

American Software Second Quarter of Fiscal 2009 Results

AMERICAN SOFTWARE, INC.
Consolidated Statements of Operations Information
(In thousands, except per share data)
(Unaudited)

	Second Quarter Ended			Six Months Ended		
	October 31,		Pct Chg.	October 31,		Pct Chg.
	2008	2007		2008	2007	
Revenues:						
License	\$ 3,794	\$ 4,806	(21%)	\$ 6,536	\$ 9,926	(34%)
Services & other	9,012	11,634	(23%)	18,343	21,421	(14%)
Maintenance	7,042	7,179	(2%)	14,167	13,994	1%
Total Revenues	<u>19,848</u>	<u>23,619</u>	<u>(16%)</u>	<u>39,046</u>	<u>45,341</u>	<u>(14%)</u>
Cost of Revenues:						
License	1,518	1,550	(2%)	2,806	3,235	(13%)
Services & other	6,290	8,450	(26%)	12,298	15,273	(19%)
Maintenance	1,808	1,880	(4%)	3,622	3,641	(1%)
Total Cost of Revenues	<u>9,616</u>	<u>11,880</u>	<u>(19%)</u>	<u>18,726</u>	<u>22,149</u>	<u>(15%)</u>
Gross Margin	<u>10,232</u>	<u>11,739</u>	<u>(13%)</u>	<u>20,320</u>	<u>23,192</u>	<u>(12%)</u>
Operating expenses:						
Research and development	2,358	2,459	(4%)	4,694	4,894	(4%)
Less: capitalized development	(516)	(630)	(18%)	(1,023)	(1,155)	(11%)
Sales and marketing	3,472	3,820	(9%)	7,268	7,212	1%
General and administrative	2,834	3,244	(13%)	5,929	6,762	(12%)
Acquisition related amortization of intangibles	87	87	0%	174	174	0%
Total Operating Expenses	<u>8,235</u>	<u>8,980</u>	<u>(8%)</u>	<u>17,042</u>	<u>17,887</u>	<u>(5%)</u>
Operating Earnings	<u>1,997</u>	<u>2,759</u>	<u>(28%)</u>	<u>3,278</u>	<u>5,305</u>	<u>(38%)</u>
Interest Income (expense) & Other, Net	(1,187)	1,664	nm	(1,323)	2,580	nm
Earnings Before Income Taxes and Minority Interest	<u>810</u>	<u>4,423</u>	<u>(82%)</u>	<u>1,955</u>	<u>7,885</u>	<u>(75%)</u>
Income Tax Expense	152	1,665	(91%)	600	2,936	(80%)
Minority Interest Expense	188	214	(12%)	275	450	(39%)
Net Earnings	<u>\$ 470</u>	<u>\$ 2,544</u>	<u>(82%)</u>	<u>\$ 1,080</u>	<u>\$ 4,499</u>	<u>(76%)</u>
Earnings per common share: (1)						
Basic	<u>\$ 0.02</u>	<u>\$ 0.10</u>	<u>(80%)</u>	<u>\$ 0.04</u>	<u>\$ 0.18</u>	<u>(78%)</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.10</u>	<u>(80%)</u>	<u>\$ 0.04</u>	<u>\$ 0.17</u>	<u>(76%)</u>
Weighted average number of common shares outstanding:						
Basic	25,357	25,530		25,375	25,328	
Diluted	25,860	26,658		25,931	27,080	
Reconciliation of Adjusted Net Earnings:						
Net Earnings	\$ 470	\$ 2,544		\$ 1,080	\$ 4,499	
Acquisition related amortization of intangibles (2)	71	87		121	174	
Stock-based compensation (2)	167	180		292	359	
Adjusted Net Earnings	<u>\$ 708</u>	<u>\$ 2,811</u>	<u>(75%)</u>	<u>\$ 1,493</u>	<u>\$ 5,032</u>	<u>(70%)</u>
Adjusted Net Earnings per Diluted Share	<u>\$ 0.03</u>	<u>\$ 0.11</u>	<u>(73%)</u>	<u>\$ 0.06</u>	<u>\$ 0.19</u>	<u>(68%)</u>

(1) - Basic per share amounts are the same for Class A and Class B shares. Diluted per share amounts for Class A shares are shown above. Diluted per share for Class B shares under the two-class method are \$0.02 and \$0.10 for the three months ended October 31, 2008 and 2007, respectively, and \$0.04 and \$0.18 for the six months ended October 31, 2008 and 2007, respectively.

(2) - Tax affected
nm- not meaningful

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**Consolidated Balance Sheet Information
(In thousands)
(Unaudited)**

	<u>October 31,</u> <u>2008</u>	<u>April 30,</u> <u>2008</u>
Cash and Short-term investments	\$ 59,957	\$ 76,141
Accounts Receivable:		
Billed	9,190	12,563
Unbilled	2,951	3,311
Total Accounts Receivable, net	12,141	15,874
Prepays & Other	3,453	2,946
Current Assets	75,551	94,961
Investments - noncurrent	11,099	-
PP&E, net	7,240	6,903
Capitalized Software, net	4,502	4,657
Goodwill	11,709	11,912
Other Intangibles, net	1,196	1,586
Other non-current Assets	190	198
Total Assets	<u>\$ 111,487</u>	<u>\$ 120,217</u>
Accounts Payable	\$ 657	\$ 1,578
Accrued Compensation and Related costs	1,592	2,260
Other Current Liabilities	2,807	3,694
Dividend Payable	2,278	2,286
Deferred Tax Liability	450	640
Deferred Revenues	14,420	16,441
Current Liabilities	22,204	26,899
Deferred Tax Liability	1,074	1,202
Minority Interest	5,908	5,621
Shareholders' Equity	82,301	86,495
Total Liabilities & Shareholders' Equity	<u>\$ 111,487</u>	<u>\$ 120,217</u>