

AMERICAN SOFTWARE INC
Form 10-Q
December 08, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 October 31, 2010

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: 0-12456

AMERICAN SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

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Georgia
(State or other jurisdiction of
incorporation or organization)

58-1098795
(IRS Employer

Identification Number)

470 East Paces Ferry Road, N.E., Atlanta, Georgia
(Address of principal executive offices)

30305
(Zip Code)

(404) 261-4381

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Classes	Outstanding at December 6, 2010
Class A Common Stock, \$.10 par value	23,033,554 Shares
Class B Common Stock, \$.10 par value	2,747,086 Shares

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AMERICAN SOFTWARE, INC. AND SUBSIDIARIES

Form 10-Q

Quarter ended October 31, 2010

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****American Software, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets (unaudited)**

(in thousands, except share data)

	October 31, 2010	April 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,370	\$ 21,730
Investments	17,078	16,300
Trade accounts receivable, less allowance for doubtful accounts of \$120 at October 31, 2010 and \$187 at April 30, 2010:		
Billed	10,106	8,721
Unbilled	3,345	2,419
Prepaid expenses and other current assets	2,967	3,373
Total current assets	53,866	52,543
Investments Noncurrent	13,945	15,849
Property and equipment, net of accumulated depreciation of \$26,815 at October 31, 2010 and \$26,198 at April 30, 2010	6,192	6,490
Capitalized software, net of accumulated amortization of \$8,065 at October 31, 2010 and \$7,431 at April 30, 2010	7,514	6,890
Goodwill	12,601	12,601
Other intangibles, net of accumulated amortization of \$3,215 at October 31, 2010 and \$2,742 at April 30, 2010	2,203	2,677
Other assets	98	125
Total assets	\$ 96,419	\$ 97,175
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 854	\$ 986
Accrued compensation and related costs	2,065	2,949
Dividends payable	2,320	2,284
Other current liabilities	3,378	1,986
Deferred income taxes	63	63
Deferred revenue	14,269	15,147
Total current liabilities	22,949	23,415
Deferred income taxes	1,073	1,480
Total liabilities	24,022	24,895
Shareholders' equity:		
Common stock:		
Class A, \$.10 par value. Authorized 50,000,000 shares: Issued 27,377,367 shares at October 31, 2010 and 26,867,314 shares at April 30, 2010	2,738	2,687

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Class B, \$.10 par value. Authorized 10,000,000 shares: Issued and outstanding 2,747,086 shares at October 31, 2010 and 2,777,086 shares at April 30, 2010; convertible into Class A shares on a one-for-one basis	275	278
Additional paid-in capital	86,498	84,256
Retained earnings	6,405	8,209
Class A treasury stock, 4,348,663 shares at October 31, 2010 and 4,270,688 shares at April 30, 2010, at cost	(23,519)	(23,150)
Total shareholders equity	72,397	72,280
Commitments and contingencies		
Total liabilities and shareholders equity	\$ 96,419	\$ 97,175

See accompanying notes to condensed consolidated financial statements unaudited.

Table of Contents**American Software, Inc. and Subsidiaries****Condensed Consolidated Statements of Operations (unaudited)****(in thousands, except earnings per share data)**

	Three Months Ended October 31,		Six Months Ended October 31,	
	2010	2009	2010	2009
Revenues:				
License	\$ 4,266	\$ 3,579	\$ 7,060	\$ 7,723
Services and other	9,467	8,223	18,698	15,096
Maintenance	7,220	6,917	14,289	13,734
Total revenues	20,953	18,719	40,047	36,553
Cost of revenues:				
License	1,450	947	2,143	1,803
Services and other	6,876	5,682	13,427	10,306
Maintenance	1,845	1,839	3,501	3,550
Total cost of revenues	10,171	8,468	19,071	15,659
Gross margin	10,782	10,251	20,976	20,894
Research and development	1,909	1,702	3,686	3,372
Sales and marketing	3,836	3,829	7,153	7,529
General and administrative	3,049	2,875	5,891	6,926
Amortization of acquisition-related intangibles	201	87	415	175
Provision for (recovery of) doubtful accounts	12	22	40	(298)
Total operating expenses	9,007	8,515	17,185	17,704
Operating income	1,775	1,736	3,791	3,190
Other income (expense):				
Interest income	358	352	724	761
Other, net	279	49	154	258
Earnings before income taxes	2,412	2,137	4,669	4,209
Income tax expense	938	784	1,822	1,585
Net earnings	\$ 1,474	\$ 1,353	\$ 2,847	\$ 2,624
Less net earnings attributable to noncontrolling interests				(90)
Net earnings attributable to American Software, Inc.	\$ 1,474	\$ 1,353	\$ 2,847	\$ 2,534
Earnings per common share attributable to American Software, Inc.^(a):				
Basic	\$ 0.06	\$ 0.05	\$ 0.11	\$ 0.10
Diluted	\$ 0.06	\$ 0.05	\$ 0.11	\$ 0.10

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Cash dividends declared per common share	\$ 0.09	\$ 0.09	\$ 0.18	\$ 0.18
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Shares used in the calculation of earnings per common share attributable to American Software, Inc.:				
Basic	25,706	25,324	25,624	25,313
Diluted	25,986	26,003	25,955	25,857

- (a) 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 earnings per share for Class B shares under the two-class method are \$0.06 and \$0.05 for the three months ended October 31, 2010 and 2009 and \$0.11 and \$0.10 for the six months ended October 31, 2010 and 2009, respectively. See Note G to the Condensed Consolidated Financial Statements.

See accompanying notes to condensed consolidated financial statements unaudited.

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American Software, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands)

	Six Months Ended October 31,	
	2010	2009
Cash flows from operating activities:		