option pricing model to estimate the fair value of market condition SSARs. There were no SSARs granted during the three months ended June 30, 2025 and 2024.

The following table summarizes the activity during the three months ended June 30, 2025 for SSARs awarded under the 2020 and 2016 Plans:

(In thousands, except share and per share data)	Number of Rights	Weighted-Average Exercise Price	Remaining Contractual Term	Aggregate Intrinsic Value
		(per right)	(in years)	
Outstanding at April 1, 2025	394,959	\$ 20.04		
Granted	—	0.00		
Exercised	(22,314)	19.78		
Forfeited	—	0.00		
Expired	—	0.00		
Outstanding at June 30, 2025	372,645	\$ 20.06	1.9	\$ 35,246
Exercisable at June 30, 2025	372,645	\$ 20.06	1.9	\$ 35,246
Vested at June 30, 2025	372,645	\$ 20.06	1.9	\$ 35,246

As of June 30, 2025, 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. Certain restricted shares are also subject to a market condition. The following table summarizes the activity during the three months ended June 30, 2025 for restricted shares granted under the 2020 Plan:

	Number of Shares	Weighted-Average Grant-Date Fair Value (per share)
Outstanding at April 1, 2025	229,710	\$ 76.01
Granted	4,970	100.19
Vested	(71,343)	48.23
Forfeited	(1,393)	79.10
Expected to vest at June 30, 2025	161,944	\$ 88.87

The weighted-average grant date fair value of the restricted shares includes grants subject only to a service condition and certain grants subject to both a service condition and a market condition. As of June 30, 2025, total unrecognized share-based compensation expense related to unvested restricted shares was \$4.9 million, which is expected to be recognized over a weighted-average vesting period of 1.5 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, 2025 for restricted stock units awarded under the 2020 and 2024 Plans:

	Number of Shares	Weighted-Average Grant-Date Fair Value (per share)
Outstanding at April 1, 2025	181,195	\$ 118.90
Granted	7,403	102.49
Vested	—	-
Forfeited	(1,661)	129.95
Expected to vest at June 30, 2025	186,937	\$ 118.09

As of June 30, 2025, total unrecognized share-based compensation expense related to non-vested restricted stock units was \$12.7 million, which is expected to be recognized over the weighted-average vesting period of 2.2 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 4,970 common shares to our Chief Executive Officer in May 2025 that vested immediately for a total value of \$0.5 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.

	Offering Period Ended June 30, 2025	Offering Period Ended December 31, 2024	Offering Period Ended June 30, 2024
Grant date fair value	\$ 131.71	\$ 103.43	\$ 81.60
Risk-free interest rate over contractual term	4.31%	4.91%	5.36%
Expected term (in years)	0.49	0.50	0.41
Expected volatility	42.40%	40.93%	47.41%

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, 2025 totaled \$0.8 million as of June 30, 2025.

As of June 30, 2025, there was no unrecognized share-based compensation expense related to the offering period ended June 30, 2025.

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 condensed consolidated statements of operations.

Our CODM reviews segment assets, reported as total assets on our condensed consolidated balance sheets, and capital expenditures, as reported on our condensed 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 condensed 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, 2025 and 2024 are as follows:

(In thousands)	Three Months Ended June 30,	
	2025	2024
Net revenue:		
Products	\$ 9,954	\$ 9,874
Subscription and maintenance	48,623	38,043
Professional services	18,098	15,595
Total net revenue	76,675	63,512
Cost of revenue ⁽¹⁾	12,503	10,300
Product development expenses ⁽¹⁾	16,304	14,035
Sales and marketing expenses ⁽¹⁾	11,457	6,683
Professional services expenses ⁽¹⁾	10,761	7,814
Customer support expenses ⁽¹⁾	3,834	3,398
General and administrative expenses ⁽¹⁾	9,452	9,162
Share-based compensation	5,029	4,429
Other segment items ⁽²⁾	2,445	(6,415)
Net income	\$ 4,890	\$ 14,106

(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 charges

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, 2025 and March 31, 2025:

(In thousands)	June 30, 2025	March 31, 2025
United States	\$ 17,715	\$ 18,618
India	13,741	14,150
Rest of world ⁽¹⁾	898	1,064
Total long-lived assets	\$ 32,354	\$ 33,832

(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. On the Credit Agreement Closing Date, the Company drew \$50.0 million on the Revolving Facility (the “Initial Revolving Loan”), the proceeds of which we used to fund the Book4Time acquisition described in Note 12 below. We repaid the remaining principal balance of \$12.0 million, outstanding as of June 30, 2025, during July 2025.

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 Revolving Loan bears interest at the SOFR Daily Floating Rate (as defined in the Credit Agreement), plus an initial margin of 1.625%, which is 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. The initial commitment fee is 0.275% subject to quarterly adjustment. We record the commitment fee as a component of interest expense. Interest and commitment fees are payable quarterly.

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, 2025.

12. Business Combination

On August 20, 2024 (the "Acquisition Date"), we acquired all the issued and outstanding shares of Book4Time Parent, Inc. ("Book4Time"), a hospitality software company based in Canada. Book4Time is now a wholly-owned subsidiary of Agilysys, Inc. The consolidated financial statements include the results of Book4Time's operations since the Acquisition Date. The acquisition expands the opportunity to increase our solutions-per-customer globally.

The purchase price consisted of \$147.2 million of cash paid at closing, funded from cash on hand and the proceeds of the Initial Revolving Loan, and \$1.1 million of cash paid in March 2025 for settlement of certain post-closing adjustments partially offset by \$2.5 million of Book4Time's cash received in the acquisition, resulting in net cash consideration of \$145.8 million. We allocated the purchase price for Book4Time to the intangible and certain tangible assets acquired and certain liabilities assumed based on their estimated fair values on the Acquisition Date, with the remaining unallocated purchase price recorded as goodwill. We determined the fair values assigned to identifiable intangible assets acquired primarily by using the income approach, which discounts the expected future cash flows to present value using estimates and assumptions determined by management.

The following table sets forth the components and the allocation of the purchase price for our acquisition of Book4Time:

(In thousands)	Total
Components of Purchase Price:	
Cash	\$ 148,280
Total purchase price	\$ 148,280
Allocation of Purchase Price:	
Net tangible assets (liabilities):	
Accounts receivable, net	\$ 1,623
Other current assets, including cash acquired	3,705
Other assets	623
Current and other liabilities	(1,973)
Deferred tax liabilities	(11,351)
Contract liabilities	(9,324)
Net tangible assets (liabilities)	(16,697)
Identifiable intangible assets:	
Customer relationships	35,800
Non-competition agreements	5,500
Developed technology	2,600
Trade names	17,100
Total identifiable intangible assets	61,000
Goodwill	103,977
Total purchase price allocation	\$ 148,280

We assigned the acquired customer relationships, non-competition agreements, developed technology, and trade name estimated useful lives of 20 years, three years, five years, and 15 years, respectively, with a weighted average useful life of approximately 15.8 years. The identifiable intangible assets acquired amortize on a straight-line basis, which we believe approximates the pattern in which the assets are utilized, over their estimated useful lives.

The goodwill recognized in the Book4Time purchase price allocation is attributable to synergies in products and technologies to serve a broader customer base, and the addition of a skilled, assembled workforce, which is not separable from goodwill under FASB Accounting Standards Codification 805. As part of the acquisition, the Company acquired fully trained personnel thereby avoiding the expenditure that would have been required to hire and train equivalent personnel. We considered the replacement cost method as most appropriate for the assembled workforce valuation. We valued the assembled workforce included in goodwill at \$1.5 million. The total goodwill recognized in the acquisition amounted to \$104.0 million, which is not deductible for income tax purposes.

The Company recognized acquisition costs of \$0.1 million related to the acquisition of Book4Time, consisting primarily of professional fees, during the three months ended June 30, 2025. The consolidated statement of operations includes these costs in other charges, net.

Revenue attributable to Book4Time included in our condensed consolidated statement of operations was \$4.8 million for the three months ended June 30, 2025. Net income was not material.

Unaudited Pro-Forma Information

The financial information in the table below summarizes the combined results of operations of Agilysys and Book4Time, on a pro forma basis, as though the companies had been combined as of the beginning of the periods presented. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place on April 1, 2024 or of results that may occur in the future.

The following unaudited pro forma financial information for the three month periods ended June 30, 2025 and June 30, 2024, respectively, combines the historical results of Agilysys and of Book4Time, as converted to U.S. GAAP, for the respective periods:

(In thousands)	Three Months Ended June 30,	
	2025 Pro Forma	2024 Pro Forma
Revenue	\$ 76,675	\$ 67,954
Net income	\$ 6,026	\$ 8,330

We based the foregoing pro forma results on estimates and assumptions that we believe are reasonable. The pro forma results include adjustments primarily related to purchase accounting. We included acquisition costs and other non-recurring charges incurred in the earliest period presented.

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, 2025, 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, 2025. 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 27 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, 2025 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, 2025, global macroeconomic and geopolitical conditions were, and continue to be, influenced 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 conditions are impacting customer spending and provider pricing decisions resulting in decreased demand, increased costs, and reduced margins particularly in areas outside of the United States.

Book4Time

On August 20, 2024, we acquired Book4Time Parent, Inc. ("Book4Time"), the global leader in spa management SaaS software, as further described in Note 12, *Business Combination*, to our condensed consolidated financial statements included under Part I, Item 1 of this quarterly report. The cash consideration for the acquisition totaled \$145.8 million of net cash, partially funded by a credit agreement (the "Credit Agreement") we entered into on August 16, 2024 (the "Credit Agreement Closing Date"), 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.

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, 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 also is 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 just one reportable segment serving the global hospitality industry. Agilysys operates across North America, Europe, the Middle East, Asia-Pacific and India with headquarters located in Alpharetta, Georgia.

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 products revenue, subscription and maintenance revenue or professional services 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.
- Products revenue – Revenue earned from the sales of software licenses, third party hardware and operating systems.
- 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.

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, 2025 and 2024:

(In thousands)	Three Months Ended June 30,		Increase (decrease)	
	2025	2024	\$	%
Net revenue:				
Products	\$ 9,954	\$ 9,874	\$ 80	0.8 %
Subscription and maintenance	48,623	38,043	10,580	27.8 %
Professional services	18,098	15,595	2,503	16.1 %
Total net revenue	76,675	63,512	13,163	20.7 %
Cost of goods sold:				
Products	6,199	5,226	973	18.6 %
Subscription and maintenance	9,983	8,108	1,875	23.1 %
Professional services	13,199	10,310	2,889	28.0 %
Total cost of goods sold	29,381	23,644	5,737	24.3 %
Gross profit	\$ 47,294	\$ 39,868	\$ 7,426	18.6 %
Gross profit margin	61.7 %	62.8 %		
Operating expenses:				
Product development	\$ 17,454	\$ 14,720	\$ 2,734	18.6 %
Sales and marketing	11,793	7,014	4,779	68.1 %
General and administrative	10,755	10,483	272	2.6 %
Depreciation of fixed assets	944	838	106	12.6 %
Amortization of internal-use software and intangibles	1,457	251	1,206	480.5 %
Other charges, net	256	550	(294)	(53.5)%
Legal settlements	114	265	(151)	nm
Operating income	\$ 4,521	\$ 5,747	\$ (1,226)	(21.3)%
Operating income percentage	5.9 %	9.0 %		

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,	
	2025	2024
Net revenue:		
Products	13.0%	15.5%
Subscription and maintenance	63.4	59.9
Professional services	23.6	24.6
Total net revenue	100.0%	100.0%
Cost of goods sold:		
Products	8.1%	8.2%
Subscription and maintenance	13.0	12.8
Professional services	17.2	16.2
Total cost of goods sold	38.3%	37.2%
Gross profit	61.7%	62.8%
Operating expenses:		
Product development	22.8%	23.2%
Sales and marketing	15.4	11.0
General and administrative	14.0	16.6
Depreciation of fixed assets	1.2	1.3
Amortization of internal-use software and intangibles	1.9	0.4
Other charges, net	0.4	0.9
Legal settlements	0.1	0.4
Operating income	5.9%	9.0%

Net revenue. Total net revenue increased \$13.2 million, or 20.7%, during the first quarter of fiscal 2026 compared to the first quarter of fiscal 2025. Products revenue decreased \$0.1 million, or 0.8%, due to increasing customer preference for subscription-based software licenses instead of perpetual software licenses and to their decreasing need for hardware due to improvements we have made to our technology enabling more support for consumer grade devices our customers can source elsewhere. Subscription and maintenance revenue increased \$10.6 million, or 27.8%, compared to the first quarter of fiscal 2025 driven by continued growth in subscription-based service revenue including service to Book4Time customers. Total subscription revenue increased 44.3% during the first quarter of fiscal 2026 compared to the first quarter of fiscal 2025. Professional services revenue increased \$2.5 million, or 16.1%, due to higher sales and service activity as our new and existing customers continue implementing technology to improve their operations.

Gross profit and gross profit margin. Our total gross profit increased \$7.4 million, or 18.6%, during the first quarter of fiscal 2026 and total gross profit margin decreased from 62.8% to 61.7% compared to the first quarter of fiscal 2025 driven by changes in the composition of revenue by category. Products gross profit decreased \$0.9 million, or 19.2%, and products gross profit margin decreased from 47.1% to 37.7% due to the composition of hardware and proprietary software products delivered. Subscription and maintenance gross profit increased \$8.7 million, or 29.1%, and gross profit margin increased from 78.7% to 79.5% as subscription revenue increases outpaced associated variable costs as a result of certain cost control measures. Professional services gross profit decreased \$0.4 million, or 7.3%, and gross profit margin decreased from 33.9% to 27.1% reflecting lower utilization rates due to continued hiring and training of new staff to meet increasing project backlogs from ongoing sales activity and certain project delays.

Operating Expenses

Operating expenses, excluding other charges, net, and legal settlements, increased \$9.1 million, or 27.3%, during the first quarter of fiscal 2026 compared with the first quarter of fiscal 2025.

Product development. Product development increased \$2.7 million, or 18.6%, in the first quarter of fiscal 2026 compared with the first quarter of fiscal 2025 due to hiring and increased salary, incentive and employee benefits rates across our development teams.

Sales and marketing. Sales and marketing increased \$4.8 million, or 68.1%, in the first quarter of fiscal 2026 compared with the first quarter of fiscal 2025 due to hiring and increased compensation rates across our sales teams, sales team additions from the Book4Time acquisition, and timing of marketing event and trade show activity.

General and administrative. General and administrative increased \$0.3 million, or 2.6%, in the first quarter of fiscal 2026 compared with the first quarter of fiscal 2025 due to increased compensation rates across our administrative teams.

Depreciation of fixed assets. Depreciation of fixed assets increased \$0.1 million, or 12.6%, in the first quarter of fiscal 2026 compared with the first quarter of fiscal 2025 due to the addition of fixed assets.

Amortization of internal-use software and intangibles. Amortization of internal-use software and intangibles increased \$1.2 million in the first quarter of fiscal 2026 compared with the first quarter of fiscal 2025 due to the addition of certain intangible assets resulting from the Book4Time acquisition.

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

Legal settlements. Legal settlements consist of certain customer and employment settlements and other business-related matters.

Other income (expense)

(In thousands)	Three Months Ended June 30,		Favorable (unfavorable)	
	2025	2024	\$	%
Other income (expense):				
Interest income	\$ 447	\$ 1,782	\$ (1,335)	(74.9)%
Interest expense	(217)	—	(217)	nm
Other income (expense), net	98	(157)	255	nm
Total other income, net	\$ 328	\$ 1,625	\$ (1,297)	(79.8)%

nm - not meaningful

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	
	2025	2024	\$	%
Income tax benefit	\$ (41)	\$ (6,734)	\$ 6,693	nm
Effective tax rate	nm	nm		

nm - not meaningful

For the three months ended June 30, 2025 and 2024, income tax benefit was 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.

On July 4, 2025, the One Big Beautiful Bill Act was signed into law in the U.S., which contains a broad range of tax reform provisions affecting businesses. We are evaluating the full effects of the legislation on our estimated annual effective tax rate and cash tax. As the legislation became law after the close of our first quarter, the impacts are not included in our operating results for the three months ended June 30, 2025.

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 our Credit Agreement.

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. On the Credit Agreement Closing Date, we drew \$50 million on the Revolving Facility, the proceeds of which we used to fund the Business Combination described below. We have repaid the entire principal balance as of July 2025.

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, including \$145.8 million of net cash, partially funded by our Revolving Facility, during the nine months ended March 31, 2025, to complete the acquisition of Book4Time. We completed no business combinations during the three months ended June 30, 2025 or June 30, 2024.

At June 30, 2025, 100% of our cash and cash equivalents, of which 80% 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 \$55.6 million as of June 30, 2025, 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,	
	2025	2024
Net cash provided by (used in):		
Operating activities	\$ (4,346)	\$ 1,098
Investing activities	(633)	(869)
Financing activities	(12,924)	(925)
Effect of exchange rate changes on cash	426	(84)
Increase (decrease) in cash	\$ (17,477)	\$ (780)

Cash flow provided by operating activities. Due to cash-based earnings of \$11.9 million and a decrease of \$16.2 million due to changes in net operating assets and liabilities. Cash-based earnings is net income of \$4.9 million and \$7.0 million of non-cash adjustments.

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

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

Contractual Obligations

As of June 30, 2025, there were no significant changes to our contractual obligations as presented in our Annual Report for the year ended March 31, 2025.

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, 2025. There have been no material changes in our significant accounting policies and estimates since March 31, 2025.

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," "estimate," "expect," "strategy," "future," "likely," "may," "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, 2025. 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, 2025. There have been no material changes in our market risk exposures since March 31, 2025.

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, 2025 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, 2025 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

None.

Item 6. Exhibits

- 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 24, 2025

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